

This is the English translation of the original Japanese-language Business Results of KITO CORPORATION (the Company) for the first half of the fiscal year ending 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 First Half of the Fiscal Year Ending March 31, 2022 [Japan GAAP] (Consolidated)

November 4, 2021

Company **KITO CORPORATION** Listed on the TSE 1st Section
 Stock Code 6409 URL: <https://kito.com/>
 Representative Yoshio Kito, President & CEO
 Contact Shigeki Osozawa, Managing Director, GM, Corporate Financial Management Div. TEL: +81-3-5908-0161
 Expected date of filing of quarterly annual securities report: November 5, 2021 Scheduled date to begin dividend payments: December 3, 2021
 Preparation of supplementary financial documents: Yes
 Results briefing: Yes (For institutional investors and securities analysts)

(Figures of less than ¥1 million have been omitted.)

1. Consolidated business results for the 1H (April 1, 2021 to September 30, 2021) of fiscal 2021 (April 1, 2021 to March 31, 2022)

(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	%
1H FY2021	28,293	28.4	2,459	97.1	2,412	98.8	1,678	905.6
1H FY2020	22,041	(20.0)	1,247	(42.7)	1,213	(32.4)	166	(84.6)

(Note) Comprehensive income (loss) 1H FY2021: 2,360 million yen 896.7%
 1H FY2020: 236 million yen (46.4)%

	Net income per share		Diluted net income per share	
	Yen		Yen	
1H FY2021	81.71		81.53	
1H FY2020	8.14		8.14	

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of September 30, 2021	64,430	32,551	48.9
As of March 31, 2021	65,067	30,567	45.4

(Reference) Shareholders' equity As of September 30, 2021: 31,484 million yen As of March 31, 2021: 29,537 million yen

2. Dividends

	Annual dividend				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY2020	—	12.00	—	18.00	30.00
FY2021	—	22.00			
FY2021 (forecast)			—	22.00	44.00

(Note) Revisions from recently announced dividend forecast: None

3. Forecast of consolidated business results for fiscal 2021 (April 1, 2021 to March 31, 2022)

(% change from the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
FY2021	59,000	13.9	5,500	23.4	5,300	16.5	3,600	53.6	175.44

(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
- (2) The application of special accounting treatment for the preparation of the quarterly consolidated financial statements: None
- (3) Changes in accounting policies, accounting estimates, and restatements
- (a) Changes in accounting policies due to revisions of accounting standards: Yes
 - (b) Changes in accounting policies other than above: None
 - (c) Changes of accounting estimates: None
 - (d) Restatements: None
- (4) Number of shares issued (common stock)
- (a) Number of shares issued at the end of period (treasury stock included)
 - As of September 30, 2021: 21,048,200 shares
 - As of March 31, 2021: 21,048,200 shares
 - (b) Number of treasury stock at the end of period
 - As of September 30, 2021: 480,181 shares
 - As of March 31, 2021: 528,427 shares
 - (c) Average number of shares over the period
 - 1H FY2021: 20,539,888 shares
 - 1H FY2020: 20,497,064 shares

*** This quarterly Business Results Report falls outside the scope of quarterly review procedures by certified public accountants or audit firm.**

*** 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 to be reasonable and are not to be read as guarantees of future performance by the Company. Actual performance, etc., may differ substantially due to various factors. For preconditions of the assumptions and special instructions regarding the appropriate use of business forecasts, please refer to “(3) Performance Forecasts and Other Forward-looking Statements, including Consolidated Business Forecasts” on page 5 of the supplementary materials.

Contents of Appendix

1. Quarterly Business Results	4
(1) Results of Operations	4
(2) Financial Position.....	5
(3) Performance Forecasts and Other Forward-looking Statements, including Consolidated Business Forecasts	5
2. Consolidated Financial Statements and Major Notes	6
(1) Quarterly Consolidated Balance Sheets.....	6
(2) Quarterly Consolidated Statements of Income/Quarterly Consolidated Statements of Comprehensive Income	8
(3) Quarterly Consolidated Statements of Cash Flows.....	10
(4) Notes on Quarterly Consolidated Financial Statements.....	11
(Notes regarding ongoing concern assumption)	11
(Notes on the event of material changes in the amount of shareholders' equity).....	11
(Changes in accounting policies)	11
(Additional information)	12
(Segment information)	12

1. Quarterly Business Results

(1) Results of operations

During the first half year from April 1 to September 30, 2021 of fiscal 2021 ending March 31, 2022, despite the recovery in economic activity centered on Western countries, the outlook remains obscured by the disruption in logistics due to surging demand, as well as higher prices for raw materials and a semiconductor shortage. Under such conditions, Kito Group, supported by the firm recovery in demand in North America and Europe, maintained a high operation rate at its factories, and focused on securing its supply chain, including material suppliers and transport routes.

As a result, net sales in the first half year amounted to ¥28,293 million (up 28.4% from the previous corresponding period), a record high for a second quarter cumulative period. Earnings also rose sharply to reach a record high level, with operating income of ¥2,459 million (up 97.1%), ordinary income of ¥2,412 million (up 98.8%), and net income attributable to owners of the parent of ¥1,678 million (up 905.6%).

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	¥12,462 million, up 24.2%	¥2,839 million, up 26.8%
The Americas	¥13,271 million, up 35.6%	¥314 million Ref. Q2 2020: ¥(67) million
China	¥4,311 million, up 24.7%	¥624 million, up 16.9%
Asia (excluding Japan and China)	¥1,243 million, up 17.0%	¥68 million, up 1,450.0%
Europe	¥2,873 million, up 49.2%	¥(52) million Ref. Q2 2020: ¥(82) million
Others	¥933 million, up 27.3%	¥13 million Ref. Q2 2020: ¥(10) million

Japan

Despite the uncertain situation in Japan, including extensions of the state of emergency implemented in areas around the country, demand continued to recover moderately. Exports increased on the rapid increase of demand in overseas markets, particularly in North America and Europe. As a result, net sales amounted to ¥12,462 million (up 24.2% from the previous corresponding period), with operating income of ¥2,839 million (up 26.8%).

The Americas

Net sales in the U.S. rose considerably to ¥13,271 million (up 35.6% from the previous corresponding period), with operating income of ¥314 million, on firm demand in response to continued proactive investment among private companies, and expectations for expanded infrastructure investment. While the rapid recovery in economic activity has raised concerns about supply chain delays and rising costs for materials, Kito Group continued to focus on securing transport and maintaining customer service.

China

Firm increase of demand in China continued, with increases in both revenue and earnings. Net sales amounted to ¥4,311 million (up 24.7% from the previous corresponding period), with operating income of ¥624 million (up 16.9%). Of note, the fiscal year for this segment starts in January, so the results for the first half year are from January through June.

Asia (excluding Japan and China)

Despite disparities by region and industry, demand recovered at a moderate pace. Net sales amounted to ¥1,243 million (up 17.0% from the previous corresponding period), with operating income increased to ¥68 million (up ¥4 million from the previous corresponding period).

Europe

Economic activity in Europe gained momentum from the start of the period, and demand improved significantly. A Dutch firm was also included as a subsidiary in the scope of consolidation at the end of the previous fiscal year. As a result, revenue rose considerably, with net sales amounting to ¥2,873 million (up 49.2% from the previous corresponding period). In terms of earnings, while the segment had an operating loss of ¥52 million, this was an improvement year on year.

Others

This segment currently comprises business in Australia only. Net sales amounted to ¥933 million (up 27.3% from the previous corresponding period) with operating income of ¥13 million.

(2) Financial Position

1. Assets, liabilities, and net assets

Total assets at the end of the first half period of fiscal 2021 amounted to ¥64,430 million, a decrease of ¥637 million compared to the end of the previous fiscal year. The main factors were a ¥2,773 million decrease in cash and deposits; a ¥947 million increase in merchandise and finished goods; and a ¥723 million decrease in notes and accounts receivable—trade and contract assets.

Total liabilities amounted to ¥31,879 million, a decrease of ¥2,620 million compared to the end of the previous fiscal year. The main factors were a ¥6,879 million decrease in short-term loans payable; a ¥3,112 million increase in long-term loans payable; and a ¥1,475 million increase in notes and accounts payable—trade.

Net assets amounted to ¥32,551 million, an increase of ¥1,983 million compared to the end of the previous fiscal year. The main factors were a ¥1,308 million increase in retained earnings; and a ¥538 million increase in foreign currency translation adjustment.

2. Cash Flows

Cash and cash equivalents at the end of the first half period of fiscal 2021 amounted to ¥10,951 million, a decrease of ¥2,773 million compared to the end of the previous fiscal year.

Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥3,736 million, an increase of ¥1,894 million from the previous corresponding period. The main factors were a ¥2,412 million increase in income before income taxes; and a ¥1,391 million increase in changes in trade payables.

Cash Flows from Investing Activities

Net cash used in investing activities amounted to ¥1,983 million, an increase of ¥875 million from the previous corresponding period. The main factors were a ¥1,777 million increase in payments for acquisition of property and equipment; and ¥194 million in payments for acquisition of intangible fixed assets.

Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥4,697 million, an increase in outflow of ¥7,589 million compared to the corresponding period of the previous fiscal year. The main factors were a ¥6,000 million increase in repayments of short-term loans payable; a ¥5,800 million increase in proceeds from long-term loans payable; and ¥2,934 million in repayments of long-term loans payable.

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

The results forecasts for the full period of fiscal 2021 ending March 31, 2022, have been revised from those announced on May 10, 2021, as demand for the Company's products has exceeded initial expectations, mainly in the U.S. and Europe. For details, see "Revisions to the Consolidated Business Forecasts" released on September 29, 2021.

2. Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2021	As of September 30, 2021
Assets		
Current assets		
Cash and deposits	13,734	10,961
Notes and accounts receivable-trade	11,369	—
Notes and accounts receivable-trade and contract assets	—	10,646
Merchandise and finished goods	12,905	13,852
Work in process	1,254	1,577
Raw materials and supplies	3,181	3,427
Other current assets	1,367	1,942
Allowance for doubtful receivables	(78)	(78)
Total current assets	43,735	42,329
Fixed assets		
Property and equipment		
Buildings and structures (net)	4,595	4,497
Machinery, equipment, and vehicles (net)	4,205	4,541
Others (net)	3,827	4,450
Total property and equipment	12,628	13,489
Intangible assets		
Goodwill	1,195	1,027
Other intangible assets	3,807	3,713
Total intangible assets	5,003	4,740
Investments and other assets		
Investment securities	1,287	1,321
Deferred tax assets	1,465	1,576
Other investments and other assets	948	971
Total investments and other assets	3,701	3,869
Total fixed assets	21,332	22,100
Total assets	65,067	64,430

(Millions of yen)

As of March 31, 2021

As of September 30, 2021

Liabilities		
Current liabilities		
Notes and accounts payable-trade	5,028	6,504
Short-term loans payable	7,955	1,076
Current portion of long-term loans payable	4,028	3,832
Accrued expenses	2,601	1,867
Income taxes payable	271	695
Provision for bonuses for employees	844	898
Provision for business restructuring	85	8
Other provisions	493	141
Other current liabilities	1,702	2,179
Total current liabilities	23,011	17,203
Long-term liabilities		
Long-term loans payable	7,894	11,007
Net defined benefit liabilities	2,184	2,251
Other long-term liabilities	1,410	1,416
Total long-term liabilities	11,488	14,675
Total liabilities	34,500	31,879
Net assets		
Shareholders' equity		
Capital stock	3,976	3,976
Capital surplus	5,056	5,092
Retained earnings	20,561	21,870
Treasury stock	(455)	(414)
Total shareholders' equity	29,138	30,525
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Deferred gains or losses on hedges	(69)	(53)
Foreign currency translation adjustment	523	1,061
Remeasurements of defined benefit plans	(54)	(48)
Total accumulated other comprehensive income	399	959
Subscription rights to shares	63	60
Non-controlling interests	966	1,005
Total net assets	30,567	32,551
Total liabilities and net assets	65,067	64,430

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

(Millions of yen)

	1H of FY2020 (April 1, 2020 to September 30, 2020)	1H of FY2021 (April 1, 2021 to September 30, 2021)
Net sales	22,041	28,293
Cost of sales	14,068	18,141
Gross profit	7,973	10,151
Selling, general, and administrative expenses	6,725	7,692
Operating income	1,247	2,459
Non-operating income		
Interest income	13	10
Rents received	33	40
Subsidy income	111	34
Gain on sales of scraps	11	37
Other	59	39
Total non-operating income	229	164
Non-operating expenses		
Interest expense	125	89
Equity in losses of affiliates	39	—
Foreign exchange losses	42	9
Other	55	111
Total non-operating expenses	263	210
Ordinary income	1,213	2,412
Extraordinary income		
Gain on sale of fixed assets	3	4
Insurance claim income	—	219
Total extraordinary income	3	224
Extraordinary loss		
Loss on sale of fixed assets	0	1
Loss on retirement of fixed assets	17	3
Loss on termination of retirement benefit plan	307	—
Litigation settlement	—	219
Total extraordinary loss	324	224
Income before income taxes	891	2,412
Income taxes	675	663
Net income for the period	216	1,749
Net income attributable to non-controlling interests	49	70
Net income attributable to owners of the parent	166	1,678

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	1H of FY2020 (April 1, 2020 to September 30, 2020)	1H of FY2021 (April 1, 2021 to September 30, 2021)
Net income for the period	216	1,749
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	0
Deferred gains or losses on hedges	(2)	16
Foreign currency translation adjustment	(368)	589
Remeasurements of defined benefit plans	400	5
Share of other comprehensive income of entities accounted for using equity method	(8)	—
Total other comprehensive income	20	611
Quarterly comprehensive income	236	2,360
(Comprehensive income attributable to):		
Owners of the parent	218	2,238
Non-controlling interests	18	122

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	1H of FY2020 (April 1, 2020 to September 30, 2020)	1H of FY2021 (April 1, 2021 to September 30, 2021)
Cash flows from operating activities		
Income before income taxes	891	2,412
Depreciation and amortization	1,312	1,363
Amortization of goodwill	148	154
Changes in net defined benefit liabilities (decrease)	282	86
Interest and dividend income	(13)	(10)
Interest expense	125	89
Foreign exchange losses (gains)	40	(40)
Equity in losses (earnings) of affiliates	39	—
Subsidy income	(111)	(34)
Insurance claim income	—	(219)
Litigation settlement	—	219
Changes in trade receivables (increase)	2,662	945
Changes in inventories (increase)	(1,475)	(1,325)
Changes in trade payables (decrease)	(539)	1,391
Changes in accrued expenses (decrease)	(1,549)	(730)
Changes in advances received (decrease)	242	—
Changes in contract liabilities (decrease)	—	113
Others	212	(249)
Subtotal	2,270	4,166
Cash received from interest and dividends	13	14
Interest paid	(145)	(88)
Income taxes paid	(404)	(394)
Proceeds from subsidy income	108	38
Proceeds from insurance income	—	219
Settlement package paid	—	(219)
Net cash provided by operating activities	1,841	3,736
Cash flows from investing activities		
Payments for acquisition of property and equipment	(1,207)	(1,777)
Payments for acquisition of intangible fixed assets	(61)	(194)
Others	161	(11)
Net cash used in investing activities	(1,107)	(1,983)
Cash flows from financing activities		
Proceeds from short-term loans payable	6,000	—
Repayments of short-term loans payable	—	(6,000)
Net increase (decrease) in short-term loans payable	(465)	(875)
Proceeds from long-term loans payable	500	5,800
Repayments of long-term loans payable	(2,214)	(2,934)
Cash dividends paid	(489)	(369)
Cash dividends paid for non-controlling interests	(96)	(83)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(185)	—
Repayments of lease obligations	(153)	(172)
Others	(3)	(63)
Net cash provided by (used in) financing activities	2,892	(4,697)
Effect of exchange rate changes on cash and cash equivalents	(12)	171
Increase (decrease) in cash and cash equivalents	3,613	(2,773)
Cash and cash equivalents at the beginning of the period	9,297	13,725
Cash and cash equivalents at the end of the period	12,911	10,951

(4) 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.

(Changes in accounting policies)

Accounting Standard for Revenue Recognition

From the beginning of the first quarter 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 mass production items standardized 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 recognition of revenue 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 first quarter 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, the Company has applied the method prescribed in Paragraph 86 of the Revenue Recognition Standard and based on contracts from prior to the beginning of the first quarter period that recognize nearly the entire amount of revenue according to the former treatment, the Company has not applied the new accounting policies retroactively.

As a result, net sales for the first half period of fiscal 2021 decreased by ¥167 million, and selling, general and administrative expenses also decreased by ¥167 million. However, there was no impact on operating income, ordinary income, or income before income taxes. The balance of retained earnings at the beginning of the subject period was also unaffected.

Because of the application of Revenue Recognition Standard, the "Notes and accounts receivable—trade" item shown in "Current assets" in the balance sheets for the previous fiscal year, is shown in "Notes and accounts receivable—trade and contract assets" from the first quarter 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.

Accounting Standard for Fair Value Measurement

From the beginning of the first quarter period, 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 methods stipulated by the Accounting Standard for Fair Value Measurement and other standards going forward. Of note, this change does not affect the quarterly consolidated financial statements.

(Additional information)

Accounting estimates regarding the impact of the COVID-19 pandemic

There has been no material change in the assumptions regarding the future spread of the COVID-19 virus and timing of a return to a normal state from that reported in “(Additional Information), (Accounting estimates regarding the impact of the COVID-19 pandemic)” in the Company’s securities report for the previous fiscal year.

(Segment information)

First half of the fiscal year ending March 31, 2021 (April 1, 2020 to September 30, 2020)

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	5,762	9,754	3,183	1,063	1,544	732	22,041	—	22,041
Net internal sales or transfers among segments	4,268	31	272	—	381	—	4,954	(4,954)	—
Total	10,031	9,786	3,456	1,063	1,926	732	26,996	(4,954)	22,041
Segment income (loss)	2,238	(67)	534	4	(82)	(10)	2,616	(1,368)	1,247

Notes: 1. The segment income (loss) adjustment of ¥(1,368) million includes transactions offset among segments of ¥(309) million and company-wide expenses that are not allocated to respective segment of ¥(1,059) 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 (loss) is reconciled with the operating income listed in the quarterly consolidated financial statements.

First half of the fiscal year ending March 31, 2022 (April 1, 2021 to September 30, 2021)

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	6,286	13,240	3,997	1,243	2,590	933	28,293	—	28,293
Net internal sales or transfers among segments	6,175	30	314	—	282	—	6,802	(6,802)	—
Total	12,462	13,271	4,311	1,243	2,873	933	35,095	(6,802)	28,293
Segment income (loss)	2,839	314	624	68	(52)	13	3,807	(1,348)	2,459

Notes: 1. The segment income (loss) adjustment of ¥(1,348) million includes transactions offset among segments of ¥(216) million and company-wide expenses that are not allocated to respective segment of ¥(1,131) 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 (loss) is reconciled with the operating income listed in the quarterly consolidated financial statements.

2. Matters regarding changes in reportable segments

As stated in “Accounting Standard for Revenue Recognition” of “Changes in accounting policies,” the Company has applied Accounting Standard for Revenue Recognition from the beginning of the first quarter period. Because of the changes in accounting treatment related to revenue recognition, similar changes have been made to calculation methods for income or loss in business segments. As a result of this change, compared to the previous method, net sales to outside customers in the “Japan” reportable segment during the first half of fiscal 2021 decreased by ¥167 million.