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# **Financial Results for the Quarter ended December 31, 2018**

**KITO CORPORATION  
TSE 1st Section: 6409  
February 7, 2019**

# FY2018 3rd Quarter Summary

## Overview

Sales and profit were up for the entire Group, sustained by robust demand across a broad customer base.

## Financial Highlights

JPY in million	FY2018 Q3	YoY Change	
Sales	43,737	+ 13.0%	FX average rate USD 111.1
Op Income	4,695	+ 80.1%	
Net Income	3,169	+ 101.1%	

- In leading markets, demands related to corporate equipment investment, natural resource and infrastructure sectors were strong.
- In China industrial demands mainly for domestic purposes remained strong despite concerns about slowing.

- Initiatives
- Continue to expand production to meet brisk demand.
  - Stabilize operation of new IT infrastructure for higher productivity.
  - Pursue greater synergy with acquired European subsidiaries.

- Risks
- Exchange rates, materials costs and US-China trade policies require continued monitoring.

**1**

# **FY2018 3rd Quarter Financial Results**

**2**

## **FY2018 Forecast**

**3**

## **References**

- Five Year Financial Results (FY2013 – FY2017)
- Mid-Term Plan (FY2016 – FY2020)

# FY2018 3rd Quarter Financial Highlights

JPY in million	FY2017 Q3 Apr - Dec	FY2018 Q3 Apr - Dec	YoY Change
<b>Sales</b>	38,712	43,737	+13.0%
<b>Gross Profit</b>	13,495	16,408	+21.6%
Gross Profit / Sales	34.9%	37.5%	
<b>Operating Income</b>	2,607	4,695	+80.1%
Operating Income / Sales	6.7%	10.7%	
Non-operating income	145	187	
Non-operating expenses *	688	729	
<b>Ordinary Income</b>	2,064	4,153	+101.2%
Ordinary Income / Sales	5.3%	9.5%	
<b>Extraordinary Profit</b>	—	82	
<b>Income Taxes</b>	430	965	
<b>Net Income</b>	1,576	3,169	+101.1%
Net Income / Sales	4.1%	7.2%	
<b>EBITDA</b>	4,416	6,704	
Op Income + Depreciation			

Note: Exchange Rate (FY2017 Q3 → FY2018 Q3)

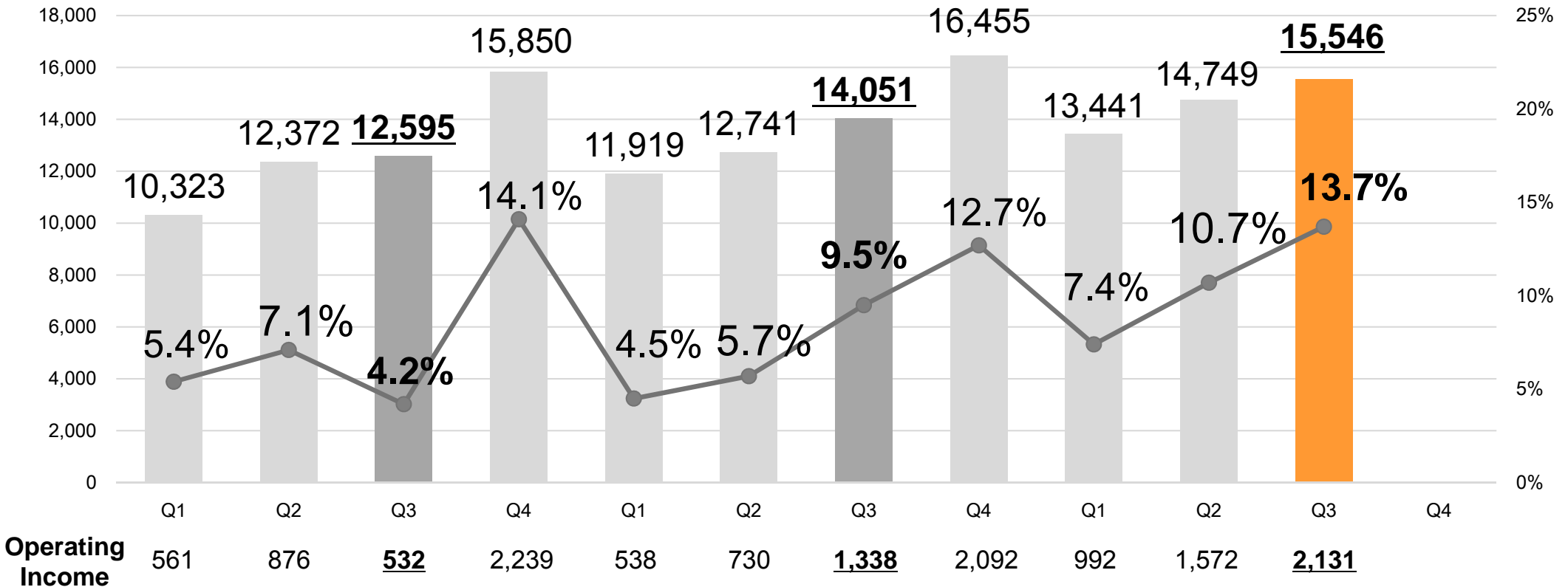
USD 111.7→111.1 CAD 86.7→85.1 EUR 128.5→129.5 RMB 16.5 →16.8

# Quarterly Net Sales and Operating Margin

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

JPY in million

■ Sales ● OP Income / Sales



Operating Income

**FY2016**  
 Net Sales 51,141  
 Op Income 4,208

**FY2017**  
 Net Sales 55,168  
 Op Income 4,698

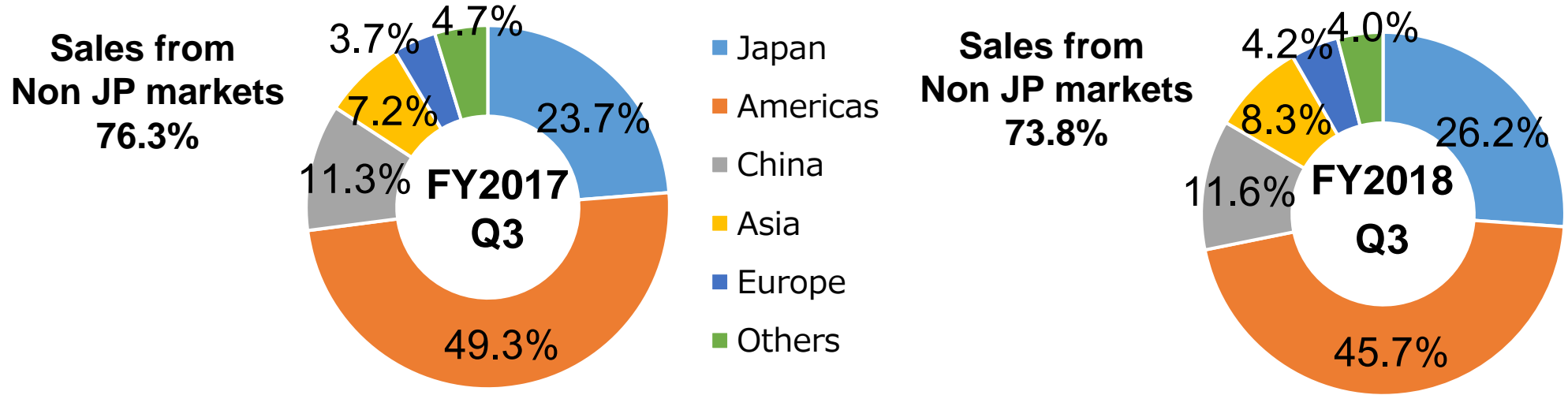
**FY2018 (Fcst)**  
 Net Sales 60,000  
 Op Income 6,000

# Net Sales by Region

JPY in million	FY2016 Q3		FY2017 Q3		FY2018 Q3		YoY Change	
		% share		% share		% share	Change	% Change
<b>Total</b>	35,291	100.0%	38,712	100.0%	43,737	100.0%	5,024	13.0%
Japan	9,240	26.2%	9,193	23.7%	11,440	26.2%	2,246	24.4%
The Americas	17,300	49.0%	19,070	49.3%	20,003	45.7%	932	4.9%
China	3,744	10.6%	4,370	11.3%	5,062	11.6%	691	15.8%
Asia	2,863	8.1%	2,798	7.2%	3,639	8.3%	840	30.0%
Europe	991	2.8%	1,451	3.7%	1,822	4.2%	371	25.6%
Others	1,150	3.3%	1,828	4.7%	1,769	4.0%	(58)	(3.2%)

Note: Exchange Rate (FY2017 Q3→FY2018 Q3)

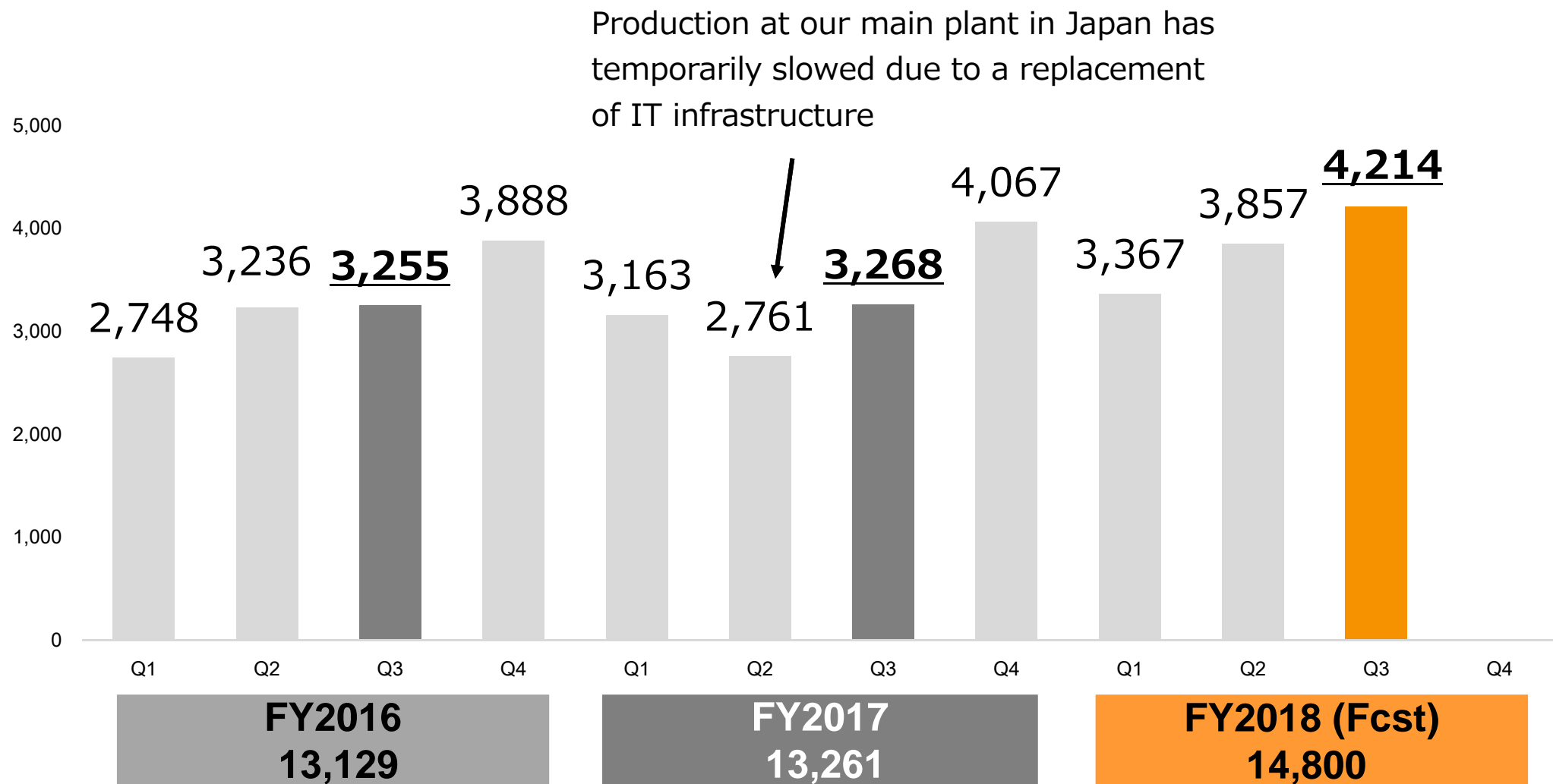
USD 111.7→111.1 CAD 86.7→85.1 EUR 128.5→129.5 RMB 16.5→16.8



# Net Sales by Region (Japan)

Strong demands related to infrastructure and private-sector equipment investment continues.

JPY in million

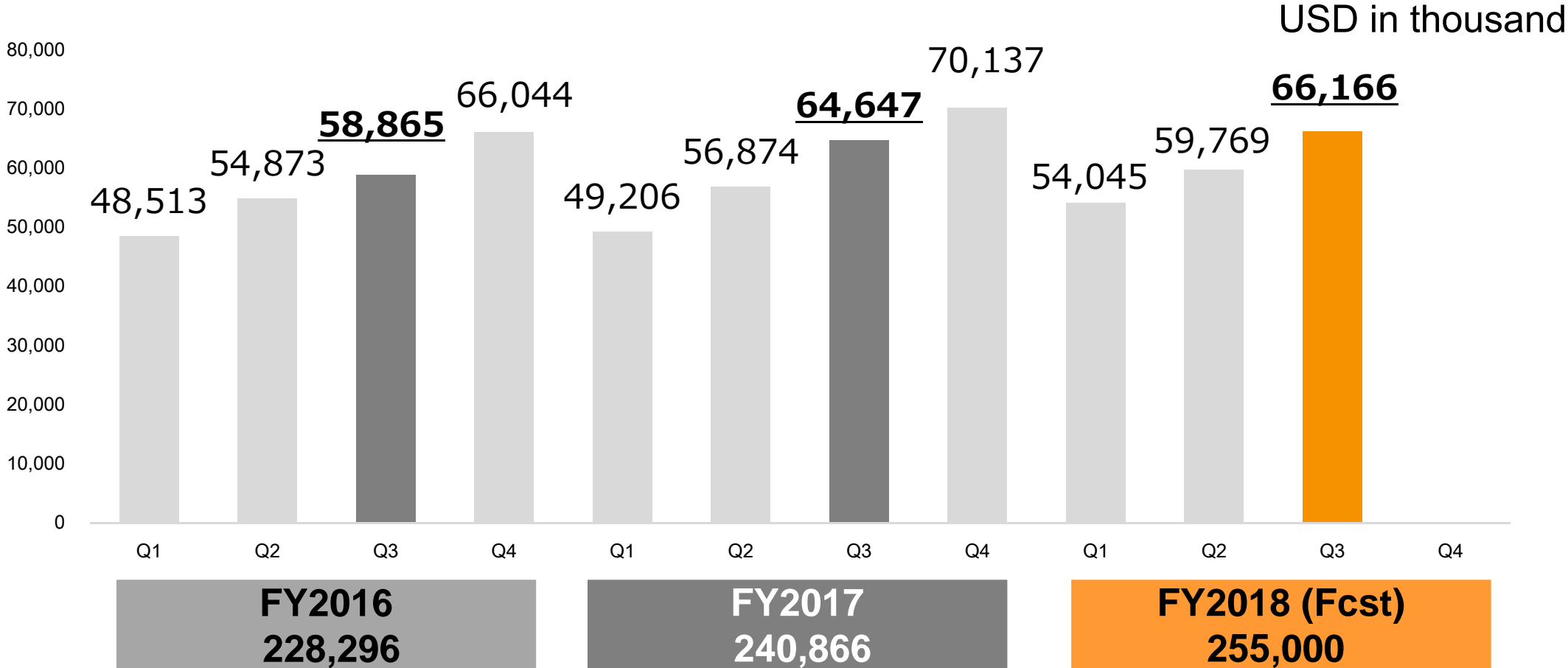


# Net Sales by Region (the Americas)

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 demands related to private-sector equipment 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 monitoring.



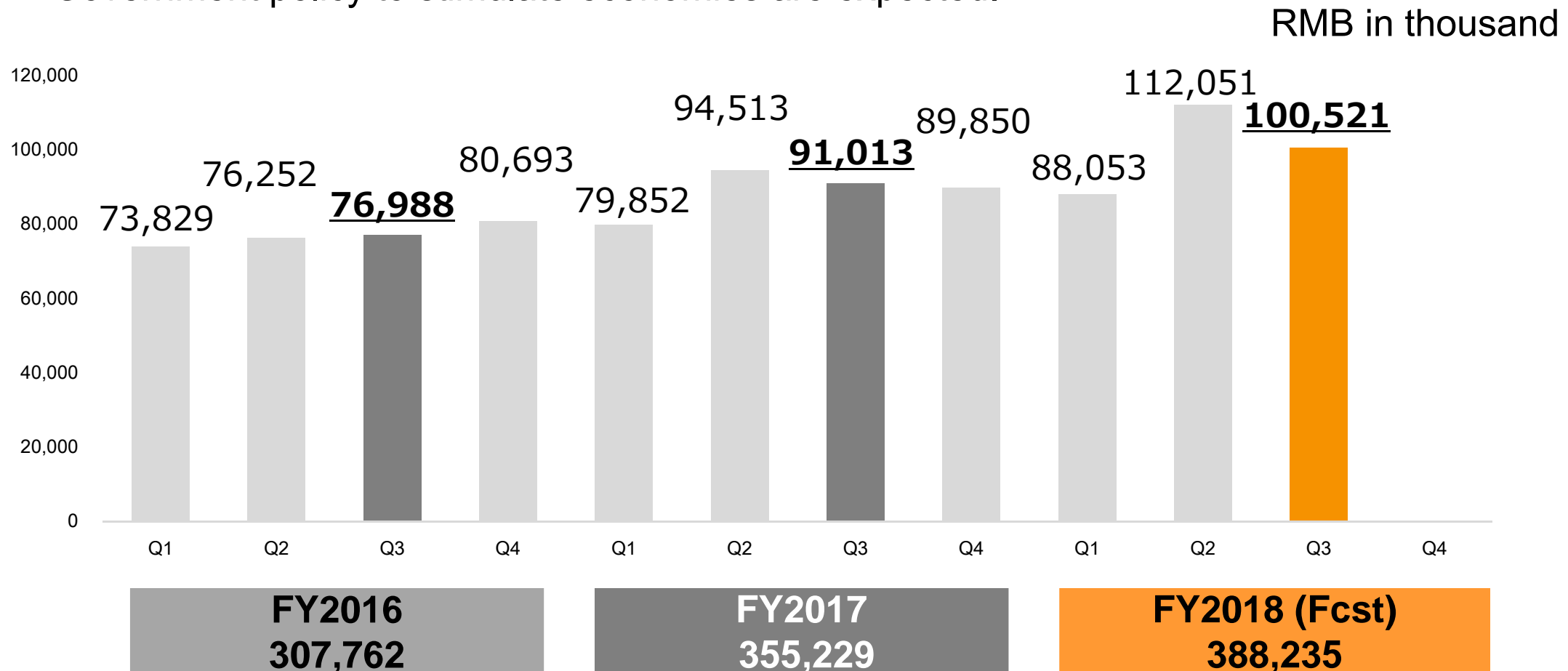


# Net Sales by Region (China)

Fiscal year of China starts in January and ends in December

◇ *Our Business: Two pillars, production and sales of wire-rope hoists for Chinese market, and sales of Japanese high functioning imports, support our Chinese operations.*

- The semiconductor, EV, energy and railroad industries all did well despite a slowing economic trend, driving demand.
- Profit grew substantially due to profit-conscious operations.
- Government policy to stimulate economies are expected.

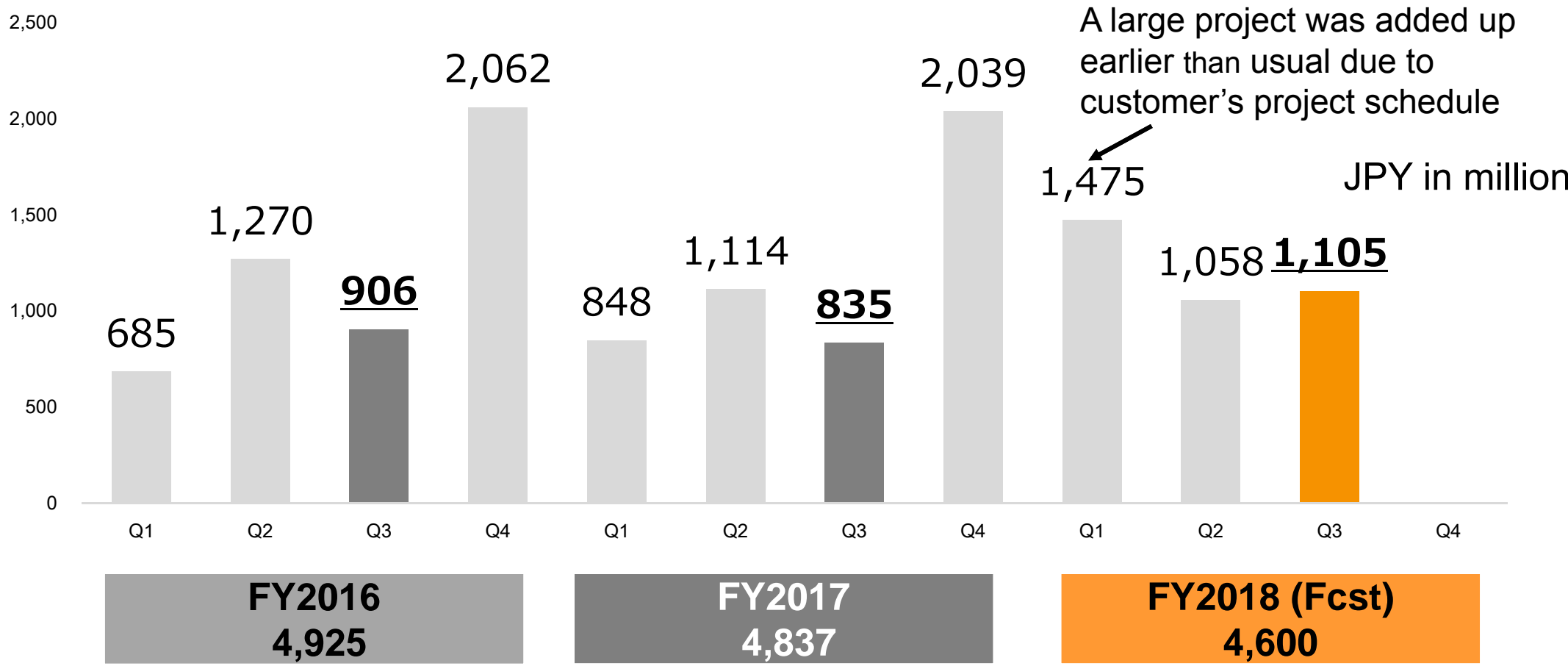


# Net Sales by Region (Asia)

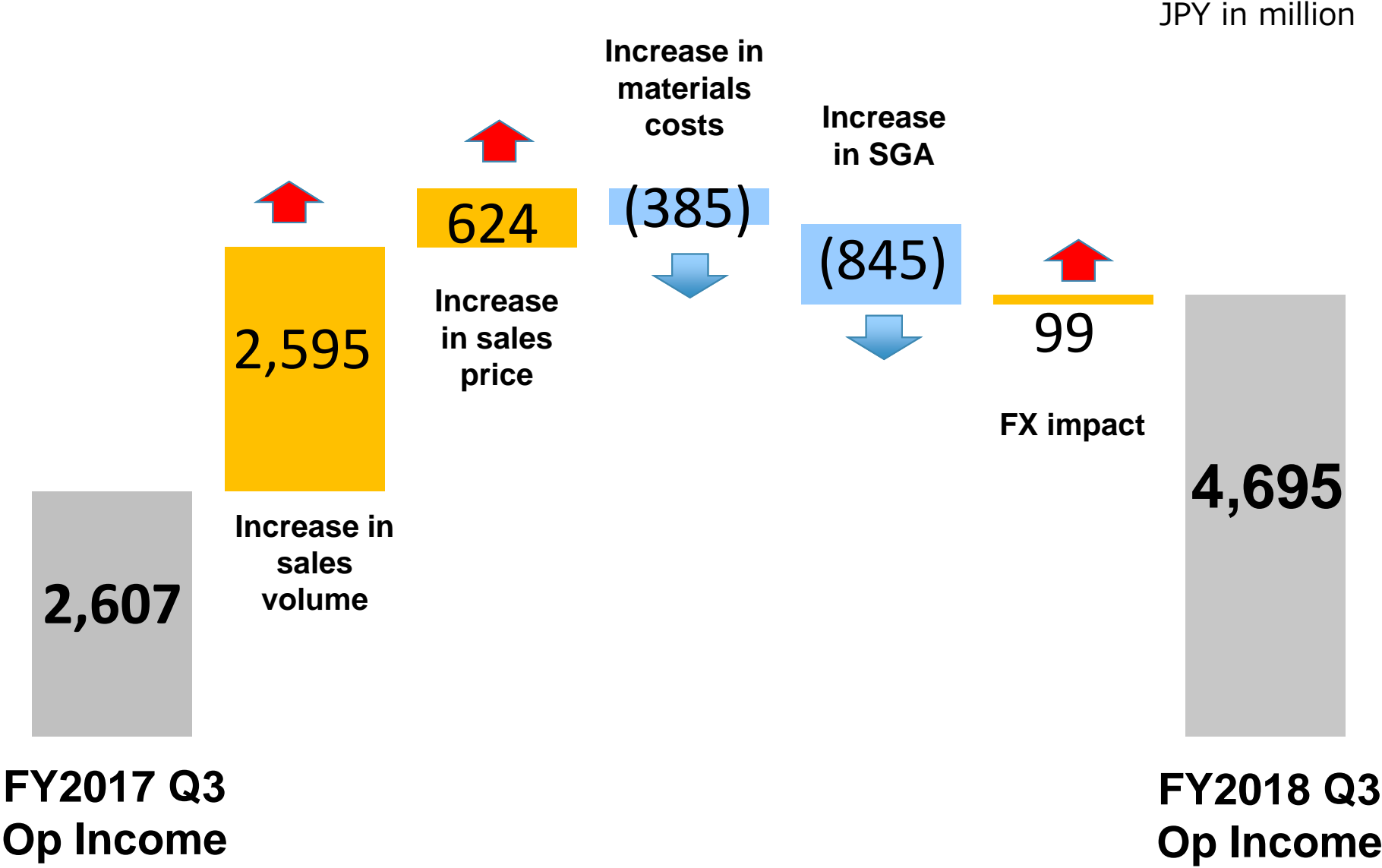
FY starts in Jan and ends in Dec: Thailand, Korea, Taiwan  
 FY starts in Apr and ends in Mar: Indonesia, India

◇ Our Business : South Korea and Thailand, whose main operations are crane business, account for 75% 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.
- Profitability has been raised by expanding hoist sales business.
- Demands for flat-panel displays in South Korea fell substantially.



# Operating Income Comparison



# FY2018 3rd Quarter Consolidated Balance Sheet

JPY in million	Dec 2017	Dec 2018	Change
<b>Current assets</b>	38,029	39,319	1,290
Cash	10,071	8,471	(1,599)
Accounts receivable	10,058	11,558	1,500
Inventories	16,946	18,057	1,110
Others	952	1,232	279
<b>Fixed assets</b>	22,915	22,447	(467)
Tangible fixed assets	11,731	10,704	(1,027)
Intangible fixed assets	7,399	6,356	(1,043)
Investment & other assets	3,784	5,386	1,602
<b>Total assets</b>	60,944	61,766	822

JPY in million	Dec 2017	Dec 2018	Change
<b>Current liabilities</b>	17,734	19,140	1,405
Accounts payable	5,856	6,791	934
Short-term debt *	5,864	6,863	999
Others	6,014	5,485	(528)
<b>Fixed liabilities</b>	20,560	16,624	(3,935)
Long-term debt	16,513	13,437	(3,075)
Others	4,046	3,186	(859)
<b>Total net assets</b>	22,649	26,001	3,352
<b>Total liabilities and net assets</b>	60,944	61,766	822

\* Including current portion of long term loans payable

1

## FY2018 3rd Quarter Financial Results

2

## FY2018 Forecast

3

## Reference

- Five Year Financial Results (FY2013 – FY2017)
- Mid-Term Plan (FY2016 – FY2020)

# FY2018 Forecast

## Japan



- Market**
- Private-sector equipment investment will remain brisk, and continuing growth is expected.
  - Greater demand is projected for infrastructure investment, construction and civil engineering projects.

- Initiatives**
- Stable operation of the new IT infrastructure.
  - Continue production increase to meet robust demand.
  - Launch new products and continue to broaden product lines.
  - Beef up sales team for targeted industries
  - Strengthen ties with crane-builders.

## The Americas



- Market**
- Brisk demand in a broad range of industries
  - Demand will remain strong despite short-term economic slowing related to politics.

- Initiatives**
- Raise customer satisfaction by introducing e-commerce.
  - Attract more customers to a broader product line.

# FY2018 Forecast

## China



- Market**
- Demand related to equipment investment mainly in the automobile industry for the domestic-use EVs remains brisk.
  - Chinese official's strengthening its environmental policies.
- Initiatives**
- Expanding sales by meeting demand related to equipment investment in growing industries.
  - Continue implementing cost-reduction measures to build profits.

## Asia



- Market**
- Demand related to equipment investment, mainly in Southeast Asia, will remain strong.
  - Investment in LCD and organic EL displays in South Korea will slow further.
- Initiatives**
- Enhance hoist sales, and after service and maintenance business for crane users.
  - Continue measures to enhance business efficiency.

## Europe



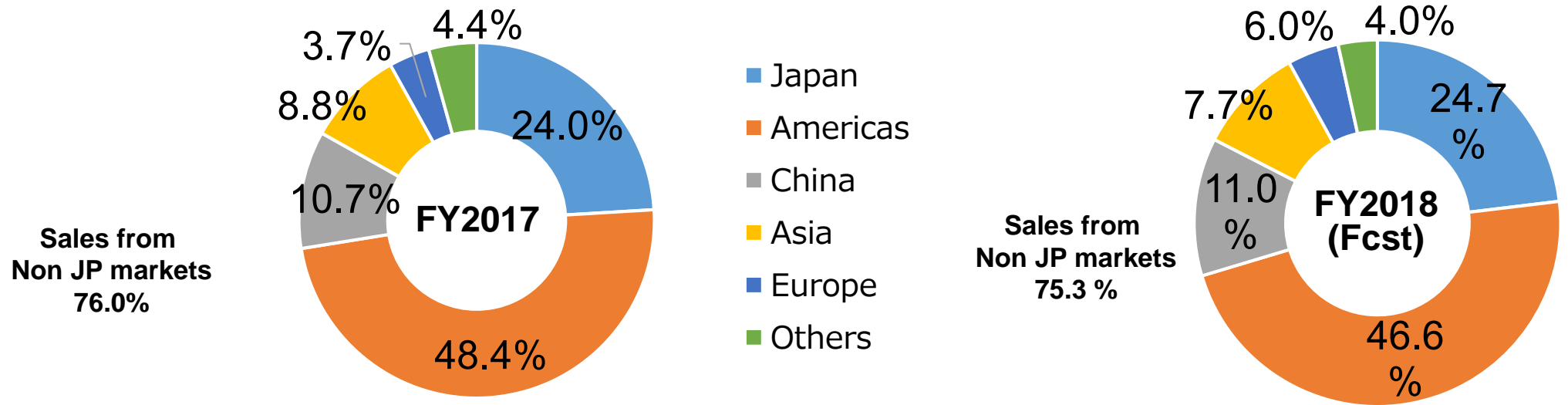
- Market**
- Expect moderate demand growth in broader industries.
- Initiatives**
- Cultivate new market and synergies among group companies in the region.

# FY2018 Forecast / Net Sales by Region

JPY in million	FY2017 (ended Mar 2018)		FY2018 FCST (ending Mar 2019)		YoY Change	
		% Share		% Share	Amount	%
<b>Total</b>	55,168	100.0%	60,000	100.0%	4,832	8.8%
Japan	13,261	24.0%	14,800	24.7%	1,539	11.6%
the Americas	26,700	48.4%	28,000	46.6%	1,300	4.9%
China	5,903	10.7%	6,600	11.0%	697	11.8%
Asia	4,837	8.8%	4,600	7.7%	(237)	(4.9%)
Europe	2,060	3.7%	3,600	6.0%	1,540	74.8%
Others	2,404	4.4%	2,400	4.0%	( 4)	(0.2%)

Note: Exchange Rate (FY2017 → FY2018)

USD 110.9→110.0 CAD 86.5→85.0 EUR 129.7→130.0 RMB 16.6 → 17.0





# FY2018 Forecast

JPY in million	FY2017	FY2018 FCST	YoY Change
<b>Sales</b>	55,168	60,000	8.8%
<b>Operating Income</b> Operating Income / Sales	4,698 8.5%	6,000 10.0%	27.7%
<b>Ordinary Income</b> Ordinary Income / Sales	3,791 6.9%	5,700 9.5%	50.3%
<b>Net Income</b> Net Income / Sales	2,836 5.1%	4,000 6.7%	41.0%
<b>EBITDA</b> Op Income + Depreciation	7,142	8,800	23.2%
<b>CAPEX</b>	1,411	2,310	

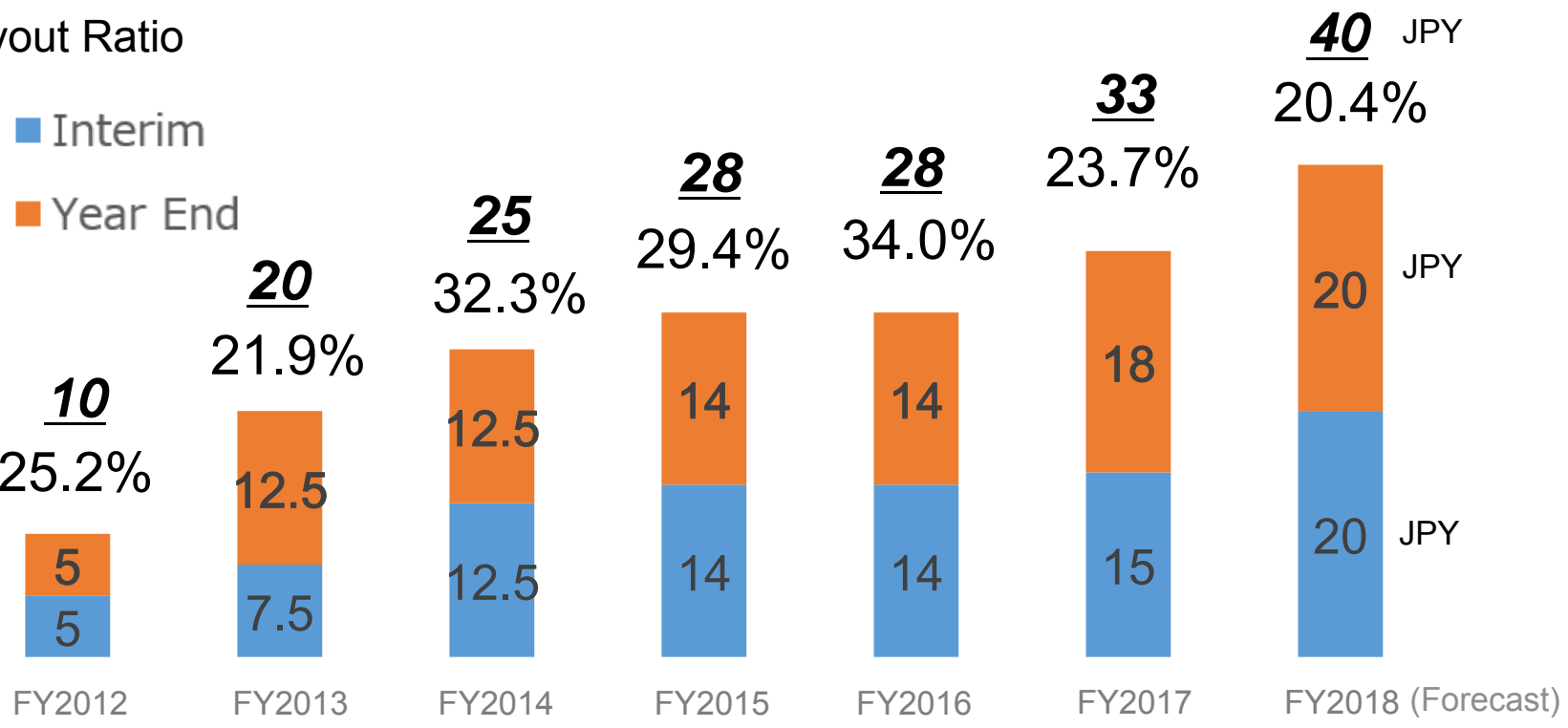
Note: Exchange Rate (FY2017 → FY2018)

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# Dividend

**Payout ratio at 20% or higher,  
with total annual dividend of JPY40 per share**

Annual Dividend  
Payout Ratio



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

**FY2018 3rd Quarter Financial Results**

2

**FY2018 Forecast**

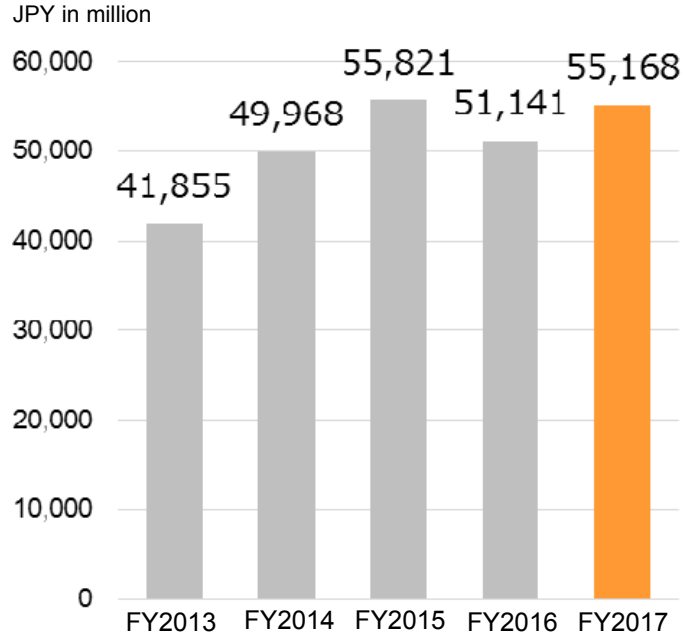
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**Reference**

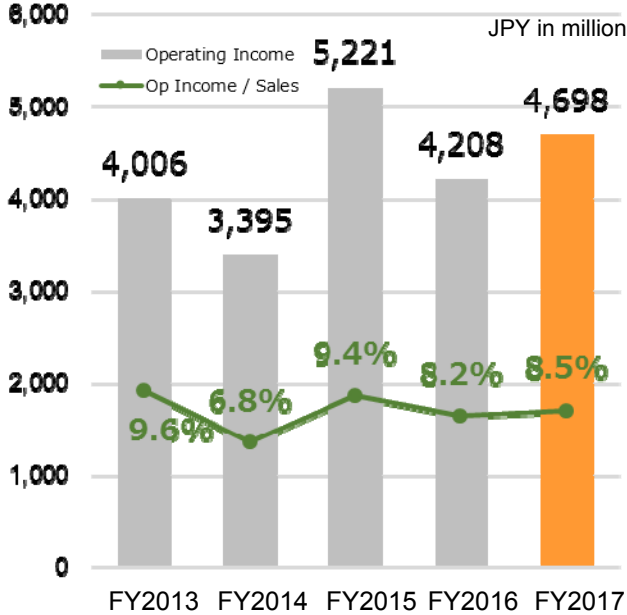
- **Five Year Financial Results (FY2013 – FY2017)**
- **Mid-Term Plan (FY2016 – FY2020)**

# Key figures

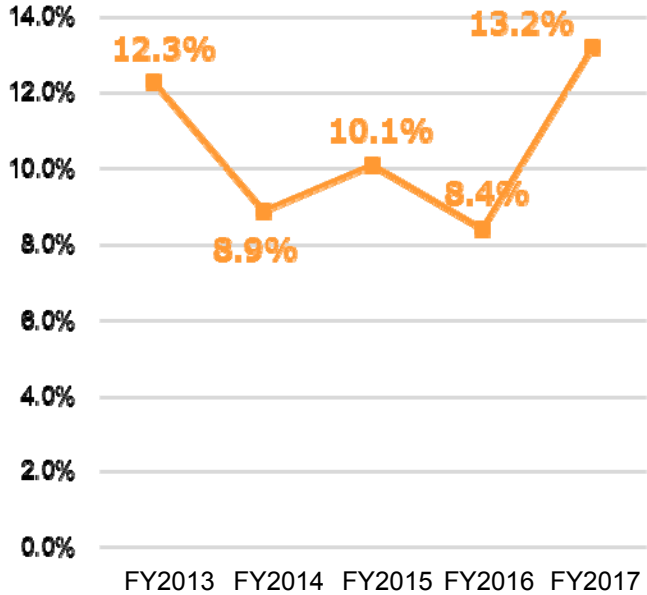
## Sales



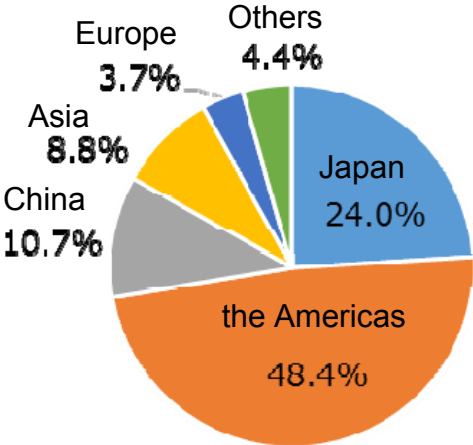
## Op Income and Op Margin



## ROE

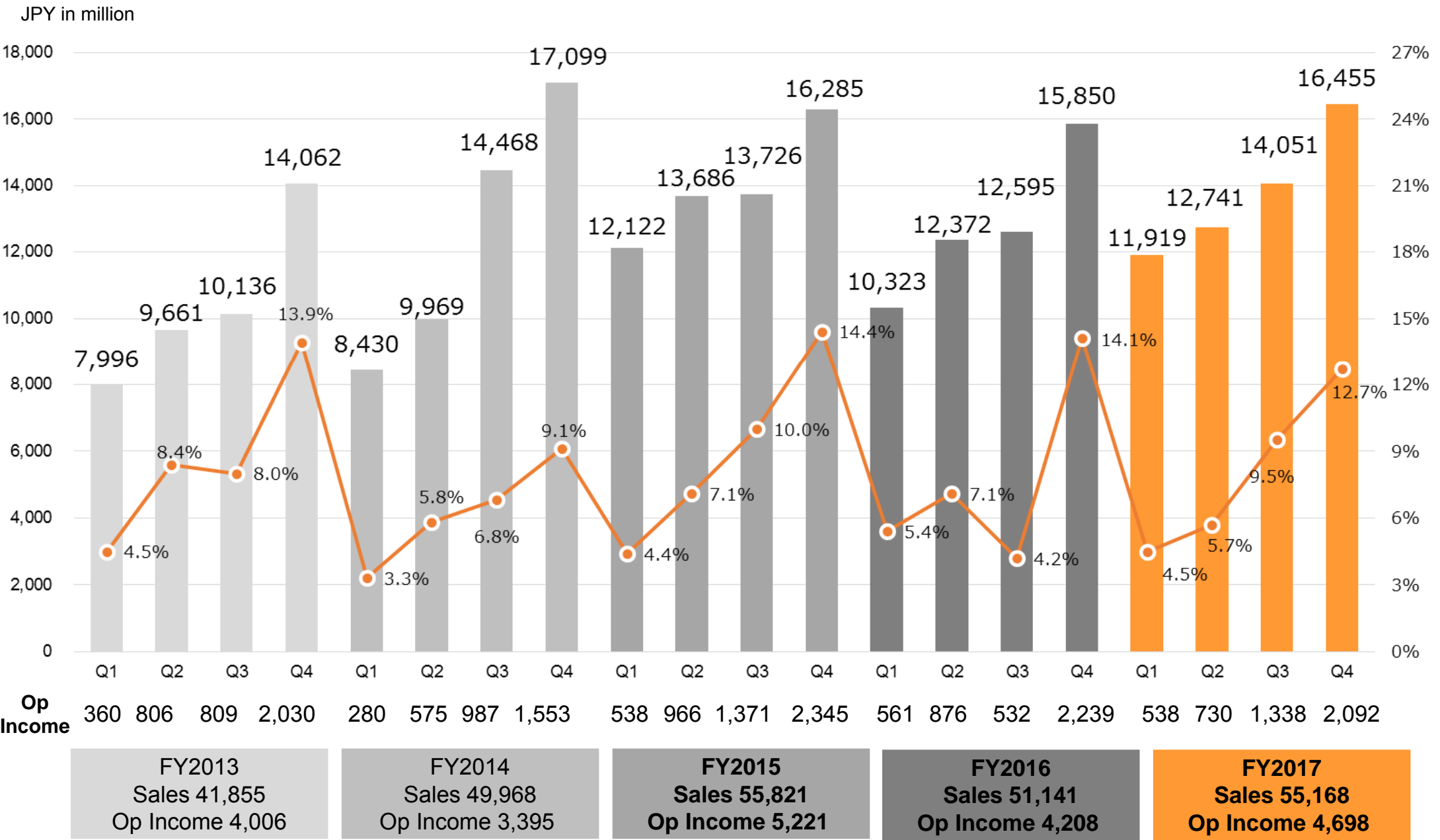


## Sales by Region in FY2017



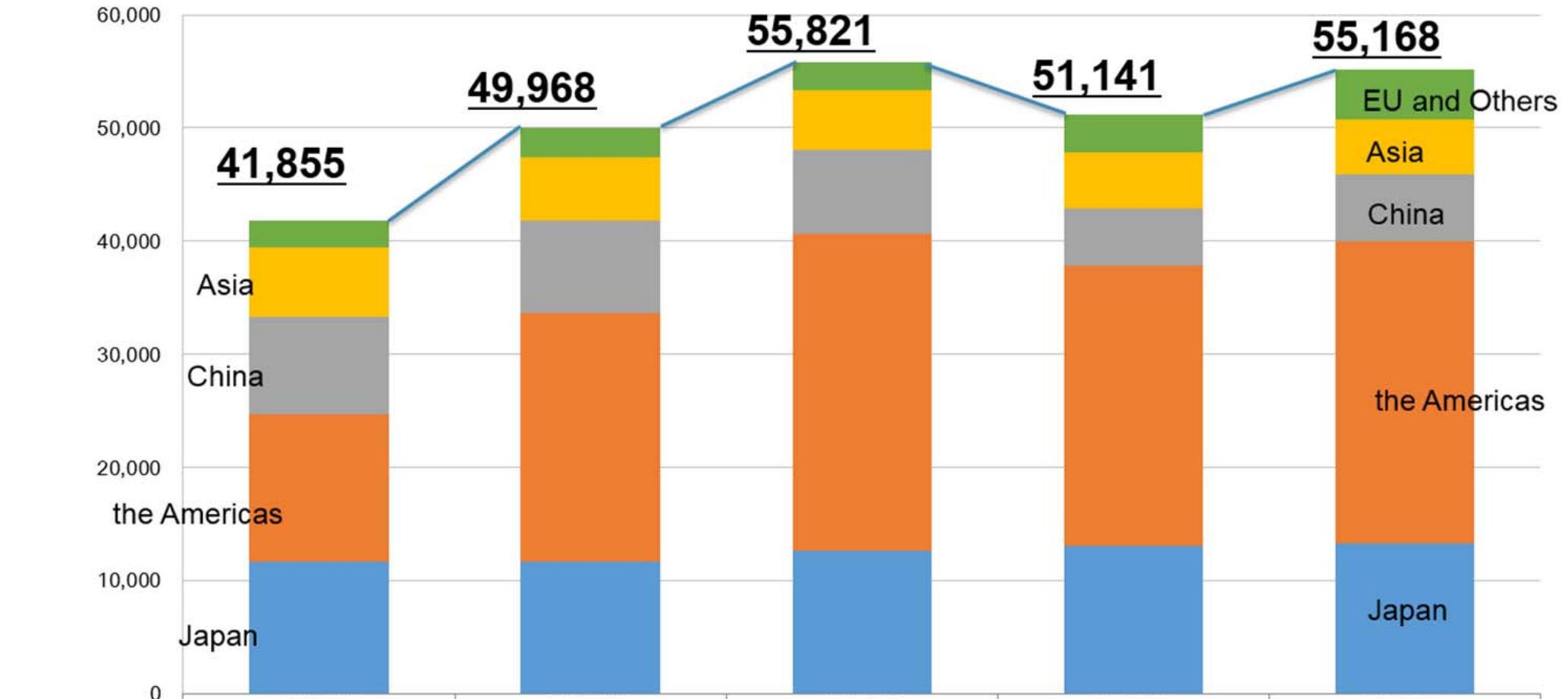
	FY2013	FY2014	FY2015	FY2016	FY2017
Sales from Non JP Market	72.2%	76.6%	77.3%	74.3%	76.0%
Average FX Rate					
USD /JPY	100.2	109.9	120.1	108.4	110.9
CAD /JPY	95.1	96.5	91.8	82.5	86.5
EUR /JPY	134.4	138.8	132.6	118.8	129.7
RMB /JPY	15.9	17.2	19.2	16.4	16.6
Capex (JPY in million)	2,440	1,408	2,013	2,393	1,411
Depreciation (JPY in million)	954	1,311	1,814	1,792	2,116

# Quarterly Sales and Operating Margin



# Sales by Regions

JPY in million



	FY2013	FY2014	FY2015	FY2016	FY2017
■ EU and others	2,424	2,500	2,479	3,308	4,465
■ Asia	6,168	5,676	5,321	4,925	4,837
■ China	8,604	8,198	7,418	5,034	5,903
■ the Americas	13,034	21,888	27,909	24,742	26,700
■ Japan	11,625	11,702	12,692	13,129	13,261

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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

## Achieve the Three Management Goals to Double the Profitability

Financial Target

### 1 Return to a high margin business structure

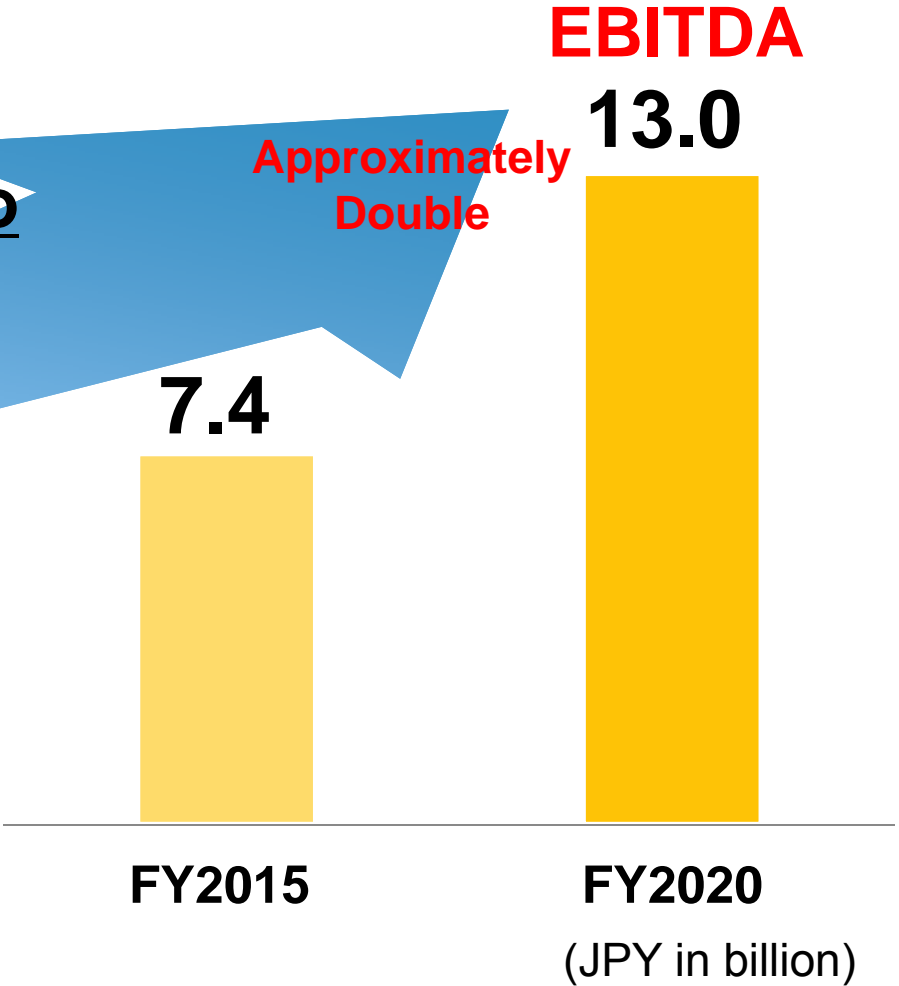
- Renew production equipment
- Concentrate on high-margin business

### 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.



# “Lifting Expectations”

