

This is the English translation of the original Japanese-language Business Results of KITO CORPORATION (the Company) for the third 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 Japanese original, the Japanese original shall prevail.

## Business Results for the Third Quarter of the Fiscal Year Ending March 31, 2020 [Japan GAAP] (Consolidated)

February 12, 2020

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Expected date of filing of annual securities report: February 13, 2020 Scheduled date to begin dividend payments: --  
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, 2019 (April 1, 2019 to December 31, 2019) of fiscal 2019 (April 1, 2019 to March 31, 2020)

	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. 2019	42,753	(2.3)	3,947	(15.9)	3,482	(16.2)	2,131	(32.8)
Nine months ended Dec. 2018	43,737	13.0	4,695	80.1	4,153	101.2	3,169	101.1
(Note) Comprehensive income	Nine months ended Dec. 2019: 1,581 million yen		(50.7)%		Nine months ended Dec. 2018: 3,205 million yen		58.0 %	

% change from the previous corresponding period

	Net income per share		Diluted net income per share	
	Yen	Yen	Yen	Yen
Nine months ended Dec. 2019	104.24	103.97	104.24	103.97
Nine months ended Dec. 2018	155.33	154.62	155.33	154.62

### (2) Consolidated financial position

	Total assets		Net assets		Shareholders' equity ratio	
	Million yen	Million yen	Million yen	Million yen	%	%
As of December 31, 2019	62,405	27,272	62,405	27,272	42.2	42.2
As of March 31, 2019	62,078	26,687	62,078	26,687	41.4	41.4

(Reference) Shareholders' equity As of December 31, 2019: 26,311 million yen  
As of March 31, 2019: 25,690 million yen

### 2. Dividends

	Annual dividend				
	End of Q1	End of Q2	End of Q3	Year-end	Annual
FY2018	Yen —	Yen 20.00	Yen —	Yen 24.00	Yen 44.00
FY2019	—	24.00	—	—	—
FY2019 (forecast)	—	—	—	24.00	48.00

(Note) Revisions from recently announced dividend forecast: None

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

% 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
FY2019	60,000	(2.0)	6,000	(6.4)	5,500	(4.3)	3,700	(9.0)	180.76	180.76

(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
- (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: Yes
  - (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, 2019: 27,048,200 shares
    - As of March 31, 2019: 27,048,200 shares
  - (b) Number of treasury stock at the end of period
    - As of December 31, 2019: 6,576,568 shares
    - As of March 31, 2019: 6,631,768 shares
  - (c) Average number of shares over the period
    - Nine months ended Dec. 31, 2019: 20,450,054 shares
    - Nine months ended Dec. 31, 2018: 20,407,712 shares

**\* This Business Results Report for the Third Quarter of the Fiscal Year Ending March 31, 2020 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) Performance Forecasts and Other Forward-looking Statements, including Consolidated Business Forecasts" on page 5 of the supplementary materials.

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## 1. Quarterly Business Results

### (1) Results of operations

During the third quarter cumulative period from April 1 to December 31, 2019 of fiscal 2019 (ending March 31, 2020), a cautious approach to capital investment became more widespread among companies, due mainly to such concerns as the direction of US-China trade policy. The business environment for the Company was steady due to firm demand for infrastructure investment in both Japan and the US, while in China investment demand continued to expand in growth industries to meet domestic demand.

Fiscal 2019 marked the fourth year of the Company's five-year mid-term business plan. During this fiscal year, the Company is implementing various measures to achieve set goals like expanding its product and service offerings and steadily capturing all possible investment demand in global market.

During the third quarter cumulative period, infrastructure demand and private sector investment remained steady, with net sales amounting to ¥42,753 million (down 2.3% year on year). Operating income totaled ¥3,947 million (down 15.9%), with ordinary income of ¥3,482 million (down 16.2%), and net income attributable to owners of the parent of ¥2,131 million (down 32.8%). Net sales and all other income items are progressing as planned.

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	¥20,305 million, down 8.6%	¥4,281 million, down 12.7%
The Americas	¥20,821 million, up 0.1%	¥1,183 million, up 8.9%
China	¥5,862 million, up 5.7%	¥813 million, up 13.5%
Asia (excluding Japan and China)	¥2,229 million, down 31.6%	¥66 million, down 82.2%
Europe	¥2,582 million, up 42.5%	¥(157) million Ref. Q3 2018: ¥(30) million
Others	¥1,142 million, down 22.8%	¥(15) million Ref. Q3 2018: ¥37 million

#### Japan

Private sector capital investment showed signs of slowdown, but demand for infrastructure and temporary construction area stayed firm. In exports, inventory replenishment at overseas subsidiaries completed its cycle in the previous fiscal year, suppressing shipments in the subject term. As a result, net sales amounted to ¥20,305 million (down 8.6% year on year), with operating income of ¥4,281 million (down 12.7%).

#### The Americas

Capital investment stood firm in both the private and public sectors, despite uncertainties to the U.S. government administration and international relation with China. As a result, net sales in the Americas amounted to ¥20,821 million (up 0.1% year on year), with operating income of ¥1,183 million (up 8.9%).

#### China

The economic slowdown has weakened enthusiasm for capital investment overall, but the Company continued to increase its market share by taking advantage of the growing consciousness of safety, and steadily capturing demand in buoyant industries. As a result, net sales amounted to ¥5,862 million (up 5.7% year on year), with operating income of ¥813 million (up 13.5%).

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

In Southeast Asia, the repercussions of the U.S.-China trade friction led to a decrease in exports of automobiles and other products, with the economic slowdown in South Korea and Taiwan having a discernible impact. As a result, net sales in Asia amounted to ¥2,229 million (down 31.6% year on year). and operating income of ¥66 million (down 82.2% year on year).

### **Europe**

Despite a sense of economic slowdown in the European market, the Company benefited from focusing its sales promotion measures on specific industries, and the inclusion of an Italian manufacturer of chain-related products as a consolidated subsidiary at the end of the previous fiscal year. As a result, net sales in Europe amounted to ¥2,582 million (up 42.5% year on year). In terms of earnings, the Company posted an operating loss of ¥157 million (compared to operating loss of ¥30 million in the same period of the previous fiscal year).

### **Others**

This segment currently comprises business in Australia only. Mainly as a result of the economic slowdown in China, net sales amounted to ¥1,142 million (down 22.8% year on year), with operating loss of ¥15 million (compared to operating income of ¥37 million).

## **(2) Financial Position**

Total assets at the end of the third quarter cumulative period for fiscal 2019 amounted to ¥62,405 million, an increase of ¥327 million compared to the end of the previous fiscal year. The main factors were a ¥2,157 million decrease in notes and accounts receivable-trade; a ¥1,405 million increase in merchandise and finished goods; and a ¥1,599 million increase in investment securities.

Total liabilities amounted to ¥35,133 million, a decrease of ¥257 million from the end of the previous fiscal year. The main factors were a ¥1,019 million increase in short-term loans payable; a ¥950 million decrease in accrued expenses; and a ¥761 million decrease in long-term loans payable.

Net assets amounted to ¥27,272 million, an increase of ¥585 million from the end of the previous fiscal year. The main factors were a ¥1,150 million increase in retained earnings; a ¥62 million decrease in deferred gains or losses on hedges; and a ¥549 million decrease in foreign currency translation adjustment.

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

The results forecasts for the full fiscal year ending March 31, 2020 remain unchanged from the forecasts released on November 7, 2019.

## 2. Consolidated Financial Statements and Major Notes

### (1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
<b>Assets</b>		
Current assets		
Cash and deposits	8,678	8,631
Notes and accounts receivable–trade	12,587	10,430
Merchandise and finished goods	13,337	14,743
Work in process	1,231	1,335
Raw materials and supplies	3,356	3,318
Other current assets	1,396	1,547
Allowance for doubtful receivables	(63)	(44)
Total current assets	40,524	39,961
Fixed assets		
Property and equipment		
Buildings and structures (net)	4,385	4,294
Machinery, equipment, and vehicles (net)	4,666	4,183
Others (net)	2,232	3,438
Total property and equipment	11,283	11,915
Intangible assets		
Goodwill	1,650	1,401
Other intangible assets	4,442	4,019
Total intangible assets	6,093	5,420
Investments and other assets		
Investment securities	801	2,400
Deferred tax assets	1,805	1,518
Other investments and other assets	1,569	1,189
Total investments and other assets	4,176	5,108
Total fixed assets	21,554	22,444
Total assets	62,078	62,405

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable–trade	6,483	6,487
Short-term loans payable	2,844	3,863
Current portion of long-term loans payable	3,988	4,225
Accrued expenses	3,488	2,538
Income taxes payable	1,065	393
Provision for bonuses for employees	843	761
Other provisions	394	628
Other current liabilities	1,074	1,543
<b>Total current liabilities</b>	<b>20,183</b>	<b>20,442</b>
Long-term liabilities		
Long-term loans payable	11,962	11,201
Provision for directors' retirement benefits	221	—
Net defined benefit liabilities	1,996	2,069
Other long-term liabilities	1,027	1,419
<b>Total long-term liabilities</b>	<b>15,207</b>	<b>14,691</b>
<b>Total liabilities</b>	<b>35,391</b>	<b>35,133</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	3,976	3,976
Capital surplus	5,214	5,234
Retained earnings	21,863	23,013
Treasury stock	(5,725)	(5,678)
<b>Total shareholders' equity</b>	<b>25,328</b>	<b>26,546</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Deferred gains or losses on hedges	52	(10)
Foreign currency translation adjustment	552	3
Remeasurements of defined benefit plans	(242)	(227)
<b>Total accumulated other comprehensive income</b>	<b>362</b>	<b>(234)</b>
Subscription rights to shares	50	62
Non-controlling interests	945	898
<b>Total net assets</b>	<b>26,687</b>	<b>27,272</b>
<b>Total liabilities and net assets</b>	<b>62,078</b>	<b>62,405</b>

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

(Millions of yen)

	Nine Months (April 1, 2018 to December 31, 2018)	Nine Months (April 1, 2019 to December 31, 2019)
Net sales	43,737	42,753
Cost of sales	27,328	26,672
Gross profit	16,408	16,080
Selling, general, and administrative expenses	11,712	12,133
Operating income	4,695	3,947
Non-operating income		
Interest income	28	30
Proceeds from the sales of scrap	37	26
Other	121	83
Total non-operating income	187	140
Non-operating expenses		
Interest expense	299	257
Equity in losses of affiliates	138	97
Foreign exchange losses	96	123
Other	194	126
Total non-operating expenses	729	605
Ordinary income	4,153	3,482
Extraordinary income		
Gain on sales of fixed assets	167	7
Total extraordinary income	167	7
Extraordinary loss		
Loss on sale of fixed assets	45	1
Loss on retirement of fixed assets	—	51
Impairment loss	39	—
Total extraordinary loss	85	52
Income before income taxes	4,235	3,436
Income taxes	965	1,226
Net income for the period	3,269	2,209
Net income attributable to non-controlling interests	99	78
Net income attributable to owners of the parent	3,169	2,131



**Quarterly Consolidated Statements of Comprehensive Income**

(Millions of yen)

	Nine Months (April 1, 2018 to December 31, 2018)	Nine Months (April 1, 2019 to December 31, 2019)
Net income for the period	3,269	2,209
Other comprehensive income		
Valuation difference on other available-for-sale securities	(0)	(0)
Deferred gains or losses on hedges	(11)	(62)
Foreign currency translation adjustment	(51)	(572)
Remeasurements of defined benefit plans	20	14
Share of other comprehensive income of entities accounted for using equity method	(22)	(8)
Total other comprehensive income	(64)	(628)
Quarterly comprehensive income	3,205	1,581
(Comprehensive income attributable to):		
Owners of the parent	3,128	1,534
Non-controlling interests	76	46

### **(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 third quarter cumulative period of fiscal 2019 the "Others (net)" item of property and equipment increased by ¥903 million, the "Other" item of current liabilities increased by ¥251 million, the "Other" item of long-term liabilities increased by ¥364 million, the "Other" item of current assets decreased by ¥1 million, and the "Other" item of investments and other assets decreased by ¥285 million. The impact on profit and loss for the subject third quarter cumulative period was negligible.

(Segment information)

I Third quarter cumulative period of the fiscal year ending March 31, 2019 (April 1, 2018 to December 31, 2018)

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	11,401	20,727	5,062	3,257	1,809	1,479	43,737	—	43,737
Net internal sales or transfers among segments	10,804	72	482	0	2	—	11,362	(11,362)	—
Total	22,205	20,800	5,545	3,258	1,811	1,479	55,099	(11,362)	43,737
Segment income (loss)	4,901	1,086	716	372	(30)	37	7,085	(2,389)	4,695

Notes: 1. The segment income or loss adjustment of ¥(2,389) million includes transactions offset among segments of ¥(625) million and Company-wide expenses that are not allocated to respective reportable segments of ¥(1,764) 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 statements of income.

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

(Significant loss on impairment of fixed assets)

The Company determined that its subsidiary ARMSEL MHE PVT. LTD. ("Asia" segment) would not have the excess earning power initially anticipated and recorded the entire book value of the company's goodwill as an impairment loss. Of note, the amount of the subject impairment loss recorded in the third quarter cumulative period amounted to ¥39 million.

II Third quarter cumulative period of the fiscal year ending March 31, 2020 (April 1, 2019 to December 31, 2019)

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	11,096	20,765	5,338	2,229	2,181	1,142	42,753	—	42,753
Net internal sales or transfers among segments	9,209	55	524	—	401	—	10,190	(10,190)	—
Total	20,305	20,821	5,862	2,229	2,582	1,142	52,943	(10,190)	42,753
Segment income (loss)	4,281	1,183	813	66	(157)	(15)	6,171	(2,224)	3,947

Notes: 1. The segment income or loss adjustment of ¥(2,224) million includes transactions offset among segments of ¥(337) million and company-wide expenses that are not allocated to respective segments of ¥(1,886) 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 statements of income.