
Financial Results for the Quarter ended September 30, 2017

KITO CORPORATION

TSE 1st Section: 6409

November 14, 2017

FY2017 Q2 Summary

1. Market Environment

There remains uncertainty due to current political and economic trends, but the market is on a moderate recovery track globally, with robust demand related to infrastructure and equipment investment picking up.

2. Business Results

Sales are up across the group due to robust demand related to active equipment investment worldwide. Domestic orders have been good, mainly for infrastructure-building, despite a temporary setback caused by our shift to new IT infrastructure.

	Apr-Sep results	Yoy Change	IR forecast	Change
Sales	24,661	up 8.7%	23,500	up 4.9%
Operating Income	1,269	down 11.7%	1,200	up 5.8%
Net Income *	532	up 46.1%	500	up 6.4%

FX Rate Q2 average (USD/JPY) 111.1

3. Overall summary

- 1) Demand has been stable worldwide for infrastructure and public-sector capital spending.
The Chinese economy appears to be touching bottom.
- 2) Production at our Japanese plant has temporarily slowed with a renovation of IT infrastructure, but effort continues to return to normal operations as quickly as possible.
- 3) Changes in the external environment will demand close watching, including factors like natural-resource markets, foreign exchange rates and geopolitical risk..

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FY2017 2nd Quarter Financial Results

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FY2017 Forecast

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Reference

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

FY2017 2nd Quarter Financial Highlights

JPY in million	FY 2016 Q2 Apr - Sep	FY 2017 Q2 Apr - Sep	YoY Change
Sales	22,695	24,661	8.7%
Operating Income	1,437	1,269	(11.7%)
Operating Income / Sales	(6.3%)	(5.1%)	
Non-operating income	87	85	
Non-operating expenses	565	* 474	
Ordinary Income	959	879	(8.3%)
Ordinary Income / Sales	(4.2%)	(3.6%)	
Extraordinary Income	** 489	—	
Income Taxes	*** 1,070	308	
Net Income <small>attributable to owners of parent</small>	364	532	46.1%
Net Income / Sales	(1.6%)	(2.2%)	
EBITDA	2,444	2,451	
Op Income + Depreciation			

Note: Exchange Rate (FY 2016 Q2→FY 2017Q2)

USD 105.3 → 111.1 CAD 81.2 → 85.6 EUR 118.2 → 126.3 RMB 17.1 → 16.4

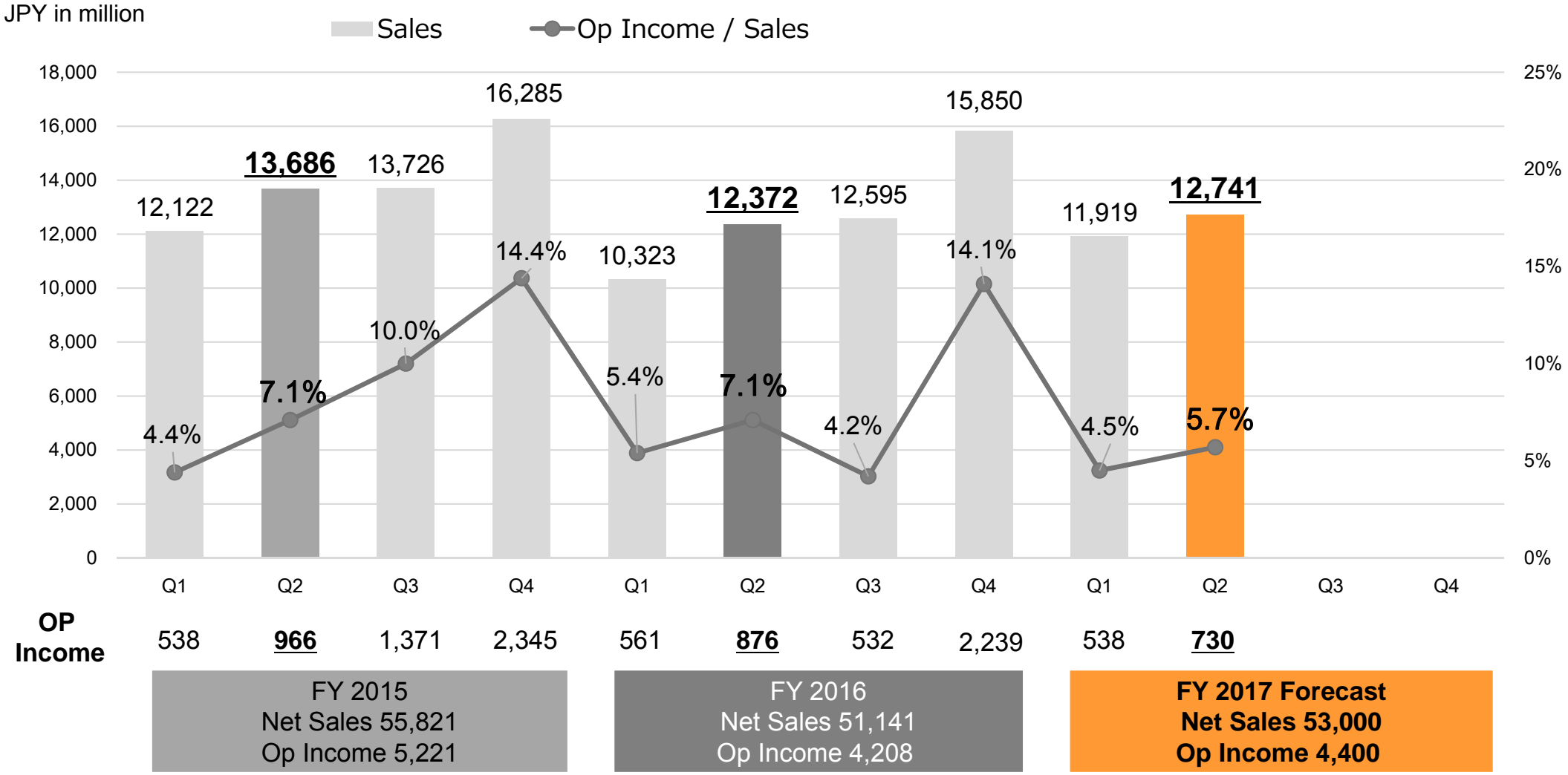
* Including JPY 117 million of equity losses in Kito Italia, which is not consolidate

** 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.

*** 1,070 million yen includes corporate tax adjustment of 843 million.

Quarterly Net Sales and Operating Margin

Sales were boosted by growing demand across global market



Net Sales by Region

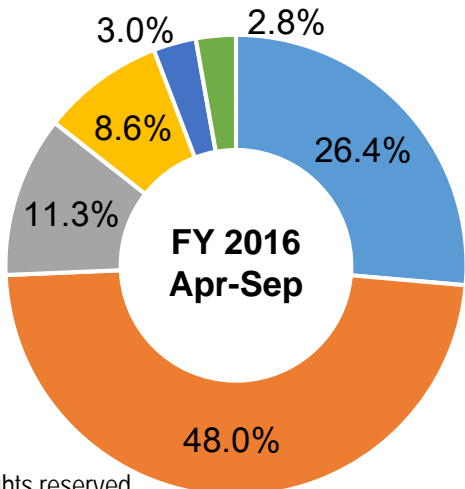
Globally diversified portfolio / Sales increased YoY in each region

JPY in million	FY 2015 Q2		FY 2016 Q2		FY 2017 Q2	
		% share		% share		% share
Total	25,809	100.0%	22,695	100.0%	24,661	100.0%
Japan	5,520	21.4%	5,984	26.4%	5,925	24.0%
Americas	12,853	49.8%	10,885	48.0%	11,781	47.8%
China	4,159	16.1%	2,561	11.3%	2,857	11.6%
Asia	2,082	8.1%	1,956	8.6%	1,963	8.0%
Europe	843	3.3%	672	3.0%	968	3.9%
Others	350	1.4%	634	2.8%	1,165	4.7%

YoY Change	
Change	% Change
1,966	8.7%
▲59	▲1.0%
895	8.2%
295	11.6%
6	0.3%
295	44.0%
530	83.7%

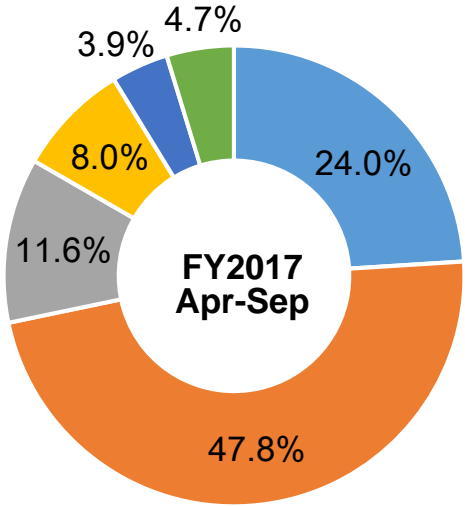
Note: Exchange Rate (FY 2016 Q2 → FY 2017 Q2)
 USD 105.3 → 111.1 CAD 81.2 → 85.6 EUR 118.2 → 126.3 RMB 17.1 → 16.4

Sales from Non JP markets 73.6%



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

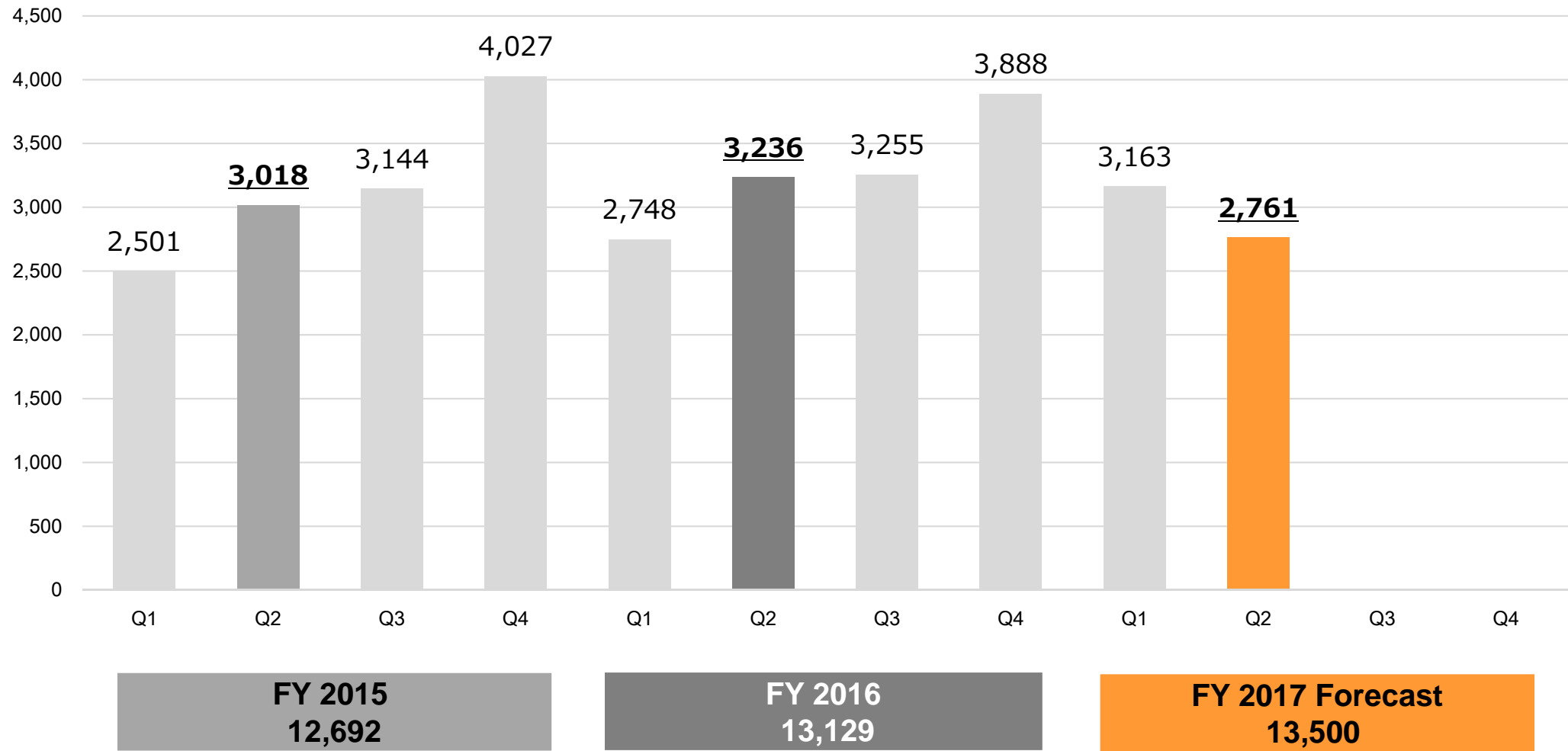
Sales from Non JP markets 76.0%



Net Sales by Region (Japan)

- Because of our shift to new IT infrastructure, shipments were made ahead of schedule in Q1, which put the first-half figures on a par with FY2016 figures.
- Current orders are good related to infrastructure-building and private-sector equipment investment.

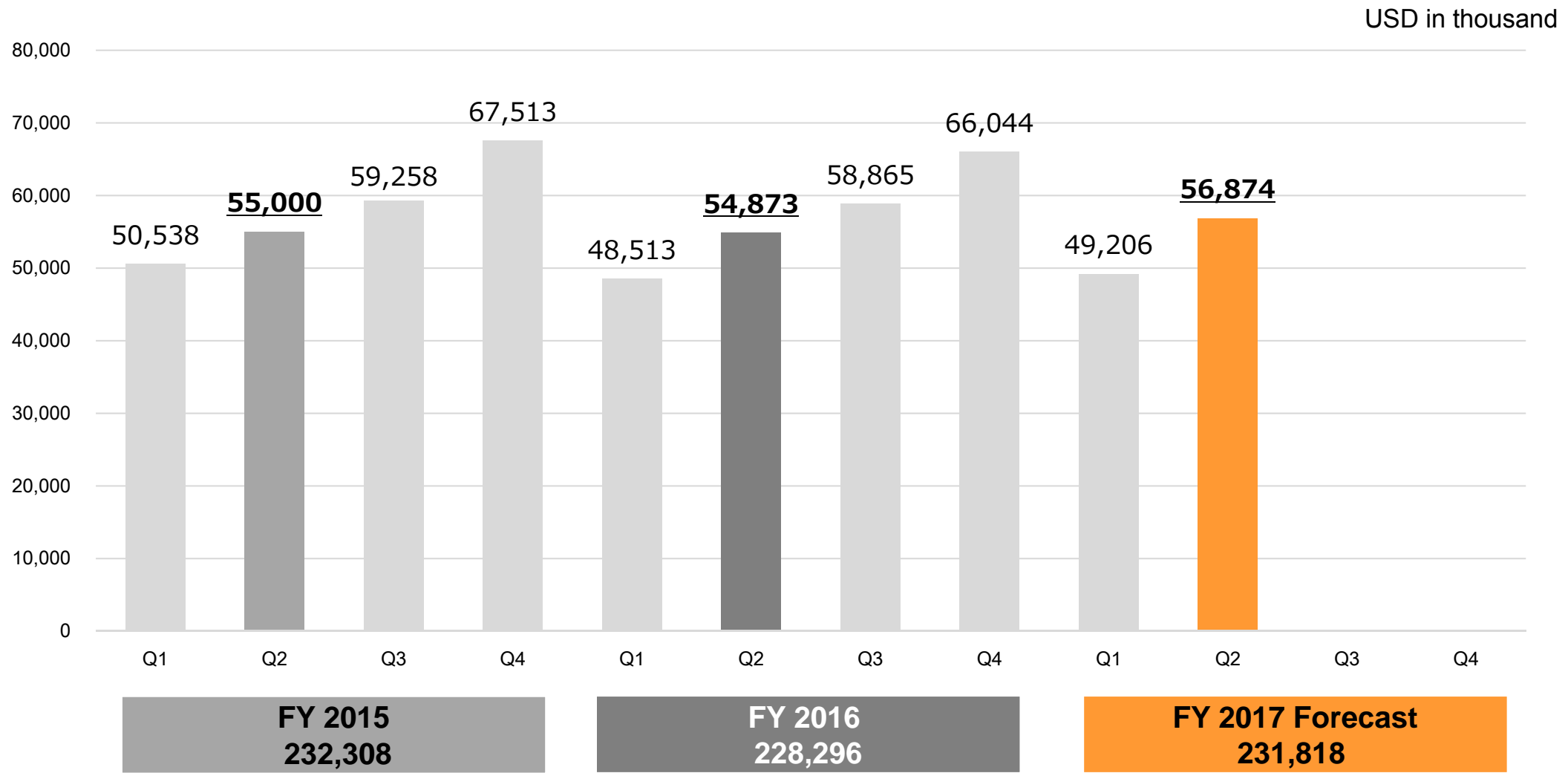
JPY in million



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)

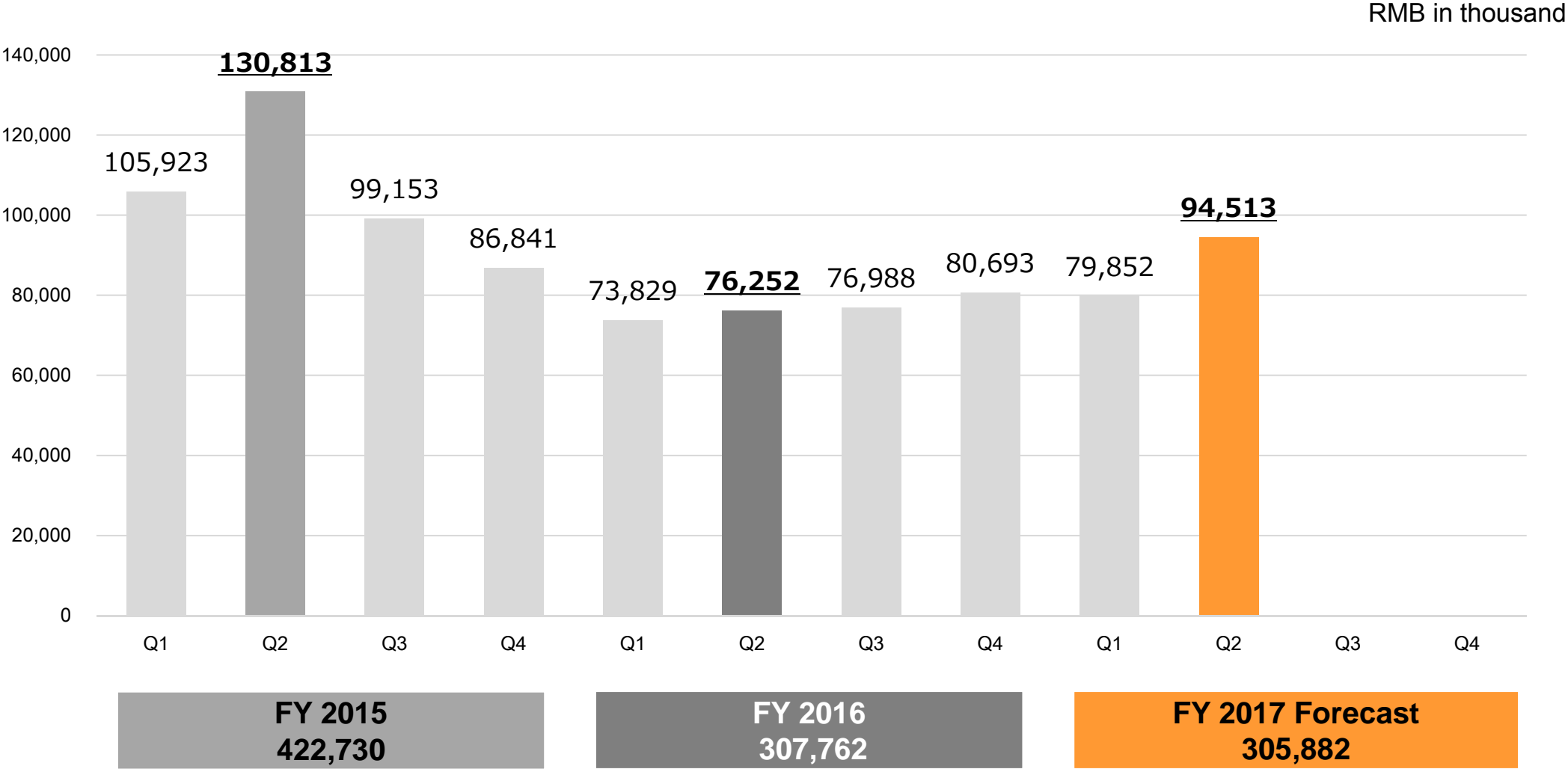
- Despite some anxiety factors, like the new US administration and natural resource price, investment demand remained brisk both in the manufacturing and the infrastructure sector.



Net Sales by Region (China)

Fiscal year of China starts in January and ends in December

- Declining demand appears to have touched bottom as economic slowing has come under control.

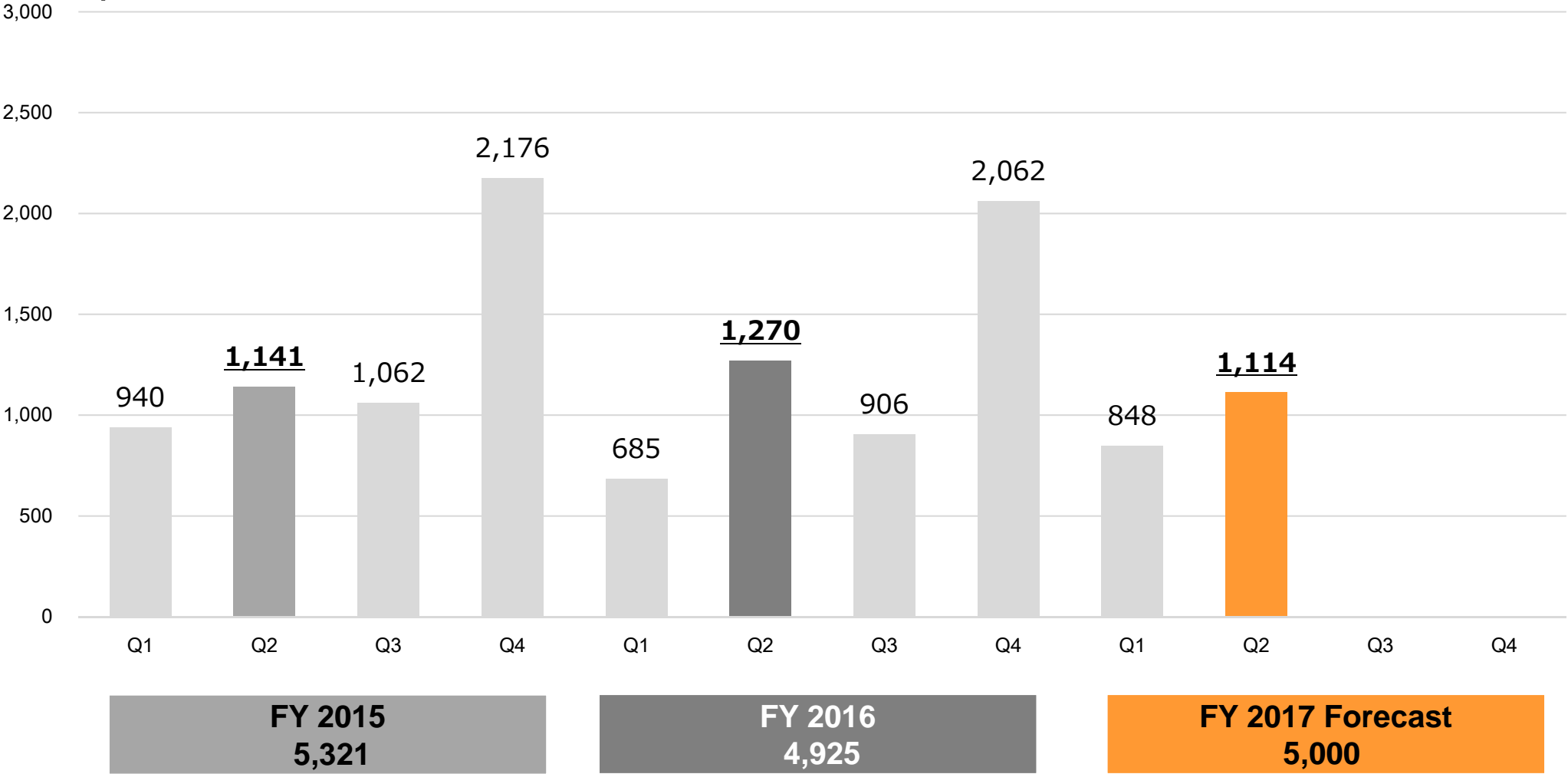


Net Sales by Region (Asia)

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

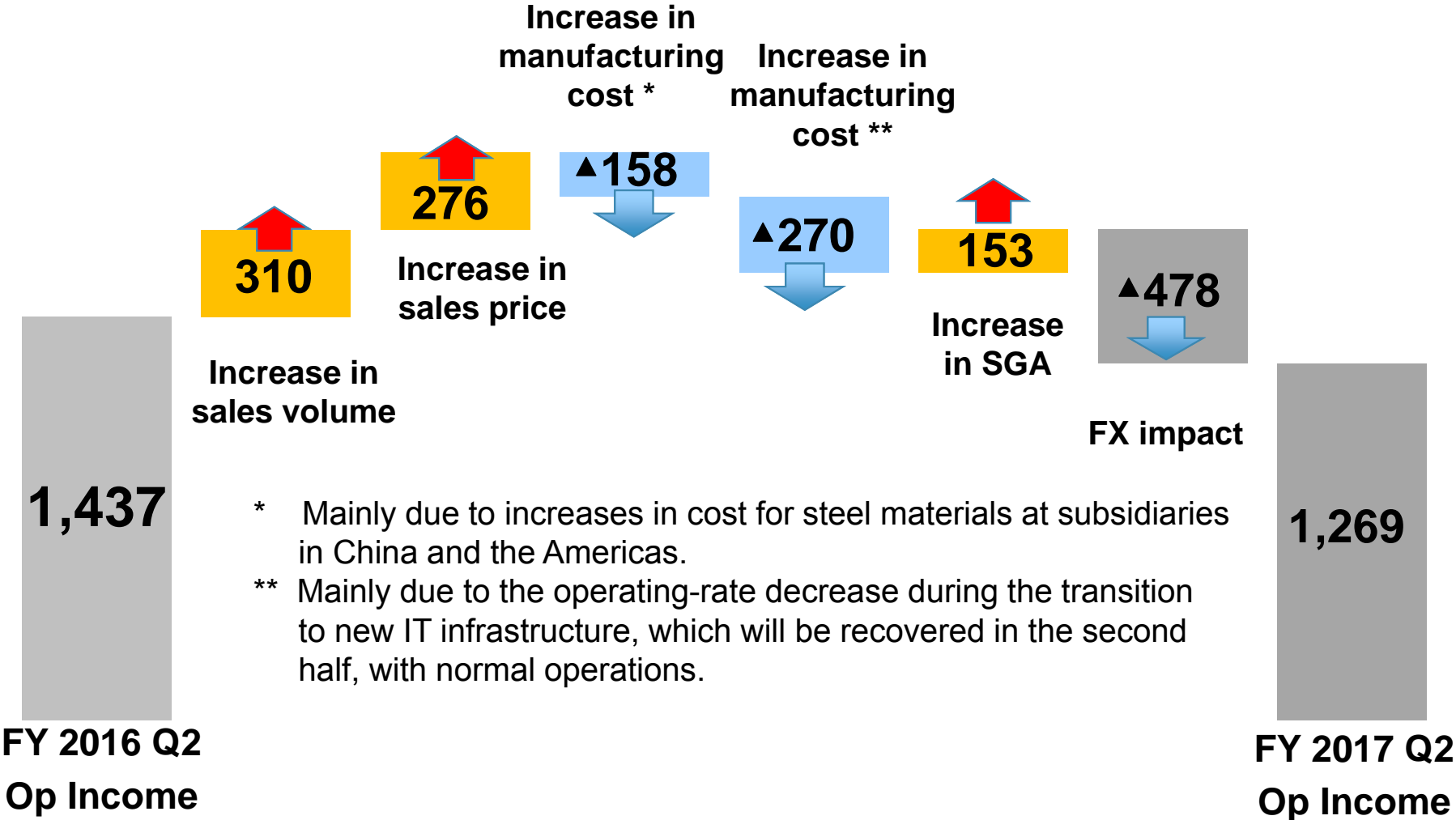
- In South Korea we saw strong orders among flat-panel display makers for cranes for clean-room use.
- In Asian business profitability was up as a result of focus on service operations and hoist sales.

JPY in million



Operating Income Comparison

JPY in million



* Mainly due to increases in cost for steel materials at subsidiaries in China and the Americas.
 ** Mainly due to the operating-rate decrease during the transition to new IT infrastructure, which will be recovered in the second half, with normal operations.

FY2017 2nd Quarter Consolidated Balance Sheet

JPY in million	Mar 2017	Sep 2017	Change
Current assets	37,960	38,088	128
Cash	9,069	9,401	331
Accounts receivable	11,139	10,141	(997)
Inventories	15,402	16,367	965
Others	2,348	2,177	(170)
Fixed assets	22,177	21,931	(245)
Tangible fixed assets	11,948	11,656	(291)
Intangible fixed assets	7,658	7,547	(111)
Investment & other assets	2,569	2,727	157
Total assets	60,137	60,019	(117)

JPY in million	Mar 2017	Sep 2017	Change
Current liabilities	20,023	16,377	(3,646)
Accounts payable	5,438	6,046	608
Short-term debt	9,879	5,625	(4,254)
Others	4,705	4,705	(0)
Fixed liabilities	18,874	21,980	3,105
Long-term debt	14,298	17,414	3,115
Others	4,575	4,565	(10)
Total net assets	21,239	21,662	423
Total liabilities and net assets	60,137	60,019	(117)

Consolidated Cash Flows

	Apr-Sep 2016	Apr-Sep 2017	Change
Cash flows from operating activities	972	2,953	1,980
Cash flows from investing activities	(791)	(869)	(78)
Cash flows from financing activities	(928)	(1,757)	(829)
Effect of exchange rate changes on cash and cash equivalents	(410)	3	414
Net increase (decrease) in cash and cash equivalent	(1,157)	330	1,487
Cash and cash equivalents at end of period	7,364	9,389	2,025

[Cash flows from operating activities]	
Income before income taxes	879
Depreciation and amortization	1,017
Decrease in account receivable	1,046
Increase in inventories	(805)
[Cash flows from investing activities]	
Acquisition of tangible fixed assets	(408)
Acquisition of intangible fixed assets	(298)
[Cash flows from financing activities]	
Payment of short term debt	(7,075)
Increase in long term debt	5,700

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- Mid-Term Plan (FY 2016 – FY 2020)

FY2017 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

- Launch new products and continue to broaden product lines.
- Strengthen ties with crane-builders.
- Improve efficiency with the introduction of new IT infrastructure.

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

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

China



Market

- Recovery in demand is expected with the economic slowdown touching bottom.

Initiatives

- Expand local production of global products.
- Continue implementing cost-reduction measures to build profits.

Asia



Market

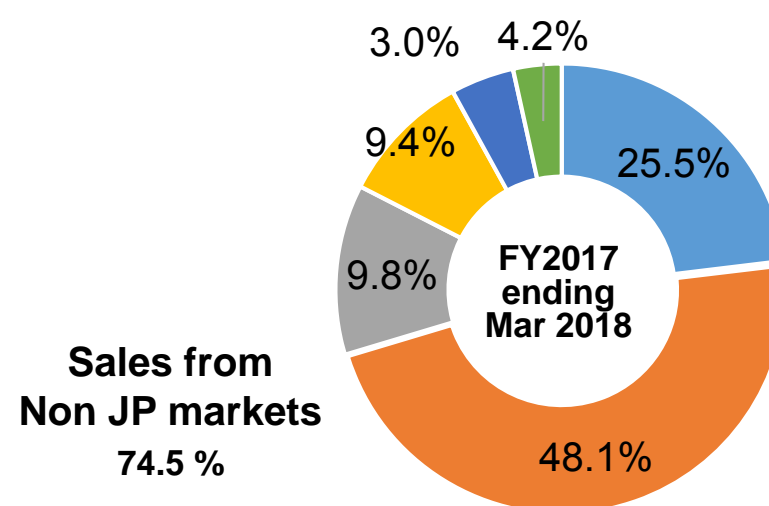
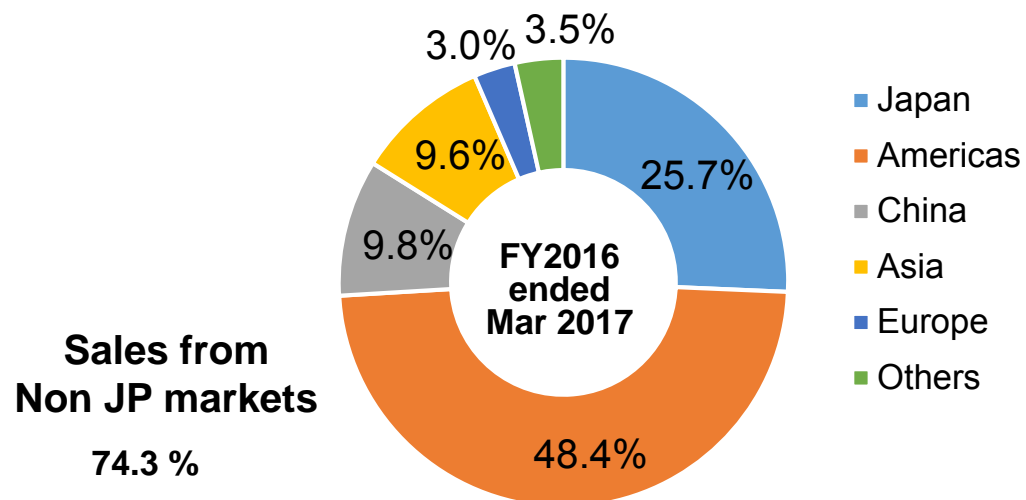
- A recovery of equipment investment is not yet in sight.

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%



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	

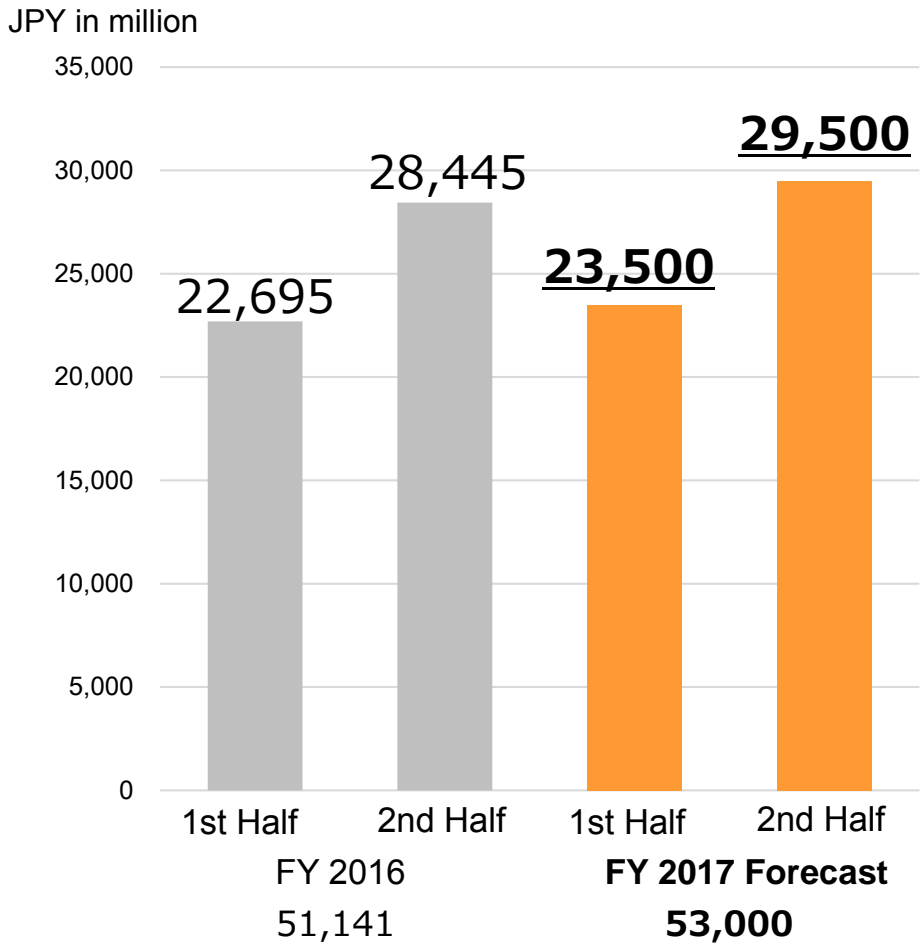
Note: Exchange Rate (FY2016 -> FY2017)

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

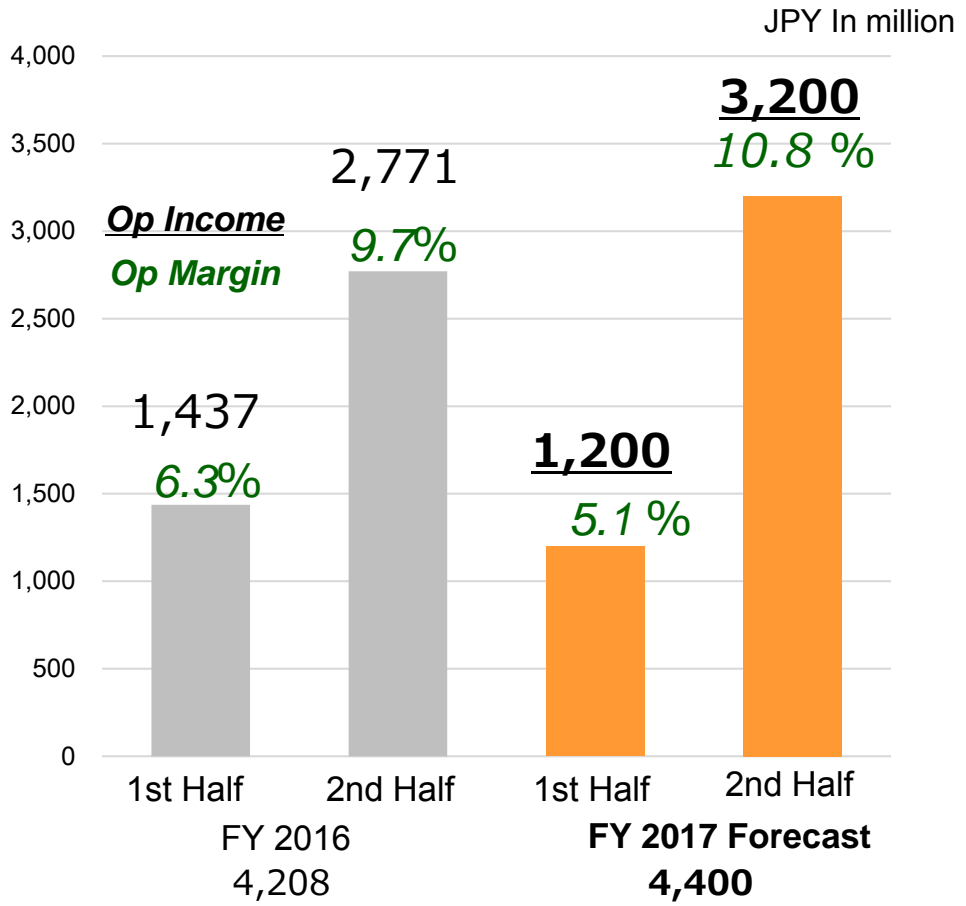
FY2017 Forecast

Overall demand is expected to grow moderately, though geopolitical risk remains globally. Recovery is seen in natural resource price. Higher price of steel material are concerned.

Net Sales

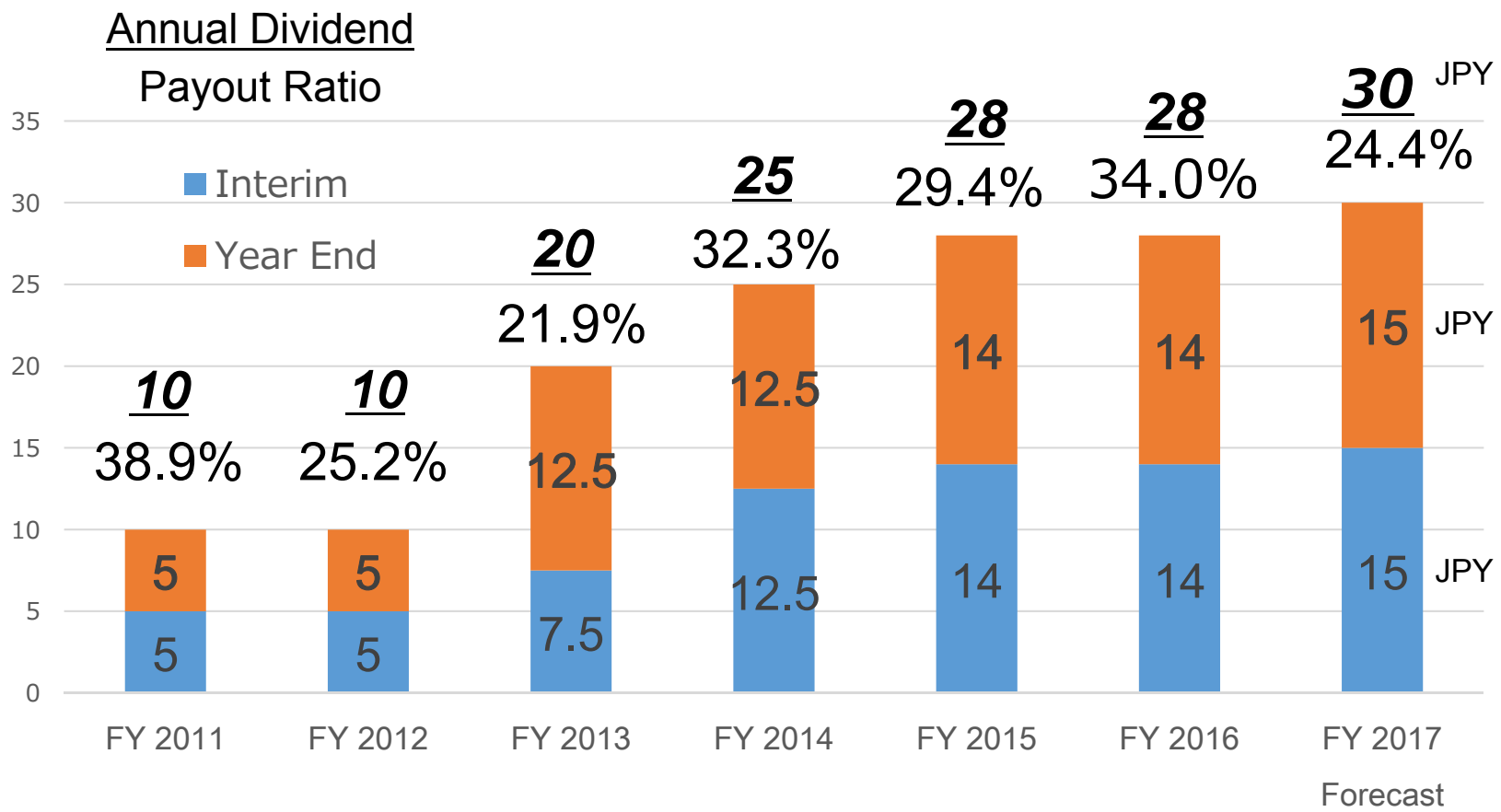


Operating Income Operating Margin



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

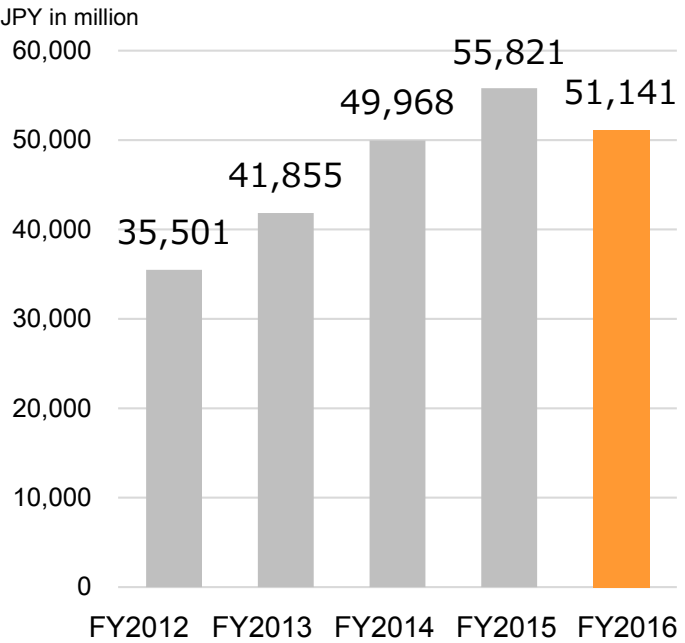
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Reference

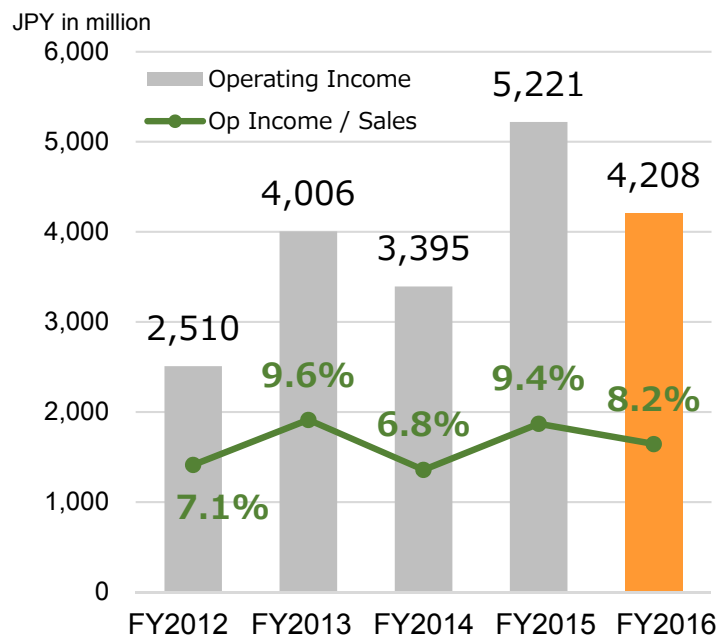
- **Five Year Financial Results (FY 2012 – FY 2016)**
- **Mid-Term Plan (FY 2016 – FY 2020)**

Key figures

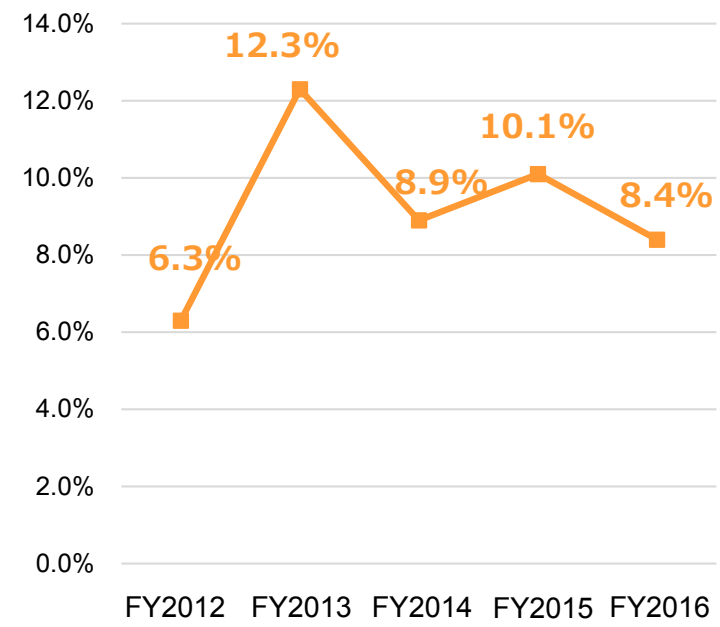
Sales



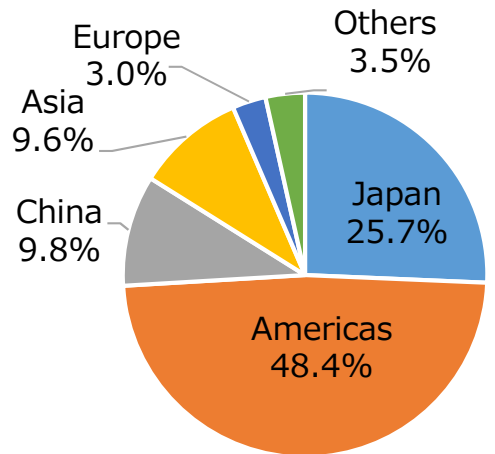
Op Income and Op Margin



ROE



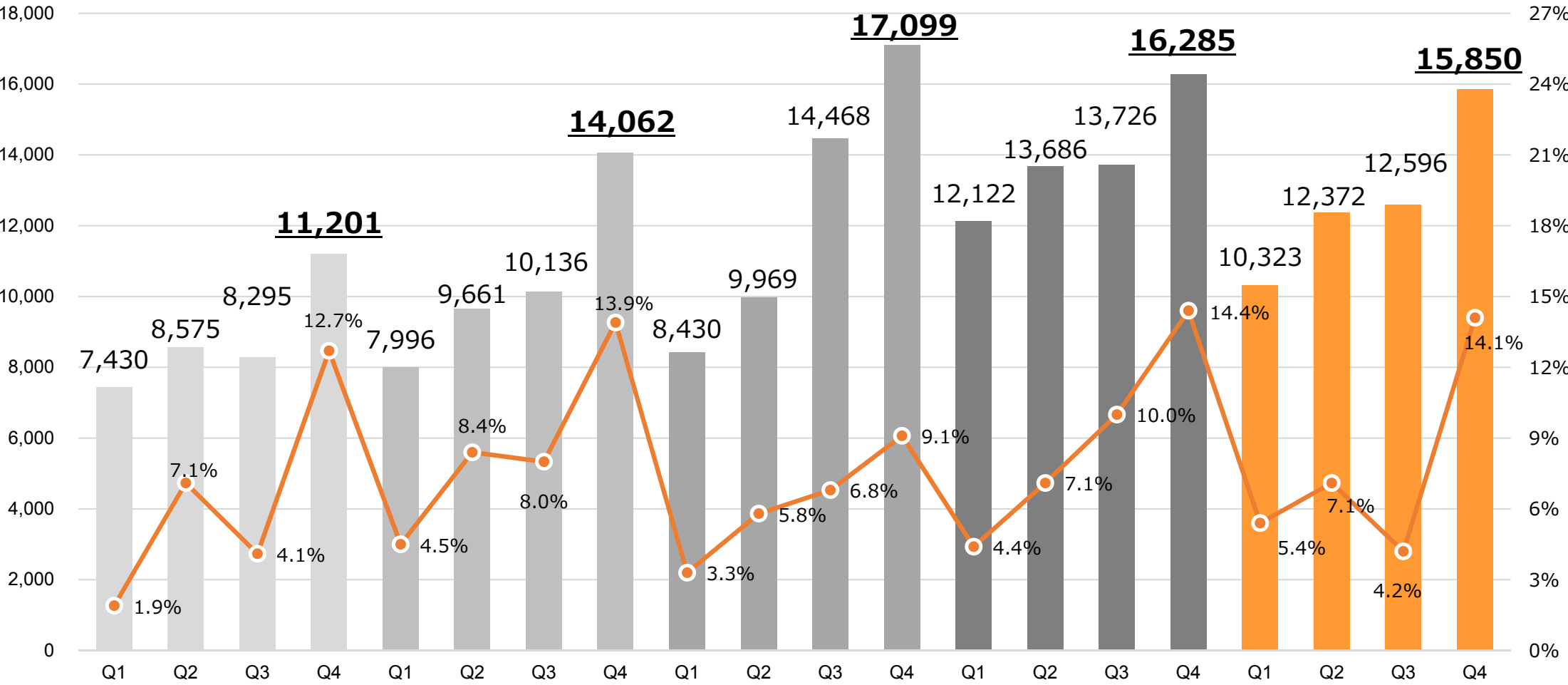
Sales by Region in FY2016



	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

(JPY in million)

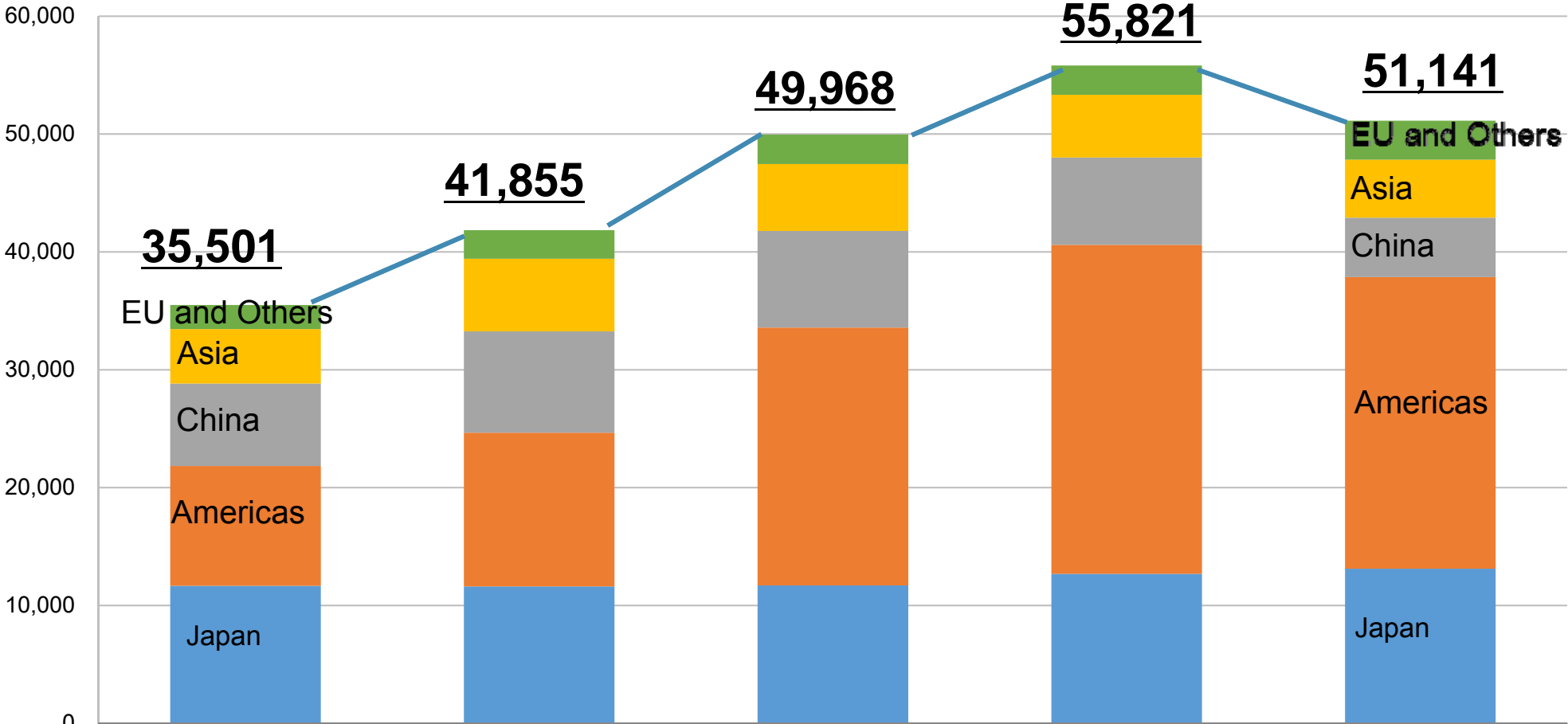


Op Income	139	609	343	<u>1,419</u>	360	806	809	<u>2,030</u>	280	575	987	<u>1,553</u>	538	966	1,371	<u>2,345</u>	561	876	532	<u>2,239</u>
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FY 2012	FY 2013	FY 2014	FY 2015	FY2016
Sales 35,501	Sales 41,855	Sales 49,968	Sales 55,821	Sales 51,141
Op Income 2,510	Op Income 4,006	Op Income 3,395	Op Income 5,221	Op Income 4,208

Sales by Regions

JPY in million



	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

**Mid-Term Plan
FY2016 – FY2020
(Apr 2017 – 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



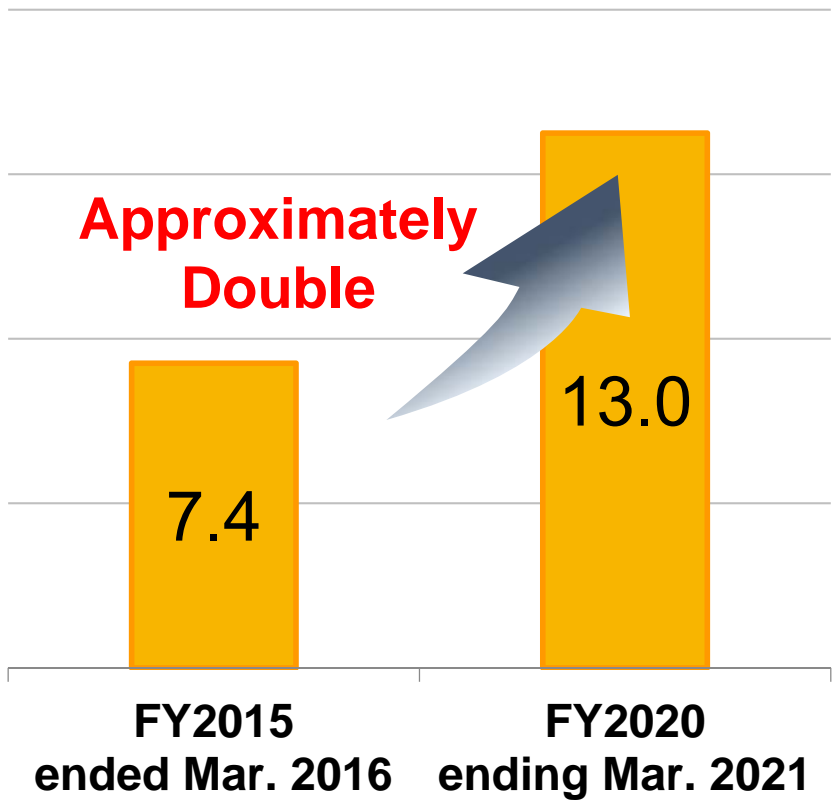
Management Goals

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”

