

This is the English translation of the original Japanese-language Business Results of KITO CORPORATION (the Company) for the fiscal year ending March 31, 2019 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 2019 [Japan GAAP] (Consolidated)

February 7, 2019

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Expected date of filing of Quarterly Report: February 14, 2019
 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, 2018 (April 1, 2018 to December 31, 2018) of fiscal 2018 (April 1, 2018 to March 31, 2019)

(1) Consolidated results of operations (Accumulation) (% 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. 2018 | 43,737 | 13.0 | 4,695 | 80.1 | 4,153 | 101.2 | 3,169 | 101.1 |
| Nine months ended Dec. 2017 | 38,712 | 9.7 | 2,607 | 32.4 | 2,064 | 25.2 | 1,576 | 139.0 |

(Note) Comprehensive income
 Nine months ended Dec. 2018: 3,205 million yen 58.0 %
 Nine months ended Dec. 2017: 2,028 million yen — %

| | Net income per share | Diluted net income per share |
|-----------------------------|----------------------|------------------------------|
| | Yen | Yen |
| Nine months ended Dec. 2019 | 155.33 | 154.62 |
| Nine months ended Dec. 2018 | 77.58 | 77.22 |

(2) Consolidated financial position

| | Total assets | Net assets | Shareholders' equity ratio |
|-------------------------|--------------|-------------|----------------------------|
| | Million yen | Million yen | % |
| As of December 31, 2018 | 61,766 | 26,001 | 40.5 |
| As of March 31, 2018 | 61,854 | 23,697 | 36.7 |

(Reference) Shareholders' equity As of December 31, 2018: 25,033 million As of March 31, 2018: 22,714 million

2. Dividends

| | Annual dividend | | | | |
|---------------------------------|-----------------|-----------|-----------|----------|--------|
| | End of Q1 | End of Q2 | End of Q3 | Year-end | Annual |
| | Yen | Yen | Yen | Yen | Yen |
| FY ended March 2018 | — | 15.00 | — | 18.00 | 33.00 |
| FY ending March 2019 | — | 20.00 | — | | |
| FY ending March 2019 (forecast) | | | | 20.00 | 40.00 |

(Note) Revisions from recently announced dividend forecast: No

3. Forecast of consolidated business results for fiscal 2018 (April 1, 2018 to March 31, 2019)

(% 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 2019 | 60,000 | +8.8 | 6,000 | +27.7 | 5,700 | +50.3 | 4,000 | +41.0 | 195.95 |

(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: —
Excluded: Har Ki, Inc., KITO PHILIPPINES, INC.
- (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, 2018: 27,048,200 shares
As of March 31, 2018: 27,048,200 shares
(b) Number of treasury stock at the end of period
As of December 31, 2018: 6,631,768 shares
As of March 31, 2018: 6,659,133 shares
(c) Average number of shares over the period (quarterly accumulation period)
Nine months ended Dec. 31, 2018: 20,407,712 shares
Nine months ended Dec. 31, 2017: 20,321,750 shares

*** This Business Results Report for the Third Quarter of the Fiscal Year Ending March 31, 2018 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) Explanation of performance forecasts and other forward-looking statements, including consolidated business forecasts” on page 3 of the supplementary materials.

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1. Quarterly Business Results

(1) Results of Operations

During the third quarter cumulative period (April 1, 2018 to December 31, 2018) of fiscal 2018 (ending March 31, 2019), uncertainty increased in the global economy due to such factors as the impact from the trade policies of the U.S. and China. Despite this, the business environment for the Company remained steady, due to earnings driven by demand for expanding infrastructure-related repair and firm private sector capital investment mainly in Japan and the U.S.

Fiscal 2018 is the third year of the Company's five-year Mid Term Plan, during which the Company is making a transition from a platform enhancement to a full-fledged growth phase. During the period under review, while steadily capturing robust investment demand, the Company moves to the next phase by implementing various measures.

The Company continued to increase production capacity during the third quarter cumulative period and captured the strong demand that has persisted throughout the period. As a result, consolidated net sales rose 13.0% from the same period of the previous fiscal year, to ¥43,737 million. Earnings rose sharply in all categories, supported by favorable sales and increased production. Operating income amounted to ¥4,695 million (an increase of 80.1%), with ordinary income of ¥4,153 million (an increase of 101.2%) and net income attributable to owners of the parent of ¥3,169 million (an increase of 101.1%).

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 | ¥22,205 million (up 30.6%) | ¥4,901 million (up 65.4%) |
| Americas | ¥20,800 million (up 8.8%) | ¥1,086 million (up 23.7%) |
| China | ¥5,545 million (up 19.6%) | ¥716 million (up 41.9%) |
| Asia (excluding Japan and China) | ¥3,258 million (up 21.2%) | ¥372 million (up 225.1%) |
| Europe | ¥1,811 million (up 34.4%) | ¥(30) million Ref. Q3 2017: ¥(70) million |
| Others | ¥1,479 million (down 5.2%) | ¥37 million Ref. Q3 2017: ¥(60) million |

Japan

Demand remained robust in both the domestic and export markets. In the public sector demand reflected the refurbishment of aging infrastructure and disaster-related recovery efforts and private-sector demand was generated by capital expenditures. As a result, net sales in Japan amounted to ¥22,205 million (an increase of 30.6% from the same period of the previous fiscal year), with operating income of ¥4,901 million (an increase of 65.4%).

Americas

U.S. demand expanded in the private sector, as well as on public facilities investment, particularly for natural resource-related businesses. Net sales in the Americas amounted to ¥20,800 million (an increase of 8.8% from the same period of the previous fiscal year), with operating income of ¥1,086 million (an increase of 23.7%).

China

The Chinese market, despite concerns of a slowdown due to trade friction with the U.S., was marked by firm domestic demand in the industries of semi-conductor, electric vehicle, and infra-related sectors of power plant and railways. As a result of the Company capturing this demand, net sales in China amounted to ¥5,545 million (an increase of 19.6% from the same period of the previous fiscal year), with operating income of ¥716 million (an increase of 41.9%).

Asia (excluding Japan and China)

The Asian region was marked by rising demand, particularly in the automotive-related sector. The Company pursued business restructuring, focusing on improving earnings capacity. As a result, net sales in Asia amounted to ¥3,258 million (an increase of 21.2% from the same period of the previous fiscal year), with operating income of ¥372 million (an increase of 225.1%).

Europe

The European market was marked by rising capital investment demand across the region, along with synergistic benefits being realized from M&A deals. As a result, net sales amounted to ¥1,811 million (an increase of 34.4% from the same period of the previous fiscal year). In terms of earnings, the Company posted an operating loss for Europe of ¥30 million (compared to an operating loss of ¥70 million in the previous fiscal year).

Others

This segment currently comprises the Australia business. Net sales amounted to ¥1,479 million (a decrease of 5.2% from the same period of the previous fiscal year). In terms of earnings, a focus on improving profitability resulted in operating income of ¥37 million (compared to an operating loss of ¥60 million in the previous fiscal year).

(2) Financial Position**Assets**

Total assets at the end of the third quarter cumulative period amounted to ¥61,766 million, a decrease of ¥88 million compared to the end of the previous fiscal year. The main factors were a ¥2,309 million decrease in cash and deposits; a ¥2,646 million increase in merchandise and finished goods; a ¥495 million decrease in machinery, equipment and vehicles, net; and a ¥578 million increase in investment securities.

Liabilities

Total liabilities amounted to ¥35,764million, a decrease of ¥2,392 million compared to the end of the previous fiscal year. The main factors were a ¥1,203 million increase in short-term loans payable; a ¥775 million decrease in accrued expenses; a ¥2,293 million decrease in long-term loans payable.

Net Assets

Total net assets amounted to ¥26,001 million, an increase of ¥2,304 million compared to the end of the previous fiscal year. The main factor was a ¥2,294 million increase in retained earnings.

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

The results forecasts for the full fiscal year ending March 31, 2019 remain unchanged from the forecasts released on November 1, 2018.

2. Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

| | As of March 31, 2018 | As of December 31, 2018 |
|--|----------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 10,780 | 8,471 |
| Notes and accounts receivable-trade | 11,447 | 11,558 |
| Merchandise and finished goods | 10,673 | 13,320 |
| Work in process | 1,748 | 1,717 |
| Raw materials and supplies | 3,081 | 3,019 |
| Other current assets | 1,287 | 1,274 |
| Allowance for doubtful receivables | (43) | (42) |
| Total current assets | 38,975 | 39,319 |
| Fixed assets | | |
| Property and equipment | | |
| Buildings and structures (net) | 4,473 | 4,370 |
| Machinery, equipment, and vehicles (net) | 4,823 | 4,328 |
| Others (net) | 2,252 | 2,005 |
| Total property and equipment | 11,549 | 10,704 |
| Intangible assets | | |
| Goodwill | 1,926 | 1,728 |
| Other intangible assets | 4,914 | 4,627 |
| Total intangible assets | 6,841 | 6,356 |
| Investments and other assets | | |
| Investment securities | 1,312 | 1,890 |
| Deferred tax assets | 1,727 | 1,891 |
| Other investments and other assets | 1,448 | 1,604 |
| Total investments and other assets | 4,488 | 5,386 |
| Total fixed assets | 22,879 | 22,447 |
| Total assets | 61,854 | 61,766 |

(Millions of yen)

As of March 31, 2018

As of December 31, 2018

| Liabilities | | |
|---|---------|---------|
| Current liabilities | | |
| Notes and accounts payable-trade | 6,143 | 6,791 |
| Short-term loans payable | 1,506 | 2,709 |
| Current portion of long-term loans payable | 4,212 | 4,153 |
| Accrued expenses | 2,949 | 2,174 |
| Income taxes payable | 795 | 774 |
| Provision for bonuses for employees | 803 | 888 |
| Other current liabilities | 2,204 | 1,648 |
| Total current liabilities | 18,616 | 19,140 |
| Long-term liabilities | | |
| Long-term loans payable | 15,731 | 13,437 |
| Provision for directors' retirement benefits | 211 | 213 |
| Net defined benefit liability | 2,407 | 1,961 |
| Other long-term liabilities | 1,190 | 1,011 |
| Total long-term liabilities | 19,541 | 16,624 |
| Total liabilities | 38,157 | 35,764 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 3,976 | 3,976 |
| Capital surplus | 5,210 | 5,214 |
| Retained earnings | 18,674 | 20,968 |
| Treasury stock | (5,749) | (5,725) |
| Total shareholders' equity | 22,111 | 24,433 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 0 | 0 |
| Deferred gains or losses on hedges | 106 | 94 |
| Foreign currency translation adjustment | 724 | 749 |
| Remeasurements of defined benefit plans | (228) | (245) |
| Total accumulated other comprehensive income | 602 | 599 |
| Subscription rights to shares | 48 | 37 |
| Non-controlling interests | 935 | 930 |
| Total net assets | 23,697 | 26,001 |
| Total liabilities and net assets | 61,854 | 61,766 |

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

(Millions of yen)

| | Nine Months Ended Dec. 31, 2017 (Apr. 1, 2017 to Dec. 31, 2017) | Nine Months Ended Dec. 31, 2018 (Apr. 1, 2018 to Dec. 31, 2018) |
|--|--|--|
| Net sales | 38,712 | 43,737 |
| Cost of sales | 25,217 | 27,328 |
| Gross profit | 13,495 | 16,408 |
| Selling, general, and administrative expenses | 10,888 | 11,712 |
| Operating income | 2,607 | 4,695 |
| Non-operating income | | |
| Gain on sales of scraps | 36 | 37 |
| Other | 108 | 150 |
| Total non-operating income | 145 | 187 |
| Non-operating expenses | | |
| Interest expense | 295 | 299 |
| Equity in losses of affiliates | 247 | 138 |
| Other | 145 | 291 |
| Total non-operating expenses | 688 | 729 |
| Ordinary income | 2,064 | 4,153 |
| Extraordinary income | | |
| Gain on sale of noncurrent assets | — | 167 |
| Total extraordinary income | — | 167 |
| Extraordinary loss | | |
| Loss on sale of noncurrent assets | — | 45 |
| Impairment loss | — | 39 |
| Total extraordinary loss | — | 85 |
| Income before income taxes | 2,064 | 4,235 |
| Income taxes | 430 | 965 |
| Net income for the period | 1,633 | 3,269 |
| Net income attributable to non-controlling interests | 56 | 99 |
| Net income attributable to owners of parent | 1,576 | 3,169 |

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

| | Nine Months Ended Dec. 31, 2017 (Apr. 1, 2017 to Dec. 31, 2017) | Nine Months Ended Dec. 31, 2018 (Apr. 1, 2018 to Dec. 31, 2018) |
|--|--|--|
| Net income for the period | 1,633 | 3,269 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 0 | (0) |
| Deferred gains or losses on hedges | 21 | (11) |
| Foreign currency translation adjustment | 274 | (51) |
| Remeasurements of defined benefit plans | 1 | 20 |
| Share of other comprehensive income of entities accounted for using equity method | 97 | (22) |
| Total other comprehensive income | 394 | (64) |
| Quarterly comprehensive income | 2,028 | 3,205 |
| (Comprehensive income attributable to): | | |
| Owners of the parent | 1,956 | 3,128 |
| Non-controlling interests | 71 | 76 |

(3) Notes on 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.

(Segment information)

I. Third quarter cumulative period of the fiscal year ended March 31, 2018 (April 1, 2017 to December 31, 2017)

1. Information on the amounts of net sales and on the income or loss of reportable segments

| | 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 | 9,704 | 19,070 | 4,370 | 2,687 | 1,320 | 1,559 | 38,712 | — | 38,712 |
| Net internal sales or transfers among segments | 7,295 | 53 | 267 | 1 | 27 | — | 7,644 | (7,644) | — |
| Total | 16,999 | 19,123 | 4,638 | 2,688 | 1,347 | 1,559 | 46,356 | (7,644) | 38,712 |
| Segment income or segment loss | 2,963 | 878 | 504 | 114 | (70) | (60) | 4,330 | (1,722) | 2,607 |

Notes: 1. The segment income or loss adjustment of ¥(1,722) million includes transactions offset among segments of ¥(75) million and Company-wide expenses that are not allocated to respective reportable segments of ¥(1,647) 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.

II. 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

| | 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 or segment 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 (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.