
Financial Results for the Quarter ended September 30, 2020

KITO CORPORATION
TSE 1st Section: 6409
November 5, 2020

FY2020 Q2 / 3 Months Summary

Business Results

(JPY in Million)	FY2019 Q2 3 months	FY2020 Q2 3 months	YoY change
Sales	14,301	11,982	(16.2)%
Op Income Op Income/Sales	1,339 9.4%	1,022 8.5%	(23.6)%
Net Income * Net Income/Sales	755 5.3%	489 4.1%	(35.3)%

* Net Income attributable to owners of parent

Overviews

- Sense of bottoming out in Q1, and gentle recovery in Q2, onward
- Priority on employee health and higher work efficiency through active remote work
- Tighter company-wide cost control and structural reform for higher profit
- Pursuing of added value without falling into price war, leading to share improvement

1

FY2020 Q2 Financial Results

2

FY2020 Forecast

3

Reference

- Five Year Financial Results (FY2015 – FY2019)
- Kito's Business
- Mid-Term Plan (FY2016 – FY2020)

FY2020 Q2 / 6 months Summary

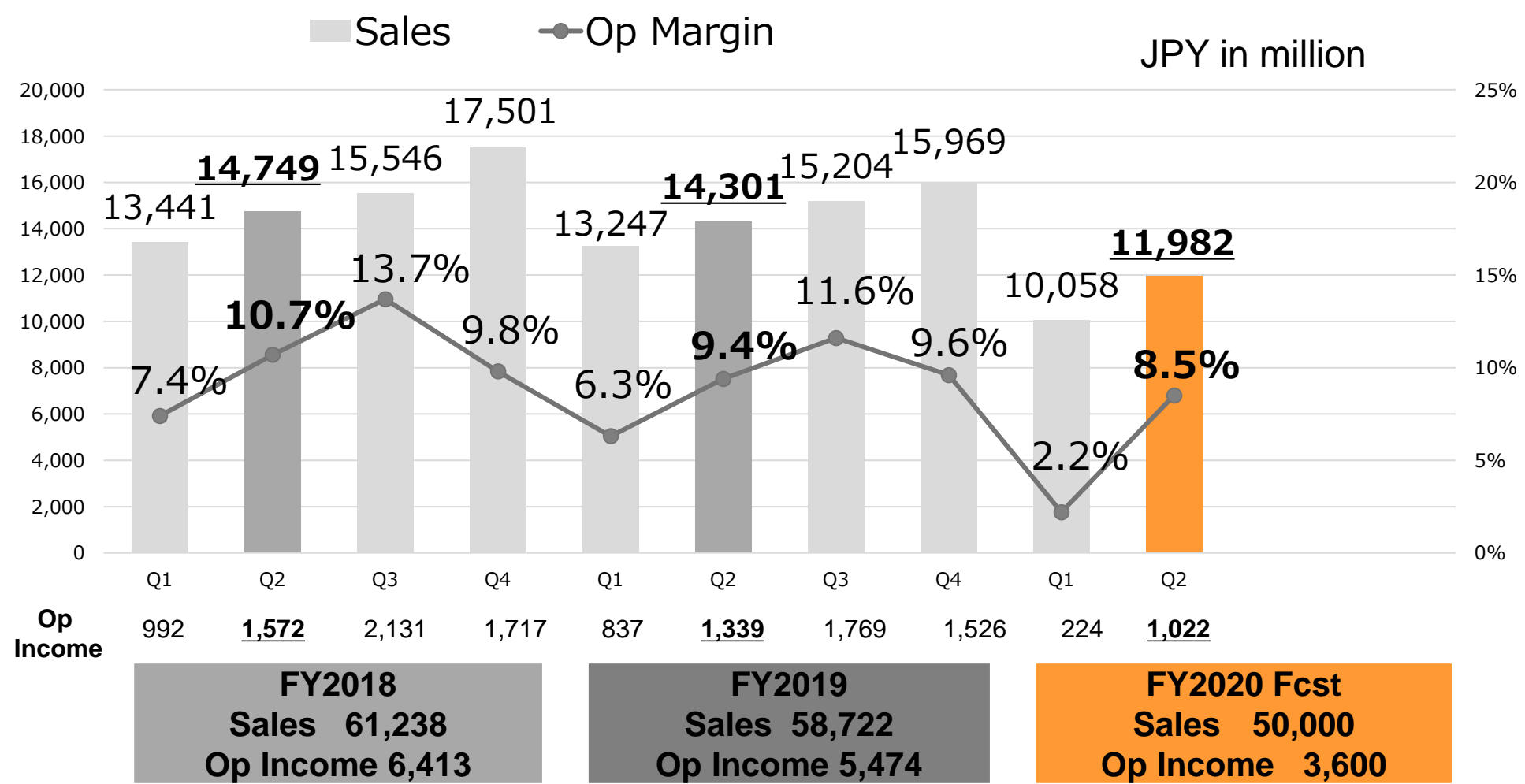
JPY in million	FY2019 1H	FY2020 1H	YoY change
Sales	27,548	22,041	(20.0)%
Gross Profit Gross Profit/ Sales	10,341 37.5%	7,973 36.2%	(22.9)%
Operating Income Operating Income / Sales	2,177 7.9%	1,247 5.7%	(42.7)%
Ordinary Income Ordinary Income / Sales	1,795 6.5%	1,213 5.5%	(32.4)%
Net Income Net Income / Sales	1,083 3.9%	166 0.8%	(84.6)%
EBITDA Op Income + Depreciation	3,675	2,709	(26.3)%

Note: Exchange Rate (FY2019 1H → FY2020 1H)

USD/JPY 108.6→106.9 CAD/JPY 81.7→78.7 EUR/JPY 121.4→121.3 RMB/JPY 16.2→15.4

Quarterly Net Sales and Operating Margin

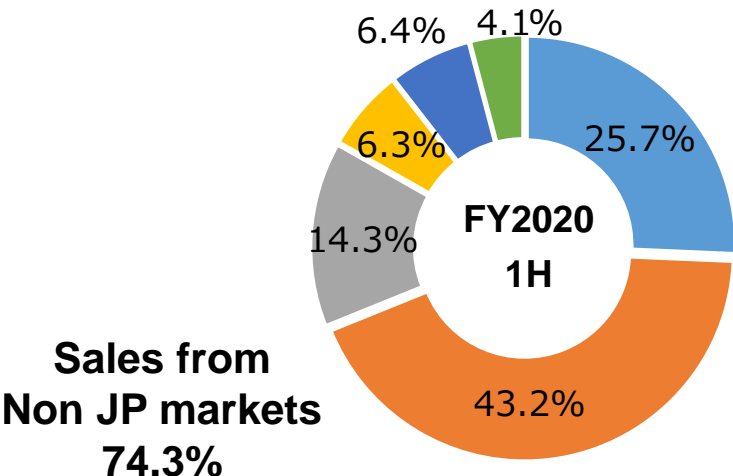
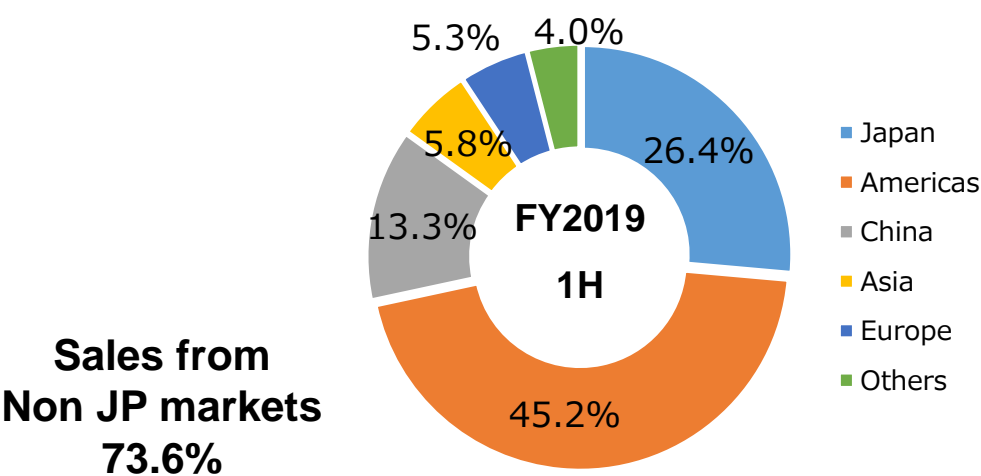
Economic activities slowed substantially due to the Covid-19 pandemic, but demand appeared to touch bottom in Q1; gentle recovery in Q2 and onward; secure profit using tighter cost-control



Net Sales by Region / 6 months

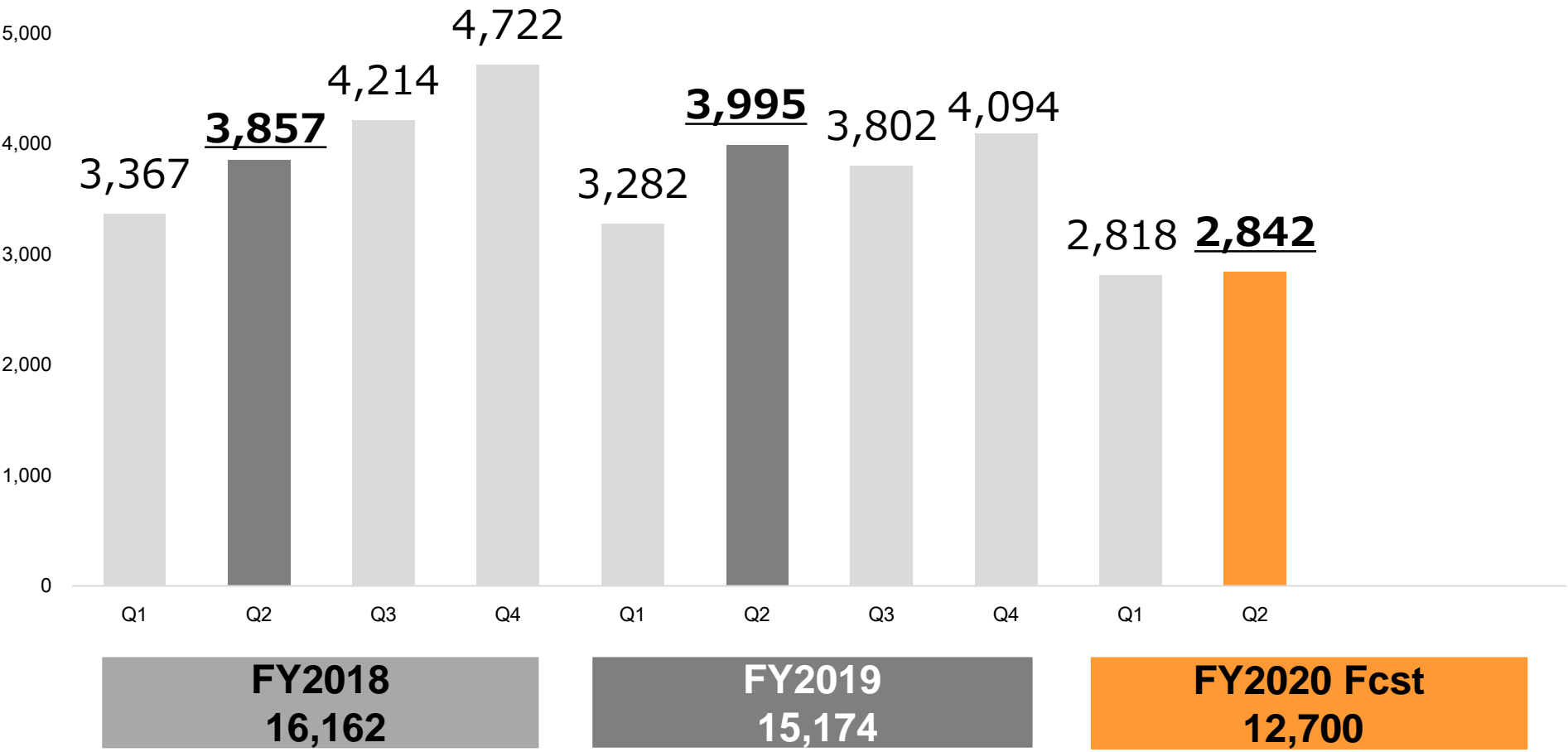
JPY in million	FY2018 1H		FY2019 1H		FY2020 1H		YoY Change	
		% share		% share		% share	amount	%
Total	28,190	100.0%	27,548	100.0%	22,041	100.0%	(5,507)	(20.0)%
Japan	7,225	25.6%	7,277	26.4%	5,660	25.7%	(1,617)	(22.2)%
The Americas	12,549	44.5%	12,437	45.2%	9,522	43.2%	(2,915)	(23.4)%
China	3,417	12.1%	3,660	13.3%	3,155	14.3%	(504)	(13.8)%
Asia	2,533	9.0%	1,603	5.8%	1,385	6.3%	(218)	(13.6)%
Europe	1,270	4.5%	1,473	5.3%	1,412	6.4%	(61)	(4.2)%
Others	1,194	4.2%	1,094	4.0%	904	4.1%	(190)	(17.4)%

Note: Exchange Rate (FY2019 1H → FY2020 1H)
USD/JPY 108.6→106.9 CAD/JPY 81.7→78.7 EUR/JPY 121.4→121.3 RMB/JPY 16.2→15.4



Net Sales by Region (Japan)

- Sense of bottoming out at mid-quarter, followed by gentle recovery trend
 - Slow moving of general-purpose products in distribution and strength in large equipment-investment orders
 - Sign of recovery in demand related to infrastructure
- JPY in million

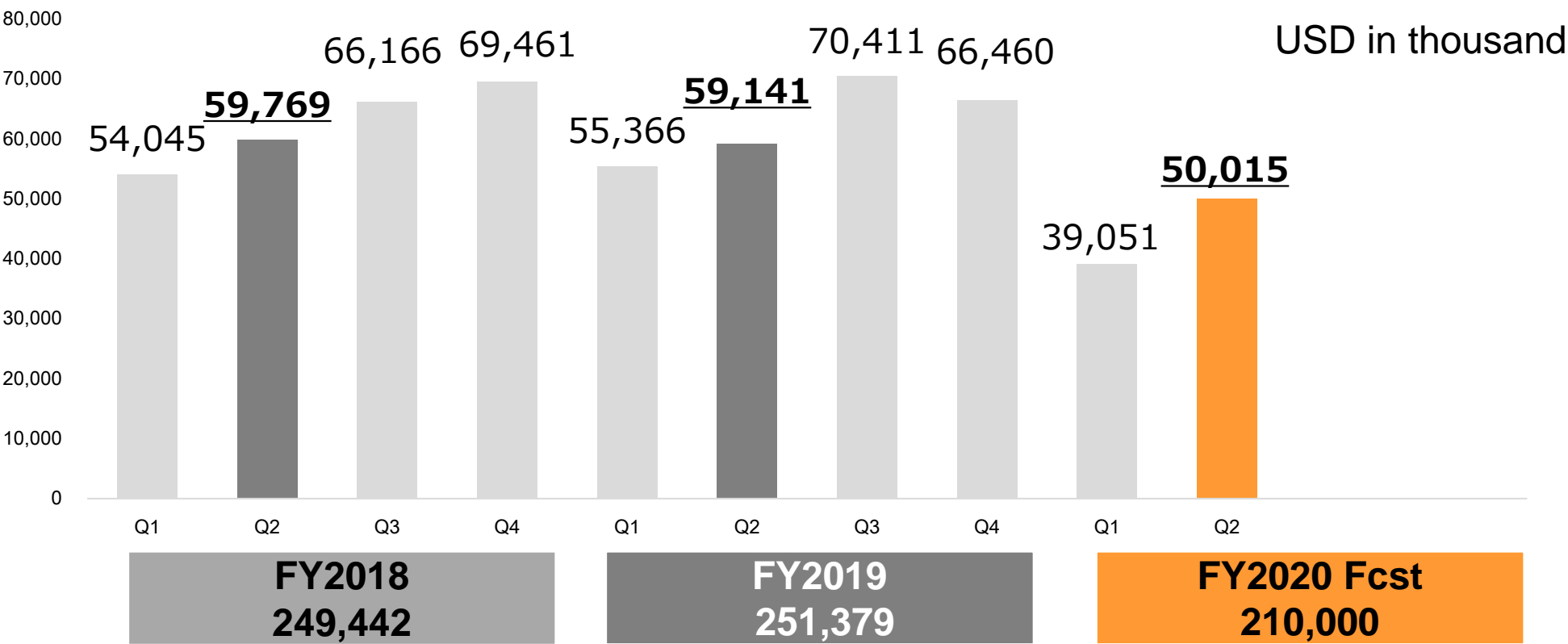


Net Sales by Region (Americas)

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

Our Business : The US business is composed of two pillars, hoist and crane business and sales and manufacturing of chain accessories, which was added after the acquisition of Peerless.

- Resuming economic activity encourages hope for demand growth despite the continuing spread of Covid-19
- Recovery trend overall despite regional differences



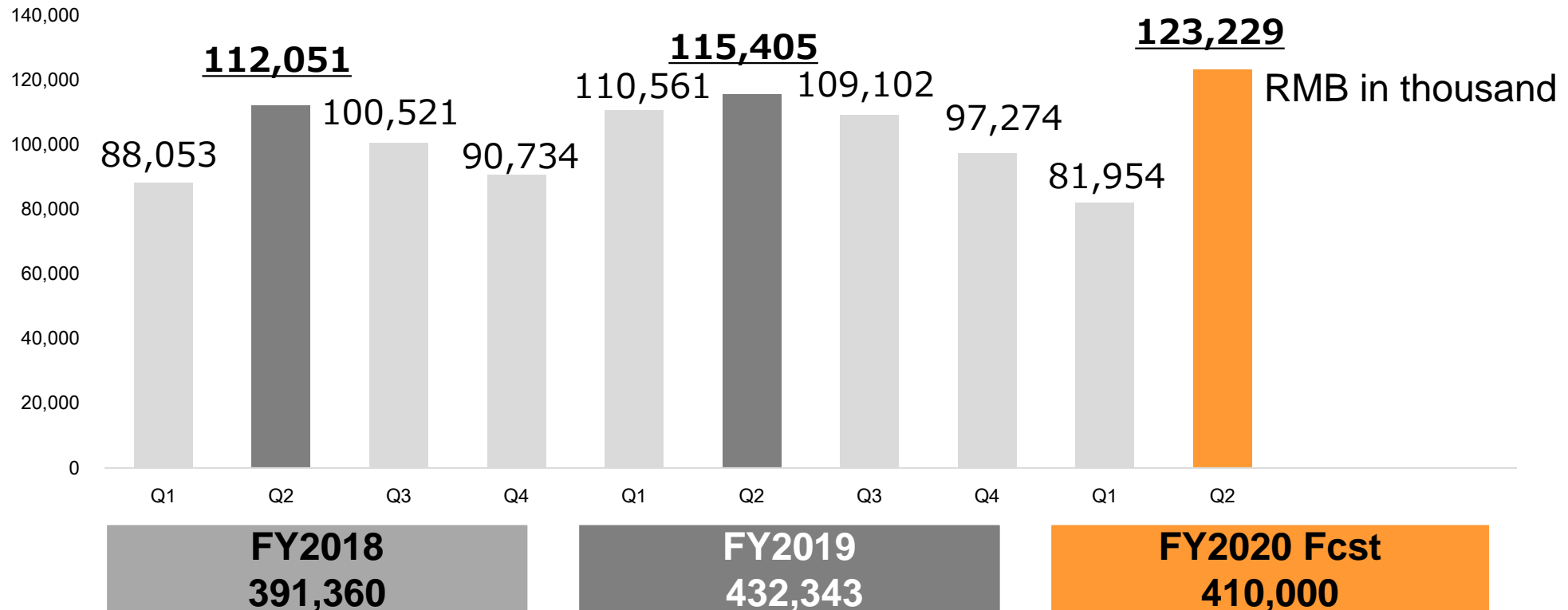
Net Sales by Region (China)

Fiscal year of China starts in January and ends in December

Our Business: The Chinese business is composed of two pillars, production and sales of wire-rope hoists for domestic market, and sales of Japanese high functioning products

- Hard-hit by pandemic in February, returning to almost normal in March, ahead of the rest of the world

(In the Chinese segment, the first two quarters are January-June)

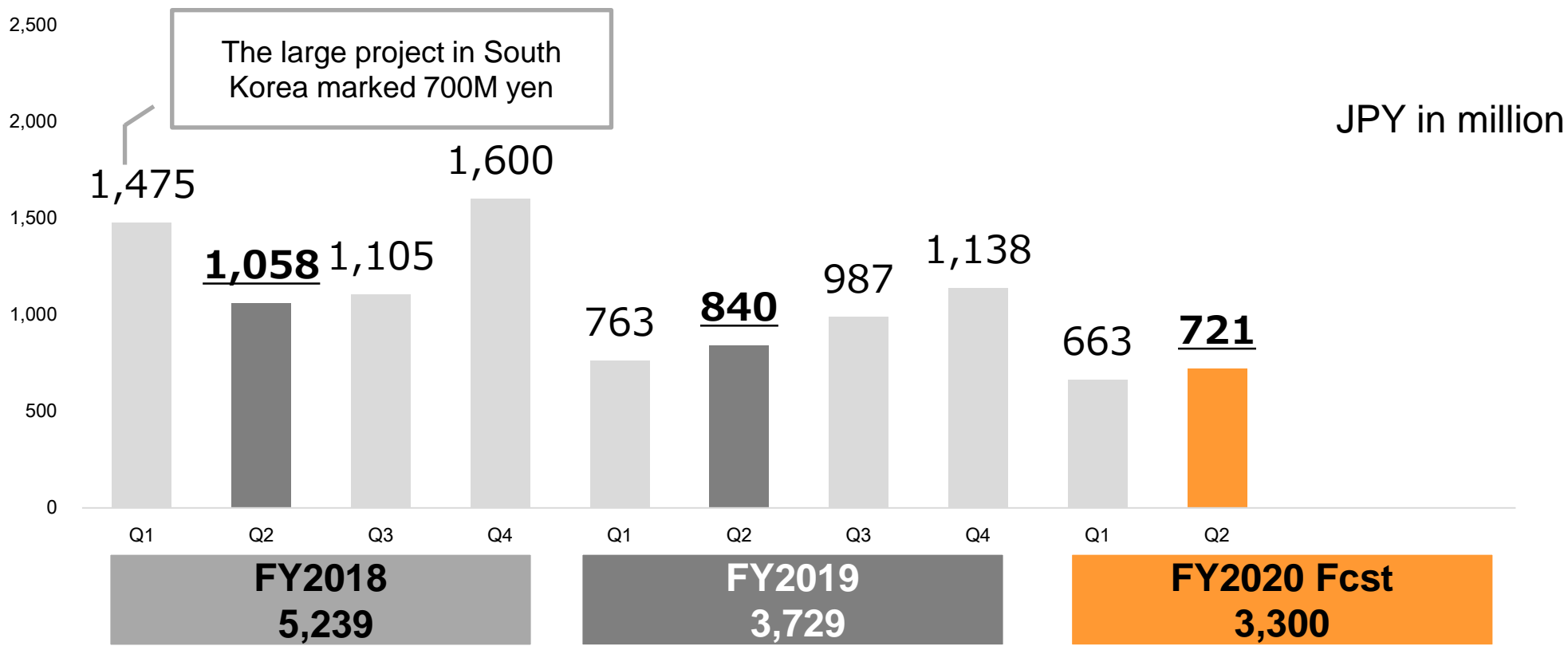


Net Sales by Region (Asia)

FY starts in Jan and ends in Dec: Thailand, Korea, Taiwan
FY starts in Apr and ends in Mar: Indonesia, India

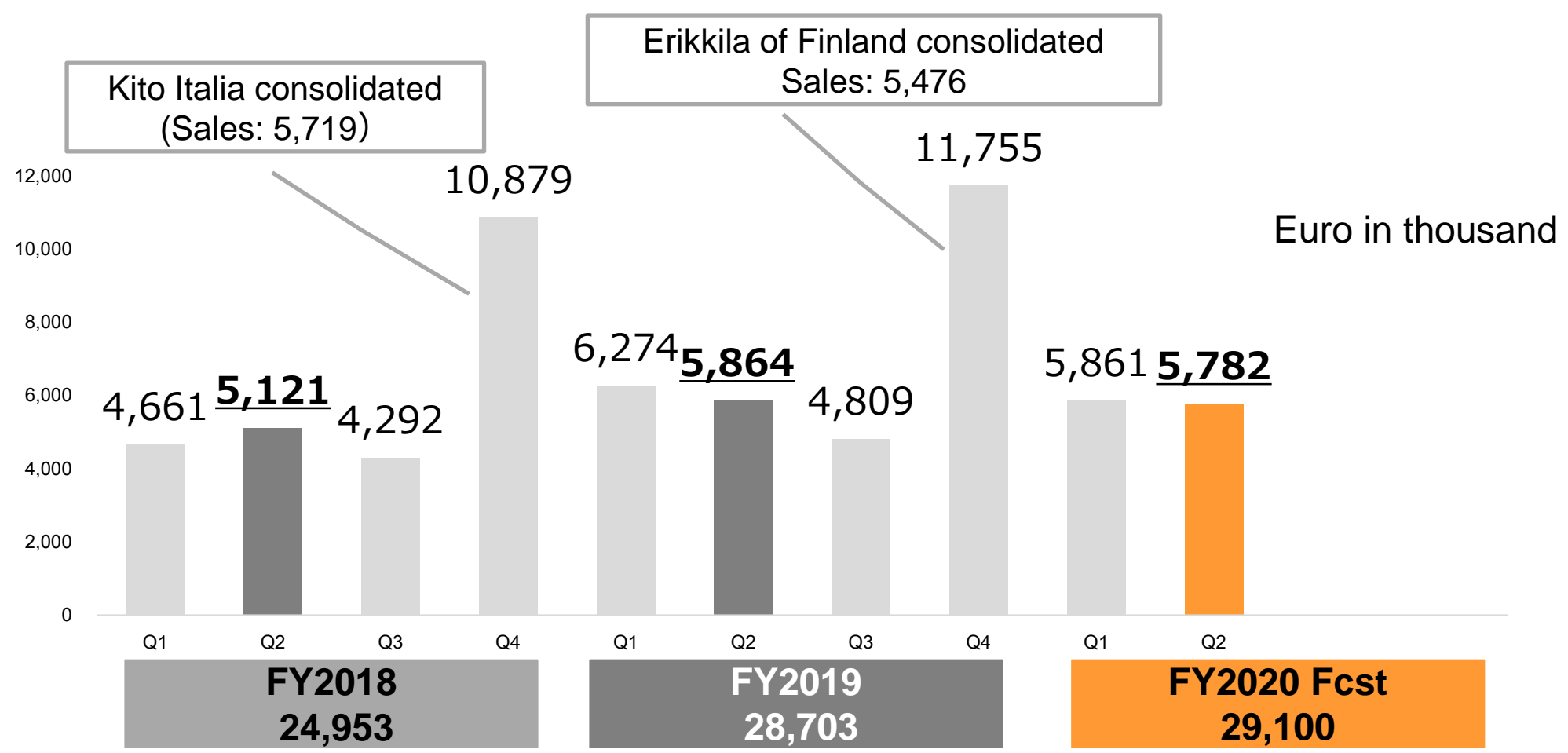
Our Business : The crane business in Thailand and South Korea is the mainstay of this segment.
Improving profitability by strengthening hoist sales and maintenance services for crane.

- Pandemic impact relatively low in East Asia
- Slow equipment investment in automotive and other industries in Southeast Asia



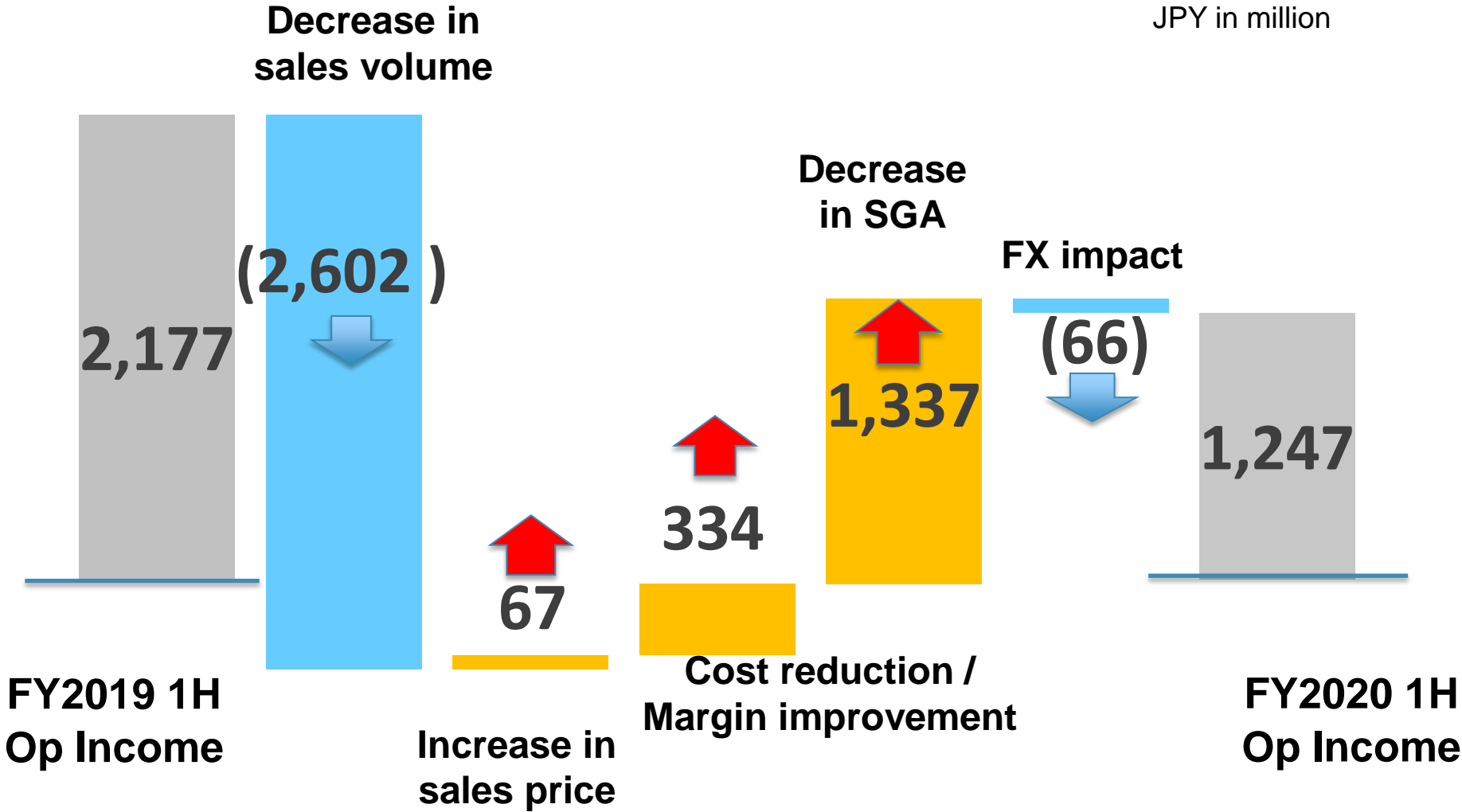
Net Sales by Region (Europe)

- Earnings by the Italian subsidiary consolidated in FY2018 and those of the Finnish subsidiary in FY2019
- Economic activity stalled due to lockdowns in many countries for the pandemic



Operating Income / 6 Months Comparison

JPY in million



Consolidated Balance Sheet

JPY in million	Sep 2019	Sep 2020	Change
Current Assets	39,147	41,816	2,668
Cash	8,194	12,919	4,725
Accounts receivable	10,472	8,277	(2,195)
Inventories	19,501	19,344	(156)
Others	980	1,274	294
Fixed Assets	22,539	21,506	(1,033)
Tangible fixed assets	11,789	12,323	534
Intangible fixed assets	5,516	4,928	(588)
Investment & other assets	5,233	4,254	(979)
Total Assets	61,686	63,322	1,635

JPY in million	Sep 2019	Sep 2020	Change
Current Liabilities	19,641	23,065	3,424
Accounts payable	6,818	5,087	(1,730)
Short-term debt *	7,743	12,906	5,162
Others	5,079	5,072	(7)
Fixed Liabilities	15,427	12,762	(2,664)
Long-term debt	11,810	9,132	(2,678)
Others	3,616	3,630	13
Total Net Assets	26,618	27,494	876
Total Liabilities and Net Assets	61,686	63,322	1,635

* Includes Current portion of long-term loans payable

Consolidated Cash Flows / 6 months Comparison

JPY in million	FY2019 1H	FY2020 1H	YoY change
Cash flows from operating activities	1,598	1,841	243
Cash flows from investing activities	(2,241)	(1,107)	1,133
Cash flows from financing activities	396	2,892	2,495
Effect of exchange rate changes on cash and cash equivalents	(74)	(12)	61
Net increase (decrease) in cash and cash equivalent	(320)	3,613	3,933
Cash and cash equivalents at end of period	8,184	12,911	4,726

Major activities in FY2020

Cash flows from operating activities

Income before income taxes	891
Depreciation and amortization	1,312
Decrease in receivables	2,662
Increase in inventories	(1,475)

Cash flows from investing activities

Acquisition of tangible fixed assets	(1,207)
Acquisition of intangible fixed assets	(61)

Cash flows from financing activities

Increase in short term debt	6,000
Increase in long term debt	500
Repayments of long term debt	(2,214)

1

FY2020 Q2 Financial Results

2

FY2020 Forecast

3

Reference

- Five Year Financial Results (FY2015 – FY2019)
- Kito's Business
- Mid-Term Plan (FY2016 – FY2020)

FY2020 Forecast

Japan

Market

- The market is still under the influence of the pandemic, but demand is on a gradual recovery track.
- Private-sector equipment investment is slow. Demand for infrastructure is expected to grow.

Initiatives

- The initiative to reduce fixed costs has begun to build earnings power.
- Target performing industries and increase project orders.
- Investment for manufacturing efficiency continues.

Americas

Market

- Demand will remain slow due to market uncertainty.
- Economic activity has resumed, and orders are gradually recovering.

Initiatives

- Faster deliveries and higher quality services for increasing market share.
- Expense cuts leading to higher profitability

FY2020 Forecast

China

Market

- Economic activity resumed ahead of other areas after a short hiatus caused by the pandemic.
- Market share is improving due to increased awareness of environment and quality

Initiatives

- Aim to expand sales by seizing equipment demand in performing industries.
- Profit-oriented sales efforts without price competition

Asia

Market

- The effects of Covid-19 in East Asia are milder than in other areas.
- In Southeast Asia, weak demand centered on the automobile industry

Initiatives

- Enhance maintenance business for crane users, and hoist sales.
- Put more effort into exploring customers in industries other than automobiles.

Europe

Market

- Demand recovery is expected with economic activity resumed.

Initiatives

- Further expand business on the strength of synergy with two acquired local firms.

FY2020 Forecast / Influence of COVID-19

Demand prospects:

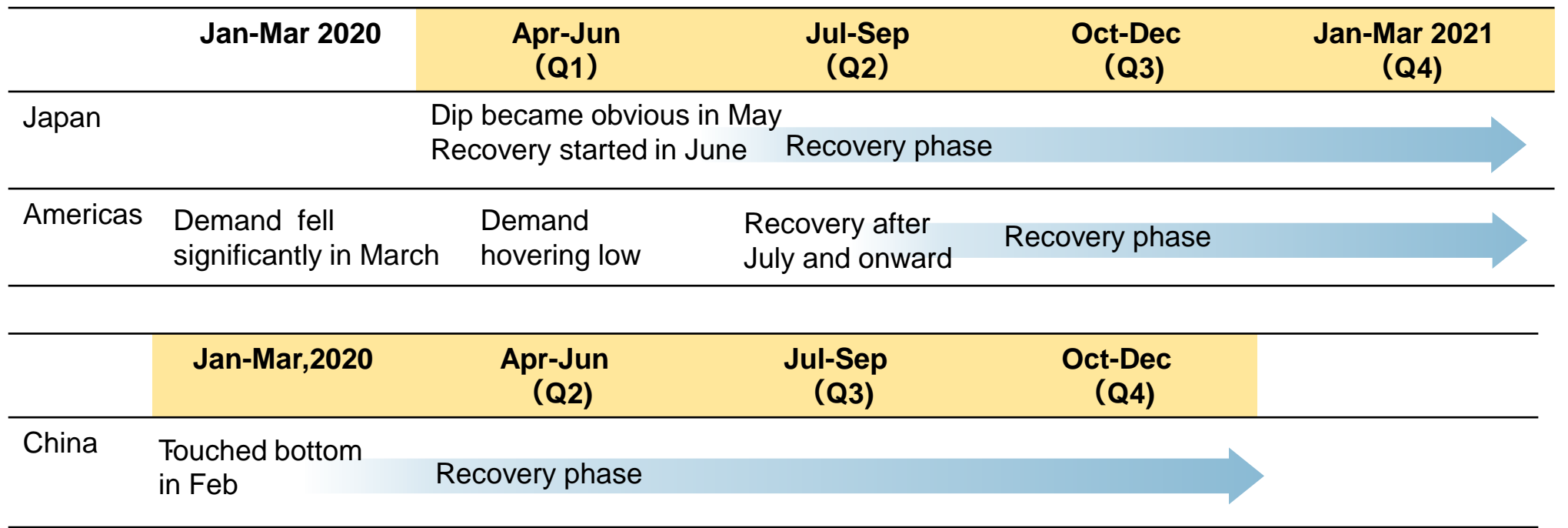
- In Japan and the Americas entered the recovery phase in Q2.
- After quick recovery, China's annual results on a par with FY2019

Production policy:

- Maintain stable operations globally, particularly in Japan, the Americas and China, to flexibly respond to demand fluctuations.

Profit policy:

- Secure profits regardless of future demand by controlling cost and cash flow .



FY2020 Forecast

- Higher work efficiency and tighter cost control to build profit-generation structure
- Effort to reinforce process control in projects
- Hope for sustained prices and market-share growth

JPY in million	Previous Fcst Aug 6, 2020	Revised Fcst Oct 16, 2020	Change	FY2019 Results
Sales	49,000	50,000	1,000	58,722
Gross Profit Gross Profit/ Sales	3,000 6.1 %	3,600 7.2%	600	5,474 9.3%
Operating Income Operating Income / Sales	2,750 5.6 %	3,500 7.0%	750	4,991 8.5%
Ordinary Income Ordinary Income / Sales	1,100 2.2 %	1,700 3.4%	600	3,204 5.5%

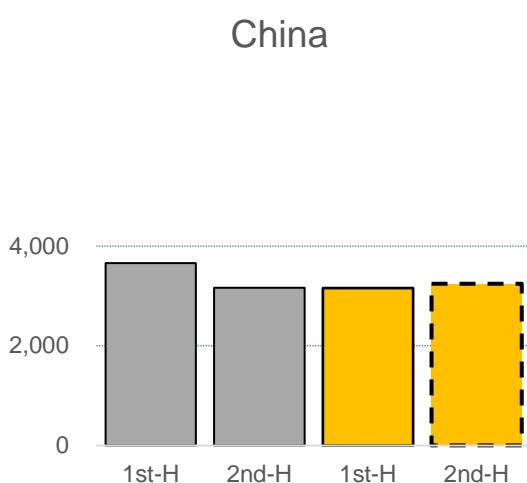
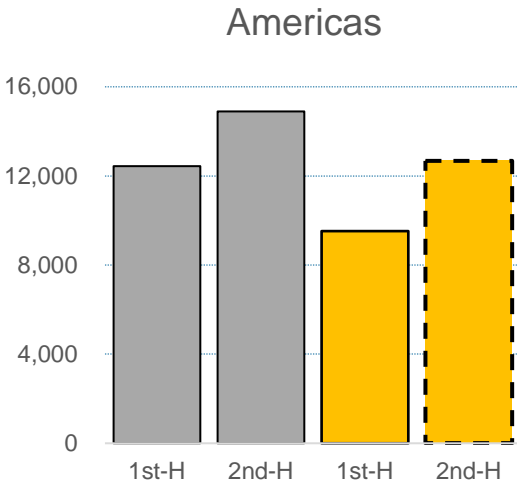
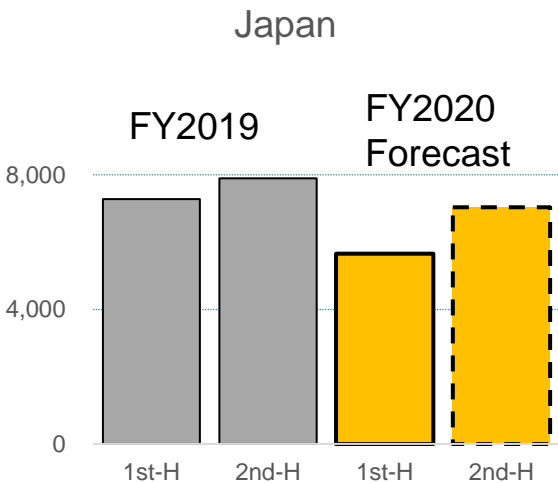
Note: Exchange Rate (Previous→Revised)

USD/JPY 105.4→105.9 CAD/JPY 83.6→79.3 EUR/JPY 119.5→120.3 RMB/JPY 15.8→15.6

FY2020 Forecast by Region

JPY in million	FY2019 Full Year		FY2020 Full Year Fcst		YoY	
		% share		% share	amount	%
Total	58,722	100.0%	50,000	100.0%	(8,722)	(14.9)%
Japan	15,174	25.8%	12,700	25.4%	(2,474)	(16.3)%
The Americas	27,332	46.6%	22,200	44.4%	(5,132)	(18.8)%
China	6,822	11.6%	6,400	12.8%	(422)	(6.2)%
Asia	3,729	6.4%	3,300	6.6%	(429)	(11.5)%
Europe	3,467	5.9%	3,500	7.0%	33	1.0%
Others	2,196	3.7%	1,900	3.8%	(296)	(13.5)%

Note: Exchange Rate (FY2019 → FY2020)
USD/JPY 108.7→105.9 CAD/JPY 81.8→79.3 EUR/JPY 120.8→120.3 RMB/JPY 15.8→15.6



FY2020 Forecast

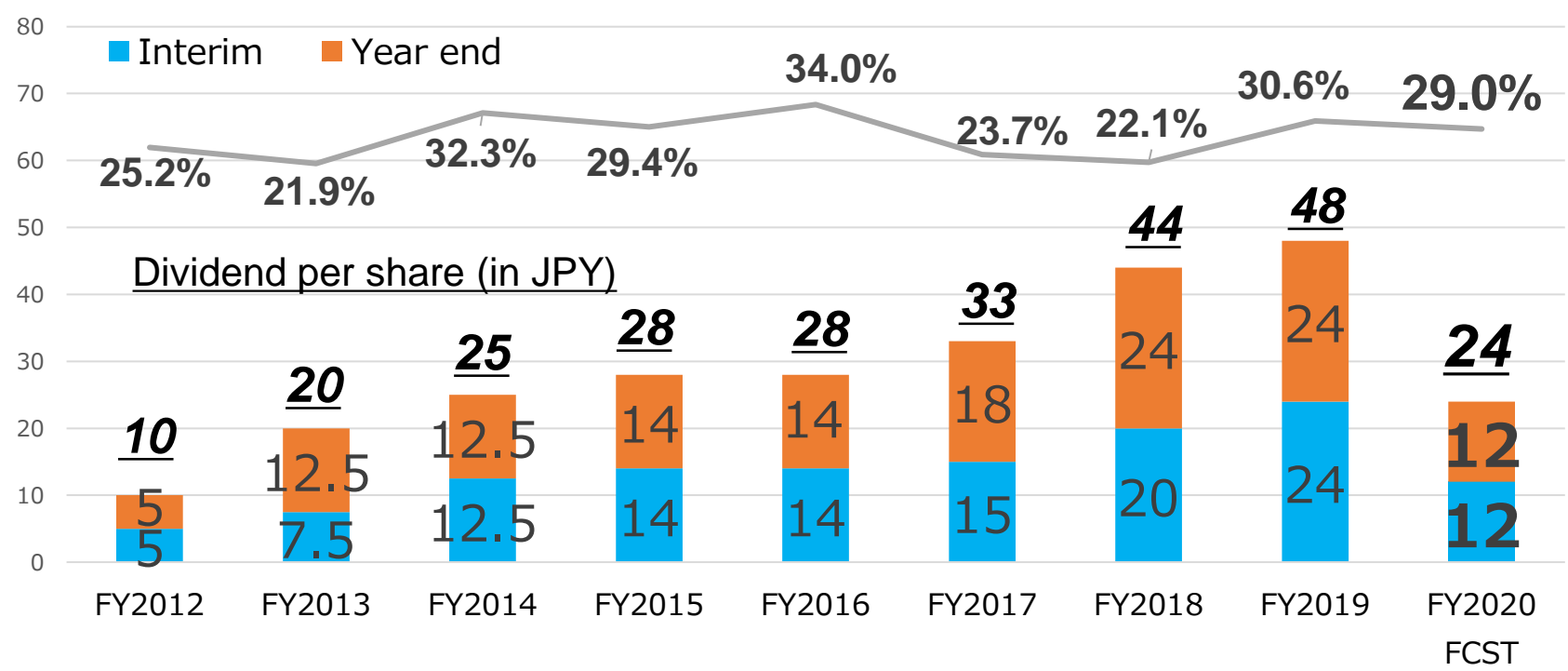
JPY in million	FY2019	FY2020 Fcst	YoY
Sales	58,722	50,000	(14.9)%
Gross Profit Gross Profit/ Sales	5,474 9.3%	3,600 7.2%	(34.2)%
Operating Income Operating Income / Sales	4,991 8.5%	3,500 7.0%	(29.9)%
Ordinary Income Ordinary Income / Sales	3,204 5.5%	1,700 3.4%	(46.9)%
EBITDA Op Income + Depreciation	8,508	6,600	(22.4)%
CAPEX	1,689	2,500	

Note: Exchange Rate (FY2019 → FY2020)

USD/JPY 108.7→105.9 CAD/JPY 81.8→79.3 EUR/JPY 120.8→120.3 RMB/JPY 15.8→15.6

Dividend

Projected FY2020 dividend remains as planned at the beginning of the year.



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

1

FY2020 Q2 Financial Results

2

FY2020 Forecast

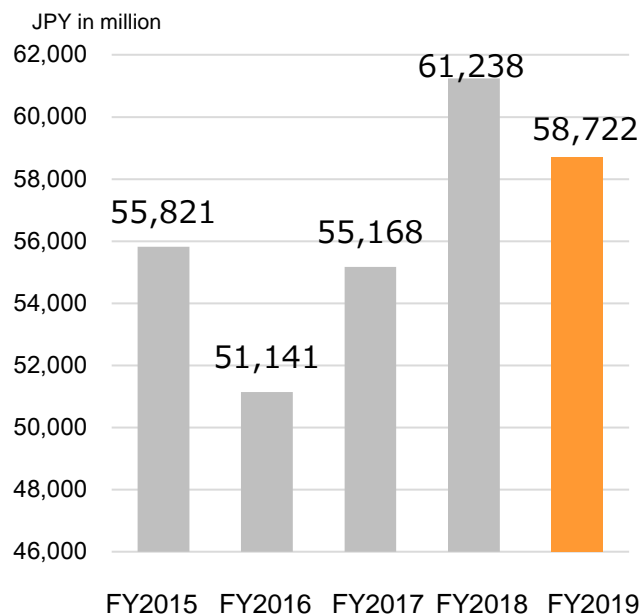
3

Reference

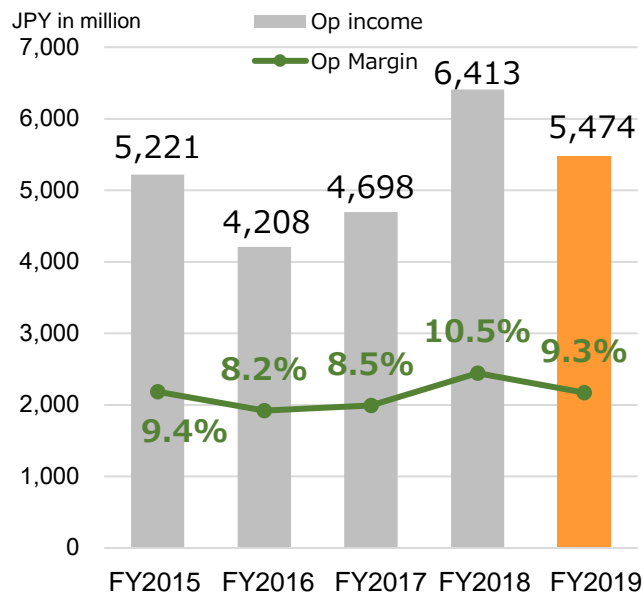
- **Five Year Financial Results (FY2015 – FY2019)**
- **Kito's Business**
- **Mid-Term Plan (FY2016 – FY2020)**

Key Figures

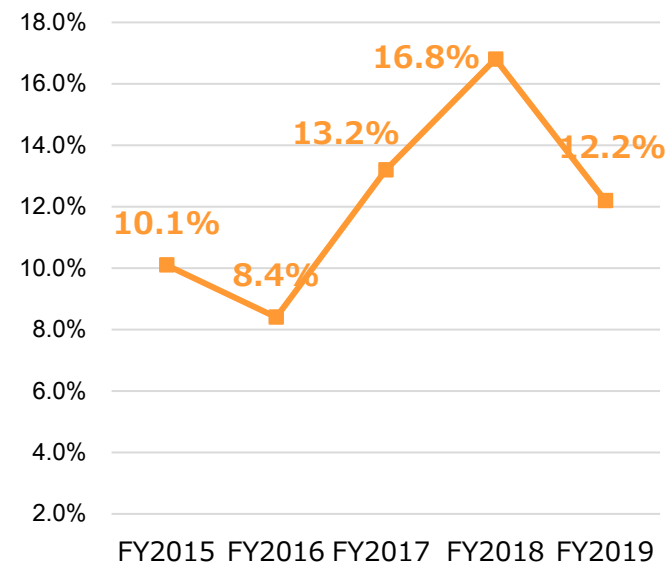
Sales



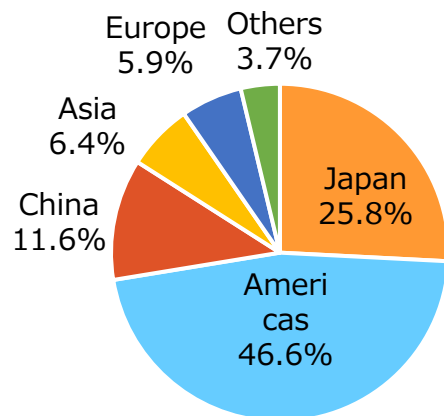
OP Income and Op margin



ROE

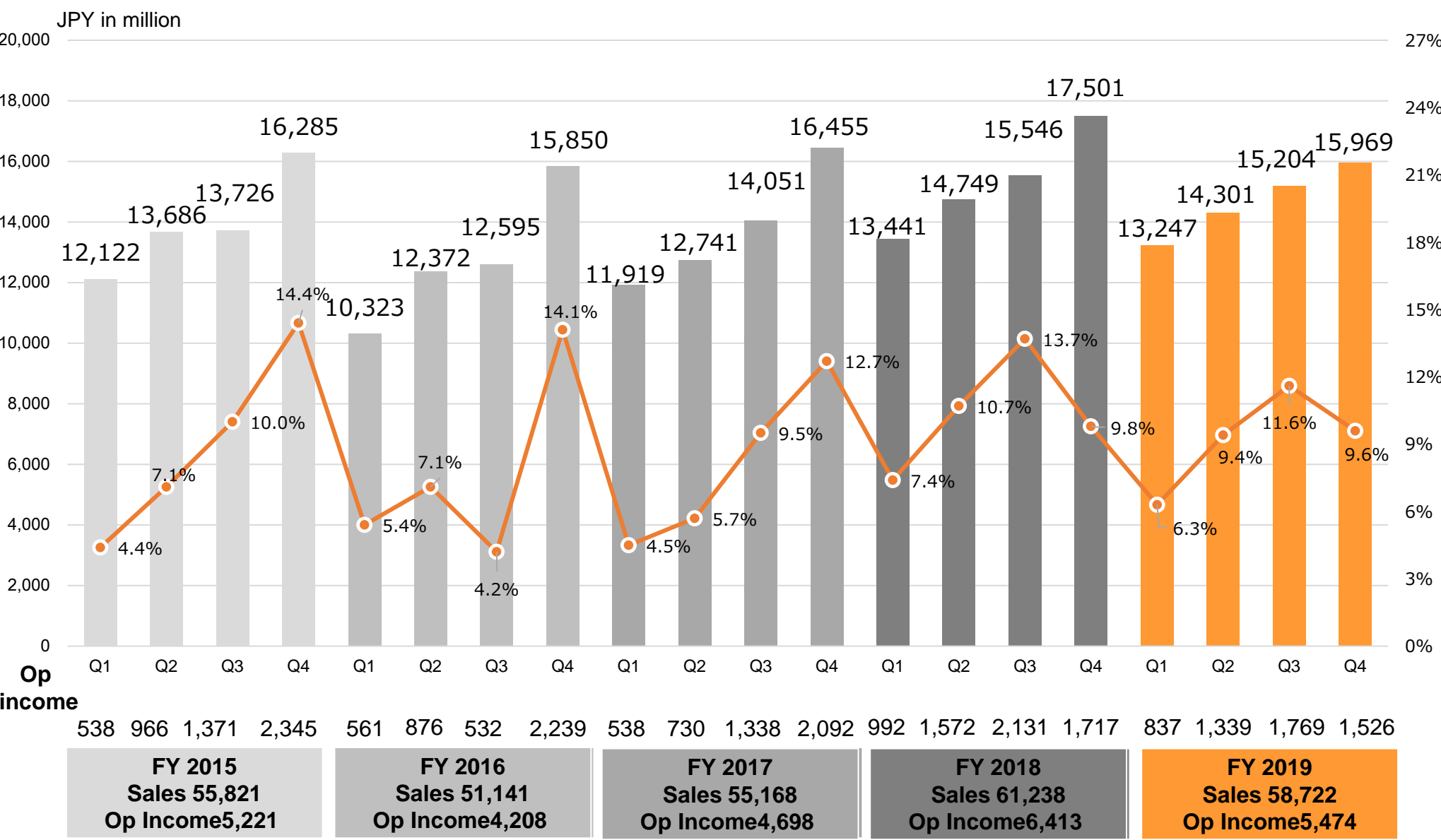


Sales by Region in FY2019



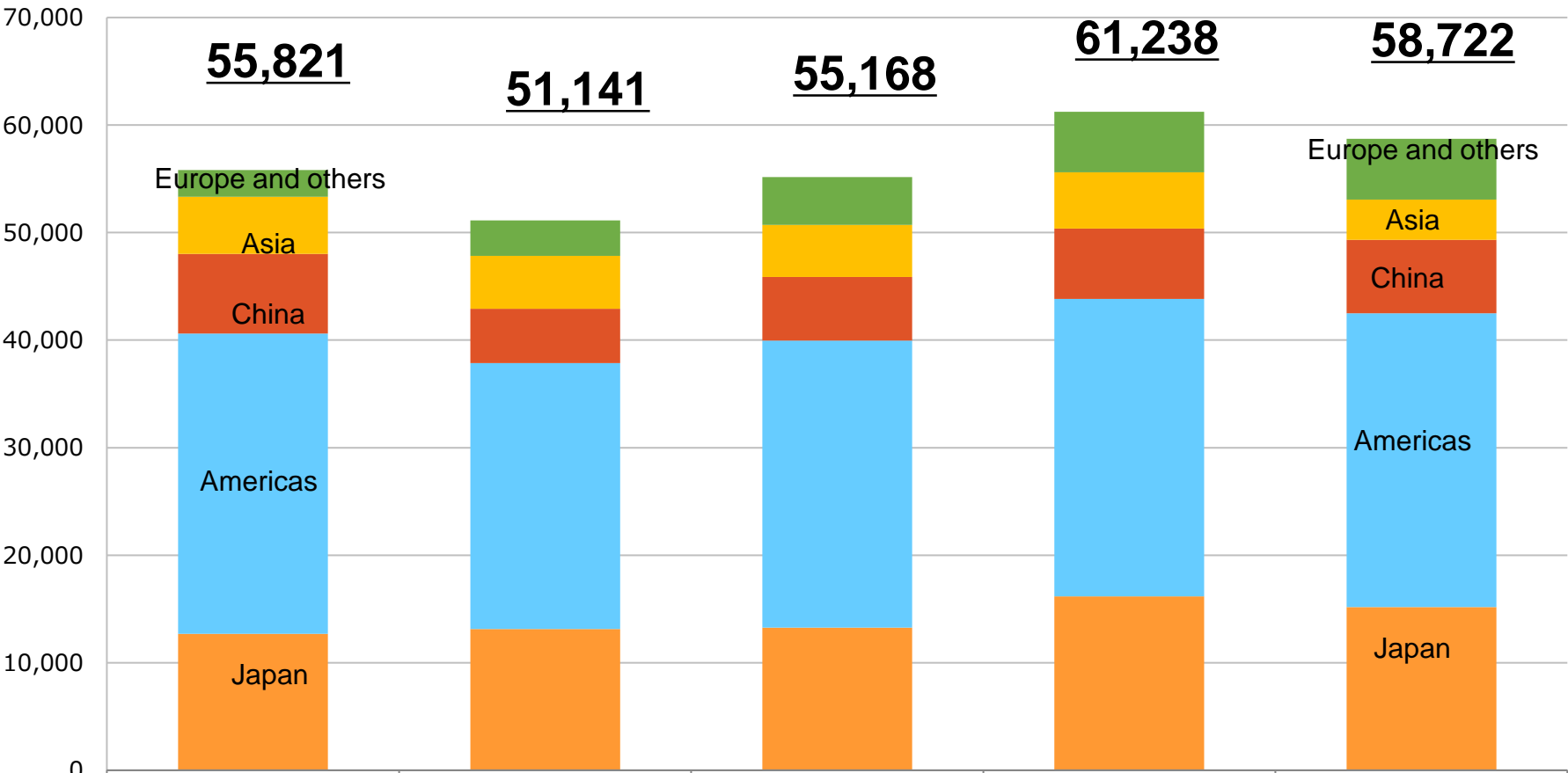
	FY2015	FY2016	FY2017	FY2018	FY 2019
Sales from non Jp Mkts	77.3%	74.3%	76.0%	73.6%	74.2%
Average FX Rate					
USD/JPY	120.1	108.4	110.9	110.9	108.7
CAD/JPY	91.8	82.5	86.5	84.6	81.8
EUR/JPY	132.6	118.8	129.7	128.4	120.8
RMB/JPY	19.2	16.4	16.6	16.7	15.8
Capex (JPY in million)	2,013	2,393	1,411	1,416	1,689
Depreciation (JPY in million)	1,814	1,792	2,116	2,470	2,711

Quarterly Sales and Operating Margin



Sales by Regions

JPY in million



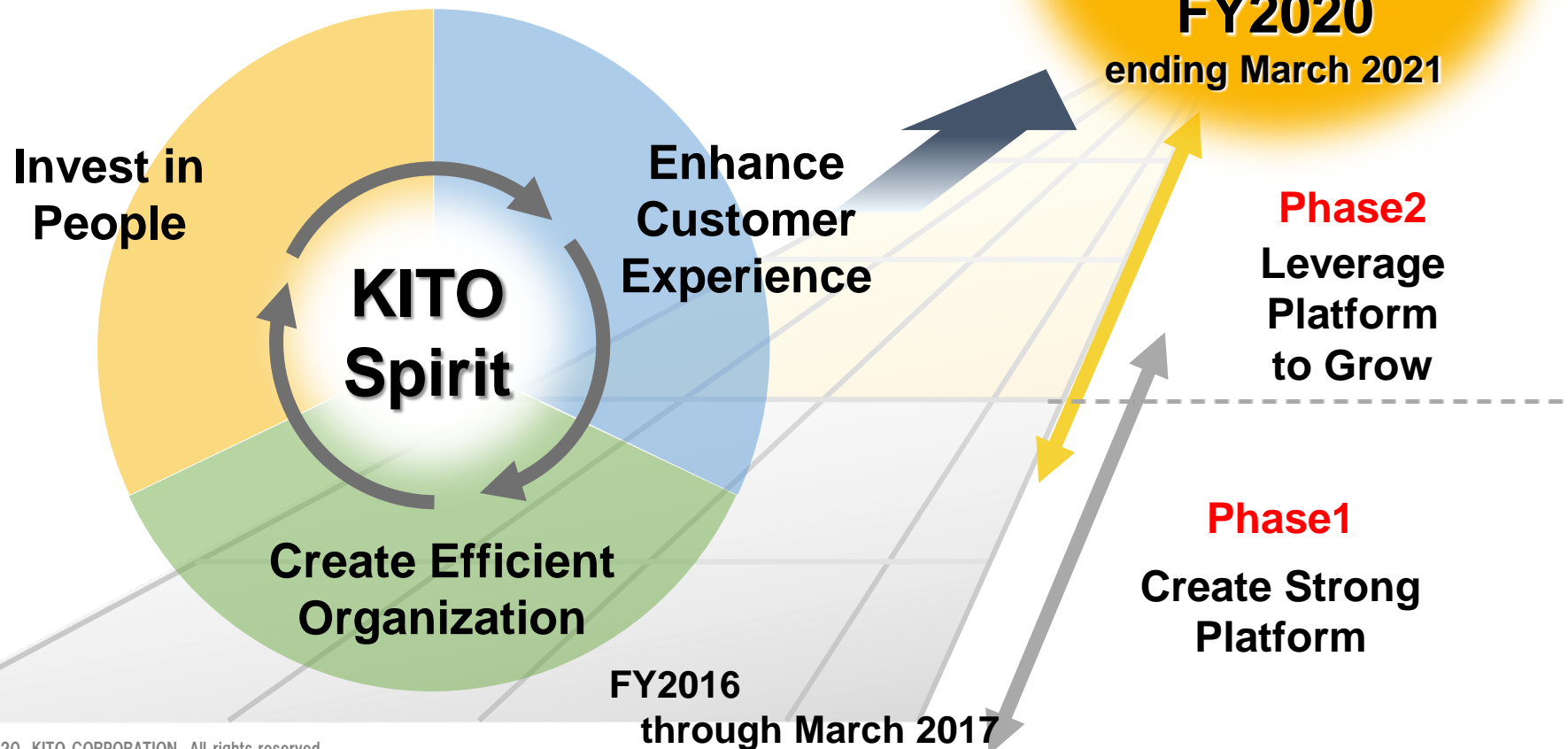
	FY2015	FY2016	FY2017	FY2018	FY2019
Europe and others	2,479	3,308	4,465	5,634	5,663
Asia	5,321	4,925	4,837	5,239	3,729
China	7,418	5,034	5,903	6,539	6,822
Americas	27,909	24,742	26,700	27,663	27,332
Japan	12,692	13,129	13,261	16,162	15,174

Mid-Term Plan (FY2016 – FY2020)

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

Achieve the Three Management Goals to Double the Profitability

1 Return to a high margin business structure

- Renew production equipment
- Concentrate on high-margin business

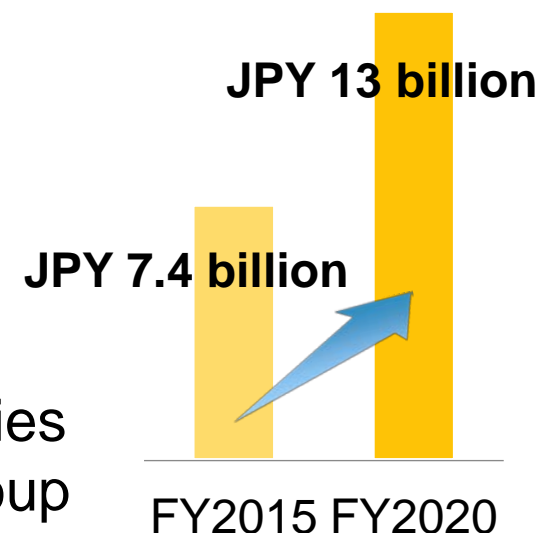
2 Growth through product portfolio expansion

- Develop new products
- Expand product offerings through M&A
- Expedite sales in new markets

3 Evolve into a Globally Integrated Enterprise

- Recruit and develop global HR
- Integrate ERP systems at HQ and primary subsidiaries
- Build a unified marketing database for the entire Group

Financial Target
(EBITDA)



Shift from Phase 1 (Create Strong Platform)
to Phase 2 (Leverage Platform to Grow)

“Lifting Expectations”



Business Structure

Kito Advantages

A leading company in material handling equipment, hoists and crane, which are indispensable in lifting, transporting, and securing objects



Growth Opportunities

At any stage of economic development

In all industries, in any country

Mature product with expanding demand

Product Domain

■ Cranes

- Three-dimensional movement made possible in combination with hoists



■ Hoists

- Manual and electric chain hoists are core products
- Wire-rope hoists are the mainstay in China



■ Below Hook Devices

- Intermediary attachments for hoisting and loads

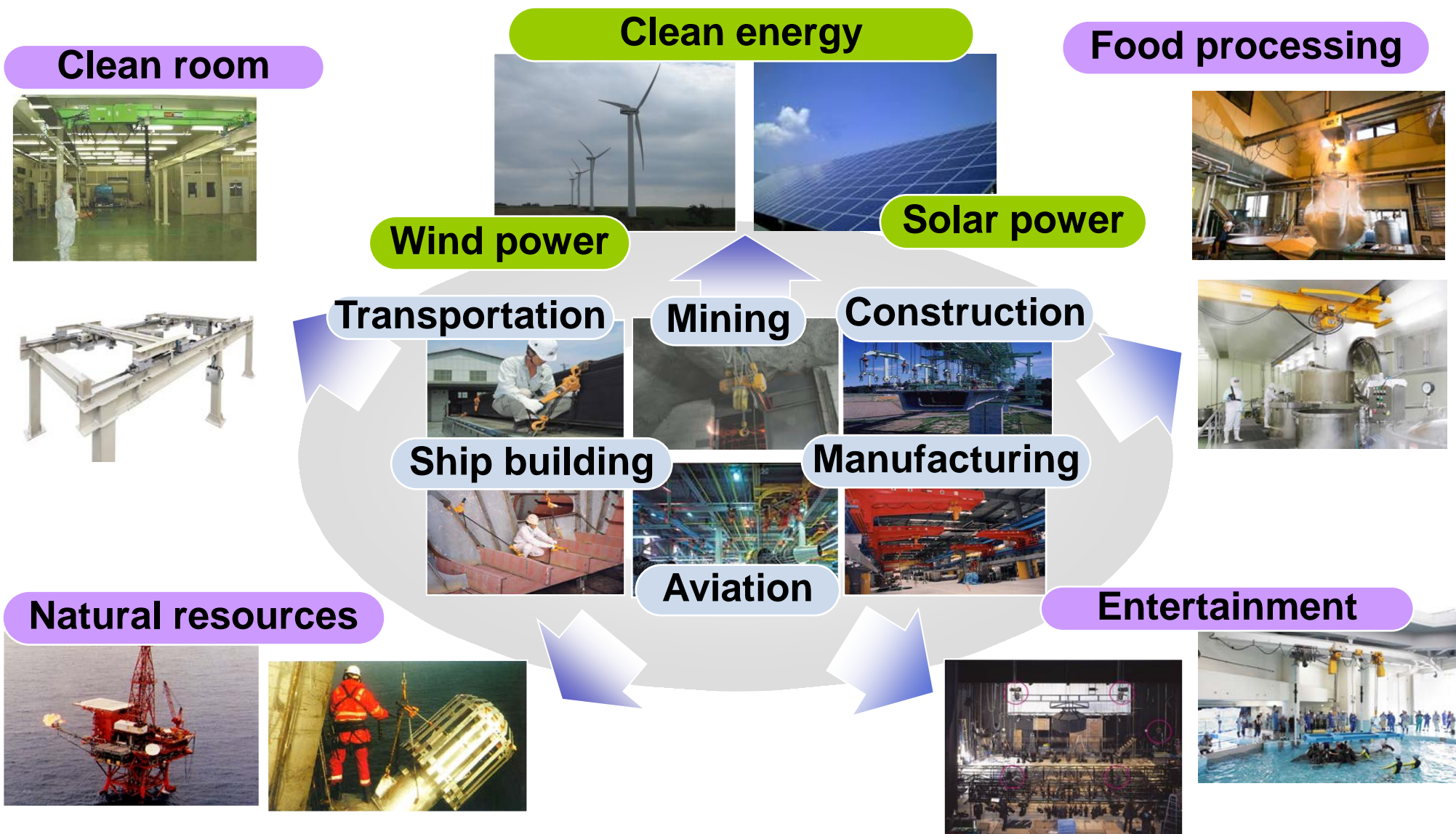


■ Various Chain

- Chain for transportation, moving, holding, hauling, etc.
- Shipping, agriculture, forestry, tires, and other industries



Expanding Customer Base



Strength of Kito Operations

Kito = Trusted brand

Product Power

Durability

High performance

Safety

High operability

Technological Advantages

Response to complex customer needs with state-of-art technology (engineering)

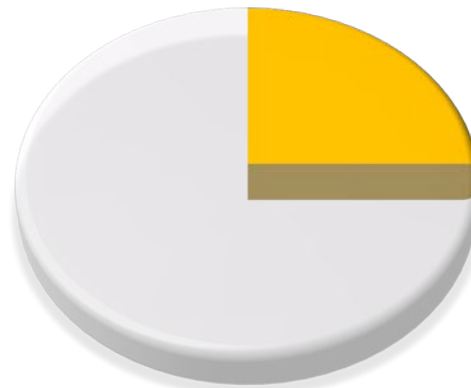
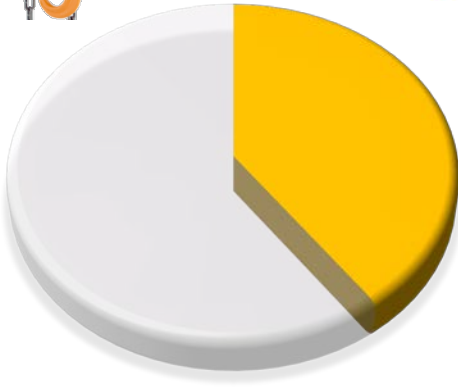
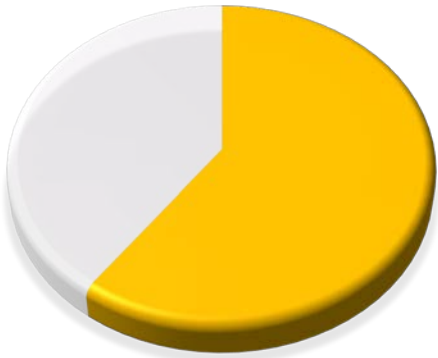
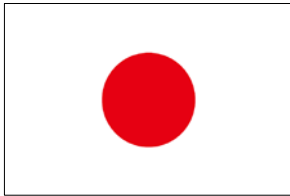
Service Network

Extensive network to provide service for high customer satisfaction



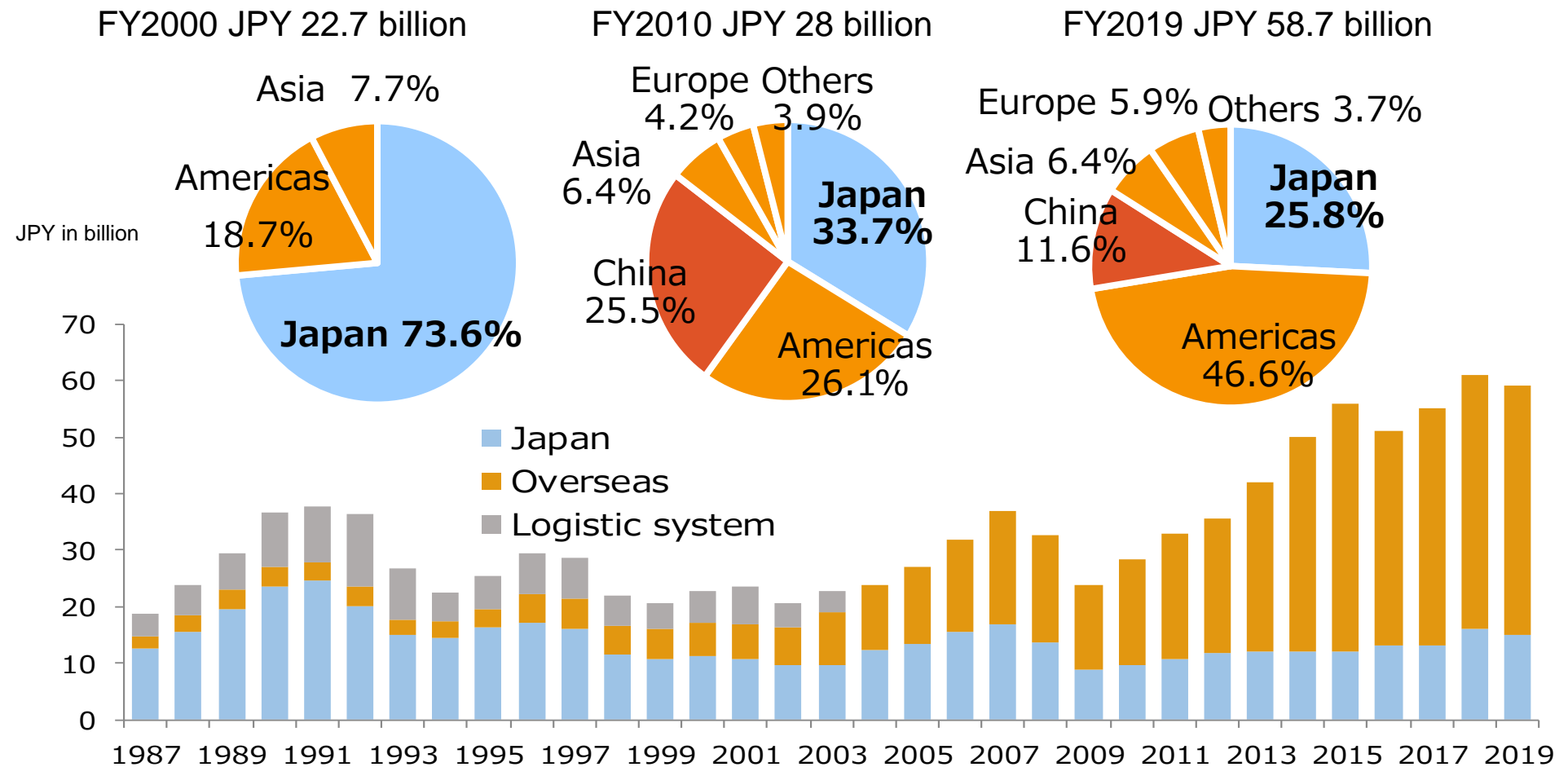
- Differentiation with high value-added products and services
- Strong reputation in markets demanding high quality**

Global Share



Sales Growth in Overseas Markets

- Growth in overseas markets helped building a business portfolio with good regional balance.
- Stable growth not depending on demand in any particular region



Diversified Portfolio

- Broad customer base ranging from private to public sectors
- Business structure not influenced by particular industries nor market cycle

LTM Apr – Jun 2015 = 1

