

KITO

FY2015 (72nd Term)
BUSINESS REPORT

April 1, 2015 - March 31, 2016

TSE : 6409

KITO CORPORATION

To Our Shareholders: President's Message

New Mid-term Business Plan (FY2016-2020)

Consolidated Financial Highlights

Topics: New RY rope hoist introduced

Report on 72nd Ordinary Shareholders Meeting



Kito ED hoist at an eel farm in Shizuoka Prefecture, Japan



Yoshio Kito, President and CEO

To Our Shareholders

We in the Kito group deeply appreciate your continuing support. We ended fiscal 2015, our 72nd term, with growth in both sales and profit, and the increase in profit was particularly significant. Domestic business was strong through the year as private-sector equipment investment remained robust. In the Americas, Peerless Industrial Group Inc., which we acquired in FY2014, contributed from beginning to end of the fiscal year and in the US our share of the hoist market remained expanded as well. In Asia, we reorganized production facilities in Thailand to raise profitability, and in China we maintained our high profit level through cost-cutting to address persistent economic slowing there.

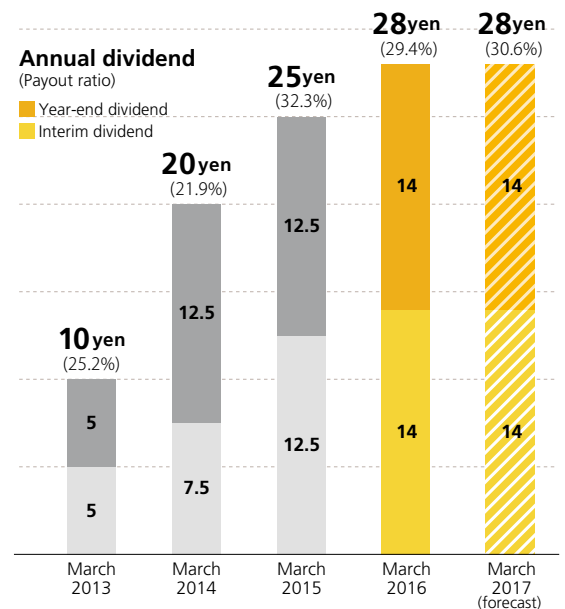
With this fiscal year we begin our new five-year business plan. Uncertainty will likely persist in the market environment and industrial reorganization trend, so Kito plans to maximize profit and cash flow by expanding operations through broader lines of products and services while raising the productivity and efficiency of existing operations. We've already reallocated production bases abroad to optimize our supply chain, started building a global production and development system for chain and related products in Japan, the US and newly added Italia and Australia, and introduced a new line of wire-rope hoists in Japan in April, and for other markets starting in summer. In this first year of the new mid-term plan, we will further enhance our business foundation as we look toward a higher-growth phase.



←Scan the code to view video of our May 19 briefing on financial results and the new mid-term plan.

Dividend

To continuously pay our shareholders dividends at a stable level while maintaining sufficient internal reserves for future operations, we plan to set our target payout ratio above 20% and will work to increase shareholder return through growth. We will offer 28 yen per share as the FY2015 dividend, and project the same for FY2016.



Kito is working to become the most trusted antigravity equipment manufacturer in the global market.

Kito announced its new mid-term business plan on May 18. Completing the previous plan in March 2016, with the vision to become a truly No.1 global hoist manufacturer, we now set out with a new vision, to become the most trusted antigravity equipment manufacturer across all industries by broadening our scope of operations. To accomplish that we will offer a broad range of equipment to support safe, efficient work in defying the constraints of gravity.

We have instituted three fundamental policies to realize this vision.

Fundamental policies

▶ Enhance the Customers' Experience

While expanding the product categories and models we offer, we will work to raise the value of Kito products and further differentiate them from competing products. We will also improve customer service by reducing lead times while providing user training and other high quality, customer oriented programs.

▶ Create a Highly Efficient and Functional Organization

We will reinforce the group's business foundation through a global buildup of IT infrastructure. To optimize our supply chain, we will increase the efficiency of operations at our four production bases in Japan, China, the US and Asia, improving fulfillment and compressing inventories.

▶ Investment in People

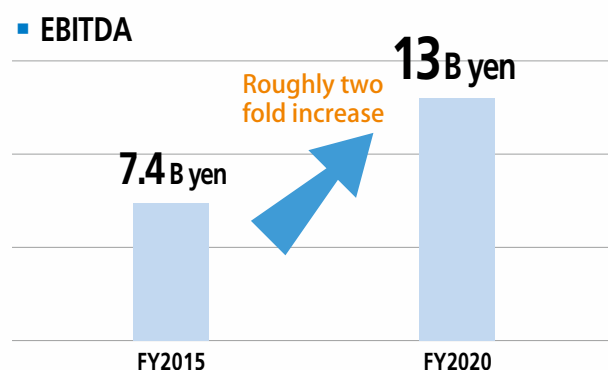
Through reform in employee awareness and corporate culture, we will make our organization more attractive. We embrace diversity in encouraging teamwork and building leaders.

The goal of the new plan is to double EBITDA in five years. Drawing greater profit and cash from operations is a core theme.

Operational goals

- 1 Return to high margin business structure**
 - Shift from growth by sales expansion to growth with profit.
 - Expand profitability for positive value on the stock market.
- 2 Growth through product portfolio expansion**
 - Broaden our offerings to customers.
 - Actively venture into new fields.
- 3 Evolve into a globally integrated enterprise**
 - Work to make the organization less Japan-centered and more world-oriented.

Financial goal



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.

Management strategy

To reinforce our foundation for global business, we will expand and improve our products and services while building productivity and efficiency in existing operations.

Strategy
1

▶ Expand and improve products and services

We will gradually introduce to the world our RY wire rope hoists, which hit the Japanese market in April. To make the below hook lifting devices (including chain related products) a second pillar of Kito operations, we will expand product offerings to grow operations and build added value.

Hoists

Chain and lever hoists as the core of Kito operations



Hoists

Wire rope hoists



Below the hook lifting device



Strategy
2

▶ Raise productivity and efficiency

We will continue to raise operational efficiency in Japan, the US and China. With new subsidiaries of Italia and Australia joining Japan and the US, we've scaled up to a top-class production system. By making the most of these production bases we will optimize our supply systems for the global market.

Consolidated financial highlights and FY2016 projections

FY2015 saw an 11.7% year-on-year increase in sales and a major increase in operating profit, by 53.8%. For FY2016 we will expand our product and service portfolio while raising the productivity and efficiency of existing operations.

Sales

FY2014

49,968M yen



FY2015

55,821M yen



FY2016

53,000M yen (proj.)

Sales

FY2014

3,395M yen



FY2015

5,221M yen



FY2016

4,300M yen (proj.)

Net income attributable to owners of parent

FY2014

2,026M yen



FY2015

2,497M yen



FY2016

2,400M yen (proj.)

New RY rope hoist introduced!

New challenge, new value

Since we announced our commitment to the wire rope hoist market, Kito has been putting sales effort into that segment. Going further, we have developed our own line of wire rope hoist, focusing our original technologies to more precisely meet customer needs. Starting with the Japan launch in April, we will incrementally add models and sales territories for the RY line.

To quickly raise Kito's profile in the wire rope hoist market, our production and sales forces have joined hands to expand RY sales.



▲ Members of the project team that designed and developed the RY.

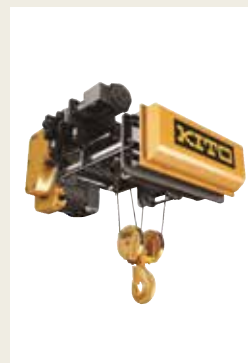
Passing on original Kito technology and expertise developed over 80 years

The RY rope hoists inherit original technologies and expertise on brakes, VFD controls and other components that Kito has developed over eight decades for chain hoists. With workplace safety as the top priority, they flexibly and efficiently meet a variety of customer needs. In Japan we wrote orders for over 100 units in the first month. We are putting extra effort into promotion to build market recognition of these products.

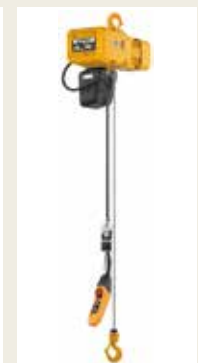


What are the differences between wire rope hoist and chain hoists?

The main difference is whether the hoist uses a rope or a chain to raise the load. There are also differences in the size of the main unit and hoisting speed. A wire rope hoist winds the rope onto a drum as it lifts the load, so the longer the rope, the bigger the drum. A chain hoist passes the excess chain into an exterior bucket, so chain length does not affect the size of the unit. Wire rope hoist are generally faster than chain hoists. Wire rope hoist are usually selected to quickly raise loads of over three tonnes, while chain hoists are favored for loads below three tonnes and tight workspaces.



Wire rope hoist



Chain hoist

Report on motions

72nd Ordinary General Meeting of Shareholders

Kito Corporation
President and CEO Yoshio Kito

Kito Corporation ("the Company") has held its 72nd Ordinary General Meeting of Shareholders, giving reports and acting on motions as follow.

▶ Reports

1. Business report consolidated financial statement, and results of an audit of the consolidated financial statement by the Accounting Auditor and the Board of Corporate Auditors for the 72nd Term (April 1, 2015 to March 31, 2016).
The Company reported the contents of the business report, the contents of the consolidated financial statement, and the audit results mentioned above.
2. Non-consolidated financial statements for the 72nd term (April 1, 2015 to March 31, 2016)
The Company reported the contents of the non-consolidated financial statements mentioned above.

▶ Motions

Motion 1 : Distribution of surplus

Approving the motion as proposed and taking into consideration results for the year and future prospects for business development, the Company set the dividend for the fiscal year ended March 31, 2016 at 14 yen per share of common stock.

Motion 2 : Partial Amendment to the Articles of Incorporation

Approving the motion as proposed, the Company amended its Articles of Incorporation as follows:

To clarify the management responsibility of the board Directors, their term is shortened to one year from the original two years.

Motion 3 : Election of Seven (7) Directors

Approving the motion as proposed, the Company nominated and inaugurated seven Directors, namely Yoshio Kito, Edward W. Hunter, Akihide Miyawaki, Tsuneo Yuzurihara, Kazuhiro Yamada, Keizo Tannawa and Katsumi Nakamura. As mandated by the Tokyo Stock Exchange for listed corporations, Mr. Yamada, Mr. Tannawa and Mr. Nakamura are outside Directors who have no conflict of interest with general shareholders.

Motion 4 : Granting of Retirement Benefits to Retiring Director

Approving the motion as proposed, the Company decided to award retiring director Shigeki Osozawa a retirement bonus based on the "Policy Concerning the Determination of the Amount of Officers' Compensation, etc. and its Calculation Method."

Motion 5 : Granting of Stock Acquisition Rights as Stock Options to Directors (excluding Outside Directors) and Executive Officers.

Approving the motion as proposed, the shareholders granted subscription rights to shares, as stock options, to Directors and Executive Officers of the Company, setting a cap of 1,000 units (200 shares of common stock per unit of subscription rights). Decisions related to the subscription of new shares is delegated to the Company's Board of Directors.