

Kito Report 2020

KITO

Profile

Since its founding in 1932, Kito Corporation has been a leading manufacturer of material handling equipment, specializing in meeting our customers' need for lifting, transporting and securing operations. From basic products such as manual and electric chain hoists, lever hoists, wire rope hoists, and cranes to chain slings and other below-the-hook devices, Kito supplies products that enhance customer safety and productivity in a wide range of worksites where heavy objects are handled. Kito equipment plays vital roles in many different workplaces, from construction sites and industrial factories to power plants, as well as entertainment facilities and facilities in the agricultural, forestry, and fishery industries.

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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 Kito and its process of value creation and ESG of Kito's business operations.

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 management 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 September 30, 2020. 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.

Directors



President & CEO

Yoshio Kito

Chief Executive Officer

Attendance at board meetings

12/12

Number of shares of the Company held

168,500



Executive Vice President

Edward W. Hunter

Co-Chief Market Officer

Attendance at board meetings

11/12

Number of shares of the Company held

46,300



Managing Director

Tsuneo Yuzurihara

Senior Executive Officer
Chief Quality Officer
Chief Manufacturing Officer

Attendance at board meetings

12/12

Number of shares of the Company held

39,500



Managing Director

Shigeki Osozawa

Senior Executive Officer
Chief Financial Officer

Attendance at board meetings

12/12

Number of shares of the Company held

36,900



Outside Director

Katsumi Nakamura

Attendance at board meetings

12/12

Number of shares of the Company held

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Outside Director

Takashi Hirai

Attendance at board meetings

12/12

Number of shares of the Company held

4,700



Outside Director

Koji Osawa

Attendance at board meetings

10/10

Number of shares of the Company held

2,000

As of September 30, 2020

Message for Our Stakeholders



Fiscal 2020 (the year ending March 31, 2021) is the final year of the Kito Group's five-year mid-term management plan. In order to further raise corporate value, over the last four years we have grown our business by enhancing our products and services, and maximized cash flow by improving efficiency. At the same time, we have advanced the globalization of the entire Group. However, the impact of the global spread of the coronavirus disease (COVID-19) since spring this year has reduced economic activity, making it difficult to achieve targets in terms of business results. Even so, as we advance the globalization of our business, we have been diversifying risk and realizing an operational structure with a customer base that spans a wide variety of industries, which has enabled us to maintain business performance.

Looking at the current situation, in the regions that are important for the Group's business, primarily Japan, the U.S., and China, measures such as lockdowns have not had too big an impact and we were able to continue operating as normal. In terms of demand, too, while there was a certain amount of variation depending on region and industry, we managed to mostly overcome the worst period in early spring and have been seeing a gentle recovery since then. While production and shipping

volumes have yet to return to pre-COVID-19 levels, we have been fully leveraging our new infrastructure systems to continue measures to thoroughly manage costs and shrink fixed costs, and our outlook regarding business results is that the first half of fiscal 2020 will be the bottom and then recover gradually.

This pandemic has been a catalyst for great changes in how people live their lives, as well as in the business environment around us, and going forward, the speed of this social change is expected to accelerate. Even within this kind of environment, Kito will continue to provide solutions that address the universal issue of being "free of gravity" with a view to realizing future business growth. By providing products with superior safety and durability, clean streamlined production and supply processes for creating these products, and aftercare services for customers that are grounded in mutual trust, we will not only realize a safe operating environment, but also contribute to wider society, including by reducing environmental impact.

Yoshio Kito

President & CEO

October 2020

Kito's Strengths

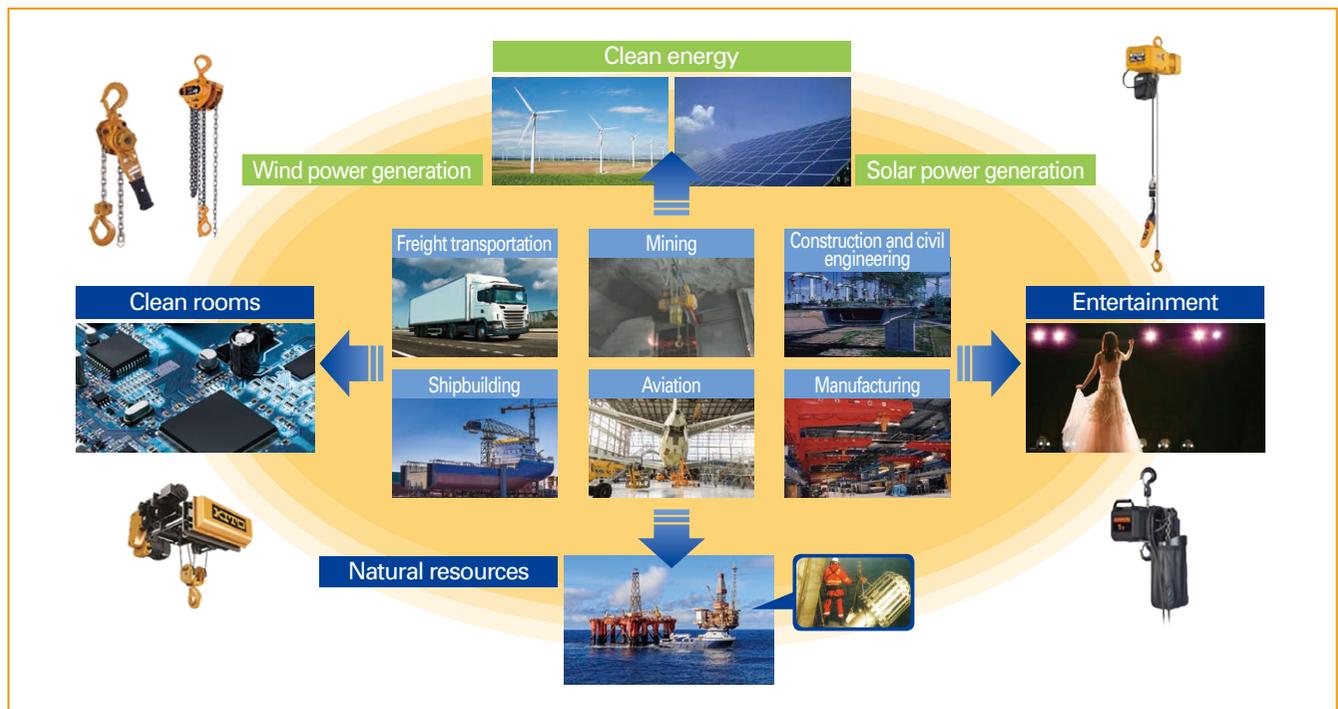
Products with Superior Safety and Durability

Kito's products cover a broad spectrum, from manual and electric chain hoists and wire rope hoists, to lever hoists that secure loads, cranes that transport heavy objects inside factories, and below-the-hook devices, like chain slings and other hoisting accessories. By providing products with superior safety and durability, the Company meets the universal need found in every industry to be free of gravity.



Engagement with a Wide Range of Industries

In addition to mining, manufacturing, construction, civil engineering, and other heavy industries, the Company's products are used in a wide range of industries throughout the world, including those related to clean energy, food, entertainment, and other integral parts of everyday life.



Kito's Strengths

Topic Food industry specifications: Ensuring food safety

Hazard analysis and critical control points (HACCP) is a preventive sanitation management method which identifies the steps within all food-related processes, from manufacturing to shipping, in which it might be easy for products to become contaminated by microorganisms or foreign materials. In preparation for when sanitation management systems that incorporate HACCP become mandatory in Japan (scheduled for June 2021), demand for products that meet food industry specifications is growing. Products that meet these specifications primarily offer high rust-proof performance and minimize the scattering of dust. We use stainless steel for hooks that might come into contact with foods and we use oils that have minimal effects on the human body to lubricate food-related machinery. In cases where even greater safety and sanitary performance is required, we can also take steps such as attaching dust pans and full body covers. We have prepared over 20 possible options to cater to each customer's operating environment.



Preparations for making sake (rice wine)



A Chinese soup manufacturing process

Top Share Globally

Kito began its overseas business expansion in the 1950s and transitioned to full-scale global penetration in 1990 with the establishment of U.S. subsidiary. Today, Kito operates business subsidiaries in 15 countries around the world and the overseas business has grown to account for around 70% of group-wide sales. Kito Group's products and services have received global recognition for their safety and durability, and have established positions as top-share brands in Japan, the U.S., and China, which are leading markets.



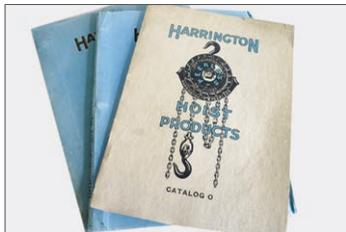
History of Overseas Development

1932 • Established the Kito Manufacturing Company in Omori, Tokyo

The predecessor of Kito Corporation, Kito Manufacturing Company, started as a small factory in Omori in Tokyo's Ota Ward with just six employees. It mainly produced winches, plate conveyors, and pumps.



1990 • Established our first foreign subsidiary, HARRINGTON HOISTS in the U.S.



1993 • Established KITO CANADA in Canada

1995 • Established JIANGYIN KITO CRANE in China

1997 • Established SIAM KITO in Thailand

2004 • Established Shanghai Kito Trading in China

2006 • Established KITO EUROPE in Germany

2008 • Established KITO KOREA in Korea

2010 • Purchased all shares of ARMSEL MHE PVT. in India

2011 • Established PT. KITO INDONESIA in Indonesia
Established KITO DO BRASIL in Brazil

2012 • Established KITO TAIWAN in Taiwan



2014 • Acquired all shares of the Peerless Industrial Group in the U.S.

2016 • Purchased all shares of PWB Anchor in Australia
Established Kito Chain Italia in Italy

2018 • Purchased all shares of ERIKKILA in Finland

2020 • Purchased all shares of Van Leusden in the Netherlands

Non-Financial Highlights (as of March 31, 2020)



Overseas locations

17 locations

Kito operates 17 subsidiaries in 15 countries around the world and provides products and services in more than 50 countries around the world.



Overseas sales ratio

74%

Kito's business portfolio supports results by being effective for diverse regions and customers.



Top-share brands

Kito's products and services are highly regarded worldwide for their safety and durability. We have established positions as top-share brands in Japan, the U.S., and China, which are leading markets.



Number of employees on a consolidated basis

2,328

(up 20 from the previous fiscal year)

The expansion in our global network has resulted in an increase in employees on a consolidated basis. Non-Japanese employees now account for more than 70% of total employees.



Employment of handicapped people

6.69%

(As of September 2020)

With the goal of being a company in which anyone can work, Kito is committed to systematically and continually improving the working environment. These efforts have contributed to the company achieving an employment rate for handicapped people of 6.9%, which is one of the highest rates in Japan and well above the government's statutory rate of 2.2%.



Executive officers with foreign nationality

6

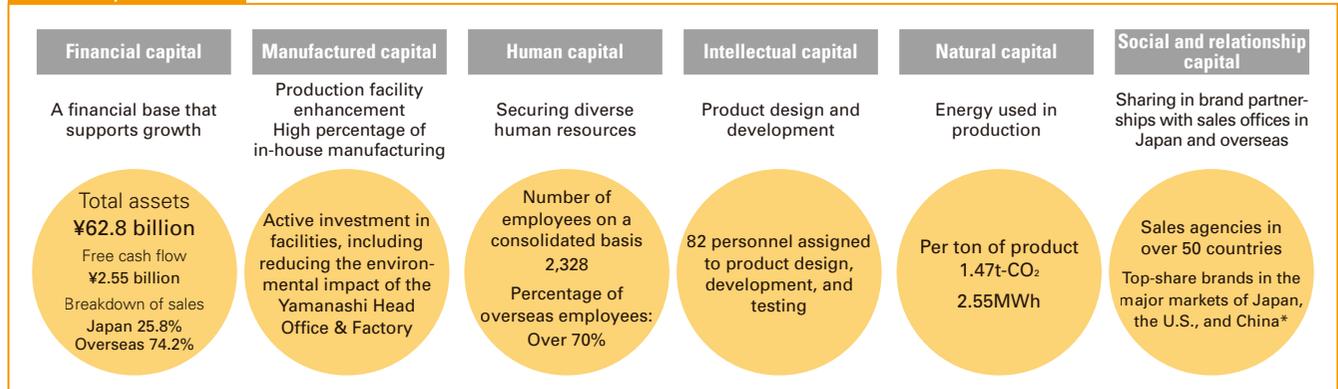
Six of the Kito Group's 15 executive officers are foreign nationals. We appropriately place various human resources.

Kito's Value Creation Process

Corporate Mission

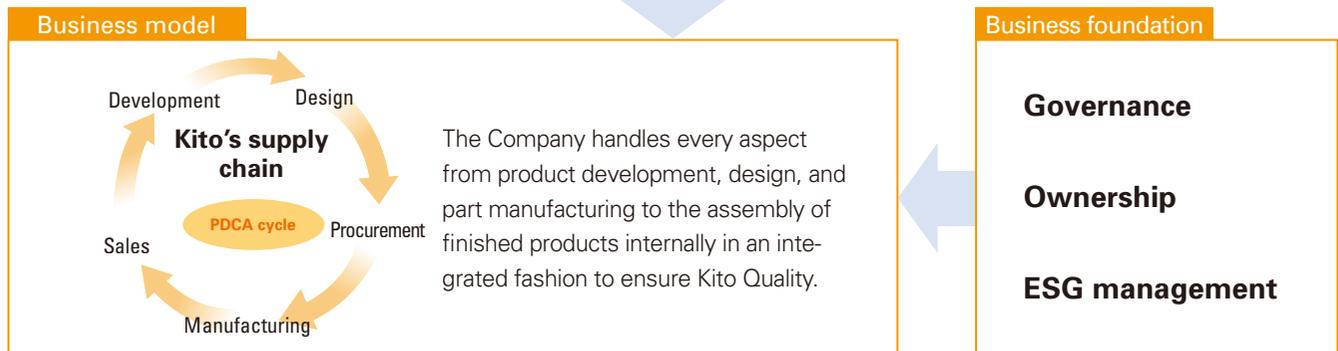
Kito's Mission: Deliver Unmatched Satisfaction to Our Customers
 Kito's Quality: Our Driving "Spirit" is "Quality"
 Kito's Innovation: Change and Challenge Always
 Value of KITO people: Integrity, Honesty, Pride and Gratitude

Inputs

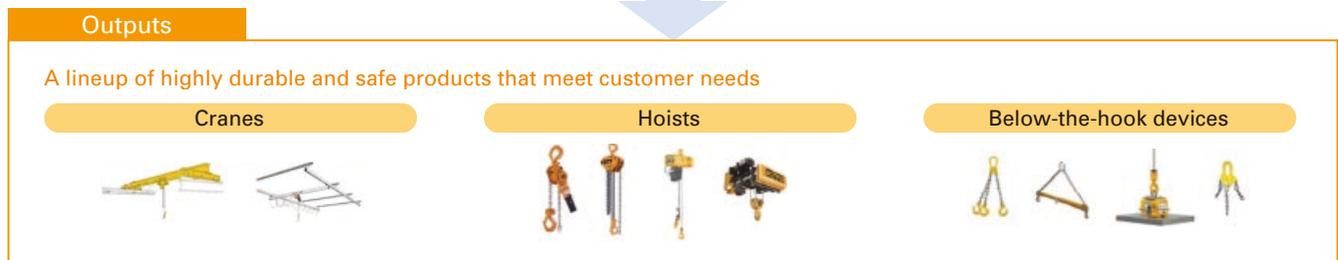


Kito's strengths

* Results for China based on surveys by the Company



Mid-term management plan



Creation of social value and sharing of value with stakeholders



ESG Management

ESG Vision

Kito responds to the need to safely lift, move and hold heavy loads in all industries and regions, enabling the creation of new value without the constraints of gravity. As a corporate member of society, we always bear in mind our responsibilities and we are committed to advancing legal compliance, which is our top priority, fair and transparent corporate governance, and timely, broad and fair disclosure of information. We also actively promote clean, environmentally friendly manufacturing and social contribution, among other initiatives.

ESG Initiatives	Key Themes
 <p>Environment</p> <ul style="list-style-type: none"> • Contribution to a circular economy • Waste reduction • Energy saving and global warming countermeasures • Conservation and effective use of water resources 	<p>We are helping to create a rich, sustainable society where people live in harmony with the environment, by adopting action guidelines that include setting goals for reducing environmental impact and preventing pollution through our operations and total product life cycles, while continuously improving our management system and promoting environmentally conscious activities.</p>
 <p>Social</p> <ul style="list-style-type: none"> • Human resources development • Work-life balance • Diversity promotion • Health maintenance and improvement 	<p>By manufacturing and selling hoists and cranes with superb safety and durability, we contribute not only to stakeholders such as customers, distributors, and business partners, but broadly to society.</p>
 <p>Governance</p> <ul style="list-style-type: none"> • Corporate governance • Risk management • Compliance 	<p>To achieve sustainable growth and improve corporate value on a medium- to long-term basis in line with our Corporate Mission, we are fully engaged in enhancing corporate governance in accordance with our basic concepts, based on the belief that the essence of corporate governance lies in increasing the dynamism of management by ensuring it is transparent and fair and by making management decisions in a prompt and decisive manner.</p>

Environment

Policy

Kito shall contribute to realizing an enriched and sustainable society where people are in harmony with the earth by developing business activities and providing products and services in the material handling field.

As concrete steps, we shall set goals for reducing environmental impact and preventing pollution through our operations and total product life cycles, while continuously improving our management system and promoting the following environmentally conscious activities.

1.	Measures against climate change We will decrease energy consumption to reduce greenhouse gas emissions.
2.	Control of chemical substances We will continuously reduce and replace substances having significant impacts on people and the earth.
3.	Sustainable use of resources We will understand the finiteness of resources and ensure their effective use by saving and recycling them.
4.	Measures to protect biodiversity We will strive to mitigate our impact on biodiversity and conserve ecosystems.
5.	Compliance We will comply with environment-related laws and regulations, and other requirements that our company agrees to.

We actively work to reduce environmental impact and help build a circular economy so that we can provide customers with environmentally friendly products. At the same time, we engage in initiatives to reduce waste, use fewer hazardous substances, and decrease energy consumption, including by switching to energy-efficient equipment. Furthermore, we aim to build safe workplaces in which anyone can work with peace of mind.

Initiatives

Acquiring certification

- The Group's two major manufacturing facilities, our Yamanashi Head Office & Factory in Japan and our factory in Jiangyin, China, have received international ISO 14001 certification for environmental management.
- One of our main products, the EQ electric chain hoist (capacity: 980 kg), acquired the EcoLeaf environmental label. This involves the verification and publication of quantifiable environmental impact data concerning a product acquired through life cycle assessments under the Type III eco-labeling program managed by the Japan Environmental Management Association for Industry (JEMAI).

Handling controlled substances

Based on joint industry guidelines such as the European Union's Restriction of Hazardous Substances (RoHS) standards, we have independently identified and are preventing the use of 19 selected hazardous substances (Kito's "banned 19"). Currently, all our standard manual and electric chain hoists comply with RoHS standards. For other products, we are actively working to switch to products that meet RoHS standards and do not use the "banned 19."

Initiatives at Factories

We aim to further reduce environmental impact by renovating our factories to enable cleaner, more energy-efficient operations. At the Yamanashi Head Office & Factory, our top priority is to maintain a safe workplace for all by paying careful attention to fire and other work-related risks, and harmful elements such as noise and odors, as well as advancing efforts to reduce energy consumption, CO₂ emissions, and other environmental impacts.

Environmental Data	Unit	(fiscal year)	
		2015	2019
Consumption of electricity per amount of production	MWh/t	2.60	2.55
Emissions of CO ₂ per amount of production	t-CO ₂ /t	1.55	1.47
Waste (including items with value, such as scrap metal)	t	2,509	2,139
Water withdrawal (tap water + groundwater)	1,000 m ³	168.2	189.2
Water discharge (industrial and non-industrial wastewater)	1,000 m ³	46.6	57.2
Amount of organic solvents used	t	68.9	23.1

Society

Policy

Under the corporate mission of “Deliver Unmatched Satisfaction to Our Customers,” the Kito Group strives to communicate with stakeholders and we have positioned solving social issues through our business and providing customers with high quality products and services as our highest priority management issues. “Kito Quality” means overcoming tight cost restrictions to realize products that are extremely safe, easy to use, meet customer needs, and that contribute to workplaces, and we set ourselves high targets in order to contribute to realizing a sustainable society.

Initiatives

Customer safety and peace of mind

In workplaces all over the world that handle materials, we will continually maintain a customer-oriented perspective. By proposing new ideas and then providing the products and services that bring them to fruition, we will gain the trust of the market, supporting customer safety and the efficient functioning of society.

Development of human resources

We value diversity in hiring and work to ensure that our employees are motivated and happy.

Out of the Kito Group’s employees, 70% are of nationalities other than Japanese. We invite excellent young people from Group firms around the world to attend Kito University, where they can learn about the firm’s history and philosophy together, and develop into the next generation of leaders. New employees take a training program which they experience all our work processes, from factory operations to sales.

Working

Kito quickly introduced teleworking as part of its promotion of a flexible working style. Group companies have taken thorough measures to prevent infection by the novel coronavirus, and are giving top priority to keeping employees healthy so they are continuing with teleworking.

Stakeholder engagement

We recognize that cooperating with all stakeholders, particularly shareholders, is crucial for realizing sustainable growth and improving corporate value on a medium- to long-term basis. Therefore, to engage with our stakeholders, we have established standards of conduct, and our directors and management team always pursue healthy

dialogue with stakeholders and are working to build a corporate culture that is conscious of business ethics and the rights and position of stakeholders.

Hiring Disabled People

We put special effort into hiring people with disabilities under the belief that the job opportunities a corporation offers are an important part of its social contribution. Our basic labor policy is to build a work environment in which all people, with different personalities, abilities and disabilities, can work together in harmony. Based on this we continuously make workplace improvements as a concerted group-wide effort to become a group where anyone can work comfortably. Disabled employees make up 6.69% of our total workforce as of September 2020, far above the legal mandate of 2.2%. In September 2017, Kito won the Grand Prix for workplace improvement for disabled employees from the Ministry of Health, Labour and Welfare.

Social Contribution

We work to advance social contribution activities that enable us to prosper together with regional and global communities and to maintain clear, close and frequent communications, always keeping in mind our responsibilities as a corporate member of society.

	(fiscal year)	
Social Data	2015	2019
Employees	681	678
Ratio of women in management positions	1.3%	5.1%
Ratio of disabled employees	6.68%	7.09%
Average total annual work hours	1970.7	1956.1
Average employee age	41.7	42.9

Cooperate Governance

Basic Concepts

With the goal of achieving sustainable growth and improvement of corporate value on a medium- to long-term basis, Kito is enhancing corporate governance in accordance with the following basic concepts, based on the belief that the essence of corporate governance lies in increasing the dynamism of management by ensuring it is transparent and fair and by making management decisions in a prompt and decisive manner.

We respect the rights of shareholders, work to ensure equality among them, consider the interests of stakeholders, including shareholders, and cooperate with them as appropriate. We also properly disclose corporate information and ensure transparency.

Based on the fiduciary responsibility and accountability to shareholders of the Board of Directors, it aims to realize sustainable growth and improvement of corporate value on a medium- to long-term basis and enhance earnings power and capital efficiency by strengthening management supervision functions through the separation of

management oversight and executive roles and the appointment of outside directors. At the same time, it encourages healthy engagement with shareholders.

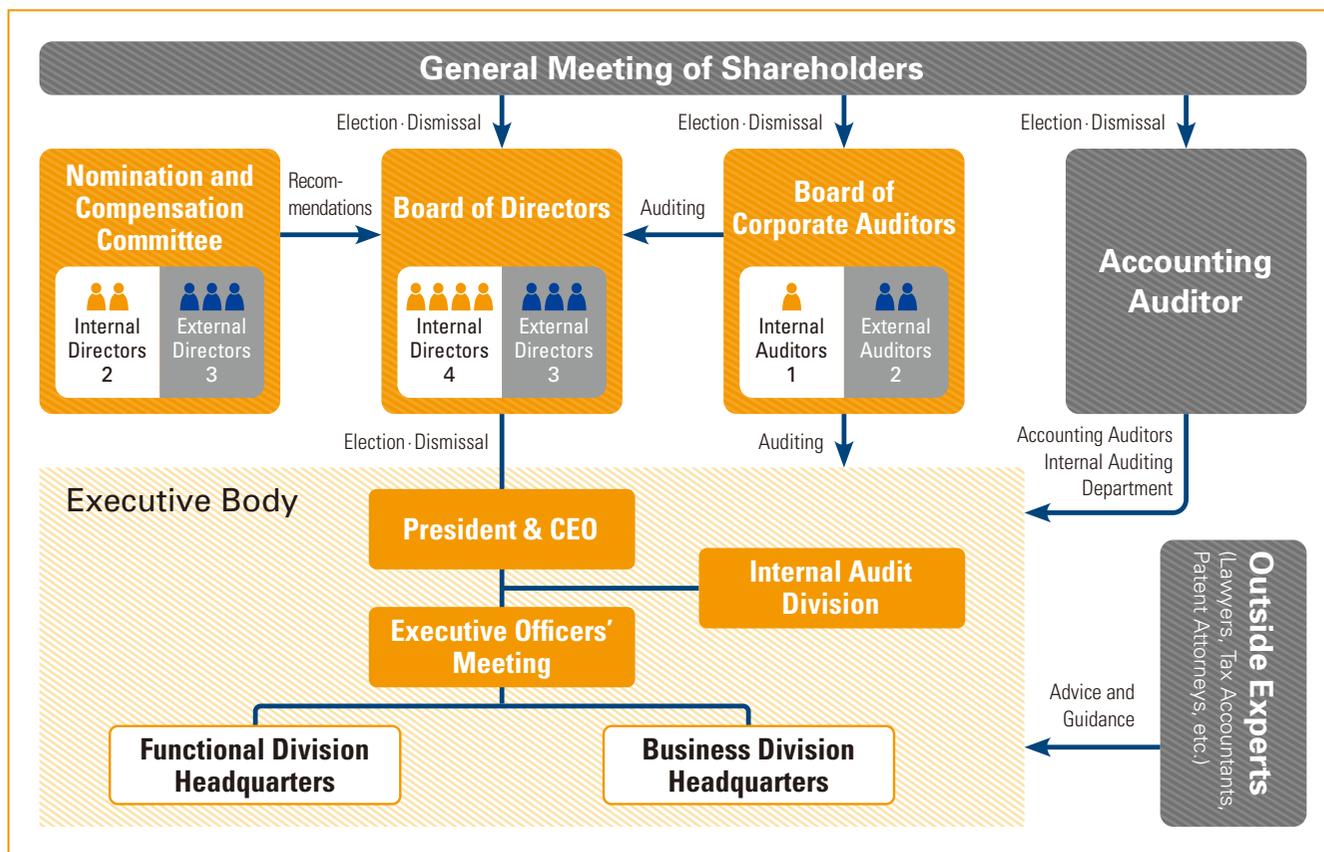
Structure

As a Company with a Board of Company Auditors, although Kito does not have independent directors accounting for more than half of all directors, matters concerning the selection and compensation of directors and senior executive officers are decided by the Board of Directors based on considerations and recommendations made by the Nomination and Compensation Committee, a voluntary committee composed primarily of outside directors.

We maintain a sound corporate governance structure and make efforts to enhance corporate value.

Our efforts to improve management efficiency include introducing an executive officer system, as well as inviting highly professional people to be outside officers, and working to enhance management supervision functions and secure the transparency and objectivity of management.

Corporate Governance Structure



Board of Directors

To ensure that the Board of Directors has the diversity and balance of knowledge, experience and knowhow necessary to realize sustainable growth and the enhancement of corporate value of the Company over the medium to long term, outside directors are appointed from among corporate executives and those with deep knowledge in the field based on their experience, insight, and expertise. For internal directors, we ensure diversity by appointing directors from among people experienced in business divisions, including sales and manufacturing, and people experienced in planning, development and administration divisions.

The Board comprises of seven directors, three of which are outside directors and independent officers, and it makes decisions on matters important to the Company and supervises the state of execution of business by directors. In addition to a regular meeting held once each month in principle, extraordinary meetings are held whenever a decision has to be made on important matters, resulting in a structure that enables prompt and appropriate business decisions. The Board is positioned as the highest decision-making body of the Kito Group and it exercises overall control, including making all decisions concerning important matters related to the Group.

Board of Corporate Auditors

The Board of Corporate Auditors determines the contents of proposals to be submitted to the General Meeting of Shareholders concerning the appointment, non-reappointment or dismissal of the accounting auditor and it makes resolutions required when the Board of Directors determines compensation for the accounting auditor. It comprises three auditors, two of which are outside corporate auditors, and one of the two is an independent officer. In addition to performing audits in accordance with the audit schedule determined in meetings of the Board of Corporate Auditors, members also attend important meetings of the Board of Directors and Board of Executive Officers to supervise and audit the execution of business by the directors in a strict manner, and also incorporate an external perspective to perform audits of the execution of business by directors in a stricter manner. Members also verify the adequacy and efficiency of the execution of business by directors through information collected in coordination with the Internal Audit Office and accounting auditor, including information heard directly from the directors or obtained through the inspection of important documents.

Nomination and Compensation Committee

The Nomination and Compensation Committee has been established as an advisory body to the Board of Directors with the aim of enhancing the transparency and fairness of matters such as the election and dismissal of directors and director compensation. It deliberates upon the following items and delivers the contents of these deliberations as its recommendation to the Board of Directors and Board of Corporate Auditors. (1) Matters related to the selection of candidates for directors, corporate auditors and executive officers of the Company and for officers of Kito Group subsidiaries, and matters related to dismissal and removal from the positions of the foregoing, and (2) the content of compensation for directors and executive officers of the Company and for officers of Kito Group subsidiaries.

It comprises five committee members, three of which are outside directors, to secure the independence and neutrality of the committee.

Evaluation of the Effectiveness of the Board of Directors

The results of the evaluation of the effectiveness of the Board of Directors in fiscal 2019 has been available to view on the Company's website since March 27, 2020. The following is an overview of these results.

1. Evaluation method

A total of 10 directors and corporate auditors were each given a questionnaire. Opinions were collected by evaluation of each item on a five-point scale and opinion column. The evaluation items have been partially revised based on revisions to the Corporate Governance Code made in June 2018, but are basically the same as the evaluation items used up to fiscal 2018.

2. Evaluation results (summary)

As a result of the evaluation, the proportion of positive evaluations on the five-point scale (*) for some items fell slightly, but overall, the effectiveness of the Board of Directors as a whole was evaluated as being appropriately secured. Among the items, all respondents answered "Strongly Agree" to the question "Is the Board of Directors a place where directors and corporate auditors can fully express their opinions, discuss and exchange opinions openly and constructively?" in the Operations of the Board of Directors section, which shows that the Board of Directors' ability to hold substantial discussions has been highly evaluated. The

main item for which the positive evaluation was lower than the previous year was the status of the response to the issues presented in fiscal 2018.

(*) The answer choices on a five-point scale are "strongly agree, agree, neutral, disagree, and strongly disagree."

Issues to be dealt with

The Board of Directors has concluded, based on the results of the evaluation, that the three issues identified in the fiscal 2018 effectiveness evaluation need to continue being dealt with. In addition, it was recognized that there was a need to further improve the content of the explanatory materials to support management in making appropriate judgments. To further enhance the effectiveness of the Board of Directors, we will continue to deal with the issues identified.

Three issues that need to continue being dealt with, and the measures to be taken

Issues	Measures
Deepening discussions on medium- to long-term strategies, product strategies and regional strategies	We will deepen discussions in conjunction with the formulation of the next mid-term management plan.
Increasing frequency of discussions about risk and conducting periodic reviews	We discussed material risks in fiscal 2019. We will also share and discuss other risks and issues which have an impact on our business.
Discussing management succession plans	We will further advance discussions on issues including career plans for fostering candidates for important management positions throughout the group.

Officers' Compensation System

Basic Policy for the Officers' Compensation System

- Officers' compensation is positioned as an important measure for achieving sustainable growth and enhancing the corporate value of the Kito Group.
- Compensation for directors and executive officers, other than outside directors, reflects the degree to which targeted consolidated results have been achieved and the contribution by the respective officers to such results. The higher the position and the greater the responsibility of an officer, the greater the proportion of performance-based compensation in their overall compensation.
- The Nomination and Compensation Committee, of which the majority of the members comprise outside directors to secure transparency and objectivity, deliberates upon compensation for directors and executive officers and makes recommendations to the Board of Directors.

Structure of compensation

The officers' compensation system comprises three types: fixed compensation, annual performance-based compensation, and transfer-restricted, equity-based compensation.

The Company pays only fixed compensation to outside directors and outside corporate auditors, who are in a position independent of business execution.

Fixed compensation	Fixed compensation is set for each job title and subdivided job grade.
Annual performance-based compensation	Performance-based compensation is determined by setting a standard value for each job title, using the Company's consolidated sales and EBITDA as evaluation indices. The degree of achievement for consolidated results (100%) and the degree of contribution of each person to the Company's performance, etc., are evaluated comprehensively and determined within a range of 0-200% of the standard value.
Transfer-restricted, equity-based compensation	A standard value is determined for each job grade and an equivalent amount of Company common stock, with transfer restrictions, is granted annually. Transfer restrictions are canceled on retirement.

Indices	Reasons for selecting indices
Sales	Selected as an index for the growth potential of a given market.
EBITDA	Selected as an index to measure cash-creation output.

Cross-Shareholdings

Basic policy for cross-shareholdings

The Company will hold listed shares of its business partners as cross-shareholdings only in the cases where the holding of said shares, including the number of shares to be held, is deemed rational following comprehensive consideration of its importance to the Company's business strategies and our business relationship with the trading partner. The rationality for holding such shares will be verified on a regular basis. Also, as a result of these verifications, our basic policy is to promptly dispose of or reduce the number of cross-shareholdings for which the significance of possession is considered to be weak.

As of September 30, 2020, the Company does not possess any cross-shareholdings.

Outside Directors in Discussion



Takashi Hirai, Katsumi Nakamura and Koji Osawa

Takashi Hirai

Takashi Hirai has abundant management experience gained from working many years as a consultant at an international consulting firm and as an executive of industrial companies in Japan and the United States, as well as experience teaching about raising global human resources as a faculty member at graduate schools of corporate management.

Katsumi Nakamura

Katsumi Nakamura has abundant business management and manufacturing knowledge gained from many years of experience as an executive and technician in the automobile industry, which is one of Japan's core industries.

Koji Osawa

Koji Osawa was engaged in venture capital fund management in Silicon Valley for many years after working at a general trading company. He is deeply knowledgeable about new business discovery and development, as well as cutting-edge technologies such as IoT.

What I am most conscious of regarding the outside director's role

Nakamura: We play an important role in helping to keep the top executives in check. As outside directors, we provide opinions from many different perspectives, including criticism that can hurt to hear, and we occasionally oppose proposals made by the management team. The presence of outside directors keeps management, from the President downward, on its toes, which I think is essential for enabling the Company to make healthy, correct decisions.

I'm sure Kito can raise the level of its efforts in both improving products and technology, and expanding markets. I began my career as a designer at a manufacturer, and as an executive with knowledge of manufacturing, I have accumulated experience of managing complex organizations, including establishing a joint venture company in China. I'm confident that I can leverage my management knowledge and experience to contribute to Kito's growth.

Hirai: My area of expertise is management strategy. As a corporation's management becomes immersed in the ideas and practices taken for granted in the industry, its management perspective tends to grow narrower.

Introducing as many different and multifaceted viewpoints as possible into Company management can enable the management team, including us outside directors, to formulate new growth strategies. Kito is the top brand in a niche market, the market for hoists, but it will stop growing if it focuses only on remaining there. I will support the Company's growth to enhance its capabilities as an organization and make it more risk-resistant, so that it can avoid falling into a balanced but contracting state.

Osawa: I have many years of investment fund experience and have been involved in financing venture companies and developing new businesses. I think M&A is one effective means of reinforcing overseas strategies and developing new businesses. Through my experience with investment funds, I'm well acquainted with the M&A process, especially the seller's position and logic. Kito has already established and mature business areas, but I would be very happy if I can contribute to further growth by creating new businesses that expand the Company's presence in existing business areas and even enable it to grow beyond these.

Kito's current challenges and growth potential

Nakamura: The Company has produced fewer new technologies and products than desired. Kito praises being free of gravity, and clearly states a management vision of anti-gravity in its mid-term management plan. I would like this idea of being free of gravity to be expanded further. Kito has enhanced overseas operations through M&A, but it has not yet fully integrated operations or shared its values and quality with the overseas bases. For a manufacturer, the standard of quality in particular is equal to the company's values.

Hirai: We should be able to realize further growth if we can keep our advantage as the niche-market leader while maintaining a good balance between expanding our product portfolio, building a global production structure and supply chain, and building scale in markets with different characteristics. Integrating marketing operations is difficult because of differences in the competitive environments between markets, but if we can pull it off it will give us an opportunity to expand operations.

Osawa: Kito is lucky to have customers in different industries. By leveraging this broad customer base to offer total solutions, I think we can develop business that can take over an entire area of business. I think there is still plenty of room for using existing businesses as starting points for expanding into adjacent business areas that offer high added value.

Nakamura: I feel that the steps Kito has taken so far are a little too modest. We outside directors want more dynamic action. It is important that this action begins with initiative from individual employees rather than top-down orders. It would be great if people on the production floor can put their ideas together to find creative ways to improve profit structures and gross margins.

Hirai: Kito products are used in all industries and our business itself contributes to society as a kind of social infrastructure. If we can grow this business so that it contributes to society in a way that is recognized and appreciated, our employees will be more motivated. If we then channel this motivation into creating new things, we can engage our various stakeholders. This also connects to efforts by corporations around the world, backed by the United Nations, to achieve the SDGs.

Osawa: More than anything else, the foundation of a corporation is its people. A corporation where employees are passionate about their jobs and are always rising to the challenge comes across as an interesting and appealing company. As a result, it can recruit excellent human resources and attract customers and business partners. If Kito employees approach their work with a sense of excitement, this will reach our customers and shareholders, creating a positive cycle in relations with stakeholders.

Eleven-Year Financial Highlights

(Year ended March 31)

Financial Information

Results of Operations (Consolidated)

	2010	2011	2012	2013
Net Sales	¥23,925	¥28,095	¥33,282	¥35,501
Overseas Sales Ratio (%)	62.7	66.3	67.1	67.1
Net sales by region* ¹				
Japan	-	-	-	21,308
The Americas	-	-	-	10,136
China	-	-	-	7,145
Asia	-	-	-	4,849
Europe	-	-	-	1,190
Other* ²	-	-	-	-
Gross profit	7,306	8,667	10,083	11,711
Gross profit ratio (%)	30.5	30.8	30.3	33.0
Operating income	437	1,119	1,658	2,510
Operating income ratio (%)	1.8	4.0	5.0	7.1
Ordinary income	471	885	1,572	2,440
Net income attributable to owners of parent	122	423	662	1,023
Capital Expenditures	733	1,303	1,145	1,520
Depreciation	1,108	1,013	944	774
Return on equity (%)	0.8	2.8	4.3	6.3
Number of employees	1,541	1,720	1,832	1,898

Cash Flows

Cash flow from operating activities	¥2,097	¥1,908	¥411	¥(515)
Net cash used in investing activities	(594)	(1,983)	(1,310)	(1,746)
Free cash flow	1,503	(75)	(899)	(2,261)
Cash flows from financing activities	(895)	385	899	850

Financial Soundness

Total assets	¥25,700	¥28,151	¥31,510	¥34,760
Net assets	15,786	15,706	15,878	18,012
Interest-bearing debt	2,457	2,722	3,943	5,391
Shareholders' equity ratio (%)* ³	59.3	53.8	48.5	49.8
Debt/equity ratio (Times)	0.16	0.17	0.25	0.30
Interest paid	16	37	76	87
Interest coverage ratio (Times)* ⁴	128.3	51.1	5.4	-

Valuation

Net assets per share (Yen)* ⁵	¥626.41	¥588.84	¥594.20	¥670.19
Net income per share (Yen)	4.55	17.35	25.72	39.71
Cash dividends per share (Yen)	10.00	10.00	10.00	10.00
Payout ratio (%)* ⁶	219.6	57.6	38.9	25.2
Price/earnings ratio (Times)* ⁷	127.4	22.1	13.9	13.0
Price book value ratio (Times)* ⁸	0.93	0.65	0.60	0.77

*1 Numbers for fiscal 2012 and earlier are not included because there was a revision of segment divisions.

*2 We acquired all the stock of Scaw Metals Pty. Ltd. (currently Kito Australia Pty. Ltd.) in the fiscal year ended March 31, 2017 so that the company and its two subsidiaries are included in the consolidated figures. Along with the change in the coverage of consolidation, the reportable segment Others has been added.

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

*4 Cash flow from operating activities/Interest paid

*5 Net assets applicable to common stock/average outstanding shares

*6 Cash dividends/net income (consolidated)

*7 Stock price (year-end)/EPS

*8 Stock price (year-end)/BPS

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

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

(Millions of yen)

2014	2015	2016	2017	2018	2019	2020
¥41,855	¥49,968	¥55,821	¥51,141	¥55,168	¥61,238	¥58,722
72.2	76.6	77.3	74.3	76.0	73.6	74.2
22,577	24,514	25,415	24,036	24,886	29,794	26,704
13,060	21,967	27,965	24,809	26,785	28,691	28,171
8,742	8,504	7,870	5,524	6,264	7,185	7,503
6,649	5,471	5,166	4,744	4,681	4,668	3,214
1,546	1,692	1,686	1,390	1,916	3,754	4,578
-	-	-	1,356	2,048	1,901	1,464
14,903	16,824	20,309	18,968	19,881	22,545	21,979
35.6	33.7	36.4	37.1	36.0	36.8	37.4
4,006	3,395	5,221	4,208	4,698	6,413	5,474
9.6	6.8	9.4	8.2	8.5	10.5	9.3
4,094	3,423	4,576	3,249	3,791	5,748	4,991
2,361	2,026	2,497	1,897	2,836	4,064	3,204
2,440	1,408	2,013	2,239	1,607	1,321	2,377
954	1,311	1,814	1,792	2,116	2,470	2,711
12.3	8.9	10.1	8.4	13.2	16.8	12.2
2,094	2,495	2,365	2,364	2,169	2,308	2,328
¥4,056	¥3,338	¥4,502	¥3,981	¥7,044	¥3,553	¥5,374
(2,729)	(8,402)	(3,572)	(2,142)	(2,191)	(1,580)	(2,826)
1,327	(5,064)	930	1,839	4,853	1,973	2,548
465	7,050	(1,900)	(1,148)	(3,083)	(4,279)	(1,671)
¥41,108	¥63,183	¥60,639	¥60,137	¥61,854	¥62,078	¥62,804
22,003	25,626	26,040	21,239	23,697	26,687	27,927
6,425	21,343	19,281	24,178	21,449	18,795	18,332
51.2	38.9	41.2	33.8	36.7	41.4	42.8
0.29	0.83	0.74	1.14	0.91	0.7	0.66
178	224	450	397	386	408	356
22.8	14.9	10.0	10.0	18.2	8.7	15.1
¥806.32	¥936.83	¥952.43	¥1,001.60	¥1,114.03	¥1,258.34	¥1,314.13
91.25	77.52	95.13	82.38	139.52	199.14	156.64
20.00	25.00	28.00	28.00	33.00	44.00	48.00
21.9	32.3	29.4	34.0	23.7	22.1	30.6
11.6	15.7	8.8	14.4	14.2	8.4	6.4
1.31	1.30	0.88	1.19	1.78	1.32	0.76

Financial and Capital Strategy

Overview of the Mid-Term Management Plan and Financial Strategy

The Kito Group formulated a five-year mid-term management plan, of which fiscal 2020 is the final year, with the aim of providing value that exceeds customers' expectations and maximizing the market value of the Kito brand. We are advancing operations based on the Kito Spirit, which is made up of three key directives: Enhance the Customer's Experience, which is our top priority, and to make that happen, we will create a Highly Efficient and Functional Organization, and we actively Invest in People, who make up this organization. To achieve the management goals of (1) return to a high margin business structure, (2) grow through product portfolio expansion, and (3) evolve into a globally integrated enterprise, we will raise the productivity and efficiency of our existing business and grow by expanding product areas and line-ups. We are working to diversify the industries that make up our customer base as well as the regions in which we do business, and in fiscal 2019, our overseas sales accounted for 74.2% of overall sales. Although the COVID-19 pandemic has made it difficult for us to achieve the quantitative targets for the final year of our mid-term management plan, in each market we are

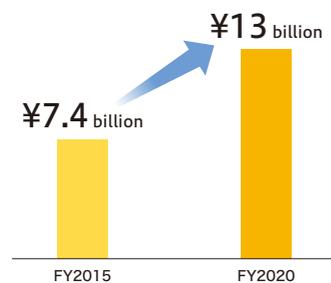
working to capture the demand of growing industries in the post-COVID-19 period to expand our market share, while at the same time raising the productivity and efficiency of operations to maximize profit and cash flows and aiming for the EBITDA growth and operating profit targeted in the medium to long term.

Even though the COVID-19 pandemic has not seriously impacted our global supply chain, to prepare for the paradigm shift expected in the post-COVID-19 period, we need to establish a robust business base to realize sustainable growth and become a company that is resilient to crises and fluctuations in the business environment. Happily, the Group has a stable financial foundation, and we are taking an approach of meeting capital requirements by remaining vigilant regarding financial soundness, with a focus on cash flows from operating activities, while also actively utilizing external loans. Our basic capital strategy is to balance this sound financial foundation with active investment in growth, while at the same time enhance shareholder returns, practice management focused on capital costs, and strengthen product portfolio management so that we can further raise capital efficiency and enhance corporate value in the medium to long term.

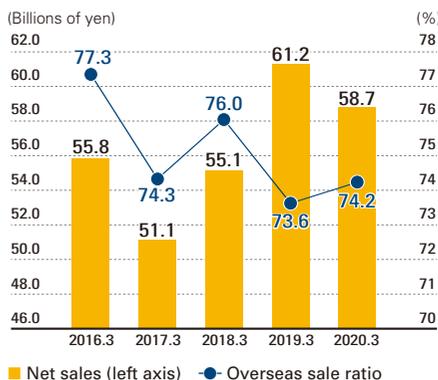
Aiming to Double Profitability Through Three Management Goals

- 1 Return to a high margin business structure**
 - Renew production equipment
 - Concentrate on high-margin business
- 2 Grow through product portfolio expansion**
 - Develop new products
 - Expand product offerings through M&A
 - Expedite sales of current products in new markets
- 3 Evolve into a globally integrated enterprise**
 - Recruit and develop global human resources
 - Introduce synchronized ERP systems at primary business locations
 - Build a unified marketing database for the entire Group

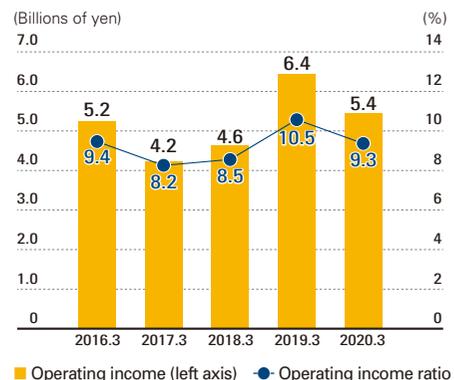
Financial Target (EBITDA)



Net Sales / Overseas Sale Ratio



Operating Income / Operating Income Ratio



Cash Flow Creation and Shareholder Returns

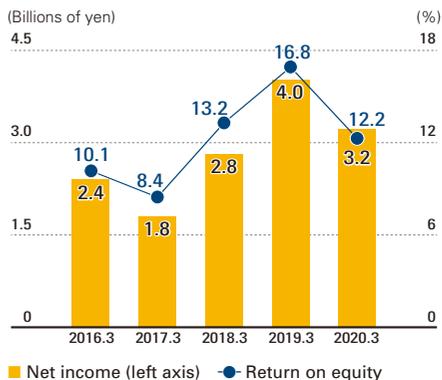
The Kito Group is creating cash flows through initiatives such as expanding our product portfolio and concentrating on high-margin business, and we are making investments that will lead to the next stage of our growth. The total amount of capital investment in fiscal 2019 was ¥2,370 million, including ¥1,370 million invested in Japan, which was invested primarily on increasing the production capacity at the Head Office & Factory and updating aging equipment. Regarding the allocation of resources going forward, in addition to this kind of investment in production, we will continuously invest in growth aimed at enhancing future profits while also keeping our financial foundation balanced and stable. Free cash flow created will be used for shareholder returns and further strengthening this financial foundation. Regarding investment, we will continue to make precise investment decisions based on proper consideration of factors such as the global situation, market conditions, business growth

potential, and return on capital cost, thereby raising capital efficiency, maximizing free cash flow, and enhancing shareholder returns.

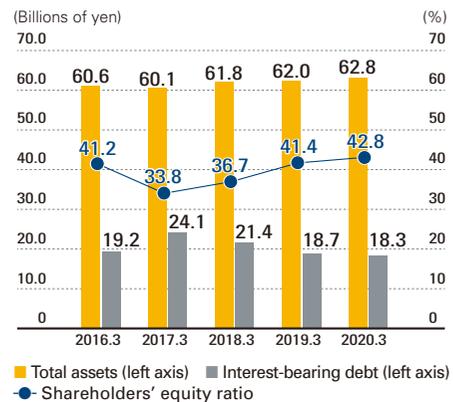
In regard to our policy on dividends, we believe it is important to secure sufficient retained earnings to reinforce our business base and prepare for future business development, in addition to appropriately returning profits to shareholders commensurate with the Company's performance. Under this policy, we are working to actively return profits to our shareholders by targeting a consolidated payout ratio of 20% or higher, subject to the overall consideration of consolidated results and our financial position. Additionally, we think it is important to enhance total returns* by raising dividends and market evaluation while improving capital efficiency in the medium term. Furthermore, we will strive to reduce capital costs by improving the transparency of information disclosure and enhancing dialogue with the market.

*For details on total shareholder return (TSR), see p. 21.

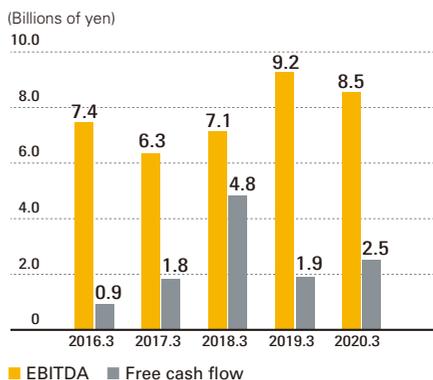
Net Income / Return on Equity



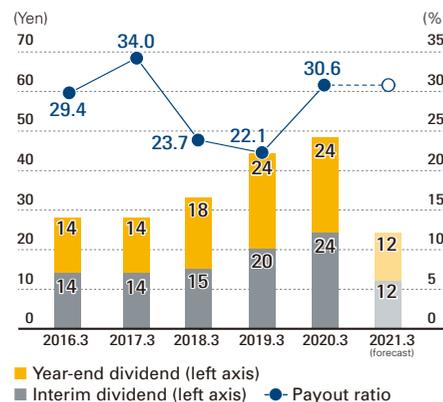
Total Assets / Interest-Bearing Debt / Shareholders' Equity Ratio



EBITDA / Free Cash Flow



Cash Dividends per Share / Payout Ratio



Corporate Profile

Company Name	KITO CORPORATION
Head Office & Factory	2000, Tsuijijarai, 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, 2020)	Consolidated: 2,328 Non-consolidated: 678
Capital	¥3,976 million
Net Sales (March 31, 2020)	Consolidated: ¥58,722 million Non-consolidated: ¥26,740 million

Principal Offices and Factories (As of October 1, 2020)

■ Domestic Offices/Factories and Bases of Subsidiaries

Name of Business Office	Location
Head Office & Factory	Showa-cho, Nakakoma-gun, Yamanashi
Tokyo Head Office	Shinjuku-ku, Tokyo
Sapporo Office	Sapporo, Hokkaido
Sendai Office	Sendai, Miyagi
Shin'etsu Office	Niigata, Niigata
Kita Kanto Office	Ota, Gunma
Yokohama Office	Yokohama, Kanagawa
Nagoya Sales Group	Nagoya, Aichi
Shizuoka Office	Hamamatsu, Shizuoka
Hokuriku Office	Toyama, Toyama
Osaka Sales Group	Moriguchi, Osaka
Chubu and Shikoku Office	Okayama, Okayama
Fukuoka Office	Fukuoka, Fukuoka
SCC Japan Godo Kaisha	Kashiwa, Chiba

■ Principal Bases of Overseas Subsidiaries

Company Name	Country
KITO Americas, Inc.	U.S.A.
Harrington Hoists, Inc.	U.S.A.
Peerless Chain Co., Inc.	U.S.A.
KITO CANADA INC.	Canada
KITO DO BRASIL COMÉRCIO DE TALHAS E GUINDASTES LTDA.	Brazil
Kito Europe GmbH	Germany
Kito Chain Italia S.r.l.	Italy
Van Leusden B.V.	Netherlands
JIANGYIN KITO CRANE CO., LTD.	China
KITO HOISTS & CRANES (SHANGHAI) CO., LTD.	China
KITO TAIWAN CO., LTD.	Taiwan
KITO KOREA CO., LTD.	Korea
SIAM KITO CO., LTD.	Thailand
PT. KITO INDONESIA	Indonesia
KITO INDIA Pvt. Ltd.	India
PWB Anchor Ltd.	Australia
ERIKKILA OY	Finland

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

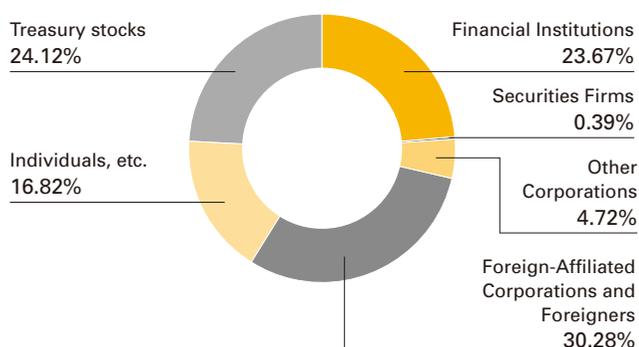
Total Number of Shares Issued 27,048,200
Trading Unit of Shares 100
Number of Shareholders 4,989, excluding one treasury stockholder

Major Shareholders (top 10) (As of September 30, 2020)

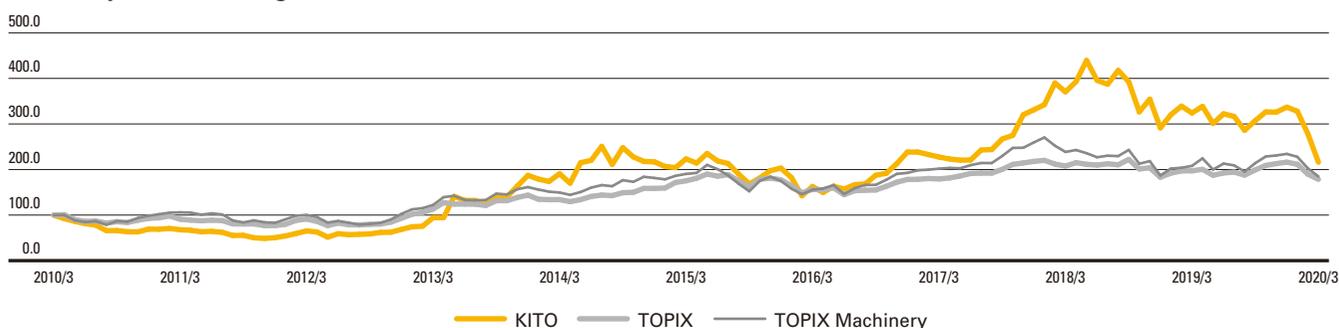
Name of shareholders	Percentage of ownership (%)
MISAKI ENGAGEMENT MASTER FUND	9.16
The Master Trust Bank of Japan, Ltd. (Trust Account)	7.46
Custody Bank of Japan, Ltd. (Trust Account)	4.74
GOVERNMENT OF NORWAY	4.46
Custody Bank of Japan, Ltd. (Trust Account 9)	3.77
YK Capital Co., Ltd.	3.60
Sumitomo Mitsui Banking Corporation	3.27
RAIFFEISEN BANK INTERNATIONAL AG CLIENT A/C	2.95
RE FUND 107-CLIENT AC	2.20
Custody Bank of Japan, Ltd. (Securities Investment Trust Account)	2.09

Notes: Share ownership percentages were calculated after the deduction of treasury shares (6,525,083 shares).

Shareholders' Composition by Category (As of September 30, 2020)



TSR (10 years, Including dividend)



<Share Performance (Total Shareholder Return)>

	1 year	3 Years		5 Years		10 Years	
		Cumulative	Annualized	Cumulative	Annualized	Cumulative	Annualized
KITO	-37.5%	-5.6%	-1.9%	-3.4%	-0.7%	+116.0%	+8.0%
TOPIX	-9.5%	-0.4%	-0.1%	+1.8%	+0.4%	+78.4%	+6.0%
TOPIX Machinery	-11.2%	-8.5%	-2.9%	-3.0%	-0.6%	+84.7%	+6.3%

* TSR (Total Shareholder's Return): Factors in capital gains and dividends when measuring the total return generated by a stock

* TSR is calculated by KITO using cumulative dividends and share price fluctuations whereas TOPIX and TOPIX Machinery are calculated using share prices indices including dividends (formulated by the Company based mainly on Bloomberg data)

* Graph values are indexed market prices in terms of TSR, with March 31, 2010 closing price data set at 100 (holding period through end-March 2020)

KITO

KITO CORPORATION

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Shinjuku-ku, Tokyo 163-0809, JAPAN

<https://kito.com>