



**Annual Report 2016**

**KITO**

# Passion for Innovation, Customer

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### Disclaimer

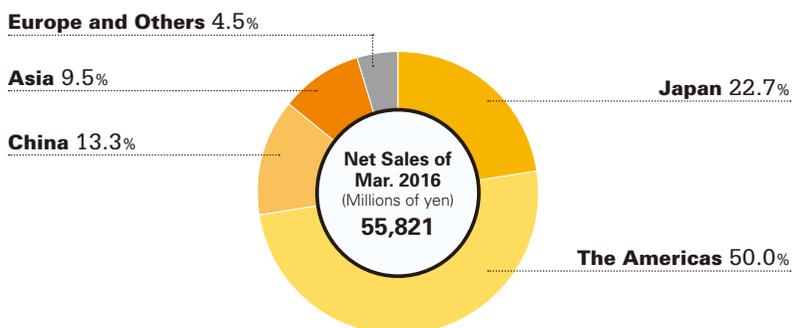
These materials are prepared for the purpose of providing information concerning Kito Corporation's performance in the fiscal year ended March 31, 2016, and are not intended to solicit investment in securities issued by the Company. In addition, these materials have been compiled based principally on data current as of March 31, 2016. 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.

## Profile

Founded in 1932, as a leading company in material handling equipment, essential for lifting, transporting, and securing objects and goods, Kito Corporation has provided safe and high-quality products and services to customers in virtually all industries. Our basic products, such as chain hoists, lever hoists, wire rope hoists, and cranes as well as below the hook lifting devices down to chain slings and hoisting accessories, have always responded to customers' high-level requests for handling heavy objects under difficult workplace conditions, with greater safety and productivity.



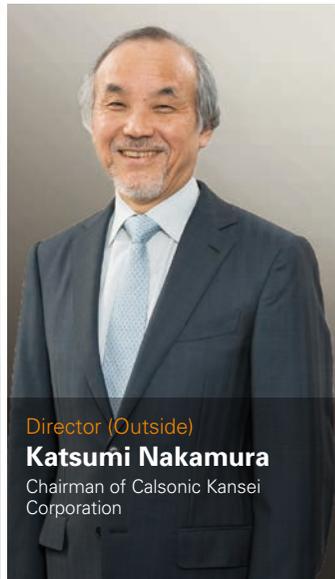
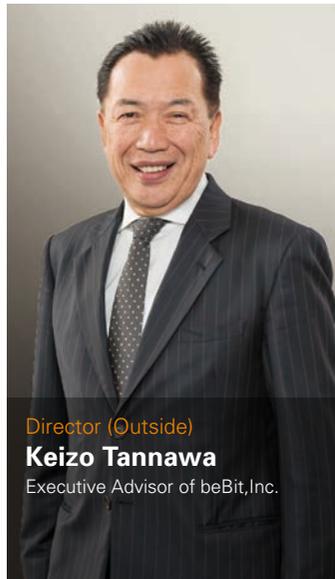
## Global Business Development



Kito began to expand its business activities outside of Japan in the 1950s and today has a network with 20 overseas subsidiaries covering 13 countries as well as distributors in more than 50 countries. Kito's products are made available in all regions around the world, including North America, Europe, Asia, and elsewhere, and their quality, safety, and durability have gained a solid reputation among customers.

# Needs, and Drive for Results

## Kito Management (As of June 30, 2016)



## 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 2015.

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.



## Message from the President



**To become the  
most trusted anti-  
gravity equipment  
manufacturer in the  
global market**

Yoshio Kito  
President & CEO

## Performance in Fiscal 2015

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In fiscal 2015 (year ended March 31, 2016), both net sales and income rose over the previous fiscal year, and major gains were reported especially in income. In Japan, demand for private capital investment continued, and, throughout the year, Kito's performance was robust. In the United States, we completed the acquisition of Peerless Industrial Group, Inc. in August 2014, and that company contributed to performance from the beginning of the fiscal year. In addition, Kito expanded its market share in the hoist business in the Americas. In Asia outside Japan, we moved ahead with the consolidation of our production bases in Thailand with the aim of improving profitability. In China, where economic growth continued to slow, we maintained high levels of profitability as a result of cost reductions.

In view of the slowdown in the Chinese economy and the continuing weakness in capital investment in the Asian region, to attain the objectives under the mid-term management plan, Kito shifted corporate resources to North America, where profitability is relatively favorable, strengthened profit management for crane projects, and expanded the lineup of products and accessories in our mainstay hoist business and peripheral chain-related business.

As a result, both net sales and income increased over the previous fiscal year. Consolidated net sales amounted to ¥55,821 million (an 11.7% increase over the previous fiscal year), which was the highest level in Kito's history, operating income was ¥5,221 million (an increase of 53.8%), and net income attributable to owners of parent amounted to ¥2,497 million (an increase of 23.2%). Since subsidiary Peerless Industrial contributed to consolidated performance for the full fiscal year, sales in the Americas rose 27.3%. Therefore, relatively strong performance in Japan and the Americas covered the decline in demand in the newly emerging countries, mainly in Asia, including China.

## Review of the Previous Mid-Term Management Plan (Fiscal 2011 to Fiscal 2015)

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Kito has been implementing its five-year mid-term management plan, which covered the period from the year ended March 2012 to the year ended March 2016. Under this plan (the previous plan), we positioned the hoist business as the center of our growth and stated our vision of being the "truly global No. 1 hoist manufacturer." In addition to expanding our mainstay lineup of chain hoists, we focused on expanding sales of wire rope hoists and implemented initiatives to make progress toward being a full-line manufacturer of hoists.

In our regional strategy, during the first half of the previous mid-term management plan, we were able to capture demand accompanying the development of China and the other Asian economies, and demand in Asia drove the expansion of the Kito Group as a whole. In the second half of the previous mid-term plan, growth in Asia slowed substantially, but, as a result of the concentration of management resources in North America, where growth was relatively strong, and the acquisition of Peerless, the North American market supported our growth.

In our production strategy, we moved forward with local production in North America, which became our largest market, and made other improvements in our supply chain, including strengthening overseas production of products and parts.

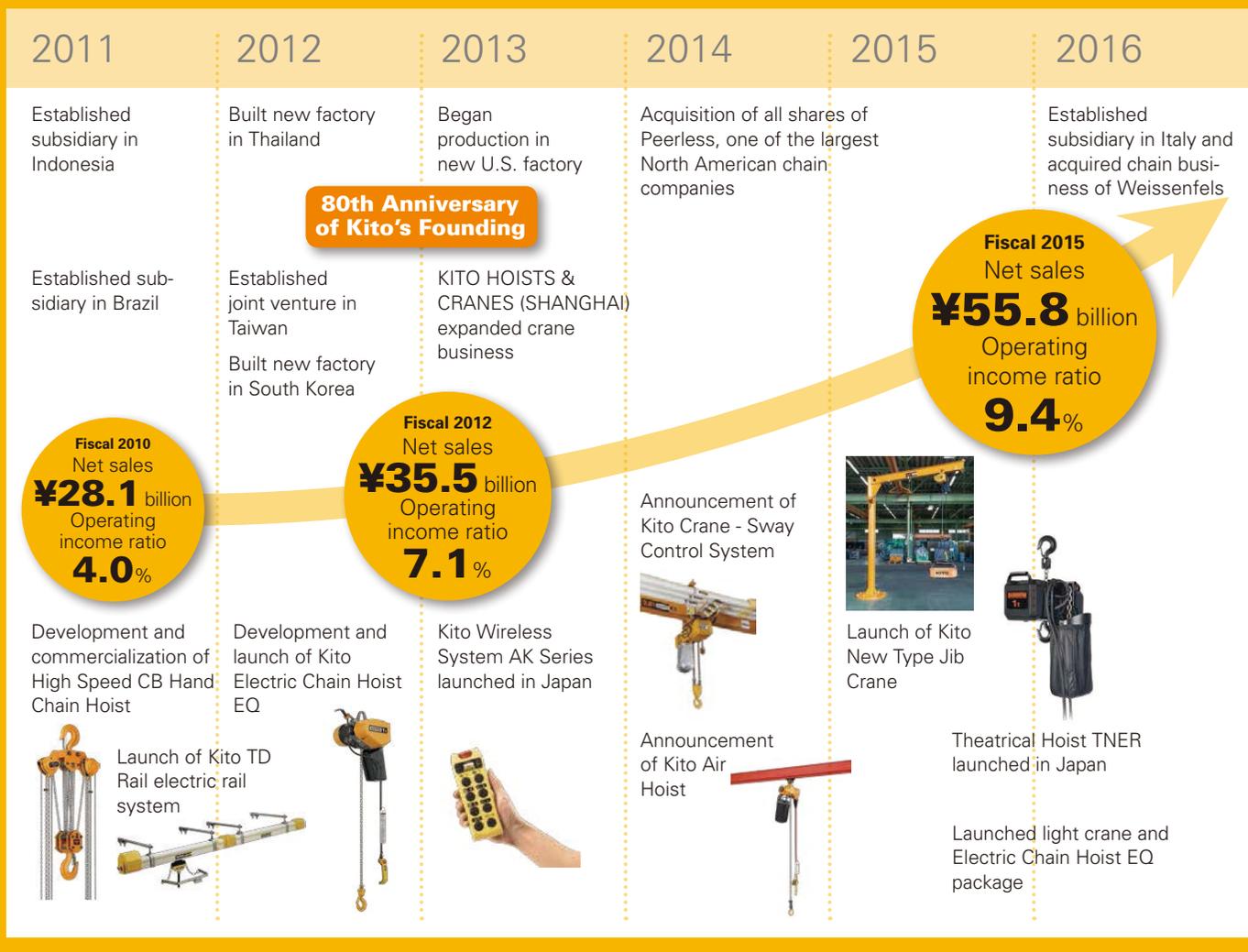
In our product strategy, we made timely launches of new products that met market needs, including Kito Electric Chain Hoist EQ, Theatrical Hoist TNER, and air hoists. In addition, in North America and Europe, we acquired chain production facilities. These initiatives positioned us for further strengthening our position in the chain business.

## Message from the President

In the field of M&A, Kito acquired Peerless Industrial Group, Inc., one of the largest chain companies in North America, to strengthen its position in that market. In February 2016, Kito also acquired the chain business of Italian company Weissenfels with the aim of strengthening its position in Europe. Through the purchase of Peerless and Weissenfels, the Kito Group, including its Yamanashi Main Factory in Japan, now has a world top-class chain and chain-related production and development system.

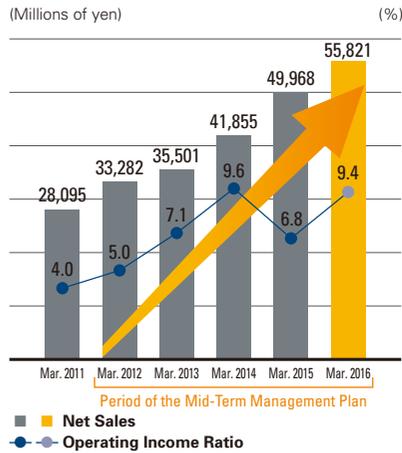
As a result of these successful initiatives, average annual growth in consolidated net sales was 14.7%, and sales approximately doubled over the five-year period of the plan. In addition, operating income increased by a multiple of about five times. Moreover, as a result of the success of promoting overseas production, the ratio of overseas production costs in total costs increased to almost 60%.

### Review of Developments over the Course of the Previous Mid-Term Management Plan (Fiscal 2011 through Fiscal 2015)—1

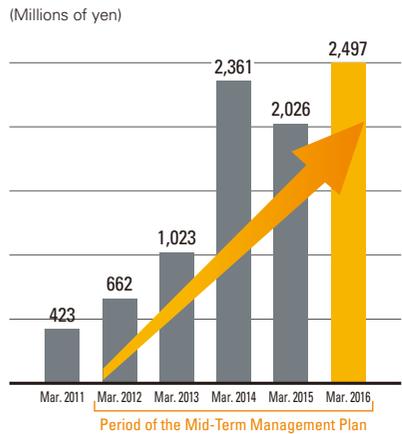


## Review of Developments over the Course of the Previous Mid-Term Management Plan (Fiscal 2011 through Fiscal 2015)—2

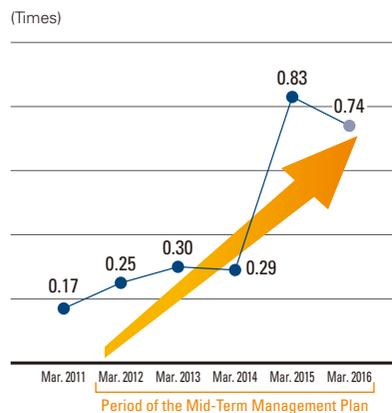
### Net Sales/Operating Income Ratio



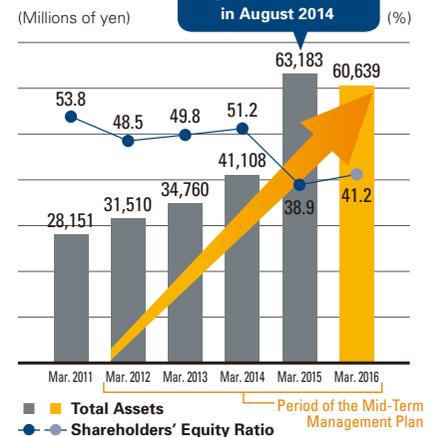
### Net Income Attributable to Owners of Parent



### Debt/Equity Ratio



### Total Assets/Shareholders' Equity Ratio



# Further Growth under the New Mid-Term Plan

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## To Become the Most Trusted Anti-Gravity Equipment Manufacturer in the Global Market

Under the previous five-year mid-term management plan, Kito's vision was to become "the truly global No. 1 hoist manufacturer." Under the new mid-term management plan (new MTP), which began in April 2016, Kito will aim to broaden its business domains and "To become the most trusted anti-gravity equipment manufacturer in the global market." Under this management vision, Kito will not limit its business just to conventional wind-up hoists, but broaden the scope of its products to include equipment that will allow people to work safely and efficiently in all situations where the force of gravity must be overcome. Kito will tenaciously tackle the challenges of dealing with the force of gravity that is always with us.

As the external environment becomes severer, forecasts indicate that expecting market growth will become increasingly difficult. Changes in the market will include industry realignment, changes in the industrial structure, technological progress, and, as a result, the business environment surrounding Kito will undergo many changes. Under the new MTP, Kito will work to increase the efficiency and productivity of its activities. At the same time, the gist of the MTP growth strategy is to strengthen Kito's financial position and attain business growth by expanding the range of its products and broadening the product lineup in each field. By enhancing value and making an appeal for its brand in the market, Kito will endeavor to compete and differentiate its products.

## Initiatives in Fiscal 2016

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The current management environment is characterized by increasing uncertainty on a global scale. Amid this operating environment, demand in Japan and the United States is forecast to continue to be relatively firm, but the slowdown in growth in China is having an adverse impact on the emerging countries of Asia. Moreover, concern about a possible slowing of growth is mounting along with the weakness in natural resource markets and the risk of downturns in the United States and Europe.

Amid this environment, Kito has positioned the first half of the new MTP as a phase for strengthening its business base. This will mean increasing the efficiency of the operations of the Kito Group as a whole, reducing costs, and continuing to improve profitability by practicing strict profit management in the crane business. This will involve maximizing productivity and efficiency in existing businesses and implementing a thoroughgoing policy of raising income, cash flows, and retained earnings. In parallel with these initiatives, we will adopt flexible sales measures appropriate for individual markets. We will also expand our lineup of chain-related products and offer services that are integrated from cranes and hoists through to hoist-related equipment.

The outlook for fiscal 2016, ending March 31, 2017, is for performance virtually level with the previous fiscal year after the exclusion of the effects of foreign currency fluctuations. If foreign currency effects are included and the yen continues to be relatively strong for the remainder of the fiscal year, the outlook is for consolidated net sales of ¥53.0 billion, operating income of ¥4.3 billion, ordinary income of ¥4.0 billion, and net income attributable to owners of parent of ¥2.4 billion.

The Kito Group will move forward with the implementation of its new MTP, expanding its businesses through broadening product and service offerings, increasing productivity and efficiency in existing businesses, and working to maximize income and cash flows.

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

### Kito is working to become the most trusted anti-gravity equipment manufacturer in the global market.

Kito announced its new MTP on May 18. Completing the previous plan in March 2016, with the vision to become a truly global No. 1 hoist manufacturer, we now set out with a new vision, to become the most trusted anti-gravity 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 Customer 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 Efficient 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.

##### Invest 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 roughly double EBITDA in five years. Drawing greater profit and cash from operations is a core theme.

#### Operational goals

##### 1. Return to a high-margin business structure

- Shift from growth by sales expansion to growth with profit.
- Expand profitability for positive value on the stock market.

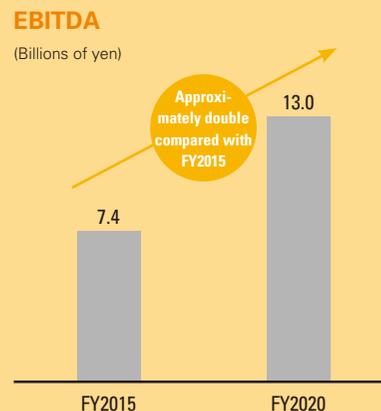
##### 2. Growth through product portfolio expansion

- Broaden our offerings to customers.
- Actively venture into new fields.

##### 3. Evolve into a globally connected organization

- 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.

# Implementing Strategy under the New Mid-Term Management Plan (Fiscal 2016 through Fiscal 2020)

## Frameworks to Support a Growth Strategy

Under the new MTP, as it will be difficult to anticipate that the market itself will increase in size, Kito will generate growth by expanding the lineup of products in each field. That is the gist of Kito's growth strategy under the new MTP. In implementing this product strategy, the key point will be to draw on the value of the Kito brand. We must work to increase the value of our brand, make an appeal to the strength of the brand to the market, and then work to differentiate ourselves from our competitors.

The new MTP shifts Kito's management vision from becoming "the truly

global No. 1 hoist manufacturer" to a vision of aiming "to become the most trusted anti-gravity equipment manufacturer in the global market." To implement this vision, Kito will not limit its business just to conventional wind-up hoists, but broaden the scope of its products to include equipment that will allow people to work safely and efficiently in all situations where the force of gravity must be overcome. Kito will tenaciously tackle the challenges of dealing with the force of gravity that is always with us.

To realize this vision, Kito has formulated three basic policies. The first is to

"Enhance Customer Experience." To do this, we are working to be useful to our customers and make them satisfied, and, as a result, we are contributing to society. This is our reason for being. We are also working to tackle the challenges of substantially increasing the value of our products, establishing global quality standards, and, through user training and other activities that enhance our services other than our products, endeavoring to increase customer satisfaction and heightening what customers expect of Kito.

## Fundamental Policies of the New MTP



Our second basic policy is to “Create Efficient Organization.” Over the past five years, our sales have doubled, and we have shown major increases in the size of our business activities. On the other hand, improvement in efficiency and productivity has lagged this growth in sales and size. Collaboration between regions and sharing of know-how are still insufficient, and the services we can provide vary from one region to another. To enable Kito to become “One Kito” globally and demonstrate its full range of strengths, we want to review existing business operations, elimi-

nate waste, and take drastic measures to improve operating efficiency.

Our third basic policy is “Invest in People.” Kito’s business is not something made by products or by management. Each and every employee plays a leading part, and our business is viable because customers give our employees good marks for their work. Looking forward, Kito will invest in people more so than in the past with the aim of raising the capabilities of each and every employee. In the new MTP, we are moving forward with activities to invest in people, reform the awareness of employees, and

reform our corporate culture. Our ultimate goal is to have each employee take pride in his or her work and feel that Kito is a “Great Place to Work.”

## A Road Map to Achieve the New MTP Goals

### Phase 2

#### Full Growth Phase

- Accelerate the product strategy
- Expand strategic investments

### Phase 1

#### Platform Enhancement Phase

- Maximize productivity and efficiency of existing operations
- Focus on profit and cash generation
- Promote KITO Spirit

2017/3

2018/3

2019/3

2020/3

2021/3

## Corporate Governance

### Basic Stance on Corporate Governance

Kito Corporation recognizes that delivering unmatched satisfaction to our customers is the main reason for its existence and considers the enhancement of shareholders' value as its most important management task. To this end, Kito positions the Kito Compliance Manual (Corporate Code of Conduct) at the core of its corporate philosophy and makes reliable management decisions that reflect the changes in society and the economic environment.

Kito, in light of the above, will strive to improve its corporate governance, by engaging in such initiatives as the improvement of the general meeting of shareholders, reinforcement of the supervisory function of the Board of Directors' meeting, reinforcement of the audit functions of corporate auditors and increasing the sophistication of its disclosure.

### Corporate Governance Structure

#### Board of Directors

The Board of Directors, which comprises seven members (including three external directors), makes decisions on the material matters of the Company, as well as oversees the directors' execution of duties. The Board, which is designed to

make management decisions quickly and accurately, basically meets once a month but may convene extraordinary meetings, as necessary, when material matters that require decisions occur. The Company's Board of Directors is the highest decision-making body of the Company and all material decision making relating to the Group is performed through the Board of Directors of the Company.

The Nominating and Compensation Committee, which is organized as a subordinate body of the Board of Directors and its majority is outside directors, recommends nominees for directors, corporate auditors, and senior executive officers and also recommends compensation for directors and executive officers. The Board of Directors resolves nominations and compensation based on recommendations. In addition, the Representative Director makes a specific report each quarter on the status of execution of duties.

#### Board of Executive Officers

Additionally, the Representative Director reports on the specific status of business execution on a quarterly basis. The Company has also adopted the executive officer system (eighteen

### Corporate Governance Structure



executive officers, including four executive officers who serve concurrently as directors), in order to enable speedy decision making and flexible business execution through the separation of the decision-making and oversight functions. Under the system, executive officers are selected regardless of nationality or sex to allow diversity, and the current members are thirteen Japanese and five foreigners. The Board of Directors elects the President and the other executive officers, and oversees the business execution of the executive officers. The Board of Executive Officers, comprising the President and the other executive officers, is convened on a monthly basis prior to the Board of Directors' meeting in order to deliberate material matters in detail as well as to coordinate the business divisions and reach a consensus on business execution.

### Board of Corporate Auditors

The Company has adopted the Board of Corporate Auditors system, and the Company's Board of Corporate Auditors comprises three members, with one standing corporate auditor and two external corporate auditors. Each corporate auditor performs audits in accord with auditing plans decided by the Board of Corporate Auditors, while participating in important meetings, including the Board of Directors' and Board of Executive Officers' meetings to conduct strict oversight and audits over the business execution of the directors. By incorporating external perspectives to a greater extent than before, stricter audits are conducted over the business execution of the directors. Corporate auditors attend important meetings, such as the Board of Directors' and Board of Executive Officers' meetings, and express their opinions. The corporate auditors also collaborate with the Internal Audit Office and the independent auditing firm to collect information, directly interview the directors, and inspect material

documents to verify the appropriateness, efficiency, and other aspects of the conduct of the directors. Additionally, to ensure effective and high-level audits, corporate auditors convene regular Board of Corporate Auditors' meetings and verify the audit plans prepared by the corporate auditors, the implementation status of audits, and audit results. Corporate auditors also receive reports on internal audit results conducted by designated employees according to ISO standards for environmental management and quality control from the respective committees.

### Compensation of Directors

The Board of Directors approves the compensation for directors and executive officers. Based on the above recommendation by the Nomination and Compensation Committee, distribution of the directors' remunerations is determined in the meeting of the Board of Directors within the limitations of the maximum amount of directors' remunerations adopted in the annual general meeting of shareholders held on June 26, 2007 (¥300 million or less (including ¥30 million or less for outside directors)). Distribution of the corporate auditors' remuneration is determined through consultation among the corporate auditors within the limitations of the maximum amount of corporate auditors' remuneration adopted in the annual general meeting of shareholders held on June 26, 2007 (¥80 million or less).

### Amounts of Compensation of Directors and Auditors

Position	Number of persons	Amount (¥ million)
Directors	8	140
Auditors	4	27
Total	12	168

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

Title	Name	Reasons for Selection	Attendance at Board of Directors' Meetings
Outside Director	Kazuhiro Yamada	Mr. Yamada's financial analysis capabilities as a Certified International Investment Analyst (CIIA) and experience working on numerous investment deals in manufacturing and other industries make him an appropriate selection for outside director, regardless of whether an independent director or not.	12 of 12
Outside Director	Keizo Tannawa	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.	12 of 12
Outside Director	Katsumi Nakamura	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.	Newly appointed

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

### Corporate Social Responsibility (CSR)

#### Societal Contributions

Kito provides safe, efficient products through its material handling business, contributing to the development of social and public infrastructure.

The Kito Group will continue contributing to society's development as a good corporate citizen, never losing sight of gratitude for everything that surrounds and binds it.

#### Support for Recovery from the Great East Japan Earthquake

To contribute to society, Kito has been engaged in reconstruction support volunteer efforts since 2012. In July 2015, for the seventh time, volunteers from Kito assisted in cleaning up the coastal areas and helping to find clues to the whereabouts of persons missing in the aftermath of the disaster. Kito will continue to engage in reconstruction support efforts in the pursuit of a bright future for disaster-affected areas.

#### Support for Johsoh City

Record-breaking torrential rains over a wide area, including Ibaraki, Tochigi, and Miyagi prefectures, caused inundation damage to homes in the region. To assist residents of the affected areas to return to normal lives as quickly as possible, 48 employees of Kito volunteered their time to help clean up homes in the region.

#### Promoting Employment for Disabled Persons

Kito believes that creating environments where everyone can work comfortably, regardless of whether they are disabled or not, is an important corporate social responsibility and, therefore, actively supports the employment of people with disabilities. The number of persons with disabilities that Kito employs is 3.5 times the number required by law, but Kito does not stop at promoting employment. To contribute to the creation of environments in which people with disabilities can work, on behalf of disability employment centers, Kito also conducts tours of its Head Office Factory and provides work experience programs for people with special needs.



To promote communication with disabled persons, posters within the factories display basic sign language.

#### Environmental Responsibility

An important societal task for Kito is that of reducing environmental burdens. Corporations must fulfill their responsibility for the environment as they carry out their activities. Mindful of this, Kito has established an Environment Policy aimed at reducing the environmental burden in all of its business activities, in accord with which it engages in various initiatives. Beyond its business activities, Kito is also engaged in a wide array of environmental preservation activities.

#### 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 at the mountain in 2013, when Mount Fuji was named a World Cultural Heritage site. 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. Thus far, Kito has continued these activities every year and many employees have participated.



#### Green Fund-Raising

Yamanashi Prefecture is blessed with a beautiful natural environment, and, as we of Kito go about our daily work and view Mount Fuji, we appreciate the significance of a nature-rich environment. As we aim to implement our Environment Policy of "contributing to the community through environmental preservation," we at Kito are acutely aware of the importance of protecting the forests. Every year, Kito employees voluntarily assist in the Green Fund-Raising (*Midori-no-Bokin*) initiative with the aim of protecting and nurturing forests for the future.

## Environmental Responsibility

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 our 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

#### ISO certification

At Kito, 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.

#### Handling of restricted substances

Kito has established its own set of restricted substances based on the RoHS Directive\*<sup>1</sup> and the Joint Industry Guideline\*<sup>2</sup> and has been promoting the "Non-inclusion of Kito's 15 prohibited substances."

Currently all standard manual chain hoists and electric chain hoists are in compliance with RoHS and REACH. In terms of the other products also, Kito is actively switching over to products that comply with the RoHS Directive as well as the "Non-inclusion of Kito's 15 prohibited substances."

\*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).

Note: For the status of compliance of individual products with restrictions on hazardous substances including the RoHS Directive, please inquire with our sales reps.

#### Green Procurement Guidelines

Kito has established the Green Procurement Guidelines pursuant to the above Environment Policy and with the cooperation of its customers has been striving to mitigate the environmental burden.



# Financial Section

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# Six-Year Summary

Years ended March 31

## Results of Operations (Consolidated)

	Millions of yen					
	2011	2012	2013	2014	2015	2016
Net sales	¥28,095	¥33,282	¥35,501	¥41,855	¥49,968	<b>¥55,821</b>
Operating income	1,119	1,658	2,510	4,006	3,395	<b>5,221</b>
Operating income ratio (%)	4.0	5.0	7.1	9.6	6.8	<b>9.4</b>
Ordinary income	885	1,572	2,440	4,094	3,423	<b>4,576</b>
Net income attributable to owners of parent	423	662	1,023	2,361	2,026	<b>2,497</b>
Total assets	28,151	31,510	34,760	41,108	63,183	<b>60,639</b>
Net assets	15,706	15,878	18,012	22,003	25,626	<b>26,040</b>
Shareholders' equity ratio (%)*	53.8	48.5	49.8	51.2	38.9	<b>41.2</b>
Return on equity (%)	2.8	4.3	6.3	12.3	8.9	<b>10.1</b>
Number of employees	1,720	1,832	1,898	2,094	2,495	<b>2,365</b>

\* Net assets applicable to common stock/total assets × 100

## Financial Soundness

	Millions of yen					
	2011	2012	2013	2014	2015	2016
Total assets	¥28,151	¥31,510	¥34,760	¥41,108	¥63,183	<b>¥60,639</b>
Net assets	15,706	15,878	18,012	22,003	25,626	<b>26,040</b>
Interest-bearing debt	2,722	3,943	5,391	6,425	21,343	<b>19,281</b>
Shareholders' equity ratio (%)	53.8	48.5	49.8	51.2	38.9	<b>41.2</b>
Debt/equity ratio (Times)	0.17	0.25	0.30	0.29	0.83	<b>0.74</b>
Operating cash flow	1,908	411	(515)	4,056	3,338	<b>4,502</b>
Interest paid	37	76	87	178	224	<b>450</b>
Interest coverage ratio (Times)*	51.1	5.4	—	22.8	14.9	<b>10.0</b>

\* Operating cash flow/Interest paid

## Valuation

	2011	2012	2013	2014	2015	2016
Net assets per share (Yen)* <sup>1</sup>	¥588.84	¥594.20	¥670.19	¥806.32	¥936.83	<b>¥952.43</b>
Net income per share (Yen)	17.35	25.72	39.71	91.25	77.52	<b>95.13</b>
Cash dividends per share (Yen)	10.00	10.00	10.00	20.00	25.00	<b>28.00</b>
Payout ratio (%)* <sup>2</sup>	57.6	38.9	25.2	21.9	32.3	<b>29.4</b>
Price/earnings ratio (Times)* <sup>3</sup>	22.1	13.9	13.0	11.6	15.7	<b>8.8</b>
Price book value ratio (Times)* <sup>4</sup>	0.65	0.60	0.77	1.31	1.30	<b>0.88</b>
Free cash flow (Millions of yen)	(75)	(899)	(2,261)	1,327	(5,064)	<b>930</b>

\*<sup>1</sup> Net assets applicable to common stock/average outstanding shares

\*<sup>2</sup> Cash dividends/net income (consolidated)

\*<sup>3</sup> Stock price (year-end)/EPS

\*<sup>4</sup> 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.

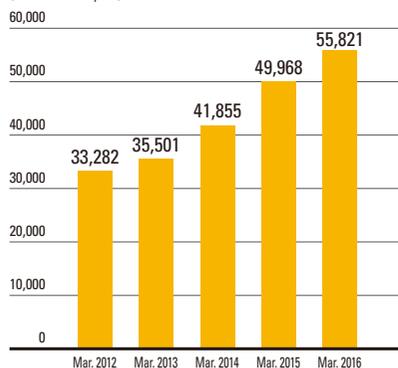
Accordingly, the Net assets per share, the Net income per share, and the Cash dividends per share of all fiscal years are calculated the same way as after the stock split.

# Management's Analysis of Financial Position and Operating Results

Years ended March 31

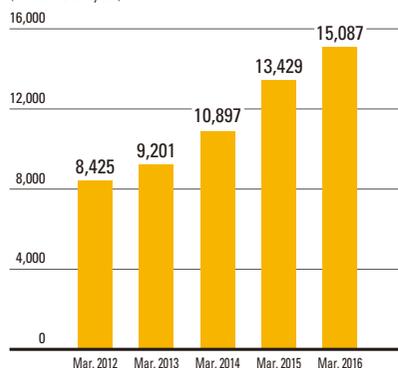
## Net Sales

(Millions of yen)



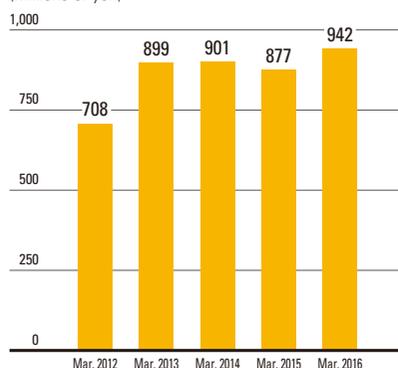
## Selling, General and Administrative Expenses

(Millions of yen)



## Research and Development Expenses

(Millions 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 2015 (year ended March 31, 2016) amounted to ¥55,821 million, up 11.7% from ¥49,968 million in fiscal 2014. Net sales in Japan were ¥25,415 million, up 3.7% from ¥24,514 million from the previous fiscal year, and net sales overseas amounted to ¥42,687 million, a 13.4% increase from ¥37,634 million in the prior fiscal year.

### Cost of Sales, Selling, General and Administrative Expenses

Accompanying the increase in net sales, the cost of sales rose ¥2,369 million, to ¥35,512 million. Meanwhile, the ratio of the cost of sales to net sales decreased 2.7 percentage points, from 66.3% in fiscal 2014 to 63.6% in fiscal 2015.

Selling, general and administrative (SG&A) expenses rose ¥1,658 million to ¥15,087 million, largely reflecting increases in wages and bonuses, and the SG&A expenses to net sales ratio moved to 27.0%, compared with 26.9% in the previous fiscal year.

Total research and development (R&D) expenses were ¥942 million in fiscal 2015, comprising ¥872 million in Japan, ¥6 million in the Americas, and ¥64 million in China. Alongside thoroughgoing efforts to enhance the cost performance of Kito's current core products, R&D activities also spanned basic and applied research through to product development and the renewal of existing models with a view to future business expansion.

### Segment Information

#### Japan

Sales recorded in Japan were ¥25,415 million (an increase of 3.7% year on year). Factors accounting for this were steady orders for electric-powered products, cranes, and other products, as reflected in firm private-sector capital investment. Operating income rose to ¥5,521 million (an increase of 16.8%) because of the contributions made by improved productivity at factories.

#### The Americas

In the United States, subsidiary Peerless Industrial Group, Inc., was consolidated for the first time for a full fiscal year and made a major contribution to consolidated performance. Sales in the Americas rose to ¥27,965 million (an increase of 27.3% year on year). Excluding Peerless, on a local currency basis, sales of existing businesses declined 2.8% in the United States, and increased 25.2% in Canada. Operating income for the Americas as a whole amounted to ¥1,121 million (an increase of 50.7% from the previous fiscal year). The Americas thus made substantial contributions to increased sales and income.

#### China

The Chinese economy slowed, and demand was generally weak. As a result, sales amounted to ¥7,870 million (a decrease of 7.5% from the previous fiscal year). As a result of cost reductions, profitability improved, and operating income amounted to ¥867 million (an increase of 3.7%).

#### Asia

As a result of the effects of the slowdown in the Chinese economy, growth in regional economies weakened and demand for investment declined. Sales amounted to ¥5,166 million (a decrease of 5.6% year on year). Operating income was ¥61 million (compared with an operating loss of ¥374 million in the previous fiscal year) as a result of improvement of profitability in crane projects, expansion of maintenance and other service businesses, and the aggregation of production bases in Thailand.

#### Europe

In the midst of rising uncertainties, including the decline in the price of crude oil and conditions in neighboring countries, sales in this segment amounted to ¥1,686 million (a decrease of 0.3% from the previous fiscal year), and operating income amounted to ¥31 million (an increase of 239.7%).

### Sales by Geographic Segment

(Millions of yen)	2016	2015	Percentage change
Japan	¥25,415	¥24,514	3.7%
Americas	27,965	21,967	27.3
China	7,870	8,504	(7.5)
Asia	5,166	5,471	(5.6)
Europe	1,686	1,692	(0.3)
Adjustment	(12,282)	(12,182)	—
Total	¥55,821	¥49,968	11.7%

### Operating Income by Geographic Segment

(Millions of yen)	2016	2015	Percentage change
Japan	¥5,521	¥4,726	16.8%
Americas	1,121	744	50.7
China	867	836	3.7
Asia	61	(374)	—
Europe	31	9	239.7
Adjustment	(2,382)	(2,545)	—
Total	¥5,221	¥3,395	53.8%

### Operating Income

Operating income was ¥5,221 million, up 53.8% from ¥3,395 million in the previous fiscal year. The operating margin was 9.4%, 2.6 percentage points higher than the prior fiscal year.

### Income before Income Taxes

As a result of the above, income before income taxes came to ¥4,210 million, ¥539 million higher than the ¥3,671 million reported in the previous fiscal year.

### Income Taxes

Income taxes decreased ¥2 million, to ¥1,611 million, and the ratio of income taxes to income before income taxes was 38.3%.

### Net Income Attributable to Owners of Parent

As a consequence of the above, net income attributable to owners of the parent company rose ¥471 million, or 23.2%, to ¥2,497 million.

### Dividend Policy

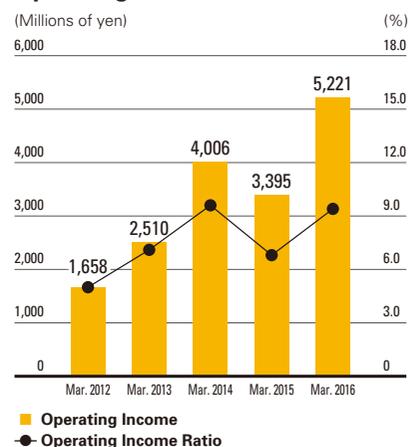
Kito Corporation's basic shareholder returns goal is to maintain a consolidated dividend payout ratio of 20%. In determining its basic policy on profit distribution, the Company takes into consideration such factors as paying an appropriate return to shareholders in consideration of performance and the need for sufficient internal reserves to strengthen its operations and pursue future business growth and development. For fiscal 2015, 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 29.4%.

### Outlook for the Fiscal Year Ending March 31, 2017

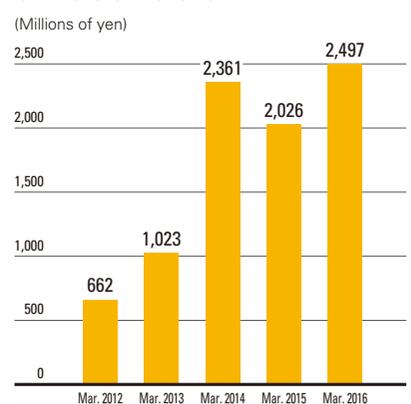
Looking ahead, the outlook for the management environment surrounding the Kito Group is becoming increasingly uncertain. Factors accounting for this include the slowdown in the Chinese economy and its impact on emerging countries in Asia, weakness in natural resource markets, and the risk of a downturn in the U.S. and European markets. On the other hand, along with changes in the industrial structure of the emerging countries, there are signs of change in the form of rising safety awareness.

Amid this operating environment, the Kito Group is expanding its business activities through broadening its offerings of products and services. In addition, the Group is working to maximize its income and cash flows through improving productivity and efficiency in its existing businesses.

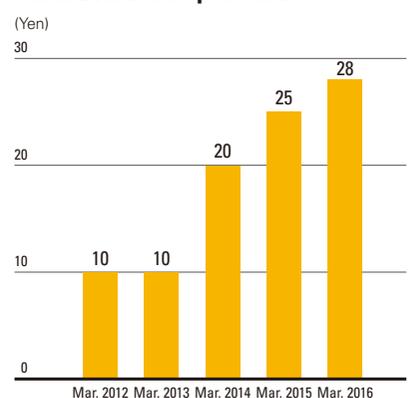
### Operating Income Operating Income Ratio



### Net Income Attributable to Owners of Parent



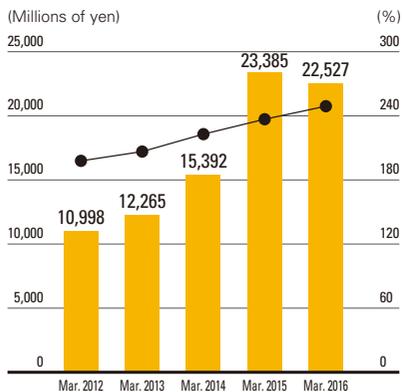
### Cash Dividends per Share



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.

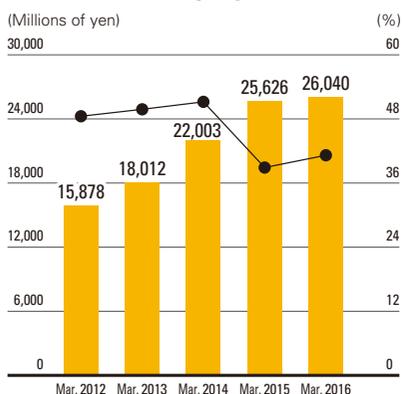
Accordingly, the Cash dividends per share of all fiscal years are calculated the same way as after the stock split.

## Working Capital\* Current Ratio



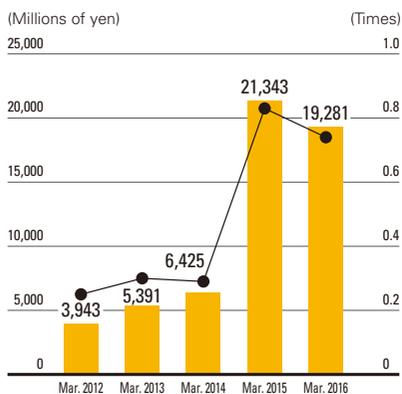
■ Working Capital  
● Current Ratio  
\* Current assets minus current liabilities

## Total Net Assets Shareholders' Equity Ratio



■ Total Net Assets  
● Shareholders' Equity Ratio

## Interest-Bearing Debt Debt/Equity Ratio



■ Interest-Bearing Debt  
● Debt/Equity Ratio

In Japan, the Group expects that demand for private capital investment will continue, and is looking for civil engineering construction demand for infrastructure projects and post-disaster recovery work to emerge. The Group will continue to expand its lineup of products, and work to raise its market share by increasing sales of the newly developed wire rope hoists, which the Group has recently launched.

In the Americas, demand is believed likely to continue to be firm overall, mainly in the manufacturing industries. The Group is working to make improvements in its supply chain through shifting the production of some items to local markets, reducing costs through rationalization efforts, and strengthening its product lineup by adding the chain products and below-hook devices of Peerless.

In China, the deceleration of the economy will continue, and the outlook for demand is to remain stagnant, but the Group will continue on implementing measures to increase profitability, including cost reductions. In addition, looking to the future development of the Group's business in China, consideration of reconstructing the business base in that country has begun.

In the newly emerging countries, mainly in Asia, the Group will continue to implement measures that will include improving the profitability of crane projects, expanding the service and maintenance business, and increasing sales of individual hoist products. The Group will also work to secure demand for local infrastructure improvement projects.

As a result of these various initiatives, the Kito Group is forecasting consolidated net sales of ¥53,000 million, operating income of ¥4,300 million, ordinary income of ¥4,000 million, and net income attributable to owners of the parent company of ¥2,400 million.

Please note that the foreign currency exchange rate that is assumed in these forecasts is US\$1=¥105.0.

## Financial Position

### Assets, Liabilities, and Net Assets

Total assets were ¥60,639 million, which was ¥2,543 million lower than at the end of the previous fiscal year. Factors accounting for this were a decline in cash and deposits of ¥1,263 million, a decrease of ¥902 million in merchandise and finished goods, and a decline in goodwill of ¥1,110 million, which were partially offset by an increase in investment securities of ¥1,298 million.

Total liabilities amounted to ¥34,599 million, which was ¥2,957 million lower than at the end of the previous fiscal year. Factors accounting for this were a decline in notes and accounts payable-trade of ¥811 million, a decrease of ¥1,000 million in bonds payable, and a decline in long-term loans payable of ¥1,131 million.

Net assets were ¥26,040 million as of March 31, 2016, ¥413 million higher than at the end of the previous fiscal year. This was due to an increase in retained earnings of ¥1,801 million and a decrease in the foreign currency translation adjustment account of ¥1,130 million. As a result, the Company's shareholders' equity ratio rose to 41.2%.

Return on equity increased 1.2 percentage points, from 8.9% at the end of the previous fiscal year to 10.1% as of March 31, 2016.

### Capital Expenditure and Depreciation

Capital expenditure totaled ¥2,013 million in fiscal 2015. The Group spent ¥1,426 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 ¥4,502 million, which was ¥1,163 million higher than in the previous fiscal year. Factors accounting for this were income before income taxes of ¥4,210 million, depreciation and amortization of ¥1,814 million, income taxes paid of ¥2,200 million, and other factors.

Net cash used in investing activities was ¥3,572 million, which represented a ¥4,830 million smaller outflow than in the previous year. This was accounted for by payments for

the acquisition of tangible noncurrent assets of ¥1,317 million, payments for the acquisition of intangible noncurrent assets of ¥695 million, payments for investments in capital of subsidiaries and affiliates of ¥1,337 million, and other factors.

Net cash used in financing activities amounted to ¥1,900 million, which was ¥8,950 million larger than in the previous fiscal year. Factors accounting for this were proceeds from long-term loans payable of ¥2,525 million, which were more than offset by repayments of long-term loans payable of ¥2,836 million, redemption of bonds of ¥1,000 million, and other factors.

As a result of these activities, as of March 31, 2016, cash and cash equivalents stood at ¥8,521 million, a decrease of ¥1,256 million from March 31, 2015.

Free cash flow was ¥930 million, an increase of ¥5,994 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 2015, 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 77.3%.

Dependence for sales on the Americas and the Asian region, including China, is high, with 50.0% of sales made in the Americas and 22.8% 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.

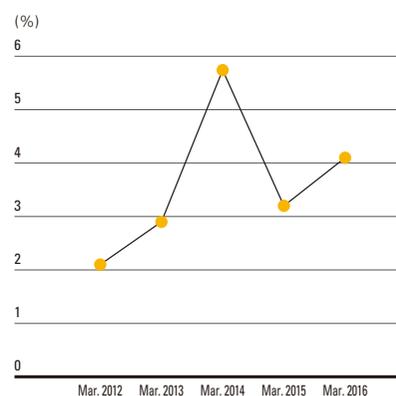
### ■ The Impact of Factors, such as Foreign Currency Exchange Rates

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.

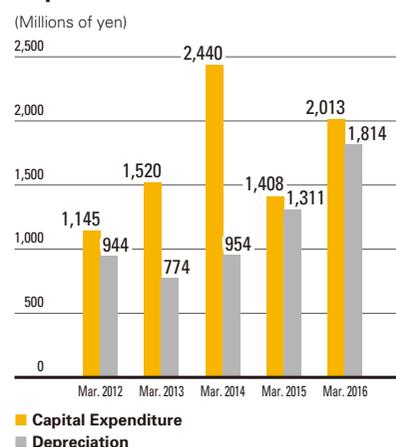
Other risks are identified as follows.

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

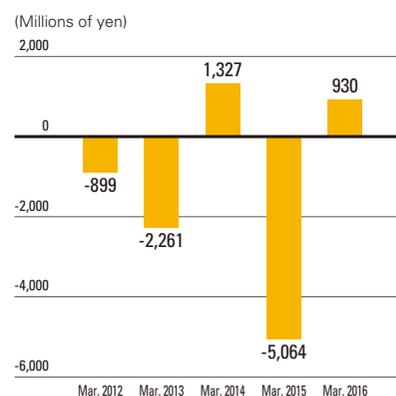
## ROA



## 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	
	2015	2016
<b>(ASSETS)</b>		
<b>Current assets</b>		
Cash and deposits	¥ 9,792	¥ 8,529
Notes and accounts receivable–trade	12,593	11,761
Merchandise and finished goods	11,638	10,735
Work in process	1,798	1,599
Raw materials and supplies	1,669	1,517
Deferred tax assets	1,334	1,627
Other current assets	1,707	1,895
Allowance for doubtful receivables	(55)	(66)
Total current assets	40,478	37,599
<b>Fixed assets</b>		
Property and equipment		
Buildings and structures	10,532	10,447
Accumulated depreciation	(5,630)	(5,778)
Buildings and structures (net)	4,901	4,668
Machinery, equipment, and vehicles	16,717	17,295
Accumulated depreciation	(11,919)	(12,433)
Machinery, equipment, and vehicles (net)	4,797	4,861
Land	1,658	1,496
Construction in progress	270	379
Others	6,097	6,115
Accumulated depreciation	(5,565)	(5,621)
Others (net)	532	494
Total property and equipment	12,161	11,901
Intangible assets		
Goodwill	4,012	2,901
Software	590	1,239
Other intangible assets	4,407	3,756
Total intangible assets	9,009	7,896
<b>Investments and other assets</b>		
Investment securities	38	1,337
Deferred tax assets	532	641
Other investments and other assets	961	1,263
Total investments and other assets	1,532	3,242
Total fixed assets	22,703	23,040
<b>Deferred assets</b>		
Bond issuance expenses	1	—
Total deferred assets	1	—
Total assets	¥63,183	¥60,639

	Millions of yen	
	2015	2016
<b>(LIABILITIES)</b>		
<b>Current liabilities</b>		
Notes and accounts payable–trade	¥ 6,113	¥ 5,301
Short-term loans payable	1,689	1,758
Corporate bonds redeemable within one year	1,000	—
Current portion of long-term debts payable within one year	2,629	2,836
Accrued expenses	2,750	2,757
Income taxes payable	1,013	644
Provision for bonuses for employees	328	477
Provision for product warranties	55	55
Provision for sales returns	402	300
Other current liabilities	1,109	939
Total current liabilities	17,093	15,072
<b>Long-term liabilities</b>		
Long-term loans payable	16,025	14,687
Provision for directors' retirement benefits	181	177
Net defined benefit liability	2,431	2,664
Deferred tax liabilities	1,619	1,683
Other long-term liabilities	205	313
Total long-term liabilities	20,464	19,527
Total liabilities	37,557	34,599
<b>(NET ASSETS)</b>		
<b>Shareholders' equity</b>		
Capital stock	3,976	3,976
Capital surplus	5,219	5,226
Retained earnings	13,477	15,279
Treasury stock	(367)	(354)
Total shareholders' equity	22,307	24,128
<b>Accumulated other comprehensive income</b>		
Valuation difference on other available-for-sale securities	1	0
Deferred gains or losses on hedges	(56)	(132)
Foreign currency translation adjustment	2,643	1,512
Remeasurements of defined benefit plans	(318)	(496)
Total accumulated other comprehensive income	2,269	883
Subscription acquisition rights to shares	30	36
Non-controlling interests	1,020	991
Total net assets	25,626	26,040
Total liabilities and net assets	¥63,183	¥60,639

# Consolidated Statements of Income

Years ended March 31

	Millions of yen	
	2015	2016
<b>Net sales</b>	¥49,968	<b>¥55,821</b>
<b>Cost of sales</b>	33,143	<b>35,512</b>
<b>Gross profit</b>	16,824	<b>20,309</b>
<b>Selling, general and administrative expenses</b>		
Selling expenses	10,272	<b>11,863</b>
General and administrative expenses	3,156	<b>3,224</b>
Total selling, general and administrative expenses	13,429	<b>15,087</b>
<b>Operating income</b>	3,395	<b>5,221</b>
<b>Non-operating income</b>		
Interest income	40	<b>26</b>
Dividends income	0	<b>0</b>
Foreign exchange gains	112	<b>—</b>
Rents received	32	<b>32</b>
Proceeds from the sales of scrap	30	<b>43</b>
Other	154	<b>115</b>
Total non-operating income	371	<b>218</b>
<b>Non-operating expenses</b>		
Interest expenses	239	<b>464</b>
Foreign exchange losses	—	<b>175</b>
Other	103	<b>224</b>
Total non-operating expenses	343	<b>863</b>
<b>Ordinary income</b>	3,423	<b>4,576</b>
<b>Extraordinary income</b>		
Gain on sale of noncurrent assets	347	<b>—</b>
Total extraordinary income	347	<b>—</b>
<b>Extraordinary loss</b>		
Impairment loss	99	<b>211</b>
Cost for quality control	—	<b>154</b>
Total extraordinary loss	99	<b>366</b>
<b>Income before income taxes</b>	3,671	<b>4,210</b>
<b>Income taxes—current</b>	1,845	<b>1,779</b>
<b>Income taxes—deferred</b>	(232)	<b>(167)</b>
<b>Income taxes (current and deferred)</b>	1,613	<b>1,611</b>
<b>Net income</b>	2,057	<b>2,599</b>
<b>Net income attributable to non-controlling interests</b>	31	<b>101</b>
<b>Net income attributable to owners of parent</b>	2,026	<b>2,497</b>

# Consolidated Statements of Comprehensive Income

Years ended March 31

	Millions of yen	
	2015	2016
<b>Net income</b>	¥2,057	<b>¥2,599</b>
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	7	<b>(1)</b>
Deferred gains or losses on hedges	(56)	<b>(75)</b>
Foreign currency translation adjustment	1,865	<b>(1,191)</b>
Remeasurements of defined benefit plans	(132)	<b>(177)</b>
Total other comprehensive income	1,684	<b>(1,446)</b>
<b>Comprehensive income</b>	¥3,741	<b>¥1,152</b>
(Comprehensive income attributable to)		
Owners of the parent	3,597	<b>1,111</b>
Non-controlling interests	144	<b>40</b>

# Consolidated Statements of Changes in Net Assets

Years ended March 31

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
<b>Fiscal year ended March 31, 2015</b>					
<b>(April 1, 2014 to March 31, 2015)</b>					
Balance as of the beginning of the period	¥3,976	¥5,199	¥11,599	¥(423)	¥20,353
Cumulative effect of changes in accounting policies			536		536
Balance as of the beginning of the period after reflecting changes in accounting policies	3,976	5,199	12,136	(423)	20,889
Changes during the period					
Dividends from surplus			(653)		(653)
Net income attributable to owners of parent			2,026		2,026
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		19		56	75
Changes in the scope of consolidation			(32)		(32)
Changes of items other than shareholders' equity during the period (net)					
Total changes during the period	—	19	1,341	56	1,417
Balance as of the end of the period	¥3,976	¥5,219	¥13,477	¥(367)	¥22,307

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
<b>Fiscal year ended March 31, 2016</b>					
<b>(April 1, 2015 to March 31, 2016)</b>					
Balance as of the beginning of the period	¥3,976	¥5,219	¥13,477	¥(367)	¥22,307
Cumulative effect of changes in accounting policies					—
Balance as of the beginning of the period after reflecting changes in accounting policies	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
Changes in the scope of consolidation					—
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

Millions of yen

Valuation difference on other available- for-sale securities	Accumulated other comprehensive income				Total 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					
¥(6)	¥ —	¥ 891	¥(186)	¥ 698	¥37	¥ 914	¥22,003	
							536	
(6)	—	891	(186)	698	37	914	22,539	
							(653)	
							2,026	
							(0)	
							75	
							(32)	
7	(56)	1,752	(132)	1,570	(7)	105	1,669	
7	(56)	1,752	(132)	1,570	(7)	105	3,086	
¥ 1	¥(56)	¥2,643	¥(318)	¥2,269	¥30	¥1,020	¥25,626	

Millions of yen

Valuation difference on other available- for-sale securities	Accumulated other comprehensive income				Total 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					
¥1	¥ (56)	¥2,643	¥(318)	¥2,269	¥30	¥1,020	¥25,626	
							—	
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	

# Consolidated Statements of Cash Flows

Years ended March 31

	Millions of yen	
	2015	2016
<b>Cash flows from operating activities</b>		
Income before income taxes	¥3,671	<b>¥4,210</b>
Depreciation and amortization	1,311	<b>1,814</b>
Impairment loss	99	<b>211</b>
Depreciation of goodwill	252	<b>386</b>
Changes in allowance for doubtful receivables	4	<b>(5)</b>
Changes in reserve for bonuses for employees	69	<b>8</b>
Changes in reserve for retirement benefits for officers	23	<b>(4)</b>
Changes in net defined benefit liability	143	<b>21</b>
Interest and dividends income	(41)	<b>(26)</b>
Interest expense	239	<b>464</b>
Loss on the retirement of noncurrent assets	8	<b>14</b>
Loss (gain) on sales of property and equipment	(351)	<b>(2)</b>
Changes in trade receivables	(189)	<b>275</b>
Changes in inventories	1,004	<b>432</b>
Changes in accounts receivable	113	<b>28</b>
Changes in prepaid expense	(109)	<b>414</b>
Changes in trade payables	(916)	<b>(478)</b>
Changes in accrued expenses	139	<b>226</b>
Changes in advances received	79	<b>(187)</b>
Others	(98)	<b>(682)</b>
Subtotal	5,454	<b>7,121</b>
Cash received from interest and dividends	43	<b>30</b>
Interest paid	(224)	<b>(450)</b>
Income taxes paid	(1,939)	<b>(2,200)</b>
Refund of income taxes	5	<b>—</b>
Net cash provided by operating activities	3,338	<b>4,502</b>

	Millions of yen	
	2015	2016
<b>Cash flows from investing activities</b>		
Payments for the acquisition of tangible noncurrent assets	¥ (1,365)	¥(1,317)
Proceeds from the sales of tangible noncurrent assets	932	5
Payments into time deposits	(1)	—
Payments for the acquisition of intangible noncurrent assets	(42)	(695)
Payments of stocks of subsidiaries and affiliates	—	(1,337)
Proceeds from the collection of guarantee money deposited	5	6
Changes in investments and other assets	(237)	(43)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(7,840)	—
Others	146	(188)
Net cash used in investing activities	(8,402)	(3,572)
<b>Cash flows from financing activities</b>		
Changes in short-term loans payable (net)	(2,346)	208
Proceeds from long-term loans payable	15,824	2,525
Repayments of long-term loans payable	(5,714)	(2,836)
Redemption of bonds	—	(1,000)
Cash dividends paid by parent company	(653)	(694)
Cash dividends paid for non-controlling interests	(55)	(68)
Proceeds from sales of treasury stocks	59	16
Others	(63)	(49)
Net cash provided by (used in) financing activities	7,050	(1,900)
<b>Effect of exchange rate change on cash and cash equivalents</b>	1,455	(285)
<b>Net increase (decrease) in cash and cash equivalents</b>	3,441	(1,256)
<b>Cash and cash equivalents at the beginning of the year</b>	6,219	9,777
<b>Increase in cash and cash equivalents resulting from changes in the scope of consolidation</b>	117	—
<b>Cash and cash equivalents at the end of the year</b>	9,777	8,521

# 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

## Major Shareholders (top 10) (As of March 31, 2016)

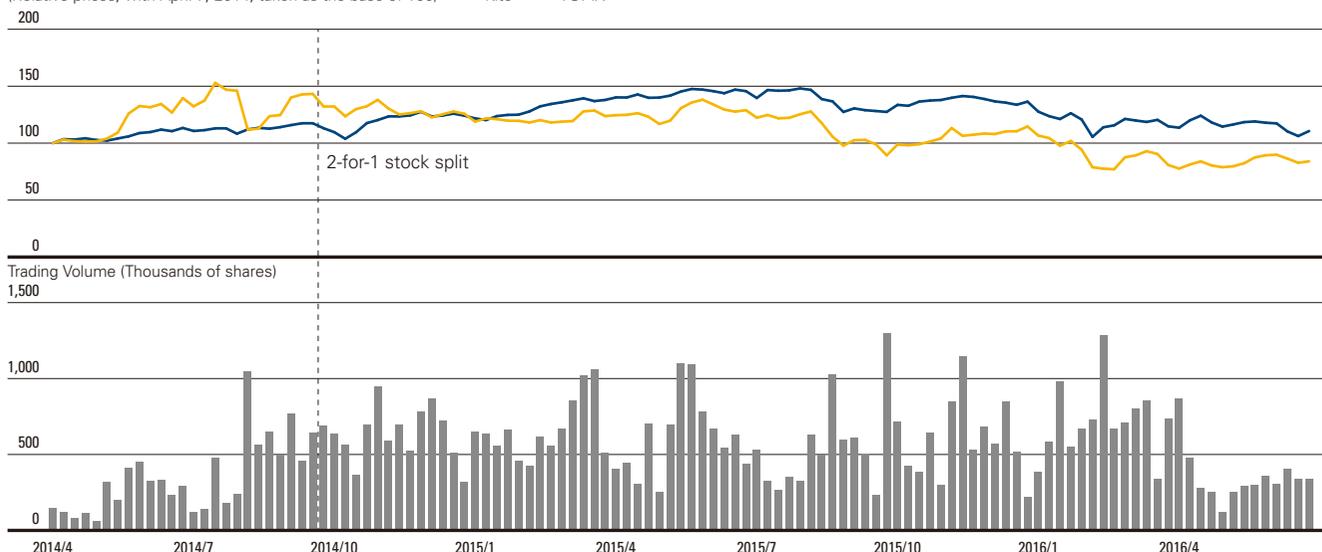
Name of shareholders	Number of shares (shares)	Percentage of ownership (%)
CBLDN KONECRANES FINANCE OY	5,950,000	22.00
CBNY-GOVERNMENT OF NORWAY	1,367,100	5.05
Japan Trustee Services Bank, Ltd. (Trust Account)	1,243,700	4.60
GOLDMAN, SACHS & CO. REG	986,400	3.65
Japan Trustee Services Bank, Ltd. (Trust Account 9)	906,200	3.35
MISAKI ENGAGEMENT MASTER FUND	799,000	2.95
Trust & Custody Services Bank Limited (Securities Investment Trust Account)	767,800	2.84
YK Capital Co., Ltd.	740,000	2.74
Sumitomo Mitsui Banking Corporation	670,400	2.48
The Master Trust Bank of Japan, Ltd. (Trust Account)	662,200	2.45

Notes: 1. Share ownership percentages were calculated after the deduction of treasury shares (787,016 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 2015.

## Trends in Kito's Stock Price

(Relative prices, with April 7, 2014, taken as the base of 100) — Kito — TOPIX



Note: Effective October 1, 2014, Kito conducted a 2-for-1 stock split of its common stock. 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.

## Total Number of Shares Issued

27,048,200

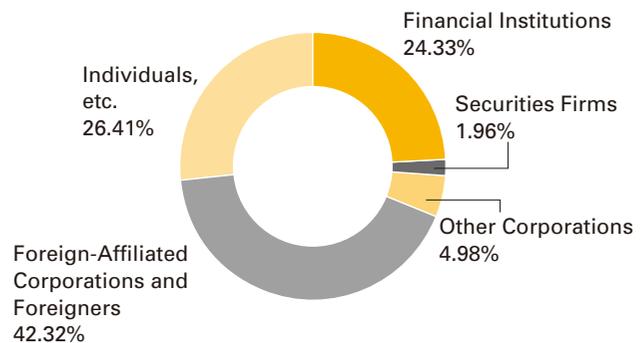
## Trading Unit of Shares

100

## Number of Shareholders

6,409, including one treasury stockholder

## Shareholders' Composition by Category (As of March 31, 2016)



# Corporate Profile

<b>Company Name</b>	Kito Corporation
<b>Head Office &amp; Factory</b>	2000, Tsuijjarai, Showa-cho, Nakakoma-gun, Yamanashi 409-3853, Japan
<b>Tokyo Head Office</b>	SHINJUKU NS Building 9F, 2-4-1, Nishi-Shinjuku, Shinjuku-ku, Tokyo 163-0809, JAPAN
<b>President &amp; CEO</b>	Yoshio Kito
<b>Established</b>	July 1944 (started Nov. 1932)
<b>Number of Employees</b> (March 31, 2016)	Non-consolidated: 681 Consolidated: 2,365
<b>Capital</b>	¥3,976 million
<b>Net Sales</b> (March 31, 2016)	Non-consolidated: ¥25,415 million Consolidated: ¥55,821 million

## Principal Offices and Factories (As of March 31, 2016)

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

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

**KITO**

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