

This is the English translation of the original Japanese-language Business Results of KITO CORPORATION (the Company) for the fiscal year ended March 31, 2022 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 Fiscal Year Ended March 31, 2022 [Japan GAAP] (Consolidated)

May 16, 2022

Company **KITO CORPORATION** Listed on the TSE Prime Market
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Expected date of Annual General Meeting of shareholders: June 24, 2022

Expected date of filing of annual securities report: June 22, 2022

Expected starting date of dividend payment: June 27, 2022

Preparation of supplementary financial document: Yes

Briefing session to explain the financial statements: Yes (For institutional investors and securities analysts)

(Rounded down to the nearest million yen)

1. Consolidated business results for the fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(1) Consolidated results of operations (% change from the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY ended Mar. 2022	62,506	20.7	6,184	38.7	6,415	41.0	4,563	94.7
FY ended Mar. 2021	51,805	(11.8)	4,457	(18.6)	4,550	(8.8)	2,344	(26.8)

(Note) Comprehensive income Fiscal year ended Mar. 2022: 7,298 million yen 105.2%
 Fiscal year ended Mar. 2021: 3,556 million yen 59.4%

	Net income per share	Diluted net income per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
FY ended Mar. 2022	221.97	221.49	14.0	9.3	9.9
FY ended Mar. 2021	114.29	114.16	8.3	7.1	8.6

(Reference) Equity in earnings of affiliates: Fiscal year ended Mar. 2022: — million yen
 Fiscal year ended Mar. 2021: — million yen

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 2022	72,490	37,047	49.5	1,743.09
As of Mar. 2021	65,067	30,567	45.4	1,439.48

(Reference) Shareholders' equity As of Mar. 2022: 35,869 million yen
 As of Mar. 2021: 29,537 million yen

(3) Consolidated results of cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
	Million yen	Million yen	Million yen	Million yen
FY ended Mar. 2022	7,825	(4,552)	(6,183)	11,269
FY ended Mar. 2021	6,662	(2,300)	(82)	13,725

2. Dividends

	Annual dividend					Total	Dividend payout ratio	Rate of total dividend to net assets (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual			
FY ended Mar. 2021	—	12.00	—	18.00	30.00	615	26.2	2.2
FY ended Mar. 2022	—	22.00	—	22.00	44.00	905	19.8	2.8
FY ending Mar. 2023 (Forecast)	—	0.00	—	0.00	—		0	

3. Forecast of consolidated business results for the fiscal year ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(% 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	%	Yen	%	Million yen	%	Yen
For the six months ending Sept. 30, 2022	32,500	14.9	1,900	(22.7)	1,800	(25.4)	1,200	(28.5)	58.31
FY ending Mar. 2023	70,000	12.0	6,500	5.1	6,400	(0.2)	4,200	(8.0)	204.10

* Notes:

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in a change in the scope of consolidation): None

(2) Changes in accounting policies, accounting estimates, and 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

Restatements: None

(3) Number of shares issued (common stock)

Number of shares issued at the end of period (treasury stock included)

As of Mar. 2022: 21,048,200 shares As of Mar. 2021: 21,048,200 shares

Number of treasury shares at the end of period

As of Mar. 2022: 470,181 shares As of Mar. 2021: 528,427 shares

Average number of shares over the period

Fiscal 2021 (ended Mar. 31, 2022): 20,557,370 shares Fiscal 2020 (ended Mar. 31, 2021): 20,509,115 shares

(Reference) Summary of non-consolidated business results

Non-consolidated business results for the fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(1) Non-consolidated results of operations

(% change from the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY ended Mar. 2022	27,097	25.8	3,369	56.2	4,320	36.2	3,134	27.4
FY ended Mar. 2021	21,534	(19.4)	2,157	(28.8)	3,172	(10.8)	2,460	(5.2)

	Net income per share	Diluted net income per share
	Yen	Yen
FY ended Mar. 2022	152.48	152.15
FY ended Mar. 2021	119.97	119.83

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 2022	46,796	22,839	48.7	1,107.11
As of Mar. 2021	47,680	20,361	42.6	989.18

(Reference) Shareholders' equity:

As of Mar. 2022: 22,782 million yen

As of Mar. 2021: 20,297 million yen

* This financial summary is not subject to auditing by certified public accountants or audit firms.

* Explanation regarding the appropriate use of business forecasts and other special instructions

(Notes to the forward-looking statements)

The performance forecasts and other forward-looking statements presented in this report are based on information currently available and certain assumptions deemed 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 "(4) Future outlook, 1. Overview of business results" on page 4 of the appendix.

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1. Overview of business results

(1) Overview of business results for the subject period

During fiscal 2021 (ended March 31, 2022), despite intermittent constraints on economic activity in certain countries and regions as a result of the coronavirus pandemic, overall demand recovered sharply centered on Western countries, while the Japanese market continued to recover at a moderate pace. At the same time, the rapid recovery in demand led to congestion in freight transportation, as well as a sharp increase in costs for natural resources, energy, raw materials, parts and other components. In addition, towards the end of the period, the conflict between Ukraine and Russia had a major impact on the global economy. Under such conditions, Kito Group continued to increase production capacity in order to capture the firm demand in the North American and European regions, and focused on maintaining stable customer service by securing its supply chain, including material suppliers and transportation routes.

As a result, both revenue and earnings increased significantly from the previous fiscal year. Net sales amounted to ¥62,506 million (up 20.7% year on year), with operating income of ¥6,184 million (up 38.7%), ordinary income of ¥6,415 million (up 41.0%), and net income attributable to owners of parent of ¥4,563 million (up 94.7%). Net sales, ordinary income, and net income attributable to owners of the parent reached record highs.

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	27,097 million yen, up 25.8%	5,777 million yen, up 33.9%
The Americas	31,333 million yen, up 30.5%	2,396 million yen, up 107.0%
China	8,514 million yen, up 19.9%	1,168 million yen, up 12.0%
Asia	3,178 million yen, up 8.3%	334 million yen, up 60.9%
Europe	5,956 million yen, up 33.5%	(430) million yen (368 million yen of operating loss for the previous FY)
Others	1,738 million yen, up 15.5%	25 million yen (35 million yen of operating loss for the previous FY)

Japan:

Despite the state of emergency and other prolonged constraints in Japan, demand recovered moderately. Exports continued to increase on growing demand in North America, Europe, and other overseas markets. As a result, net sales amounted to ¥27,097 million (up 25.8% year on year), with operating income of ¥5,777 million (up 33.9%).

The Americas:

Demand in the U.S. rose steadily on expectations for expanded infrastructure investment from government policy measures, along with investment among private companies that exceeded initial assumptions. As a result, both revenue and earnings rose sharply to record highs, with net sales amounting to ¥31,333 million (up 30.5% year on year), and operating income reaching ¥2,396 million (up 107.0%).

China:

The Chinese market recovered relatively quickly compared to other markets, and demand remained firm during the subject period. Net sales amounted to ¥8,514 million (up 19.9% year on year), with operating income of ¥1,168 million (up 12.0%). Of note, the fiscal year for this segment starts in January, so the results for the subject period are from January through December.

Asia (excluding Japan and China):

Demand recovered moderately along with the easing of constraints on economic activities in Asian countries. Net sales amounted to ¥3,178 million (up 8.3% year on year), with operating income of ¥334 million (up 60.9%).

Europe:

Economic activity in Europe gained momentum from the start of the period, and demand improved significantly. Net sales rose sharply, amounting to ¥5,956 million (up 33.5% year on year). In terms of earnings, the impact from the increase in material and energy costs, which accelerated during the period, resulted in the segment posting an operating loss of ¥430 million for the subject period.

Others:

This segment currently comprises business in Australia only. Net sales amounted to ¥1,738 million (up 15.5% from the previous fiscal year), with an operating income of ¥25 million.

(2) Overview of financial position for the subject period**Assets:**

Total assets at the end of fiscal 2021 amounted to ¥72,490 million, an increase of ¥7,422 million compared to the end of the previous fiscal year. The main factors were a ¥2,915 million increase in merchandise and finished goods; a ¥2,465 decrease in cash and deposits; a ¥1,617 million increase in accounts receivable—trade (included in notes and accounts receivable—trade at the end of the previous fiscal year); a ¥1,284 million increase in buildings and structures (net); and a ¥1,006 million increase in construction in progress.

Liabilities:

Total liabilities amounted to ¥35,442 million, an increase of ¥942 million compared to the end of the previous fiscal year. The main factors were a ¥6,611 million decrease in short-term loans payable; a ¥2,543 million increase in long-term loans payable; a ¥2,499 million increase in notes and accounts payable—trade; and a ¥1,349 million increase in other current liabilities.

Net assets:

Total net assets amounted to ¥37,047 million, an increase of ¥6,479 million compared to the end of the previous fiscal year. The main factors were a ¥3,741 million increase in retained earnings; and a ¥2,398 million increase in foreign currency translation adjustment.

(3) Overview of cash flows for the subject period

Cash and cash equivalents at the end of the subject period amounted to ¥11,269 million, a decrease of ¥2,455 million compared to the end of the previous fiscal year.

Cash flows from operating activities:

Net cash provided by operating activities amounted to ¥7,825 million, an increase in inflow of ¥1,162 million compared to the previous fiscal year. The main factors were ¥6,275 million in income before income taxes; a ¥2,832 million increase in inventories; and ¥2,647 million in depreciation and amortization.

Cash flows from investing activities:

Net cash used in investing activities amounted to ¥4,552 million, an increase in outflow of 2,252 million compared to the previous fiscal year. The main factors were ¥4,166 million in payments for acquisition of property and equipment; and ¥357 million in payments for acquisition of intangible assets.

Cash flows from financing activities:

Net cash used in financing activities amounted to ¥6,183 million, an increase in outflow of ¥6,100 million compared to the previous fiscal year. The main factors were ¥12,692 million in repayments of short-term loans payable; ¥6,822 million in proceeds from long-term loans payable; ¥6,004 million in proceeds from short-term loans payable; and ¥4,959 million in repayments of long-term loans payable.

(4) Future outlook

Looking at the current external environment, the international situation in Europe and elsewhere is increasingly uncertain. The appreciation in material costs and raw material costs stemming from the rapid recovery in economic activity following the coronavirus pandemic, and constraints on supply chains such as logistics disruptions, is also expected to continue. At the same time, demand in the North American and European markets remains firm, while in the Japanese market, where recovery has been relatively moderate, orders to meet capital investment plans are steadily increasing. Asian markets are also showing signs of a turnaround. In addition, government policy measures around the world are expected to continue to drive infrastructure demand. Kito Group will continue to invest in manufacturing equipment for its production facilities in order to firmly capture all this widespread demand.

Under such conditions, for fiscal 2022 (ending March 31, 2023), the Company expects to post record highs for both revenue and operating income, and is forecasting net sales of ¥70,000 million, with operating income of ¥6,500 million, ordinary income of ¥6,400 million, and net income attributable to owners of parent of ¥4,200 million. Of note, the foreign currency exchange rate assumption for these forecasts is US\$1=¥120.0.

Earnings forecasts were compiled based on information available at the time of publication. Actual results may vary from the forecast figures due to variety of factors, including the future spread of the COVID-19 virus, and the circumstances surrounding a return to normal conditions.

2. Basic approach toward the selection of accounting standards

The consolidated financial statements of the Company are prepared by the Kito Group based on the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (excluding Chapter VII & Chapter VIII, Ordinance of the Ministry of Finance No. 28 in 1976). This step is taken to facilitate the comparison between companies and periods.

The Company maintains the policy of adopting International Financial Reporting Standards (IFRS) after taking into consideration a variety of factors and conditions in Japan and overseas.

3. Consolidated financial statements and major notes

(1) Consolidated balance sheets

(Million yen)

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	13,734	11,269
Notes and accounts receivable—trade	11,369	—
Notes receivable—trade	—	1,630
Accounts receivable—trade	—	11,410
Merchandise and finished goods	12,905	15,820
Work in process	1,254	1,866
Raw materials and supplies	3,181	3,824
Others	1,367	1,774
Allowance for doubtful receivables	(78)	(147)
Total current assets	43,735	47,450
Fixed assets		
Property and equipment		
Buildings and structures	11,678	13,488
Accumulated depreciation	(7,082)	(7,608)
Buildings and structures (net)	4,595	5,880
Machinery, equipment, and vehicles	20,341	22,013
Accumulated depreciation	(16,136)	(17,527)
Machinery, equipment, and vehicles (net)	4,205	4,486
Land	1,469	1,535
Construction in progress	983	1,989
Others	8,187	8,971
Accumulated depreciation	(6,812)	(7,142)
Others (net)	1,374	1,828
Total property and equipment	12,628	15,721
Intangible assets		
Goodwill	1,195	818
Others	3,807	3,920
Total intangible assets	5,003	4,738
Investments and other assets		
Investment securities	1,287	1,327
Deferred tax assets	1,465	1,868
Others	948	1,383
Total investments and other assets	3,701	4,580
Total fixed assets	21,332	25,039
Total assets	65,067	72,490

(Million yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable—trade	5,028	7,528
Provision for product warranties	91	61
Provision for bonuses for employees	844	1,041
Provision for sales returns	401	—
Provision for business restructuring	85	—
Income taxes payable	271	1,380
Short-term loans payable	7,955	1,343
Current portion of long-term loans payable within one year	4,028	3,899
Others	4,304	5,653
Total current liabilities	23,011	20,908
Long-term liabilities		
Long-term loans payable	7,894	10,437
Net defined benefit liabilities	2,184	2,384
Deferred tax liabilities	638	728
Others	771	983
Total long-term liabilities	11,488	14,534
Total liabilities	34,500	35,442
Net assets		
Shareholders' equity		
Capital stock	3,976	3,976
Capital surplus	5,056	5,099
Retained earnings	20,561	24,302
Treasury stock	(455)	(405)
Total shareholders' equity	29,138	32,973
Accumulated other comprehensive income		
Valuation difference on other available-for-sale securities	0	0
Deferred gains or losses on hedges	(69)	8
Foreign currency translation adjustment	523	2,921
Remeasurements of defined benefit plans	(54)	(33)
Total accumulated other comprehensive income	399	2,895
Subscription rights to shares	63	57
Non-controlling interests	966	1,120
Total net assets	30,567	37,047
Total liabilities and net assets	65,067	72,490

(2) Consolidated statements of income/Consolidated statements of comprehensive income

Consolidated statements of income

(Million yen)

	FY2020 (April 1, 2020 to March 31, 2021)	FY2021 (April 1, 2021 to March 31, 2022)
Net sales	51,805	62,506
Cost of sales	33,081	39,775
Gross profit	18,724	22,731
Selling, general and administrative expenses	14,266	16,546
Operating income	4,457	6,184
Non-operating income		
Interest income	36	35
Foreign exchange gains	58	280
Rents received	72	88
Subsidy income	163	53
Proceeds from sales of scrap	36	92
Others	109	80
Total non-operating income	475	631
Non-operating expenses		
Interest expense	233	183
Arrangement fee	55	64
Others	94	151
Total non-operating expenses	383	399
Ordinary income	4,550	6,415
Extraordinary income		
Gain on sales of noncurrent assets	5	6
Insurance claim income	—	224
Total extraordinary income	5	231
Extraordinary loss		
Loss on sales of noncurrent assets	3	2
Impairment loss	334	119
Loss on retirement of noncurrent assets	41	24
Loss on termination of retirement benefit plan	305	—
Business restructuring expenses	188	—
Litigation settlement	—	224
Total extraordinary loss	873	371
Income before income taxes	3,682	6,275
Income taxes – current	1,159	1,937
Income taxes – deferred	72	(378)
Income taxes (current and deferred)	1,232	1,559
Net income	2,450	4,716
Net income attributable to non-controlling interests	106	153
Net income attributable to owners of parent	2,344	4,563

Consolidated statements of comprehensive income

(Million yen)

	FY2020 (April 1, 2020 to March 31, 2021)	FY2021 (April 1, 2021 to March 31, 2022)
Net income	2,450	4,716
Other comprehensive income		
Valuation difference on other available-for-sale securities	0	0
Deferred gains or losses on hedges	22	77
Foreign currency translation adjustment	577	2,487
Remeasurements of defined benefit plans	506	16
Total other comprehensive income	1,106	2,582
Comprehensive income	3,556	7,298
(Comprehensive income attributable to)		
Owners of parent	3,459	7,059
Non-controlling interests	97	239

(3) Consolidated statements of changes in net assets

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of the beginning of the period	3,976	5,234	24,086	(5,678)	27,618
Changes during the period					
Dividends from surplus			(737)		(737)
Net income attributable to owners of parent			2,344		2,344
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		12		44	57
Cancellation of treasury stock		(46)	(5,131)	5,178	—
Change in ownership interest of parent due to transactions with non-controlling interests		(143)			(143)
Changes of items other than shareholders' equity during the period (net)					—
Total changes during the period	—	(177)	(3,524)	5,222	1,520
Balance as of the end of the period	3,976	5,056	20,561	(455)	29,138

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on other available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance as of the beginning of the period	0	(91)	(64)	(559)	(716)	66	958	27,927
Changes during the period								
Dividends from surplus								(737)
Net income attributable to owners of parent								2,344
Purchase of treasury stock								(0)
Disposal of treasury stock								57
Cancellation of treasury stock								—
Change in ownership interest of parent due to transactions with non-controlling interests								(143)
Changes of items other than shareholders' equity during the period (net)	0	22	587	505	1,115	(3)	8	1,120
Total changes during the period	0	22	587	505	1,115	(3)	8	2,640
Balance as of the end of the period	0	(69)	523	(54)	399	63	966	30,567

Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of the beginning of the period	3,976	5,056	20,561	(455)	29,138
Changes during the period					
Dividends from surplus			(821)		(821)
Net income attributable to owners of parent			4,563		4,563
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		43		50	93
Cancellation of treasury stock					—
Change in ownership interest of parent due to transactions with non-controlling interests					—
Changes of items other than shareholders' equity during the period (net)					—
Total changes during the period	—	43	3,741	50	3,835
Balance as of the end of the period	3,976	5,099	24,302	(405)	32,973

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on other available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance as of the beginning of the period	0	(69)	523	(54)	399	63	966	30,567
Changes during the period								
Dividends from surplus								(821)
Net income attributable to owners of parent								4,563
Purchase of treasury stock								(0)
Disposal of treasury stock								93
Cancellation of treasury stock								—
Change in ownership interest of parent due to transactions with non-controlling interests								—
Changes of items other than shareholders' equity during the period (net)	0	77	2,398	20	2,496	(5)	154	2,644
Total changes during the period	0	77	2,398	20	2,496	(5)	154	6,479
Balance as of the end of the period	0	8	2,921	(33)	2,895	57	1,120	37,047

(4) Consolidated statements of cash flows

(Million yen)

	FY2020 (April 1, 2020 to March 31, 2021)	FY2021 (April 1, 2021 to March 31, 2022)
Cash flows from operating activities		
Income before income taxes	3,682	6,275
Depreciation and amortization	2,697	2,647
Impairment loss	334	119
Amortization of goodwill	347	316
Interest expense	233	183
Decrease (Increase) in trade receivables	147	(679)
Decrease (Increase) in inventories	1,225	(2,832)
Increase (Decrease) in trade payables	(735)	2,191
Increase (Decrease) in provision for bonuses for employees	56	139
Increase (Decrease) in retirement benefit liability	437	198
Increase (Decrease) in provision for business restructuring	76	(83)
Loss (Gain) on sales of noncurrent assets	(1)	(3)
Loss on retirement of noncurrent assets	41	24
Insurance claim income	—	(224)
Subsidy income	(163)	(53)
Business restructuring expenses	111	—
Litigation settlement	—	224
Decrease (Increase) in accounts receivable	(385)	312
Increase (Decrease) in accrued expenses	(760)	498
Decrease (Increase) in consumption taxes receivable/payable	164	(363)
Others	507	(149)
Subtotal	8,017	8,740
Cash received from interest and dividends	32	36
Interest paid	(252)	(184)
Income taxes paid	(1,228)	(824)
Proceeds from subsidy income	159	57
Proceeds from insurance income	—	224
Settlement package paid	—	(224)
Payments for business restructuring expenses	(66)	—
Net cash provided by operating activities	6,662	7,825
Cash flows from investing activities		
Payments for acquisition of property and equipment	(2,210)	(4,166)
Proceeds from sales of property and equipment	34	13
Payments for acquisition of intangible assets	(294)	(357)
Payments for retirement of property and equipment	(20)	(9)
Payments of guarantee deposits	(47)	(215)
Others	237	183
Net cash used in investing activities	(2,300)	(4,552)

(Million yen)

	FY2020 (April 1, 2020 to March 31, 2021)	FY2021 (April 1, 2020 to March 31, 2021)
Cash flows from financing activities		
Proceeds from short-term loans payable	22,331	6,004
Repayments of short-term loans payable	(17,743)	(12,692)
Proceeds from long-term loans payable	1,100	6,822
Repayments of long-term loans payable	(4,385)	(4,959)
Cash dividends paid to owners of parent	(737)	(821)
Cash dividends paid to non-controlling interests	(97)	(84)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(185)	—
Repayments of lease liabilities	(344)	(356)
Others	(19)	(95)
Net cash used in financing activities	(82)	(6,183)
Effect of exchange rate change on cash and cash equivalents	147	455
Net increase (decrease) in cash and cash equivalents	4,427	(2,455)
Cash and cash equivalents at the beginning of the year	9,297	13,725
Cash and cash equivalents at the end of the year	13,725	11,269

(5) Notes to consolidated financial statements

(Notes regarding ongoing concern assumption)

No relevant matters to be noted.

(Changes in accounting policies)

Accounting Standard for Revenue Recognition

From the beginning of fiscal 2021, the Company has applied “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020, “Revenue Recognition Standard”).

Kito Group manufactures and sells hoists, cranes, chains, and related products. The Company is also engaged in the sale of standardized mass-produced items from make-to-stock items, customized products to meet varied needs according to the type of cargo handling or the use environment, and parts.

The revenue recognition for these transactions is in principle made according to the point at which control of the subject products is transferred to the customer and Kito Group has determined that it has sufficiently fulfilled its performance obligations, at the point of shipping or receipt by the customer, in the amount expected to be received in exchange for the subject items. Of note, the Company applies alternative treatment as prescribed in Paragraph 98 of the Implementation Guidance on Accounting Standard for Revenue Recognition. For domestic product sales, in cases where the time between shipment and control of the subject product is transferred to the customer is an ordinary period, the Company recognizes revenue at the point of shipment.

Also, the Company has recorded paid sales promotion expenses and other expenditures to special or general sales agents, as selling, general and administrative expenses. The estimated amount for sales promotion expenses and other expenditures during a fixed period was treated as a consideration paid to the customer and deducted from the calculation of the transaction price.

For the application of the Revenue Recognition Standard, in accordance with the proviso of the transitional treatment as prescribed in Paragraph 84 of the Revenue Recognition Standard, the Company has adjusted the amount of retained earnings for the beginning of the subject period by the cumulative amount of financial impact from new accounting policies applied retroactively prior to the beginning of the subject period, and applied the new accounting standard from the subject beginning-of-year balance.

However, for the contracts that the Company has applied the method prescribed in Paragraph 86 of the Revenue Recognition Standard and recognized nearly the entire amount of revenue according to the former treatment prior to the beginning of fiscal 2021, the Company has not applied the new accounting policies retroactively.

The “notes and accounts receivable—trade” item shown in “current assets” in the balance sheets for the previous fiscal year, is shown in “notes receivable—trade” and “accounts receivable—trade” from the subject period. Of note, in accordance with transitional treatment as prescribed in Paragraph 89-2 of the Revenue Recognition Standard, figures for the previous fiscal year have not been recombined to reflect the new presentation method.

As a result, compared with those before the application of the Revenue Recognition Standard, in the consolidated statements of income for the subject period, net sales decreased by ¥403 million, and selling, general and administrative expenses also decreased by ¥403 million. However, there was no impact on operating income, ordinary income, or income before income taxes.

The impact on the consolidated balance sheets and consolidated statements of cash flows for the subject period is immaterial.

There is no impact on the balance of retained earnings at the beginning of the subject period in the consolidated statements of changes in net assets.

There is no impact on per share information.

Accounting Standard for Fair Value Measurement

From the beginning of fiscal 2021, the Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019, "Fair Value Measurement Standard"). In accordance with transitional treatment as prescribed in Paragraph 19 of Fair Value Measurement Standard and Paragraph 44-2 of Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the Company will apply new accounting policies stipulated by the Accounting Standard for Fair Value Measurement and other standards going forward. Of note, this change does not affect the consolidated financial statements

(Segment Information)

[Segment information]

1. Reportable segments (overview)

The reportable segments of KITO CORPORATION are units of the corporation, for which financial information is separately available and which are subject to periodic reviews in order for the board of directors to determine the allocation of management resources and to assess business results.

KITO CORPORATION manufactures and sells hoisting equipment and cranes. The Company takes care of the domestic market, while for overseas markets, locally incorporated companies in the regions of the Americas, China, Asia, and Europe are respectively in charge of their own markets. Each of the locally incorporated companies is an independent management unit, plans comprehensive strategies for its products by region, and conducts business operations.

Therefore, KITO consists of these regional segments based on manufacturing and sales systems; consolidated subsidiaries are aggregated into six reportable segments, namely Japan, the Americas, China, Asia, Europe, and Other.

2. Calculation methods for net sales, income or loss, assets, liabilities, and other items of reportable segments

The accounting methods of respective reportable segments are basically the same as those used for the consolidated financial statements.

Income of reportable segments is based on operating income, and internal sales and transfers among segments are on a market-value basis.

As stated in "Accounting Standard for Revenue Recognition" of "Changes in accounting policies," the Company has applied the Revenue Recognition Standard to its consolidated financial statements from the subject period and has changed its accounting method for revenue recognition, and has therefore changed the method of measuring profit or loss for its business segments in the same manner.

As a result of this change, net sales to unaffiliated customers in the Japan reportable segment for the subject period decreased by ¥403 million compared with the previous method.

3. Information on the amounts of net sales, income or loss, assets, liabilities, and other items of reportable segments

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

(Million yen)

	Reportable segments						Total	Adjustment Note 1	Consolidated financial statement amount Note 2
	Japan	Americas	China	Asia	Europe	Others			
Net sales									
Net sales to unaffiliated customers	13,090	23,955	6,681	2,934	3,638	1,504	51,805	—	51,805
Net internal sales or transfers among segments	8,444	57	422	0	823	—	9,748	(9,748)	—
Total	21,534	24,013	7,104	2,934	4,462	1,504	61,554	(9,748)	51,805
Segment income (loss)	4,313	1,157	1,043	207	(368)	(35)	6,319	(1,861)	4,457
Segment assets	28,438	21,931	6,909	3,836	5,124	1,330	67,570	(2,502)	65,067
Others									
Depreciation and amortization	973	888	219	201	312	92	2,686	11	2,697
Amortization of goodwill	6	283	—	—	57	—	347	—	347
Increases in tangible noncurrent assets and intangible noncurrent assets	1,081	334	150	42	222	2	1,833	—	1,833

Notes:

1. The details of adjustments are as stated below:

- (1) The segment income or segment loss adjustment of ¥(1,861) million includes transaction offsets among segments of ¥294 million and Company-wide expenses that are not allocated to respective reportable segments of ¥(2,156) 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 assets adjustment of ¥(2,502) million includes transaction offsets among segments of ¥(3,824) million and Company-wide assets that are not allocated to respective reportable segments of ¥1,321 million. Company-wide assets are assets mostly related to the general affairs, finance & accounting, and corporate planning departments of the parent company.

2. Segment income or loss is adjusted to operating income listed in the consolidated financial statements.

Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Million yen)

	Reportable segments						Total	Adjustment Note 1	Consolidated financial statement amount Note 2
	Japan	Americas	China	Asia	Europe	Others			
Net sales									
Net sales to unaffiliated customers	13,307	31,280	7,746	3,178	5,255	1,738	62,506	—	62,506
Net internal sales or transfers among segments	13,789	53	768	—	701	—	15,312	(15,312)	—
Total	27,097	31,333	8,514	3,178	5,956	1,738	77,819	(15,312)	62,506
Segment income (loss)	5,777	2,396	1,168	334	(430)	25	9,271	(3,086)	6,184
Segment assets	26,662	28,708	8,558	4,663	7,110	1,574	77,278	(4,787)	72,490
Others									
Depreciation and amortization	1,118	661	242	193	349	74	2,639	8	2,647
Amortization of goodwill	—	300	—	—	15	—	316	—	316
Increases in tangible noncurrent assets and intangible noncurrent assets	1,483	2,087	209	10	633	8	4,431	15	4,446

Notes:

1. The details of adjustments are as stated below:

- (1) The segment income or segment loss adjustment of ¥(3,086) million includes transaction offsets among segments of ¥(678) million and Company-wide expenses that are not allocated to respective reportable segments of ¥(2,408) 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 assets adjustment of ¥(4,787) million includes transaction offsets among segments of ¥(6,122) million and Company-wide assets that are not allocated to respective reportable segments of ¥1,334 million. Company-wide assets are assets mostly related to the general affairs, finance & accounting, and corporate planning departments of the parent company.

2. Segment income or loss is adjusted to operating income listed in the consolidated financial statements.

(Per share information)

	FY2020 (April 1, 2020 to March 31, 2021)	FY2021 (April 1, 2021 to March 31, 2022)
Net assets per share	1,439.48 yen	1,743.09 yen
Net income per share	114.29 yen	221.97 yen
Diluted net income per share	114.16 yen	221.49 yen

Notes:

1. The basis for calculating net assets per share is presented as follows:

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)
Total net assets (million yen)	30,567	37,047
Amount deducted from net assets (million yen)	1,029	1,178
(Subscription rights to shares)	(63)	(57)
(Non-controlling interests)	(966)	(1,120)
Common stocks within net assets as of the end of the year (million yen)	29,537	35,869
Number of common stocks as of the end of the year used for the calculation of net assets per share (shares)	20,519,773	20,578,019

2. The basis for calculating net income per share and diluted net income per share is presented as follows:

	FY2020 (April 1, 2020 to March 31, 2021)	FY2021 (April 1, 2021 to March 31, 2022)
Net income per share		
Net income attributable to owners of parent (million yen)	2,344	4,563
Not attributable to ordinary shareholders of common stock (million yen)	—	—
Net income attributable to owners of parent's common stock (million yen)	2,344	4,563
Average number of common stocks during the year (shares)	20,509,115	20,557,370
Diluted net income per share		
Increase in common stocks (shares)	23,797	44,456
(Subscription rights to shares) (shares)	(23,797)	(44,456)
Summary of dilutive shares that do not have dilutive effect and thus are not included in the calculation of diluted net income per share	—	—

(Important subsequent events)

Planned Commencement of the Tender Offer for Shares, etc. of the Company by Lifting Holdings BidCo, Inc. in Connection With the Business Combination of the Company and Crosby Group

On May 16, 2022, the Company has entered into a business combination agreement (the "Business Combination Agreement")

concerning a business combination of the Company and the Crosby Group (defined below) that is based on a spirit of equality (the “Business Combination”) with Lifting Holdings Limited (“HoldCo”), which is the parent company holding all of the issued and outstanding shares of Lifting Holdings BidCo, Inc. (“Offeror”), Crosby US Acquisition Corp., which is a wholly owned subsidiary of HoldCo (“Crosby US”), and Crosby UK Acquisition Limited, which is a wholly owned subsidiary of HoldCo (“Crosby UK”, HoldCo and its subsidiaries, including Crosby US, Crosby UK and The Crosby Group LLC (“Crosby”), which is indirectly owned all of its outstanding shares by HoldCo through Crosby US and other wholly-owned subsidiaries and established under the laws of Delaware, U.S.A., collectively “Crosby Group”).

Further, in relation to the tender offer (the “Tender Offer”) for the Company’s common stock (the “Company Shares”) and the Stock Acquisition Rights by the Offeror as part of the Business Combination, at the board of directors meeting held on that day, a resolution was made stating that if the Tender Offer commences, the position of the company as of that date is that it will declare a position in support of the Tender Offer and that it will recommend that the Company’s shareholders and stock acquisition right holders accept the Tender Offer.

The above resolution of the board of directors is made on the premise that a series of transactions to achieve the Business Combination, including transactions with the purpose of making the Offeror the only shareholder of the Company’s through the Tender Offer and the subsequent series of transactions is contemplated, and that the Company Shares are scheduled to be delisted.

For details, please refer to “Announcement of Position Statement on the Planned Commencement of the Tender Offer for Shares, etc. of Kito by Lifting Holdings BidCo, Inc. in Connection With the Business Combination of Kito and Crosby Group” released on that day.

1. Outline of Offeror

(1)	Name	Lifting Holdings BidCo, Inc.
(2)	Location	Pacific Century Place Marunouchi 11-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo
(3)	Position, name of representative	Robert Desel, Representative Director Brandon Blum, Representative Director
(4)	Business details	(1) Trading (2) All businesses related or incidental to the preceding item
(5)	Capital	5,000 yen
(6)	Incorporation date	April 28, 2022
(7)	Major shareholders and shareholding ratio (as of May 16, 2022)	Lifting Holdings Limited 100%
(8)	Relationship between the Company and Offeror	
	Capital ties	Not applicable.
	Personal ties	Not applicable.
	Business ties	Not applicable.
	Circumstances relevant to related parties	Not applicable.

2. Summary of the Tender Offer

(1) Term of the Tender Offer

According to “Notice Regarding Plan to Commence a Tender Offer for Kito Corporation Shares (Securities code: 6409)” that were published on May 16, 2022 by the Offeror, the Offeror aims to commence the Tender Offer in late October, 2022, but as it is difficult to accurately predict the time it will require to deal with regulatory authorities inside and outside Japan, they will provide notice of a more detailed schedule for the Tender Offer once clearances have been obtained from all regulatory authorities. The company is informed that any changes to the expected timing of the commencement of the Tender Offer as stated above will be also announced promptly.

(2) Purchase, etc. Price

(1) Company Shares

2,725 yen per one share of common stock

(2) Stock acquisition rights

- (a) Stock acquisition rights issued pursuant to the resolution at the ordinary general meeting of shareholders held on June 22, 2012 and the resolution at the board of directors meeting held on May 28, 2013 (the “Tenth Series Stock Acquisition Rights”) (the exercise period is from May 29, 2015 to May 28, 2023):

- 374,400 yen per stock acquisition right
- (b) Stock acquisition rights issued pursuant to the resolution at the ordinary general meeting of shareholders held on June 20, 2013 and the resolution at the board of directors meeting held on May 27, 2014 (the “Eleventh Series Stock Acquisition Rights”) (the exercise period is from May 28, 2016 to May 27, 2024): 317,000 yen per stock acquisition right
 - (c) Stock acquisition rights issued pursuant to the resolution at the ordinary general meeting of shareholders held on June 23, 2015 and the resolution at the board of directors meeting held on May 31, 2016 (the “Thirteenth Series Stock Acquisition Rights”) (the exercise period is from June 1, 2018 to May 31, 2026): 366,800 yen per stock acquisition right
 - (d) Stock acquisition rights issued pursuant to the resolution at the ordinary general meeting of shareholders held on June 21, 2016 and the resolution at the board of directors meeting held on May 30, 2017 (the “Fourteenth Series Stock Acquisition Rights”) (the exercise period is from May 31, 2019 to May 30, 2027): 303,800 yen per stock acquisition right
 - (e) Stock acquisition rights issued pursuant to the resolution at the ordinary general meeting of shareholders held on June 21, 2017 and the resolution at the board of directors meeting held on May 29, 2018 (the “Fifteenth Series Stock Acquisition Rights”) (the exercise period is from May 30, 2020 to May 29, 2028): 66,200 yen per stock acquisition right

(3) Planned number of shares of the Tender Offer

Number of share to be purchased: 20,726,019 shares

Limit on the maximum number of share certificates: 13,817,400 shares

Limit on the minimum number of share certificates: -