
Financial Results for the Quarter ended June 30, 2017

KITO CORPORATION

TSE 1st Section: 6409

August 9, 2017

FY2017 Q1 Summary

1. Market Environment

There remains uncertainty due to current political and economic trends, but the market is on a moderate recovery track globally with investment in infrastructure and equipment picking up.

2. Business Results

In Japan, demand for infrastructure investment continues to lead our operations, and in the U.S. equipment investment remains robust.

Sales	JPY 11,919 million	up 15.5% YoY	
Operating Income	JPY 538 million	dn 4.1% YoY	
Net Income *	JPY 388 million	up 43.7% YoY	* Net income attributable to owners of parent
Exchange Rate	Q1 Average Rate (USD/JPY)	111.1	

3. Overall summary

- 1) Sales increased due to robust domestic demand for infrastructure and equipment and the Chinese economy touching bottom.
- 2) Operating profit was down, affected by unrealized profit from inventory evaluation among overseas subsidiaries.
- 3) Changes in external environment, including factors like natural resource markets and foreign exchange rates, will demand a close watch.

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FY2017 1st Quarter Financial Results

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FY2017 Forecast

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Reference

- Five Year Financial Results (FY 2012 – FY 2016)
- Mid-Term Plan (FY 2016 – FY 2020)

FY2017 1st Quarter Financial Highlights

JPY in million	FY 2016 Q1 Apr - Jun	FY 2017 Q1 Apr - Jun	YoY Change
Sales	10,323	11,919	15.5%
Operating Income Operating Income / Sales	561 5.4%	※ 538 4.5%	(4.1%)
Non-operating income	57	39	
Non-operating expenses	※※ 388	※※※ 225	
Ordinary Income Ordinary Income / Sales	229 2.2%	351 3.0%	53.1%
Net Income <small>attributable to owners of parent</small> Net Income / Sales	270 2.6%	388 3.3%	43.7%
EBITDA Op Income + Depreciation	1,069	1,095	

Note: Exchange Rate (FY 2016 Q1→FY 2017Q1)

USD 108.1 → 111.1 CAD 83.8 → 82.6 EUR 122.0 → 122.2 RMB 17.6 → 16.6

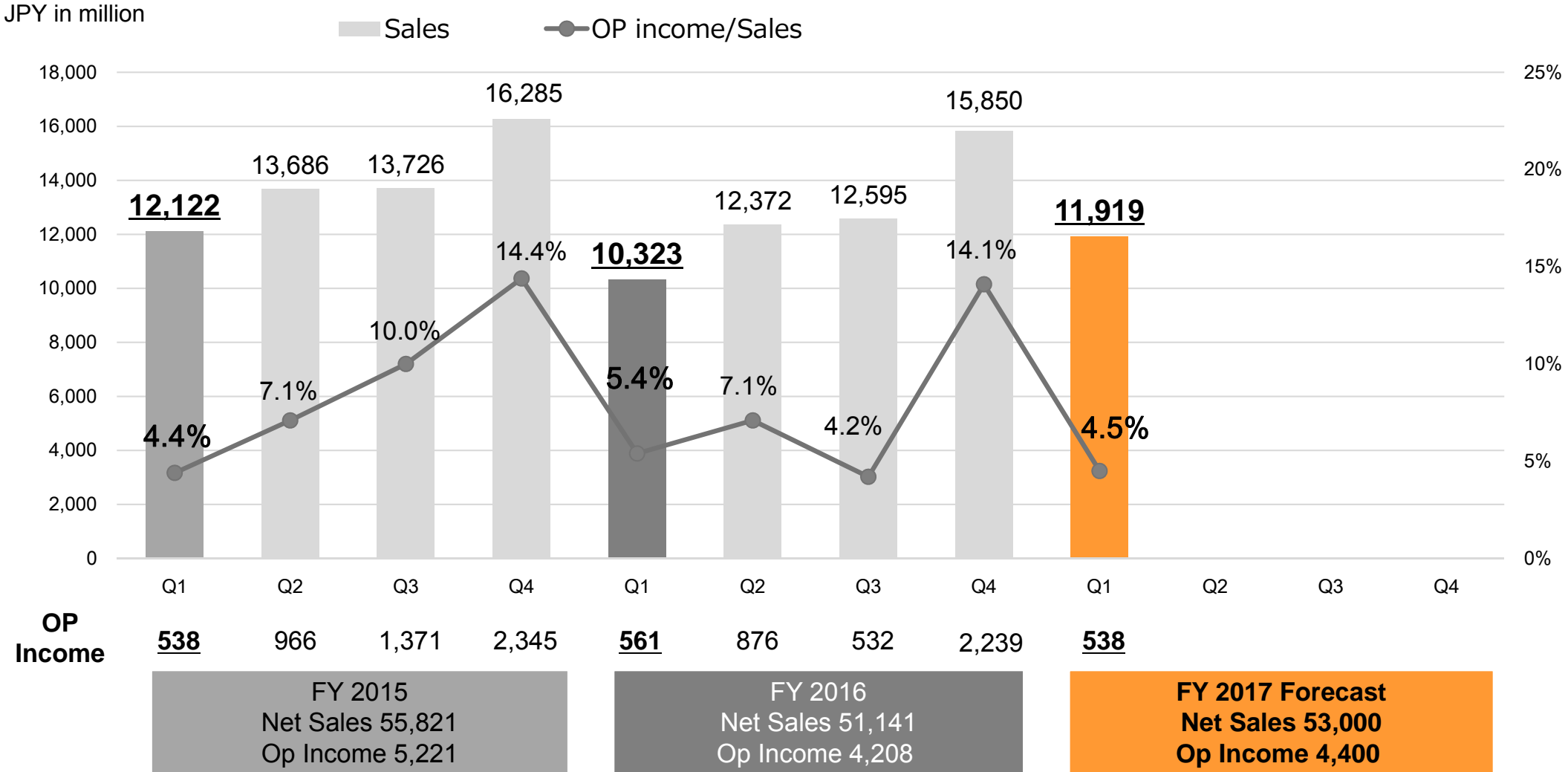
※ Including JPY 152 million of unrealized profit

※※ Including JPY 223 million of foreign exchange loss

※※※ Including JPY 91 million of equity losses in Kito Italia, which is not consolidated

Quarterly Net Sales and Operating Margin

Domestic operations are driving group performance, and we are on a recovery trend globally. Operating profit was down, temporarily affected by unrealized profit from inventory evaluation among overseas subsidiaries.



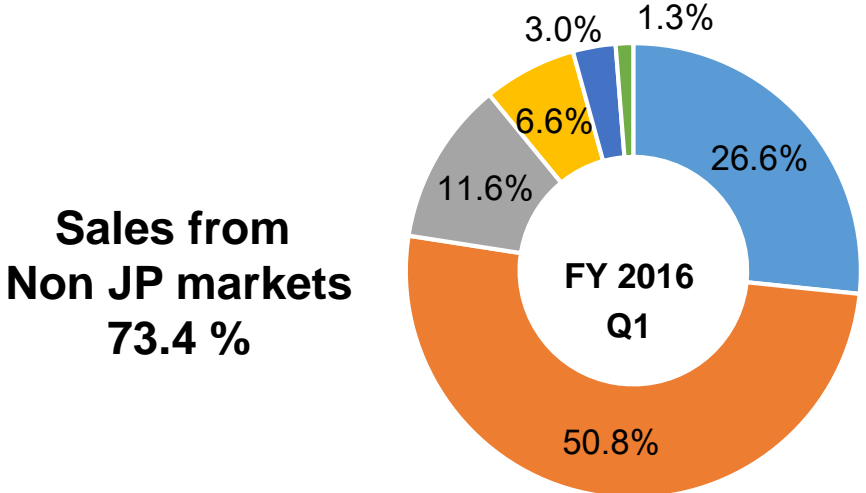
Net Sales by Region

Globally diversified portfolio / Sales increased YoY in each region

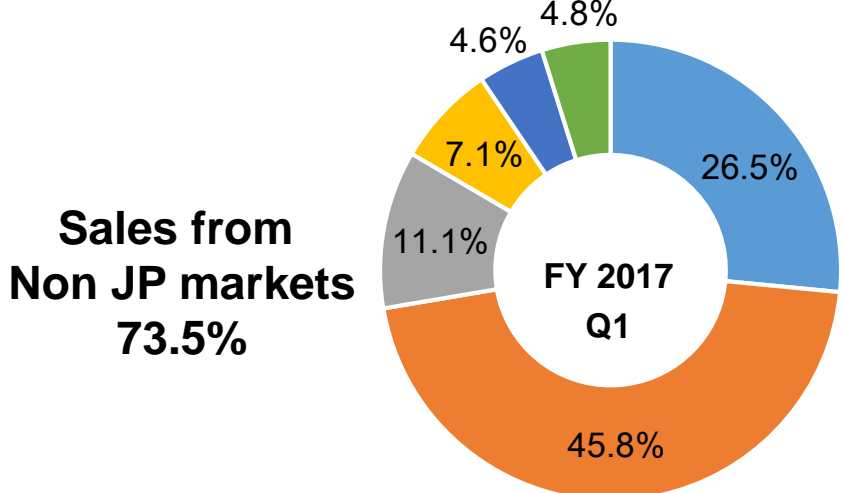
JPY in million	FY 2015 Q1		FY 2016 Q1		FY 2017 Q1		YoY Change	
		% share		% share		% share	Change	% Change
Total	12,122	100.0%	10,323	100.0%	11,919	100.0%	1,596	15.5%
Japan	2,501	20.6%	2,748	26.6%	3,163	26.5%	415	15.1%
Americas	6,133	50.6%	5,246	50.8%	5,466	45.9%	220	4.2%
China	1,926	15.9%	1,199	11.6%	1,323	11.1%	123	10.3%
Asia	940	7.8%	685	6.6%	848	7.1%	162	23.7%
Europe	434	3.6%	313	3.0%	542	4.6%	228	72.9%
Others	185	1.5%	129	1.3%	575	4.8%	445	343.1%

Note: Exchange Rate (FY 2016 Q1→FY 2017Q1)

USD 108.1 → 111.1 CAD 83.8 → 82.6 EUR 122.0 → 122.2 RMB 17.6 → 16.6

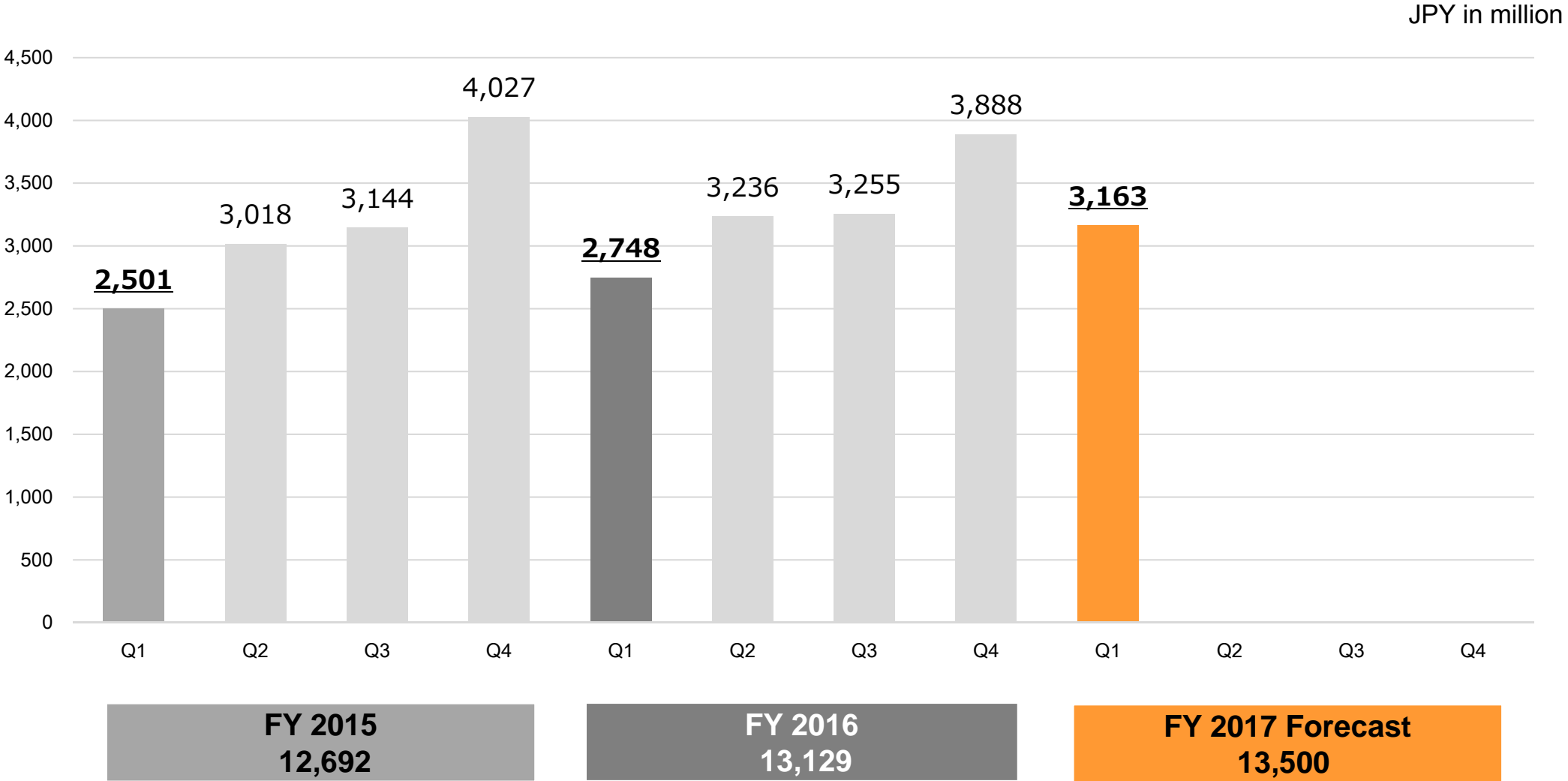


- Japan
- Americas
- China
- Asia
- Europe
- Others



Net Sales by Region (Japan)

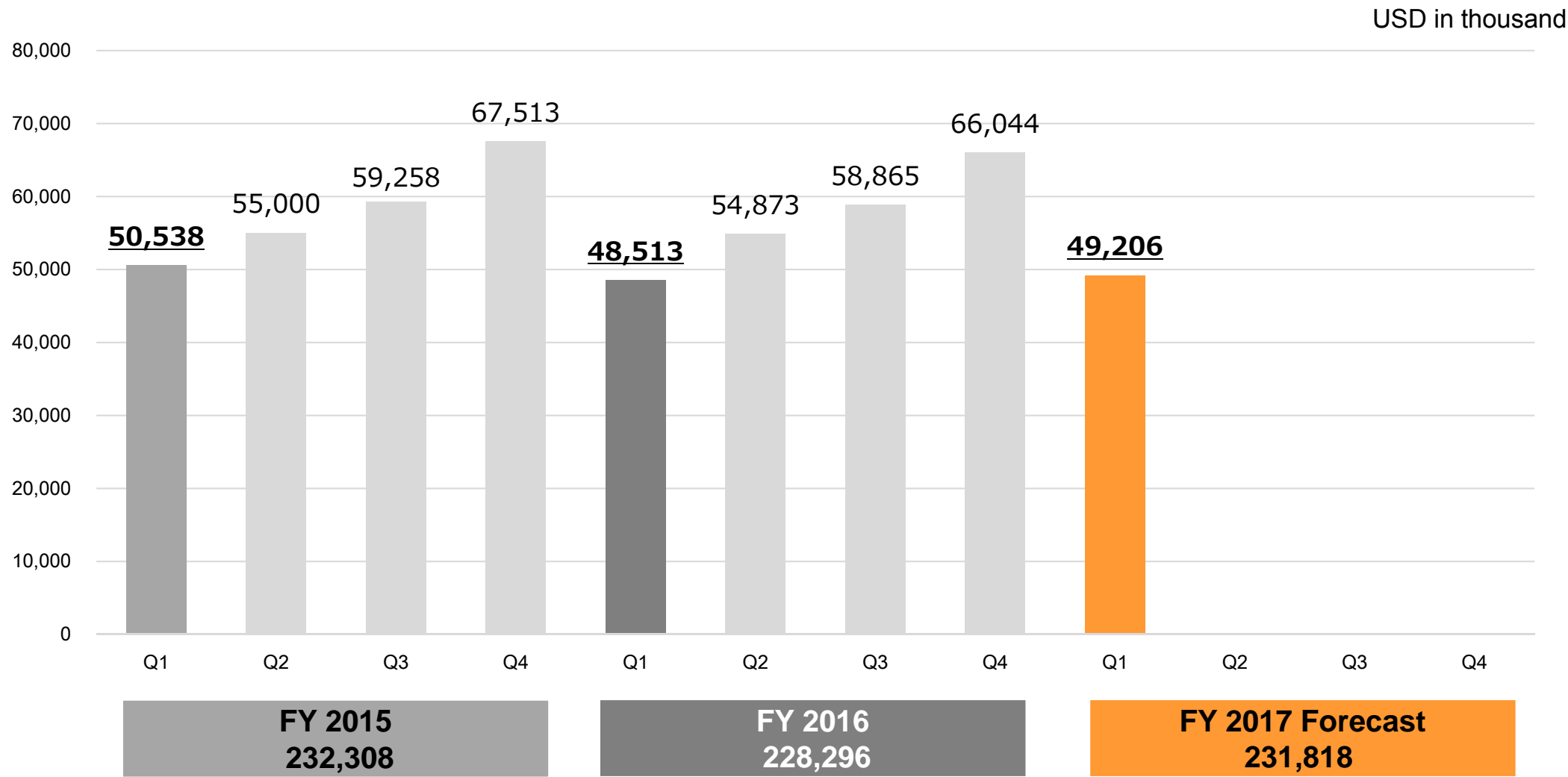
- Demand for infrastructure improvements, including energy supply and bridges, has surfaced.
- Orders came in steadily related to private-sector equipment investment.



Net Sales by Region (the Americas)

The graph shows the total of sales in the US, Canada and Latin America (converted to USD in thousand)

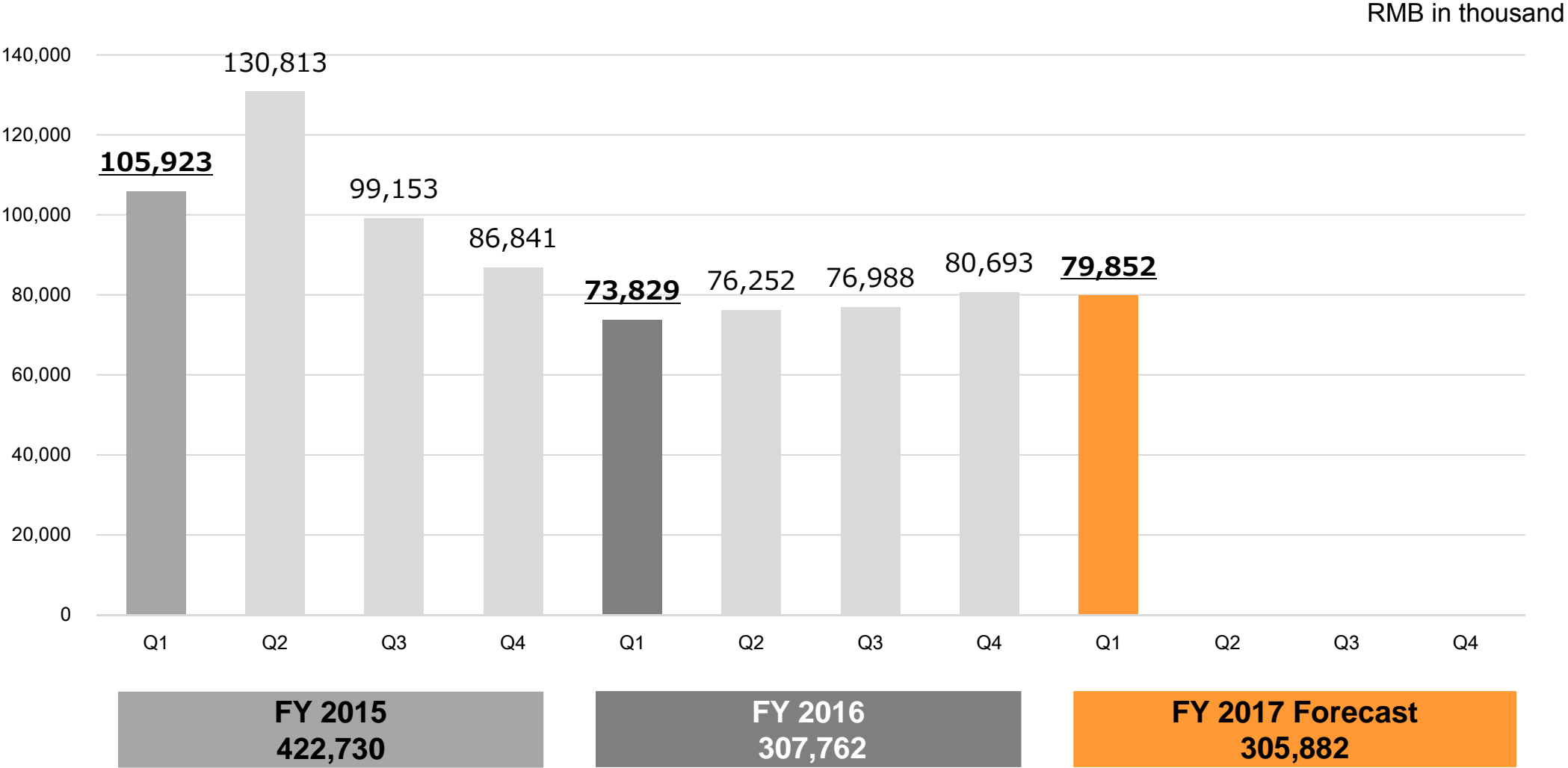
- Despite some anxiety factors, like the new US administration and lower natural resource price, investment demand remained brisk in the manufacturing sector.



Net Sales by Region (China)

Fiscal year of China starts in January and ends in December

- Declining demand appears to have touched bottom as economic slowing has come under control.

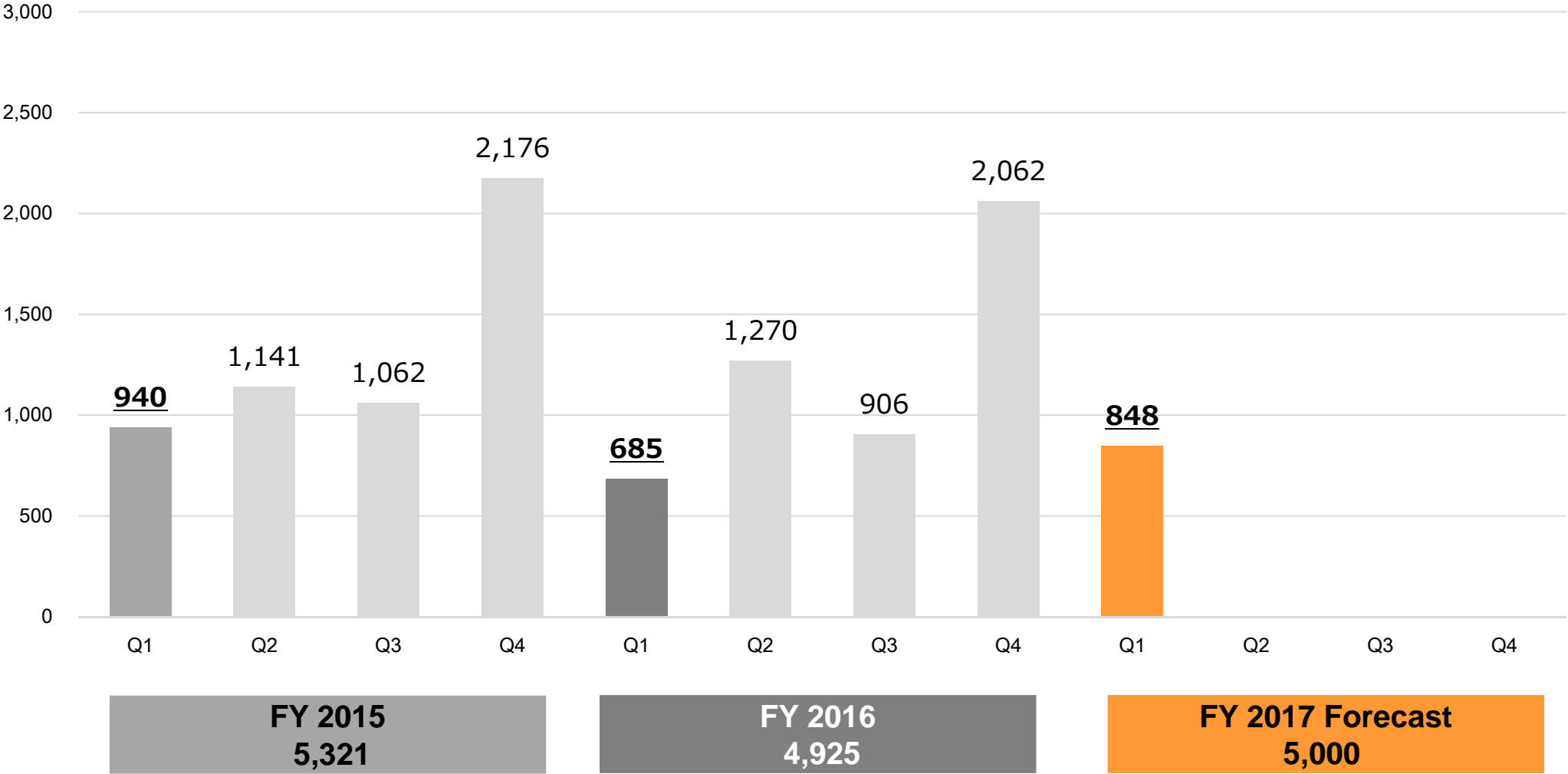


Net Sales by Region (Asia)

The fiscal year of Thailand and Korea begins in January and ends in December

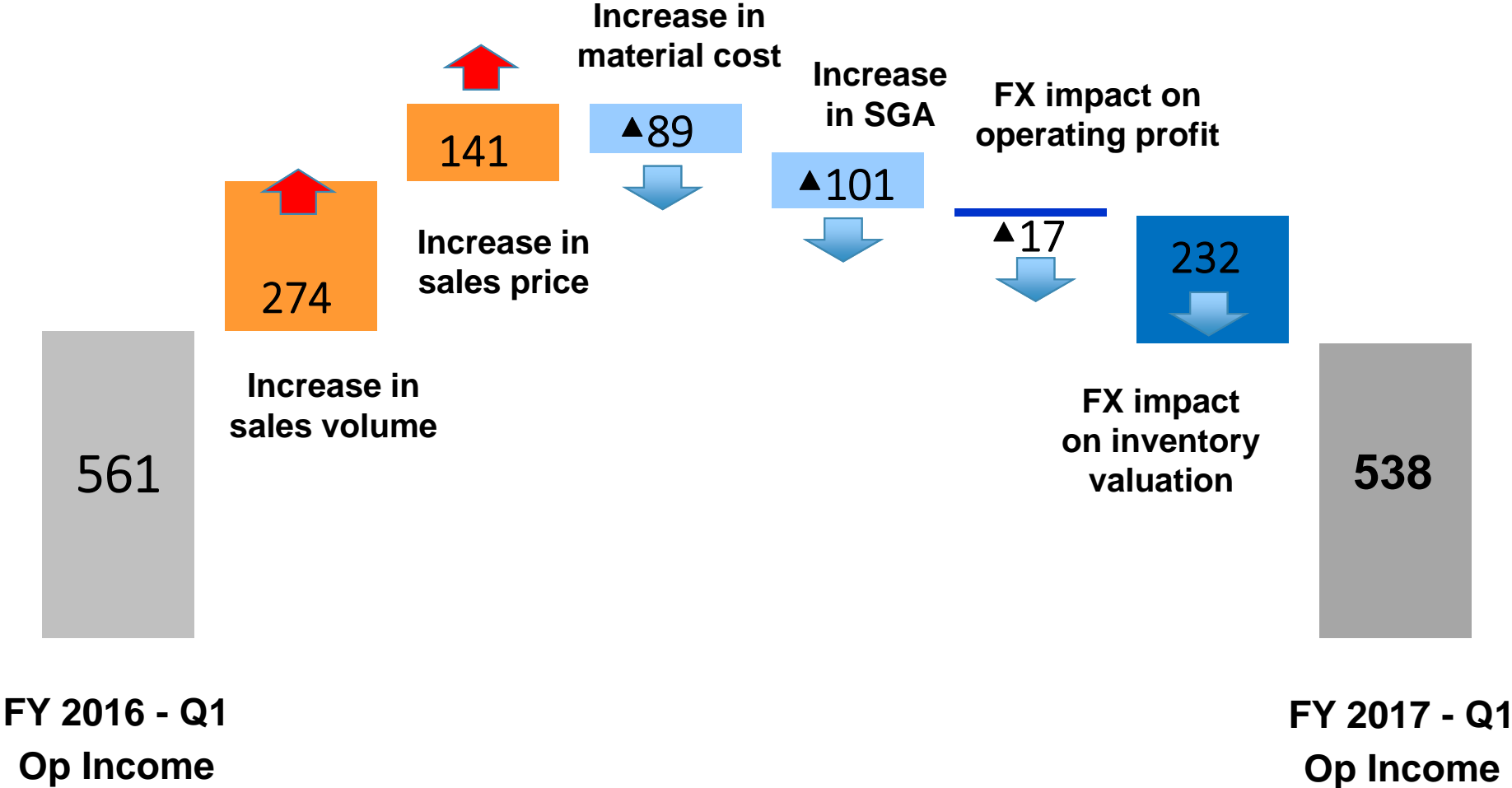
- In South Korea we saw strong orders among flat-panel display makers for cranes for clean-room use.
- In Thailand, profitability was up as a result of focus on service operations and hoist sales.

JPY in million



Operating Income Comparison

JPY in million



FY2017 1st Quarter Consolidated Balance Sheet

JPY in million	Mar 2017	June 2017	Change
Current assets	37,960	37,682	(277)
Cash	9,069	9,753	683
Accounts receivable	11,139	9,347	(1,792)
Inventories	15,402	16,085	683
Others	2,348	2,496	148
Fixed assets	22,177	21,993	(183)
Tangible fixed assets	11,948	11,611	(336)
Intangible fixed assets	7,658	7,634	(23)
Investment & other assets	2,569	2,746	176
Total assets	60,137	59,676	(461)

JPY in million	Mar 2017	June 2017	Change
Current liabilities	20,023	20,222	198
Accounts payable	5,438	6,116	677
Short-term debt	9,879	10,332	453
Others	4,705	3,773	(932)
Fixed liabilities	18,874	18,202	(671)
Long-term debt	14,298	13,649	(649)
Others	4,575	4,553	(21)
Total net assets	21,239	21,250	11
Total liabilities and net assets	60,137	59,676	(461)

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FY2017 1st Quarter Financial Results

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FY2017 Forecast

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Reference

- Five Year Financial Results (FY 2012 – FY 2016)
- Mid-Term Plan (FY 2016 – FY 2020)

Japan



Market

- Private-sector equipment investment will remain brisk, and continuing growth is expected.
- Greater demand is projected for infrastructure investment, construction and civil engineering projects.

Initiatives

- Launch new products and continue to broaden product lines.
- Strengthen ties with crane-builders.
- Improve efficiency with the introduction of a new IT infrastructure.

the Americas



Market

- Demand will be firm in a broader industrial mix.
- While demand recovery is expected in infrastructure investment, energy-related industries will remain soft.

Initiatives

- Strengthen market positions with broader product offerings.
- Expand local manufacturing for optimal supply-chain support.

China



Market

- Recovery in demand is expected with the economic slowdown touching bottom.

Initiatives

- Expand local production of global products.
- Continue implementing cost-reduction measures to build profits.

Asia



Market

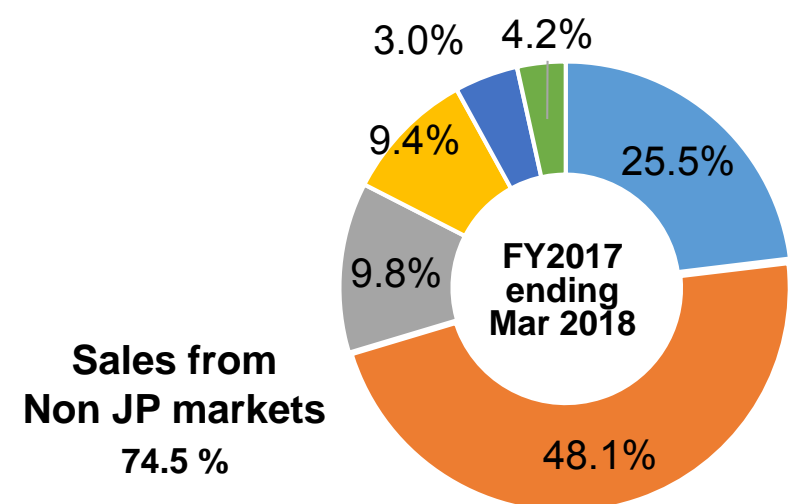
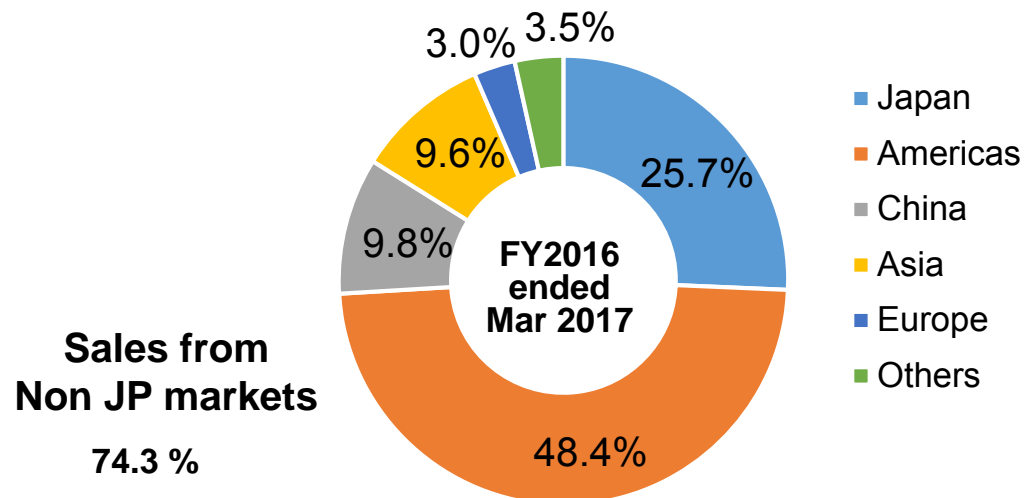
- A recovery of equipment investment is not yet in sight.

Initiatives

- Enhance service and maintenance business for crane users, and hoist sales.

FY2017 Forecast / Net Sales by Region

JPY in million	FY2016 (ended Mar 2017)		FY2017 FCST (ending Mar 2018)		YoY Change	
		% Share		% Share	Amount	%
Total	51,141	100.0%	53,000	100.0%	1,858	3.6%
Japan	13,129	25.7%	13,500	25.5%	371	2.8%
Americas	24,742	48.4%	25,500	48.1%	758	3.1%
China	5,034	9.8%	5,200	9.8%	166	3.3%
Asia	4,925	9.6%	5,000	9.4%	74	1.5%
Europe	1,523	3.0%	1,600	3.0%	77	5.1%
Others	1,785	3.5%	2,200	4.2%	415	23.2%



FY2017 Forecast

JPY in million	FY 2016	FY 2017	YoY Change
Sales	51,141	53,000	3.6%
Operating Income Operating Income / Sales	4,208 8.2%	4,400 8.3%	4.5%
Ordinary Income Ordinary Income / Sales	3,249 6.4%	3,700 7.0%	13.9%
Net Income <small>attributable to owners of parent</small> Net Income / Sales	1,897 3.7%	2,500 4.7%	31.7%
EBITDA Op Income + Depreciation	6,340	7,000	

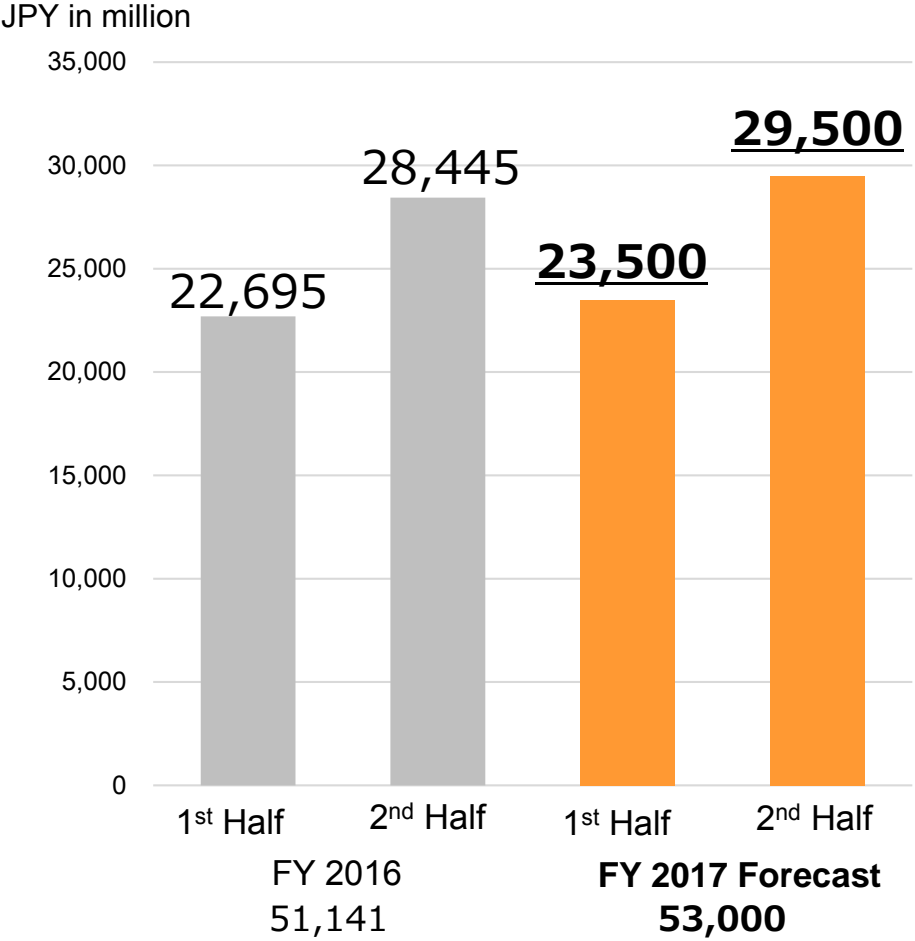
Note: Exchange Rate (FY2016 -> FY2017)

USD/JPY 108.4→110.0 CAD/JPY 82.5→80.0 EUR/JPY 118.8→120.0 RMB/JPY 16.4→17.0

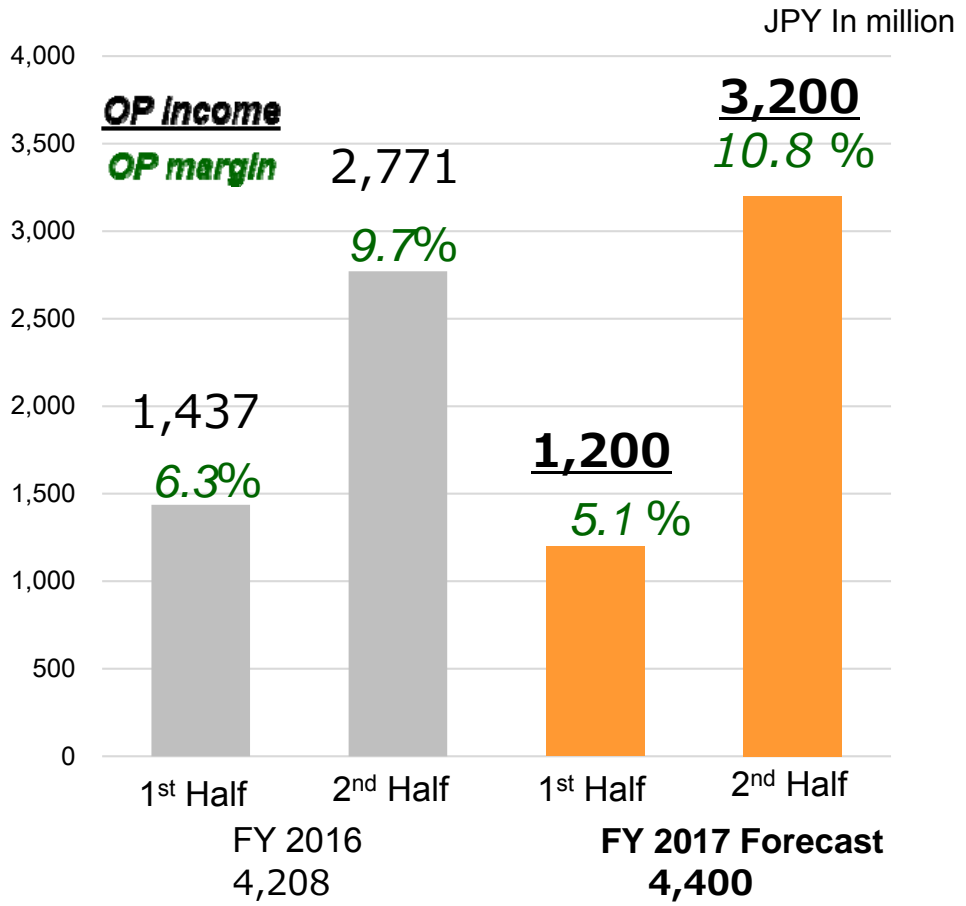
FY2017 Forecast

Overall demand is expected to grow moderately, though uncertainty remains in the US and Europe. Recovery is seen in natural resource price. Higher price of steel material are concerned.

Net Sales

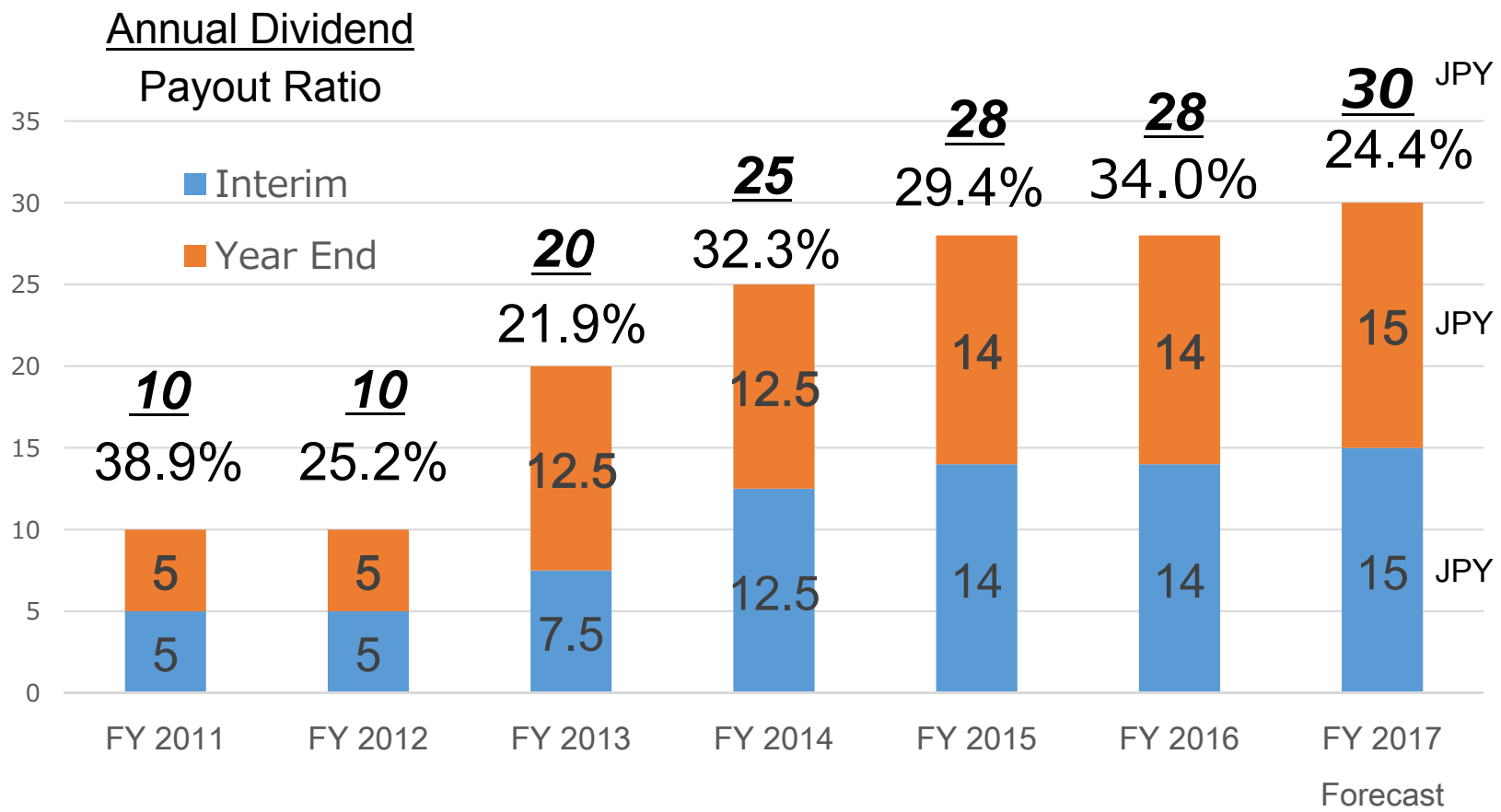


Operating Income Operating Margin



Dividend

**Payout ratio at 20% or higher,
with total annual dividend of JPY30 per share**



Note: Per share dividends are calculated on the assumption that the stock split below are at the beginning of the FY2011

- 100 for 1 stock split was effective on April 1, 2013
- 2 for 1 stock split was conducted on October 1, 2014

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FY2017 1st Quarter Financial Results

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FY2017 Forecast

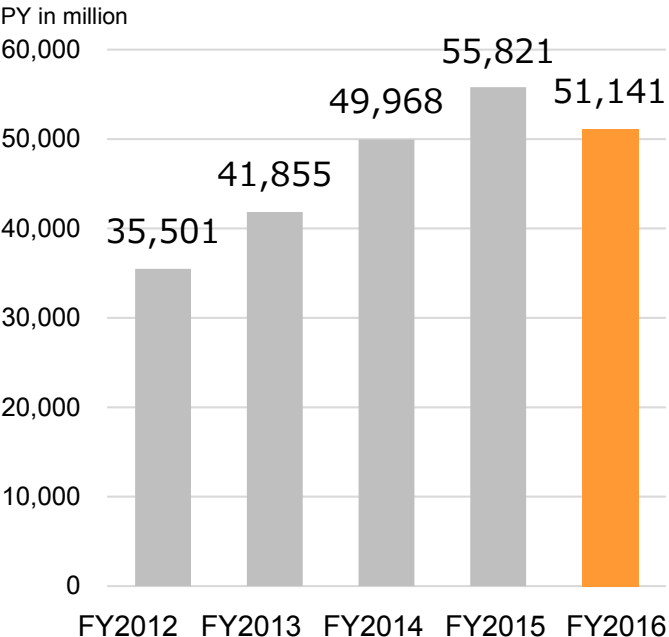
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Reference

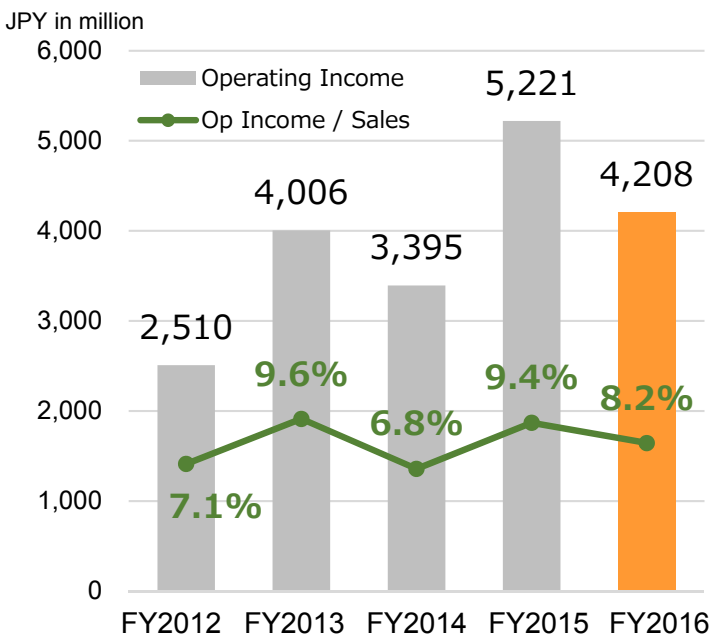
- **Five Year Financial Results (FY 2012 – FY 2016)**
- **Mid-Term Plan (FY 2016 – FY 2020)**

Key figures

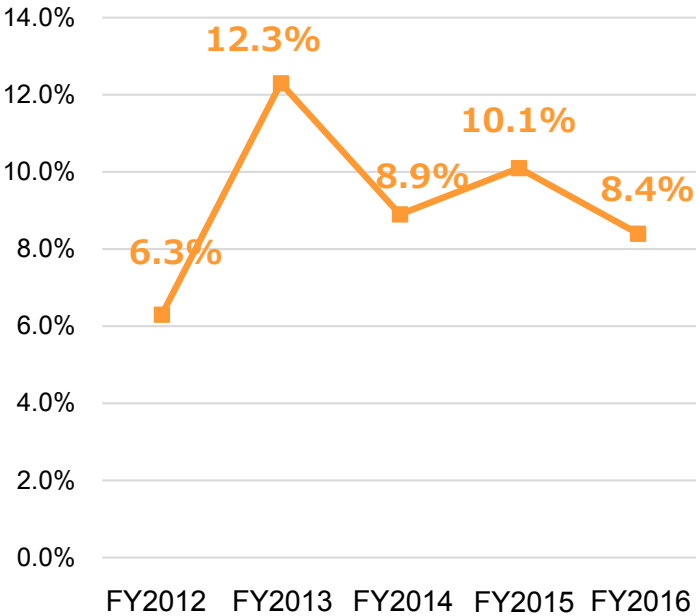
Sales



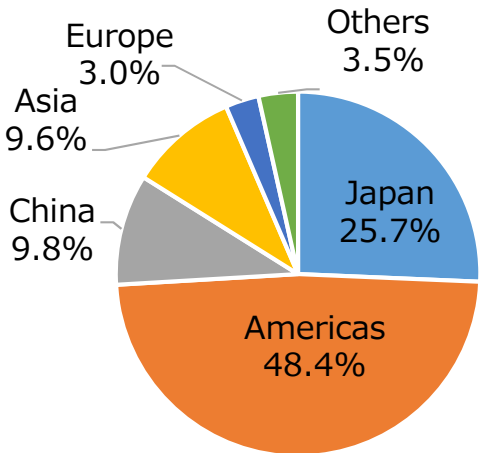
Op Income and Op Margin



ROE



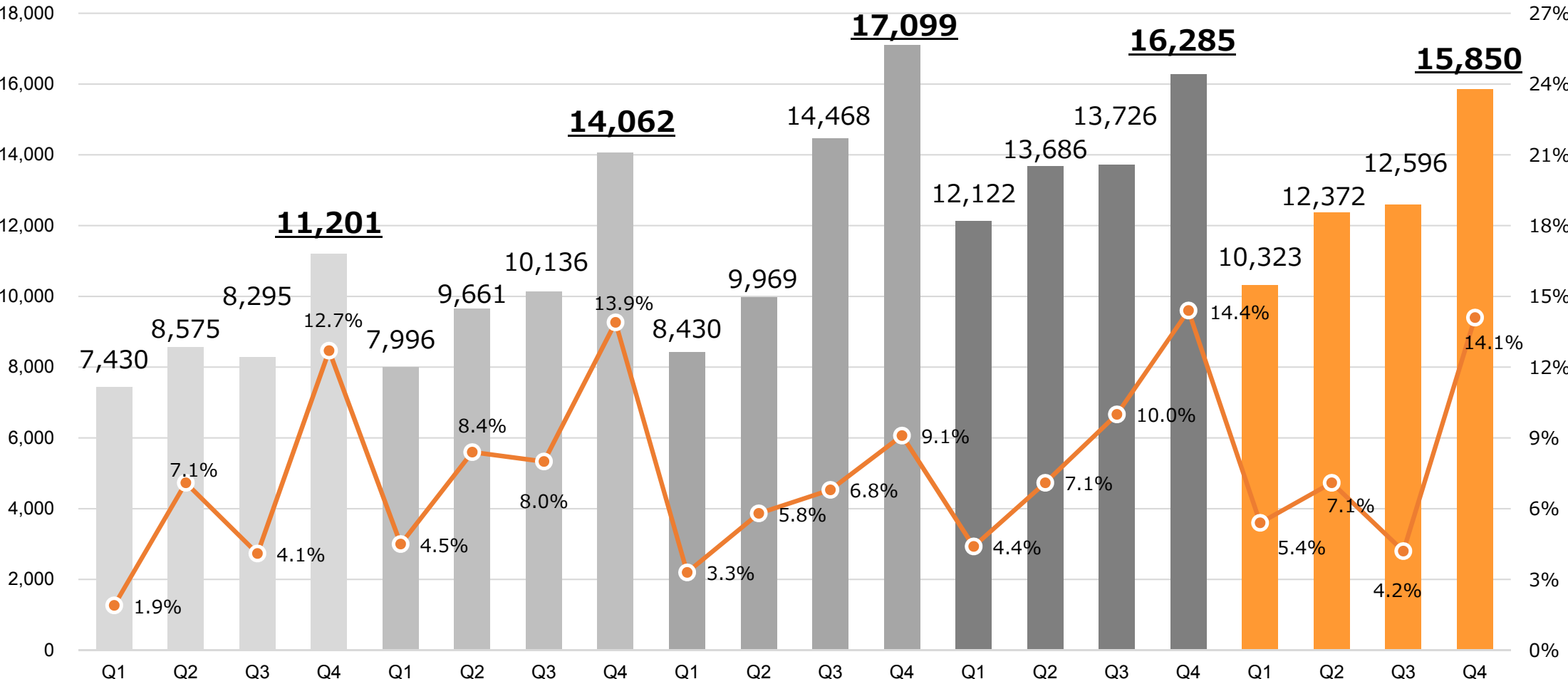
Sales by Region in FY2016



	FY2012	FY2013	FY2014	FY2015	FY2016
Sales from Non JP Market	67.1%	72.2%	76.6%	77.3%	74.3%
Average FX Rate					
USD /JPY	83.1	100.2	109.9	120.1	108.4
CAD /JPY	82.9	95.1	96.5	91.8	82.5
EUR /JPY	107.1	134.4	138.8	132.6	118.8
RMB /JPY	12.6	15.9	17.2	19.2	16.4
Capex (JPY in million)	1,520	2,440	1,408	2,013	2,239
Depreciation (JPY in million)	774	954	1,311	1,814	1,792

Quarterly Sales and Operating Margin

(JPY in million)

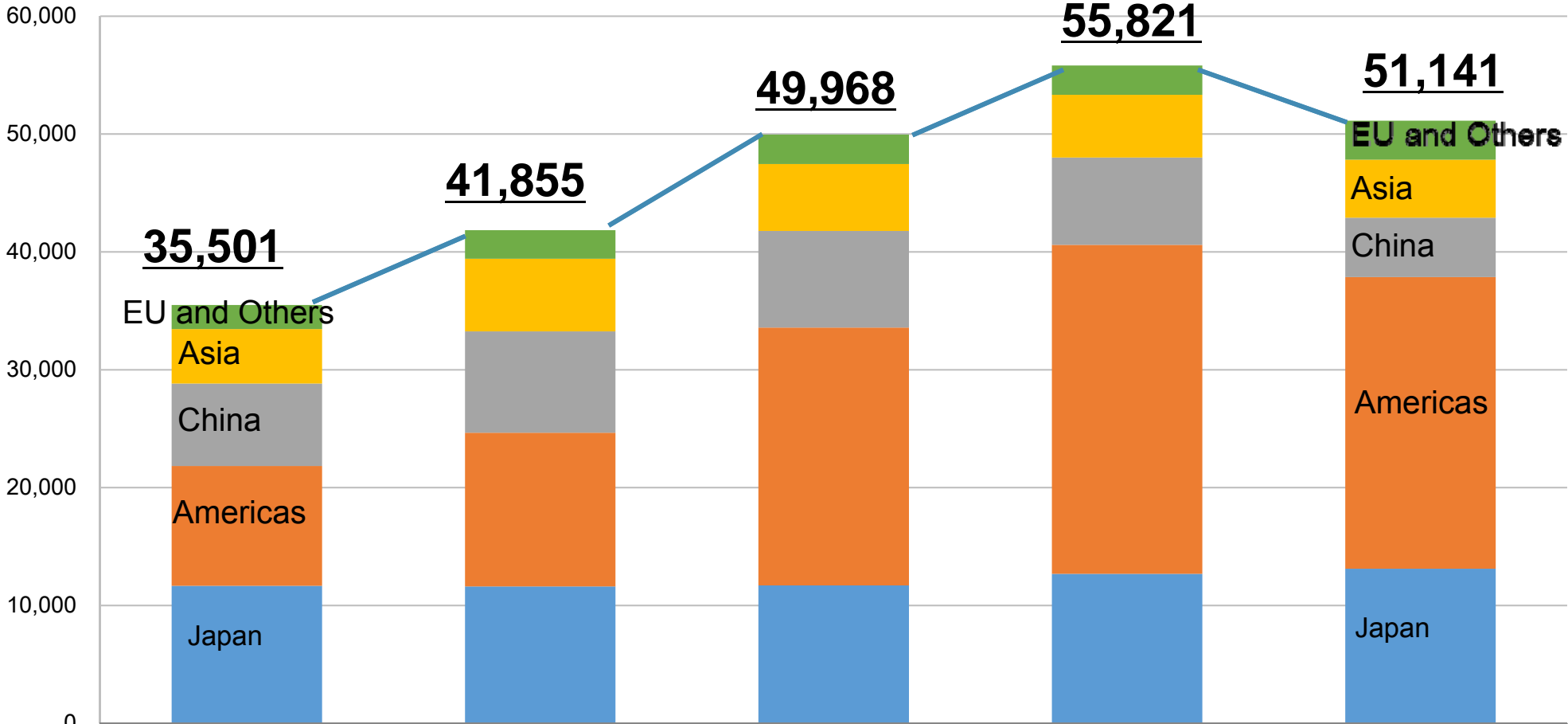


Op Income	139	609	343	<u>1,419</u>	360	806	809	<u>2,030</u>	280	575	987	<u>1,553</u>	538	966	1,371	<u>2,345</u>	561	876	532	<u>2,239</u>
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FY 2012 Sales 35,501 Op Income 2,510	FY 2013 Sales 41,855 Op Income 4,006	FY 2014 Sales 49,968 Op Income 3,395	FY 2015 Sales 55,821 Op Income 5,221	FY2016 Sales 51,141 Op Income 4,208
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Sales by Regions

JPY in million



	FY 2012	FY2013	FY 2014	FY 2015	FY 2016
■ EU and Others	2,035	2,424	2,500	2,479	3,308
■ Asia	4,626	6,168	5,676	5,321	4,925
■ China	6,994	8,604	8,198	7,418	5,034
■ Americas	10,163	13,034	21,888	27,909	24,742
■ Japan	11,679	11,625	11,702	12,692	13,129

**Mid-Term Plan
FY2016 – FY2020
(Apr 2017 – Mar 2021)**

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



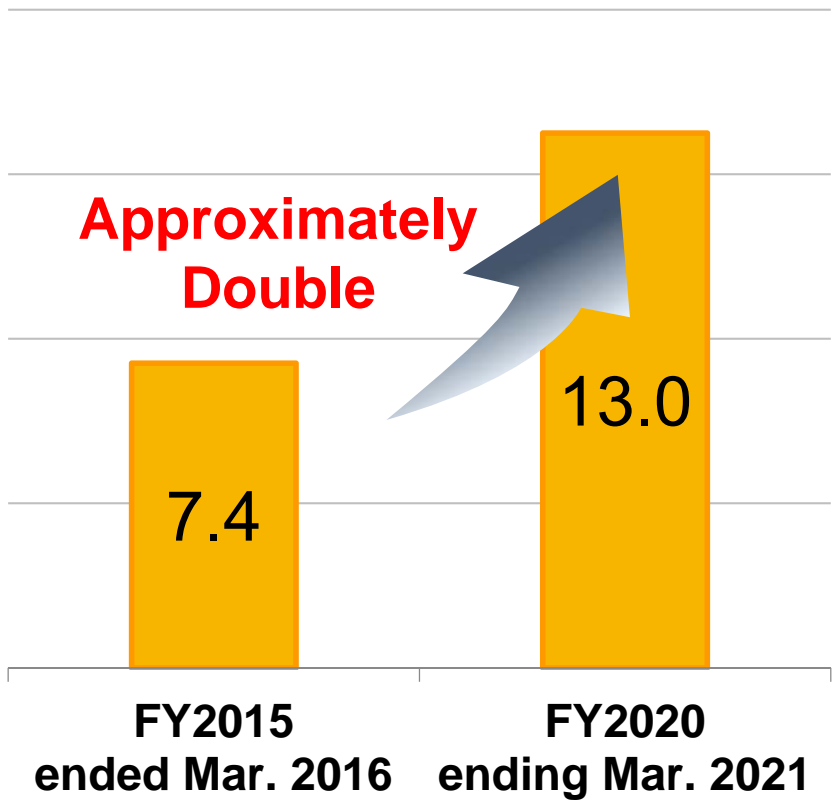
Management Goals

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)

“Lifting Expectations”

