

Directions for the next Medium-Term Business Plan

KITO CORPORATION (TSE: 6409)

May 18, 2021

Previous MTP review (qualitative)

□ Qualitative Review

- ✓ **Product portfolio expansion**
 - ✓ Expand product lines through M&A
 - ✓ Launching new products of Powered Chain Hoists, Light Cranes and others
- ✓ **Risk-hedging through global production and development**
 - ✓ Partial transfers of production to plants in Thailand, the US, elsewhere
 - ✓ Yamanashi 'mother' plant
- ✓ **Strategy review**
 - ✓ Raise production efficiency with new ERP system, and customer convenience with e-commerce.
 - ✓ Start programs to train next generation of leaders.
 - ✓ Strengthen global management system.
 - ✓ Standardize and audit product quality groupwide.

Achievements:

High margin business structure and globally integrated enterprise

Challenges:

PMI of European subsidiaries, shorter product-launch cycle, and capital efficiency

Previous MTP review (quantitative)

□ Quantitative review

EBITDA: Decline for two years since the FY2018 peak at 9.2 billion yen.

OCF: ¥4.5B (FY2015) ⇒ ¥6.6B (FY2020)

OCF margin: 8.1% (FY2015) ⇒ 12.9% (FY2020)

OP margin: 7.7% (FY'11-15*) ⇒ 9.1% (FY'16-20*)

ROE: 8.4% (FY'11-15*) ⇒ 11.8% (FY'16-20*)

*Average

**The EBITDA goal of ¥13 billion was not achieved,
but the company is back on track to high earnings.**

Future direction (1. Background for determining KPIs)

□ Background for determining KPI

	Present	Future
Internal Factor	<p>【Previous MTP review】</p> <ul style="list-style-type: none">• Slow ROI• Slow product launch• Stronger inter-company relationship	<p>Set direction for future business and redefine the Kito mission</p>
External factor	<ul style="list-style-type: none">• COVID-19• Accelerating digital shift• Ongoing industrial reorganization	



Future direction (2. KPIs)

1. Qualitative improvement in management to a new stage in global strategy

- ✓ Redefine corporate mission, toward sustainable management
- ✓ Enhance HR development and increase diversity.
- ✓ Raise both earnings power and capital efficiency.
- ✓ Enhance and build up production capacity abroad, optimize supply chain.
- ✓ Promote PMI with new subsidiaries and strengthen inter-subsidary ties

2. Enhance brand value for customers

- ✓ Further product differentiation
- ✓ Safety training for users

3. Continuous innovation as anti-gravity equipment manufacturer.

- ✓ Develop and acquire new products and business.
- ✓ Expand tailor-made business by strengthening engineering capability.
- ✓ Reduce environmental impact through product life cycle

KPI candidates:

- ROIC
- CCC
- New product sales ratio
- Female management ratio
- Reduction of env. impact (CO₂, etc.)
- BoD Effectiveness
- Customer satisfaction rate
- Overseas production ratio
- etc.

Kito is working to achieve total equity value of ¥100 billion in near future based on these three policies.

FY2021 Management Strategy

FY2016 - FY2020

FY2021

FY2022 -

Previous MTP

1. Prepare new Medium-Term Business Plan

- Organizational reform to enhance corporate planning

2. Establish higher margin structure

- More efficient operating system.

Next MTP

Kito will invest in both hard and soft infrastructure in FY2021, pursue post COVID-19 growth and accelerate global strategy in the next MTP.