

**Consolidated Financial Results for the Third Quarter of the
Fiscal Year Ending November 20, 2018 (FY11/18)
(Nine Months Ended August 20, 2018)**

[Japanese GAAP]
October 2, 2018

Company name: KITAKEI CO.,LTD. Stock Exchange Listing: Tokyo Stock Exchange, Second Section
 Stock code: 9872 URL: <http://www.kitakei.jp/>
 Representative: Ryoichi Kitamura, President
 Contact: Toshiharu Takashima, General Manager of Corporate Planning Dept. TEL: +81-6-6251-1161
 Scheduled submission of Quarterly Report: October 3, 2018
 Scheduled date of dividend payment: -
 Preparation of supplementary materials for quarterly financial results: None
 Holding of quarterly financial results meeting: None

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Third Quarter of FY11/18 (from November 21, 2017 to August 20, 2018)

(1) Consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended								
Aug. 20, 2018	42,151	3.0	508	(5.2)	566	(7.1)	341	(6.0)
Aug. 20, 2017	40,916	9.2	536	29.1	609	24.7	362	31.3

Note: Comprehensive income (millions of yen) Nine months ended Aug. 20, 2018: 339 (down 26.2%)
 Nine months ended Aug. 20, 2017: 460 (up 67.8%)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Nine months ended				
Aug. 20, 2018	36.76		-	
Aug. 20, 2017	39.11		-	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Aug. 20, 2018	24,666	11,216	45.5	1,208.86
As of Nov. 20, 2017	25,084	11,062	44.1	1,192.23

Reference: Shareholders' equity (millions of yen) As of Aug. 20, 2018: 11,216 As of Nov. 20, 2017: 11,062

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen				
FY11/17	-	0.00	-	20.00	20.00
FY11/18	-	0.00	-		
FY11/18 (Forecast)				21.00	21.00

Note: Revisions to the most recently announced dividend forecast: None

3. Consolidated Forecast for FY11/18 (from November 21, 2017 to November 20, 2018)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	57,500	3.2	800	2.5	900	1.3	550	1.3	59.28

Note: Revisions to the most recently announced consolidated forecast: None

*** Notes**

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

Newly added: -

Excluded: -

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

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

1) Changes in accounting policies due to revisions in accounting standards, others: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of shares outstanding (common stock)

1) Number of shares outstanding at the end of the period (including treasury shares)

As of Aug. 20, 2018:	10,011,841 shares	As of Nov. 20, 2017:	10,011,841 shares
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2) Number of treasury shares at the end of the period

As of Aug. 20, 2018:	733,346 shares	As of Nov. 20, 2017:	733,142 shares
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3) Average number of shares outstanding during the period

Nine months ended Aug. 20, 2018:	9,278,560 shares	Nine months ended Aug. 20, 2017:	9,278,721 shares
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*The current quarterly financial report is not subject to quarterly review by certified public accountants or auditing firms.

*Cautionary statement with respect to forward-looking statements and other special items

Forecasts of future performance in these materials are based on assumption judged to be valid and information available to the Company's management at the time the materials were prepared, but are not promises by the Company regarding future performance. Actual results may differ materially from the forecasts for a number of reasons. Please refer to "1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecast and Other Forward-looking Statements" on page 2 for forecast assumptions and notes of caution for usage.

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	2
(3) Explanation of Consolidated Forecast and Other Forward-looking Statements	2
2. Quarterly Consolidated Financial Statements and Notes	3
(1) Quarterly Consolidated Balance Sheet	3
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	5
Quarterly Consolidated Statement of Income	5
Quarterly Consolidated Statement of Comprehensive Income	6
(3) Notes to Quarterly Consolidated Financial Statements	7
Going Concern Assumption	7
Significant Changes in Shareholders' Equity	7
Segment and Other Information	7
3. Supplementary Information	8
(1) Breakdown of Sales	8

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first nine months (from November 21, 2017 to August 20, 2018) of the fiscal year, the Japanese economy stayed on a gradual recovery trend as employment, personal income, and corporate earnings continued to improve. However, the outlook is unclear due to uncertainty about how upcoming events involving the trade war instigated by the United States will affect the global economy, politics in the United States and Europe, and other sources of concern.

In Japan's housing sector, there is strength in new residential construction starts in the categories of single-family houses constructed by owners and single-family houses constructed for sale. The main reasons are improvements in employment and personal income, and low mortgage interest rates. But activity decreased in the rental housing category because of the end of the upturn in demand for building these properties to lower inheritance taxes and the emergence of a surplus of rental housing.

The Kitakei Group focused on increasing construction sales and establishing relationships with more regional companies, housing manufacturers, home improvement retailers and other companies. Another priority was increasing sales of housing fixtures and of original products in order to target demand associated with new houses and home renovations. All these activities were aimed at improving our performance.

Sales in the first nine months of the fiscal year were 42,151 million yen compared with 40,916 million yen one year earlier. Operating profit decreased from 536 million yen to 508 million yen and ordinary profit decreased from 609 million yen to 566 million yen. Profit attributable to owners of parent was down from 362 million yen to 341 million yen.

(2) Explanation of Financial Position

Assets

Total assets decreased 418 million yen from the end of the previous fiscal year to 24,666 million yen as of the end of the third quarter. The main factors were increases of 267 million yen in cash and deposits, 183 million yen in merchandise, and 275 million yen in other under investments and other assets, while there was a decrease of 987 million yen in notes and accounts receivable-trade.

Liabilities

Total liabilities decreased 572 million yen from the end of the previous fiscal year to 13,449 million yen as of the end of the third quarter. The main factor was an increase of 148 million yen in provision for bonuses, while there were decreases of 395 million yen in notes and accounts payable-trade and 236 million yen in income taxes payable.

Net assets

Total net assets increased 154 million yen from the end of the previous fiscal year to 11,216 million yen as of the end of the third quarter. The main factor was an increase of 155 million yen in retained earnings.

(3) Explanation of Consolidated Forecast and Other Forward-looking Statements

The full-year consolidated forecasts announced on December 28, 2017 remain unchanged.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

	(Thousands of yen)	
	FY11/17 (As of Nov. 20, 2017)	Third quarter of FY11/18 (As of Aug. 20, 2018)
Assets		
Current assets		
Cash and deposits	8,906,043	9,173,678
Notes and accounts receivable-trade	10,758,431	9,770,519
Merchandise	632,819	815,987
Costs on uncompleted construction contracts	852,144	769,642
Other	135,566	97,703
Allowance for doubtful accounts	(13,670)	(13,911)
Total current assets	21,271,334	20,613,620
Non-current assets		
Property, plant and equipment	1,641,649	1,610,518
Intangible assets	114,352	97,115
Investments and other assets		
Other	2,102,133	2,378,119
Allowance for doubtful accounts	(44,473)	(33,163)
Total investments and other assets	2,057,660	2,344,955
Total non-current assets	3,813,662	4,052,589
Total assets	25,084,996	24,666,210
Liabilities		
Current liabilities		
Notes and accounts payable-trade	8,634,558	8,239,030
Electronically recorded obligations-operating	3,032,329	3,072,819
Income taxes payable	256,605	20,087
Provision for bonuses	-	148,377
Provision for directors' bonuses	17,500	-
Other	733,645	608,159
Total current liabilities	12,674,640	12,088,473
Non-current liabilities		
Provision for directors' retirement benefits	210,090	221,780
Net defined benefit liability	163,357	141,530
Asset retirement obligations	16,436	16,510
Other	958,142	981,532
Total non-current liabilities	1,348,027	1,361,352
Total liabilities	14,022,668	13,449,826

	(Thousands of yen)	
	FY11/17 (As of Nov. 20, 2017)	Third quarter of FY11/18 (As of Aug. 20, 2018)
Net assets		
Shareholders' equity		
Capital stock	2,220,082	2,220,082
Capital surplus	2,851,408	2,851,408
Retained earnings	5,819,218	5,974,693
Treasury shares	(205,736)	(205,903)
Total shareholders' equity	10,684,973	10,840,280
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	432,842	423,214
Remeasurements of defined benefit plans	(55,486)	(47,111)
Total accumulated other comprehensive income	377,355	376,102
Total net assets	11,062,328	11,216,383
Total liabilities and net assets	25,084,996	24,666,210

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**Quarterly Consolidated Statement of Income****For the Nine-month Period**

(Thousands of yen)

	First nine months of FY11/17 (Nov. 21, 2016 – Aug. 20, 2017)	First nine months of FY11/18 (Nov. 21, 2017 – Aug. 20, 2018)
Net sales	40,916,569	42,151,139
Cost of sales	37,024,193	38,126,686
Gross profit	3,892,376	4,024,453
Selling, general and administrative expenses	3,355,846	3,515,693
Operating profit	536,530	508,759
Non-operating income		
Interest income	2,747	1,394
Dividend income	10,744	12,039
Purchase discounts	95,463	95,073
Rent income	21,526	21,526
Other	11,484	9,016
Total non-operating income	141,967	139,049
Non-operating expenses		
Sales discounts	59,232	56,231
Rent cost of real estate	5,042	19,822
Other	4,556	5,276
Total non-operating expenses	68,831	81,329
Ordinary profit	609,665	566,479
Extraordinary losses		
Loss on valuation of golf club membership	6,372	-
Total extraordinary losses	6,372	-
Profit before income taxes	603,293	566,479
Income taxes-current	220,727	182,977
Income taxes-deferred	19,721	42,452
Total income taxes	240,449	225,430
Profit	362,844	341,048
Profit attributable to owners of parent	362,844	341,048

Quarterly Consolidated Statement of Comprehensive Income**For the Nine-month Period**

(Thousands of yen)

	First nine months of FY11/17 (Nov. 21, 2016 – Aug. 20, 2017)	First nine months of FY11/18 (Nov. 21, 2017 – Aug. 20, 2018)
Profit	362,844	341,048
Other comprehensive income		
Valuation difference on available-for-sale securities	87,801	(9,627)
Remeasurements of defined benefit plans, net of tax	9,883	8,375
Total other comprehensive income	97,684	(1,252)
Comprehensive income	460,529	339,796
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	460,529	339,796
Comprehensive income attributable to non-controlling interests	-	-

(3) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Segment and Other Information

Business segment information is omitted because the Kitakei Group has only a single business segment and therefore there is no segment subject to disclosure requirements. Group companies are engaged in the sale (including sales with installation) of materials and equipment used for homebuilding, such as new building materials and a variety of housing fixtures, and in activities associated with these sales. These products are sold to stores that sell wood products and building materials, construction companies, homebuilding companies and other buyers.

3. Supplementary Information

(1) Breakdown of Sales

a. Sales

Sales in the first nine months of FY11/17 and FY11/18 are broken down by category as follows.

(Thousands of yen)

Category		First nine months of FY11/17 (Nov. 21, 2016 – Aug. 20, 2017)		First nine months of FY11/18 (Nov. 21, 2017 – Aug. 20, 2018)	
		Amount	%	Amount	%
Products	Wood building materials	5,029,471	12.3	5,014,245	11.9
	Non-wood building materials	2,819,718	6.9	2,781,861	6.6
	Plywood	1,644,356	4.0	1,767,883	4.2
	Wood products	1,750,408	4.3	1,729,477	4.1
	Housing fixtures	10,028,797	24.5	10,149,980	24.1
	Sales with installation	1,203,017	2.9	1,261,479	3.0
	Others	2,924,601	7.1	3,250,702	7.7
	Subtotal	25,400,371	62.0	25,955,630	61.6
Construction	Completed construction contracts	15,516,197	38.0	16,195,508	38.4
	Subtotal	15,516,197	38.0	16,195,508	38.4
Total		40,916,569	100.0	42,151,139	100.0

Notes: 1. Figures in this table do not include consumption taxes.

2. No single customer accounts for more than 10% of total sales.

3. Product sales in the first nine months of FY11/18 include original product sales of 1,448,843 thousand yen.

Original products:

Products that the Kitakei Group has developed and started selling since 1978 by using its own brands. Major original products include solid hardwood flooring manufactured at the factory of a business partner overseas and a line of building materials manufactured at factories of business partners in Japan and other countries.

4. Sales with installation and completed construction contracts are defined as follows.

Sales with installation:

A company affiliated with the manufacturer of the associated materials performs the installation and assumes all responsibility.

Completed construction contracts:

A subcontractor selected and supervised by the Kitakei Group performs the installation or construction.

This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.