

This is the English translation of the original Japanese-language Business Results of KITO CORPORATION (the Company) for the third quarter cumulative period of the fiscal year ending March 31, 2021 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 Third Quarter of the Fiscal Year Ending March 31, 2021 [Japan GAAP] (Consolidated)

February 10, 2021

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Expected date of filing of
 quarterly securities report: February 12, 2021
 Preparation of supplementary
 financial document: Yes
 Results briefing: None

Scheduled date to begin dividend payments: —

(Figures of less than ¥1 million have been omitted.)

1. Consolidated business results for the third quarter cumulative period ended December 31, 2020 (April 1, 2020 to December 31, 2020) of fiscal 2020 (April 1, 2020 to March 31, 2021)

(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	%
Nine months ended Dec. 2020	35,580	(16.8)	2,976	(24.6)	2,880	(17.3)	1,314	(38.3)
Nine months ended Dec. 2019	42,753	(2.3)	3,947	(15.9)	3,482	(16.2)	2,131	(32.8)

(Note) Comprehensive income (loss) Nine months ended Dec. 2020: 1,380 million yen (12.7)%
 Nine months ended Dec. 2019: 1,581 million yen (50.7)%

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 2020	64.10	64.05
Nine months ended Dec. 2019	104.24	103.97

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of Dec. 31, 2020	63,350	28,383	43.3
As of March 31, 2020	62,804	27,927	42.8

(Reference) Shareholders' equity As of December 31, 2020: 27,410 million yen
 As of March 31, 2020: 26,902 million yen

2. Dividends

	Annual dividend				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual
FY2019	Yen —	Yen 24.00	Yen —	Yen 24.00	Yen 48.00
FY2020	—	12.00	—		
FY2020 (forecast)				12.00	24.00

(Note) Revisions from recently announced dividend forecast: None

3. Forecast of consolidated business results for fiscal 2020 (April 1, 2020 to March 31, 2021)

(% change from the previous fiscal year)

	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	
FY2020	50,000	(14.9)	4,100	(25.1)	4,000	(19.9)	1,800	(43.8)	87.72	

(Note) Revisions from recently announced forecast: Yes

For the revision to the forecast, please refer to page 3, "(3) Performance Forecasts and Other Forward-looking Statements, including Consolidated Business Forecasts"

Notes:

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in a change in the scope of consolidation): None
- (2) The application of special accounting treatment for the preparation of the quarterly consolidated financial statements: None
- (3) Changes in accounting policies, accounting estimates, and restatements
- (a) Changes in accounting policies due to revisions of accounting standards: None
 - (b) Changes in accounting policies other than above: None
 - (c) Changes of accounting estimates: None
 - (d) Restatements: None
- (4) Number of shares issued (common stock)
- (a) Number of shares issued at the end of period (treasury stock included)
 - As of Dec. 31, 2020: 27,048,200 shares
 - As of March 31, 2020: 27,048,200 shares
 - (b) Number of treasury stock at the end of period
 - As of Dec. 31, 2020: 6,528,427 shares
 - As of March 31, 2020: 6,576,603 shares
 - (c) Average number of shares over the period
 - Nine months ended Dec. 31, 2020: 20,505,562 shares
 - Nine months ended Dec. 31, 2019: 20,450,054 shares

*** This quarterly Business Results Report falls outside the scope of quarterly review procedures by certified public accountants or audit firm.**

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

The 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 the Company. Actual performance, etc., may differ substantially due to various factors. For preconditions of the assumptions and special 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 3 of the appendix.

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1. Quarterly Business Results

(1) Results of operations

During the third quarter cumulative period from April 1 to December 31, 2020 of fiscal 2020 (ending March 31, 2021), the continued spread of COVID-19 prompted countries to impose restrictions on movement and other countermeasures that had an unprecedented impact on economic activity, with concerns that the impact will widen further. Under such circumstances, Kito Group focused on upholding and securing its supply chain, and has maintained stable production. The Company also made the health and safety of employees a top priority, and by establishing a remote work environment, revised work operations and enhanced efficiency. In addition, the Company took steps to secure earnings by curbing expenditures companywide.

During the third quarter cumulative period, despite signs of recovery from the impact of COVID-19 in all regions from the second quarter, in the final days of the period the situation assumed an aspect of further spread. Under such conditions, as a result of strict cost management, net sales amounted to ¥35,580 million (down 16.8% from the corresponding period of the previous fiscal year), with operating income of ¥2,976 million (down 24.6%), ordinary income of ¥2,880 million (down 17.3%), and profit attributable to owners of the parent of ¥1,314million (down 38.3%).

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	¥15,199 million, down 25.1%	¥3,138 million, down 26.7%
The Americas	¥16,763 million, down 19.5%	¥655 million, down 44.6%
China	¥5,282 million, down 9.9%	¥842 million, up 3.6%
Asia (excluding Japan and China)	¥1,665 million, down 25.3%	¥47 million, down 28.0%
Europe	¥2,907 million, up 12.6%	¥(152) million Ref. Q3 2019: ¥(157) million
Others	¥1,107 million, down 3.1%	¥(25) million Ref. Q3 2019: ¥(15) million

Japan

In the domestic market, signs of recovery appeared from the second quarter, but due to the impact from the resurgence of COVID-19, through the end of the third quarter there were instances of construction delays and postponed deliveries due to customer circumstances. Exports were affected by weakened demand in overseas markets, with a decline in shipments to subsidiaries. As a result, net sales amounted to ¥15,199 million (down 25.1% from the corresponding period of the previous fiscal year), with operating income of ¥3,138 million (down 26.7%).

The Americas

In the U.S., while there were signs of mild recovery in certain regions and industries from the second quarter, following the results of the presidential election there were instances of postponements in business activity and capital investment over expectations from the policies of the new administration. As a result, net sales amounted to ¥16,763 million (down 19.5% from the corresponding period of the previous fiscal year), with operating income of ¥655 million (down 44.6%).

China

China managed to recover from the effects of the COVID-19 crisis quickly, and recently, earnings have rapidly improved. Net sales amounted to ¥5,282 million (down 9.9% from the corresponding period of the previous fiscal year), with operating income of ¥842 million (up 3.6%). Of note, the fiscal year for this segment starts in January, so the third quarter cumulative period is from January through September.

Asia (excluding Japan and China)

The impact from the COVID-19 crisis has been relatively light compared to the U.S. and European markets, but capital investment has slowed in automotive-related industries in the Southeast Asia region. As a result, net sales amounted to ¥1,665 million (down 25.3% from the corresponding period of the previous fiscal year). In terms of earnings, operating income of ¥47 million (down 28.0%).

Europe

Economic activity has stagnated across Europe with the reimposition of lockdowns. Under such circumstances, the Company continued steady business efforts aimed at developing potential demand. Of note, a Finnish manufacturer of crane-related products was included as a consolidated subsidiary in this segment at the end of the previous fiscal year. As a result, net sales amounted to ¥2,907 million (up 12.6% from the corresponding period of the previous fiscal year). In terms of earnings, however, the segment had an operating loss of ¥152 million (compared to an operating loss of ¥157 million in the corresponding period of the previous fiscal year).

Others

This segment currently comprises business in Australia only. As a result of the early recovery of economic activity, net sales amounted to ¥1,107 million (down 3.1% from the corresponding period of the previous fiscal year), with an operating loss of ¥25 million (compared to an operating loss of ¥15 million in the corresponding period of the previous fiscal year).

(2) Financial Position

Total assets at the end of the third quarter cumulative period for fiscal 2020 amounted to ¥63,350 million, an increase of ¥546 million compared to the end of the previous fiscal year. The main factors were a ¥3,385 million increase in cash and deposits; and a ¥1,836 million decrease in notes and accounts receivable–trade.

Total liabilities amounted to ¥34,967 million, an increase of ¥89 million from the end of the previous fiscal year. The main factors were a ¥5,261 million increase in short-term loans payable; a ¥2,258 million decrease in long-term loans payable; and a ¥1,432 million decrease in accrued expenses.

Net assets amounted to ¥28,383 million, an increase of ¥456 million from the end of the previous fiscal year. The main factors were a ¥576 million increase in retained earnings; a ¥408 million increase in remeasurements of defined benefit plans; and a ¥400 million decrease in foreign currency translation adjustment.

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

The results forecast for the full fiscal year ending March 31, 2021, has been revised from that released on October 16, 2020. Operating income, ordinary income, and net income attributable to owners of parent have been revised upward, with the effect of improving productivity, promoting operational efficiency, and strengthening expenditure management. For details, see “Revisions to the Consolidated Business Forecast” released February 10, 2021.

2. Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2020	As of December 31, 2020
Assets		
Current assets		
Cash and deposits	9,468	12,853
Notes and accounts receivable–trade	11,088	9,251
Merchandise and finished goods	13,601	13,528
Work in process	1,193	1,941
Raw materials and supplies	3,302	3,331
Other current assets	1,465	1,479
Allowance for doubtful receivables	(73)	(52)
Total current assets	40,046	42,335
Fixed assets		
Property and equipment		
Buildings and structures (net)	4,461	4,545
Machinery, equipment, and vehicles (net)	4,246	3,789
Others (net)	4,044	3,797
Total property and equipment	12,752	12,132
Intangible assets		
Goodwill	1,316	1,037
Other intangible assets	4,003	3,668
Total intangible assets	5,319	4,706
Investments and other assets		
Investment securities	2,000	1,981
Deferred tax assets	1,803	1,333
Other investments and other assets	881	862
Total investments and other assets	4,686	4,176
Total fixed assets	22,757	21,015
Total assets	62,804	63,350

(Millions of yen)

	As of March 31, 2020	As of December 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable–trade	5,668	4,683
Short-term loans payable	3,252	8,513
Current portion of long-term loans payable	4,271	4,111
Accrued expenses	3,349	1,917
Income taxes payable	377	173
Provision for bonuses for employees	769	583
Other provisions	480	655
Other current liabilities	2,093	2,177
Total current liabilities	20,263	22,816
Long-term liabilities		
Long-term loans payable	10,808	8,550
Net defined benefit liabilities	2,336	2,269
Other long-term liabilities	1,469	1,331
Total long-term liabilities	14,613	12,151
Total liabilities	34,877	34,967
Net assets		
Shareholders' equity		
Capital stock	3,976	3,976
Capital surplus	5,234	5,103
Retained earnings	24,086	24,662
Treasury stock	(5,678)	(5,633)
Total shareholders' equity	27,618	28,108
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Deferred gains or losses on hedges	(91)	(82)
Foreign currency translation adjustment	(64)	(464)
Remeasurements of defined benefit plans	(559)	(151)
Total accumulated other comprehensive income	(716)	(698)
Subscription rights to shares	66	62
Non-controlling interests	958	910
Total net assets	27,927	28,383
Total liabilities and net assets	62,804	63,350

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

(Millions of yen)

	Nine Months (April 1, 2019 to December 31, 2019)	Nine Months (April 1, 2020 to December 31, 2020)
Net sales	42,753	35,580
Cost of sales	26,672	22,431
Gross profit	16,080	13,148
Selling, general, and administrative expenses	12,133	10,172
Operating income	3,947	2,976
Non-operating income		
Interest income	30	28
Subsidy income	12	149
Gain on sales of scraps	26	21
Other	71	146
Total non-operating income	140	346
Non-operating expenses		
Interest expense	257	180
Equity in losses of affiliates	97	69
Foreign exchange losses	123	93
Other	126	98
Total non-operating expenses	605	442
Ordinary income	3,482	2,880
Extraordinary income		
Gain on sales of fixed assets	7	3
Total extraordinary income	7	3
Extraordinary loss		
Loss on sale of fixed assets	1	1
Loss on retirement of fixed assets	51	26
Provision for business structure improvement	—	117
Loss on termination of retirement benefit plan	—	305
Total extraordinary loss	52	451
Income before income taxes	3,436	2,432
Income taxes	1,226	1,036
Net income for the period	2,209	1,395
Net income attributable to non-controlling interests	78	81
Net income attributable to owners of the parent	2,131	1,314

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine Months (April 1, 2019 to December 31, 2019)	Nine Months (April 1, 2020 to December 31, 2020)
Net income for the period	2,209	1,395
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	0
Deferred gains or losses on hedges	(62)	9
Foreign currency translation adjustment	(572)	(440)
Remeasurements of defined benefit plans	14	408
Share of other comprehensive income of entities accounted for using equity method	(8)	7
Total other comprehensive income	(628)	(14)
Quarterly comprehensive income	1,581	1,380
(Comprehensive income attributable to):		
Owners of the parent	1,534	1,331
Non-controlling interests	46	49

(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.

(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)

Third quarter cumulative period of the fiscal year ending March 31, 2020 (April 1, 2019 to December 31, 2019)
Information on the amounts of net sales and on the income or loss of reportable segments

(Millions of yen)

	Reportable 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	11,096	20,765	5,338	2,229	2,181	1,142	42,753	—	42,753
Net internal sales or transfers among segments	9,209	55	524	—	401	—	10,190	(10,190)	—
Total	20,305	20,821	5,862	2,229	2,582	1,142	52,943	(10,190)	42,753
Segment income (loss)	4,281	1,183	813	66	(157)	(15)	6,171	(2,224)	3,947

Notes: 1. The segment income or loss adjustment of ¥(2,224) million includes transactions offset among segments of ¥(337) million and company-wide expenses that are not allocated to respective segments of ¥(1,886) 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 income or loss is reconciled with the operating income listed in the quarterly consolidated statements of income.

Third quarter cumulative period of the fiscal year ending March 31, 2021 (April 1, 2020 to December 31, 2020)
Information on the amounts of net sales and on the income or loss of reportable segments

(Millions of yen)

	Reportable 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	8,844	16,727	4,912	1,665	2,322	1,107	35,580	—	35,580
Net internal sales or transfers among segments	6,355	36	369	—	585	—	7,346	(7,346)	—
Total	15,199	16,763	5,282	1,665	2,907	1,107	42,926	(7,346)	35,580
Segment income (loss)	3,138	655	842	47	(152)	(25)	4,506	(1,530)	2,976

Notes: 1. The segment income or loss adjustment of ¥(1,530) million includes transactions offset among segments of ¥31 million and company-wide expenses that are not allocated to respective segments of ¥(1,561) 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 income or loss is reconciled with the operating income listed in the quarterly consolidated statements of income.