

This is the English translation of the original Japanese-language Business Results of KITO CORPORATION (the Company) for the first quarter of the fiscal year ending March 31, 2023 and is provided for reference purposes only. Readers are advised that the Company does not guarantee the accuracy of the content contained in this report. In the event of any discrepancy between this translation and the original document in Japanese, the original document shall prevail.

## Business Results for the First Quarter of the Fiscal Year Ending March 31, 2023 [Japan GAAP] (Consolidated)

August 5, 2022

Company	<b>KITO CORPORATION</b>	Listed on the TSE Prime Market
Code	6409	URL: <a href="https://kito.com/">https://kito.com/</a>
Representative	Yoshio Kito, President & CEO	
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Expected filing date of the quarterly securities report:	August 8, 2022	Scheduled date to begin dividend payments: —
Preparation of supplementary financial documents:	Yes	
Results briefing:	None	

*(Rounded down to the nearest million yen)*

### 1. Consolidated business results for the first quarter (April 1, 2022 to June 30, 2022) of fiscal 2022 (April 1, 2022 to March 31, 2023)

(1) Consolidated results of operations (% change from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Q1 FY2022	16,756	21.4	860	(13.2)	1,215	25.0	819	24.1
Q1 FY2021	13,797	37.2	992	341.8	972	336.9	660	—

(Note) Comprehensive income Q1 FY2022: 3,385 million yen 195.8%  
Q1 FY2021: 1,144 million yen (—) %

	Net income per share	Diluted net income per share
	Yen	Yen
Q1 FY2022	39.82	39.72
Q1 FY2021	32.19	32.11

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of June 30, 2022	77,526	39,891	49.9
As of Mar. 31, 2022	72,490	37,047	49.5

(Reference) Shareholders' equity As of June 30, 2022: 38,700 million yen As of March 31, 2022: 35,869 million yen

### 2. Dividends

	Annual dividend				
	Q1	Q2	Q3	Year-end	Annual total
	Yen	Yen	Yen	Yen	Yen
FY2021	—	22.00	—	22.00	44.00
FY2022	—	—	—	—	—
FY2022 (forecast)	—	0.00	—	0.00	0.00

(Note) Revisions from recently announced dividend forecast: None

### 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	%	Million yen	%	Million yen	%	Yen
H1 FY2022	32,500	14.9	1,900	(22.7)	1,800	(25.4)	1,200	(28.5)	58.31
FY2022	70,000	12.0	6,500	5.1	6,400	(0.2)	4,200	(8.0)	204.10

(Note) Revisions from recently announced forecast: None

**\* Notes:**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries due to changes in the scope of consolidation): None

(2) The application of special accounting treatment to prepare the quarterly consolidated financial statements: None

(3) Changes in accounting policies, accounting estimates, and retrospective restatements

Changes in accounting policies due to revisions of accounting standards: Yes

Changes in accounting policies other than above: None

Changes of accounting estimates: None

Retrospective restatements: None

(4) Number of shares issued (common stock)

Total number of shares issued (including treasury stock)

As of June 30, 2022: 21,048,200 shares

As of March 31, 2022: 21,048,200 shares

Number of treasury stock

As of June 30, 2022: 470,181 shares

As of March 31, 2022: 470,181 shares

Average number of shares over the period

Q1 FY2022: 20,578,019 shares

Q1 FY2021: 20,519,773 shares

**\* This quarterly Business Results Report falls outside the scope of quarterly review procedures 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)

Any performance forecasts and other forward-looking statements presented in this report are based on information currently available and certain assumptions deemed to be reasonable and are not to be read as guarantees of future performance by KITO. Actual results may differ substantially from the forecasts depending on various factors. For preconditions of the assumptions and other instructions regarding the appropriate use of business forecasts, please refer to “(3) Performance Forecasts and Other Forward-looking Statements, including Consolidated Business Forecasts, 1. Quarterly Business Results” on page 3 of the Appendix.

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## 1. Quarterly Business Results

### (1) Results of Operations

During the first quarter cumulative period (April 1 to June 30, 2022) of fiscal 2022, ending March 31, 2023, although global economic activity gradually began returning to normal following the coronavirus pandemic, the outlook remained unclear as a result of increases in raw material prices and continued disruption in logistics networks, as well as the prolonged conflict between Russia and Ukraine, and the sharp depreciation of the yen. Under such conditions, Kito Group focused on securing its supply chain in order to capture the firm market demand, while working to boost production capacity and provide stable customer service.

As a result, net sales in the subject period reached ¥16,756 million (up 21.4% from the same period of the previous fiscal year), breaking the previous record set in the same period last year. In terms of earnings, although the Company managed to counter the significant increase in material costs by revising sales prices and focusing on production efficiency, because of the recording of advisory expenses related to the management integration, operating income declined to ¥860 million (down 13.2%). Ordinary income amounted to ¥1,215 million (up 25.0%) on foreign exchange gain, with net income attributable to owners of parent of ¥819 million (up 24.1%). Ordinary income and net income attributable to owners of parent both 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.

Segments	Net sales YoY change in %	Operating income (Loss) YoY change in %
Japan	¥7,119 million, up 22.4%	¥1,780 million, up 31.4%
The Americas	¥8,779 million, up 37.6%	¥350 million, up 1,293.4%
China	¥2,137 million, up 12.0%	¥285 million, down 1.3%
Asia (excluding Japan and China)	¥867 million, up 58.3%	¥95 million Ref. Q1 FY2021: ¥(19) million
Europe	¥1,799 million, up 24.3%	¥(65) million Ref. Q1 FY2021: ¥(60) million
Others	¥445 million, down 7.8%	¥14 million Ref. Q1 FY2021: ¥(5) million

#### Japan

Although a wide range of industries in Japan, particularly automotive-related companies, were forced to scale back production in response to the semiconductor shortage, demand for construction showed signs of recovery, centered on urban areas. Exports continued to grow steadily on rising demand in North America, Europe, and other overseas markets. As a result, net sales amounted to ¥7,119 million (up 22.4% from the corresponding period of the previous fiscal year), with operating income of ¥1,780 million (up 31.4%).

#### The Americas

Net sales in the U.S. rose sharply to ¥8,779 million (up 37.6% from the corresponding period of the previous fiscal year), with operating income of ¥350 million (up 1,293.4%), on continued positive corporate investment activities, and infrastructure-related demand. Despite concerns about supply chain delays and rising costs for materials, the Company focused on securing means of transport and maintaining customer service.

#### China

Despite firm demand trends, because of the impact from far-reaching measures enacted by local authorities in response to COVID-19 outbreaks in Shanghai and other areas, net sales amounted to ¥2,137 million (up 12.0% from the corresponding period of the previous fiscal year), with operating income of ¥285 million (down 1.3%). Of note, the fiscal year for this segment starts in January, so the results for the subject first quarter period are from January through March.

**Asia (excluding Japan and China)**

Demand in Asian countries recovered along with the relaxing of constraints on economic activities. As a result, net sales amounted to ¥867 million (up 58.3% from the corresponding period of the previous fiscal year), with operating income of ¥95 million.

**Europe**

Despite continued firm increase in demand, the fallout from the conflict between Russia and Ukraine resulted in a marked rise in material and energy prices. Net sales amounted to ¥1,799 million (up 24.3% from the corresponding period of the previous fiscal year), with the segment posting an operating loss of ¥65 million for the subject period.

**Others**

This segment currently comprises business in Australia only. Net sales amounted to ¥445 million (down 7.8% from the corresponding period of the previous fiscal year), with an operating income of ¥14 million.

**(2) Financial Position**

Total assets at the end of the subject first quarter period amounted to ¥77,526 million, an increase of ¥5,036 million compared to the end of the previous fiscal year. The main factors were a ¥2,328 million increase in merchandise and finished goods and a ¥1,570 million increase in others (net) of property and equipment. Of the increase in others (net) of property and equipment, ¥732 million was due to the impact of the application of ASC No. 842, "Lease", which is effective for U.S. consolidated subsidiaries.

Total liabilities amounted to ¥37,634 million, an increase of ¥2,191 million from the end of the previous fiscal year. The main factors were a ¥2,692 million increase in short-term loans payable; an ¥833 million increase in notes and accounts payable—trade; and a ¥797 million decrease in income taxes payable.

Net assets amounted to ¥39,891 million, an increase of ¥2,844 million from the end of the previous fiscal year. The main factors were a ¥2,419 million increase in foreign currency translation adjustment; and a ¥366 million increase in retained earnings.

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

The results forecasts for the second quarter cumulative period of fiscal 2022 ending March 31, 2023 and the full fiscal year remain unchanged from the forecasts released on May 16, 2022.

## 2. Consolidated Financial Statements and Major Notes

### (1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
<b>Assets</b>		
Current assets:		
Cash and deposits	11,269	10,149
Notes and accounts receivable—trade	13,041	13,253
Merchandise and finished goods	15,820	18,148
Work in process	1,866	2,403
Raw materials and supplies	3,824	4,356
Others	1,774	1,600
Allowance for doubtful receivables	(147)	(150)
Total current assets	47,450	49,761
Fixed assets:		
Property and equipment		
Buildings and structures (net)	5,880	6,496
Machinery, equipment, and vehicles (net)	4,486	4,678
Others (net)	5,354	6,924
Total property and equipment	15,721	18,100
Intangible assets		
Goodwill	818	822
Others	3,920	4,277
Total intangible assets	4,738	5,099
Investments and other assets		
Others	4,580	4,564
Total investments and other assets	4,580	4,564
Total fixed assets	25,039	27,764
Total assets	72,490	77,526

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable—trade	7,528	8,361
Provision for bonuses for employees	1,041	489
Other provisions	61	59
Income taxes payable	1,380	582
Short-term loans payable	1,343	4,036
Current portion of long-term loans payable	3,899	4,041
Others	5,653	5,547
Total current liabilities	20,908	23,119
Long-term liabilities		
Long-term loans payable	10,437	9,922
Net defined benefit liability	2,384	2,426
Others	1,712	2,166
Total long-term liabilities	14,534	14,515
Total liabilities	35,442	37,634
<b>Net assets</b>		
Shareholders' equity		
Capital stock	3,976	3,976
Capital surplus	5,099	5,099
Retained earnings	24,302	24,669
Treasury stock	(405)	(405)
Total shareholders' equity	32,973	33,340
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	0	0
Deferred gains or losses on hedges	8	34
Foreign currency translation adjustment	2,921	5,341
Remeasurements of defined benefit plans	(33)	(14)
Total accumulated other comprehensive income	2,895	5,360
Subscription rights to shares	57	57
Non-controlling interests	1,120	1,133
Total net assets	37,047	39,891
Total liabilities and net assets	72,490	77,526

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

(Millions of yen)

	Q1 FY2021 (April 1 to June 30, 2021)	Q1 FY2022 (April 1 to June 30, 2022)
Net sales	13,797	16,756
Cost of sales	9,061	10,946
Gross profit	4,735	5,810
Selling, general, and administrative expenses	3,743	4,949
Operating income	992	860
Non-operating income:		
Interest income	3	7
Foreign exchange gains	14	381
Rental income	20	28
Others	63	51
Total non-operating income	102	468
Non-operating expenses:		
Interest expense	46	54
Loss on investment in insurance reserve fund	—	27
Others	75	31
Total non-operating expenses	121	113
Ordinary income	972	1,215
Extraordinary income		
Gain on sale of fixed assets	4	1
Insurance claim income	218	—
Total extraordinary income	223	1
Extraordinary loss		
Loss on sale of fixed assets	1	0
Loss on retirement of fixed assets	0	0
Provision for loss on litigation	218	—
Total extraordinary loss	220	0
Income before income taxes	975	1,216
Income taxes	284	368
Net income for the period	690	848
Net income attributable to non-controlling interests	30	29
Net income attributable to owners of parent	660	819



## Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	Q1 FY2021 (April 1 to June 30, 2021)	Q1 FY2022 (April 1 to June 30, 2022)
Net income for the period	690	848
Other comprehensive income:		
Valuation difference on available-for-sale securities	0	(0)
Deferred gains or losses on hedges	8	25
Foreign currency translation adjustment	442	2,492
Remeasurements of defined benefit plans, net of tax	2	18
Total other comprehensive income	453	2,537
Quarterly comprehensive income	1,144	3,385
(Comprehensive income attributable to):		
Owners of parent	1,065	3,283
Non-controlling interests	79	101

### **(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)

(Application of ASC No. 842, "Leases")

Effective from the first quarter of the fiscal year ending March 31, 2023, the Company adopted ASC No. 842, "Leases", which is effective for U.S. consolidated subsidiaries. In applying ASC No. 842, the cumulative effect of adopting this standard, which is permitted as a transitional measure, is recognized at the date of initial application.

As a result of the application of this standard, "Others (net)" in property and equipment, "Others" in current liabilities, and "Others" in long-term liabilities increased by ¥732 million, ¥258 million, and ¥484 million, respectively, in the quarterly consolidated balance sheets as of June 30, 2022. The effect of this change on the consolidated statements of income for the first quarter of the subject fiscal year is immaterial.

(Segment information)

First quarter of the fiscal year ended March 31, 2022 (April 1 to June 30, 2021)

1. Information on the amounts of net sales and on the income or loss per reportable segments

(Millions of yen)

	Segments						Total	Adjustment (Note 1)	Consolidated financial statement amount (Note 2)
	Japan	Americas	China	Asia	Europe	Others			
Net sales									
Net sales to unaffiliated customers	3,209	6,361	1,835	547	1,359	483	13,797	—	13,797
Net internal sales or transfers among segments	2,608	18	72	—	89	—	2,787	(2,787)	—
Total	5,817	6,379	1,907	547	1,448	483	16,585	(2,787)	13,797
Segment income (loss)	1,354	25	289	(19)	(60)	(5)	1,584	(592)	992

Notes: 1. The segment income or loss adjustment of ¥(592) million includes transactions offsets among segments of ¥(27) million and Company-wide expenses that are not allocated to respective reportable segments of ¥(564) million. Company-wide expenses are expenses mostly related to the general affairs, finance and accounting, and corporate planning departments of the parent company.

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

First quarter of the fiscal year ending March 31, 2023 (April 1 to June 30, 2022)

1. Information on the amounts of net sales and on the income or loss per reportable segments

(Millions of yen)

	Segments						Total	Adjustment (Note 1)	Consolidated financial statement amount (Note 2)
	Japan	Americas	China	Asia	Europe	Others			
Net sales									
Net sales to unaffiliated customers	3,322	8,763	1,797	867	1,559	445	16,756	—	16,756
Net internal sales or transfers among segments	3,797	15	339	—	240	—	4,392	(4,392)	—
Total	7,119	8,779	2,137	867	1,799	445	21,149	(4,392)	16,756
Segment income (loss)	1,780	350	285	95	(65)	14	2,461	(1,600)	860

Notes: 1. The segment income or loss adjustment of ¥(1,600) million includes transactions offsets among segments of ¥(685) million and Company-wide expenses that are not allocated to respective reportable segments of ¥(915) million. Company-wide expenses are expenses mostly related to the general affairs, finance and accounting, and corporate planning departments of the parent company.

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