
Financial Results for the FY ended March 2017

KITO CORPORATION

TSE 1st Section: 6409

May 15, 2017

FY2016 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. Demand in Japan had been in gradual expansion trend.

2. Business Results

Japan leads the overall results with firm demand related to infrastructure investments. The appreciation of the JPY, and about JPY 600 million expenses in the unsuccessful M&A bidding process impacted on our business results.

Sales	JPY 51,141 million	YoY(8.4)%
Operating Income	JPY 4,208 million	YoY(19.4)%
Net Income	JPY 1,897 million	YoY(24.0)%

Attributable to owners of parent

FX rate FY 2016 Average (USD/JPY) 108.4

3. Overall summary

- 1) Sales were stable with brisk domestic demand from infrastructure. Short of sales target due to the appreciation of the JPY.
- 2) Promote the Mid-Term Plan for greater efficiency in daily work, better financial health and higher profit.
- 3) An uncertain trend in FX rates and changes in the external environment to be closely monitored.

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FY2016 Financial Results

2

FY2017 Forecast

3

Reference

- **Five Year Financial Results (FY 2012 - 2016)**
- **New Mid-Term Plan (FY 2016 – 2020)**

FY2016 Financial Highlights

JPY in million	FY2015 ended Mar. 2016	FY2016 ended Mar. 2017	YoY Change
Sales	55,821	51,141	(8.4%)
Operating Income Operating Income / Sales	5,221 9.4%	4,208 8.2%	(19.4%)
Ordinary Income Ordinary Income / Sales	4,576 8.2%	3,249 6.4%	(29.0%)
Extraordinary Income	—	* 489	
Extraordinary Loss	366	** 161	
Income Tax	1,611	*** 1,695	
Net Income Net Income / Sales	2,497 4.5%	1,897 3.7%	(24.0%)
EBITDA Op Income + Depreciation	7,422	6,340	

Note: Exchange Rate (FY2015 -> FY2016)

USD/JPY 120.1→108.4 CAD/JPY 91.8→82.5 EUR/JPY 132.6→118.8 RMB/JPY 19.2→16.4

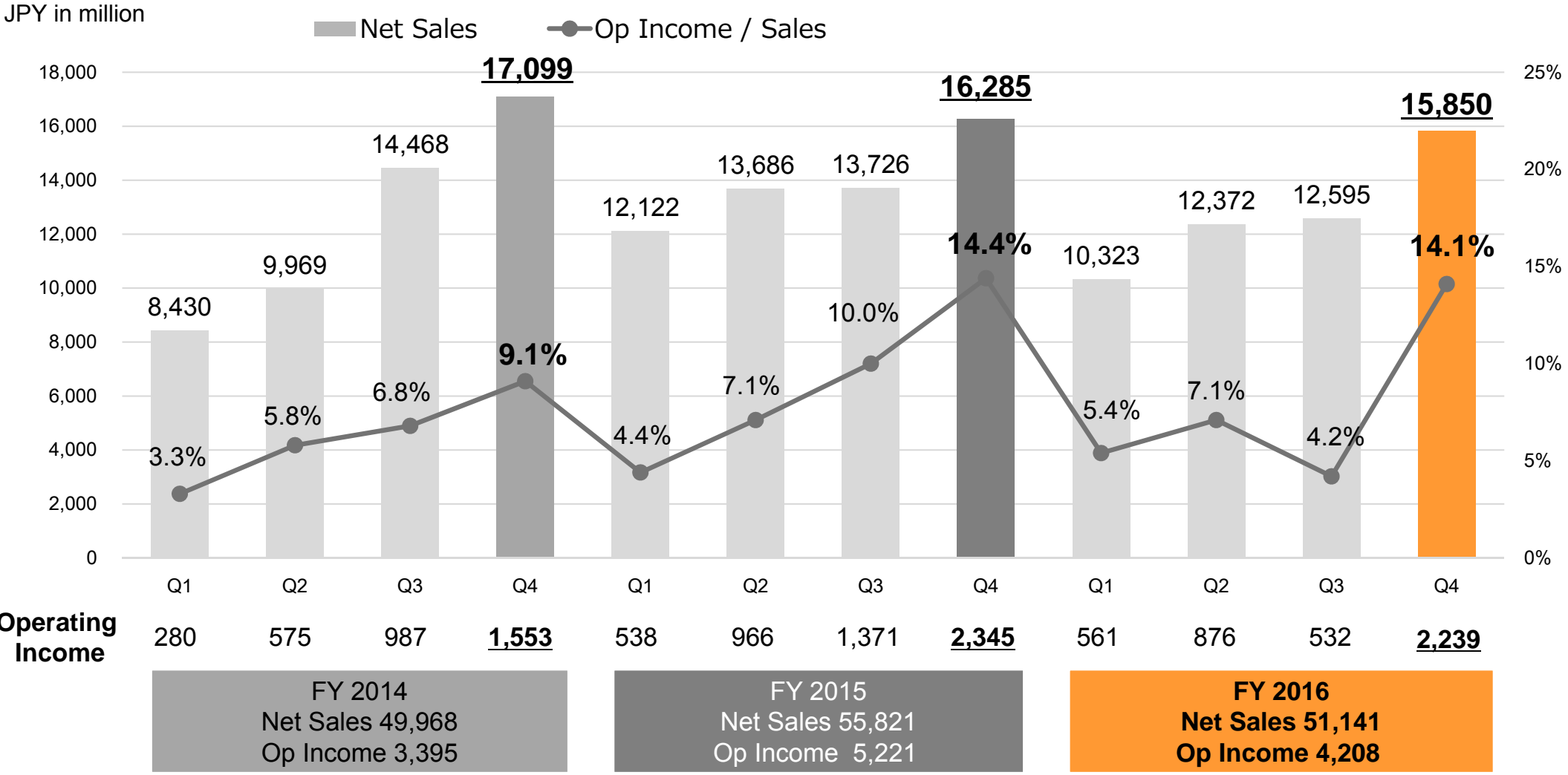
* The assessed net value of PWB Anchor, which Kito recently acquired, was greater than the takeover cost, and the company posted gains from emergence of negative goodwill.

** Impairment loss of 160 million yen from Kito Taiwan

*** Includes corporate tax adjustment of 589 million yen.

Net Sales and Operating Margin

- While operations in Japan and Americas were solid, net sales were down due to the appreciation of the JPY
 - About JPY 600 million was recorded in expenses required in the unsuccessful M&A bidding process

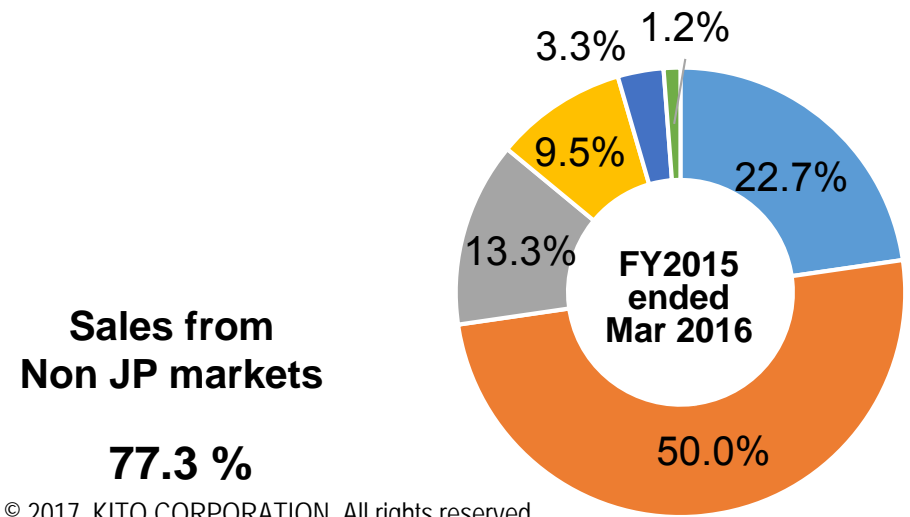


Net Sales by Region

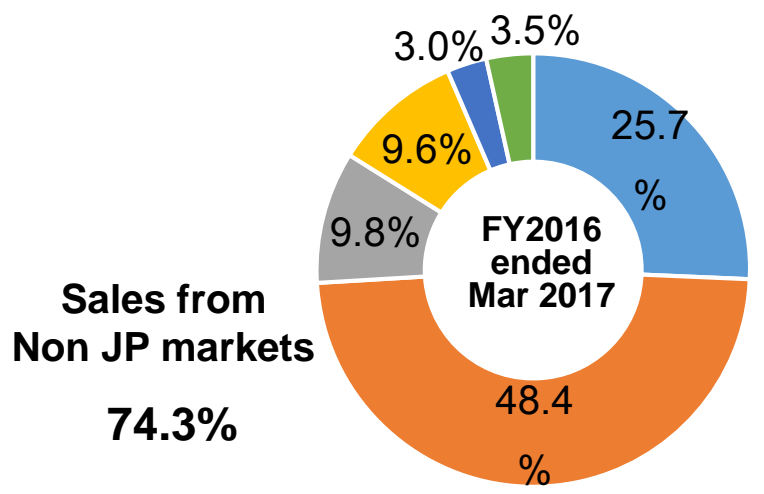
Globally diversified portfolio with non-Japanese sales exceeding 70%

JPY in million	FY2014		FY2015		FY2016		YoY Change	
	Amount	% share	Amount	% share	Amount	% share	Amount	%
Total	49,968	100.0%	55,821	100.0%	51,141	100.0%	(4,680)	(8.4)%
Japan	11,702	23.4%	12,692	22.7%	13,129	25.7%	437	3.4%
Americas	21,888	43.8%	27,909	50.0%	24,742	48.4%	(3,166)	(11.3)%
China	8,198	16.4%	7,418	13.3%	5,034	9.8%	(2,383)	(32.1)%
Asia	5,676	11.4%	5,321	9.5%	4,925	9.6%	(395)	(7.4)%
Europe	1,823	3.7%	1,837	3.3%	1,523	3.0%	(313)	(17.1)%
Others	677	1.4%	642	1.2%	*1,785	3.5%	1,143	178.0%

Note: Exchange Rate (FY2015 -> FY2016) * Including PWB Anchor of Australia, which was consolidated in Sep- quarter
 USD/JPY 120.1→108.4 CAD/JPY 91.8→82.5 EUR/JPY 132.6→118.8 RMB/JPY 19.2→16.4

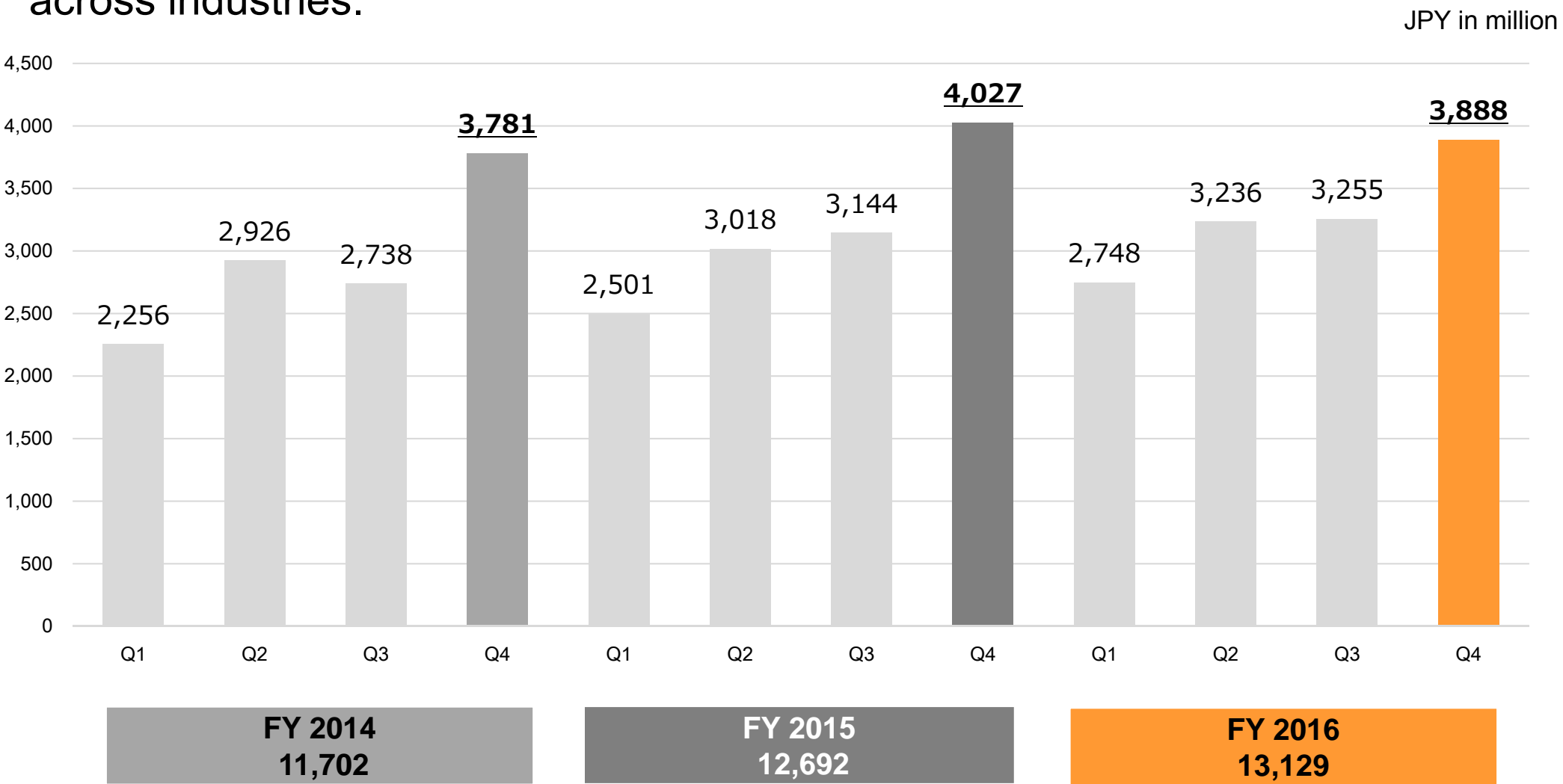


- Japan
- Americas
- China
- Asia
- Europe
- Others



Net Sales by Region (Japan)

- Stable demand related to the infrastructure industries of power plant, bridge, etc., continues
- Private-sector investment has been stable despite general caution across industries.

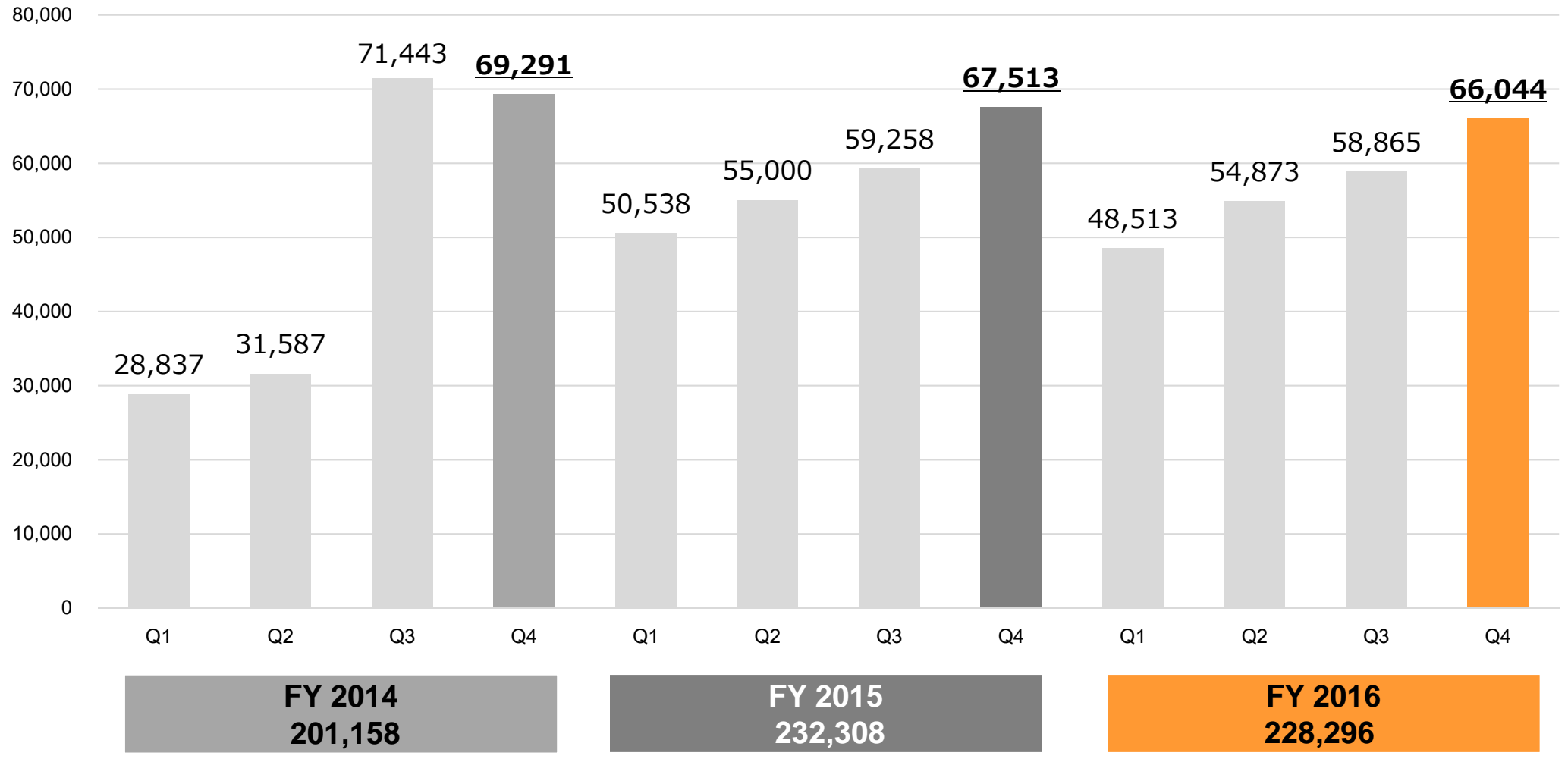


Net Sales by Region (Americas)

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

- Capital investments were postponed in response to heightened uncertainty surrounding the change in govt administration
- Net sales was almost flat YoY, with softening demand among energy related industries covered by sales from chain related products

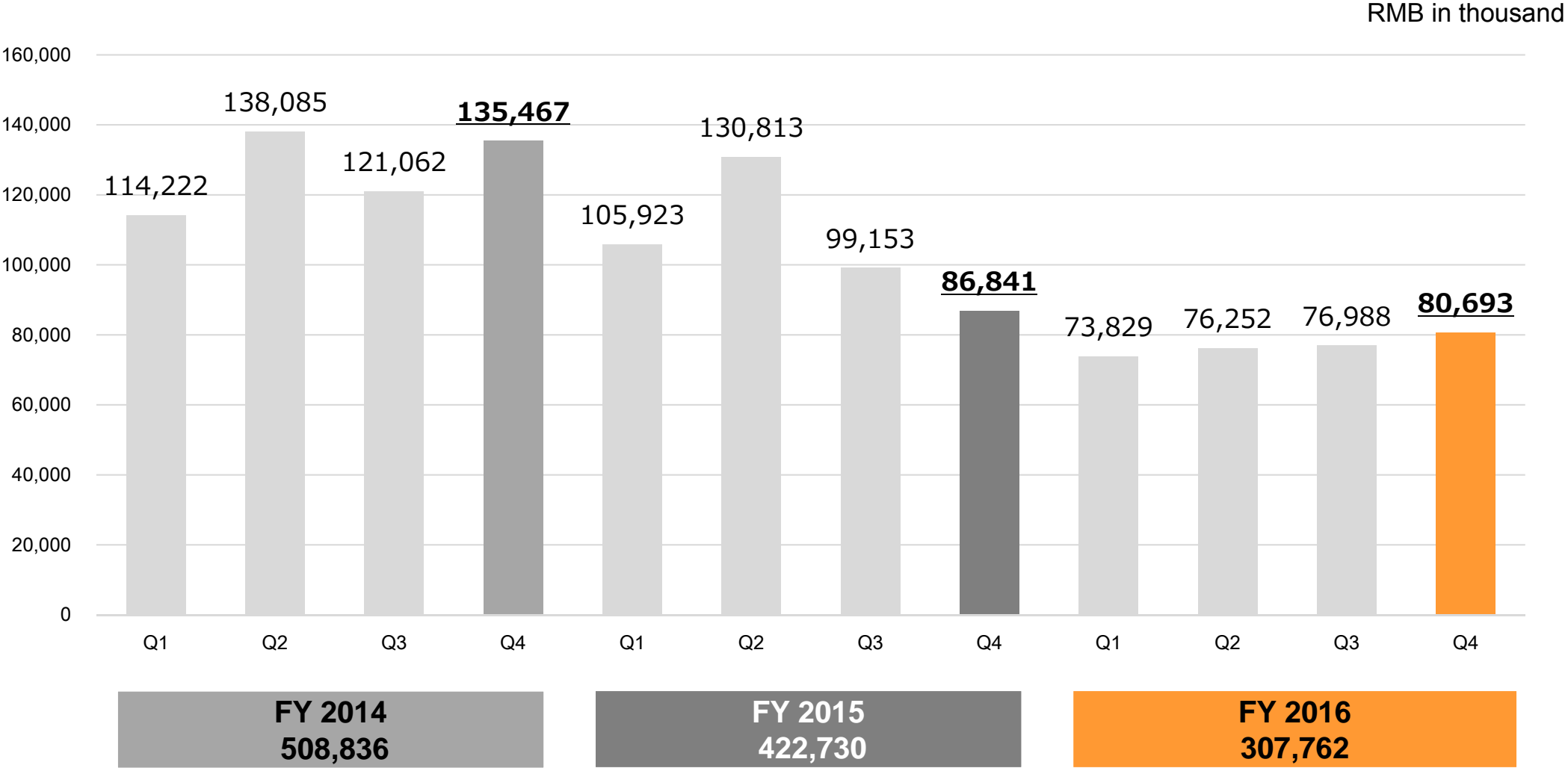
USD in thousand



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
- Downturn in demand has shown some signs of having bottomed out.

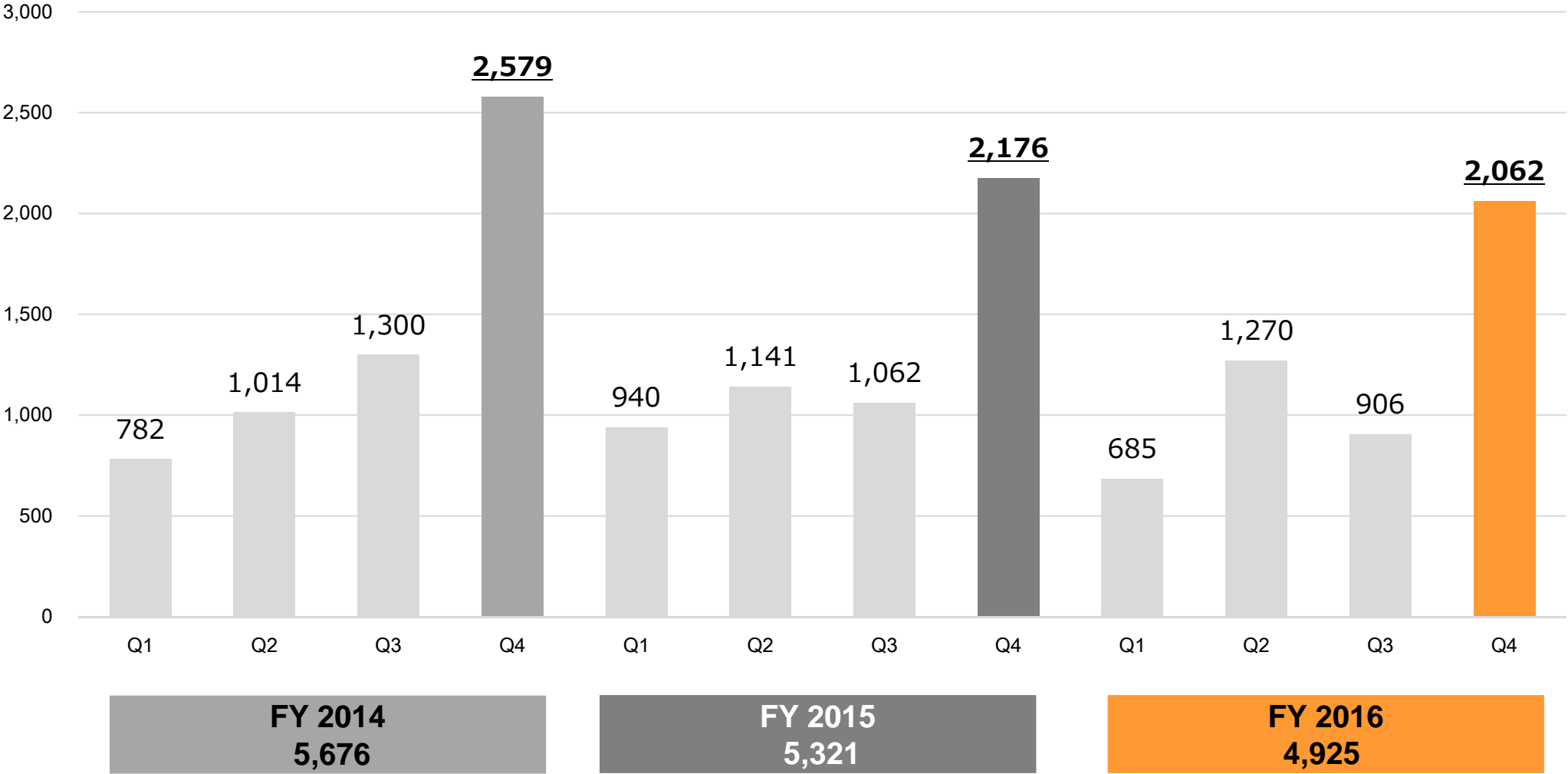


Net Sales by Region (Asia)

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

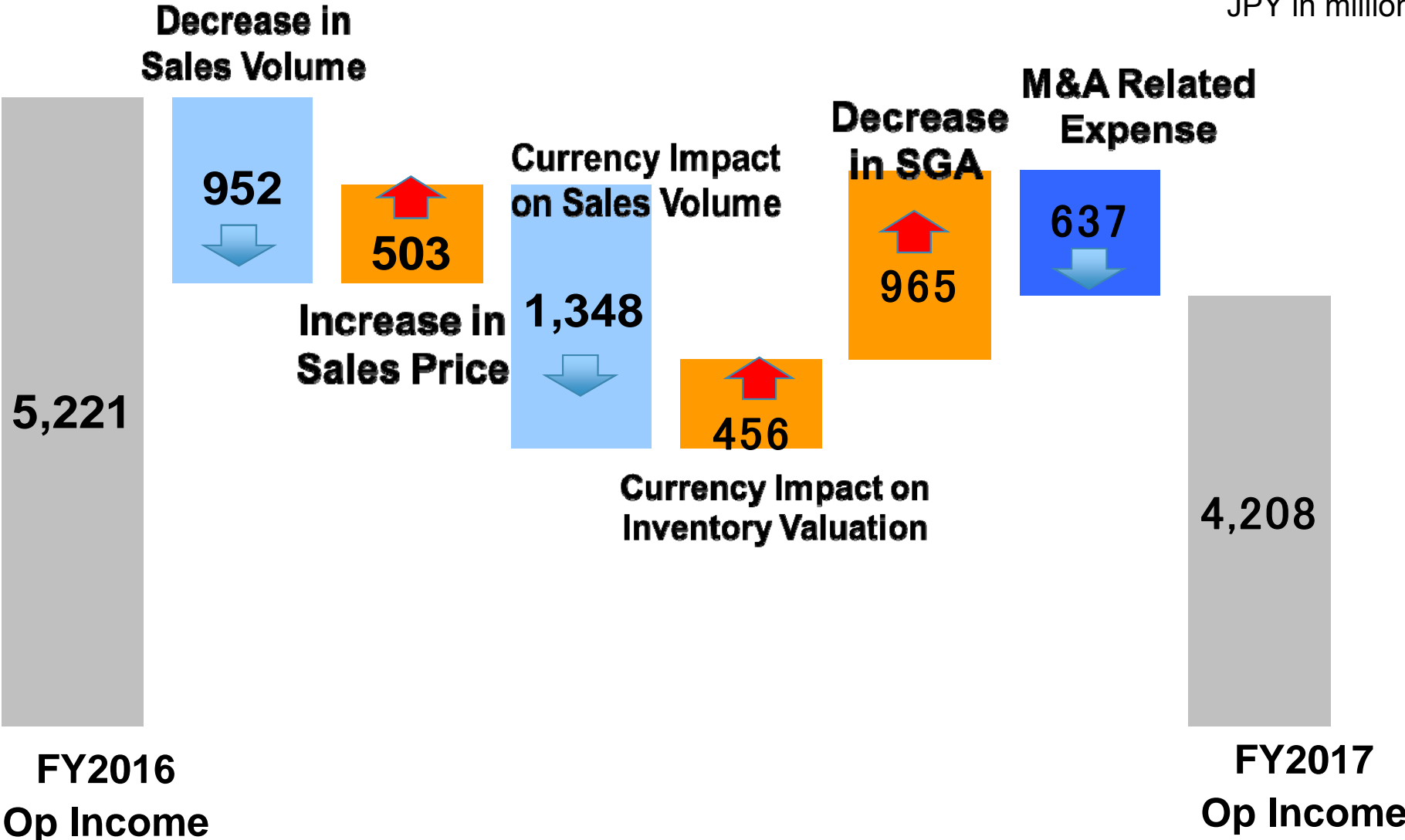
- Large order from display panel industry for cleanroom cranes in South Korea
- More careful profit management in Asian region brought positive results

JPY in million



Operating Income Comparison

JPY in million



FY2016 Consolidated Balance Sheet

JPY in million	Mar 2016	Mar 2017	Change
Current assets	37,599	37,960	360
Cash	8,529	9,069	540
Accounts receivable	11,761	11,139	(621)
Inventories	13,852	15,402	1,549
Others	3,456	2,348	(1,107)
Fixed assets	23,040	22,177	(863)
Tangible fixed assets	11,901	11,948	47
Intangible fixed assets	7,896	7,658	(238)
Investment & other assets	3,242	2,569	(672)
Total assets	60,639	60,137	(502)

JPY in million	Mar 2016	Mar 2017	Change
Current liabilities	15,072	20,023	4,951
Accounts payable	5,301	5,438	137
Short-term debt	4,595	9,879	5,283
Others	5,175	4,705	(469)
Fixed liabilities	19,527	18,874	(653)
Long-term debt	14,687	14,298	(388)
Others	4,839	4,575	(264)
Total net assets	26,040	21,239	(4,800)
Total liabilities and net assets	60,639	60,137	(502)

Consolidated Cash Flows

	FY2015	FY2016	Change	
Cash flows from operating activities	4,502	3,981	(521)	[Cash flows from operating activities] Income before income taxes: 3,578 Depreciation and amortization 1,792 Depreciation of goodwill 338 Payment of income tax (1,662)
Cash flows from investing activities	(3,572)	(2,142)	1,430	[Cash flows from investing activities] Acquisition of tangible fixed assets (1,740) Acquisition of intangible fixed assets (653)
Cash flows from financing activities	(1,900)	(1,148)	751	[Cash flows from financing activities] Increase in short term debt 5,057 Increase in long term debt 3,000 Payment of long term debt (2,973) Dividends payment (651) Purchase of treasury stock (5,462)
Effect of exchange rate changes on cash and cash equivalents	(285)	(152)	133	
Net increase (decrease) in cash and cash equivalent	(1,256)	538	1,794	
Cash and cash equivalents at end of period	8,521	9,059	538	

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FY2016 Financial Results

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FY2017 Forecast

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Reference

- Five Year Financial Results (FY 2012 - 2016)
- New Mid-Term Plan (FY 2016 – 2020)

FY2017 Forecast

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 products.
 - Strengthen sales networks among crane-builders.

Americas



- Market
- Demand will be firm in a broader industrial mix.
 - Recovery in demand is expected in the energy sector and infrastructure investment.
- Initiatives
- Strengthen competitive market positions with broader product offerings.
 - Expand local manufacturing for optimal supply-chain support.

FY2017 Forecast

China



- Market
- Uncertain amid economic slowdown continues, though bottoming out is expected
- Initiatives
- Expand local production of global products.
 - Focus on cost and profit management to ensure high margins.

Asia



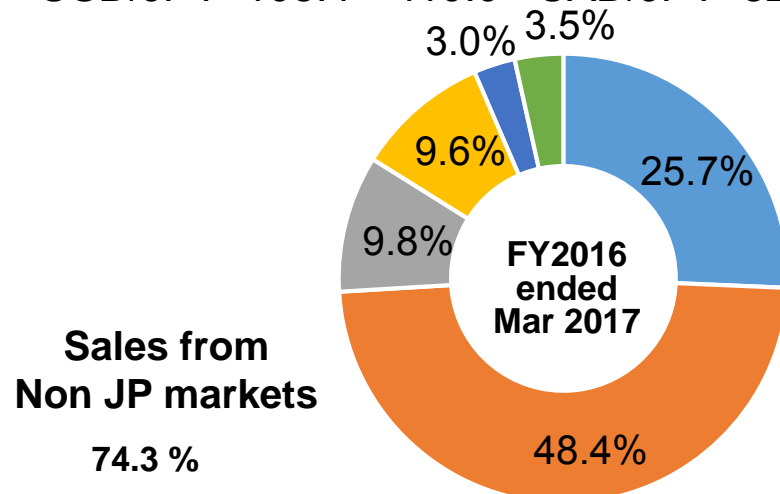
- Market
- Recovery yet seen in equipment investment.
- Initiatives
- Enhance service and maintenance business for crane users, and hoist sales.

FY2017 Forecast / Net Sales by Region

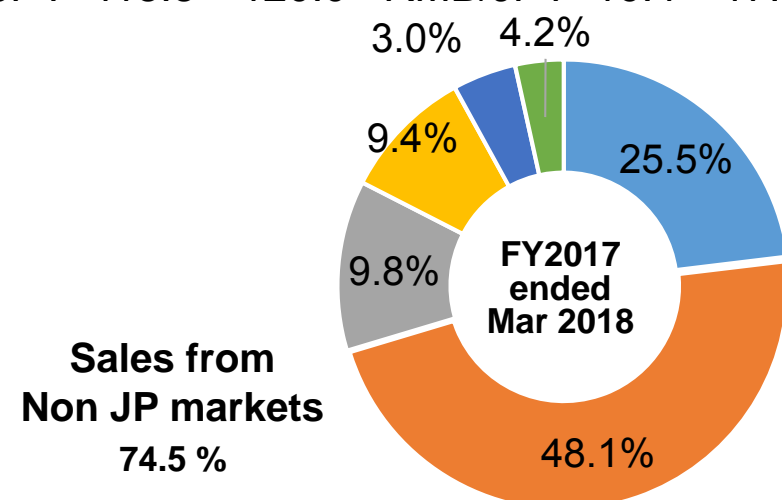
JPY in million	FY2016 (ended Mar 2017)		FY2017 FCST (ending Mar 2018)		YoY Change	
		% Share		% Share	Amount	%
Total	51,141	100.0%	53,000	100.0%	1,858	3.6%
Japan	13,129	25.7%	13,500	25.5%	371	2.8%
Americas	24,742	48.4%	25,500	48.1%	758	3.1%
China	5,034	9.8%	5,200	9.8%	166	3.3%
Asia	4,925	9.6%	5,000	9.4%	74	1.5%
Europe	1,523	3.0%	1,600	3.0%	77	5.1%
Others	1,785	3.5%	2,200	4.2%	415	23.2%

Note: Exchange Rate (FY2016 -> FY2017)

USD/JPY 108.4→110.0 CAD/JPY 82.5→80.0 EUR/JPY 118.8→120.0 RMB/JPY 16.4→17.0



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



FY2017 Forecast

JPY in million	FY 2016	FY 2017	YoY Change
Sales	51,141	53,000	3.6%
Operating Income Operating Income / Sales	4,208 8.2%	4,400 8.3%	4.5%
Ordinary Income Ordinary Income / Sales	3,249 6.4%	3,700 7.0%	13.9%
Net Income Net Income / Sales	1,897 3.7%	2,500 4.7%	31.7%
EBITDA Op Income + Depreciation	6,340	7,000	

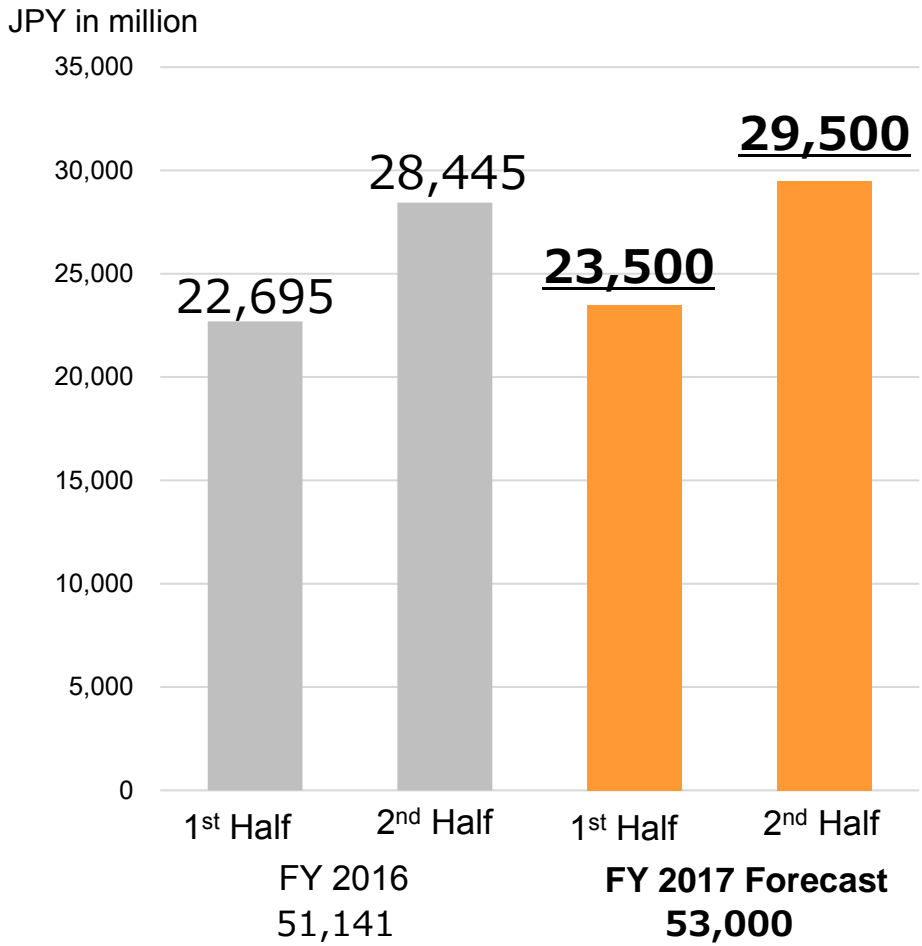
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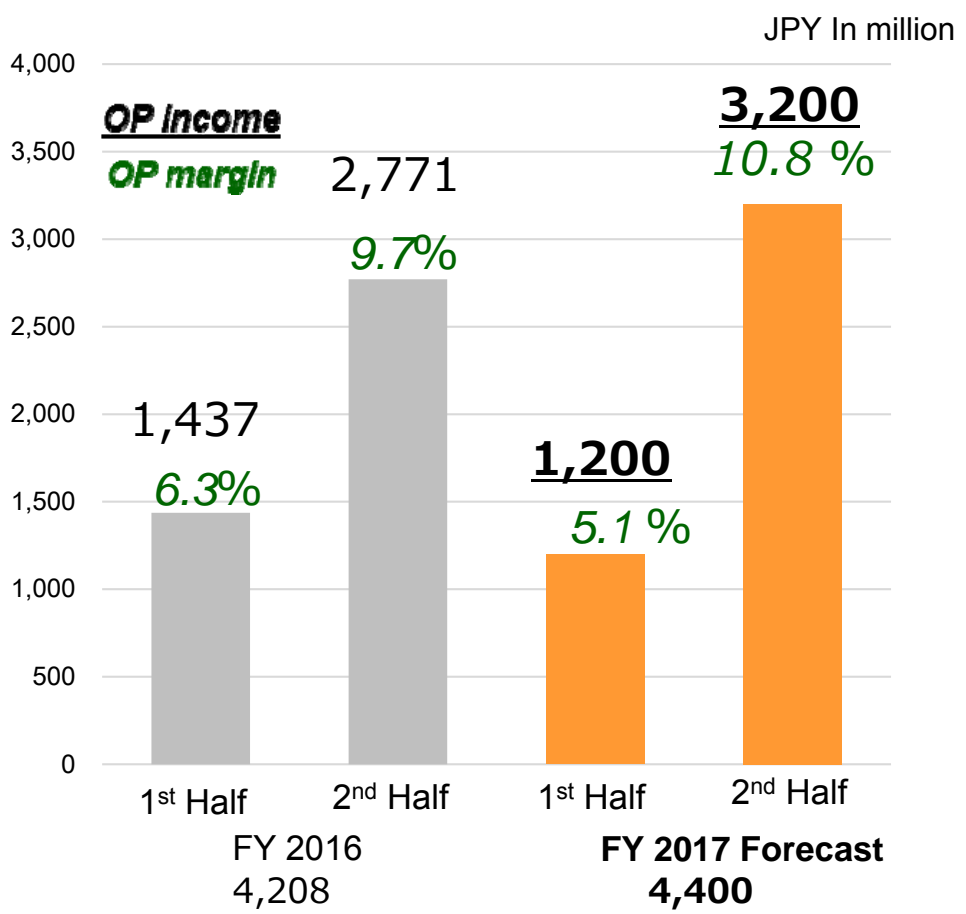
FY2017 Forecast

Overall demand is expected to grow moderately, though uncertainty remains in the US and Europe. Recovery is seen in natural resource price. Higher price of steel material are concerned.

Net Sales

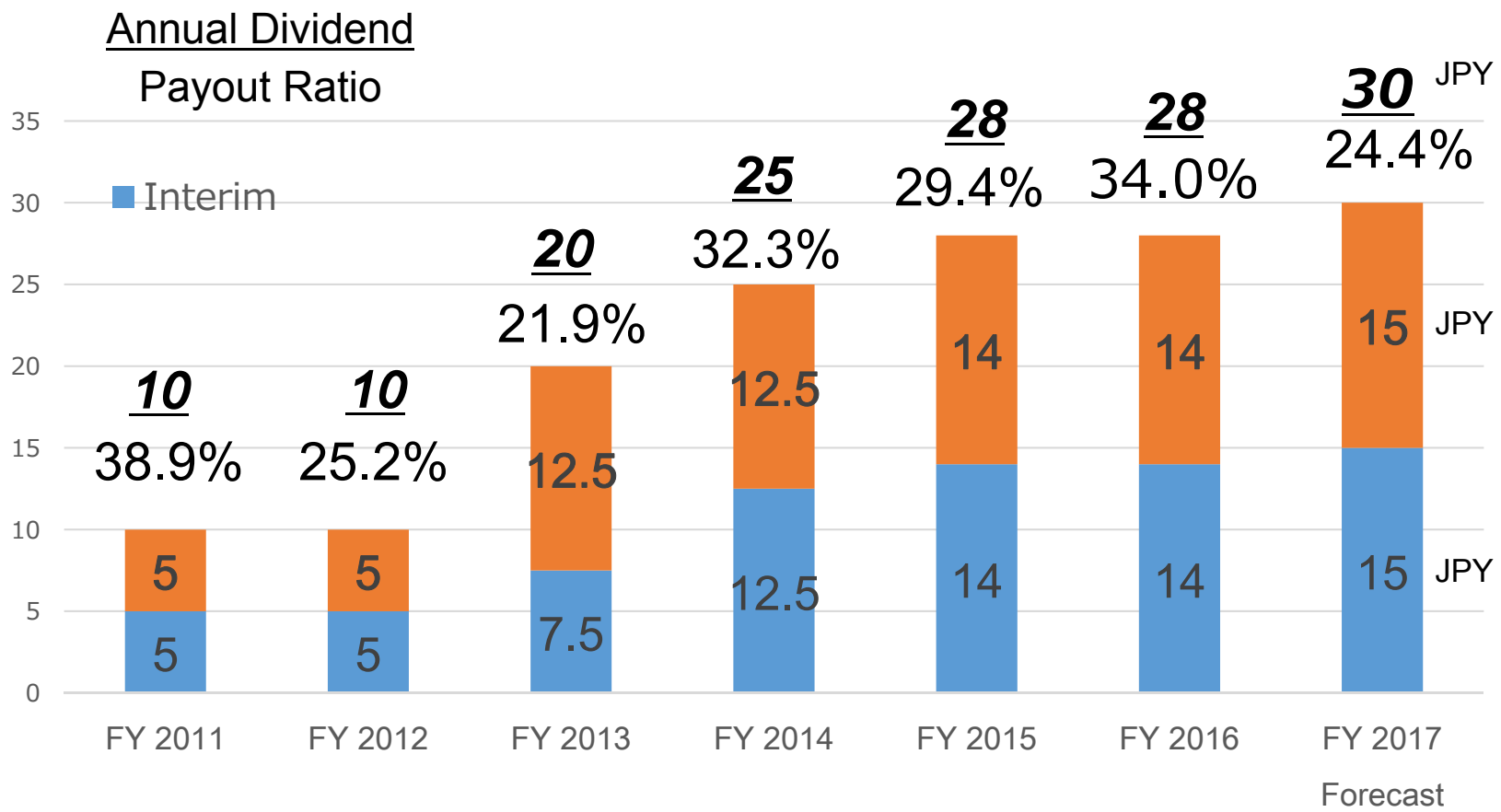


**Operating Income
Operating Margin**



Dividend

**Payout ratio at 20% or higher,
with total annual dividend of JPY30 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 Forecast

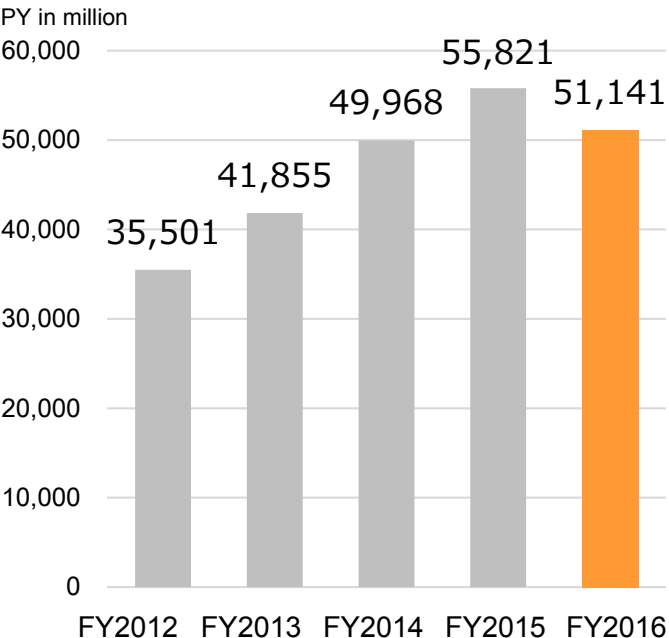
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Reference

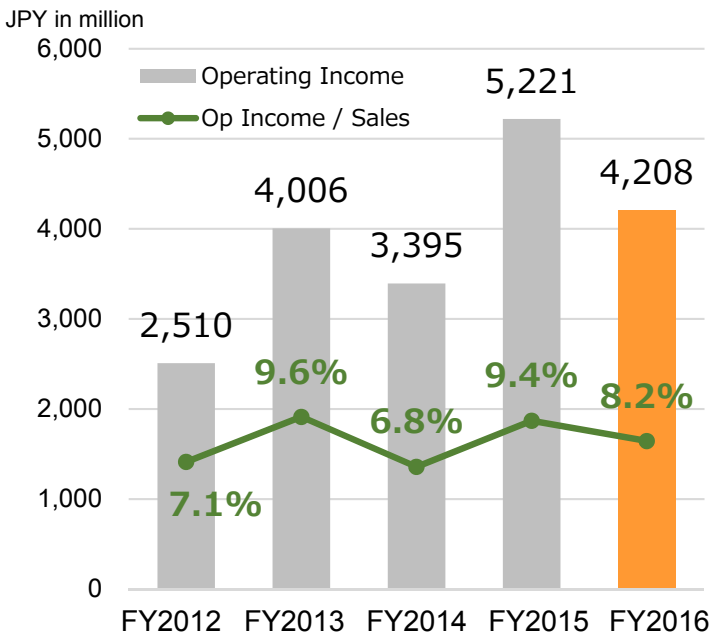
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- **New Mid-Term Plan (FY 2016 – 2020)**

Key figures

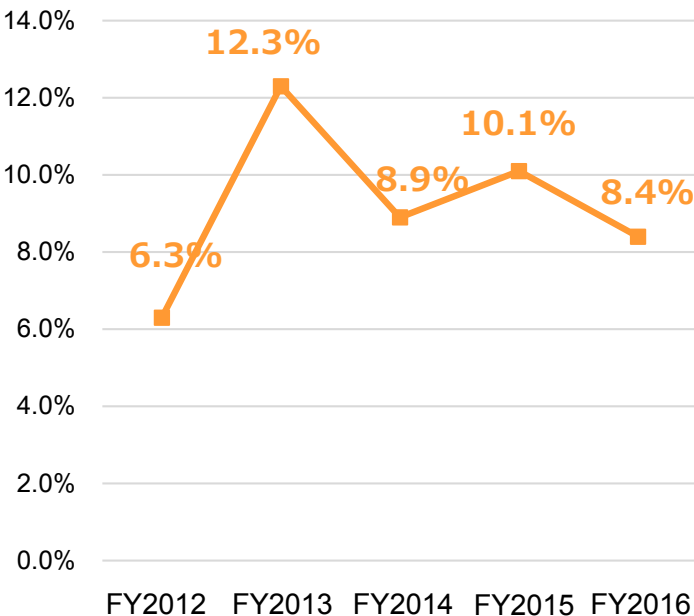
Sales



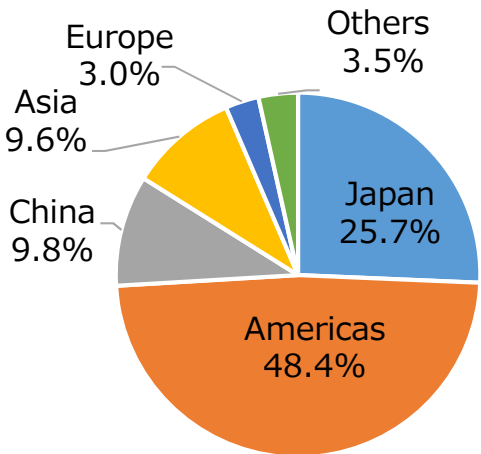
Op Income and Op Margin



ROE

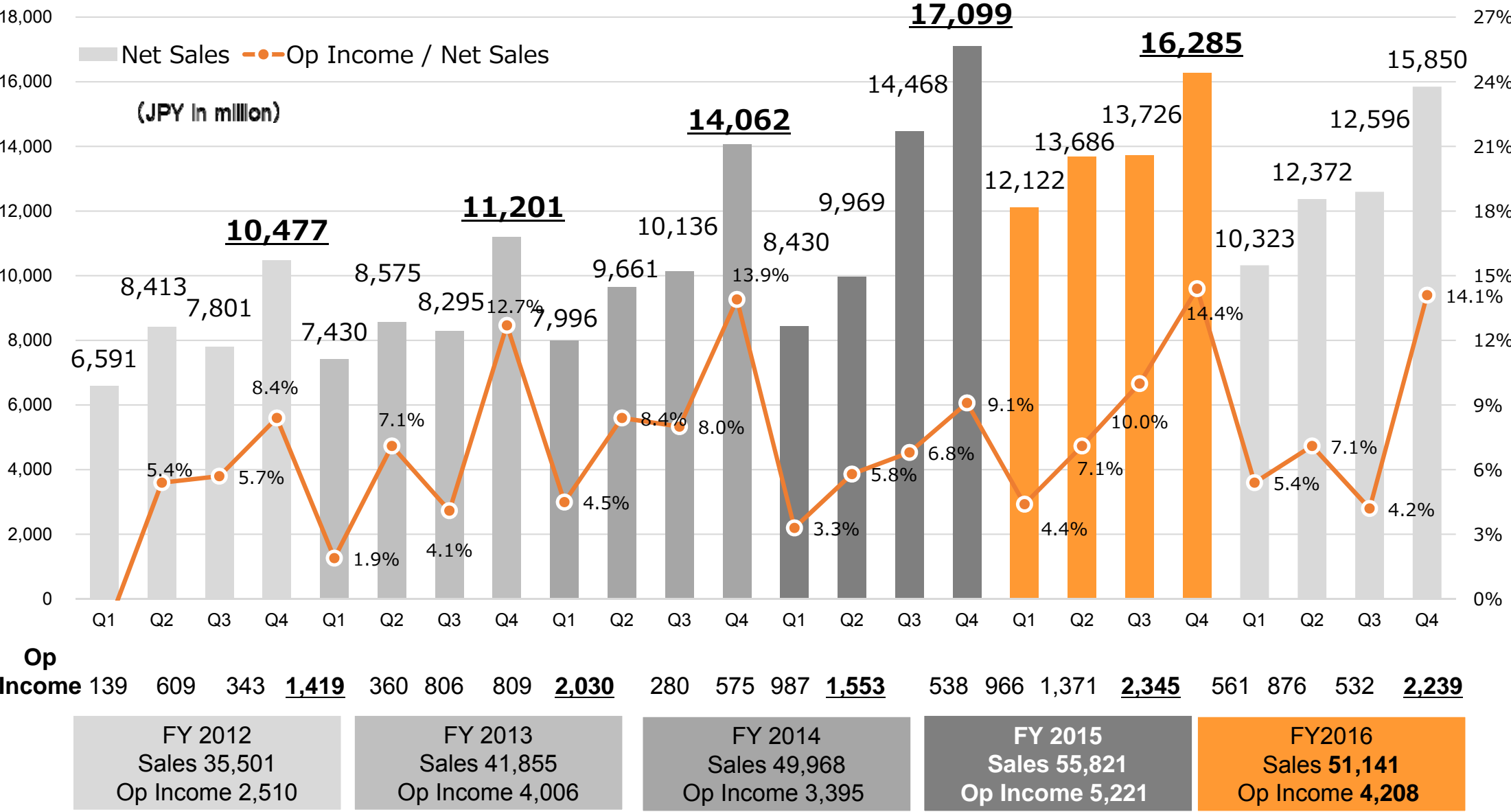


Sales by Region in FY2016



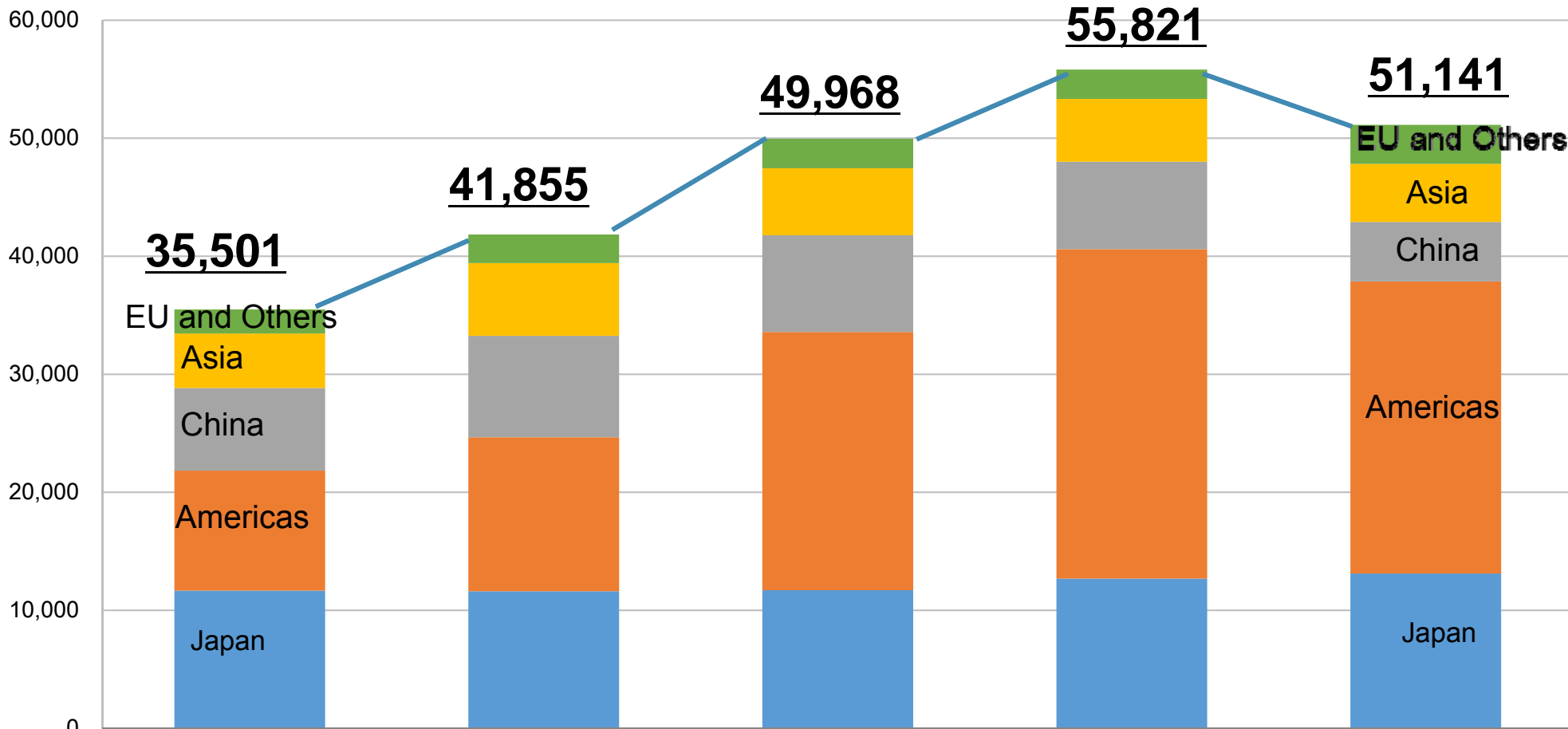
	FY2012	FY2013	FY2014	FY2015	FY2016
Sales from Non JP Market	67.1%	72.2%	76.6%	77.3%	74.3%
Average FX Rate					
USD /JPY	83.1	100.2	109.9	120.1	108.4
CAD /JPY	82.9	95.1	96.5	91.8	82.5
EUR /JPY	107.1	134.4	138.8	132.6	118.8
RMB /JPY	12.6	15.9	17.2	19.2	16.4
Capex (JPY in million)	1,520	2,440	1,408	2,013	2,239
Depreciation (JPY in million)	774	954	1,311	1,814	1,792

Quarterly Sales and Operating Margin



Sales by Regions

(単位：百万円)



	FY 2012	FY2013	FY 2014	FY 2015	FY 2016
■ EU and Others	2,035	2,424	2,500	2,479	3,308
■ Asia	4,626	6,168	5,676	5,321	4,925
■ China	6,994	8,604	8,198	7,418	5,034
■ Americas	10,163	13,034	21,888	27,909	24,742
■ Japan	11,679	11,625	11,702	12,692	13,129

**New Mid-Term Plan
FY2017–FY2021
(Apr 2017 – Mar 2022)**

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



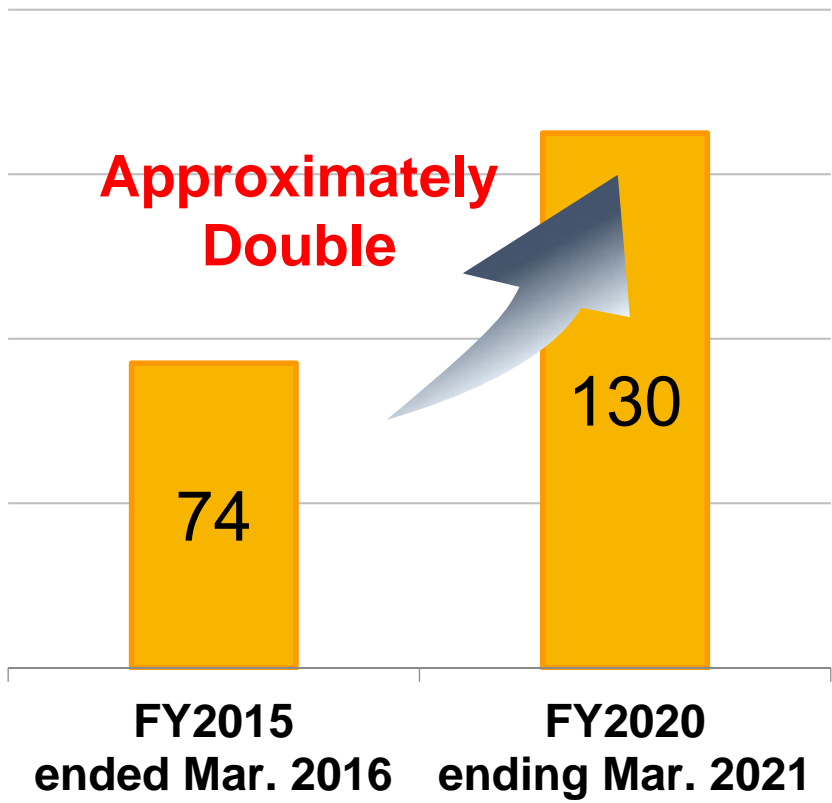
Management Goals

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”

