

**Consolidated Financial Results for the Third Quarter of the  
Fiscal Year Ending November 20, 2019 (FY11/19)  
(Nine Months Ended August 20, 2019)**

[Japanese GAAP]  
October 3, 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: October 4, 2019  
 Scheduled date of dividend payment: -  
 Preparation of supplementary materials for quarterly financial results: Yes  
 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 FY11/19 (from November 21, 2018 to August 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	%
Nine months ended								
Aug. 20, 2019	42,046	(0.2)	608	19.5	692	22.3	437	28.2
Aug. 20, 2018	42,151	3.0	508	(5.2)	566	(7.1)	341	(6.0)

Note: Comprehensive income (millions of yen) Nine months ended Aug. 20, 2019: 393 (up 15.8%)  
 Nine months ended Aug. 20, 2018: 339 (down 26.2%)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Nine months ended				
Aug. 20, 2019	47.12		-	
Aug. 20, 2018	36.76		-	

(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, 2019	24,395	11,512	47.2	1,240.78
As of Nov. 20, 2018	25,854	11,332	43.8	1,221.38

Reference: Shareholders' equity (millions of yen) As of Aug. 20, 2019: 11,512 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 Aug. 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 Aug. 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

Nine months ended Aug. 20, 2019:	9,278,450 shares	Nine months ended Aug. 20, 2018:	9,278,560 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 2 for forecast assumptions and notes of caution for usage.

(How to view supplementary materials for quarterly financial results)

Supplementary materials for the quarterly financial results will be disclosed today (October 3, 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 nine months (from November 21, 2018 to August 20, 2019) of the fiscal year, the Japanese economy recovered slowly as employment and personal income continued to improve and corporate earnings stayed firm. However, the outlook remains uncertain due to the prolonged US-China trade friction, the impact of the UK's withdrawal from the EU on the global economy, increase in geopolitical risk in eastern Asia and other sources of uncertainty.

In Japan's housing sector, worsening of the rental housing market became apparent due to the problem of fraudulent real estate financing and other issues. On the other hand, mortgage interest rates remained low and the government continued to enact measures to support the ability of people to purchase residences of all kinds. Besides, the number of single-family houses constructed by owners and single-family houses constructed for sale continued to increase. Consequently, the number of new residential construction starts remained steady.

The Kitakei Group established relationships with more leading regional dealers and builders, 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.

Sales in the first nine months of the fiscal year were 42,046 million yen compared with 42,151 million yen one year earlier. Operating profit increased from 508 million yen to 608 million yen and ordinary profit increased from 566 million yen to 692 million yen. Profit attributable to owners of parent was up from 341 million yen to 437 million yen.

### **(2) Explanation of Financial Position**

#### Assets

Total assets decreased 1,458 million yen from the end of the previous fiscal year to 24,395 million yen as of the end of the third quarter. The main factor was a decrease of 1,644 million yen in notes and accounts receivable-trade, while there was an increase of 263 million yen in cash and deposits.

#### Liabilities

Total liabilities decreased 1,638 million yen from the end of the previous fiscal year to 12,883 million yen as of the end of the third quarter. The main factors were decreases of 1,390 million yen in notes and accounts payable-trade and 289 million yen in other under current liabilities.

#### Net assets

Total net assets increased 179 million yen from the end of the previous fiscal year to 11,512 million yen as of the end of the third quarter. The main factor was an increase of 223 million yen in retained earnings, while there was a decrease of 48 million yen in valuation difference on available-for-sale securities.

### **(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)	Third quarter of FY11/19 (As of Aug. 20, 2019)
<b>Assets</b>		
Current assets		
Cash and deposits	9,302,691	9,566,582
Notes and accounts receivable-trade	9,804,094	8,159,426
Securities	-	100,000
Merchandise	689,694	705,113
Costs on uncompleted construction contracts	914,885	724,270
Other	1,208,936	1,262,641
Allowance for doubtful accounts	(13,962)	(11,941)
Total current assets	21,906,339	20,506,093
Non-current assets		
Property, plant and equipment	1,608,115	1,605,911
Intangible assets	87,344	66,061
Investments and other assets		
Other	2,286,299	2,238,795
Allowance for doubtful accounts	(33,703)	(21,049)
Total investments and other assets	2,252,596	2,217,746
Total non-current assets	3,948,057	3,889,718
Total assets	25,854,396	24,395,811
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	9,164,244	7,773,378
Electronically recorded obligations-operating	3,025,230	2,974,171
Income taxes payable	151,125	82,499
Provision for bonuses	-	151,350
Provision for directors' bonuses	16,000	-
Other	887,009	597,194
Total current liabilities	13,243,610	11,578,593
Non-current liabilities		
Provision for directors' retirement benefits	225,710	235,160
Net defined benefit liability	182,770	162,786
Asset retirement obligations	16,534	16,608
Other	853,236	890,184
Total non-current liabilities	1,278,251	1,304,738
Total liabilities	14,521,862	12,883,332

	(Thousands of yen)	
	FY11/18 (As of Nov. 20, 2018)	Third quarter of FY11/19 (As of Aug. 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	6,402,120
Treasury shares	(205,941)	(205,967)
Total shareholders' equity	11,043,912	11,267,662
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	355,431	307,095
Remeasurements of defined benefit plans	(66,809)	(62,278)
Total accumulated other comprehensive income	288,621	244,816
Total net assets	11,332,534	11,512,479
Total liabilities and net assets	25,854,396	24,395,811

**(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 FY11/18 (Nov. 21, 2017 – Aug. 20, 2018)	First nine months of FY11/19 (Nov. 21, 2018 – Aug. 20, 2019)
Net sales	42,151,139	42,046,367
Cost of sales	38,126,686	37,897,120
Gross profit	4,024,453	4,149,246
Selling, general and administrative expenses	3,515,693	3,541,158
Operating profit	508,759	608,087
Non-operating income		
Interest income	1,394	2,118
Dividend income	12,039	14,254
Purchase discounts	95,073	95,207
Rent income	21,526	21,470
Other	9,016	13,768
Total non-operating income	139,049	146,821
Non-operating expenses		
Sales discounts	56,231	55,553
Rent cost of real estate	19,822	6,008
Other	5,276	627
Total non-operating expenses	81,329	62,189
Ordinary profit	566,479	692,719
Profit before income taxes	566,479	692,719
Income taxes-current	182,977	220,154
Income taxes-deferred	42,452	35,402
Total income taxes	225,430	255,557
Profit	341,048	437,161
Profit attributable to owners of parent	341,048	437,161

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

(Thousands of yen)

	First nine months of FY11/18 (Nov. 21, 2017 – Aug. 20, 2018)	First nine months of FY11/19 (Nov. 21, 2018 – Aug. 20, 2019)
Profit	341,048	437,161
Other comprehensive income		
Valuation difference on available-for-sale securities	(9,627)	(48,335)
Remeasurements of defined benefit plans, net of tax	8,375	4,530
Total other comprehensive income	(1,252)	(43,805)
Comprehensive income	339,796	393,356
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	339,796	393,356
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.

#### **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" (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 Third Quarter of the Fiscal Year Ending  
November 20, 2019

**October 3, 2019**



Stock code: 9872

# 1. Summary of 1Q-3Q FY11/19 Consolidated Financial Results



(Millions of yen)

	1Q-3Q FY11/18		1Q-3Q FY11/19		
	Results	%	Results	%	YoY change
<b>Net sales</b>	42,151	100.0%	42,046	100.0%	99.8%
<b>Operating profit</b>	508	1.2%	608	1.4%	119.5%
<b>Ordinary profit</b>	566	1.3%	692	1.6%	122.3%
<b>Profit attributable to owners of parent</b>	341	0.8%	437	1.0%	128.2%
<b>Net income per share (yen)</b>	36.76		47.12		

## 2. Product Category Sales in 1Q-3Q FY11/19

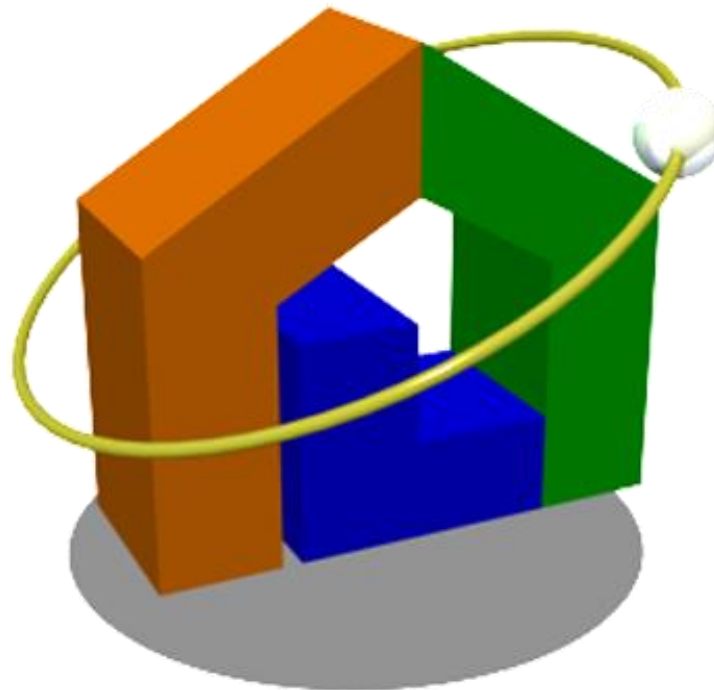
(Millions of yen)

		1Q-3Q FY11/18		1Q-3Q FY11/19		
		Results	%	Results	%	YoY change
<b>Products</b>	Wood building materials	5,014	11.9%	5,274	12.5%	105.2%
	Non-wood building materials	2,781	6.6%	2,825	6.7%	101.6%
	Plywood	1,767	4.2%	1,799	4.3%	101.8%
	Wood products	1,729	4.1%	1,842	4.4%	106.5%
	Housing fixtures	10,149	24.1%	9,907	23.6%	97.6%
	Sales with installation	1,261	3.0%	1,382	3.3%	109.6%
	Others	3,250	7.7%	3,346	7.9%	102.9%
	Subtotal	25,955	61.6%	26,377	62.7%	101.6%
<b>Construction</b>	Completed construction contracts	16,195	38.4%	15,668	37.3%	96.7%
	Subtotal	16,195	38.4%	15,668	37.3%	96.7%
<b>Total</b>		<b>42,151</b>	<b>100.0%</b>	<b>42,046</b>	<b>100.0%</b>	<b>99.8%</b>
<b>Original products</b>		<b>1,448</b>	<b>3.4%</b>	<b>1,577</b>	<b>3.8%</b>	<b>108.9%</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.