

---

# **Financial Results for the Quarter ended June 30, 2020**

**KITO CORPORATION**  
**TSE 1st Section: 6409**  
**August 6, 2020**

# FY2020 Q1 Summary

## Overview

**Economic activity declined significantly worldwide with the effects of the Covid-19 pandemic.**

## Business Results

JPY in million	Q1-FY2020	YOY Change
Sales	<b>10,058</b>	<b>(24.1)%</b>
Op Income	<b>224</b>	<b>(73.2)%</b>
Net Income *	<b>(322)</b>	<b>—</b>

\* Net Income attributable to owners of parent      Average FX rate    USD/JPY = JPY 107.6

- Our main production bases in Japan, the US, China and elsewhere operated as usual.
- Demand shrank in nearly all our target markets, with some variation by region and industry.
- China was the first among our markets to overcome the pandemic, and our performance there quickly recovered.
- Measures to improve profitability through production reform and wider use of IT infrastructure are moving forward.

**1**

# **FY2020 1st Quarter Financial Results**

**2**

## **FY2020 Forecast**

**3**

## **Reference**

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

# FY2019 Q1 Financial Highlight

JPY in million	FY2019 Q1 Apr - Jun	FY2020 Q1 Apr - Jun	YoY Change
<b>Sales</b>	13,247	10,058	(24.1)%
<b>Gross Profit</b>	4,931	3,576	(27.5)%
Gross Profit/ Sales	37.2%	35.6%	
<b>Operating Income</b>	837	224	(73.2)%
Operating Income / Sales	6.3%	2.2%	
Non-operating income	40	109	
Non-operating expenses	291	111	
<b>Ordinary Income</b>	587	222	(62.1)%
Ordinary Income / Sales	4.4%	2.2%	
<b>Extraordinary Profit</b>	( 4)	( 5)	
<b>Income Taxes</b>	233	* 523	
<b>Net Income</b>	327	(322)	—
Net Income / Sales	2.5%	(3.2)%	
<b>EBITDA</b>			
Op Income + Depreciation	1,587	951	

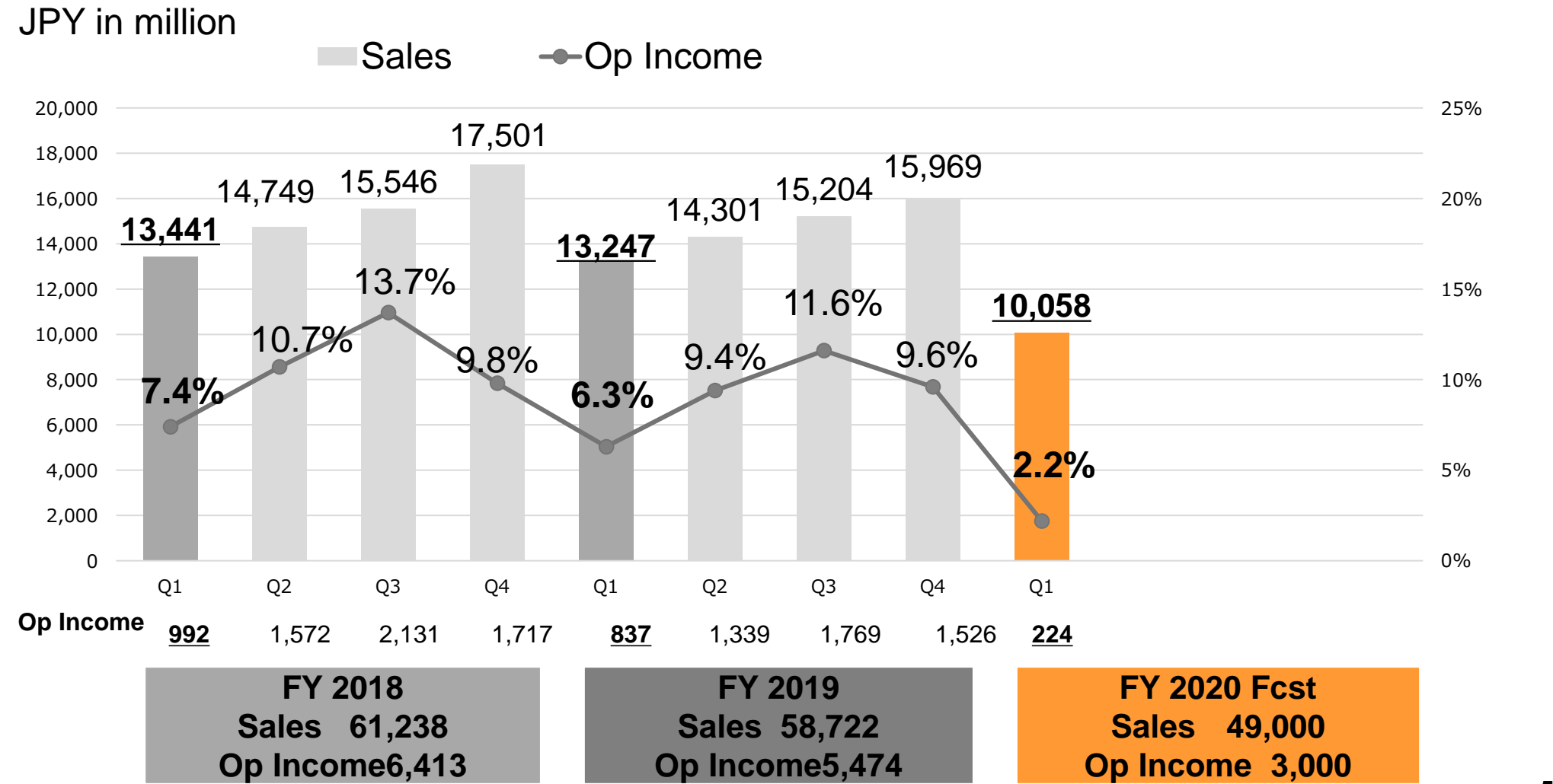
\* Due to the decrease of non-consolidated profit, the Company could not receive the benefits of tax effect accounting.

Note: Exchange Rate (FY2019 Q1 → FY2020 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

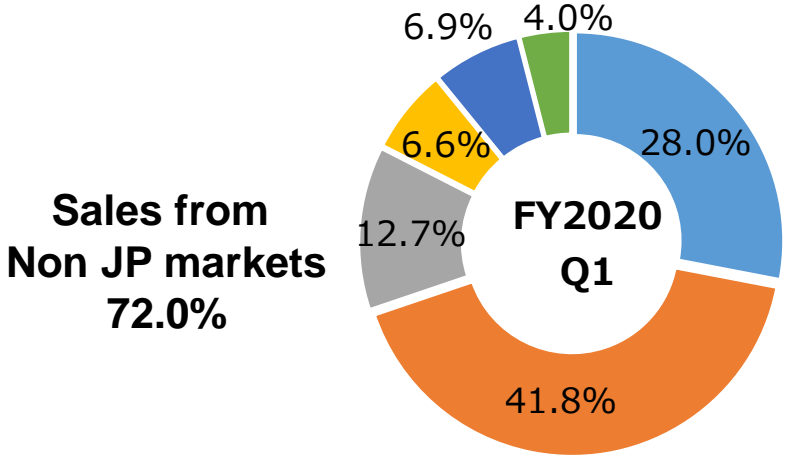
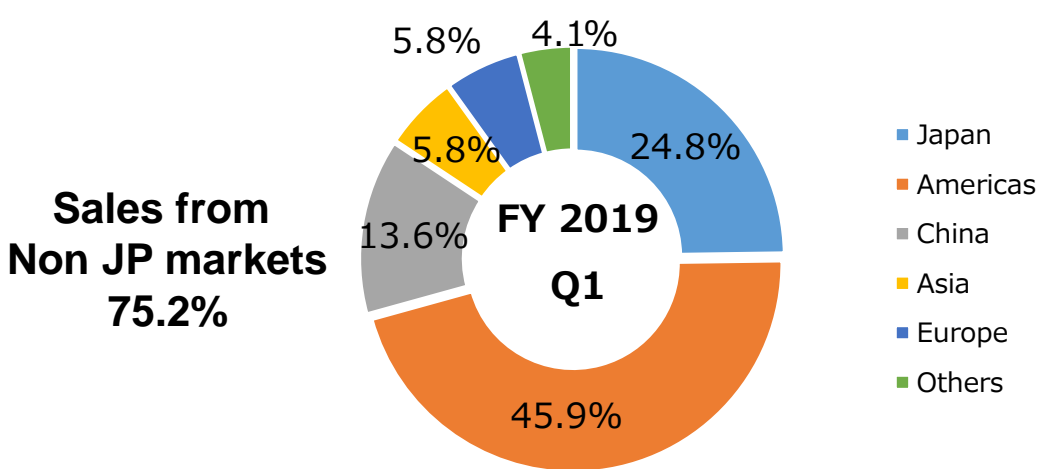
Economic activity declined substantially due to the pandemic, but demand seems to have touched bottom in Q1. Profit is secured by compressing fixed costs. Gentle recovery is in sight in Q2 and onward.



# Net Sales by Region

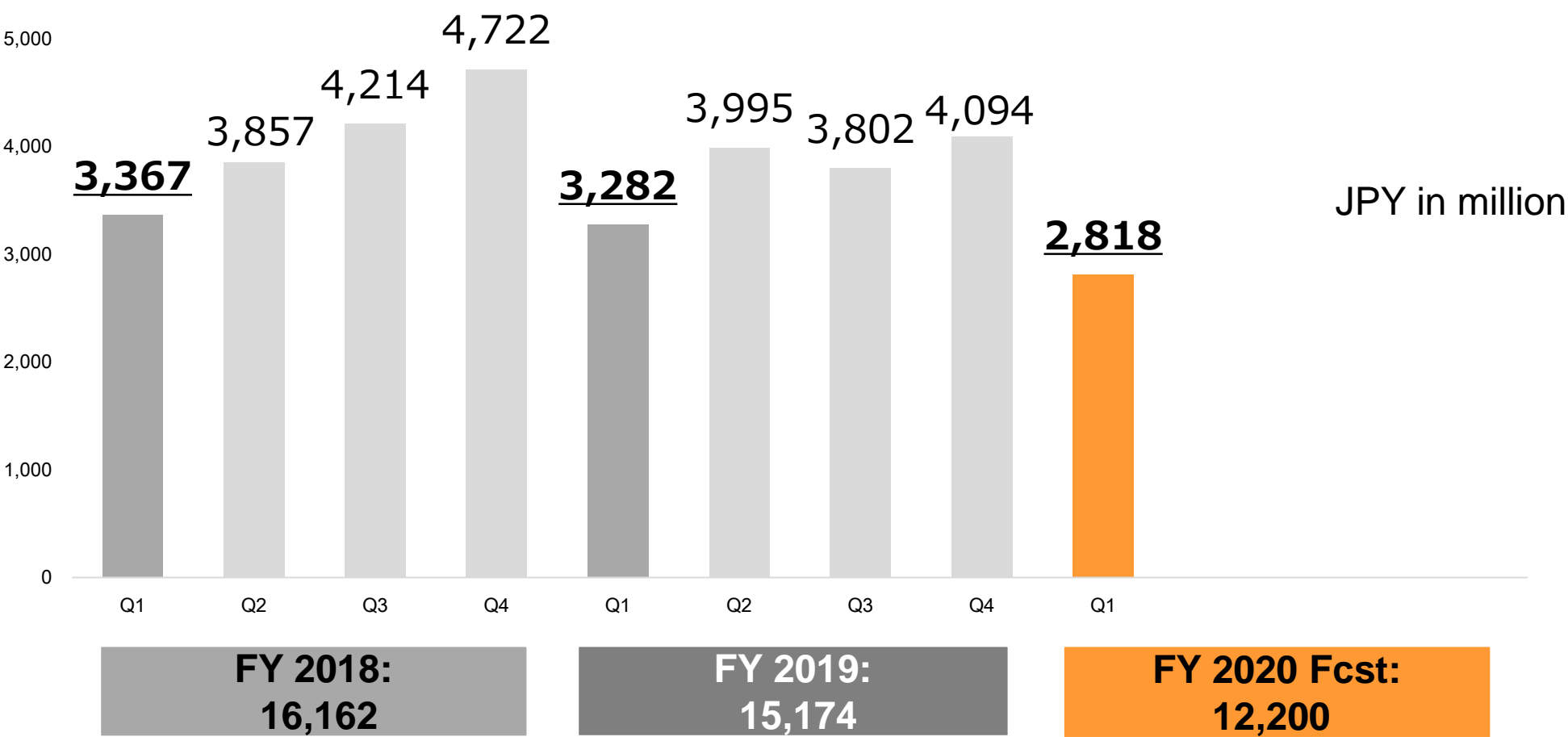
JPY in million	FY 2018 Q1		FY 2019 Q1		FY 2020 Q1		YoY change	
		% share		% share		% share		
<b>Total</b>	13,441	100.0%	13,247	100.0%	10,058	100.0%	(3,188)	(24.1)%
Japan	3,367	25.1%	3,282	24.8%	2,818	28.0%	(463)	(14.1)%
The Americas	5,894	43.8%	6,084	45.9%	4,202	41.8%	(1,881)	(30.9)%
China	1,501	11.2%	1,804	13.6%	1,278	12.7%	(525)	(29.1)%
Asia	1,475	11.0%	763	5.8%	663	6.6%	(99)	(13.0)%
Europe	606	4.5%	774	5.8%	694	6.9%	(80)	(10.4)%
Others	596	4.4%	538	4.1%	401	4.0%	(137)	(25.6)%

Note: Exchange Rate (FY 2019 Q1→FY2020 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)

- Sales seem to have touched bottom in the middle of Q1.
- Brisk inquiries and orders at this time.

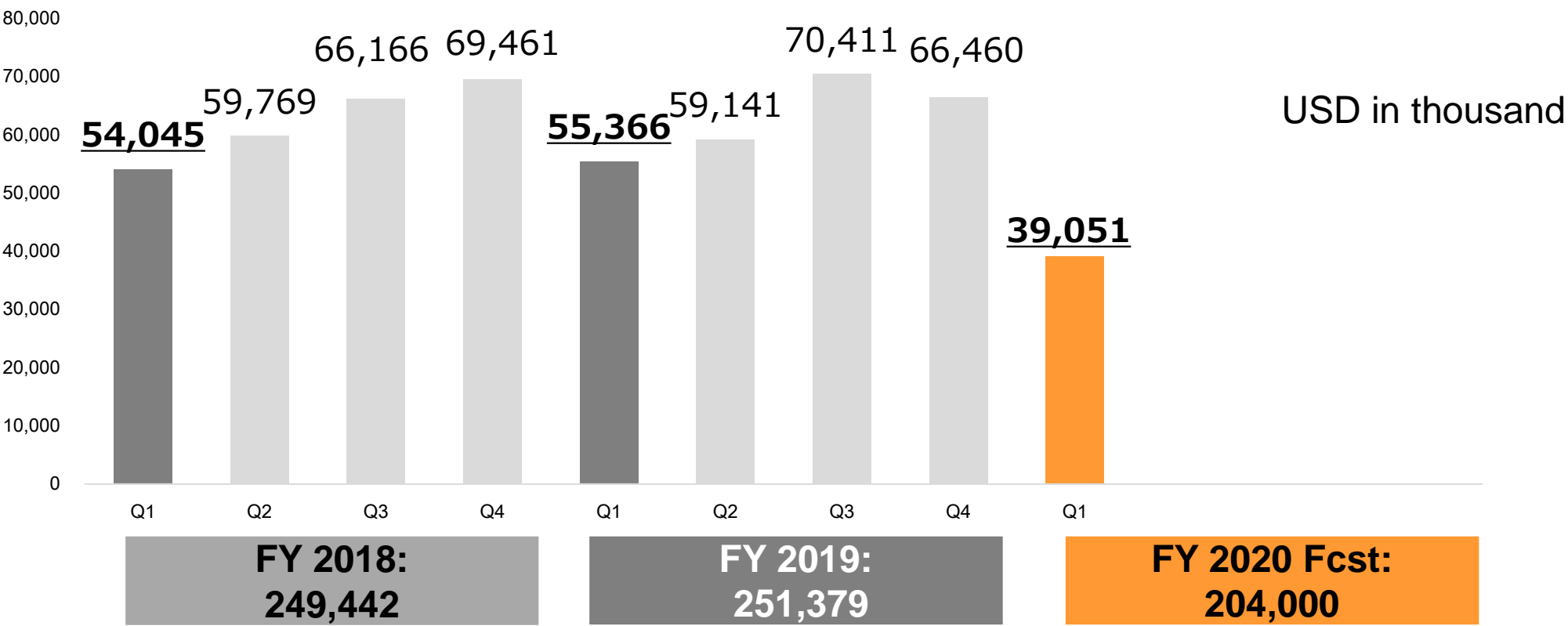


# Net Sales by Region (Americas)

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.

- Covid-19 cases are still rising, but demand increase is hoped for now that economic activity has resumed.



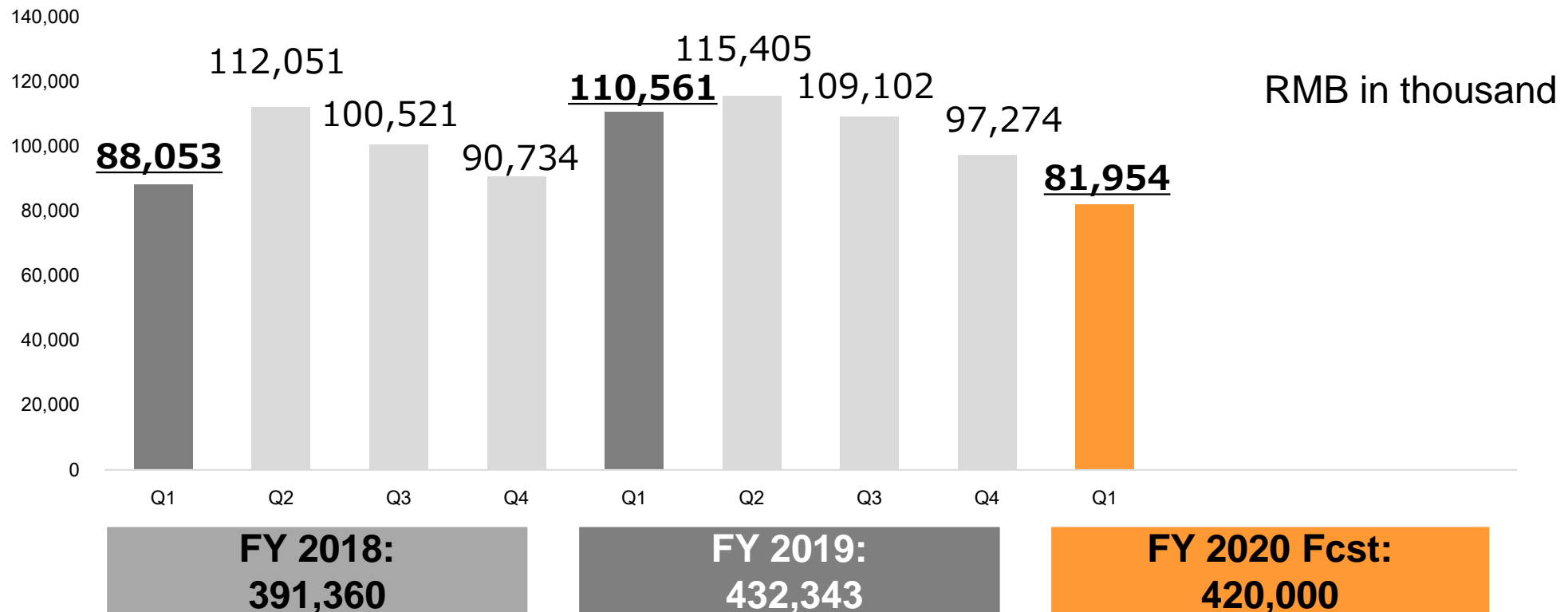


# Net Sales by Region (China)

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

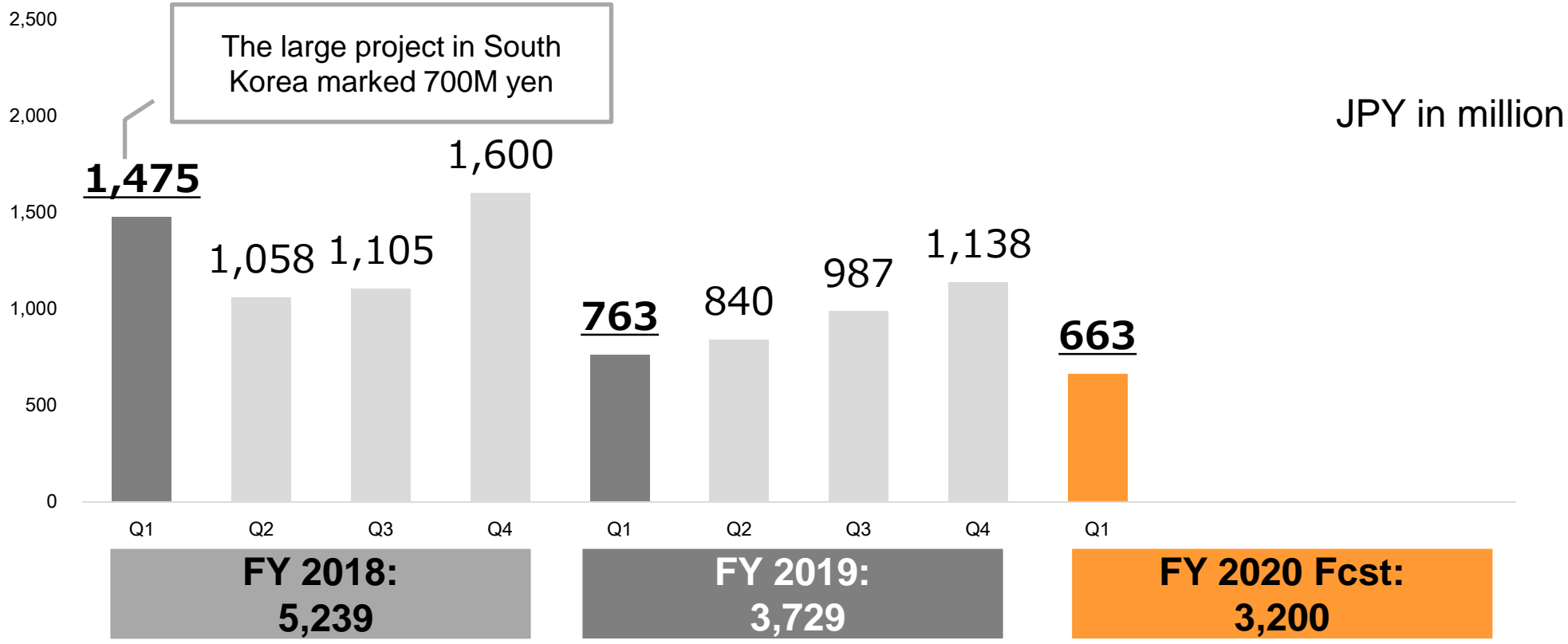
- The nation was first in the world to experience significant effects of the coronavirus in February, but returned to near-normal in March.  
(The first quarter for Chinese operations is January-March.)



# Net Sales by Region (Asia)

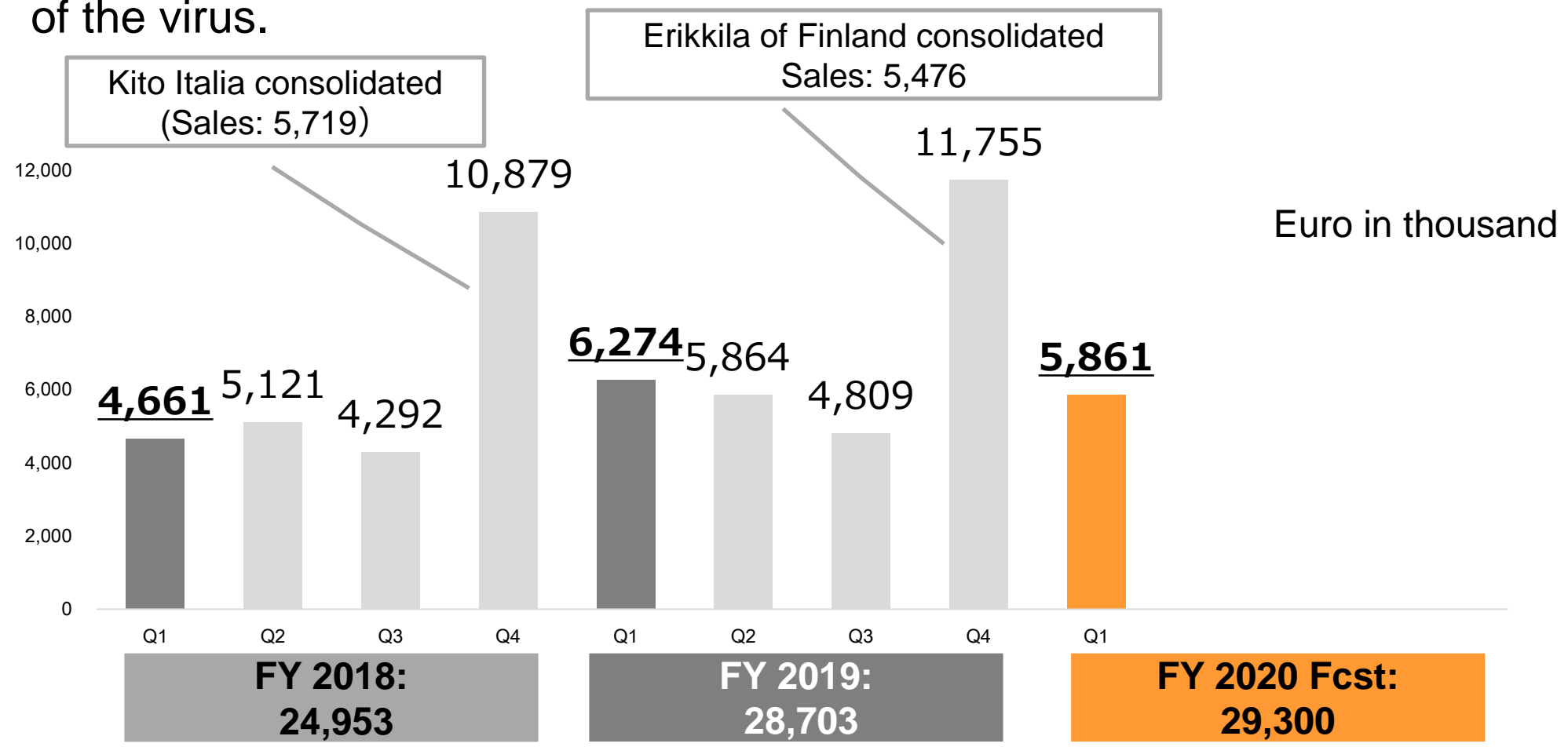
FY starts in Jan and ends in Dec: Thailand, Korea, Taiwan  
FY starts in Apr and ends in Mar: Indonesia, India

- Our Business : The crane business in Thailand and South Korea is the mainstay of this segment.  
Improving profitability by strengthening hoist sales and maintenance services for crane.
- The impacts of Covid-19 have been relatively less here than in Europe and North America.
  - Equipment investment, especially in automotive and auto-related industries, has been hovering low.

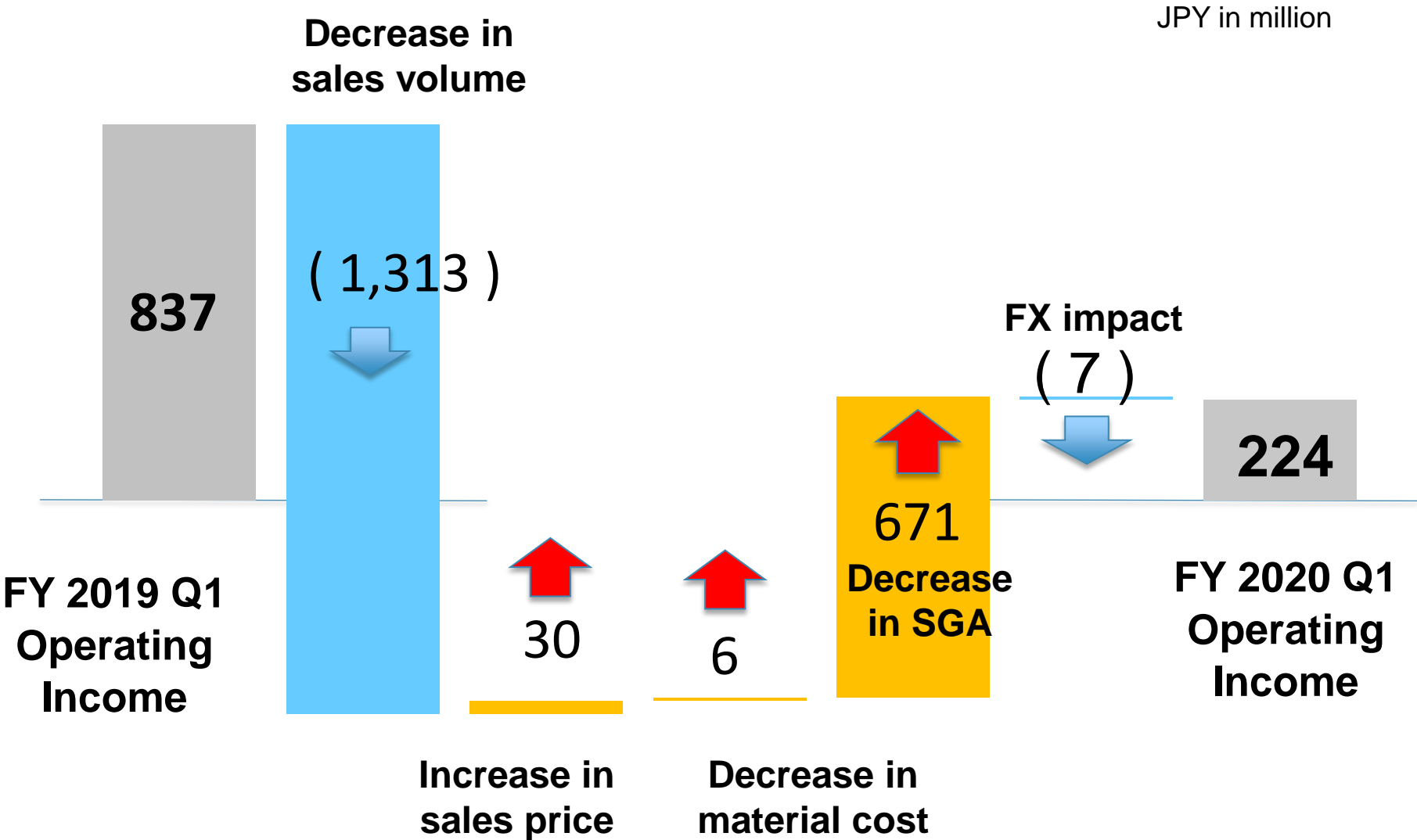


# Net Sales by Region (Europe)

- Italian and Finnish subsidiaries were consolidated at FY2018 end and FY2019 end, respectively.
- Economic activity stalled with lockdowns in many areas to prevent spread of the virus.



# Operating Income Comparison



# Consolidated Balance Sheet (YoY change)

JPY in million	FY 2019 Q1	FY 2020 Q1	Change
<b>Current assets</b>	38,380	42,816	4,435
Cash	8,468	14,708	6,239
Accounts receivable	10,062	7,658	(2,403)
Inventories	18,675	18,859	184
Others	1,174	1,589	415
<b>Fixed assets</b>	21,830	21,755	(74)
Tangible fixed assets	12,065	12,513	447
Intangible fixed assets	5,722	5,133	(589)
Investment & other assets	4,041	4,108	67
<b>Total assets</b>	60,210	64,572	4,361

JPY in million	FY 2019 Q1	FY 2020 Q1	Change
<b>Current liabilities</b>	18,561	23,752	5,191
Accounts payable	6,610	5,248	(1,362)
Short-term debt *	7,209	13,271	6,062
Others	4,740	5,231	491
<b>Fixed liabilities</b>	15,404	14,090	(1,314)
Long-term debt	11,732	10,183	(1,549)
Others	3,672	3,906	234
<b>Total net assets</b>	26,244	26,729	484
<b>Total liabilities and net assets</b>	60,210	64,572	4,361

\* Includes Current portion of long-term loans payable

**1**

## **FY2019 1st Quarter Financial Results**

**2**

## **FY2019 Forecast**

**3**

## **Reference**

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

# FY2020 Forecast

## Japan

### Market

- The market is still under the influence of the pandemic, but demand is on a gradual recovery track.
- Private-sector equipment investment is slow. Demand for infrastructure is expected to grow.

### Initiatives

- Sales efforts are enhanced with better use of stored sales data.
- The initiative to reduce fixed costs has begun to build earnings power.
- Investment for manufacturing efficiency continues.

## Americas

### Market

- Market share is gradually increasing as market demand remains weak.
- Economic activity has resumed and orders are gradually recovering.

### Initiatives

- Faster deliveries and higher quality services for increasing market share.
- Expense cuts leading to higher profitability

# FY2020 Forecast

## China

### Market

- Economic activity resumed ahead of other areas after a short hiatus caused by the pandemic.
- Market share is improving due to increased awareness of environment and quality

### Initiatives

- Aim to expand sales by seizing equipment demand in performing industries.
- Profit-oriented sales efforts without price competition

## Asia

### Market

- The effects of Covid-19 in East Asia are milder than in other areas.
- In Southeast Asia, weak demand centered on the automobile industry

### Initiatives

- Enhance maintenance business for crane users, and hoist sales.
- Put more effort into exploring customers in industries other than automobiles.

## Europe

### Market

- Demand recovery is expected with economic activity resumed.

### Initiatives

- Further expand business on the strength of synergy with two acquired local firms.



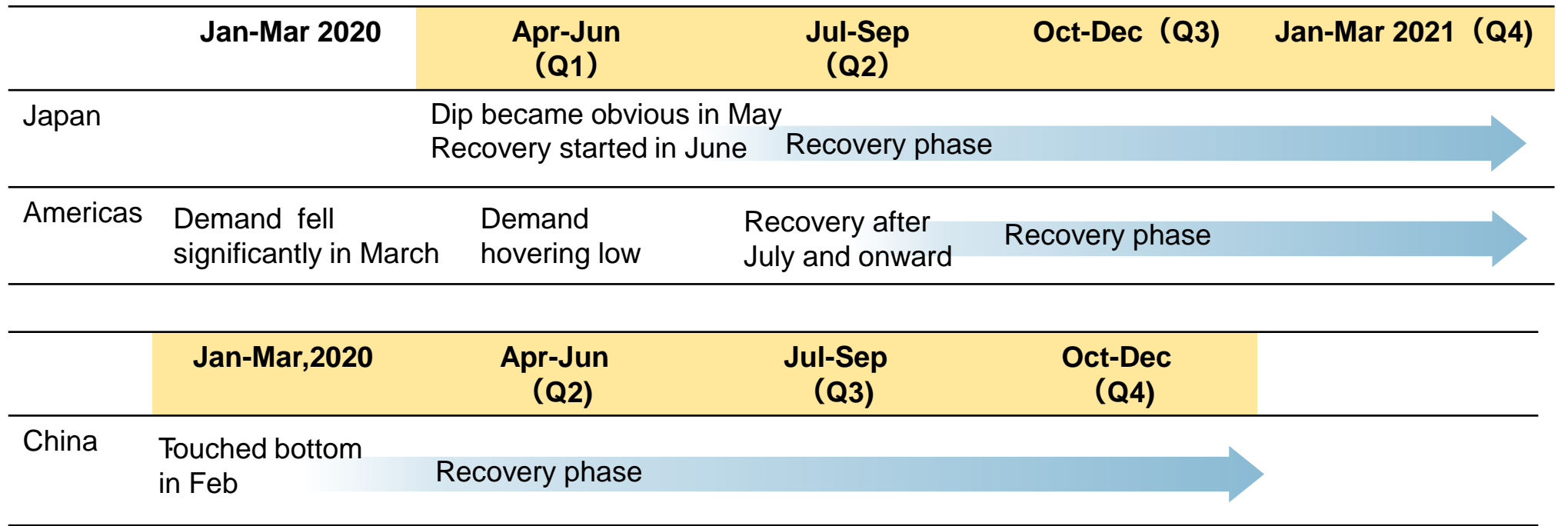
# FY2020 Forecast / Influence of COVID-19

## On production

- The influence on the operations of our supply chain and major production bases in Japan, the US and China are nearly none.

## For FY2020 demand forecast

- In Japan and the US, slow demand in Q1 is gradually shifting to the recovery phase in Q2.
- In China, operations returned to normal and demand seems to have bottomed in February, starting a recovery trend in April and onward.
- The business will catch up in the second half (July-December), projecting annual sales on a par with those of FY2019.

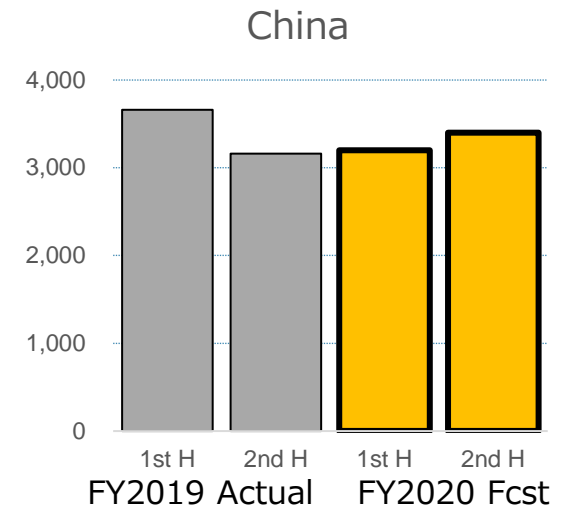
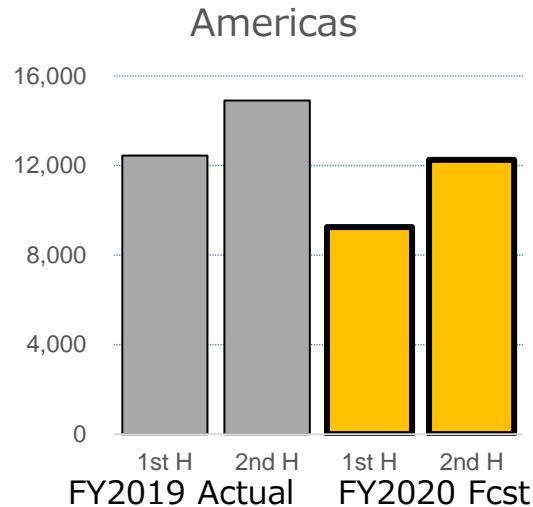
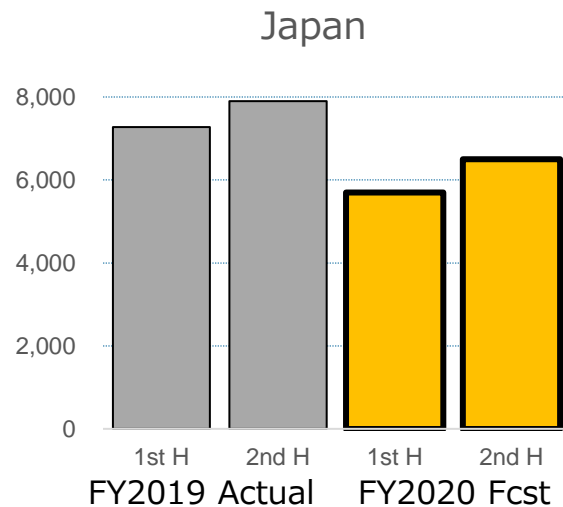


# FY2020 Forecast / Net Sales by Region

JPY in million	FY2019		FY2020 Forecast				YoY change	
		% share	1st H	2nd H	Full year	% share	Amount	in %
<b>Total</b>	58,722	100.0%	<b>21,000</b>	<b>28,000</b>	<b>49,000</b>	<b>100.0%</b>	(9,722)	(16.6)%
Japan	15,174	25.8%	<b>5,650</b>	<b>6,550</b>	<b>12,200</b>	<b>24.9%</b>	(2,974)	(19.6)%
Americas	27,332	46.6%	<b>9,200</b>	<b>12,300</b>	<b>21,500</b>	<b>43.9%</b>	(5,832)	(21.3)%
China	6,822	11.6%	<b>3,200</b>	<b>3,400</b>	<b>6,600</b>	<b>13.5%</b>	(222)	(3.3)%
Asia	3,729	6.4%	<b>1,050</b>	<b>2,150</b>	<b>3,200</b>	<b>6.5%</b>	(529)	(14.2)%
Europe	3,467	5.9%	<b>950</b>	<b>2,550</b>	<b>3,500</b>	<b>7.1%</b>	33	1.0 %
Others	2,196	3.7%	<b>950</b>	<b>1,050</b>	<b>2,000</b>	<b>4.1%</b>	(196)	(8.9)%

Note: Exchange Rate (FY2019 Q1 → FY2020 Q1)

USD/JPY 108.7→105.4 CAD/JPY 81.8→83.6 EUR/JPY 120.8→119.5 RMB/JPY 15.8 →15.8



# FY2020 Forecast

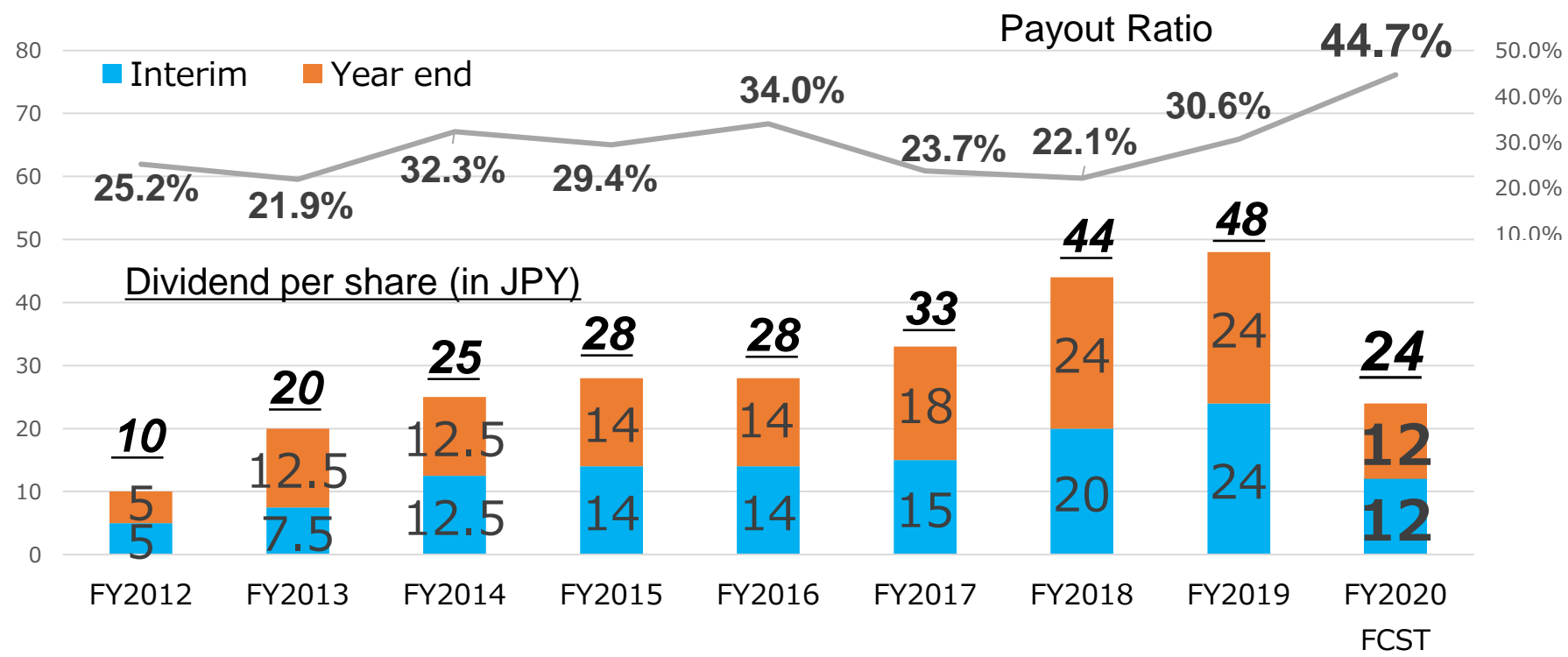
JPY in million	FY2019	FY2020 Forecast			YoY
		1st H	2nd H	Full Year	
<b>Sales</b>	58,722	<b>21,000</b>	<b>28,000</b>	<b>49,000</b>	(16.6)%
<b>Op Income</b>	5,474	<b>650</b>	<b>2,350</b>	<b>3,000</b>	(45.2)%
Op in come / Sales	9.3%	3.1%	8.4%	6.1%	
<b>Ordinary Income</b>	4,991	<b>500</b>	<b>2,250</b>	<b>2,750</b>	(44.9)%
Ordinary income	8.5%	2.4%	8.0%	5.6%	
<b>Net Income</b>	3,204	<b>(500)</b>	<b>1,600</b>	<b>1,100</b>	(65.7)%
Net Income / Sales	5.5%	(2.4)%	5.7%	2.2%	
<b>EBITDA</b>	8,508	2,150	3,850	6,000	(29.5)%
Op Income + Depreciation					
<b>CAPEX</b>	1,689	—		2,500	

Note: Exchange Rate (FY2019 → FY2020)

USD/JPY 108.7→105.4 CAD/JPY 81.8→83.6 EUR/JPY 120.8→119.5 RMB/JPY 15.8→15.8

# Dividend

The dividend for FY2020 to be JPY 24 per share, based on the projected performance for FY2020 and recovery in FY2021 and onward



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**

## **FY2020 1st Quarter Financial Results**

**2**

## **FY2020 Forecast**

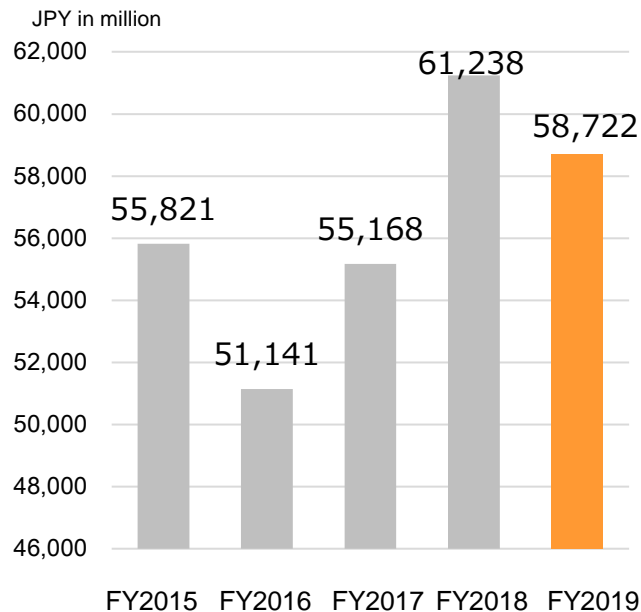
**3**

## **Reference**

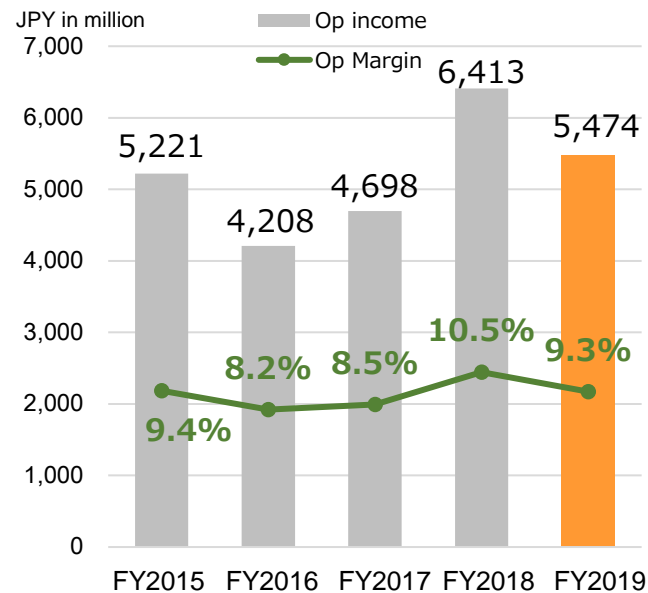
- **Five Year Financial Results (FY2015 – FY2019)**
- **Kito's Business**
- **Mid-Term Plan (FY2016 – FY2020)**

# Key Figures

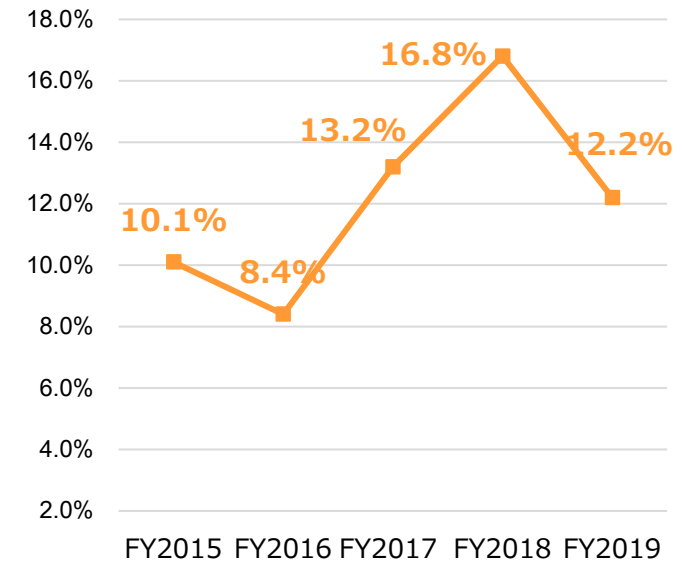
## Sales



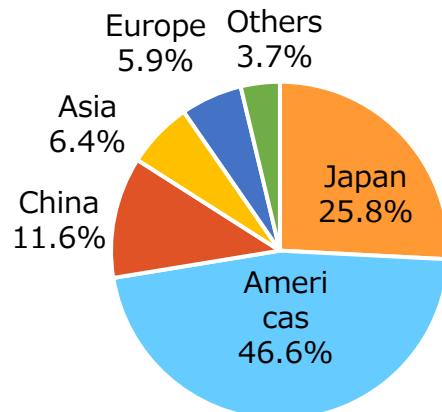
## OP Income and Op margin



## ROE

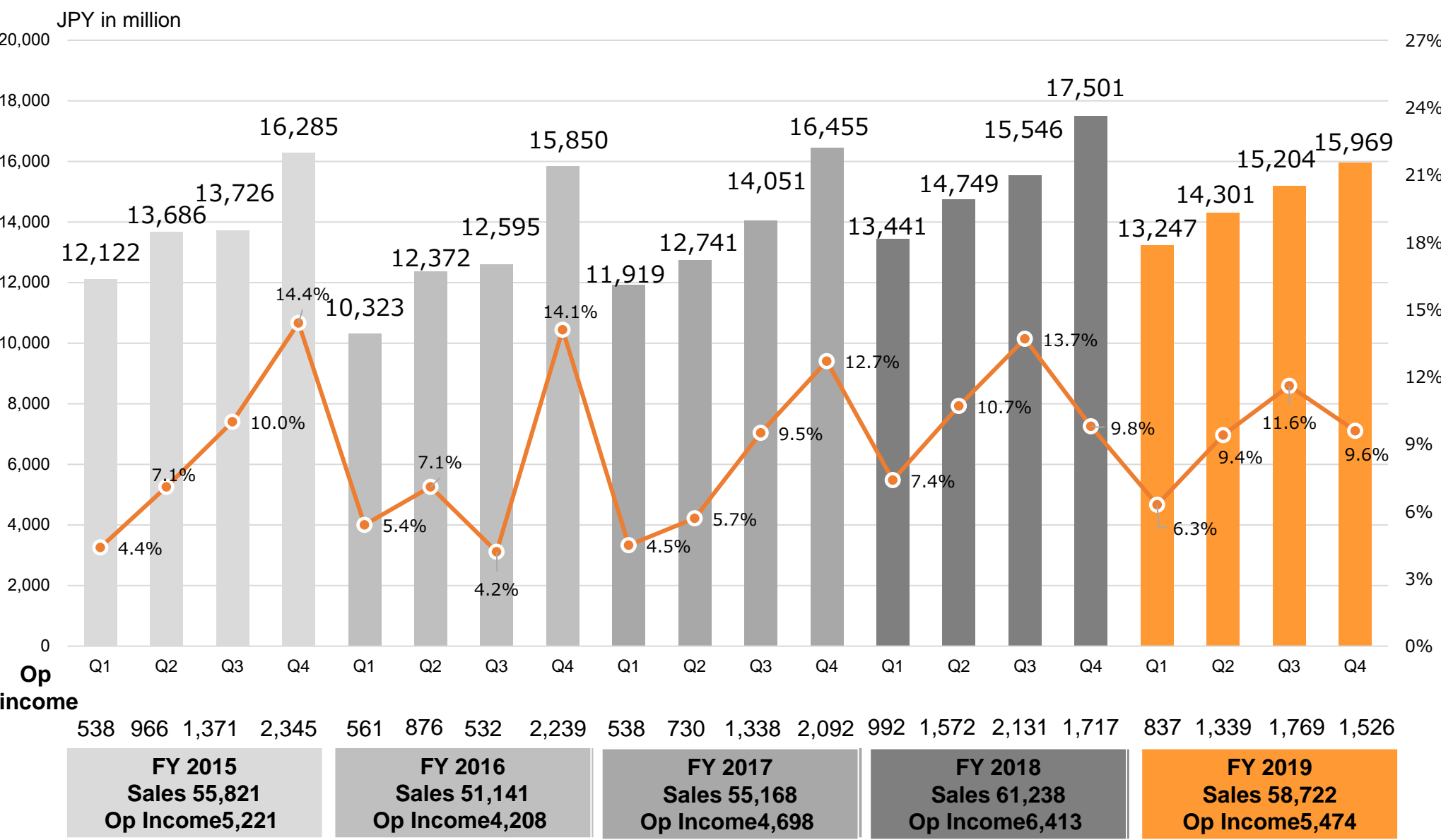


## Sales by Region in FY2019



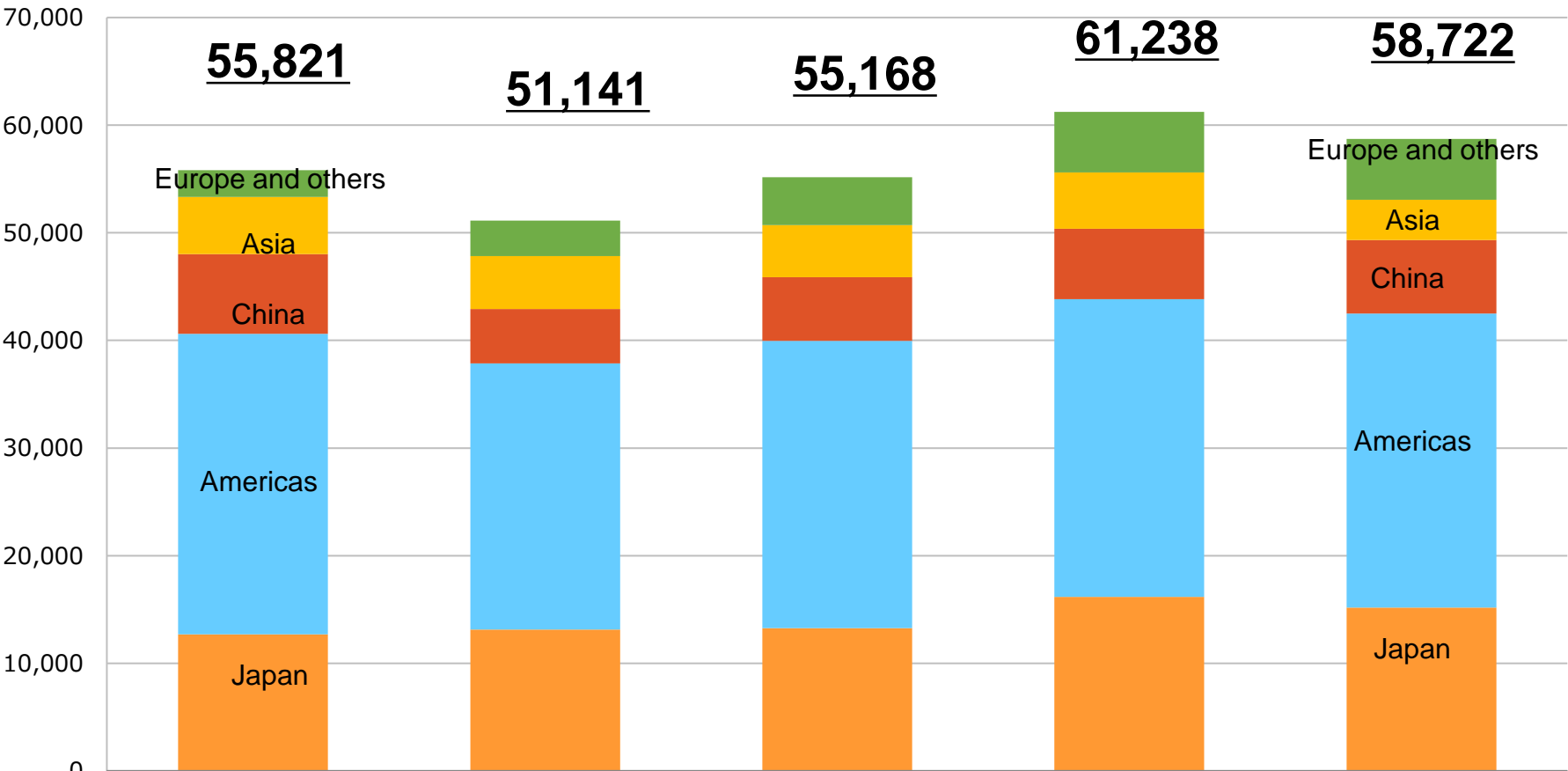
	FY2015	FY2016	FY2017	FY2018	FY 2019
Sales from non Jp Mkts	77.3%	74.3%	76.0%	73.6%	74.2%
Average FX Rate					
USD/JPY	120.1	108.4	110.9	110.9	108.7
CAD/JPY	91.8	82.5	86.5	84.6	81.8
EUR/JPY	132.6	118.8	129.7	128.4	120.8
RMB/JPY	19.2	16.4	16.6	16.7	15.8
Capex (JPY in million)	2,013	2,393	1,411	1,416	1,689
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



	FY2015	FY2016	FY2017	FY2018	FY2019
Europe and others	2,479	3,308	4,465	5,634	5,663
Asia	5,321	4,925	4,837	5,239	3,729
China	7,418	5,034	5,903	6,539	6,822
Americas	27,909	24,742	26,700	27,663	27,332
Japan	12,692	13,129	13,261	16,162	15,174



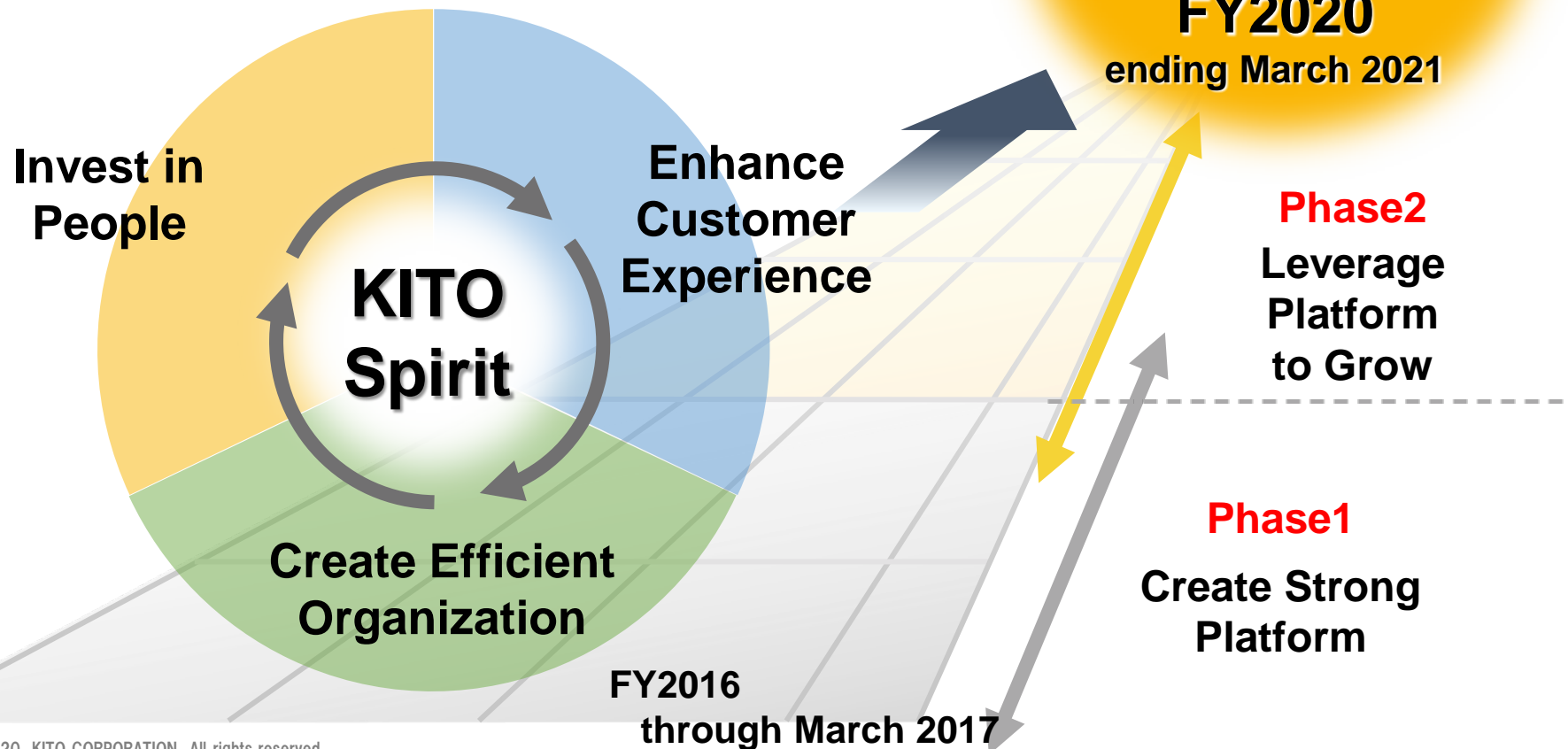
---

# **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

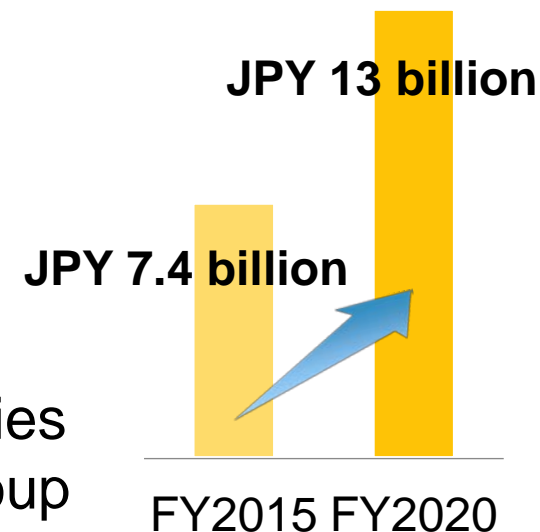
### **2 Growth through product portfolio expansion**

- 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



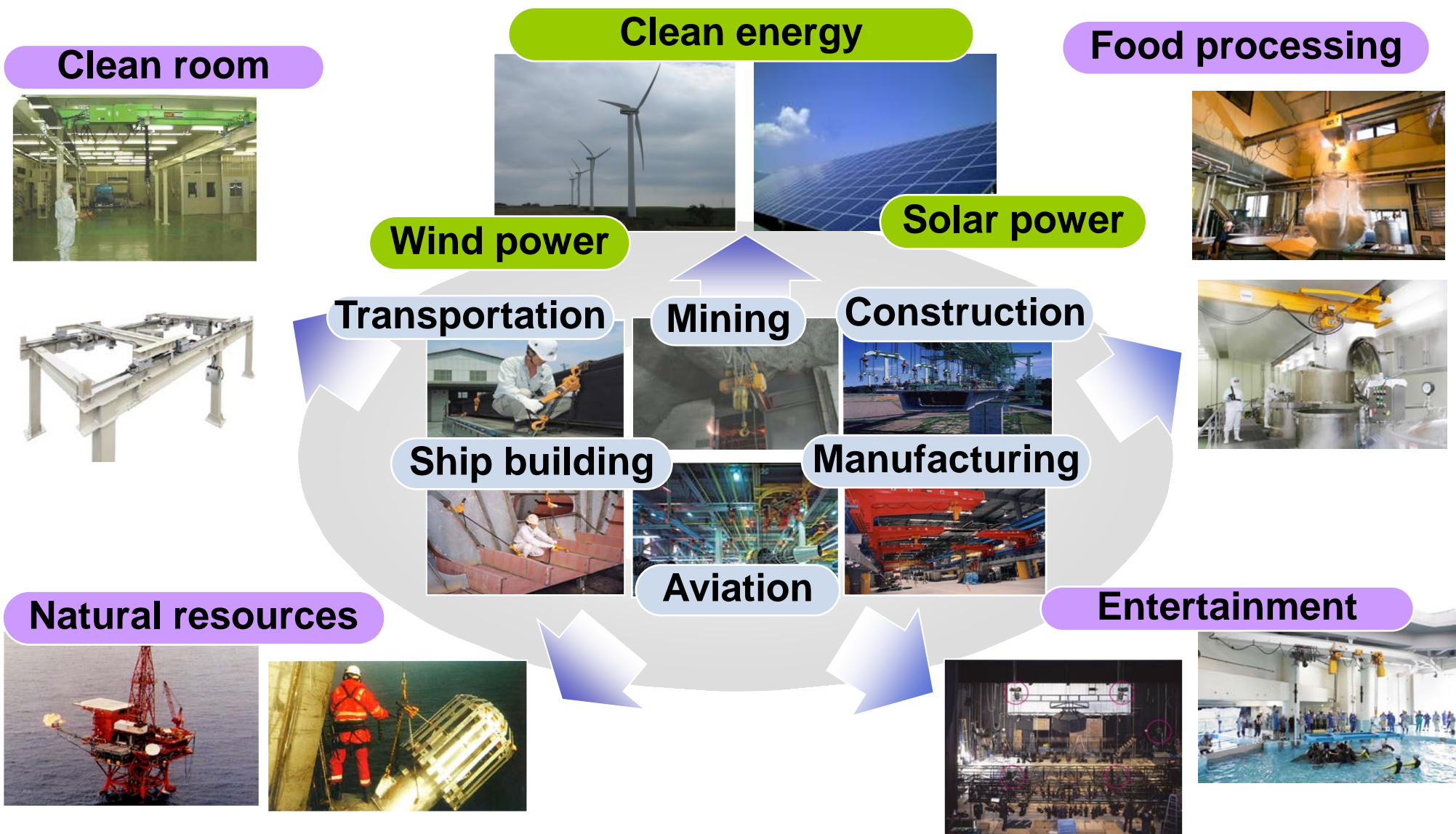
## ■ Various Chain

- 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

High performance

Safety

High operability

### Technological Advantages

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

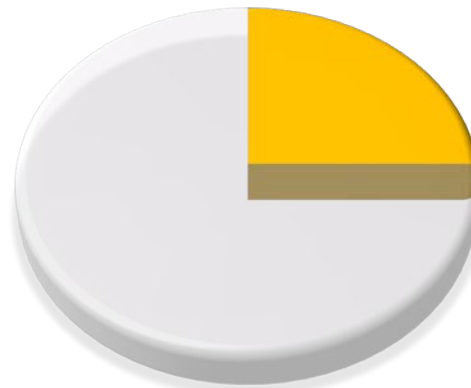
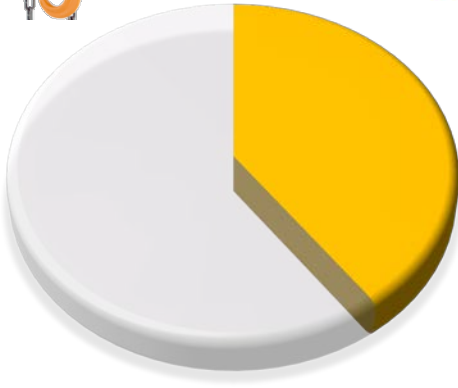
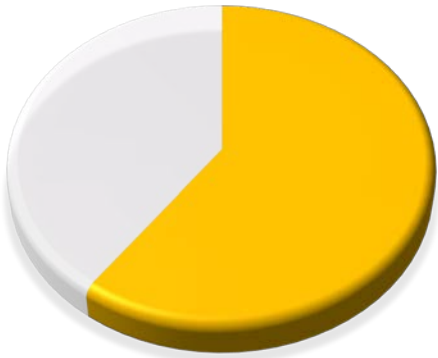
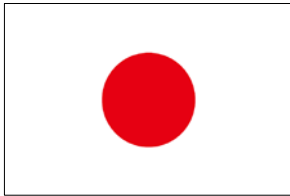
### Service Network

Extensive network to provide service for high customer satisfaction



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

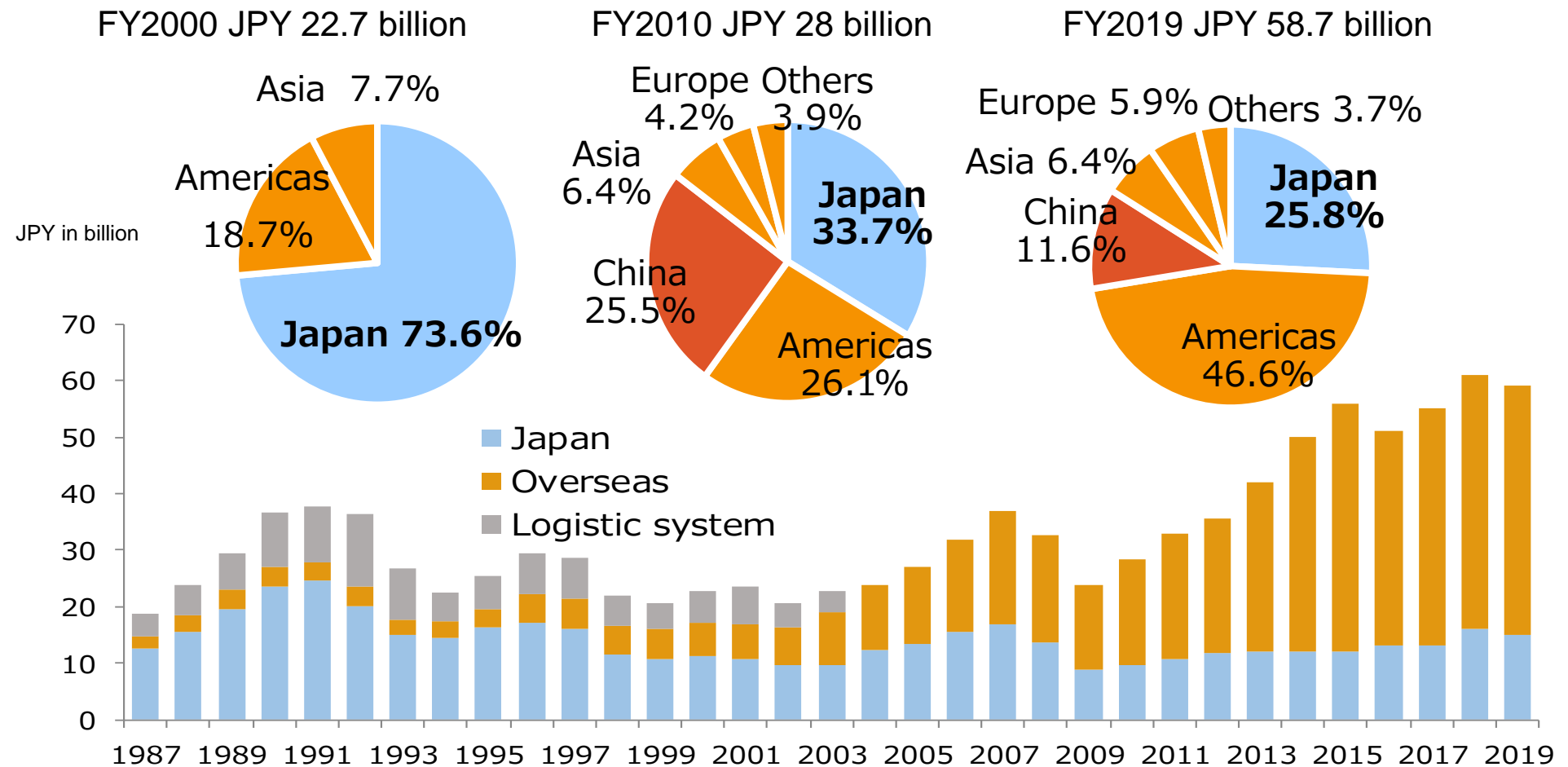
# Global Share





# 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 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

