

This is the English translation of the original Japanese-language Business Results of KITO CORPORATION (the Company) for the first quarter of the fiscal year ending March 31, 2022 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 original document in Japanese, the original document shall prevail.

Business Results for the First Quarter of the Fiscal Year Ending March 31, 2022 [Japan GAAP] (Consolidated)

August 5, 2021

Company	KITO CORPORATION	Listed on the TSE 1st Section
Code	6409	URL: http://kito.com/
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Expected filing date of the quarterly securities report:	August 6, 2021	Scheduled date to begin dividend payments: —
Preparation of supplementary financial documents:	Yes	
Results briefing:	None	

(Rounded down to the nearest million yen)

1. Consolidated business results for the first quarter (April 1, 2021 to June 30, 2021) of fiscal 2021 (April 1, 2021 to March 31, 2022)

(1) Consolidated results of operations (% change from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Q1 FY2021	13,797	37.2	992	341.8	972	336.9	660	—
Q1 FY2020	10,058	(24.1)	224	(73.2)	222	(62.1)	(322)	—

(Note) Comprehensive income Q1 FY2021: 1,144 million yen (—)%
Q1 FY2020: (621) million yen (—)%

	Net income per share	Diluted net income per share
	Yen	Yen
Q1 FY2021	32.19	32.11
Q1 FY2020	(15.74)	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of June 30, 2021	62,341	31,260	48.5
As of Mar. 31, 2021	65,067	30,567	45.4

(Reference) Shareholders' equity As of June 30, 2021: 30,233 million yen As of March 31, 2021: 29,537 million yen

2. Dividends

	Annual dividend				
	Q1	Q2	Q3	Year-end	Annual total
FY2020	Yen —	Yen 12.00	Yen —	Yen 18.00	Yen 30.00
FY2021	—	—	—	—	—
FY2021 (forecast)	—	22.00	—	22.00	44.00

(Note) Revisions from recently announced dividend forecast: None

3. Forecast of consolidated business results for the fiscal year ending March 31, 2022 (April 1, 2021 to March 31, 2022)

(% 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
H1 FY2021	25,000	13.4	1,600	28.3	1,500	23.6	1,000	499.2	48.73
FY2021	55,000	6.2	5,000	12.2	4,800	5.5	3,200	36.5	155.95

(Note) Revisions from recently announced forecast: None

*** Notes:**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries due to changes in the scope of consolidation): None

(2) The application of special accounting treatment to prepare the quarterly consolidated financial statements: None

(3) Changes in accounting policies, accounting estimates, and retrospective restatements

Changes in accounting policies due to revisions of accounting standards: Yes

Changes in accounting policies other than above: None

Changes of accounting estimates: None

Retrospective restatements: None

(4) Number of shares issued (common stock)

Total number of shares issued (including treasury stock)

As of June 30, 2021: 21,048,200 shares

As of March 31, 2021: 21,048,200 shares

Number of treasury stock

As of June 30, 2021: 528,427 shares

As of March 31, 2021: 528,427 shares

Average number of shares over the period

Q1 FY2021: 20,519,773 shares

Q1 FY2020: 20,477,597 shares

*** This quarterly Business Results Report falls outside the scope of quarterly review procedures 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)

Any performance forecasts and other forward-looking statements presented in this report 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 results may differ substantially from the forecasts depending on various factors. For preconditions of the assumptions and other instructions regarding the appropriate use of business forecasts, please refer to “(3) Performance Forecasts and Other Forward-looking Statements, including Consolidated Business Forecasts, 1. Quarterly Business Results” on page 5 of the Appendix.

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1. Quarterly Business Results

(1) Results of Operations

During the first quarter cumulative period (April 1 to June 30, 2021) of fiscal 2021 ending March 31, 2022, economic activity recovered rapidly, mainly in Western countries that were first to introduce vaccination programs. The vaccination rollout in Japan has also progressed gradually, and despite having promising indications for the future outlook, the business environment of Kito Group has yet to reach a full-scale recovery in demand. Under such conditions, greater movement of the Company's products became increasingly visible worldwide as a result of the policy measures of various governments that raised expectations for expanded infrastructure spending, along with a recovery in private sector investment.

As a result, net sales in the subject first quarter period amounted to ¥13,797 million (up 37.2% from the corresponding period of the previous fiscal year), a record high for a first quarter period. Earnings also rose sharply to record high level, with operating income of ¥992 million (up 341.8%), ordinary income of ¥972 million (up 336.9%), and net income attributable to owners of the parent of ¥660 million (compared to a net loss of ¥322 million in the corresponding period of the previous fiscal year).

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.

Segments	Net sales, YoY change in %	Operating income (Loss) YoY change in %
Japan	¥5,817 million, up 12.5%	¥1,354 million, up 16.1%
The Americas	¥6,379 million, up 47.8%	¥25 million Ref. Q1 FY2020: ¥(265) million
China	¥1,907 million, up 32.4%	¥289 million, up 46.6%
Asia (excluding Japan and China)	¥547 million, up 3.6%	¥(19) million Ref. Q1 FY2020: ¥(9) million
Europe	¥1,448 million, up 48.1%	¥(60) million Ref. Q1 FY2020: ¥(60) million
Others	¥483 million, up 57.4%	¥(5) million Ref. Q1 FY2020: ¥(7) million

Japan

Despite the slow vaccine rollout in Japan, demand is recovering gradually in a wide range of industries. Exports increased on the rapid expansion of demand in overseas markets, particularly North America and Europe. As a result, net sales amounted to ¥5,817 million (up 12.5% from the corresponding period of the previous fiscal year), with operating income of ¥1,354 million (up 16.1%).

The Americas

Net sales in the U.S. rose sharply to ¥6,379 million (up 47.8% from the corresponding period of the previous fiscal year), with operating income of ¥25 million, on recovery in demand in response to resumption of corporate capital expenditures, and expectations for infrastructure investment. While the rapid recovery in economic activity has raised concerns about supply chain delays and rising costs for materials, the Company focused on securing transportation and maintaining customer service.

China

Demand in China continued to rise steadily. Net sales amounted to ¥1,907 million (up 32.4% from the corresponding period of the previous fiscal year), with operating income of ¥289 million (up 46.6%). Of note, the fiscal year for this segment starts in January, so the results for the subject first quarter period are from January through March.

Asia (excluding Japan and China)

The impact from the COVID-19 crisis was relatively mild in the previous fiscal year, but concerns over the spread of new variants has stalled the recovery in demand. Net sales amounted to ¥547 million (up 3.6% from the corresponding period of the previous fiscal year), with the segment posting an operating loss of ¥19 million.

Europe

Economic activity in Europe gained momentum alongside the high vaccination rate, and demand improved significantly. Of note, a Dutch firm was included as a subsidiary in the scope of consolidation and added to this segment in the previous fiscal year. As a result, net sales amounted to ¥1,448 million (up 48.1% from the corresponding period of the previous fiscal year). In terms of earnings, the segment had an operating loss of ¥60 million.

Others

This segment currently comprises business in Australia only. Net sales amounted to ¥483 million (up 57.4% from the corresponding period of the previous fiscal year), with an operating loss of ¥5 million.

(2) Financial Position

Total assets at the end of the subject first quarter period amounted to ¥62,341 million, a decrease of ¥2,726 million compared to the end of the previous fiscal year. The main factors were a decrease of ¥2,301 million in cash and deposits; a decrease of ¥1,015 million in notes and accounts receivable—trade and contract assets; and a decrease of ¥339 million in merchandise and finished goods.

Total liabilities amounted to ¥31,080 million, a decrease of ¥3,419 million from the end of the previous fiscal year. The main factors were a ¥6,740 million decrease in short-term loans payable; a ¥3,319 million increase in long-term loans payable; and a ¥1,003 million increase in note and accounts payable—trade.

Net assets amounted to ¥31,260 million, an increase of ¥692 million from the end of the previous fiscal year. The main factors were a ¥393 million increase in foreign currency translation adjustment; and a ¥291 million increase in retained earnings.

(3) Performance Forecasts and Other Forward-looking Statements, Including Consolidated Business Forecasts

The results forecasts for the second quarter cumulative period of fiscal 2021 ending March 31, 2022 and the full fiscal year remain unchanged from the forecasts released on May 10, 2021.

2. Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2021	As of June 30, 2021
Assets		
Current assets:		
Cash and deposits	13,734	11,433
Notes and accounts receivable—trade	11,369	—
Notes and accounts receivable—trade and contract assets	—	10,354
Merchandise and finished goods	12,905	12,566
Work in process	1,254	1,517
Raw materials and supplies	3,181	3,391
Other current assets	1,367	1,916
Allowance for doubtful receivables	(78)	(81)
Total current assets	43,735	41,097
Fixed assets:		
Property and equipment		
Buildings and structures (net)	4,595	4,592
Machinery, equipment, and vehicles (net)	4,205	4,026
Others (net)	3,827	4,105
Total property and equipment	12,628	12,724
Intangible assets		
Goodwill	1,195	1,092
Other intangible assets	3,807	3,741
Total intangible assets	5,003	4,833
Investments and other assets		
Investment securities	1,287	1,321
Deferred tax assets	1,465	1,367
Other investments and other assets	948	996
Total investments and other assets	3,701	3,684
Total fixed assets	21,332	21,243
Total assets	65,067	62,341

(Millions of yen)

As of March 31, 2021

As of June 30, 2021

Liabilities		
Current liabilities		
Notes and accounts payable—trade	5,028	6,032
Short-term loans payable	7,955	1,214
Current portion of long-term loans payable	4,028	3,793
Accrued expenses	2,601	2,061
Income taxes payable	271	136
Provision for bonuses for employees	844	424
Provision for business structural reform	85	14
Provision for loss on litigation	—	221
Other provisions	493	85
Other current liabilities	1,702	2,262
Total current liabilities	23,011	16,246
Long-term liabilities		
Long-term loans payable	7,894	11,214
Net defined benefit liability	2,184	2,255
Other long-term liabilities	1,410	1,364
Total long-term liabilities	11,488	14,834
Total liabilities	34,500	31,080
Net assets		
Shareholders' equity		
Capital stock	3,976	3,976
Capital surplus	5,056	5,056
Retained earnings	20,561	20,852
Treasury stock	(455)	(455)
Total shareholders' equity	29,138	29,429
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	0	0
Deferred gains or losses on hedges	(69)	(61)
Foreign currency translation adjustment	523	916
Remeasurements of defined benefit plans	(54)	(51)
Total accumulated other comprehensive income	399	803
Subscription rights to shares	63	63
Non-controlling interests	966	962
Total net assets	30,567	31,260
Total liabilities and net assets	65,067	62,341

(2) Quarterly Consolidated Statements of Income/Quarterly Consolidated Statements of Comprehensive Income
Quarterly Consolidated Statements of Income

(Millions of yen)

-	Q1 FY2020 (April 1 to June 30, 2020)	Q1 FY2021 (April 1 to June 30, 2021)
Net sales	10,058	13,797
Cost of sales	6,482	9,061
Gross profit	3,576	4,735
Selling, general, and administrative expenses	3,352	3,743
Operating income	224	992
Non-operating income:		
Interest income	9	3
Foreign exchange gains	9	14
Rental income	16	20
Subsidy income	47	17
Gain on sales of scraps	5	17
Other	20	28
Total non-operating income	109	102
Non-operating expenses:		
Interest expense	64	46
Equity in losses of affiliates	14	—
Other	32	75
Total non-operating expenses	111	121
Ordinary income	222	972
Extraordinary income		
Gain on sale of fixed assets	0	4
Insurance claim income	—	218
Total extraordinary income	0	223
Extraordinary loss		
Loss on sale of fixed assets	—	1
Loss on retirement of fixed assets	5	0
Provision for loss on litigation	—	218
Total extraordinary loss	5	220
Income before income taxes	217	975
Income taxes	523	284
Net income (loss) for the period	(306)	690
Net income attributable to non-controlling interests	16	30
Net income (loss) attributable to owners of parent	(322)	660

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Q1 FY2020 (April 1 to June 30, 2020)	Q1 FY2021 (April 1 to June 30, 2021)
Net income (loss) for the period	(306)	690
Other comprehensive income:		
Valuation difference on available-for-sale securities	(0)	0
Deferred gains or losses on hedges	(10)	8
Foreign currency translation adjustment	(300)	442
Remeasurements of defined benefit plans, net of tax	12	2
Equity in losses of affiliates	(17)	—
Total other comprehensive income	(314)	453
Quarterly comprehensive income	(621)	1,144
(Comprehensive income attributable to):		
Owners of parent	(594)	1,065
Non-controlling interests	(26)	79

(3) Notes on Quarterly Consolidated Financial Statements

(Notes regarding ongoing concern assumption)

There are no relevant matters to be noted.

(Notes on the event of material changes in the amount of shareholders' equity)

There are no relevant matters to be noted.

(Changes in accounting policies)

Accounting standard for revenue recognition

From the beginning of the subject fiscal year, the Company has applied "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, "Revenue Recognition Standard").

Kito Group manufactures and sells hoists, cranes, chains, and related products. The Company also handles sales of mass production items standardized from make-to-stock items, customized products to meet varied needs according to the type of cargo handling or the use environment, and parts.

The recognition of revenue for these transactions is in principle made according to the point at which control of the subject products is transferred to the customer and Kito Group has determined that it has sufficiently fulfilled its performance obligations, at the point of shipping or receipt by the customer, in an amount expected to be received in exchange for the subject items. Of note, the Company applies alternative treatment as prescribed in Paragraph 98 of the Implementation Guidance on Accounting Standard for Revenue Recognition, and for domestic product sales, in cases where the time between shipment and control of the subject product is transferred to the customer is an ordinary period, recognizes revenue at the point of shipment.

Also, previously when the Company has paid sales promotion expenses and other expenditures to special or general sales agents, these have been recorded as selling, general and administrative expenses. The estimated amount for sales promotion expenses and other expenditures during a fixed period was treated as a consideration paid to the customer and deducted from the calculation of the transaction price.

For the application of the Revenue Recognition Standard, in accordance with the proviso of the transitional treatment as prescribed in Paragraph 84 of the Revenue Recognition Standard, the Company has adjusted retained earnings for the beginning of the subject fiscal period by the cumulative amount of financial impact from new accounting policies applied retroactively prior to the beginning of the subject period, and applied the new accounting standard from the subject beginning-of-year balance.

However, the Company has applied the method prescribed in Paragraph 86 of the Revenue Recognition Standard and based on contracts from prior to the beginning of the subject first quarter period that recognize nearly the entire amount of revenue according to the former treatment, the Company conducts the accounting treatment, and adjusts the amount of retained earnings for the start of the subject first quarter period by the cumulative amount of financial impact.

As a result, net sales for the subject first quarter period decreased by ¥73 million, and selling, general and administrative expenses also decreased by ¥73 million. However, there was no impact on operating income, ordinary income, or net income before income taxes. The balance of retained earnings at the beginning of the subject period was also unaffected.

Because of the application of Revenue Recognition Standard, the "Notes and accounts receivable—trade" item shown in "Current assets" in the balance sheets for previous fiscal year, is shown in "Notes and accounts receivable—trade and contract assets" from the subject first quarter period. Of note, in accordance with transitional treatment as prescribed in Paragraph 89-2 of the Revenue Recognition Standard, figures for previous fiscal year have not been recombined to reflect the new presentation method. Further, in accordance with transitional treatment as prescribed in Article 28-15 of Accounting Standard for Quarterly Financial Reporting, March 31, 2020, a detailed breakdown of information on earnings originating from contracts with customers related to the subject first quarter period is not presented.

Accounting Standard for Fair Value Measurement

From the beginning of the subject first quarter period, the Company has applied Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019, "Fair Value Measurement Standard"). In accordance with transitional treatment as prescribed in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the Company will apply new accounting methods stipulated by the Accounting Standard for Fair Value Measurement and other standards going forward. Of note, this change does not affect the consolidated financial statements.

(Additional information)

Accounting estimates regarding the impact of the COVID-19 pandemic

There has been no material change in the assumptions regarding the future spread of the COVID-19 virus and timing of a return to a normal state from that reported in "(Additional Information), (Accounting estimates regarding the impact of the COVID-19 pandemic)" in the Company's securities report for the previous fiscal year.

(Segment information)

First quarter of the fiscal year ending March 31, 2021 (April 1 to June 30, 2020)

1. Information on the amounts of net sales and on the income or loss per segments

(Millions of yen)

	Segments						Total	Adjustment (Note 1)	Consolidated financial statement amount (Note 2)
	Japan	The Americas	China	Asia	Europe	Others			
Net sales									
Net sales to outside customers	2,903	4,294	1,280	528	744	307	10,058	—	10,058
Net internal sales or transfers among segments	2,265	22	161	—	233	—	2,683	(2,683)	—
Total	5,169	4,317	1,441	528	977	307	12,741	(2,683)	10,058
Segment income (loss)	1,166	(265)	197	(9)	(60)	(7)	1,020	(795)	224

Notes: 1. The segment income (loss) adjustment of ¥(795) million includes transactions offset among segments of ¥(268) million and company-wide expenses that are not allocated to respective segments of ¥(527) million. Company-wide expenses are expenses mostly related to the general affairs, finance and accounting, and corporate planning departments of the parent company.

2. The segment income (loss) is reconciled with the operating income listed in the quarterly consolidated financial statements.

First quarter of the fiscal year ending March 31, 2022 (April 1 to June 30, 2021)

1. Information on the amounts of net sales and on the income or loss per segments

(Millions of yen)

	Segments						Total	Adjustment (Note 1)	Consolidated financial statement amount (Note 2)
	Japan	The Americas	China	Asia	Europe	Others			
Net sales									
Net sales to outside customers	3,209	6,361	1,835	547	1,359	483	13,797	—	13,797
Net internal sales or transfers among segments	2,608	18	72	—	89	—	2,787	(2,787)	—
Total	5,817	6,379	1,907	547	1,448	483	16,585	(2,787)	13,797
Segment income (loss)	1,354	25	289	(19)	(60)	(5)	1,584	(592)	992

Notes: 1. The segment income (loss) adjustment of ¥(592) million includes transactions offset among segments of ¥(27) million and company-wide expenses that are not allocated to respective segments of ¥(564) million. Company-wide expenses are expenses mostly related to the general affairs, finance and accounting, and corporate planning departments of the parent company.

2. The segment income (loss) is reconciled with the operating income listed in the quarterly consolidated financial statements.

2. Matters regarding changes in reportable segments

As stated in “Accounting standard for revenue recognition” of “Changes in accounting policies,” the Company has applied Accounting Standard for Revenue Recognition from the beginning of the subject first quarter period. Because of the changes in accounting treatment related to revenue recognition, similar changes have been made to calculation methods for profit or loss in business segments. As a result of this change, compared to the previous method, net sales to external customers in the “Japan” reportable segment during the subject first quarter period decreased by ¥73 million.