



**\* 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, 2020:	10,011,841 shares	As of Nov. 20, 2019:	10,011,841 shares
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2) Number of treasury shares at the end of the period

As of May 20, 2020:	733,578 shares	As of Nov. 20, 2019:	733,518 shares
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3) Average number of shares outstanding during the period

Six months ended May 20, 2020:	9,278,280 shares	Six months ended May 20, 2019:	9,278,448 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 will not hold the customary results presentation for institutional investors and analysts in order to help ensure the health and safety of these individuals and others during the COVID-19 pandemic.

Presentation materials which are distributed every time at this event will be available (Japanese version only) on the Kitakei's website in late July.

(How to view supplementary materials for quarterly financial results)

Supplementary materials for the quarterly financial results will be disclosed today (July 3, 2020), 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, 2019 to May 20, 2020) of the fiscal year, the Japanese economy was negatively affected by U.S.-China trade friction and slowing global economic growth. Furthermore, there was a rapid economic downturn as the October 2019 consumption tax hike and the COVID-19 pandemic severely impacted consumer spending and other economic activity.

In Japan's housing sector, mortgage interest rates are remaining low and the government continues to enact measures to help people purchase residences of all types. However, the number of construction starts for new residences and the number of residential remodeling projects decreased because of reduced consumption due to a decline in demand following the rush to make purchases prior to the consumption tax hike and the COVID-19 pandemic.

The Kitakei Group established more relationships with prominent regional dealers and builders, housing manufacturers, home improvement retailers and other companies. Another priority is 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 industry, using efficient systems for business processes and other actions for improving our performance.

Sales in the first half of the fiscal year were 26,935 million yen compared with 28,370 million yen one year earlier. Operating profit decreased from 454 million yen to 313 million yen and ordinary profit decreased from 516 million yen to 377 million yen. Profit attributable to owners of parent was down from 330 million yen to 310 million yen, which includes extraordinary income for compensation received in the first quarter for the expropriation of land.

### (2) Explanation of Financial Position

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

##### Assets

Total assets decreased 1,192 million yen from the end of the previous fiscal year to 24,523 million yen as of the end of the second quarter. The main factor was decreases of 871 million yen in notes and accounts receivable-trade and 157 million yen in investments and other assets.

##### Liabilities

Total liabilities decreased 1,185 million yen from the end of the previous fiscal year to 12,816 million yen as of the end of the second quarter. The main factor was a decrease of 1,000 million yen in notes and accounts payable-trade.

##### Net assets

Total net assets decreased 6 million yen from the end of the previous fiscal year to 11,707 million yen as of the end of the second quarter. The main factor was a decrease of 117 million yen in valuation difference on available-for-sale securities, while there was an increase of 106 million yen in retained earnings.

#### b. Cash Flows

Cash and cash equivalents (hereinafter, "net cash") at the end of the first half decreased 33 million yen from the end of the previous fiscal year to 9,813 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 212 million yen (compared with 845 million yen provided in the same period of the previous fiscal year). Main positive factors include an 873 million yen decrease in trade receivables and profit before income taxes of 491 million yen. Major negative factors include a 910 million yen decrease in trade payables and income taxes paid of 200 million yen.

#### Cash flows from investing activities

Net cash used in investing activities was 42 million yen (compared with 162 million yen used in the same period of the previous fiscal year). Major negative factors include 143 million yen for purchase of property, plant and equipment. Main positive factors include proceeds of 100 million yen from redemption of securities.

#### Cash flows from financing activities

Net cash used in financing activities was 203 million yen (compared with 211 million yen used in the same period of the previous fiscal year). This was mainly due to dividends paid.

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

The current uncertain outlook caused by the outbreak of COVID-19 may have a negative effect on the business activities and performance of the Kitakei Group. As it is extremely difficult at this time to determine an appropriate and reliable estimate of the impact of this pandemic, the consolidated forecast for the fiscal year ending in November 2020 has been canceled and there is currently no forecast.

An announcement will be made as soon as it becomes possible to determine a reliable forecast.

For more information, please refer to the press release dated today “Notice of Revision to Consolidated Forecast and Dividend Forecast” (Japanese version only).

## 2. Quarterly Consolidated Financial Statements and Notes

### (1) Quarterly Consolidated Balance Sheet

	(Thousands of yen)	
	FY11/19 (As of Nov. 20, 2019)	Second quarter of FY11/20 (As of May 20, 2020)
<b>Assets</b>		
Current assets		
Cash and deposits	9,847,017	9,813,740
Notes and accounts receivable-trade	8,932,103	8,060,356
Securities	100,000	-
Merchandise	563,075	676,127
Costs on construction contracts in progress	887,635	749,162
Other	1,351,686	1,288,253
Allowance for doubtful accounts	(18,592)	(21,647)
Total current assets	21,662,925	20,565,994
Non-current assets		
Property, plant and equipment	1,663,694	1,745,323
Intangible assets	61,935	62,813
Investments and other assets		
Other	2,369,282	2,211,883
Allowance for doubtful accounts	(42,054)	(62,554)
Total investments and other assets	2,327,228	2,149,328
Total non-current assets	4,052,858	3,957,466
Total assets	25,715,783	24,523,460
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	8,501,835	7,501,575
Electronically recorded obligations-operating	2,924,393	3,011,169
Income taxes payable	231,914	199,281
Provision for bonuses for directors (and other officers)	18,500	-
Other	1,012,714	821,751
Total current liabilities	12,689,358	11,533,777
Non-current liabilities		
Provision for retirement benefits for directors (and other officers)	239,110	247,570
Retirement benefit liability	172,150	166,336
Asset retirement obligations	16,632	16,682
Other	884,494	851,661
Total non-current liabilities	1,312,387	1,282,250
Total liabilities	14,001,745	12,816,027

	(Thousands of yen)	
	FY11/19 (As of Nov. 20, 2019)	Second quarter of FY11/20 (As of May 20, 2020)
Net assets		
Shareholders' equity		
Share capital	2,220,082	2,220,082
Capital surplus	2,851,427	2,851,427
Retained earnings	6,534,789	6,641,666
Treasury shares	(206,103)	(206,161)
Total shareholders' equity	11,400,195	11,507,014
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	374,914	257,586
Remeasurements of defined benefit plans	(61,072)	(57,169)
Total accumulated other comprehensive income	313,842	200,417
Total net assets	11,714,038	11,707,432
Total liabilities and net assets	25,715,783	24,523,460

**(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 FY11/19 (Nov. 21, 2018 – May 20, 2019)	First six months of FY11/20 (Nov. 21, 2019 – May 20, 2020)
Net sales	28,370,101	26,935,524
Cost of sales	25,555,679	24,229,184
Gross profit	2,814,422	2,706,340
Selling, general and administrative expenses	2,359,537	2,393,253
Operating profit	454,884	313,086
Non-operating income		
Interest income	1,378	1,381
Dividend income	11,092	12,067
Purchase discounts	64,758	63,257
Rental income	14,323	14,266
Other	10,861	11,697
Total non-operating income	102,414	102,670
Non-operating expenses		
Sales discounts	37,400	34,893
Rental cost on real estate	3,455	3,011
Other	391	296
Total non-operating expenses	41,247	38,201
Ordinary profit	516,051	377,555
Extraordinary income		
Compensation for expropriation	-	116,494
Total extraordinary income	-	116,494
Extraordinary losses		
Loss on sales of investment securities	-	2,683
Total extraordinary losses	-	2,683
Profit before income taxes	516,051	491,367
Income taxes-current	168,300	170,227
Income taxes-deferred	17,696	10,139
Total income taxes	185,997	180,367
Profit	330,054	310,999
Profit attributable to owners of parent	330,054	310,999



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

(Thousands of yen)

	First six months of FY11/19 (Nov. 21, 2018 – May 20, 2019)	First six months of FY11/20 (Nov. 21, 2019 – May 20, 2020)
Profit	330,054	310,999
Other comprehensive income		
Valuation difference on available-for-sale securities	(24,330)	(117,327)
Remeasurements of defined benefit plans, net of tax	3,020	3,903
Total other comprehensive income	(21,310)	(113,424)
Comprehensive income	308,743	197,575
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	308,743	197,575
Comprehensive income attributable to non-controlling interests	-	-

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

(Thousands of yen)

	First six months of FY11/19 (Nov. 21, 2018 – May 20, 2019)	First six months of FY11/20 (Nov. 21, 2019 – May 20, 2020)
Cash flows from operating activities		
Profit before income taxes	516,051	491,367
Depreciation	56,351	45,153
Increase (decrease) in retirement benefit liability	(1,356)	(197)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	5,470	8,460
Increase (decrease) in allowance for doubtful accounts	(12,935)	23,555
Increase (decrease) in provision for bonuses for directors (and other officers)	(16,000)	(18,500)
Interest and dividend income	(12,470)	(13,449)
Compensation for expropriation	-	(116,494)
Loss (gain) on sales of investment securities	-	2,683
Decrease (increase) in trade receivables	1,563,453	873,782
Decrease (increase) in inventories	288,793	25,192
Increase (decrease) in trade payables	(1,422,316)	(910,979)
Other, net	(6,332)	(62,434)
Subtotal	958,709	348,139
Interest and dividends received	12,411	13,574
Proceeds from compensation for expropriation	-	51,624
Income taxes paid	(125,802)	(200,847)
Net cash provided by (used in) operating activities	845,318	212,491
Cash flows from investing activities		
Proceeds from redemption of securities	-	100,000
Purchase of property, plant and equipment	(18,814)	(143,841)
Purchase of intangible assets	(21,543)	(11,910)
Purchase of investment securities	(122,162)	(735)
Proceeds from sales of investment securities	-	13,987
Net cash provided by (used in) investing activities	(162,520)	(42,499)
Cash flows from financing activities		
Decrease (increase) in treasury shares	(6)	(57)
Dividends paid	(211,812)	(203,161)
Net cash provided by (used in) financing activities	(211,819)	(203,219)
Effect of exchange rate change on cash and cash equivalents	2	(48)
Net increase (decrease) in cash and cash equivalents	470,980	(33,276)
Cash and cash equivalents at beginning of period	9,302,691	9,847,017
Cash and cash equivalents at end of period	9,773,671	9,813,740

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

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

Not applicable.

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

Not applicable.

##### **Additional Information**

Kitakei has determined accounting estimates for the impairment of non-current assets, the recoverability of deferred tax assets and other items by using the assumption that the COVID-19 pandemic will decline as the end of the fiscal year ending November 20, 2021 approaches and that economic activity in Japan will slowly return to normal, resulting in a return to pre-crisis market conditions.

There are many uncertainties regarding this assumption and Kitakei may report a loss in the future if the length of the COVID-19 pandemic and its negative effects is longer than expected.

##### **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 Second Quarter of the  
Fiscal Year Ending November 20, 2020

July 3, 2020



Stock code: 9872

# 1. Summary of 1Q-2Q FY11/20 Consolidated Financial Results



(Millions of yen)

	1Q-2Q FY11/19		1Q-2Q FY11/20				
	Results	%	Plan	Results	%	YoY	Vs. plan
<b>Net sales</b>	28,370	100.0%	28,000	26,935	100.0%	94.9%	96.2%
<b>Operating profit</b>	454	1.6%	365	313	1.2%	68.8%	85.8%
<b>Ordinary profit</b>	516	1.8%	426	377	1.4%	73.2%	88.6%
<b>Profit attributable to owners of parent</b>	330	1.2%	264	310	1.2%	94.2%	117.8%
<b>Net income per share (yen)</b>	35.57		28.45	33.52			

\* Figures for the 1Q-2Q FY11/20 plan are earnings forecasts announced on December 27, 2019.

## 2. Product Category Sales in 1Q-2Q FY11/20



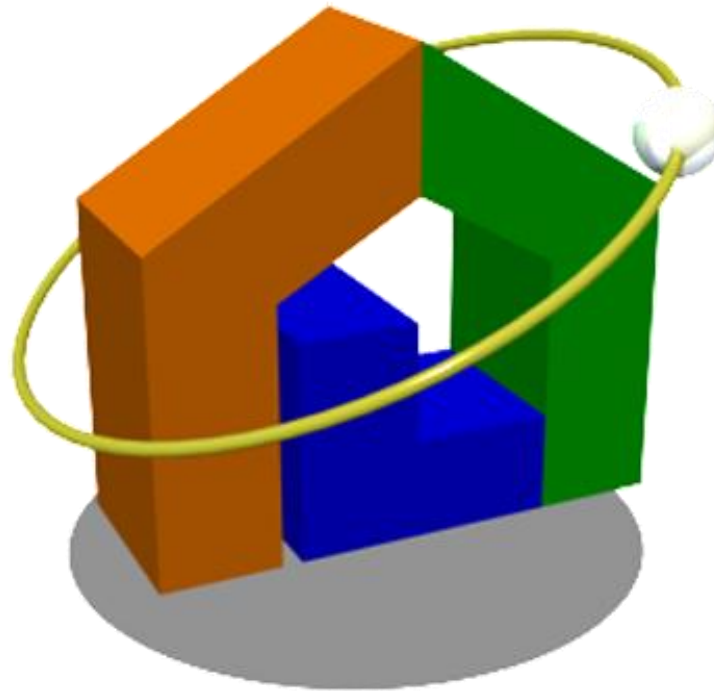
(Millions of yen)

		1Q-2Q FY11/19		1Q-2Q FY11/20		
		Results	%	Results	%	YoY
Products	Wood building materials	3,498	12.3%	3,394	12.6%	97.0%
	Non-wood building materials	1,911	6.7%	2,267	8.4%	118.6%
	Plywood	1,240	4.4%	1,019	3.8%	82.1%
	Wood products	1,225	4.3%	1,358	5.0%	110.9%
	Housing fixtures	6,626	23.4%	6,237	23.2%	94.1%
	Sales with installation	943	3.3%	610	2.3%	64.7%
	Others	2,230	7.9%	2,233	8.3%	100.1%
	Subtotal	17,676	62.3%	17,121	63.6%	96.9%
Construction	Completed construction contracts	10,693	37.7%	9,814	36.4%	91.8%
	Subtotal	10,693	37.7%	9,814	36.4%	91.8%
<b>Total</b>		<b>28,370</b>	<b>100.0%</b>	<b>26,935</b>	<b>100.0%</b>	<b>94.9%</b>
<b>Original products</b>		<b>1,048</b>	<b>3.7%</b>	<b>1,069</b>	<b>4.0%</b>	<b>102.0%</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.