

This is the English translation of the original Japanese-language Business Results of KITO CORPORATION (the Company) for the fiscal year ending March 31, 2017 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.

Financial Results for the Third Quarter of the Fiscal Year Ending March 2017 [Japan GAAP] (Consolidated)

February 14, 2017

Company	KITO CORPORATION	Listed on the TSE 1 st Section
Stock Code	6409	URL: http://kito.com/
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Expected date of filing of Quarterly Report:	February 14, 2017	
Preparation of supplementary financial document:	Yes	
Results briefing:	No	

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

1. Consolidated business results for the nine months ended December 31, 2016 (April 1, 2016 to December 31, 2016) of fiscal 2016 (April 1, 2016 to March 31, 2017)

(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. 2016	35,291	(10.7)	1,969	(31.5)	1,648	(33.1)	659	(44.4)
Nine months ended Dec. 2015	39,536	20.3	2,876	56.1	2,465	29.4	1,185	(6.6)

(Note) Comprehensive income Nine months ended Dec. 2016: (276) million yen —%
Nine months ended Dec. 2015: 837 million yen (72.6)%

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 2016	27.55	27.49
Nine months ended Dec. 2015	45.17	45.04

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of December 31, 2016	60,719	19,608	31.0
As of March 31, 2016	60,639	26,040	41.2

(Reference) Shareholders' equity As of December 31, 2016: 18,807 million As of March 31, 2016: 25,011 million

2. Dividends

	Annual dividend				
	End of Q1	End of Q2	End of Q3	Year-end	Annual
FY ended March 2016	Yen —	Yen 14.00	Yen —	Yen 14.00	Yen 28.00
FY ending March 2017	—	14.00			
FY ending March 2017 (forecast)			—	14.00	28.00

(Note) Revisions from recently announced dividend forecast: No

3. Forecast of consolidated business results for fiscal 2016 (April 1, 2016 to March 31, 2017)

(% change from the previous 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
FY ending March 2017	53,000	(5.1)	3,700	(29.1)	3,200	(30.1)	1,800	(27.9)	78.13

(Note) Revisions from recently announced forecast: No

※ Notes:

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in a change in the scope of consolidation): Yes
New: Kito Australia Pty. Ltd. Excluded: 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 December 31, 2016: 27,048,200 shares
 - As of March 31, 2016: 27,048,200 shares
 - (b) Number of treasury stock at the end of period
 - As of December 31, 2016: 6,737,059 shares
 - As of March 31, 2016: 787,016 shares
 - (c) Average number of shares over the period
 - Nine months ended Dec. 31, 2016: 23,947,293 shares
 - Nine months ended Dec. 31, 2015: 26,250,073 shares

*** Indication of the status of execution of audit procedures**

This financial summary is not subject to audit procedures pursuant to the Financial Instruments and Exchange Act of Japan. Audit procedures were completed as of the date of the report disclosure.

*** 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 Kito. 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 4 of the supplementary materials.

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1. Qualitative Information on Quarterly Business Results

(1) Explanation of results of operations

For the nine-month period from April 1 to December 31, 2016, of the fiscal year ending March 31, 2017, the economic outlook remained uncertain amid economic slowdown in China and other emerging countries, the decline in natural resource prices, fluctuations in currency markets, and instability in Europe. In Japan, the recovery trend in the economy continued overall, supported by investment demand to replace aging facilities and infrastructure. In the United States, there were signs of improvement in capital expenditures and housing investment, supported by firm consumer spending.

In this business environment, for the initial fiscal year of the new midterm plan, the Kito Group implemented measures to achieve its management objectives of regaining a high earnings structure, generate profits and cash, and maximize productivity and efficiency in existing businesses.

As a result, consolidated net sales for the nine-month period amounted to ¥35,291 million (down 10.7% year on year), mainly due to appreciation of the yen. Excluding the impact of exchange rates, the year-on-year revenue decline was minimal. In terms of earnings, the Kito Group implemented measures to enhance production efficiency and cut costs, but also recorded approximately ¥600 million in expenses required in the bidding process to acquire a European company. As a result, operating income amounted to ¥1,969 million (down 31.5%), with ordinary income of ¥1,648 million (down 33.1%), and net income attributable to owners of parent of ¥659 million (down 44.4%).

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	¥17,430 million (down 6.9%)	¥3,368 million (down 19.4%)
Americas	¥17,348 million (down 13.6%)	¥795 million (up 43.1%)
China	¥4,143 million (down 33.8%)	¥448 million (down 40.6%)
Asia (excluding Japan and China)	¥2,719 million (down 10.5%)	¥(111) million (Compared with operating loss of ¥179 million in the same period of the previous year)
Europe	¥914 million (down 17.3%)	¥(33) million (Compared with an operating income of ¥17 million in the same period of the previous year)
Others	¥857 million (—%)	¥(24) million (—%)

Japan

Net sales declined 6.9% from the same period of the previous fiscal year, to ¥17,430 million. Although sales in the domestic market rose on firm freight movement for infrastructure-related investments, exports were constrained as overseas subsidiaries scaled back inventory. In terms of earnings, segment operating income declined 19.4% year on year, to ¥3,368 million, due mainly to the appreciation of the yen.

Americas

Sales in the Americas region were down slightly on a local currency basis, as U.S. companies postponed capital investments in response to heightened uncertainty surrounding the change in government administration and other domestic issues. As a result of the stronger yen, after conversion to yen, segment sales amounted to ¥17,348 million (down 13.6% from the same period of the previous fiscal year). Operating income, however, rose 43.1% year on year, to ¥795 million, on continued business efficiency and cost reduction measures.

China

Net sales declined 33.8% from the same period of the previous fiscal year, to ¥4,143 million, with weak demand overall in response to the economic slowdown. Segment operating income amounted to ¥448 million (down 40.6%). The Kito Group continues to secure earnings through cost reductions, and maintain its operating margin.

Asia (excluding Japan and China)

Business expanded in South Korea as Kito captured demand for clean room cranes used in the flat panel display industry, but overall investment demand in Asian region tapered off as a result of sluggish growth in regional economies in response to China's economic slowdown. As a result, segment net sales declined 10.5% from the same period of the previous fiscal year, to ¥2,719 million. In terms of earnings, Kito continued to implement earnings improvement measures, narrowing its segment operating loss to ¥111 million (compared with an operating loss of ¥179 million in the same period of the previous fiscal year).

Europe

Net sales declined 17.3% from the same period of the previous fiscal year, to ¥914 million, as a result of fluctuations in oil prices, and a heightened sense of uncertainty regarding the situation in Europe and surrounding regions. Kito posted a segment operating loss for the period of ¥33 million (compared with operating income of ¥17 million in the same period of the previous fiscal year).

Others

As a result of the inclusion of Kito Australia Pty. Ltd. and its subsidiaries (acquired previously) within the scope of consolidation beginning with the first quarter of the current fiscal year, sales of this segment amounted ¥857 million and the operating loss was ¥24 million.

(2) Explanation of financial position

Assets

Total assets at the end of the subject third quarter cumulative period (December 31, 2016) amounted to ¥60,719 million, an increase of ¥79 million from the end of the previous fiscal year ended March 31, 2016. This was due mainly to increases of ¥2,444 million in merchandise and finished goods and ¥1,286 million in work in progress against declines of ¥463 million in cash and deposits and ¥1,994 million in notes and accounts receivable–trade.

Liabilities

Total liabilities amounted to ¥41,111 million, an increase of ¥6,511 million from the end of the previous fiscal year. This was due mainly to increases of ¥487 million in notes and accounts payable–trade; ¥5,484 million in short-term loans payable; and ¥439 million in long-term loans payable.

Net Assets

Net assets amounted to ¥19,608 million, a decrease of ¥6,432 million from the end of the previous fiscal year. This was due mainly to an increase of ¥5,462 million in treasury stock and a decrease of ¥994 million in foreign currency translation adjustment.

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

The outlook for performance for the full fiscal year ending March 31, 2017 remains unchanged from the performance outlook released on December 14, 2016.

2. Matters regarding Summary Information (Notes)

(1) Changes in significant subsidiaries during the period

During the first quarter of the fiscal year ending March 31, 2017, due to the acquisition of all the shares of Scaw Metals Pty. Ltd. (which was renamed to Kito Australia Pty. Ltd. as of July 27, 2016), that company was included within the scope of the Company's consolidated accounts.

(2) Adoption of special accounting treatment measures in the preparation of quarterly consolidated financial statements

There are no relevant matters to be noted.

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

There are no relevant matters to be noted.

(4) Additional information

The Company has applied the "Application Guidelines for the Recoverability of Deferred Tax Assets" (Corporate Accounting Standard No. 26, issued March 28, 2016) beginning in the first quarter under review.

3. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2016	As of December 31, 2016
Assets		
Current assets		
Cash and deposits	8,529	8,065
Notes and accounts receivable-trade	11,761	9,766
Merchandise and finished goods	10,735	13,180
Work in process	1,599	2,886
Raw materials and supplies	1,517	1,643
Other current assets	3,522	2,353
Allowance for doubtful receivables	(66)	(89)
Total current assets	37,599	37,805
Fixed assets		
Property and equipment		
Buildings and structures (net)	4,668	4,387
Machinery, equipment, and vehicles (net)	4,861	4,987
Others (net)	2,370	2,439
Total property and equipment	11,901	11,814
Intangible assets		
Goodwill	2,901	2,534
Other intangible assets	4,995	5,510
Total intangible assets	7,896	8,045
Investments and other assets		
Investment securities	1,337	1,337
Deferred tax assets	641	573
Other investments and other assets	1,263	1,142
Total investments and other assets	3,242	3,053
Total fixed assets	23,040	22,913
Total assets	60,639	60,719

(Millions of yen)

As of March 31, 2016

As of December 31, 2016

Liabilities		
Current liabilities		
Notes and accounts payable-trade	5,301	5,788
Short-term loans payable	4,595	10,080
Accrued expenses	2,757	2,051
Income taxes payable	644	341
Provisions	833	748
Other current liabilities	939	2,305
Total current liabilities	15,072	21,314
Long-term liabilities		
Long-term loans payable	14,687	15,127
Provision for directors' retirement benefits	177	191
Net defined benefit liability	2,664	2,675
Other long-term liabilities	1,997	1,801
Total long-term liabilities	19,527	19,796
Total liabilities	34,599	41,111
Net assets		
Shareholders' equity		
Capital stock	3,976	3,976
Capital surplus	5,226	5,226
Retained earnings	15,279	15,287
Treasury stock	(354)	(5,816)
Total shareholders' equity	24,128	18,674
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	0	0
Deferred gains or losses on hedges	(132)	23
Foreign currency translation adjustment	1,512	517
Remeasurements of defined benefit plans	(496)	(408)
Total accumulated other comprehensive income	833	133
Subscription rights to shares	36	45
Non-controlling interests	991	755
Total net assets	26,040	19,608
Total liabilities and net assets	60,639	60,719

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

(Millions of yen)

	Nine Months Ended Dec. 2015 (Apr. 1, 2015 to Dec. 31, 2015)	Nine Months Ended Dec. 31, 2016 (Apr. 1, 2016 to Dec. 31, 2016)
Net sales	39,536	35,291
Cost of sales	25,394	22,219
Gross profit	14,141	13,071
Selling, general, and administrative expenses	11,264	11,102
Operating income	2,876	1,969
Non-operating income		
Debt status of limitations gain	—	20
Other	167	118
Total non-operating income	167	139
Non-operating expenses		
Interest expense	357	292
Foreign exchange loss	104	44
Other	115	122
Total non-operating expenses	578	459
Ordinary income	2,465	1,648
Extraordinary income		
Gain on sale of noncurrent assets	—	489
Total extraordinary income	—	489
Extraordinary loss		
Impairment loss	—	160
Quality-related cost	120	—
Total extraordinary loss	120	160
Income before income taxes	2,344	1,978
Income taxes	1,103	1,351
Net income for the period	1,241	626
Net income (loss) attributable to non-controlling interests	55	(33)
Net income attributable to owners of parent	1,185	659

Quarterly consolidated statements of comprehensive income

(Millions of yen)

	Nine Months Ended Dec. 2015 (Apr. 1, 2015 to Dec. 31, 2015)	Nine Months Ended Dec. 31, 2016 (Apr. 1, 2016 to Dec. 31, 2016)
Net income for the period	1,241	626
Other comprehensive income		
Valuation difference on available-for-sale securities	(1)	0
Deferred gains or losses on hedges	40	156
Foreign currency translation adjustment	(475)	(1,149)
Remeasurements of defined benefit plans, net of tax	33	90
Total other comprehensive income	(403)	(902)
Quarterly comprehensive income	837	(276)
(Comprehensive income attributable to):		
Owners of the parent	824	(90)
Non-controlling interests	13	(185)

(3) 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)

The Kito Group, based on a decision of its Board of Directors on September 26, 2016, purchased treasury shares of 5,950,000, in the amount of ¥5,462 million, which increased to ¥5,816 million at the end of the third quarter.

(Segment information)

I. Third quarter cumulative period of the fiscal year ended March 31, 2016 (April 1, 2015 to December 31, 2015)

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			
Net sales								
Net sales to outside customers	9,437	20,053	5,930	3,007	1,106	39,536	—	39,536
Net internal sales or transfers among segments	9,278	27	329	30	—	9,665	(9,665)	—
Total	18,715	20,081	6,260	3,037	1,106	49,201	(9,665)	39,536
Segment income or segment loss	4,177	556	755	(179)	17	5,328	(2,451)	2,876

Notes: 1. The segment income or loss adjustment of ¥(2,451) million includes transactions offset among segments of ¥(767) million and Company-wide expenses that are not allocated to respective reportable segments of ¥(1,683) 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.

II. Third quarter cumulative period of the fiscal year ending March 31, 2017 (April 1, 2016 to December 31, 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	9,753	17,301	3,744	2,719	914	857	35,291	—	35,291
Net internal sales or transfers among segments	7,676	46	398	—	0	—	8,122	(8,122)	—
Total	17,430	17,348	4,143	2,719	914	857	43,413	(8,122)	35,291
Segment income or segment loss	3,368	795	448	(111)	(33)	(24)	4,444	(2,474)	1,969

Notes: 1. The segment income or loss adjustment of ¥(2,474) million includes transactions offset among segments of ¥(131) million and Company-wide expenses that are not allocated to respective reportable segments of ¥(2,343) 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 of fixed assets or goodwill by reportable segments

(Significant loss on impairment of fixed assets)

The Company recorded ¥160 million in impairment loss on goodwill in the "Asia" segment.

(Significant gains from the emergence of negative goodwill)

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 reportable 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 three entities in the consolidated balance sheets, the Company added "Others" to reportable segments.