

This is the English translation of the original Japanese-language Business Results of KITO CORPORATION (the Company) for the fiscal year ending March 31, 2018 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 First Half of the Fiscal Year Ending March 31, 2018 [Japan GAAP] (Consolidated)

November 14, 2017

Company	KITO CORPORATION	Listed on the TSE 1 st Section
Stock Code	6409	URL: http://kito.com/
Representative	Yoshio Kito, President & CEO	
Contact	Shigeki Osozawa, Senior Executive Officer, GM, Corporate Financial Management Div.	TEL: +81-3-5908-0161
Expected date of filing of annual securities report:	November 14, 2017	Scheduled date to begin dividend payments: December 4, 2017
Preparation of supplementary financial document:	Yes	
Results briefing:	Yes (for securities analysts)	

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

1. Consolidated business results for the 1H (April 1, 2017 to September 30, 2017) of fiscal 2017 (April 1, 2017 to March 31, 2018)

(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	%
1H FY2017	24,661	8.7	1,269	(11.7)	879	(8.3)	532	46.1
1H FY2016	22,695	(12.1)	1,437	(4.5)	959	(19.6)	364	(35.9)

(Note) Comprehensive income (loss) 1H FY2017: 740 million yen —%
1H FY2016: (1,737) million yen —%

	Net income per share		Diluted net income per share	
	Yen	Yen	Yen	Yen
1H FY2017	26.21	26.10	26.10	26.10
1H FY2016	14.14	14.14	14.14	14.12

(2) Consolidated financial position

	Total assets		Net assets		Shareholders' equity ratio	
	Million yen	Million yen	Million yen	Million yen	%	%
As of September 30, 2017	60,019	21,662	21,662	21,662	34.6	34.6
As of March 31, 2017	60,137	21,239	21,239	21,239	33.8	33.8

(Reference) Shareholders' equity As of September 30, 2017: 20,787 million As of March 31, 2017: 20,343 million

2. Dividends

	Annual dividend				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual
FY2016	Yen —	Yen 14.00	Yen —	Yen 14.00	Yen 28.00
FY2017	—	15.00			
FY2017 (forecast)			—	15.00	30.00

(Note) Revisions from recently announced dividend forecast: None

3. Forecast of consolidated business results for fiscal 2017 (April 1, 2017 to March 31, 2018)

(% 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	Yen
FY2017	53,000	3.6	4,400	4.5	3,700	13.9	2,500	31.7	123.09	123.09

(Note) Revisions from recently announced forecast: None

※ **Notes:**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in a change in the scope of consolidation): None
New: — Excluded: —
- (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 September 30, 2017: 27,048,200 shares
As of March 31, 2017: 27,048,200 shares
(b) Number of treasury stock at the end of period
As of September 30, 2017: 6,714,059 shares
As of March 31, 2017: 6,737,059 shares
(c) Average number of shares over the period
1H FY2017: 20,315,558 shares
1H FY2016: 25,765,351 shares

*** This Business Results Report for the First Half of the Fiscal Year Ending March 31, 2018 falls outside the scope of quarterly review procedures.**

*** 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) Explanation of performance forecasts and other forward-looking statements, including consolidated business forecasts" on page 6 of the supplementary materials.

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1. Qualitative Information on Quarterly Business Results

(1) Explanation of results of operations

During the second quarter cumulative period (April 1, 2017 to September 30, 2017) of fiscal 2017 (ending March 31, 2018), the economy continued to recover at a moderate pace overall on a general upturn in consumer spending and capital investment, despite concerns over rising tensions in the East Asian region. In terms of the business environment for the Company, infrastructure-related demand in Japan grew steadily. In the United States, although the conduct of government affairs remains a cause of unease, capital investment demand remains firm, supported by strong personal consumption.

In fiscal 2017, the second year of the Company's five-year management plan, the Company continues to implement various measures from the previous year aimed at regaining a high earnings structure, growth through expansion of the product portfolio, and achieving its management goals to establish an organizational structure of a genuine global company.

Consolidated net sales in the subject second quarter cumulative period amounted to ¥24,661 million (an increase of 8.7% from the same period of the previous fiscal year). Operating income, however, declined to ¥1,269 million (a decrease of 11.7%), due mainly to rising materials costs, and depreciation stemming from the introduction of a new IT infrastructure. Ordinary income fell to ¥879 million (a decrease of 8.3%), and net income attributable to owners of the parent was ¥532 million (an increase of 46.1%).

Results by segment are shown below. The Company's segment classification is by geographical area.

Segment	Net Sales (YoY change in %)	Operating Income (Loss) (YoY change in %)
Japan	¥10,646 million (-10.7%)	¥1,710 million (-29.2%)
The Americas	¥11,818 million (+8.2%)	¥266 million (-0.3%)
China	¥3,041 million (+8.2%)	¥342 million (+12.8%)
Asia (excluding Japan and China)	¥1,906 million (+2.5%)	¥90 million (Compared with an operating loss of ¥86 million in the same period of the previous year)
Europe	¥936 million (+50.5%)	¥(22) million (Compared with an operating loss of ¥21 million in the same period of the previous year)
Others	¥989 million (+139.7%)	¥(46) million (Compared with an operating loss of ¥14 million in the same period of the previous year)

Japan

Demand remained robust for both infrastructure-related investments and private-sector capital investment in both the domestic and export markets, though production activities declined temporarily due to the full-scale switchover to a new IT infrastructure and the Company prioritized the delivery of products to the domestic market consequently. As a result, while sales in the domestic market were on a par with the previous fiscal year, net sales including exports declined 10.7% from the same period of the previous fiscal year, to ¥10,646 million, with operating income down 29.2%, to ¥1,710 million.

The Americas

Sales in the United States rose 8.2% from the same period of the previous fiscal year, to ¥11,818 million, mainly as a result of robust capital investment demand, together with the capturing of pronounced infrastructure-related demand. Operating income declined 0.3%, to ¥266 million.

China

As deceleration of the Chinese economy is coming to its end, there were also signs that the sluggish trends in demand

had bottomed out. As a result, sales in the China segment increased 8.2% and totaled ¥3,041 million. Operating income increased 12.8% and came to ¥342 million.

Asia (excluding Japan and China)

The Company continued to capture demand in South Korea for clean room cranes used in the flat panel display industry, and achieved a positive performance for the service business and hoist sales in other countries in Asia. As a result, net sales rose 2.5% from the same period of the previous fiscal year, to ¥1,906 million. In terms of profitability, as a result of efforts to improve earnings, the Company posted operating income of ¥90 million (compared to an operating loss of ¥86 million in the previous fiscal year).

Europe

Net sales rose 50.5% from the same period of the previous fiscal year, to ¥936 million, mainly as a result of proactive sales promotion measures in response to rising demand for capital investment throughout the region. The segment posted an operating loss of ¥22 million (compared to an operating loss of ¥21 million in the previous fiscal year).

Others

As a result of the inclusion of Kito Australia Pty. Ltd. (acquired at the end of June 2016) and its subsidiaries in the scope of consolidation (results included from July 1, 2016), net sales rose 139.7% from the same period of the previous fiscal year, to ¥989 million, with an operating loss of ¥46 million (compared to an operating loss of ¥14 million in the previous fiscal year).

(2) Explanation of financial position

1. Assets, liabilities, and net assets

Assets

Total assets amounted to ¥60,019 million, a decrease of ¥117 million compared to the end of the previous fiscal year. The main factors were a ¥331 million increase in cash and deposits; a ¥997 million decrease in notes and accounts receivable-trade; and a ¥516 million increase in merchandise and finished goods.

Liabilities

Total liabilities amounted to ¥38,357 million, a decrease of ¥540 million compared to the end of the previous fiscal year. The main factors were a ¥608 million increase in notes and accounts payable-trade; a ¥4,254 million decrease in short-term loans payable; and a ¥3,115 million increase in long-term loans payable.

Net Assets

Net assets amounted to ¥21,662 million, an increase of ¥422 million compared to the end of the previous fiscal year. The main factors were a ¥250 million increase in retained earnings and a ¥166 million increase in foreign currency translation adjustment.

2. Cash Flows

Cash and cash equivalents at the end of the quarter under review amounted to ¥9,389 million, an increase of ¥330 million compared with the end of the previous fiscal year.

Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥2,953 million, an increase of ¥1,980 million compared to the previous fiscal year. The main factors were ¥879 million in income before income taxes; ¥1,017 million in depreciation and amortization; ¥1,046 million in changes in trade receivables; and ¥805 million in changes in inventories.

Cash Flows from Investing Activities

Net cash used in investing activities amounted to ¥869 million, an increase of ¥78 million compared to the previous fiscal year. The main factors were ¥408 million in payments for the acquisition of property and equipment and ¥298 million in payments for the acquisition of intangible fixed assets.

Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥1,757 million, an increase of ¥829 million compared to the previous

fiscal year. The main factors were ¥7,075 million in repayments of short-term loans payable and ¥5,700 million in proceeds from long-term loans payable.

(3) Explanation of performance forecasts and other forward-looking statements, including consolidated business forecasts

Consolidated results forecasts for the fiscal year ending March 31, 2018, are unchanged from those announced on May 15, 2017.

2. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
Assets		
Current assets		
Cash and deposits	9,069	9,401
Notes and accounts receivable-trade	11,139	10,141
Merchandise and finished goods	12,130	12,647
Work in process	2,019	2,178
Raw materials and supplies	1,251	1,542
Other current assets	2,408	2,230
Allowance for doubtful receivables	(60)	(52)
Total current assets	37,960	38,088
Fixed assets		
Property and equipment		
Buildings and structures (net)	4,507	4,347
Machinery, equipment, and vehicles (net)	5,224	4,838
Others (net)	2,216	2,470
Total property and equipment	11,948	11,656
Intangible assets		
Goodwill	2,363	2,208
Other intangible assets	5,295	5,339
Total intangible assets	7,658	7,547
Investments and other assets		
Investment securities	739	826
Deferred tax assets	598	614
Other investments and other assets	1,231	1,286
Total investments and other assets	2,569	2,727
Total fixed assets	22,177	21,931
Total assets	60,137	60,019

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable-trade	5,438	6,046
Short-term loans payable	9,879	5,625
Accrued expenses	2,411	1,999
Income taxes payable	128	235
Provisions	944	869
Other current liabilities	1,221	1,602
Total current liabilities	20,023	16,377
Long-term liabilities		
Long-term loans payable	14,298	17,414
Provision for directors' retirement benefits	190	202
Net defined benefit liability	2,441	2,457
Other long-term liabilities	1,942	1,905
Total long-term liabilities	18,874	21,980
Total liabilities	38,897	38,357
Net assets		
Shareholders' equity		
Capital stock	3,976	3,976
Capital surplus	5,226	5,223
Retained earnings	16,427	16,678
Treasury stock	(5,816)	(5,796)
Total shareholders' equity	19,814	20,081
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Deferred gains or losses on hedges	33	16
Foreign currency translation adjustment	847	1,013
Remeasurements of defined benefit plans	(351)	(324)
Total accumulated other comprehensive income	529	705
Subscription rights to shares	45	50
Non-controlling interests	850	824
Total net assets	21,239	21,662
Total liabilities and net assets	60,137	60,019

(2) Quarterly consolidated statements of income/Quarterly consolidated statements of comprehensive income
Quarterly consolidated statements of income

(Millions of yen)

	1H FY2016 (April 1, 2016 to September 30, 2016)	1H FY2017 (April 1, 2017 to September 30, 2017)
Net sales	22,695	24,661
Cost of sales	14,157	16,274
Gross profit	8,537	8,386
Selling, general, and administrative expenses	7,100	7,117
Operating income	1,437	1,269
Non-operating income		
Gain on sales of scraps	14	22
Debt statute of limitations gain	20	—
Other	52	62
Total non-operating income	87	85
Non-operating expenses		
Interest expense	192	197
Equity in losses of affiliates	—	177
Foreign exchange losses	282	—
Other	89	100
Total non-operating expenses	565	474
Ordinary income	959	879
Extraordinary income		
Gain on negative goodwill	489	—
Total extraordinary income	489	—
Income before income taxes	1,449	879
Income taxes	1,070	308
Net income for the period	378	571
Net income attributable to non-controlling interests	14	38
Net income attributable to owners of parent	364	532

Quarterly consolidated statements of comprehensive income

(Millions of yen)

	1H FY2016 (April 1, 2016 to September 30, 2016)	1H FY2017 (April 1, 2017 to September 30, 2017)
Net income for the period	378	571
Other comprehensive income		
Valuation difference on available-for-sale securities	0	(0)
Deferred gains or losses on hedges	1	(16)
Foreign currency translation adjustment	(2,210)	73
Remeasurements of defined benefit plans, net of tax	92	26
Equity in losses of affiliates	—	85
Total other comprehensive income	(2,116)	168
Quarterly comprehensive income	(1,737)	740
(Comprehensive income attributable to):		
Owners of the parent	(1,610)	708
Non-controlling interests	(127)	31

(3) Quarterly consolidated statements of cash flows

(Millions of yen)

	1H FY2016 (April 1, 2016 to September 30, 2016)	1H FY2017 (April 1, 2017 to September 30, 2017)
Cash flows from operating activities		
Income before income taxes	1,449	879
Depreciation and amortization	839	1,017
Depreciation of goodwill	168	163
Gain on negative goodwill	(489)	—
Changes in net defined benefit liability	71	38
Interest and dividend income	(8)	(13)
Interest expense	192	197
Foreign exchange (gains) losses	299	(63)
Equity in earnings of affiliates	—	177
Changes in trade receivables	1,680	1,046
Changes in inventories	(2,656)	(805)
Changes in trade payables	793	597
Changes in accrued expenses	(613)	(390)
Others	102	381
Subtotal	1,829	3,227
Cash received from interest and dividends	8	13
Interest paid	(200)	(190)
Income taxes paid	(665)	(96)
Net cash provided by operating activities	972	2,953
Cash flows from investing activities		
Payments for the acquisition of property and equipment	(519)	(408)
Payments for the acquisition of intangible fixed assets	(462)	(298)
Purchase of investments in subsidiaries resulting in change in the scope of consolidation	33	—
Others	157	(163)
Net cash used in investing activities	(791)	(869)
Cash flows from financing activities		
Proceeds from short-term loans payable	6,728	1,737
Repayments of short-term loans payable	(1,181)	(7,075)
Proceeds from long-term loans payable	900	5,700
Repayments of long-term loans payable	(1,459)	(1,599)
Cash dividends paid	(366)	(283)
Cash dividends paid for non-controlling interests	(50)	(92)
Purchase of treasury stock	(5,462)	—
Others	(35)	(144)
Net cash used in financing activities	(928)	(1,757)
Effect of exchange rate changes on cash and cash equivalents	(410)	3
Net decrease in cash and cash equivalents	(1,157)	330
Cash and cash equivalents at the beginning of the period	8,521	9,059
Cash and cash equivalents at the end of the period	7,364	9,389

(4) Notes to quarterly consolidated financial statements

(Notes regarding ongoing concern assumption)

There are no relevant matters to be noted.

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

There are no relevant matters to be noted.

(Segment information)

I. First half of the fiscal year ended March 31, 2017 (April 1, 2016 to September 30, 2016)

1. 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	6,354	10,885	2,561	1,859	621	412	22,695	—	22,695
Net internal sales or transfers among segments	5,566	34	248	—	0	—	5,849	(5,849)	—
Total	11,920	10,920	2,810	1,859	622	412	28,545	(5,849)	22,695
Segment income or segment loss	2,414	267	303	(86)	(21)	(14)	2,863	(1,425)	1,437

Notes: 1. The segment income or loss adjustment of ¥(1,425) million includes transactions offset among segments of ¥(65) million and company-wide expenses that are not allocated to respective reportable segments of ¥(1,360) 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 financial statements.

2. Information on the impairment loss or goodwill of fixed assets of reportable segments

As a result of the acquisition of all the shares of Scaw Metals Pty. Ltd. in the first quarter, the Company reported ¥489 million in negative goodwill. The gains from the emergence of negative goodwill were not apportioned to reporting segments.

3. Information on the change of reportable segments

As a result of the acquisition of all the shares of Scaw Metals Pty. Ltd. and its two subsidiaries in the first quarter, and the consolidation of all the three entities in the consolidated balance sheets as of June 30, 2016, the Company added "Others" to reporting segments.

II. First half of the fiscal year ending March 31, 2018 (April 1, 2017 to September 30, 2017)

1. 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	6,210	11,781	2,857	1,906	914	989	24,661	—	24,661
Net internal sales or transfers among segments	4,435	36	183	—	21	—	4,677	(4,677)	—
Total	10,646	11,818	3,041	1,906	936	989	29,338	(4,677)	24,661
Segment income or segment loss	1,710	266	342	90	(22)	(46)	2,340	(1,071)	1,269

Notes: 1. The segment income or loss adjustment of ¥(1,071) million includes transactions offset among segments of ¥(56) million and company-wide expenses that are not allocated to respective reportable segments of ¥(1,127) 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 financial statements.