
Financial Results for the Quarter ended June 30, 2016

KITO CORPORATION

TSE 1st Section: 6409

August 12, 2016

1. Market Environment

Market trends ahead are 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.

Sales	JPY 10,323 million	- 14.8% YoY
Operating Income	JPY 561 million	+ 4.2% YoY
Net Income *	JPY 270 million	+ 56.8% YoY
FX Rate	Q1 Average Rate (USD/JPY) 108.1	

* Net income attributable to owners of parent

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) The new fiscal year started well overall despite an uncertain trend in exchange rates and changes in the external environment.

1

FY2016 1st Quarter Financial Results

2

FY2016 Forecast

3

Reference

FY2016 1st Quarter Financial Highlights

JPY in million	FY2015 Q1 (Apr-Jun)			FY2016 Q1 (Apr-Jun)		
		% of Sales	YoY Change		% of Sales	YoY Change
Sales	12,122	100.0%	43.8%	10,323	100.0%	(14.8%)
Operating Income	538	4.4%	92.2%	561	5.4%	4.2%
Foreign exchange loss				* 233		
Ordinary Income	418	3.4%	84.9%	229	2.2%	(45.0%)
Gains from emergence of negative goodwill				** 489		
Income taxes				*** 450		
Net income attributable to owners of parent	172	1.4%	149.7%	270	2.6%	56.8%
EBITDA = Op Income + Depreciation	1,077			1,069		

Note: Exchange Rate (FY2015-Q1 -> FY2016-Q1) :

USD/JPY 121.4→108.1 CAD/JPY 98.6→83.8 EUR/JPY 134.2→122.0 RMB/JPY 19.1→17.6

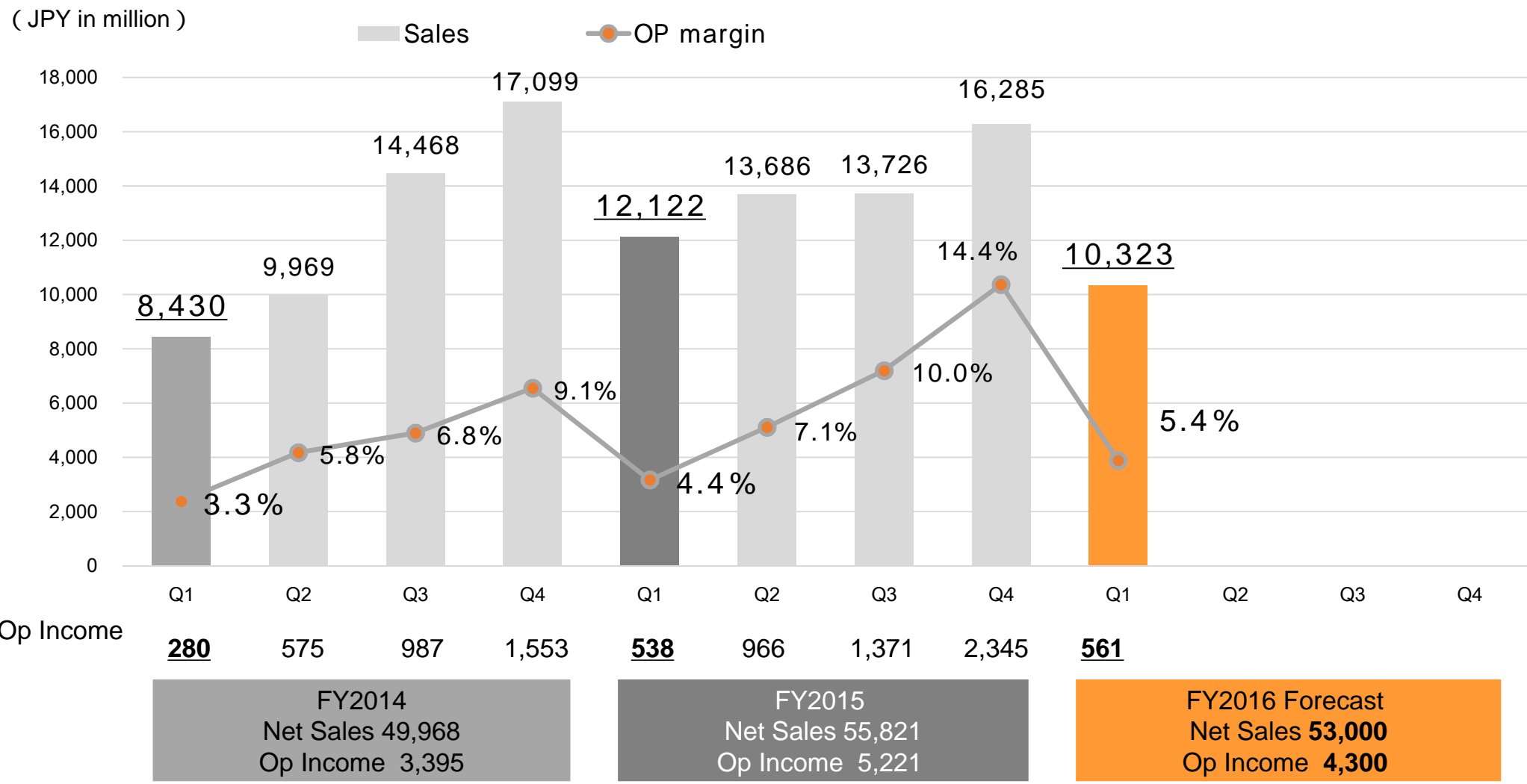
* Due to the steep rise in the value of the yen at the end of the first quarter, the company posted exchange losses of 233 million yen.

** 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.

*** 450 million yen includes corporate tax adjustment of 385 million.

Net Sales and Operating Margin

- While domestic operations were solid, the shift in FX rates led to a decrease in sales
- Both operating profit and operating-profit ratio improved year-on-year

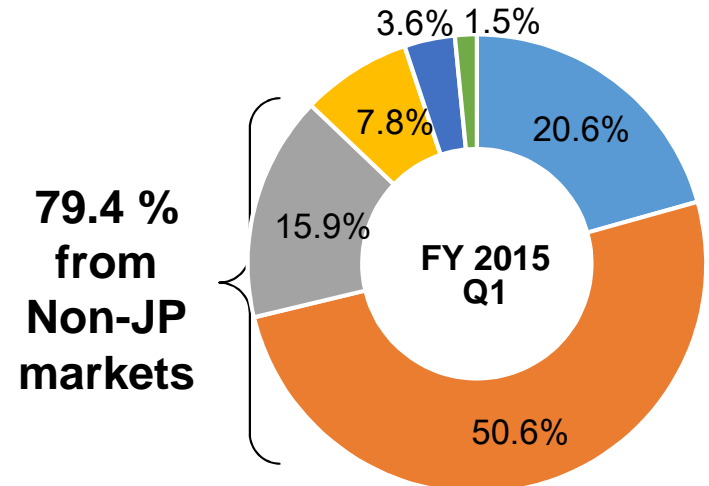


Net Sales by Region

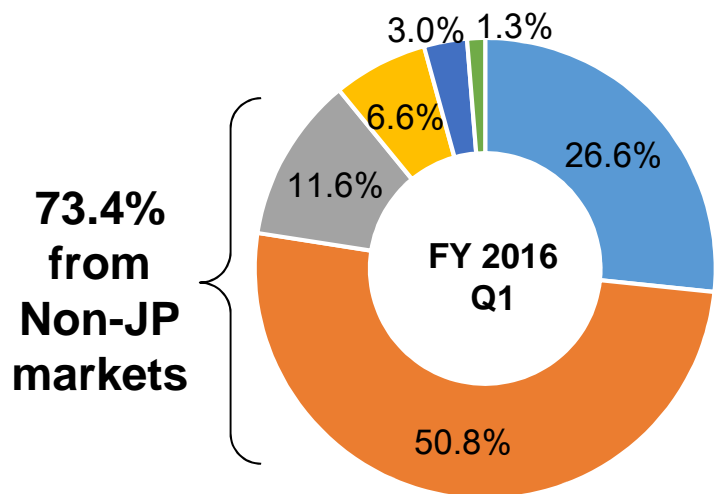
Globally diversified portfolio with non-Japanese sales exceeding 70%

JPY in million	FY2014 Q1		FY2015 Q1		FY2016 Q1		YoY Change	
		% share		% share		% share	Amount Change	% Change
Total	8,430	100.0%	12,122	100.0%	10,323	100.0%	(1,799)	(14.8%)
Japan	2,256	26.8%	2,501	20.6%	2,748	26.6%	246	9.9%
Americas	2,910	34.5%	6,133	50.6%	5,246	50.8%	(887)	(14.5%)
China	1,862	22.1%	1,926	15.9%	1,199	11.6%	(726)	(37.7%)
Asia	782	9.3%	940	7.8%	685	6.6%	(255)	(27.1%)
Europe	466	5.5%	434	3.6%	313	3.0%	(120)	(27.8%)
Others	151	1.8%	185	1.5%	129	1.3%	(56)	(30.1%)

Note: Exchange rate (FY2015-Q1 -> FY2016-Q1) :
 USD/JPY 121.4→108.1 CAD/JPY 98.6→83.8 EUR/JPY 134.2→122.0 RMB/JPY 19.1→17.6

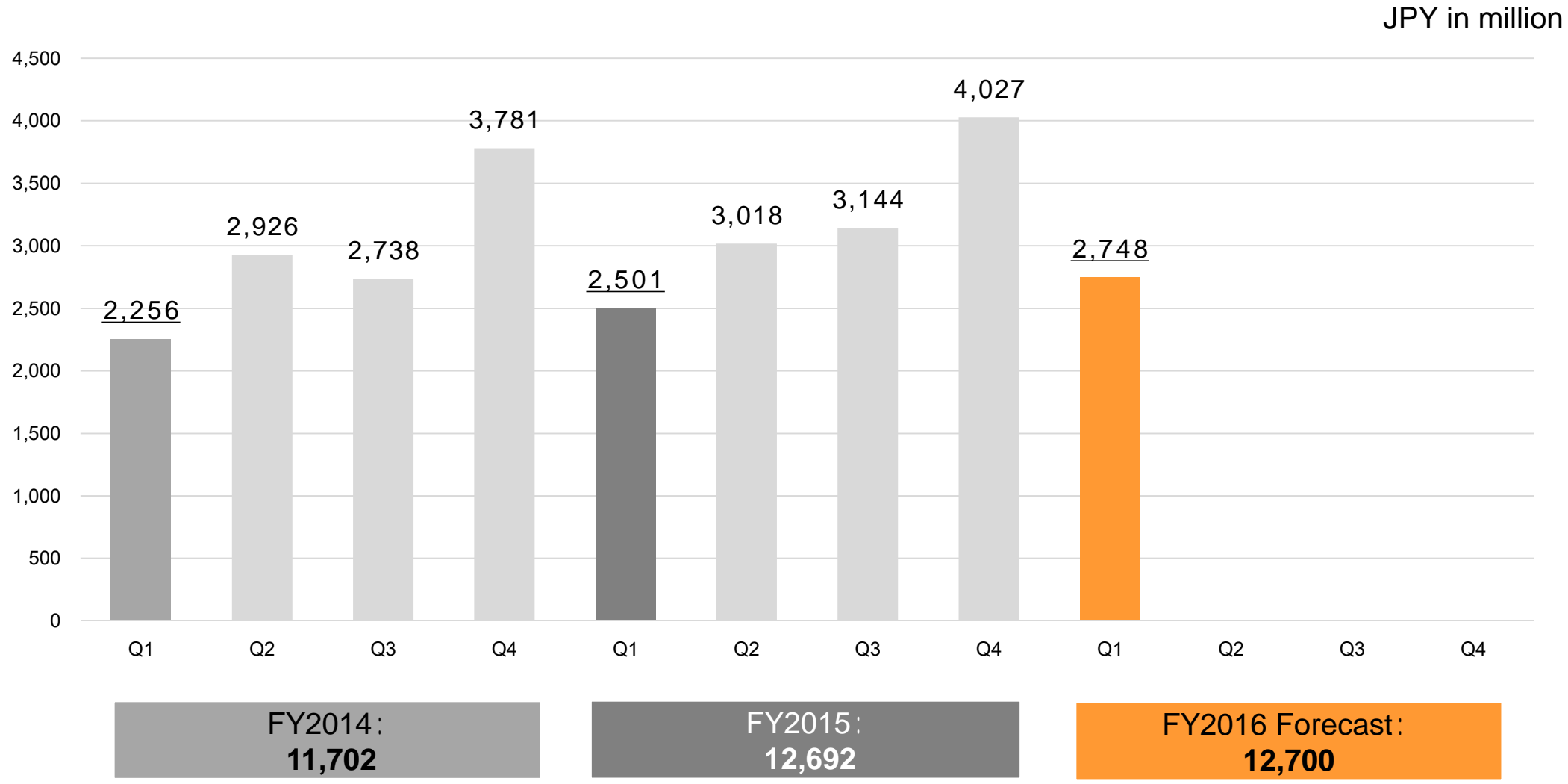


- Japan
- Americas
- China
- Asia
- Europe
- Others



Net Sales by Region (Japan)

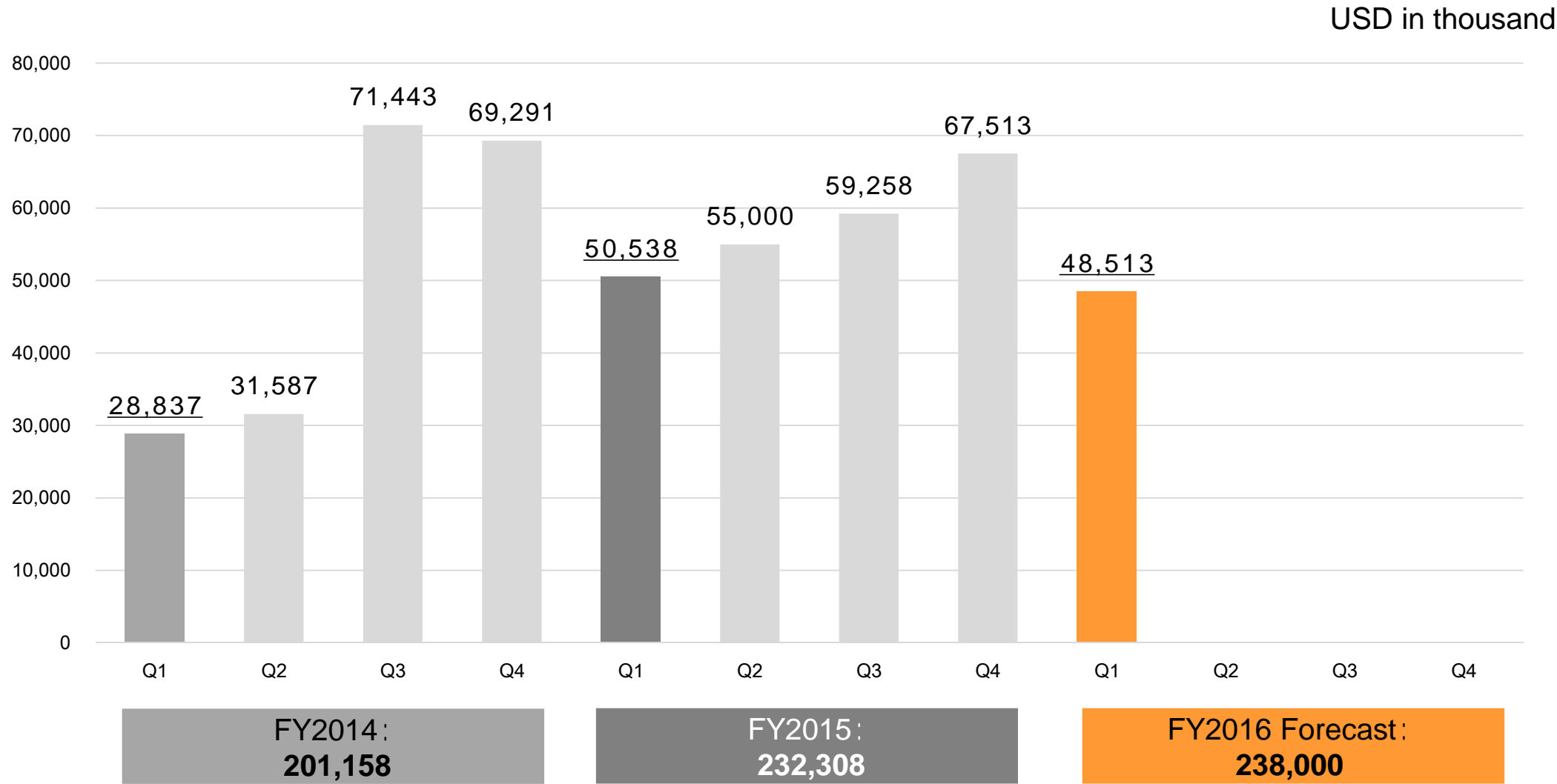
- Demand related to the energy and infrastructure industries became evident.
- Private-sector equipment investment has been strong despite general caution across industries.



Net Sales by Region (Americas)

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

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

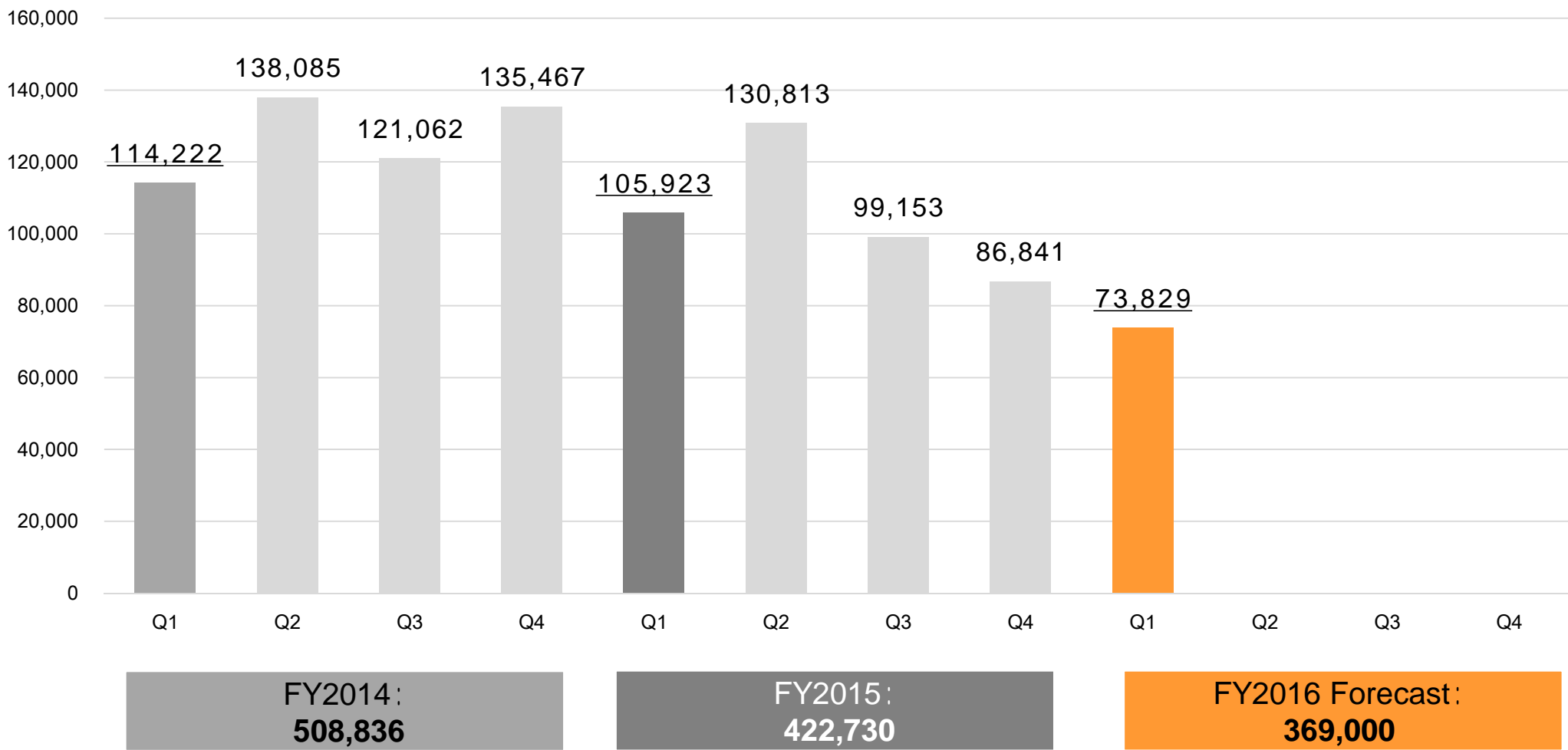


Net Sales by Region (China)

Fiscal year of China starts in January and ends in December

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

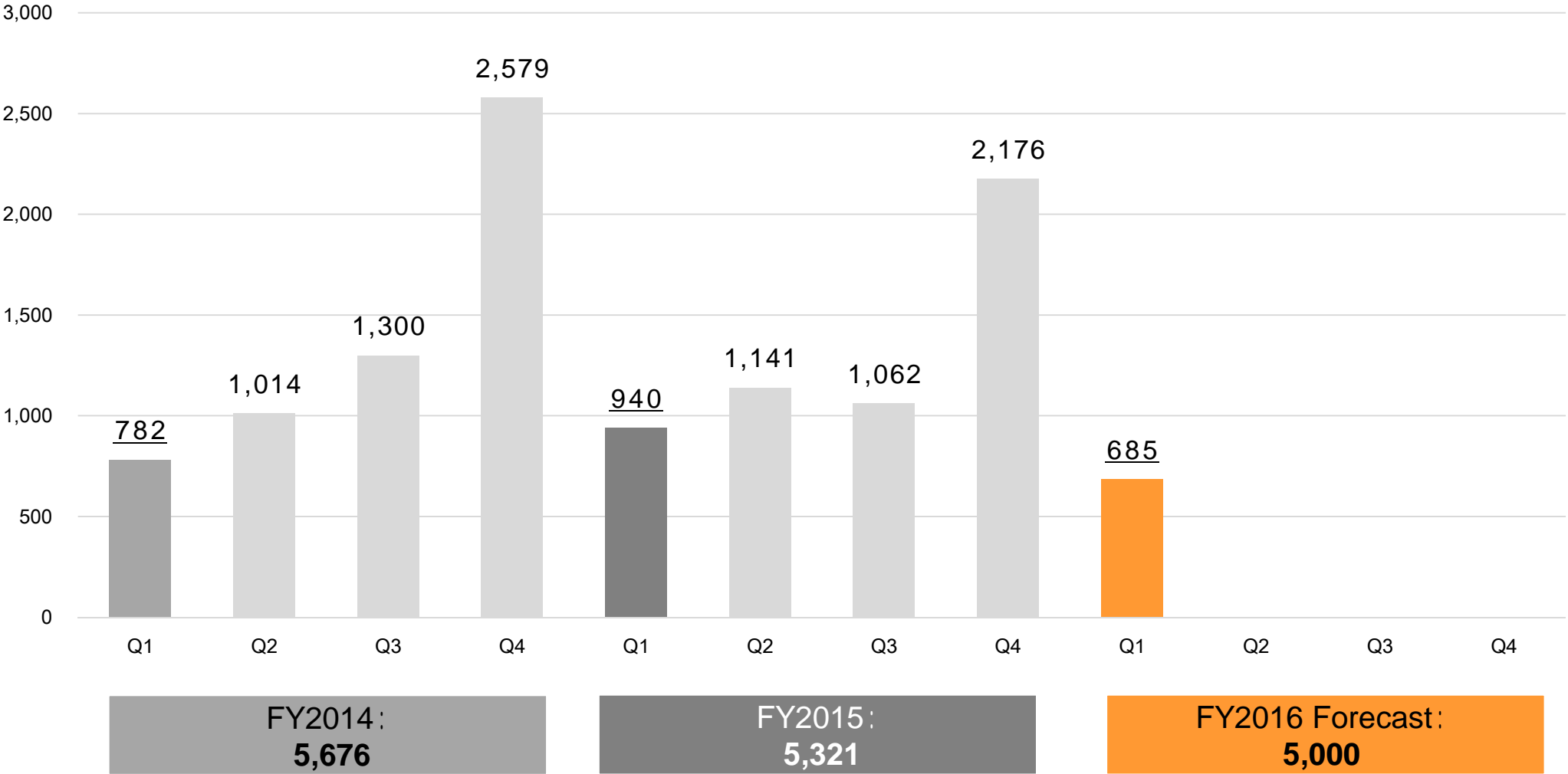
RMB in thousand



Net Sales by Region (Asia)

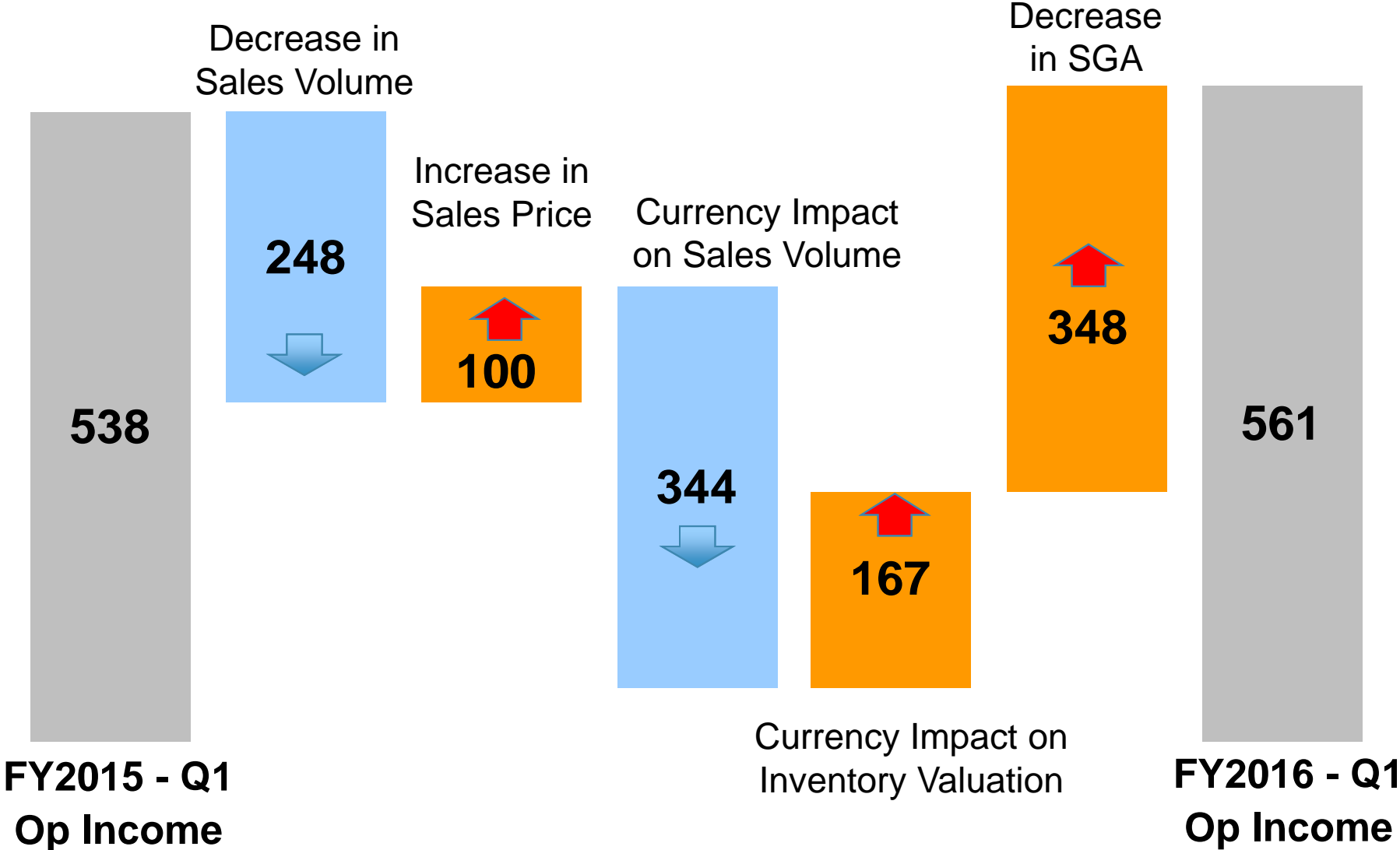
The fiscal year of Thailand and Korea begins in January and ends in December

- 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

JPY in million



FY2016 1st Quarter Consolidated Balance Sheet

JPY in million	Mar 2016	Jun 2016	Change	JPY in million	Mar 2016	Jun 2016	Change
Current assets	37,599	35,110	(2,488)	Current liabilities	15,072	14,430	(642)
Cash	8,529	8,516	(13)	Accounts payable	5,301	5,818	517
Accounts receivable	11,761	8,706	(3,054)	Short-term debt	4,595	4,504	(90)
Inventories	13,852	15,193	1,341	Others	5,175	4,107	(1,068)
Others	3,456	2,694	(762)	Fixed liabilities	19,527	18,203	(1,324)
Fixed assets	23,040	22,186	(853)	Long-term debt	14,687	13,571	(1,116)
Tangible fixed assets	11,901	11,568	(332)	Others	4,839	4,632	(207)
Intangible fixed assets	7,896	7,427	(469)	Total net assets	26,040	24,664	(1,376)
Investment & other assets	3,242	3,191	(51)	Total liabilities and net assets	60,639	57,297	(3,342)
Total assets	60,639	57,297	(3,342)				

1

FY2016 1st Quarter Financial Results

2

FY2016 Forecast

3

Reference

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

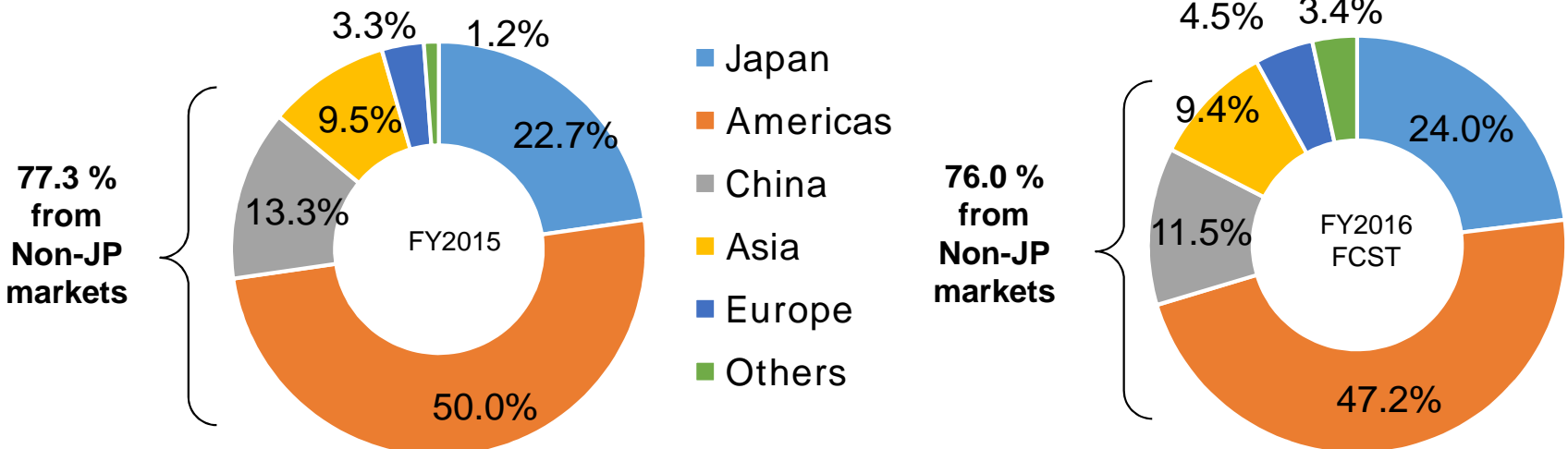


- Market - Slowing Chinese economy affects entire Asia region, reducing equipment investment.
- Initiatives - Enhance service and maintenance business for crane users, and hoist sales.
- Improve profitability by consolidating production.

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%

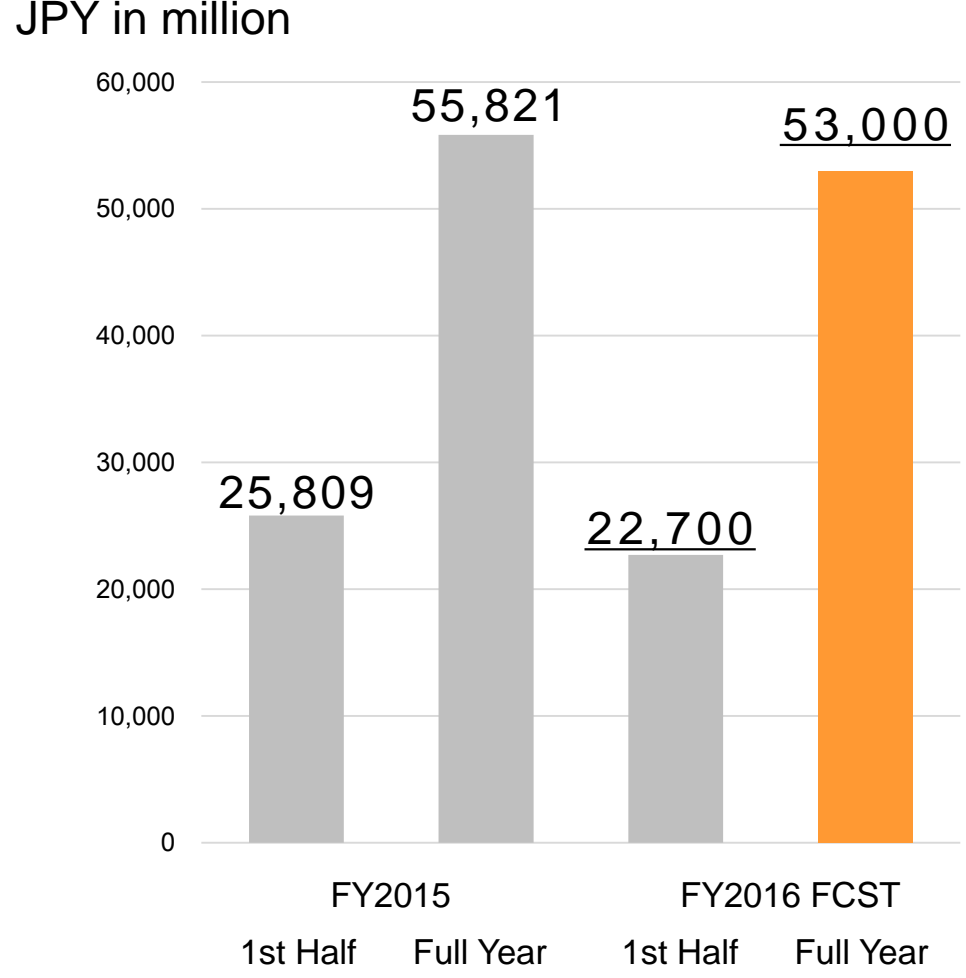
Note Exchange Rate FY 2015 ended March 2016 → FY 2016 ending March 2017 :
 USD/JPY 120.1→105.0 CAD/JPY 91.8→75.0 EUR/JPY 132.6→120.0 RMB/JPY 19.2→16.5



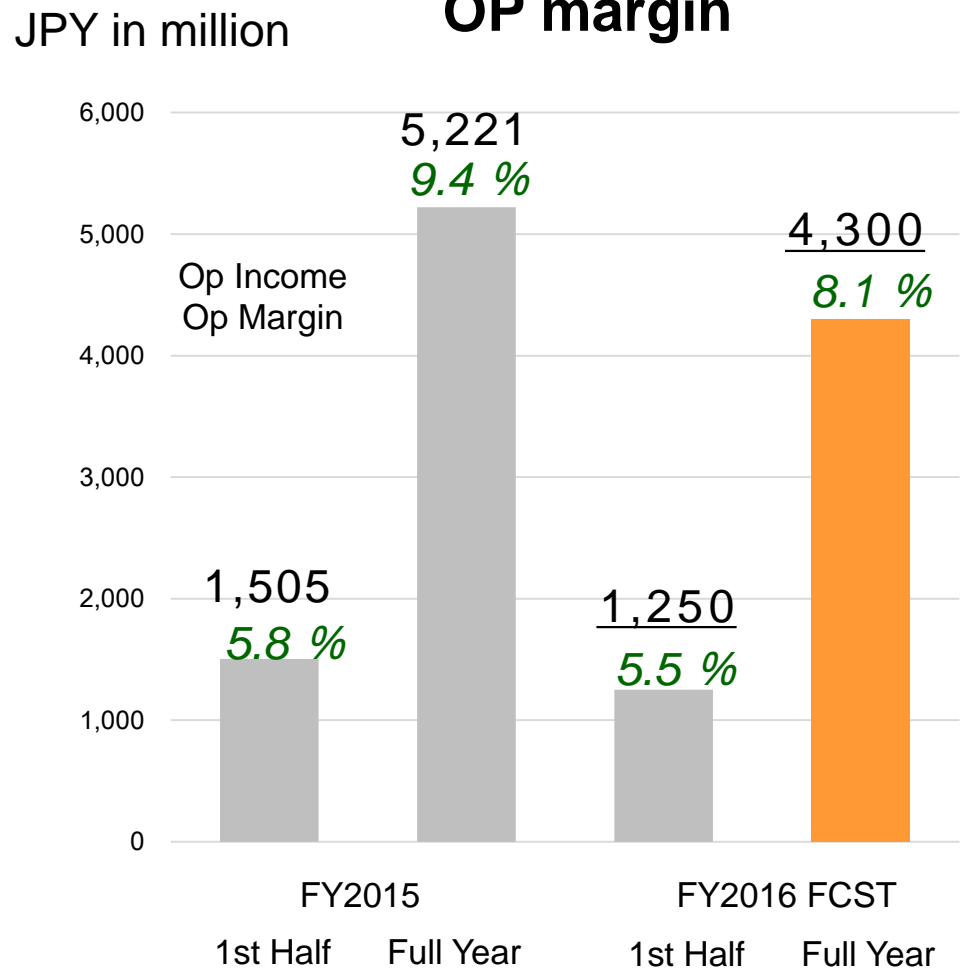
FY2016 Forecast

Maximize profit and cash flow by improving efficiency and productivity in current business, while broadening offerings of products and services.

Net Sales



Operating Income OP margin



FY2016 Forecast

JPY in million	FY2015 (ended Mar 2016)			FY2016 FCST (ending Mar 2017)		
		% of Sales	YoY Change		% of Sales	YoY Change
Net Sales	55,821	100.0%	11.7%	53,000	100.0%	(5.1%)
Operating Income	5,221	9.4%	53.8%	4,300	8.1%	(17.7%)
Ordinary Income	4,576	8.2%	33.7%	4,000	7.5%	(12.6%)
Net income attributable to owners of parent	2,497	4.5%	23.2%	2,400	4.5%	(3.9%)
EPS	JPY95.13	-	-	JPY91.39	-	-
ROE	10.1%	-	-	9.6%	-	-
CAPEX	2,013	-	-	3,000	-	-
Depreciation	1,814	-	-	2,350	-	-

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

1

FY2016 1st Quarter Financial Results

2

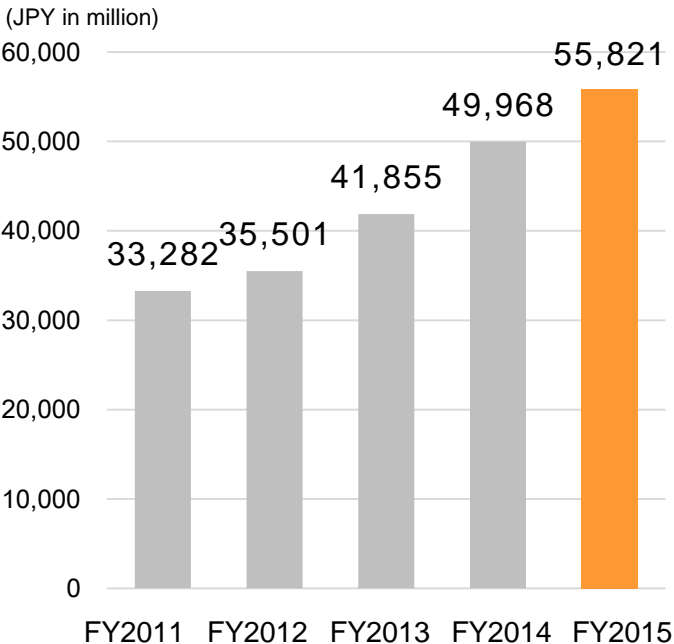
FY2016 Forecast

3

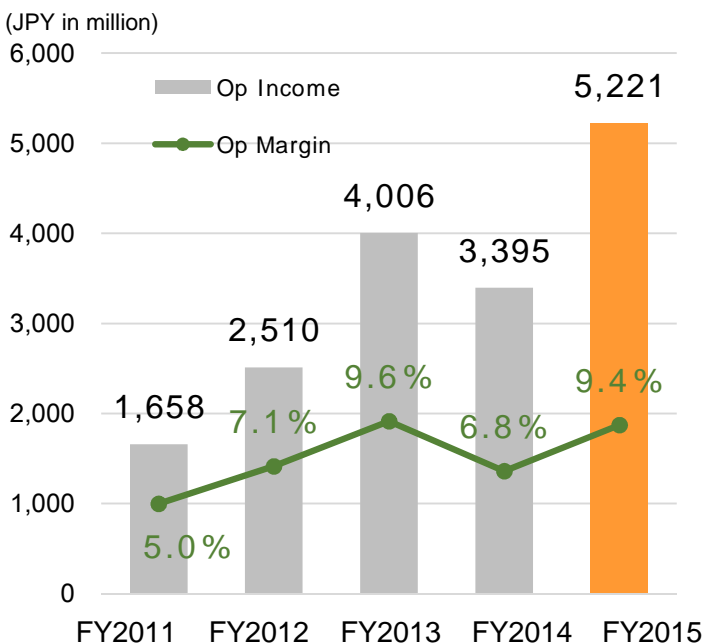
Reference

Key figures

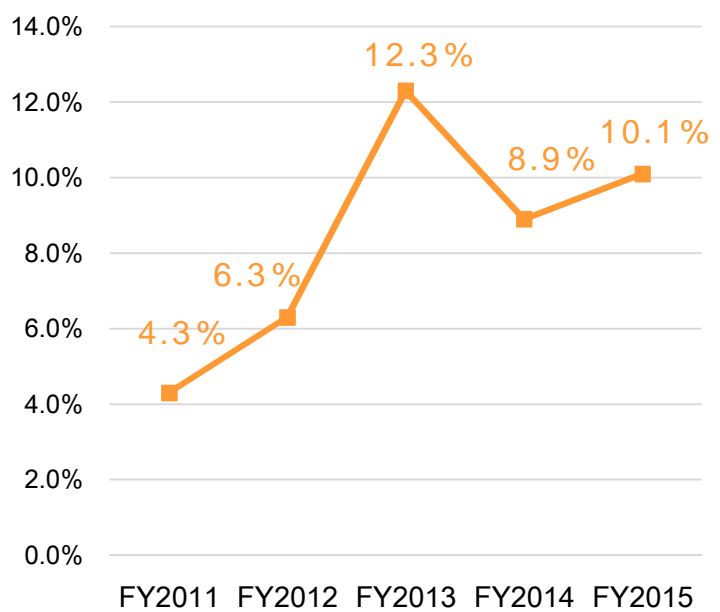
Sales



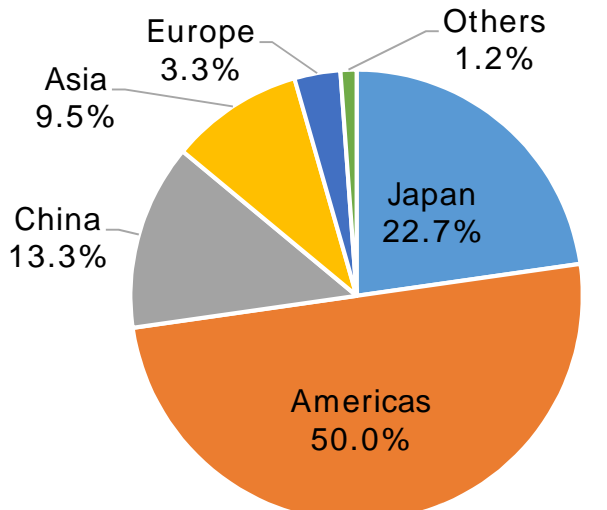
Op Income and Op Margin



ROE

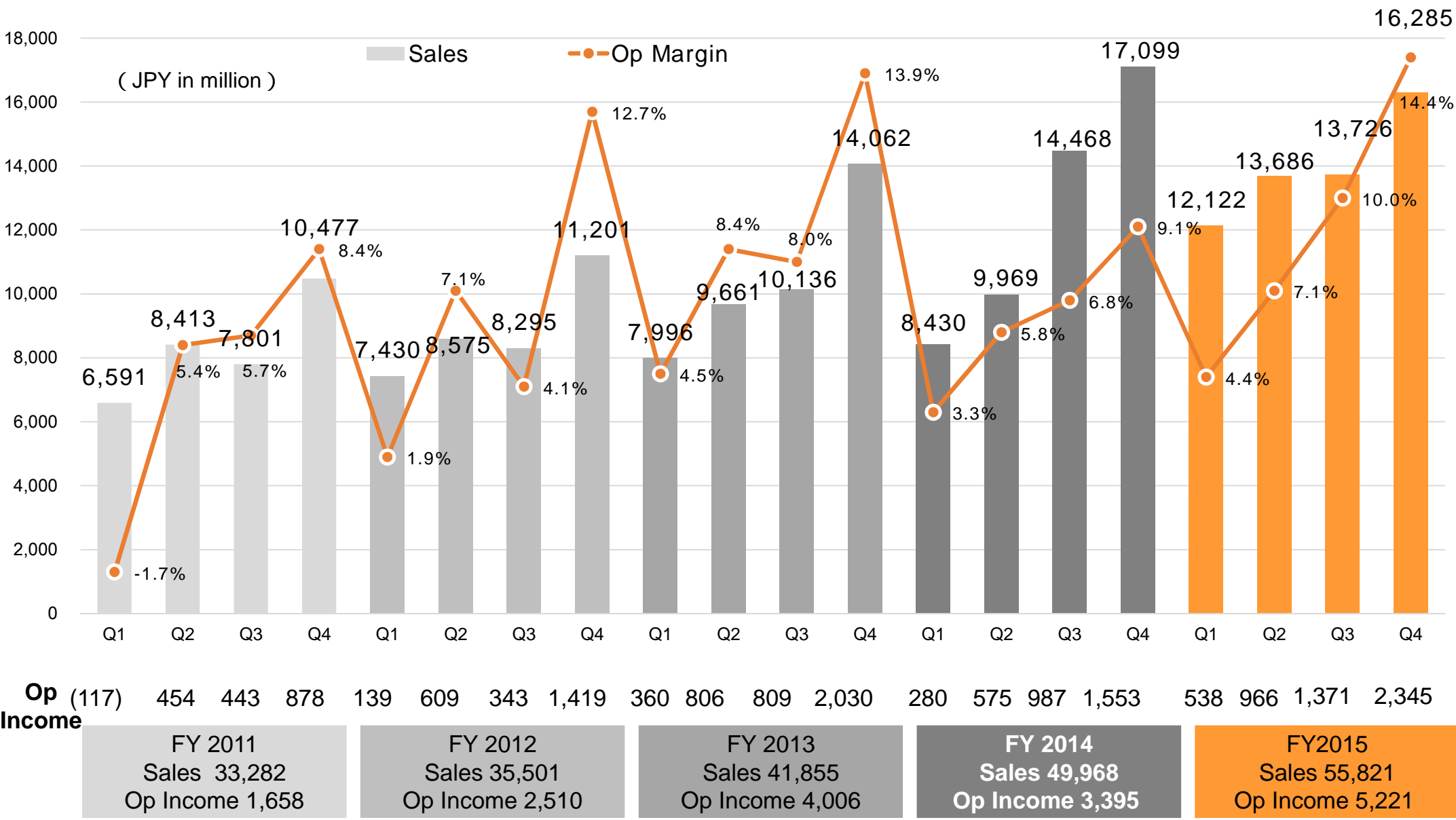


Sales by Region in FY2015



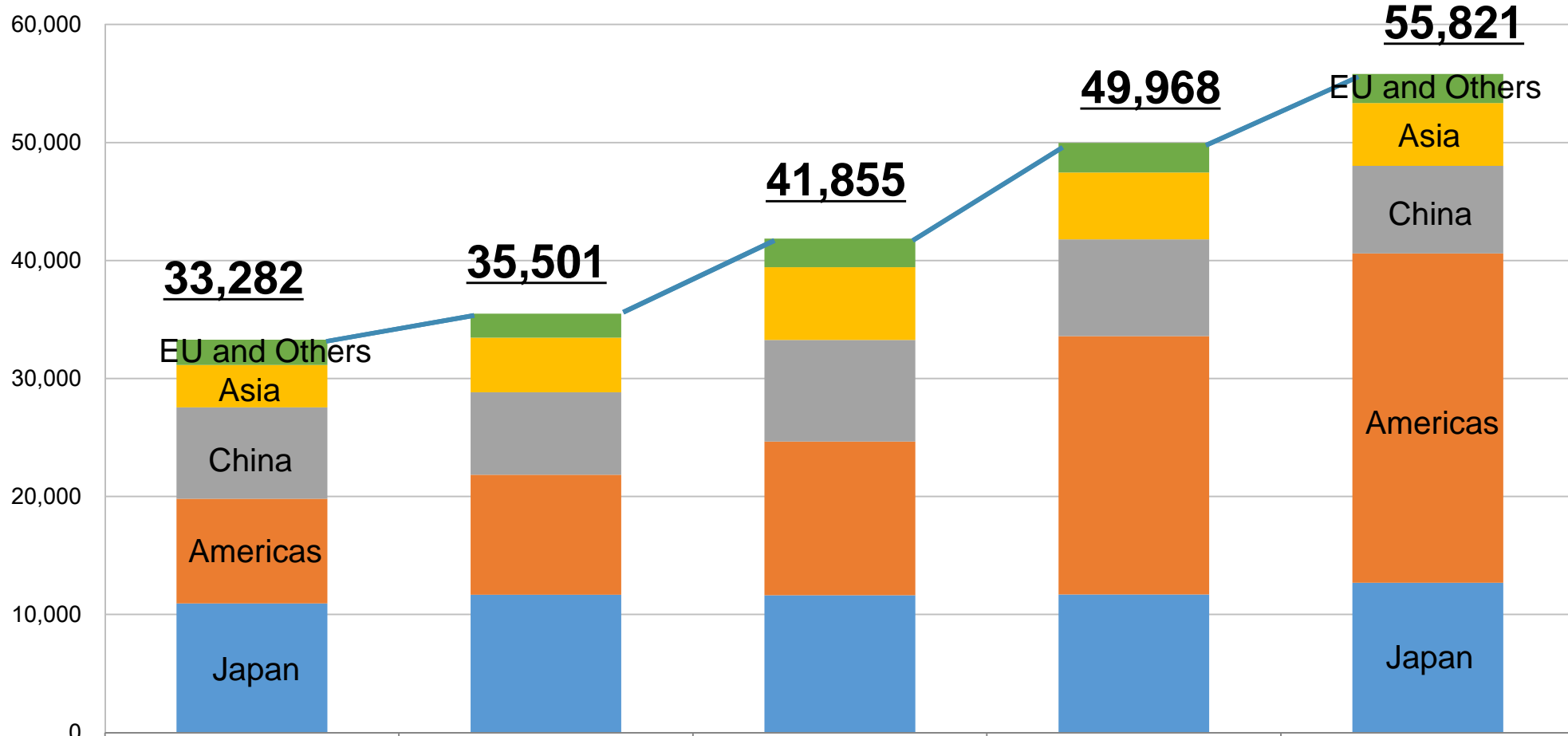
	FY2011	FY2012	FY2013	FY2014	FY2015
Sales from Non JP	67.1%	67.1%	72.2%	76.6%	77.3%
Average Fx Rate					
USD	79.0円	83.1円	100.2円	109.9円	120.1円
CAD	79.7円	82.9円	95.1円	96.5円	91.8円
EUR	108.9円	107.1円	134.4円	138.8円	132.6円
RMB	12.3円	12.6円	15.9円	17.2円	19.2円
Capex (JPY in million)	1,145	1,520	2,440	1,408	2,013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

Quarterly Sales and Operating Margin



Sales by Regions

JPY in million



	FY2011	FY2012	FY2013	FY2014	FY2015
■ EU and Otehrs	2,127	2,035	2,424	2,500	2,479
■ Asia	3,608	4,626	6,168	5,676	5,321
■ China	7,745	6,994	8,604	8,198	7,418
■ Americas	8,851	10,163	13,034	21,888	27,909
■ Japan	10,949	11,679	11,625	11,702	12,692

**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

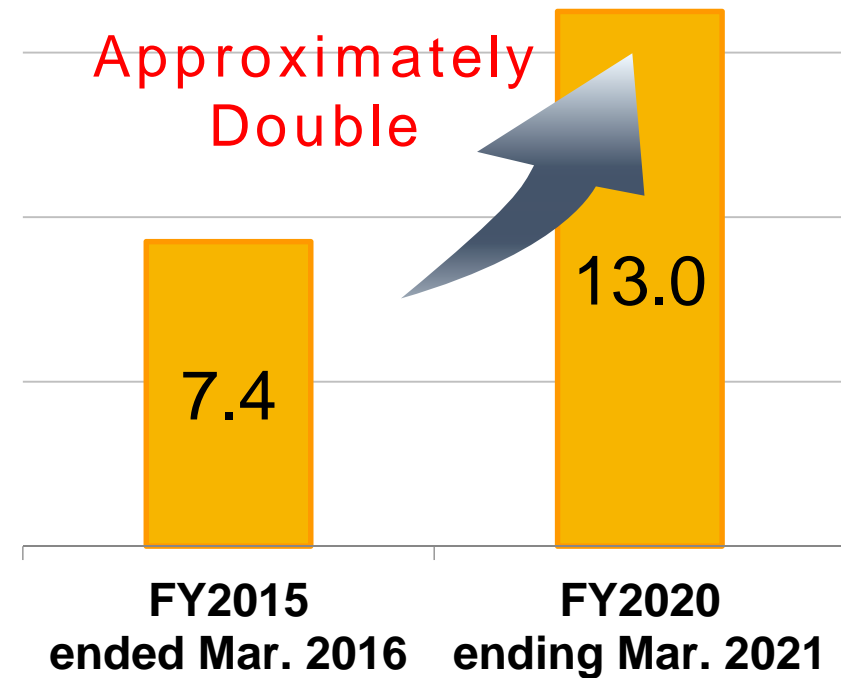
Growth through product portfolio expansion

3

Evolve into a globally integrated enterprise

Financial Target

EBITDA



(JPY in billion)

