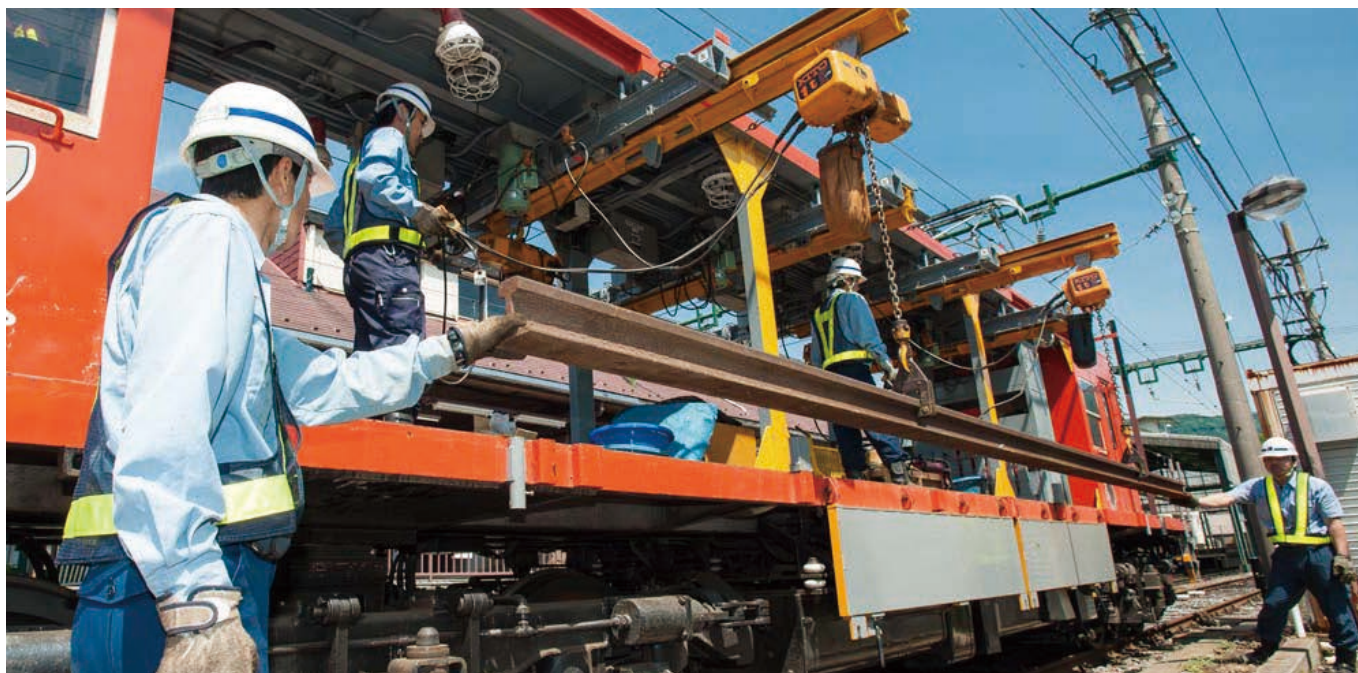


Annual Report 2017

KITO



The most trusted anti-gravity



Profile

Since its founding in 1932, Kito Corporation has remained a leading company in the development, manufacture, and sale of the material handling equipment essential for the lifting, transporting, and securing of heavy objects. From our core products, such as chain hoists, lever hoists, wire rope hoists, cranes, and below the hook lifting devices down to chain slings and hoisting accessories, Kito products can always respond at higher levels to customers' requests for greater safety and productivity. From the factory floors of key industries, such as construction and civil engineering, manufacturing, and the mining of natural resources, to high-tech factories manufacturing semiconductors and liquid crystal panels and the entertainment field, Kito products have been widely adopted and have earned Kito Corporation a high degree of trust from customers all over the world as a leading company for material handling equipment.

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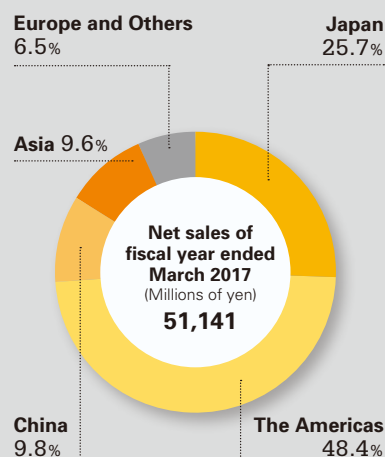
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Global Business Development



Held in high regard by customers for their quality, safety, and durability, Kito products are supplied all over the world through 24 overseas subsidiaries in 14 countries and via an overseas network of more than 50 sales agencies.

equipment manufacturer

Kito Management (As of July 31, 2017)



About this report

This report presents Kito Corporation's management strategies, business performance, relationship with the environment and society, and other information to help stakeholders better understand the content of Kito's business operations during fiscal 2016 (ended March 31, 2017).

Through our business operations, in the workplaces for material handling throughout the world, we will continually maintain a customer-oriented perspective, and by proposing new ideas and achieving them by providing products and services, gain the trust of the market, supporting customer safety and the efficient functioning of society.

Disclaimer

These materials are prepared for the purpose of providing information concerning Kito Corporation's performance in the fiscal year ended March 31, 2017, and are not intended to solicit investment in securities issued by the Company. In addition, these materials have been compiled based principally on data current as of March 31, 2017. All opinions, forecasts, and other forward-looking statements stated in the materials reflect the Company's judgments at the time these materials were prepared. No guarantees or promises can be made with regard to the accuracy or completeness of the information, which may be revised at any time without prior notice.

Financial Highlights

Six-Year Summary

Years ended March 31

Results of Operations (Consolidated)

	2012	2013	2014	2015	2016	Millions of yen 2017
Net sales	¥33,282	¥35,501	¥41,855	¥49,968	¥55,821	¥51,141
Operating income	1,658	2,510	4,006	3,395	5,221	4,208
Operating income ratio (%)	5.0	7.1	9.6	6.8	9.4	8.2
Ordinary income	1,572	2,440	4,094	3,423	4,576	3,249
Net income attributable to owners of parent	662	1,023	2,361	2,026	2,497	1,897
Total assets	31,510	34,760	41,108	63,183	60,639	60,137
Net assets	15,878	18,012	22,003	25,626	26,040	21,239
Shareholders' equity ratio (%) ^{*1}	48.5	49.8	51.2	38.9	41.2	33.8
Return on equity (%)	4.3	6.3	12.3	8.9	10.1	8.4
Number of employees	1,832	1,898	2,094	2,495	2,365	2,364

Financial Soundness

	2012	2013	2014	2015	2016	Millions of yen 2017
Total assets	¥31,510	¥34,760	¥41,108	¥63,183	¥60,639	¥60,137
Net assets	15,878	18,012	22,003	25,626	26,040	21,239
Interest-bearing debt	3,943	5,391	6,425	21,343	19,281	24,178
Shareholders' equity ratio (%)	48.5	49.8	51.2	38.9	41.2	33.8
Debt/equity ratio (Times)	0.25	0.30	0.29	0.83	0.74	1.14
Operating cash flow	411	(515)	4,056	3,338	4,502	3,981
Interest paid	76	87	178	224	450	397
Interest coverage ratio (Times) ^{*2}	5.4	—	22.8	14.9	10.0	10.0

Valuation

	2012	2013	2014	2015	2016	2017
Net assets per share (Yen) ^{*3}	¥594.20	¥670.19	¥806.32	¥936.83	¥952.43	¥1,001.60
Net income per share (Yen)	25.72	39.71	91.25	77.52	95.13	82.38
Cash dividends per share (Yen)	10.00	10.00	20.00	25.00	28.00	28.00
Payout ratio (%) ^{*4}	38.9	25.2	21.9	32.3	29.4	34.0
Price/earnings ratio (Times) ^{*5}	13.9	13.0	11.6	15.7	8.8	14.4
Price book value ratio (Times) ^{*6}	0.60	0.77	1.31	1.30	0.88	1.19
Free cash flow (Millions of yen)	(899)	(2,261)	1,327	(5,064)	930	1,839

^{*1} Net assets applicable to common stock/total assets × 100

^{*2} Operating cash flow/Interest paid

^{*3} Net assets applicable to common stock/average outstanding shares

^{*4} Cash dividends/net income (consolidated)

^{*5} Stock price (year-end)/EPS

^{*6} Stock price (year-end)/BPS

Note: Effective April 1, 2013, Kito conducted a 100-for-1 stock split of its common stock and a 2-for-1 stock split on October 1, 2014.

Accordingly, the Net assets per share, the Net income per share, and the Cash dividends per share of all fiscal years are calculated the same way as after the stock split.

Message from the President

**Driven by the “KITO Spirit,”
we are moving forward with our
mid-term management plan, aiming to
be the most trusted hoist equipment
manufacturer in the global market.**

Yoshio Kito
President & CEO

Message from the President

Performance in Fiscal 2016

Sales in Japan rose from the previous fiscal year on firm investment demand, particularly for infrastructure-related spending. However, sales outside Japan declined year on year due to constraints on shipments aimed at reducing inventory at overseas subsidiaries and the strong yen. Accordingly, net sales for the Japan segment, the combination of domestic sales and exports, fell 5.4% compared to the previous fiscal year.

By region, sales in the United States were on a par with the previous fiscal year on a local currency basis, despite continued caution among companies toward capital expenditures in the uncertain climate following the change in government administration. Sales in China were down sharply, declining 29.8% from the previous fiscal year as demand remained sluggish overall in response to the economic slowdown, though operating income remained at a high level due to ongoing measures to improve profitability through cost reductions. Overall, excluding China, shipment volume

was on a par with the previous fiscal year, but because of the exchange rate effect from the strong yen, consolidated net sales declined 8.4% year on year, to ¥51.1 billion.

In terms of earnings, despite efforts to reduce costs and streamline operations at overseas subsidiaries, operating income declined 19.4% year on year, to ¥4.2 billion, mainly as a result of the exchange rate impact, and the recording of approximately ¥600 million in one-time expenses required for assessments as part of our bid to acquire a European firm. Ordinary income declined 29.0%, to ¥3.2 billion, due to non-operating expenses recorded for the initial year loss at Kito Chain Italia, which was acquired in February 2016, with net income attributable to owners of parent down 24.0%, to ¥1.8 billion.

Progress of the Mid-Term Management Plan

The three operational goals in the management plan launched in April 2016 are “Return to a high-margin business

Revenue and Earnings

	FY2016	FY2015
Net Sales	¥51.1 Billion	¥55.8 Billion
Operating Income	¥4.2 Billion	¥5.2 Billion
Ordinary Income	¥3.2 Billion	¥4.5 Billion
Net Income Attributable to Owners of Parent	¥1.8 Billion	¥2.4 Billion

Net Sales by Region

	FY2016	FY2015
Japan	¥24.0 Billion	¥25.4 Billion
Americas	¥24.8 Billion	¥27.9 Billion
China	¥5.5 Billion	¥7.8 Billion
Asia	¥4.7 Billion	¥5.1 Billion
Europe	¥1.3 Billion	¥1.6 Billion
Others	¥1.3 Billion	—

structure,” “Growth through product portfolio expansion,” and “Evolve into a globally integrated enterprise.”

During the initial year of the plan in fiscal 2016, we focused on establishing the foundations for achieving these goals, implementing measures to further broaden our product line-up, lower manufacturing costs, and streamlining operations at overseas subsidiaries. We also conducted an educational program for young and mid-level employees aimed at instilling Kito’s philosophy and values, part of a proactive effort to cultivate future leaders.

During fiscal 2017, the second year of our five-year plan, we will continue to steadily implement measures aimed at achieving the operational three goals.

Main Measures and Outlook for Fiscal 2017

The global business environment during fiscal 2017 seems to be brightening overall compared to the previous fiscal year. Despite lingering uncertainties such as overseas political and economic trends, demand is recovering at a moderate pace overall, supported by global IT demand and capital investment in a relatively steady upturn.

The business environment for Kito is marked by steady infrastructure and facility-related demand in Japan, while in the United States, capital investment in the manufacturing industry remains firm. As of the end of the first quarter period, net sales in each region are up year on year, with earnings in line with the initial business plan.

Kito’s main measures for fiscal 2017 are to expand the product portfolio and reform existing businesses. We are also focusing on streamlining by individual business unit, business conversion and restructuring of subsidiaries, and lowering manufacturing costs.

The Mid-Term Management Plan (Fiscal 2016 through Fiscal 2020)

Three Key Directives

Enhance
Customer
Experience

Create
Efficient
Organization

Invest in
People

Operational Goals

- 1 Return to **a high-margin business structure**
- 2 Growth through **product portfolio expansion**
- 3 Evolve into **a globally integrated enterprise**

Message from the President

Further, in July 2017, we began a full-scale renovation of our core IT system, switching to an enterprise resource planning (ERP) system. This new ERP system will enhance operational efficiency, and, at the same time, allow us to better grasp the status of management of subsidiaries operating around the world, and make decisions faster.

From the standpoint of supply chain optimization, we are making reforms to individual aspects such as the production floor, storage locations, and logistics, as part of an effort to realize both greater efficiency in working capital and enhanced productivity.

FY2017 Forecast

	FY2017	FY2016
Net Sales	¥53.0 Billion	¥51.1 Billion
Operating Income	¥4.4 Billion	¥4.2 Billion
Ordinary Income	¥3.7 Billion	¥3.2 Billion
Net Income Attributable to Owners of Parent	¥2.5 Billion	¥1.8 Billion

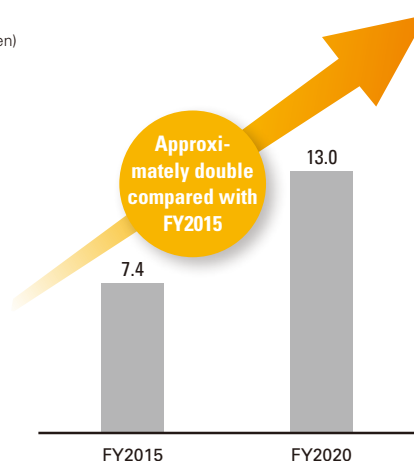
To All Our Customers

One of the management plan goals of “Evolve into a globally integrated enterprise” is right now an extremely important issue for us at Kito. The makeup of our corporate executive officers is becoming more international, and, as a global corporation, we are making efforts to form connections among employees across regional boundaries, from mid-level to young employees.

Currently, we are aiming to establish organic connections among the more than 2,700 employees of the Kito Group, and create a company that offers the best solutions as a corporate group. To accomplish this, we are working to promote and establish the KITO Spirit, our vision for Kito as an organization, rooted in Kito’s corporate philosophy and code of conduct. The most important aspect of the KITO Spirit is to continually act based on the customer’s perspective. For employees to consistently maintain a customer-oriented perspective, it is important that they think like entrepreneurs.

Financial Goal EBITDA

(Billions of Yen)



Earnings before interest, tax, depreciation and amortization (EBITDA) is the balance of operating profit and depreciation costs, showing how much cash the firm can earn over a year through its operations.

In addition to our efforts to promote and establish the KITO Spirit in all subsidiaries, for the past two years, we have conducted the “Kito University,” a training program to bring to Japan up-and-coming young and mid-level employees from Kito Group companies around the world. In addition to acquiring practical knowledge, these future leaders also learn about Kito’s history, culture, and values.

The third session to be held this year will include 24 participants from 10 countries. The program is extremely popular both with the participants, and the managers of the subsidiaries that send them. Our hope is that the graduates of Kito University will become the Company’s future leaders, and instill the KITO Spirit throughout the organization in the truest sense. Graduates form connections that extend beyond the organizational network, and it is our hope that such lateral ties will play a major role in instilling the KITO Spirit.

At the most fundamental level, Kito’s business is to provide solutions to meet an extremely basic and universal need—reducing burdens in work environments handling

heavy objects. The aspects Kito needs to focus on are safety, productivity, and protecting life and property. That is the extent of our challenge. To remain a company that customers consider essential to providing the solutions to the issues they face, we believe it is important to enhance employee awareness by instilling the KITO Spirit and further increase productivity.

A Road Map to Achieve the MTP Goals





Anticipating customer needs and consistently delivering highly competitive products are essential for continued growth, and achieving the goals of our mid-term management plan. Kito is constantly moving forward in product development, making steady advancements aimed at raising its brand profile in global markets.

The most trusted anti-gravity equipment manufacturer

From Japan's Foremost Hoist Manufacturer to the Global Market Leader

Accelerating product development in anticipation of market needs

Further Strengthening of Plan Measures and Offering Highly Competitive Products

One of the main goals in Kito's management plan is to further expand the product and service field, and offer a product lineup with greater choice for customers around the world. In fiscal 2015, Kito designed and developed the RY Wire Rope Hoists series, launching it in the Japanese market. Sales were expanded to Taiwan and Brazil, and the series is now being offered worldwide. The RY series was designed and developed by incorporating Kito's accumulated technologies, with a focus on high-precision motors, invertors, brakes, and other components to ensure a high degree of safety, operability, and durability. We fully incorporated the technology and expertise gained in over 80 years of chain block manufacturing, striving to provide ease of use, simple maintenance, and long operational life. At the same time, with an eye toward future global production, we considered the aspect of "ease of manufacture," creating a design consistent with a broad range of global standards.

Kito also offers an EQ electric chain hoist and jib crane package, providing an integrated and quick solution for cranes and hoists. By combining a range of highly compatible machine tools, product facilities, and jib cranes in a single package, these products enhance operational efficiency in such aspects as material loading and jig exchange, and can be utilized in a wide range of industries regardless of operating environment or application.

Product Development in Fiscal 2016

During fiscal 2016, Kito developed the lightweight and compact manual chain block CX Series, as well as the New "Kento-kun", a large reversing machine able to lift the longer suspended loads used in today's bigger buildings with high efficiency and safety. These products meet the firm demand in the Japanese market for infrastructure development, particularly projects related to the 2020 Tokyo Olympic Games and seismic reinforcement.

Kito's strength lies in high product quality and reliability, and we are continually developing new products to differentiate Kito from the competition. Going forward, we will further expand our product lineup, and work in cooperation with developers and persons involved with local projects to continue providing one-stop solutions for the premium segment products in which Kito specializes.



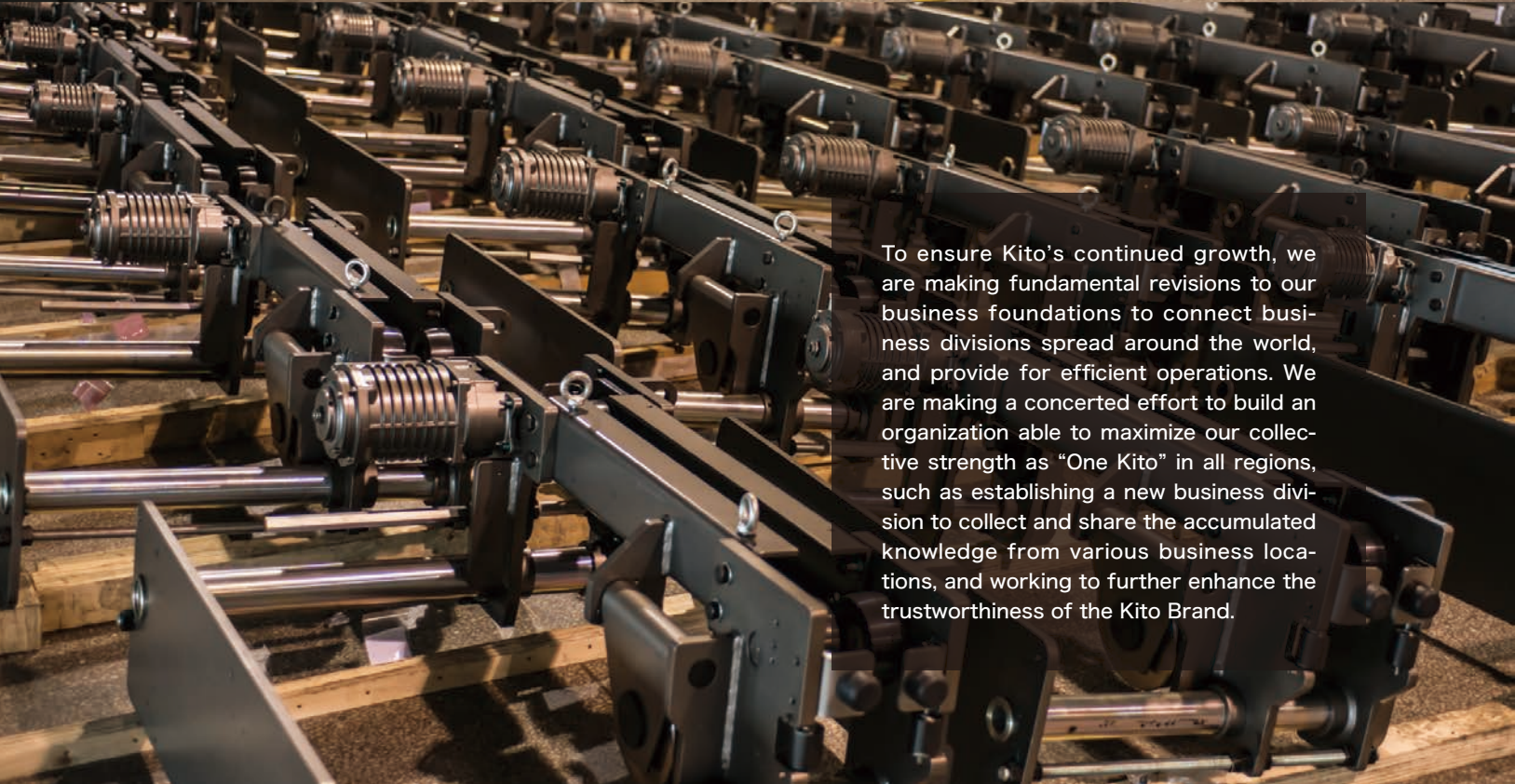
The RY Wire Rope Hoists designed and developed by Kito allow for high precision customization.



A new 500kg Manual CX Chain Hoist was launched in July 2016.



The large reversing machine New "Kento-kun" was jointly developed in March 2017.



To ensure Kito's continued growth, we are making fundamental revisions to our business foundations to connect business divisions spread around the world, and provide for efficient operations. We are making a concerted effort to build an organization able to maximize our collective strength as "One Kito" in all regions, such as establishing a new business division to collect and share the accumulated knowledge from various business locations, and working to further enhance the trustworthiness of the Kito Brand.

The most trusted anti-gravity equipment manufacturer
Our Collective Strength as a Global "One Kito"
Creating an efficient and dynamic integrated organization

Establishing a High Earnings Structure

During the previous mid-term management plan (Fiscal 2011 – Fiscal 2015), Kito strengthened its global production network, expanding facilities and building new plants in the United States, Thailand, and South Korea. We also pursued a proactive M&A program, incorporating into our corporate group the major U.S. chain company PEERLESS INDUSTRIAL GROUP, INC., and the chain business of Italian company Weissenfels. This expanded network has provided Kito with a world-leading production and development structure for chains and chain-related products. As a result, our net sales doubled in five years.

At the same time, building a highly efficient and productive organization remains an issue. In the new mid-term management plan launched in April 2016, we designated the first half as the foundation-strengthening phase, during which we will maximize the productivity and efficiency of existing businesses, and, based on our retained earnings policy for profit and cash, pursue efforts to enhance the efficiency of operations throughout the corporate group, further improving earnings through the streamlining of the supply chain, cost reductions, and strict profit management. Currently, we are implementing a full switchover to an ERP system.

In terms of M&A, Kito will continue its program measures, carefully examining promising targets to strengthen global competitiveness, and establish a more balanced business structure.

Launch of a New Business Division to Provide Unified Support across Overseas Businesses

Kito's regional business operations extend throughout the world. In April 2016, we launched the Regional Administration Department to provide cross-regional support in our four regions of Asia, the Americas, EMEA (Europe/Middle East/Africa), and China. This new organization has three main functions.



1. Visualization of regional sales conditions and figures

The division collects and analyzes regional financial and sales data, and examines market trends. It plays a vital role in independently gathering and distributing information useful for making management decisions.

2. Practical support for sales and marketing

The division handles routine administrative tasks that used to be done by each business division, including estimates and arrangements, or communication with agents and subsidiaries. The aim is to allow regional business divisions to concentrate on sales activities, as well as formulating and implementing strategies.

3. Sharing of sales knowledge

The division collects, analyzes, and accumulates information, including case studies from each region, information useful in marketing, content, and product specifications used to prepare estimates. It also conducts seminars and training sessions to provide cross-regional sharing of this accumulated knowledge.

Pursuing Greater Production Efficiency

Kito is pursuing greater efficiency in production from the dual aspects of enhancing productivity and cost reductions. We are working to enhance efficiency and reduce costs through revision of the existing product portfolio, rationalization by individual business unit, and the streamlining of operations at subsidiaries. We are also actively pursuing capital investments to increase the efficiency of existing facilities, including an upgrade to the latest model five-face machining equipment at the main Yamanashi Factory, and the introduction of a powder coating line and chain appearance tester. These investments have made a significant contribution to streamlining production lines by consolidating processes and shortening worktimes.



Innovation/Environment

Innovation

R&D Policy and Promotion Framework

In the field of material handling, the Kito Group regards the delivering of unmatched satisfaction to customers on an ongoing basis as the reason for its existence as a company and is constantly searching to make enhancements in terms of quality, price, customer service, and innovation to achieve that purpose. In its R&D activities, the Company is constantly striving for technological innovation and energetically taking on the challenges involved in the development of original products that offer benefits to its customers.

Mainly consisting of the Development Department, the R&D framework efficiently responds to conditions, for example, by adopting a project structure in cases where, depending on the nature of the development theme, a cross-organizational structure is required. Development themes are divided into elemental research and product development themes, the former being undertaken prior to the latter. Research on what will become the core technologies of products has an important role to play in underpinning the Company's future.

Innovation Efforts

Alongside thoroughgoing efforts to enhance the cost performance of Kito's current core products, our R&D activities for fiscal 2016 also spanned basic and applied research through to product development and the renewal of existing models with a view to future business expansion. As a result, we developed and commenced Japanese market sales of the lightweight, compact 500kg Kito CX Chain Hoist. We also developed the low-headroom 5-metric ton RY Wire Rope Hoist, which is able to keep load sway to a minimum by means of proprietary inverter control, and commenced sales in the Japanese market as well as in Taiwan and Brazil. We also jointly developed the large New "Kento-kun" Inverter Hoist, which enables long loads to be changed from being horizontally to vertically suspended by remote control, and achieved successes, for example, with sales in the Japanese market.



The size of the palm of your hand, this chain hoist is capable of lifting up to 500kg. As the hook has a wide base, this hoist has a wide range of applications.

Environment

Basic Policy

Kito has established an Environment Policy and has been engaging in various activities including the provision of environmentally friendly products in order to mitigate the environmental burden in all of its business activities.

Environment Basic Policy

Kito Corporation operates and provides products and services in the material handling market in ways that help build a prosperous, sustainable society in which people live in harmony with the earth.

Code of Conduct

Through our operations and product life cycles, we set goals to reduce environmental impact and prevent pollution, continuously improve our management systems, and make every effort to preserve the environment.

1. Response to climate change
We reduce energy consumption and greenhouse-gas emissions.
2. Chemical management
We continuously reduce the use of substances that have a significant effect on people and the earth, and replace them with non-toxic alternatives.
3. Sustainable use of resources
We understand the limits of natural resources and apply conservation and recycling to use them more effectively.
4. Attention to biodiversity
We work to reduce impact on species diversity and preserve the biosphere.
5. Legal compliance
We strictly comply with all environment-related laws and other rules we have agreed to follow.

Environmental Efforts

The Group's two largest manufacturing bases, the Head Office Factory (Japan) and the Jiangyin Factory (China), have acquired ISO 14001, the international certification for environmental management systems.

Kito established its own set of restricted substances, based on the RoHS Directive*¹ and the Joint Industry Guideline*², and has been promoting the "non-inclusion of Kito's 15 prohibited substances." In addition, the Company undertakes procurement in accordance with the Green Procurement Guidelines, which are based on the above Environment Policy.

*1 RoHS (Restriction of Hazardous Substances) is a Directive issued by the European Union (EU) on the restriction of the use of certain hazardous substances in electrical and electronic equipment.

*2 The Joint Industry Guideline is a Guideline on the disclosure of chemical material composition issued by the EICTA (European Information and Communication Technology Industry Association), JGPSSI (Japan Green Procurement Survey Standardization Initiative), EIA (U.S. Electronic Industries Alliance), and JEDEC (Joint Electron Device Engineering Council).

Initiatives on Quality

To provide products and services that can deliver unmatched satisfaction to all its customers, the Kito Group strives to improve the level of quality assurance throughout the Group as a whole based on its Quality Policy.

Quality Policy

To provide products and services that can deliver unmatched satisfaction to all its customers, Kito shall

1. Further enhance product safety, durability, and operability, while engaging in production and sales activities that prioritize improvements in quality and function,
2. Satisfy the demands of society, such as laws and regulations, and create well-balanced, superior products, and
3. Ensure that each and every Kito employee remains aware of his or her responsibility with regard to quality and creates products imbued with quality in a wholehearted manner.

Efforts to Obtain ISO 9001 Certification

In order to improve the quality assurance level of the Group as a whole, each company is promoting the gaining of ISO 9001, the internationally recognized quality assurance certification. Including Kito Corporation, we have already obtained certification at 10 bases, and the plan is to gain certification at the other bases in sequence.

Initiatives for the Employment of People with Disabilities

Kito believes that creating environments where everyone can work comfortably, regardless of whether they are disabled, is an important corporate social responsibility and, therefore, actively supports the employment of people with disabilities. We are aiming to build workplace environments where people with diverse personalities are able to work by matching the nature of the work with the suitability of each person rather than making the degree and type of disability the standard. At the production sites, for example, we are devising innovative measures, such as promoting communication using sign language boards and creating manuals that are visually easier to understand. As a result of these initiatives, we have realized a ratio of employment for people with disabilities of 7.0% (as of October 2016) against the 2.0% stipulated by law.



We utilize UD Talk software as one secure, barrier-free means of information sharing for people suffering from hearing disabilities. The amount of information that the hearing impaired can obtain is dramatically improved, facilitating in-house communications.

As part of our support for people with disabilities, we have also concluded a sponsorship agreement with the JAPAN Para-Ski Federation from 2016 to support athletes as an official sponsor of the alpine ski team.



In October 2016, we concluded a sponsorship agreement with the JAPAN Para-Ski Federation.

Activities That Contribute to Local Communities

Volunteer Activities at SIAM KITO

SIAM KITO has conducted volunteer activities jointly with other companies on the industrial park for four consecutive years. Making their way to an elementary school approximately three hours away by car, the volunteers provided the children with everyday items and lunch as they interacted with them.



Interacting with local elementary school children at SIAM KITO

Mount Fuji Cleanup

Mount Fuji soars above the landscape of Yamanashi Prefecture, where Kito's Head Office and factory are located. Kito initiated its cleanup efforts on the mountain in 2013, and the act of cleaning up the mountain gives participants hands-on experience with environmental problems and brings home the importance of preserving the natural environment. Many employees participate every year, and the 73 people, including employees and their families, who took part in the cleanup efforts in fiscal 2016 collected 1,010kg of garbage.



General view of the fiscal 2016 cleanup efforts on Mount Fuji

Corporate Governance

Kito's Governance

Basic Stance

Kito Corporation recognizes that the satisfaction and fulfillment of its customers are the main reason for its existence, and, with the *Kito Compliance Manual (Corporate Code of Conduct)* as the basis for its business ethics, has set as its main management priority the enhancement of shareholder value through swift decision making in response to the changes in society and the economic environment.

- 1 To respect the rights of shareholders and secure equality among them,
- 2 To consider the interests of the stakeholders including shareholders and cooperate with them in an appropriate manner,
- 3 To disclose corporate information in an appropriate manner to secure the transparency of management,
- 4 To make efforts to enhance the management supervision function by separating the execution of management from the supervision thereof and by electing outside directors, and
- 5 To hold constructive dialogue with the shareholders.

Corporate Governance Structure

Kito Corporation has adopted the company with a board of company auditors system as its governance system under the Companies Act.

The Board of Directors comprises seven members (three of whom are outside directors), and makes decisions on material matters. Kito has also introduced an executive officer system to ensure the flexible conduct of duties through separation of the decision-making and oversight function from business execution. The Board of Corporate Auditors, as an organization independent from the Board of Directors, conducts audits of the execution of duties by directors.

In addition, the Nominating and Compensation Committee comprising five directors (three of whom are outside directors) has been established as an advisory body to the Board of Directors.

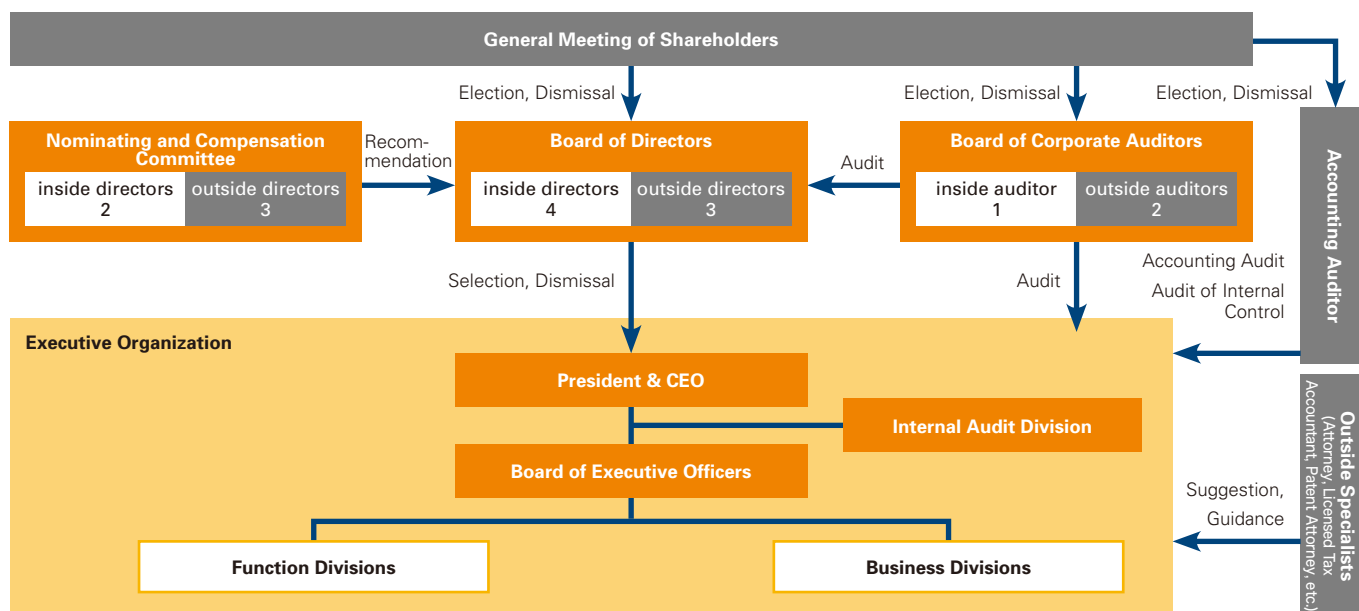
Structures and Efforts

<https://kito.com/ir/governance/effort.shtml> **WEB**

Effectiveness Evaluations of the Board of Directors

Kito Corporation conducts a five-grade evaluation named survey of directors and auditors to assess the effectiveness of the Board of Directors. The assessment conducted in February 2017 returned a high rating overall confirming sufficient effectiveness. However, the survey also identified issues in such areas as the sharing of information between committees and the Board of Directors, and the Company is working to implement improvements.

Corporate Governance Structure



Compensation for Directors and Auditors

Compensation for directors is determined by the Board of Directors, apportioned from the total amount for directors' remunerations (¥300 million or less (including ¥30 million or less for outside directors)), approved at the General Meeting of Shareholders held on June 26, 2007. Compensation for auditors is determined through consultation among the corporate auditors, apportioned from the total amount for corporate auditors' remuneration (¥80 million or less) approved at the General Meeting of Shareholders held on June 26, 2007.

Amounts of Compensation of Directors and Auditors

Position	Number of persons	Amount (¥ million)
Directors	9	139
Auditors	3	28
Total	12	168

Basic Policy of Officers' Compensation System

Fixed compensation (base compensation)	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.
Performance-based compensation (annual bonuses)	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.
Performance-based compensation (retirement benefits for Directors)	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.

Outside Directors

Kito's outside directors oversee the execution of duties by directors, offer opinions regarding business policies and plans, and monitor transactions involving conflict of interest with directors or major shareholders. In the execution of their duties, outside directors hold regular meetings among themselves, and strive to exchange and share information from an objective perspective. In addition, as the principal members of the Nominating and Compensation Committee, outside directors make recommendations to the Board of Directors regarding compensation based on evaluations of the performance of the president, directors, and executive officers, and recommend candidates for director, auditor, and senior executive officers.

Selection of outside directors, in accordance with separately determined "Standards for the Independence of Outside Directors," is based on personality, judgement, and experience. Recommendations for outside director are made to the Board of Directors by the Nominating and Compensation Committee, in an effort to ensure highly transparent management.

Reasons for the Selection of Outside Directors and the Number of Directors' Meetings Attended

Title	Name	Attendance at Board of Directors' Meetings
Outside Director	Keizo Tannawa	12 of 12
Reasons for Selection: Mr. Tannawa has extensive experience as a management consultant on organizational and personnel matters as well as in corporate management. He was selected by the Company based on these qualifications.		
Title	Name	Attendance at Board of Directors' Meetings
Outside Director	Katsumi Nakamura ^{*1}	10 of 10
Reasons for Selection: Mr. Nakamura has served and gained experience for many years as a technician and member of management in the rapidly globalizing automobile industry. He was selected by the Company based on these qualifications.		
Title	Name	Attendance at Board of Directors' Meetings
Outside Director	Takashi Hirai	Newly appointed
Reasons for Selection: Mr. Hirai has experience as a consultant in an international consulting firm, and as a member of management in U.S. and Japanese business companies. He was selected by the Company based on these qualifications.		

Note: The Company has notified the Tokyo Stock Exchange of the independent status of all outside directors.

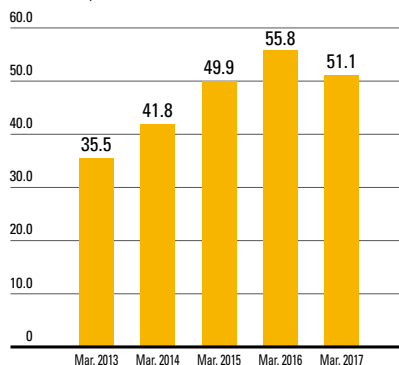
^{*1} Katsumi Nakamura was appointed at the General Meeting of Shareholders held June 21, 2016.

Management's Analysis of Financial Position and Operating Results

Years ended March 31

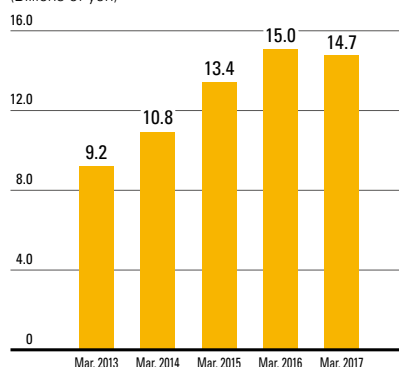
Net Sales

(Billions of yen)



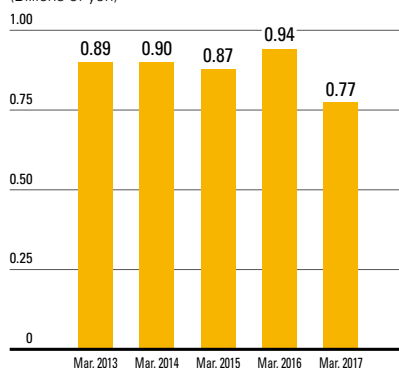
Selling, General and Administrative Expenses

(Billions of yen)



Research and Development Expenses

(Billions of yen)



Financial Report (All figures presented on a consolidated basis)

Net Sales

(This page provides information on the Company and its subsidiaries by geographical segment.)

Net sales in fiscal 2016 (ended March 31, 2017) amounted to ¥51,141 million, down 8.4% from ¥55,821 million in fiscal 2015. Net sales in Japan totaled ¥24,036 million, down 5.4% from ¥25,415 million in the previous fiscal year, while net sales overseas amounted to ¥37,823 million, down 11.4% from ¥42,687 million.

Cost of Sales, Selling, General and Administrative Expenses

Cost of sales declined ¥3,340 million from the previous fiscal year, to ¥32,172 million. The ratio to net sales decreased 0.7 percentage point, to 62.9%, from 63.6% in fiscal 2015.

Selling, general and administrative (SG&A) expenses declined ¥328 million, to ¥14,759 million, with the ratio to net sales increasing to 28.9%, from 27.0% in the previous fiscal year.

Total research and development (R&D) expenditures during fiscal 2016 amounted to ¥776 million, comprising ¥703 million in Japan, ¥17 million in the Americas, and ¥54 million in China. Research activities focused on maximizing the cost performance of existing mainstay products, along with basic and applied research through to product development and the renewal of existing models with a view to future business expansion.

Segment Information

Japan

Net sales declined 5.4% from the previous fiscal year, to ¥24,036 million. Although sales within the domestic market rose year on year as Kito steadily captured demand from infrastructure-related investments, exports were scaled back to reduce inventory at overseas subsidiaries. Segment operating income declined 12.6%, to ¥4,826 million, 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, segment sales declined 11.3% from the previous fiscal year, to ¥24,809 million. Operating income was up 17.5%, to ¥1,317 million, following ongoing measures for business efficiency and cost reduction.

China

Net sales declined 29.8% from the same period of the previous fiscal year, to ¥5,524 million, with weak demand overall in response to the economic slowdown. Segment operating income amounted to ¥545 million (down 37.1%). The Kito Group continues to implement cost reduction measures aimed at securing earnings.

Asia

Business expanded in South Korea as Kito captured demand for clean room cranes used in the flat panel display industry, but overall investment demand in the Asian region tapered off as a result of sluggish growth in regional economies in response to China's economic slowdown. As a result, segment net sales declined 8.2% from the same period of the previous fiscal year, to ¥4,744 million. Segment operating income amounted to ¥252 million (an increase of 309.4%), as a result of ongoing measures to improve earnings.

Europe

Net sales declined 17.6% from the same period of the previous fiscal year, to ¥1,390 million, as a result of fluctuations in oil prices, and a heightened sense of uncertainty regarding the situation in Europe and surrounding regions. Kito posted a segment operating loss for the period of ¥27 million (compared with operating income of ¥31 million in the same period of the previous fiscal year).

Other

As a result of the inclusion of Kito Australia Pty. Ltd. and its subsidiaries (acquired previously) within the scope of consolidation beginning from the end of the first quarter of the current fiscal year, sales of this segment amounted to ¥1,356 million and the operating loss was ¥29 million.

■ Operating Income

Operating income amounted to ¥4,208 million, down 19.4% from ¥5,221 million in the previous fiscal year. The operating margin was 8.2%, down 1.2 percentage points from 9.4% in fiscal 2015.

■ Income before Income Taxes

As a result, income before income taxes amounted to ¥3,578 million, a decrease of ¥632 million from ¥4,210 million in the previous fiscal year.

■ Income Taxes

Income taxes increased ¥84 million from the previous fiscal year, to ¥1,695 million. The ratio of income taxes to income before income taxes was 47.4%.

■ Net Income Attributable to Owners of Parent

As a result, net income attributable to owners of the parent company decreased ¥600 million, or 24.0%, to ¥1,897 million.

■ Dividend Policy

Kito Corporation's basic shareholder returns goal is to maintain a consolidated dividend payout ratio of 20%. In determining its basic policy on profit distribution, the Company takes into consideration such factors as paying an appropriate return to shareholders in consideration of performance and the need for sufficient internal reserves to strengthen its operations and pursue future business growth and development. For fiscal 2016, Kito Corporation declared an annual dividend of ¥28 per share, comprising an interim dividend of ¥14 per share and a year-end dividend of ¥14 per share, which represented a dividend payout ratio of 34.0%.

■ Outlook for the Fiscal Year Ending March 31, 2018

The outlook for the business environment for the Kito Group remains clouded by such factors as lack of transparency in the U.S. administration, and disorder in areas around the world, as well as a slowdown in private-sector capital investment resulting from China's policy of reducing excessive production capacity, and softening markets for natural resources. At the same time, changes in the industrial structure of emerging nations, and a resulting rising focus on stability, are also becoming manifest.

Amid this business environment, the Kito Group will broaden the scope of its business operations through expansion in products and services, and enhance the productivity and efficiency of existing businesses, in order to maximize earnings and cash flow.

In Japan, the Group expects demand to be firm, centered on infrastructure-related fields such as renovation work to aging roads, bridges, and tunnels, and maintenance work for thermal power plants. We will continue to expand the lineup of products, and increase market share through greater sales of wire rope hoists launched last year.

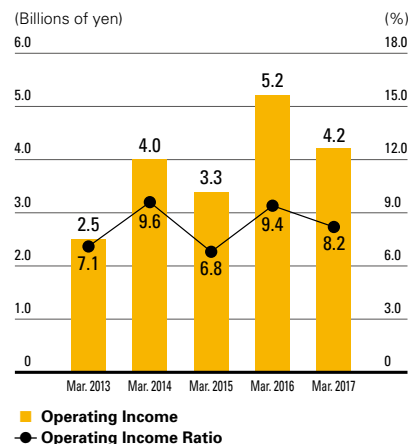
In the Americas, although the lack of clarity in U.S. policy administration is unlikely to dissipate, the Group expects corporate capital investment demand to be firm, and grow steadily. We will continue to make improvements in the supply chain through shifting to local production for certain items, reduce costs through rationalization efforts, and strengthen the product lineup with the addition of chain products and below-hook devices.

In China, the sense of slowdown in the economy is waning, and the Group expects a basic tone of recovery going forward. We will continue to pursue cost reductions and other measures to increase profitability, and, in anticipation of future development of the Group's business in China, are exploring restructuring of the business foundation.

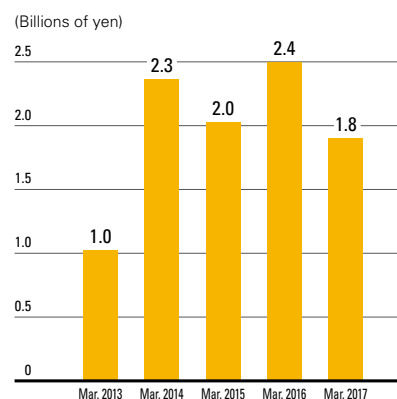
In newly emerging countries, mainly in Asia, the Group will continue to implement such measures as region-specific business reforms, improving profitability for crane projects, expanding the service and maintenance business, and increasing sales of individual hoist products, as well as capturing demand for local infrastructure development projects.

As a result of these measures, for the fiscal year ending March 31, 2018, the Kito Group is forecasting consolidated net sales of ¥53,000 million, with operating income of ¥4,400 million,

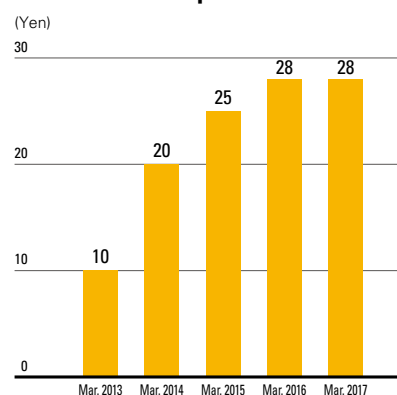
Operating Income Operating Income Ratio



Net Income Attributable to Owners of Parent



Cash Dividends per Share

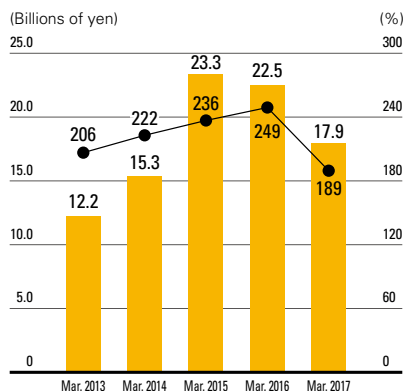


Note: Effective April 1, 2013, Kito conducted a 100-for-1 stock split of its common stock and a 2-for-1 stock split on October 1, 2014.

Accordingly, the Cash dividends per share of all fiscal years are calculated the same way as after the stock split.

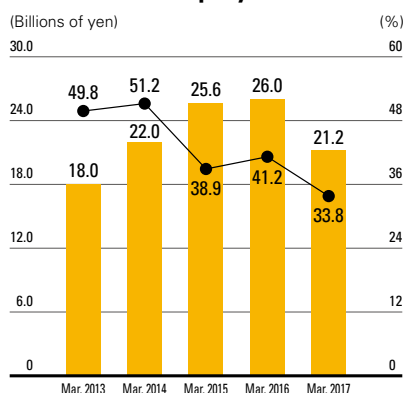
Management's Analysis of Financial Position and Operating Results

Working Capital* Current Ratio



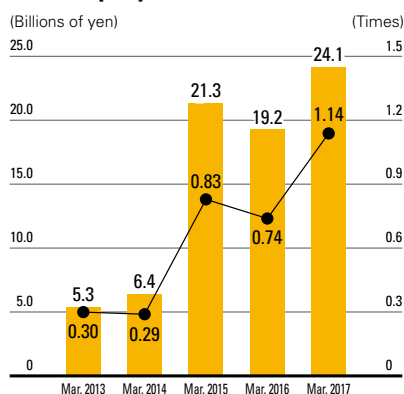
■ Working Capital
● Current Ratio
* Current assets minus current liabilities

Total Net Assets Shareholders' Equity Ratio



■ Total Net Assets
● Shareholders' Equity Ratio

Interest-Bearing Debt Debt/Equity Ratio



■ Interest-Bearing Debt
● Debt/Equity Ratio

ordinary income of ¥3,700 million, and net income attributable to owners of the parent company of ¥2,500 million. Of note, the foreign currency exchange rate assumption for these forecasts is US\$1=¥110.0.

Financial Position

Assets, Liabilities, and Net Assets

Total assets amounted to ¥60,137 million, a decrease of ¥502 million compared to the end of the previous fiscal year. The main factors were a ¥621 million decrease in notes and accounts receivable—trade; a ¥1,394 million increase in merchandise and finished goods; a ¥527 million decrease in deferred tax assets (current), and a ¥598 million decrease in investment securities.

Total liabilities amounted to ¥38,897 million, an increase of ¥4,298 million compared to the end of the previous fiscal year. The main factors were a ¥4,971 million increase in short-term loans payable and a ¥516 million decrease in income taxes payable.

Net assets amounted to ¥21,239 million, a decrease of ¥4,800 million compared to the end of the previous fiscal year. The main factors were a ¥1,147 million increase in retained earnings; a ¥5,462 million increase in treasury stock; and a ¥665 million decrease in foreign currency translation adjustment. As a result, the Company's shareholders' equity ratio decreased to 33.8%.

Return on equity decreased 1.7 percentage points, from 10.1% at the end of the previous fiscal year to 8.4% as of March 31, 2017.

Capital Expenditure and Depreciation

Capital expenditure totaled ¥2,239 million in fiscal 2016. The Group spent ¥1,388 million of this in Japan, mainly on seismic-proofing work and upgrades for internal core IT systems.

Cash Flows

Net cash provided by operating activities amounted to ¥3,981 million, a decrease of ¥521 million compared to the previous fiscal year. The main factors were ¥3,578 million in income before income taxes; ¥1,792 million in depreciation and amortization; and ¥1,662 million in income taxes paid.

Net cash used in investing activities amounted to ¥2,142 million, a decrease of ¥1,430 million compared to the previous fiscal year. The main factors were ¥1,740 million in payments for the acquisition of tangible noncurrent assets and ¥653 million in payments for the acquisition of intangible noncurrent assets.

Net cash used in financing activities amounted to ¥1,148 million, a decrease of ¥751 million compared to the previous fiscal year. The main factors were ¥10,169 million in proceeds from short-term loans payable; ¥5,112 million in repayments of short-term loans payable; and ¥5,462 million in commission for purchase of treasury stock.

As a result of these activities, as of March 31, 2017, cash and cash equivalents stood at ¥9,059 million, an increase of ¥538 million from March 31, 2016.

Free cash flow was ¥1,839 million, an increase of ¥909 million from the end of the previous fiscal year.

Risk Factors

Risk factors that have the potential to affect the Kito Group's operating performance and financial position are as follows.

Trends in Economic Conditions and the Operating Environment

Demand for the Group's products is substantially affected by changes in economic conditions, including capital investment. Not only in Japan, but also in the Americas and Asia, including

China, where the Group generates considerable sales, trends in the operating environment have the potential to impact the Group's operating performance and financial position.

■ The Kito Group's Sales Structure

Although Kito sells certain of its specialty and other products directly to end users, it is dependent on sales agents for the marketing and sale of its other products and provides these agents with commissions and other incentive payments. The Kito Group has maintained fruitful and cooperative ties with sales agencies for many years, and, thereby, has created sales and service networks covering many countries. Kito understands the customer base using its products, which comprises a range of companies in many industries. The Kito Group is confident in its ability to build and maintain positive relationships with these agents. However, since the Company's sales are highly dependent on the marketing activities of its agents, in the event that relationships with these agents deteriorate or there are difficulties in maintaining ongoing ties, the potential exists for the Group's financial position and operating performance to be negatively affected. Please note, however, that, during fiscal 2016, there were no sales agents that accounted for more than 10% of the Group's consolidated net sales.

■ Percentage of Overseas Sales

The ratio of the Group's overseas sales to consolidated net sales was 74.3%. Dependence for sales on the Americas and the Asian region, including China, is high, with 48.4% of sales made in the Americas and 19.5% in Asia. In the event that sales in these regions stagnate, the potential exists for the Group's financial position and operating performance to be negatively affected.

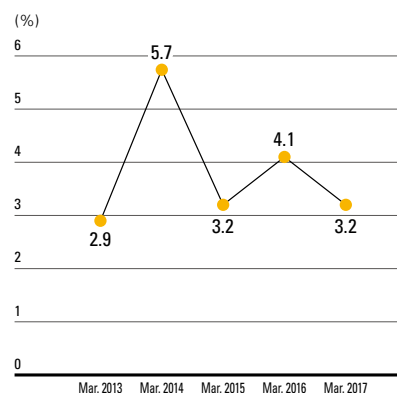
■ The Impact of Factors, such as Foreign Currency Exchange Rates

While the principal production centers of the Kito Group are located in Japan, in recent years, sales in overseas markets have expanded. Since the Group includes overseas subsidiaries with sales and assets denominated in foreign currencies, the potential exists for fluctuations in foreign currency values to have a major impact on the Group's performance and financial condition. In addition, the potential also exists for fluctuations in foreign currency rates to have an effect on the prices of materials that the Group procures from overseas.

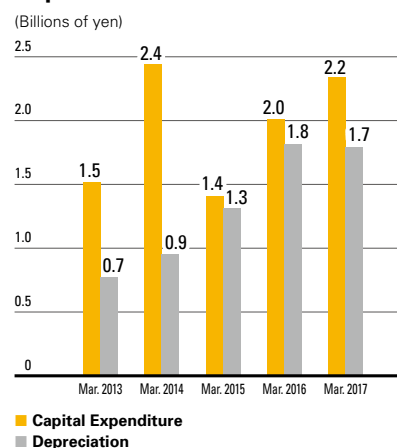
Other risks are identified as follows.

- Country risk • Competition • Product defects
- Impact attributable to the procurement of principal raw materials and components, etc.

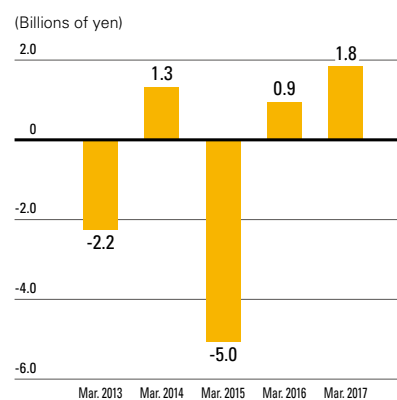
ROA



Capital Expenditure Depreciation



Free Cash Flow*



* Cash flow from operating activities + Cash flow from investing activities

Consolidated Balance Sheets

As of March 31

	Millions of yen	
	2016	2017
(Assets)		
Current assets		
Cash and deposits	¥ 8,529	¥ 9,069
Notes and accounts receivable—trade	11,761	11,139
Merchandise and finished goods	10,735	12,130
Work in process	1,599	2,019
Raw materials and supplies	1,517	1,251
Deferred tax assets	1,627	1,099
Other current assets	1,895	1,309
Allowance for doubtful receivables	(66)	(60)
Total current assets	37,599	37,960
Fixed assets		
Property and equipment		
Buildings and structures	10,447	10,560
Accumulated depreciation	(5,778)	(6,052)
Buildings and structures (net)	4,668	4,507
Machinery, equipment, and vehicles	17,295	18,179
Accumulated depreciation	(12,433)	(12,955)
Machinery, equipment, and vehicles (net)	4,861	5,224
Land	1,496	1,484
Construction in progress	379	266
Others	6,115	6,162
Accumulated depreciation	(5,621)	(5,697)
Others (net)	494	465
Total property and equipment	11,901	11,948
Intangible assets		
Goodwill	2,901	2,363
Software	1,239	1,731
Other intangible assets	3,756	3,564
Total intangible assets	7,896	7,658
Investments and other assets		
Investment securities	1,337	739
Deferred tax assets	641	598
Other investments and other assets	1,263	1,231
Total investments and other assets	3,242	2,569
Total fixed assets	23,040	22,177
Total assets	¥60,639	¥60,137

	Millions of yen	
	2016	2017
(Liabilities)		
Current liabilities		
Notes and accounts payable—trade	¥ 5,301	¥ 5,438
Short-term loans payable	1,758	6,730
Current portion of long-term debts payable within one year	2,836	3,149
Accrued expenses	2,757	2,411
Income taxes payable	644	128
Provision for bonuses for employees	477	601
Provision for product warranties	55	34
Provision for sales returns	300	309
Other current liabilities	939	1,221
Total current liabilities	15,072	20,023
Long-term liabilities		
Long-term loans payable	14,687	14,298
Provision for directors' retirement benefits	177	190
Net defined benefit liability	2,664	2,441
Deferred tax liabilities	1,683	1,795
Other long-term liabilities	313	147
Total long-term liabilities	19,527	18,874
Total liabilities	34,599	38,897
Net assets		
Shareholders' equity		
Capital stock	3,976	3,976
Capital surplus	5,226	5,226
Retained earnings	15,279	16,427
Treasury stock	(354)	(5,816)
Total shareholders' equity	24,128	19,814
Accumulated other comprehensive income		
Valuation difference on other available-for-sale securities	0	0
Deferred gains or losses on hedges	(132)	33
Foreign currency translation adjustment	1,512	847
Remeasurements of defined benefit plans	(496)	(351)
Total accumulated other comprehensive income	883	529
Subscription rights to shares	36	45
Non-controlling interests	991	850
Total net assets	26,040	21,239
Total liabilities and net assets	¥60,639	¥60,137

Consolidated Statements of Income

Years ended March 31

	Millions of yen	
	2016	2017
Net sales	¥55,821	¥51,141
Cost of sales	35,512	32,172
Gross profit	20,309	18,968
Selling, general, and administrative expenses		
Selling expense	11,863	10,631
General and administrative expense	3,224	4,128
Total selling, general, and administrative expenses	15,087	14,759
Operating income	5,221	4,208
Non-operating income		
Interest income	26	20
Dividends income	0	—
Rents received	32	32
Proceeds from the sales of scrap	43	34
Debt status of limitations gain	—	20
Other	115	91
Total non-operating income	218	199
Non-operating expenses		
Interest expense	464	392
Equity in losses of affiliates	—	422
Foreign exchange losses	175	118
Other	224	225
Total non-operating expenses	863	1,158
Ordinary income	4,576	3,249
Extraordinary income		
Gain on sale of noncurrent assets	—	489
Total extraordinary income	—	489
Extraordinary loss		
Impairment loss	211	161
Cost for quality control	154	—
Total extraordinary loss	366	161
Income before income taxes	4,210	3,578
Income taxes – current	1,779	1,106
Income taxes – deferred	(167)	589
Income taxes (current and deferred)	1,611	1,695
Net income	2,599	1,882
Net income (loss) attributable to non-controlling interests	101	(15)
Net income attributable to owners of parent	2,497	1,897

Consolidated Statements of Comprehensive Income

Years ended March 31

	Millions of yen	
	2016	2017
Net income	¥2,599	¥1,882
Other comprehensive income		
Valuation difference on other available-for-sale securities	(1)	0
Deferred gains or losses on hedges	(75)	166
Foreign currency translation adjustment	(1,191)	(660)
Remeasurements of defined benefit plans	(177)	144
Share of other comprehensive income of entities accounted for using equity method	—	(77)
Total other comprehensive income	(1,446)	(426)
Comprehensive income	¥1,152	¥1,456
(Comprehensive income attributable to)		
Owners of the parent	1,111	1,544
Non-controlling interests	40	(87)

Consolidated Statements of Changes in Net Assets

Years ended March 31

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Fiscal year ended March 31, 2016 (April 1, 2015 to March 31, 2016)					
Balance as of the beginning of the period	¥3,976	¥5,219	¥13,477	¥(367)	¥22,307
Changes during the period					
Dividends from surplus			(695)		(695)
Net income attributable to owners of parent			2,497		2,497
Purchase of treasury stock					—
Disposal of treasury stock		7		12	19
Change of scope of equity method					—
Changes of items other than shareholders' equity during the period (net)					
Total changes during the period	—	7	1,801	12	1,821
Balance as of the end of the period	¥3,976	¥5,226	¥15,279	¥(354)	¥24,128

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)					
Balance as of the beginning of the period	¥3,976	¥5,226	¥15,279	¥ (354)	¥24,128
Changes during the period					
Dividends from surplus			(652)		(652)
Net income attributable to owners of parent			1,897		1,897
Purchase of treasury stock				(5,462)	(5,462)
Disposal of treasury stock					—
Change of scope of equity method			(98)		(98)
Changes of items other than shareholders' equity during the period (net)					
Total changes during the period			1,147	(5,462)	(4,314)
Balance as of the end of the period	¥3,976	¥5,226	¥16,427	¥(5,816)	¥19,814

Millions of yen

Valuation difference on other available- for-sale securities	Accumulated other comprehensive income				Stock acquisition rights to shares	Non-controlling interests	Total net assets
	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
¥1	¥ (56)	¥2,643	¥(318)	¥2,269	¥30	¥1,020	¥25,626
							(695)
							2,497
							—
							19
							—
(1)	(75)	(1,130)	(177)	(1,385)	6	(28)	(1,407)
(1)	(75)	(1,130)	(177)	(1,385)	6	(28)	413
¥0	¥(132)	¥1,512	¥(496)	¥ 883	¥36	¥ 991	¥26,040

Millions of yen

Valuation difference on other available- for-sale securities	Accumulated other comprehensive income				Stock acquisition rights to shares	Non-controlling interests	Total net assets
	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
¥0	¥(132)	¥1,512	¥(496)	¥883	¥36	¥991	¥26,040
							(652)
							1,897
							(5,462)
							—
							(98)
0	166	(665)	144	(353)	8	(141)	(486)
0	166	(665)	144	(353)	8	(141)	(4,800)
¥0	¥ 33	¥ 847	¥(351)	¥529	¥45	¥850	¥21,239

Consolidated Statements of Cash Flows

Years ended March 31

	Millions of yen	
	2016	2017
Cash flows from operating activities		
Income before income taxes	¥4,210	¥3,578
Depreciation and amortization	1,814	1,792
Impairment loss	211	161
Depreciation of goodwill	386	338
Gain on negative goodwill	—	(489)
Changes in allowance for doubtful receivables	(5)	(8)
Changes in reserve for bonuses for employees	8	115
Changes in reserve for retirement benefits for officers	(4)	13
Changes in net defined benefit liability	21	(80)
Interest and dividends income	(26)	(20)
Interest expense	464	392
Equity in earnings of affiliates	—	422
Loss on the retirement of noncurrent assets	14	10
Gain on sales of noncurrent assets	(2)	(4)
Changes in trade receivables	275	633
Changes in inventories	432	(855)
Changes in accounts receivable	28	64
Changes in prepaid expense	414	(152)
Changes in trade payables	(478)	0
Changes in accrued expenses	226	(413)
Changes in advances received	(187)	322
Others	(682)	199
Subtotal	7,121	6,021
Cash received from interest and dividends	30	20
Interest paid	(450)	(397)
Income taxes paid	(2,200)	(1,662)
Net cash provided by operating activities	4,502	3,981

	Millions of yen	
	2016	2017
Cash flows from investing activities		
Payments for the acquisition of tangible noncurrent assets	¥(1,317)	¥ (1,740)
Proceeds from the sales of tangible noncurrent assets	5	58
Payments for the acquisition of intangible noncurrent assets	(695)	(653)
Payments of stocks of subsidiaries and affiliates	(1,337)	—
Proceeds from the collection of guarantee money deposited	6	7
Changes in investments and other assets	(43)	160
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	33
Others	(188)	(7)
Net cash used in investing activities	(3,572)	(2,142)
Cash flows from financing activities		
Proceeds from short-term loans payable	3,273	10,169
Repayments of short-term loans payable	(3,065)	(5,112)
Proceeds from long-term loans payable	2,525	3,000
Repayments of long-term loans payable	(2,836)	(2,973)
Redemption of bonds	(1,000)	—
Cash dividends paid by parent company	(694)	(651)
Cash dividends paid for non-controlling interests	(68)	(53)
Proceeds from sales of treasury stocks	16	—
Purchase of treasury stock	—	(5,462)
Others	(49)	(64)
Net cash used in financing activities	(1,900)	(1,148)
Effect of exchange rate change on cash and cash equivalents	(285)	(152)
Net increase (decrease) in cash and cash equivalents	(1,256)	538
Cash and cash equivalents at the beginning of the year	9,777	8,521
Cash and cash equivalents at the end of the year	8,521	9,059

Stock Information

Stock Code

6409

Date of Listing

August 9, 2007

Stock Exchange Listing

Tokyo Stock Exchange, First Section

Transfer Agent and Administrator of Special Account

Sumitomo Mitsui Trust Bank, Limited

1-4-1, Marunouchi, Chiyoda-ku, Tokyo

Total Number of Shares Issued

27,048,200

Trading Unit of Shares

100

Number of Shareholders

5,005, excluding one treasury stockholder

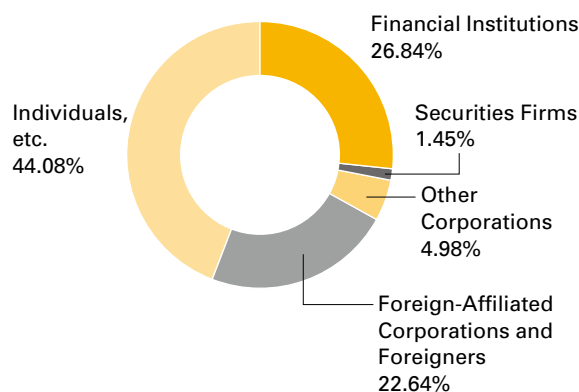
Major Shareholders (top 10) (As of March 31, 2017)

Name of shareholders	Number of shares (shares)	Percentage of ownership (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	1,825,200	8.99
MISAKI ENGAGEMENT MASTER FUND	1,785,000	8.79
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,212,100	5.97
Japan Trustee Services Bank, Ltd. (Trust Account 9)	896,200	4.41
GOLDMAN, SACHS & CO. REG.	828,100	4.08
YK Capital Co., Ltd.	740,000	3.64
Sumitomo Mitsui Banking Corporation	670,400	3.30
THE BANK OF NEW YORK MELLON 140042	559,600	2.76
GOVERNMENT OF NORWAY	512,200	2.52
Japan Trustee Services Bank, Ltd. (Trust Account 5)	462,700	2.28

Notes: 1. Share ownership percentages were calculated after the deduction of treasury shares (6,737,059 shares).

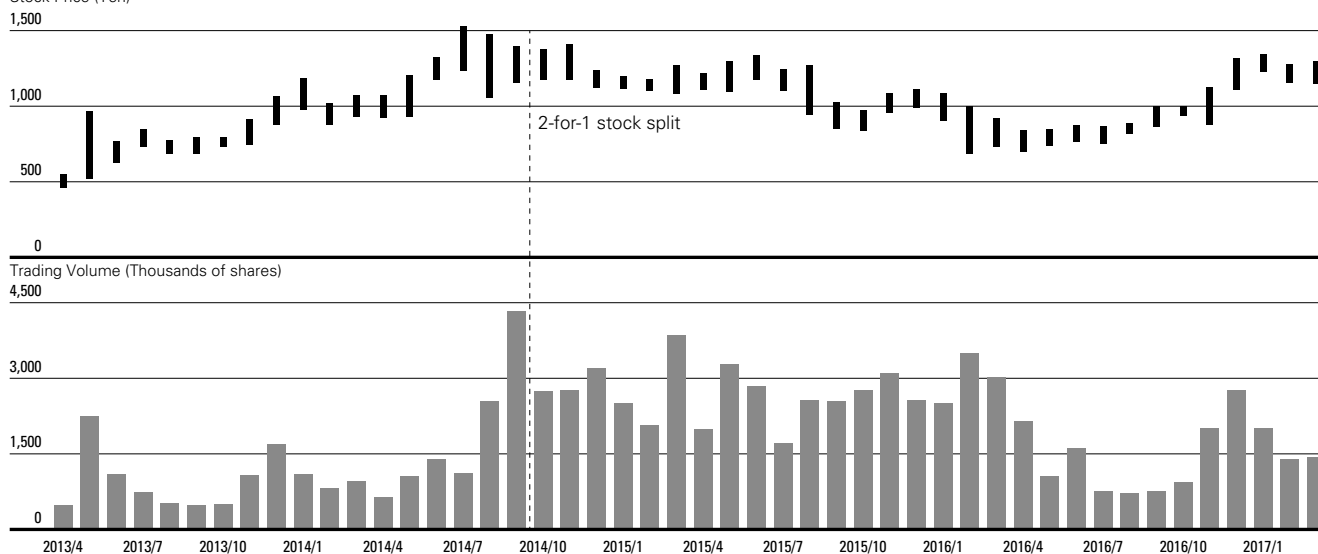
2. The names of shareholders have been adjusted to those shown on the Company's Shareholder Registry which is maintained by the Administrator of Shareholder Registry as of the end of fiscal 2016.

Shareholders' Composition by Category (As of March 31, 2017)



Trends in Kito's Stock Price

Stock Price (Yen)



Note: Effective October 1, 2014, Kito conducted a 2-for-1 stock split of its common stock. Accordingly, the past stock prices of all fiscal years are calculated the same way as after the stock split.

Corporate Profile

Company Name	Kito Corporation
Head Office & Factory	2000, Tsuijiarai, Showa-cho, Nakakoma-gun, Yamanashi 409-3853, Japan
Tokyo Head Office	SHINJUKU NS Building 9F, 2-4-1, Nishi-Shinjuku, Shinjuku-ku, Tokyo 163-0809, JAPAN Tel: +81-3-5908-0155
President & CEO	Yoshio Kito
Established	July 1944 (started Nov. 1932)
Number of Employees (March 31, 2017)	Consolidated: 2,364 Non-consolidated: 664
Capital	¥3,976 million
Net Sales (March 31, 2017)	Consolidated: ¥51,141 million Non-consolidated: ¥24,036 million

Principal Offices and Factories (As of March 31, 2017)

■ Domestic Offices/Factories and Bases of Subsidiaries

Name of Business Office	Location	Name of Business Office	Location
Head Office & Factory	Showa-cho, Nakakoma-gun, Yamanashi	Nagoya Office	Nagoya, Aichi
Tokyo Head Office	Shinjuku-ku, Tokyo	Shizuoka Office	Kakegawa, Shizuoka
Sapporo Office	Sapporo, Hokkaido	Hokuriku Office	Kanazawa, Ishikawa
Sendai Office	Sendai, Miyagi	Osaka Office	Moriguchi, Osaka
Niigata Office	Niigata, Niigata	Chubu and Shikoku Office	Okayama, Okayama
Kita Kanto Office	Sano, Tochigi	Fukuoka Office	Fukuoka, Fukuoka
Yokohama Office	Yokohama, Kanagawa	SCC Japan Godo Kaisha	Kashiwa, Chiba

■ Bases of Overseas Subsidiaries

Company Name	Country	Company Name	Country
KITO Americas, Inc.	U.S.A.	KITO TAIWAN CO., LTD.	Taiwan
Harrington Hoists, Inc.	U.S.A.	KITO KOREA CO., LTD.	Korea
Har Ki, Inc.	U.S.A.	SIAM KITO CO., LTD.	Thailand
PEERLESS INDUSTRIAL GROUP, INC.	U.S.A.	SUKIT BUSINESS CO., LTD.	Thailand
Peerless Chain Co., Inc.	U.S.A.	KITO PHILIPPINES, INC.	Philippines
KITO CANADA INC.	Canada	PT. KITO INDONESIA	Indonesia
KITO DO BRASIL COMÉRCIO DE TALHAS E GUINDASTES LTDA.	Brazil	KITO HOISTS & CRANES ASIA PTE. LTD.	Singapore
Kito Europe GmbH	Germany	ARMSEL MHE PVT. LTD.	India
SCC-SECURITY CHAIN (EUROPE)	Germany	Kito Australia Pty. Ltd.	Australia
HANDELES-GmbH	Germany	Anchor Nominees Pty. Ltd.	Australia
Kito Chain Italia S.r.l.	Italy	PWB Anchor Pty. Ltd.	Australia
JIANGYIN KITO CRANE CO., LTD.	China		
KITO HOISTS & CRANES (SHANGHAI) CO., LTD.	China		

Note: KITO PHILIPPINES, INC. ceased operations as of March 31, 2014 and is currently undergoing liquidation proceedings.

KITO

<http://kito.com/index.shtml>