

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, 2020 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, 2020 [Japan GAAP] (Consolidated)

August 6, 2019

Company	<b>KITO CORPORATION</b>	Listed on the TSE 1 <sup>st</sup> Section
Code	6409	URL: <a href="http://kito.com/">http://kito.com/</a>
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Expected filing date of the quarterly securities report:	August 13, 2019	Scheduled date for starting payment of dividends: —
Preparation of supplementary material on financial results:	Yes	
Results briefing:	None	

(Rounded down to the nearest million yen)

### 1. Consolidated business results for the Q1 (April 1 to June 30, 2019)

(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 FY2019	13,247	(1.4)	837	(15.6)	587	(27.9)	327	(37.0)
Q1 FY2018	13,441	12.8	992	84.4	814	131.5	519	33.6

(Note) Comprehensive income Q1 FY2019: 128 million yen (78.1)%  
Q1 FY2018: 589 million yen 71.5%

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
Q1 FY2019	16.02	15.98
Q1 FY2018	25.48	25.33

### (2) Consolidated financial position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	Million yen	Million yen	%
As of June 30, 2019	60,210	26,244	42.0
As of Mar. 31, 2019	62,078	26,687	41.4

(Reference) Shareholders' equity As of June 30, 2019: 25,301 million yen As of March 31, 2019: 25,690 million yen

### 2. Dividends

	Annual Dividend				
	Q1	Q2	Q3	Year-end	Annual Total
FY2018	Yen —	Yen 20.00	Yen —	Yen 24.00	Yen 44.00
FY2019	—	—	—	—	—
FY2019 (forecast)	—	24.00	—	24.00	48.00

(Note) Revisions from recently announced dividend forecast: None

### 3. Forecast of consolidated business results for the fiscal year ending March 31, 2020 (April 1, 2019 to March 31, 2020)

(% 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
H1 FY2019	28,000	(0.7)	2,200	(14.2)	2,000	(13.6)	1,300	(29.2)	63.67
FY2019	62,800	2.5	6,700	4.5	6,400	11.3	4,300	5.8	210.61

(Note) Revisions from recently announced forecast: None

※ **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: Yes

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, 2019: 27,048,200 shares

As of March 31, 2019: 27,048,200 shares

Number of treasury stock

As of June 30, 2019: 6,619,768 shares

As of March 31, 2019: 6,631,768 shares

Average number of shares over the period

Q1 FY2019: 20,422,432 shares

Q1 FY2018: 20,395,771 shares

**\* This Business Results Report for the First Quarter of the Fiscal Year Ending March 31, 2020 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**

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” 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, 2019) of fiscal 2019 (ending March 31, 2020), the economic outlook remained unclear as a result of such factors as the direction of US-China trade policy, and concerns over a worsening relations between Japan and South Korea. The business environment for the Company was steady in Japan and the United States on firm demand for infrastructure-related maintenance and private sector capital investment, while in China investment demand began to emerge in growth businesses to meet internal demand.

Fiscal 2019 is the fourth year of the Company's five-year mid-term business plan. During the subject fiscal year, the Company is expanding its lineup of products and services and steadily capturing robust investment demand, while implementing various measures.

During the subject first quarter cumulative period, firm infrastructure demand and private sector investment continued from the previous fiscal year, with net sales amounting to ¥13,247 million (down 1.4% year on year). Operating income totaled ¥837 million (down 15.6%), with ordinary income of ¥587 million (down 27.9%), and net income attributable to owners of the parent of ¥327 million (down 37.0%). Revenue and earnings both declined, but this was due mainly to a large project in South Korea (crane systems for clean rooms) recorded in the same 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	¥6,128 million, down 13.8%	¥1,120 million, down 17.7%
The Americas	¥6,210 million, up 2.7%	¥72 million Ref. Q1 2018: ¥(6) million
China	¥1,964 million, up 22.2%	¥283 million, up 48.9%
Asia (excluding Japan and China)	¥657 million, down 53.9%	¥(5) million Ref. Q1 2018: ¥219 million
Europe	¥954 million, up 56.2%	¥(19) million Ref. Q1 2018: ¥(5) million
Others	¥373 million, down 25.5%	¥0 million Ref. Q1 2018: ¥5 million

#### Japan

Demand remained solid, centered on the public sector for infrastructure repair and disaster-related recovery efforts, as well as for private sector capital expenditures. In terms of exports, however, inventory replenishment at subsidiaries completed its cycle in the previous fiscal year, depressing shipments in the subject term. As a result, net sales in Japan amounted to ¥6,128 million (down 13.8% year on year), with operating income of ¥1,120 million (down 17.7%).

#### The Americas

The U.S. economy remained steady with firm demand from both the private and public sectors, and for natural resource-related investment. Net sales in the Americas amounted to ¥6,210 million (up 2.7% year on year), with operating income of ¥72 million (compared to an operating loss of 6 million).

#### China

Despite the weakening of capital investment demand overall, the Company continued to grow and expand its market share in China by steadily capturing demand in buoyant industries. Results rose sharply as a result, with net sales in China of ¥1,964 million (up 22.2% year on year), and operating income of ¥283 million

### **Asia (excluding Japan and China)**

Demand was steady particularly in the automotive-related sector, but the large-scale project of the previous fiscal year in South Korea, noted previously had an impact on results. Net sales in Asia amounted to ¥657 million (down 53.9% year on year). In terms of earnings, the Company posted an operating loss of 5 million (compared to operating income of ¥219 million in the same period of the previous fiscal year).

### **Europe**

The Company began to see results from its sales expansion measures across the region, and Kito Chain Italia, a manufacturer of chain-related products, became a consolidated subsidiary at the end of the previous fiscal year. As a result, net sales in Europe amounted to ¥954 million (up 56.2% year on year). In terms of earnings, the Company posted an operating loss of ¥19 million (compared to an operating loss of ¥5 million in the same period of the previous fiscal year).

### **Others**

This segment currently comprises only the Australia business. Net sales amounted to ¥373 million (down 25.5% year on year), with operating income of ¥0 million (compared to an operating income of ¥5 million).

## **(2) Financial Position**

### **1. Assets**

Total assets at the end of the subject first quarter cumulative period amounted to ¥60,210 million, a decrease of ¥1,867 million compared to the end of the previous fiscal year. The main factors were a ¥2,525 million decrease in notes and accounts receivable – trade; a ¥494 million increase in merchandise and finished goods; and a ¥1,069 million increase in the “Others (net)” item of property and equipment. Of the increase in the “Others (net)” item of property and equipment, ¥997 million was due to the quantitative impact from the application of International Financial Reporting Standards (IFRS) 16 “Leases.”

### **2. Liabilities**

Total liabilities amounted to ¥33,966 million, a decrease of ¥1,425 million from the end of the previous fiscal year. The main factors were a ¥1,200 million decrease in accrued expenses; a ¥885 million decrease in income taxes payable; and a ¥642 million increase in “Other long-term liabilities”. Of the increase in “Other long-term liabilities,” ¥434 million was due to the quantitative impact from the application of IFRS 16.

### **3. Net assets**

Net assets amounted to ¥26,244 million, a decrease of ¥442 million from the end of the previous fiscal year. The main factors were a ¥162 million decrease in retained earnings; a ¥191 million decrease in foreign currency translation adjustment; and a ¥56 million decrease in non-controlling interests.

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

The results forecast for the second quarter cumulative period of fiscal 2019 ending March 31, 2020 and for the full fiscal year remain unchanged from the forecasts released on May 13, 2019.

## 2. Consolidated Financial Statements and Major Notes

### (1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
<b>Assets</b>		
Current assets:		
Cash and deposits	8,678	8,468
Notes and accounts receivable-trade	12,587	10,062
Merchandise and finished goods	13,337	13,831
Work in process	1,231	1,541
Raw materials and supplies	3,356	3,301
Other current assets	1,396	1,245
Allowance for doubtful receivables	(63)	(71)
Total current assets	40,524	38,380
Fixed assets:		
Property and equipment		
Buildings and structures (net)	4,385	4,318
Machinery, equipment, and vehicles (net)	4,666	4,445
Others (net)	2,232	3,301
Total property and equipment	11,283	12,065
Intangible assets		
Goodwill	1,650	1,528
Other intangible assets	4,442	4,193
Total intangible assets	6,093	5,722
Investments and other assets		
Investment securities	801	1,115
Deferred tax assets	1,805	1,661
Other investments and other assets	1,569	1,264
Total investments and other assets	4,176	4,041
Total fixed assets	21,554	21,830
Total assets	62,078	60,210

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	6,483	6,610
Short-term loans payable	2,844	3,102
Current portion of long-term loans payable	3,988	4,107
Accrued expenses	3,488	2,288
Income taxes payable	1,065	180
Provisions	1,238	806
Other current liabilities	1,074	1,465
Total current liabilities	20,183	18,561
Long-term liabilities		
Long-term loans payable	11,962	11,732
Provision for directors' retirement benefits	221	—
Net defined benefit liability	1,996	2,002
Other long-term liabilities	1,027	1,669
Total long-term liabilities	15,207	15,404
Total liabilities	35,391	33,966
<b>Net assets</b>		
Shareholders' equity		
Capital stock	3,976	3,976
Capital surplus	5,214	5,212
Retained earnings	21,863	21,700
Treasury stock	(5,725)	(5,715)
Total shareholders' equity	25,328	25,174
Accumulated other comprehensive income:		
Valuation losses on other securities	0	0
Deferred gains or losses on hedges	52	(0)
Foreign currency translation adjustment	552	361
Remeasurements of defined benefit plans	(242)	(234)
Total accumulated other comprehensive income	362	127
Subscription rights to shares	50	54
Non-controlling interests	945	889
Total net assets	26,687	26,244
Total liabilities and net assets	62,078	60,210

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

(Millions of yen)

	Q1 FY2018 (April 1 to June 30, 2018)	Q1 FY2019 (April 1 to June 30, 2019)
Net sales	13,441	13,247
Cost of sales	8,613	8,316
Gross profit	4,827	4,931
Selling, general, and administrative expenses	3,835	4,093
Operating income	992	837
Non-operating income:		
Gain on sales of scraps	12	11
Other	46	28
Total non-operating income	58	40
Non-operating expenses:		
Interest expense	93	90
Equity in losses of affiliates	34	46
Foreign exchange loss	33	102
Other	74	52
Total non-operating expenses	236	291
Ordinary income	814	587
Extraordinary income		
Gain on sale of fixed assets	—	1
Total extraordinary income	—	1
Extraordinary loss		
Loss on sale of fixed assets	—	0
Loss on retirement of fixed assets	—	5
Total extraordinary loss	—	6
Income before income taxes	814	582
Income taxes	260	233
Net income for the period	554	349
Net income attributable to non-controlling interests	34	22
Net income attributable to owners of parent	519	327



## Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Q1 FY2018 (April 1 to June 30, 2018)	Q1 FY2019 (April 1 to June 30, 2019)
Net income for the period	554	349
Other comprehensive income:		
Valuation difference on available-for-sale securities	(0)	0
Deferred gains or losses on hedges	24	(52)
Foreign currency translation adjustment	60	(166)
Remeasurements of defined benefit plans, net of tax	(34)	8
Equity in losses of affiliates	(14)	(9)
Total other comprehensive income	35	(220)
Quarterly comprehensive income	589	128
(Comprehensive income attributable to):		
Owners of the parent	575	91
Minority interests	14	37

### **(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.

(Change in Accounting Policy)

A subsidiary of the Company that applies International Financial Reporting Standards (IFRS) has applied IFRS 16 "Leases" from the subject first quarter cumulative period. Accordingly, the lessee in principle records all leases as assets or liabilities on the balance sheet. For the application of IFRS 16, the Company follows transitional treatment, adopting a method of recognizing the cumulative amount of the financial effect from the change in accounting policy from the date of application.

As a result, at the end of the subject first quarter cumulative period, the "Others (net)" item of property and equipment increased by ¥997 million, the "Other" item of current liabilities increased by ¥243 million, the "Other" item of long-term liabilities increased by ¥434 million, the "Other" item of current assets decreased by ¥5 million, and the "Other" item of investments and other assets decreased by ¥313 million. The impact on profit and loss for the subject first quarter cumulative period was negligible.

(Segment information)

First quarter of the fiscal year ended March 31, 2019 (April 1 to June 30, 2018)

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	3,392	6,010	1,501	1,425	610	500	13,441	—	13,441
Net internal sales or transfers among segments	3,717	33	106	0	0	—	3,858	(3,858)	—
Total	7,110	6,043	1,607	1,425	611	500	17,299	(3,858)	13,441
Segment income or segment loss	1,361	(6)	190	219	(5)	5	1,764	(772)	992

Notes: 1. The segment income/loss adjustment of ¥(772) million includes transactions offset among segments of ¥(309) million and company-wide expenses that are not allocated to respective segments of ¥(462) 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 or loss is reconciled with the operating income listed in the quarterly consolidated financial statements.

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

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	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 or segment 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 or loss is reconciled with the operating income listed in the quarterly consolidated financial statements.