

Here's a summary of the question-and-answer session held at our FY2018 financial briefing, May 21.

The briefing included supplementary explanations on the FY2019 forecast. We project a robust market trend across Japan, the Americas, China and Europe, with continuing momentum from the previous year. April business was good in Japan, and Kito market share grew in China due to the effort against counterfeit products, with first-quarter sales (January-March) on level with Q2 of FY2018.

< Summary of questions and answers >

Q1:

We understand that profit fell in the fourth quarter of fiscal 2018 due to unique circumstances. Would you break that down to specific items and explain their respective impacts on profit?

A1:

Consolidation of the Italian subsidiary at the end of the fiscal year cost about 200 million yen. About 200 million yen was added to the provision for bonuses due to better-than-projected results in Japan. Inventory assessment loss was about 100 million yen. In South Korea, a large annual project usually accounted in Q4 was accounted in Q1 last year, making Q4 profit look relatively smaller.

Q2:

Tell us about the FY2019 prospects for subsidiaries that are already consolidated or scheduled for consolidation.

A2:

It's possible that the Italian subsidiary consolidated at the end of last year and the Finnish subsidiary, which will be consolidated this year, may finish the year with small deficits, but we aim for positive earnings before interest, tax, depreciation and amortization.

Q3:

Tell us about the prospects for Japan and the Americas, which are key to FY2019 performance projections.

A3:

Japan is enjoying a high-level plateau, with an order backlog above that for FY2018. If there is a concern, it would be the trend in the rental industry, and whether the high demand in that area last year will continue into this year is a question. Considering that, however, our prospects remain positive. Our forecast for the Americas is relatively conservative.

Q4:

We understand that Kito market share will likely grow in China due to a rise in popular awareness about safety and product quality, in addition to the campaign against counterfeit products, with tougher rules to protect intellectual property rights. Who do you think are the leading contributors in our growth, new users, existing users, or the infrastructure industry?

A4:

We have two operations in China: local production for local consumption, and sales of imported products from Japan. The first operation targets the volume-sale market, which was once infested with counterfeits. The stronger regulations on counterfeiting of late, however, is helping us expand our user base and market share. In the second operation, due to structural changes in Chinese industry such as higher awareness about safety and product quality we are finding new users in the electric vehicle, energy and infrastructure industries.

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