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Securities Code 6409

June 5, 2017

## To Shareholders with Voting Rights

Yoshio Kito  
President & CEO

**KITO CORPORATION**

2000, Tsujijarai, Showa-cho,  
Nakakoma-gun, Yamanashi, Japan

# Notice of the 73rd Ordinary General Meeting of Shareholders

Dear Shareholders:

You are cordially invited to attend the 73rd Ordinary General Meeting of Shareholders of KITO CORPORATION (the “Company” or “KITO”), which is to be held according to the following schedule.

If you are unable to attend the meeting, you may exercise your voting rights in writing or by electromagnetic method (the Internet etc.) as shown in “Guide to Exercise Voting Rights” (Page 3). Please review the attached Reference Materials for the General Meeting of Shareholders and exercise your rights no later than 5:30 pm on Tuesday, June 20, 2017 (JST).

## Schedule

<b>1. Date and Time:</b>	At 10:00 am on Wednesday, June 21, 2017 (JST) (Reception starts at 9:00 am)
<b>2. Venue:</b>	Tower Hall, 49th floor of Roppongi Hills Mori Tower 6-10-1 Roppongi, Minato-ku, Tokyo
<b>3. Agenda of the Meeting</b>	
<b>■ Matters to be Reported:</b>	<ol style="list-style-type: none"><li>1. The Business Report, the Consolidated Financial Statements and the audit results of the Consolidated Financial Statements by the Accounting Auditor and Board of Corporate Auditors for the 73rd Term (from April 1, 2016 to March 31, 2017).</li><li>2. The Non-consolidated Financial Statements for the 73rd Term (from April 1, 2016 to March 31, 2017)</li></ol>
<b>■ Matters to be Resolved:</b>	
<b>Proposal No. 1</b>	Distribution of Surplus
<b>Proposal No. 2</b>	Election of Seven (7) Directors
<b>Proposal No. 3</b>	Granting of Stock Acquisition Rights as Stock Options to Directors (excluding Outside Directors) and Executive Officers

## 4. Matters for Determination for this Convocation

- (1) Absence of the indication of your approval or disapproval in the Voting Rights Exercise Form will be treated as indication of approval.
- (2) You may exercise your voting right by proxy, by delegating authority to one other shareholder eligible to vote at the Meeting. In such case, please submit a document evidencing the authority of the proxy.

## 5. Other Matters related to this Notice of Convocation

Under the provisions of relevant laws and regulations and Article 17 of the Company's Articles of Incorporation, the following information is published in the Company's website (<http://kito.com/jp/>), and not disclosed in this Notice.

- (1) Consolidated Statements of Changes in Net Assets (Japanese only)
- (2) Notes to Consolidated Financial Statements (Japanese only)
- (3) Non-consolidated Statements of Changes in Net Assets (Japanese only)
- (4) Notes to Non-consolidated Financial Statements (Japanese only)

The Consolidated Financial Statements and Non-consolidated Financial Statements audited by the corporate auditors and accounting auditors when they prepared their respective audit reports comprise the information included in the documents attached to this Notice as well as information published in the Company's website indicated above.

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- ◎ When attending the Meeting in person, please submit the enclosed Voting Rights Exercise Form at the reception.  
All attendants from the Company are to be lightly dressed in the “business casual” style (no necktie or jacket). We appreciate your understanding, and we ask that you come to the meeting wearing light clothing.
  - ◎ Please note that if there arises by the previous day of the General Meeting of Shareholders, any amendment to the Reference Materials for the General Meeting of Shareholders, Business Report, Non-consolidated Financial Statements or Consolidated Financial Statements, such amendment will be notified to you in writing by mail, or posted in the Company's website (<http://kito.com/jp/>).
  - ◎ The Company posts English translations and Chinese translations of the Reference Materials for the General Meeting of Shareholders and parts of the Business Report on its website. Please refer to them together with this notice. Please note that the translated versions are only for reference purposes. In the event that any error is found in a translation, the Company will promptly correct it. The Company, however, expressly disclaims any and all liability for such an error.

## Guide to Exercise of Voting Rights

Please review the Reference Materials for the General Meeting of Shareholders (page 5-25) and exercise your voting rights.

You can exercise your voting rights by any of the following three methods.

### **A** TYPE **Attending the General Meeting of Shareholders**

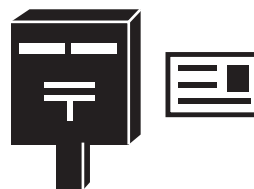


Please submit the enclosed Voting Rights Exercise Form at the reception. Also, please bring this Notice of the 73rd Ordinary General Meeting of Shareholders.

#### **Date of the General Meeting of Shareholders**

**10:00 am on Wednesday, June 21, 2017 (JST)**

### **B** TYPE **Exercising voting rights in writing**



Please indicate your approval or disapproval of each of the proposals on the enclosed Voting Rights Exercise Form and return the form before the deadline.

#### **Deadline**

**5:30 pm on Tuesday, June 20, 2017 (JST)**

#### **Multiple Exercise of Voting Rights**

- (1) If you have exercised your voting rights more than once, such as both in writing and via the Internet, etc., the exercise of the voting rights via the Internet, etc., shall be treated as effective.
- (2) If you have exercised your voting rights more than once via the Internet, etc., the final exercise of the voting rights shall be treated as effective.

For inquiries on other stock related business (change in address, number of shares held, etc.) please contact below.

- (1) For shareholders with an account at a securities Company  
Please contact your securities company.
- (2) For those who do not have an account at a securities company (shareholders with special account)

#### **Stock Transfer Agency Operation Center, Sumitomo Mitsui Trust Bank, Limited**

Toll free: **0120-782-031**

(Open from 9 am to 5 pm)  
(Excluding weekends and holidays)



## Exercising voting rights via the Internet, etc.



### Deadline

5:30 pm on Tuesday, June 20, 2017 (JST)

From PCs, smartphones, or mobile phones, please access the website for exercise of voting rights

**<http://www.web54.net>**

use the voting rights exercise code and password printed on the enclosed Voting Rights Exercise Form, follow the instructions on the screen and indicate your votes “for” or “against” each of the proposals.



It is also possible to access the website for exercise of voting rights by using a smartphone or mobile phone with a barcode reader function from the QR Code on the left.

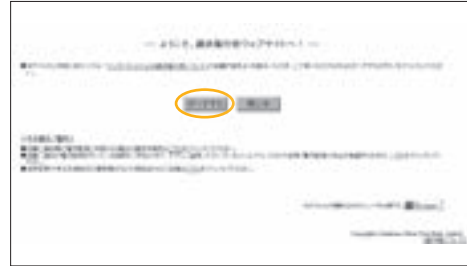
- ※ The internet access fee and communication fees, etc., for accessing the website for exercise of voting rights shall be borne by the shareholder.
- ※ There may be cases where the website for exercise of voting rights cannot be accessed depending on the internet environment, services installed, or models used.

If you are unclear of the operations of PCs, etc. on the website for exercise of voting rights, please inquire the contact point below.

**Stock Transfer Agency Web Support Help Line, Sumitomo Mitsui Trust Bank, Limited**

Toll free: **0120-652-031** (Open from 9 am to 9 pm)

### ① Access the website for exercise of voting rights



Click “Continue.”

### ② Login



Please input the “voting rights exercise code” printed on the enclosed Voting Rights Exercise Form and click “Login.”

**Please follow the instructions on the screen and indicate your votes**

- ※ If you have made prior application to use the platform for the electronic exercise of voting rights operated by ICJ, Inc., you can use the platform to exercise voting rights.

# ■ ■ Reference Materials for the General Meeting of Shareholders

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## Proposals and References

### Proposal No. 1: Distribution of Surplus

The Company believes that it is important to accumulate sufficient retained earnings to reinforce the management basis and provide for future business development, as well as the adequate profit distribution to shareholders commensurate with the Company's performance.

Under this policy, the Company is striving to increase the dividend payment, targeting a consolidated payout ratio of 20% or higher, subject to the overall consideration of its consolidated results and financial position.

The Company hereby proposes its year-end dividend for the year ended March 31, 2017 as follows, in consideration of the performance for the year as well as the business development in the future.

#### 1 Form of dividend property

Dividends shall be paid in cash.

#### 2 Matters concerning allotment of dividend property and total amount

14 yen per share of the Company's common stock

Total dividend in this case is 284,355,974 yen.

Additionally, the annual dividend for the year ended March 31, 2017 shall be 28 yen per share including the previously implemented interim dividend of 14 yen per share.

#### 3 Effective date of the distribution of surplus

June 22, 2017

## Proposal No. 2: Election of Seven (7) Directors

The terms of office of all seven (7) Directors will expire at the conclusion of this General Meeting of Shareholders. Accordingly, the election of seven (7) Directors is proposed.

The candidates for Director are as follows:

Candidate Number	Name	Inside	Outside	Independent director	Attendance at board meetings
1	<b>Yoshio Kito</b>	○			100% (12 out of 12 meetings)
2	<b>Edward W. Hunter</b>	○			100% (10 out of 10 meetings)
3	<b>Akihide Miyawaki</b>	○			100% (12 out of 12 meetings)
4	<b>Tsuneo Yuzurihara</b>	○			100% (12 out of 12 meetings)
5	<b>Keizo Tannawa</b>		○	○	100% (12 out of 12 meetings)
6	<b>Katsumi Nakamura</b>		○	○	100% (10 out of 10 meetings)
7	<b>New Candidate Takashi Hirai</b>		○	○	—

Candidate Number

1

Re-election

Inside



Name

**Yoshio Kito**

Date of birth

June 4, 1963

Number of shares of the Company held

**162,500 shares**

Attendance at board meetings

**12 out of 12 meetings**

### Reasons for the election

Mr. Yoshio Kito, since becoming President & CEO of the Company in January 2006, has displayed leadership centering on aiming to increase corporate value and realize the corporate mission. He has achieved results including overseas business expansion, new product development, and execution of M&As, and is fulfilling his duties as CEO. He is nominated as a candidate for Director as his leadership is deemed necessary in order to continue promoting the Company's Mid-term Management Plan and for the continued improvement of corporate value.

### Personal history, positions, responsibilities and significant concurrent positions

November 1988	Joined the Company
June 1992	Director
June 1998	Managing Director
April 1999	Senior Managing Director
July 2000	Senior Managing Director, Senior Managing Executive Officer
April 2005	Vice President & Representative Director, Vice President Executive Officer
January 2006	President & Representative Director, President Executive Officer
November 2011	President & CEO, President Executive Officer and General Manager of Domestic Sales Division
April 2013	President & CEO, President Executive Officer and General Manager of Business Division - East Asia
December 2013	President & CEO, President Executive Officer, General Manager of Business Division - East Asia and General Manager of Global Solution Division
April 2014	President & CEO, President Executive Officer and General Manager of Global Solution Division
April 2016	President & CEO, President Executive Officer and Chief Product Officer
January 2017	President & CEO, President Executive Officer (to present)

### Significant concurrent positions

KITO Americas, Inc./Chairman  
JIANGYIN KITO CRANE CO., LTD./Chairman

### Message to our shareholders

In addition to the ongoing uncertainty in the global economy, the business environment and industry structure are changing at a tremendous speed, but we will continue to enhance our product strategy, and accelerate our global strategy, while pursuing a unique growth strategy. As we enter our 85th anniversary of foundation in this year, I will use my leadership to help firmly establish "KITO Spirit" again, the spirit with which the Company was founded, throughout every part of our organization, and heighten the sense of involvement of every employee so that we may implement reforms "led by employees."

Candidate Number

2

Re-election

Inside



Name

Edward W. Hunter

Date of birth

July 3, 1965

Number of shares of the Company held

40,000 shares

Attendance at board meetings

10 out of 10 meetings

#### Personal history, positions, responsibilities and significant concurrent positions

May 1988 Joined Owens & Minor, Inc.  
April 1990 Joined Voluntary Hospitals of America  
June 1993 Joined Stuart Medical (current Owens & Minor, Inc.)  
General Manager  
September 1996 Joined W.W.Grainger, Inc.  
Senior Director  
May 2004 CEO/President of Harrington Hoists, Inc., an affiliate of the Company  
April 2008 Joined the Company  
Executive Officer, CEO/President of KITO Americas, Inc., an affiliate of the Company, and CEO/President of Harrington Hoists, Inc.  
April 2011 Senior Executive Officer, Head of Americas Business Operation, General Manager of Business Division - Americas, CEO/President of KITO Americas, Inc. and CEO/President of Harrington Hoists, Inc.  
April 2013 Senior Executive Officer, Head of Americas & EMEA Business Operation, General Manager of Business Division - Americas & EMEA, CEO/President of KITO Americas, Inc. and CEO/President of Harrington Hoists, Inc.  
April 2016 Executive Vice President, Co-Chief Market Officer, KITO Americas, Inc./Director, Harrington Hoists, Inc./Director, PEERLESS INDUSTRIAL GROUP, INC./Chairman & Director and Peerless Chain Co., Inc./Chairman & Director  
June 2016 Executive Vice President, Executive Vice President Officer and Co-Chief Market Officer (to present)

#### Significant concurrent positions

KITO Americas, Inc./Director  
Harrington Hoists, Inc./Director  
PEERLESS INDUSTRIAL GROUP, INC./ Chairman & Director  
Peerless Chain Co., Inc./ Chairman & Director

#### Reasons for the election

Since joining the group company of the Company in May 2004, Mr. Edward W. Hunter has promoted business expansion of the Americas Business focused on the United States and contributed to improvements of corporate value of the Company.

He is nominated as a candidate for Director as his abilities continue to be deemed necessary to drive business in the Americas, which is expected to produce the greatest amount of growth, and achieve further growth in global markets.

#### Message to our shareholders

This fiscal year has been an unfavorable one for the Company. However, despite such environment, we have continued to make tireless efforts to earn high praise from our customers. Thanks to these efforts, our business results have shown signs of recovery, and we believe that we will be able to outpace those of our competitors. In addition to improving profit rates by reducing costs, we have also invested in interior systems, thereby establishing a system which will make it possible to achieve greater customer satisfaction and reduce costs in the long term. In the next fiscal year, we will achieve even greater momentum and meet the expectations of all of our stakeholders.



Candidate Number

3

Re-election

Inside



Name

**Akihide Miyawaki**

Date of birth

August 4, 1958

Number of shares of the Company held

**3,700 shares**

Attendance at board meetings

**12 out of 12 meetings**

### Reasons for the election

Since becoming Director of the Company in June 2015, Mr. Akihide Miyawaki has fulfilled his duties as Director by drawing on his past experience at global corporations, having a strong record in governance and personnel, one of the important fundamentals of business management.

He is nominated as a candidate for Director as his ability and experience continues to be deemed necessary for the Company to develop into a truly global company.

### Personal history, positions, responsibilities and significant concurrent positions

- April 1982 Joined Toyota Motor Sales Co., Ltd. (current Toyota Motor Corporation)
- September 1990 Joined Bain & Company Japan, Inc.
- June 1994 Director, William M. Mercer Ltd. of Japan (current Mercer Japan Ltd.)
- August 1997 General Manager of Human Resources Division, Chrysler Japan Sales Ltd. and Vice President, Chrysler Asia Pacific Regional Headquarters
- May 2000 Vice President, SAP Japan Co., Ltd.
- June 2003 Vice President, Johnson & Johnson K.K. Medical Company
- April 2006 Senior Vice President, Johnson & Johnson K.K. Medical Company
- October 2008 Senior Executive Managing Officer, Square Enix Holdings Co., Ltd.
- November 2013 Joined the Company
- December 2013 Senior Executive Officer
- June 2015 Managing Director, Senior Executive Officer and Head of Corporate Planning Office, Corporate Management Division
- April 2016 Senior Managing Director, Senior Managing Executive Officer and Chief Administration Officer
- April 2017 Senior Managing Director, Senior Managing Executive Officer, Chief Administration Officer and General Manager of Corporate Management Division (to present)

### Significant concurrent positions

KITO HOISTS & CRANES ASIA PTE. LTD./Director

### Message to our shareholders

Recently, political, economic, and societal conditions are changing rapidly and drastically in the world, making prediction impossible. However, no matter what the conditions are, as long as there is gravity, KITO's reason for being will not change. We will focus our efforts on building a solid business foundation and developing exceptional organizations and personnel, so that we can satisfy the higher-level demands of our various customers around the globe and further improve our brand value amidst an increasingly severe business industry and competitive environments. We will dedicate ourselves to meeting the expectations of our shareholders.

Candidate Number

4

Re-election

Inside



Name

Tsuneo Yuzurihara

Date of birth

December 26, 1957

Number of shares of the Company held

23,600 shares

Attendance at board meetings

12 out of 12 meetings

#### Personal history, positions, responsibilities and significant concurrent positions

April 1980	Joined the Company
April 2007	Executive Officer, Deputy General Manager of Development & Technology Division and Senior Manager of Product Development Department
April 2009	Executive Officer, General Manager of Development & Technology Division and Senior Manager of Product Development Department
October 2009	Executive Officer, General Manager of Development & Technology Division, Deputy General Manager of Manufacturing Division and Senior Manager of Product Development Department
April 2010	Executive Officer, General Manager of Development & Technology Division, General Manager of Manufacturing Division and Senior Manager of Product Development Department
June 2010	Director, Executive Officer, General Manager of Development & Technology Division, General Manager of Manufacturing Division and Senior Manager of Product Development Department
April 2011	Managing Director, Senior Executive Officer, Head of Global Manufacturing, Quality Assurance, Development & Technology Division and General Manager of Development & Technology Division
April 2013	Managing Director, Senior Executive Officer, Head of Global Manufacturing, Quality Assurance, Development & Technology Division and General Manager of Procurement Division
December 2013	Managing Director, Senior Executive Officer, Head of Global Manufacturing, Quality Assurance, General Manager of Development & Technology Division and General Manager of Procurement Division
April 2015	Managing Director, Senior Executive Officer, Head of Global Manufacturing, Quality Assurance, General Manager of Development & Technology Division and General Manager of Procurement Division
April 2016	Managing Director, Senior Executive Officer, Chief Quality Officer and General Manager of Quality Assurance Division
April 2017	Managing Director, Senior Executive Officer, Chief Quality Officer, Chief Manufacturing Officer, Head of Quality Assurance Division, Manufacturing Management Department, Hoist Manufacturing Division, Chain Manufacturing Division and Procurement Division, General Manager of Quality Assurance Division and General Manager of Procurement Division (to present)

#### Significant concurrent positions

JIANGYIN KITO CRANE CO., LTD./Director

#### Reasons for the election

Since becoming Director of the Company in June 2010, Mr. Tsuneo Yuzurihara has fulfilled his duties as Director, with achievements in creating new frameworks including overseas development in development, manufacturing, procurement, and quality assurance.

He is nominated as a candidate for Director as his ability and experience continue to be deemed necessary for the Company to maintain the high level of quality of its products and to become a company which is chosen and needed by customers.

#### Message to our shareholders

Recently, the environment surrounding the Company has been harsh, reflecting the ever-changing global situation and other factors.

In this time, I believe it is essential that the Company should steadily work on strategies whose objective is further solidifying its business foundation, such as the Group's overall supply chain management, improvement of cost performance and quality.

I will continue to give my best efforts to help the Company grow and develop, increase its corporate value, and meet the expectations of its shareholders by transitioning smoothly from the steady implementation of such strategies to the growth phase of the latter half of the Mid-term Management Plan.

Candidate Number

5

Re-election

Outside

Independent  
director



Name

Keizo Tannawa

Date of birth

September 19, 1952

Number of shares of  
the Company held

53,600 shares

Attendance at board  
meetings

12 out of 12 meetings

### Reasons for the election

Mr. Keizo Tannawa is providing appropriate opinions on the management of the Company from his long years of knowledge obtained primarily in organization and human resources at a consulting company and his long experience leading the same company as an executive. He is nominated as a candidate for Outside Director so he can continue to contribute to fair and objective decision-making and oversight at the Board of Directors.

### Personal history, positions, responsibilities and significant concurrent positions

April 1978      Joined Nippon Kokan Corporation  
July 1987      Joined McKinsey & Company, Inc. Japan  
July 1993      Partner of McKinsey & Company, Inc. Japan  
July 1997      Representative Director and President of Watson Wyatt K.K. (current Towers Watson K.K.)  
February 2007      Director of the Company (to present)  
July 2013      Chairman of Towers Watson K.K.  
July 2014      Senior Advisor of Towers Watson K.K.  
January 2016      Left Towers Watson K.K.  
February 2016      Advisor of beBit, Inc. (to present)

### Significant concurrent positions

beBit, Inc./Advisor  
INVEST SECURITIES CO., LTD./Outside Director (audit and supervisory committee member)  
Akebono Brake Industry Co., Ltd./Outside Corporate Auditor  
ZMP Inc./Outside Auditor  
WWF Japan/Representative Director and Vice Chairman  
TSUBAKI NAKASHIMA Co., Ltd./Outside Director  
Livesense Inc./Outside Director

### Message to our shareholders

Currently, KITO is taking on the challenge of company-wide reform aiming for the evolution into a truly global company. As an Outside Director, I will use my approximately 30 years of experience in the building of organization and human resource management within a global corporation as well as my specialist knowledge to strongly assist making this progress a reality. In order to meet the expectations of shareholders, I will also work on solving management issues with the aim of continuing to create a strong and good company that have both profitability and growth potential, which we can pride ourselves on before the whole world.

Candidate Number

6

Re-election

Outside

Independent  
director



Name

Katsumi Nakamura

Date of birth

June 23, 1953

Number of shares of  
the Company held

0 shares

Attendance at board  
meetings

10 out of 10 meetings

### Reasons for the election

Mr. Katsumi Nakamura has many years of experience as a technician and executive in the multinational automobile industry. It is deemed that his knowledge is very beneficial for the Company as we aim for further growth. For this reason, as well as to ensure fair and objective decision-making and oversight, he is continuously nominated as a candidate for Outside Director.

### Personal history, positions, responsibilities and significant concurrent positions

April 1978	Joined Nissan Motor Co., Ltd.
January 2000	Director of Program Management office
April 2001	Senior Executive Officer
July 2003	President of Dongfeng Motor Company Limited
May 2008	EVP of Renault S.A.S.
June 2009	EVP of Renault S.A.S. and Director of Nissan Motor Co., Ltd.
June 2013	Chairman & Director of Calsonic Kansei Corporation
June 2015	Outside Director of Inabata & Co., Ltd. (to present)
June 2016	Chairman of Calsonic Kansei Corporation (to present), Outside Director of Kansai Airports (to present), Director of the Company (to present)

### Significant concurrent positions

Calsonic Kansei Corporation/Chairman  
Inabata & Co., Ltd./Outside Director  
Kansai Airports/Outside Director

### Message to our shareholders

After beginning with a designing of cars at Nissan Motor and spending half of my career as an engineer, I spent the next half of my career as a manager and executive. The automobile industry is already largely globalized, and I hope that I can use the knowledge and experience I have accumulated through my work in areas such as China, Europe, and the United States, as someone who was actually in the midst of automobile industry, in order to support KITO's development. Since my roots are in technology, I am looking forward to getting involved in KITO's manufacturing spirit as well.

Candidate Number

7

New candidate

Outside

Independent  
director



Name

Takashi Hirai

Date of birth

February 24, 1965

Number of shares of  
the Company held

0 shares

### Reasons for the election

Mr. Takashi Hirai has many years of experience working as a consultant in a consulting firm operating internationally, as well as experience as an executive in business companies in Japan and the United States. He is newly nominated as a candidate for Outside Director as his experience is deemed necessary for the formulation, implementation, and oversight of the Company's strategies.

### Personal history, positions, responsibilities and significant concurrent positions

April 1989      Joined Bain & Company Japan, Inc. (Senior Consultant)  
July 1997      Dell Japan Inc. (Director of Relationship Marketing )  
March 2000     Crayfish Co., Ltd. (Director & Chief Marketing Officer)  
April 2001      Starbucks Coffee Japan, Ltd. (Head of Corporate Planning Division/Officer)  
September 2003   Executive Officer, Senior Partner of Roland Berger Ltd.  
September 2014   Visiting Professor of Graduate School of Business Administration, Keio University (to present)  
April 2015      Visiting Professor of Graduate School of Business and Finance, Waseda University (to present)  
February 2017   Retired from the position of Executive Officer, Senior Partner of Roland Berger Ltd.  
March 2017      Professor of Graduate School of Business Sciences, MBA Program in International Business, University of Tsukuba (to present)

### Significant concurrent positions

Professor of Graduate School of Business Sciences, MBA Program in International Business, University of Tsukuba  
Visiting Professor of Graduate School of Business Administration, Keio University  
Visiting Professor of Graduate School of Business and Finance, Waseda University

### Message to our shareholders

KITO is striving for further development amidst the global competitive environment which is difficult for us to predict. As an Outside Director, I will actively contribute to key management issues such as growth strategy formulation and enhancement of global management strength. I have been involved in company management as a strategic consultant and as an executive in multiple business companies. This year I have shifted to the world of academia. I will use my experience and expertise as a business strategy professional to their fullest.

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(Notes) 1. **No conflict of interest exists between the Company and any of the candidates.**

Transactions between the Company and Roland Berger Ltd., where Mr. Takashi Hirai held his post until February 2017, accounted for less than 1% of consolidated net sales of both parties.

2. **Messrs. Keizo Tannawa, Katsumi Nakamura and Takashi Hirai are the candidates for Outside Directors.**

The Company has designated Messrs. Keizo Tannawa and Katsumi Nakamura as independent directors and notified the Tokyo Stock Exchange. If the election of Mr. Takashi Hirai is approved, the Company intends to designate him as independent director and notify the Tokyo Stock Exchange.

3. **Number of years of service since the candidates were first appointed as Outside Directors**

1) Mr. Keizo Tannawa's term of office as an Outside Director, as of the conclusion of this General Meeting of Shareholders, is 10 years and 4 months.

2) Mr. Katsumi Nakamura's term of office as an Outside Director, as of the conclusion of this General Meeting of Shareholders, is 1 year.

4. **Liability limitation agreement with the candidates**

Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company has concluded agreements with Messrs. Keizo Tannawa and Katsumi Nakamura, limiting their liability for damages under Article 423, Paragraph 1 of the same Act. The maximum amount of liability under those Agreements is the total of the amounts specified in each item of Article 425, Paragraph 1 of the Companies Act, and if the re-election of Messrs. Keizo Tannawa and Katsumi Nakamura is approved, the Company plans to continue those agreements with them.

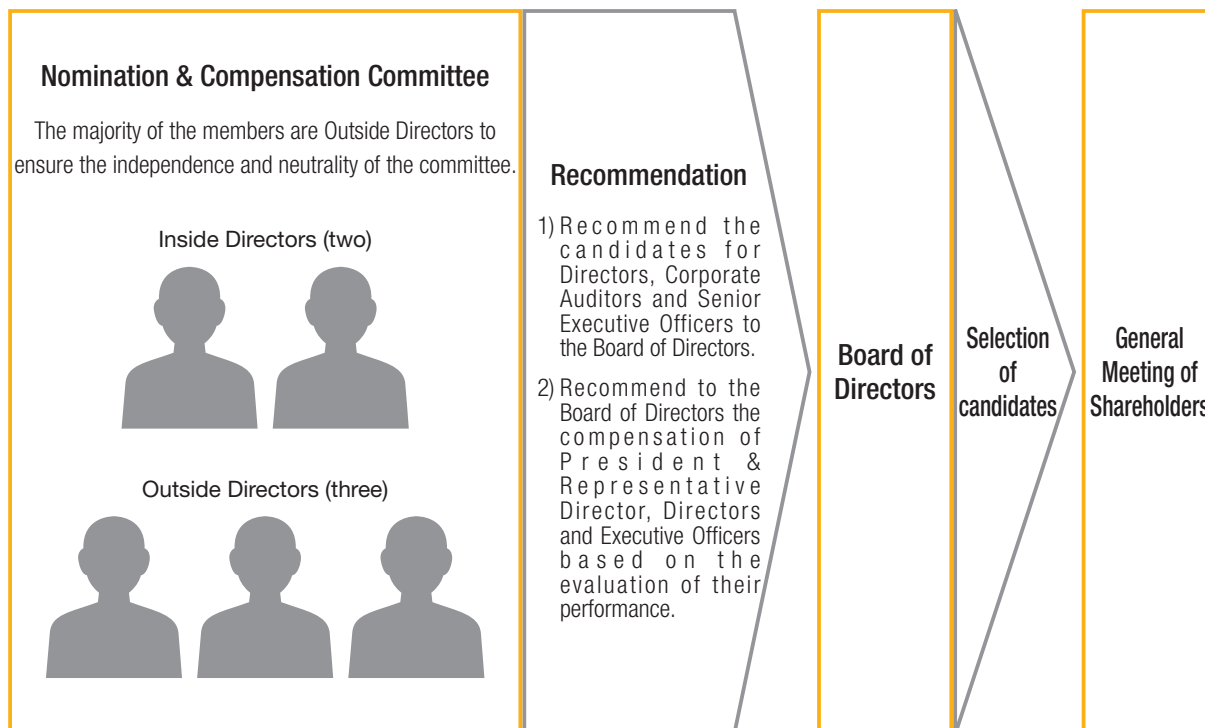
If the election of Mr. Takashi Hirai is approved, pursuant to Article 427, Paragraph 1 of the Companies Act, the Company plans to conclude agreements with Mr. Takashi Hirai, limiting his liability for damages under Article 423, Paragraph 1 of the same Act on the same condition as Messrs. Keizo Tannawa and Katsumi Nakamura.

## Reference information related to the exercise of voting rights

### • Election (Nomination & Compensation Committee)

In the Company, the Nomination & Compensation Committee, a voluntary committee of which the majority is comprised of Outside Directors, deliberates and makes recommendations to the Board of Directors regarding candidates for Directors, Corporate Auditors, and Senior Executive Officers.

The Company established the standards for independence of Outside Directors described in the following page and will judge the independence of the candidates for Outside Directors in accordance with the standards.



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## Standards for Independence of Outside Directors

The Company will judge the independence of its outside directors from the viewpoints of whether they can be expected to make positive suggestions and raise questions concerning the Company's business development, in addition to their satisfaction of the standards of independence prescribed by the Tokyo Stock Exchange, Inc. Specifically, independence of the outside directors will be evaluated based on the viewpoints mentioned above to the extent they do not fall under any of the following categories.

1. A person for whom the Company's group is a principal trading partner or a business administrator thereof,
2. A principal trading partner of the Company's group or a business administrator thereof,
3. A major shareholder of the Company or a business administrator thereof,
4. A business administrator of a person for whom the Company's group is a major investor,
5. A person receiving a large donation from the Company's group or a business administrator thereof,
6. A consultant, certified public accountant, other professional accountant, lawyer, or other legal specialist that receives a large amount of money or other assets other than the compensation for a director from the Company (assets in excess of the amount equivalent to 2% of its total sales turnover or gross income or 10 million yen whichever is larger on average in the preceding 3 years, other than the compensation for a director) (In the case that the person receiving the assets is a corporation, association or other group, a person belonging to such group),
7. A person belonging to the auditing firm who performs a statutory audit of the Company,
8. A person from a corporation for which a business administrator of the Company's group assumed the post of its outside director on a reciprocal basis within the preceding 3 years,
9. A person falling under the category of Items 1 through 8 hereof within the preceding 3 years,
10. A close relative (within the 2nd degree of relationship) of a person listed below:
  - a) A person who falls under the category of Items 1 through 9 hereof,
  - b) A director, corporate auditor, executive officer or principal employee of the Company or its affiliated companies.

(Note)

"Person for whom the Company's group is a principal trading partner" refers to a person who received from the Company a payment of the amount in excess of 2% of its annual consolidated sales turnover or gross income or 100 million yen whichever is larger in the immediately preceding business year.

"Principal trading partner of the Company's group" refers to a person who made to the Company a payment of the amount in excess of 2% of the Company's annual consolidated sales turnover or gross revenue or 100 million yen whichever is larger in the immediately preceding business year.

"Major shareholder of the Company" refers to a person directly or indirectly holding 10% or more of the voting rights of the Company's entire shareholders.

"Person for whom the Company's group is a major investor" refers to a person the Company's group invests in to hold directly or indirectly 10% or more of its total voting rights.

"Person receiving a large donation from the Company's group" refers to a person who received from the Company's group a donation in excess of 10 million yen or 2% of its annual sales turnover or gross income whichever is larger on average in the preceding 3 years.



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## Evaluation of the Effectiveness of the Company's Board of Directors

The Company evaluated the effectiveness of the Board of Directors for fiscal 2016 in order to verify and improve the decision-making function and management oversight function of the Board of Directors. Here is a summary of the results of the evaluation.

### 1. Method of evaluation

The Company conducted a questionnaire survey among Directors and Corporate Auditors (total 10 persons) regarding the following subjects, requiring the disclosure of respondents' names. In the questionnaire, the subjects were evaluated into five grades and the survey provided a free comment space to collect opinions.

#### 【Questionnaire subjects】

- 1) Composition of the Board of Directors (number of members, diversity, number and proportion of Outside Directors, etc.)
- 2) Operation of the Board of Directors (frequency of meetings, provision of information, level of activeness of discussions, atmosphere of meetings, etc.)
- 3) Agenda items of the Board of Directors' meetings (selection of agenda, timing of proposals, hours of deliberation, discussions on nomination and compensation of officers, discussions on governance and risks, etc.)
- 4) A system to support the Board of Directors (ensuring Directors' opportunities to obtain information, training program for Directors and Corporate Auditors, collaboration with the Internal Audit Office, etc.)

### 2. Summary of the results of evaluation by the Company's Board of Directors and issues identified

#### 1) Summary of the results of evaluation

Based on the results of the evaluation, the Company evaluates that the effectiveness of the Board of Directors is ensured in light of the following facts.

- (1) The composition of the Board of Directors ensures a system for the Board of Directors to make important management decisions and oversee business executions properly.
- (2) The resolutions items for the Board of Directors are appropriate and sufficient time is used for their deliberations.
- (3) Active and constructive discussions are made by the members including outside officers (three Directors and two Corporate Auditors) who have diverse expertise.

#### 2) Issues identified from the results of evaluation

The following opinions were expressed as issues to be addressed to improve further the effectiveness of the Board of Directors.

- (1) If external point of view is respected, establishment of a maximum term of office ought to be considered going forward.
- (2) It may be better to have a meeting for discussing the main corporate themes for each year in advance.
- (3) Roles of the Nomination & Compensation Committee and those of the Board of Directors need to be sorted out in the future.
- (4) Effort ought to be made to enhance timely provision of adequate information, including the advance distribution of materials regarding the agenda items at the Board of Directors' meetings.

### 3. Responses that the Company will make

- With regard to the "term of office for outside officers," no single maximum term shall be established across the board. We will evaluate their contribution to improving effectiveness more strictly each year, and submit a proposal for election to the General Meeting of Shareholders.
- Further reinvigoration of the Board of Directors shall be pursued through information-sharing between the Committee and the Board of Directors.
- Meetings with outside officers shall be organized for intensive discussion on specific subjects, in an effort to refine management strategies and to enhance supervisory function.

## Management System

If this proposal is approved, the Company will engage in business using the following system.

### Board of Directors      Directors' term of office: one year

#### Inside Directors

Yoshio Kito  
Edward W. Hunter  
Akihide Miyawaki  
Tsuneo Yuzurihara

#### Outside Directors

Keizo Tannawa  
Katsumi Nakamura  
Takashi Hirai

- Of the seven Directors, **three are Outside Directors and Independent Directors**

- Outside Directors: Composed of specialists in organization, business models, and strategies, etc., with diverse experience and specializations.

- Inside Directors: Appointed from among members with diverse experience in sales, manufacturing, and management, etc.

### Board of Corporate Auditors      Corporate Auditors' term of office: four years

#### Inside Corporate Auditor

Kentaro Yoneyama

#### Outside Corporate Auditors

Masatoshi Yasunaga  
Kiyohito Hamada

- Of the three Corporate Auditors, **two are Outside Corporate Auditors and Independent Auditors**

- One is a lawyer and the other is a certified public accountant and tax accountant

### Board of Executive Officers      Executive Officers' term of office: one year

Persons with abilities and who are well-versed in operations are actively appointed, regardless of race, gender, etc.

#### Business Divisions

Regional Business Administration	The Americas	China	Asia	EMEA
Edward W. Hunter Yoshio Morita	Carlo Lonardi Marc Premont	Longlin Huang	Mamoru Horiuchi	Martin Rothe

#### Function Divisions

Business Administration	Business Strategy	Manufacturing, Procurement, and Quality	Development & Technology	KGO Project	Powered Chain Hoists	Hoist Manufacturing	Chain Manufacturing
Akihide Miyawaki Shigeki Osozawa	Shigeki Osozawa	Tsuneo Yuzurihara	Hiroshi Yamada	Toshio Kono	Scott D. Miller	Takuya Kobayashi	Kimiaki Hayakawa

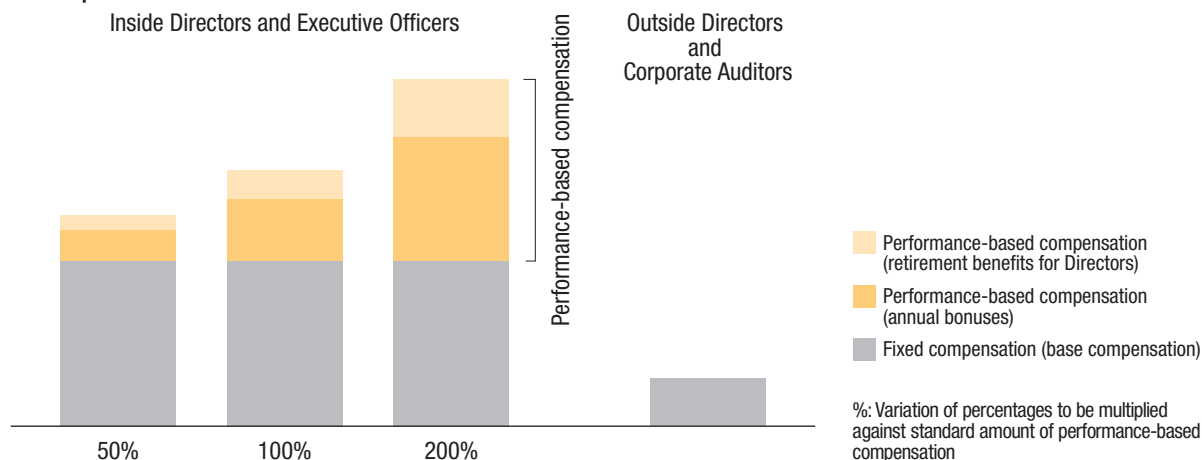
## Compensation System

### ■ Basic Policy of Officers' Compensation System

- 1) The Company positions officers' compensation as one of the important means to achieve sustainable growth and an increase in medium and long-term corporate value of the Group.
- 2) The compensation for Directors, excluding Outside Directors, and Executive Officers shall reflect the level of achievement of consolidated business performance targets and level of the individual officer's contribution to the business performance of the Company. The higher the position and responsibility of an officer, the greater the ratio of the officer's performance-based compensation to his/her total compensation.
- 3) The Company ensures the transparency and objectivity of the compensation of Directors and Executive Officers by deliberating on the compensation of Directors and Executive Officers at the Nomination & Compensation Committee, a voluntary committee which majority of the members are Outside Directors, and making recommendations to the Board of Directors.

<b>Fixed compensation (base compensation)</b>	The Company determines an appropriate level of base compensation, comprehensively taking into account the size of the Company and the duties of Officers, referring to external databases, etc.
<b>Performance-based compensation (annual bonuses)</b>	The Company calculates the standard annual bonuses by position, with a range of 25 to 50% of base compensation for each position. Then we determine bonuses for individual Director/Executive Officers within a range of 50 to 200% of standard annual bonus by comprehensively evaluating individual Director/Executive Officer's level of achievement of his/her targets and the level of his/her contribution to the business performance of the Company, using consolidated net sales and EBITDA (income before income taxes, to which extraordinary income, interest expenses and depreciation and amortization are added) of the Company as the evaluation indicators.
<b>Performance-based compensation (retirement benefits for Directors)</b>	The Company calculates the standard annual reserve for retirement benefits for each position, within a range of 10 to 25% of base compensation. Then, the Company determines annual reserves for retirement benefits for individual Directors/Executive Officers with a range of 50 to 200% of the standard annual reserves by comprehensively evaluating the level of achievement of their targets and the level of their contribution to the business performance of the Company, using consolidated net sales and EBITDA of the Company as the evaluation indicators.

### ■ Compensation Scheme



(Note) Annual amount of compensation for Directors: 300 million yen or less (including 30 million yen or less for Outside Directors)  
 Annual amount of compensation for Corporate Auditors: 80 million yen or less  
 (These amounts were determined by resolution at the Ordinary General Meeting of Shareholders held on June 26, 2007.)

### **Proposal No. 3: Granting of Stock Acquisition Rights as Stock Options to Directors (Excluding Outside Directors) and Executive Officers**

Pursuant to Articles 236, 238, and 239 of the Companies Act, it is proposed that stock acquisition rights be granted as stock options to Directors (excluding Outside Directors) and Executive Officers of the Company as follows, and that the determination of subscription requirements of stock acquisition rights be delegated to the Board of Directors of the Company.

If all of these new stock acquisition rights are exercised, the current total number of issued stocks, 27,048,200 stocks, will be diluted by approximately 0.7%.

#### **1. Reason for need to solicit individuals to receive stock acquisition rights at especially favorable terms:**

The purpose is to motivate and give the directors (excluding outside directors) and executive officers an incentive for improving the Company's performance and corporate value.

#### **2. Individuals eligible to receive stock acquisition rights:**

Directors (excluding outside directors) and executive officers of KITO CORPORATION. The number of Directors specified in the Articles of Incorporation of the Company is ten (10) (including Outside Directors) at maximum, and currently the Company has seven (7) Directors (including 3 Outside Directors). If Proposal No. 2 is approved as proposed, the number of Directors will be seven (7) (including 3 Outside Directors).

#### **3. Details, cap on the number, etc. of stock acquisition rights delegated to determine the subscription requirements based on the resolution that will be passed at the Shareholders Meeting:**

(1) Cap on the number of stock acquisition rights delegated to determine the subscription requirements:

It shall be set at 1,000 units, the details of which are as defined in (3) below.

The total number of stocks to be received by exercise of such stock acquisition rights shall be capped at 200,000 common stocks of KITO CORPORATION, and at the number calculated by multiplying the adjusted number of stocks to be granted by the number of the above stock acquisition rights in cases where the number of the stocks to be granted (as defined below) is adjusted in accordance with (3)-(a).

(2) Payment of money is not required for the stock acquisition rights delegated to determine the subscription requirements.

(3) Details of the stock acquisition rights delegated to determine the subscription requirements:

##### **(a) Type and number of stocks underlying the stock acquisition rights:**

The type of stocks underlying the stock acquisition rights shall be a common stock of KITO CORPORATION, and the number of such stocks underlying a single stock warrant (hereinafter referred to as the "Number of the Stocks to be Granted") shall be 200 shares.

However, in the event of a split (including allotment of the common stocks of KITO CORPORATION without contribution; the same applies hereinafter) or reverse split of the common stocks of KITO CORPORATION, the Number of the Stocks to be Granted shall be adjusted based on the following formula, and a fraction of less than one share resulting from the adjustment shall be disregarded:

Adjusted Number of the Stocks to be Granted = Number of the Stocks to be Granted before adjustment × Ratio of stock split or reverse split

In addition to the above, in the event of unavoidable reasons requiring the adjustment of the Number of the Stocks to be Granted, such Number of the Stocks to be Granted shall be adjusted within the reasonable extent.

**(b) Amount of assets to be invested upon exercise of the stock acquisition rights:**

It shall be the amount calculated by multiplying the amount paid per one common stock of KITO CORPORATION to be received by exercise of the stock acquisition rights (hereinafter referred to as the “Exercise Price”) by the Number of the Stocks to be Granted.

The Exercise Price shall be the amount calculated by multiplying whichever is the higher of (A) the average of daily closing price of the common stocks of KITO CORPORATION at the Tokyo Stock Exchange (hereinafter referred to as the “Closing Price”) for the month (except days when no trades are done) prior to the month that includes the day when the stock acquisition rights are allotted (hereinafter referred to as the “Day of Allotment”); or (B) the Closing Price for the Day of Allotment (the Closing Price for the day immediately prior to the Day of Allotment if no trades are done), by 1.05, and a fraction of less than 1 yen shall be rounded up.

In cases where a split or reverse split of the stocks of KITO CORPORATION takes place after the Day of Allotment, the Exercise Price shall be adjusted based on the following formula, and a fraction of less than 1 yen resulting from the adjustment shall be rounded up:

$$\text{Adjusted Exercise Price} = \text{Exercise Price before Adjustment} \times \frac{1}{\text{Ratio of Stock Split or Reverse Split}}$$

In cases where KITO CORPORATION issues new stocks or disposes of treasury stocks (except securities acquired by KITO CORPORATION in exchange for delivery of the common stocks of KITO CORPORATION or securities with put option, and stocks delivered by exercise of the stock acquisition rights of which the holder can demand delivery of the common stocks of KITO CORPORATION) at a price lower than the market value after the Day of Allotment, the Exercise Price shall be adjusted based on the following formula and a fraction of less than 1 yen resulting from the adjustment shall be rounded up:

$$\text{Adjusted Exercise Price} = \text{Exercise Price before Adjustment} \times \frac{\text{Number of Stocks Issued} + \frac{\text{Number of New Stocks} \times \text{Amount Paid per Share}}{\text{Market Value}}}{\text{Number of Stocks Issued} + \text{Number of New Stocks}}$$

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In the above formula, the “Number of stocks issued” shall be the number calculated by deducting the number of treasury stocks out of the common stocks of KITO CORPORATION from the total number of common stocks of KITO CORPORATION that have already been issued, and the “Number of new stocks” shall be deemed to be replaced with the “number of treasury stocks to be disposed of” in the event of disposition of the treasury stocks.

In addition to the above, in the event of unavoidable reasons requiring adjustment of the Exercise Price (e.g., in cases where KITO CORPORATION reduces the amount of its stated capital after the Day of Allotment), the Exercise Price shall be adjusted, in consideration of the terms and conditions of such reduction in the amount of the stated capital, within the reasonable extent.

**(c) Period during which the stock acquisition rights may be exercised:**

It shall be a period from the day when two (2) years have elapsed since the day on which the resolution is adopted to the day when ten (10) years have elapsed and determined by the board of directors of KITO CORPORATION.

**(d) Conditions for exercising the stock acquisition rights:**

- i) Successors of a holder of the stock acquisition rights may inherit the stock acquisition rights.
- ii) Disposition of the stock acquisition rights such as pledges shall not be permitted.

**(e) Grounds and requirements for acquiring the stock acquisition rights:**

- i) In cases where a holder of the stock acquisition rights is discharged on disciplinary grounds or removed from his/ her post as director, executive officer or auditor (except removal due to mandatory retirement and termination of a term) or resigns for his/her own reasons, all of the stock acquisition rights issued for such a holder may be acquired with no compensation.
- ii) In cases where a holder of the stock acquisition rights finds a position at a company in substantial competition with KITO CORPORATION or conducts on his/her own business in substantial competition with KITO CORPORATION, all of the stock acquisition rights issued for such a holder may be acquired with no compensation.
- iii) In cases where a holder of the stock acquisition rights violates the terms of the “agreement on allotment of stock acquisition rights” that is signed between the holders of the stock acquisition rights and KITO CORPORATION, all of the stock acquisition rights issued for such a holder may be acquired with no compensation.

**(f) Restrictions on acquiring the stock acquisition rights through transfers:**

In order to acquire the stock acquisition rights through transfers, approval by resolution at the board of directors of KITO CORPORATION is required.

**(g) Matters concerning the stated capital or capital reserve to be increased in cases where stocks are issued by way of exercise of the stock acquisition rights:**

- i) The amount of the stated capital to be increased in cases where the stocks are issued by way of exercise of the stock acquisition rights shall be half of the amount of the maximum increase in the stated capital as calculated pursuant to Article 17-(1) of the Ordinance on Company Accounting, and a fraction of less than 1 yen resulting from the calculation shall be rounded up.

- 
- ii) The amount of the capital reserve to be increased in cases where the stocks are issued by way of exercise of the stock acquisition rights shall be the amount calculated by deducting the amount of the stated capital to be increased as stipulated in the above i) from the amount of the maximum increase in the stated capital as in i).

**(h) Handling of the stock acquisition rights in the event of the act of reorganization:**

In cases where KITO CORPORATION carries out a merger (only when KITO CORPORATION is extinguished due to the merger), absorption-type or incorporation-type company split, stock swap, or stock transfer (hereinafter collectively referred to as the “Act of Reorganization”), KITO CORPORATION shall deliver to the holders of outstanding stock acquisition rights, as of the effective time of the Act of Reorganization (hereinafter referred to as the “Remaining Stock Acquisition Rights”), stock acquisition rights of a stock company (hereinafter referred to as the “Reorganized Company”) as provided in (a) to (e) of (viii) of Article 236-(1) of the Companies Act (hereinafter referred to as the “Reorganized Company Stock Acquisition Rights”) based on the following terms and conditions.

In this case, the Remaining Stock Acquisition Rights shall be extinguished, and the Reorganized Company shall newly issue the Reorganized Company Stock Acquisition Rights; provided, however, that in accordance with the terms and conditions below this shall apply only to cases where the delivery of the Reorganized Company Stock Acquisition Rights is stipulated in the agreement on an absorption-type / consolidation-type merger, absorption-type company split or stock swap, or in the plan on an incorporation-type company split or stock transfer.

- i) Number of the Reorganized Company Stock Acquisition Rights to be delivered:  
The Reorganized Company Stock Acquisition Rights shall be respectively delivered in the same number of stock acquisition rights that are owned by a holder of the Remaining stock acquisition rights.
- ii) Type and number of the stocks of the Reorganized Company underlying the Reorganized Company Stock Acquisition Rights:  
The type shall be a common stock of the Reorganized Company, and its number shall be determined in consideration of the terms of conditions of the Act of Reorganization and in accordance with the above (a).
- iii) Amount of assets to be invested upon exercise of the Reorganized Company Stock Acquisition Rights:  
It shall be, in consideration of the terms and conditions of the Act of Reorganization, the amount calculated by multiplying the amount paid after the reorganization resulting from the adjustment of the Exercise Price as prescribed in the above (b) by the number of stocks of the Reorganized Company underlying such Reorganized Company Stock Acquisition Rights as determined in the above ii).
- iv) Period during which the Reorganized Company Stock Acquisition Rights may be exercised:  
It shall be from whichever is the later of (A) the first day of the period during which the Stock Acquisition Rights may be exercised as provided in the above (c); or (B) the effective day of the Act of Reorganization, through the last day of the period during which the stock acquisition rights may be exercised as provided in the above (c).

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- v) Conditions for exercising the Reorganized Company Stock Acquisition Rights:  
They shall be determined pursuant to the above (d).
  - vi) Grounds and requirements for acquiring the Reorganized Company Stock Acquisition Rights:  
They shall be determined pursuant to the above (e).
  - vii) Restrictions on acquiring the Reorganized Company Stock Acquisition Rights through transfers:  
In order to acquire the Reorganized Company Stock Acquisition Rights through transfers, the approval by resolution at the board of directors of the Reorganized Company (or “directors” when the Reorganized Company does not have the board of directors) is required.
  - viii) Matters concerning the stated capital or capital reserve to be increased in cases where stocks are issued by way of exercise of the Reorganized Company Stock Acquisition Rights:  
They shall be determined pursuant to the above (g).
- (i) Rounding-down of fractions resulting from exercise of the stock acquisition rights:**  
In cases where the stocks to be delivered to the holders of the stock acquisition rights have a fraction of less than 1 share, such a fraction shall be rounded down.
- (j) Amount of the stock acquisition rights:**  
The amount of the stock acquisition rights shall be calculated using the Black Scholes model, which is a general option value calculation model, based on the conditions as of the day of allotment.
- (k) Other details of the stock acquisition rights:**  
They shall be defined at the board of directors meeting that determines the subscription requirements for the stock acquisition rights.



## 1 Overview of the Company Group

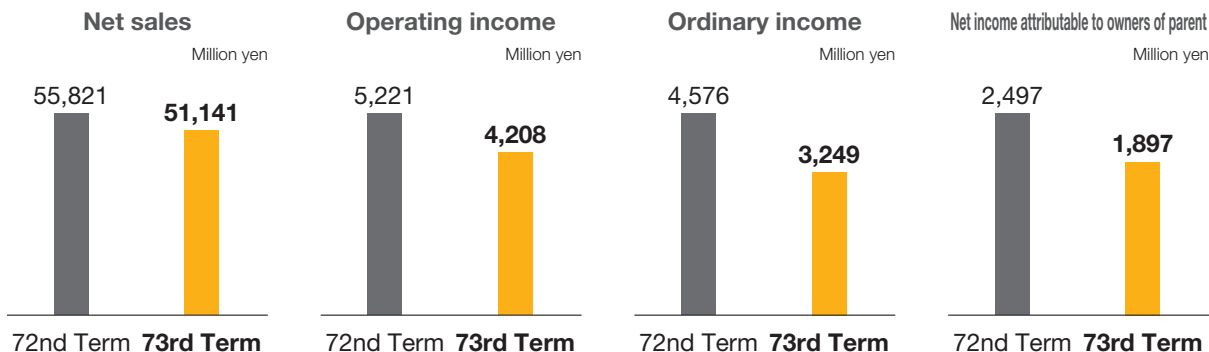
### (1) Business Progress and Results

In fiscal 2016, the fiscal year ended March 31, 2017, the general economic outlook remained turbid as a result of such factors as the economic slowdown in China and other developing Asian nations, a decline in natural resource prices, fluctuations in exchange rates, and the effects from uncertainty over the European situation. In Japan, the economy had a tone of recovery overall, supported by investment demand to address issues of aging facilities and infrastructure. The U.S. economy showed signs of recovery in facility and housing investment, supported by firm personal consumption.

Fiscal 2016 was the initial year of KITO's five-year Mid-Term Management Plan. The Kito Group implemented measures to lay the groundwork for achieving its management objectives of regaining a

high earnings structure, growth through expansion of the product portfolio, and organizational evolution to become a truly global company.

As a result, consolidated net sales for the fiscal year amounted to 51,141 million yen (a decrease of 8.4% over the previous fiscal year). In terms of earnings, despite improvements in production efficiency and cost reductions, earnings were affected by the recording of approximately 600 million yen in expenses required for the Company's bid to acquire a European firm. Operating income amounted to 4,208 million yen (a decrease of 19.4% over the previous fiscal year), with ordinary income of 3,249 million yen (a decrease of 29.0% over the previous fiscal year), and net income attributable to owners of parent of 1,897 million yen (a decrease of 24.0% over the previous fiscal year).



The Kito Group conducts business activities on a segment basis by location in connection with the operations

### Japan

Net sales declined 5.4% from the previous fiscal year, to 24,036 million yen. Although sales within the domestic market rose year on year as the Kito Group steadily captured demand from infrastructure-related investments, exports were scaled back to reduce inventory at overseas subsidiaries and the yen appreciated. Operating income declined 12.6% from the previous fiscal year, to 4,826 million yen, due mainly to the appreciation of the yen.

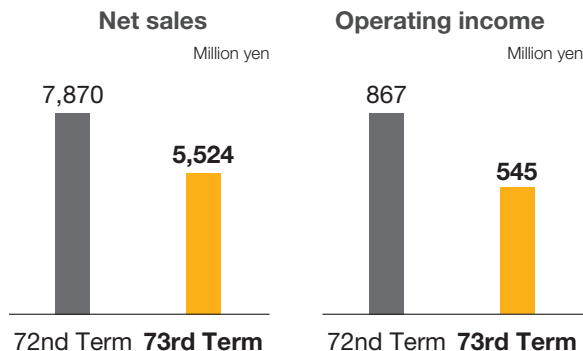
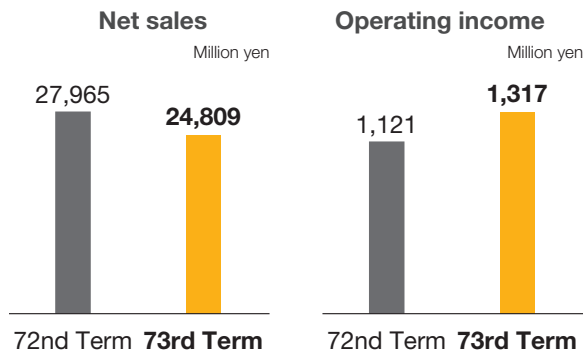
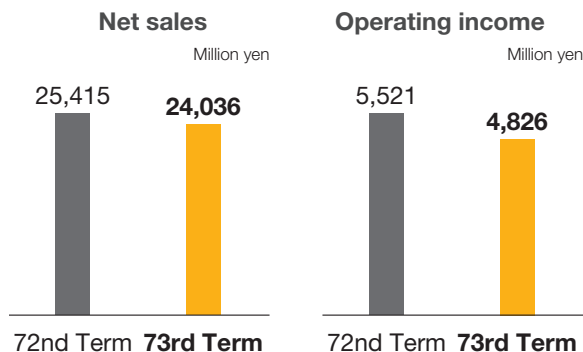
### The Americas

Sales in the United States were down slightly on a local currency basis, as capital investment remained sluggish over uncertainty surrounding government policy following the change in administration. After conversion to yen, as a result of the stronger yen, sales declined 11.3% from the previous fiscal year, to 24,809 million yen. Operating income was up 17.5% from the previous fiscal year, to 1,317 million yen, following ongoing measures for business efficiency and cost reduction.

### China

Sales declined 29.8% from the previous fiscal year, to 5,524 million yen, with weak demand overall in response to the economic slowdown. Operating income amounted to 545 million yen, down 37.1% compared with the previous fiscal year. The Kito Group continues to implement cost reduction measures aimed at securing earnings.

of Kito Corporation and its consolidated subsidiaries. Business results by segment are as presented as follows.

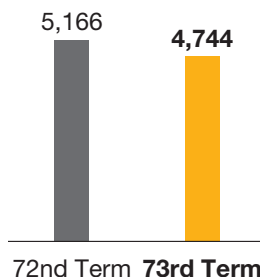


## Asia

Business expanded in South Korea as the Kito Group captured demand for clean room cranes used in the flat panel display industry, but overall investment demand in other regions in Asia tapered off as a result of sluggish growth in regional economies in response to China's economic slowdown. As a result, sales declined 8.2% from the previous fiscal year, to 4,744 million yen, up 309.4% compared with the previous fiscal year, as a result of ongoing measures to improve earnings.

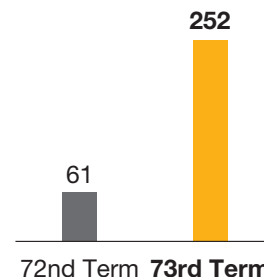
### Net sales

Million yen



### Operating income

Million yen

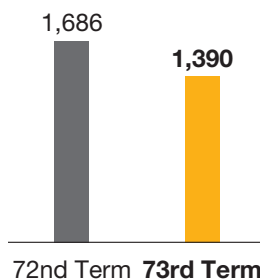


## Europe

Sales declined 17.6% from the previous fiscal year, to 1,390 million yen, as a result of fluctuations in oil prices, and a heightened sense of uncertainty regarding the situation in Europe and surrounding regions. The Kito Group posted an operating loss for the period of 27 million yen, compared with operating income of 31 million yen in the previous fiscal year.

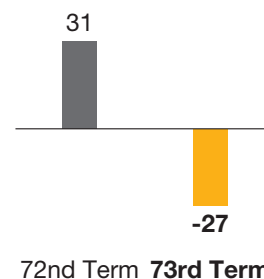
### Net sales

Million yen



### Operating income

Million yen

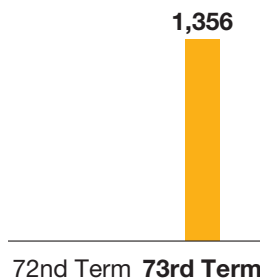


## Other

As a result of the inclusion of Scaw Metals Pty. Ltd. which was acquired in Australia (renamed to "Kito Australia Pty. Ltd." on July 27, 2016) and its subsidiaries within the scope of consolidation, beginning from the end of first quarter of the current fiscal year, sales amounted to 1,356 million yen and operating loss was 29 million yen.

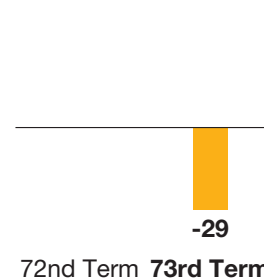
### Net sales

Million yen



### Operating income

Million yen



## **(2) Capital investment**

The total amount of capital investment in the consolidated fiscal year ended in March 31, 2017 was 2,239 million yen, comprising primarily the factory building seismic strengthening work and the installation of painting lines and cutting-related equipment.

## **(3) Financing**

In the consolidated fiscal year ended in March 31, 2017, the Company financed 8,057 million yen in the form of loans from financial institutions.

## **(4) Status of Acquisition or Disposal of Shares or Other Holdings of Other Companies, and of New Stock Acquisition Rights, etc.**

On April 29, 2016, the Company acquired all shares of Scaw Metals Pty. Ltd. of Australia (renamed to “Kito Australia Pty. Ltd.” as of July 27, 2016) (hereinafter referred to as “Kito Australia”).

With this acquisition, Kito Australia, its subsidiary Anchor Nominees Pty. Ltd. (hereinafter referred to as “Anchor Nominees”), and PWB Anchor Pty. Ltd., a subsidiary of Anchor Nominees, became consolidated subsidiaries of the Company.

## **(5) Corporate challenges to be addressed**

Kito Group will further strengthen its business operations and increase its presence in the global market as stated in the new Mid-term Management Plan that carries through to the fiscal year ending March 31, 2021. The following points have been identified as top priorities in order to constantly deliver value that will exceed customers’ expectations and achieve maximization of value of the KITO brand in the markets.

### **i Enhance Customer Experience**

We will expand our product fields and product lineup as well as increase the value of and differentiate our products. We will improve our user training and other services, shorten lead times, and work to further enhance customer service. We will also strengthen our quality control and quality assurance systems globally.

### **ii Create an Efficient Organization**

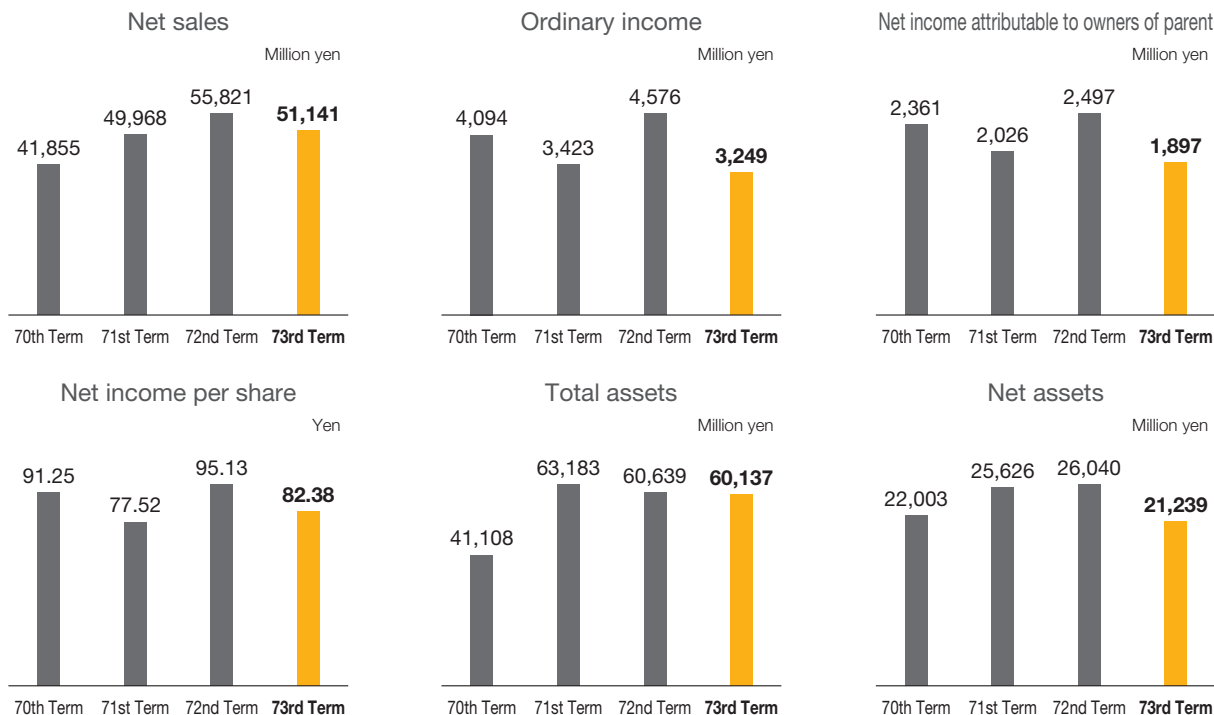
We will upgrade and strengthen our global IT and business platform infrastructure. We will also work to improve our supply chain management, increasing the operational efficiency of our four manufacturing bases in Japan, China, the United States, and in Asia, improving delivery services, and reducing inventories. We will work to optimize our chain production system, which boasts the largest production volume for link chains in the world, building around our presence in Japan, the United States and Europe.

### **iii Invest in people**

We are working to build an attractive organization by reforming the awareness of our employees and our corporate culture. By further evolving diversity, the aim will be to develop business leaders who can realize teamwork by organizing team members of differing cultures and promote the development of business in global markets.

We beseech the continued understanding and support of our shareholders in these endeavors.

## (6) Changes in assets and earnings



(In millions of yen, except per share amounts)

Item	70th Term April 1, 2013 through March 31, 2014	71st Term April 1, 2014 through March 31, 2015	72nd Term April 1, 2015 through March 31, 2016	73rd Term (FY2016) April 1, 2016 through March 31, 2017
Net sales	41,855	49,968	55,821	51,141
Ordinary income	4,094	3,423	4,576	3,249
Net income attributable to owners of parent	2,361	2,026	2,497	1,897
Net income per share	91.25 yen	77.52 yen	95.13 yen	82.38 yen
Total assets	41,108	63,183	60,639	60,137
Net assets	22,003	25,626	26,040	21,239

- (Notes) 1. Net income per share is calculated based on the average number of shares outstanding during the period.  
2. Amounts less than one million yen, except per share amounts, are rounded down.

## (7) Important information on parent company and subsidiaries

### 1) Parent company

Not applicable

### 2) Subsidiaries

Company name	Capital	Percentage of voting rights	Description of principal business
(Consolidated subsidiaries)			
KITO Americas, Inc.	(Thousand USD) 20,000	100.0%	Holding company for the purpose of investing in Harrington Hoists, Inc., Har Ki, Inc., and PEERLESS INDUSTRIAL GROUP, INC.
Harrington Hoists, Inc.	(Thousand USD) 9,500	*100.0%	Manufacture and sales of the Company's products
Har Ki, Inc.	(Thousand USD) 1	*100.0%	Managing trademark rights and intellectual property rights concerning the products of Harrington Hoists, Inc.
PEERLESS INDUSTRIAL GROUP, INC.	(Thousand USD) 20,000	*100.0%	Holding company for the purpose of investing in Peerless Chain Co., Inc.
Peerless Chain Co., Inc.	(Thousand USD) 20,000	*100.0%	Manufacture and sales of chains and chain-related products, and holding company for the purpose of investing in SECURITY CHAIN COMPANY Inc.
SECURITY CHAIN COMPANY Inc.	(USD) 10	*100.0%	Holding company for the purpose of investing in SCC JAPAN GODO KAISHA
KITO CANADA INC.	(Thousand CND) 800	100.0%	Sales of the Company's products
KITO DO BRASIL COMERCIO DE TALHAS E GUINDASTES LTDA	(Thousand BRL) 12,971	100.0%	Sales of the Company's products and cranes
Kito Europe GmbH	(Thousand EUR) 3,000	100.0%	Sales of the Company's products
SCC-SECURITY CHAIN (EUROPE) HANDELES-GmbH	(Thousand EUR) 25	*100.0%	Sales of tire chains and other products
SCC JAPAN GODO KAISHA	(Thousand JPY) 10,000	*100.0%	Sales of tire chains and other products
JIANGYIN KITO CRANE CO., LTD	(Thousand USD) 26,000	90.0%	Manufacture and sales of wire-rope hoist products, etc. and manufacture of components of the Company's products
KITO HOISTS & CRANES (SHANGHAI) CO., LTD.	(Thousand USD) 7,000	*94.0%	Sales of the Company's products

Company name	Capital	Percentage of voting rights	Description of principal business
KITO TAIWAN CO., LTD.	(Thousand NTD) 76,500	55.0%	Sales of the Company's products and cranes
KITO KOREA CO., LTD.	(Thousand KRW) 4,453,080	93.3%	Manufacture and sales of the Company's products
SIAM KITO CO., LTD.	(Thousand THB) 100,000	*80.0%	Manufacture and sales of the Company's products
SUKIT BUSINESS CO., LTD.	(Thousand THB) 100	82.8%	Holding company for the purpose of investing in SIAM KITO CO., LTD.
KITO PHILIPPINES, INC.	(Thousand USD) 13,989	100.0%	Manufacture of components of the Company's products
PT. KITO INDONESIA	(Thousand IDR) 20,472,840	100.0%	Sales of the Company's products and cranes
KITO HOISTS & CRANES ASIA PTE. LTD.	(Thousand SGD) 4,460	100.0%	Holding company for the purpose of investing in SIAM KITO CO., LTD.
ARMSEL MHE PVT. LTD.	(Thousand IDR) 31,136.8	100.0%	Manufacture and sales of cranes and wire rope hoist products, etc.
Kito Australia Pty. Ltd.	(Thousand AUD) 5,095	100.0%	Holding company for the purpose of investing in Anchor Nominees Pty. Ltd.
Anchor Nominees Pty. Ltd.	(Thousand AUD) 273	*100.0%	Holding company for the purpose of investing in PWB Anchor Pty. Ltd.
PWB Anchor Pty. Ltd.	(Thousand AUD) 18.8	*100.0%	Sales of the Company's products, manufacture and sales of chains
(Non-consolidated subsidiaries accounted for by the equity method)			
Kito Chain Italia S.r.l.	(Thousand EUR) 10	100.0%	Manufacture and sales of chains and chain-related products

- (Notes)
- Harrington Hoists, Inc. is a wholly owned subsidiary of KITO Americas, Inc.
  - Har Ki, Inc. is a wholly owned subsidiary of KITO Americas, Inc.
  - Peerless Chain Co., Inc. is a wholly owned subsidiary of PEERLESS INDUSTRIAL GROUP, INC.
  - SECURITY CHAIN COMPANY Inc. and SCC-SECURITY CHAIN (EUROPE) HANDELES-GmbH are subsidiaries of Peerless Chain Co., Inc.
  - SCC JAPAN GODO KAISHA is a subsidiary of SECURITY CHAIN COMPANY Inc.
  - KITO PHILIPPINES, INC. terminated its operations at the end of March 2014, and is currently under liquidation.
  - The acquisition of shares of Kito Australia Pty. Ltd., Anchor Nominees Pty. Ltd., and PWB Anchor Pty. Ltd. was completed on April 29, 2016.
  - Investment ratio with (\*) indicate investment by subsidiaries of the Company.

### 3) Status of specified wholly-owned subsidiaries of the Company as of March 31, 2017

There are no companies classified as specified wholly-owned subsidiaries.

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#### 4) Progress and results of the merger

There are 24 subsidiaries included in the scope of consolidation of the Company.

One company is a non-consolidated subsidiary accounted for by the equity method.

Results of the consolidated fiscal year ended in March 2017 are stated in “1. Overview of the Company Group (1) Business Progress and Results.”



## Consolidated financial statements

### Consolidated balance sheets Consolidated fiscal year 2016 (As of March 31, 2017)

Million yen

Accounts	Amounts	Accounts	Amounts
<b>Assets</b>		<b>Liabilities</b>	
<b>Current assets</b>	<b>37,960</b>	<b>Current liabilities</b>	<b>20,023</b>
Cash and deposits	9,069	Notes and accounts payable	5,438
Notes and accounts receivable	11,139	Short-term loans payable	6,730
Merchandise and finished goods	12,130	Current portion of long-term loans payable	3,149
Work in process	2,019	Accrued expenses	2,411
Raw materials and supplies	1,251	Income taxes payable	128
Deferred tax assets	1,099	Provision for bonuses	601
Other	1,309	Provision for product warranties	34
Allowance for doubtful receivables	(60)	Provision for sales returns	309
		Other	1,221
<b>Noncurrent assets</b>	<b>22,177</b>	<b>Non-current liabilities</b>	<b>18,874</b>
<b>Property, plant and equipment</b>	<b>11,948</b>	Long-term loans payable	14,298
Buildings and structures	4,507	Provision for directors' retirement benefits	190
Machinery, equipment and vehicles	5,224	Net defined benefit liability	2,441
Land	1,484	Deferred tax liabilities	1,795
Construction in progress	266	Other	147
Other	465		
<b>Intangible assets</b>	<b>7,658</b>	<b>Total liabilities</b>	<b>38,897</b>
Goodwill	2,363	<b>Net assets</b>	
Software	1,731	<b>Shareholders' equity</b>	<b>19,814</b>
Other	3,564	Capital stock	3,976
<b>Investments and other assets</b>	<b>2,569</b>	Capital surplus	5,226
Investment securities	739	Retained earnings	16,427
Deferred tax assets	598	Treasury shares	(5,816)
Other	1,231	<b>Accumulated other comprehensive income</b>	<b>529</b>
		Valuation difference on available-for-sale securities	0
<b>Total assets</b>	<b>60,137</b>	Deferred gains or losses on hedges	33
		Foreign currency translation adjustment	847
		Remeasurement of defined benefit plans	(351)
		<b>Subscription rights to shares</b>	<b>45</b>
		<b>Minority interests</b>	<b>850</b>
		<b>Total net assets</b>	<b>21,239</b>
		<b>Total liabilities and net assets</b>	<b>60,137</b>

Note: Amount less than one million yen are rounded down.

## Consolidated statement of income

Consolidated fiscal year 2016 (From April 1, 2016 to March 31, 2017)

Million yen

Accounts	Amounts
<b>Net sales</b>	<b>51,141</b>
Cost of sales	32,172
<b>Gross profit</b>	<b>18,968</b>
Selling, general and administrative expenses	14,759
<b>Operating income</b>	<b>4,208</b>
<b>Non-operating income</b>	<b>199</b>
Interest income	20
Rents received	32
Proceeds from the sales of scrap	34
Debt status of limitations gain	20
Other	91
<b>Non-operating expenses</b>	<b>1,158</b>
Interest expenses	392
Foreign exchange losses	118
Equity in losses of affiliates	422
Other	225
<b>Ordinary income</b>	<b>3,249</b>
<b>Extraordinary income</b>	
Gain on negative goodwill	489
<b>Extraordinary loss</b>	
Impairment loss	161
<b>Income before income taxes</b>	<b>3,578</b>
Income taxes-current	1,106
Income taxes-deferred	589
<b>Net income</b>	<b>1,882</b>
Loss attributable to non-controlling interests	(15)
<b>Net income attributable to owners of parent</b>	<b>1,897</b>

Note: Amount less than one million yen are rounded down.