

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, 2018 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, 2018 [Japan GAAP] (Consolidated)

August 9, 2017

Company **KITO CORPORATION** Listed on the TSE 1st Section
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Expected filing date of the quarterly securities report: August 9, 2017 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, 2017 to June 30, 2017)

(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 FY2017	11,919	15.5	538	(4.1)	351	53.1	388	43.7
Q1 FY2016	10,323	(14.8)	561	4.2	229	(45.0)	270	56.8

(Note) Comprehensive income (loss) Q1 FY2017: 343 million yen —%
Q1 FY2016: (956) million yen —%

	Net Income per Share		Diluted Net Income per Share	
	Yen		Yen	
Q1 FY2017	19.14		19.07	
Q1 FY2016	10.31		10.29	

(2) Consolidated financial position

	Total Assets		Net Assets		Shareholders' Equity Ratio	
	Million yen		Million yen		%	
As of June 30, 2017	59,676		21,250		34.2	
As of Mar. 31, 2017	60,137		21,239		33.8	

(Reference) Shareholders' equity As of June 30, 2017: 20,406 million yen As of March 31, 2017: 20,343 million yen

2. Dividends

	Annual Dividend				
	Q1	Q2	Q3	Year-end	Annual Total
FY2016	Yen —	Yen 14.00	Yen —	Yen 14.00	Yen 28.00
FY2017	—	—	—	—	—
FY2017 (forecast)	—	15.00	—	15.00	30.00

(Note) Revisions from recently announced dividend forecast: None

3. Forecast of consolidated business results for the fiscal year ending March 31, 2018 (April 1, 2017 to March 31, 2018)

(% 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 FY2017	23,500	3.5	1,200	(16.5)	800	(16.6)	500	37.2	24.62	
FY2017	53,000	3.6	4,400	4.5	3,700	13.9	2,500	31.7	123.09	

(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

New: —

Excluded: —

(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, 2017: 27,048,200 shares

As of Mar. 31, 2017: 27,048,200 shares

Number of treasury stock

As of June 30, 2017: 6,732,059 shares

As of Mar. 31, 2017: 6,737,059 shares

Average number of shares over the period

Q1 FY2017: 20,311,974 shares

Q1 FY2016: 26,261,184 shares

*** This Business Results Report for the First 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**

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, the three-month period from April 1, 2017 to June 30, 2017, of the fiscal year ending March 31, 2018 (the fiscal year 2017), there were signs of moderate recovery in overall demand. Despite lingering uncertainty surrounding overseas political and economic trends, such recovery in demand was underpinned by growth in personal consumption and capital investment globally. Regarding the business environment in which Kito Corporation (“Kito” or “the Company”) operates, infrastructure and equipment-related demand shows steady growth in Japan. At the same time, trends in capital investment demand were robust in the United States supported by strong personal consumption.

In the fiscal year under the review, which is the second year of the Company’s five-year mid-term management plan, Kito has continued to push forward various measures implemented from the previous year to make steady progress in achieving its management objectives. Particularly, this includes laying the foundation for regaining an efficient organizational structure, growing its business through expanding its product portfolio, and evolving its organizational structure to become a genuine global company.

Consolidated net sales for the first quarter of the fiscal year under the review amounted to ¥11,919 million (an increase of 15.5% on year-on-year basis). From a profit perspective, operating income came in at ¥538 million (a decrease of 4.1%). Such decrease was mainly due to the temporary effect of eliminating profit (unrealized gains), including the product inventories of overseas subsidiaries. Meanwhile, ordinary income was ¥351 million (an increase of 53.1%). Net income attributable to owners of the parent company was ¥388 million (an increase of 43.7%). Thus, trends in net sales and each level of profit are in line with business plans identified at the beginning of the period.

Results by segments are as follows.

Segments	Net Sales (YoY change in %)	Operating Income (Loss) (YoY change in %)
Japan	¥5,928 million (up 5.7%)	¥1,202 million (up 5.5%)
the Americas	¥5,486 million (up 4.3%)	¥(78) million Ref. Q1 2016: ¥10 million
China	¥1,404 million (up 8.9%)	¥156 million (up 5.1%)
Asia (excluding Japan and China)	¥812 million (up 29.4%)	¥(16) million Ref. Q1 2016: ¥(107)million
Europe	¥489 million (up 72.2%)	¥(6) million Ref. Q1 2016: ¥(18) million
Others	¥480 million (— %)	¥ (11) million (— %)

Japan:

In Japan, Kito was successful in firmly capturing robust demand in infrastructure-related investments. At the same time, exports remain robust supported by global demand in capital investments. As a result, net sales in the Japan segment were ¥5,928 million (an increase of 5.7%). Operating income amounted to ¥1,202 million (an increase of 5.5%).

the Americas:

In the United States, net sales came to ¥5,486 million (an increase of 4.3%). Despite the sluggish trends in natural resources markets, such increase was largely attributed to successful efforts to capture robust capital investment-related demand. On the earnings front, the Kito Group incurred an operating loss of ¥78 million (ref. operating income of the corresponding period of the previous fiscal year: ¥10 million). This was due to the posting of amortization expenses for the introduction of a new backbone system.

China:

As deceleration of the Chinese economy coming to its end, there were also signs that the sluggish trends in demand had bottomed out. As a result, sales in the China segment totaled ¥1,404 million (an increase of 8.9%). This marked an increase in sales for the first time in six quarters. Operating income came to ¥156 million (an increase of 5.1%).

Asia (excluding Japan and China):

The Kito Group continued to capture demand for items such as clean room cranes used in the flat panel display industry in Korea, while focusing on strengthening its service business as well as hoist sales in other countries in Asia. As a result, net sales in this segment amounted to ¥812 million (an increase of 29.4%). From a profit perspective, the operating loss has been narrowed to ¥16 million (ref. operating loss in the corresponding period of the previous fiscal year: ¥107 million). This was mainly due to successful efforts to implement efficiency measures.

Europe:

Buoyed by rising demand in capital investment mainly in Germany, net sales in this segment came to ¥489 million (an increase of 72.2%). The operating loss has been improved to ¥6 million (ref. operating loss in the corresponding period of the previous fiscal year: ¥18 million).

Others:

As a result of including Kito Australia Pty. Ltd. and its subsidiaries within the scope of consolidation starting from the first quarter end of the previous fiscal year, net sales of this segment amounted ¥480 million and the operating loss was ¥11 million.

(2) Financial position**1. Assets**

Total assets stood at ¥59,676 million as of June 30, 2017, the end of the quarter under the review, showing a decrease of ¥461 million compared with the end of the previous fiscal year, March 31, 2017. This is due to increases in cash and deposits of ¥683 million, decrease in notes and accounts receivable–trade of ¥1,792 million, merchandise and finished goods of ¥279 million, and work in process of ¥323 million.

2. Liabilities

Total liabilities came to ¥38,425 million as of the end of the quarter under the review, showing a decline of ¥472 million compared with previous fiscal year-end of March 31, 2017. This is due to increases in notes and accounts payable–trade of ¥677 million, short-term loans payable of ¥453 million, decreases in accrued expenses of ¥729 million, provisions of ¥490 million, and long-term loans payable of ¥649 million.

3. Net Assets

Net assets amounted to ¥21,250 million as of June 30, 2017, an increase of ¥11 million compared with the end of the previous fiscal year. This is due to increases in retained earnings of ¥107 million, decreases in foreign currency translation adjustment of ¥37 million and non-controlling interests of ¥54 million.

(3) Performance forecasts and other forward-looking statements, including consolidated business forecasts

The forecast for performance through the end of the second quarter of the year ending March 31, 2018 and the one for the full fiscal year remain unchanged from the performance forecast released on May 15, 2017.

2. Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2017	As of June 30, 2017
Assets		
Current assets:		
Cash and deposits	9,069	9,753
Notes and accounts receivable-trade	11,139	9,347
Merchandise and finished goods	12,130	12,409
Work in process	2,019	2,342
Raw materials and supplies	1,251	1,333
Other current assets	2,408	2,561
Allowance for doubtful receivables	(60)	(64)
Total current assets	37,960	37,682
Fixed assets:		
Property and equipment		
Buildings and structures (net)	4,507	4,398
Machinery, equipment, and vehicles (net)	5,224	4,992
Others (net)	2,216	2,221
Total property and equipment	11,948	11,611
Intangible assets		
Goodwill	2,363	2,277
Other intangible assets	5,295	5,357
Total intangible assets	7,658	7,634
Investments and other assets		
Investment securities	739	879
Deferred tax assets	598	617
Other investments and other assets	1,231	1,249
Total investments and other assets	2,569	2,746
Total fixed assets	22,177	21,993
Total assets	60,137	59,676

(Millions of yen)

	As of March 31, 2017	As of June 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable-trade	5,438	6,116
Short-term loans payable	9,879	10,332
Accrued expenses	2,411	1,681
Income taxes payable	128	144
Provisions	944	454
Other current liabilities	1,221	1,493
Total current liabilities	20,023	20,222
Long-term liabilities		
Long-term loans payable	14,298	13,649
Provision for directors' retirement benefits	190	197
Net defined benefit liability	2,441	2,465
Other long-term liabilities	1,942	1,891
Total long-term liabilities	18,874	18,202
Total liabilities	38,897	38,425
Net assets		
Shareholders' equity		
Capital stock	3,976	3,976
Capital surplus	5,226	5,225
Retained earnings	16,427	16,534
Treasury stock	(5,816)	(5,812)
Total shareholders' equity	19,814	19,925
Accumulated other comprehensive income:		
Valuation losses on other securities	0	0
Deferred gains or losses on hedges	33	8
Foreign currency translation adjustment	847	810
Remeasurements of defined benefit plans	(351)	(337)
Total accumulated other comprehensive income	529	481
Subscription rights to shares	45	47
Non-controlling interests	850	796
Total net assets	21,239	21,250
Total liabilities and net assets	60,137	59,676

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

(Millions of yen)

	Q1 FY2016 (April 1, 2016 to June 30, 2016)	Q1 FY2017 (April 1, 2017 to June 30, 2017)
Net sales	10,323	11,919
Cost of sales	6,334	7,823
Gross profit	3,988	4,096
Selling, general, and administrative expenses	3,427	3,558
Operating income	561	538
Non-operating income:		
Rent income	7	7
Gain on sales of scraps	6	7
Gains from the lapse of rights	20	—
Other	21	23
Total non-operating income	57	39
Non-operating expenses:		
Interest expense	99	98
Foreign exchange loss	233	—
Equity in losses of affiliates	—	91
Other	55	35
Total non-operating expenses	388	225
Ordinary income	229	351
Extraordinary profit		
Gains from emergence of negative goodwill	489	—
Total extraordinary profit	489	—
Income before income taxes	719	351
Income taxes	450	(55)
Net income for the period	268	407
Net income (loss) attributable to non-controlling interests	(1)	18
Net income attributable to owners of parent	270	388

(Quarterly consolidated statements of comprehensive income)

(Millions of yen)

	Q1 FY2016 (April 1, 2016 to June 30, 2016)	Q1 FY2017 (April 1, 2017 to June 30, 2017)
Net income for the period	268	407
Other comprehensive income:		
Valuation difference on available-for-sale securities	0	0
Deferred gains or losses on hedges	(29)	(24)
Foreign currency translation adjustment	(1,260)	(105)
Remeasurements of defined benefit plans, net of tax	64	14
Equity in losses of affiliates	—	52
Total other comprehensive income	(1,225)	(63)
Quarterly comprehensive income	(956)	343
(Comprehensive income attributable to):		
Owners of the parent	(907)	340
Minority interests	(49)	3

(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.

(Segment information)

I. 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 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	2,965	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 includes transactions offset among segments of ¥ 16 million and company-wide expenses that are not allocated to respective segments of ¥ (629) 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.

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

(Significant gains from the emergence of negative goodwill)

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 respective segments.

3. Information on the change in segments

As a result of the acquisition of all the shares of Scaw Metals Pty. Ltd. 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 its business segments. As far as the Company's financial statements are concerned, only the balance sheet as of the end of the first quarter of the fiscal year under the review has been prepared on a consolidated basis. Business results of acquired firms are not included in the quarterly statement of income. Accordingly, net sales as well as income or loss data by the segment for the first quarter of the fiscal year under review is presented as "—."

II. First quarter of the fiscal year ending March 31, 2018 (April 1, 2017 to June 30, 2017)

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	3,347	5,466	1,323	812	489	480	11,919	—	11,919
Net internal sales or transfers among segments	2,581	20	81	—	—	—	2,683	(2,683)	—
Total	5,928	5,486	1,404	812	489	480	14,603	(2,683)	11,919
Segment income or segment loss	1,202	(78)	156	(16)	(6)	(11)	1,247	(708)	538

Notes: 1. The segment loss adjustment of ¥ (708) million includes transactions offset among segments of ¥ (151) million and company-wide expenses that are not allocated to respective segments of ¥ (557) 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.