
Financial Results for the FY2015 ended March 31, 2016

KITO CORPORATION (TSE: 6409)

May 13, 2016

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FY2015 Financial Results

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FY2016 Forecast

FY2015 Summary

Market Environment

- Americas Robust demand continues in broader industrial mix, slowdown in 2-H
- Japan Private-sector capital expenditure to remain firm through FY 2015
- China Economic slowing continues, reducing overall demand
- Asia Affected by Chinese economy, slowdown seen in capex
- FX Average exchange rate was 120.1 JPY to 1 USD

Sales
JPY 55.8 billion (+11.7%)

Operating Income
JPY5.2 billion (+53.8%)

Net Income
JPY 2.4billion (+23.2%)

Business Results

- Japan and Americas balance results in China and Asia
- Peerless contributed to consolidated sales from Q1
- In China cost-reduction measures maintained profit margin against slowing demand
- Profitability improved in Thailand with effective cost management measures

Initiatives

- Cultivate new markets and broaden product applications / Release of Theatrical Hoists into Japan
- Expand product offerings /
Newly developed RY Wire-Rope Hoist model, chain slings and lifting attachments
- Accelerate M&A strategy / Acquired business operation in Italy (February) and Australia (April)

FY2015 Financial Highlights

JPY in million	FY2014 ended March 2015			FY2015 ended March 2016		
		% of Sales	YoY Change		% of Sales	YoY Change
Sales	49,968	100.0%	19.4%	55,821	100.0%	11.7%
Operating Income	3,395	6.8%	(15.2%)	5,221	9.4%	53.8%
Ordinary Income	3,423	6.8%	(16.4%)	4,576	8.2%	33.7%
Net Income	2,026	4.1%	(14.2%)	2,497	4.5%	23.2%
EPS	JPY 77.52	-	-	JPY 95.13	-	-
ROE	8.9%	-	-	10.1%	-	-
CAPEX	1,408	-	-	2,013	-	-
Depreciation	1,311	-	-	1,814	-	-

Note: Exchange Rate FY ended March 2015 -> FY ended March 2016 :

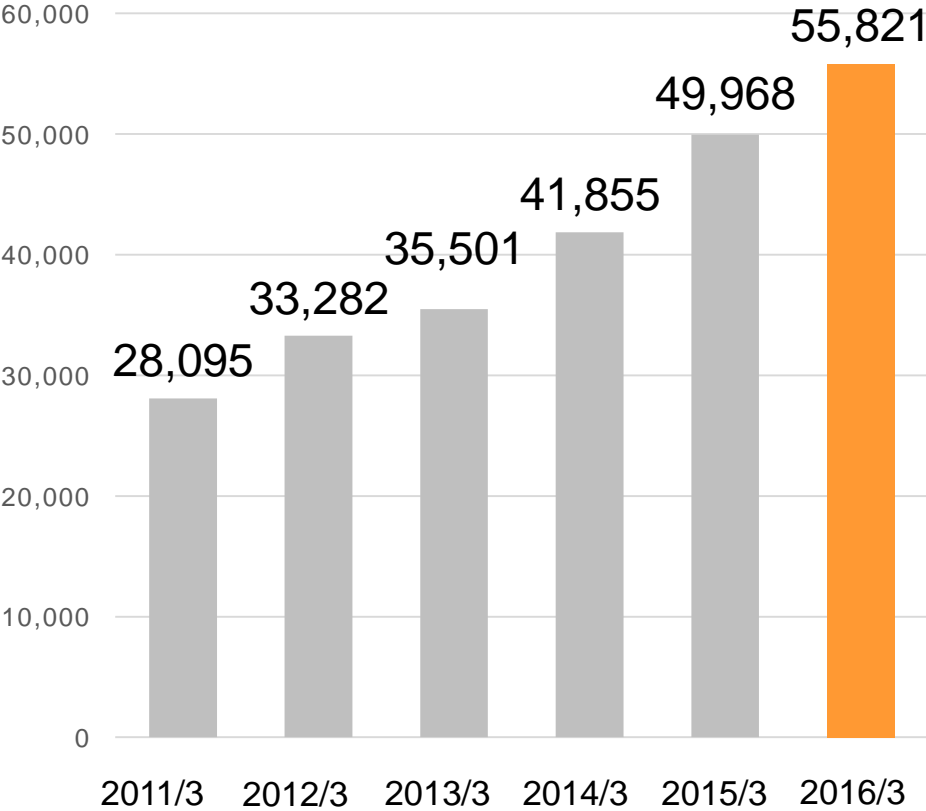
USD/JPY 109.9 → 120.1 CAD/JPY 96.5 → 91.8 EUR/JPY 138.8 → 132.6 RMB/JPY 17.2 → 19.2

FY2015 Financial Highlights

Sales and Operating Income up 11.7% and 53.8% respectively

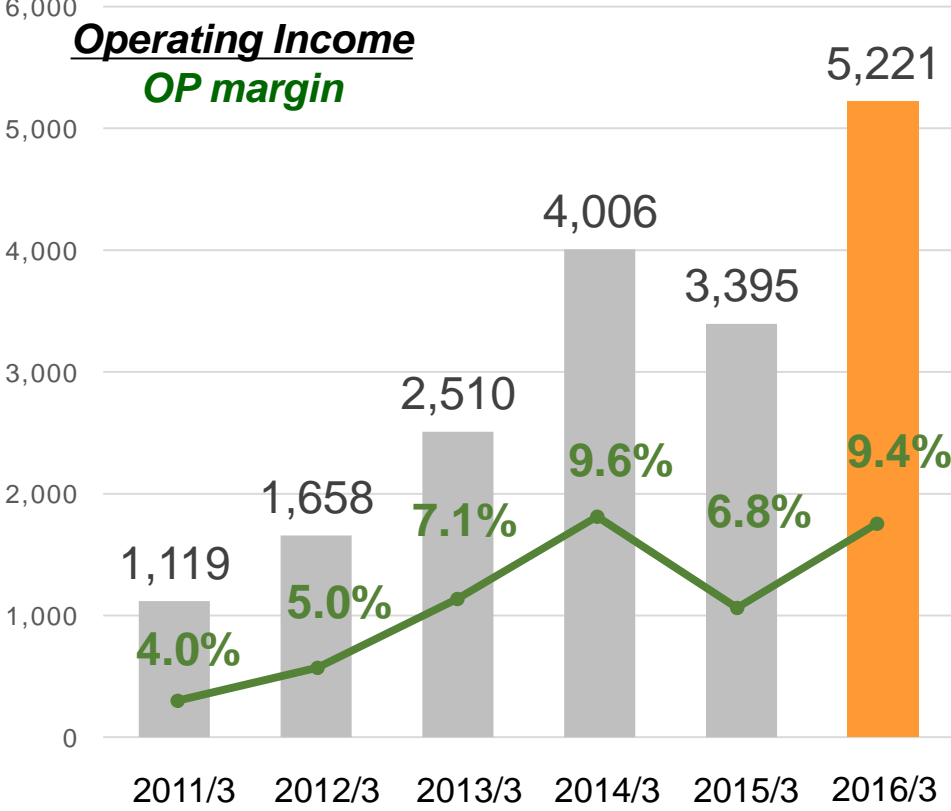
Net Sales

JPY in million



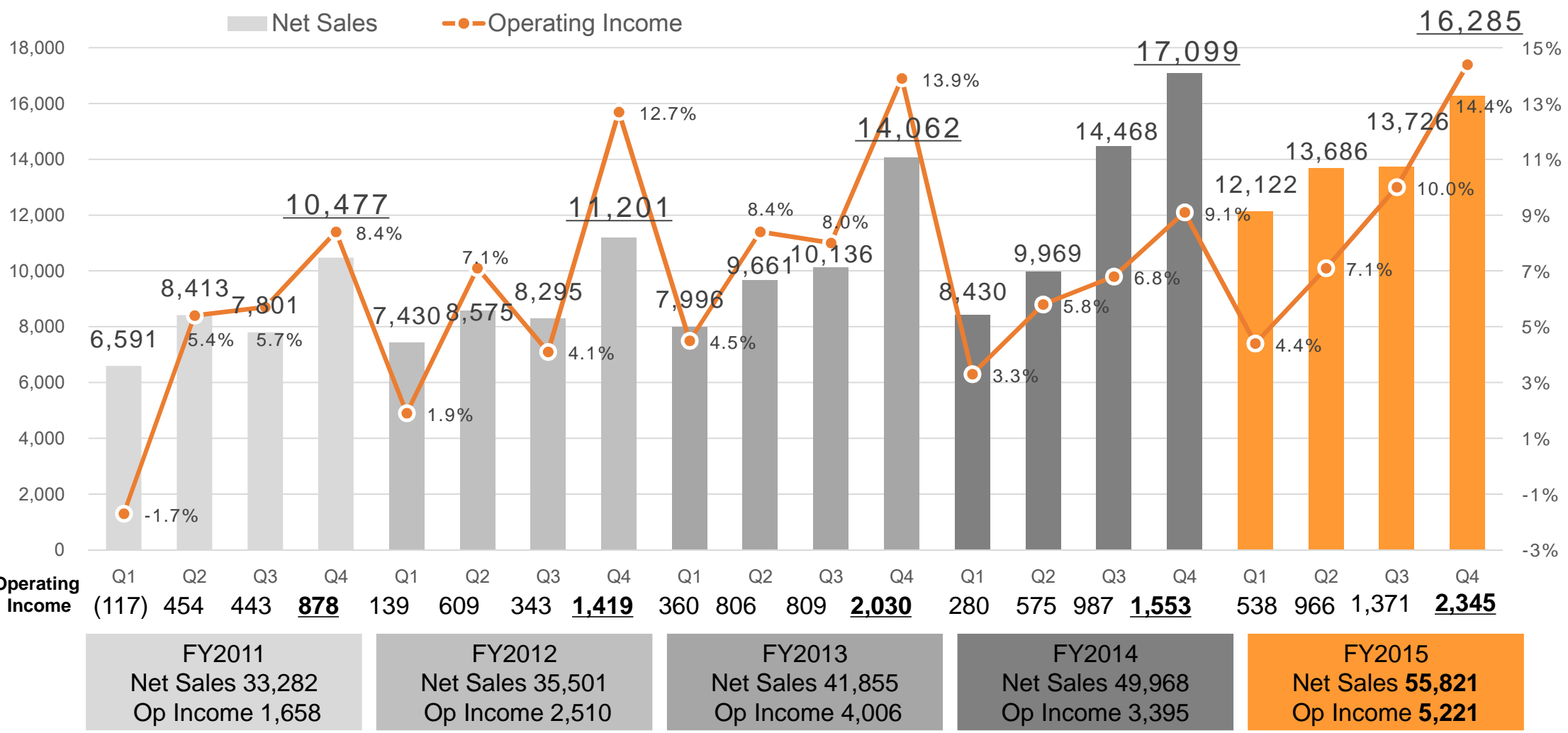
Operating Income and Operating Margin

JPY in million



Net Sales and Operating Margin

Japan leads overall results with firm demand in private-sector capital expenditure
Peerless contributed to consolidated sales from Q3-FY2014

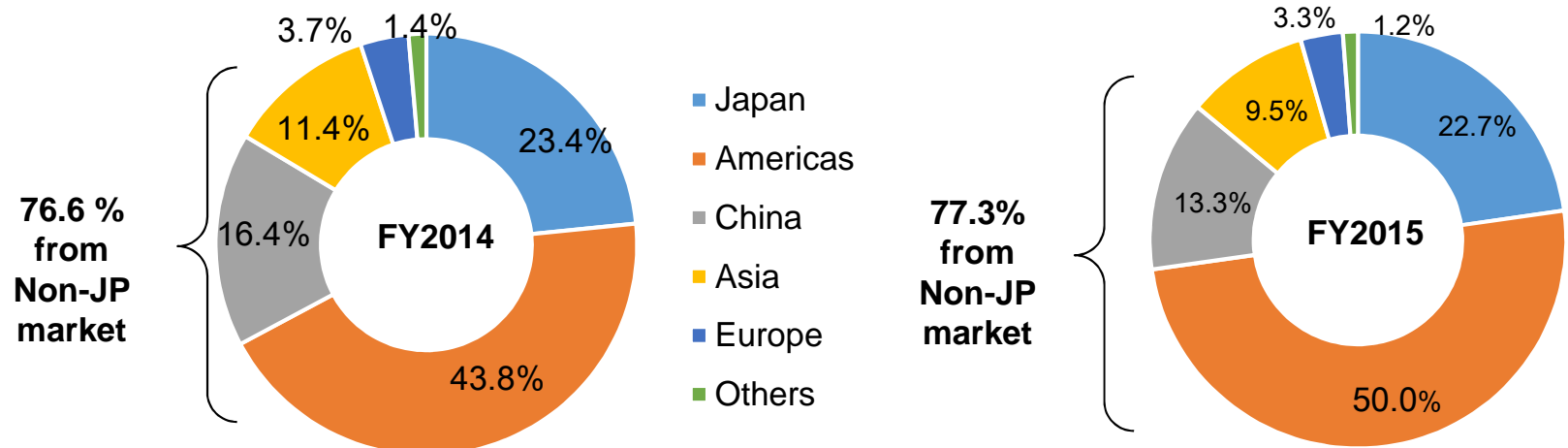


Net Sales by Region

A globally diversified portfolio, with 77% of sales from outside Japan

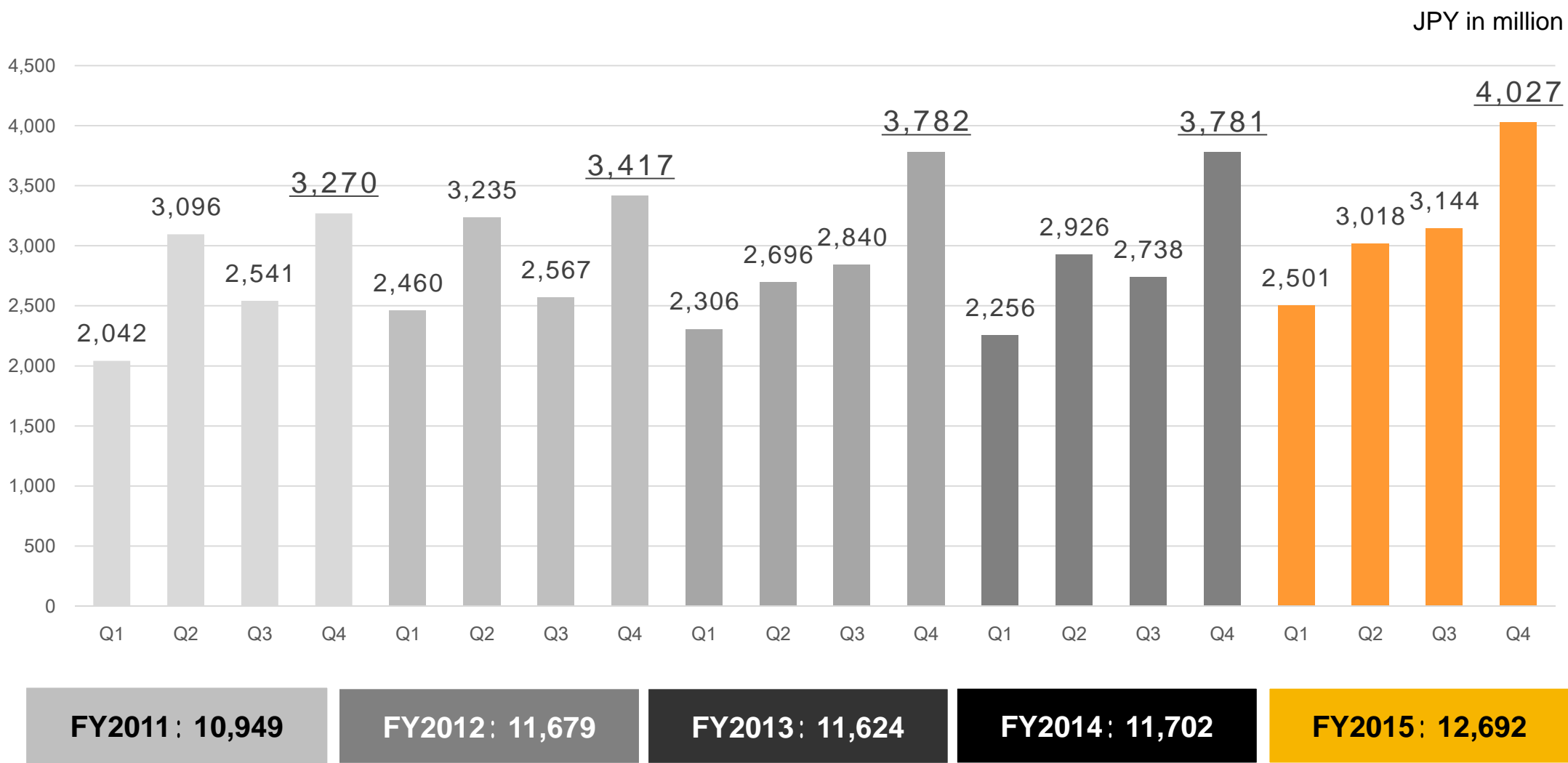
JPY in million	FY2013 ended Mar. 2014		FY2014 ended Mar. 2015		FY2015 ended Mar. 2016		YoY Change	
		% share		% share		% share	Amount	%
Total	41,855	100.0%	49,968	100.0%	55,821	100.0%	5,853	11.7%
Japan	11,624	27.8%	11,702	23.4%	12,692	22.7%	990	8.5%
Americas	13,034	31.1%	21,888	43.8%	27,909	50.0%	6,020	27.5%
China	8,603	20.6%	8,198	16.4%	7,418	13.3%	(780)	(9.5%)
Asia	6,168	14.7%	5,676	11.4%	5,321	9.5%	(355)	(6.3%)
Europe	1,665	4.0%	1,823	3.7%	1,837	3.3%	13	0.7%
Others	759	1.8%	677	1.4%	642	1.2%	(35)	(5.2%)

Note: Exchange Rate FY ended March 2015 -> FY ended March 2016 :
 USD/JPY 109.9 → 120.1 CAD/JPY 96.5 → 91.8 EUR/JPY 138.8 → 132.6 RMB/JPY 17.2 → 19.2



Net Sales by Region / Japan

- Private-sector capital investment has been stable
- Demand among construction concerns is rising moderately

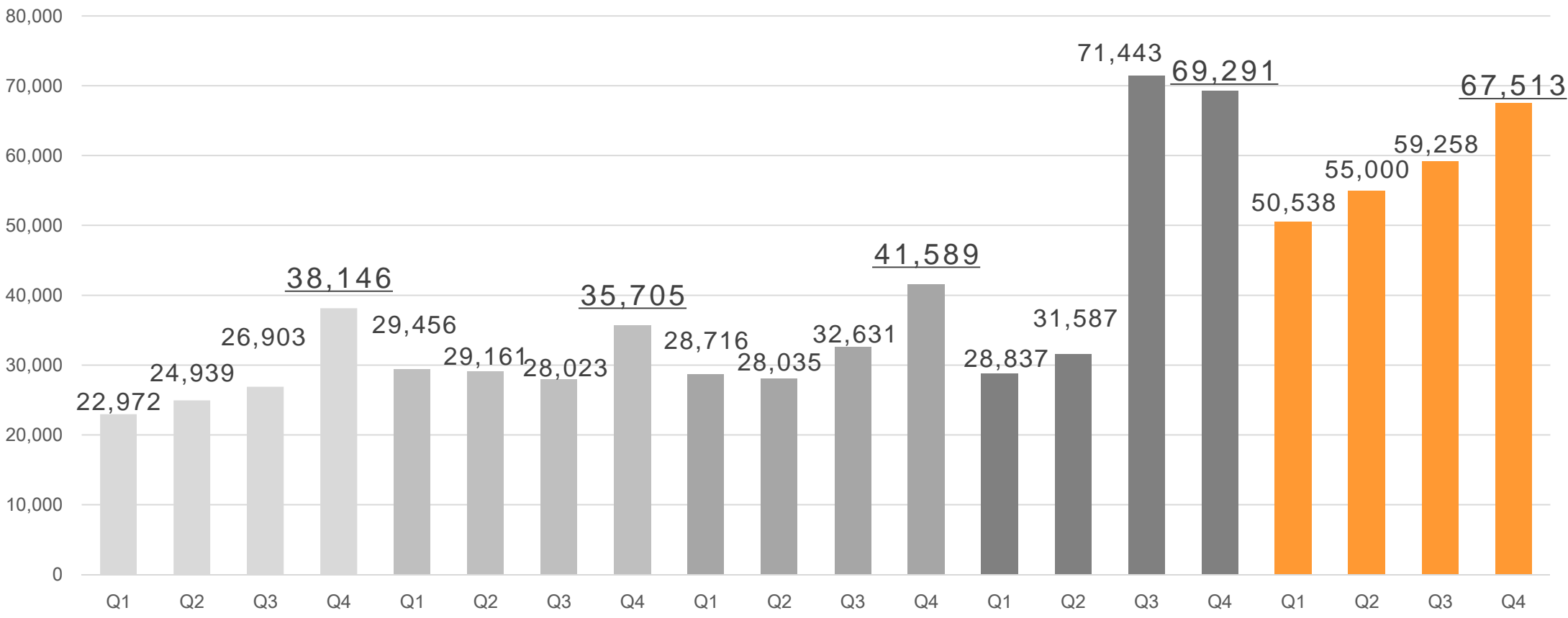


Net Sales by Region (Americas)

The graph shows the total of sales in the US, Canada and Latin America

- Sales boost from Peerless, consolidated in October 2014
- Demand among energy-related and exporting companies softened in second half

USD in thousand



FY2011 : 112,960

FY2012 : 122,345

FY2013 : 130,971

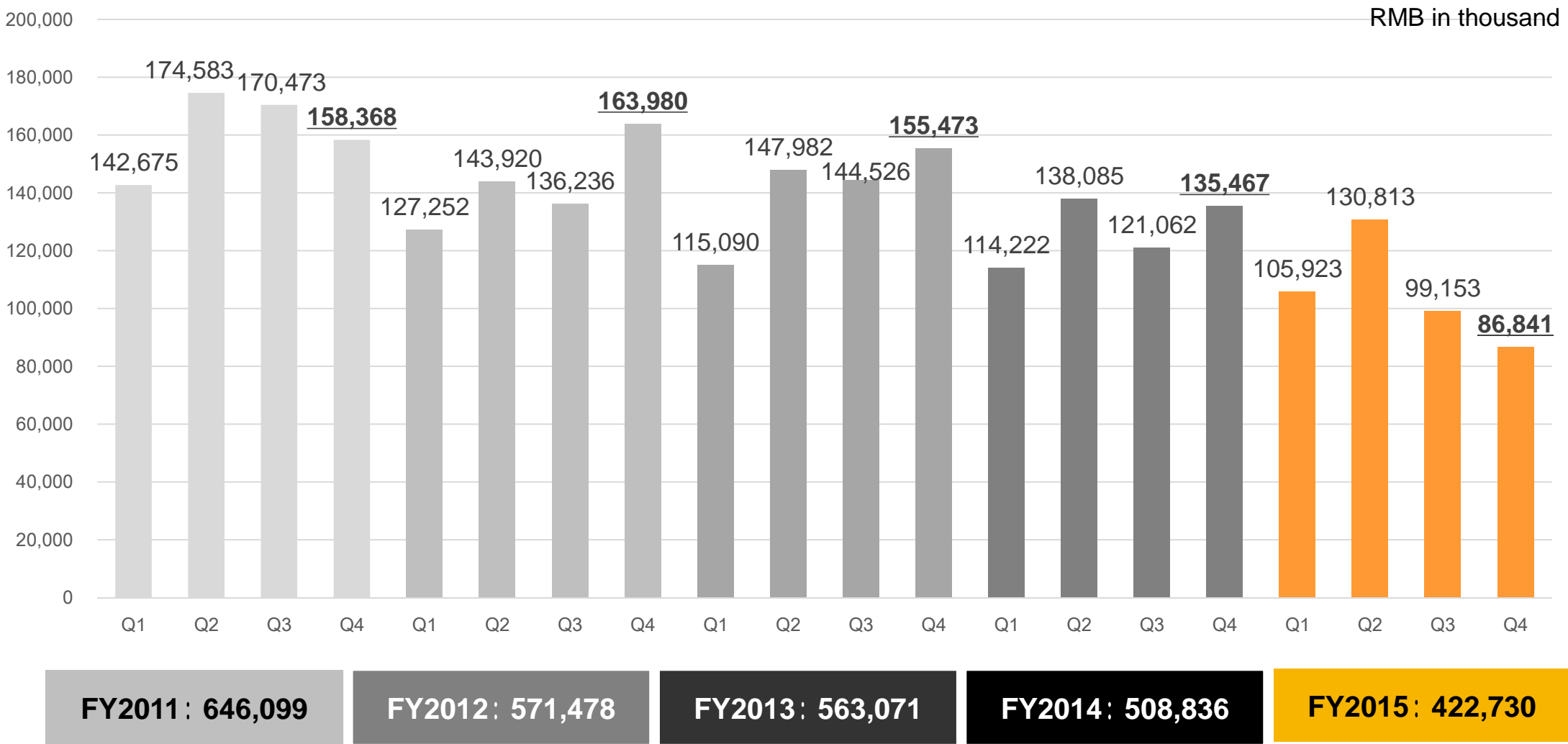
FY2014 : 201,158

FY2015 : 232,308

Net Sales by Region (China)

Fiscal year of China starts in January and ends in December

- With continuing economic weakness, strengthening profitability by implementing cost-reduction measures
- High product evaluations boost market share despite soft demand

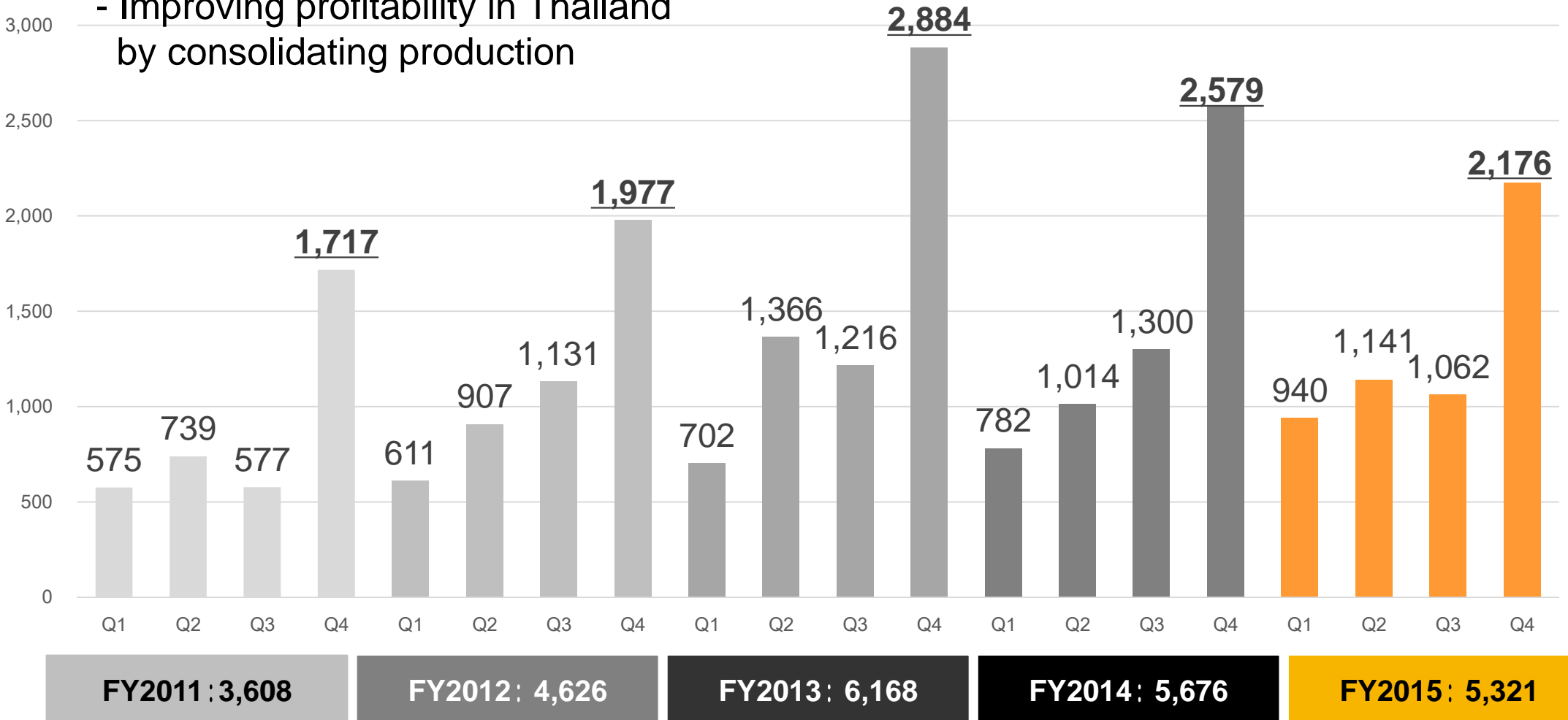


Net Sales by Region / Asia

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

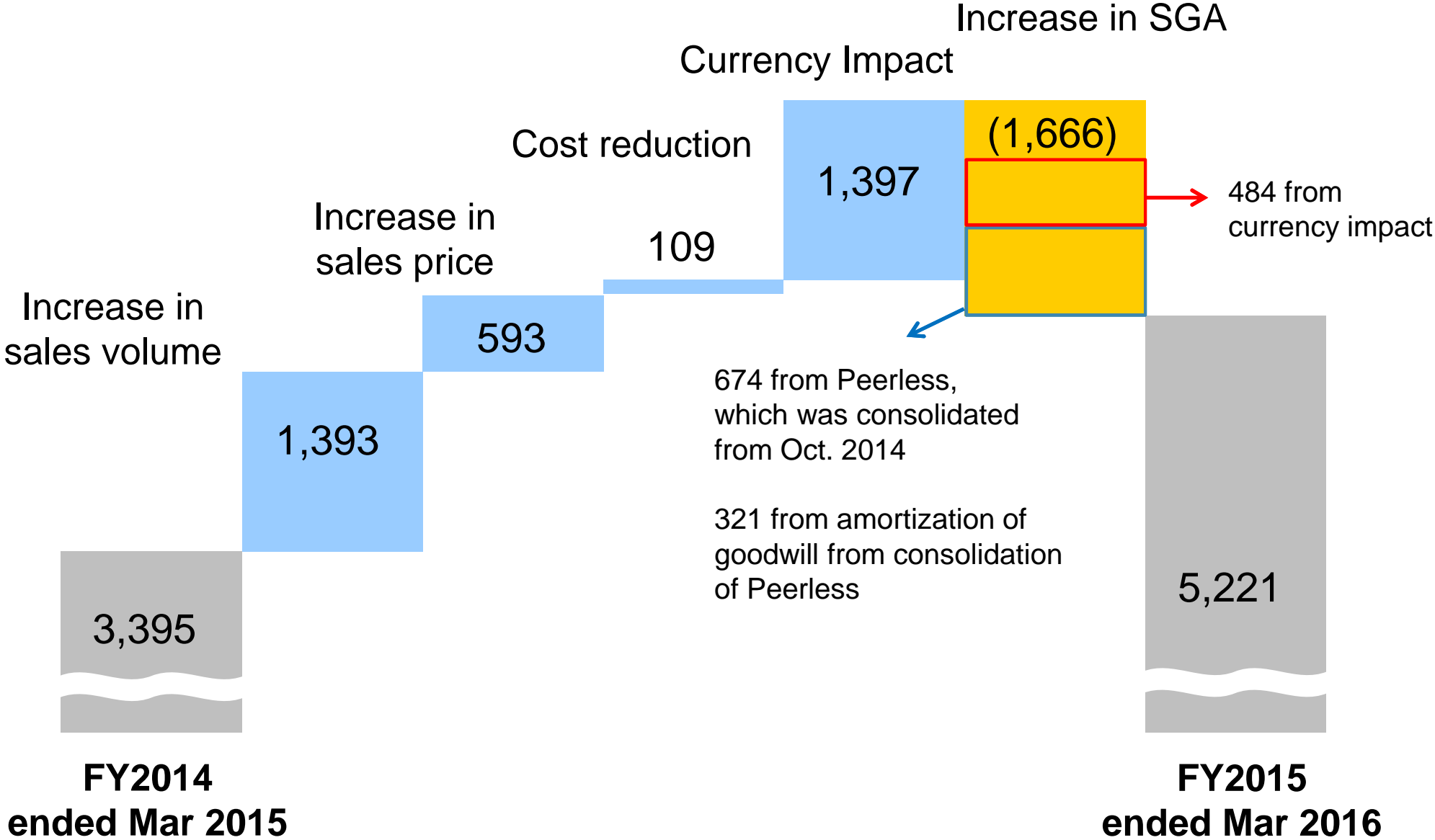
- The slowing Chinese economy affects other regional economies, reducing growth of equipment investment.
- Enhancing crane service business and hoist sales as well as distribution and profit management
- Improving profitability in Thailand by consolidating production

JPY in million



Operating Income Comparison

JPY in million



FY2015 Consolidated Balance Sheet

JPY in million	March 2015	March 2016	Change
Current Assets	40,478	37,599	(2,878)
Cash	9,792	8,529	(1,263)
Accounts receivable	12,593	11,761	(832)
Inventories	15,105	13,852	(1,253)
Others	2,986	3,456	470
Fix Assets	22,703	23,040	336
Fix Assets	12,161	11,901	(260)
Intangible fixed assets	9,009	7,896	(1,112)
Investment and other assets	1,532	3,242	1,709
Differed assets	1	--	(1)
Total assets	63,183	60,639	(2,543)

JPY in million	March 2015	March 2016	Change
Current Liabilities	17,093	15,072	(2,020)
Accounts Payable	6,113	5,301	(811)
Short – term debt	5,319	4,595	(723)
Others	5,660	5,175	(485)
Fixed Liabilities	20,464	19,527	(937)
Bonds	16,025	14,687	(1,338)
Others	4,438	4,839	401
Total Net Assets	25,626	26,040	413
Total liabilities and Net Assets	63,183	60,639	(2,543)

FY2015 Consolidated Cash Flows

	FY2014 ended Mar 2015	FY2015 ended Mar 2016	Change
Cash flows from operating activities	3,338	4,502	1,163
Cash flows from investing activities	(8,402)	(3,572)	4,830
Cash flows from financing activities	7,050	(1,900)	8,950
Effect of exchange rate changes on cash and cash equivalents	1,455	(285)	(1,740)
Net increase (decrease) in cash and cash equivalent	3,441	(1,256)	(4,697)
Cash and cash equivalents at end of period	9,777	8,521	(1,256)

Cash flows from operating activities

- Income before income taxes	4,210
- Depreciation and amortization	1,814
- Depreciation of goodwill	386
- Income tax paid	(2,200)

Cash flows from investing activities

- Acquisition of tangible fixed assets	(1,317)
- Acquisition of intangible assets	(695)
- Payment of stocks of subsidiaries and affiliates	(1,337)

Cash flows from financing activities

- Increase in long term debt	2,525
- Payment of long term debt	(2,836)
- Redemption of bonds	(1,000)
- Dividend paid	(694)

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FY2015 Financial Results

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FY2016 Forecast

Japan



Markets

- Gentle economic recovery will continue, with slight 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



Markets

- Demand will be firm in a broader industrial mix, and will recover in the second half.
- Demand is expected to grow in Mexico and Latin America.

Initiatives

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

China



Markets

- Slowing continues, reducing overall demand
- Demand estimated in Northeastern and inland regions.

Initiatives

- Expand local production and product offerings for higher market share.
- Focus on cost- and profit-management to ensure high margins

Asia



Markets

- Slowing of Chinese economy affects Asian region, reducing equipment investment.
- Gradual recovery in demand is expected in Thailand.

Initiatives

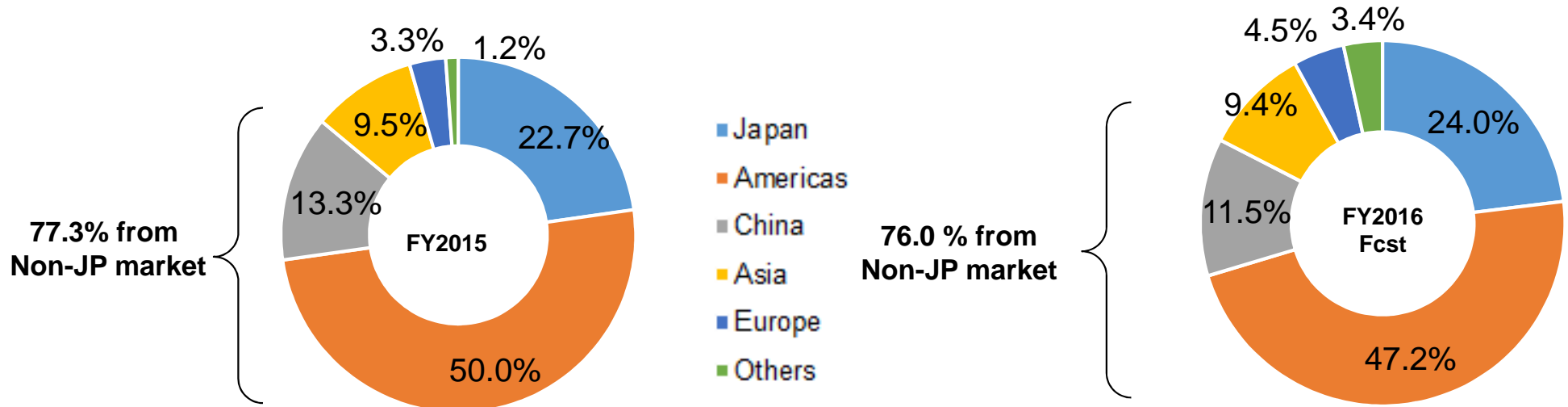
- Enhance service and maintenance business for crane users, and hoist sales.
- Improve profitability by consolidating production.

FY2016 Forecast

(JPY in million)	FY2015 ended Mar 2016		FY2016 ending Mar 2017 (FCST)		YoY	
		% of sales		% of sales	YoY change	% of change
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 :

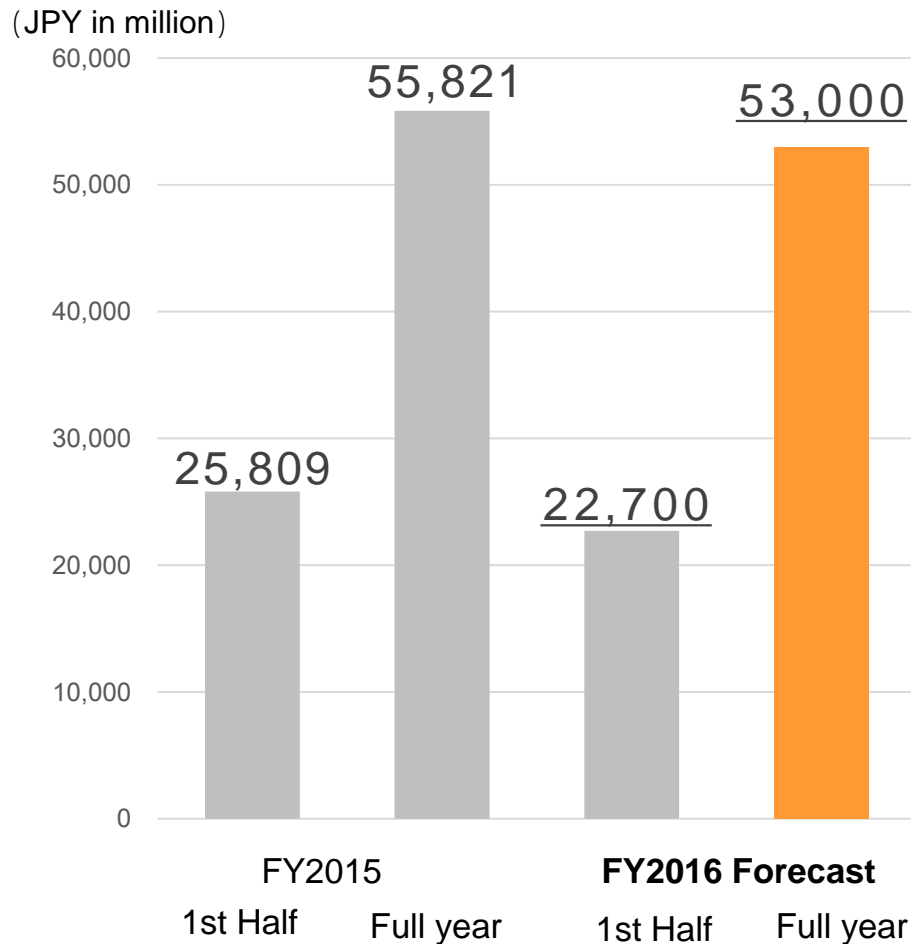
USD/JPY 120.1→105.0 CAD/JPY 91.8→75.0 EUR/JPY 132.6→120.0 RMB/JPY 19.2→16.5



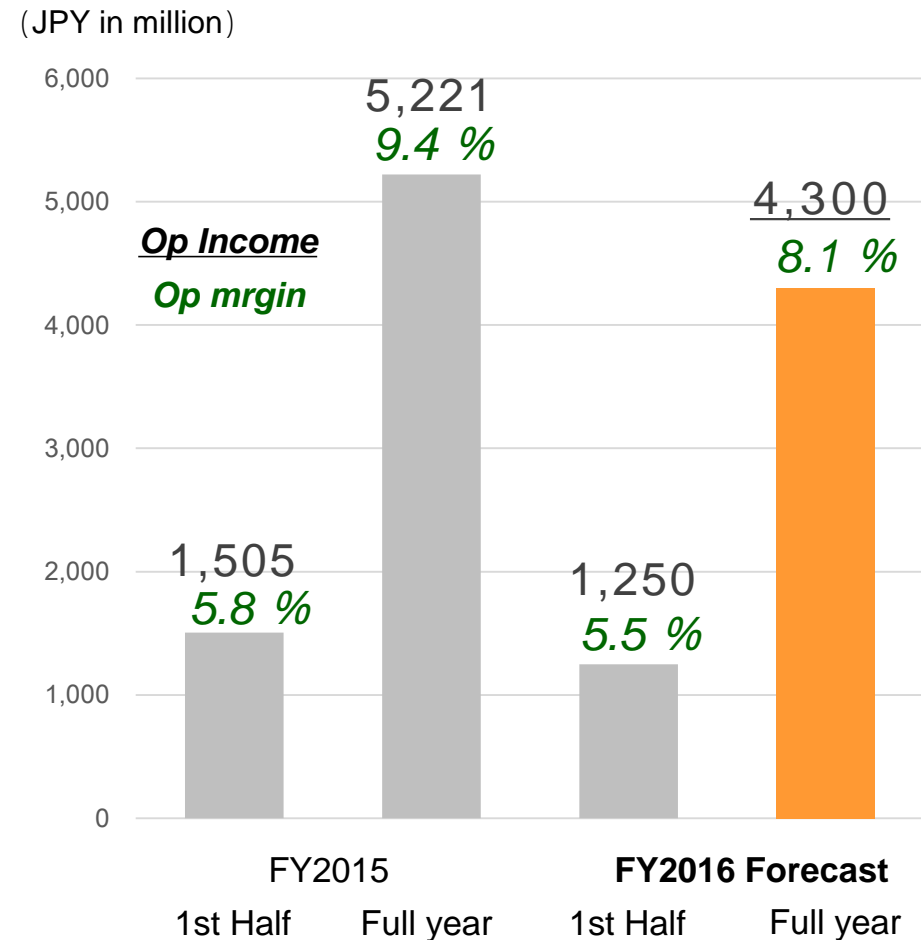
FY2016 Forecast

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

Net Sales



Operating Income and Operating Margin



FY2016 Forecast

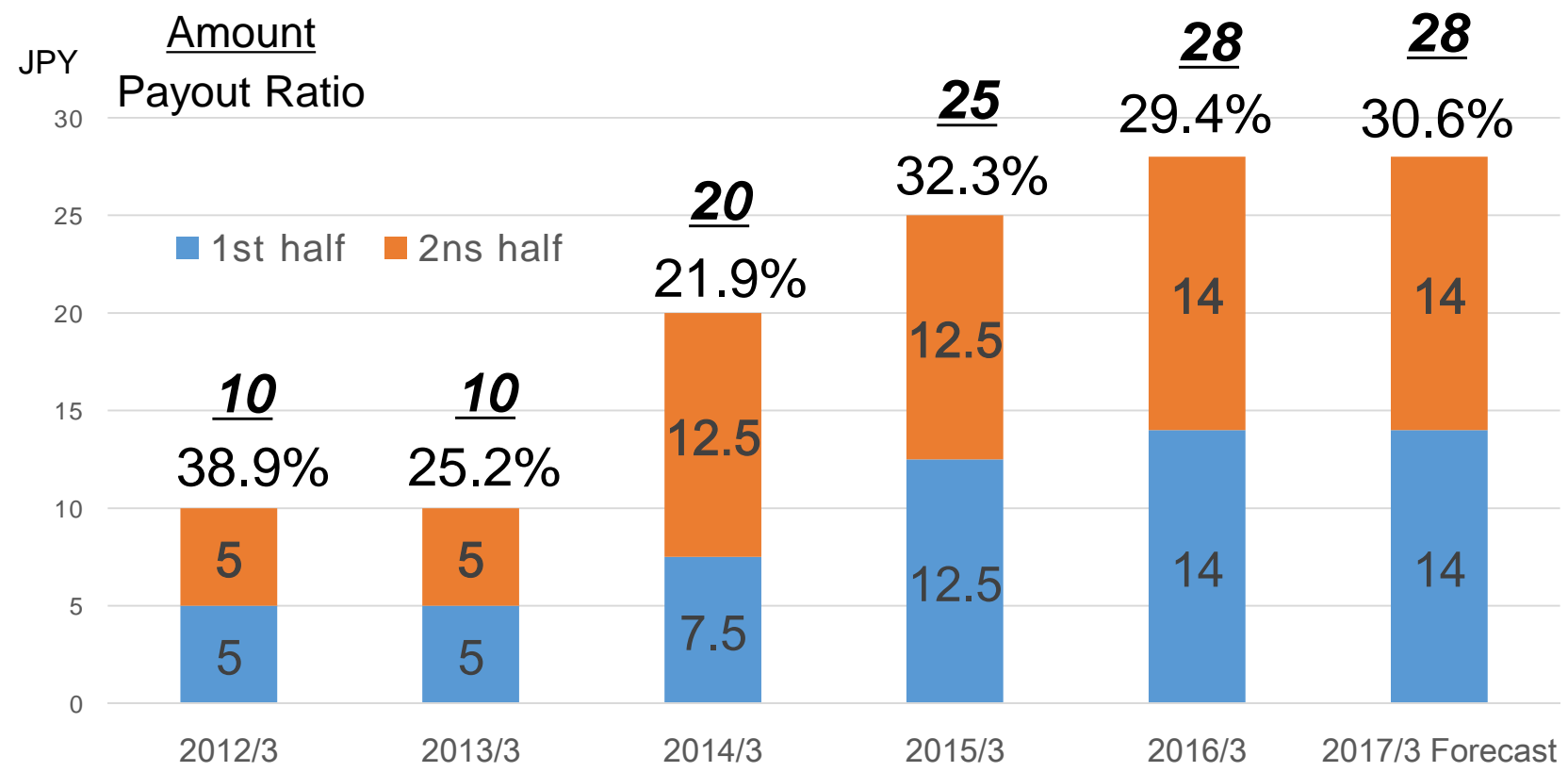
JPY in million	FY2015 ended Mar 2016			FY2016 (Fcst) ending Mar 2017		
		% of Sales	YoY Change		% of Sales	YoY Change
Net Sales	55,821	100.0%	11.7%	53,000	100.0%	(5.1%)
Operating Income	5,221	9.4%	53.8%	4,300	8.1%	(17.7%)
Ordinary Income	4,576	8.2%	33.7%	4,000	7.5%	(12.6%)
Net Income	2,497	4.5%	23.2%	2,400	4.5%	(3.9%)
EPS	95.13円	-	-	91.39円	-	-
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 :

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Dividend

**Payout ratio at 20% or higher,
with total annual dividend of JPY28 per share**



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

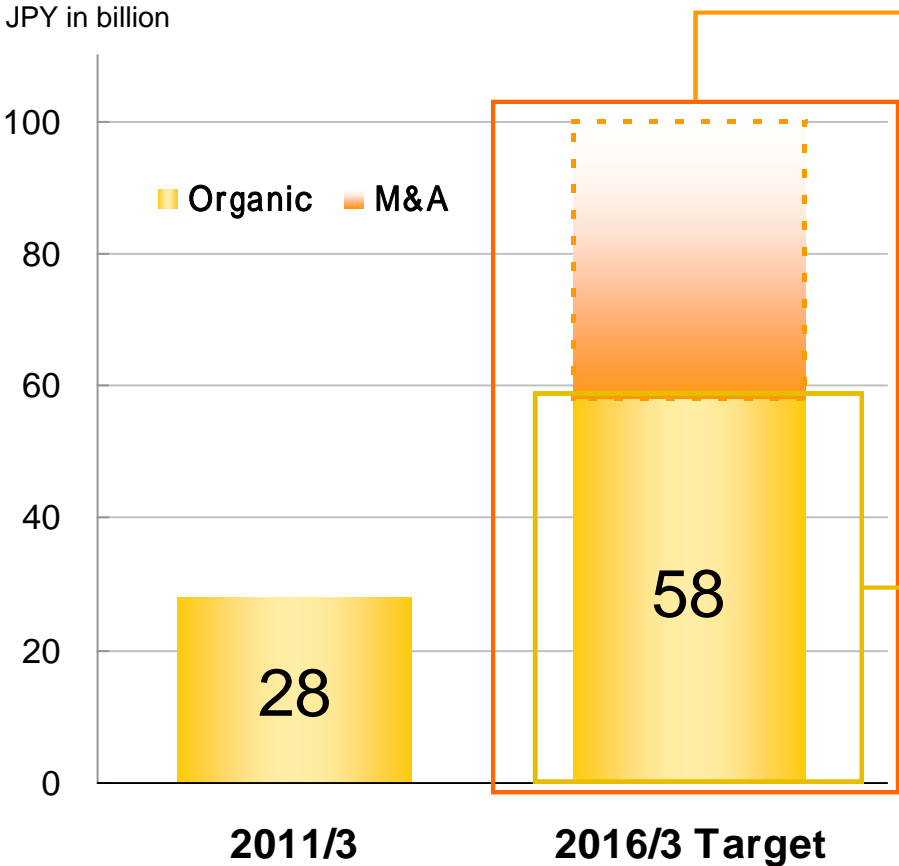
Reference : Mid-term Management Plan (ended March 2016)

Assumption in 2011

Mid-term target

Transform into a global company
Expand global sales to JPY 100 billion

Estimated sales and targets



Expand global sales to JPY 100 billion

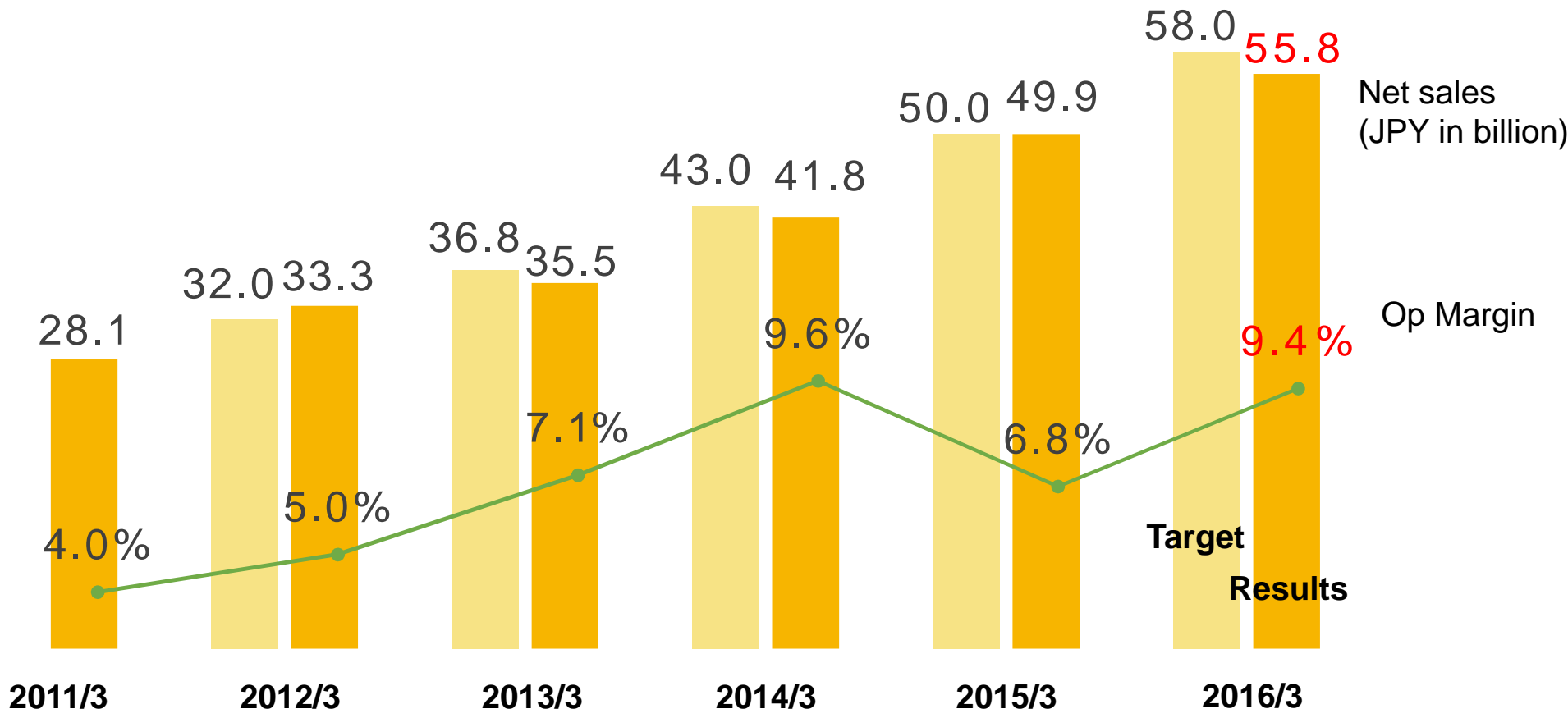
Increase sales to JPY 58 billion through the organic growth and achieve further growth by M&A to achieve JPY 100 billion sales.

Transform into a global company








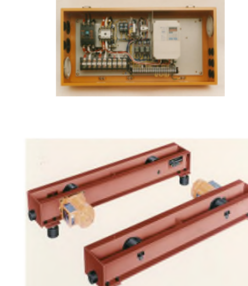


There will be a golden opportunity in the next five years for KITO to expand its scale and become the “Truly global No.1 hoist manufacturer.” KITO will change a Japan-centric operation to a globally integrated operation utilizing resources and skills of the KITO group worldwide

Reference : Mid-term Management Plan (ended March 2016)

Sales doubled in five years,
CAGR reached 14.7% with organic growth and M&A
Op margin improved 5.4 points



Reference : Product Line

Types of products		Manual products	Powered products	Cranes and other equipment	
Standard products	Standardized products to meet general customers' needs	 <p>Manual chain hoist</p>	 <p>Lever hoist</p>	 <p>Powered chain hoist</p>	 <p>Wire rope hoists</p>
		 <p>Manual chain hoist (100t)</p>	 <p>Light cranes</p>	 <p>Overhead cranes</p>	 <p>End carriage / crane components</p>
Customized products	Products designed and manufactured to meet the specific needs of customers			 <p>System cranes</p>	 <p>Manipulators</p>
Others	Maintenance and other services	Supply various parts, maintenance and other services			

71.9% of total

16.8% of total

11.3% of total