

**Consolidated Financial Results for the Second Quarter of the  
Fiscal Year Ending November 20, 2019 (FY11/19)  
(Six Months Ended May 20, 2019)**

[Japanese GAAP]

July 4, 2019

Company name: KITAKEI CO.,LTD. Stock Exchange Listing: Tokyo Stock Exchange, First Section  
 Stock code: 9872 URL: <http://www.kitakei.jp/>  
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 Scheduled submission of Quarterly Report: July 4, 2019  
 Scheduled date of dividend payment: -  
 Preparation of supplementary materials for quarterly financial results: Yes  
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

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

**1. Consolidated Financial Results for the Second Quarter of FY11/19 (from November 21, 2018 to May 20, 2019)**

(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	%
Six months ended								
May 20, 2019	28,370	(0.2)	454	11.6	516	12.2	330	15.1
May 20, 2018	28,433	3.7	407	13.9	459	13.0	286	17.2

Note: Comprehensive income (millions of yen) Six months ended May 20, 2019: 308 (down 20.5%)  
 Six months ended May 20, 2018: 388 (up 16.5%)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Six months ended				
May 20, 2019	35.57		-	
May 20, 2018	30.90		-	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of May 20, 2019	24,571	11,427	46.5	1,231.66
As of Nov. 20, 2018	25,854	11,332	43.8	1,221.38

Reference: Shareholders' equity (millions of yen) As of May 20, 2019: 11,427 As of Nov. 20, 2018: 11,332

Note: Effective from the beginning of the first quarter of the current fiscal year, Kitakei has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) and other related pronouncements. Figures as of November 20, 2018 have been adjusted retrospectively in accordance with these amendments.

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY11/18	-	0.00	-	23.00	23.00
FY11/19	-	0.00	-	-	-
FY11/19 (Forecast)	-	-	-	21.00	21.00

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

Breakdown of the year-end dividend for the fiscal year ended November 20, 2018: Ordinary dividend: 21.00 yen;

Commemorative dividend to mark our listing on the first section of the Tokyo Stock Exchange: 2.00 yen

**3. Consolidated Forecast for FY11/19 (from November 21, 2018 to November 20, 2019)**

(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	58,720	3.0	820	7.5	910	6.3	550	1.0	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 May 20, 2019:	10,011,841 shares	As of Nov. 20, 2018:	10,011,841 shares
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2) Number of treasury shares at the end of the period

As of May 20, 2019:	733,388 shares	As of Nov. 20, 2018:	733,388 shares
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3) Average number of shares outstanding during the period

Six months ended May 20, 2019:	9,278,448 shares	Six months ended May 20, 2018:	9,278,588 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 Kitakei's management at the time the materials were prepared, but are not promises by Kitakei 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 3 for forecast assumptions and notes of caution for usage.

Kitakei plans to hold a results presentation for institutional investors and analysts on Friday, July 19, 2019. Materials to be distributed at this event will be available (Japanese version only) on the Company's website immediately thereafter.

(How to view supplementary materials for quarterly financial results)

Supplementary materials for the quarterly financial results will be disclosed today (July 4, 2019), using the Timely Disclosure network (TDnet).

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## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

In the first half (from November 21, 2018 to May 20, 2019) of the fiscal year, the Japanese economy recovered slowly as employment, personal income, and corporate earnings continued to improve. However, the outlook remains uncertain because of the slowdown in the Chinese economy due to the prolonged US-China trade friction, the impact of the UK's withdrawal from the EU, and other sources of uncertainty.

In Japan's housing sector, mortgage interest rates remained low and the government continued to enact measures to support the ability of people to purchase residences of all kinds. Consequently, as the number of single-family houses constructed by owners and single-family houses constructed for sale continued to increase, the number of new residential construction starts remained steady.

The Kitakei Group established relationships with more regional companies, housing manufacturers, home improvement retailers and other companies. Another priority was increasing sales of housing fixtures like kitchen equipment and modular bathrooms and of original products in order to target demand associated with new houses and home renovations. We also worked on entering new markets such as sectors outside the housing for improving our performance.

First half sales were 28,370 million yen compared with 28,433 million yen one year earlier. Operating profit increased from 407 million yen to 454 million yen and ordinary profit increased from 459 million yen to 516 million yen. Profit attributable to owners of parent was up from 286 million yen to 330 million yen.

### (2) Explanation of Financial Position

#### a. Assets, Liabilities and Net Assets

##### Assets

Total assets decreased 1,282 million yen from the end of the previous fiscal year to 24,571 million yen as of the end of the second quarter. The main factor was a decrease of 1,614 million yen in notes and accounts receivable-trade, while there was an increase of 470 million yen in cash and deposits.

##### Liabilities

Total liabilities decreased 1,378 million yen from the end of the previous fiscal year to 13,143 million yen as of the end of the second quarter. The main factor was a decrease of 1,582 million yen in notes and accounts payable-trade, while there was an increase of 160 million yen in electronically recorded obligations-operating.

##### Net assets

Total net assets increased 95 million yen from the end of the previous fiscal year to 11,427 million yen as of the end of the second quarter. The main factor was an increase of 116 million yen in retained earnings, while there was a decrease of 24 million yen in valuation difference on available-for-sale securities.

#### b. Cash Flows

Cash and cash equivalents (hereinafter, "net cash") at the end of the first half increased 470 million yen from the end of the previous fiscal year to 9,773 million yen.

The cash flow components during the first half and the main reasons for changes are as described below.

##### Cash flows from operating activities

Net cash provided by operating activities was 845 million yen (compared with 568 million yen used in the same period of the previous fiscal year). Main positive factors include a 1,563 million yen decrease in notes and accounts receivable-trade, profit before income taxes of 516 million yen and a 288 million yen decrease in inventories.

Major negative factors include a 1,422 million yen decrease in notes and accounts payable-trade and income taxes paid of 125 million yen.

Cash flows from investing activities

Net cash used in investing activities was 162 million yen (compared with 127 million yen used in the same period of the previous fiscal year). Main factors include payments of 122 million yen for purchase of investment securities.

Cash flows from financing activities

Net cash used in financing activities was 211 million yen (compared with 184 million yen used in the same period of the previous fiscal year). This was mainly due to cash dividends paid.

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

The full-year consolidated forecasts announced on December 28, 2018 remain unchanged.

**2. Quarterly Consolidated Financial Statements and Notes****(1) Quarterly Consolidated Balance Sheet**

(Thousands of yen)

	FY11/18 (As of Nov. 20, 2018)	Second quarter of FY11/19 (As of May 20, 2019)
<b>Assets</b>		
Current assets		
Cash and deposits	9,302,691	9,773,671
Notes and accounts receivable-trade	9,804,094	8,189,315
Securities	-	100,000
Merchandise	689,694	628,938
Costs on uncompleted construction contracts	914,885	686,980
Other	1,208,936	1,271,642
Allowance for doubtful accounts	(13,962)	(12,080)
Total current assets	21,906,339	20,638,466
Non-current assets		
Property, plant and equipment	1,608,115	1,605,768
Intangible assets	87,344	77,828
Investments and other assets		
Other	2,286,299	2,272,167
Allowance for doubtful accounts	(33,703)	(22,649)
Total investments and other assets	2,252,596	2,249,517
Total non-current assets	3,948,057	3,933,114
Total assets	25,854,396	24,571,581
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	9,164,244	7,581,569
Electronically recorded obligations-operating	3,025,230	3,185,494
Income taxes payable	151,125	196,957
Provision for directors' bonuses	16,000	-
Other	887,009	885,685
Total current liabilities	13,243,610	11,849,706
Non-current liabilities		
Provision for directors' retirement benefits	225,710	231,180
Net defined benefit liability	182,770	177,068
Asset retirement obligations	16,534	16,583
Other	853,236	869,177
Total non-current liabilities	1,278,251	1,294,009
Total liabilities	14,521,862	13,143,715

	(Thousands of yen)	
	FY11/18 (As of Nov. 20, 2018)	Second quarter of FY11/19 (As of May 20, 2019)
Net assets		
Shareholders' equity		
Capital stock	2,220,082	2,220,082
Capital surplus	2,851,408	2,851,427
Retained earnings	6,178,362	6,295,012
Treasury shares	(205,941)	(205,967)
Total shareholders' equity	11,043,912	11,160,555
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	355,431	331,100
Remeasurements of defined benefit plans	(66,809)	(63,789)
Total accumulated other comprehensive income	288,621	267,311
Total net assets	11,332,534	11,427,866
Total liabilities and net assets	25,854,396	24,571,581

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

(Thousands of yen)

	First six months of FY11/18 (Nov. 21, 2017 – May 20, 2018)	First six months of FY11/19 (Nov. 21, 2018 – May 20, 2019)
Net sales	28,433,687	28,370,101
Cost of sales	25,737,872	25,555,679
Gross profit	2,695,815	2,814,422
Selling, general and administrative expenses	2,288,244	2,359,537
Operating profit	407,570	454,884
Non-operating income		
Interest income	851	1,378
Dividend income	8,859	11,092
Purchase discounts	64,457	64,758
Rent income	14,350	14,323
Other	7,798	10,861
Total non-operating income	96,318	102,414
Non-operating expenses		
Sales discounts	34,907	37,400
Rent cost of real estate	3,609	3,455
Other	5,390	391
Total non-operating expenses	43,907	41,247
Ordinary profit	459,981	516,051
Profit before income taxes	459,981	516,051
Income taxes-current	152,271	168,300
Income taxes-deferred	21,043	17,696
Total income taxes	173,314	185,997
Profit	286,666	330,054
Profit attributable to owners of parent	286,666	330,054

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

(Thousands of yen)

	First six months of FY11/18 (Nov. 21, 2017 – May 20, 2018)	First six months of FY11/19 (Nov. 21, 2018 – May 20, 2019)
Profit	286,666	330,054
Other comprehensive income		
Valuation difference on available-for-sale securities	96,218	(24,330)
Remeasurements of defined benefit plans, net of tax	5,583	3,020
Total other comprehensive income	101,801	(21,310)
Comprehensive income	388,468	308,743
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	388,468	308,743
Comprehensive income attributable to non-controlling interests	-	-

**(3) Quarterly Consolidated Statement of Cash Flows**

(Thousands of yen)

	First six months of FY11/18 (Nov. 21, 2017 – May 20, 2018)	First six months of FY11/19 (Nov. 21, 2018 – May 20, 2019)
Cash flows from operating activities		
Profit before income taxes	459,981	516,051
Depreciation	49,303	56,351
Increase (decrease) in net defined benefit liability	1,680	(1,356)
Increase (decrease) in provision for directors' retirement benefits	7,750	5,470
Increase (decrease) in allowance for doubtful accounts	(9,413)	(12,935)
Increase (decrease) in provision for directors' bonuses	(17,500)	(16,000)
Interest and dividend income	(9,711)	(12,470)
Decrease (increase) in notes and accounts receivable-trade	(386,494)	1,563,453
Decrease (increase) in inventories	168,991	288,793
Increase (decrease) in notes and accounts payable-trade	(763,363)	(1,422,316)
Other, net	134,390	(6,332)
Subtotal	(364,385)	958,709
Interest and dividend income received	9,577	12,411
Income taxes paid	(214,168)	(125,802)
Net cash provided by (used in) operating activities	(568,976)	845,318
Cash flows from investing activities		
Purchase of property, plant and equipment	(19,220)	(18,814)
Purchase of intangible assets	(6,454)	(21,543)
Purchase of investment securities	(101,859)	(122,162)
Net cash provided by (used in) investing activities	(127,534)	(162,520)
Cash flows from financing activities		
Decrease (increase) in treasury shares	(167)	(6)
Cash dividends paid	(184,234)	(211,812)
Net cash provided by (used in) financing activities	(184,401)	(211,819)
Effect of exchange rate change on cash and cash equivalents	45	2
Net increase (decrease) in cash and cash equivalents	(880,867)	470,980
Cash and cash equivalents at beginning of period	8,906,043	9,302,691
Cash and cash equivalents at end of period	8,025,176	9,773,671

#### **(4) Notes to Quarterly Consolidated Financial Statements**

##### **Going Concern Assumption**

Not applicable.

##### **Significant Changes in Shareholders' Equity**

Not applicable.

##### **Additional Information**

###### **Application of the Partial Amendments to Accounting Standard for Tax Effect Accounting**

Effective from the beginning of the first quarter of the current fiscal year, Kitakei has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) and other related pronouncements. Accordingly, deferred tax assets and deferred tax liabilities have been presented in the investments and other assets section and the non-current liabilities section of the consolidated balance sheet, respectively.

##### **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.

*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.*

Supplementary Materials for the Financial Results  
for the First Half of the Fiscal Year Ending  
November 20, 2019

July 4, 2019



Stock code: 9872

# 1. Summary of 1Q-2Q FY11/19 Consolidated Financial Results



(Millions of yen)

	1Q-2Q FY11/18		1Q-2Q FY11/19		
	Results	%	Results	%	YoY change
<b>Net sales</b>	28,433	100.0%	28,370	100.0%	99.8%
<b>Operating profit</b>	407	1.4%	454	1.6%	111.6%
<b>Ordinary profit</b>	459	1.6%	516	1.8%	112.2%
<b>Profit attributable to owners of parent</b>	286	1.0%	330	1.2%	115.1%
<b>Net income per share (yen)</b>	30.90		35.57		

## 2. Product Category Sales in 1Q-2Q FY11/19



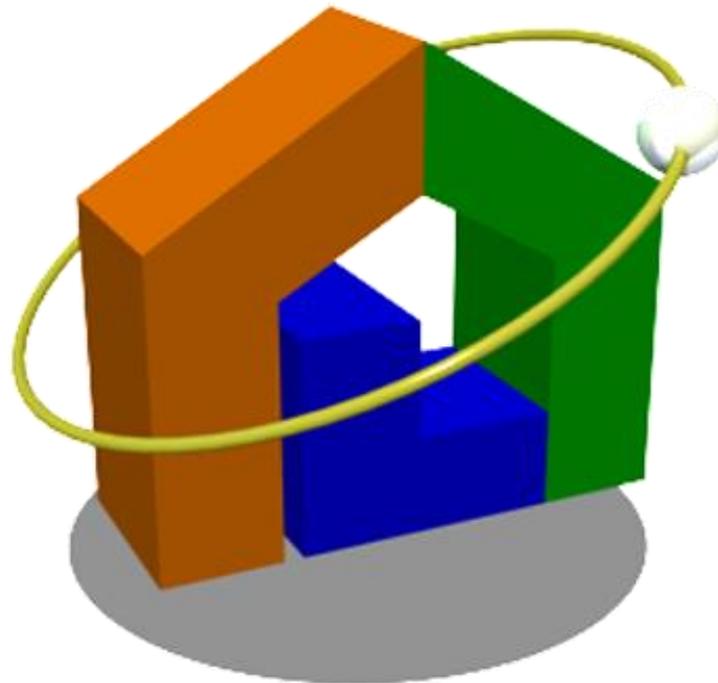
(Millions of yen)

		1Q-2Q FY11/18		1Q-2Q FY11/19		
		Results	%	Results	%	YoY change
<b>Products</b>	Wood building materials	3,357	11.8%	3,498	12.3%	104.2%
	Non-wood building materials	1,903	6.7%	1,911	6.7%	100.4%
	Plywood	1,140	4.0%	1,240	4.4%	108.7%
	Wood products	1,164	4.1%	1,225	4.3%	105.3%
	Housing fixtures	6,815	24.0%	6,626	23.4%	97.2%
	Sales with installation	837	2.9%	943	3.3%	112.6%
	Others	2,163	7.6%	2,230	7.9%	103.1%
	Subtotal	17,382	61.1%	17,676	62.3%	101.7%
<b>Construction</b>	Completed construction contracts	11,051	38.9%	10,693	37.7%	96.8%
	Subtotal	11,051	38.9%	10,693	37.7%	96.8%
<b>Total</b>		<b>28,433</b>	<b>100.0%</b>	<b>28,370</b>	<b>100.0%</b>	<b>99.8%</b>
<b>Original products</b>		<b>977</b>	<b>3.4%</b>	<b>1,048</b>	<b>3.7%</b>	<b>107.3%</b>

\* 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.

\* Original product sales are included mainly in wood building materials, wood products, housing fixtures, and others.



Forecasts of future performance in this material are based on assumption judged to be valid and information available to the Kitakei's management at the time the materials were prepared, but are not promises by Kitakei regarding future performance. Actual results may differ materially from the forecasts for a number of reasons. Investors are cautioned not to rely solely on earnings forecasts when making investment decisions.

This material is not prepared for the purpose of soliciting investments. Individuals who use the information in this presentation should reach investment decisions on their own.