
Financial Results for the Quarter ended December 31, 2017

KITO CORPORATION

TSE 1st Section: 6409

February 14, 2018

FY2017 Q3 Summary

1. Market Environment

The market has been on a moderate recovery track globally, with upturns in the economies of developed nations centered on Japan, Europe, and the United States, as well as the Chinese economy.

2. Business Results

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

	Apr-Dec results	Yoy Change
Sales	38,712	up 9.7%
Operating Income	2,607	up 32.4%
Net Income *	1,576	up 139.0%
FX rate nine months average (USD/JPY)	111.7	

3. Overall summary

- 1) Booking has been stable worldwide for infrastructure, energy related industries, and capital spending.
- 2) Production at our Japanese plant has temporarily slowed with a renovation of IT infrastructure, returning to normal operations.
- 3) Changes in the external environment will demand close watching, including factors like natural-resource markets, foreign exchange rates and raw material costs.

1 FY2017 3rd Quarter Financial Results

2 FY2017 Forecast

3 Reference

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

FY2017 3rd Quarter Financial Highlights

JPY in million	FY 2016 Q3 Apr– Dec	FY 2017 Q3 Apr – Dec	YoY Change
Sales	35,291	38,712	9.7%
Operating Income Operating Income / Sales	1,969 (5.6%)	2,607 (6.7%)	32.4%
Non-operating income	139	145	
Non-operating expenses	459	* 688	
Ordinary Income Ordinary Income / Sales	1,648 (4.7%)	2,064 (5.3%)	25.2%
Extraordinary Income	**329	—	
Income Taxes	1,351	***430	
Net Income Net Income / Sales	659 (1.9%)	1,576 (4.1%)	139.0%
EBITDA Op Income + Depreciation	3,521	4,416	

Note: Exchange Rate (FY 2016 Q3→FY 2017Q3)

USD 106.6 → 111.7 CAD 81.4 → 86.7 EUR 118.0 → 128.5 RMB 16.5 → 16.5

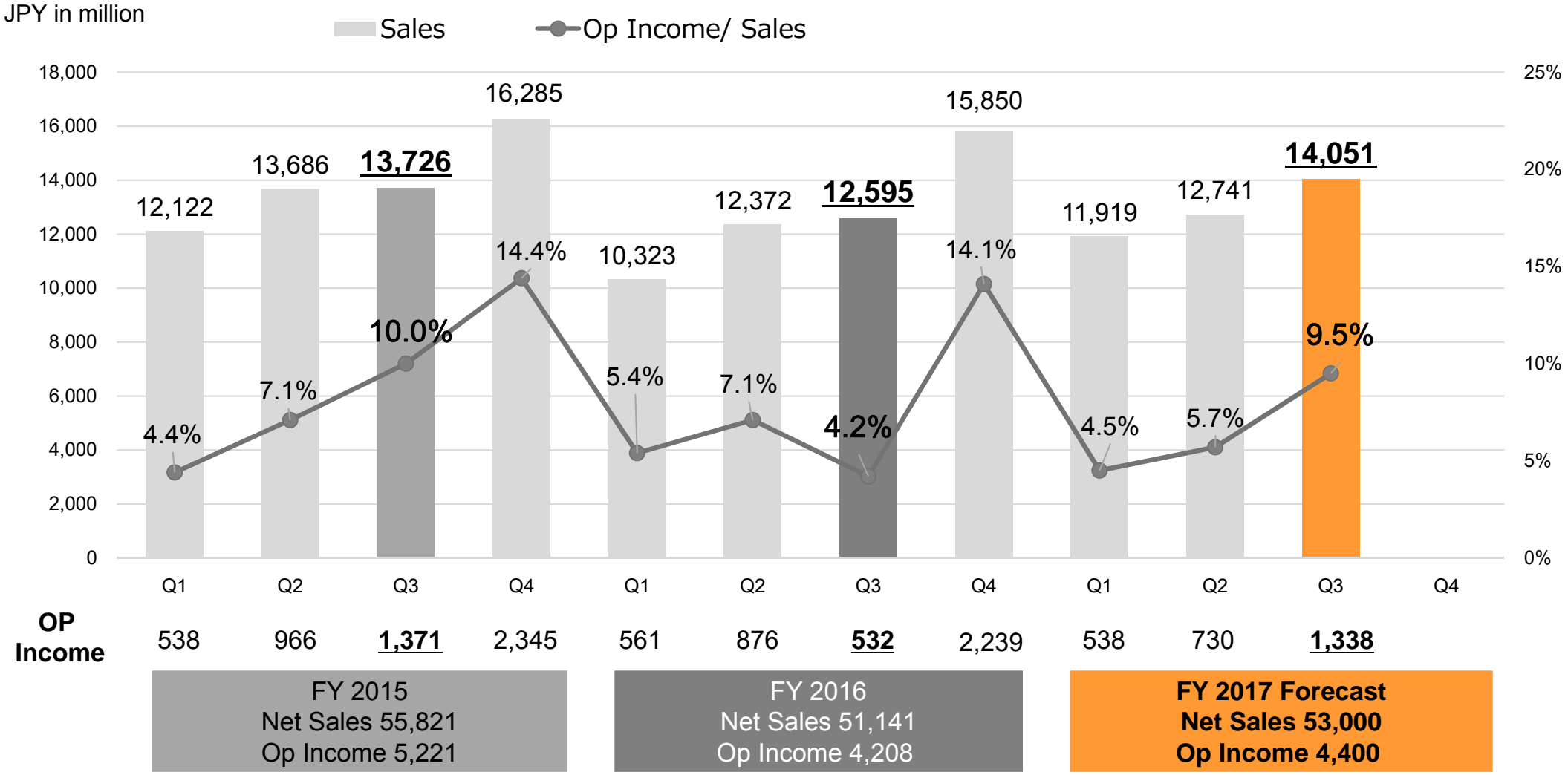
* Including JPY 247 million of equity losses in Kito Italia, which is not consolidate.

** 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 160 million of impairment loss from Kito Taiwan was recorded.

*** Effects from US corporate tax rate cut, approx. JPY 400 million, is included.

Quarterly Net Sales and Operating Margin

Sales and profit were boosted by growing demand across global market



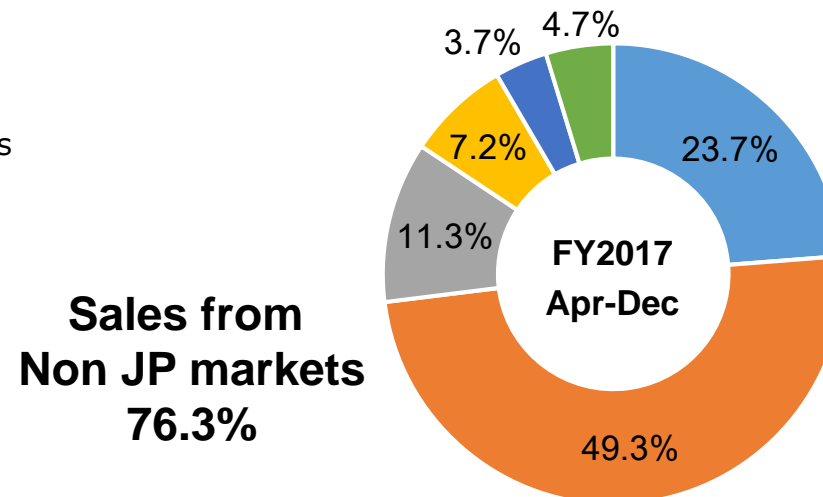
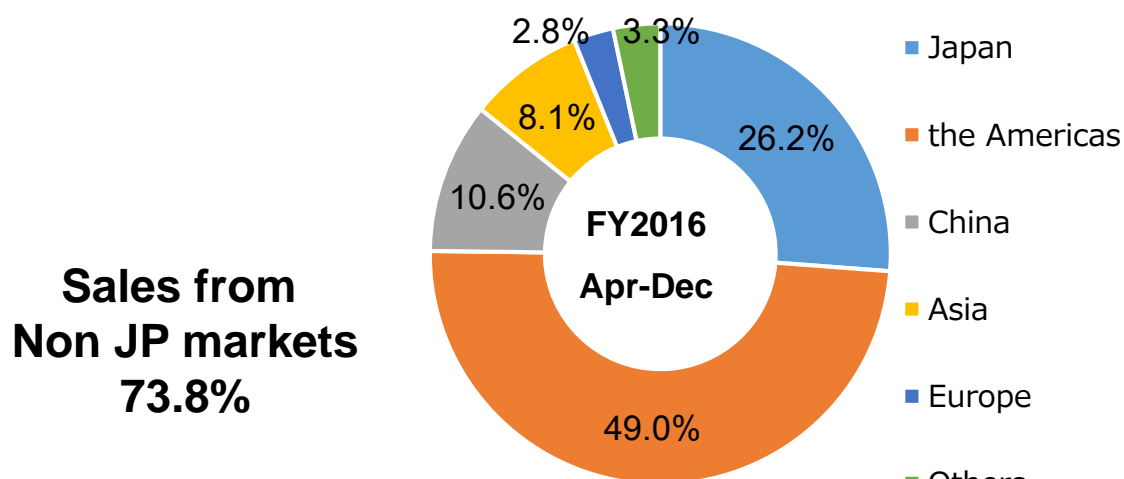
Net Sales by Region

Globally diversified portfolio / Sales increased YoY in each region

JPY in million	FY 2015 Q3		FY 2016 Q3		FY 2017 Q		YoY Change	
		% share		% share		% share	Change	%Change
Total	39,536	100.0%	35,291	100.0%	38,712	100.0%	3,421	9.7%
Japan	8,665	21.9%	9,240	26.2%	9,193	23.7%	(46)	(0.5%)
the Americas	20,053	50.7%	17,300	49.0%	19,070	49.3%	1,769	10.2%
China	5,930	15.0%	3,744	10.6%	4,370	11.3%	626	16.7%
Asia	3,144	8.0%	2,863	8.1%	2,798	7.2%	(63)	(2.2%)
Europe	1,238	3.1%	991	2.8%	1,451	3.7%	459	46.3%
Others	503	1.3%	1,150	3.3%	1,828	4.7%	677	58.9%

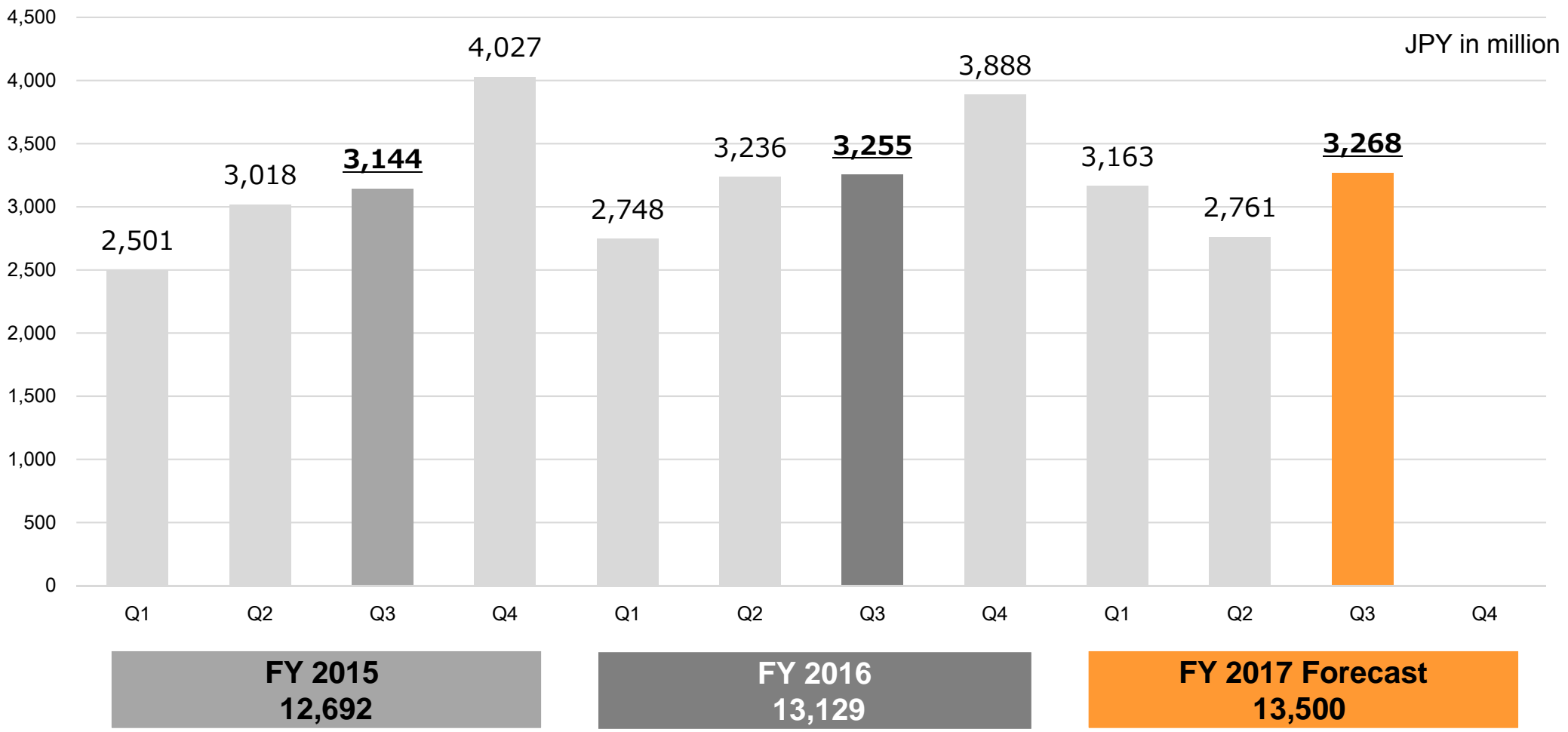
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Net Sales by Region (Japan)

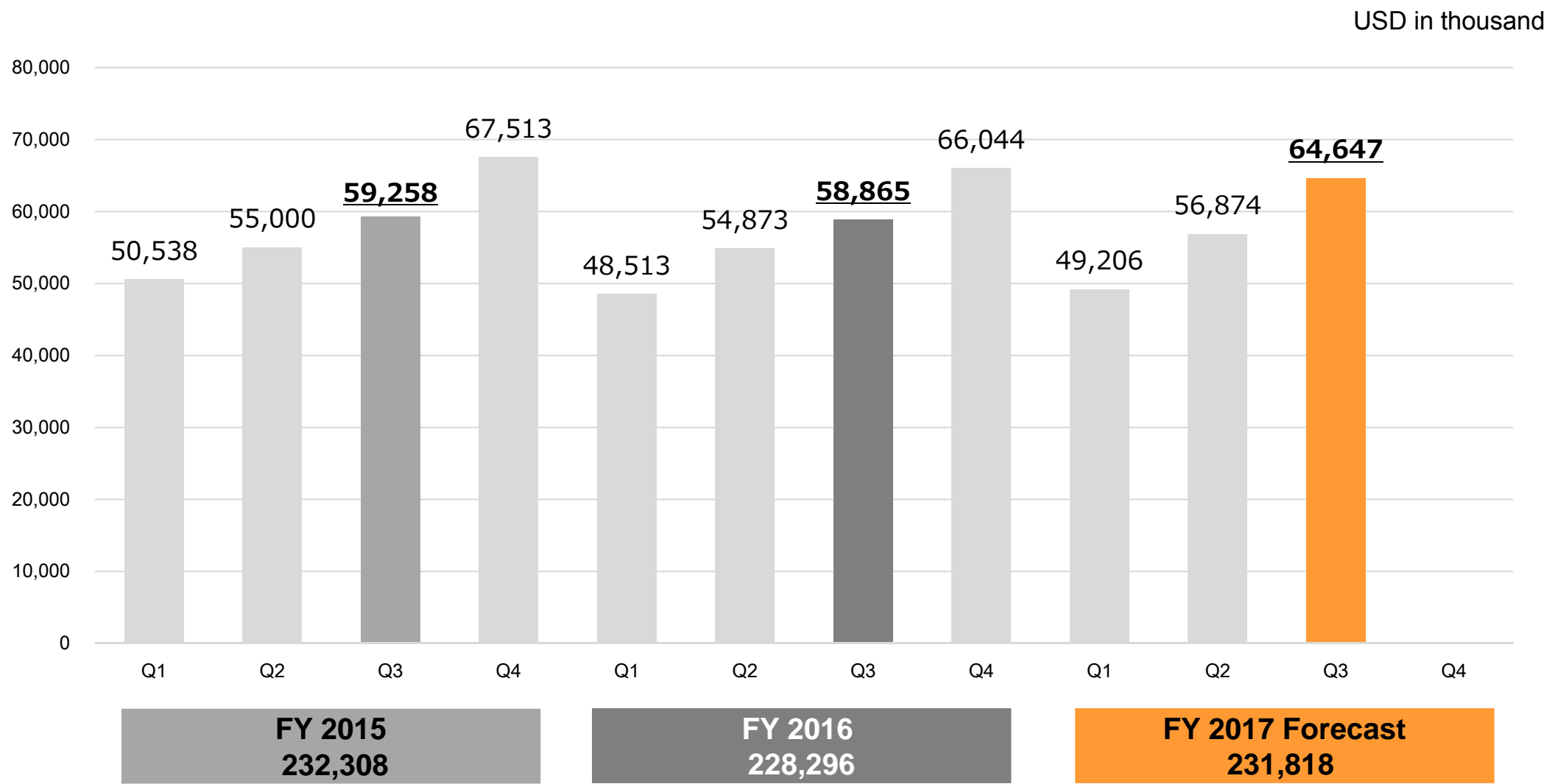
- Production level at our main plant, slowed temporarily with IT infrastructure renovation in Q2, has returned to normal in Q3.
- Current orders are good related to infrastructure-building and private-sector equipment investment.



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.

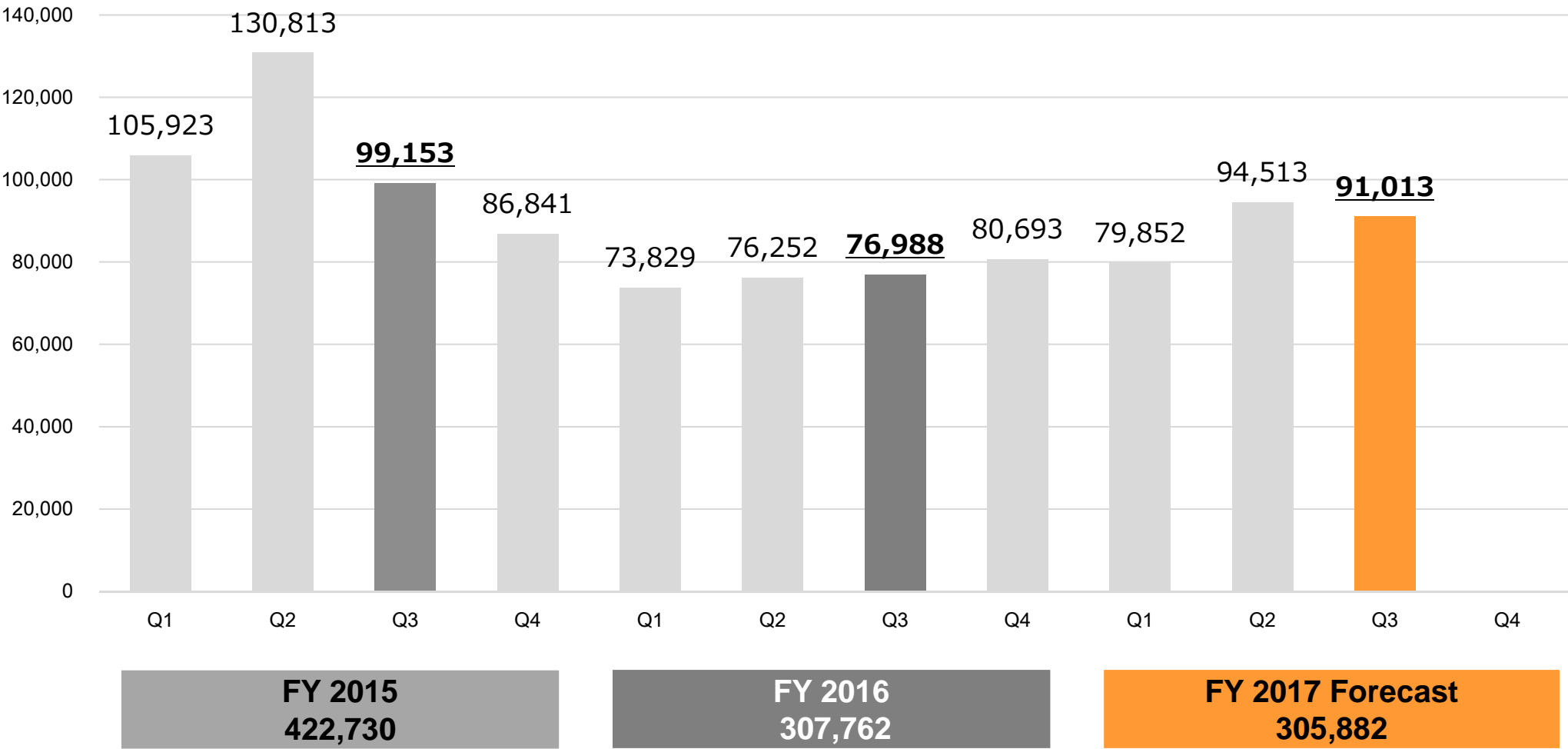


Net Sales by Region (China)

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.

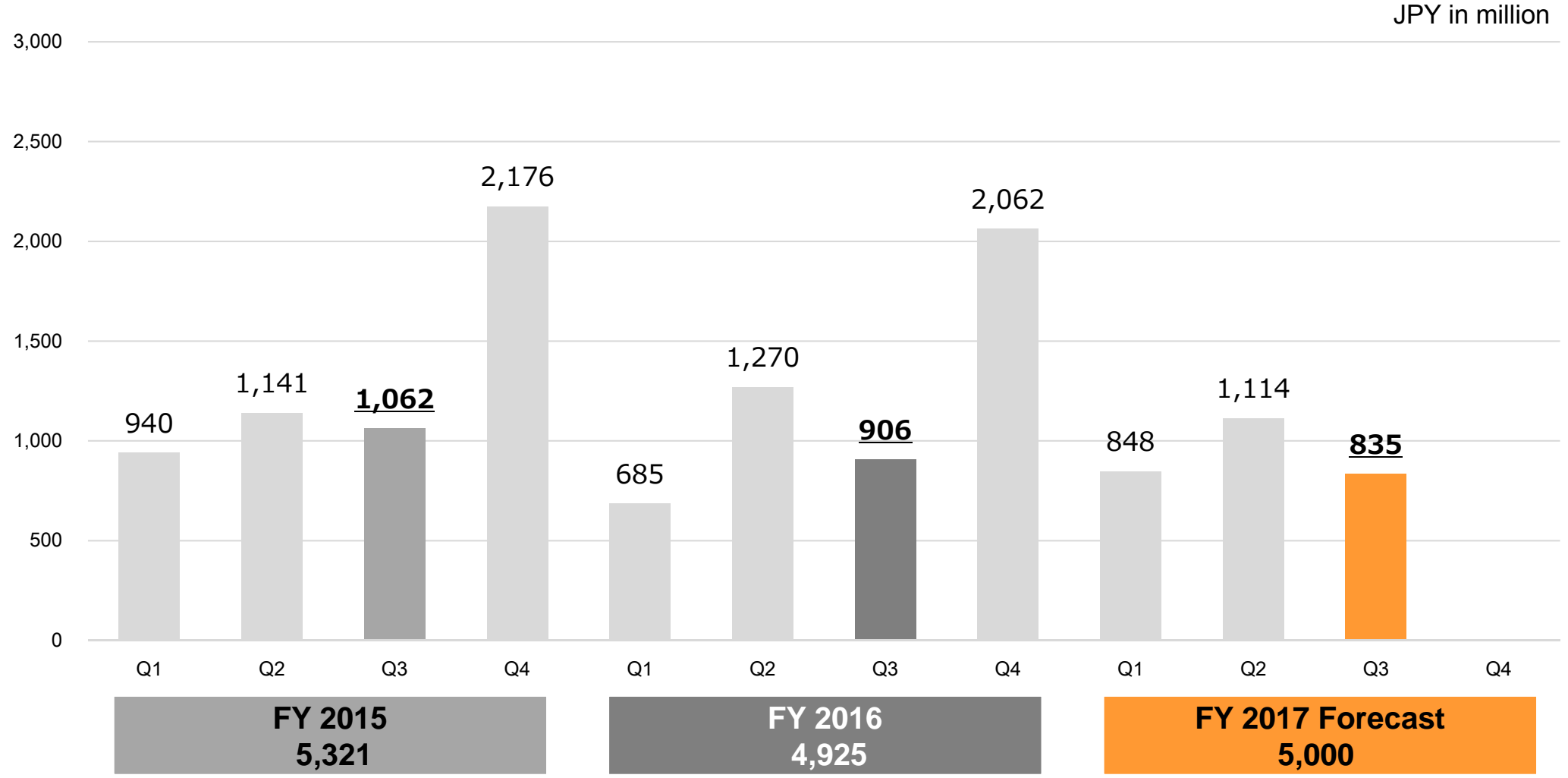
RMB in thousand



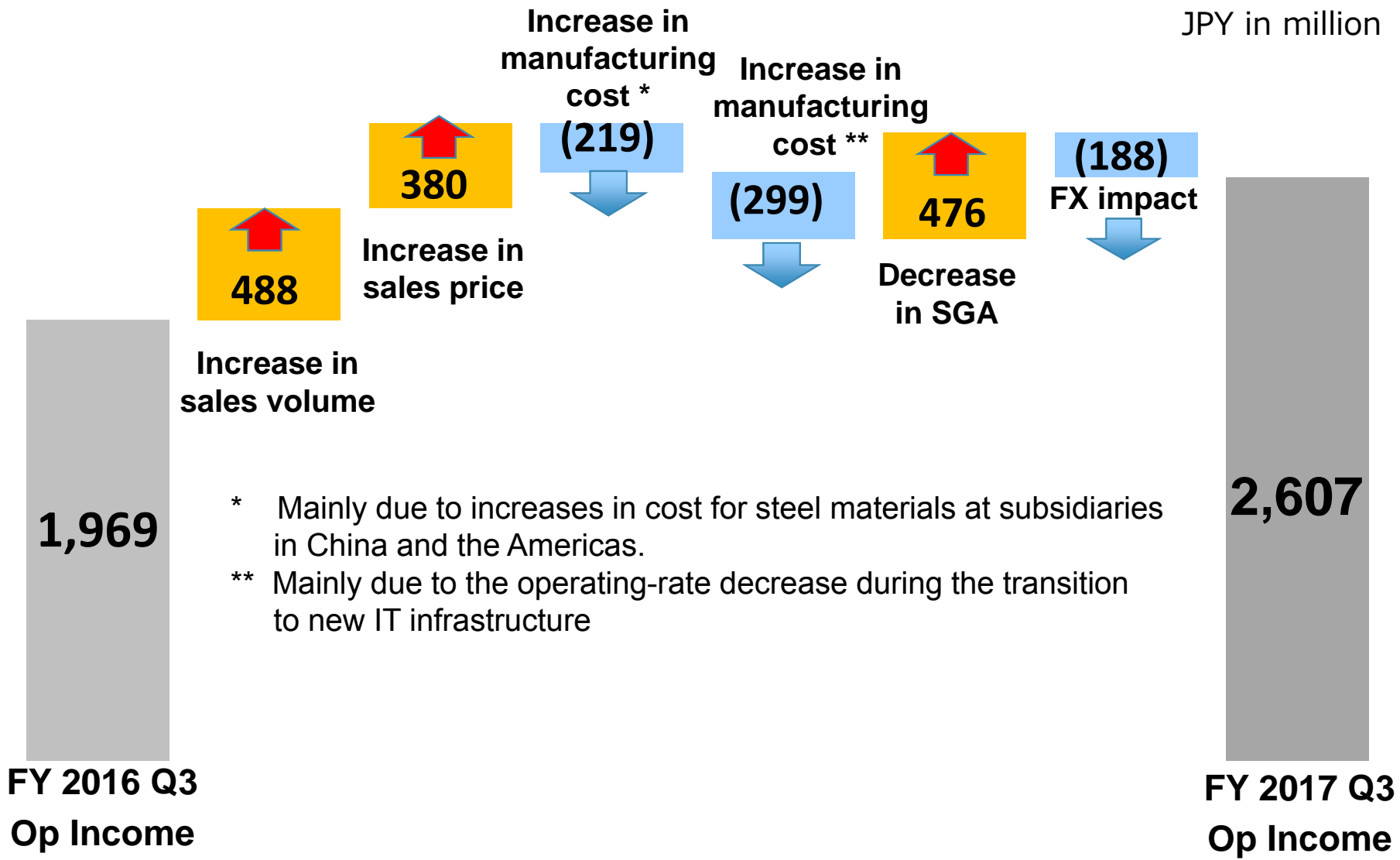
Net Sales by Region (Asia)

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



Operating Income Comparison



FY2017 3rd Quarter Consolidated Balance Sheet

JPY in million	Mar 2017	Dec 2017	Change
Current assets	37,960	39,132	1,171
Cash	9,069	10,071	1,002
Accounts receivable	11,139	10,058	(1,001)
Inventories	15,402	16,946	1,544
Others	2,348	2,055	(292)
Fixed assets	22,177	21,812	(365)
Tangible fixed assets	11,948	11,731	(217)
Intangible fixed assets	7,658	7,399	(259)
Investment & other assets	2,569	2,681	111
Total assets	60,137	60,944	806

JPY in million	Mar 2017	Dec 2017	Change
Current liabilities	20,023	17,749	(2,274)
Accounts payable	5,438	5,856	417
Short-term debt *	9,879	5,864	(4,015)
Others	4,705	6,029	1,323
Fixed liabilities	18,874	20,545	1,670
Long-term debt	14,298	16,513	2,214
Others	4,575	4,031	(543)
Total net assets	21,239	22,649	1,410
Total liabilities and net assets	60,137	60,944	806

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FY2017 3rd Quarter Financial Results

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FY2017 Forecast

3

Reference

- Five Year Financial Results (FY 2012 – FY 2016)
- 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.
- Efficient operation of the 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

- Manage the shortage of inventories, which has been caused by slowing production in Japan, to meet the growing demand in the Americas.

China



Market

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

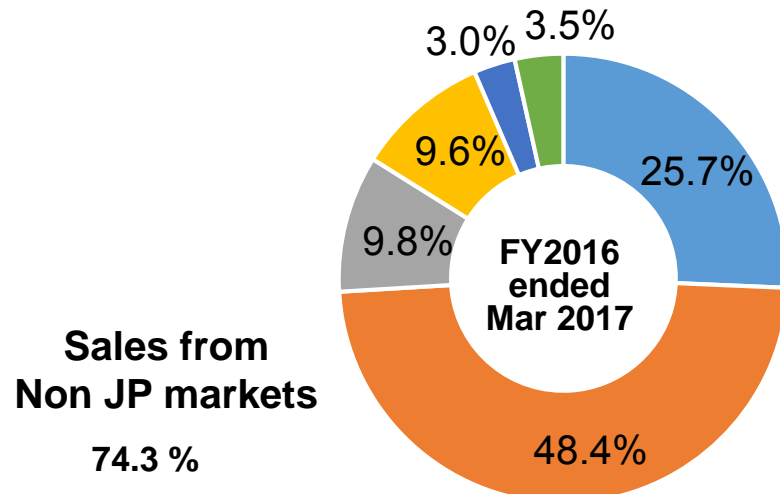
- Enhance service and maintenance business for crane users, and hoist sales.

FY2017 Forecast / Net Sales by Region

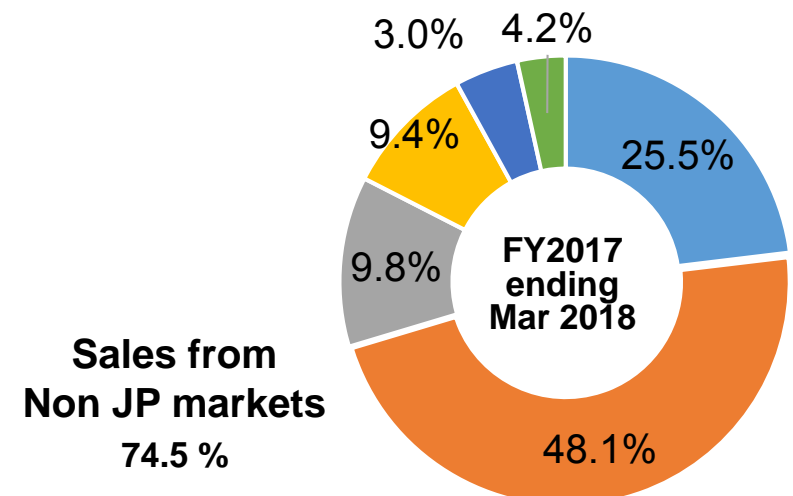
JPY in million	FY2016 (ended Mar 2017)		FY2017 FCST (ending Mar 2018)		YoY Change	
		% Share		% Share	Amount	%
Total	51,141	100.0%	53,000	100.0%	1,858	3.6%
Japan	13,129	25.7%	13,500	25.5%	371	2.8%
the Americas	24,742	48.4%	25,500	48.1%	758	3.1%
China	5,034	9.8%	5,200	9.8%	166	3.3%
Asia	4,925	9.6%	5,000	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 (FY 2016 → FY 2017)

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



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



FY2017 Forecast

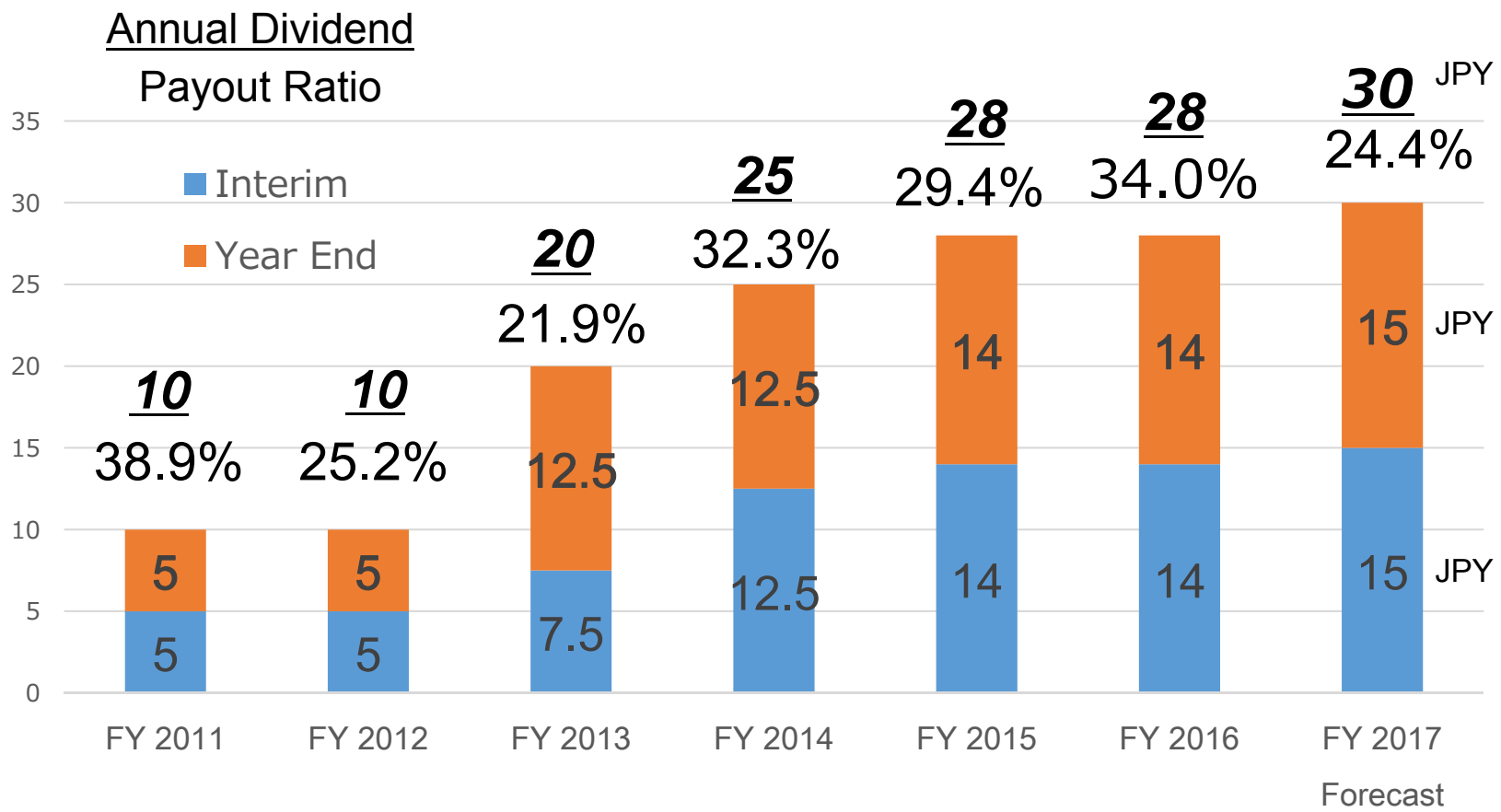
JPY in million	FY 2016	FY 2017	YoY Change
Sales	51,141	53,000	3.6%
Operating Income Operating Income / Sales	4,208 (8.2%)	4,400 (8.3%)	4.5%
Ordinary Income Ordinary Income / Sales	3,249 (6.4%)	3,700 (7.0%)	13.9%
Net Income Net Income / Sales	1,897 (3.7%)	2,500 (4.7%)	31.7%
EBITDA Op Income + Depreciation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

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

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 3rd Quarter Financial Results

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FY2017 Forecast

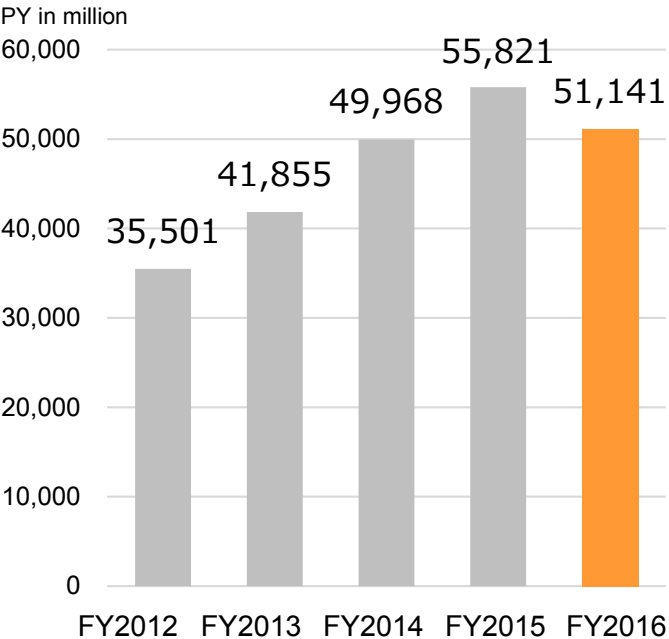
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Reference

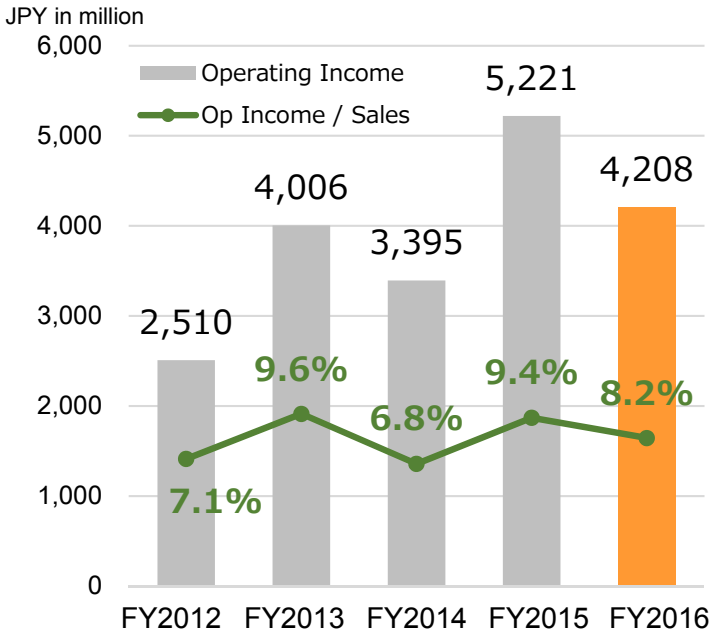
- **Five Year Financial Results (FY 2012 – FY 2016)**
- **Mid-Term Plan (FY 2016 – FY 2020)**

Key figures

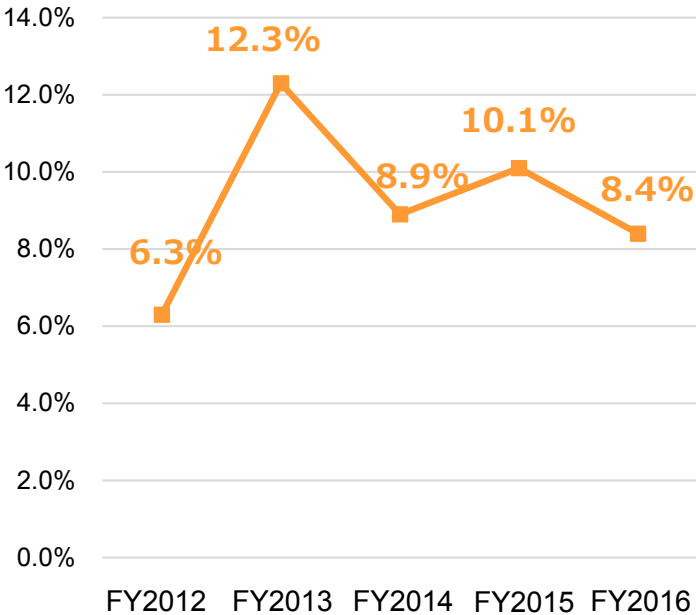
Sales



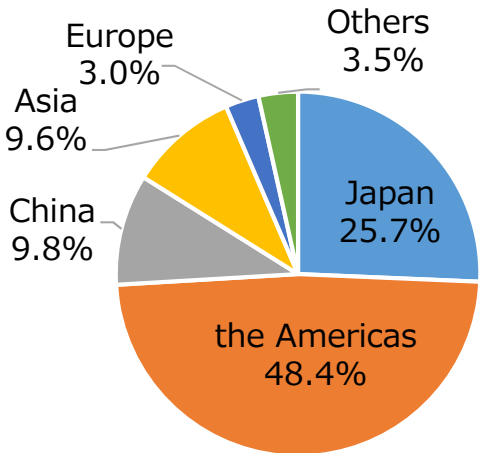
Op Income and Op Margin



ROE



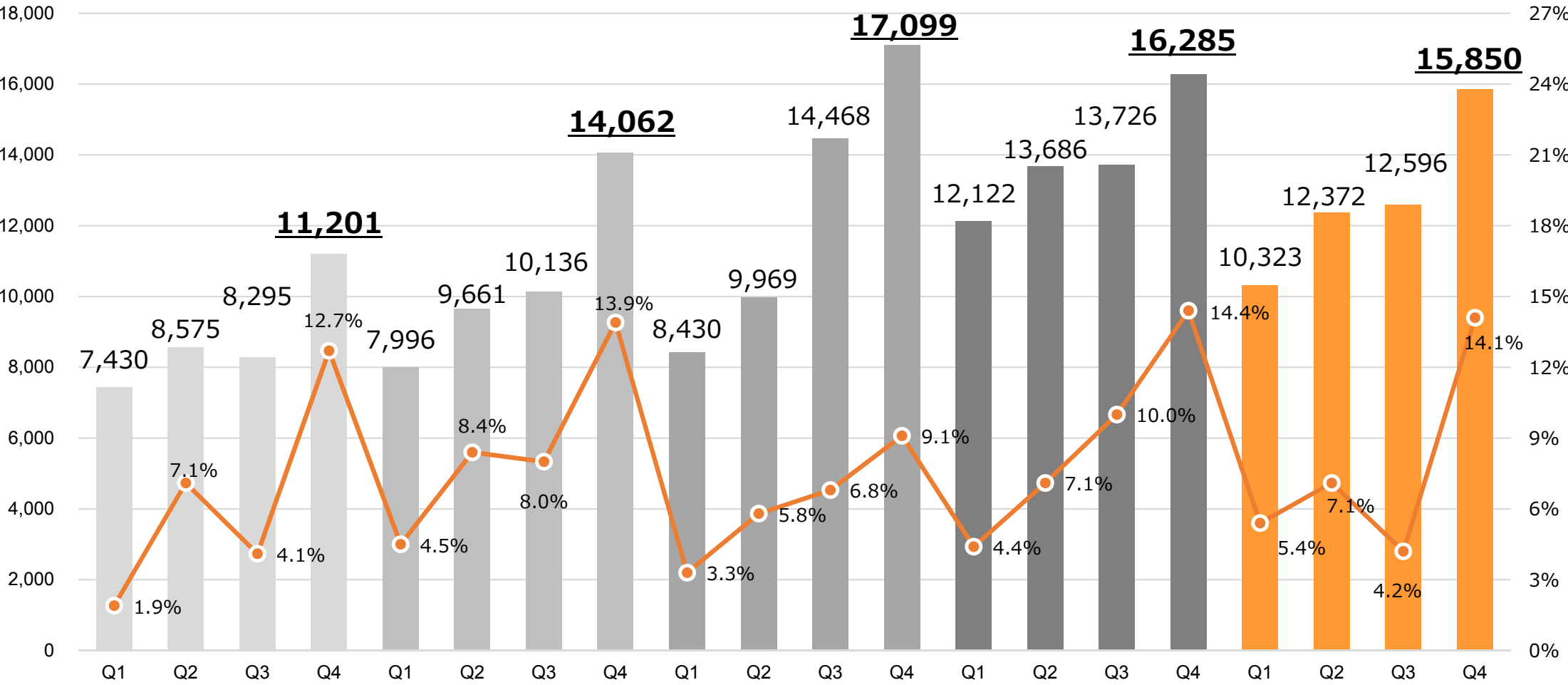
Sales by Region in FY2016



	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)

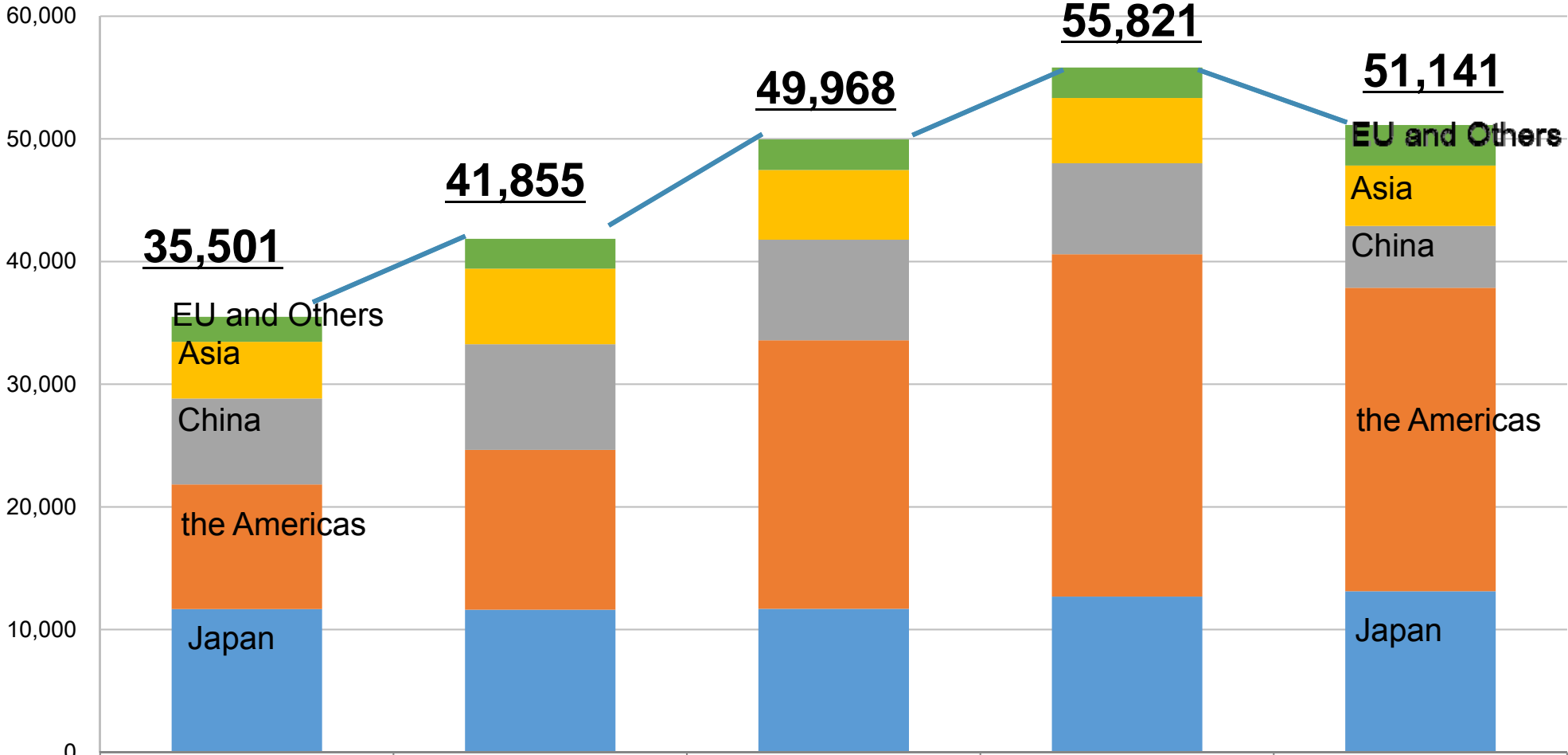


Op Income	139	609	343	<u>1,419</u>	360	806	809	<u>2,030</u>	280	575	987	<u>1,553</u>	538	966	1,371	<u>2,345</u>	561	876	532	<u>2,239</u>
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FY 2012	FY 2013	FY 2014	FY 2015	FY2016
Sales 35,501	Sales 41,855	Sales 49,968	Sales 55,821	Sales 51,141
Op Income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



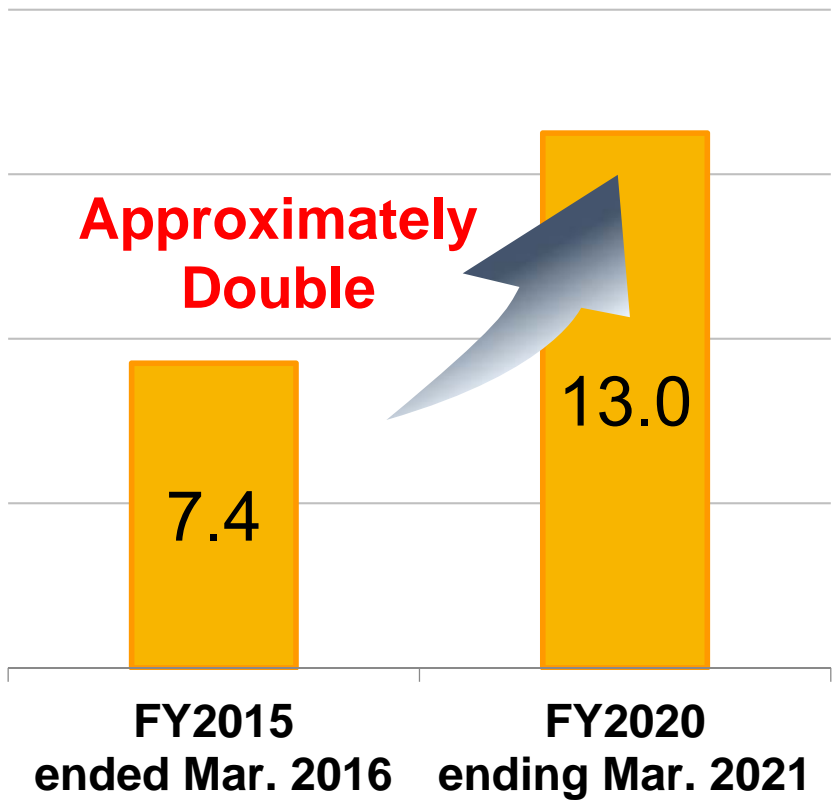
Management Goals

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”

