

Financial Results for the Quarter ended December 31, 2019

KITO CORPORATION
TSE 1st Section: 6409
February 12, 2020

FY2019 Q3 Summary

Overview

While corporations remain cautious about equipment investment, Kito is currently enjoying brisk orders in a solid business environment.

1. Performance is sustained by a widely diverse portfolio in terms of both regions and industries.
2. Although shipments in Japan have been softening since Q3, orders for the coming fiscal year have been good.
3. Our operations in China have been growing with increasing safety-consciousness nationwide and rising demand in performing industries.
4. A sales dip in South Korea has been covered by growth in other regions; operating profit saw impact from forex losses and non-recurring expenses.

Business Results

JPY in Million	Apr-Dec 2019	YoY change
Sales	42,753	(2.3%)
Op Income	3,947	(15.9%)
Net Income *	2,131	(32.8%)

* Net income attributable to owners of parent

Average FX rate USD/JPY = 108.7

1 FY2019 3rd Quarter Financial Results

2 FY2019 Forecast

3 Reference

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

FY2019 Q3 Financial Highlight

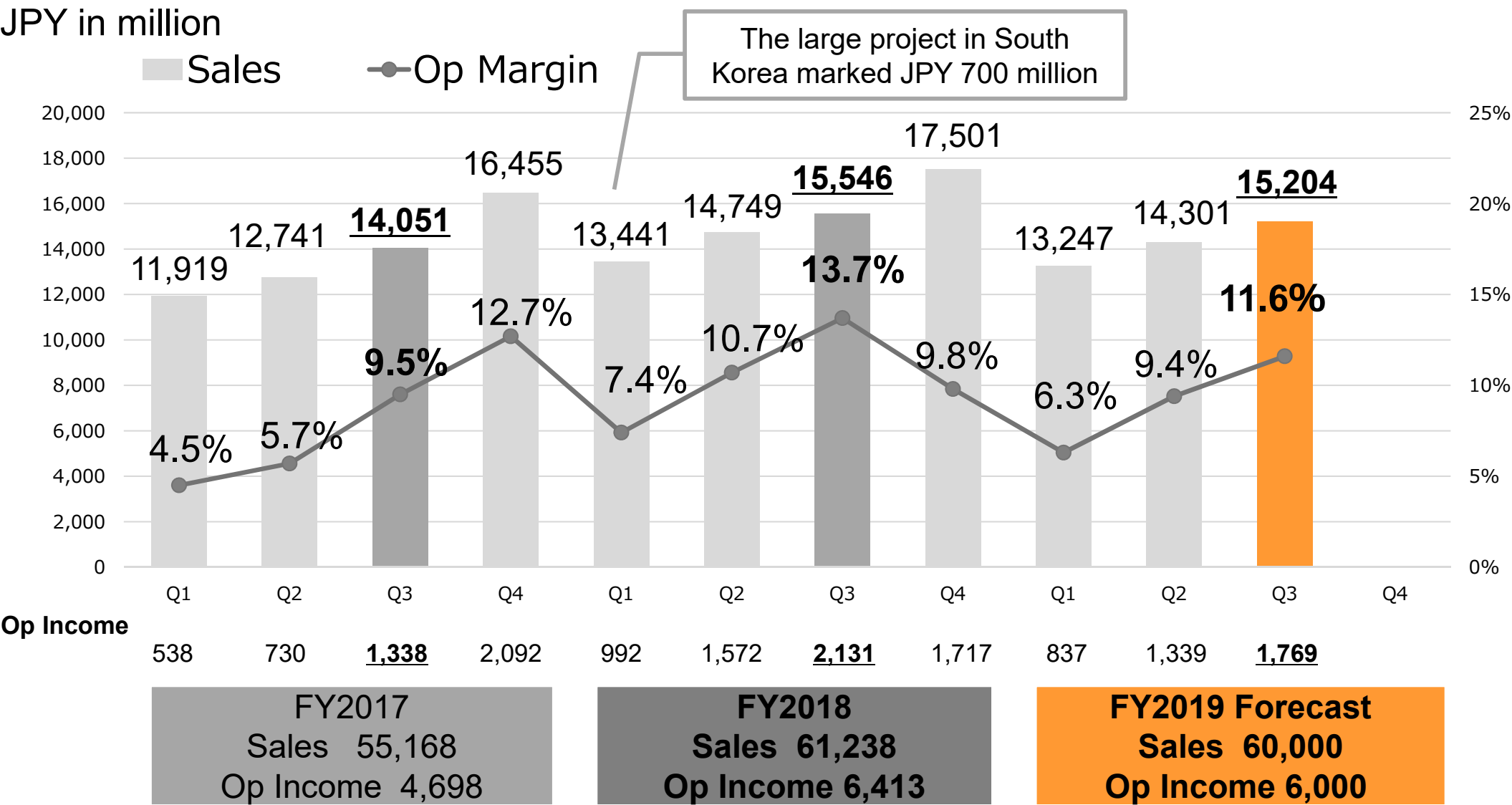
JPY in million	FY2018 Q3 Apr – Dec	FY2019 Q3 Apr – Dec	YoY Change
Sales	43,737	42,753	(2.3%)
Gross Profit Gross Profit / Sales	16,408 37.5%	16,080 37.6%	(2.0%)
Operating Income Operating Income / Sales	4,695 10.7%	3,947 9.2%	(15.9%)
Non-operating income	187	140	
Non-operating expenses	729	605	
Ordinary Income Ordinary Income / Sales	4,153 9.5%	3,482 8.1%	(16.2%)
Extraordinary Profit	82	(45)	
Income Taxes	965	1,226	
Net Income Net Income / Sales	3,169 7.2%	2,131 5.0%	(32.8%)
EBITDA Op Income +Depreciation	6,704	6,178	

Note: Exchange Rate (FY2018 Q3 → FY2019 Q3) :

USD/JPY 111.1→108.7 CAD/JPY 85.1→81.9 EUR/JPY 129.5→121.0 RMB/JPY 16.8→15.9

Quarterly Net Sales and Operating Margin

Performance is sustained by a widely diverse portfolio in terms of both regions and industries.

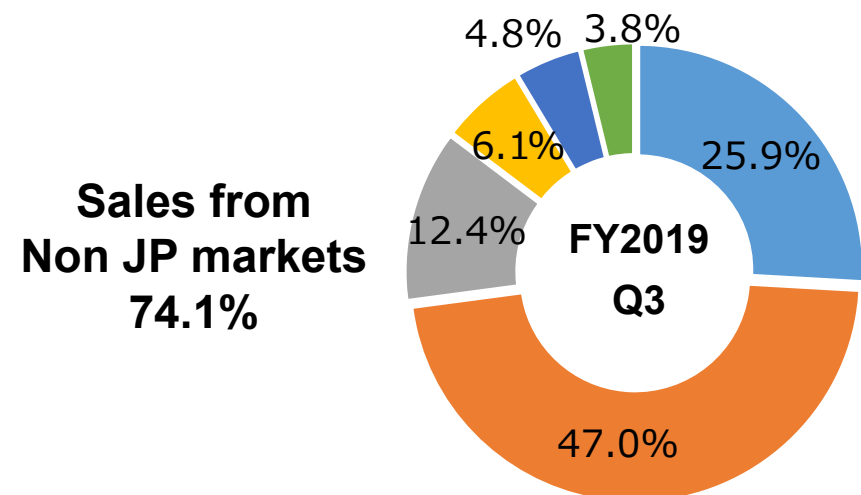
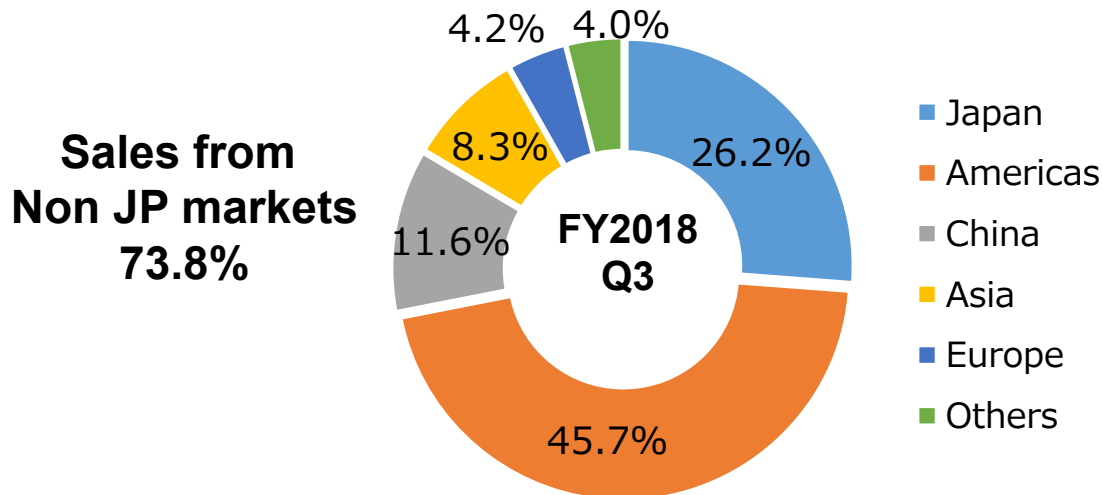


Net Sales by Region

JPY in million	FY2017 Q3		FY2018 Q3		FY2019 Q3		YoY Change	
		% share		% share		% share		% share
Total	38,712	100.0%	43,737	100.0%	42,753	100.0%	(984)	(2.3%)
Japan	9,193	23.7%	11,440	26.2%	11,080	25.9%	(360)	(3.1%)
The Americas	19,070	49.3%	20,003	45.7%	20,093	47.0%	90	0.5%
China	4,370	11.3%	5,062	11.6%	5,324	12.4%	261	5.2%
Asia	2,798	7.2%	3,639	8.3%	2,590	6.1%	(1,048)	(28.8%)
Europe	1,451	3.7%	1,822	4.2%	2,051	4.8%	228	12.6%
Others	1,828	4.8%	1,769	4.0%	1,613	3.8%	(156)	(8.8%)

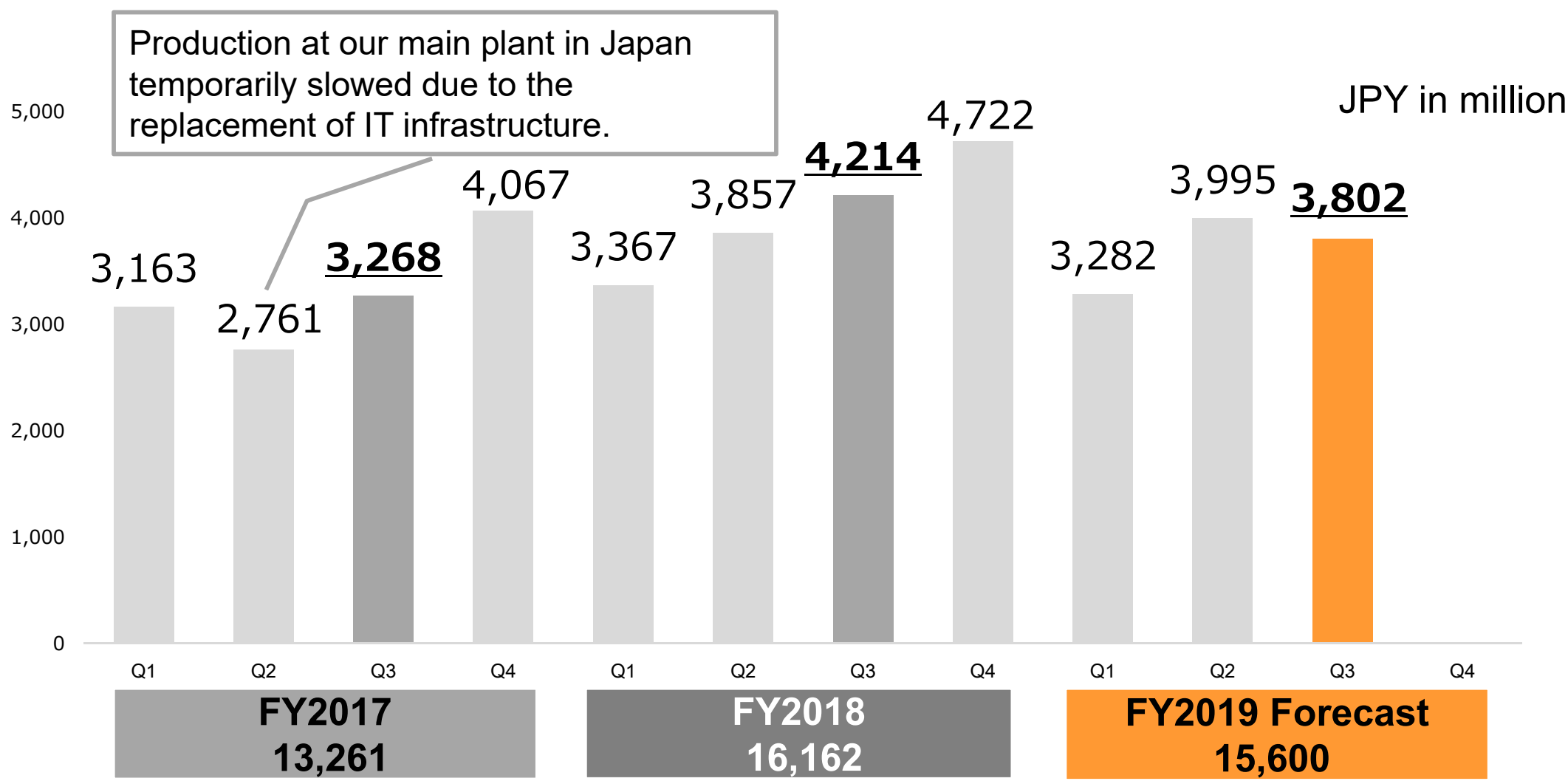
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Net Sales by Region (Japan)

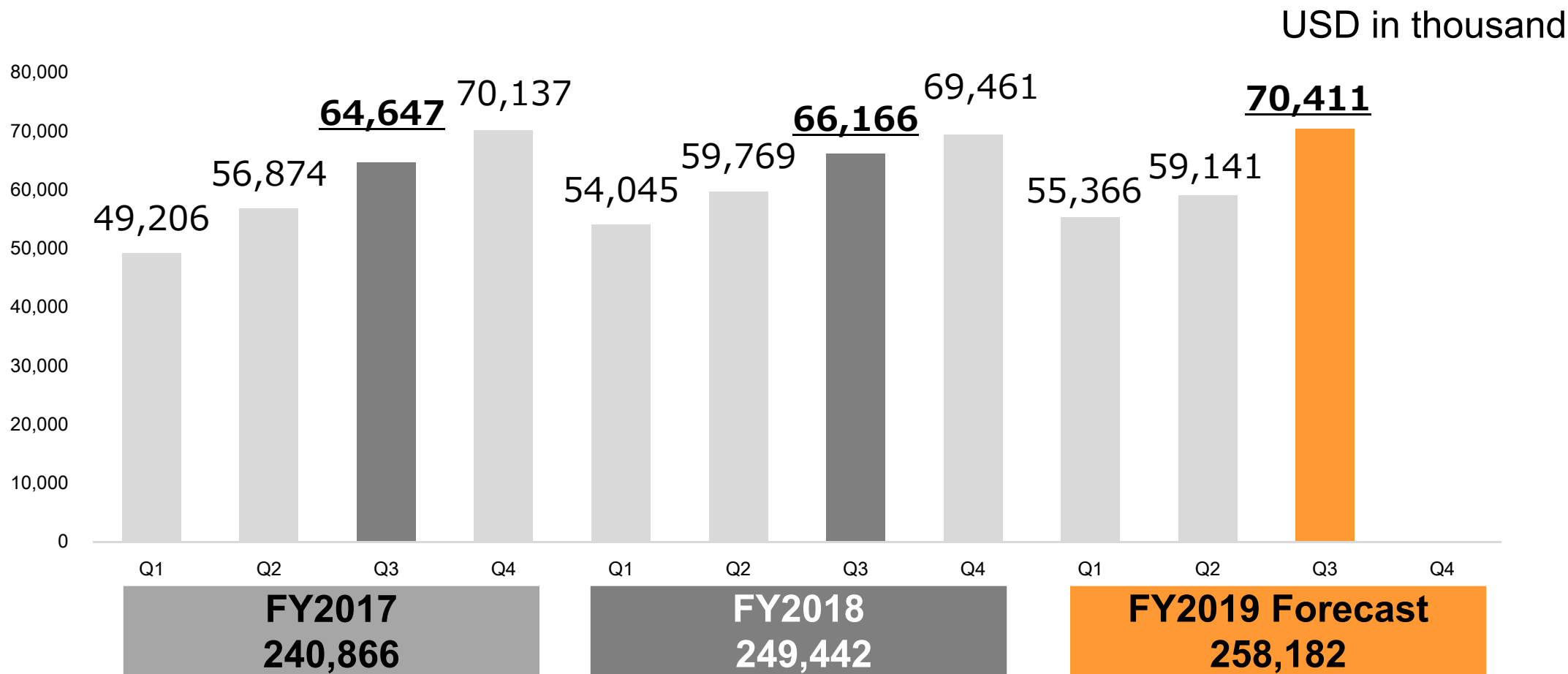
- Shipments were strong up to Q2, but in Q3 we began to see some softening.
- Orders for the coming fiscal year have been brisk.
- High operation rates for infrastructure-related equipment



Net Sales by Region (Americas)

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

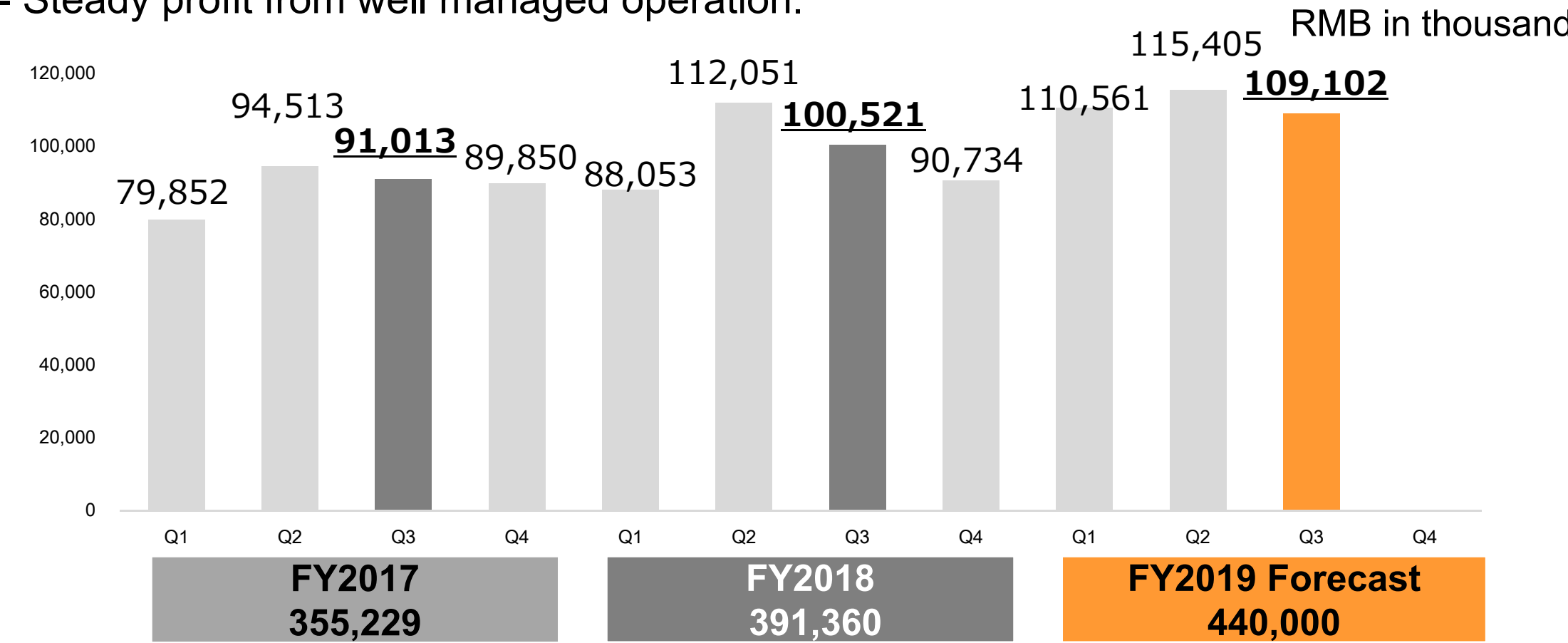
- The US business is composed of two pillars, hoist and crane business, and sales and manufacturing of chain accessories.
- Strong orders in private and public sectors despite trade conflict and political uncertainty.



Net Sales by Region (China)

Fiscal year of China starts in January and ends in December

- 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, well performing industries like commercial vehicles, energy and railroads are driving demand.
 - Market share has grown due to higher awareness about safety, and we are seeing continuing expansive trends in both sales and profit.
 - Steady profit from well managed operation.

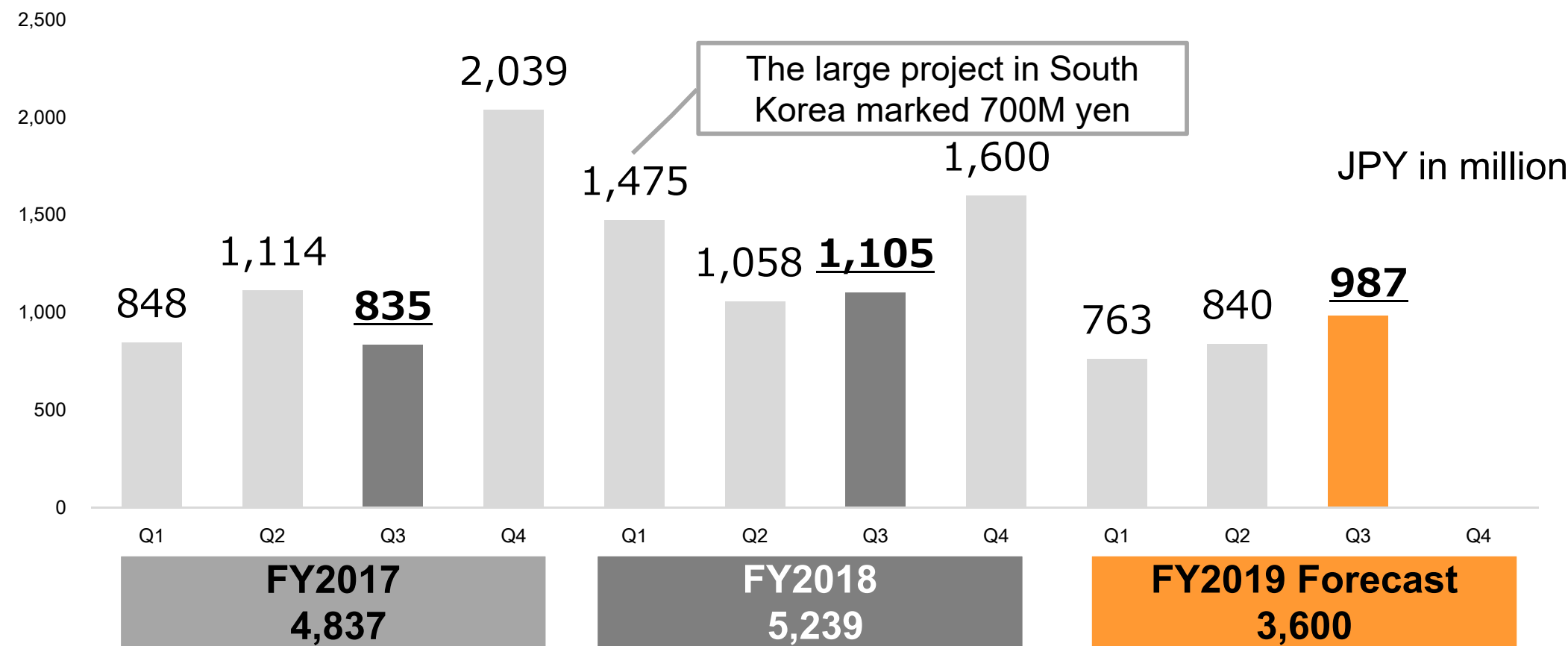


Net Sales by Region (Asia)

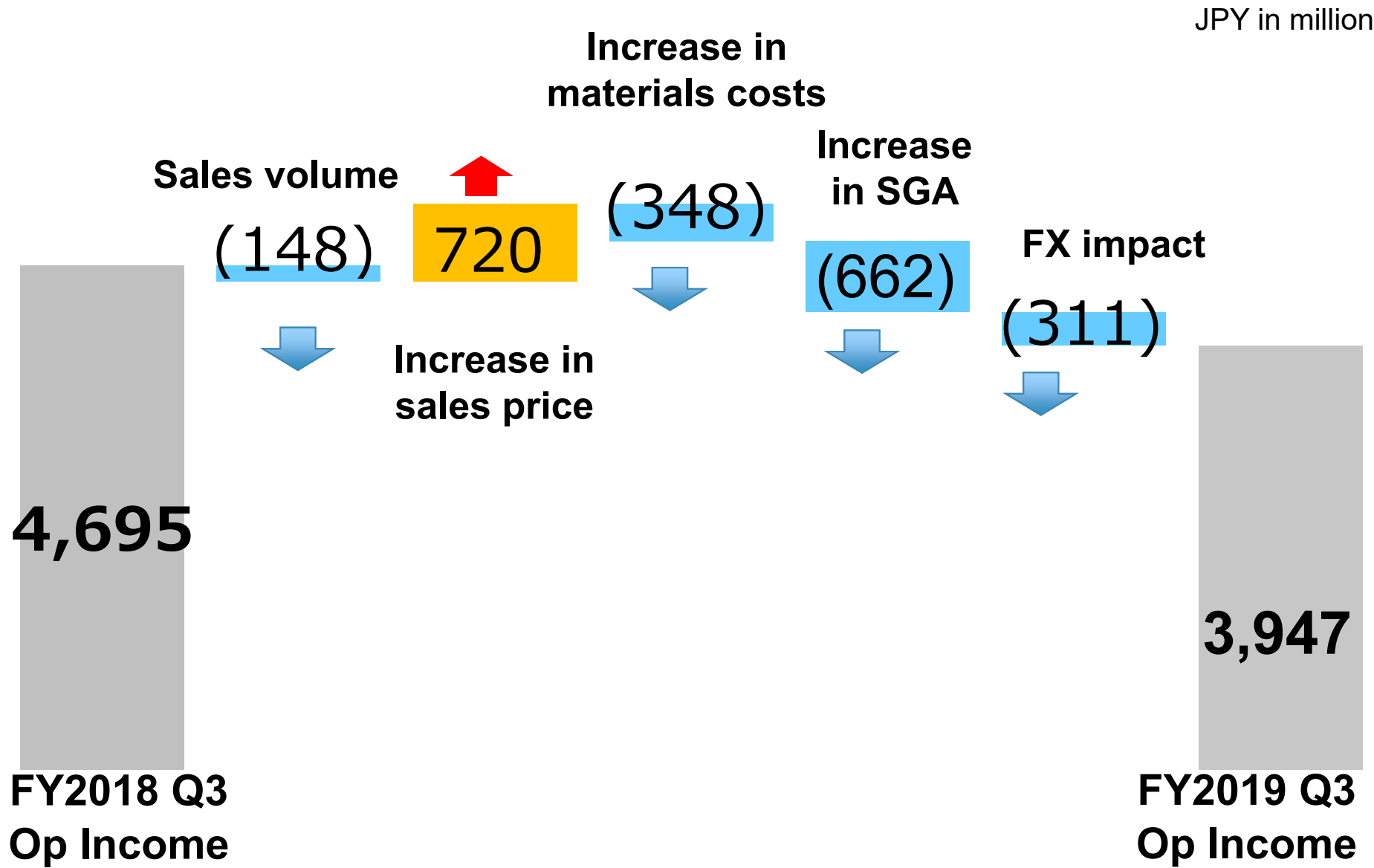
FY starts in Jan and ends in Dec: Thailand, Korea, Taiwan
FY starts in Apr and ends in Mar: Indonesia, India

South Korea and Thailand, whose main operations are crane business, account for 70% of total sales in the region. Improve profitability by business structure reconstruction.

- Sales dipped in South Korea with the effect of a large-scale project in the previous year and overall economic slowing.
- Softening shipments in the automotive industry across Southeast Asia.
- Our focus has been on building sales and profit through structural reform.



Operating Income Comparison



Consolidated Balance Sheet

JPY in million	FY2018 Q3	FY2019 Q3	Change	JPY in million	FY2018 Q3	FY2019 Q3	Change
Current Assets	39,319	39,961	641	Current Liabilities	19,140	20,442	1,302
Cash	8,471	8,631	159	Accounts payable	6,791	6,487	(303)
Accounts receivable	11,558	10,430	(1,128)	Short-term * debt	6,863	8,089	1,225
Inventories	18,057	19,396	1,339	Others	5,485	5,865	379
Others	1,232	1,502	270	Fixed Liabilities	16,624	14,691	(1,933)
Fixed Assets	22,447	22,444	(2)	Long-term debt	13,437	11,201	(2,235)
Tangible fixed assets	10,704	11,915	1,211	Others	3,186	3,489	302
Intangible fixed assets	6,356	5,420	(935)	Total net assets	26,001	27,272	1,270
Investment & other assets	5,386	5,108	(278)	Total liabilities and net assets	61,766	62,405	639
Total Assets	61,766	62,405	639				

* Current portion of long-term loans payable is included

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FY2019 Forecast

Japan

- Market**
- Demand has been brisk for temporary structures related to urban redevelopment, disaster recovery and revamping of old infrastructure.
 - Private-sector equipment investment is softening somewhat.
- Initiatives**
- Create a sales team for targeted industries, particularly focused on the booming infrastructure sector.
 - Production-line reforms to raise manufacturing efficiency.
 - Our focus is on effort to attract projects for the coming fiscal year.

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 commercial vehicles.
 - Social awareness is shifting in favor of environmental and product quality.
- Initiatives**
- Pursuing sales opportunities for well-performing industries.
 - Further explore demand for made-in-Japan premium products.
 - Optimal cost-management to establish a stable profit-generating structure

Asia

- Market**
- Demand related to equipment investment will be strong in Thailand and the rest of Southeast Asia.
 - Investment demand in South Korea and Taiwan will remain weak.
- 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

JPY in million	FY2019 Revised on Nov 7, 2019	FY2019 Revised on Feb 12, 2020	Change	
Total	60,000	60,000	—	
Japan	16,200	15,600	(600)	Revised in light of recent demand
The Americas	27,900	28,200	+300	Stable demand confirmed
China	6,800	6,900	+100	Forex impact considered
Asia	3,500	3,500	—	
Europe	4,000	4,000	—	
Others	1,600	1,800	+200	Upward revision from the forecast

Note: Exchange Rate:

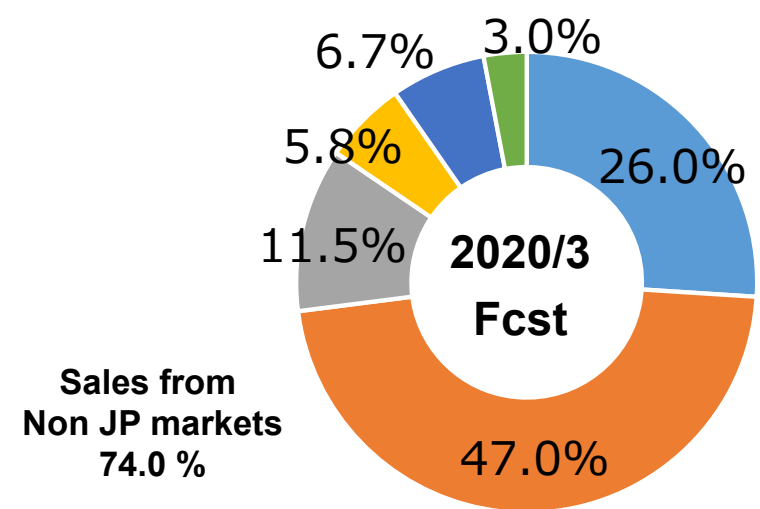
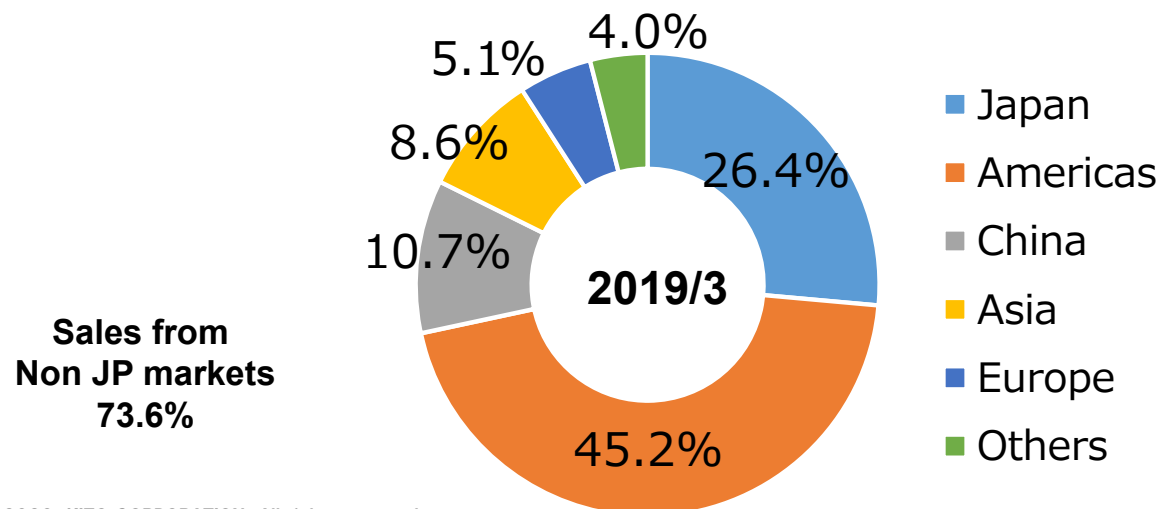
USD/JPY 108.0→108.9 CAD/JPY 80.0→82.4 EUR/JPY 118.0→121.4 RMB/JPY 15.0→15.8

FY2019 Forecast / Net Sales by Region

JPY in million	FY2018		FY2019 Forecast		YoY Change	
		% share		% share		% share
Total	61,238	100.0%	60,000	100.0%	(1,238)	(2.0%)
Japan	16,162	26.4%	15,600	26.0%	(562)	(3.5%)
The Americas	27,663	45.2%	28,200	47.0%	537	1.9%
China	6,539	10.7%	6,900	11.5%	361	5.5%
Asia	5,239	8.6%	3,500	5.8%	(1,739)	(33.2%)
Europe	3,204	5.1%	4,000	6.7%	796	24.8%
Others	2,430	4.0%	1,800	3.0%	(630)	(25.9%)

Note: Exchange Rate (FY2018→FY2019) :

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FY2019 Forecast

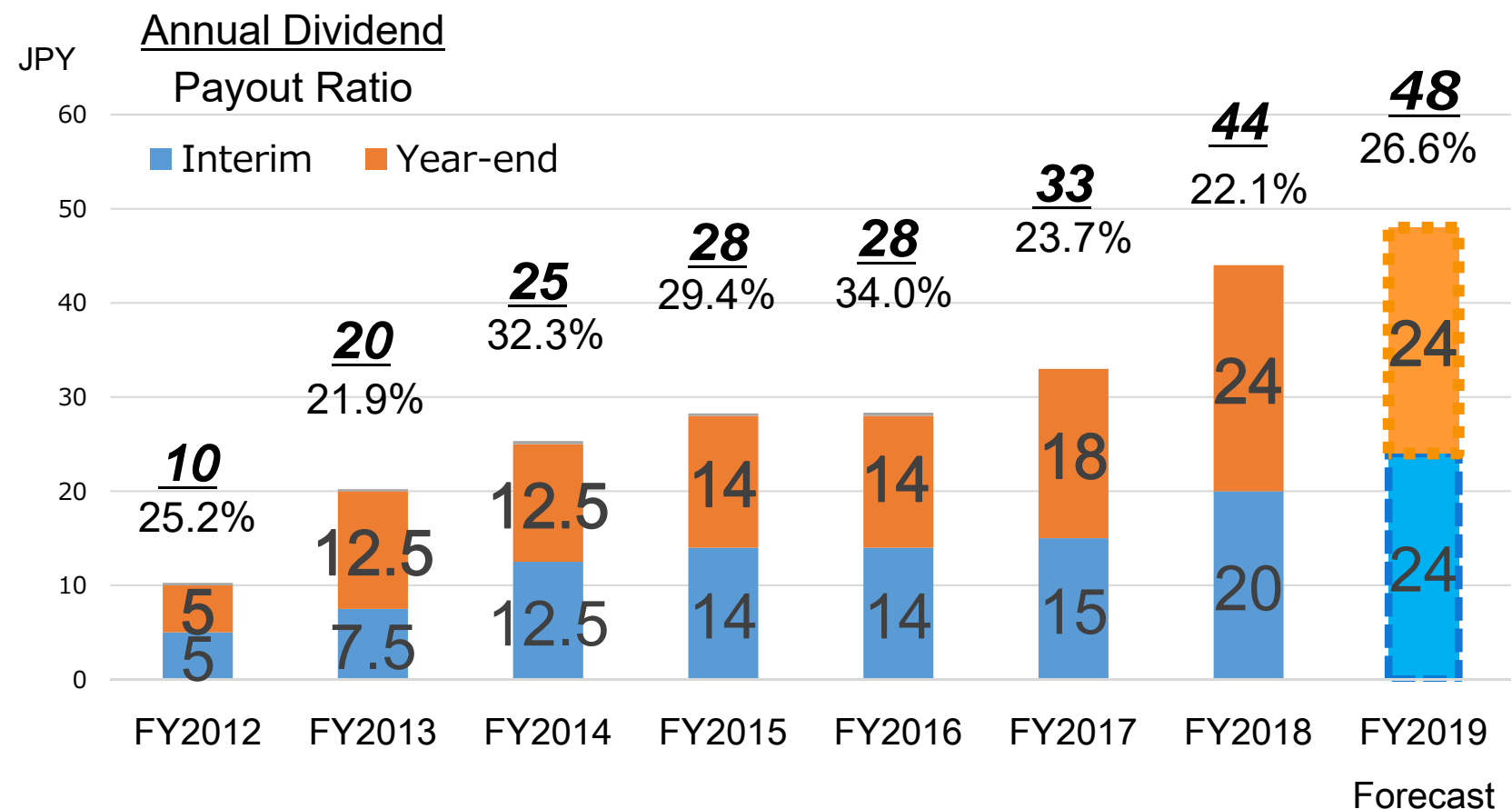
JPY in million	FY2018	FY2019 Forecast	YoY Change
Sales	61,238	60,000	(2.0%)
Operating Income Operating Income / Sales	6,413 10.5%	6,000 10.0%	(6.4%)
Ordinary Income Ordinary Income / Sales	5,748 9.4%	5,500 9.2%	(4.3%)
Net Income Net Income / Sales	4,064 6.6%	3,700 6.2%	(9.0%)
EBITDA Op Income + Depreciation	9,201	9,100	
CAPEX	1,416	4,000	

Note: Exchange rate (FY2018→FY2019)

USD/JPY 110.9→108.9 CAD/JPY 84.6→82.4 EUR/JPY 128.4→121.4 RMB/JPY 16.7→15.8

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 3rd Quarter Financial Results

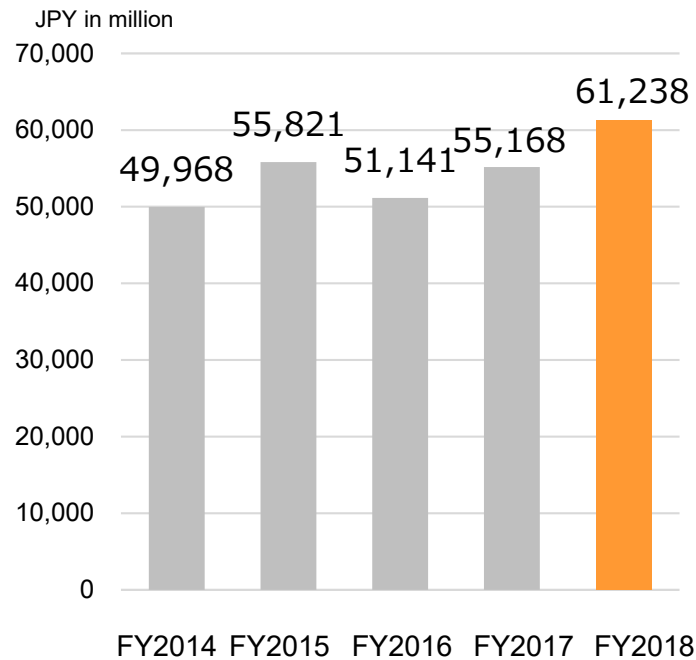
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3 **Reference**

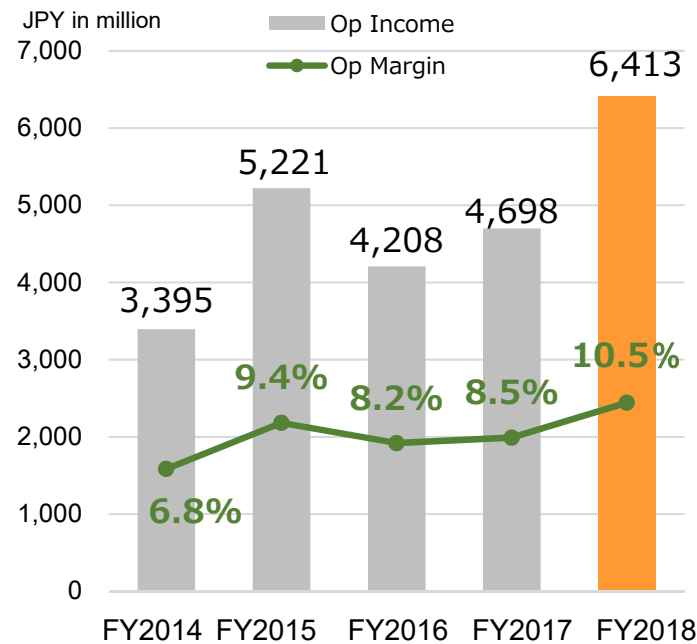
- **Five Year Financial Results (FY2014 – FY2018)**
- **Mid-Term Plan (FY2016 – FY2020)**
- **Business Structure**

Key Figures

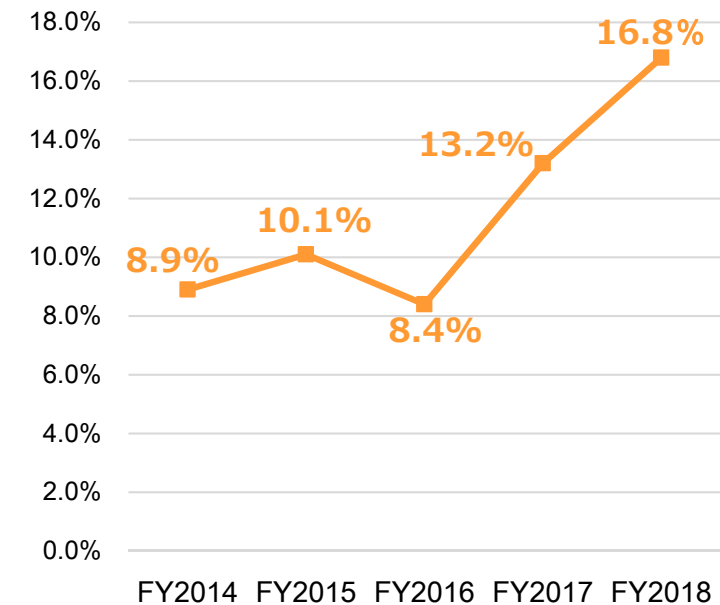
Sales



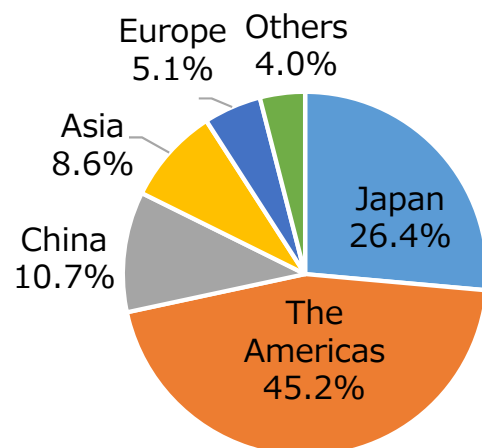
Op Income and Op Margin



ROE

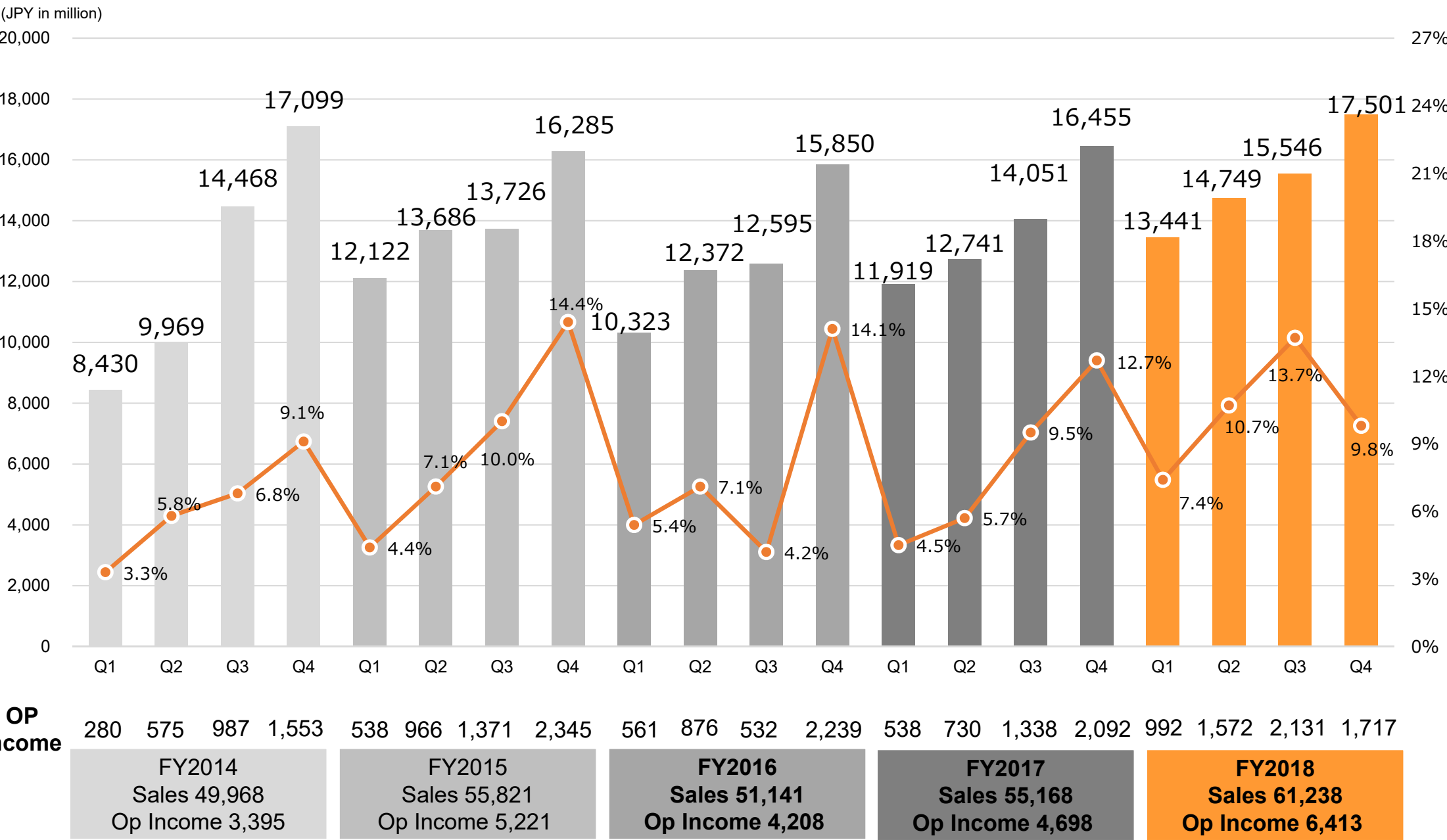


Sales by Region in FY2018



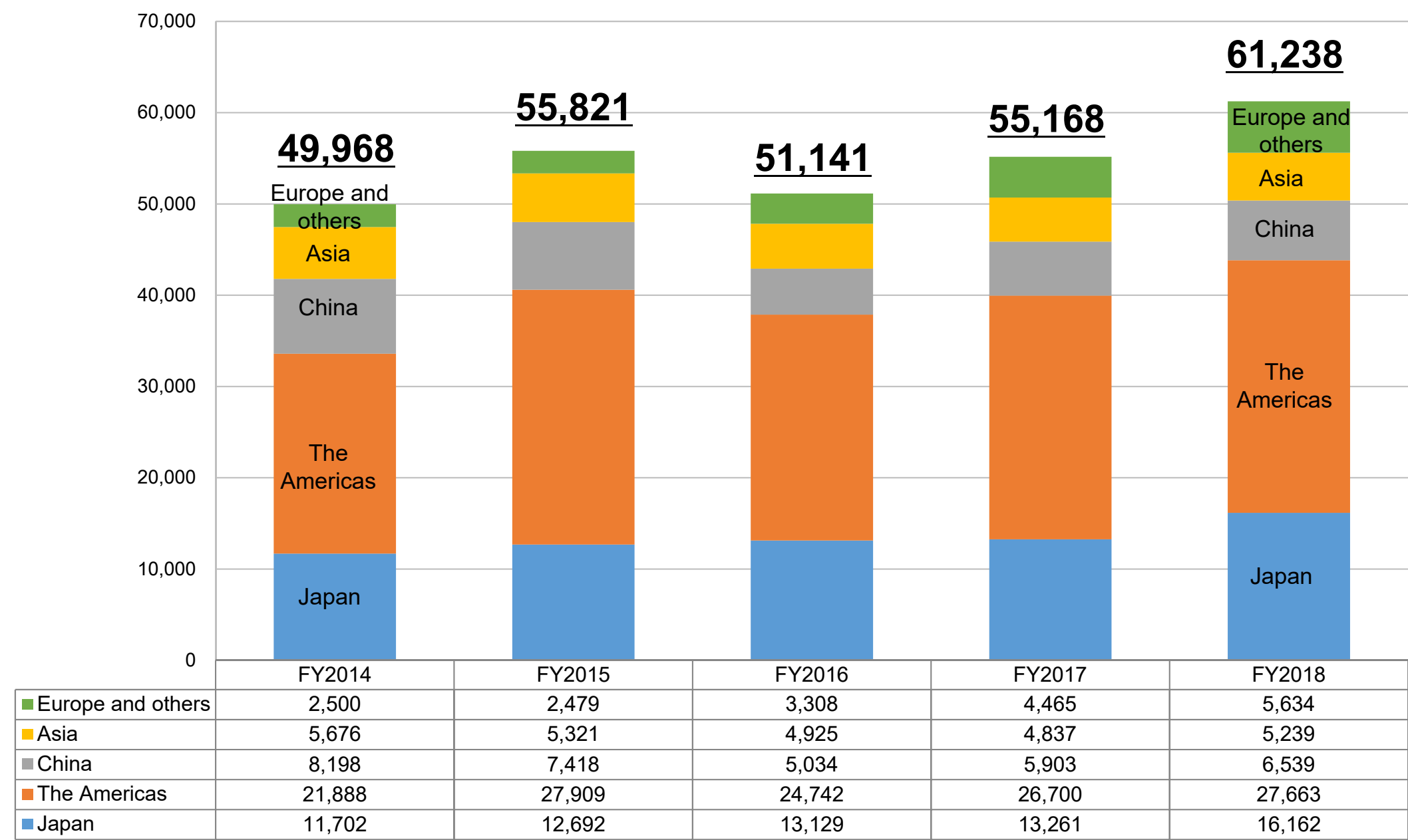
	FY2014	FY2015	FY2016	FY2017	FY2018
Sales from non Japanese markets	76.6%	77.3%	74.3%	76.0%	73.6%
Average FX Rate					
USD	109.9	120.1	108.4	110.9	110.9
CAD	96.5	91.8	82.5	86.5	84.6
EUR	138.8	132.6	118.8	129.7	128.4
RMB	17.2	19.2	16.4	16.6	16.7
Capex(JPY in million)	1,408	2,013	2,393	1,411	1,416
Depreciation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

Quarterly Sales and Operating Margin



Sales by Regions

(JPY in million)

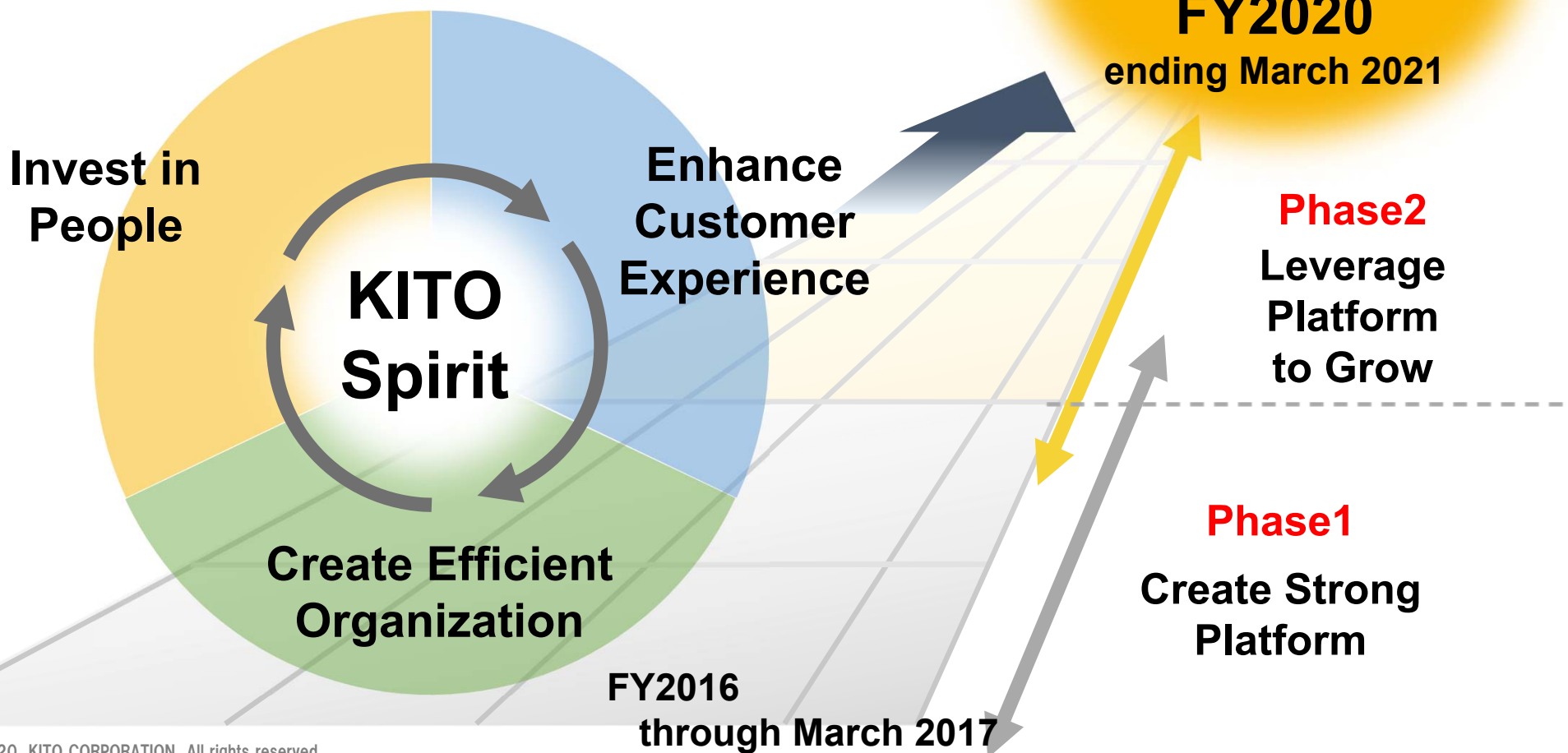


Mid-Term Plan (FY2016 – FY2020)

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

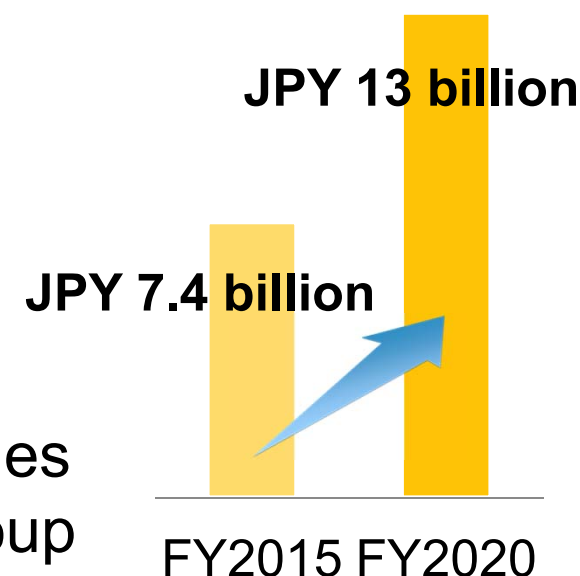
2 Growth through product portfolio expansion

- 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

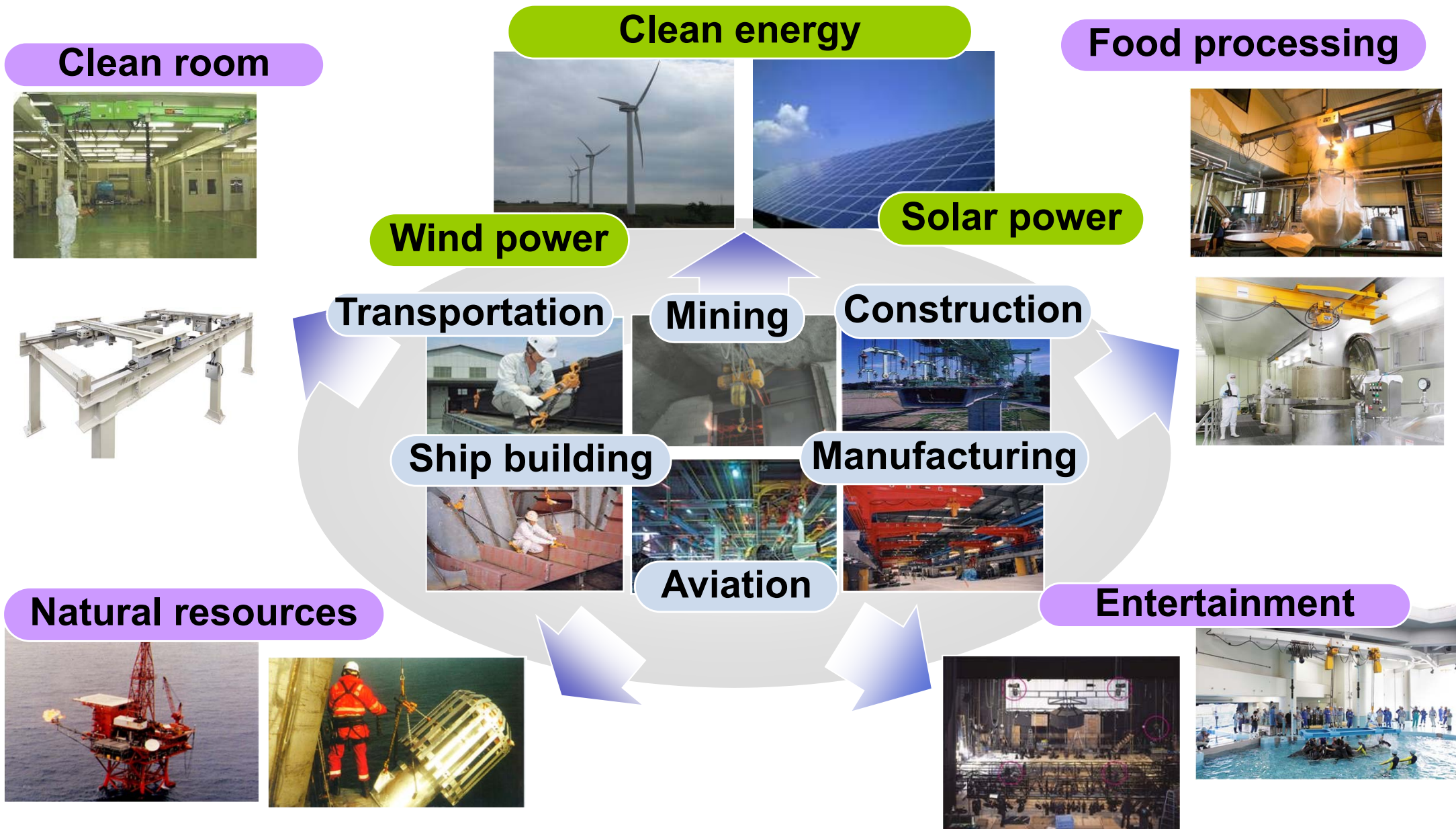


■ Various Chain

- 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

Safety

High performance

High operability

Technological Advantages

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

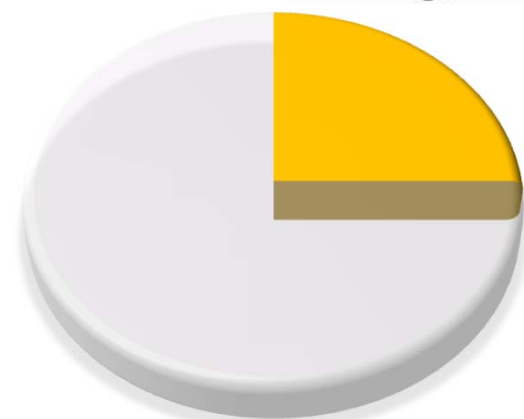
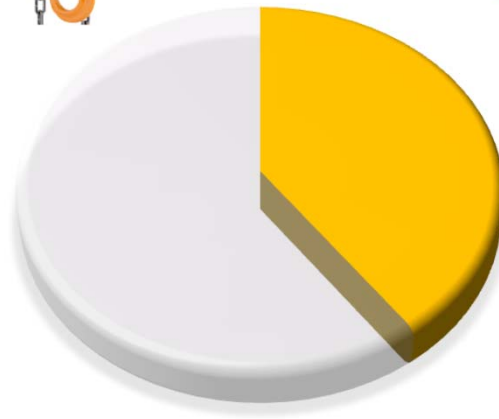
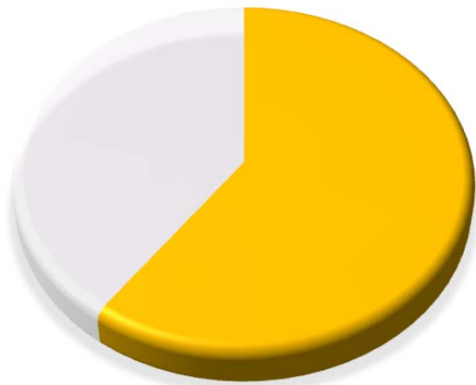
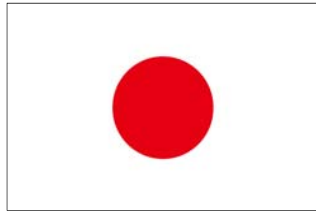
Service Network

Extensive network to provide service for high customer satisfaction



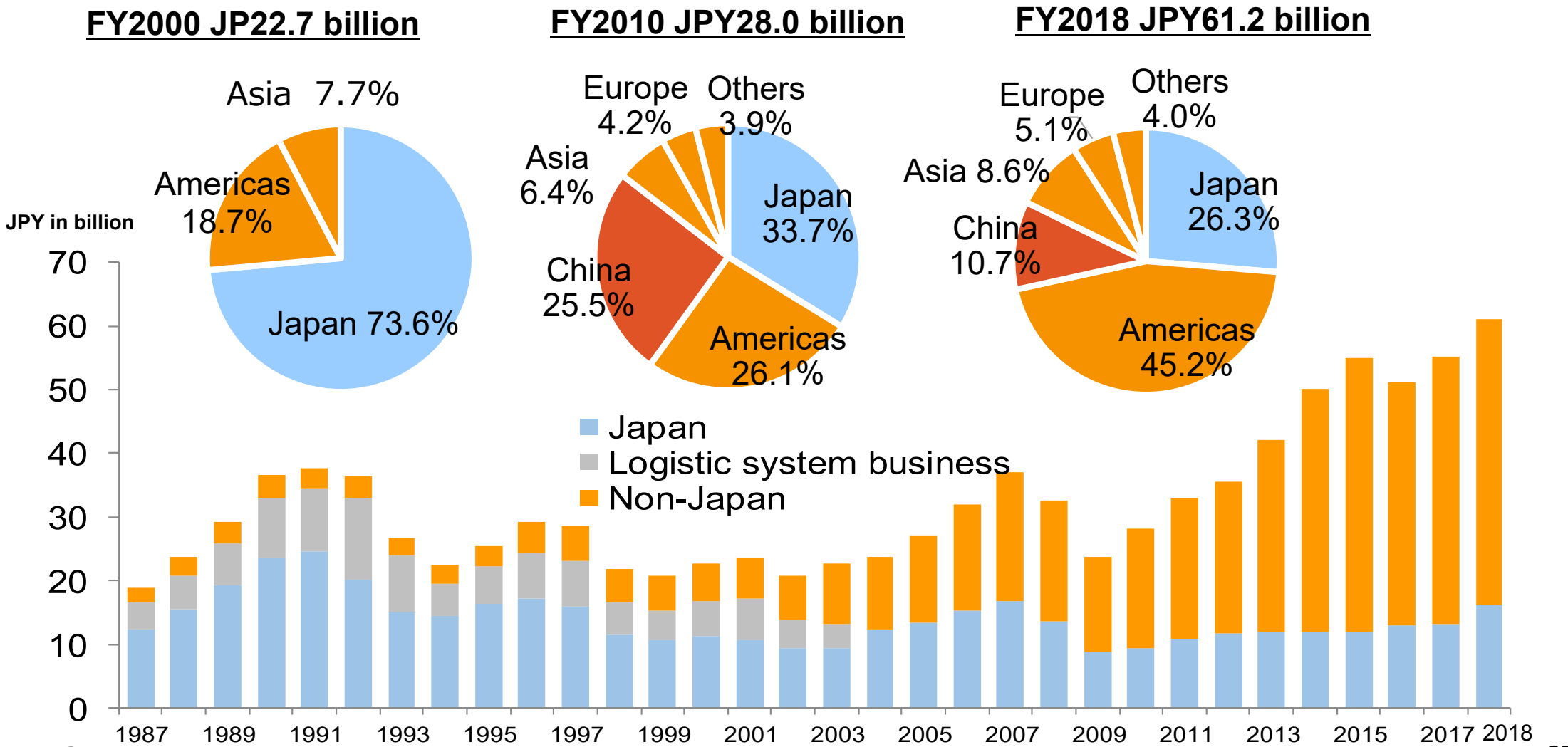
- Differentiation with high value-added products and services
Strong reputation in markets demanding high quality

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



Growth in Overseas Markets (Chinese Operation)

- While equipment investment is softening, we are serving the needs of well 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

Diversified Portfolio

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

