

This is the English translation of the original Japanese-language Business Results of KITO CORPORATION (the Company) for the fiscal year ending March 31, 2016 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 Quarter of the Fiscal Year Ending March 31, 2016 [Japan GAAP] (Consolidated)

August 12, 2015

Company **KITO CORPORATION** Listed on the TSE 1st Section
 Stock Code 6409 URL: <http://kito.com/>
 Representative Yoshio Kito, President & CEO
 Contact Shigeki Osozawa, Director, Executive Officer, GM, Corporate Management Division TEL: +81-3-5908-0161

Expected date of filing of annual securities report: August 12, 2015 Scheduled date to begin dividend payments: —

Preparation of supplementary financial document: Yes

Results briefing: None

(Rounded down to the nearest million yen)

1. Consolidated business results for the Q1 (April 1, 2015 to June 30, 2015)

(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 FY2015	12,122	43.8	538	92.2	418	84.9	172	149.7
Q1 FY2014	8,430	5.4	280	(22.3)	226	(46.2)	69	(70.0)

(Note) Comprehensive income Q1 FY2015: ¥ 345 million —%
 Q1 FY2014: ¥(321) million —%

	Net income per share	Diluted net income per share
	Yen	Yen
Q1 FY2015	6.58	6.55
Q1 FY2014	2.65	2.63

(Note) Effective October 1, 2014, KITO conducted a 2-for-1 stock split of its common stock. Accordingly, net income per share and diluted net income per share are calculated on the assumption that the stock split was completed as of the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of June 30, 2015	61,347	25,587	40.1
As of Mar. 31, 2015	63,183	25,626	38.9

(Reference) Shareholders' equity As of June 30, 2015: 24,597 million As of March 31, 2015: 24,576 million

2. Dividends

	Annual dividend				
	End of Q1	End of Q2	End of Q3	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY2014	—	25.00	—	12.50	37.50
FY2015	—	—	—	—	—
FY2015 (forecast)	—	14.00	—	14.00	28.00

(Note) Revisions from recently announced dividend forecast: None

3. Forecast of consolidated business results for the fiscal year ending March 31, 2016 (April 1, 2015 to March 31, 2016)

(% change from the previous year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
H1 FY2015	27,000	46.7	1,300	52.0	1,100	23.2	500	(0.9)	19.06
FY2015	60,000	20.1	5,500	62.0	5,000	46.0	3,000	48.0	114.36

※ **Notes:**

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

New: —

Excluded: —

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

(3) 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

(Note) For details, please refer to “2. Matters regarding Summary Information (Notes) (3) Changes in accounting policies, accounting estimates, and restatements” on page 6 of the supplementary materials.

(3) Number of shares issued (common stock)

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

As of June 30, 2015: 27,048,200 shares

As of Mar. 31, 2015: 27,048,200 shares

Number of treasury stock at the end of period

As of June 30, 2015: 797,016 shares

As of Mar.31, 2015: 815,016 shares

Average number of shares over the period

Q1 FY2015: 26,246,184 shares

Q1 FY2014: 26,110,900 shares

(Note) Effective October 1, 2014, KITO conducted a 2-for-1 stock split of its common stock. Accordingly, the number of shares issued (common stock) is calculated on the assumption that the stock split was completed as of the beginning of the previous fiscal year.

*** Indication of the status of execution of audit procedures**

This financial summary is not subject to audit procedures pursuant to the Financial Instruments and Exchange Act of Japan. Audit procedures were completed for this reporting period as of the date of report disclosure.

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

The performance forecasts and other forward-looking statements presented in this report are based on information currently available and certain assumptions deemed to be reasonable, and are not to be read as guarantees of future performance by KITO. Actual performance, etc., may differ substantially due to various factors. For preconditions of the assumptions and special instructions regarding the appropriate use of business forecasts, please refer to “(3) Explanation of performance forecasts and other forward-looking statements, including consolidated business forecasts” on page 5 of the supplementary materials.

Contents of Attached Materials

1. Qualitative Information on Quarterly Business Results	4
(1) Explanation of results of operations	5
(2) Explanation of financial position	5
(3) Explanation of performance forecasts and other forward-looking statements, including consolidated business Forecasts	5
2. Matters regarding Summary Information (Notes)	6
(1) Changes in significant subsidiaries during the period	6
(2) Adoption of special accounting treatment measures in the preparation of quarterly consolidated financial statements	6
(3) Changes in accounting policies, accounting estimates, and restatements	6
3. Quarterly Consolidated Financial Statements	7
(1) Quarterly consolidated balance sheets	7
(2) Quarterly consolidated statements of income/Quarterly consolidated statements of comprehensive income	9
Quarterly consolidated statements of income First quarter	9
Quarterly consolidated statements of comprehensive income First quarter	10
(3) Notes to quarterly consolidated financial statements	11
(Notes regarding ongoing concern assumption)	11
(Notes in the event of material changes in the amount of shareholders' equity)	11
(Segment information)	11

1. Qualitative Information on Quarterly Business Results

(1) Explanation of results of operations

During the first quarter (April 1, 2015 to June 30, 2015) of the fiscal year ending March 31, 2016, the recovery trend in the Japanese economy continued. Although uncertainties began to appear in overseas economies, the performance of the Kito Group continued to hold firm. The drive to make capital investments among Japanese companies continued. In North America, although the energy industries adopted a cautious stance toward investment, overall demand continued to hold strong. In the Chinese economy, growth remained on a declining trend, and other regions in Asia experienced a decline in growth momentum, thus failing to achieve full-scale recovery.

Amid this operating environment, the Kito Group entered the final year of its current five-year medium-term management plan and implemented a number of measures aimed at attaining the plan objectives. These were (1) the further development of its business activities in emerging markets, principally in Asia, (2) the strengthening of its product lineup, (3) the additional development of its global production and procurement, and (4) the further strengthening of its crane business operations.

As a result, consolidated net sales for the quarter amounted to ¥12,122 million (a 43.8% increase over the same quarter of the previous fiscal year). Consolidated operating income was ¥538 million (an increase of 92.2%), consolidated ordinary income amounted to ¥418 million (an increase of 84.9%), and net income attributable to owners of the parent company was ¥172 million (an increase of 149.7%).

Principal indicators of performance by segment are as follows. The Kito Group manages the businesses of the parent company and consolidated subsidiaries by geographic segment.

Segment	Net Sales YoY change in %	(Millions of yen)	
		Operating Income (Loss) YoY change in %	
Japan	6,087 10.7%	1,329 23.5%	
Americas	6,121 108.9%	(11) (Operating Income of 40 in the same period of the previous year)	
China	2,011 5.0%	218 22.8%	
Asia (ex Japan and China)	900 20.4%	(163) (Operating loss of 197 in the same period of the previous year)	
Europe	375 (12.6%)	9 980.7%	

Japan:

Sales recorded in Japan were ¥6,087 million (an increase of 10.7% year on year). Factors accounting for this increase were growth in exports to the Americas, continued firm private capital investment in Japan, and the rising demand for manually operated products in the civil engineering construction sector. Operating income amounted to ¥1,329 million (an increase of 23.5%). Factors responsible for the rise in operating income were an improvement in export margins, combined with the relatively stronger growth in demand for higher-margin manually operated products.

Americas:

In the United States, the consolidation of PEERLESS, a subsidiary acquired previously, made a major contribution to consolidated performance. Sales in the Americas as a whole rose to ¥6,121 million (an increase of 108.9% year on year). Excluding PEERLESS, performance in existing businesses remained favorable, and, on a local currency basis, sales rose 5.5% in the United States and 29.5% in Canada. Although demand from the energy industries and government agencies decreased, on an overall basis, we are capturing demand from a wide range of industries in the United States, including manufacturing. Please note that PEERLESS was acquired through our subsidiary in the United States. This subsidiary reported goodwill amortization costs of ¥81 million and other expenses related to the acquisition, resulting in an operating loss of ¥11 million, compared with an operating income of ¥40 million in the same period of the previous year.

China:

Progress toward economic recovery in China is sluggish, and demand is weak in general. However, in part because of the effect of foreign currency exchange rate fluctuations, on a yen basis, sales amounted to ¥2,011 million (an increase of 5.0% year on year), and operating income was ¥218 million (an increase of 22.8%).

Asia (excluding Japan and China):

As a result of the deceleration in the Chinese economy and the prolongation of political instability elsewhere in this region, demand for investment in Thailand decreased, and the economy there failed to recover. Amid these conditions, Kito's maintenance and service businesses expanded, and, as a result of measures to improve profitability, sales in this region were ¥900 million (an increase of 20.4% year on year), and the operating loss diminished to ¥163 million (compared with an operating loss of ¥197 million in the same period of the previous year).

Europe:

In the midst of rising uncertainties, including trends in the price of crude oil and the implications of issues in Greece, sales in this segment amounted to ¥375 million (a decrease of 12.6% year on year), but operating income rose to ¥9 million (a gain of 980.7%).

(2) Explanation of financial position**1. Assets**

Total assets were ¥61,347 million on June 30, the end of the quarter under review, representing a decrease of ¥1,836 million from the level at the end of the previous consolidated fiscal year. Factors accounting for this included a decline in notes and accounts receivable of ¥2,724 million, which was partially offset by an increase in merchandise and products of ¥820 million.

2. Liabilities

Total liabilities amounted to ¥35,759 million at the end of the quarter, representing a decline of ¥1,797 million from March 31, 2015. This decrease was the result of a decline in expenses payable of ¥796 million, a decrease in income taxes payable of ¥970 million, and other factors.

3. Net Assets

Net assets were ¥25,587 million, which was ¥38 million lower than at March 31, 2015. This was due to a decrease in retained earnings of ¥155 million and a gain in the foreign currency translation adjustment account of ¥109 million.

(3) Explanation of performance forecasts and other forward-looking statements, including consolidated business forecasts
The outlook for performance through the end of the second quarter of the year ending March 31, 2016 and the outlook for the full fiscal year remain unchanged from the performance outlook released on May 15, 2015.

2. Matters regarding Summary Information (Notes)

(1) Changes in significant subsidiaries during the period

There are no relevant matters to be noted.

(2) Adoption of special accounting treatment measures in the preparation of quarterly consolidated financial statements

There are no relevant matters to be noted.

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

Changes in accounting policies:

Application of the accounting standard for business combinations

Beginning with the quarter under review, the Company has applied the “Accounting Standards for Business Combinations” (Corporate Accounting Standard No. 21, issued September 13, 2013; hereinafter, “Business Combinations Accounting Standards”), “Accounting Standards for Consolidated Financial Statements” (Corporate Accounting Standard No. 22, issued September 13, 2013; hereinafter, “Consolidated Accounting Standards”), and “Accounting Standards for Business Divestitures” (Corporate Accounting Standard No. 7, issued September 13, 2013; hereinafter, “Business Divestitures Accounting Standards”). Under these standards, for a subsidiary that is still controlled, changes in the Company’s interest in equity of the subsidiaries is accounted for in capital surplus, and expenses incurred in connection with the acquisition of shares are treated as an expense of the consolidated subsidiary. Note that for business combinations that occur after the beginning of the first quarter under review, the allocation of the cost of the acquisition, as confirmed by provisional accounting procedures, is reflected in the quarterly financial statements for the quarter in which the acquisition takes place. In addition, changes in the quarterly statements of income and changes in presentation (movement from minority interests to non-controlling interest) have been made. To reflect this method of presentation, the financial statements for the first quarter under review and the previous fiscal year have been reclassified.

Regarding Accounting Standards for Business Combinations, the provisional procedures contained in Accounting Standards for Business Combinations 58-2 (4), Accounting Standards for Consolidated Financial Statements 44-5 (4), and Accounting Standards for Business Divestitures 57-4 (4) have been followed and will be applied from the beginning of the first quarter under review and into future years.

This change in accounting standards had no impact on the Company’s profit and loss.

Application of Provisional Accounting Standards for Treatment of Overseas Subsidiaries in the Preparation of Consolidated Financial Statements

The Company has applied the “Provisional Accounting Standards for Treatment of Overseas Subsidiaries in the Preparation of Consolidated Financial Statements” (Practical Guidance Report No. 18, March 26, 2015) beginning with the first quarter under review. The Company has followed the provisional procedures for applying this practical guidance, and overseas subsidiary PEERLESS INDUSTRIAL GROUP, INC., based on the revised (as of January 2014) FASB Accounting Standards for Codification Topic 350 “Intangible Assets—Goodwill, Etc.,” has selected the method of amortizing the relevant goodwill over a period of 10 years according to the straight-line method.

This change in accounting standards had no impact on the Company’s profit and loss.

3. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2015	As of June 30, 2015
Assets		
Current assets:		
Cash and deposits	9,792	9,592
Notes and accounts receivable-trade	12,593	9,869
Merchandise and finished goods	11,638	12,458
Work in process	1,798	2,085
Raw materials and supplies	1,669	1,482
Other current assets	3,041	3,078
Allowance for doubtful receivables	(55)	(52)
Total current assets	40,478	38,515
Fixed assets:		
Property and equipment		
Buildings and structures (net)	4,901	4,925
Machinery, equipment, and vehicles (net)	4,797	5,460
Others (net)	2,461	2,453
Total property and equipment	12,161	12,840
Intangible assets		
Goodwill	4,012	3,439
Other intangible assets	4,997	5,055
Total intangible assets	9,009	8,495
Investments and other assets		
Deferred tax assets	532	495
Other investments and other assets	1,000	1,001
Total investments and other assets	1,532	1,496
Total fixed assets	22,703	22,831
Deferred assets	1	0
Total assets	63,183	61,347

(Millions of yen)

	As of March 31, 2015	As of June 30, 2015
Liabilities		
Current liabilities		
Notes and accounts payable-trade	6,113	6,077
Short-term loans payable	4,319	4,280
Accrued expenses	2,750	1,953
Income taxes payable	1,013	42
Provisions	788	402
Other current liabilities	2,107	1,688
Total current liabilities	17,093	14,445
Long-term liabilities		
Long-term loans payable	16,025	16,545
Provision for directors' retirement benefits	181	181
Net defined benefit liability	2,431	2,420
Other long-term liabilities	1,825	2,166
Total long-term liabilities	20,464	21,314
Total liabilities	37,557	35,759
Net assets		
Shareholders' equity		
Capital stock	3,976	3,976
Capital surplus	5,219	5,224
Retained earnings	13,477	13,322
Treasury stock	(367)	(358)
Total shareholders' equity	22,307	22,164
Accumulated other comprehensive income:		
Valuation losses on other securities	1	2
Deferred gains or losses on hedges	(56)	9
Foreign currency translation adjustment	2,643	2,752
Remeasurements of defined benefit plans	(318)	(331)
Total accumulated other comprehensive income	2,269	2,433
Subscription rights to shares	30	30
Non-controlling interests	1,020	959
Total net assets	25,626	25,587
Total liabilities and net assets	63,183	61,347

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

(Millions of yen)

	Q1 FY2014 (April 1, 2014 to June 30, 2014)	Q1 FY2015 (April 1, 2015 to June 30, 2015)
Net sales	8,430	12,122
Cost of sales	5,305	7,809
Gross profit	3,125	4,313
Selling, general, and administrative expenses	2,845	3,774
Operating income	280	538
Non-operating income:		
Interest income	6	7
Dividends income	0	0
Foreign exchange gains	—	10
Other	52	43
Total non-operating income	58	61
Non-operating expenses:		
Interest expense	46	137
Foreign exchange loss	47	-
Other	18	45
Total non-operating expenses	112	182
Ordinary income	226	418
Income before income taxes	226	418
Income taxes	167	239
Net income for the period	58	178
Net income (loss) attributable to non-controlling interests	(10)	5
Net income attributable to owners of parent	69	172

(Quarterly consolidated statements of comprehensive income)

(Millions of yen)

	Q1 FY2014 (April 1, 2014 to June 30, 2014)	Q1 FY2015 (April 1, 2015 to June 30, 2015)
Income before minority interests	58	178
Other comprehensive income:		
Valuation difference on available-for-sale securities	1	0
Deferred gains or losses on hedges	—	66
Foreign currency translation adjustment	(388)	112
Remeasurements of defined benefit plans, net of tax	7	(12)
Total other comprehensive income	(380)	166
Quarterly comprehensive income	(321)	345
(Comprehensive income attributable to):		
Owners of the parent	(278)	337
Minority interests	(42)	8

(3) Notes to quarterly consolidated financial statements
(Notes regarding ongoing concern assumption)

There are no relevant matters to be noted.

(Notes in the event of material changes in the amount of shareholders' equity)

There are no relevant matters to be noted.

(Segment information)

I. First quarter of the fiscal year ended March 31, 2015 (April 1, 2014 to June 30, 2014)

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			
Net sales								
Net sales to outside customers	2,509	2,910	1,862	717	429	8,430	—	8,430
Net internal sales or transfers among segments	2,989	19	52	29	—	3,091	(3,091)	—
Total	5,498	2,930	1,915	747	429	11,522	(3,091)	8,430
Segment income or segment loss	1,076	40	177	(197)	0	1,098	(818)	280

Notes: 1. The segment loss adjustment of ¥818 million includes transactions offset among segments of ¥321 million and Company-wide expenses that are not allocated to respective reportable segments of ¥497 million. Company-wide expenses are expenses mostly related to the general affairs, finance & accounting, and corporate planning departments of the parent company.

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

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

Not applicable.

II. First quarter of the fiscal year ending March 31, 2016 (April 1, 2015 to June 30, 2015)

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)	Total
	Japan	The Americas	China	Asia	Europe			
Net sales								
Net sales to outside customers	2,806	6,114	1,926	900	375	12,122	-	12,122
Net internal sales or transfers among segments	3,280	6	85	-	-	3,373	(3,373)	-
Total	6,087	6,121	2,011	900	375	15,496	(3,373)	12,122
Segment income or segment loss	1,329	(11)	218	(163)	9	1,381	(843)	538

Notes: 1. The segment loss adjustment of ¥843 million includes transactions offset among segments of ¥284 million and Company-wide expenses that are not allocated to respective reportable segments of ¥558 million. Company-wide expenses are expenses mostly related to the general affairs, finance & accounting, and corporate planning departments of the parent company.

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

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

Not applicable.