

This is the English translation of the original Japanese-language Business Results of KITO CORPORATION (the Company) for the third quarter cumulative period 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 Third Quarter of the Fiscal Year Ending March 31, 2022 [Japan GAAP] (Consolidated)

February 8, 2022

Company	KITO CORPORATION	Listed on the TSE 1 st Section
Stock Code	6409	URL: https://kito.com/
Representative Contact	Yoshio Kito, President & CEO Shigeki Osozawa, Managing Director, GM, Corporate Financial Management Div.	TEL: +81-3-5908-0161
Expected date of filing of quarterly annual securities report:	February 9, 2022	Scheduled date to begin dividend payments: —
Preparation of supplementary financial documents:	Yes	
Results briefing:	None	

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

1. Consolidated business results for the third quarter cumulative period ended December 31, 2021 (April 1, 2021 to December 31, 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	%
Nine months ended Dec. 2021	44,243	24.4	3,919	31.7	3,964	37.7	2,871	118.4
Nine months ended Dec. 2020	35,580	(16.8)	2,976	(24.6)	2,880	(17.3)	1,314	(38.3)

(Note) Comprehensive income Nine months ended Dec. 2021: 3,980 million yen 188.3 %
Nine months ended Dec. 2020: 1,380 million yen (12.7)%

	Net income per share		Diluted net income per share	
	Yen		Yen	
Nine months ended Dec. 2021	139.72		139.41	
Nine months ended Dec. 2020	64.10		64.05	

(2) Consolidated financial position

	Total assets		Net assets		Shareholders' equity ratio	
	Million yen		Million yen		%	
As of December 31, 2021	67,351		33,728		48.4	
As of March 31, 2021	65,067		30,567		45.4	

(Reference) Shareholders' equity As of December 31, 2021: 32,628 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
FY2020	Yen —	Yen 12.00	Yen —	Yen 18.00	Yen 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: None

※ 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 December 31, 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 December 31, 2021:	472,181 shares
As of March 31, 2021:	528,427 shares
 - (c) Average number of shares over the period

Nine months ended Dec. 31, 2021:	20,550,598 shares
Nine months ended Dec. 31, 2020:	20,505,562 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 3 of the supplementary materials.

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1. Quarterly Business Results

(1) Results of operations

During the third quarter cumulative period (April 1 to December 31, 2021) of fiscal 2021, ending March 31, 2022, despite intermittent constraints on economic activity in certain countries and regions, demand recovered sharply, centered on Western countries. At the same time, the impact on the overall economy from rising energy prices, as well as shortages of semiconductors and other materials, remains cause for concern. Under such conditions, supported by the firm recovery in demand in North America and Europe, Kito Group maintained a high operation rate at its factories, and focused on continuing to provide customer service by securing its supply chain, including material suppliers and transport routes.

As a result, net sales in the subject third quarter cumulative period amounted to ¥44,243 million (up 24.4% from the previous corresponding period), with operating income of ¥3,919 million (up 31.7%). Ordinary income totaled ¥3,964 million (up 37.7%) on a boost from foreign exchange gain, with net income attributable to owners of the parent of ¥2,871 million (up 118.4%), for a sharp rise in earnings.

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	¥19,826 million, up 30.4%	¥4,456 million, up 42.0%
The Americas	¥21,672 million, up 29.3%	¥1,211 million, up 84.7%
China	¥6,479 million, up 22.7%	¥911 million, up 8.1%
Asia (excluding Japan and China)	¥1,974 million, up 18.5%	¥118 million, up 147.8%
Europe	¥4,273 million, up 47.0%	¥(230) million Ref. Q3 2020: ¥(152) million
Others	¥1,346 million, up 21.6%	¥26 million Ref. Q3 2020: ¥(25) million

Japan

Despite the prolonged state of emergency 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 ¥19,826 million (up 30.4% from the previous corresponding period), with operating income of ¥4,456 million (up 42.0%).

The Americas

Demand in the U.S. rose steadily on expectations for expanded infrastructure investment from government policy measures and continued proactive investment among private companies. As a result, net sales amounted to ¥21,672 million (up 29.3% from the previous corresponding period), with operating income of ¥1,211 million (up 84.7%), for a significant increase in both sales and earnings.

China

Firm increase in demand in China continued, with net sales amounting to ¥6,479 million (up 22.7% from the previous corresponding period), and operating income of ¥911 million (up 8.1%). Of note, the fiscal year for this segment starts in January, so the results for the subject period are from January through September.

Asia (excluding Japan and China)

Despite constraints on economic activity in Asian countries, demand recovered moderately. Net sales amounted to ¥1,974 million (up 18.5% from the previous corresponding period), with operating income of ¥118 million (up 147.8%).

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 significantly, with net sales amounting to ¥4,273 million (up 47.0% from the previous corresponding period). In terms of earnings, the segment posted an operating loss of ¥230 million.

Others

This segment currently comprises business in Australia only. Net sales amounted to ¥1,346 million (up 21.6% from the previous corresponding period) with operating income of ¥26 million.

(2) Financial Position

Total assets at the end of the third quarter cumulative period for fiscal 2021 amounted to ¥67,351 million, an increase of ¥2,283 million compared to the end of the previous fiscal year. The main factors were a ¥3,241 million decrease in cash and deposits; a ¥2,167 million increase in merchandise and finished goods; a ¥1,133 million net increase in buildings and structures; and a ¥795 million net increase in others of property and equipment.

Total liabilities amounted to ¥33,623 million, a decrease of ¥876 million compared to the end of the previous fiscal year. The main factors were a ¥6,776 million decrease in short-term loans payable; a ¥3,245 million increase in long-term loans payable; and a ¥2,489 million increase in notes and accounts payable-trade.

Net assets amounted to ¥33,728 million, an increase of ¥3,160 million compared to the end of the previous fiscal year. The main factors were a ¥2,049 million increase in retained earnings and a ¥904 million increase in foreign currency translation adjustment.

(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 remain unchanged from the 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 December 31, 2021
Assets		
Current assets		
Cash and deposits	13,734	10,493
Notes and accounts receivable-trade	11,369	—
Notes and accounts receivable-trade and contract assets	—	11,148
Merchandise and finished goods	12,905	15,073
Work in process	1,254	1,943
Raw materials and supplies	3,181	3,531
Other current assets	1,367	1,486
Allowance for doubtful receivables	(78)	(79)
Total current assets	43,735	43,598
Fixed assets		
Property and equipment		
Buildings and structures (net)	4,595	5,728
Machinery, equipment, and vehicles (net)	4,205	4,362
Others (net)	3,827	4,623
Total property and equipment	12,628	14,714
Intangible assets		
Goodwill	1,195	969
Other intangible assets	3,807	3,770
Total intangible assets	5,003	4,740
Investments and other assets		
Investment securities	1,287	1,321
Deferred tax assets	1,465	1,683
Other investments and other assets	948	1,294
Total investments and other assets	3,701	4,298
Total fixed assets	21,332	23,753
Total assets	65,067	67,351

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable-trade	5,028	7,518
Short-term loans payable	7,955	1,178
Current portion of long-term loans payable	4,028	3,834
Accrued expenses	2,601	2,173
Income taxes payable	271	615
Provision for bonuses for employees	844	977
Provision for business restructuring	85	—
Other provisions	493	100
Other current liabilities	1,702	2,409
Total current liabilities	23,011	18,806
Long-term liabilities		
Long-term loans payable	7,894	11,140
Net defined benefit liabilities	2,184	2,309
Other long-term liabilities	1,410	1,366
Total long-term liabilities	11,488	14,816
Total liabilities	34,500	33,623
Net assets		
Shareholders' equity		
Capital stock	3,976	3,976
Capital surplus	5,056	5,098
Retained earnings	20,561	22,610
Treasury stock	(455)	(407)
Total shareholders' equity	29,138	31,278
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Deferred gains or losses on hedges	(69)	(33)
Foreign currency translation adjustment	523	1,427
Remeasurements of defined benefit plans	(54)	(44)
Total accumulated other comprehensive income	399	1,349
Subscription rights to shares	63	58
Non-controlling interests	966	1,042
Total net assets	30,567	33,728
Total liabilities and net assets	65,067	67,351

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

(Millions of yen)

	Nine Months (April 1, 2020 to December 31, 2020)	Nine Months (April 1, 2021 to December 31, 2021)
Net sales	35,580	44,243
Cost of sales	22,431	28,352
Gross profit	13,148	15,891
Selling, general, and administrative expenses	10,172	11,971
Operating income	2,976	3,919
Non-operating income		
Interest income	28	15
Foreign exchange gains	—	93
Subsidy income	149	48
Gain on sales of scraps	21	67
Other	146	121
Total non-operating income	346	345
Non-operating expenses		
Interest expense	180	131
Equity in losses of affiliates	69	—
Foreign exchange losses	93	—
Other	98	169
Total non-operating expenses	442	300
Ordinary income	2,880	3,964
Extraordinary income		
Gain on sale of fixed assets	3	4
Insurance claim income	—	222
Total extraordinary income	3	227
Extraordinary loss		
Loss on sale of fixed assets	1	2
Loss on retirement of fixed assets	26	6
Provision for business restructuring	117	—
Loss on termination of retirement benefit plan	305	—
Litigation settlement	—	222
Total extraordinary loss	451	231
Income before income taxes	2,432	3,960
Income taxes	1,036	976
Net income for the period	1,395	2,983
Net income attributable to non-controlling interests	81	112
Net income attributable to owners of the parent	1,314	2,871

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine Months (April 1, 2020 to December 31, 2020)	Nine Months (April 1, 2021 to December 31, 2021)
Net income for the period	1,395	2,983
Other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Deferred gains or losses on hedges	9	36
Foreign currency translation adjustment	(440)	951
Remeasurements of defined benefit plans	408	9
Share of other comprehensive income of entities accounted for using equity method	7	—
Total other comprehensive income	(14)	996
Quarterly comprehensive income	1,380	3,980
(Comprehensive income attributable to):		
Owners of the parent	1,331	3,821
Non-controlling interests	49	159

(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.

(Changes in accounting policies)

Accounting Standard for Revenue Recognition

From the beginning of the first quarter period 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, 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 the first quarter period, the Company has not applied the new accounting policies retroactively.

As a result, net sales for the third quarter cumulative period of fiscal 2021 decreased by ¥281 million, and selling, general and administrative expenses also decreased by ¥281 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)

Third quarter cumulative period of the fiscal year ended March 31, 2021 (April 1, 2020 to December 31, 2020)

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	8,844	16,727	4,912	1,665	2,322	1,107	35,580	—	35,580
Net internal sales or transfers among segments	6,355	36	369	—	585	—	7,346	(7,346)	—
Total	15,199	16,763	5,282	1,665	2,907	1,107	42,926	(7,346)	35,580
Segment income (loss)	3,138	655	842	47	(152)	(25)	4,506	(1,530)	2,976

Notes: 1. The segment income or loss adjustment of ¥(1,530) million includes transactions offset among segments of ¥31 million and company-wide expenses that are not allocated to respective segments of ¥(1,561) million. Company-wide expenses are expenses mostly related to the general affairs, finance & accounting, and corporate planning departments of the parent company.

2. The segment income or loss is reconciled with the operating income listed in the quarterly consolidated statements of income.

Third quarter cumulative period of the fiscal year ending March 31, 2022 (April 1, 2021 to December 31, 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	9,556	21,633	5,948	1,974	3,783	1,346	44,243	—	44,243
Net internal sales or transfers among segments	10,269	39	530	—	489	—	11,328	(11,328)	—
Total	19,826	21,672	6,479	1,974	4,273	1,346	55,572	(11,328)	44,243
Segment income (loss)	4,456	1,211	911	118	(230)	26	6,492	(2,573)	3,919

Notes: 1. The segment income or loss adjustment of ¥(2,573) million includes transactions offset among segments of ¥(847) million and company-wide expenses that are not allocated to respective segments of ¥(1,725) million. Company-wide expenses are expenses mostly related to the general affairs, finance & accounting, and corporate planning departments of the parent company.

2. The segment income or loss is reconciled with the operating income listed in the quarterly consolidated statements of income.

2. 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 third quarter cumulative period of fiscal 2021 decreased by ¥281 million.