

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, 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 original document in Japanese, the original document shall prevail.

## Business Results for the First Quarter of the Fiscal Year Ending March 31, 2021 [Japan GAAP] (Consolidated)

August 6, 2020

Company	<b>KITO CORPORATION</b>	Listed on the TSE 1st Section
Code	6409	URL: <a href="http://kito.com/">http://kito.com/</a>
Representative	Yoshio Kito, President & CEO	
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Expected filing date of the quarterly securities report:	August 7, 2020	Scheduled date for starting payment of dividends: —
Preparation of supplementary material on financial results:	Yes	
Results briefing:	Yes (for institutional investors)	

(Rounded down to the nearest million yen)

### 1. Consolidated business results for the Q1 (April 1 to June 30, 2020)

(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 FY2020	10,058	(24.1)	224	(73.2)	222	(62.1)	(322)	—
Q1 FY2019	13,247	(1.4)	837	(15.6)	587	(27.9)	327	(37.0)

(Note) Comprehensive income Q1 FY2020: (621) million yen (—)%  
Q1 FY2019: 128 million yen (78.1)%

	Net Income per Share		Diluted Net Income per Share	
	Yen	Yen	Yen	Yen
Q1 FY2020	(15.74)	—	—	—
Q1 FY2019	16.02	—	15.98	—

(2) Consolidated financial position

	Total Assets		Net Assets		Shareholders' Equity Ratio	
	Million yen	Million yen	Million yen	Million yen	%	%
As of June 30, 2020	64,572	26,729	26,729	26,729	40.0	40.0
As of Mar. 31, 2020	62,804	27,927	27,927	27,927	42.8	42.8

(Reference) Shareholders' equity As of June 30, 2020: 25,825 million yen As of March 31, 2020: 26,902 million yen

### 2. Dividends

	Annual Dividend				
	Q1	Q2	Q3	Year-end	Annual Total
FY2019	Yen —	Yen 24.00	Yen —	Yen 24.00	Yen 48.00
FY2020	—	—	—	—	—
FY2020 (forecast)	—	12.00	—	12.00	24.00

(Note) Revisions from recently announced dividend forecast: Yes

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

(% 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	Yen
H1 FY2020	21,000	(23.8)	650	(70.2)	500	(72.2)	(500)	—	(24.41)	(24.41)
FY2020	49,000	(16.6)	3,000	(45.2)	2,750	(44.9)	1,100	(65.7)	53.70	53.70

(Note) Revisions from recently announced forecast: Yes

※ **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: None  
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, 2020:                                     | 27,048,200 shares |
| As of March 31, 2020:                                    | 27,048,200 shares |
| Number of treasury stock                                 |                   |
| As of June 30, 2020:                                     | 6,564,603 shares  |
| As of March 31, 2020:                                    | 6,576,603 shares  |
| Average number of shares over the period                 |                   |
| Q1 FY2020:   | 20,477,597 shares |
| Q1 FY2019:   | 20,422,432 shares |

**\* This Business Results Report for the First Quarter of the Fiscal Year Ending March 31, 2021 falls outside the scope of quarterly review procedures by certified public accountants or accounting auditors.**

**\* 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, 2020) of fiscal 2020 (ending March 31, 2021), economic activity declined markedly as a result of the impact from the COVID-19 pandemic. Under such circumstances, the Company continued normal operations at its main manufacturing facilities, including those in Japan, the U.S., and China. In terms of business markets, however, despite differences by region and industry to varying degrees, demand contracted in nearly all market segments.

As a result, net sales in the subject first quarter period amounted to ¥10,058 million (down 24.1% from the corresponding period of the previous fiscal year), with operating income of ¥224 million (down 73.2%), and ordinary income of ¥222 million (down 62.1%). Of note, as a result of an increase in corporate taxes due to tax effect, the Company posted a net loss attributable to owners of the parent of ¥322 million (compared to net income of ¥327 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	¥5,169 million, down 15.6%	¥1,166 million, up 4.1%
The Americas	¥4,317 million, down 30.5%	¥(265) million Ref. Q1 FY2019: ¥72 million
China	¥1,441 million, down 26.6%	¥197 million, down 30.2%
Asia (excluding Japan and China)	¥528 million, down 19.6%	¥(9) million Ref. Q1 FY2019: ¥(5) million
Europe	¥977 million, up 2.4%	¥(60) million Ref. Q1 FY2019: ¥(19) million
Others	¥307 million, down 17.7%	¥(7) million Ref. Q1 FY2019: ¥ 0 million

#### Japan

The impact from COVID-19 intensified during the subject period. Demand remained firm at first, but gradually contracted. Exports to subsidiaries also declined with the slowdown in demand in overseas markets. As a result, net sales amounted to ¥5,169 million (down 15.6% from the corresponding period of the previous fiscal year). Operating income, however, rose to ¥1,166 million (up 4.1%) on successful cost-cutting measures.

#### The Americas

In the U.S., demand slumped from the start of the period due to the COVID-19 crisis. Net sales amounted to ¥4,317 million (down 30.5% from the corresponding period of the previous fiscal year), with an operating loss of ¥265 million (compared to operating income of ¥72 million in the corresponding period of the previous fiscal year).

#### China

China managed to recover from the effects of the COVID-19 crisis quickly, and recently earnings have rapidly improved. The fiscal year for this segment starts in January, and net sales for the first quarter period (January to March) amounted to ¥1,441 million (down 26.6% from the corresponding period of the previous fiscal year), with operating income of ¥197 million (down 30.2%).

### **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 Asian region. Net sales amounted to ¥528 million (down 19.6% from the corresponding period of the previous fiscal year), with a segment operating loss of ¥9 million (compared to an operating loss of ¥5 million in the corresponding period of the previous fiscal year).

### **Europe**

Economic activity has stagnated with the lockdowns implemented across Europe, and demand fell sharply. 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 ¥977 million (up 2.4% from the corresponding period of the previous fiscal year). In terms of earnings, however, the segment had an operating loss of ¥60 million (compared to an operating loss of ¥19 million in the corresponding period of the previous fiscal year).

### **Others**

This segment currently comprises only the Australia business. Net sales amounted to ¥307 million (down 17.7% from the corresponding period of the previous fiscal year), with a segment operating loss of ¥7 million (compared to an operating income of ¥0 million in the corresponding period of the previous fiscal year).

## **(2) Financial Position**

Total assets at the end of the subject first quarter cumulative period amounted to ¥64,572 million, an increase of ¥1,767 million compared to the end of the previous fiscal year. The main factors were a ¥5,240 million increase in cash and deposits; a decrease of ¥3,429 million in notes and accounts receivable-trade; and a ¥627 million increase in merchandise and finished goods.

Total liabilities amounted to ¥37,842 million, an increase of ¥2,965 million from the end of the previous fiscal year. The main factors were a ¥5,797 million increase in short-term loans payable; a ¥1,310 million decrease in accrued expenses; and a ¥625 million decrease in long-term loans payable.

Net assets amounted to ¥26,729 million, a decrease of ¥1,197 million from the end of the previous fiscal year. The main factors were a ¥813 million decrease in retained earnings; a ¥274 million decrease in foreign currency translation adjustment; and a ¥123 million decrease in non-controlling interests.

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

Fiscal 2020 (ending March 31, 2021) is the final year of Kito Group's five-year mid-term business plan. Under this plan, the Company enhanced business productivity and efficiency with the aim of maximizing earnings and cash flow, concentrated on expanding its lineup of products and services, and pursued the globalization of its corporate organization. However, with the slowdown in capital investment centered on the Japanese market since the latter half of Fiscal 2019 (ended March 31, 2020), together with the impact from the COVID-19 crisis in global markets from the start of the current fiscal year, the business environment has changed considerably, and it has become extremely difficult for the Company to achieve the earnings targets in its business plan.

As the Company has promoted globalization of production and organization, it could continue normal operations at major production facilities including Japan, the United States, China, and fortunately COVID-19 did not impact on the supply chain. Its business portfolio with geographic dispersity and a varied customer base has successfully diversified risk, so that even though demand has slowed worldwide, the Company was able to support earnings. This demonstrates the success of the measures implemented in the business plan.

Recent market conditions form the basis for Fiscal 2020 (ending March 31, 2021) forecasts. China is already recovering from the effects of the COVID-19 crisis, and is on track to achieve full-year results on a par with the previous fiscal year. Although the outlook for demand in other markets remains uncertain, gradual recovery is expected from the second quarter onward in Japan, North America and other markets as well, as economic activity expands.

Of note, the Company's forecasts are calculated based on currently available information. Actual results may vary due to several factors, including the future spread of the COVID-19 infection and efforts to bring the virus under control.

## **2. Consolidated Financial Statements and Major Notes**

### **(1) Quarterly Consolidated Balance Sheets**

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
<b>Assets</b>		
Current assets:		
Cash and deposits	9,468	14,708
Notes and accounts receivable—trade	11,088	7,658
Merchandise and finished goods	13,601	14,229
Work in process	1,193	1,236
Raw materials and supplies	3,302	3,393
Other current assets	1,465	1,657
Allowance for doubtful receivables	(73)	(67)
Total current assets	40,046	42,816
Fixed assets:		
Property and equipment		
Buildings and structures (net)	4,461	4,310
Machinery, equipment, and vehicles (net)	4,246	4,089
Others (net)	4,044	4,113
Total property and equipment	12,752	12,513
Intangible assets		
Goodwill	1,316	1,228
Other intangible assets	4,003	3,905
Total intangible assets	5,319	5,133
Investments and other assets		
Investment securities	2,000	1,969
Deferred tax assets	1,803	1,266
Other investments and other assets	881	872
Total investments and other assets	4,686	4,108
Total fixed assets	22,757	21,755
Total assets	62,804	64,572

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable—trade	5,668	5,248
Short-term loans payable	3,252	9,049
Current portion of long-term loans payable	4,271	4,222
Accrued expenses	3,349	2,038
Income taxes payable	377	119
Provision for bonuses for employees	769	390
Other provisions	480	254
Other current liabilities	2,093	2,430
Total current liabilities	20,263	23,752
Long-term liabilities		
Long-term loans payable	10,808	10,183
Net defined benefit liability	2,336	2,400
Other long-term liabilities	1,469	1,506
Total long-term liabilities	14,613	14,090
Total liabilities	34,877	37,842
<b>Net assets</b>		
Shareholders' equity		
Capital stock	3,976	3,976
Capital surplus	5,234	5,232
Retained earnings	24,086	23,272
Treasury stock	(5,678)	(5,667)
Total shareholders' equity	27,618	26,813
Accumulated other comprehensive income:		
Valuation losses on other securities	0	0
Deferred gains or losses on hedges	(91)	(102)
Foreign currency translation adjustment	(64)	(338)
Remeasurements of defined benefit plans	(559)	(547)
Total accumulated other comprehensive income	(716)	(988)
Subscription rights to shares	66	69
Non-controlling interests	958	835
Total net assets	27,927	26,729
Total liabilities and net assets	62,804	64,572

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

(Millions of yen)

-	Q1 FY2019 (April 1 to June 30, 2019)	Q1 FY2020 (April 1 to June 30, 2020)
Net sales	13,247	10,058
Cost of sales	8,316	6,482
Gross profit	4,931	3,576
Selling, general, and administrative expenses	4,093	3,352
Operating income	837	224
Non-operating income:		
Interest income	5	9
Foreign exchange gains	—	9
Gain on sales of scraps	11	5
Subsidy income	—	47
Other	23	37
Total non-operating income	40	109
Non-operating expenses:		
Interest expense	90	64
Equity in losses of affiliates	46	14
Foreign exchange losses	102	—
Other	52	32
Total non-operating expenses	291	111
Ordinary income	587	222
Extraordinary income		
Gain on sale of fixed assets	1	0
Total extraordinary income	1	0
Extraordinary loss		
Loss on sale of fixed assets	0	—
Loss on retirement of fixed assets	5	5
Total extraordinary loss	6	5
Income before income taxes	582	217
Income taxes	233	523
Net income (loss) for the period	349	(306)
Net income attributable to non-controlling interests	22	16
Net income (loss) attributable to owners of parent	327	(322)

## Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Q1 FY2019 (April 1 to June 30, 2019)	Q1 FY2020 (April 1 to June 30, 2020)
Net income (loss) for the period	349	(306)
Other comprehensive income:		
Valuation difference on available-for-sale securities	0	(0)
Deferred gains or losses on hedges	(52)	(10)
Foreign currency translation adjustment	(166)	(300)
Remeasurements of defined benefit plans, net of tax	8	12
Equity in losses of affiliates	(9)	(17)
Total other comprehensive income	(220)	(314)
Quarterly comprehensive income	128	(621)
(Comprehensive income attributable to):		
Owners of the parent	91	(594)
Minority interests	37	(26)

**(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)

First quarter of the fiscal year ended March 31, 2020 (April 1 to June 30, 2019)

Information on the amounts of net sales and 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	3,400	6,199	1,804	657	811	373	13,247	—	13,247
Net internal sales or transfers among segments	2,727	10	159	—	142	—	3,040	(3,040)	—
Total	6,128	6,210	1,964	657	954	373	16,287	(3,040)	13,247
Segment income (loss)	1,120	72	283	(5)	(19)	0	1,451	(613)	837

Notes: 1. The segment income (loss) adjustment of ¥(613) million includes transactions offset among segments of ¥82 million and company-wide expenses that are not allocated to respective segments of ¥(696) 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, 2021 (April 1 to June 30, 2020)

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.

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