

Financial Results for the Quarter ended June 30, 2019

**KITO CORPORATION
TSE 1st Section: 6409
August 6, 2019**

FY2019 Q1 Summary

Overview

Though uncertain market trend had been continuing, our business results were as planned with stable demand in the industrial environment.

1. The YoY decrease in sales and profit was due to the large project in South Korea of last Q1 (JPY 700M in sales). There were also non-recurring expenses for this quarter.
2. While global economy is still on soft side, Kito's business environment is good.
 - In major markets, our all-around product portfolio for all industries is driving good earnings.
 - In China, we have captured demand in strong industries and built market share on rising safety awareness.

Business Results

	JPY in million	YoY Change
Sales	13,247	(1.4%)
Op Income	837	(15.6%)
Net Income *	327	(37.0%)

* Net Income attributable to owners of parent
Average FX rate USD/JPY 109.9

1 FY2019 1st Quarter Financial Results

2 FY2019 Forecast

3 Reference

- Five Year Financial Results (FY2014 – FY2018)
- Kito's Business
- Mid-Term Plan (FY2016 – FY2020)

FY2019 Q1 Financial Highlight

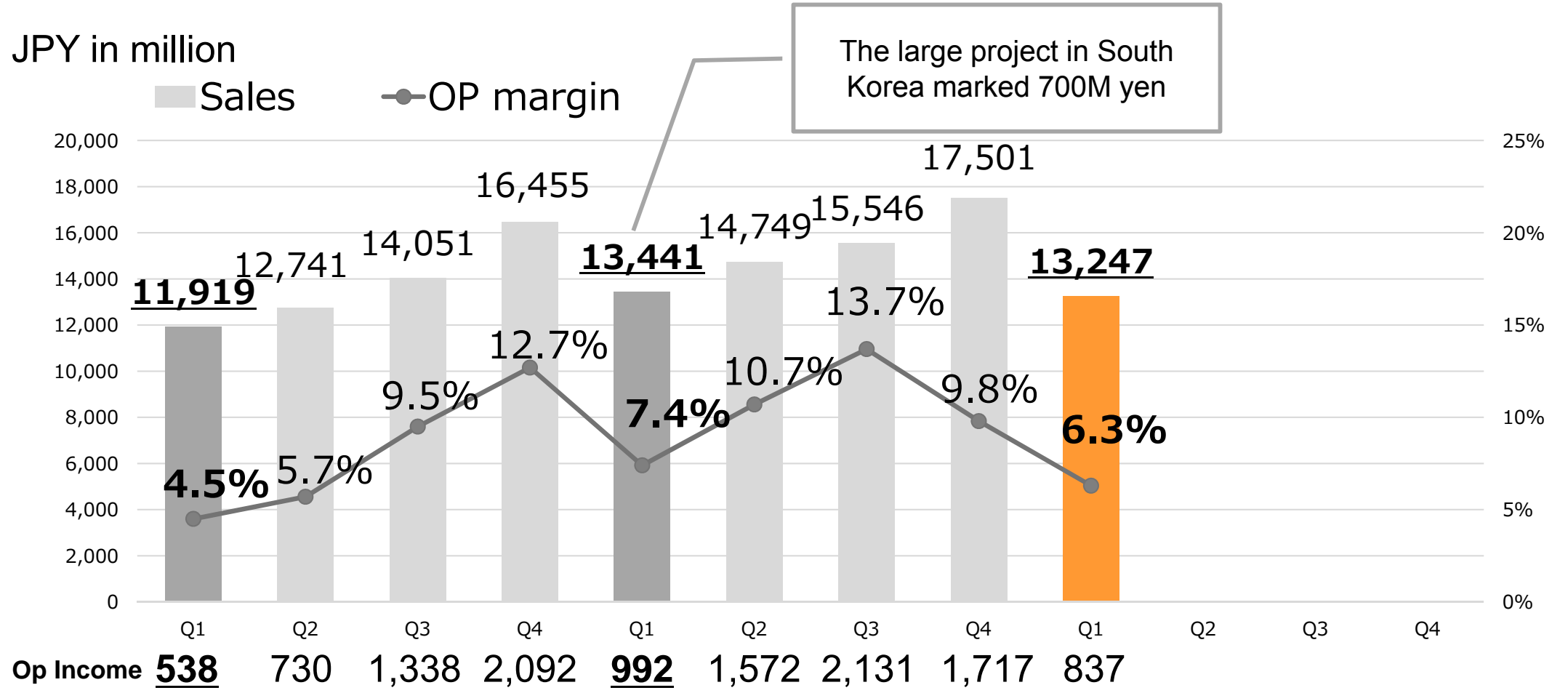
JPY in million	FY2018 Q1 Apr - Jun	FY2019 Q1 Apr - Jun	YoY Change
Sales	13,441	13,247	(1.4%)
Gross Profit	4,827	4,931	2.1%
Gross Profit/ Sales	35.9%	37.2%	
Operating Income	992	837	(15.6%)
Operating Income / Sales	7.4%	6.3%	
Non-operating income	58	40	
Non-operating expenses	236	291	
Ordinary Income	814	587	(27.9%)
Ordinary Income / Sales	6.1%	4.4%	
Extraordinary Profit	-	(4)	
Income Taxes	260	233	
Net Income	519	327	(37.0%)
Net Income / Sales	3.9%	2.5%	
EBITDA	1,653	1,587	
Op Income + Depreciation			

Note: Exchange Rate (FY2018 Q1 → FY2019 Q1)

USD/JPY 109.1→109.9 CAD/JPY 84.5→82.2 EUR/JPY 130.1→123.5 RMB/JPY 17.1→16.3

Quarterly Net Sales and Operating Margin

Despite the effect of the large project in S-Korea last Q1, demand for gov't infrastructure and private-sector equipment are still solid.



FY2017
Sales 55,168
Op Income 4,698

FY2018
Sales 61,238
Op Income 6,413

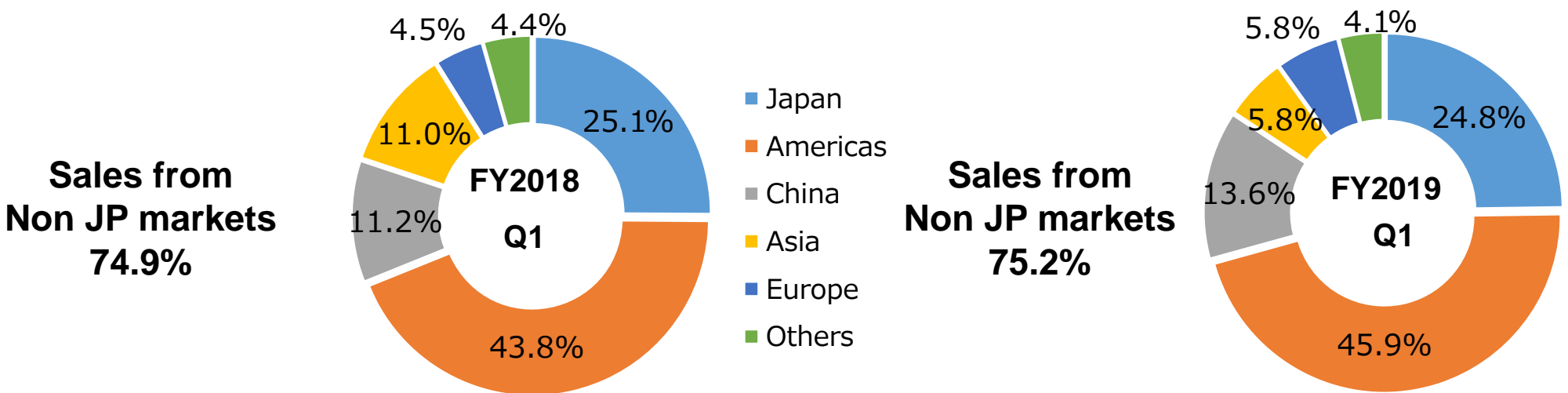
FY2019 Forecast
Sales 62,800
Op Income 6,700

Net Sales by Region

JPY in million	FY2017 Q1		FY2018 Q1		FY2019 Q1		YoY Change	
		% share		% share		% share		% share
Total	11,919	100.0%	13,441	100.0%	13,247	100.0%	(194)	(1.4%)
Japan	3,163	26.5%	3,367	25.1%	3,282	24.8%	(85)	(2.5%)
The Americas	5,466	45.9%	5,894	43.8%	6,084	45.9%	189	3.2%
China	1,323	11.1%	1,501	11.2%	1,804	13.6%	303	20.2%
Asia	848	7.1%	1,475	11.0%	763	5.8%	(712)	(48.3%)
Europe	542	4.6%	606	4.5%	774	5.8%	168	27.8%
Others	575	4.8%	596	4.4%	538	4.1%	(57)	(9.6%)

Note: Exchange Rate (FY2018 Q1→FY2019 Q1) :

USD/JPY 109.1→109.9 CAD/JPY 84.5→82.2 EUR/JPY 130.1→123.5 RMB/JPY 17.1→16.3

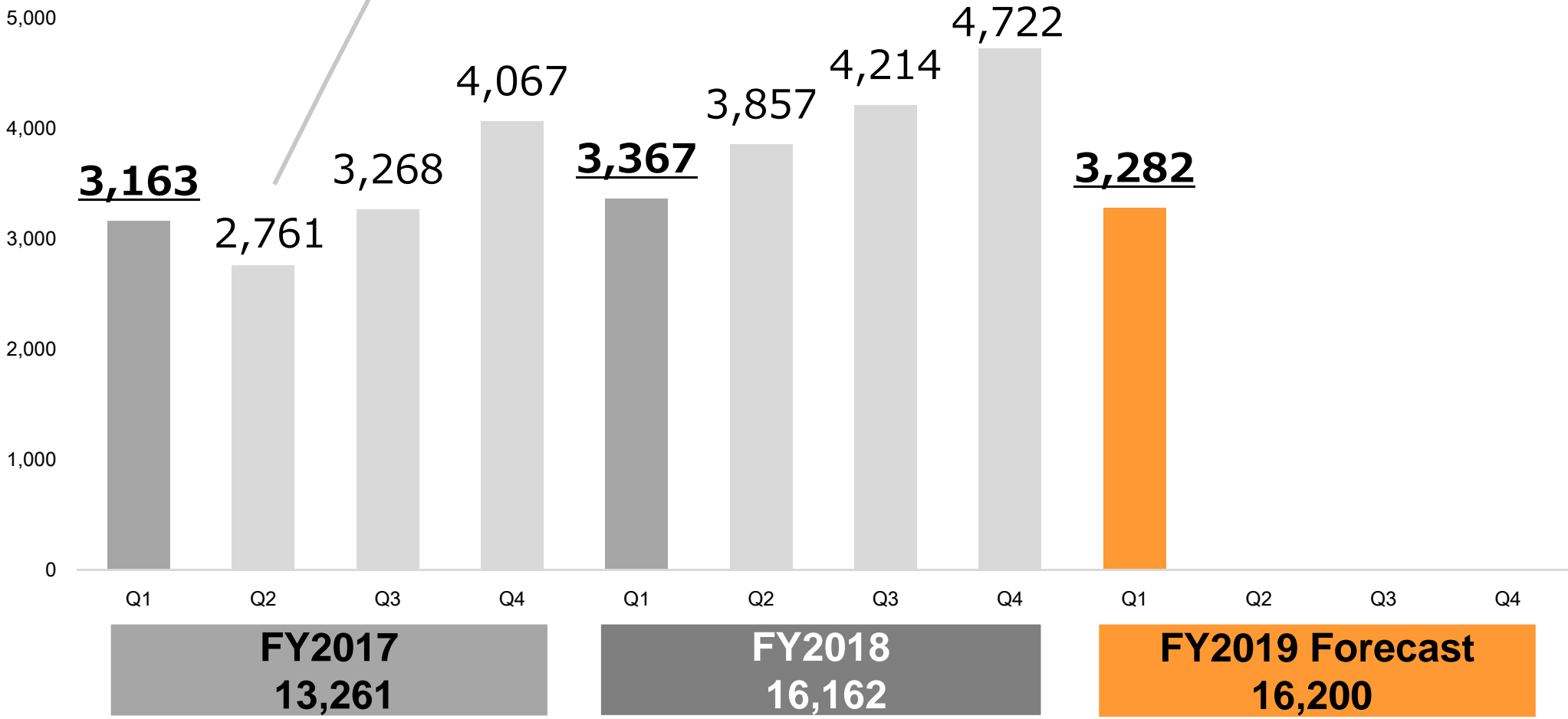


Net Sales by Region (Japan)

- Despite a slowing trend overall, demand for our products is strong.

JPY in million

Production at our main plant in Japan temporarily slowed due to the replacement of IT infrastructure.



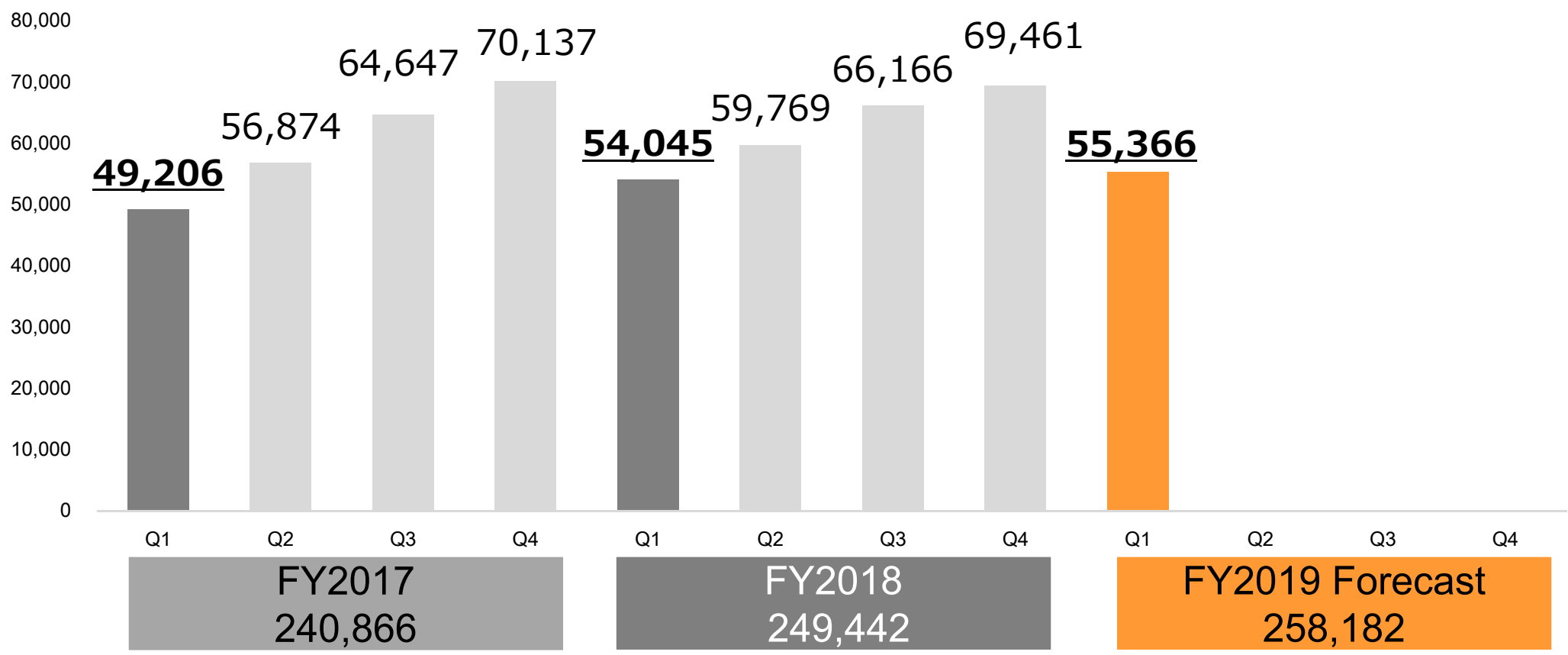
Net Sales by Region (Americas)

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.

- Demand related to private-sector equipment investment, government infrastructure and the resource industries are all strong.

USD in thousand



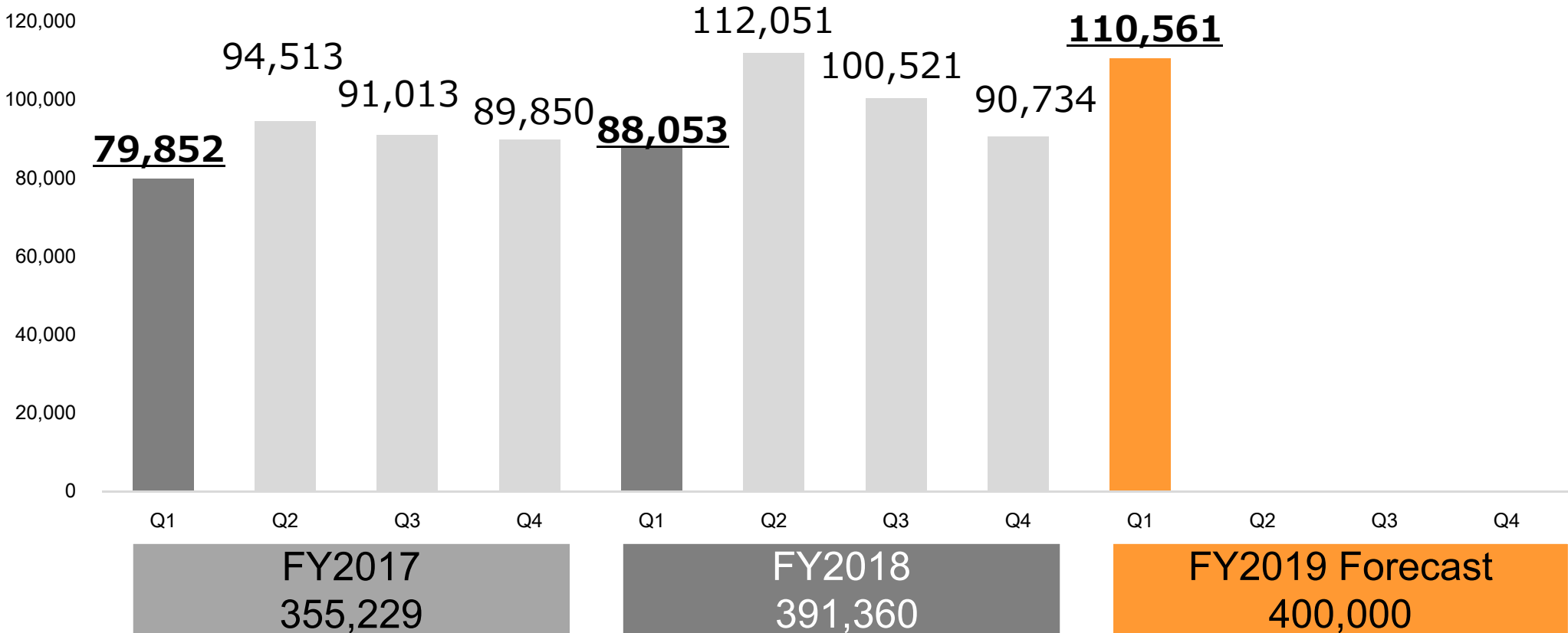
Net Sales by Region (China)

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

- While the entire economy is softening, performing industries like semiconductors, EVs, energy and railroads are driving demand.
- Our market share has grown due to higher awareness about safety, and we are seeing continuing expansive trends in both sales and profit.
- We've made steady profit due to profitability-oriented operations.

RMB in thousand

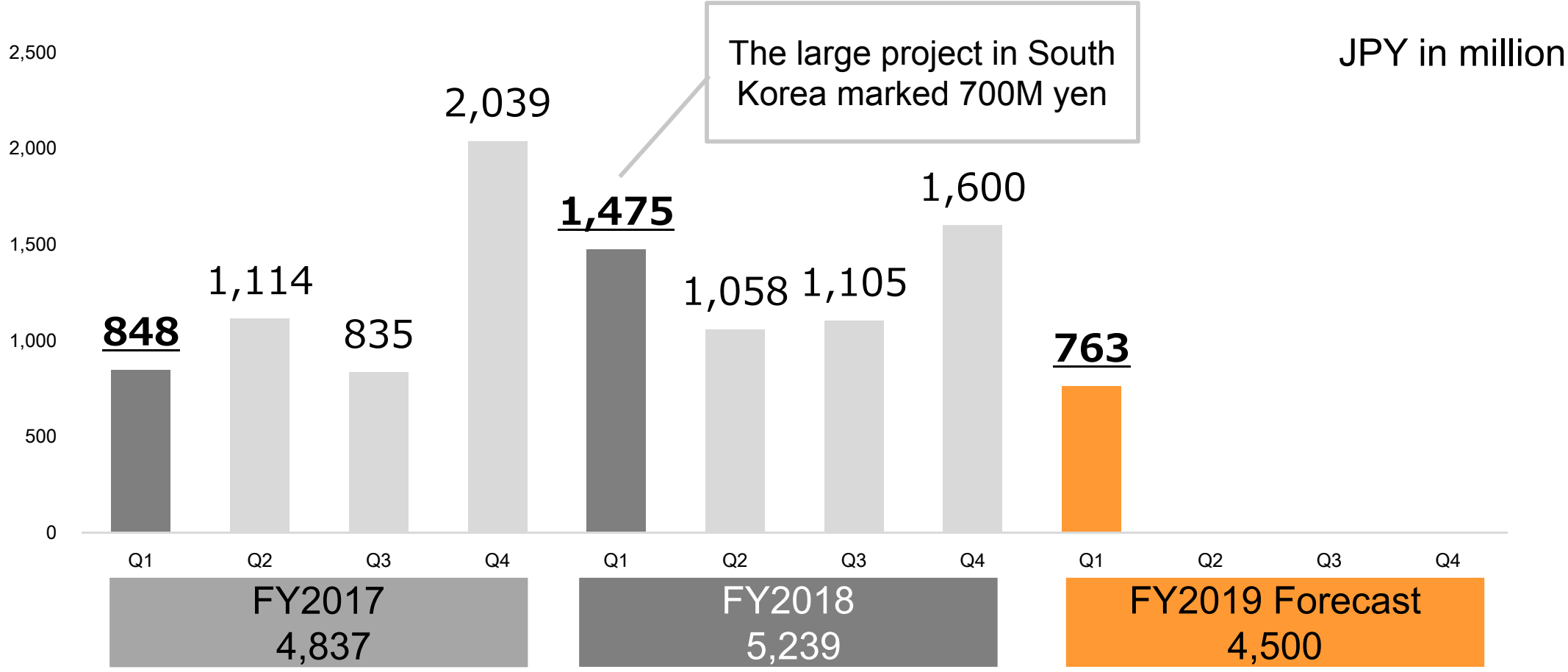


Net Sales by Region (Asia)

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

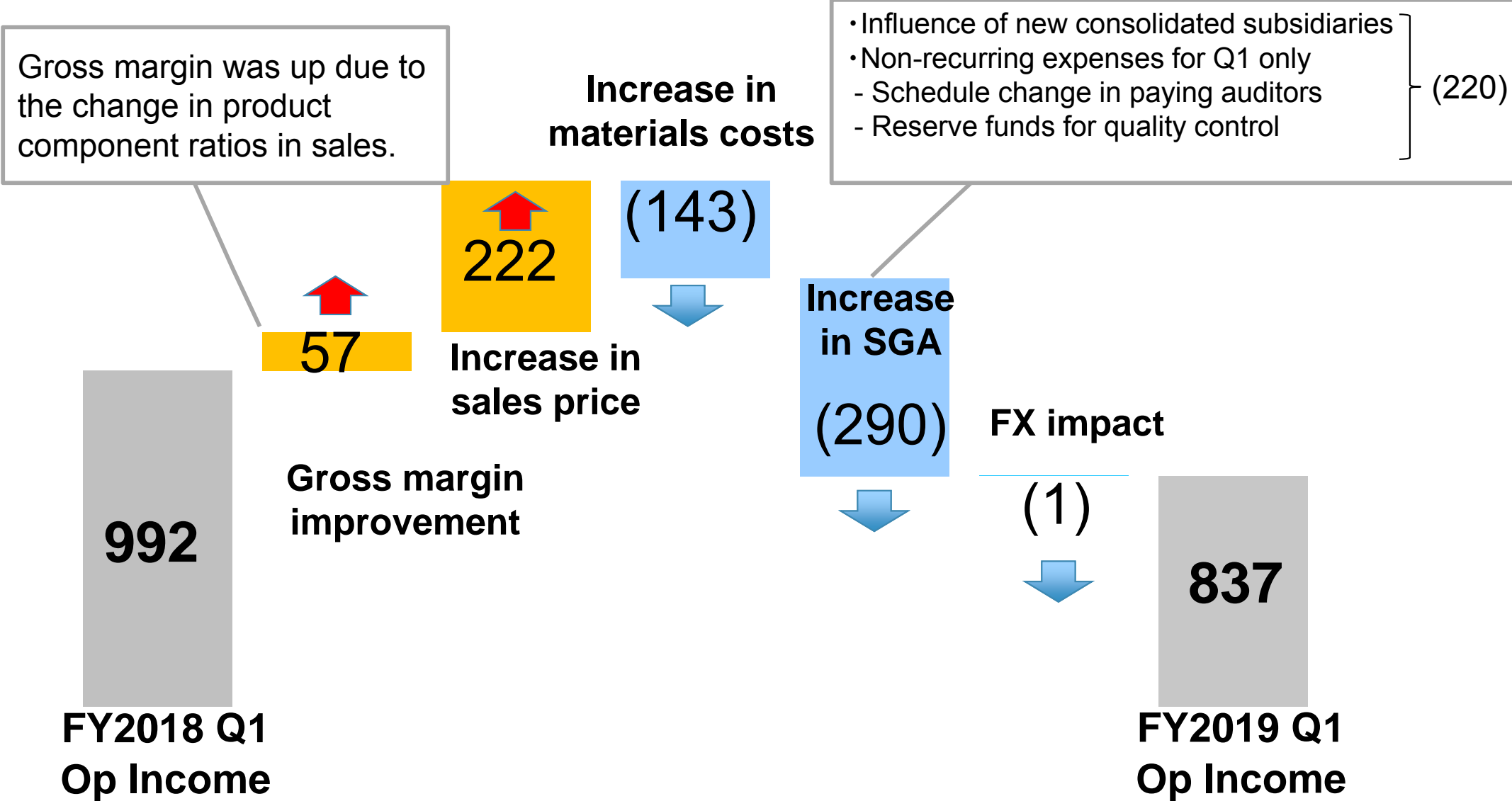
Our Business : South Korea and Thailand, whose main operations are crane business, account for 70% of total sales in the region. Improving profitability by strengthening hoist sales and maintenance services for crane.

- The large South Korean project last Q1 led to a major dip in sales and profit.
- Hoist sales have been steadily expanding due to the reviewed business structure, and profitability rose for the crane operation.



Operating Income Comparison

JPY in million



Consolidated Balance Sheet

JPY in million	FY2018 Q1	FY2019 Q1	Change	JPY in million	FY2018 Q1	FY2019 Q1	Change
Current assets	37,122	38,380	1,258	Current liabilities	16,825	18,561	1,735
Cash	9,378	8,468	(909)	Accounts payable	6,563	6,610	47
Accounts receivable	10,467	10,062	(405)	Short-term debt *	5,929	7,209	1,280
Inventories	16,225	18,675	2,449	Others	4,331	4,740	408
Others	1,050	1,174	123	Fixed liabilities	19,023	15,404	(3,618)
Fixed assets	22,618	21,830	(788)	Long-term debt	15,391	11,732	(3,659)
Tangible fixed assets	11,210	12,065	854	Others	3,631	3,672	40
Intangible fixed assets	6,896	5,722	(1,173)	Total net assets	23,891	26,244	2,352
Investment & other assets	4,511	4,041	(469)	Total liabilities and net assets	59,740	60,210	469
Total assets	59,740	60,210	469				

* Includes Current portion of long-term loans payable

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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.

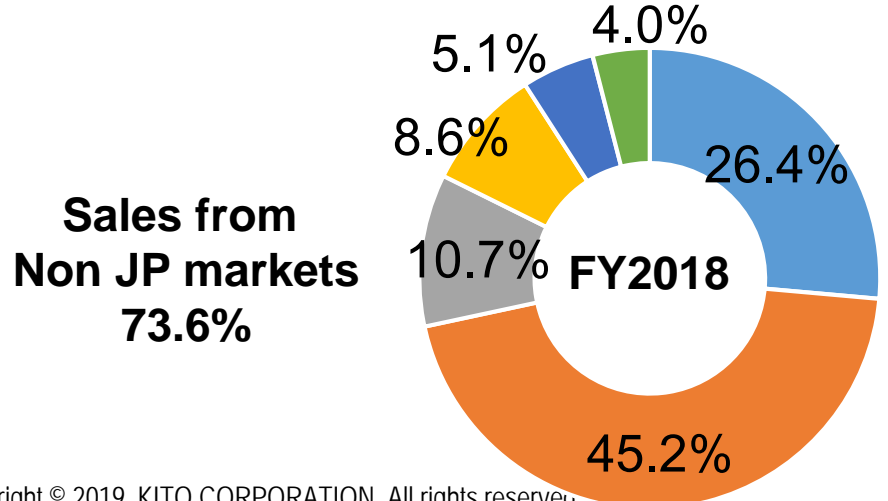
FY2019 Forecast / Net Sales by Region

JPY in million	FY2018 (ended March 2019)		FY2019 Forecast (ending March 2020)		YoY Change	
		% Share		% Share	Amount	%
Total	61,238	100.0%	62,800	100.0%	1,562	2.5%
Japan	16,162	26.4%	<u>16,200</u>	<u>25.8%</u>	<u>38</u>	<u>0.2%</u>
The Americas	27,663	45.2%	<u>28,400</u>	<u>45.2%</u>	<u>737</u>	<u>2.7%</u>
China	6,539	10.7%	<u>6,800</u>	<u>10.8%</u>	<u>261</u>	<u>4.0%</u>
Asia	5,239	8.6%	<u>4,500</u>	<u>7.2%</u>	<u>(739)</u>	<u>(14.1%)</u>
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%

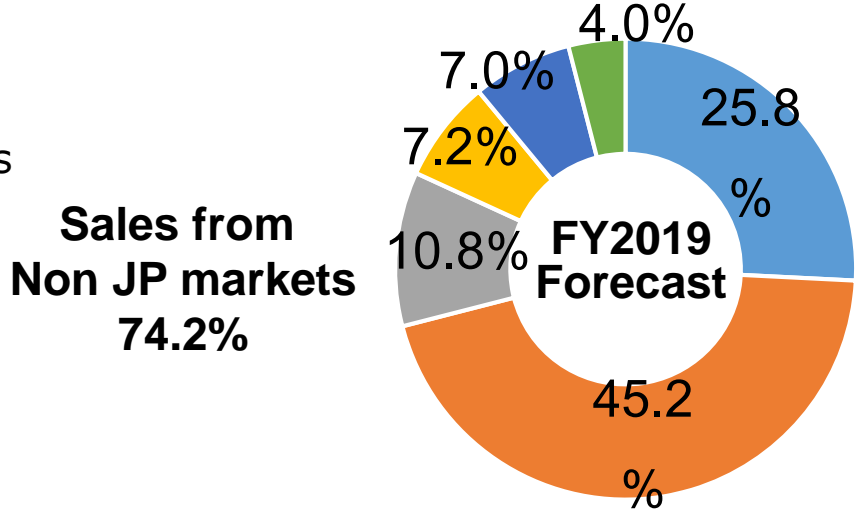
The underlined parts are changes from the previous forecast as of May 13

Note: Exchange Rate (FY2018 → FY2019)

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



- Japan
- Americas
- China
- Asia
- Europe
- Others



FY2019 Forecast

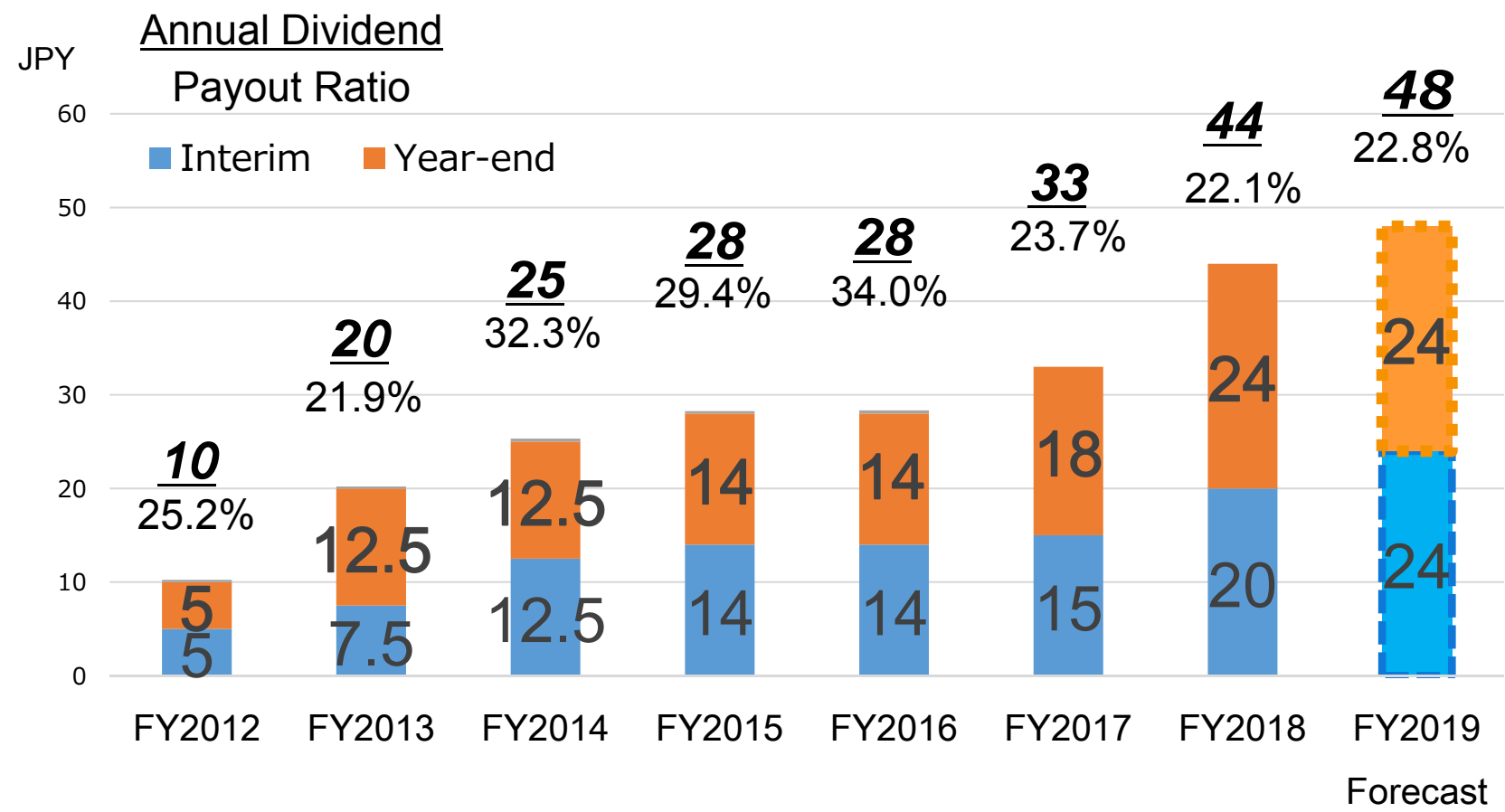
JPY in million	FY2018	FY2019 Forecast	YoY change
Sales	61,238	62,800	2.5%
Operating Income Operating Income / Sales	6,413 10.5%	6,700 10.7%	4.5%
Ordinary Income Ordinary Income / Sales	5,748 9.4%	6,400 10.2%	11.3%
Net Income Net Income / Sales	4,064 6.6%	4,300 6.8%	5.8%
EBITDA Op Income + Depreciation	9,201	9,800	
CAPEX	1,416	4,000	

Note: Exchange rate (FY2018 → FY2019)

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

Dividend

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

1 FY2019 1st Quarter Financial Results

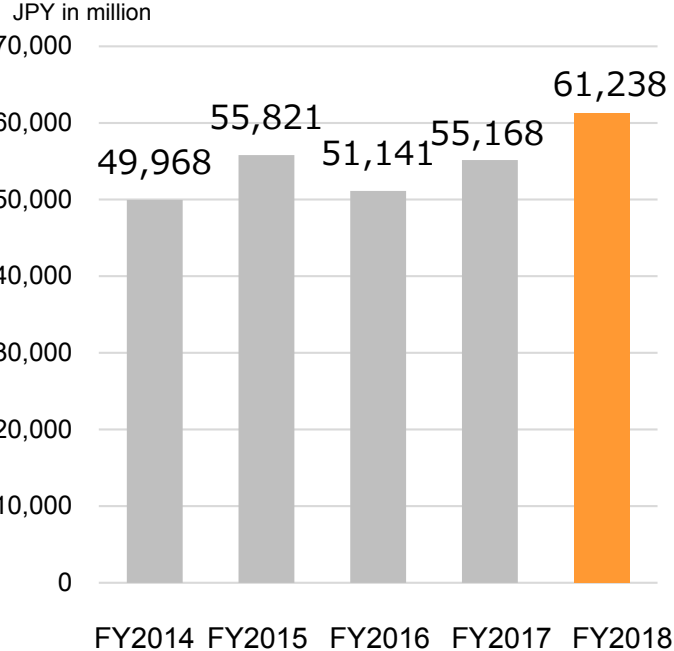
2 FY2019 Forecast

3 **Reference**

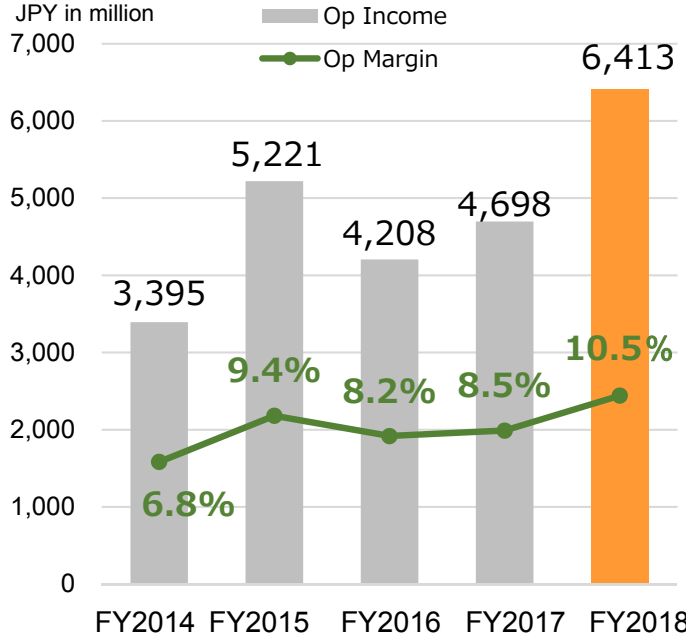
- **Five Year Financial Results (FY2014 – FY2018)**
- **Kito's Business**
- **Mid-Term Plan (FY2016 – FY2020)**

Key figures

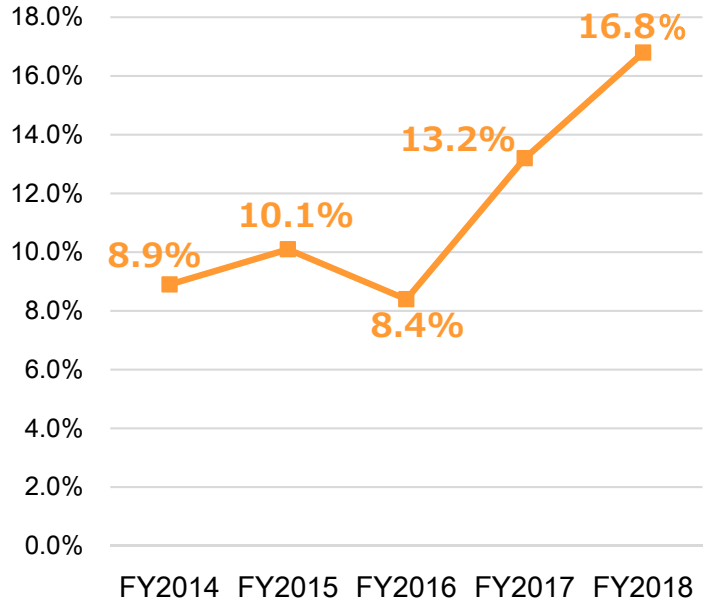
Sales



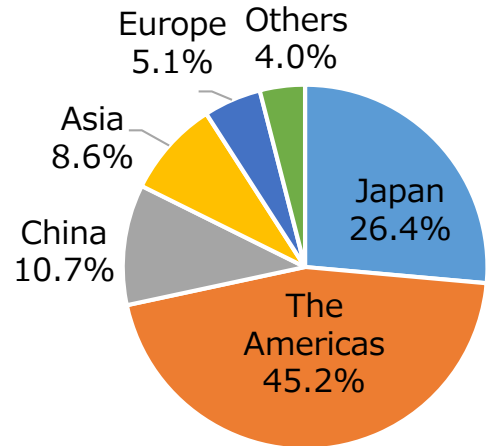
Op Income and Op Margin



ROE

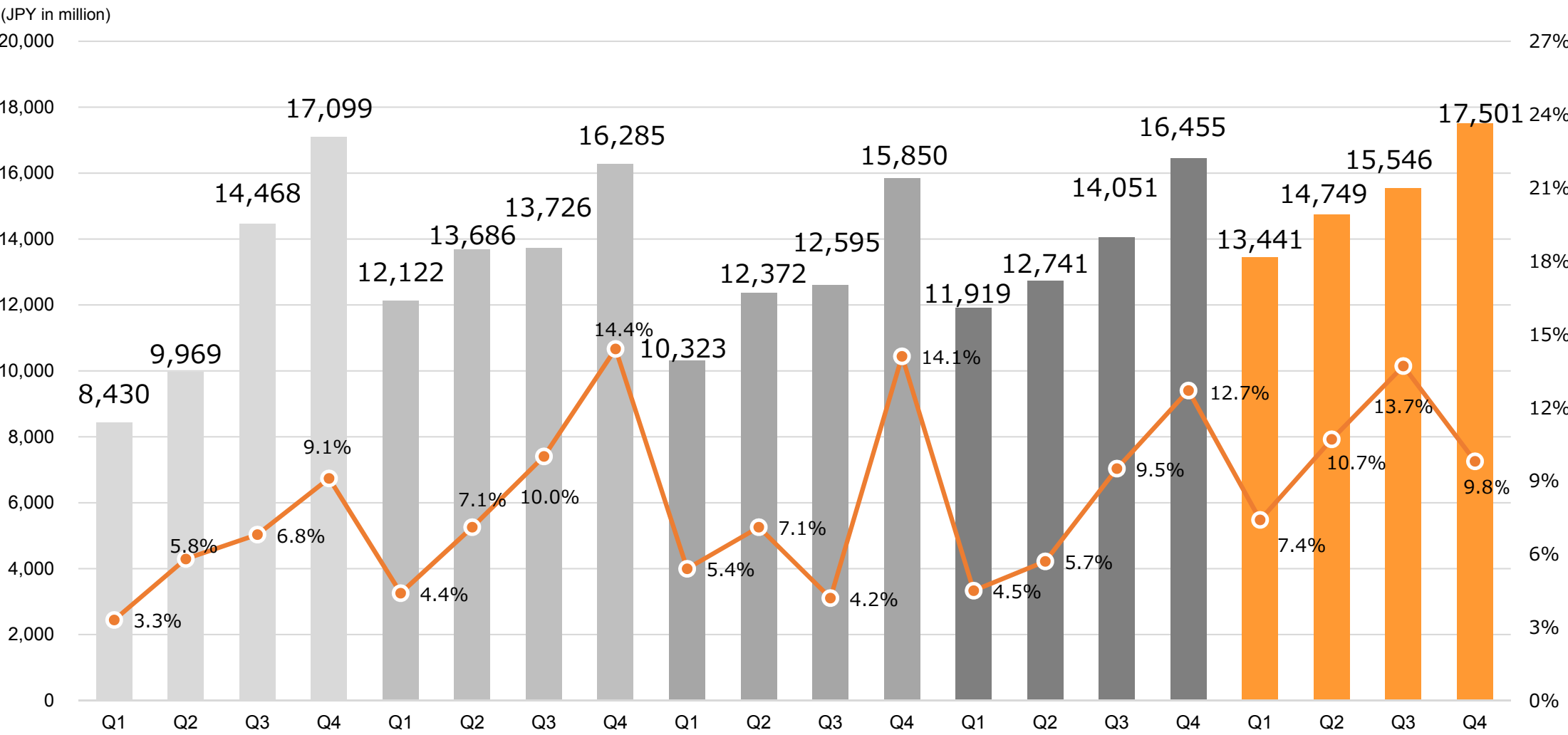


Sales by Region in FY2018



	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

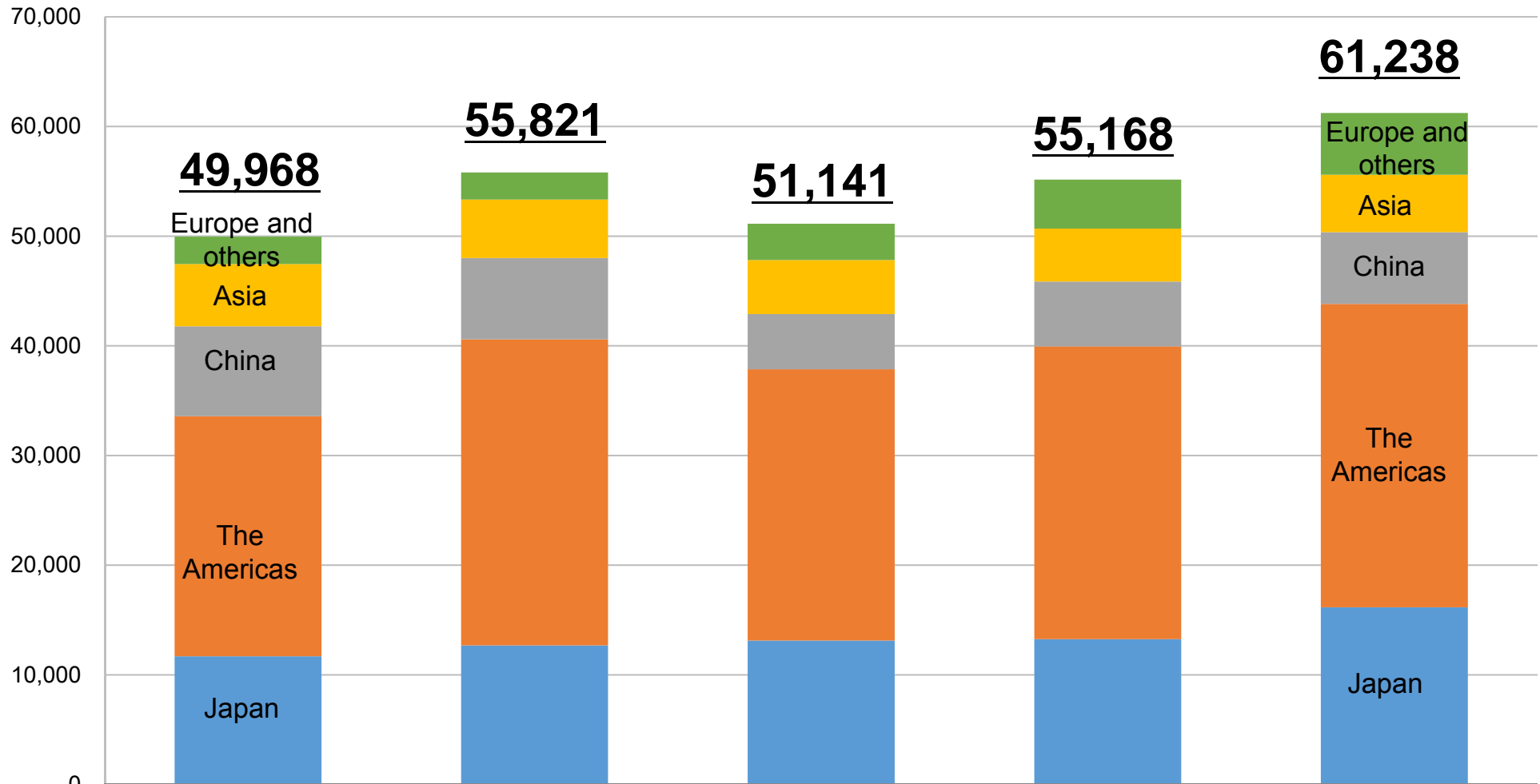
Quarterly Sales and Operating Margin



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
	FY2014				FY2015				FY2016				FY2017				FY2018			
	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

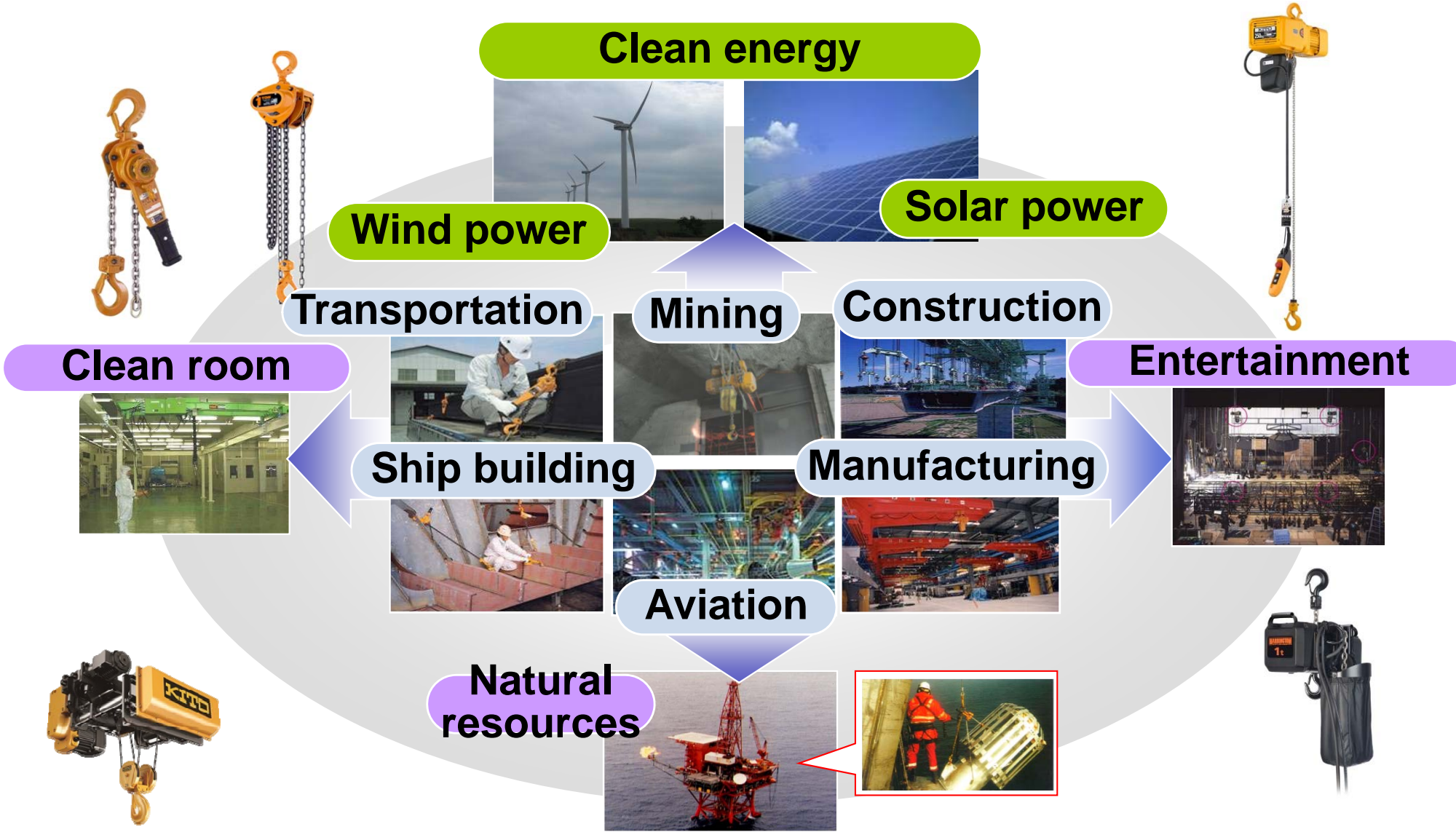
(JPY in million)



	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

Kito's Business

Expanding Customer Base



Initiatives by Products

Overhead Cranes



Jan. 2018

Acquired ERIKKILA (Finland), manufacturer of light cranes. Started selling light crane products in Japan

Hoists



Apr. 2018

Van Leusden (Netherlands) joined Kito, providing customized Kito hoists

Below Hook Devices



May 2019

Starts selling Kito-original Wire Rope Hoist in Americas

Aug. 2014

Acquired Peerless, the largest chain manufacturer in North America.

Feb. 2016

Acquired Kito Chain Italia, manufacturing chain related products.

Growth in Overseas Markets (Chinese Operation)

- While equipment investment is softening, we are serving the needs of performing industries and have built market share due to higher local awareness about safety and quality
- Reliably high levels of profit achieved: operating profit margin has averaged 10.8% over the past seven years
- Over 90% of made-in-China products are sold in the domestic market.

	Jiangyin Kito (since 1995)	Shanghai Kito (since 2004)
Products	Local production and sales, mainly of wire-rope hoists	Import sales of made-in-Japan chain hoists
Target	Manufacturers in China in general	Japanese and other foreign firms, and leading Chinese firms
FY2018 Sales	RMB 360 million	RMB 70 million

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



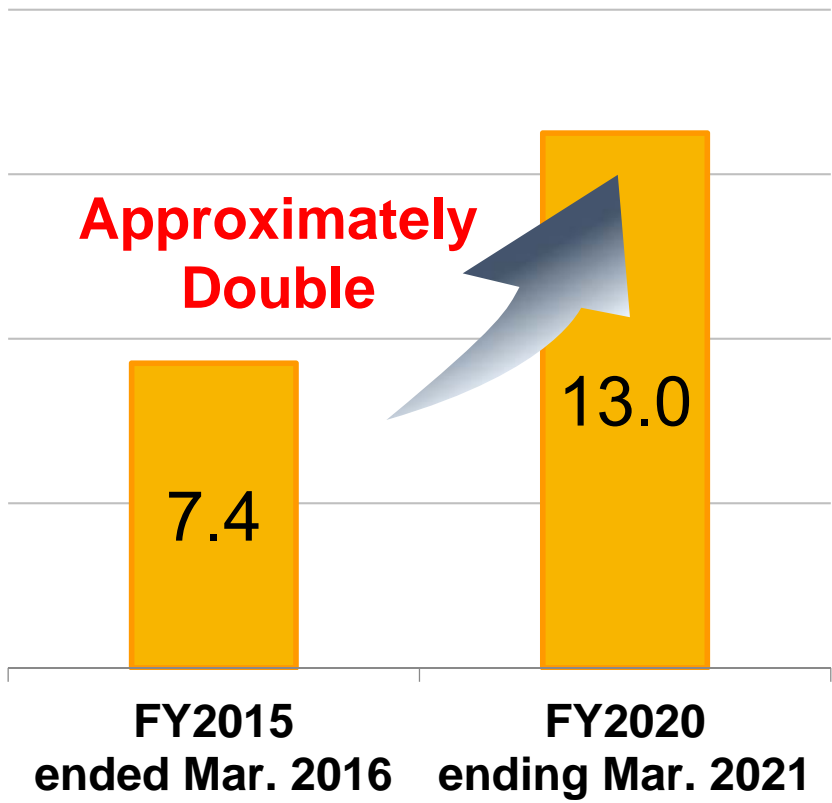
Management Goals

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”

