

# **Financial Results for the Quarter ended June 30, 2018**

**KITO CORPORATION**

**TSE 1st Section: 6409**

**August 10, 2018**

# FY2018 Q1 Summary

## 1. Market Environment

The world economy is expected to remain strong overall, although there concerns remain about US protectionism.

Demand in China and Asia will join the consistently robust demand trend in the developed world due to active equipment investment.

## 2. Business Results

Sales and profit are up across the group due to robust demand related to active equipment investment worldwide.

	(in JPY in million)	Yoy Change
Sales	13,441	up 12.8%
Operating Income	992	up 84.4%
Net Income *	519	up 33.6%

FX rate twelve months average (USD/JPY) JPY 109.1

## 3. Overall summary

- 1) Booking has been stable worldwide from infrastructure, energy related industries, and capital spending.
- 2) We will keep a high level of production capacity in response to brisk demand since last fiscal year.
- 3) External risks, including forex and materials costs and US trade policy, will require a careful watch.

# **1 FY2018 1<sup>st</sup> Quarter Financial Results**

## **2 FY2018 Forecast**

## **3 Reference**

- Five Year Financial Results (FY 2013 – FY 2017)
- Mid-Term Plan (FY 2016 – FY 2020)

# FY2018 1<sup>st</sup> Quarter Financial Highlights

JPY in million	FY 2017 Q1 Apr- Jun	FY 2018 Q1 Apr-Jun	YoY Change
<b>Sales</b>	11,919	13,441	12.8%
<b>Operating Income</b> Operating Income / Sales	538 4.5%	992 7.4%	84.4%
Non-operating income	39	58	
Non-operating expenses *	225	209	
<b>Ordinary Income</b> Ordinary Income / Sales	351 3.0%	814 6.1%	131.5%
<b>Income Taxes</b>	** (55)	260	
<b>Net Income</b> Net Income / Sales	388 3.3%	519 3.9%	33.6%
<b>EBITDA</b> Op Income + Depreciation	1,095	1,653	

Note: Exchange Rate (FY 2017 Q1→FY 2018 Q1)

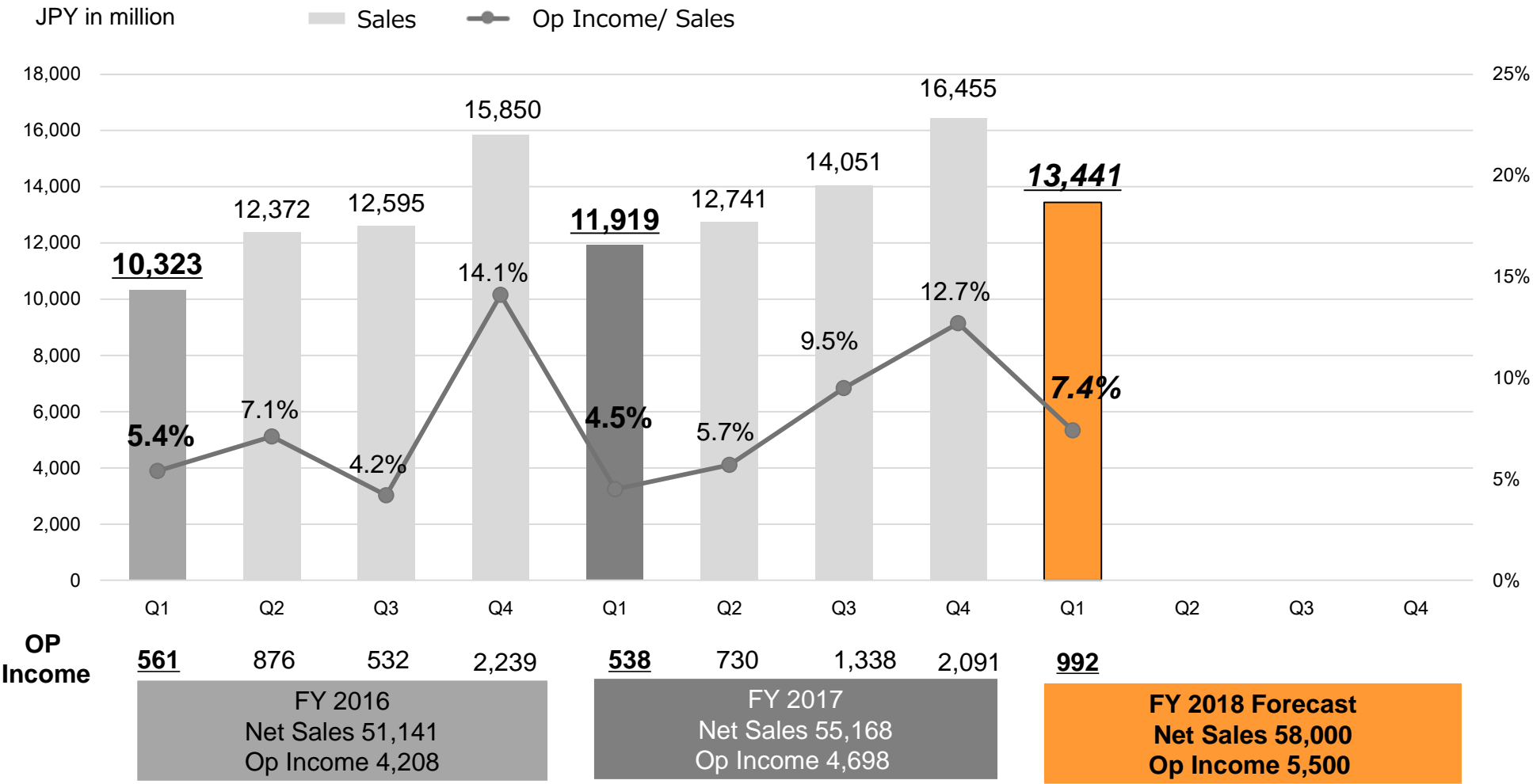
USD 111.1 → 109.1 CAD 82.6 → 84.5 EUR 122.2 → 130.1 RMB 16.6 → 17.1

\* Including equity losses in non-consolidate subsidiary Kito Chain Italia, JPY 91 million in FY2017 and JPY 34 million in FY2018 respectively.

\*\* Influence of tax effects related to unrealized profit for the previous term JPY (193) million yen.

# Quarterly Net Sales and Operating Margin

Sales/profit and production capacity will continue growing on globally strong demand



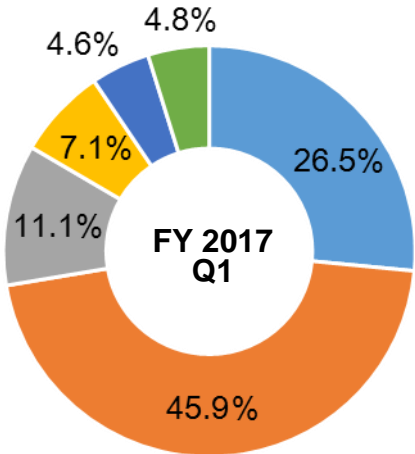
# Net Sales by Region

Globally diversified portfolio / Sales increased YoY in each region

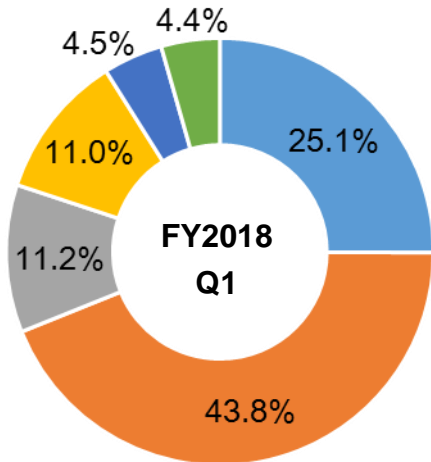
JPY in million	FY2016 Q1		FY 2017 Q1		FY 2018 Q1		YoY Change	
		% share		% share		% share	Change	% Change
Total	10,323	100.0%	11,919	100.0%	13,441	100.0%	1,521	12.8%
Japan	2,748	26.6%	3,163	26.5%	3,367	25.1%	204	6.5%
the Americas	5,246	50.8%	5,466	45.9%	5,894	43.8%	428	7.8%
China	1,199	11.6%	1,323	11.1%	1,501	11.2%	178	13.5%
Asia	685	6.6%	848	7.1%	1,475	11.0%	626	73.9%
Europe	313	3.0%	542	4.6%	606	4.5%	63	11.7%
Others	129	1.3%	575	4.8%	596	4.4%	20	3.6%

Note: Exchange Rate (FY 2017 Q1→FY 2018 Q1)  
USD 111.1 → 109.1 CAD 82.6 → 84.5 EUR 122.2 → 130.1 RMB 16.6 → 17.1

Sales from  
Non JP markets  
73.5%

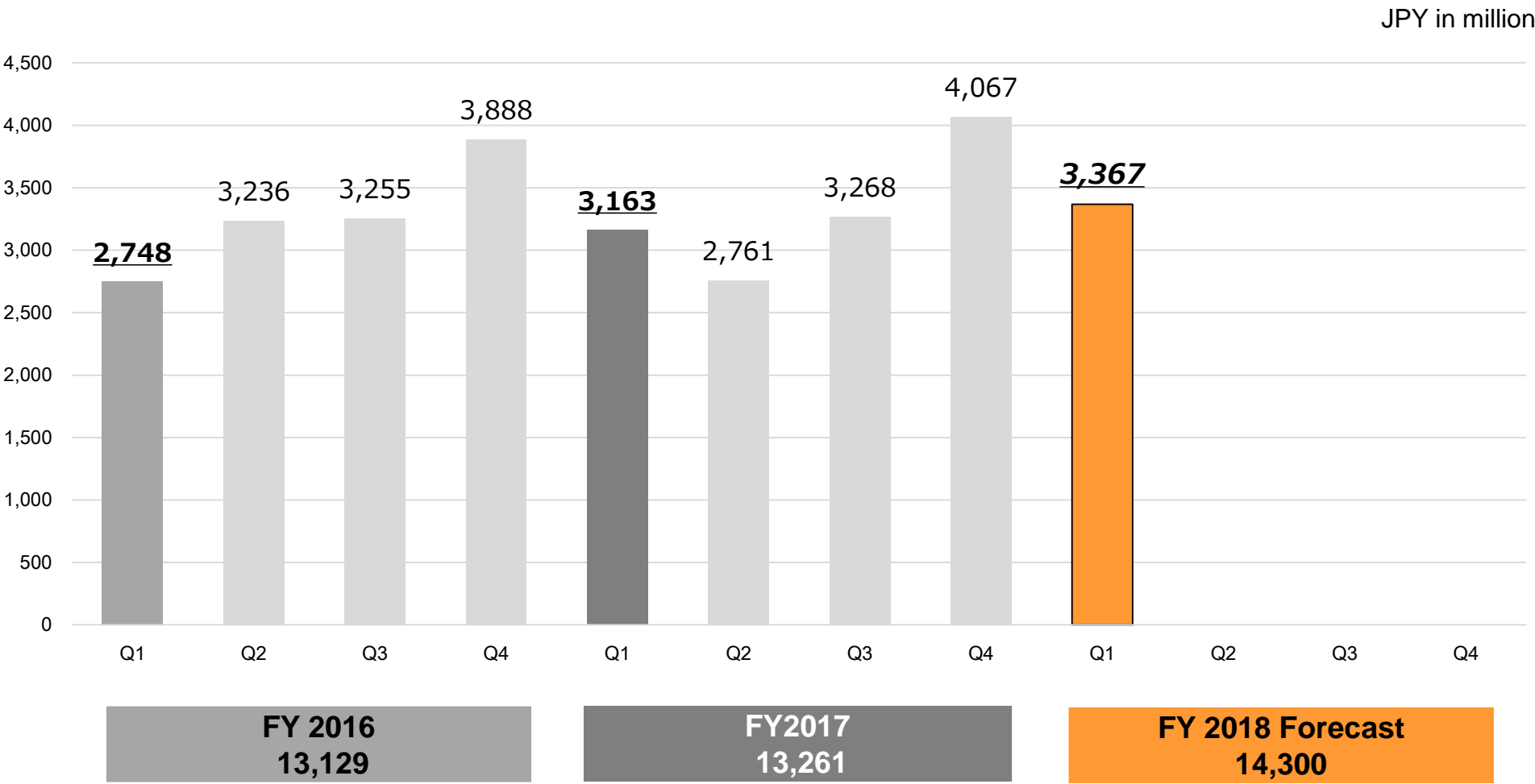


Sales from  
Non JP markets  
74.9%



# Net Sales by Region (Japan)

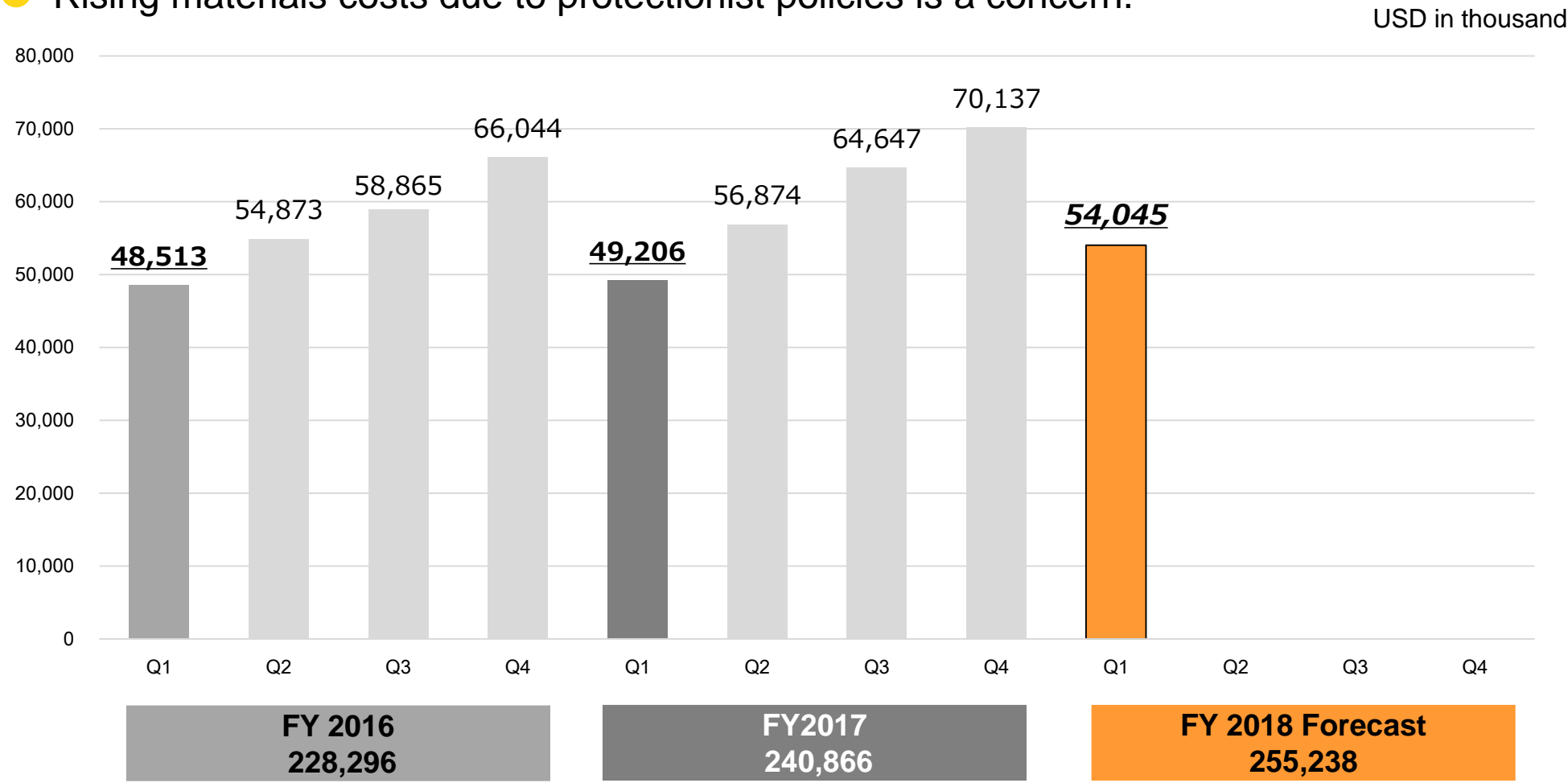
- Brisk demand related to infrastructure, private-sector equipment investment will continue.



# 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)

- Equipment investment in the manufacturing sector and demand related to infrastructure and natural resources will remain brisk.
- Rising materials costs due to protectionist policies is a concern.

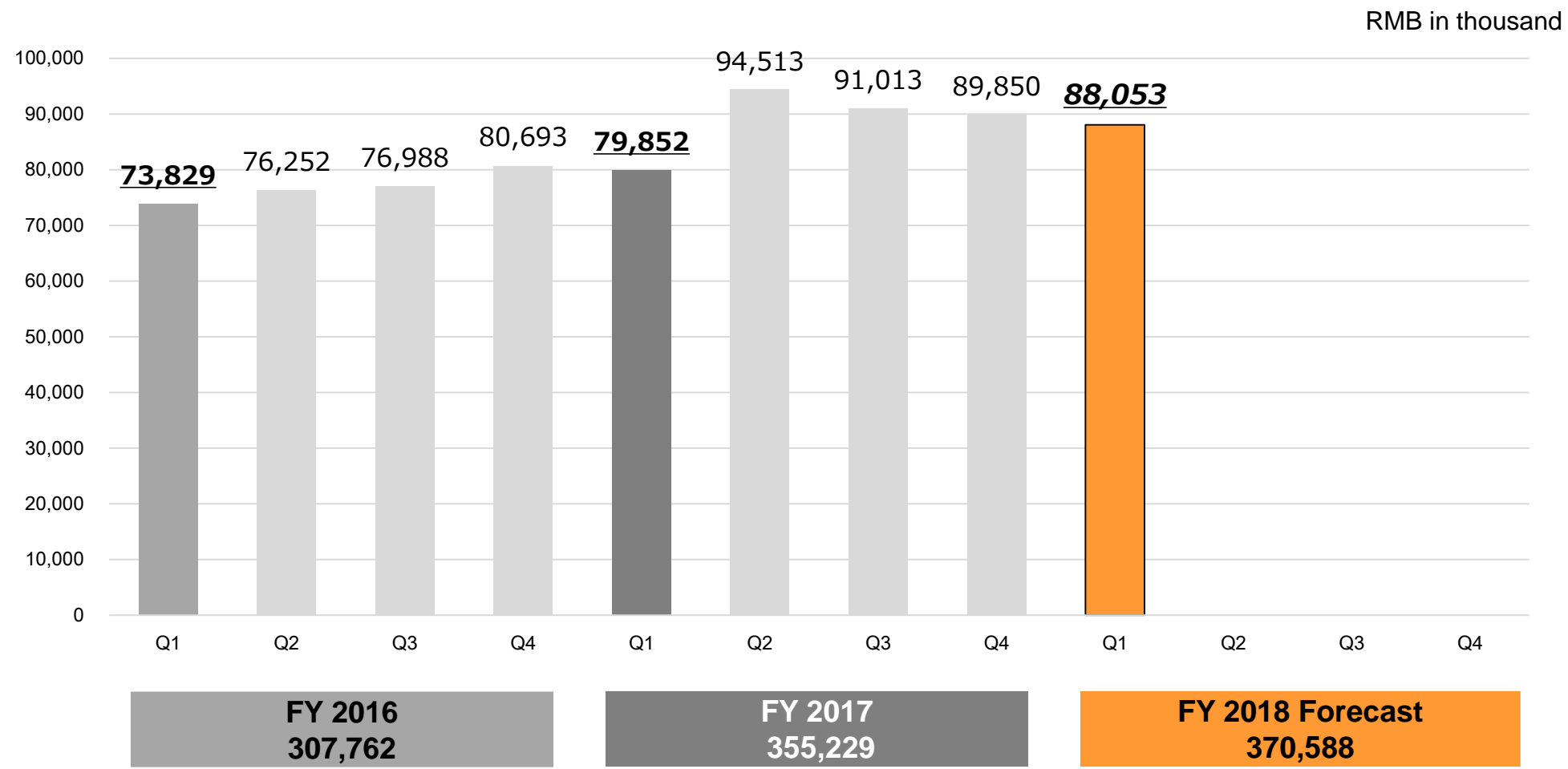




# Net Sales by Region (China)

Fiscal year of China starts in January and ends in December

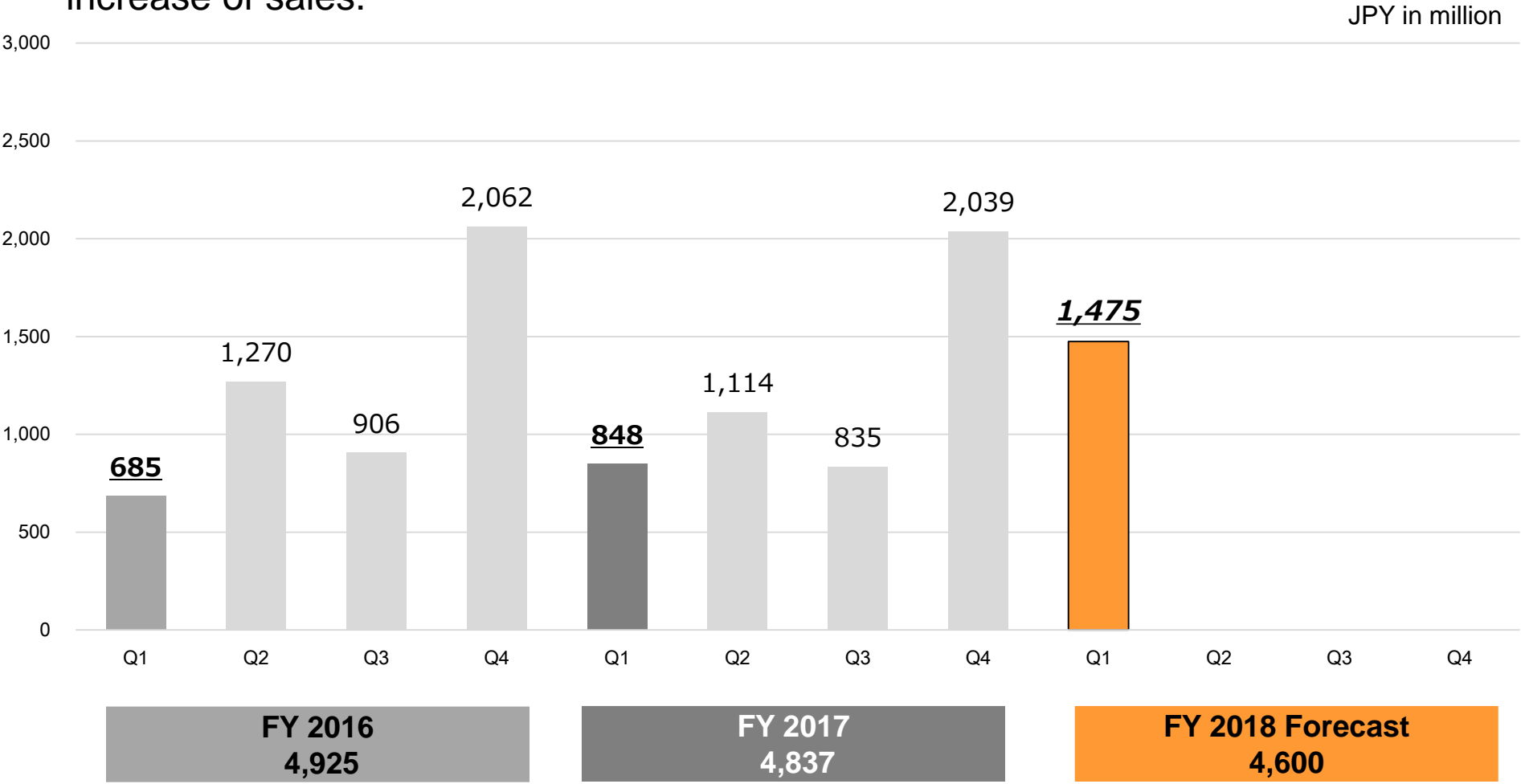
- Demand related to equipment investment in growth industries, like automobiles and semiconductors, is a motivating factor.



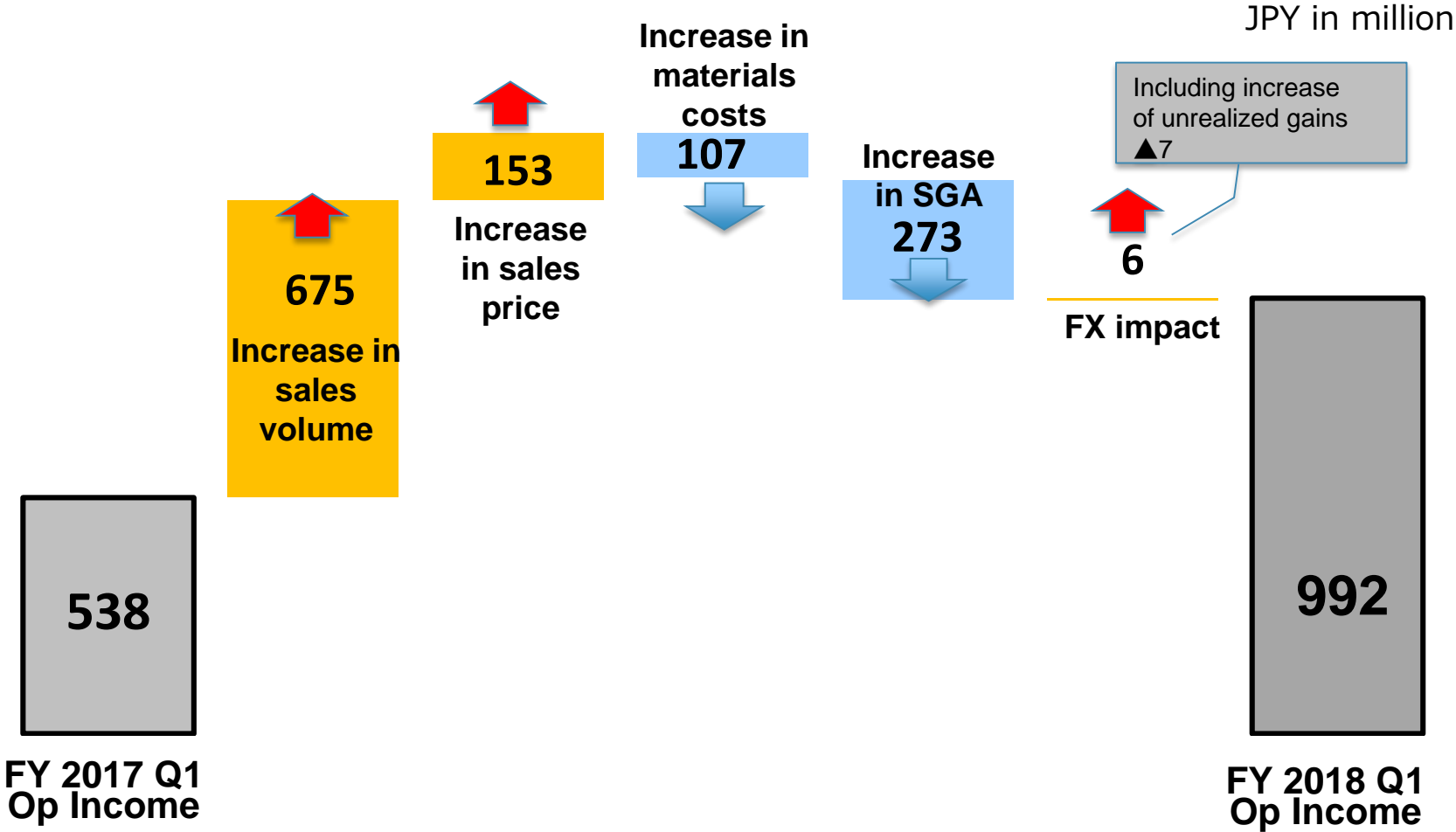
# Net Sales by Region (Asia)

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

- We will fulfill brisk demand across Asia.
- Large projects, such as ones in South Korea, in last year has been contributed to the increase of sales.



# Operating Income Comparison



# FY2018 1<sup>st</sup> Quarter Consolidated Balance Sheet

JPY in million	FY 2017	FY 2018 Q1	Change
Current assets	38,975	37,122	(1,853)
Cash	10,780	9,378	(1,402)
Accounts receivable	11,447	10,467	(979)
Inventories	15,503	16,225	721
Others	1,243	1,050	(192)
Fixed assets	22,879	22,618	(260)
Tangible fixed assets	11,549	11,210	(338)
Intangible fixed assets	6,841	6,896	54
Investment & other assets	4,488	4,511	22
Total assets	61,854	59,740	(2,114)

JPY in million	FY 2017	FY 2018 Q1	Change
Current liabilities	18,616	16,825	(1,791)
Accounts payable	6,143	6,563	420
Short-term debt *	5,719	5,929	210
Others	6,753	4,331	(2,421)
Fixed liabilities	19,541	19,023	(517)
Long-term debt	15,731	15,391	(339)
Others	3,810	3,631	(178)
Total net assets	23,697	23,891	194
Total liabilities and net assets	61,854	59,740	(2,114)

\* Including current portion of long term loans payable

**1**

## **FY2018 1<sup>st</sup> Quarter Financial Results**

**2**

## **FY2018 Forecast**

**3**

## **Reference**

- Five Year Financial Results (FY 2013 – FY 2017)
- Mid-Term Plan (FY 2016 – FY 2020)

# FY2018 Forecast

## 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**
- Efficient operation of the new IT infrastructure.
  - Continue production increase to meet robust demand.
  - Launch new products and continue to broaden product lines.
  - Strengthen ties with crane-builders.

## the Americas



- Market**
- Firm demand expected in a broader industrial mix.
  - We have hope for investment related to the infrastructure and energy industries.
- Initiatives**
- Increase customer satisfaction, with shorter lead time and higher service quality
  - Expand product offerings to meet broader customer demand

# FY2018 Forecast

## China



- Market**
- Demand related to equipment investment in the electric-vehicle, semiconductor and robotics industries will be brisk.
  - Chinese official's strengthening its environmental policies.
- Initiatives**
- We will expand sales by meeting demand related to equipment investment in currently prosperous industries.
  - Continue implementing cost-reduction measures to build profits.

## Asia



- Market**
- A recovery of equipment investment is expected.
- Initiatives**
- Enhance service and maintenance business for crane users, and hoist sales.
  - Continue measures to enhancing business efficiency.

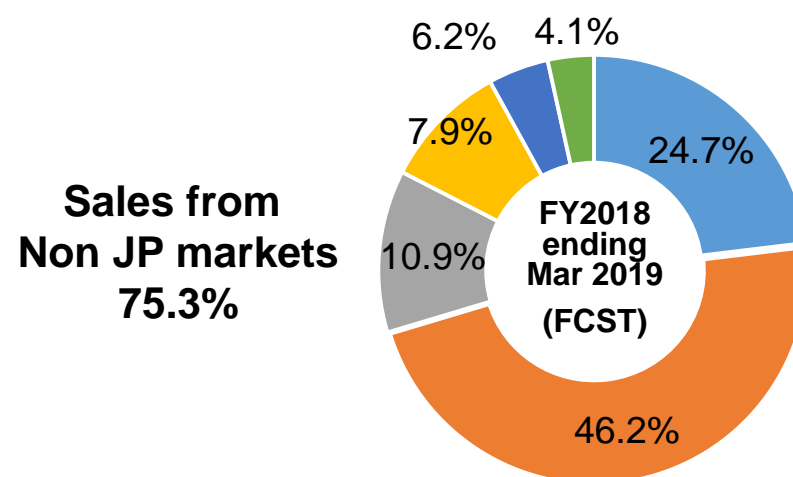
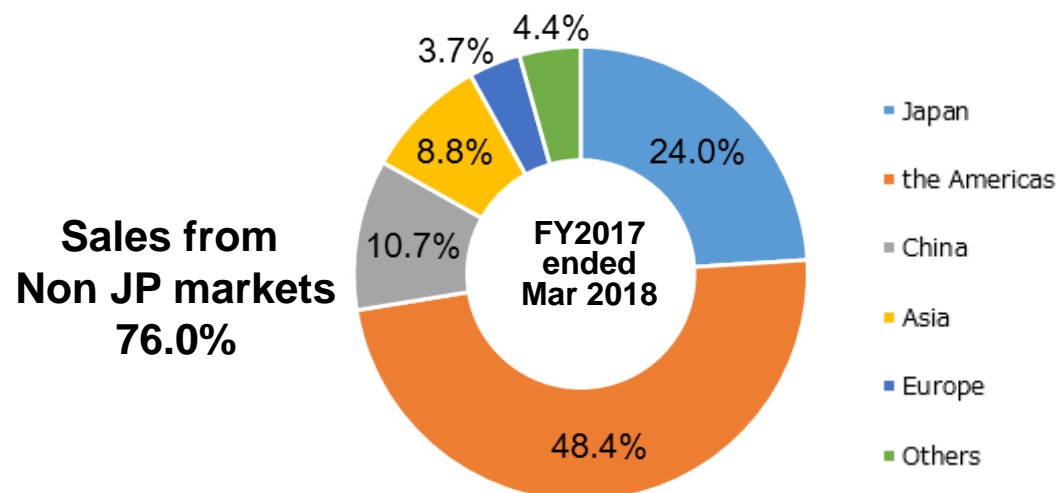
## Europe



- Market**
- Expect moderate demand growth in broader industries.
- Initiatives**
- Cultivate new market and synergies among Kito group companies.

# FY2018 Forecast / Net Sales by Region

JPY in million	FY2017 (ended Mar 2018)		FY2018 FCST (ending Mar 2019)		YoY Change	
		% Share		% Share	Amount	%
<b>Total</b>	<b>55,168</b>	<b>100.0%</b>	<b>58,000</b>	<b>100.0%</b>	<b>2,832</b>	<b>5.1%</b>
Japan	13,261	24.0%	14,300	24.7%	1,039	7.8%
the Americas	26,700	48.4%	26,800	46.2%	100	0.4%
China	5,903	10.7%	6,300	10.9%	396	6.7%
Asia	4,837	8.8%	4,600	7.9%	(238)	(4.9%)
Europe	2,060	3.7%	3,600	6.2%	1,540	74.8%
Others	2,404	4.4%	2,400	4.1%	(5)	(0.2%)





# FY2018 Forecast

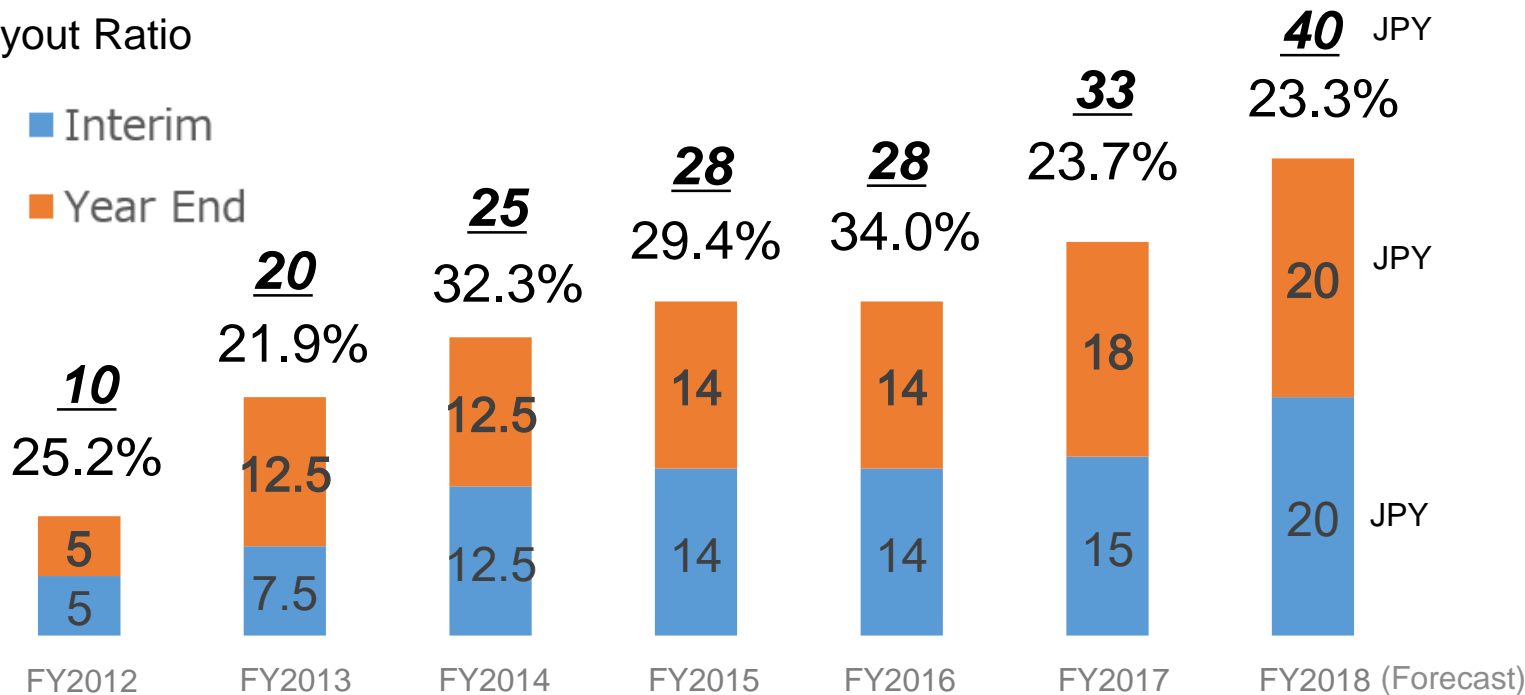
JPY in million	FY 2017	FY 2018	YoY Change
Sales	55,168	58,000	5.1%
Operating Income Operating Income / Sales	4,698 8.5%	5,500 9.5%	17.1%
Ordinary Income Ordinary Income / Sales	3,791 6.9%	5,100 8.8%	34.5%
Net Income Net Income / Sales	2,836 5.1%	3,500 6.0%	23.4%
EBITDA Op Income + Depreciation	7,142	8,300	16.2%

Note: Exchange Rate (FY2017 → FY2018)  
 USD/JPY 110.9→105.0   CAD/JPY 86.5→85.0   EUR/JPY 129.7→130.0   RMB/JPY 16.6→17.0

**Payout ratio at 20% or higher,  
with total annual dividend of JPY40 per share**

Annual Dividend

Payout Ratio



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

**1**

## **FY2018 1<sup>st</sup> Quarter Financial Results**

**2**

## **FY2018 Forecast**

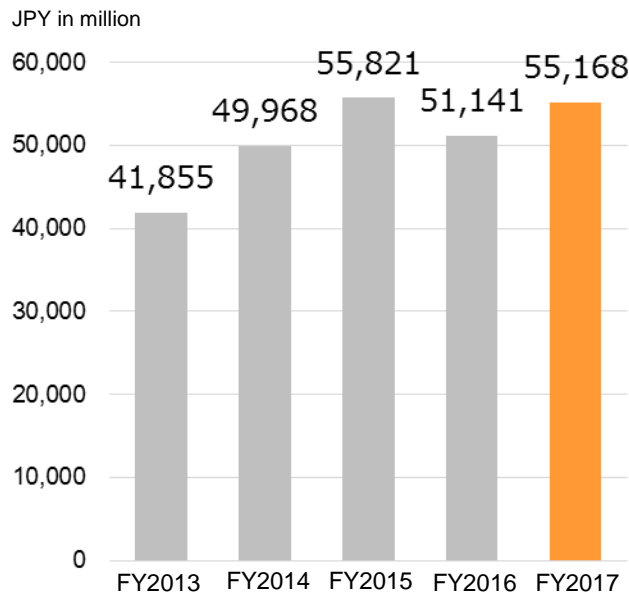
**3**

## **Reference**

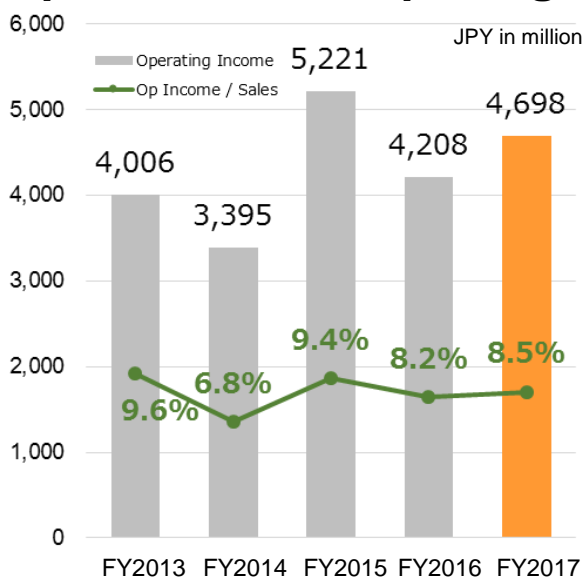
- **Five Year Financial Results (FY 2013 – FY 2017)**
- **Mid-Term Plan (FY 2016 – FY 2020)**

# Key figures

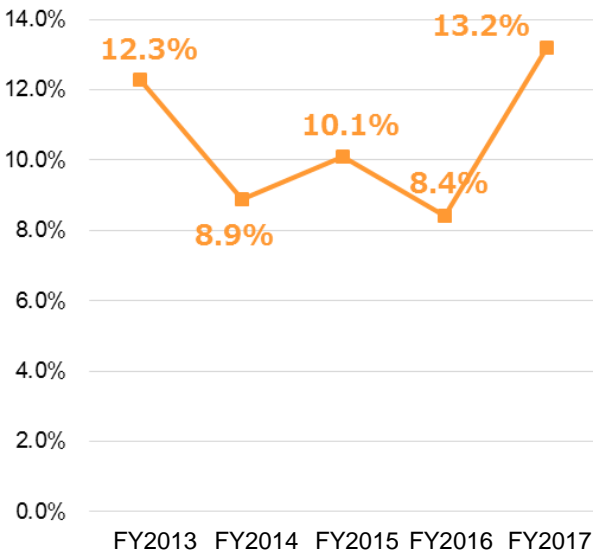
## Sales



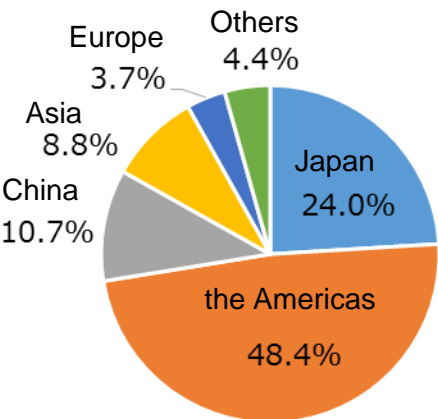
## Op Income and Op Margin



## ROE

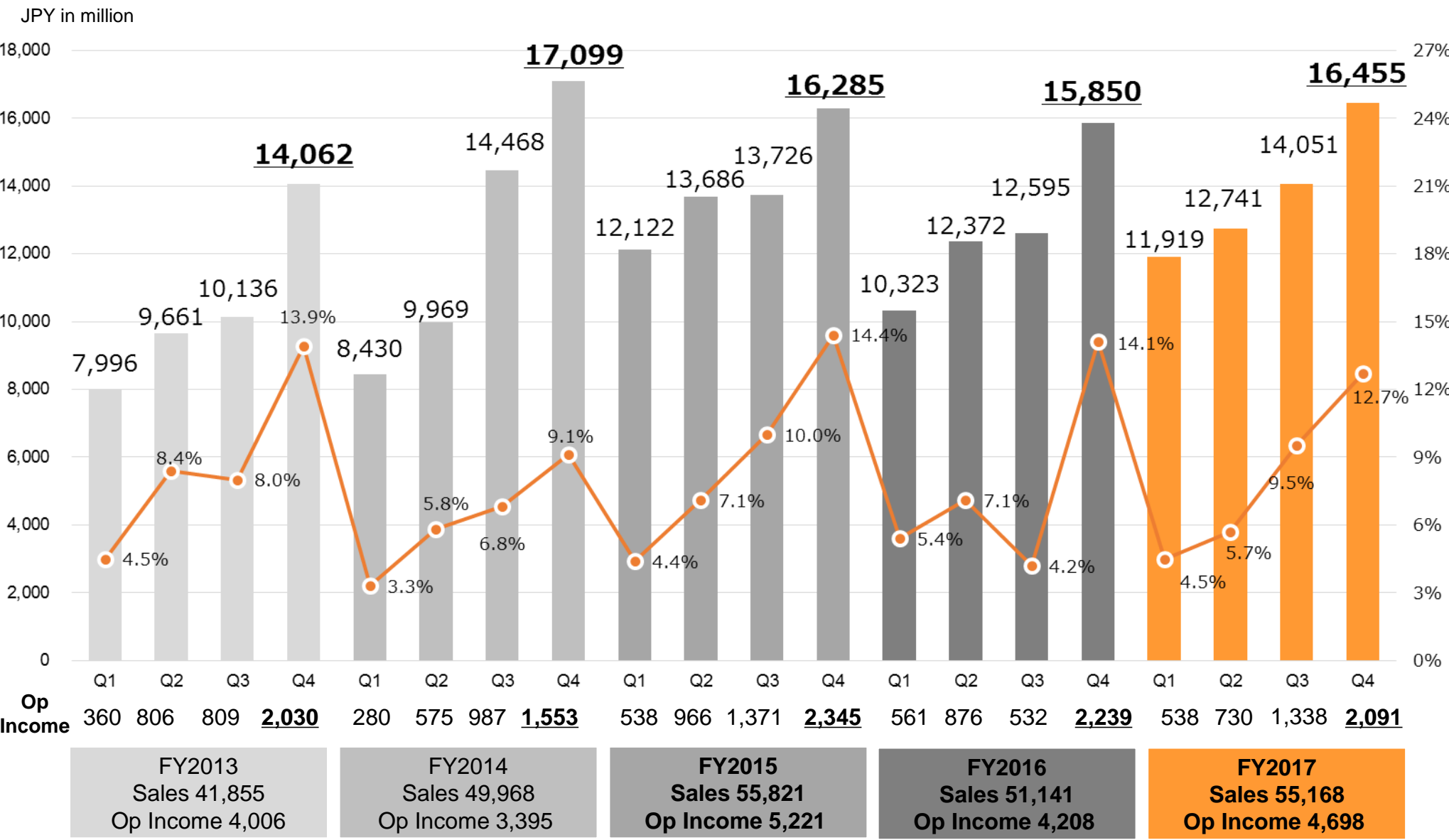


## Sales by Region in FY2017

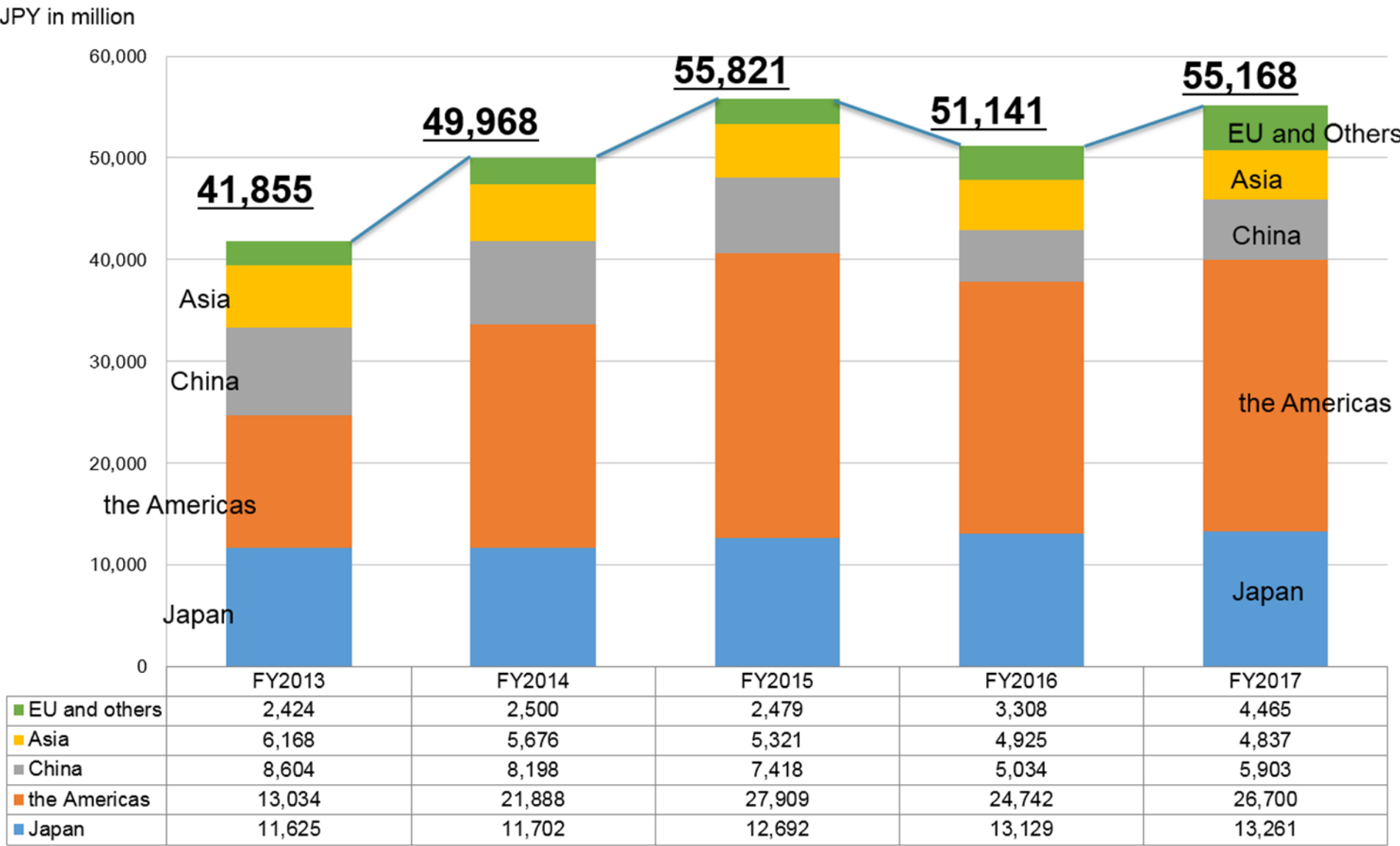


	FY2013	FY2014	FY2015	FY2016	FY2017
Sales from Non JP Market	72.2%	76.6%	77.3%	74.3%	76.0%
Average FX Rate					
USD /JPY	100.2	109.9	120.1	108.4	110.9
CAD /JPY	95.1	96.5	91.8	82.5	86.5
EUR /JPY	134.4	138.8	132.6	118.8	129.7
RMB /JPY	15.9	17.2	19.2	16.4	16.6
Capex (JPY in million)	2,440	1,408	2,013	2,393	1,411
Depreciation (JPY in million)	954	1,311	1,814	1,792	2,116

# Quarterly Sales and Operating Margin



# Sales by Regions



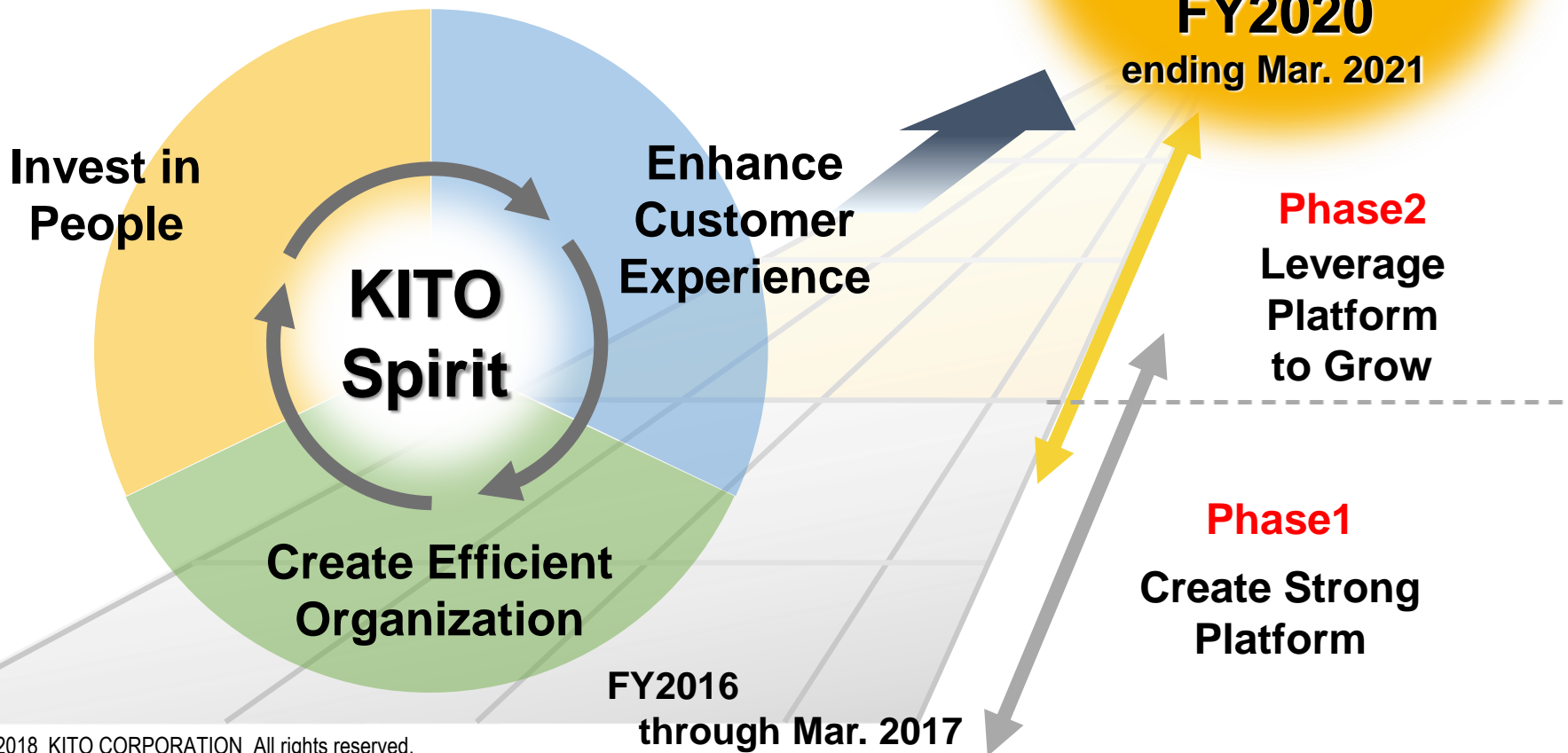
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# **Mid-Term Plan FY2016 – FY2020 (Apr 2016 – Mar 2021)**

# 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





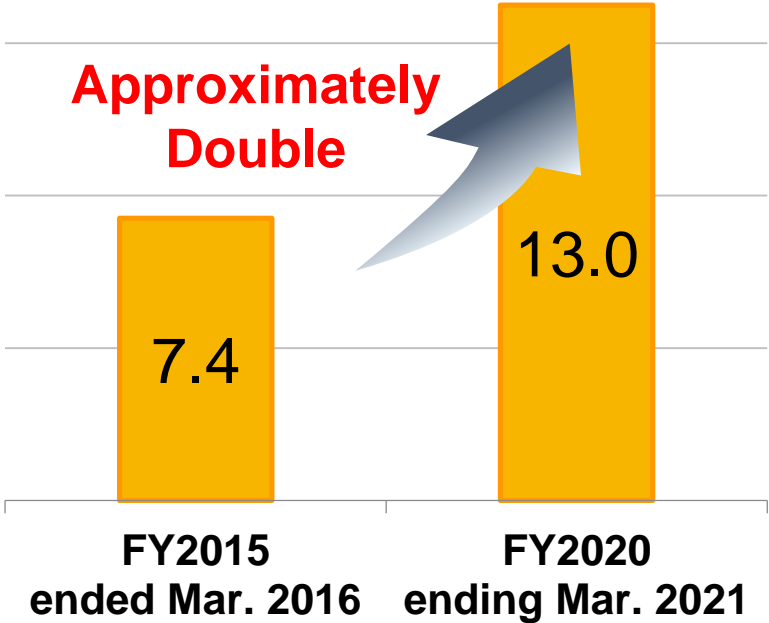
# Management Goals

## 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)

