

# **Financial Results for the Fiscal Year ended March 31, 2019**

**KITO CORPORATION**  
**TSE 1st Section: 6409**  
**May 13, 2019**

# FY2018 Summary

## Market Environment

**New records for sales and profit on all levels.  
Year-end dividend revised, up from JPY 20 to JPY 24.**

## Business Results

JPY in million	FY 2018	YoY Change
Sales	<b>61,238</b>	<b>+ 11.0%</b>
Op Income	<b>6,413</b>	<b>+ 36.5%</b>
Net Income *	<b>4,064</b>	<b>+ 43.3%</b>

\* Net Income attributable to owners of parent      Average FX rate (USD/JPY) JPY 110.9

## Overall Summary

- In leading markets, demand related to infrastructure propelled our business forward, and private-sector investment remained solid.
- Domestic demand in China, mainly for electric vehicles, remained strong despite a slowing economic trend.
- Production growth through the year in response to strong demand contributed to profits.
- Joint effort with new European subsidiaries made products more competitive.
- Profitability increased with reviews of business structures, mainly in Asia.
- Stable operation of the new IT infrastructure raised productivity.

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## **FY2018 Financial Results**

**2**

## **FY2019 Forecast**

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## **Reference**

- Five Year Financial Results (FY 2014 – FY 2018)
- Mid-Term Plan (FY 2016 – FY 2020)

# FY2018 Financial Highlight

JPY in million	FY 2017	FY 2018	YoY Change
<b>Sales</b>	55,168	61,238	+11.0%
<b>Gross Profit</b>	19,881	22,545	+13.4%
Gross Profit / Sales	36.0%	36.8%	
<b>Operating Income</b>	4,698	6,413	+36.5%
Operating Income / Sales	8.5%	10.5%	
Non-operating income	204	245	
Non-operating expenses	1,111	910	
<b>Ordinary Income</b>	3,791	5,748	+51.6%
Ordinary Income / Sales	6.9%	9.4%	
<b>Extraordinary Profit</b>	—	74	
<b>Income Taxes</b>	* 845	1,619	
<b>Net Income</b>	2,836	4,064	+43.3%
Net Income / Sales	5.1%	6.6%	
* Temporary effects from US corporate tax rate cut, approx. JPY 478 million, is included.			
<b>EBITDA</b>	7,142	9,201	
Op Income + Depreciation			

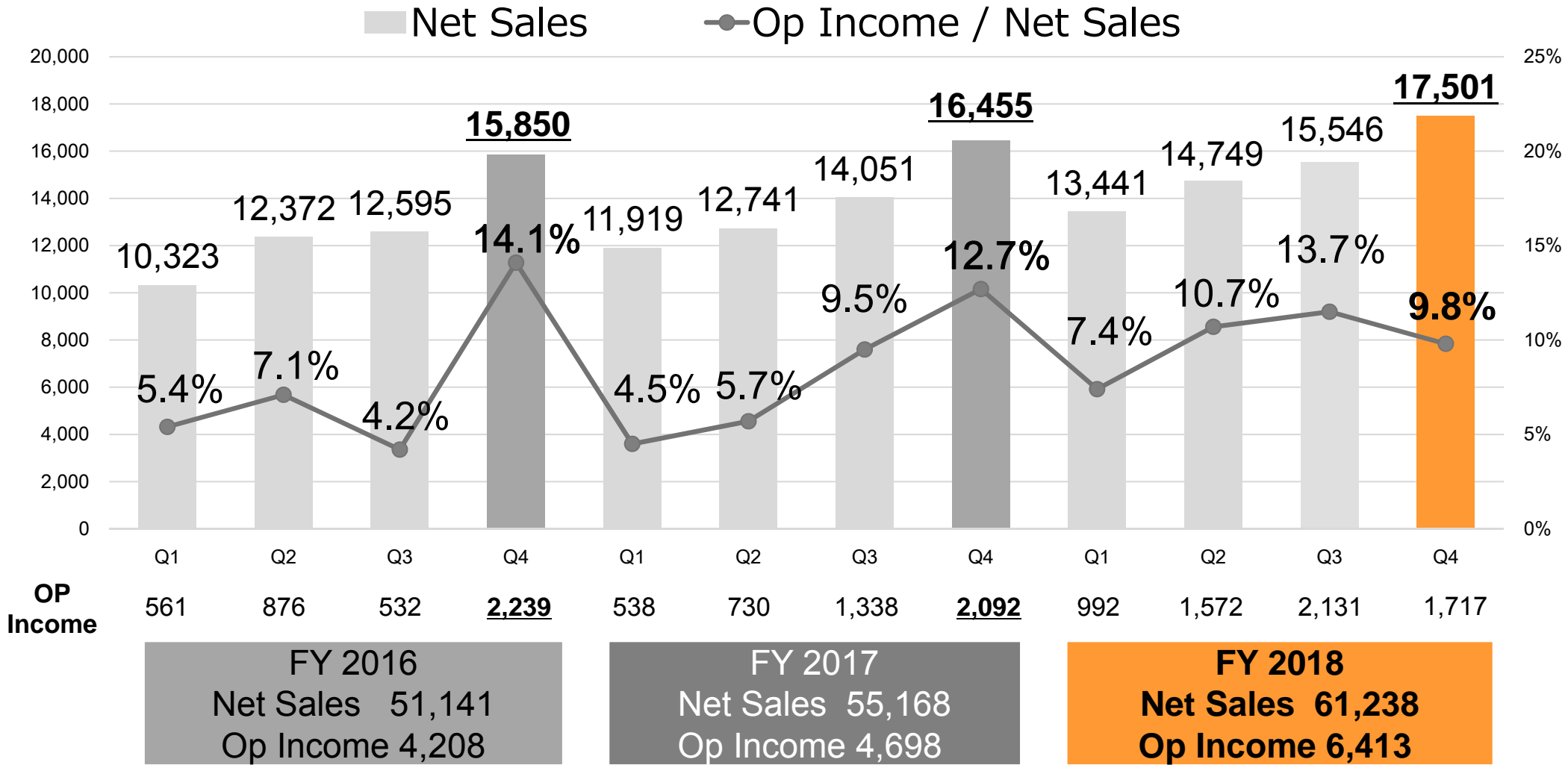
Note: Exchange Rate (FY2017 → FY2018)

USD |110.9→110.9 CAD 86.5→84.6 EUR 129.7→128.4 RMB 16.6 →16.7

# Quarterly Net Sales and Operating Margin

**Sales grew due to globally strong demand, and increasing production contributed to profit growth**

JPY in million

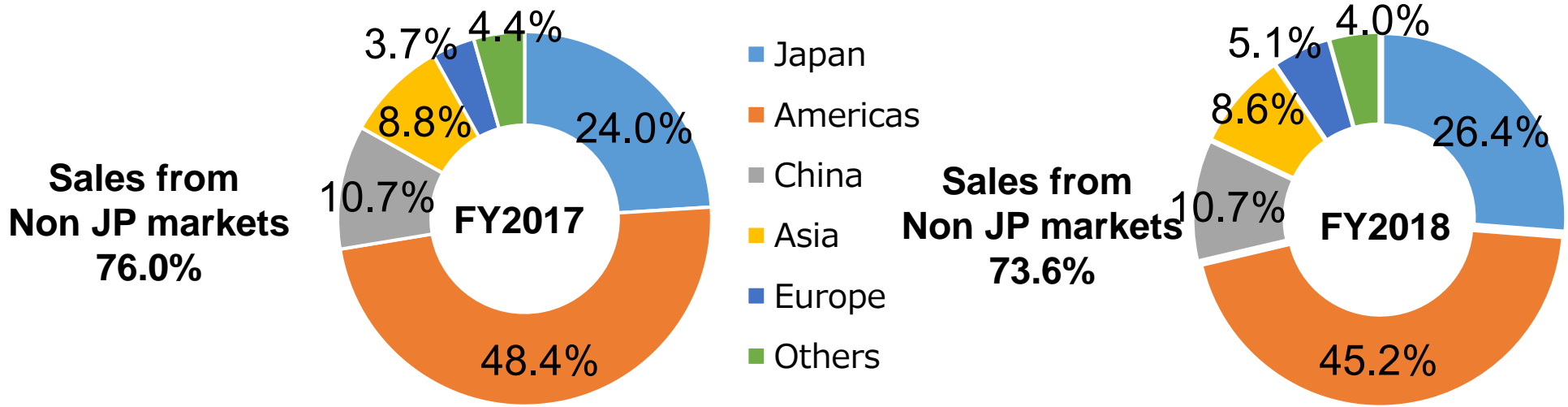


# Net Sales by Region

JPY in million	FY2016		FY 2017		FY 2018		YoY Change	
		% share		% share		% share	Change	% Change
<b>Total</b>	51,141	100.0%	55,168	100.0%	61,238	100.0%	6,070	11.0%
Japan	13,129	25.7%	13,261	24.0%	16,162	26.4%	2,901	21.9%
The Americas	24,742	48.4%	26,700	48.4%	27,663	45.2%	963	3.6%
China	5,034	9.8%	5,903	10.7%	6,539	10.7%	635	10.8%
Asia	4,925	9.6%	4,837	8.8%	5,239	8.6%	401	8.3%
Europe	1,523	3.0%	2,060	3.7%	3,204	5.1%	1,143	55.5%
Others	1,785	3.5%	2,404	4.4%	2,430	4.0%	25	1.1%

Note: Exchange Rate (FY2017 → FY2018)

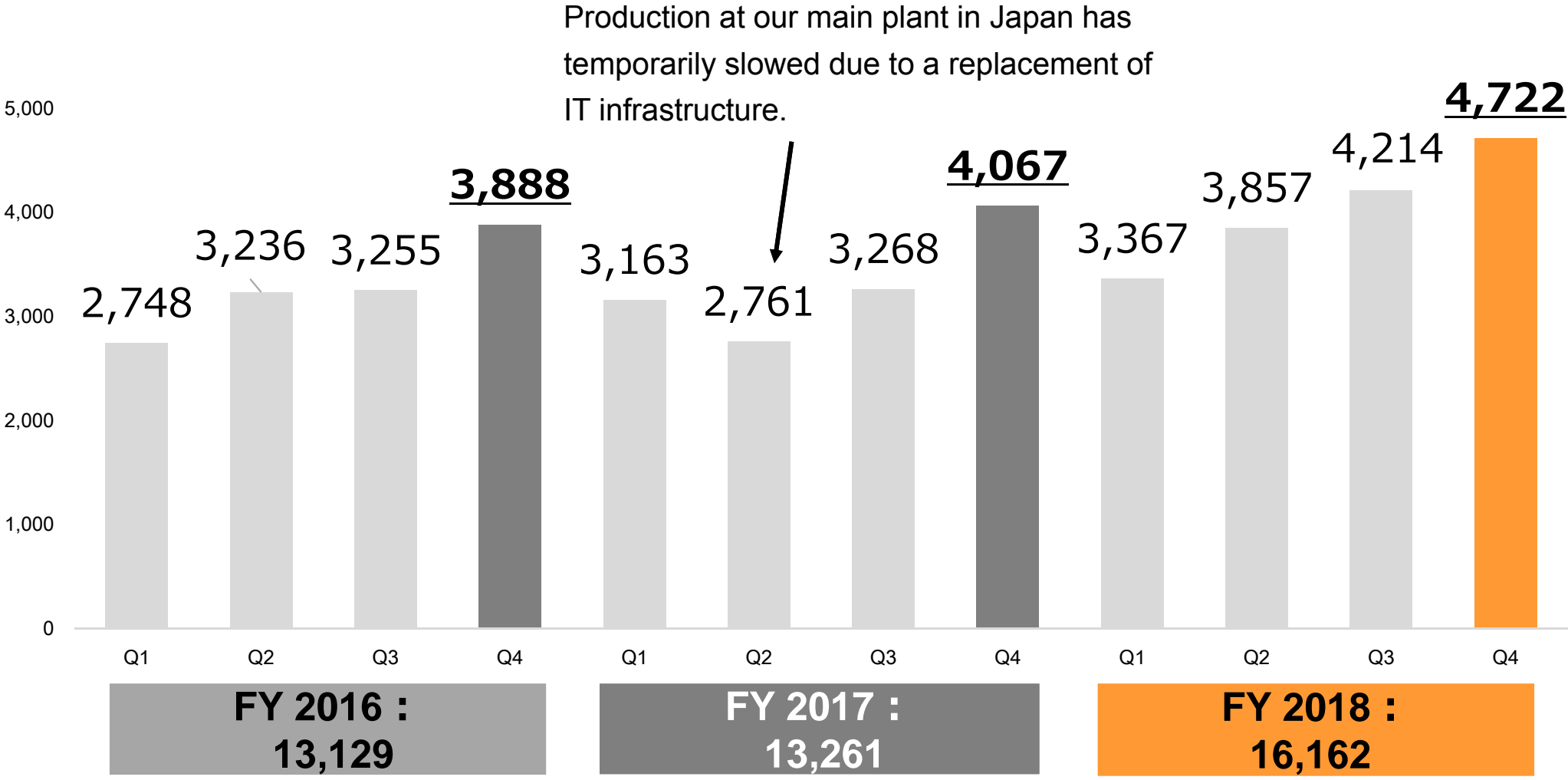
USD 110.9→110.9 CAD 86.5→84.6 EUR 129.7→128.4 RMB 16.6→16.7



# Net Sales by Region (Japan)

Demand related to infrastructure and private-sector equipment investment remained strong.

JPY in million

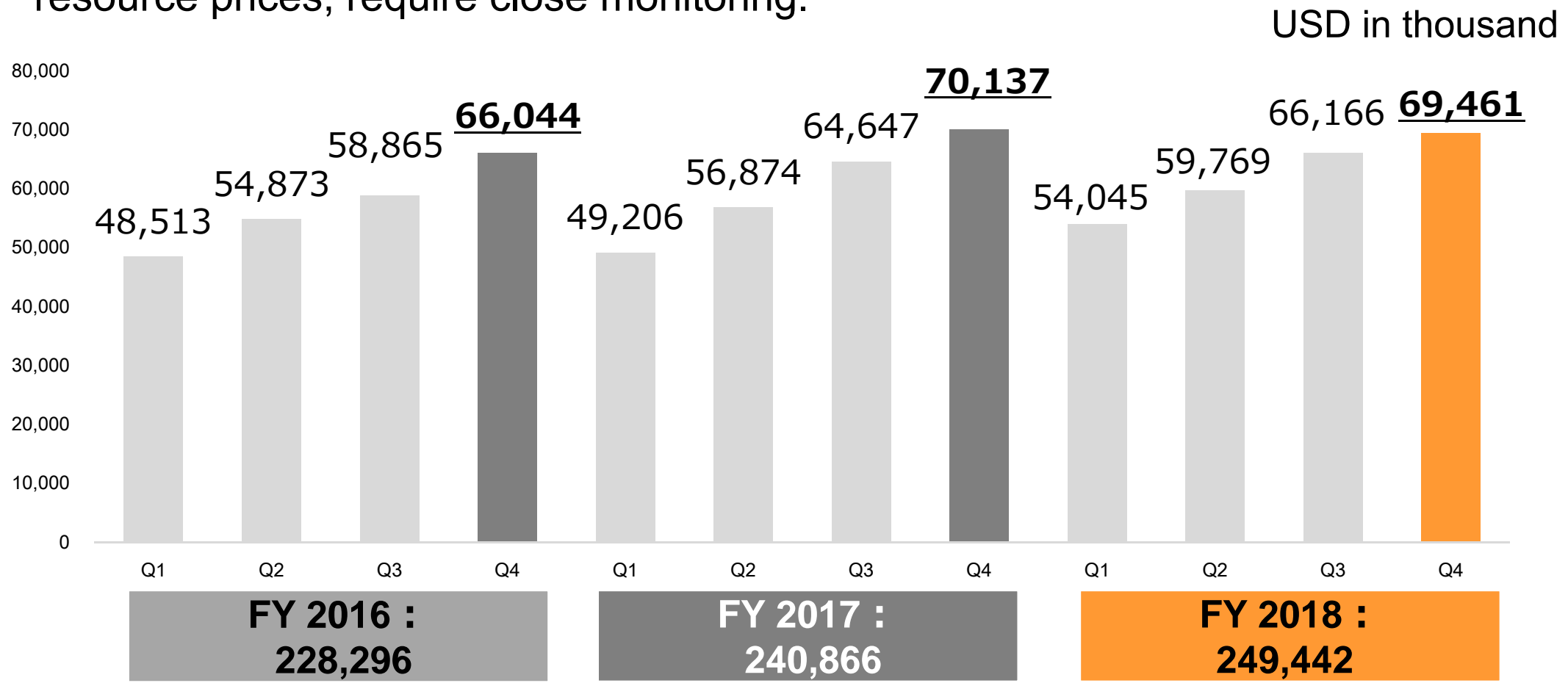


# Net Sales by Region (Americas)

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.

- The materials-handling operation grew with help from strong demand related to private-sector investment and the infrastructure and resource sectors.
- The effects of US-China trade conflict, as well as trends in political policy and resource prices, require close monitoring.





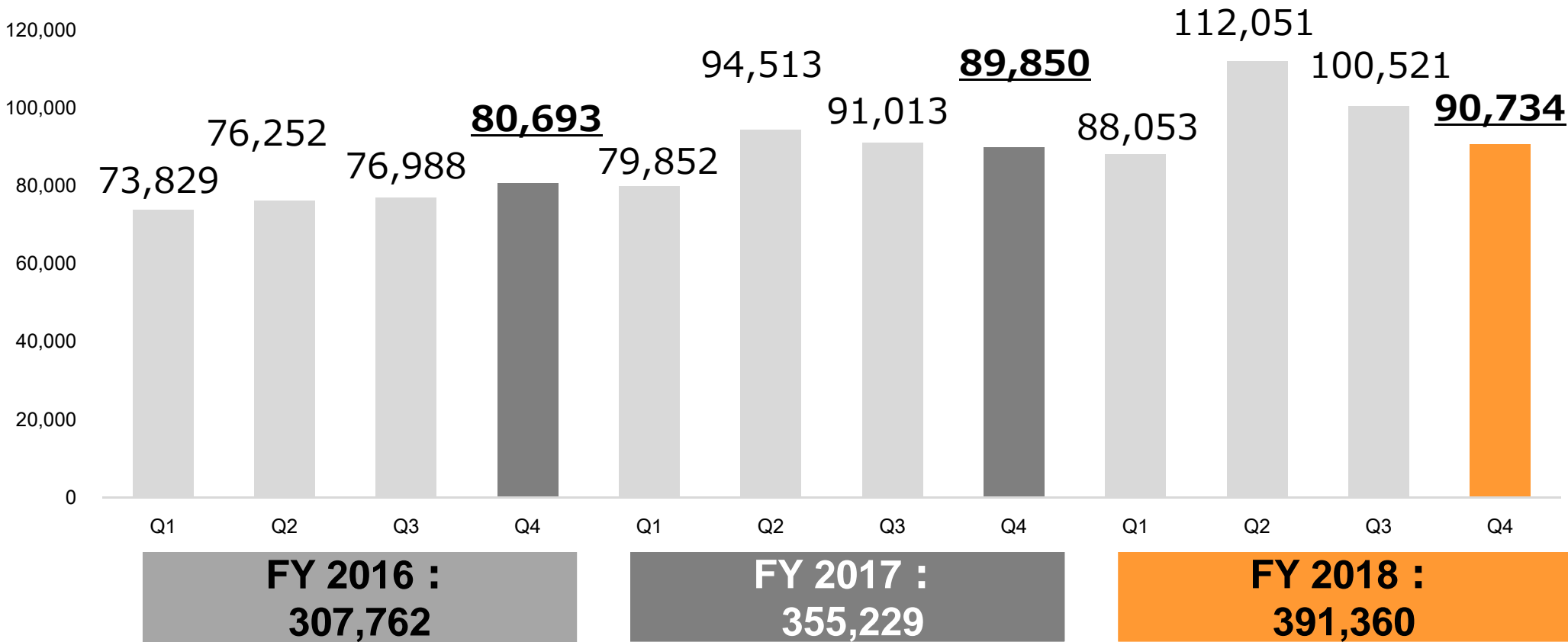
# Net Sales by Region (China)

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.

- The semiconductor, electric vehicle, energy and railroad industries all did well despite a slowing economic trend, driving demand.
- Greater safety-consciousness helped increase market share.
- Profit grew substantially due to profit-conscious operations.

RMB in thousand

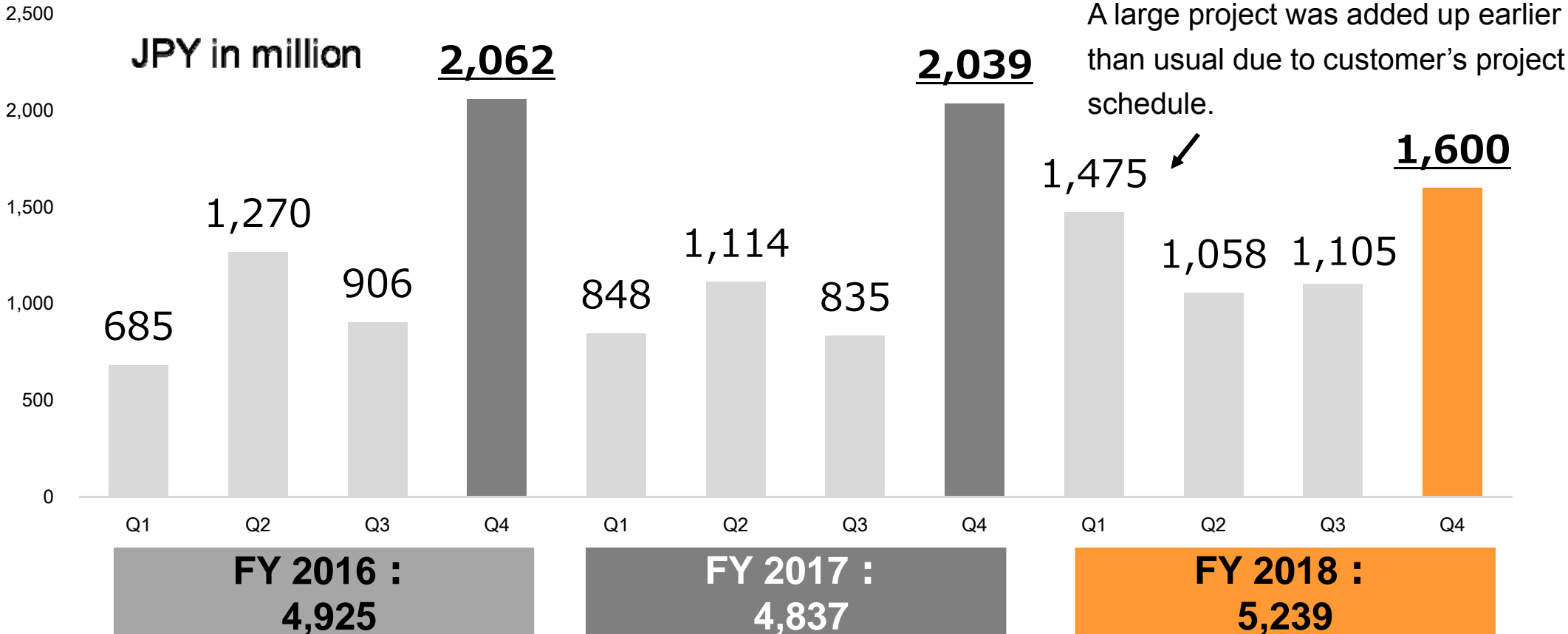


# Net Sales by Region (Asia)

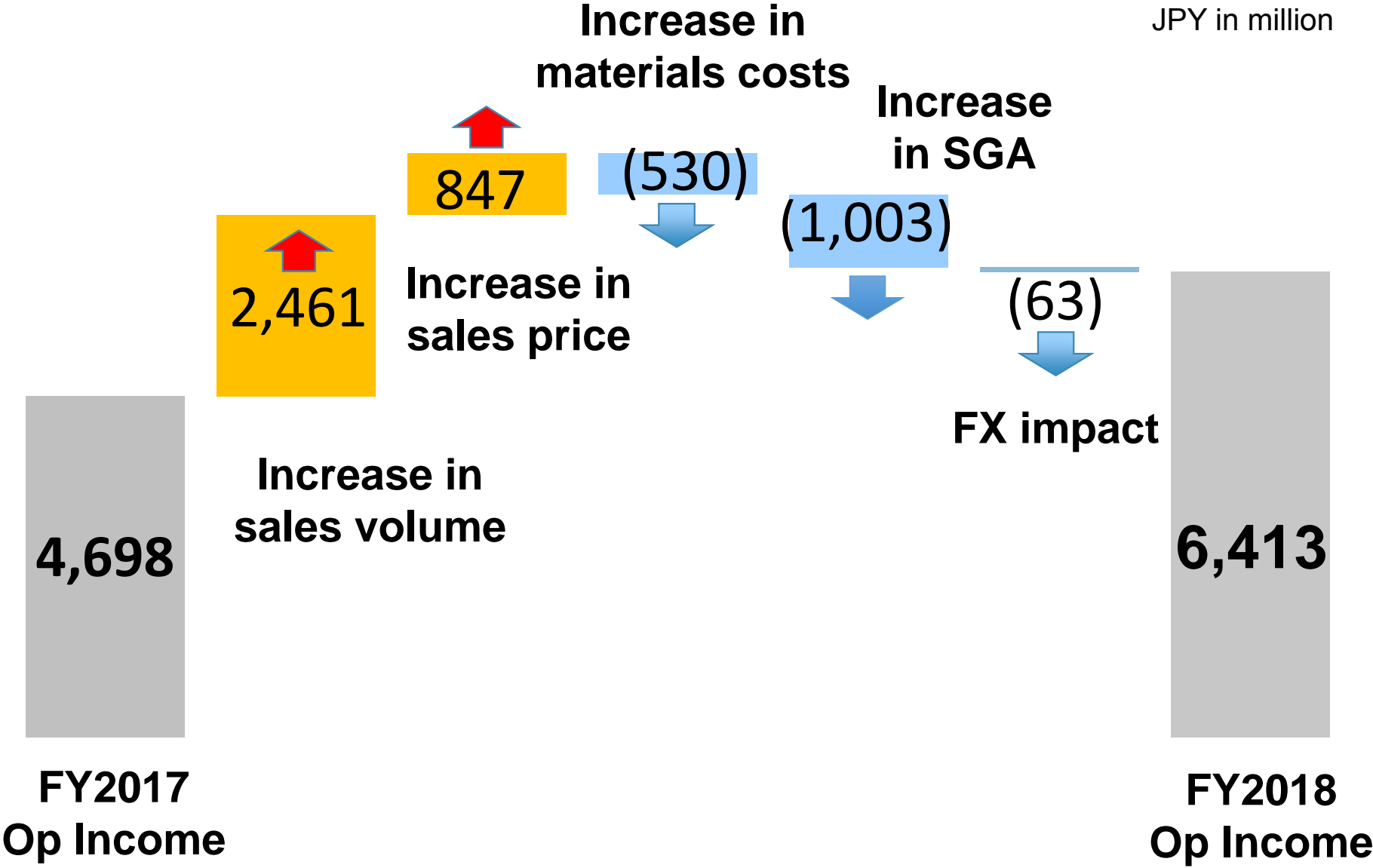
FY starts in Jan and ends in Dec: Thailand, Korea, Taiwan  
 FY starts in Apr and ends in Mar: Indonesia, India

◇ Our Business :  
 South Korea and Thailand, whose main operations are crane business, account for 70% of total sales in the region. Improving profitability by strengthening hoist sales and maintenance services for crane.

- The automotive and related industries in Southeast Asia remained strong.
- Sales from hoist products increased, and profitability of crane business improved.
- Demand related to flat-panel displays in South Korea fell substantially.



# Operating Income Comparison



# FY2018 Consolidated Balance Sheet

JPY in million	Mar 2018	Mar 2019	Change
<b>Current assets</b>	38,975	40,524	1,549
Cash	10,780	8,678	(2,102)
Accounts receivable	11,447	12,587	1,140
Inventories	15,503	17,924	2,421
Others	1,243	1,333	90
<b>Fixed assets</b>	22,879	21,554	(1,325)
Tangible fixed assets	11,549	11,283	(265)
Intangible fixed assets	6,841	6,093	(747)
Investment & other assets	4,488	4,176	(311)
<b>Total assets</b>	61,854	62,078	223

JPY in million	Mar 2018	Mar 2019	Change
<b>Current liabilities</b>	18,616	20,183	1,567
Accounts payable	6,143	6,483	340
Short-term debt *	5,719	6,832	1,113
Others	6,753	6,867	113
<b>Fixed liabilities</b>	19,541	15,207	(4,333)
Long-term debt	15,731	11,962	(3,768)
Others	3,810	3,244	(565)
<b>Total net assets</b>	23,697	26,687	2,989
<b>Total liabilities and net assets</b>	61,854	62,078	223

\* Including current portion of long term loans payable

# Consolidated Cash Flows

JPY in million	FY2017	FY2018	Change
Cash flows from operating activities	7,044	3,553	(3,490)
Cash flows from investing activities	(2,191)	(1,580)	610
Cash flows from financing activities	(3,083)	(4,279)	(1,196)
Effect of exchange rate changes on cash and cash equivalents	(59)	(67)	(7)
Net increase (decrease) in cash and cash equivalent	1,710	(2,373)	(4,083)
Cash and cash equivalents at end of period	10,769	8,504	(2,265)

## [Cash flows from operating activities]

Income before income taxes	5,822
Depreciation and amortization	2,470
Increase in receivables	(921)
Increase in inventories	(1,949)

## [Cash flows from investing activities]

Acquisition of tangible fixed assets	(1,304)
Acquisition of stocks of subsidiaries	(195)
Proceeds from sales of tangible assets	328

## [Cash flows from financing activities]

Increase in short term debt	1,033
Repayments of long term debt	(4,806)

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- Mid-Term Plan (FY 2016 – FY 2020)

# FY2019 Forecast

## Japan



### Market

- The government will push measures for disaster recovery, disaster preparedness and infrastructure upgrades.
- We project strong demand related to private-sector investment.

### Initiatives

- Create a sales team for targeted industries, particularly focused on the booming infrastructure sector.
- Production-line reforms will begin to raise manufacturing efficiency.

## The Americas



### Market

- Brisk demand across a broad range of industries
- High hopes for infrastructure-related investment and the energy industry

### Initiatives

- Increase customer satisfaction with faster delivery and higher service quality.
- Attract more customers to a broader product line.
- Invest for higher chain productivity.

# FY2019 Forecast

## China



### Market

- Demand remains brisk related to equipment investment, mainly in the automobile industry for domestic-use electric vehicles.
- Social awareness is shifting in favor of environmental and product quality.

### Initiatives

- Further explore demand for made-in-Japan premium products.
- Continue implementing cost-reduction measures to build profits.

## Asia



### Market

- Demand related to equipment investment in Thailand and elsewhere in Southeast Asia will remain strong.
- Investment in LCD and OEL displays in South Korea will slow further.

### Initiatives

- Enhance hoist sales and maintenance business for crane users.
- Continue measures to enhance business efficiency and build profit.

## Europe



### Market

- Expect moderate demand growth in broader industries.

### Initiatives

- Cultivate new markets and synergies among group companies in the region.

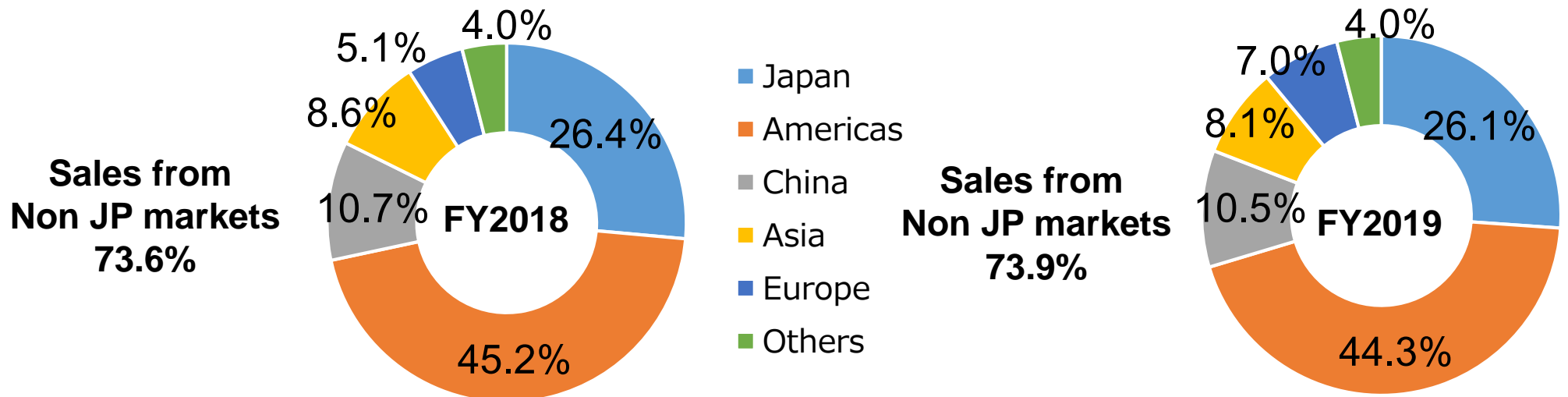


# FY2019 Forecast / Net Sales by Region

JPY in million	FY2018 (ended Mar 2019)		FY2019 FCST (ending Mar 2020)		YoY Change	
		% Share		% Share	Amount	%
<b>Total</b>	61,238	100.0%	62,800	100.0%	1,562	2.5%
Japan	16,162	26.4%	16,400	26.1%	238	1.5%
The Americas	27,663	45.2%	27,800	44.3%	137	0.5%
China	6,539	10.7%	6,600	10.5%	61	0.9%
Asia	5,239	8.6%	5,100	8.1%	(139)	(2.7%)
Europe	3,204	5.1%	4,400	7.0%	1,196	37.3%
Others	2,430	4.0%	2,500	4.0%	70	2.9%

Note: Exchange Rate (FY2018 → FY2019)

USD 110.9→110.0 CAD 84.6→85.0 EUR 128.4→130.0 RMB 16.7 → 17.0



# FY2019 Forecast

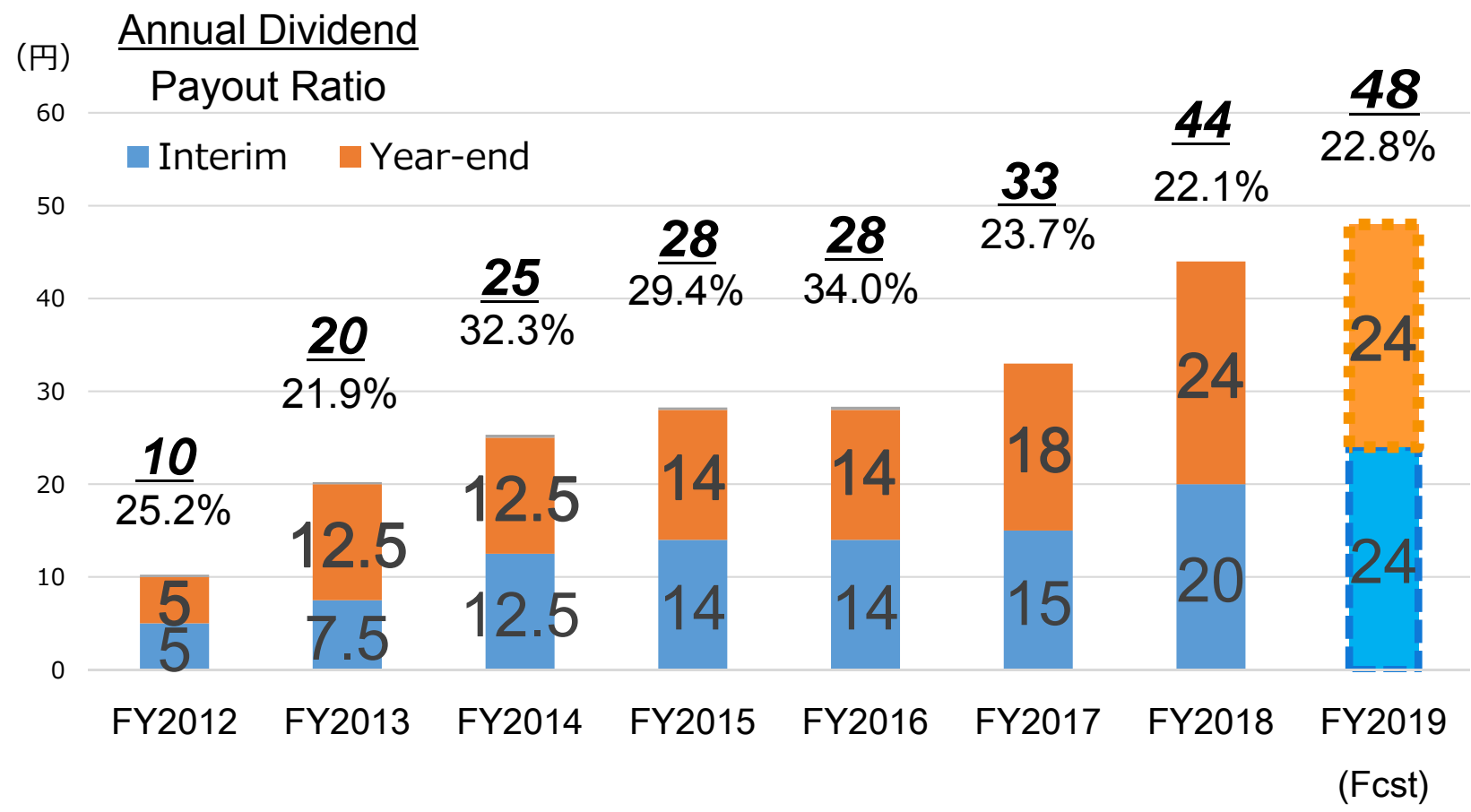
JPY in million	FY 2018	FY 2019 (Fcst)	YoY change
<b>Sales</b>	61,238	62,800	2.5%
<b>Operating Income</b> Operating Income / Sales	6,413 10.5%	6,700 10.7%	4.5%
<b>Ordinary Income</b> Ordinary Income / Sales	5,748 9.4%	6,400 10.2%	11.3%
<b>Net Income</b> Net Income / Sales	4,064 6.6%	4,300 6.8%	5.8%
<b>EBITDA</b> Op Income + Depreciation	9,201	9,800	
<b>CAPEX</b>	1,416	4,000	

Note: Exchange rate (FY 2018 → FY 2019)

USD 110.9 → 110.0 CAD 84.6 → 85.0 EUR 128.4 → 130.0 RMB 16.7 → 17.0

# Dividend

**Payout ratio at 20% or higher,  
Annual dividend to be increased in FY2019 to JPY48**



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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## **FY2019 Forecast**

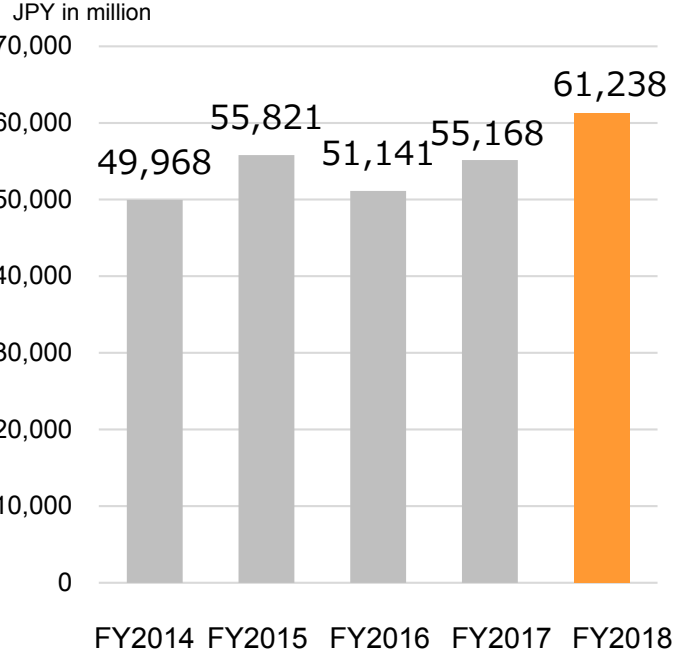
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## **Reference**

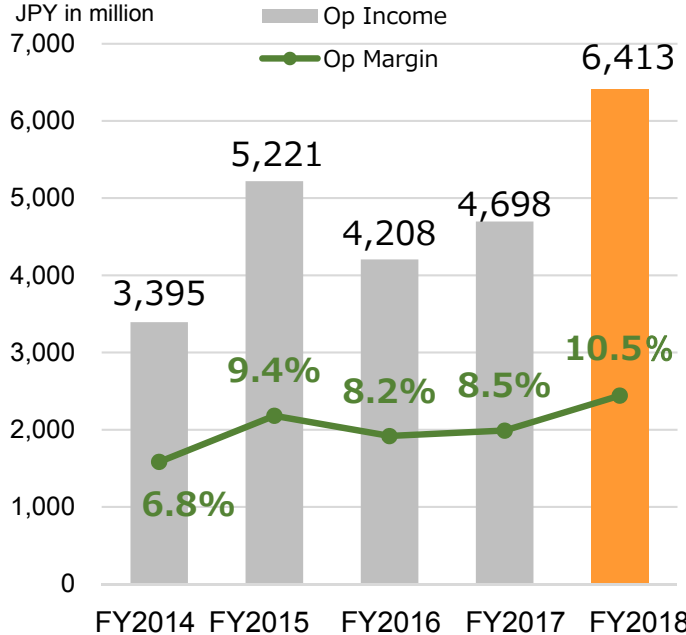
- **Five Year Financial Results (FY 2014 – FY 2018)**
- **Mid-Term Plan (FY 2016 – FY 2020)**

# Key figures

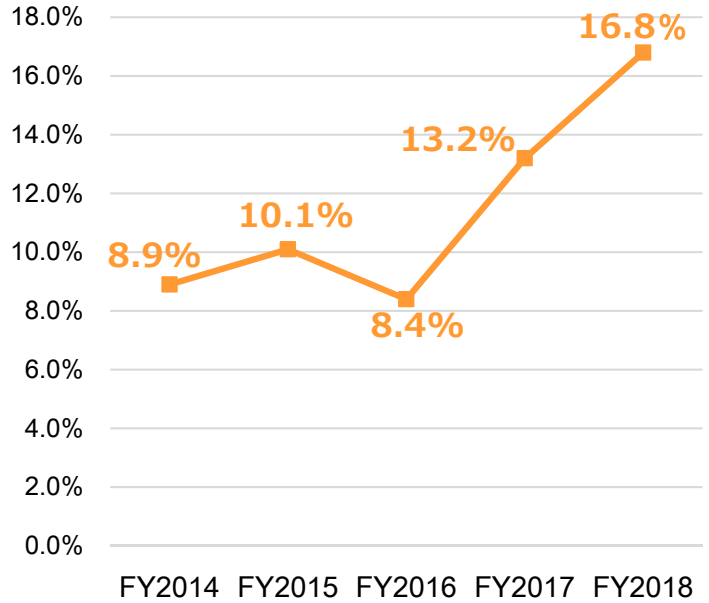
## Sales



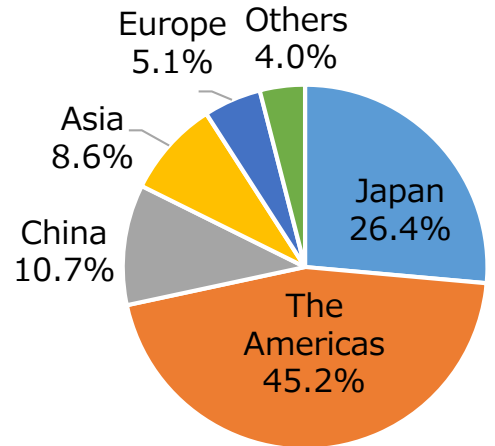
## Op Income and Op Margin



## ROE

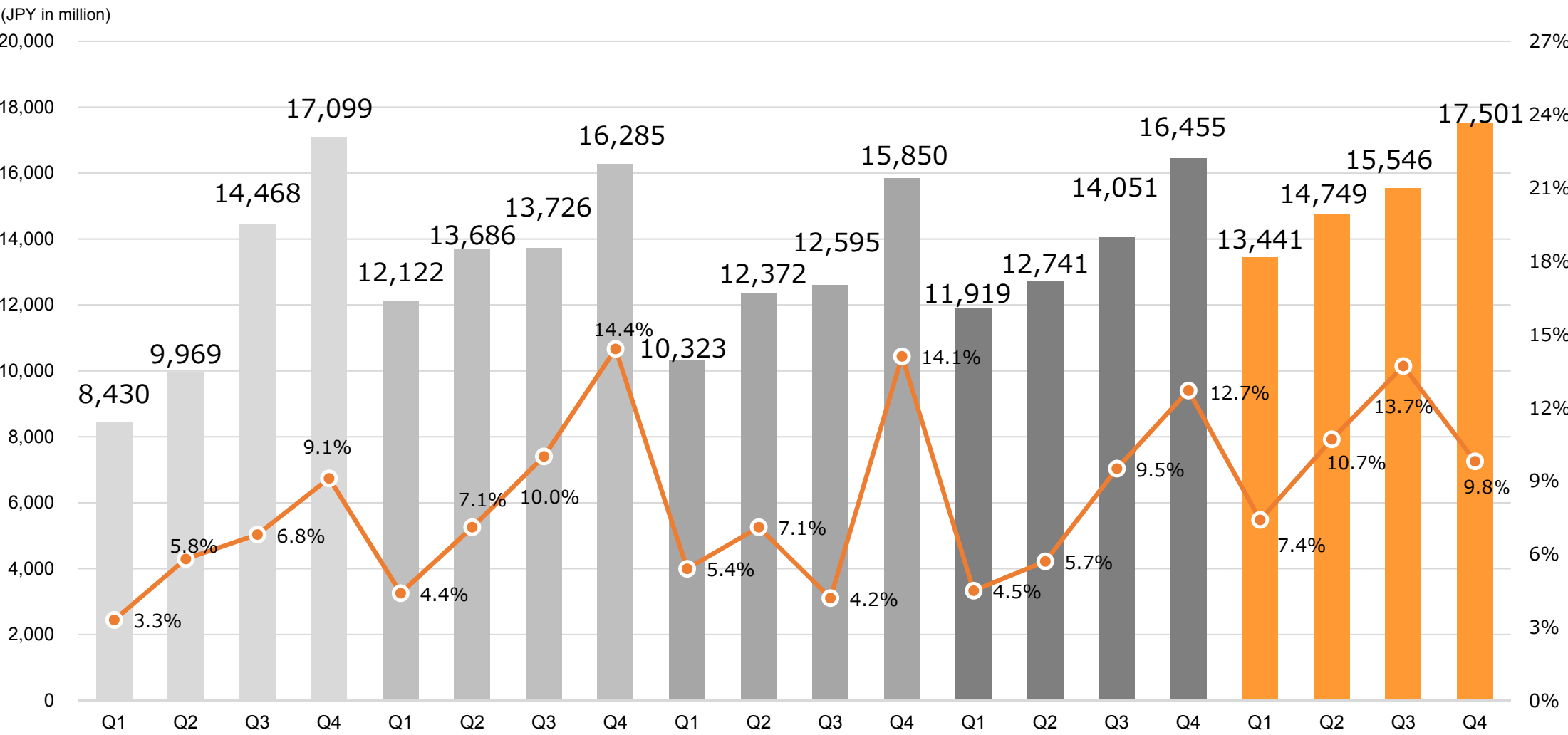


## Sales by Region in FY2018



	FY2014	FY2015	FY2016	FY2017	FY2018
Sales from non Japanese markets	76.6%	77.3%	74.3%	76.0%	73.6%
Average FX Rate					
USD	109.9	120.1	108.4	110.9	110.9
CAD	96.5	91.8	82.5	86.5	84.6
EUR	138.8	132.6	118.8	129.7	128.4
RMB	17.2	19.2	16.4	16.6	16.7
Capex(JPY in million)	1,408	2,013	2,393	1,411	1,416
Depreciation (JPY in million)	1,311	1,814	1,792	2,116	2,470

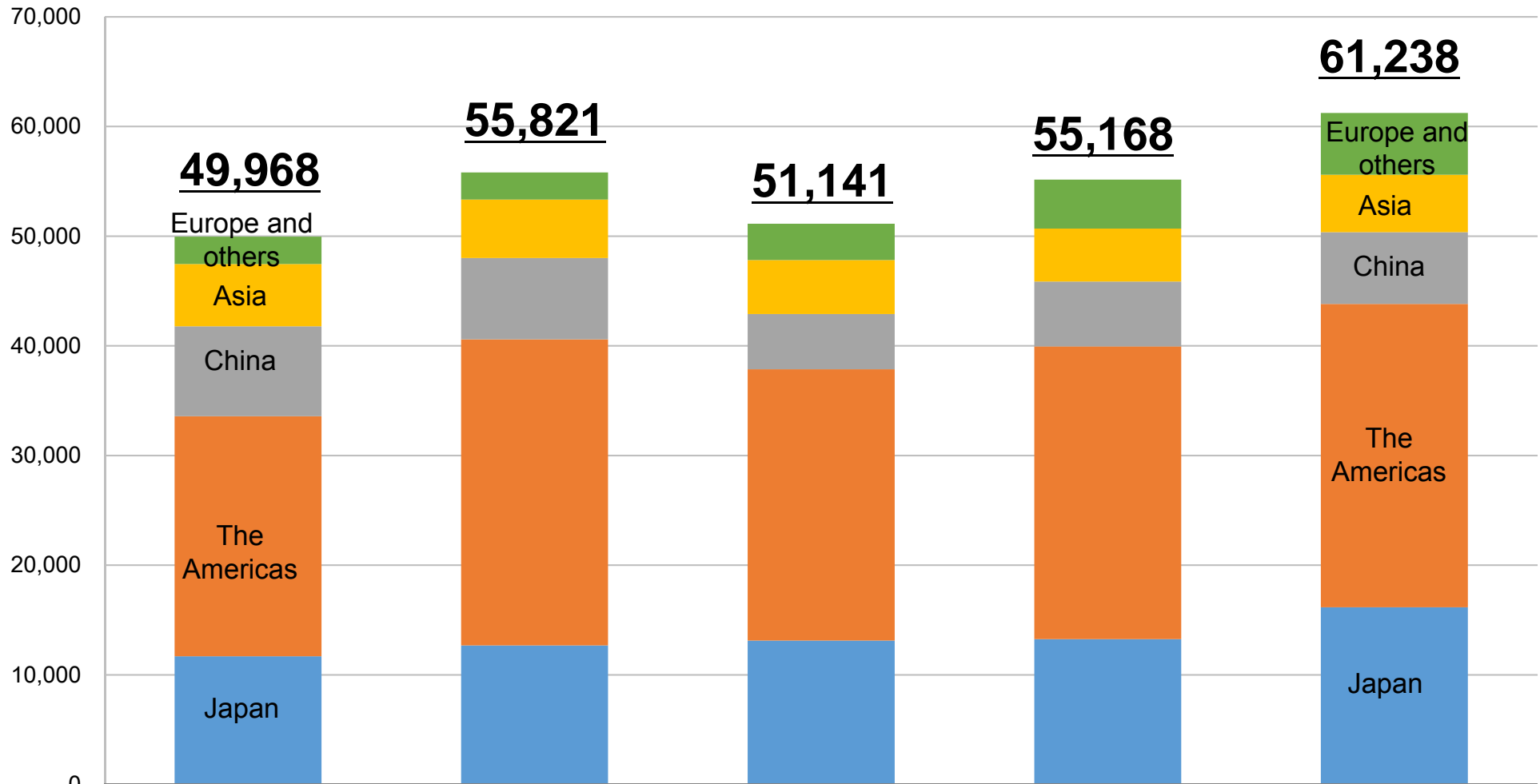
# Quarterly Sales and Operating Margin



OP Income	280	575	987	1,553	538	966	1,371	2,345	561	876	532	2,239	538	730	1,338	2,092	992	1,572	2,131	1,717
	FY 2014				FY 2015				FY 2016				FY 2017				FY 2018			
	Sales 49,968				Sales 55,821				Sales 51,141				Sales 55,168				Sales 61,238			
	Op Income 3,395				Op Income 5,221				Op Income 4,208				Op Income 4,698				Op Income 6,413			

# Sales by Regions

(JPY in million)



	FY2014	FY2015	FY2016	FY2017	FY2018
■ Europe and others	2,500	2,479	3,308	4,465	5,634
■ Asia	5,676	5,321	4,925	4,837	5,239
■ China	8,198	7,418	5,034	5,903	6,539
■ The Americas	21,888	27,909	24,742	26,700	27,663
■ Japan	11,702	12,692	13,129	13,261	16,162

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**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



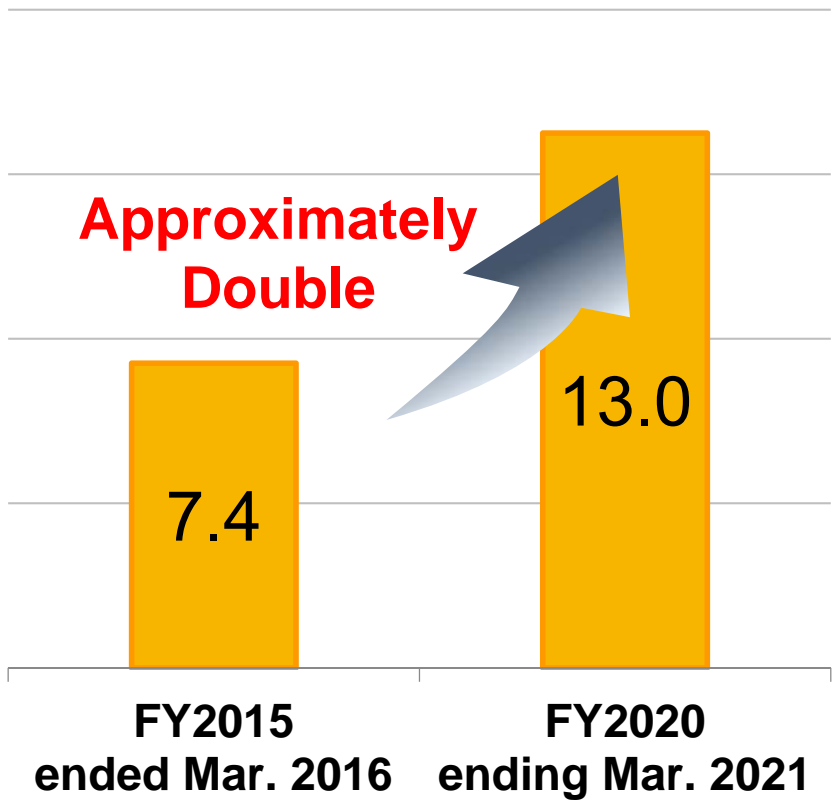
# Management Goals

## 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”

