

Financial Results for the Fiscal Year ended March 31, 2020

KITO CORPORATION
TSE 1st Section: 6409
May 13, 2020

FY2019 Summary

Market environment

- While corporations remained cautious about equipment investment, demand for our products trended stable
 - Some markets were affected by the COVID-19 pandemic at the end of the quarter.
1. In the core markets, our earnings were sustained by a product portfolio that is diverse both regionally and industrially.
 2. Our earnings from the Chinese operation grew thanks to demand from performing industries on top of increasing public and industry awareness about safety.
 3. The spread of Covid-19 affected our operations in some regions, Europe in particular.

Results

JPY in million	FY 2019	vs FY 2018	vs IR forecast
Sales	58,722	(4.1%)	(2.1%)
Op Income	5,474	(14.6%)	(8.8%)
Net Income *	3,204	(21.2%)	(13.4%)

* Net Income attributable to owners of parent / Average FX rate (USD/JPY) JPY = 108.7

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FY2019 Financial Results

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FY2020 Forecast

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Reference

- Five Year Financial Results (FY2015 – FY2019)
- Mid-Term Plan (FY2016 – FY2020)
- Business Structure

FY2019 Financial Highlight

JPY in million	FY 2018	FY 2019	YoY Change
Sales	61,238	58,722	(4.1%)
Gross Profit Gross Profit / Sales	22,545 36.8%	21,979 37.4%	(2.5%)
Operating Income Operating Income / Sales	6,413 10.5%	5,474 9.3%	(14.6%)
Non-operating income	245	291	
Non-operating expenses	910	773	
Ordinary Income Ordinary Income / Sales	5,748 9.4%	4,991 8.5%	(13.2%)
Extraordinary Profit / loss	74	(105)	
Income Taxes	1,619	1,575	
Net Income Net Income / Sales	4,064 6.6%	3,204 5.5%	(21.2%)
EBITDA Op Income + Depreciation	9,201	8,508	

Note: Exchange Rate (FY2018 → FY2019)

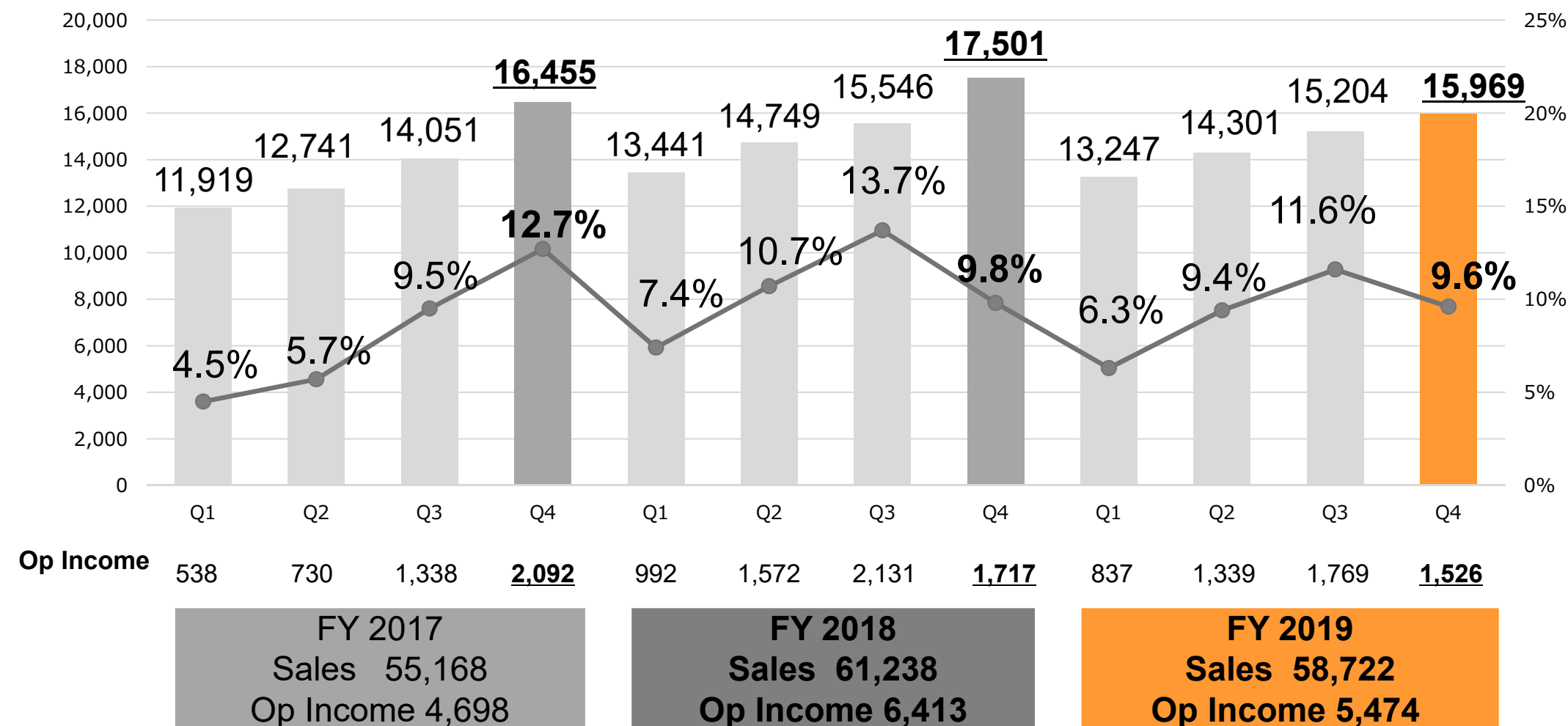
USD/JPY 110.9→108.7 CAD/JPY 84.6→81.8 EUR/JPY 128.4→120.8 RMB/JPY 16.7→15.8

Quarterly Net Sales and Operating Margin

Our earnings were sustained by a product portfolio that is diverse both regionally and industrially

JPY in million

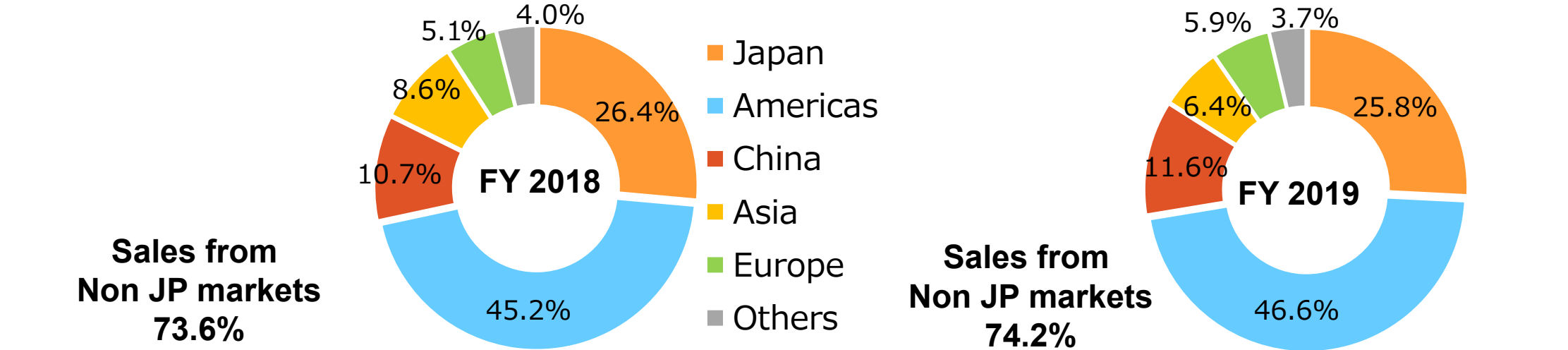
Sales Op Income



Net Sales by Region

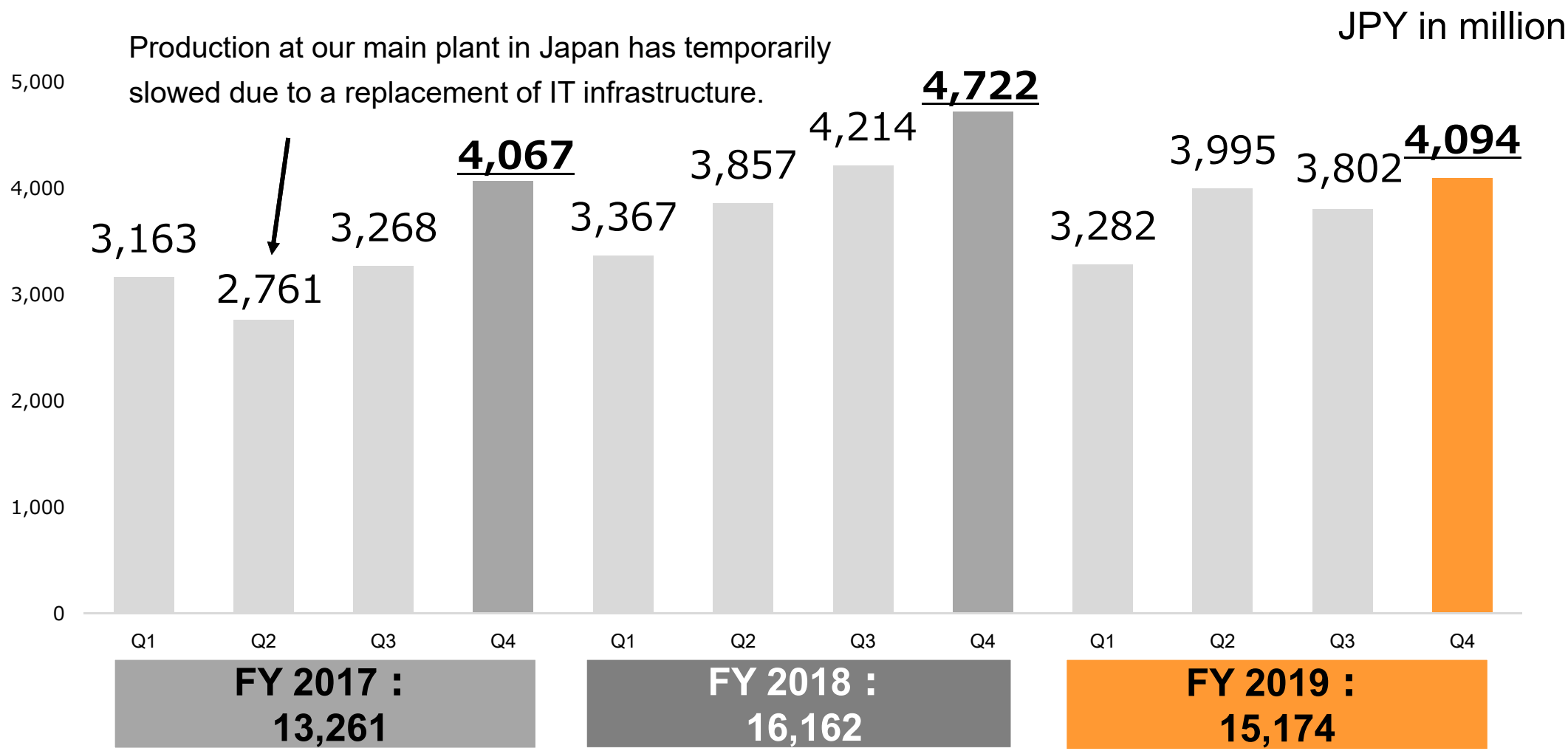
JPY in million	FY 2017		FY 2018		FY 2019		YoY Change	
		% share		% share		% share		
Total	55,168	100.0%	61,238	100.0%	58,722	100.0%	(2,516)	(4.1%)
Japan	13,261	24.0%	16,162	26.4%	15,174	25.8%	(987)	(6.1%)
The Americas	26,700	48.4%	27,663	45.2%	27,332	46.6%	(330)	(1.2%)
China	5,903	10.7%	6,539	10.7%	6,822	11.6%	282	+4.3%
Asia	4,837	8.8%	5,239	8.6%	3,729	6.4%	(1,510)	(28.8%)
Europe	2,060	3.7%	3,204	5.1%	3,467	5.9%	263	+ 8.2%
Others	2,404	4.4%	2,430	4.0%	2,196	3.7%	(234)	(9.6%)

Note: Exchange Rate (FY2018 → FY2019)
 USD/JPY 110.9→108.7 CAD/JPY 84.6→81.8 EUR/JPY 128.4→120.8 RMB/JPY 16.7→15.8



Net Sales by Region (Japan)

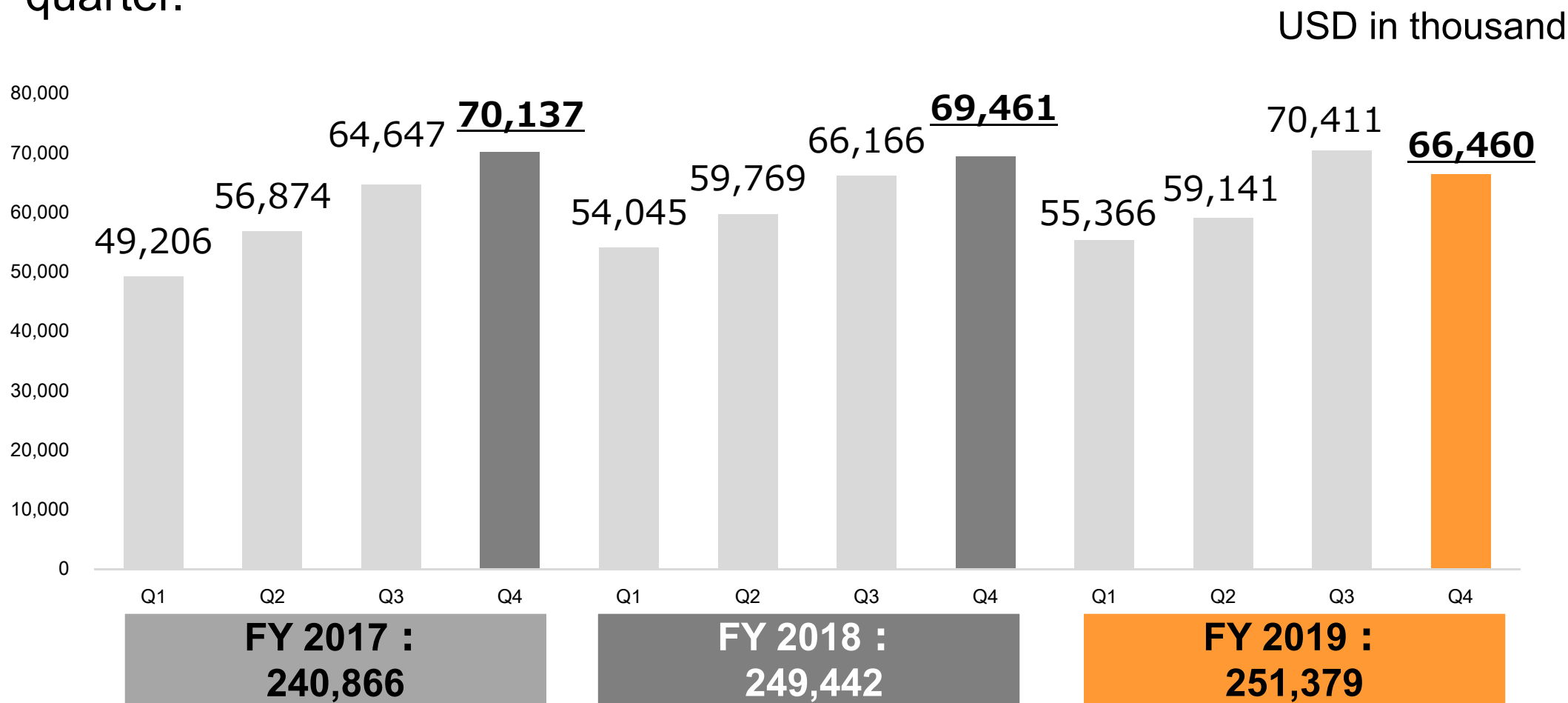
- Shipments softened a little starting in the third quarter.
- Manual-hoist sales to infrastructure and rental industries seemed to reach a plateau.



Net Sales by Region (Americas)

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

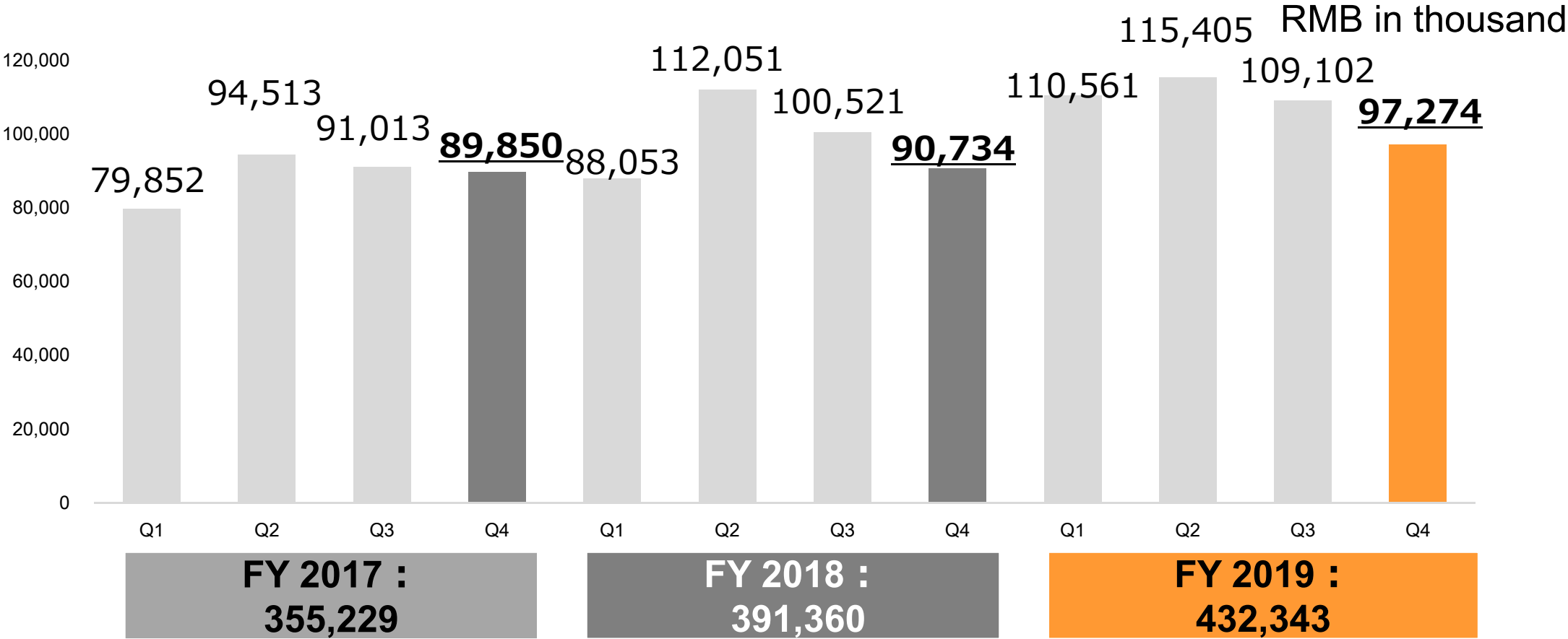
- Orders were strong despite economic uncertainty due to political and trade conflict between the US and China.
- The impact of the Covid-19 pandemic rose to prominence at the end of the quarter.



Net Sales by Region (China)

Fiscal year of China starts in January and ends in December

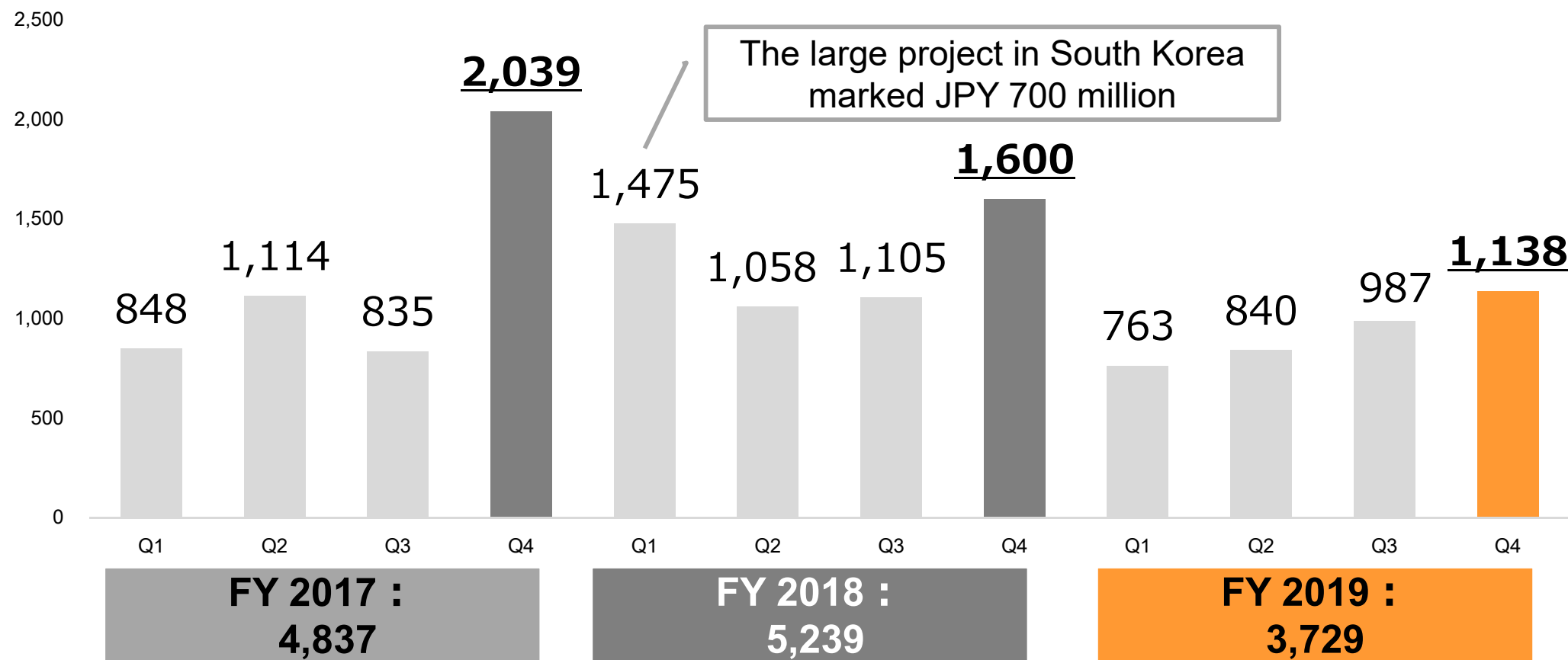
- While the economy slowed overall, our earnings were driven by performing domestic industries.
- The trend toward increasing market share and higher sales continued amid the nation's growing safety-consciousness.
- Earnings-conscious operations generated steady profits.



Net Sales by Region (Asia)

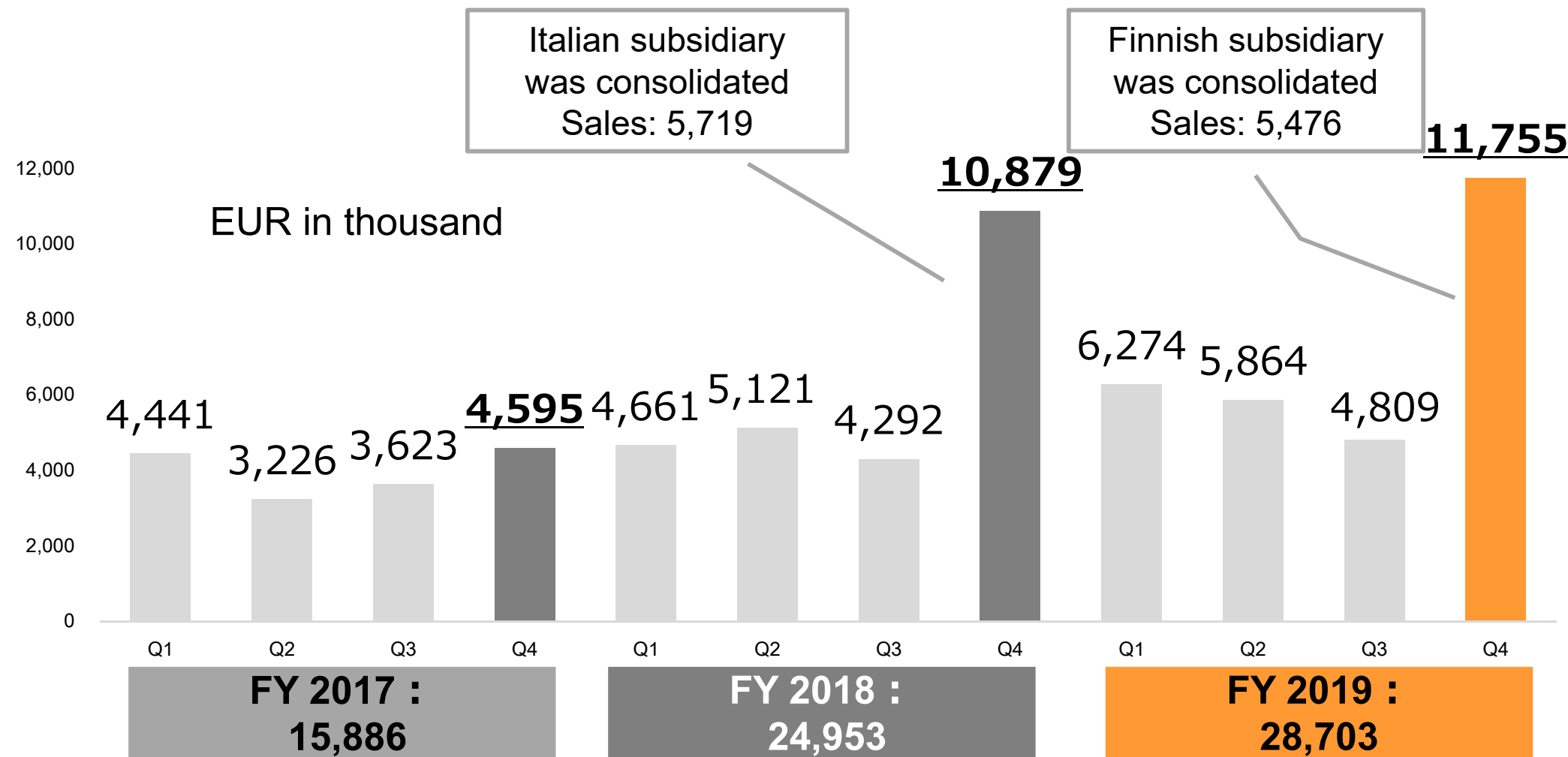
FY starts in Jan and ends in Dec: Thailand, Korea, Taiwan
FY starts in Apr and ends in Mar: Indonesia, India

- Sales were down in South Korea due to the large project accounted last year and overall economic slowing.
- While the automotive industry in Southeast Asia slowed, we increased sales and profit using structural reforms in operations.



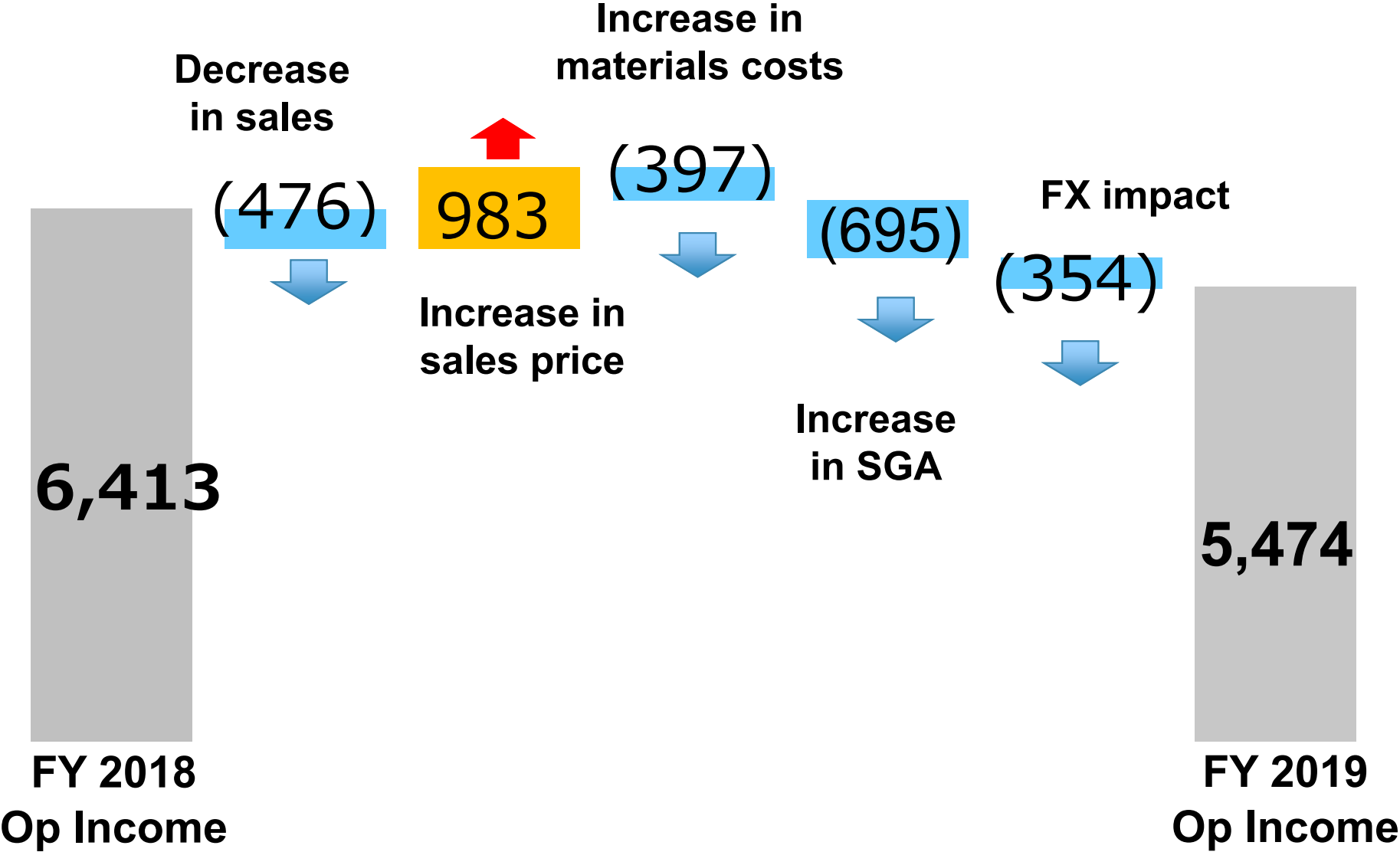
Net Sales by Region (Europe)

- Subsidiaries in Italy and Finland were consolidated at the FY end of FY2018 and FY2019 respectively
- Focusing sales promotion measures on specific industries



Operating Income Comparison

JPY in million



FY2019 Consolidated Balance Sheet

JPY in million	Mar 2019	Mar 2020	Change
Current assets	40,524	40,046	(477)
Cash	8,678	9,468	789
Accounts receivable	12,587	11,088	(1,498)
Inventories	17,924	18,097	172
Others	1,333	1,392	58
Fixed assets	21,554	22,757	1,203
Tangible fixed assets	11,283	12,752	1,468
Intangible fixed assets	6,093	5,319	(774)
Investment & other assets	4,176	4,686	509
Total assets	62,078	62,804	725

JPY in million	Mar 2019	Mar 2020	Change
Current liabilities	20,183	20,263	79
Accounts payable	6,483	5,668	(814)
Short-term debt *	6,832	7,523	690
Others	6,867	7,070	203
Fixed liabilities	15,207	14,613	(593)
Long-term debt	11,962	10,808	(1,154)
Others	3,244	3,805	560
Total net assets	26,687	27,927	1,240
Total	62,078	62,804	725

* Including current portion of long term loans payable

Consolidated Cash Flows

JPY in million	FY2018	FY2019	Change
Cash flows from operating activities	3,553	5,374	1,820
Cash flows from investing activities	(1,580)	(2,826)	(1,246)
Cash flows from financing activities	(4,279)	(1,671)	2,607
Effect of exchange rate changes on cash and cash equivalents	(67)	(86)	(19)
Net increase (decrease) in cash and cash equivalent	(2,373)	789	3,167
Cash and cash equivalents at end of period	8,504	9,297	793

[Cash flows from operating activities]

Income before income taxes	4,885
Depreciation and amortization	2,711
Decrease in receivables	1,343
Increase in inventories	(499)

[Cash flows from investing activities]

Acquisition of tangible fixed assets	(1,416)
Acquisition of intangible fixed assets	(272)
Acquisition of stocks of subsidiaries	(1,287)

[Cash flows from financing activities]

Dividend payment	(979)
Increase in long term debt	3,500
Repayments of long term debt	(4,289)

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Forecast of consolidated results for FY2020

Consolidated results forecast for FY2020 is not announced at this time, due to the impact of COVID-19 on our business activity and performance.

Results forecasts will be announced promptly once a reasonable and rational calculation is possible.

COVID-19 impact on operation (as of May 13, 2020)

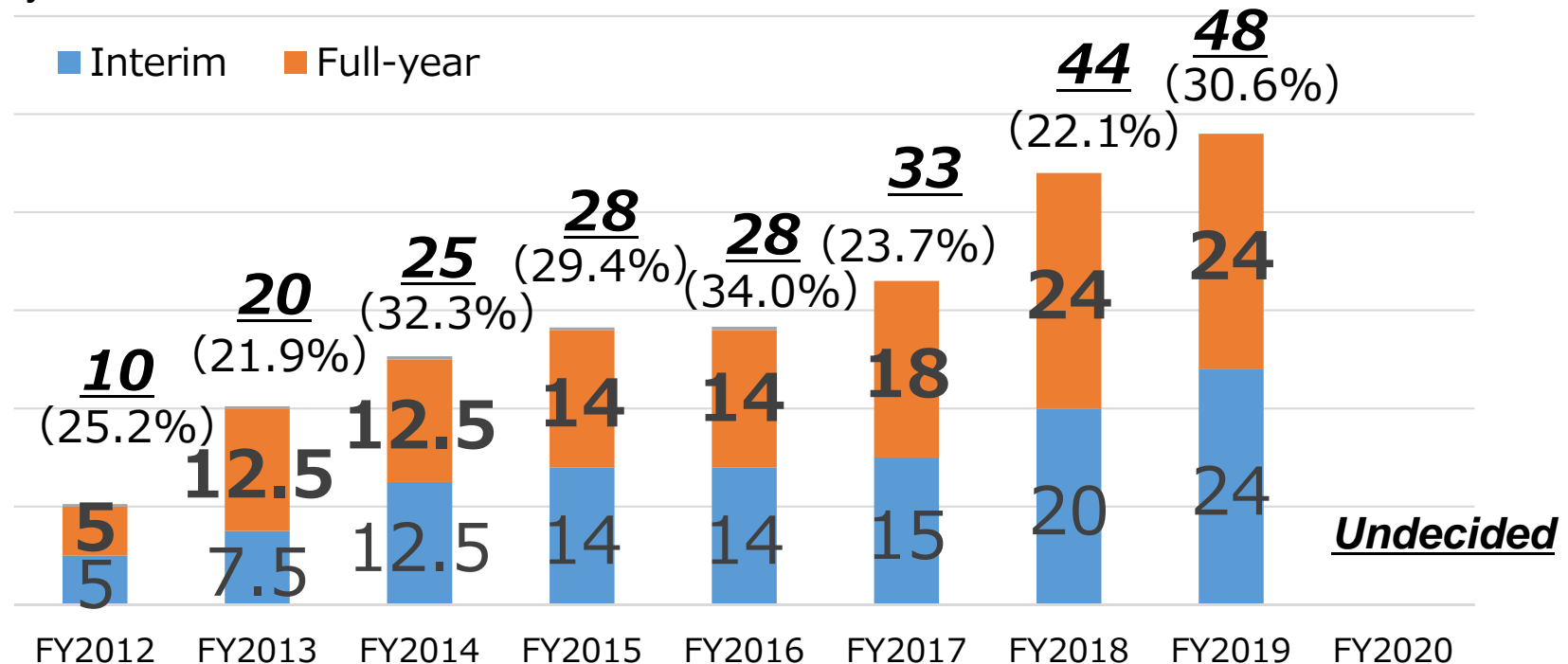
- In some regions restricted economic activity diminished demand. Despite the circumstances, Kito continues to maintain maximum customer support. Production continues as usual in Japan, the US and China.
- As of May 13, 2020, only the Indian subsidiary is restricted in operation due to lockdown by the government.
- Kito Group firms are operating with strict measures against the spread of Covid-19, including telework and social distancing.

Dividend

- Payout ratio at 20% or higher
- FY2020 dividend has not determined, due to the unforeseeable impact of COVID-19 on our business and performance

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

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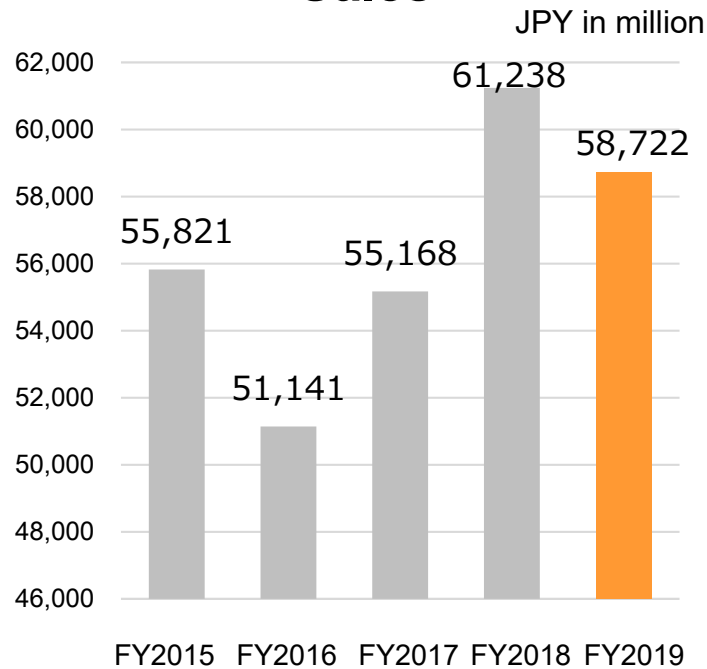
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Reference

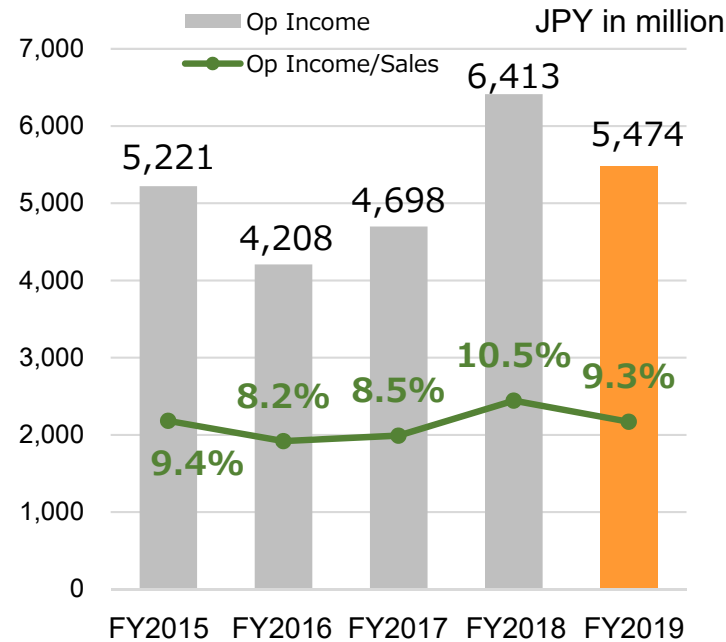
- **Five Year Financial Results (FY2015 – FY2019)**
- **Mid-Term Plan (FY2016 – FY2020)**
- **Business Structure**

Key Figures

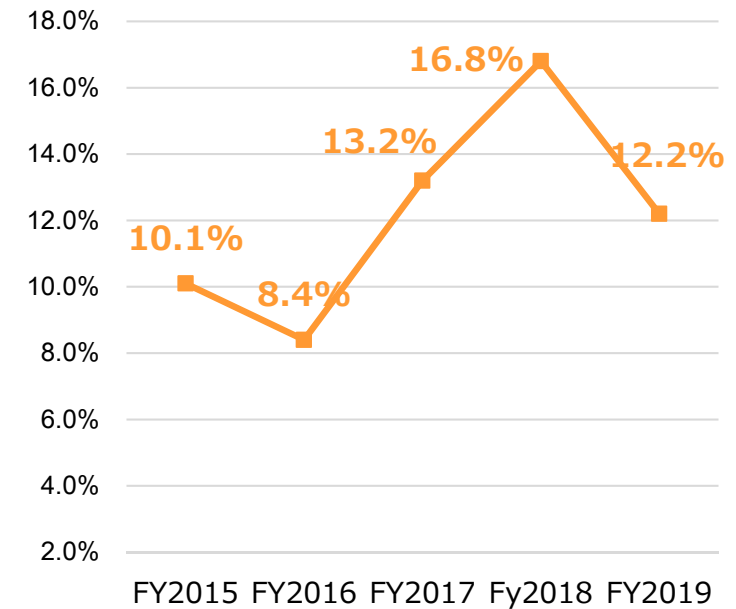
Sales



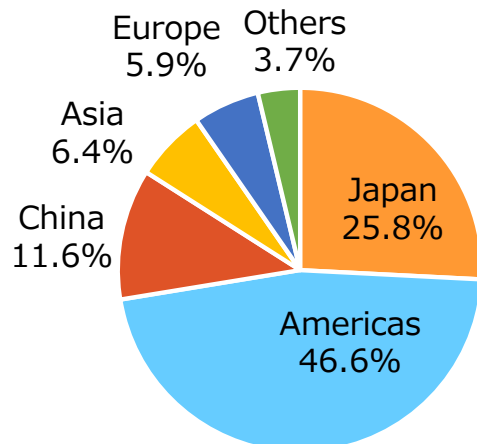
Op Income and Op Margin



ROE

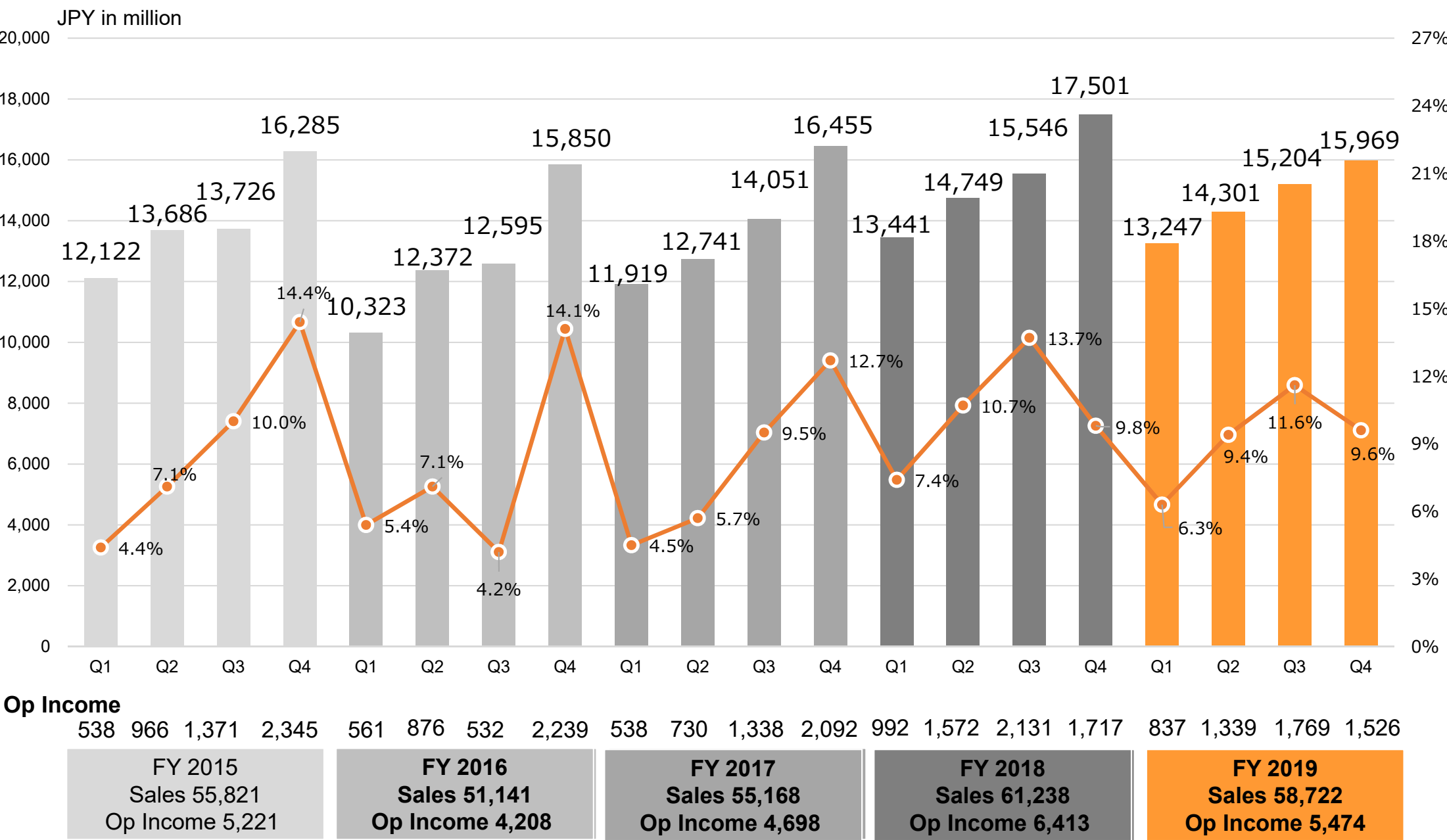


Sales by Region in FY2019



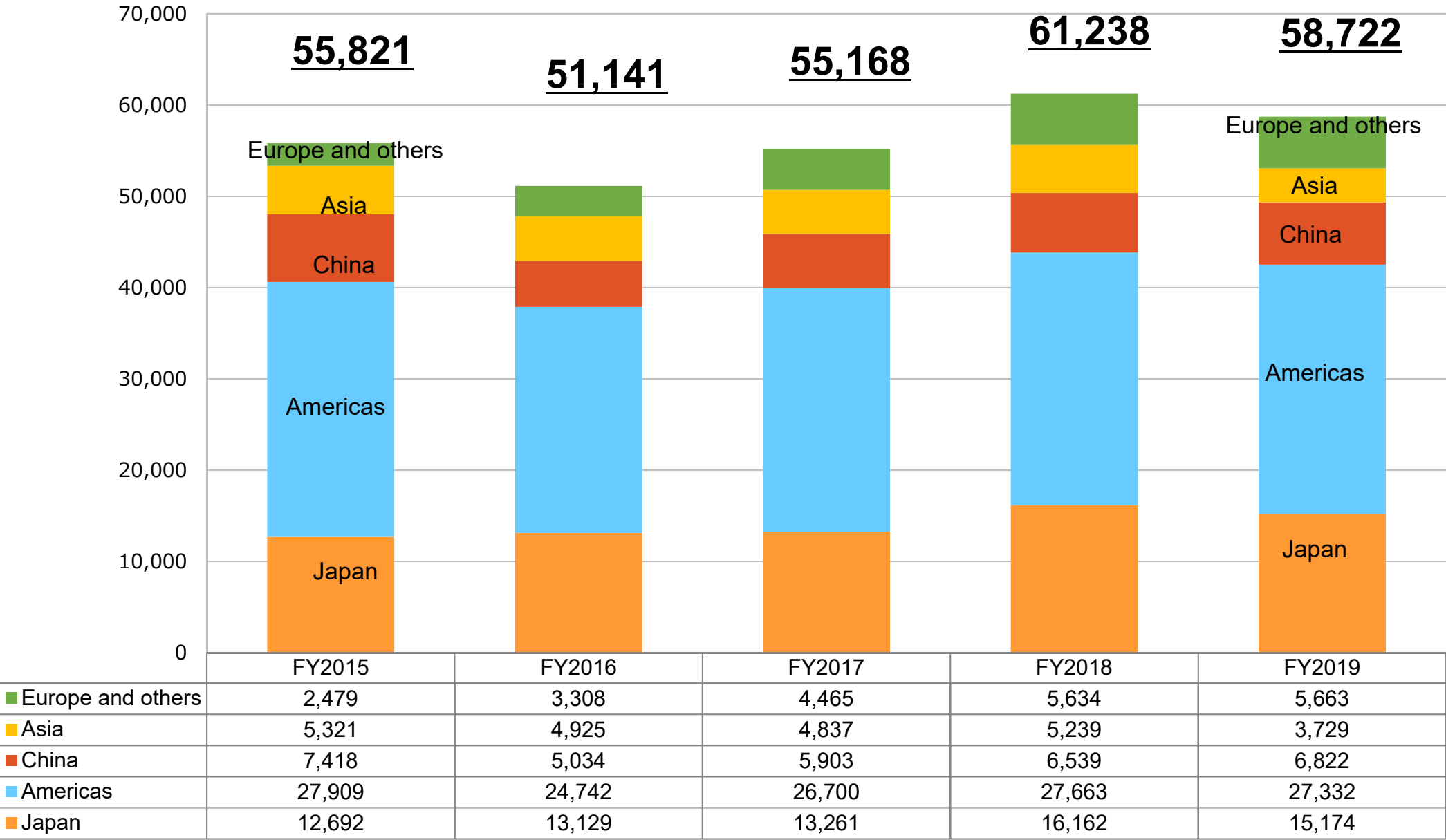
	FY2015	FY2016	FY2017	FY2018	FY2019
Sales from non Japanese markets	77.3%	74.3%	76.0%	73.6%	74.2%
Average FX Rate					
USD/JPY	120.1	108.4	110.9	110.9	108.7
CAD/JPY	91.8	82.5	86.5	84.6	81.8
EUR/JPY	132.6	118.8	129.7	128.4	120.8
RMB/JPY	19.2	16.4	16.6	16.7	15.8
Capex (JPY in million)	2,013	2,393	1,411	1,416	1,689
Depreciation (JPY in million)	1,814	1,792	2,116	2,470	2,711

Quarterly Sales and Operating Margin



Sales by Regions

JPY in million

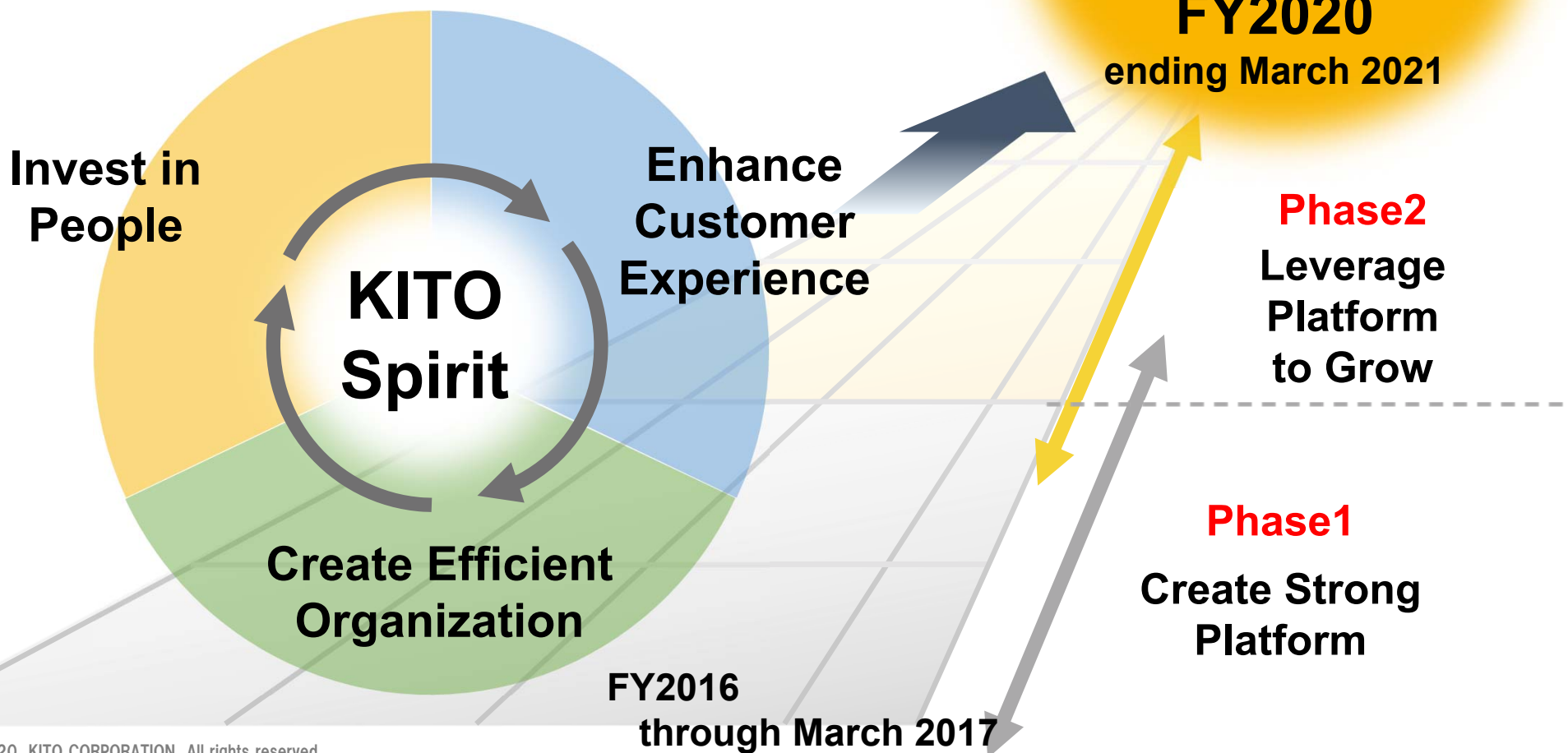


Mid-Term Plan (FY2016 – FY2020)

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

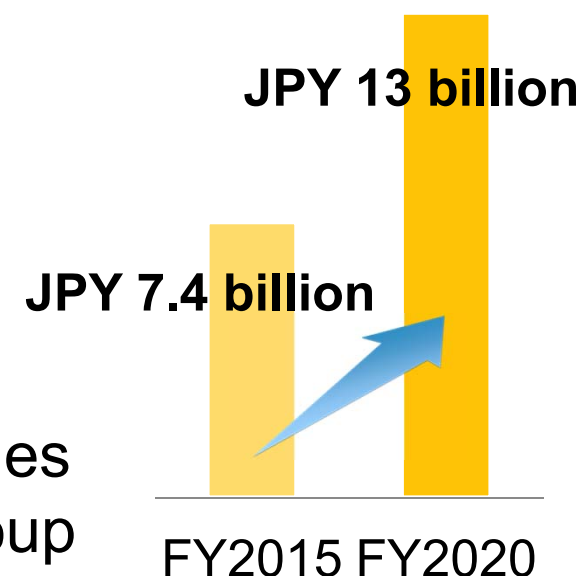
2 Growth through product portfolio expansion

- 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

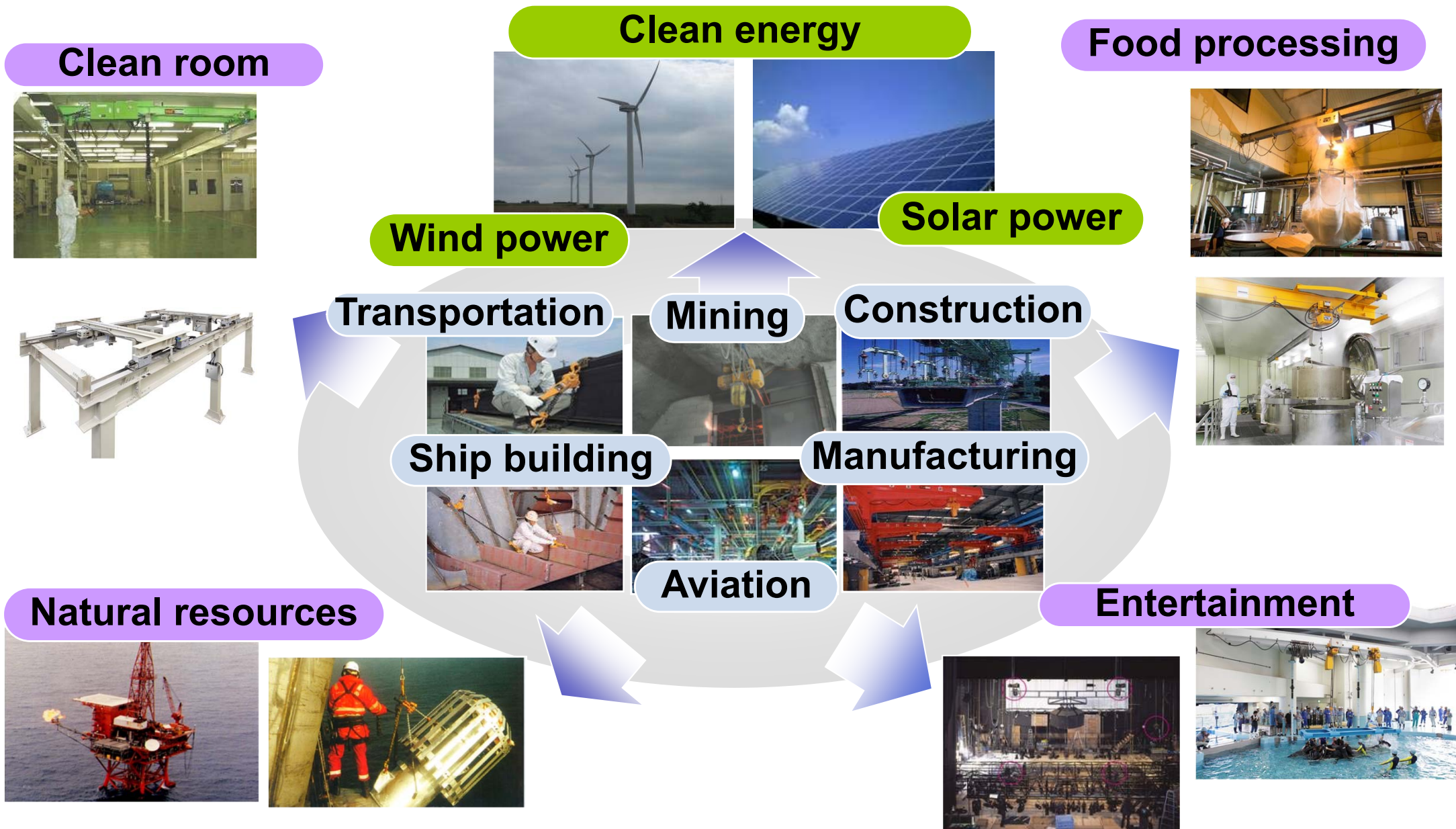


■ Various Chain

- 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)

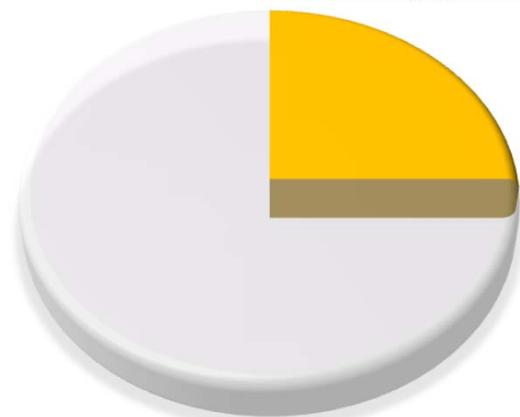
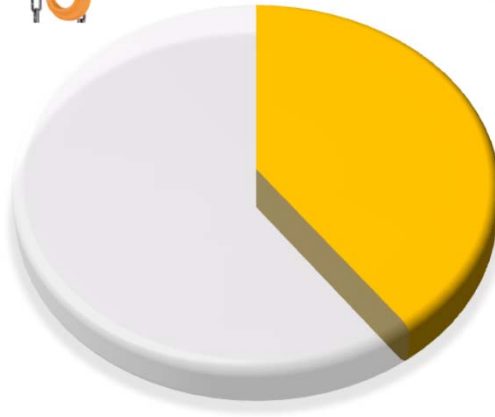
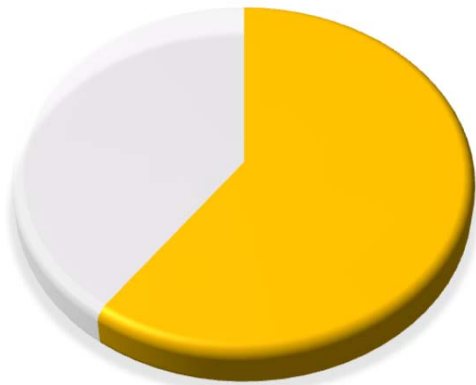
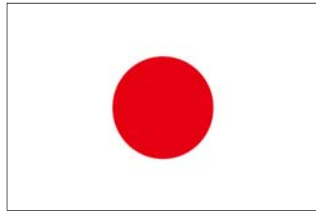
Service Network

Extensive network to provide service for high customer satisfaction



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

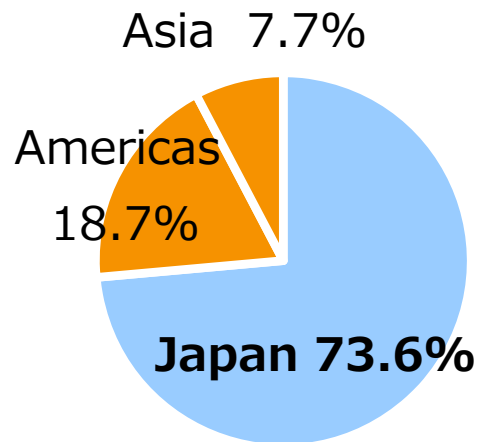
Global Share



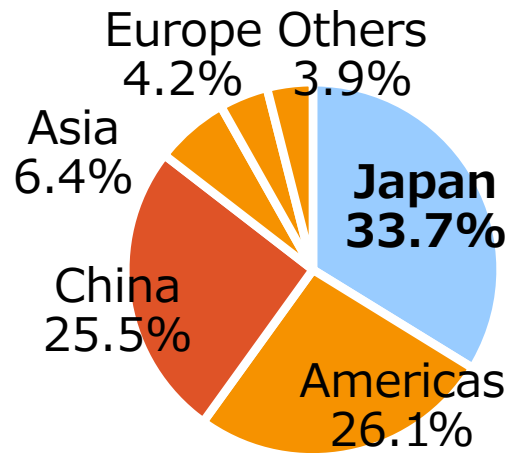
Sales Growth in Overseas Markets

- Growth in overseas markets helped building a business portfolio with good regional balance.
- Stable growth not depending on demand in any particular region

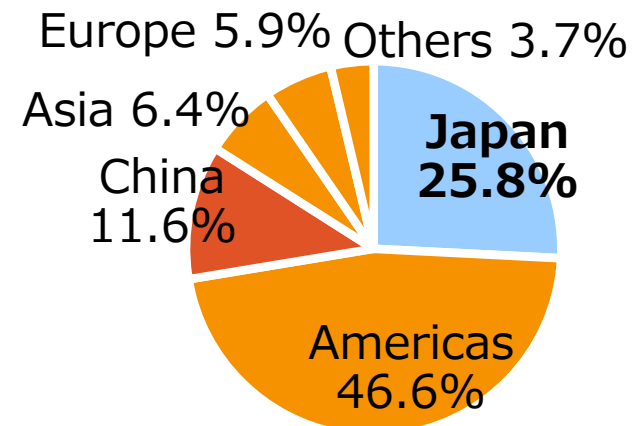
FY2000 JPY 22.7 billion



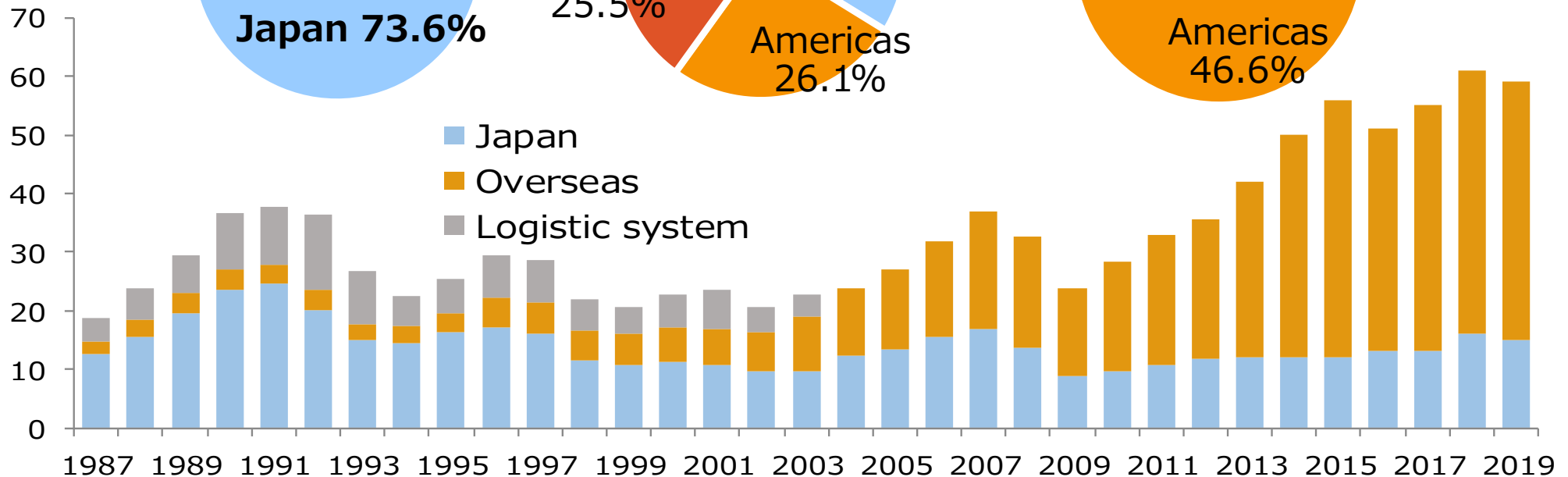
FY2010 JPY 28 billion



FY2019 JPY 58.7 billion



JPY in billion



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 over 10%.
- 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
FY2019 Sales	RMB 400 million	RMB 100 million

Diversified Portfolio

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

LTM Apr – Jun 2015 = 1

