

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, 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.

Business Results for the First Quarter of the Fiscal Year Ending March 31, 2017 [Japan GAAP] (Consolidated)

August 12, 2016

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, Executive Officer, GM, Corporate Management Division	TEL: +81-3-5908-0161
Expected date of filing of quarterly securities report:	August 12, 2016	Scheduled date to begin dividend payments:
Preparation of supplementary financial document:	Yes	
Results briefing:	None	

(Rounded down to the nearest million yen)

1. Consolidated business results for the Q1 (April 1, 2016 to June 30, 2016)

(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 FY2016	10,323	(14.8)	561	4.2	229	(45.0)	270	56.8
Q1 FY2015	12,122	43.8	538	92.2	418	84.9	172	149.7

(Note) Comprehensive income Q1 FY2016: (956) million yen %
Q1 FY2015: 345 million yen %

	Net income per share	Diluted net income per share
	Yen	Yen
Q1 FY2016	10.31	10.29
Q1 FY2015	6.58	6.55

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of June 30, 2016	57,297	24,664	41.4
As of Mar. 31, 2016	60,639	26,040	41.2

(Reference) Shareholders' equity As of June 30, 2016: 23,736 million yen As of March 31, 2016: 25,011 million yen

2. Dividends

	Annual dividend				
	End of Q1	End of Q2	End of Q3	Year-end	Annual
FY2015	Yen 14.00	Yen 14.00	Yen 14.00	Yen 14.00	Yen 28.00
FY2016					
FY2016 (forecast)		14.00		14.00	28.00

(Note) Revisions from recently announced dividend forecast: None

3. Forecast of consolidated business results for the fiscal year ending March 31, 2017 (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
H1 FY2016	22,700	(12.0)	1,250	(16.9)	1,100	(7.9)	450	(20.8)	17.14
FY2016	53,000	(5.1)	4,300	(17.7)	4,000	(12.6)	2,400	(3.9)	91.39

(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): Yes

New: 1 Scaw Metals Pty. Ltd. Excluded: —

(Note) For further details, refer to Contents of Attached Materials, page 6, "2. Matters regarding Summary Information

(Notes) (1) Changes in significant subsidiaries during the period."

(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

Changes in accounting policies due to revisions of accounting standards: None

Changes in accounting policies other than above: None

Changes of accounting estimates: None

Restatements: None

(4) Number of shares issued (common stock)

Number of shares issued at the end of period (treasury stock included)

As of June 30, 2016: 27,048,200 shares

As of Mar. 31, 2016: 27,048,200 shares

Number of treasury stock at the end of period

As of June 30, 2016: 787,016 shares

As of Mar.31, 2016: 787,016 shares

Average number of shares over the period

Q1 FY2016: 26,261,184 shares

Q1 FY2015: 26,246,184 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. However, 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 5 of the supplementary materials.

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1. Qualitative Information on Quarterly Business Results

(1) Explanation of results of operations

During the first quarter ended June 30, 2016, there seemed expanding uncertainty about future developments, concerned by the instable conditions in Europe, the fall in natural resource prices, and the impact of geopolitical risks including terrorism. In Japan there were signs of improvement in domestic capital investment for infrastructure, and a moderate recovery trend continued, although uncertainties for the future course of economic trends increased with further appreciation of Japanese yen. In the United States, although personal consumption and investments from housing construction stay at good level, corporate capital investments were postponed due to the influence of external environment such as instability of natural resource industry. Amid the decline in natural resource prices and continued deceleration in the Chinese economy, economic growth in the emerging countries was seen to be weakening.

Amid this operating environment, the Kito Group began to implement its New five-year Mid-Term Plan and started initiatives intended to consolidate the base for the plan, including instilling the Plan throughout the Kito Group, starting new business organization, maximizing productivity and efficiency in existing businesses.

As a result, consolidated net sales for the first quarter amounted to ¥10,323 million (a 14.8% decrease year on year) due in part to appreciation of the yen against other currencies. Consolidated operating income was ¥561 million (an increase of 4.2%). Consolidated ordinary income amounted to ¥229 million (a decrease of 45.0%) due in part to reporting of foreign exchange losses. Net income attributable to owners of the parent company was ¥270 million (a 56.8% increase).

Results by segment are as follows.

Segment	Net Sales (YoY change in %)	Operating Income (Loss) (YoY change in %)
Japan	¥5,609 million (-7.8%)	¥1,140 million (-14.2%)
The Americas	¥5,259 million (-14.1%)	¥10 million (Compared with an operating loss of ¥11 million in the same period of the previous year)
China	¥1,289 million (-35.9%)	¥149 million (-31.7%)
Asia (excluding Japan and China)	¥628 million (-30.2%)	¥(107) million (Compared with an operating loss of ¥163 million in the same period of the previous year)
Europe	¥283 million (-24.3%)	¥(18) million (Compared with an operating profit of ¥9 million in the same period of the previous year)

Japan:

In Japan, although investments in infrastructures continued to be firm, decline in export and yen depreciation pushed down sales. As a result, sales in Japan segment were ¥5,609 million (a decrease of 7.8% year on year). Operating income amounted to ¥1,140 million (a decrease of 14.2% year on year).

The Americas:

In the United States, investment demand in the energy industries remained stagnant, and capital investments were postponed. Sales in the Americas as a whole amounted to ¥5,259 million (a decrease of 14.1% year on year) because of the appreciation of the yen. Operating income recovered to ¥10 million (compared with an operating loss of ¥11 million in the same period of the previous fiscal year) because efficiency measures and growth in business in Brazil.

China:

Along with deceleration in the Chinese economy, demand was generally stagnant. Sales amounted to ¥1,289 million (a decrease of 35.9%), and operating income was ¥149 million (a decline of 31.7%). Kito continued its policy of improving profitability through lowering costs and maintaining the operating profit ratio.

Asia (excluding Japan and China):

As a result of the deceleration in the Chinese economy, regional economies were affected and experienced slower growth, leading to an ebbing of investment demand. Amid this economic environment, sales amounted to ¥628 million (a decrease of 30.2%). Kito endeavored to improve profitability, and, as a result, the operating loss in this region amounted to ¥107 million, compared with an operating loss of ¥163 million in the previous year.

Europe:

Uncertainty increased in the region along with trends in crude oil prices and unstable conditions in the region. Sales were ¥283 million (a decrease of 24.3%), and the operating loss amounted to ¥18 million (compared with operating profit of ¥9 million in the same period of the previous year).

(2) Explanation of financial position**1. Assets**

Total assets were ¥57,297 million on June 30, 2016, the end of the quarter under review, representing a decrease by ¥3,342 million from the previous consolidated fiscal year ended of March 31, 2016. Factors accounting for this decline were a decrease in notes and accounts receivable-trade of ¥3,054 million and a decline in goodwill of ¥323 million.

2. Liabilities

Total liabilities amounted to ¥32,633 million at the end of the quarter, representing a decline of ¥1,966 million from March 31, 2016. This decrease was the result of a decline in expenses payable of ¥909 million and a decline in long-term loans payable of ¥1,116 million.

3. Net Assets

Net assets were ¥24,664 million, which was ¥1,376 million lower than that at March 31, 2016. This was because of a decline in retained earnings of ¥97 million and a decrease in the foreign currency translation adjustment account of ¥1,211 million.

(3) Explanation of performance forecasts and other forward-looking statements, including consolidated business forecasts
The outlook for performance through the end of the second quarter of the year ending March 31, 2017 and the outlook for the full fiscal year remain unchanged from the performance outlook released on May 13, 2016.

2. Matters regarding Summary Information (Notes)

(1) Changes in significant subsidiaries during the period

Due to the acquisition of all the shares of Scaw Metals Pty. Ltd. (which was renamed Kito Australia Pty. Ltd. on July 27, 2016), that company was included with 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

Application Guidelines for Recoverability of Deferred Tax Assets

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 June 30, 2016
Assets		
Current assets:		
Cash and deposits	8,529	8,516
Notes and accounts receivable-trade	11,761	8,706
Merchandise and finished goods	10,735	11,376
Work in process	1,599	2,518
Raw materials and supplies	1,517	1,298
Other current assets	3,522	2,755
Allowance for doubtful receivables	(66)	(61)
Total current assets	37,599	35,110
Fixed assets:		
Property and equipment		
Buildings and structures (net)	4,668	4,614
Machinery, equipment, and vehicles (net)	4,861	4,616
Others (net)	2,370	2,337
Total property and equipment	11,901	11,568
Intangible assets		
Goodwill	2,901	2,577
Other intangible assets	4,995	4,849
Total intangible assets	7,896	7,427
Investments and other assets		
Investment securities	1,337	1,337
Deferred tax assets	641	647
Other investments and other assets	1,263	1,205
Total investments and other assets	3,242	3,191
Total fixed assets	23,040	22,186
Total assets	60,639	57,297

(Millions of yen)

	As of March 31, 2016	As of June 30, 2016
Liabilities		
Current liabilities		
Notes and accounts payable-trade	5,301	5,818
Short-term loans payable	4,595	4,504
Accrued expenses	2,757	1,847
Income taxes payable	644	104
Provisions	833	379
Other current liabilities	939	1,775
Total current liabilities	15,072	14,430
Long-term liabilities		
Long-term loans payable	14,687	13,571
Provision for directors' retirement benefits	177	182
Net defined benefit liability	2,664	2,590
Other long-term liabilities	1,997	1,859
Total long-term liabilities	19,527	18,203
Total liabilities	34,599	32,633
Net assets		
Shareholders' equity		
Capital stock	3,976	3,976
Capital surplus	5,226	5,226
Retained earnings	15,279	15,182
Treasury stock	(354)	(354)
Total shareholders' equity	24,128	24,031
Accumulated other comprehensive income:		
Valuation losses on other securities	0	0
Deferred gains or losses on hedges	(132)	(162)
Foreign currency translation adjustment	1,512	301
Remeasurements of defined benefit plans	(496)	(433)
Total accumulated other comprehensive income	883	(294)
Subscription rights to shares	36	39
Non-controlling interests	991	888
Total net assets	26,040	24,664
Total liabilities and net assets	60,639	57,297

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

(Millions of yen)

	Q1 FY2015 (April 1, 2015 to June 30, 2015)	Q1 FY2016 (April 1, 2016 to June 30, 2016)
Net sales	12,122	10,323
Cost of sales	7,809	6,334
Gross profit	4,313	3,988
Selling, general, and administrative expenses	3,774	3,427
Operating income	538	561
Non-operating income:		
Gains from the lapse of rights	-	20
Foreign exchange gains	10	-
Other	51	36
Total non-operating income	61	57
Non-operating expenses:		
Interest expense	137	99
Foreign exchange loss	-	233
Other	45	55
Total non-operating expenses	182	388
Ordinary income	418	229
Extraordinary profit		
Gains from emergence of negative goodwill	-	489
Total extraordinary profit	-	489
Income before income taxes	418	719
Income taxes	239	450
Net income for the period	178	268
Net income (loss) attributable to non-controlling interests	5	(1)
Net income attributable to owners of parent	172	270

(Quarterly consolidated statements of comprehensive income)

(Millions of yen)

	Q1 FY2015 (April 1, 2015 to June 30, 2015)	Q1 FY2016 (April 1, 2016 to June 30, 2016)
Income before minority interests	178	268
Other comprehensive income:		
Valuation difference on available-for-sale securities	0	0
Deferred gains or losses on hedges	66	(29)
Foreign currency translation adjustment	112	(1,260)
Remeasurements of defined benefit plans, net of tax	(12)	64
Total other comprehensive income	166	(1,225)
Quarterly comprehensive income	345	(956)
(Comprehensive income attributable to):		
Owners of the parent	337	(907)
Minority interests	8	(49)

(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)

There are no relevant matters to be noted.

(Segment information)

I. First quarter of the fiscal year ended March 31, 2016 (April 1, 2015 to June 30, 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	2,806	6,114	1,926	900	375	12,122	-	12,122
Net internal sales or transfers among segments	3,280	6	85	-	-	3,373	(3,373)	-
Total	6,087	6,121	2,011	900	375	15,496	(3,373)	12,122
Segment income or segment loss	1,329	(11)	218	(163)	9	1,381	(843)	538

Notes: 1. The segment loss adjustment of (843) million yen includes transactions offset among segments of (284) million yen and Company-wide expenses that are not allocated to respective reportable segments of (558) million yen. 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

Not applicable.

II. First quarter of the fiscal year ending March 31, 2017 (April 1, 2016 to June 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)	Total
	Japan	The Americas	China	Asia	Europe	Others			
Net sales									
Net sales to outside customers	2,965	5,246	1,199	628	283	-	10,323	-	10,323
Net internal sales or transfers among segments	2,643	12	89	-	-	-	2,746	(2,746)	-
Total	5,609	5,259	1,289	628	283	-	13,070	(2,746)	10,323
Segment income or segment loss	1,140	10	149	(107)	(18)	-	1,174	(613)	561

Notes: 1. The segment loss adjustment of (613) million yen includes transactions offset among segments of 16 million yen and Company-wide expenses that are not allocated to respective reportable segments of (629) million yen. 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. 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.