

Financial Results for the fiscal year ended March 31, 2018

KITO CORPORATION

TSE 1st Section: 6409

May 15, 2018

FY2017 Summary

1. Market Environment

Demand has been stable in Japan through FY2017, and also in North America from the 2nd half. Globally demand has been in moderate recovery, with Chinese economy bottoming out.

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	55,168	up 7.9%
Operating Income	4,698	up 11.6%
Net Income *	2,836	up 49.4%

FX rate twelve months average (USD/JPY) JPY 110.9

3. Overall summary

- 1) Booking has been stable worldwide from infrastructure, energy related industries, and capital spending.
- 2) Production activity slowed temporarily following the switchover to the new IT infrastructure, and one-time increase in costs to catch up production and shipment delays.
>>>> With concerted effort production activities had been back to normal in FY2017
- 3) Changes in the external environment will demand close watching, including factors like foreign exchange rates, raw material costs and US-China relations.

1 FY2017 Financial Results

2 FY2018 Forecast

3 Reference

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

FY2017 Financial Highlights

JPY in million	FY 2016	FY 2017	YoY Change
Sales	51,141	55,168	7.9%
Operating Income	4,208	4,698	11.6%
Operating Income / Sales	(8.2%)	(8.5%)	
Non-operating income	199	204	
Non-operating expenses *	1,158	1,111	
Ordinary Income	3,249	3,791	16.7%
Ordinary Income / Sales	(6.4%)	(6.9%)	
Extraordinary Income	** 328	—	
Income Taxes	1,625	*** 845	
Net Income	1,897	2,836	49.4%
Net Income / Sales	(3.7%)	(5.1%)	
EBITDA	6,340	7,142	
Op Income + Depreciation			

Note: Exchange Rate (FY 2016→FY 2017)

USD 108.4 → 110.9 CAD 82.5 → 86.5 EUR 118.8 → 129.7 RMB 16.4 → 16.6

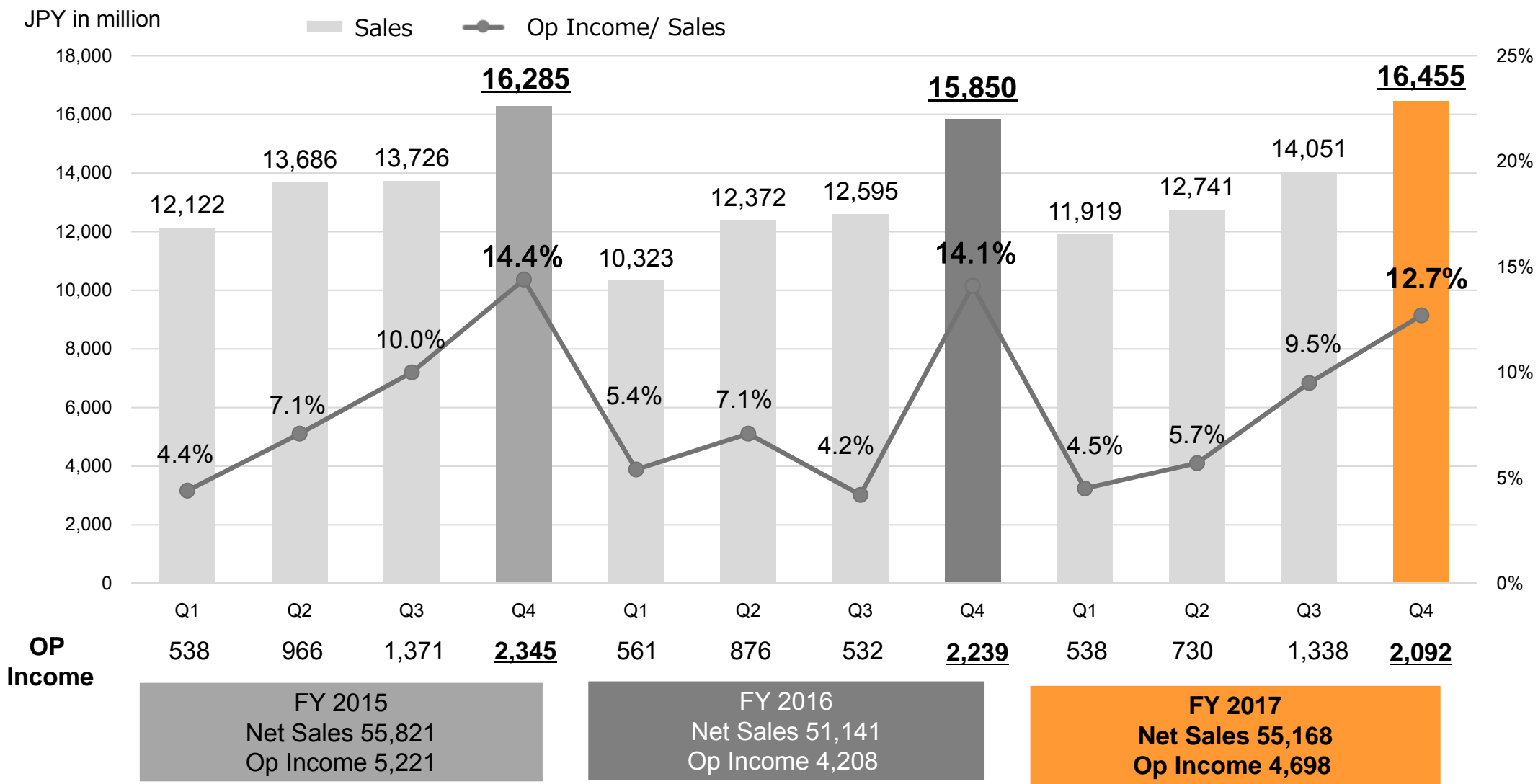
* Including equity losses in Kito Chain Italia, JPY 422 million in FY2016 and JPY 245 million in FY2017 respectively, which is not consolidate.

** The assessed net value of PWB Anchor, which Kito acquired in April 2016, was greater than the takeover cost, and the company posted gains from emergence of negative goodwill of JPY 489 million. Also JPY 161 million of impairment loss from Kito Taiwan was recorded.

*** Temporary effects from US corporate tax rate cut, approx. JPY 477 million, is included.

Quarterly Net Sales and Operating Margin

Sales and profit were boosted by growing demand across global market
One-time costs in Q4 to catch up production and shipment delays



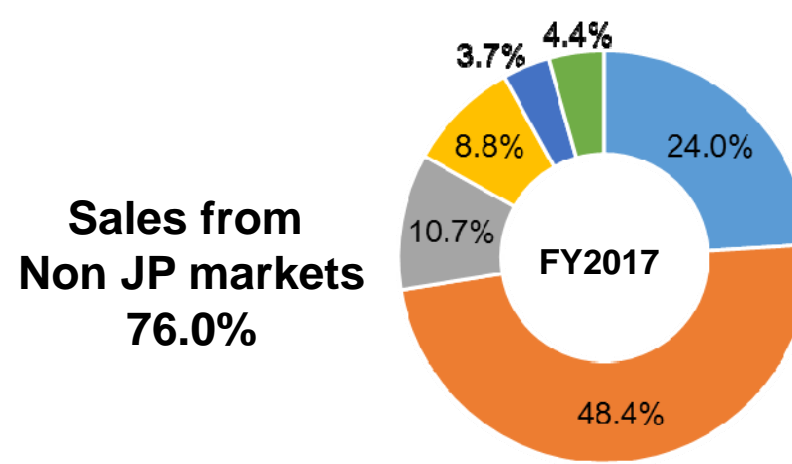
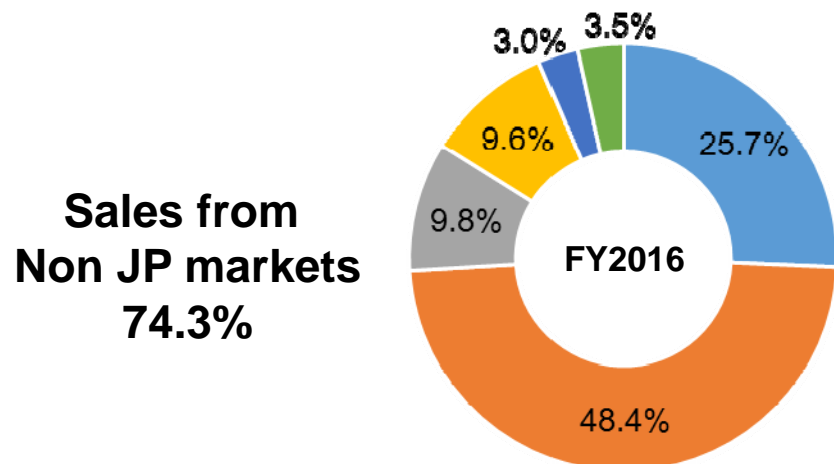
Net Sales by Region

Globally diversified portfolio / Sales increased YoY in each region

JPY in million	FY2015		FY 2016		FY 2017		YoY Change	
		% share		% share		% share	Change	% Change
Total	55,821	100.0%	51,141	100.0%	55,168	100.0%	4,027	7.9%
Japan	12,692	22.7%	13,129	25.7%	13,261	24.0%	132	1.0%
the Americas	27,909	50.0%	24,742	48.4%	26,700	48.4%	1,957	7.9%
China	7,418	13.3%	5,034	9.8%	5,903	10.7%	869	17.3%
Asia	5,321	9.5%	4,925	9.6%	4,837	8.8%	(88)	(1.8%)
Europe	1,837	3.3%	1,523	3.0%	2,060	3.7%	537	35.2%
Others	642	1.2%	1,785	3.5%	2,404	4.4%	619	34.7%

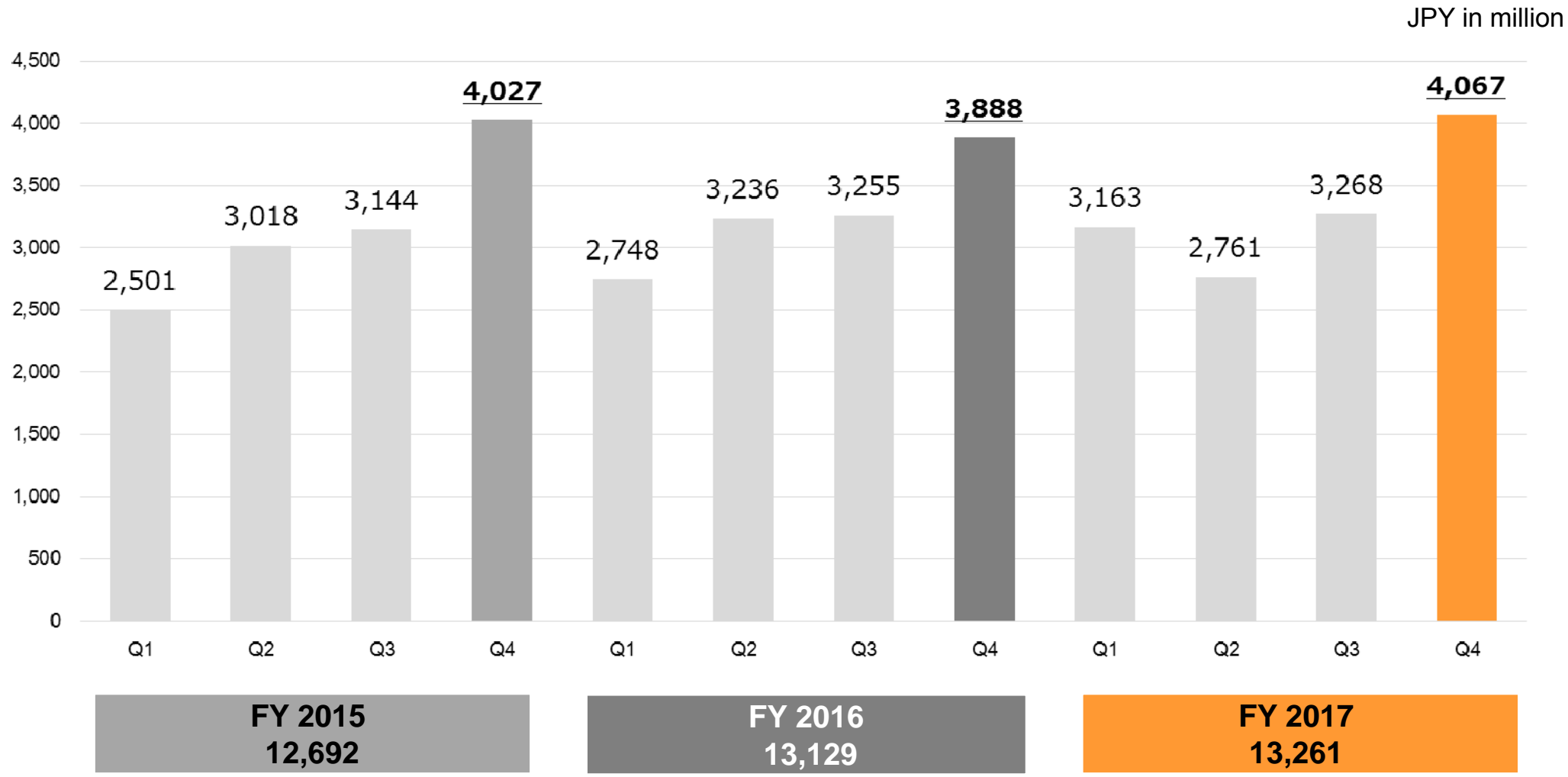
Note: Exchange Rate (FY 2016→FY 2017)

USD 108.4 → 110.9 CAD 82.5 → 86.5 EUR 118.0 → 129.7 RMB 16.4 → 16.6



Net Sales by Region (Japan)

- Production level at our main plant, slowed temporarily with IT infrastructure renovation in Q2, has returned to normal in Q3.
- Robust demand in infrastructure-building and private-sector equipment investment.

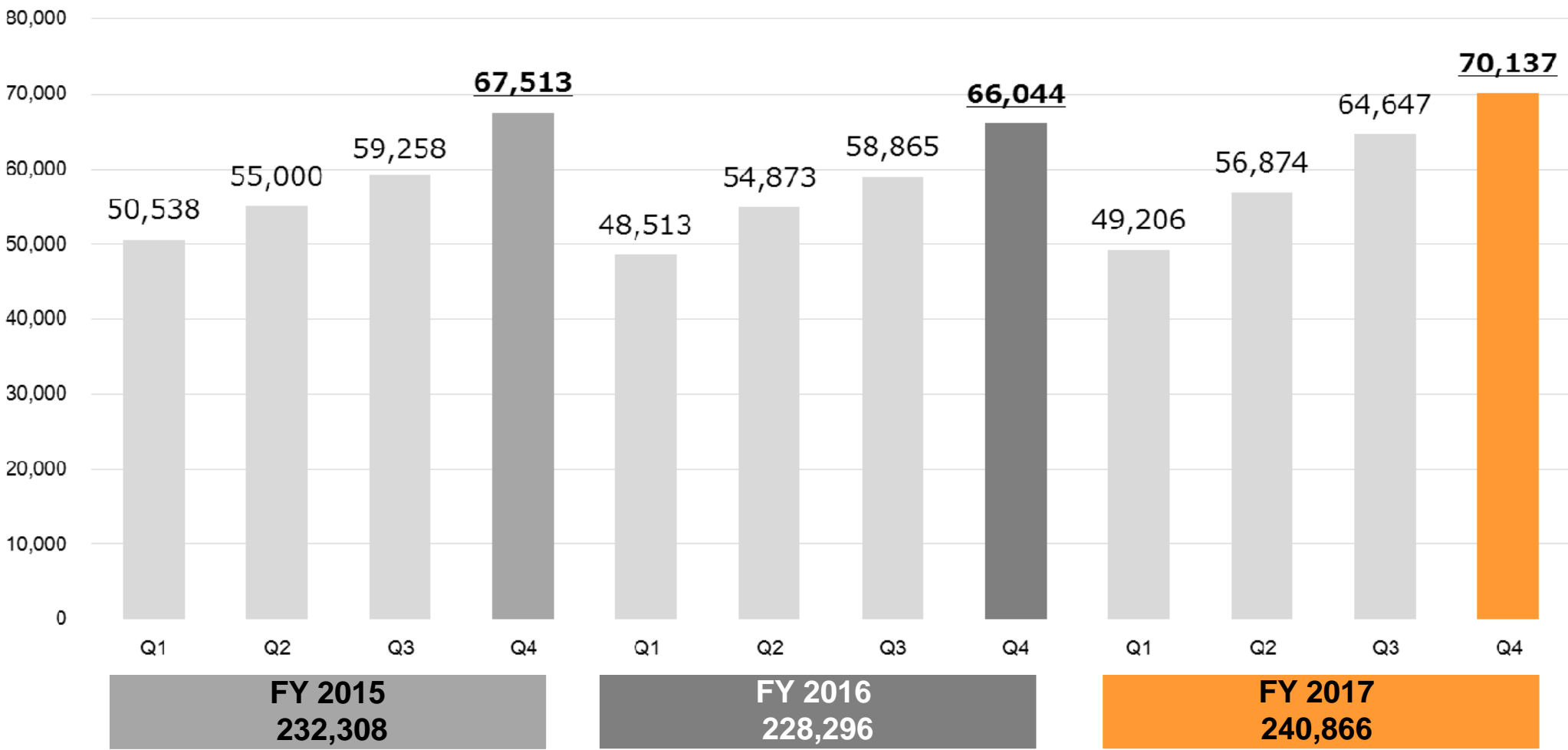


Net Sales by Region (the Americas)

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

- Investment demand remained brisk both in the manufacturing and the infrastructure sectors.
- Recent price increase in oil and natural gas boosting investment demand in energy industries

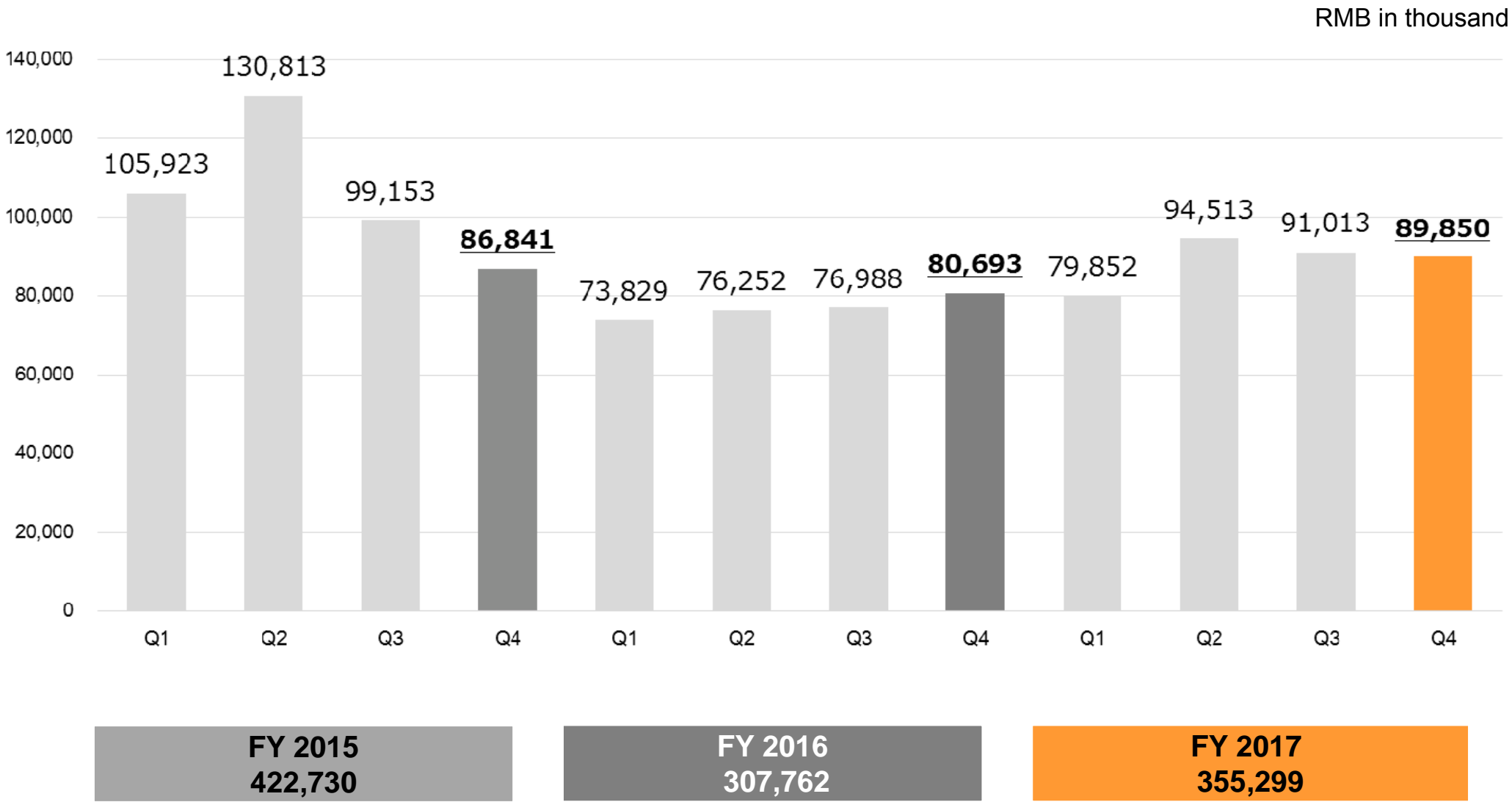
USD in thousand



Net Sales by Region (China)

Fiscal year of China starts in January and ends in December

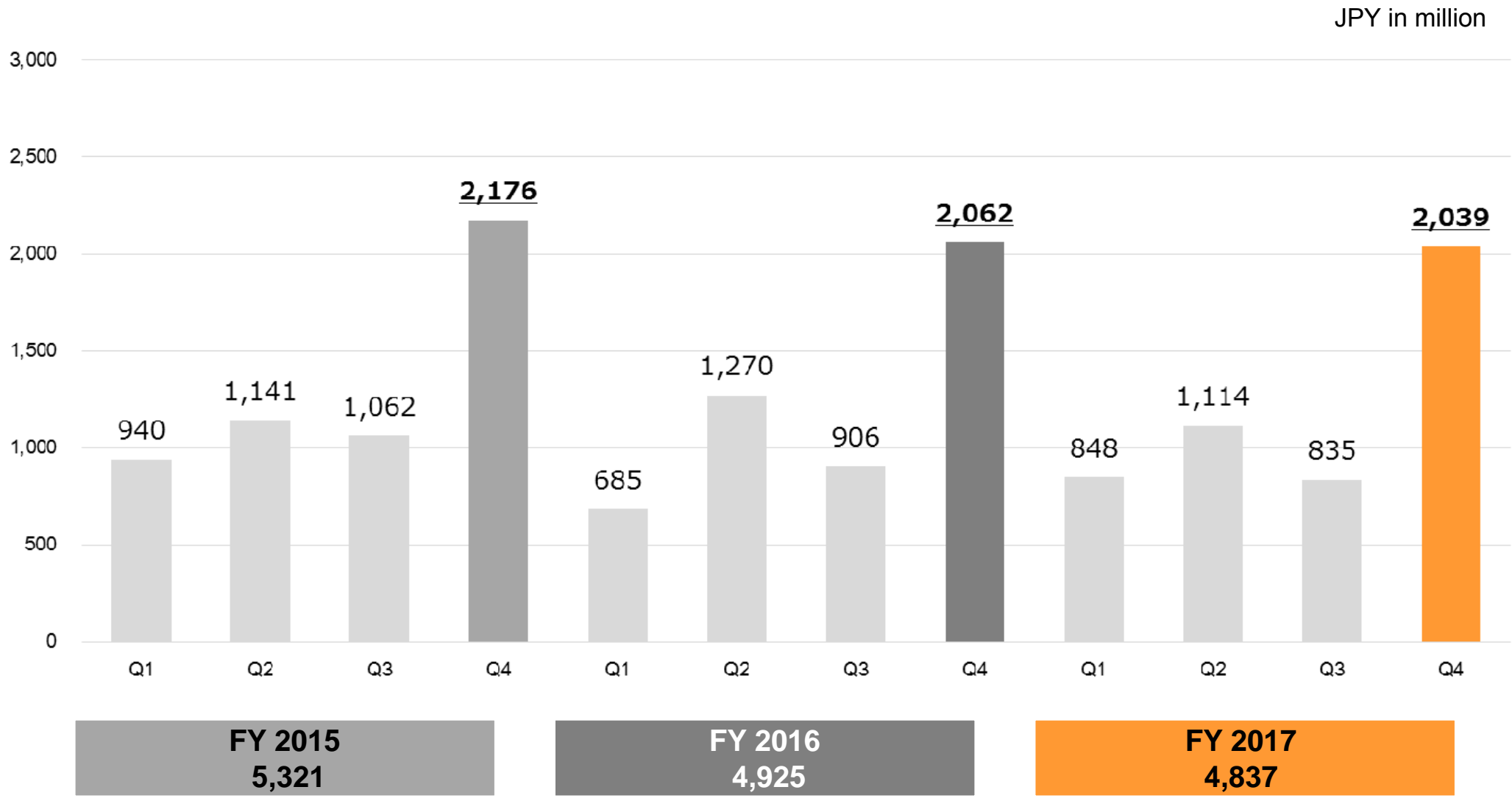
- Declining demand appears to have bottomed out as economic slowing has come under control.



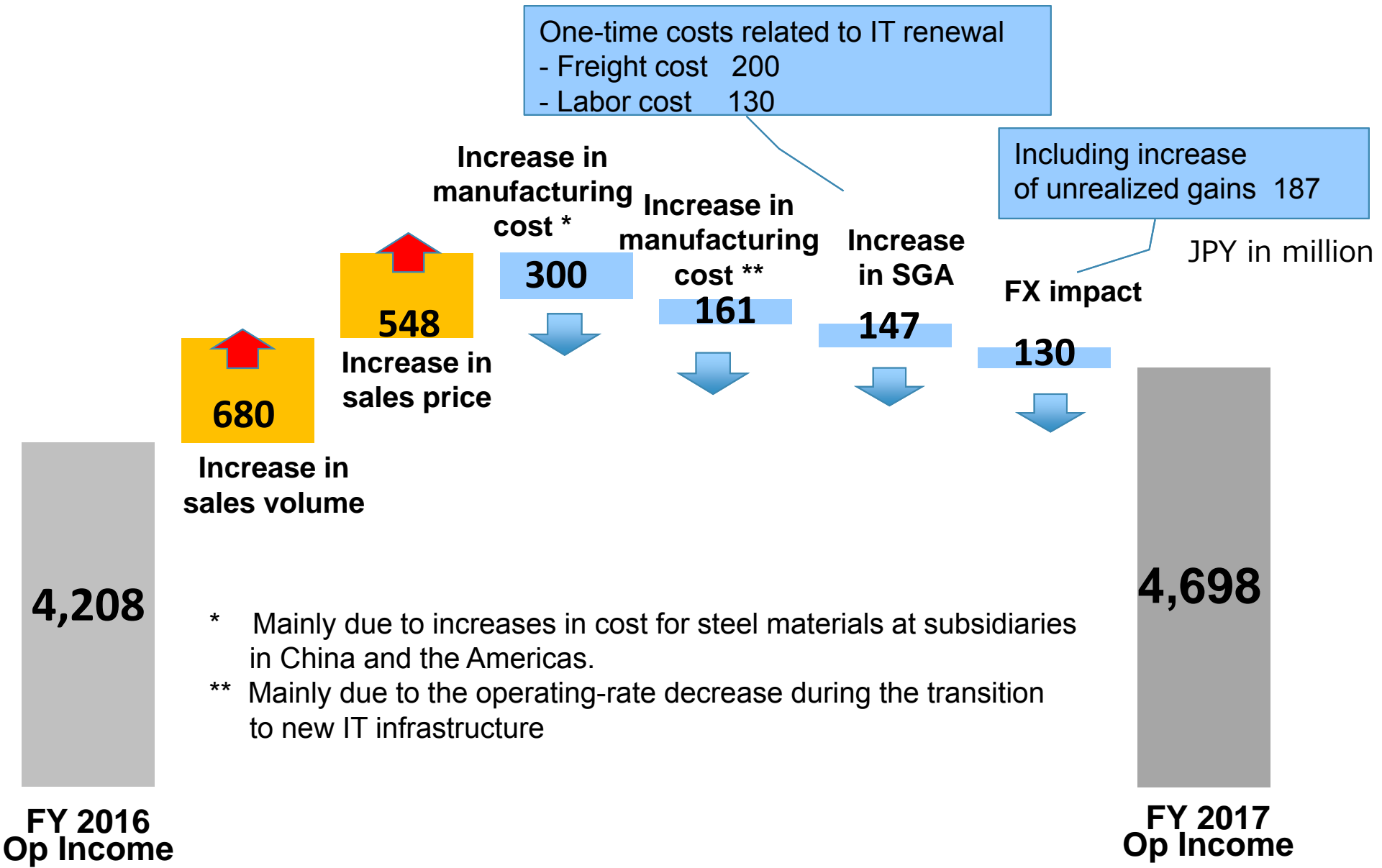
Net Sales by Region (Asia)

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

● Profitability was up in each area, meeting the stable demand.



Operating Income Comparison



FY2017 Consolidated Balance Sheet

JPY in million	FY 2016	FY 2017	Change
Current assets	37,960	40,130	2,170
Cash	9,069	10,780	1,711
Accounts receivable	11,139	11,447	308
Inventories	15,402	15,502	100
Others	2,348	2,401	53
Fixed assets	22,177	21,724	(453)
Tangible fixed assets	11,948	11,549	(399)
Intangible fixed assets	7,658	6,841	(817)
Investment & other assets	2,569	3,332	763
Total assets	60,137	61,854	1,717

JPY in million	FY 2016	FY 2017	Change
Current liabilities	20,023	18,619	(1,404)
Accounts payable	5,438	6,143	705
Short-term debt *	9,879	5,719	(4,160)
Others	4,705	6,754	2,049
Fixed liabilities	18,874	19,537	663
Long-term debt	14,298	15,731	1,433
Others	4,575	3,804	(771)
Total net assets	21,239	23,697	2,458
Total liabilities and net assets	60,137	61,854	1,717

Consolidated Cash Flows

	FY2016	FY2017	Change
Cash flows from operating activities	3,981	7,044	3,063
Cash flows from investing activities	(2,142)	(2,191)	(49)
Cash flows from financing activities	(1,148)	(3,083)	(1,935)
Effect of exchange rate changes on cash and cash equivalents	(152)	(59)	93
Net increase (decrease) in cash and cash equivalent	538	1,710	1,172
Cash and cash equivalents at end of period	9,059	10,769	1,710

[Cash flows from operating activities]

Income before income taxes	3,791
Depreciation and amortization	2,116
Decrease in trade receivables	(441)
Increase in inventories	(445)
Payment of income tax	(672)

[Cash flows from investing activities]

Acquisition of tangible fixed assets	(1,030)
Acquisition of intangible fixed assets	(380)
Payments of stocks of subsidiaries and affiliates	(498)

[Cash flows from financing activities]

Payment of short term debt	(8,600)
Increase in long term debt	6,723

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FY2017 Financial Results

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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.
 - While demand recovery is expected in infrastructure investment, energy-related industries will remain soft.

- Initiatives**
- Increase customer satisfaction, with shorter lead time and higher service quality
 - Expand product offerings to meet broader customer demand

FY2018 Forecast

China



- Market**
- Recovery in demand is expected with the economic slowdown bottomed out.
 - Chinese official's strengthening its environmental policies.
- Initiatives**
- Expand local production of global products.
 - 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

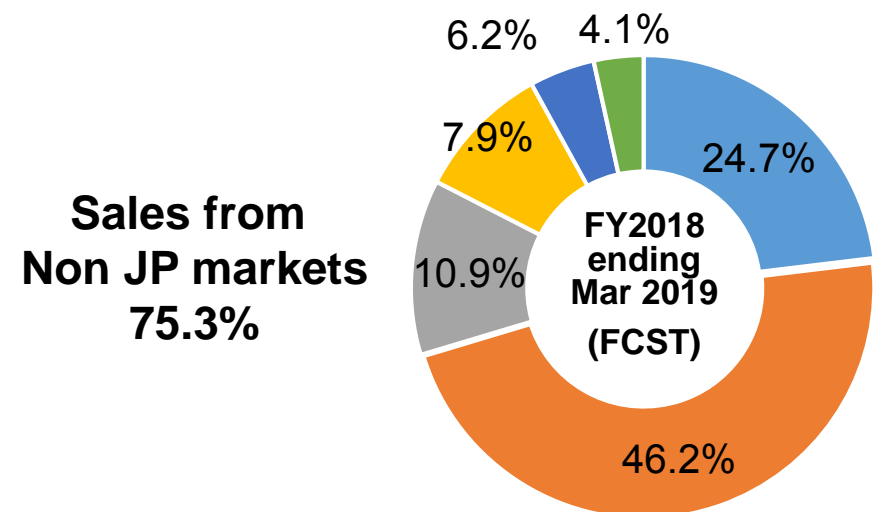
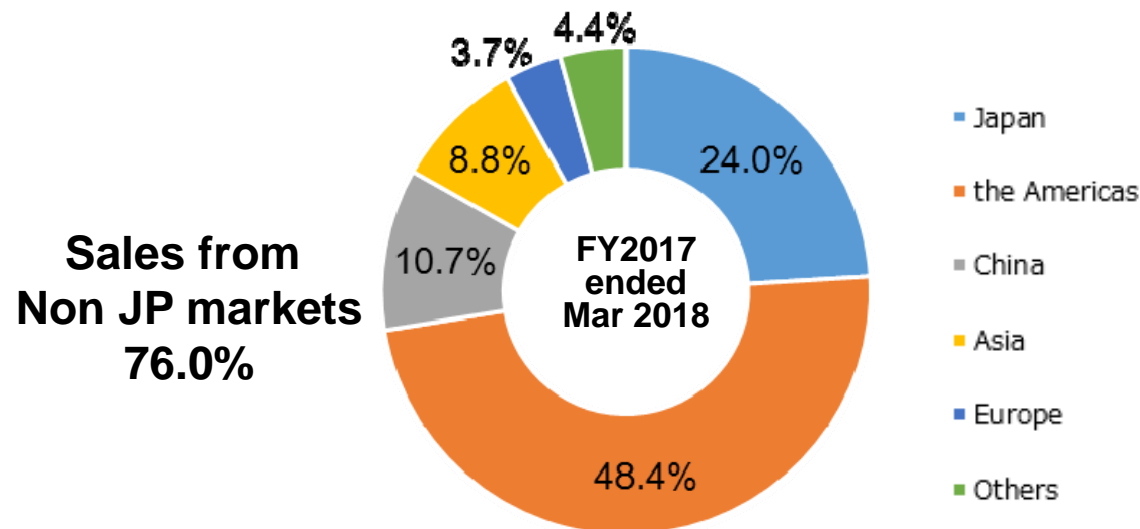
Europe



- Market**
- Expect moderate demand growth in broader industries
- Initiatives**
- Cultivate new market with 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	%
Total	55,168	100.0%	58,000	100.0%	2,832	5.1%
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

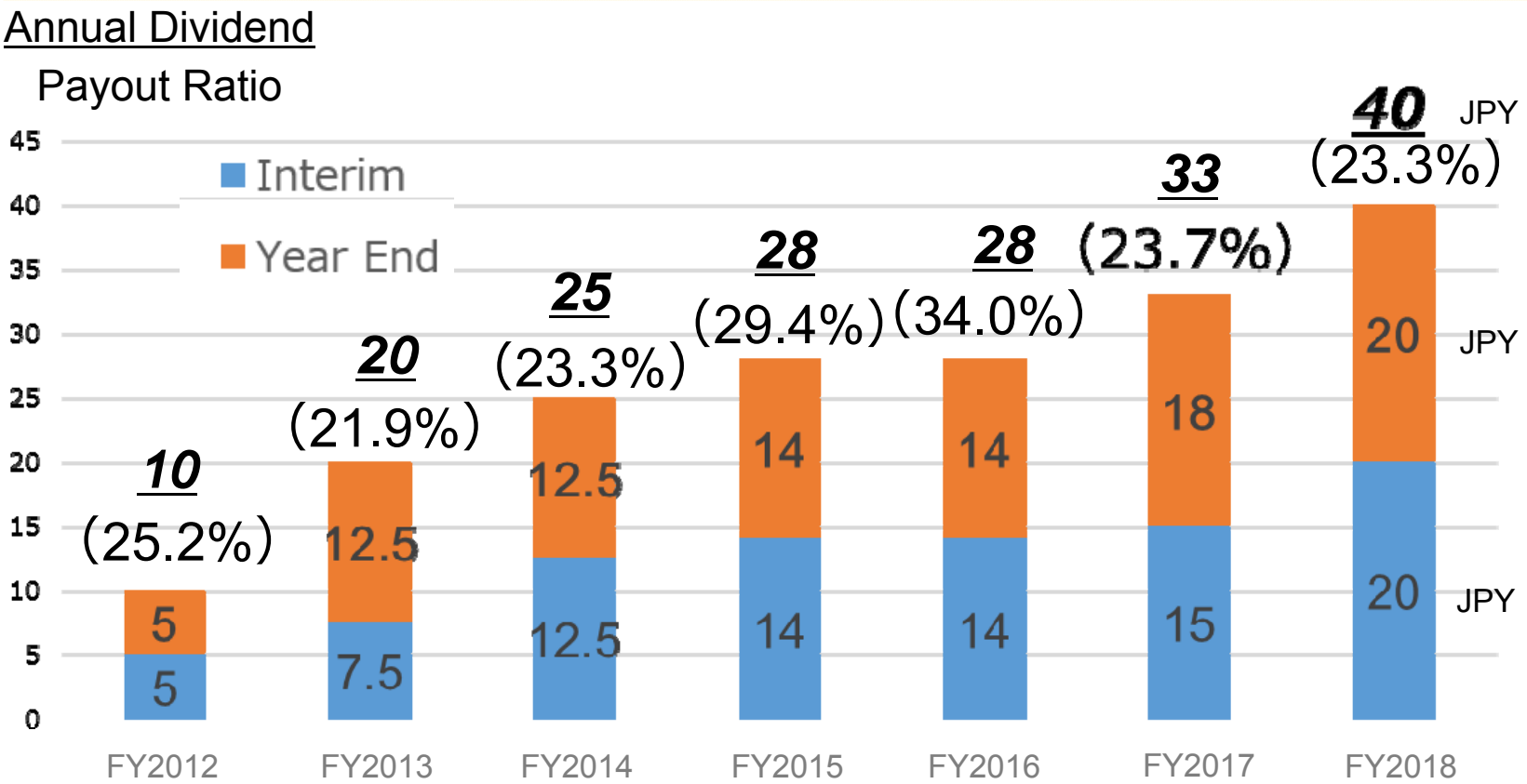
JPY in million	FY 2017	FY 2018	YoY Change
Sales	55,168	58,000	5.1%
Operating Income Operating Income / Sales	4,698 (8.5%)	5,500 (9.5%)	17.1%
Ordinary Income Ordinary Income / Sales	3,791 (6.9%)	5,100 (8.8%)	34.5%
Net Income Net Income / Sales	2,836 (5.1%)	3,500 (6.0%)	23.4%
EBITDA Op Income + Depreciation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

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

Dividend

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



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

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FY2017 Financial Results

2

FY2018 Forecast

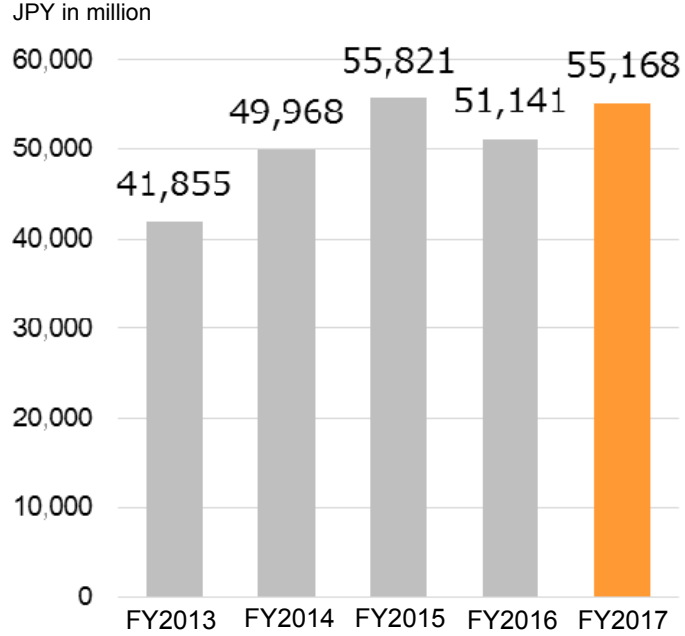
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Reference

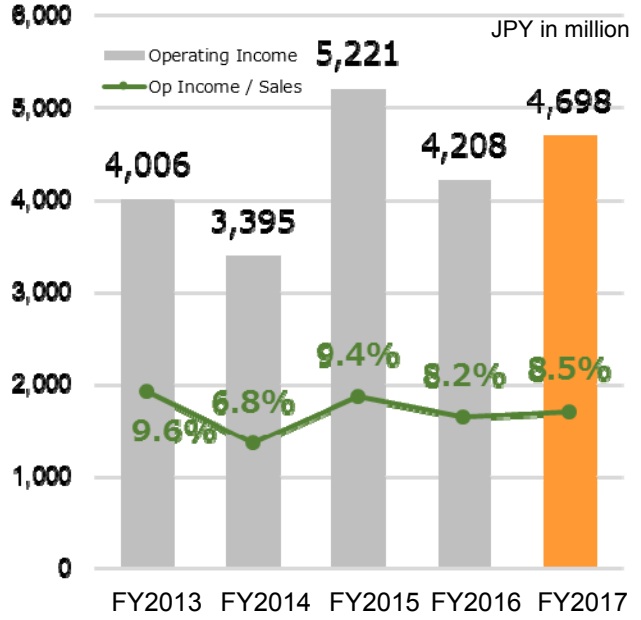
- **Five Year Financial Results (FY 2013 – FY 2017)**
- **Mid-Term Plan (FY 2016 – FY 2020)**

Key figures

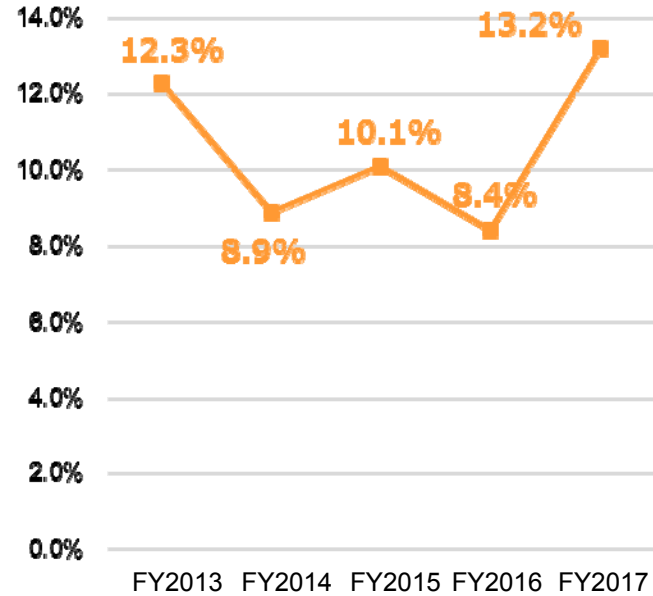
Sales



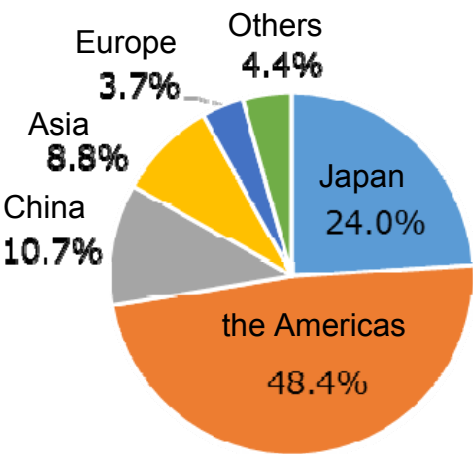
Op Income and Op Margin



ROE

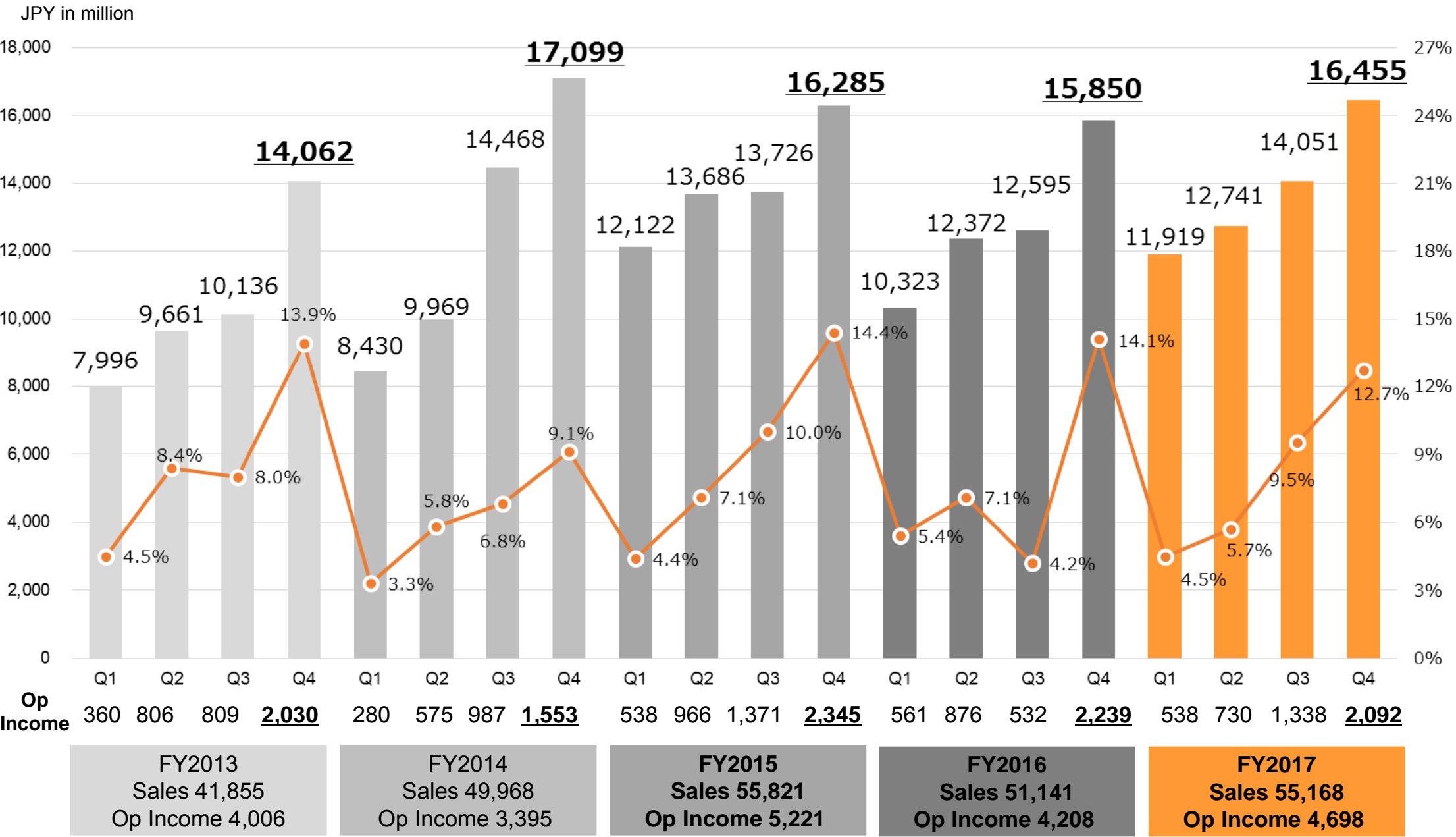


Sales by Region in FY2017



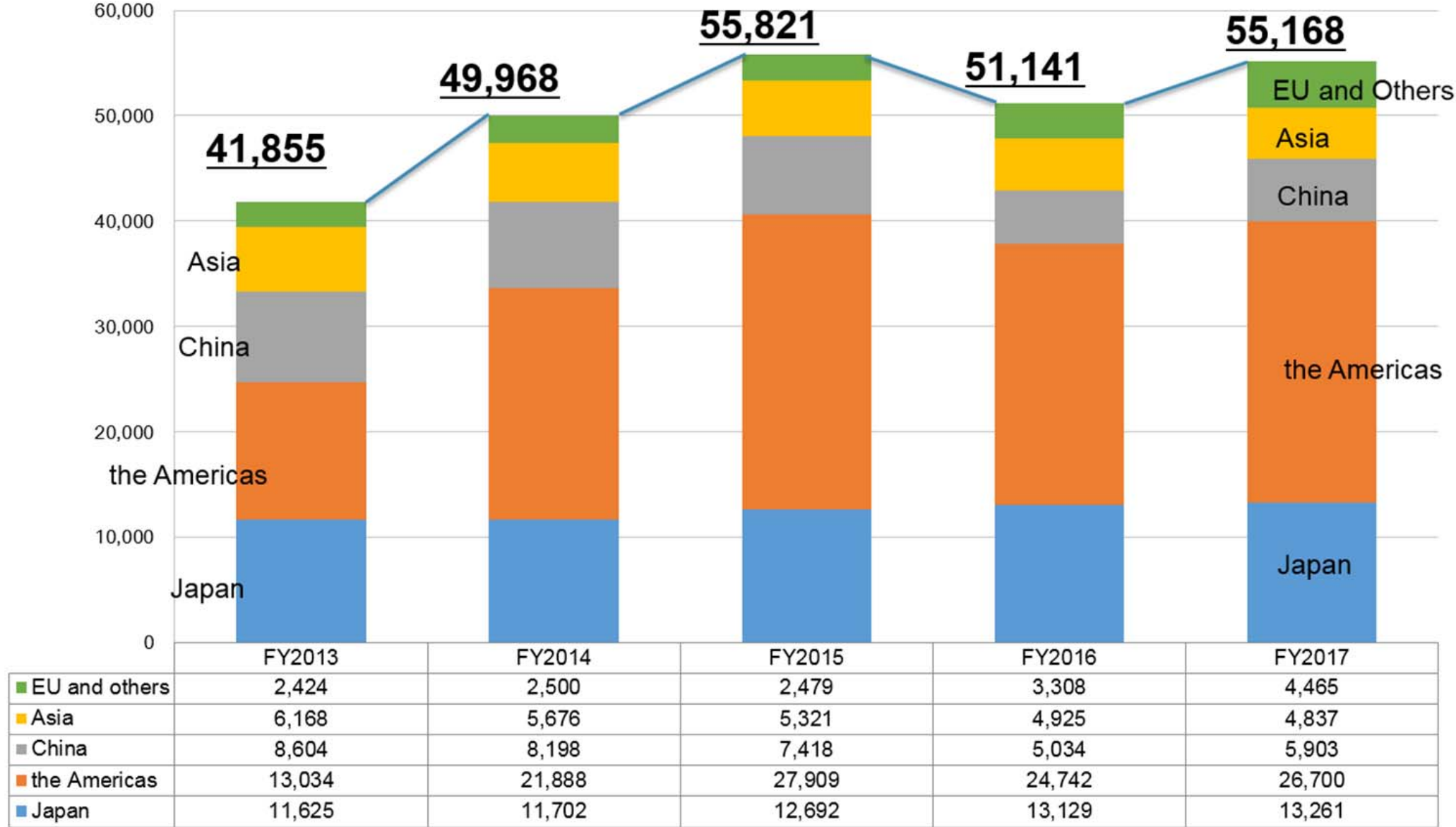
	FY2013	FY2014	FY2015	FY2016	FY2017
Sales from Non JP Market	72.2%	76.6%	77.3%	74.3%	76.0%
Average FX Rate					
USD /JPY	100.2	109.9	120.1	108.4	110.9
CAD /JPY	95.1	96.5	91.8	82.5	86.5
EUR /JPY	134.4	138.8	132.6	118.8	129.7
RMB /JPY	15.9	17.2	19.2	16.4	16.6
Capex (JPY in million)	2,440	1,408	2,013	2,393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

Quarterly Sales and Operating Margin



Sales by Regions

JPY in million



**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



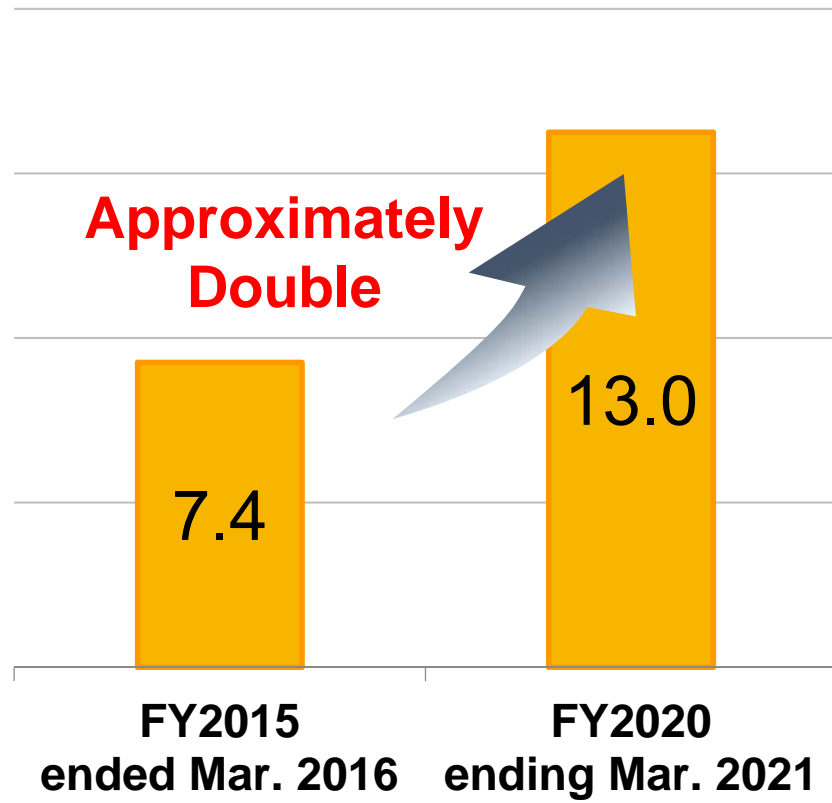
Management Goals

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)

“Lifting Expectations”

