

Financial Results for the Quarter ended Sep 30, 2016

KITO CORPORATION

TSE 1st Section: 6409

November 14, 2016

FY2016 Q2 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 investments in the infrastructure sector.

(JPY in million)	2016 Apr-Sep	YoY Change	Forecast	Fcst/Results
Sales	22,695	(12.1)%	22,700	+/- 0.0 %
Operating Income	1,437	(4.5) %	1,250	+15.0 %
Net Income *	364	(35.9) %	450	(19.1)%

* Net income attributable to owners of parent

Forex Rate Q2 Average Rate (USD/JPY) 105.3

3.Overall summary

- 1) Sales were as we estimated thanks to brisk domestic demand.
- 2) Promote the Mid-Term Business 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) The forecasts for incomes are yet to be determined at this time, due to the difficulty of making reasonable assumptions of M&A related cost.

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FY2016 2nd Quarter Financial Results

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FY2016 Forecast

3

Reference

FY2016 2nd Quarter Financial Highlights

JPY in million	FY2015 Q2 (Apr-Sep)	FY2016 Q2 (Apr-Sep)	YoY Change
Sales	25,809	22,695	(12.1)%
Operating Income Op Income / Sales	1,505 5.8%	1,437 6.3%	(4.5)%
Forex Loss		*282	
Ordinary Income Ordinary Income / Sales	1,194 4.6%	959 4.2%	(19.6)%
Extraordinary Income		**489	
Income Taxes		***1,070	
Net Income Net Income / Sales	568 2.2%	364 1.6%	(35.9)%
EBITDA Op Income + Depreciation	2,596	2,444	

Note: Exchange Rate (FY2015-Q2 -> FY2016-Q2) :

USD/JPY 121.8→105.3 CAD/JPY 96.1→81.2 EUR/JPY 135.1→118.2 RMB/JPY 19.3→17.1

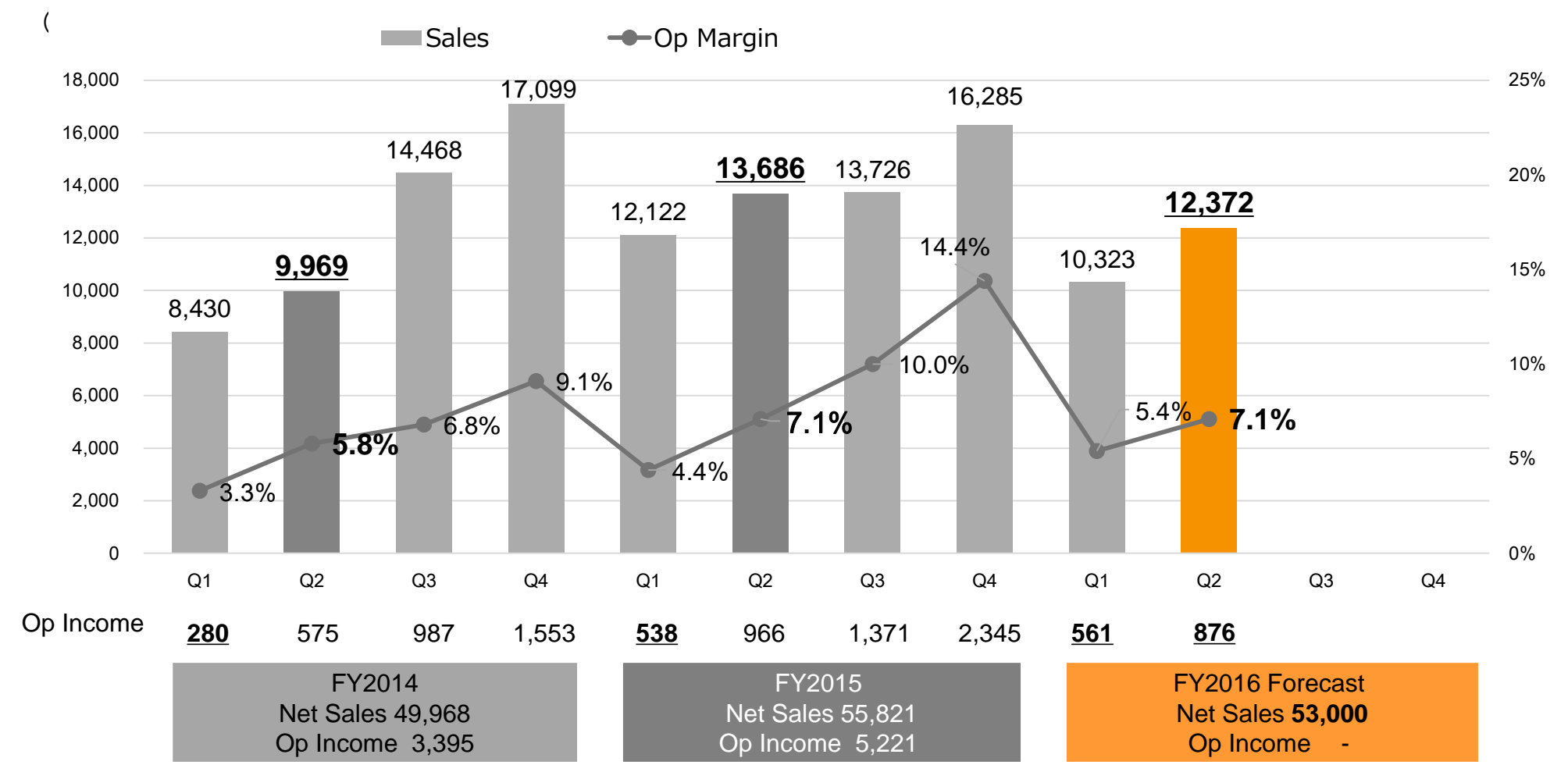
* Due to the steep rise in the value of the yen at the end of the first quarter, the company posted foreign exchange losses of 282 million yen.

** 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.

*** 1,070 million yen includes corporate tax adjustment of 843 million.

Net Sales and Operating Margin

- While domestic operations were solid, the shift in FX rates led to a decrease in sales
- Stable demand in Japanese market support overall profit



Net Sales by Region

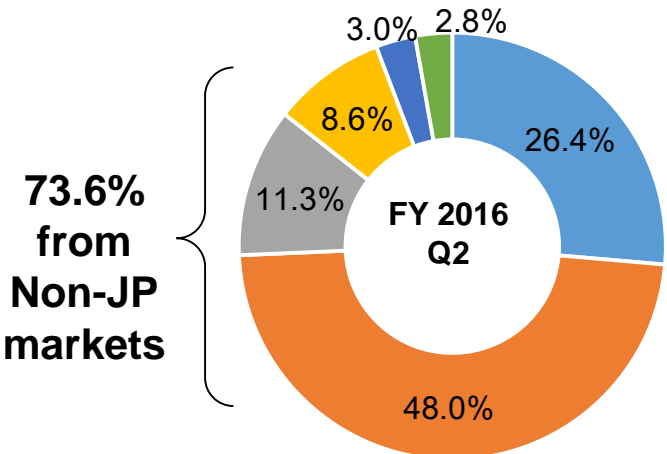
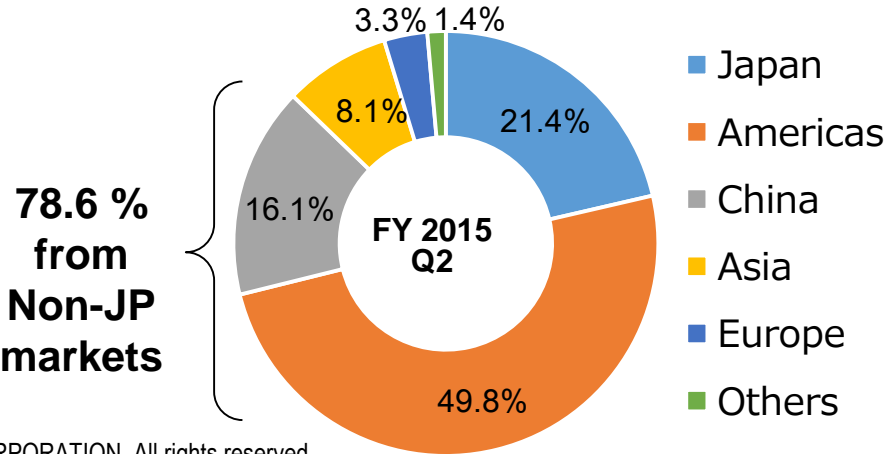
Globally diversified portfolio with non-Japanese sales exceeding 70%

JPY in million	FY2014 Q2		FY2015 Q2		FY2016 Q2		YoY Change	
		% share		% share		% share	Amount Change	% Change
Total	18,400	100.0%	25,809	100.0%	22,695	100.0%	(3,113)	(12.1)%
Japan	5,182	28.2%	5,520	21.4%	5,984	26.4%	464	8.4 %
Americas	6,151	33.4%	12,853	49.8%	10,885	48.0%	(1,967)	(15.3)%
China	4,073	22.1%	4,159	16.1%	2,561	11.3%	(1,597)	(38.4)%
Asia	1,796	9.8%	2,082	8.1%	1,956	8.6%	(125)	(6.0)%
Europe	891	4.8%	843	3.3%	672	3.0%	(170)	(20.3)%
Others	304	1.7%	350	1.4%	* 634	2.8%	283	80.9 %

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

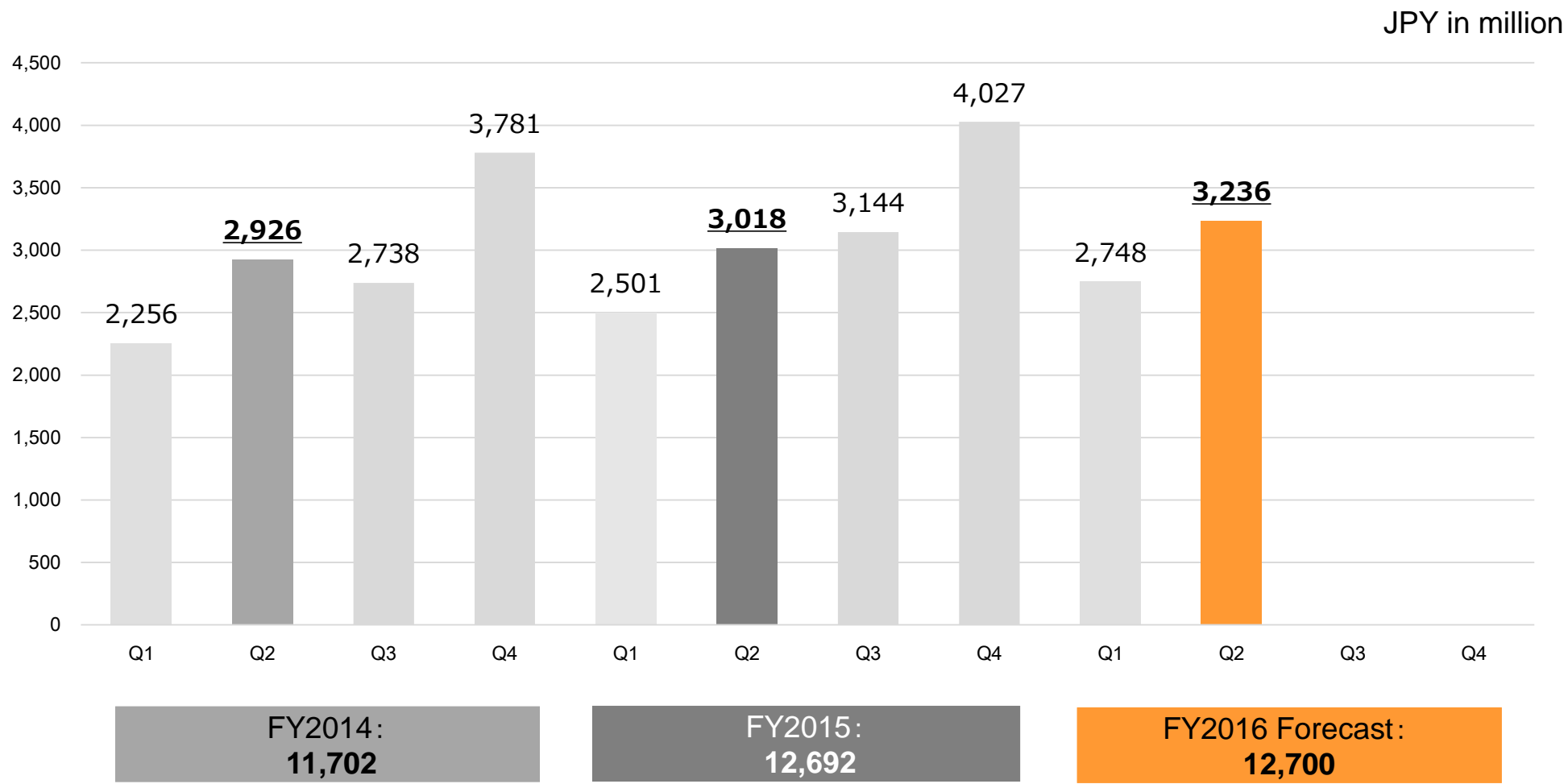
** Note: Exchange rate (FY2015-Q1 -> FY2016-Q1) :

USD/JPY 121.8→105.3 CAD/JPY 96.1→81.2 EUR/JPY 135.1→118.2 RMB/JPY 19.3→17.1

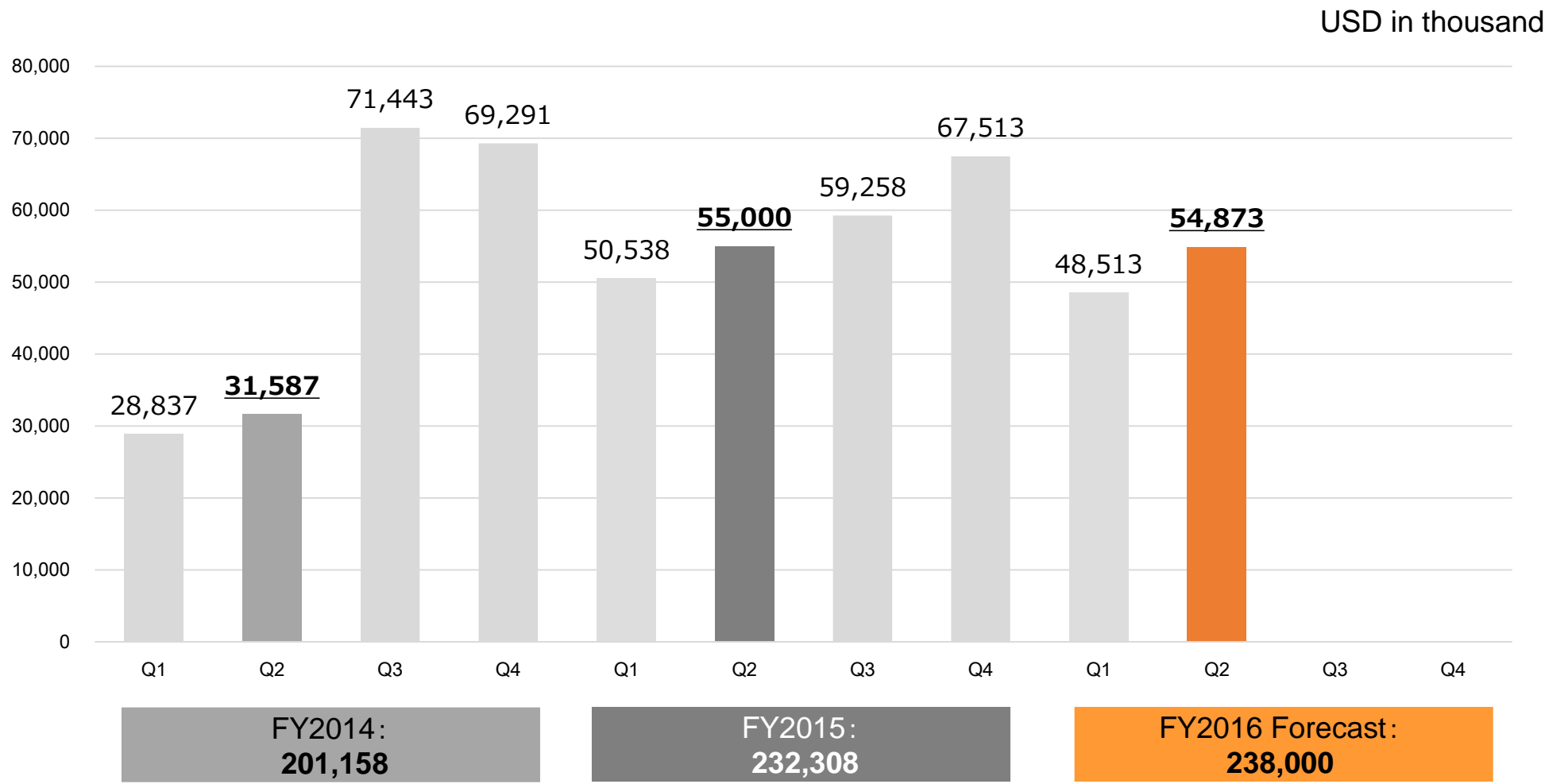


Net Sales by Region (Japan)

- Demand related to the energy and infrastructure industries became evident.
- Private-sector equipment investment has been strong despite general caution across industries.



- Softening demand among energy-related concerns
- Cautious mood in private-sector investment

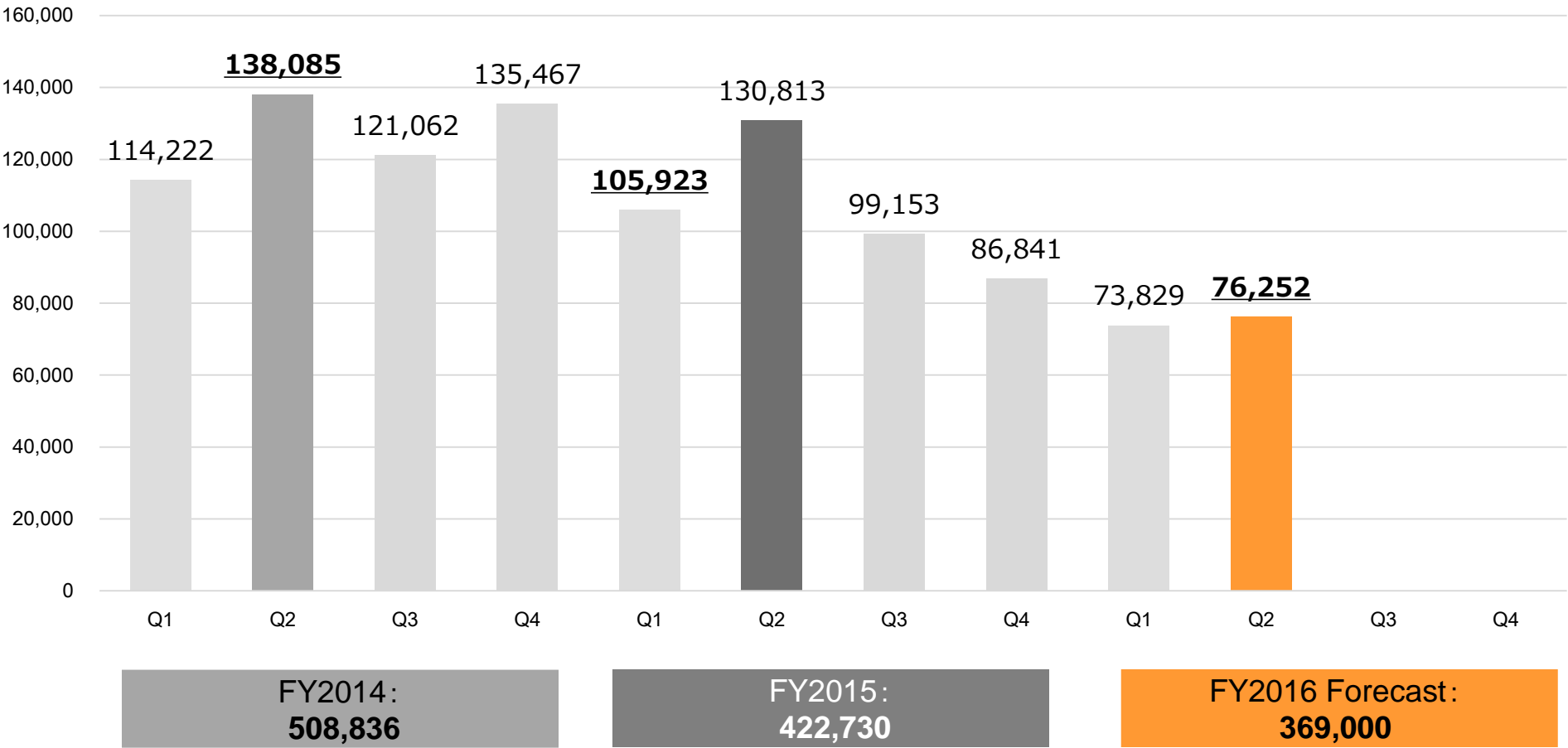


Net Sales by Region (China)

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

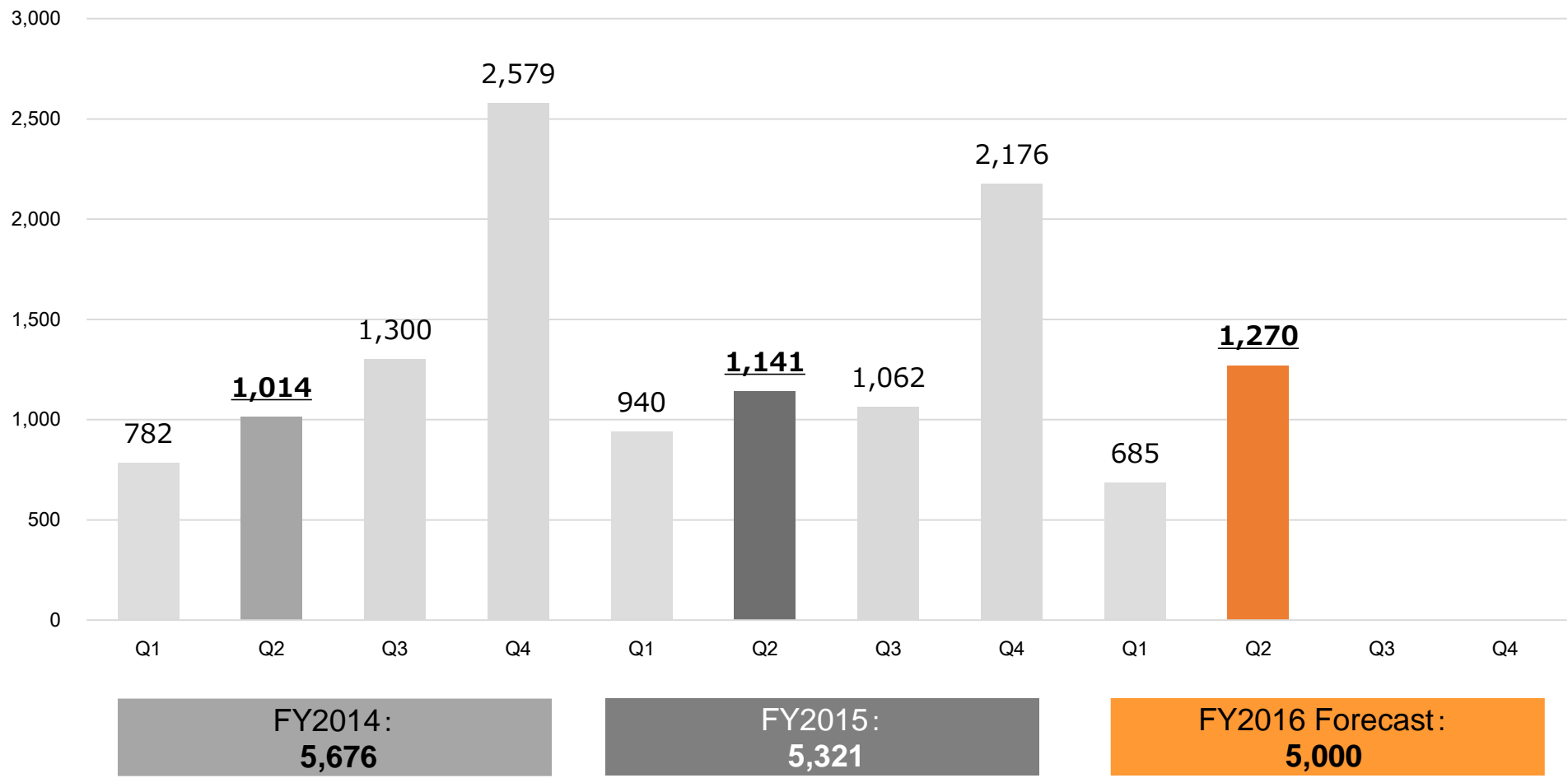
RMB in thousand



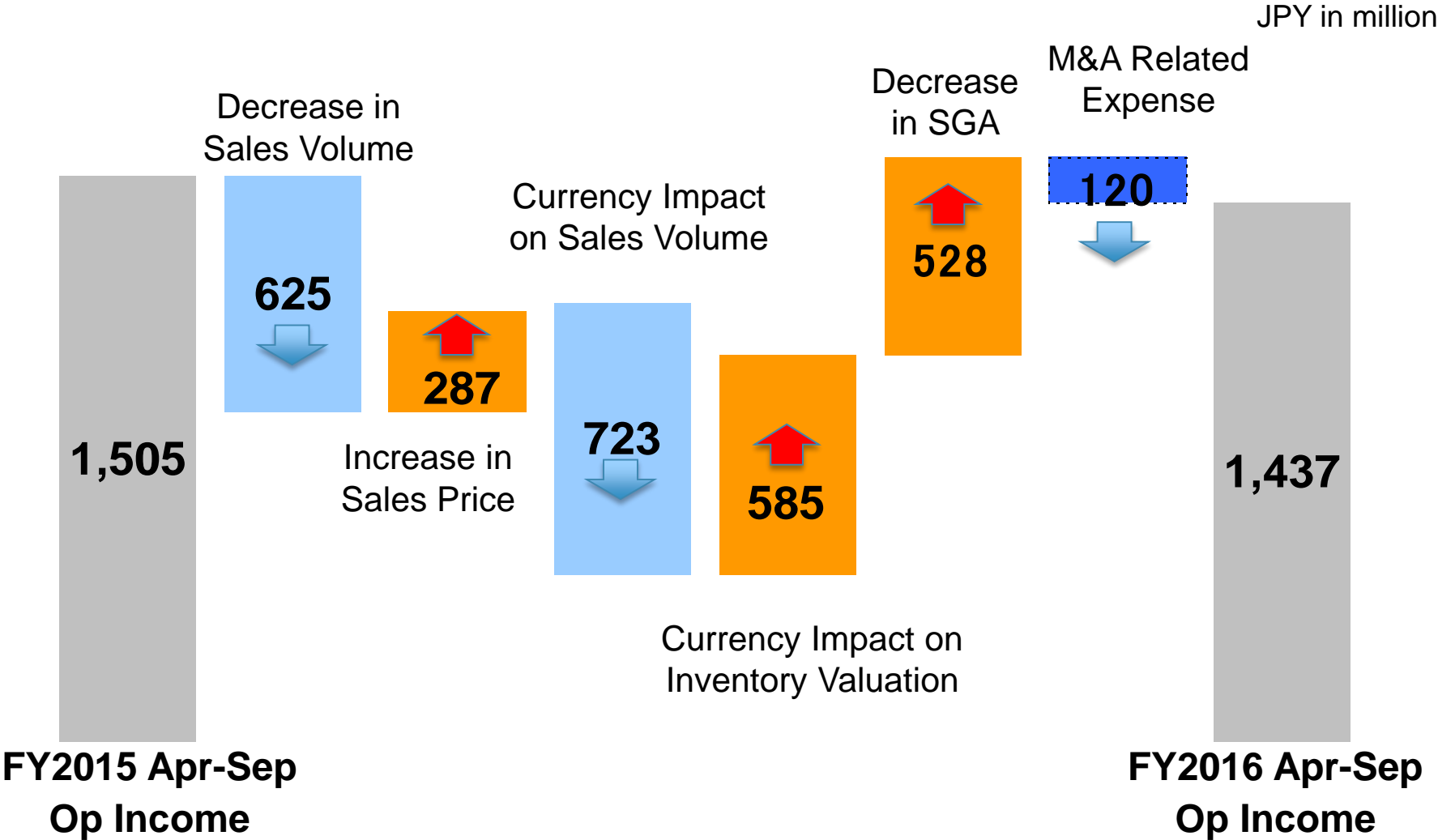
Net Sales by Region (Asia)

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

- More careful profit management brought positive results in Thailand, where demand was slow.
 - We wrote a large order for clean-room cranes in South Korea.
- JPY in million



Operating Income Comparison



FY2016 2nd Quarter Consolidated Balance Sheet

JPY in million	Mar 2016	Jun 2016	Change
Current assets	37,599	34,620	(2,978)
Cash	8,529	7,372	(1,156)
Accounts receivable	11,761	9,337	(2,423)
Inventories	13,852	15,923	2,070
Others	3,456	1,987	(1,468)
Fixed assets	23,040	21,853	(1,187)
Tangible fixed assets	11,901	11,416	(484)
Intangible fixed assets	7,896	7,353	(543)
Investment & other assets	3,242	3,083	(159)
Total assets	60,639	56,474	(4,165)

JPY in million	Mar 2016	Jun 2016	Change
Current liabilities	15,072	20,537	5,465
Accounts payable	5,301	6,023	722
Short-term debt	4,595	9,804	5,209
Others	5,175	4,709	(465)
Fixed liabilities	19,527	17,509	(2,017)
Long-term debt	14,687	13,044	(1,643)
Others	4,839	4,465	(374)
Total net assets	26,040	18,426	(7,614)
Total liabilities and net assets	60,639	56,474	(4,165)

Consolidated Cash Flows

JPY in million	Apr-Sep 2015	Apr-Sep 2016	Change
Cash flows from operating activities	1,878	972	(905)
Cash flows from investing activities	(744)	(791)	(47)
Cash flows from financing activities	(1,470)	(928)	542
Effect of exchange rate changes on cash and cash equivalents	(45)	(410)	(365)
Net increase (decrease) in cash and cash equivalent	(381)	(1,157)	(775)
Cash and cash equivalents at end of period	9,395	7,364	(2,031)

Major Items for Apr-Sep 2016

[Cash flows from operating activities]	
Income before income taxes:	1,449
Decrease in account receivable	1,680
Increase in inventories	(2,656)
Payment of income tax	(665)
[Cash flows from investing activities]	
Payment for the acquisition of tangible fixed assets	(519)
Payment for the acquisition of intangible fixed assets	(462)
[Cash flows from financing activities]	
Increase in short term debt	6,728
Payment of long term debt	(1,459)
Purchase of treasury stock	(5,462)

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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 - Slowing continues, reducing overall demand.
- Initiatives - Expand local production of global products.
- Focus on cost- and profit-management to ensure high margins.

Asia

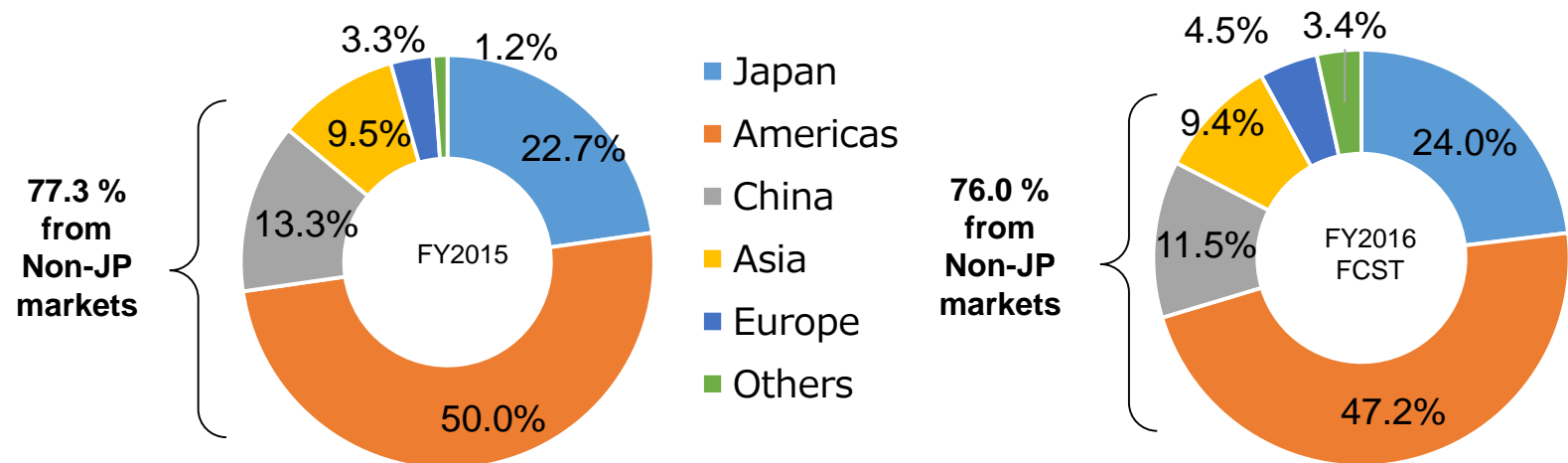


- Market - Slowing Chinese economy affects entire Asia region, reducing equipment investment.
- Initiatives - Enhance service and maintenance business for crane users, and hoist sales.
- Improve profitability by consolidating production.

FY2016 Forecast / Net Sales by Region

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

Note Exchange Rate FY 2015 ended March 2016 → FY 2016 ending March 2017 :
 USD/JPY 120.1→105.0 CAD/JPY 91.8→75.0 EUR/JPY 132.6→120.0 RMB/JPY 19.2→16.5

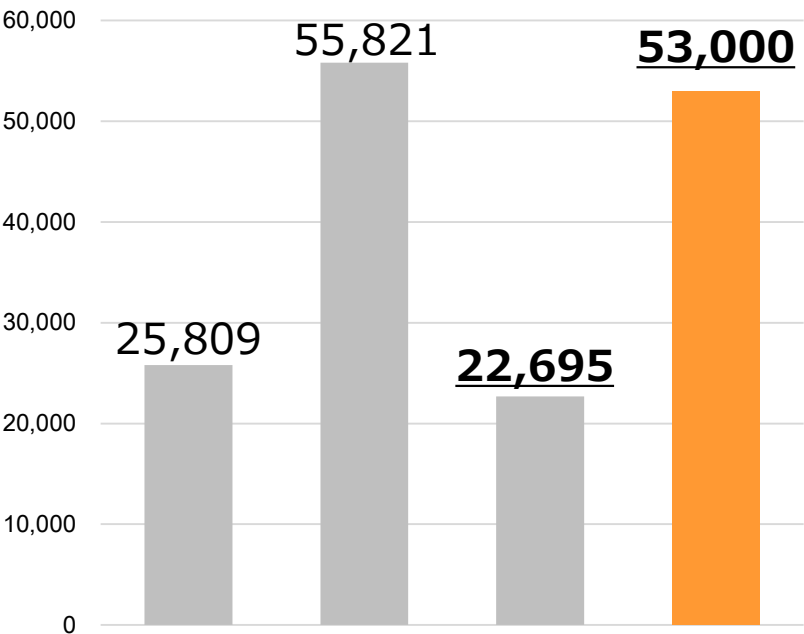


FY2016 Forecast

Sales forecast for FY 2016 remains unchanged due to continuing firm demand. Forecasts for incomes are under reviewing, with M&A related cost considered.

Net Sales

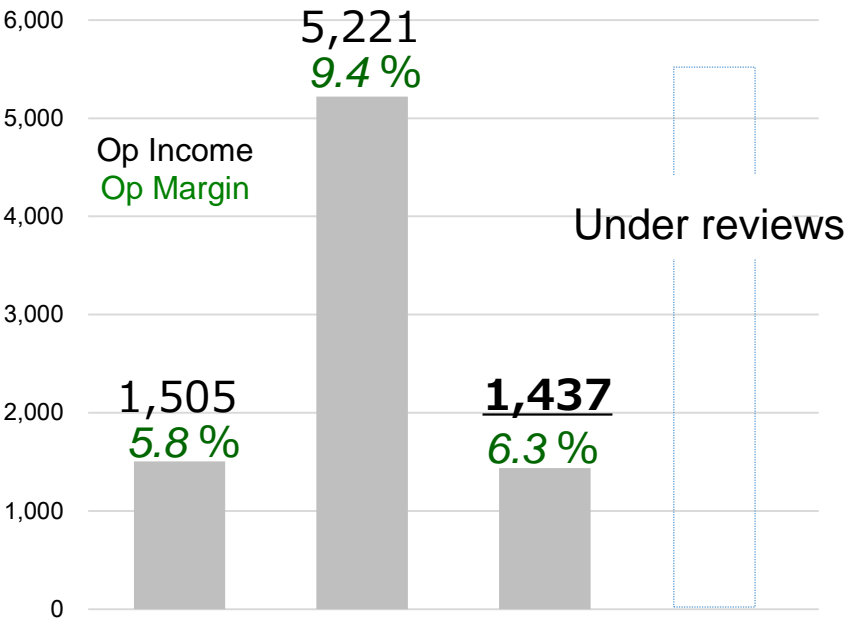
JPY in million



FY2015 FY2016 FCST
1st Half Full Year 1st Half Full Year

Operating Income OP margin

JPY in million



FY2015 FY2016 FCST
1st Half Full Year 1st Half Full Year

Dissolution of Business and Capital Alliance with KONECRANES on Sep. 30

- Purchased back of own shares from KONECRANES, 22% of total issued shares
- Participated in the bidding process for STAHL CraneSystems GmbH, a subsidiary of KONECRANES

-

Revisions of FY 2016 target in incomes and dividends, announced on Nov.14

- Sales forecast remains unchanged at JPY 53 billion. Firm demands are expected in the 2nd half of FY 2016.
- Forecasts for operating income, ordinary income, and net income are yet to be determined at this time, with M&A related cost of STAHL considered

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FY2016 2nd Quarter Financial Results

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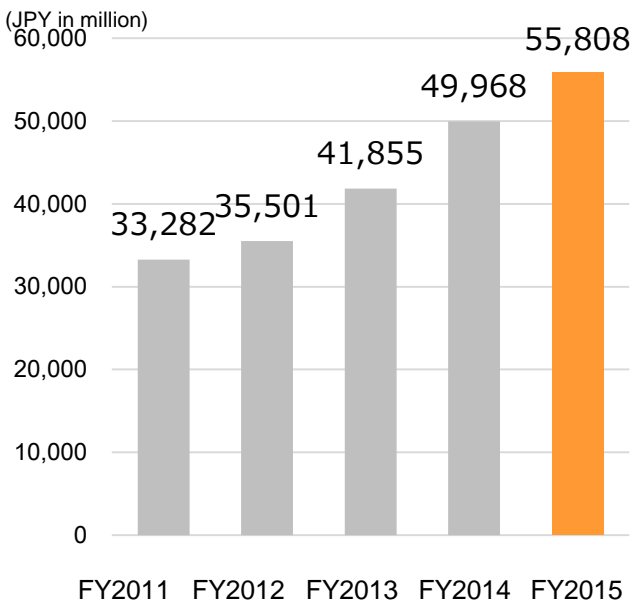
FY2016 Forecast

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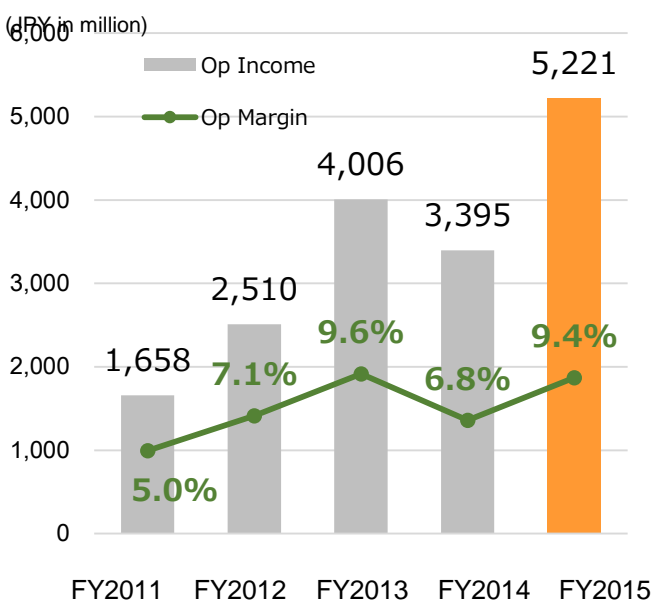
Reference

Key figures

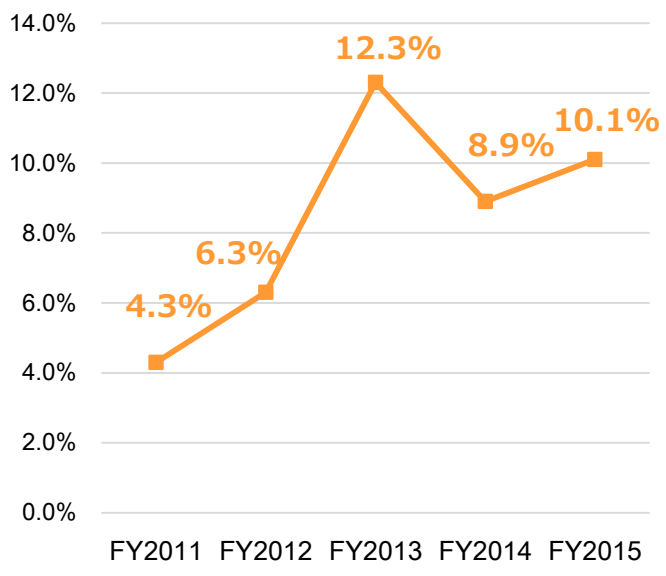
Sales



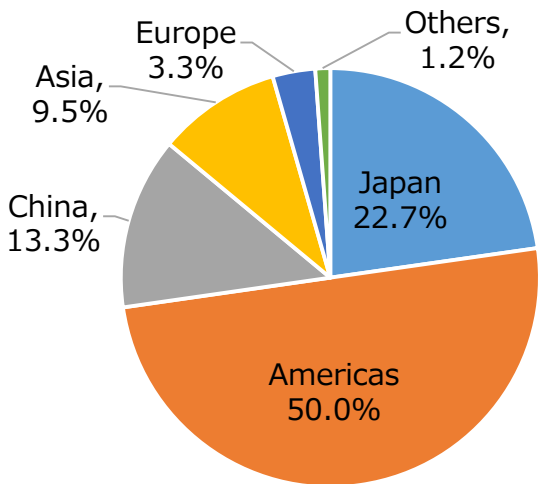
Op Income and Op Margin



ROE

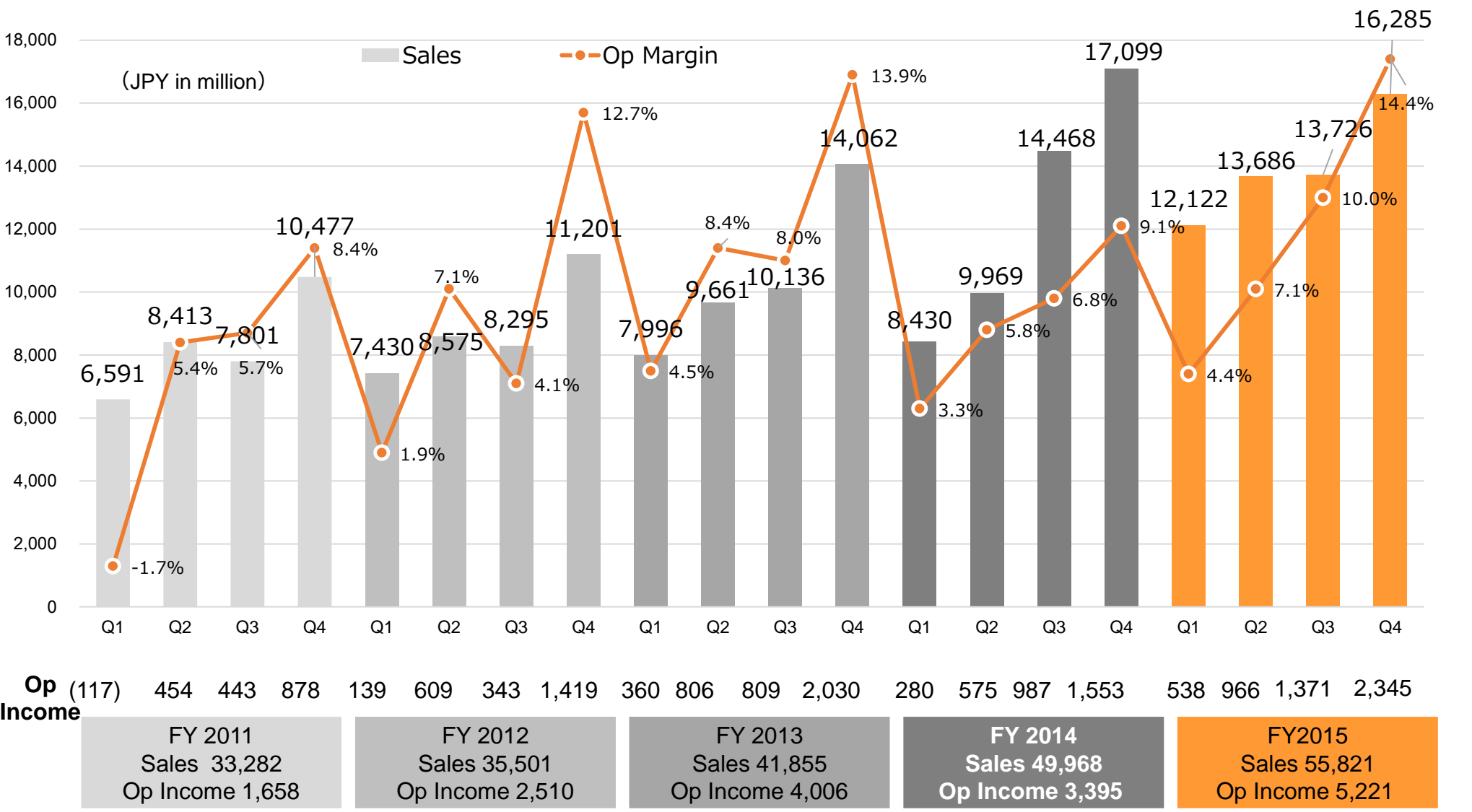


Sales by Region in FY2015



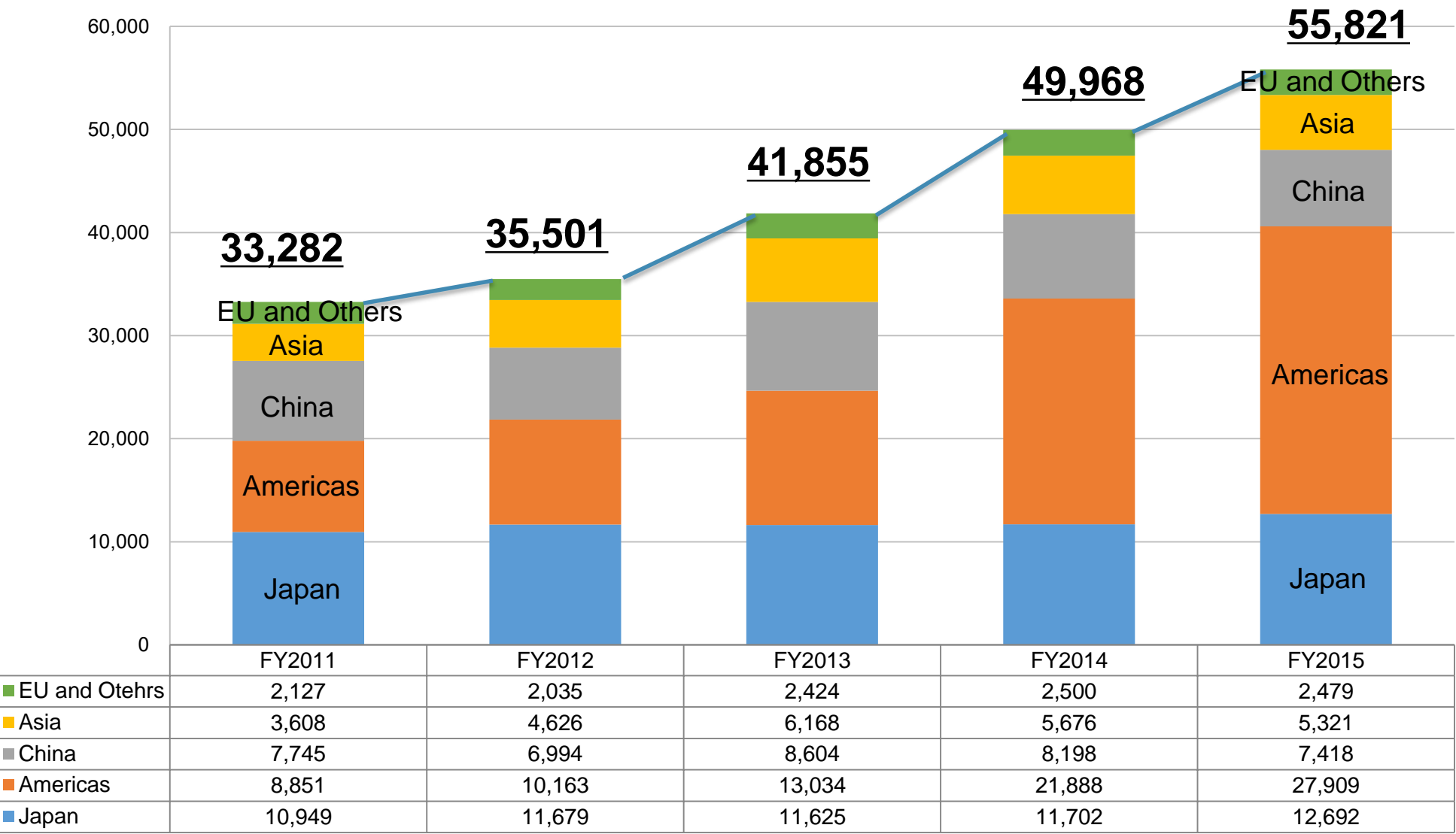
	FY2011	FY2012	FY2013	FY2014	FY2015
Sales from Non JP	67.1%	67.1%	72.2%	76.6%	77.3%
Average Fx Rate					
USD	79.0	83.1	100.2	109.9	120.1
CAD	79.7	82.9	95.1	96.5	91.8
EUR	108.9	107.1	134.4	138.8	132.6
RMB	12.3	12.6	15.9	17.2	19.2
Capex (JPY in million)	1,145	1,520	2,440	1,408	2,013
Depreciation (JPY in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

Quarterly Sales and Operating Margin



Sales by Regions

JPY in million

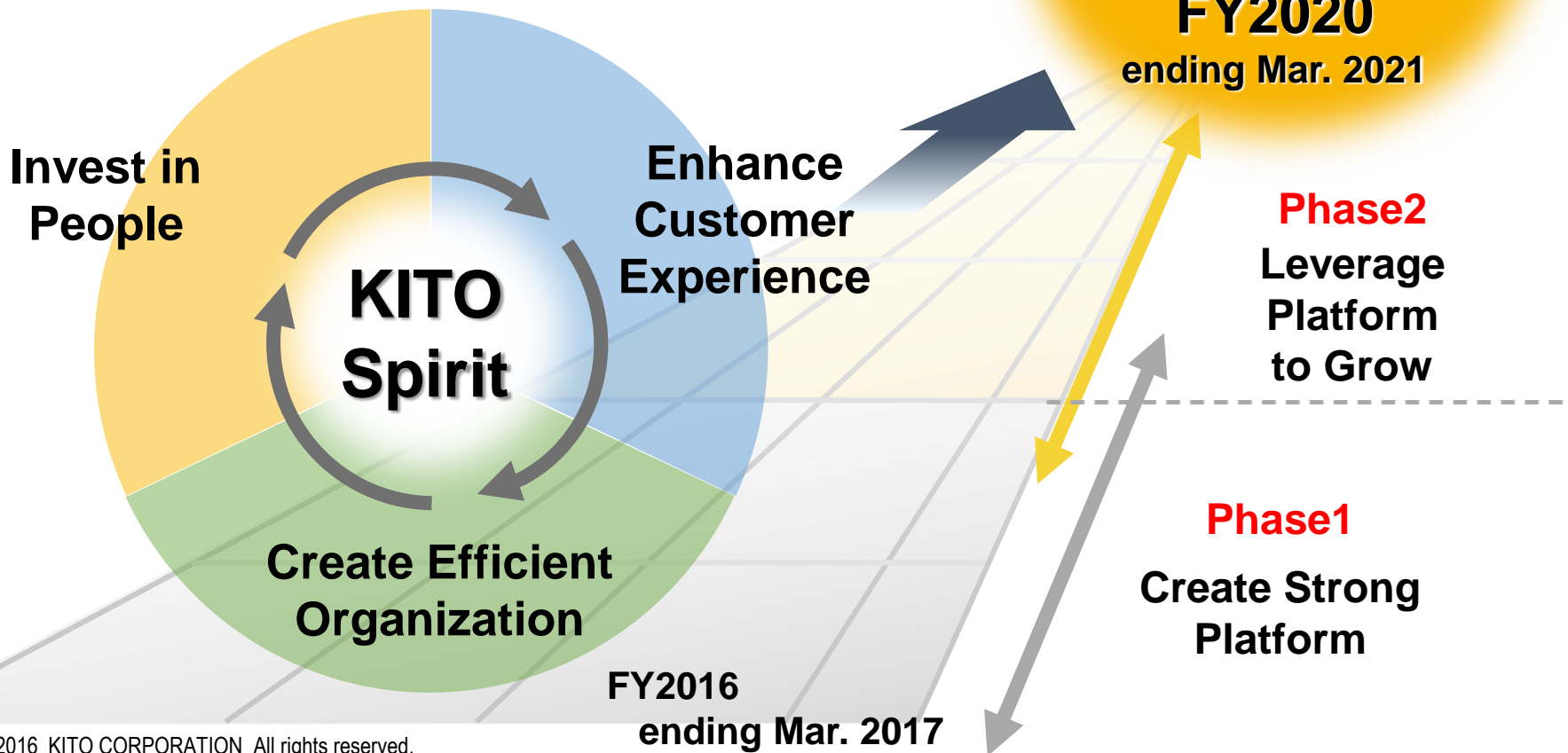


New Mid-Term Plan FY2016–FY2020 (Apr 2016 – Mar 2021)

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

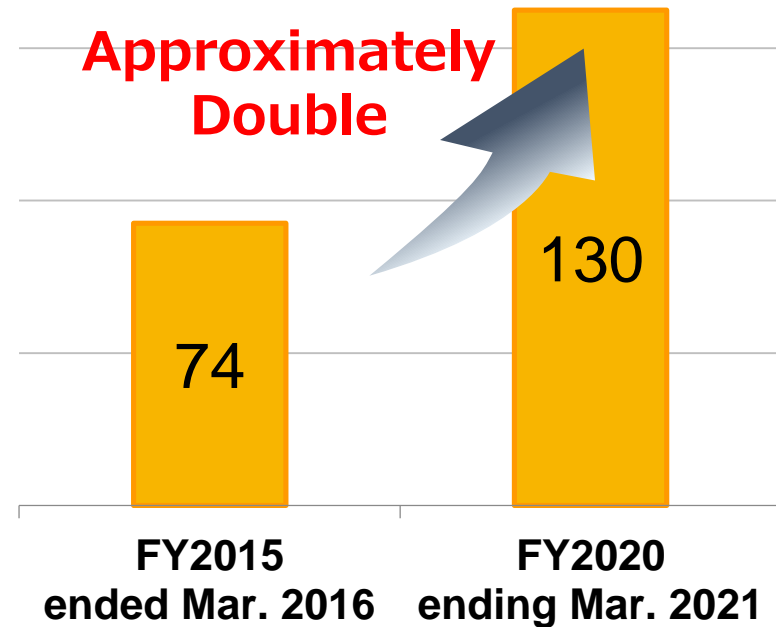
Growth through **product portfolio expansion**

3

Evolve into **a globally integrated enterprise**

Financial Target

EBITDA



(JPY in billion)

