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(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 Feb. 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 Feb. 20, 2018:	733,255 shares	As of Nov. 20, 2017:	733,142 shares
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3) Average number of shares outstanding during the period

Three months ended Feb. 20, 2018:	9,278,653 shares	Three months ended Feb. 20, 2017:	9,278,734 shares
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*The current quarterly financial report is not subject to quarterly review procedures.

*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.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first three months (from November 21, 2017 to February 20, 2018) of the fiscal year, the Japanese economy recovered slowly as corporate earnings, the job market and personal income continued to improve. However, the economy remained unstable due to geopolitical risk overseas, financial market movements and other factors that influence the Japanese economy.

In Japan's housing sector, market conditions were favorable in the single-family home category, both existing houses and newly constructed houses for sale, the primary market for the Kitakei Group. The main reasons are low mortgage interest rates and ongoing measures by the Japanese government to help people purchase residences. But new residential construction starts were relatively low during the first quarter because of declines in the construction of condominium and apartment buildings.

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 like kitchen equipment and modular bathrooms 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 three months were 14,147 million yen compared with 13,418 million yen one year earlier. Operating profit increased from 124 million yen to 178 million yen and ordinary profit increased from 147 million yen to 203 million yen. Profit attributable to owners of parent was up from 83 million yen to 124 million yen.

(2) Explanation of Financial Position

Assets

Total assets increased 55 million yen from the end of the previous fiscal year to 25,140 million yen as of the end of the first quarter. The main factors were increases of 290 million yen in cash and deposits and 123 million yen in merchandise, while there was a decrease of 395 million yen in notes and accounts receivable-trade.

Liabilities

Total liabilities increased 56 million yen from the end of the previous fiscal year to 14,079 million yen as of the end of the first quarter. The main factors were increases of 112 million yen in notes and accounts payable-trade and 176 million yen in electronically recorded obligations-operating, while there was a decrease of 198 million yen in income taxes payable.

Net assets

Total net assets decreased 0 million yen from the end of the previous fiscal year to 11,061 million yen as of the end of the first quarter. The main factor was a decrease of 60 million yen in retained earnings while there was an increase of 57 million yen in valuation difference on available-for-sale securities.

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

The first half and 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)	First quarter of FY11/18 (As of Feb. 20, 2018)
Assets		
Current assets		
Cash and deposits	8,906,043	9,196,122
Notes and accounts receivable-trade	10,758,431	10,362,628
Merchandise	632,819	756,297
Costs on uncompleted construction contracts	852,144	852,595
Other	135,566	107,367
Allowance for doubtful accounts	(13,670)	(13,030)
Total current assets	21,271,334	21,261,982
Non-current assets		
Property, plant and equipment	1,641,649	1,639,023
Intangible assets	114,352	103,138
Investments and other assets		
Other	2,102,133	2,182,071
Allowance for doubtful accounts	(44,473)	(45,364)
Total investments and other assets	2,057,660	2,136,706
Total non-current assets	3,813,662	3,878,868
Total assets	25,084,996	25,140,850
Liabilities		
Current liabilities		
Notes and accounts payable-trade	8,634,558	8,747,088
Electronically recorded obligations-operating	3,032,329	3,208,850
Income taxes payable	256,605	57,779
Provision for bonuses	-	142,491
Provision for directors' bonuses	17,500	-
Other	733,645	547,838
Total current liabilities	12,674,640	12,704,048
Non-current liabilities		
Provision for directors' retirement benefits	210,090	213,920
Net defined benefit liability	163,357	148,123
Asset retirement obligations	16,436	16,461
Other	958,142	996,935
Total non-current liabilities	1,348,027	1,375,440
Total liabilities	14,022,668	14,079,488

	(Thousands of yen)	
	FY11/17 (As of Nov. 20, 2017)	First quarter of FY11/18 (As of Feb. 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	5,758,236
Treasury shares	(205,736)	(205,830)
Total shareholders' equity	10,684,973	10,623,897
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	432,842	490,159
Remeasurements of defined benefit plans	(55,486)	(52,695)
Total accumulated other comprehensive income	377,355	437,464
Total net assets	11,062,328	11,061,361
Total liabilities and net assets	25,084,996	25,140,850

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

(Thousands of yen)

	First three months of FY11/17 (Nov. 21, 2016 – Feb. 20, 2017)	First three months of FY11/18 (Nov. 21, 2017 – Feb. 20, 2018)
Net sales	13,418,241	14,147,461
Cost of sales	12,159,731	12,802,266
Gross profit	1,258,510	1,345,195
Selling, general and administrative expenses	1,134,404	1,166,361
Operating profit	124,105	178,834
Non-operating income		
Interest income	1,030	387
Dividend income	2,788	3,076
Purchase discounts	31,129	31,903
Rent income	7,175	7,175
Other	6,121	4,689
Total non-operating income	48,246	47,232
Non-operating expenses		
Sales discounts	22,310	18,859
Rent cost of real estate	1,534	1,623
Other	1,054	1,597
Total non-operating expenses	24,899	22,080
Ordinary profit	147,452	203,985
Profit before income taxes	147,452	203,985
Income taxes-current	43,610	45,758
Income taxes-deferred	20,759	33,635
Total income taxes	64,370	79,394
Profit	83,081	124,591
Profit attributable to owners of parent	83,081	124,591

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

(Thousands of yen)

	First three months of FY11/17 (Nov. 21, 2016 – Feb. 20, 2017)	First three months of FY11/18 (Nov. 21, 2017 – Feb. 20, 2018)
Profit	83,081	124,591
Other comprehensive income		
Valuation difference on available-for-sale securities	31,184	57,317
Remeasurements of defined benefit plans, net of tax	3,294	2,791
Total other comprehensive income	34,478	60,109
Comprehensive income	117,560	184,701
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	117,560	184,701
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 three months of FY11/17 and FY11/18 are broken down by category as follows.

(Thousands of yen)

Category		First three months of FY11/17 (Nov. 21, 2016 – Feb. 20, 2017)		First three months of FY11/18 (Nov. 21, 2017 – Feb. 20, 2018)	
		Amount	%	Amount	%
Products	Wood building materials	1,734,881	12.9	1,716,425	12.1
	Non-wood building materials	938,718	7.0	977,171	6.9
	Plywood	555,567	4.1	538,632	3.8
	Wood products	560,534	4.2	567,471	4.0
	Housing fixtures	3,189,383	23.8	3,387,222	23.9
	Sales with installation	369,164	2.8	417,220	3.0
	Others	979,778	7.3	1,080,143	7.7
	Subtotal	8,328,028	62.1	8,684,287	61.4
Construction	Completed construction contracts	5,090,213	37.9	5,463,174	38.6
	Subtotal	5,090,213	37.9	5,463,174	38.6
Total		13,418,241	100.0	14,147,461	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. From the first six months of FY11/17, a method for aggregating sales in the “Products” category was partially changed due to an increase in sales of “pre-arranged materials,” which are delivered as required by the construction schedule.

Accordingly, sales figures in the previous fiscal year have been also revised.

4. Product sales in the first three months of FY11/18 include original product sales of 493,802 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.

5. 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.