



Kito Corporation
FY2020 Interim Business Report
April 1, 2020 ▶ September 30, 2020

To Our Shareholders



Yoshio Kito,
President and CEO

First let me express my heartfelt gratitude for your strong support of Kito. Soon after the beginning of fiscal 2020 we saw a substantial decline in economic activity worldwide as a consequence of the Covid-19 pandemic. Despite the uncertain business environment, the Kito Group has been working to maintain stable operations, undertaking the following initiatives:

- Active institution of a telework program with priority on employee safety and health
- Across-the-board enhancement of cost control to secure profit
- Enhanced control of order profitability and pursuit of added value while avoiding price-competition

As a result of thorough cost control and continuous compression of fixed costs, we were able to increase profit by more than our initial target. We also increased market share through greater customer-service effort in all markets, while preparing our main production bases in Japan, the US and China to better handle demand fluctuations, following a slow period caused by the pandemic.

Currently demand varies somewhat by region and industry, but we passed the worst of the crisis in early spring and are moving on a gentle recovery path. On the strength of our business portfolio, which is diverse by both region and industry, we expect that earnings will gradually recover from the dip in the first half of fiscal 2020.

The pandemic triggered a major shift not only in our lifestyles but the business environment as well, and the changes in society will likely accelerate in the future. But even in this environment Kito anticipates growth in operations by continuing to offer solutions to the universal human need to be free from gravity. Through our products that excel in safety and durability, waste-free, clean processes for producing and distributing them, and after-sale services based on mutually trusting relationships with our customers, Kito makes workplaces safer, reduces environmental impact and contributes to society in broad ways.

Scan the QR code and watch the webcast archive of
FY2020 second-quarter financial results.



Business Highlights

| Six months results |

JPY in million

	Actual	IR forecast on Aug. 6, 2020	Change
Sales	22,041	21,000	+5.0%
Operating income	1,247	650	+91.8%
Net income attributable to owners of parent	166	(500)	—

| Full year forecast |

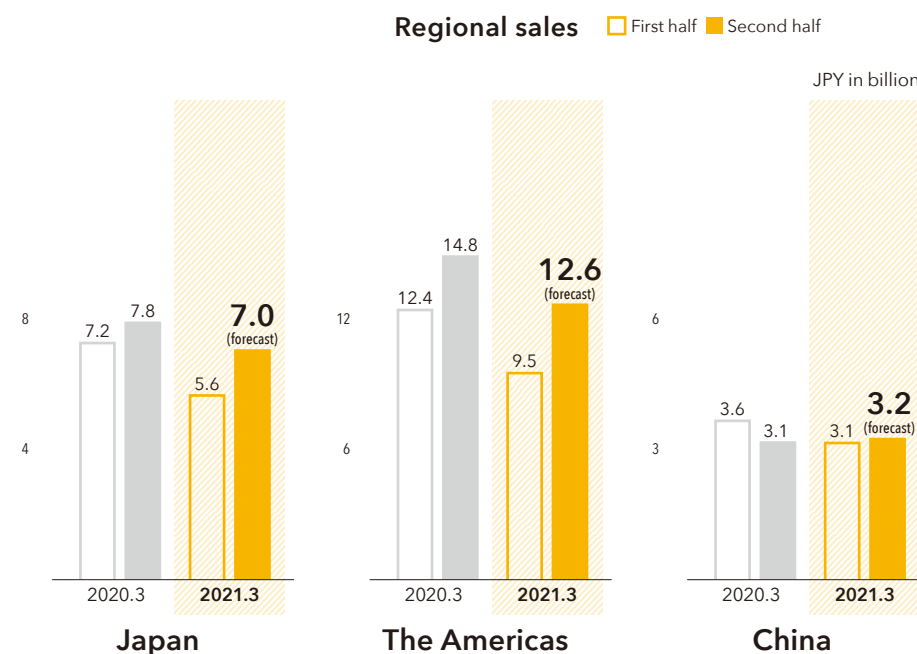
JPY in million

	Revised on Oct. 16, 2020	Aug. 6, 2020	Change
Sales	50,000	49,000	+2.0%
Operating income	3,600	3,000	+20.0%
Net income attributable to owners of parent	1,700	1,100	+54.5%

| Initiatives for Second Half of FY2020 |

- Tightly control costs and cash flow to secure profit, regardless of changes in demand.
- Maintain stable operations at production bases in Japan, the US, China and elsewhere to respond flexibly to demand fluctuations.

| Projections for FY2020 by Region |



Market-specific initiatives

In Japan we are seeing signs of recovery in demand related to infrastructure. We will continue to invest in equipment for higher productivity while continuing action to reduce fixed costs and reinforce earnings.

In the Americas, where orders are gradually recovering, we are working to expand market share by continuously providing quality services.

In China, which was first to overcome the impact of the pandemic and resume economic activity, we will secure equipment-investment demand in performing industries.

The United Nations Sustainable Development Goals (SDGs), consisting of 17 goals and 169 targets, demand active effort by corporations to address social concerns. By maintaining the long-term view in its operations, Kito continuously works to meet these needs.



Reducing Use of Organic Solvents

By changing our coating processes, we have reduced our use of organic solvents by roughly 80% relative to the 2012 peak. We have been making steady progress in shifting to powder-coating, anticipating further reduction in organic-solvent use.

New Heat-Processing Line Reduces Energy Demand

We have also introduced a vacuum-carburizing furnace to our new heat-processing line to reduce the risk of fire and eliminate the consumption of energy otherwise wasted for heat-retention. The equipment both makes a safer workplace and helps preserve the environment.



Prayer ceremony for safe operation of the new vacuum-carburizing furnace



Hoist-Chain Production at US Subsidiary

As an industry leader in North America, Kito subsidiary Peerless Industrial Group produces chain used mainly for lifting and holding loads. Recently it has started producing chain for integration into Kito hoists sold in North America. The shift reduces lead times and cost for transportation from Japan.

Safety Training

Kito offers training programs for customers and distributors on how to operate and maintain our products correctly. Correct operations and regular maintenance increase the life of already highly durable products while reducing industrial waste.



Special training program for overhead-crane operations held at SEED Co., Ltd.

Widely used in a broad range of industries



Jet-Engine Maintenance Plant

Maintenance is essential for safe flights every day. Here Kito cranes are used to move entire engines. The photo was taken during a load test. The load hangs in a high-capacity Kito fabric sling introduced in 2019, which is light and easy to handle, winning positive customer reviews for easier hoisting operations.



Water Recycling Facility

The water recycling facility chose Kito's low-head-room electric chain hoists to maintain this giant pump. The unique structure of the hoist, with less dead space, makes it particularly powerful for work in narrow spaces and close to ceilings. Nickel-coating enhances its rust-resistance.

Kito products evoke the image of hard work in manufacturing plants and on construction sites. Below are actual examples of their service in a jet engine maintenance plant, a Finnish water recycling facility, and at Japanese rental industry leader R&R.

"Rental demand resists the pandemic."

There are 2,500-3,000 rental companies in Japan, and R&R rents chain hoists and other construction and industrial machinery to those rental firms. Until the Covid-19 pandemic started affecting the economy, industrial machines were in full operation everywhere in Japan, as demand related to the Tokyo Olympic Games and energy-related construction peaked and transportation infrastructure was developing. At that point private-sector equipment investment began to slow, postponing new construction projects and events related to the Olympics. That said, we think the impact of the pandemic on the rental industry will be relatively light. Now that power-plant construction has begun in metro Tokyo and the Tokai region, many Kito products are back at work.



R&R
Senior Managing Director
Hideo Harada



Kito Media

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

Ask IR Officers!

Our answers to questions from investors and shareholders



Aug 11, 2020 13:13

Q | Could you tell me about the online briefing for FY2020-Q1, held on August 20 ?

A | We highlighted that the Chinese business is recovering rapidly, the Japanese and US markets are gradually moving toward a recovery phase, and that there seems almost no impact on the KITO Group's supply chain. The archived video and translated summary of Q&A session are available at; <https://kito.com/ir>

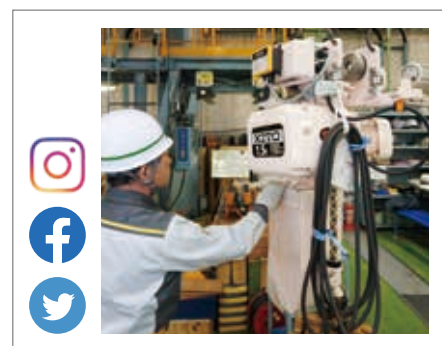
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Q | What listed issuers are comparable with Kito?

A | Demand for Kito's core products, hoists, comes primarily from manufacturing plants and private-sector equipment investment for urban development and the like, as well as government investment in roads, bridges and other infrastructure. This leads some investors to compare Kito with industrial machine manufacturers, others with construction machine makers. Comparison with other Japanese hoist makers is difficult because Kito is the only hoist maker listed on the Japanese stock market. Without depending on any specific industry or industrial demand, Kito has an exceptionally broad customer base and production and sales bases worldwide. Many investors take those points into consideration and favor our widely risk-hedged operations in their investment decisions.

S o c i a l m e d i a

Kito-Group companies regularly share information on their activities and hardworking employees via Facebook, Twitter and Instagram. Here are some hot articles that appeared in the second half of FY2020.



Do Kito products have seven "faces?!" How are the light-pink hoists used?



Theatrical hoists help set the stages for concerts and other performing arts. In black, the hoists never get in the way of stage directions.



Kito's global website shows Kito from various angles, through examples of the products used near us, on the manufacturing frontline and in employee minds.

[Kito 360 ▶ https://kito.com/news/stories](https://kito.com/news/stories)

We've added new content as well, including articles on Kito environmental policy, green procurement and Yamanashi Main Plant action to protect the environment.

[ESG/CSR ▶ https://kito.com/csr](https://kito.com/csr)

Kito's official account



| Column | Kito by the Numbers

The characteristics and evolution of Kito operations are illustrated in numbers.

6 = Number of non-Japanese executive officers as of September 2020.

Of the 15 executive officers in the Kito Group, six (40%) are from outside Japan. Diverse human resources, who know their respective markets inside and out, are well placed for optimal results.

| About the Cover Photo

Safe, Comfortable Flights

The jet-maintenance plant in the picture uses over 100 system cranes. Transfer cranes can move jet engines continuously, never touching the floor. Hoists with built-in servomotors help raise the efficiency and precision of engine-part assembly.



Shareholder Memo

Record Dates

Annual shareholders meeting: March 31

Year-end dividend payment: March 31

Interim dividend payment: September 30

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Q Search

<https://kito.com/ir>

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