



Kito Corporation
FY2021-Q2 Business Report
April 1, 2021 ▶ September 30, 2021



Yoshio Kito,
President and CEO

We made a good start on our fiscal year ending March 2022, supported by strong recovery of demand in our North American and European markets. On September 29 we announced a revision of our results for the second quarter and the year as a whole, both upward. The strong demand has carried forward into October and onward, and I'm seeing brisk resumption of shipments in a broad range of industries.

At the same time the effects of steeply rising prices for steel and other materials and supply-chain confusion, particularly in marine transportation, have been gradually increasing. So we are working hard company-wide to ensure uninterrupted product supplies and quality care and services to our customers.

Let me explain the current demand situation in each market and our future prospects. In the North American market, demand started trending upward in the fall of 2020. It gives me hope for continuous strong demand going forward, despite challenges like labor shortages and supply chain issues.

Strong demand continues in Europe as well, despite the recent resurgence of the pandemic as a cause for concern in some countries. The links between our four subsidiaries with different functions are gradually strengthening, building a foundation that differentiates Kito from our competitors. We have begun North American introduction of the products of our Finnish and Dutch subsidiaries, helping the Kito Group strengthen North American operations.

The Japanese market has been on a recovery path since the beginning of the fiscal year. Because the state of emergency lasted so long, however, it is still not as strong as the North American and European markets. There is rising hope that manufacturers here will resume investing in equipment, motivated by rising overseas demand. Investment demand related to infrastructure is also gradually increasing.

Celebrating our 90th anniversary in 2022, we want the Kito Group to remain essential to society. For that we will continue producing safe, durable products, making our production and supply processes clean and efficient, and providing after-sale services based on mutual trust with our customers, so we can contribute to society in various ways beyond creating safe workplaces and reducing our environmental impact.

Watch the webcast archive of our FY2021-Q2 financial results.



Business Highlights

| Earnings for the First Half of FY2021 |

JPY in billion

	Actual	Initial plan	Change
Sales	28.29	25.0	+3.29
Operating income	2.45	1.6	+0.85
Quarterly net income attributable to owners of parent	1.67	1.0	+0.67

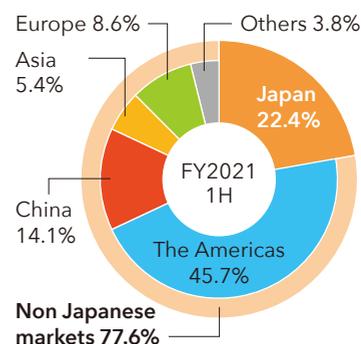
Overview

- Favored by strong demand in North America and Europe, we are continuing to increase production.
- Demand recovery is so far only gentle in Japan and Asia, but investment demand related to infrastructure is gradually rising.
- Effects of surging prices for materials, delayed part supplies and confused marine transportation.

Regional Sales

JPY in billion

	FY2020 Apr-Sep	FY2021 Apr-Sep	YoY change
Japan	5.66	6.32	+11.7%
Americas	9.52	12.90	+35.6%
China	3.15	3.99	+26.7%
Asia	1.38	1.53	+10.7%
Europe	1.41	2.44	+73.1%
Others	0.90	1.08	+19.8%

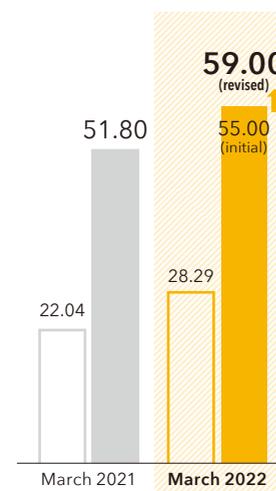


| FY2021 Forecast |

Revisions to the consolidated business forecast on September 29, 2021
JPY in billion

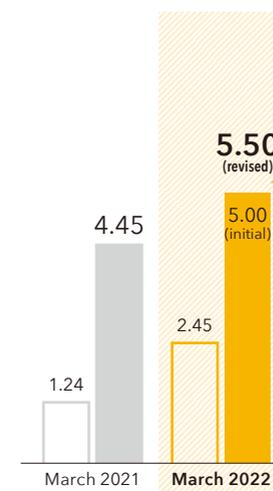
Sales

□ 1H ■ Full year



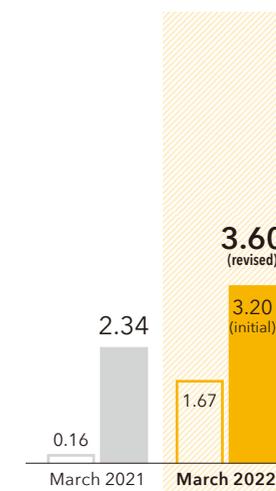
Operating income

□ 1H ■ Full year



Quarterly net income attributable to owners of parent

□ 1H ■ Full year



Major initiatives

- Active equipment investment continues at our three production bases in Japan, the US and China.
- Our effort is focused on stable product supplies and quality customer services despite confusion in the supply chain.
- Building synergy through stronger linkage among four European subsidiaries and introduction of European products in the North American market.



Natural disasters like earthquakes and flooding, as well as unpredictable risks like the Covid pandemic, pose substantial threats to our businesses and daily lives. Manufacturers are particularly vulnerable, facing the growing issues of shrinking working populations, the recent surge in prices for materials, and confused distribution. Despite these challenges the Kito Group boldly strives to be the plant that never stops, mobilizing all the wisdom of its firms operating worldwide.

Imagining Another Great East Japan Earthquake

The Great East Japan Earthquake of 2011 was of a magnitude we had never experienced. The Yamanashi Main Plant fortunately escaped major structural and systemic damage, but we remember struggling to adjust work days for planned power outages and maintain supplies from part makers. Since then we've completed most of the work to make our facilities in the six plant buildings related to utilities, including water, electricity and gas as well as lighting and plumbing, more earthquake-resistant.

We have made our work environment safer, for example by testing over 200 production machines for vibration-resistance and implementing measures to prevent them from falling. We undertook an extensive risk-simulation with a major earthquake in the Tokai region in mind to project its impact on the plant in terms of production and supply and the time needed for recovery of distribution and utility systems, and built a recovery plan from those projection.

Upward Elasticity, Downward Flexibility

We work to be a plant with upward elasticity, meaning keeping up with demand surges and production increases by maintaining high productivity and performance, and downward flexibility, which means dealing with dips in demand or production volume by applying efficient manufacturing and flexibility to secure profits.



There are three primary means to these ends. The first is enhancing our production capacity, which help ensure upward elasticity. Second is the promotion of automation and reduction of labor, raising the efficiency of our work and making best use of the limited number of people available for a given task. Third is optimization of our product and part inventories, which help cushion fluctuations in demand.



Distribution of Production Bases

We have begun a project to transfer production of two core Kito products, CX manual chain hoists and LX lever hoists, from Japan to our Thai plant. Although we fell behind schedule due to pandemic-related travel restrictions on our engineers, we successfully made the first shipment to Japan in August.

Widely used in a range of industries



A black body is never an eyesore!

In the recently completed Chiba JRF Dome, 34 TNER theatrical hoists hold up the large monitor at its center. The picture shows how the hoists were installed. The TNER is specialized for setting up lighting and audio equipment in theatres and other event venues. Its black case prevents it being visually obtrusive to audiences, and it uses a lubricant that helps keep the venue clean.



Kito products are used in every industry. As we watched Olympians and Paralympians in heated competition in Tokyo this summer, we spotted many Kito products in the venues for swimming, cycling, fencing and more. Here we feature the dome where bicycle racing took place and a rail-maintenance center as examples.



Auto-controlled crane crystallizes Kito technologies

For a smoother ride, railroad rails are welded together in the production facility, joining as many as six standard rails to extend up to 150 meters. Kito cranes are used to load the long rails on the cargo train. Using control technology to synchronize the operations of six cranes and twelve hoists, the rails are transported safely. Installed outdoors, the cranes are exposed to various weather factors, so parts that resist sunlight and rain were chosen, and a device to prevent runaways was installed as well.

Kito Media

Kito actively uses its website and social media to disseminate information on products and Group activities, as well as stories of wider investor interest.

Ask an IR Officer!

Our answers to questions from investors and shareholders



Aug. 27, 2021, 10:15

Q | While the world economy is rapidly recovering, there are global concerns, like a shortage of intermodal containers, delays in shipping and a steep rise in transportation costs. How are these issues affecting Kito operations?

A | Kito maintains an exclusive consignment agreement with a leading transporter, so we have enough containers for our exports. Our exports have been stable as a result of expanded shipping routes to North America. In the US, our top export destination, local distribution has sometimes stalled due to confusion in the ports. This is causing short inventories of some parts, but with effective use of cargo flights we are working to continue satisfying customer needs and building our market share. Responding to rising transportation costs, we are transferring them into prices to minimize impact on profits for the entire Group.

Oct. 04, 2021, 10:34

Q | The recent financial crisis of the Evergrande Group in China is a major concern for the world economy. How will it affect Kito operations, particularly in China?

A | About 80% of Kito's China operations are related to the production and sale of wire-rope hoists. These products are generally needed for equipment investment in plants, rather than on temporary worksites related to construction or civil engineering, and this market is not directly affected by Evergrande real-estate development. That said, some impact on the Chinese economy as a whole may be inevitable, and we are keeping an eye on the situation.

Fifth Place in Japan for Ratio of Disabled Employees

Toyo Keizai magazine announced its ranking of the top 100 companies in terms of ratio of disabled people in total workforce. Kito ranked fifth, hiring 36 disabled people, 7.09% of total employees. Kito scored high for its master plan for employing people with disabilities, positioning such employees based on their uniqueness rather than kind of disability, and its effort to help them maintain their jobs in cooperation with their families and supporters.

Awards for Excellent Employees with Disabilities

The Japan Organization for Employment of the Elderly, Persons with Disabilities and Job Seekers awarded two Kito employees the "Chairman's Effort Prize" for excellence among employees with disabilities. With new ambition to rise to the challenges of various jobs, both are working hard on every task they are given and becoming strong forces in the workplace.

'A' Grade for ESG Management

Kito's exceptional ESG-focused management has won an 'A' rating from Mitsubishi UFJ Research and Consulting, supported by the Japan Credit Agency.



Read more about ESG-oriented Kito management practices.



We're celebrating the tenth anniversary of the EQ electric hoist as a customer favorite.

The sleek, innovative case is integrated with the motor frame, making it light and compact. Highly durable and offering a long product life, the EQ is packed with Kito commitment inside and out. Since its debut in 2011 it has enjoyed a very high reputation, especially among European customers.



About the Cover Photo

Railway track stretches beyond the horizon.

Safe, environment-friendly railroads are an important support for social infrastructure. Six Kito cranes are used to load 150-meter rails on freight cars.



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Q Search

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