

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

## Financial Results for the Third Quarter of the Fiscal Year Ending March 2018 [Japan GAAP] (Consolidated)

February 14, 2018

Company	<b>KITO CORPORATION</b>	Listed on the TSE 1 <sup>st</sup> Section
Stock Code	6409	URL: <a href="http://kito.com/">http://kito.com/</a>
Representative	Yoshio Kito, President & CEO	
Contact	Shigeki Osozawa, Senior Executive Officer & CFO	TEL: +81-3-5908-0161
Expected date of filing of Quarterly Report:	February 14, 2018	
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, 2017 (April 1, 2017 to December 31, 2017) of fiscal 2017 (April 1, 2017 to March 31, 2018)

(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. 2017	38,712	9.7	2,607	32.4	2,064	25.2	1,576	139.0
Nine months ended Dec. 2016	35,291	(10.7)	1,969	(31.5)	1,648	(33.1)	659	(44.4)

(Note) Comprehensive income  
 Nine months ended Dec. 2017: 2,028 million yen — %  
 Nine months ended Dec. 2016: (276) million yen — %

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 2017	77.58	77.22
Nine months ended Dec. 2016	27.55	27.49

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of December 31, 2017	60,944	22,649	35.7
As of March 31, 2017	60,137	21,239	33.8

(Reference) Shareholders' equity As of December 31, 2017: 21,730 million As of March 31, 2017: 20,343 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 2017	—	14.00	—	14.00	28.00
FY ending March 2018	—	15.00	—		
FY ending March 2018 (forecast)				15.00	30.00

(Note) Revisions from recently announced dividend forecast: No

### 3. Forecast of consolidated business results for fiscal 2017 (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
FY ending March 2018	53,000	+3.6	4,400	+4.5	3,700	+13.9	2,500	+31.7	123.09

(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): None  
New: — Excluded: —
- (2) The application of special accounting treatment for the preparation of the quarterly consolidated financial statements: No
- (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, 2017: 27,048,200 shares  
As of March 31, 2017: 27,048,200 shares  
(b) Number of treasury stock at the end of period  
As of December 31, 2017: 6,714,102 shares  
As of March 31, 2017: 6,737,059 shares  
(c) Average number of shares over the period (quarterly accumulation period)  
Nine months ended Dec. 31, 2017: 20,321,750 shares  
Nine months ended Dec. 31, 2016: 23,947,293 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 5 of the supplementary materials.

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## 1. Qualitative Information on Quarterly Business Results

### (1) Explanation of results of operations

During the third quarter cumulative period (April 1, 2017 to December 31, 2017) of fiscal 2017 (ending March 31, 2018), the economic recovery continued at a moderate pace overall, with upturns in the economies of developed nations centered on Japan, Europe, and the United States, as well as the Chinese economy. In terms of the business environment for the Company, in Japan infrastructure-related demand continued to grow steadily, along with private-sector capital investment. In the United States, capital investment demand steadily expanded on rising expectations due to economic policy.

In fiscal 2017, the second year of the Company's five-year management plan, the Company continues to implement various measures from the previous year aimed at regaining a high earnings structure, growth through expansion of the product portfolio, and achieving its management goals to establish an organizational structure of a genuine global company.

Consolidated net sales in the subject third quarter cumulative period amounted to ¥38,712 million (an increase of 9.7% from the same period of the previous fiscal year), supported by firm demand. Earnings rose in all categories on a progress of the plant capacity utilization and successful measures to improve earnings at overseas subsidiaries, offsetting such negative effects as depreciation stemming from the introduction of a new IT infrastructure. Operating income amounted to ¥2,607 million (an increase of 32.4%), with ordinary income of ¥2,064 million (an increase of 25.2%), and net income attributable to owners of the parent of ¥1,576 million (an increase of 139.0%).

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	¥16,999 million (-2.5%)	¥2,963 million (-12.0%)
The Americas	¥19,123 million (+10.2%)	¥878 million (+10.4%)
China	¥4,638 million (+12.0%)	¥504 million (+12.6%)
Asia (excluding Japan and China)	¥2,688 million (-1.2%)	¥114 million (Compared with an operating loss of ¥111 million in the same period of the previous year)
Europe	¥1,347 million (+47.3%)	¥(70) million (Compared with operating loss of ¥33 million in the same period of the previous year)
Others	¥1,559 million (+81.9%)	¥(60) million (Compared with an operating loss of ¥24 million in the same period of the previous year)

#### Japan

Demand remained robust for both infrastructure-related investments and private-sector capital investment in both the domestic and export markets. Production activities declined temporarily in the second period due to the switchover to a new IT infrastructure, but production was stabilized during the third quarter, and the Company was able to meet robust demand. As a result, net sales in Japan amounted to ¥16,999 million (a decline of 2.5% from the same period of the previous fiscal year), with operating income of ¥2,963 million (a decline of 12.0%).

#### The Americas

The U.S. economy was marked by firm private-sector capital investment and investment demand related to natural resources. As a result, net sales in the Americas amounted to ¥19,123 million (an increase of 10.2% from the same period of the previous fiscal year), with operating income of ¥878 million (an increase of 10.4%).

## **China**

As deceleration of the Chinese economy is coming to its end, there were also signs that the sluggish trends in demand had bottomed out. As a result, net sales in the China amounted to ¥4,638 million (an increase of 12.0% from the same period of the previous fiscal year), with operating income of ¥504 million (an increase of 12.6%).

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

Demand continued in South Korea for clean room cranes used in the flat panel display industry, and in all regions the Company focused on meeting firm demand and improving earnings. As a result, net sales in Asia (excluding Japan and China) amounted to ¥2,688 million (a decline of 1.2% from the same period of the previous fiscal year). In terms of profitability, as a result of efforts to improve earnings, the Company posted operating income of ¥114 million (compared to an operating loss of ¥111 million in the previous fiscal year).

## **Europe**

Net sales amounted to ¥1,347 million (an increase of 47.3% from the same period of the previous fiscal year) as a result of proactive sales promotion measures to capture rising demand for capital investment throughout the region. In terms of earnings, the segment posted an operating loss of ¥70 million (compared to an operating loss of ¥33 million in the previous fiscal year), mainly due to the increase in sales related costs.

## **Others**

As a result of the inclusion of Kito Australia Pty. Ltd. (acquired at the end of June 2016) and its subsidiaries in the scope of consolidation (results included from July 1, 2016), net sales amounted to ¥1,559 million (an increase of 81.9% from the same period of the previous fiscal year), with an operating loss of ¥60 million (compared to an operating loss of ¥24 million in the previous fiscal year).

## (2) Explanation of financial position

### **Assets**

Total assets amounted to ¥60,944 million, an increase of ¥806 million compared to the end of the previous fiscal year. The main factors were a ¥1,001 million increase in cash and deposits; a ¥1,081 million decrease in notes and accounts receivable-trade; and a ¥664 million increase in work in process.

### **Liabilities**

Total liabilities amounted to ¥38,294 million, a decrease of ¥603 million compared to the end of the previous fiscal year. The main factors were a ¥417 million increase in notes and accounts payable-trade; a ¥5.021 million decrease in short-term loans payable; a ¥1,006 increase in current portion of long term loans payable; and a ¥2,214 million increase in long-term loans payable.

### **Net Assets**

Net assets amounted to ¥22,649 million, an increase of ¥1,410 million compared to the end of the previous fiscal year. The main factors were a ¥990 million increase in retained earnings and a ¥357 million increase in foreign currency translation adjustment.

## (3) Explanation of performance forecasts and other forward-looking statements, including consolidated business forecasts

Consolidated results forecasts for the fiscal year ending March 31, 2018, are unchanged from those announced on May 15, 2017.

## 2. Quarterly Consolidated Financial Statements

### (1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2017	As of December 31, 2017
<b>Assets</b>		
Current assets		
Cash and deposits	9,069	10,071
Notes and accounts receivable-trade	11,139	10,058
Merchandise and finished goods	12,130	12,656
Work in process	2,019	2,684
Raw materials and supplies	1,251	1,605
Other current assets	2,408	2,104
Allowance for doubtful receivables	(60)	(49)
Total current assets	37,960	39,132
Fixed assets		
Property and equipment		
Buildings and structures (net)	4,507	4,439
Machinery, equipment, and vehicles (net)	5,224	4,953
Others (net)	2,216	2,337
Total property and equipment	11,948	11,731
Intangible assets		
Goodwill	2,363	2,131
Other intangible assets	5,295	5,267
Total intangible assets	7,658	7,399
Investments and other assets		
Investment securities	739	768
Deferred tax assets	598	614
Other investments and other assets	1,231	1,298
Total investments and other assets	2,569	2,681
Total fixed assets	22,177	21,812
Total assets	60,137	60,944

(Millions of yen)

As of March 31, 2017

As of December 31, 2017

<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	5,438	5,856
Short-term loans payable	6,730	1,708
Current portion of long term loans payable	3,149	4,155
Accrued expenses	2,411	2,154
Income taxes payable	128	541
Provisions	944	991
Other current liabilities	1,221	2,341
Total current liabilities	20,023	17,749
Long-term liabilities		
Long-term loans payable	14,298	16,513
Provision for directors' retirement benefits	190	206
Net defined benefit liability	2,441	2,488
Other long-term liabilities	1,942	1,337
Total long-term liabilities	18,874	20,545
Total liabilities	38,897	38,294
<b>Net assets</b>		
Shareholders' equity		
Capital stock	3,976	3,976
Capital surplus	5,226	5,223
Retained earnings	16,427	17,417
Treasury stock	(5,816)	(5,796)
Total shareholders' equity	19,814	20,820
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	0	0
Deferred gains or losses on hedges	33	55
Foreign currency translation adjustment	847	1,204
Remeasurements of defined benefit plans	(351)	(350)
Total accumulated other comprehensive income	529	909
Subscription rights to shares	45	55
Non-controlling interests	850	864
Total net assets	21,239	22,649
Total liabilities and net assets	60,137	60,944

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

(Millions of yen)

	Nine Months Ended Dec. 31, 2016 (Apr. 1, 2016 to Dec. 31, 2016)	Nine Months Ended Dec. 31, 2017 (Apr. 1, 2017 to Dec. 31, 2017)
Net sales	35,291	38,712
Cost of sales	22,219	25,217
Gross profit	13,071	13,495
Selling, general, and administrative expenses	11,102	10,888
Operating income	1,969	2,607
Non-operating income		
Gain on sales of scraps	24	36
Debt status of limitations gain	20	—
Other	93	108
Total non-operating income	139	145
Non-operating expenses		
Interest expense	292	295
Equity in losses of affiliates	—	247
Foreign exchange loss	44	—
Other	122	145
Total non-operating expenses	459	688
Ordinary income	1,648	2,064
Extraordinary income		
Gain on negative goodwill	489	—
Total extraordinary income	489	—
Extraordinary loss		
Impairment loss	160	—
Total extraordinary loss	160	—
Income before income taxes	1,978	2,064
Income taxes	1,351	430
Net income for the period	626	1,633
Net income (loss) attributable to non-controlling interests	(33)	56
Net income attributable to owners of parent	659	1,576



**Quarterly consolidated statements of comprehensive income**

(Millions of yen)

	Nine Months Ended Dec. 31, 2016 (Apr. 1, 2016 to Dec. 31, 2016)	Nine Months Ended Dec. 31, 2017 (Apr. 1, 2017 to Dec. 31, 2017)
Net income for the period	626	1,633
Other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Deferred gains or losses on hedges	156	21
Foreign currency translation adjustment	(1,149)	274
Remeasurements of defined benefit plans, net of tax	90	1
Equity in losses of affiliates	—	97
Total other comprehensive income	(902)	394
Quarterly comprehensive income	(276)	2,028
(Comprehensive income attributable to):		
Owners of the parent	(90)	1,956
Non-controlling interests	(185)	71

**(3) Notes to quarterly consolidated financial statements**

(Notes regarding ongoing concern assumption)

There are no relevant matters to be noted.

(Notes in 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, 2017 (April 1, 2016 to December 31, 2016)

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	9,753	17,301	3,744	2,719	914	857	35,291	—	35,291
Net internal sales or transfers among segments	7,676	46	398	—	0	—	8,122	(8,122)	—
Total	17,430	17,348	4,143	2,719	914	857	43,413	(8,122)	35,291
Segment income or segment loss	3,368	795	448	(111)	(33)	(24)	4,444	(2,474)	1,969

Notes: 1. The segment income or loss adjustment of ¥(2,474) million includes transactions offset among segments of ¥(131) million and Company-wide expenses that are not allocated to respective reportable segments of ¥(2,343) 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 financial statements.

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

(Significant loss on impairment of fixed assets)

Regarding goodwill in the Company's subsidiary Kito Taiwan Co., Ltd. ("Asia" segment), the Company has determined that the excess earning power it had initially anticipated could no longer be expected, and recorded an impairment loss for the full book value. Of note, the recorded amount of the subject impairment loss in the subject third quarter cumulative period is ¥160 million.

(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 reportable segments.

3. Information on the change of reportable 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 three entities in the consolidated balance sheets, the Company added "Others" to reportable segments.

II. Third quarter cumulative period of the fiscal year ending 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

(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	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 financial statements.