
Kito New Mid-Term Plan

KITO CORPORATION (TSE: 6409)

May 18, 2016

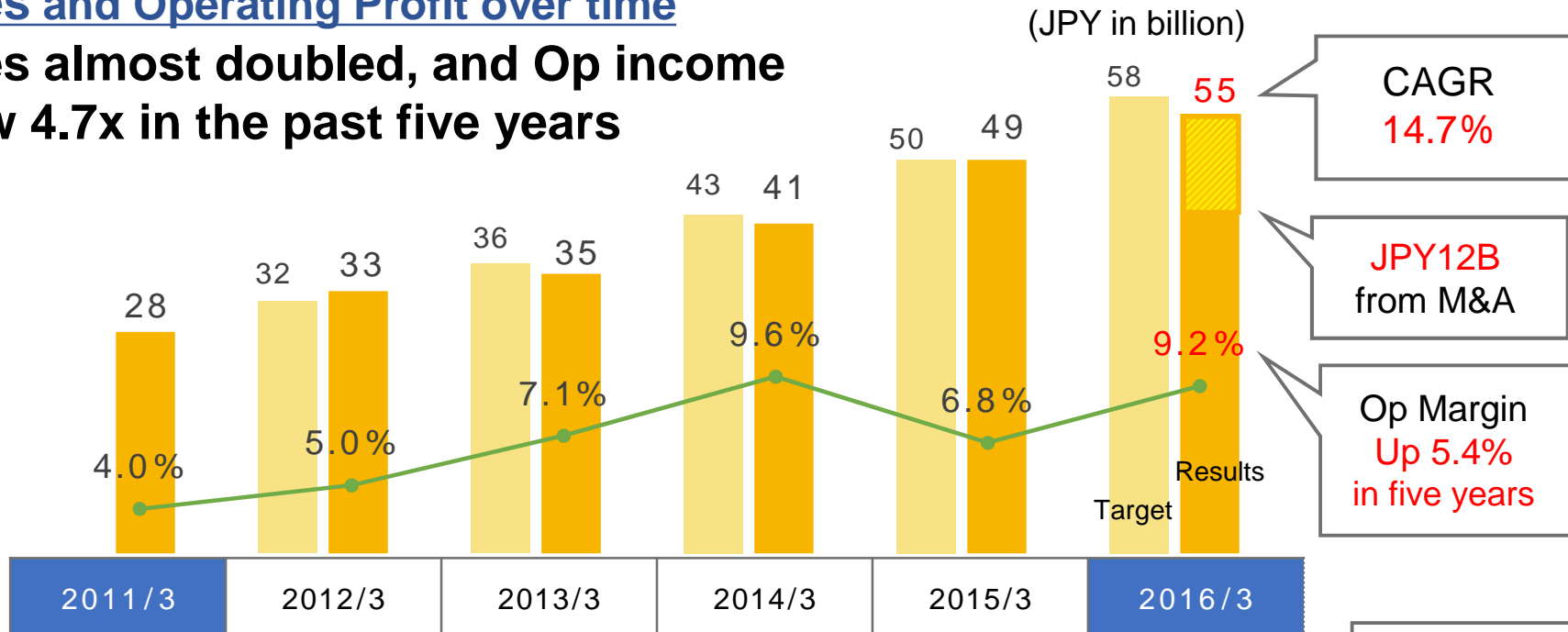
1 Review of Previous Mid-Term Plan

2 New Mid Term Plan FY2016–FY2020
(2017/3 – 2021/3)

Five-Year Growth

Sales and Operating Profit over time

Sales almost doubled, and Op income grew 4.7x in the past five years



Regional Strategy

China and Asia drove growth

N. America buttresses growth

Sales from Non-JP market grew

Product Strategy

New series of Chain Block EQ

Peerless acquisition

Launched Theatrical Hoists

Overseas production over 50%

Mfg. Strategy

Expand overseas production and procurement

Results of Individual Strategies - 1

Results		Challenges and Issues
<ul style="list-style-type: none"> - China and Asia lead group growth in the first half - North America buttressed group growth in latter half - Established Brazil and Taiwan operations - Increased / maintained market share 	Regional Strategy	<ul style="list-style-type: none"> - China & Asia growth slowed down in latter half - Limited cooperation / knowledge-sharing among regions - Slow growth among new subsidiaries
<ul style="list-style-type: none"> - Expand overseas production and global sourcing (overseas production of over 50%) 	Mfg. Strategy	<ul style="list-style-type: none"> - Yamanashi Mother Factory and Global Skill Center plan delayed

Results of Individual Strategies - 2

Results

Challenges and Issues

<ul style="list-style-type: none"> - Introduced new series of Chain Block EQ, Theatrical Hoist, and Air Hoist - Acquired base to reinforce chain business 	<p>Product Strategy</p>	<ul style="list-style-type: none"> - Wire-rope hoists sales behind target - Limited sales contribution from new products
<ul style="list-style-type: none"> - Improvement in corporate governance - Initiated global HR development strategy - Started IT infrastructure replacement project 	<p>Mgmt / Adm Strategy</p>	<ul style="list-style-type: none"> - Financial management issues left <ul style="list-style-type: none"> - Insufficient ROI and weak FCF - OP margin worsened - IT infrastructures fell behind plan
<ul style="list-style-type: none"> - Acquired Peerless (US) and Weissenfels (Italy) 	<p>M&A Strategy</p>	<ul style="list-style-type: none"> - Slow Post Merger Integration

1

Review of Previous Mid-Term Plan

2

**New Mid Term Plan FY2016–FY2020
(2017/3 – 2021/3)**

Business Environment

Global Market

Stable demands are expected in Japan and US, with uncertainty seen in global economic growth

- Uncertainty in world politics, economic slowdown in emerging countries
- Stable growth is expected in US
- Capex remains firm in Japan, with sufficient cash reserve in private sector
- Asian market affected by slowdown in Chinese economy
- Natural resource market softens, pushes down investment spending

Industry Environment

Reorganization and restructuring in material handling industry

- Low-cost players weeded out
- Increase in mergers/integrations within industry

Possible change of business models and competitive advantages due to technological innovation

- IoT, change in customer service requirement, new business model, etc.

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

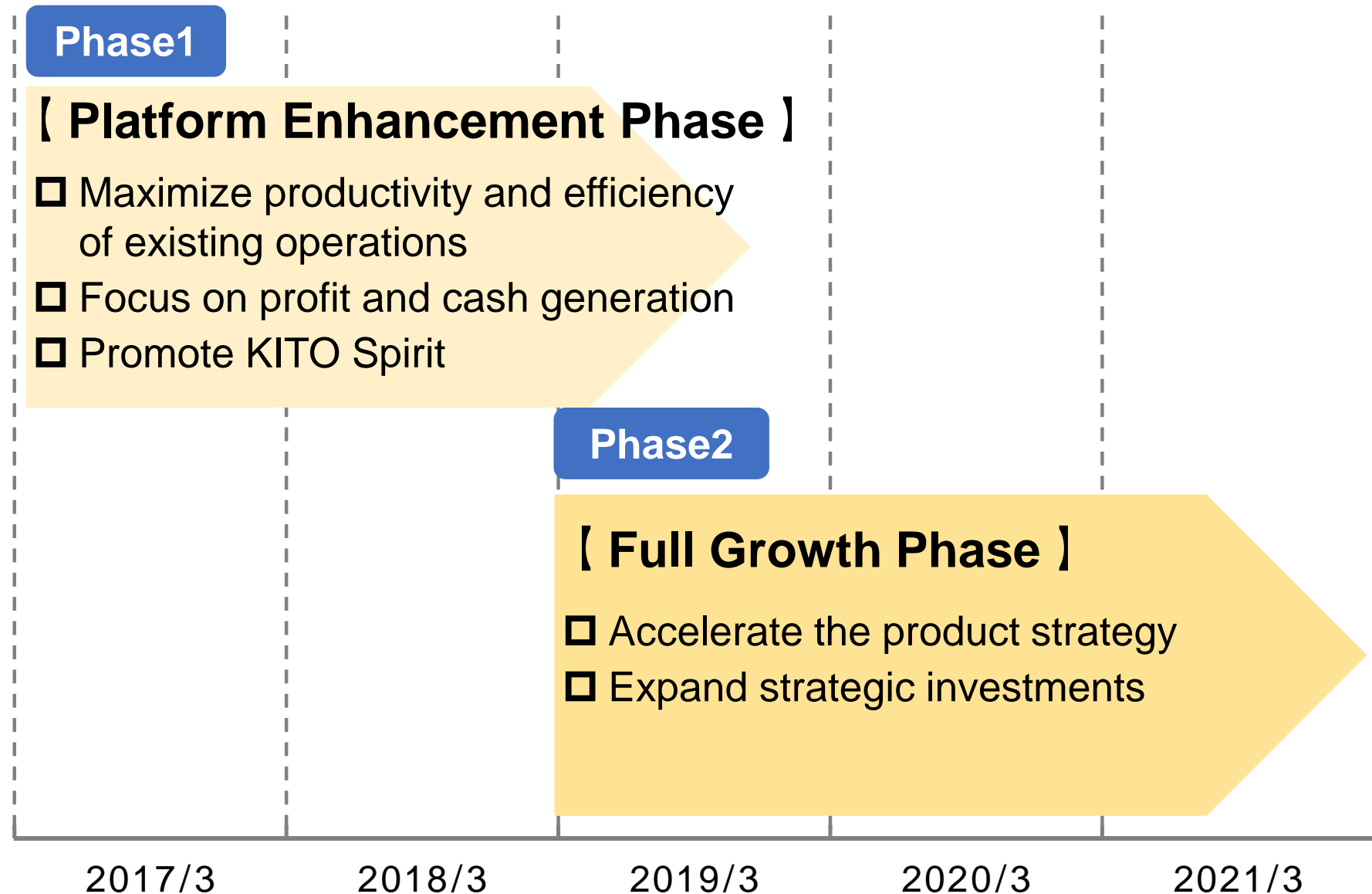
Key Directives to Achieve Goals

We have set three Key Directives to achieve the MTP goals.

- 1) Our top priority is to **Enhance the Customer's Experience**
- 2) To make that happen, we will **Create a Highly Efficient and Functional Organization**
- 3) We actively **Invest in People**, who make up this organization



A Road Map to Achieve the MTP Goals



Management Goals

Goals

1

Return to a high margin business structure

2

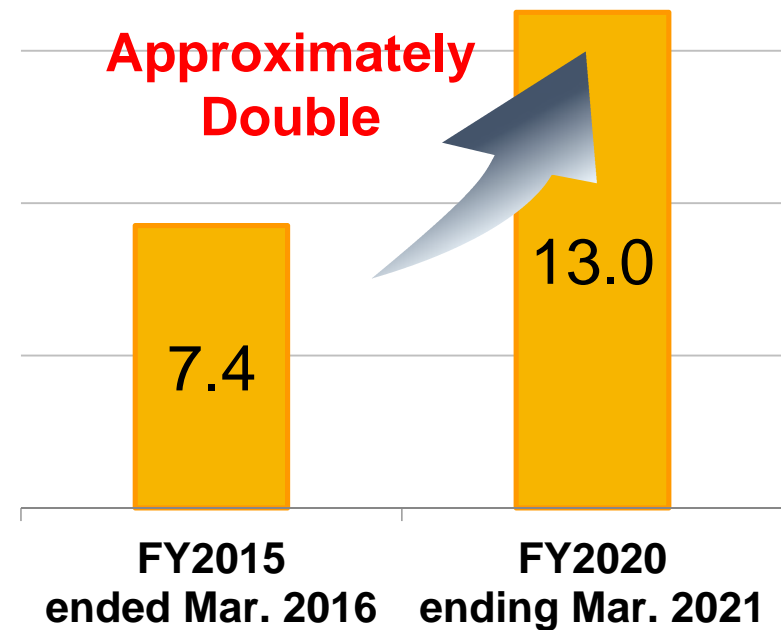
Growth through product portfolio expansion

3

Evolve into a globally integrated enterprise

Financial Target

EBITDA



(JPY in billion)

Individual Strategy ~ Enhance Customer Experience

Enhance Product Value

Expand product portfolio (New Product Development/M&A/OEM)

Optimize existing product groups

Enhance product value for customers

Enhance Customer Service

Raise non-product value (user trainings, etc.)

Improve delivery/Reduce lead time

Improve Quality Assurance “KITO Quality”

Establish globally unified quality standards

Establish global quality assurance systems

Individual Strategy ~ Create Efficient Organization

One KITO

Build common business platform
(global organization, KGO)

Store, share and utilize knowledge base

Improve Profitability

Accelerate ROI (including PMI)

Optimize working capital

Enhance cash management

SCM Optimization and Cost Reduction

Optimization of supply chain

Slim down and streamline operations

Develop Yamanashi plant
as Mother Factory

Create training center

Individual Strategy ~ Invest in People

KITO Spirit

Behavioral change & Climate reform

Embodiment of KITO Spirit

Great Place to Work (Build Attractive Organization)

Create positive, safe and **lively** workplaces

Enhance communication, teamwork and diversity

Talent Management

Train future managers and executives

Hire, apply and retain global talent

Slogan

“Lifting Expectations”

