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# **Financial Results for the Quarter ended Dec 31, 2016**

KITO CORPORATION

TSE 1st Section: 6409

February 14, 2017

# FY2016 Q3 Summary

## 1. Market Environment

Market trends ahead remains harder to read due to likely slowing of the world economy, sluggish equipment investment in the energy industry, and a generally stagnant Chinese economy.

## 2. Business Results

Japan leads the overall results with firm demand related to infrastructure investments. The appreciation of the JPY, and about JPY 600 million expenses in the unsuccessful M&A bidding process impacted on our business results.

Sales	JPY 35,291 million	YoY (10.7) %
Operating Income	JPY 1,969 million	YoY (31.5) %
Net Income	JPY 659 million	YoY (44.4) %
attributable to owners of parent		

FX Rate Q3 Average (USD/JPY) 106.6

## 3.Overall summary

- 1) Sales were as we estimated thanks to brisk domestic demand from infrastructure.
- 2) Promote the Mid-Term Plan for greater efficiency in daily work, better financial health and higher profit.
- 3) An uncertain trend in exchange rates and changes in the external environment to be closely monitored.
- 4) Business progresses along the forecast revised on Dec 14, with the yen appreciation and one time cost of M&A bidding considered.

**1**

# **FY2016 3rd Quarter Financial Results**

**2**

## **FY2016 Forecast**

**3**

## **Reference**

- Five Year Financial Results (FY 2011 - 2015)
- New Mid-Term Plan (FY 2016 – 2020)

# FY2016 3rd Quarter Financial Highlights

JPY in million	FY2015 Q3 (Apr-Dec)	FY2016 Q3 (Apr-Dec)	YoY Change
<b>Sales</b>	39,536	35,291	(10.7)%
<b>Operating Income</b> Operating Income / Sales	2,876 7.3 %	1,969 5.6 %	(31.5)%
<b>Ordinary Income</b> Ordinary Income / Sales	2,465 6.2%	1,648 4.7 %	(33.1)%
Extraordinary Income		* 489	
Extraordinary Loss		** 160	
Income Tax		*** 1,351	
<b>Net Income</b> Net Income / Sales	1,185 3.0 %	659 1.9 %	(44.4)%
<b>EBITDA</b> Op Income + Depreciation	4,517	3,521	

Note: Exchange Rate (FY2015-Q3 -> FY2016-Q3) :

USD/JPY 121.6→106.6 CAD/JPY 94.4→81.4 EUR/JPY 134.3→118.0 RMB/JPY 19.3→16.5

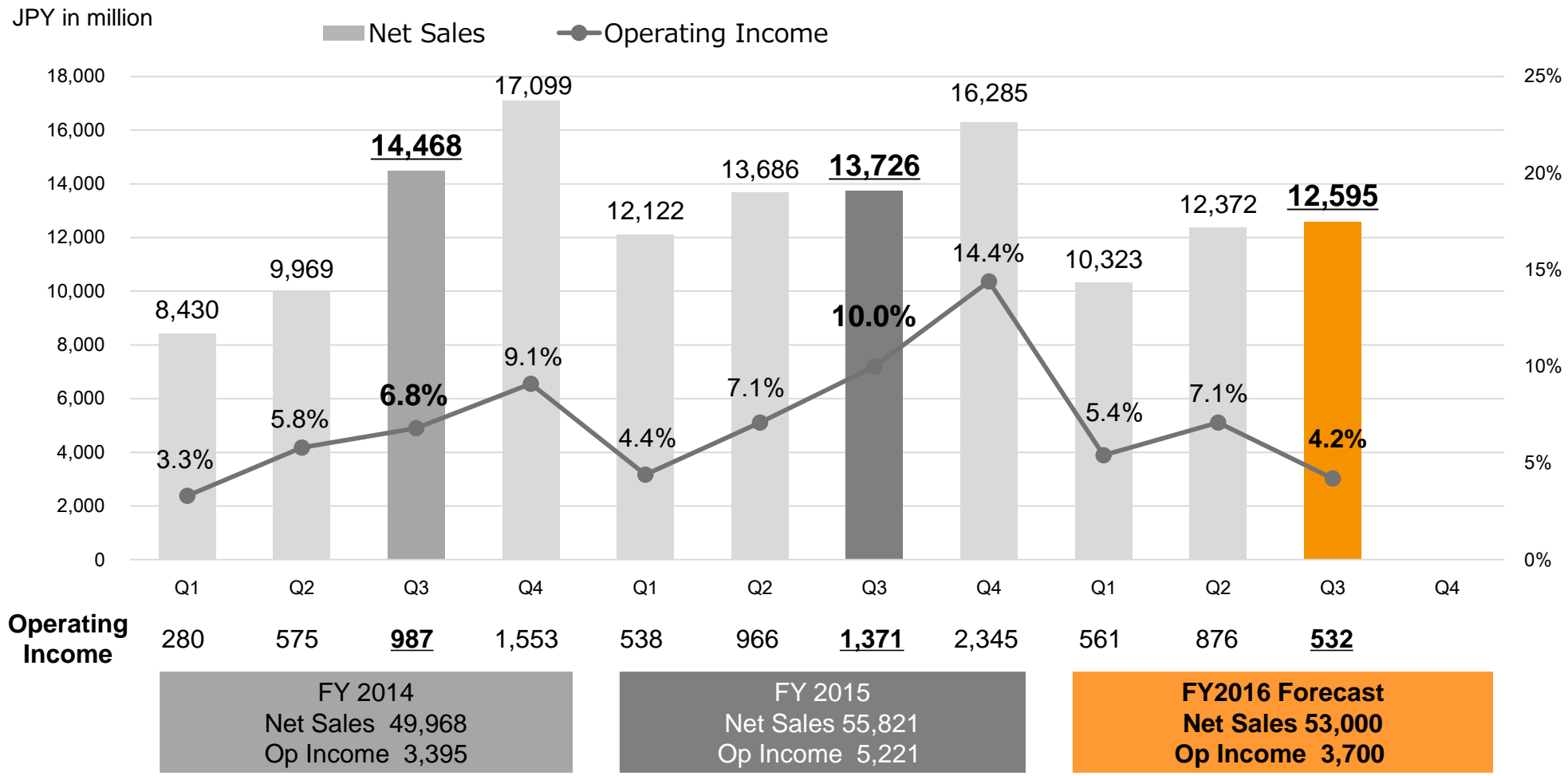
\* The assessed net value of PWB Anchor, which Kito recently acquired, was greater than the takeover cost, and the company posted gains from emergence of negative goodwill.

\*\* Impairment loss of 160 million yen from Kito Taiwan

\*\*\* 1,351 million yen includes corporate tax adjustment of 810 million yen.

# Net Sales and Operating Margin

- While operations in Japan and Americas were solid, net sales were down due to the appreciation of the JPY
- About JPY 600 million was recorded in expenses required in the unsuccessful M&A bidding process



# Net Sales by Region

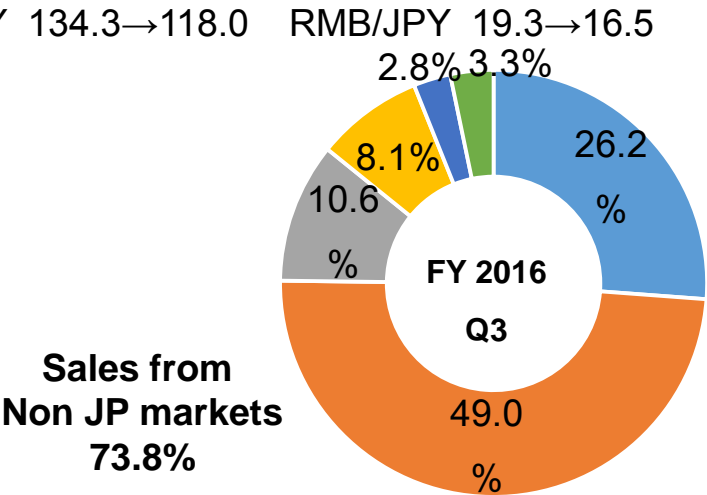
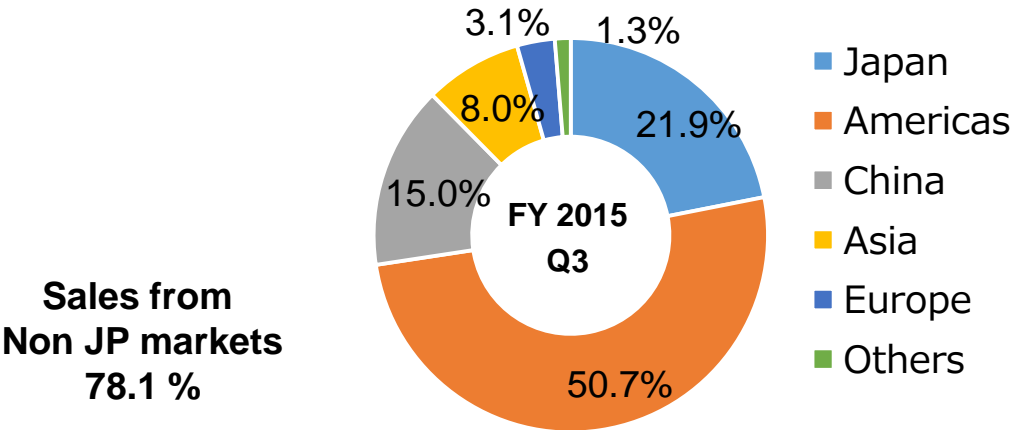
Globally diversified portfolio with non-Japanese sales exceeding 70%

JPY in million	FY2014 Q3		FY2015 Q3		FY2016 Q3		YoY Change	
		% share		% share		% share	Amount	%
Total	32,868	100.0%	39,536	100.0%	35,291	100.0%	(4,244)	(10.7)%
Japan	7,921	24.1%	8,665	21.9%	9,240	26.2%	575	6.6%
Americas	13,961	42.5%	20,053	50.7%	17,300	49.0%	(2,753)	(13.7)%
China	6,041	18.4%	5,930	15.0%	3,744	10.6%	(2,186)	(36.9)%
Asia	3,096	9.4%	3,144	8.0%	2,863	8.1%	(281)	(9.0)%
Europe	1,337	4.1%	1,238	3.1%	991	2.8%	(246)	(19.9)%
Others	510	1.6%	503	1.3%	* 1,150	3.3%	648	128.5%

\* Including PWB Anchor of Australia, which was consolidated in Sep quarter

\*\* Note: Exchange Rate (FY2015-Q3 -> FY2016-Q3) :

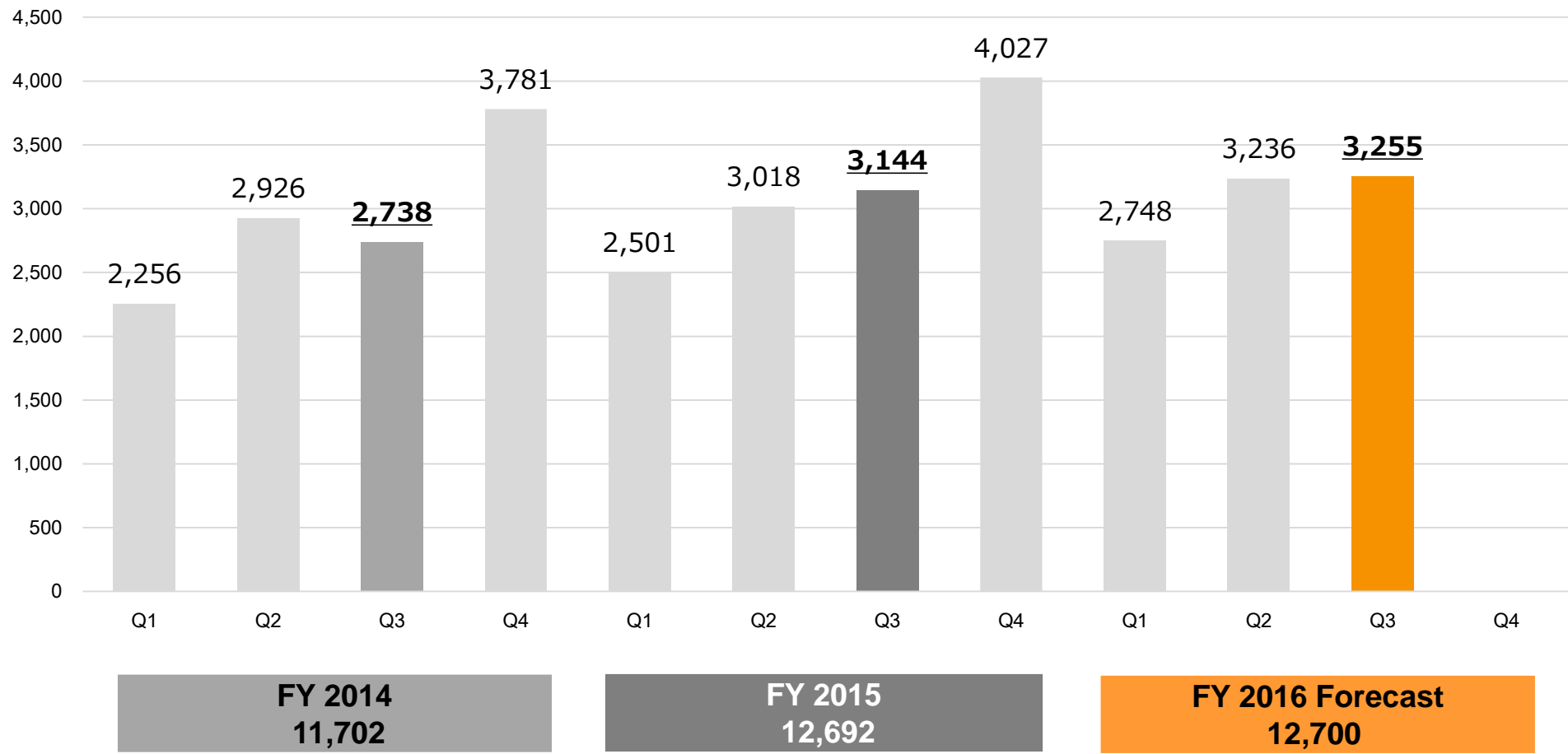
USD/JPY 121.6→106.6 CAD/JPY 94.4→81.4 EUR/JPY 134.3→118.0 RMB/JPY 19.3→16.5



# Net Sales by Region (Japan)

- Demand related to the infrastructure industries of power plant, bridge, etc., continues
- Private-sector investment has been stable despite general caution across industries.

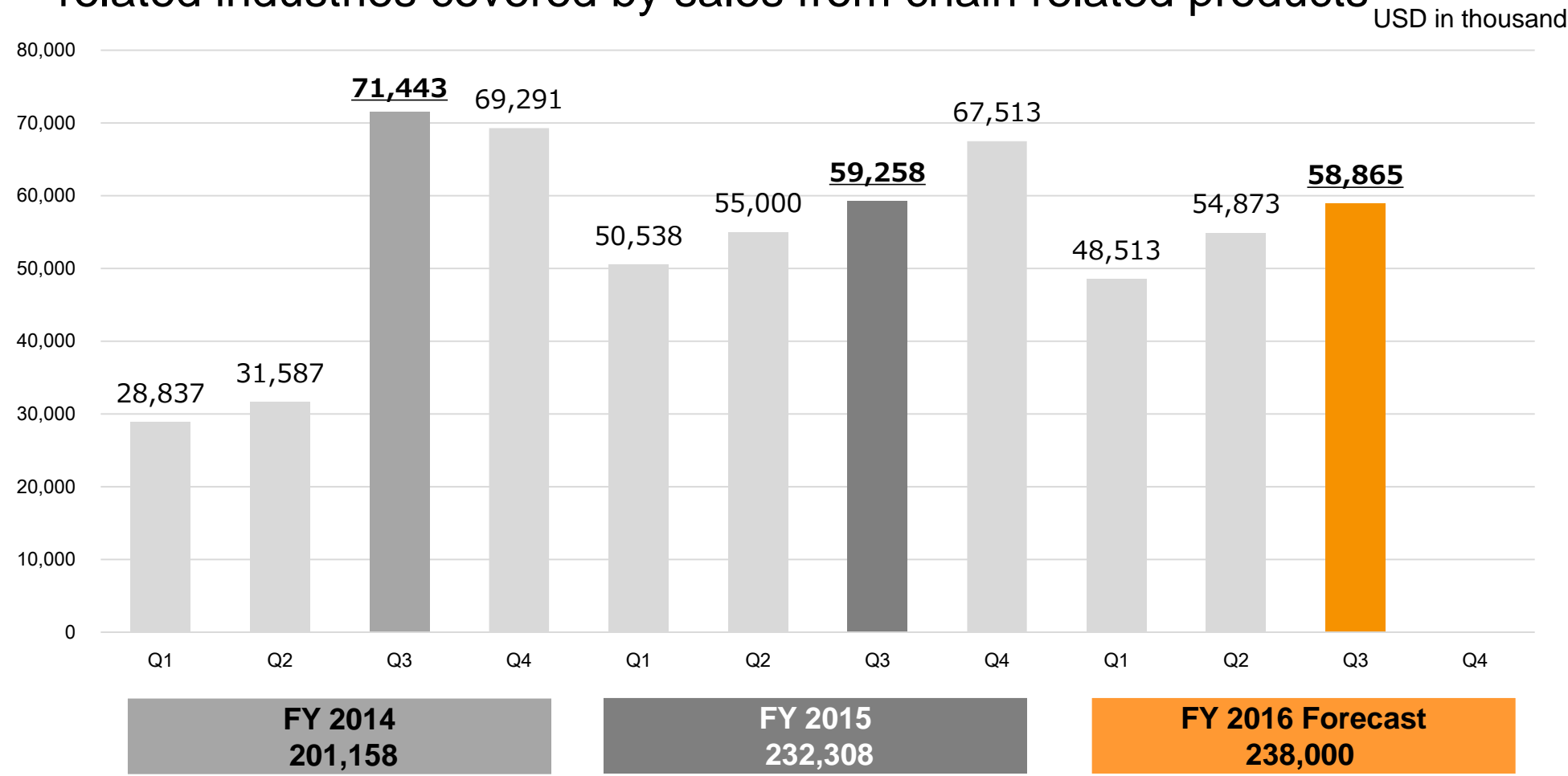
JPY in million



# Net Sales by Region (Americas)

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

- Capital investments were postponed in response to heightened uncertainty surrounding the change in government administration
- Net sales was almost flat YoY, with softening demand among energy-related industries covered by sales from chain related products



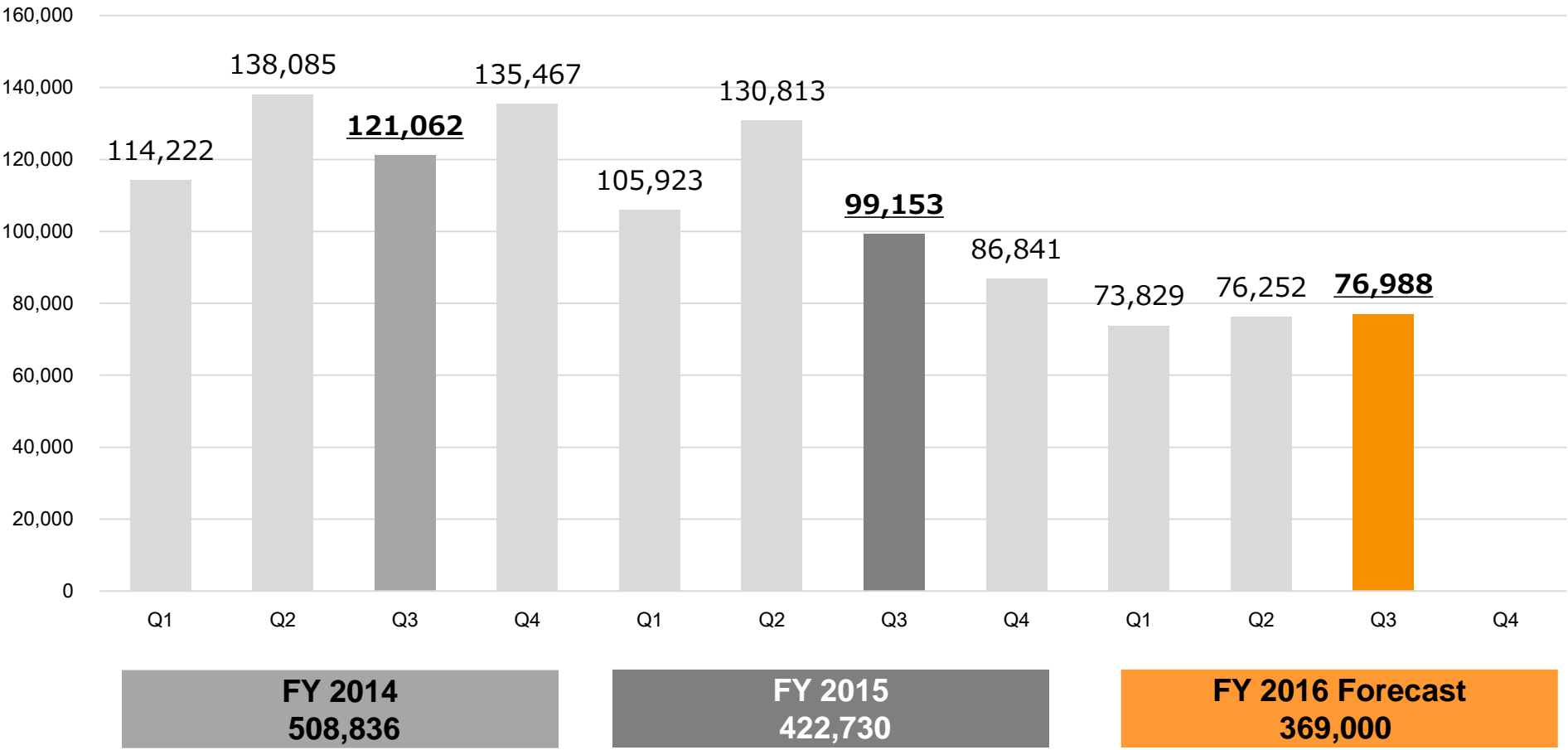


# Net Sales by Region (China)

Fiscal year of China starts in January and ends in December

- Implementing cost-reduction measures amid continuing economic weakness and softening demand
- Fully progressing of manufacturing a new Wire-Rope Hoist for the global market

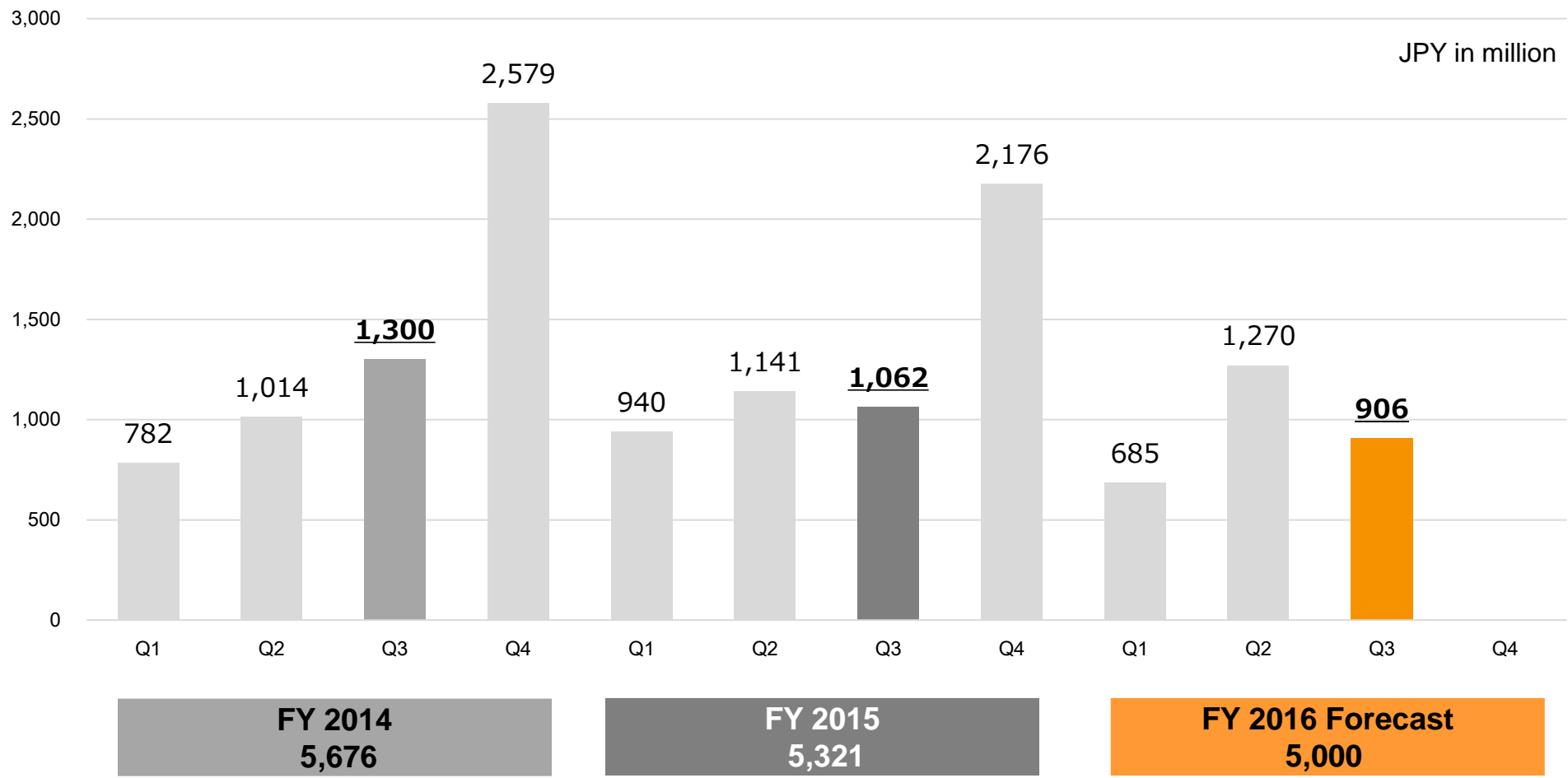
RMB in thousand



# Net Sales by Region (Asia)

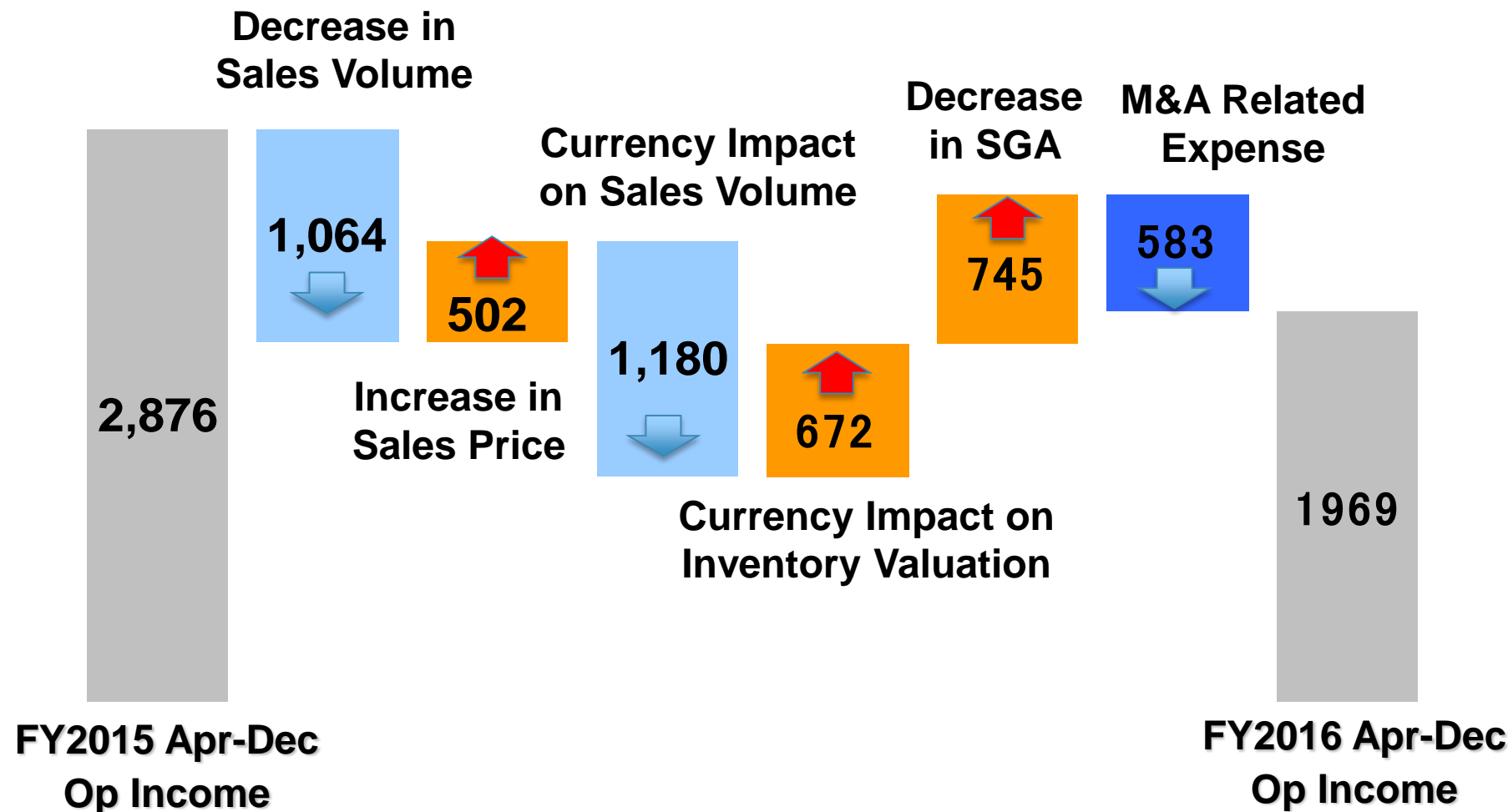
The fiscal year of Thailand and Korea begins in January and ends in December

- In Korea we wrote a large order from display panel industry for clean-room cranes in South Korea
- More careful profit management in Asian region brought positive results



# Operating Income Comparison

JPY in million



# FY2016 3rd Quarter Consolidated Balance Sheet

JPY in million	Mar 2016	Dec 2016	Change
Current assets	37,599	37,805	206
Cash	8,529	8,065	(463)
Accounts receivable	11,761	9,766	(1,994)
Inventories	13,852	17,709	3,856
Others	3,456	2,263	(1,192)
Fixed assets	23,040	22,913	(127)
Tangible fixed assets	11,901	11,814	(86)
Intangible fixed assets	7,896	8,045	148
Investment & other assets	3,242	3,053	(188)
Total assets	60,639	60,719	79

JPY in million	Mar 2016	Dec 2016	Change
Current liabilities	15,072	21,314	6,242
Accounts payable	5,301	5,788	487
Short-term debt	4,595	10,080	5,484
Others	5,175	5,445	270
Fixed liabilities	19,527	19,796	268
Long-term debt	14,687	15,127	439
Others	4,839	4,667	(171)
Total net assets	26,040	19,608	(6,432)
Total liabilities and net assets	60,639	60,719	79

**1**

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# FY2016 Forecast

## Japan



- Market
- Gentle economic recovery will continue, with growth in private-sector investment.
  - Demand among infrastructure concerns, including in the construction and civil-engineering sectors, is expected to grow.
- Initiatives
- Expanding product offerings with new wire-rope hoists and other new products.
  - Strengthen sales networks among crane-builders.

## Americas



- Market
- Demand will be firm in a broader industrial mix.
  - Slower demand is expected in the energy sector.
- Initiatives
- Strengthen competitive market positions with broader product offerings.
  - Expand local manufacturing for optimal supply-chain support.

## China



- Market - Uncertain amid economic slowdown continues, though bottoming out is expected
- Initiatives - Expand local production of global products.  
- Focus on cost- and profit-management to ensure high margins.

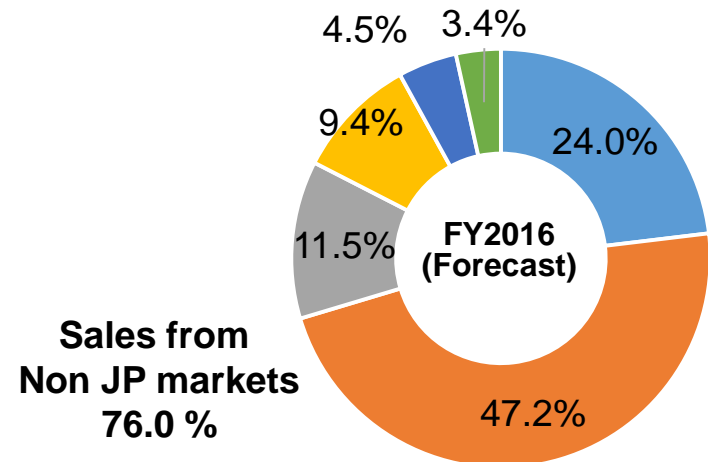
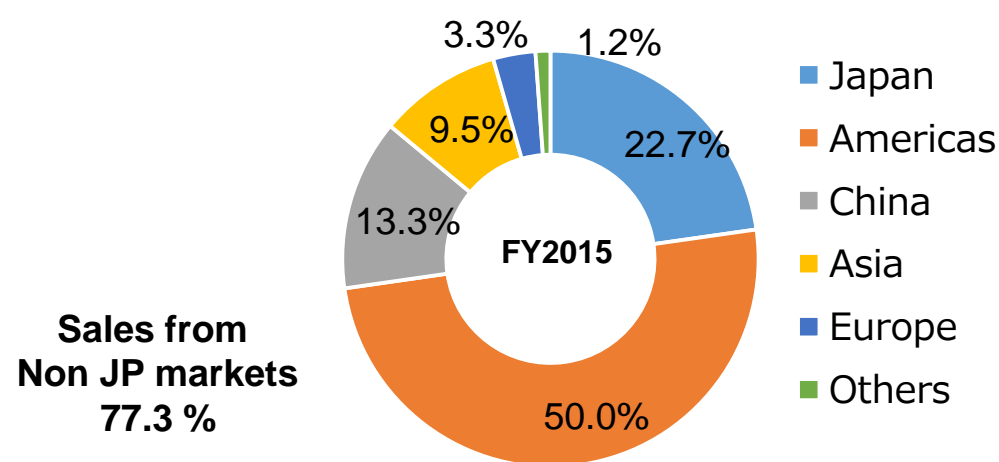
## Asia



- Market - Slowing Chinese economy affects entire Asia region, reducing equipment investment.
- Initiatives - Enhance service and maintenance business for crane users, and hoist sales.  
- Improve profitability by consolidating production.

# FY2016 Forecast / Net Sales by Region

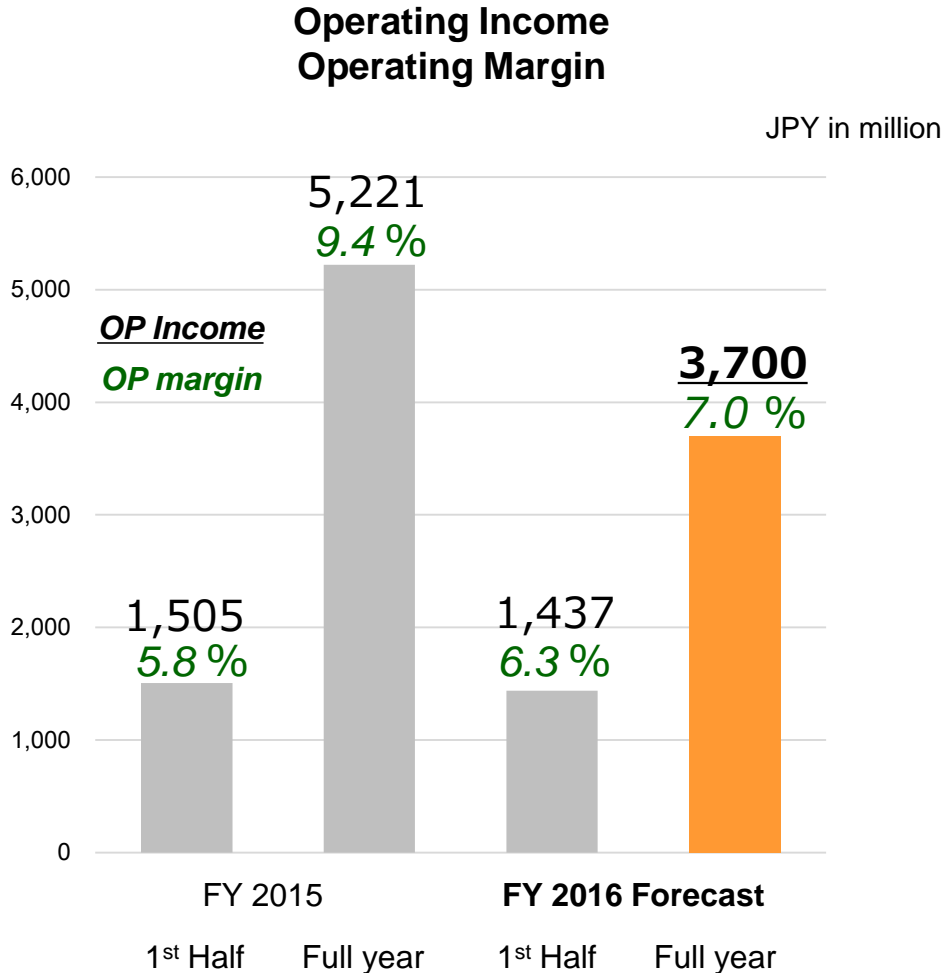
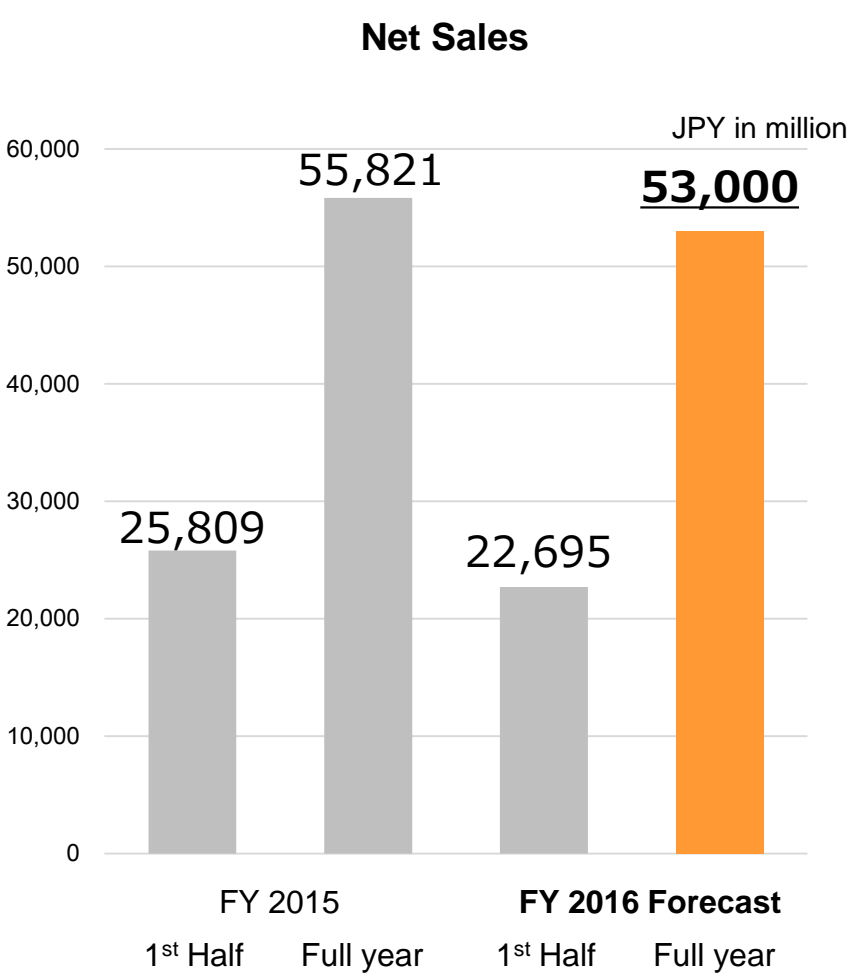
JPY in million	FY2015 (ended Mar 2016)		FY2016 FCST (ending Mar 2017)		YoY Change	
		% Share		% Share	Amount	%
<b>Total</b>	55,821	100.0%	<b>53,000</b>	<b>100.0%</b>	(2,821)	(5.1)%
Japan	12,692	22.7%	<b>12,700</b>	<b>24.0%</b>	7	0.0%
Americas	27,909	50.0%	<b>25,000</b>	<b>47.2%</b>	(2,909)	(10.4)%
China	7,418	13.3%	<b>6,100</b>	<b>11.5%</b>	(1,318)	(17.8)%
Asia	5,321	9.5%	<b>5,000</b>	<b>9.4%</b>	(321)	(6.0)%
Europe	1,837	3.3%	<b>2,400</b>	<b>4.5%</b>	562	30.6%
Others	642	1.2%	<b>1,800</b>	<b>3.4%</b>	1,157	180.4%





# FY2016 Forecast

- Sales forecast for FY 2016 unchanged due to continuing firm demand
- Income forecast revised, with M&A bidding cost of JPY600 million considered



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## **FY2016 3rd Quarter Financial Results**

**2**

## **FY2016 Forecast**

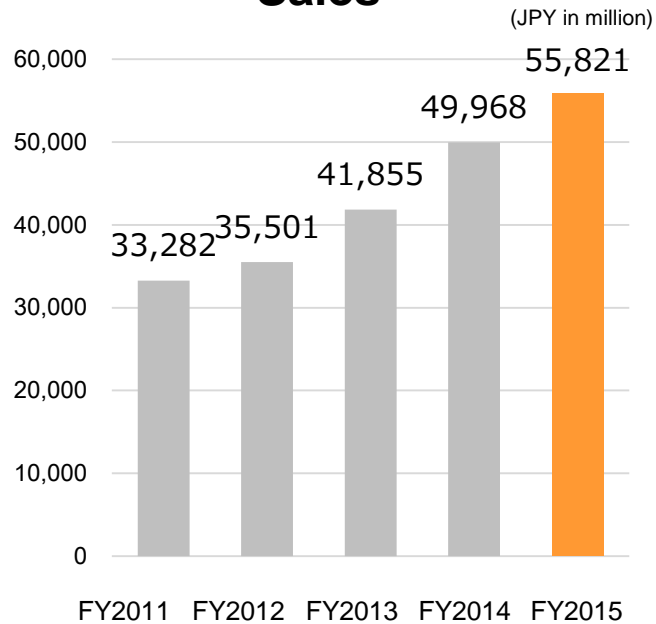
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## **Reference**

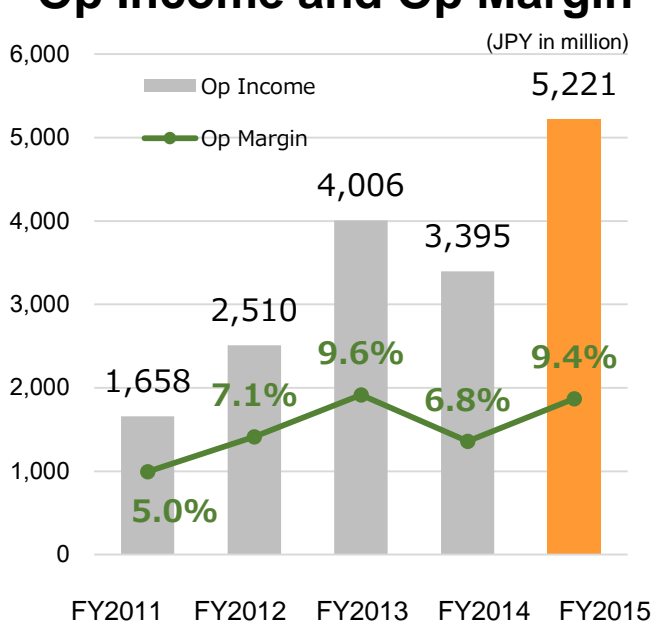
- **Five Year Financial Results (FY 2011 - 2015)**
- **New Mid-Term Plan (FY 2016 – 2020)**

# Key figures

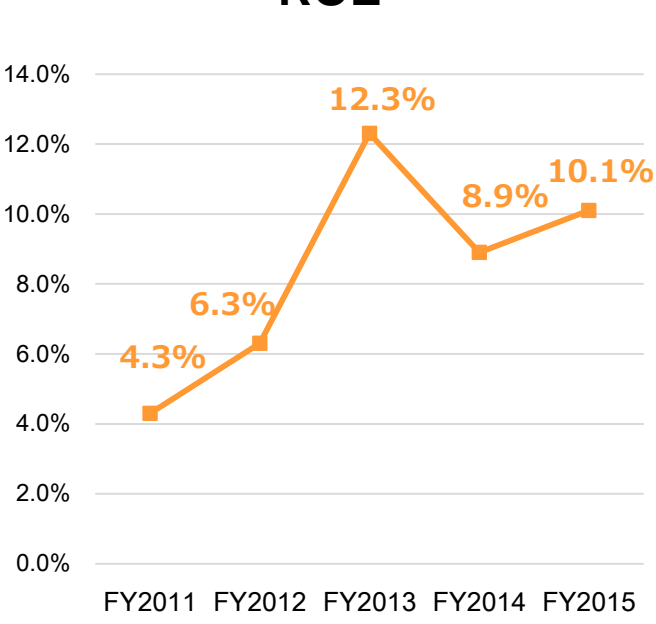
## Sales



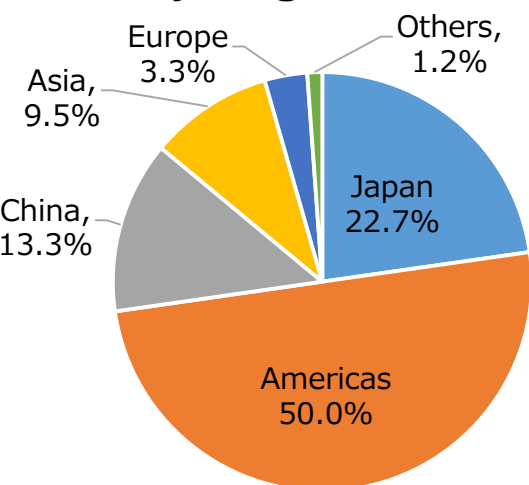
## Op Income and Op Margin



## ROE

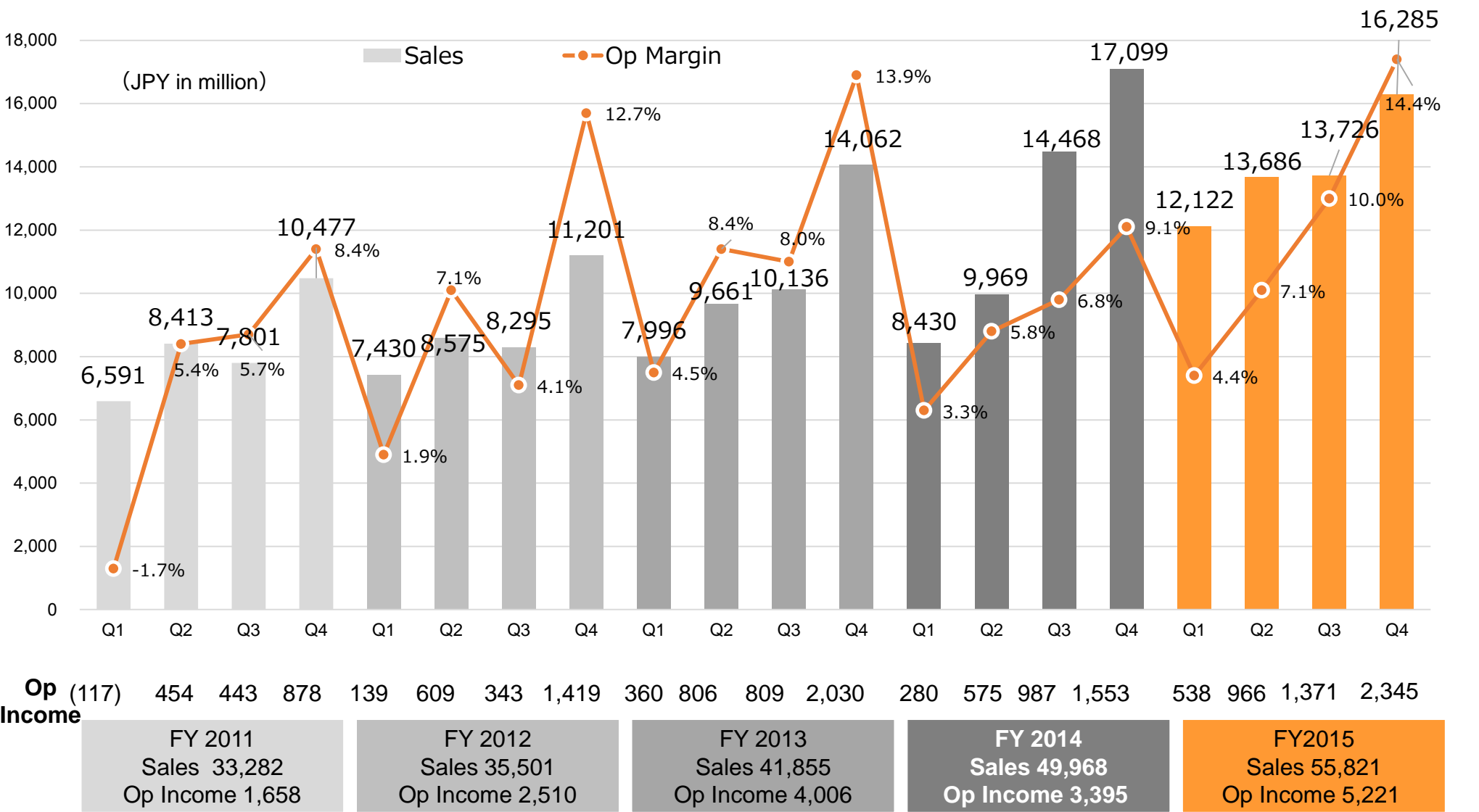


## Sales by Region in FY2015



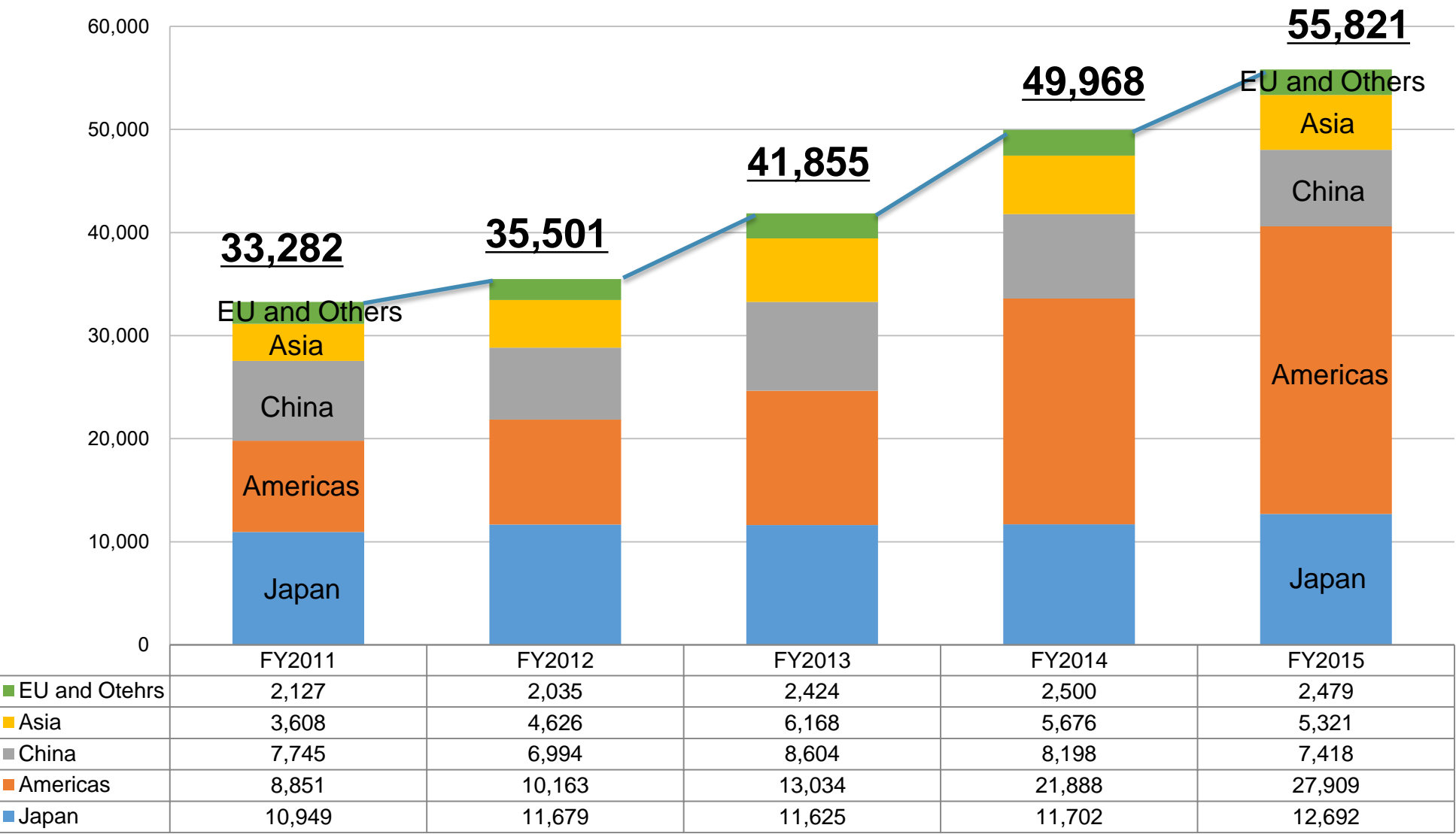
	FY2011	FY2012	FY2013	FY2014	FY2015
Sales from Non JP	67.1%	67.1%	72.2%	76.6%	77.3%
Average Fx Rate					
USD	79.0	83.1	100.2	109.9	120.1
CAD	79.7	82.9	95.1	96.5	91.8
EUR	108.9	107.1	134.4	138.8	132.6
RMB	12.3	12.6	15.9	17.2	19.2
Capex (JPY in million)	1,145	1,520	2,440	1,408	2,013
Depreciation (JPY in million)	944	774	954	1,311	1,814

# Quarterly Sales and Operating Margin



# Sales by Regions

JPY in million



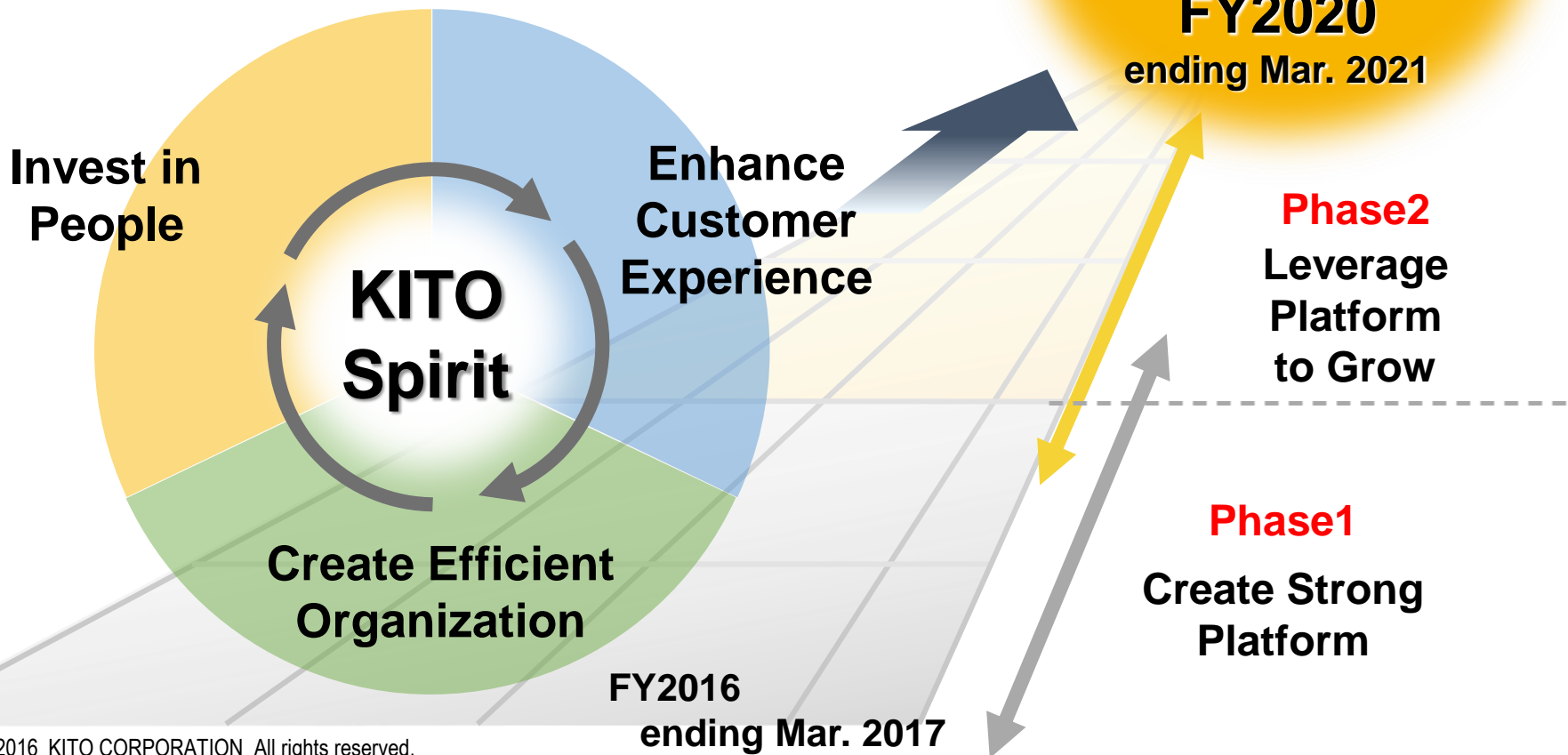
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# **New Mid-Term Plan FY2016–FY2020 (Apr 2016 – Mar 2021)**

# 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

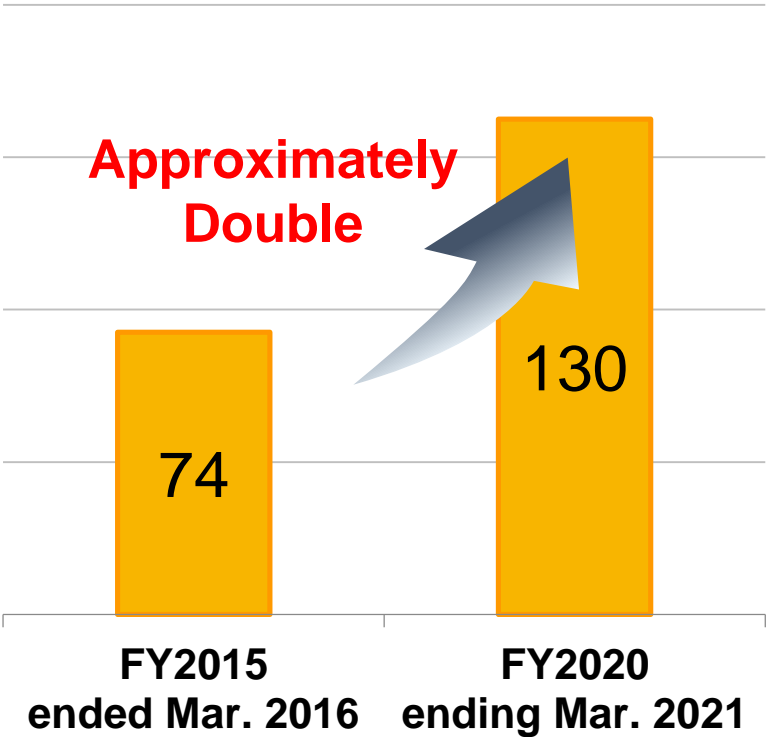
**1** Return to **a high margin business structure**

**2** Growth through **product portfolio expansion**

**3** Evolve into **a globally integrated enterprise**

## Financial Target

**EBITDA**



(JPY in billion)



