

This is the English translation of the original Japanese-language Business Results of KITO CORPORATION (the Company) for the fiscal year ended March 31, 2019 and is provided for reference purposes only. Readers are advised that the Company does not guarantee the accuracy of the content contained in this report. In the event of any discrepancy between this translation and the Japanese original, the Japanese original shall prevail.

Business Results for the Fiscal Year Ended March 31, 2019 [Japan GAAP] (Consolidated)

May 13, 2019

Company	KITO CORPORATION	Listed on the TSE 1 st Section
Stock Code	6409	URL: http://kito.com/
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Expected date of Annual General Meeting of shareholders:	June 21, 2019	Expected starting date of dividend payment:	June 24, 2019
Expected date of filing of annual securities report:	June 24, 2019		
Preparation of supplementary financial document:	Yes		
Briefing session to explain the financial statements:	Yes (for institutional investors)		

(Rounded down to the nearest million yen)

1. Consolidated business results for the fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

(1) Consolidated results of operations (% change from the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY ended Mar. 2019	61,238	11.0	6,413	36.5	5,748	51.6	4,064	43.3
FY ended Mar. 2018	55,168	7.9	4,698	11.6	3,791	16.7	2,836	49.4

(Note) Comprehensive income Fiscal year ended Mar. 2019: 3,878 million yen 27.0%
Fiscal year ended Mar. 2018: 3,054 million yen 109.8%

	Net income per share	Diluted net income per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
FY ended Mar. 2019	199.14	198.28	16.8	9.3	10.5
FY ended Mar. 2018	139.52	138.77	13.2	6.2	8.5

(Reference) Equity in earnings of affiliates: Fiscal year ended Mar. 2018: (147) million yen
Fiscal year ended Mar. 2017: (245) million yen

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 2019	62,078	26,687	41.4	1,258.34
As of Mar. 2018	61,854	23,697	36.7	1,114.03

(Reference) Shareholders' equity As of Mar. 2019: 25,690 million yen
As of Mar. 2018: 22,714 million yen

(3) Consolidated results of cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
	Million yen	Million yen	Million yen	Million yen
FY ended Mar. 2019	3,553	(1,580)	(4,279)	8,504
FY ended Mar. 2018	7,044	(2,191)	(3,083)	10,769

2. Dividends

	Annual dividend					Total	Dividend payout ratio	Rate of total dividend to net assets (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY ended Mar. 2018	—	15.00	—	18.00	33.00	672	23.7	3.1
FY ended Mar. 2019	—	20.00	—	24.00	44.00	898	22.1	3.7
FY ending Mar. 2020 (forecast)	—	24.00	—	24.00	48.00		22.8	

3. Forecast of consolidated business results for the fiscal year ending March 31, 2020 (April 1, 2019 to March 31, 2020)

(% change from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
For the six months ending Sept. 2019	28,000	(0.7)	2,200	(14.2)	2,000	(13.6)	1,300	(29.2)	63.67
FY ending Mar. 2020	62,800	2.5	6,700	4.5	6,400	11.3	4,300	5.8	210.61

※ Notes:

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in a change in the scope of consolidation): Yes

(2) Changes in accounting policies, accounting estimates, and restatements
 Changes in accounting policies due to revisions of accounting standards: No
 Changes in accounting policies other than above: No
 Changes of accounting estimates: No
 Restatements: No

(3) Number of shares issued (common stock)
 Number of shares issued at the end of period (treasury stock included)
 As of Mar. 2019: 27,048,200 shares As of Mar. 2018: 27,048,200 shares
 Number of treasury stock at the end of period
 As of Mar. 2019: 6,631,768 shares As of Mar. 2018: 6,659,133 shares
 Average number of shares over the period
 Fiscal 2019: 20,409,892 shares Fiscal 2018: 20,327,294 shares

(Reference) Summary of non-consolidated business results

Non-consolidated business results for the fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

(1) Non-consolidated results of operations (% change from the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY ended Mar. 2019	29,794	19.7	3,845	62.2	4,425	52.3	2,480	72.7
FY ended Mar. 2018	24,886	3.5	2,369	25.9	2,906	41.5	1,436	2.2

	Net income per share	Diluted net income per share
	Yen	Yen
FY ended Mar. 2019	121.54	121.01
FY ended Mar. 2018	70.65	70.27

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 2019	44,298	17,009	38.3	830.65
As of Mar. 2018	45,872	15,328	33.3	749.42

(Reference) Shareholders' equity: As of Mar. 2019: 16,958 million yen
As of Mar. 2018: 15,279 million yen

***This financial summary is not subject to auditing by certified public accountants or audit firms.**

*** Explanation regarding the appropriate use of business forecasts and other special instructions**

(Notes to the forward-looking statements)

The performance forecasts and other forward-looking statements presented in this summary are based on information currently available and certain assumptions deemed to be reasonable and are not to be read as guarantees of future performance by Kito. Actual performance, etc., may differ substantially due to various factors. For the preconditions of the assumptions and special instructions regarding the appropriate use of business forecasts, refer to "1. Overview of business results (4) Future outlook" on page 6 of the attached materials.

(Method of obtaining the supplementary financial documents and the contents of the briefing session)

Kito is planning to hold a briefing session for institutional investors on May 21, 2019. A summary of the briefing session and content of explanations, along with the explanatory materials used, will be posted on the Company's website immediately afterward.

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1. Overview of business results

(1) Overview of business results for the subject period

During fiscal 2018 (ended March 31, 2019), the economic outlook remained uncertain due to such factors as the direction of U.S.-China trade policy, and concerns over a slowdown in the Chinese economy. Despite this, the business environment for the Company remained steady, due to earnings driven by demand for expanding infrastructure-related repair and firm private sector capital investment mainly in Japan and the United States.

Fiscal 2018 is the third year of the Company's five-year mid-term business plan. During the subject fiscal year, designated as a period of transition from a platform enhancement to a full-fledged growth phase, the Company steadily captured robust investment demand, while implementing various measures.

During the subject fiscal year, the Company continued to increase production capacity from the beginning of the period and captured the strong demand. As a result, consolidated net sales rose 11.0% from the previous fiscal year, to ¥61,238 million. Earnings rose sharply in all categories, supported by favorable sales and expanded production. Operating income amounted to ¥6,413 million (up 36.5% from the previous fiscal year), with ordinary income of ¥5,748 million (up 51.6%) and net income attributable to owners of the parent of ¥4,064 million (up of 43.3%). As a result, sales and all categories of earnings reached record high levels.

Results by segment are as follows. The Kito Group's business activities are classified by geographical segment for the Company and its consolidated group companies.

Segment	Net Sales YoY change in %	Operating Income (Loss) YoY change in %
Japan	29,794 million yen, up 19.7%	6,282 million yen, up 35.4%
The Americas	28,691 million yen, up 7.1%	1,657 million yen, up 33.4%
China	7,185 million yen, up 14.7%	910 million yen, up 30.9%
Asia	4,668 million yen, down 0.3%	472 million yen, down 6.2%
Europe	3,754 million yen, up 95.9%	(251) million yen (104 million yen of operating loss for the previous FY)
Others	1,901 million yen, down 7.2%	49 million yen (52 million yen of operating loss for the previous FY)

Japan:

Demand remained robust, centered on the public sector for infrastructure repair and disaster-related recovery efforts, as well as for private-sector capital expenditures. The export market also rose steadily, mainly for products to the United States. As a result, net sales in Japan amounted to ¥29,794 million (up 19.7% from the previous fiscal year), with operating income of ¥6,282 million (up 35.4%) and overall results remained strong through the fiscal year.

The Americas:

U.S. demand expanded in the private sector, as well as on public facilities investment, particularly for natural resource-related businesses. Net sales in the Americas amounted to ¥28,691 million (up 7.1% from the previous fiscal year), with operating income of ¥1,657 million (up 33.4%).

China:

Demand continued to be firm in the Chinese market despite concerns of a slowdown as a whole centered on export industries due to trade friction with the United States. The Company captured demand in the domestic Chinese market in the semiconductor and electric vehicle (EV) sectors, as well as infrastructure-related sectors such as electric power and railways. As a result, net sales in China amounted to ¥7,185 million (up 14.7% from the previous fiscal year), with operating income of ¥910 million (up 30.9%).

Asia (excluding Japan and China):

The Company captured rising demand, particularly in the automotive-related sector, but demand declined in South Korea for clean room cranes. As a result, net sales in Asia amounted to ¥4,668 million (down 0.3% from the previous fiscal year), with operating income of ¥472 million (down 6.2%).

Europe:

The Company captured the rising capital investment demand across the region, while Kito Chain Italia, a manufacturer of chain-related products, became a consolidated subsidiary. As a result, net sales amounted to ¥3,754 million (up 95.9% from the previous fiscal year). In terms of earnings, the Company posted an operating loss for Europe of ¥251 million (compared to an operating loss of ¥104 million in the previous fiscal year).

Other:

This segment currently comprises the Australia business. Net sales amounted to ¥1,901 million (down 7.2% from the previous fiscal year). In terms of earnings, a focus on improving profitability resulted in operating income of ¥49 million (compared to an operating loss of ¥52 million in the previous fiscal year).

(2) Overview of financial position for the subject period**Assets:**

Total assets at the end of the fiscal 2018 amounted to ¥62,078 million, an increase of ¥223 million compared to the end of the previous fiscal year. The main factors were a ¥2,102 million decrease in cash and deposits; a ¥1,140 million increase in notes and accounts receivable-trade; and a ¥2,664 million increase in merchandise and finished goods.

Liabilities:

Total liabilities amounted to ¥35,391 million, a decrease of ¥2,766 million compared to the end of the previous fiscal year. The main factors were a ¥1,337 million increase in short-term loans payable; a ¥539 million increase in accrued expenses; and a ¥3,768 million decrease in long-term loans payable.

Net assets:

Total net assets amounted to ¥26,687 million, an increase of ¥2,989 million compared to the end of the previous fiscal year. The main factor was a ¥3,189 million increase in retained earnings.

(3) Overview of cash flows for the subject period

Cash and cash equivalents amounted to ¥8,504 million, a decrease of ¥2,265 million compared with the end of the previous fiscal year.

Cash flows from operating activities:

Net cash provided by operating activities amounted to ¥3,553 million, a decrease of ¥3,490 million compared to the previous fiscal year. The main factors were ¥5,822 million in income before income taxes; ¥2,470 million in depreciation and amortization; ¥1,949 million of an increase in inventories.

Cash flows from investing activities:

Net cash used in investing activities amounted to ¥1,580 million, a decrease of ¥610 million compared to the previous fiscal year. The main factors were ¥1,304 million in payments for acquisition of property and equipment; ¥328 million in proceeds from sales of property and equipment; and ¥195 million in payments for purchase of stocks of subsidiaries and affiliates.

Cash flows from financing activities:

Net cash used in financing activities amounted to ¥4,279 million, an increase of ¥1,196 million compared to the previous fiscal year. The main factors were ¥1,033 million in net increase in short-term loans payable; and ¥4,806 million in repayments of long-term loans payable.

(4) Future outlook

For fiscal 2019 (ending March 31, 2020), the fourth year of the Kito Group's five-year mid-term management plan, the Company will shift to a full-fledged growth stage aimed at achieving the management plan. To achieve further growth, we will capture the steadily growing global demand, and expand our lineup of products and services. We will enhance business productivity and efficiency with the aim of maximizing earnings and cash flow.

The business environment for the Kito Group remains clouded by such factors as the direction of U.S.-China trade policy, a slowdown in the Chinese economy, and the Brexit issue. However, against the background of solid domestic demand in developed countries, the Company is projecting that the robust demand from the previous fiscal year will continue. In Japan and the North America, we expect investment demand to grow steadily in the private sector for capital expenditure, as well as public sector infrastructure-related demand, and will aim for further growth in both markets. In China, the Company's market share is increasing on a reputation for product quality, and we will further explore business with buoyant industries to realize further growth. In other areas of Asia (excluding Japan and China), despite uncertainties in the South Korean economy, for the region overall, we anticipate growth at a moderate pace, centered on the automotive industry. We will expand our lineup of such products as wire rope hoists and the new light cranes.

In addition to expanding sales, the Company will seek further growth in earnings by enhancing production efficiency and improving the supply chain. To meet growing global demand, at the continually expanding main plant in Yamanashi, we will begin renovations to the production lines aimed at realizing more efficient manufacturing. In addition, we will shift production to the U.S. and the Asia region, enhancing a global production and supply structure that will improve the supply chain.

As a result of these measures, for fiscal 2019 (ending March 31, 2020), the Company is forecasting consolidated net sales of ¥62,800 million, with operating income of ¥6,700 million, ordinary income of ¥6,400 million, and net income attributable to owners of the parent company of ¥4,300 million. The Company is expecting record high sales, operating income, ordinary income and net income. The foreign currency exchange rate assumption for these forecasts is US\$1=¥110.0 (¥110.9/\$ in fiscal 2018).

Of note, these earnings forecasts were made based on information available at the time of publication of this material. Actual results may vary from the forecast figures due to variety of factors.

2. Basic approach toward the selection of accounting standards

The consolidated financial statements of the Company are prepared by the Kito Group based on the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (excluding Chapter VII & Chapter VIII, Ordinance of the Ministry of Finance No. 28 in 1976). This step is taken to facilitate the comparison between companies and periods.

The Company maintains the policy of adopting International Financial Standards (IFRS) after taking into consideration a variety of factors and conditions in Japan and overseas.

3. Consolidated financial statements and major notes

(1) Consolidated balance sheets

(Million yen)

	As of March 31, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and deposits	10,780	8,678
Notes and accounts receivable—trade	11,447	12,587
Merchandise and finished goods	10,673	13,337
Work in process	1,748	1,231
Raw materials and supplies	3,081	3,356
Others	1,287	1,396
Allowance for doubtful receivables	(43)	(63)
Total current assets	38,975	40,524
Fixed assets		
Property and equipment		
Buildings and structures	10,833	11,003
Accumulated depreciation	(6,359)	(6,618)
Buildings and structures (net)	4,473	4,385
Machinery, equipment, and vehicles	18,403	19,111
Accumulated depreciation	(13,579)	(14,445)
Machinery, equipment, and vehicles (net)	4,823	4,666
Land	1,497	1,444
Construction in progress	284	372
Others	6,264	6,383
Accumulated depreciation	(5,795)	(5,968)
Others (net)	469	415
Total property and equipment	11,549	11,283
Intangible assets		
Goodwill	1,926	1,650
Software	1,705	1,261
Other intangible assets	3,209	3,180
Total intangible assets	6,841	6,093
Investments and other assets		
Investment securities	1,312	801
Deferred tax assets	1,727	1,805
Net defined benefit assets	81	173
Other investments and other assets	1,366	1,396
Total investments and other assets	4,488	4,176
Total fixed assets	22,879	21,554
Total assets	61,854	62,078

(Million yen)

	As of March 31, 2018	As of March 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable—trade	6,143	6,483
Short-term loans payable	1,506	2,844
Current portion of long-term loans payable within one year	4,212	3,988
Accrued expenses	2,949	3,488
Income taxes payable	795	1,065
Provision for bonuses for employees	803	843
Provision for product warranties	33	85
Provision for sales returns	290	308
Other current liabilities	1,880	1,074
Total current liabilities	18,616	20,183
Long-term liabilities		
Long-term loans payable	15,731	11,962
Provision for directors' retirement benefits	211	221
Net defined benefit liabilities	2,407	1,996
Deferred tax liabilities	1,087	924
Other long-term liabilities	103	102
Total long-term liabilities	19,541	15,207
Total liabilities	38,157	35,391
Net assets		
Shareholders' equity		
Capital stock	3,976	3,976
Capital surplus	5,210	5,214
Retained earnings	18,674	21,863
Treasury stock	(5,749)	(5,725)
Total shareholders' equity	22,111	25,328
Accumulated other comprehensive income		
Valuation difference on other available-for-sale securities	0	0
Deferred gains or losses on hedges	106	52
Foreign currency translation adjustment	724	552
Remeasurements of defined benefit plans	(228)	(242)
Total accumulated other comprehensive income	602	362
Subscription rights to shares	48	50
Non-controlling interests	935	945
Total net assets	23,697	26,687
Total liabilities and net assets	61,854	62,078

(2) Consolidated statements of income/Consolidated statements of comprehensive income

(Consolidated statements of income)

	(Million yen)	
	FY2017 (April 1, 2017 to March 31, 2018)	FY2018 (April 1, 2018 to March 31, 2019)
Net sales	55,168	61,238
Cost of sales	35,286	38,693
Gross profit	19,881	22,545
Selling, general, and administrative expenses		
Selling expense	11,440	12,033
General and administrative expense	3,742	4,098
Total selling, general, and administrative expenses	15,182	16,132
Operating income	4,698	6,413
Non-operating income		
Interest income	29	42
Rents received	31	27
Proceeds from sales of scrap	52	50
Other	90	123
Total non-operating income	204	245
Non-operating expenses		
Interest expense	395	406
Equity in losses of affiliates	245	147
Foreign exchange losses	212	132
Other	257	224
Total non-operating expenses	1,111	910
Ordinary income	3,791	5,748
Extraordinary income		
Gain on sale of noncurrent assets	—	170
Gain on liquidation of subsidiary	—	24
Total extraordinary income	—	195
Extraordinary loss		
Loss on sale of noncurrent assets	—	45
Loss on retirement of noncurrent assets	—	35
Impairment loss	—	39
Total extraordinary loss	—	121
Income before income taxes	3,791	5,822
Income taxes – current	1,124	1,976
Income taxes – deferred	(278)	(357)
Income taxes (current and deferred)	845	1,619
Net income	2,945	4,203
Net income attributable to non-controlling interests	109	138
Net income attributable to owners of parent	2,836	4,064

(Consolidated statements of comprehensive income)

(Million yen)

	FY2017 (April 1, 2017 to March 31, 2018)	FY2018 (April 1, 2018 to March 31, 2019)
Net income	2,945	4,203
Other comprehensive income		
Valuation difference on other available-for-sale securities	(0)	(0)
Deferred gains or losses on hedges	72	(53)
Foreign currency translation adjustment	(160)	(264)
Remeasurements of defined benefit plans	122	22
Share of other comprehensive income of entities accounted for using equity method	74	(28)
Total other comprehensive income	109	(324)
Comprehensive income	3,054	3,878
(Comprehensive income attributable to)		
Owners of the parent	2,908	3,786
Non-controlling interests	146	92

(3) Consolidated statements of changes in net assets

Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of the beginning of the period	3,976	5,226	16,427	(5,816)	19,814
Changes during the period					
Dividends from surplus			(589)		(589)
Net income attributable to owners of parent			2,836		2,836
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		(16)		67	51
Change in scope of consolidation					—
Adjustment to retained earnings due to U.S. tax system revisions					—
Changes of items other than shareholders' equity during the period (net)					
Total changes during the period	—	(16)	2,246	67	2,297
Balance as of the end of the period	3,976	5,210	18,674	(5,749)	22,111

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on other available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance as of the beginning of the period	0	33	847	(351)	529	45	850	21,239
Changes during the period								
Dividends from surplus								(589)
Net income attributable to owners of parent								2,836
Purchase of treasury stock								(0)
Disposal of treasury stock								51
Change in scope of consolidation								—
Adjustment to retained earnings due to U.S. tax system revisions								—
Changes of items other than shareholders' equity during the period (net)	(0)	72	(122)	122	72	2	84	160
Total changes during the period	(0)	72	(122)	122	72	2	84	2,457
Balance as of the end of the period	0	106	724	(228)	602	48	935	23,697

Fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of the beginning of the period	3,976	5,210	18,674	(5,749)	22,111
Changes during the period					
Dividends from surplus			(775)		(775)
Net income attributable to owners of parent			4,064		4,064
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		3		23	27
Change in scope of consolidation			(148)		(148)
Adjustment to retained earnings due to U.S. tax system revisions			48		48
Changes of items other than shareholders' equity during the period (net)					
Total changes during the period	—	3	3,189	23	3,216
Balance as of the end of the period	3,976	5,214	21,863	(5,725)	25,328

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on other available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance as of the beginning of the period	0	106	724	(228)	602	48	935	23,697
Changes during the period								
Dividends from surplus								(775)
Net income attributable to owners of parent								4,064
Purchase of treasury stock								(0)
Disposal of treasury stock								27
Change in scope of consolidation								(148)
Adjustment to retained earnings due to U.S. tax system revisions								48
Changes of items other than shareholders' equity during the period (net)	(0)	(53)	(172)	(13)	(239)	2	10	(226)
Total changes during the period	(0)	(53)	(172)	(13)	(239)	2	10	2,989
Balance as of the end of the period	0	52	552	(242)	362	50	945	26,687

(4) Consolidated statements of cash flows

(Million yen)

	FY2017 (April 1, 2017 to March 31, 2018)	FY2018 (April 1, 2018 to March 31, 2019)
Cash flows from operating activities		
Income before income taxes	3,791	5,822
Depreciation and amortization	2,116	2,470
Impairment loss	—	39
Depreciation of goodwill	327	317
Changes in allowance for doubtful receivables	(17)	21
Changes in reserve for bonuses for employees	138	45
Changes in reserve for retirement benefits for officers	21	9
Changes in net defined benefit liabilities	86	(413)
Interest and dividends income	(29)	(42)
Interest expense	395	406
Equity in earnings of affiliates	245	147
Loss on retirement of noncurrent assets	17	35
Gain on sales of noncurrent assets	(5)	(124)
Changes in trade receivables	(441)	(921)
Changes in inventories	(445)	(1,949)
Changes in accounts receivable	(36)	(0)
Changes in prepaid expense	13	(95)
Changes in trade payables	732	141
Changes in accrued expenses	717	491
Changes in advances received	354	(554)
Others	91	(380)
Subtotal	8,073	5,464
Cash received from interest and dividends	29	63
Interest paid	(386)	(408)
Income taxes paid	(672)	(1,565)
Net cash provided by operating activities	7,044	3,553
Cash flows from investing activities		
Payments for acquisition of property and equipment	(1,030)	(1,304)
Proceeds from sales of property and equipment	27	328
Payments for acquisition of intangible assets	(380)	(111)
Changes in time deposits	(1)	(168)
Payments of stocks of subsidiaries and affiliates	(498)	(195)
Payments for investments in capital of subsidiaries and affiliates	(178)	—
Proceeds from the collection of guarantee money deposited	16	37
Changes in investments and other assets	(134)	(47)
Others	(10)	(118)
Net cash used in investing activities	(2,191)	(1,580)

(Million yen)

	FY2017 (April 1, 2017 to March 31, 2018)	FY2018 (April 1, 2018 to March 31, 2019)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(5,179)	1,033
Proceeds from long-term loans payable	6,723	450
Repayments of long-term loans payable	(3,779)	(4,806)
Cash dividends paid by parent company	(588)	(774)
Cash dividends paid for non-controlling interests	(96)	(81)
Others	(163)	(100)
Net cash used in financing activities	(3,083)	(4,279)
Effect of exchange rate change on cash and cash equivalents	(59)	(67)
Net increase (decrease) in cash and cash equivalents	1,710	(2,373)
Cash and cash equivalents at the beginning of the year	9,059	10,769
Increase (decrease) in cash and cash equivalents resulting in change of scope of consolidation	—	108
Cash and cash equivalents at the end of the year	10,769	8,504

(5) Notes to consolidated financial statements
(Notes regarding ongoing concern assumption)
No relevant matters to be noted.

(Segment Information)

[Segment information]

1. Reportable segments (overview)

The reportable segments of KITO CORPORATION are units of the corporation, for which financial information is separately available and which are subject to periodic reviews in order for the board of directors to determine the allocation of management resources and to assess business results.

KITO CORPORATION manufactures and sells hoisting equipment and cranes. The Company takes care of the domestic market, while for overseas markets, locally incorporated companies in the regions of the Americas, China, Asia, and Europe are respectively in charge of their own markets. Each of the locally incorporated companies is an independent management unit, plans comprehensive strategies for its products by region, and conducts business operations.

Therefore, KITO consists of these regional segments based on manufacturing and sales systems; consolidated subsidiaries are aggregated into six reportable segments, namely Japan, the Americas, China, Asia, Europe, and Other.

2. Calculation methods for net sales, income or loss, assets, liabilities, and other items of reportable segments

The accounting methods used for financial statements of respective reportable segments are basically the same as those stated in "Important matters fundamental to the preparation of consolidated financial statements."

Income of reportable segments is based on operating income, and internal sales and transfers among segments are on a market-value basis.

3. Information on the amounts of net sales, income or loss, assets, liabilities, and other items of reportable segments

Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

(Million yen)

	Reportable segments						Total	Adjustment Note 1	Consolidated financial statement amount Note 2
	Japan	Americas	China	Asia	Europe	Others			
Net sales									
Net sales to unaffiliated customers	13,947	26,700	5,903	4,680	1,887	2,048	55,168	—	55,168
Net internal sales or transfers among segments	10,939	85	360	1	29	—	11,415	(11,415)	—
Total	24,886	26,785	6,264	4,681	1,916	2,048	66,583	(11,415)	55,168
Segment income (loss)	4,639	1,242	695	504	(104)	(52)	6,924	(2,225)	4,698
Segment assets	26,157	24,355	7,170	4,895	1,643	1,372	65,595	(3,740)	61,854
Others									
Depreciation and amortization	830	865	225	145	7	28	2,103	12	2,116
Depreciation of goodwill	11	296	—	19	—	—	327	—	327
Increases in tangible noncurrent assets and intangible noncurrent assets	796	680	62	35	14	16	1,605	2	1,607

Notes:

1. The details of adjustments are as stated below:

- (1) The segment income or segment loss adjustment of ¥2,225 million includes transaction offsets among segments of ¥120 million and Company-wide expenses that are not allocated to respective reportable segments of ¥(2,346) million. Company-wide expenses are expenses mostly related to the general affairs, finance & accounting, and corporate planning departments of the parent company.
- (2) The segment assets adjustment of ¥(3,740) million includes transaction offsets among segments of ¥(5,343) million and Company-wide assets that are not allocated to respective reportable segments of ¥1,602 million. Company-wide assets are assets mostly related to the general affairs, finance & accounting, and corporate planning departments of the parent company.
- (3) The adjustment in the increase in tangible noncurrent assets and intangible noncurrent assets of ¥2 million is the amount of capital investment in Company-wide assets that are not allocated to the respective reportable segments.

2. Segment income or loss is adjusted to operating income listed in the consolidated financial statements.

Fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

(Million yen)

	Reportable segments						Total	Adjustment Note 1	Consolidated financial statement amount Note 2
	Japan	Americas	China	Asia	Europe	Other			
Net sales									
Net sales to unaffiliated customers	16,166	28,588	6,539	4,668	3,374	1,901	61,238	—	61,238
Net internal sales or transfers among segments	13,628	102	645	0	380	—	14,757	(14,757)	—
Total	29,794	28,691	7,185	4,668	3,754	1,901	75,996	(14,757)	61,238
Segment income (loss)	6,282	1,657	910	472	(251)	49	9,121	(2,707)	6,413
Segment assets	24,814	24,988	7,013	4,157	3,746	1,339	66,059	(3,980)	62,078
Others									
Depreciation and amortization	955	1,006	210	130	129	26	2,458	12	2,470
Depreciation of goodwill	11	296	—	8	—	—	317	—	317
Increases in tangible noncurrent assets and intangible noncurrent assets	617	416	87	52	97	32	1,303	17	1,321

Notes:

1. The details of adjustments are as stated below:

- (1) The segment income or segment loss adjustment of ¥2,707 million includes transaction offsets among segments of ¥263 million and Company-wide expenses that are not allocated to respective reportable segments of ¥(2,444) million. Company-wide expenses are expenses mostly related to the general affairs, finance & accounting, and corporate planning departments of the parent company.
- (2) The segment assets adjustment of ¥(3,980) million includes transaction offsets among segments of ¥(4,839) million and Company-wide assets that are not allocated to respective reportable segments of ¥858 million. Company-wide assets are assets mostly related to the general affairs, finance & accounting, and corporate planning departments of the parent company.
- (3) The adjustment in the increase in tangible noncurrent assets and intangible noncurrent assets of ¥17 million is the amount of capital investment in Company-wide assets that are not allocated to the respective reportable segments.

2. Segment income or loss is adjusted to operating income listed in the consolidated financial statements.

(Per share information)

	FY2017 (April 1, 2017 to March 31, 2018)	FY2018 (April 1, 2018 to March 31, 2019)
Net assets per share	1,114.03 yen	1,258.34 yen
Net income per share	139.52 yen	199.14 yen
Diluted net income per share	138.77 yen	198.28 yen

Notes:

1. The basis for calculating net assets per share is presented as follows:

	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)
Total net assets (million yen)	23,697	26,687
Amount deducted from net assets (million yen)	983	996
(Subscription rights to shares)	(48)	(50)
(Net income attributable to non-controlling interests)	(935)	(945)
Common stocks within net assets as of the end of the year (million yen)	22,714	25,690
Number of common stocks as of the end of the year used for the calculation of net assets per share (shares)	20,389,067	20,416,432

2. The basis for calculating net income per share and diluted net income per share is presented as follows:

	FY2017 (April 1, 2017 to March 31, 2018)	FY2018 (April 1, 2018 to March 31, 2019)
Net income per share		
Net income attributable to owners of parent (million yen)	2,836	4,064
Not attributable to ordinary shareholders of common stock (million yen)	—	—
Net income attributable to owners of parent's common stock (million yen)	2,836	4,064
Average number of common stocks during the year (shares)	20,327,294	20,409,892
Diluted net income per share		
Increase in common stocks (shares)	110,250	88,382
(Subscription rights to shares) (shares)	(110,250)	(88,382)
Dilutive shares that do not have dilutive effect and thus are not included in the calculation of diluted net income per share (Summary)	—	The 15th subscription rights to shares: Special resolution passed at the Ordinary General Meeting of Shareholders on June 21, 2017, passed at the board of directors meeting on May 29, 2018 (Number of subscription rights to shares: 300, common stocks: 60,000 shares)

(Important subsequent events)

Introduction of a Share Compensation System with Restriction on Transfer

At a meeting of the Board of Directors held on April 23, 2019, Kito reviewed its executive compensation system and decided to introduce a share compensation system with restriction on transfer (hereinafter referred to as the "Plans"). The decision was also made to propose the introduction of the Plans at the Company's 75th Ordinary General Meeting of Shareholders (hereinafter referred to as the "General Meeting of Shareholders") to be held on June 21, 2019.

1. Purpose of introduction

The Plans comprise a system that Kito is looking to introduce to provide directors (excluding outside directors; hereinafter referred to as "Applicable Directors") with the incentive to continuously improve the Company's corporate value, and to further share value with shareholders.

2. Conditions for introduction

As the Plans pay Applicable Directors monetary receivables for granting restricted shares, the introduction of the Plans is subject to shareholders' approval for the payment of such remuneration at the General Meeting of Shareholders.

The amount of remuneration paid to directors of the Company was approved and set at less than ¥300 million per annum at the Ordinary General Meeting of Shareholders held on June 26, 2007. At the upcoming General Meeting of Shareholders, Kito intends to introduce the Plans, separate from this remuneration amount, and ask shareholders to approve the establishment of a remuneration system related to the Plans for Applicable Directors.

In addition, the Stock Option System for Directors (excluding Outside Directors) shall be abolished, except for those already granted, on the condition that the proposal relating to the Plans is approved and ratified at the General Meeting of Shareholders. In this event, no new share subscription rights shall be issued to Directors (excluding Outside Directors) in the future.

3. Outline of the Plans

The Applicable Directors will pay all monetary receivables provided by the Company under the Plans as property of contribution in kind and will receive the issuance or disposition of common stock.

The total amount of remuneration to Applicable Directors shall be not more than ¥100 million per year and paid separately from the current amount of monetary remuneration, and the total number of the Company's common shares to be issued or disposed of by the Plans shall be not more than 100,000 shares per year. In the event of any unavoidable circumstances, such as a split or reverse split of common shares of the Company, the number of shares to be issued or disposed of may be reasonably adjusted.

In order to realize the sharing of shareholder value, which is one of the objectives for the introduction of the Plans, over the medium to long term, the period of restriction on transfer is the period from the date of delivery of the restricted share of transfer to the date when each Applicable Director resigns or retires from his or her position as Director or other positions determined by the Board of Directors. The specific timing and distribution of payments to each Applicable Directors shall be determined by the Board of Directors.

In addition, the amount payable per share of the common shares to be issued or disposed of by the Plans will be determined by the Board of Directors to an extent not particularly favorable to Applicable Directors on the basis of the closing price of the Company's common shares on the Tokyo Stock Exchange on the business day immediately preceding the date of the resolution of the Board of Directors (or the closing price on the immediately preceding dealing day, if no dealings are effected on that date).

Note that, in issuing or disposing of its common shares by the Plans, the content thereof shall include the following:

- a) The Applicable Directors shall not transfer, pledge, or otherwise dispose of the common shares of the Company which have been allotted under an allotment agreement for a predetermined period of time; and
- b) In the event of a certain event, the Applicable Directors shall acquire such common shares free of charge.

4. Grants to Executive Officers

Subject to the approval of the Plans agenda at the General Meeting of Shareholders, the Company will also grant to its Executive Officers restricted shares of transfer similar to the shares with restriction on transfer mentioned above.

(Establishment of significant subsidiaries)

On April 23, 2019, the Kito Board of Directors decided to set up a new production subsidiary in Thailand. Brief details are presented as follows.

1. Reason for establishing the subsidiary

Kito will transfer a part of its production of core hoist products to Thailand to reduce production costs and make better use of the supply chain in Thailand, which is expected to reduce the cost of materials. With an eye to growing hoist product demand in the future, the Company will work to increase the Group's hoist product production capacity.

2. Profile of new subsidiary

(1) Name	KITO HOIST THAI CO., LTD
(2) Location	700/243 Moo.1, Amatanakorn Industrial Estate, Bankao, Panthong, Chonburi 20160, THAILAND
(3) Representative	Nobuyoshi Mukawa
(4) Business	Sales and production of hoist products
(5) Capital	THB 371.4 million (Approx. ¥1.3 billion (1 Baht:¥3.5))
(6) Establishment	May 2019 (scheduled)
(7) Investment ratio	99.9% (Shareholders other than Kito includes Kito's director and employee)
(8) Relationship with Kito Corporation	Specified subsidiary of Kito Corporation

3. Outlook

Kito will report the actual effect of this matter with its consolidated financial results as necessary at an appropriate time.