

**Consolidated Financial Results for the Second Quarter of the
Fiscal Year Ending November 20, 2021 (FY11/21)
(Six Months Ended May 20, 2021)**

[Japanese GAAP]

July 1, 2021

Company name: KITAKEI CO., LTD. Stock exchange listing: Tokyo Stock Exchange, First Section
 Stock code: 9872 URL: <https://www.kitakei.jp/>
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 Scheduled submission of Quarterly Report: July 2, 2021
 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 FY11/21
(from November 21, 2020 to May 20, 2021)**

(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, 2021	27,841	3.4	422	34.9	473	25.4	304	(2.2)
May 20, 2020	26,935	(5.1)	313	(31.2)	377	(26.8)	310	(5.8)

Note: Comprehensive income (millions of yen) Six months ended May 20, 2021: 318 (up 61.4%)
 Six months ended May 20, 2020: 197 (down 36.0%)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Six months ended				
May 20, 2021	32.77		-	
May 20, 2020	33.52		-	

(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, 2021	25,319		12,041		47.6		1,297.79	
As of Nov. 20, 2020	25,467		11,954		46.9		1,288.43	

Reference: Shareholders' equity (millions of yen) As of May 20, 2021: 12,041 As of Nov. 20, 2020: 11,954

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen		Yen		Yen
FY11/20	-	0.00	-	25.00	25.00
FY11/21	-	0.00	-	-	-
FY11/21 (Forecast)	-	-	-	17.00	17.00

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

3. Consolidated Forecast for FY11/21 (from November 21, 2020 to November 20, 2021)

(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	56,000	4.2	630	19.9	744	14.2	446	(32.3)	48.07

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, 2021:	10,011,841 shares	As of Nov. 20, 2020:	10,011,841 shares
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2) Number of treasury shares at the end of the period

As of May 20, 2021:	733,615 shares	As of Nov. 20, 2020:	733,615 shares
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3) Average number of shares outstanding during the period

Six months ended May 20, 2021:	9,278,226 shares	Six months ended May 20, 2020:	9,278,280 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.

(Quarterly financial results meeting)

For safety during the COVID-19 pandemic, Kitakei plans to post a video of the quarterly financial results meeting in the middle of August instead of holding a financial results meeting.

(How to view supplementary materials for quarterly financial results)

Supplementary materials for the quarterly financial results will be disclosed today (July 1, 2021), 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 (November 21, 2020 to May 20, 2021) of the fiscal year, economic activity in Japan was severely restricted because the prolonged COVID-19 pandemic and another wave of infections prompted a third state of emergency in some areas. Although there are some encouraging signs, notably the start of vaccinations for seniors, it is still difficult to predict how much longer this pandemic will continue and the economic outlook remains uncertain.

In Japan's housing sector, there are concerns about the impact of the COVID-19 pandemic on labor market and personal income. However, the government continues to enact measures to help people purchase residences of all types. In addition, the increase in working at home has created a greater need for better housing. As a result, there has been a small upturn in the number of construction starts for new residences following the decline in 2020. In Japan, since the spring of 2021, there have been shortages of lumber and the cost of lumber is increasing because of the growing demand for lumber in Europe, North America and China, and for other reasons. These problems in the lumber market are creating worries about the outlook for the housing sector.

The Kitakei Group is taking numerous actions with the primary goal of strengthening relationships with current customers and business partners. There are also activities for establishing new relationships with builders, housing manufacturers, home renovation companies, home improvement retailers and other companies. Further upgrading construction capabilities in order to increase construction sales involving home exteriors, housing fixtures and other projects is another goal. Group companies are also working on entering markets outside the housing sector. Another priority is developing and increasing sales of housing fixtures and original products that are environmentally responsible and conserve energy, such as solar power systems and storage batteries. All of these initiatives are aimed at the growth of sales and earnings.

Sales in the first half of the fiscal year were 27,841 million yen compared with 26,935 million yen one year earlier. Operating profit increased from 313 million yen to 422 million yen and ordinary profit increased from 377 million yen to 473 million yen. Profit attributable to owners of parent was down from 310 million yen to 304 million yen.

In the first quarter of the previous fiscal year, there was an extraordinary income of 116 million yen for compensation for the expropriation of land.

(2) Explanation of Financial Position

a. Assets, Liabilities and Net Assets

Assets

Total assets decreased 147 million yen from the end of the previous fiscal year to 25,319 million yen as of the end of the second quarter. The main factors were decreases of 127 million yen in cash and deposits and 342 million yen in notes and accounts receivable-trade, while there was an increase of 482 million yen in other under current assets.

Liabilities

Total liabilities decreased 234 million yen from the end of the previous fiscal year to 13,278 million yen as of the end of the second quarter. The main factor was a decrease of 451 million yen in notes and accounts payable-trade, while there was an increase of 296 million yen in electronically recorded obligations-operating.

Net assets

Total net assets increased 86 million yen from the end of the previous fiscal year to 12,041 million yen as of the end of the second quarter. The main factor was an increase of 72 million yen in retained earnings.

b. Cash Flows

Cash and cash equivalents (hereinafter, “net cash”) at the end of the first half decreased 127 million yen from the end of the previous fiscal year to 10,227 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 144 million yen (compared with 212 million yen provided in the same period of the previous fiscal year). Main positive factors include profit before income taxes of 473 million yen and a 162 million yen decrease in inventories. Major negative factors include income taxes paid of 220 million yen, a 155 million yen decrease in trade payables and a 113 million yen increase in trade receivables.

Cash flows from investing activities

Net cash used in investing activities was 40 million yen (compared with 42 million yen used in the same period of the previous fiscal year). Major factors include 32 million yen for purchase of property, plant and equipment.

Cash flows from financing activities

Net cash used in financing activities was 230 million yen (compared with 203 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 full-year consolidated forecasts announced on April 6, 2021 remain unchanged.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

	(Thousands of yen)	
	FY11/20 (As of Nov. 20, 2020)	Second quarter of FY11/21 (As of May 20, 2021)
Assets		
Current assets		
Cash and deposits	10,355,212	10,227,950
Notes and accounts receivable-trade	8,655,759	8,313,000
Securities	-	199,980
Merchandise	648,489	564,500
Costs on construction contracts in progress	805,530	727,254
Other	1,103,527	1,586,080
Allowance for doubtful accounts	(17,395)	(13,340)
Total current assets	21,551,124	21,605,425
Non-current assets		
Property, plant and equipment	1,756,946	1,736,673
Intangible assets	62,039	59,805
Investments and other assets		
Other	2,174,017	1,973,455
Allowance for doubtful accounts	(76,955)	(55,574)
Total investments and other assets	2,097,061	1,917,880
Total non-current assets	3,916,048	3,714,359
Total assets	25,467,172	25,319,785
Liabilities		
Current liabilities		
Notes and accounts payable-trade	8,347,777	7,895,898
Electronically recorded obligations-operating	2,993,538	3,290,239
Income taxes payable	252,425	201,685
Provision for bonuses for directors (and other officers)	17,000	-
Other	856,982	861,364
Total current liabilities	12,467,723	12,249,188
Non-current liabilities		
Provision for retirement benefits for directors (and other officers)	256,500	265,460
Retirement benefit liability	150,331	143,768
Asset retirement obligations	16,731	16,781
Other	621,554	603,357
Total non-current liabilities	1,045,117	1,029,368
Total liabilities	13,512,841	13,278,556

	(Thousands of yen)	
	FY11/20 (As of Nov. 20, 2020)	Second quarter of FY11/21 (As of May 20, 2021)
Net assets		
Shareholders' equity		
Share capital	2,220,082	2,220,082
Capital surplus	2,851,427	2,851,427
Retained earnings	6,989,222	7,061,289
Treasury shares	(206,196)	(206,196)
Total shareholders' equity	11,854,536	11,926,603
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	146,229	155,662
Remeasurements of defined benefit plans	(46,434)	(41,037)
Total accumulated other comprehensive income	99,794	114,625
Total net assets	11,954,331	12,041,228
Total liabilities and net assets	25,467,172	25,319,785

(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 FY11/20 (Nov. 21, 2019 – May 20, 2020)	First six months of FY11/21 (Nov. 21, 2020 – May 20, 2021)
Net sales	26,935,524	27,841,279
Cost of sales	24,229,184	24,972,094
Gross profit	2,706,340	2,869,184
Selling, general and administrative expenses	2,393,253	2,446,731
Operating profit	313,086	422,453
Non-operating income		
Interest income	1,381	1,428
Dividend income	12,067	5,190
Purchase discounts	63,257	62,813
Rental income	14,266	13,632
Other	11,697	8,058
Total non-operating income	102,670	91,123
Non-operating expenses		
Sales discounts	34,893	34,679
Rental costs on real estate	3,011	3,756
Other	296	1,652
Total non-operating expenses	38,201	40,089
Ordinary profit	377,555	473,487
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	491,367	473,487
Income taxes-current	170,227	169,780
Income taxes-deferred	10,139	(315)
Total income taxes	180,367	169,465
Profit	310,999	304,022
Profit attributable to owners of parent	310,999	304,022

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

(Thousands of yen)

	First six months of FY11/20 (Nov. 21, 2019 – May 20, 2020)	First six months of FY11/21 (Nov. 21, 2020 – May 20, 2021)
Profit	310,999	304,022
Other comprehensive income		
Valuation difference on available-for-sale securities	(117,327)	9,433
Remeasurements of defined benefit plans, net of tax	3,903	5,396
Total other comprehensive income	(113,424)	14,830
Comprehensive income	197,575	318,852
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	197,575	318,852
Comprehensive income attributable to non-controlling interests	-	-

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY11/20 (Nov. 21, 2019 – May 20, 2020)	First six months of FY11/21 (Nov. 21, 2020 – May 20, 2021)
Cash flows from operating activities		
Profit before income taxes	491,367	473,487
Depreciation	45,153	58,162
Increase (decrease) in retirement benefit liability	(197)	1,201
Increase (decrease) in provision for retirement benefits for directors (and other officers)	8,460	8,960
Increase (decrease) in allowance for doubtful accounts	23,555	(25,436)
Increase (decrease) in provision for bonuses for directors (and other officers)	(18,500)	(17,000)
Interest and dividend income	(13,449)	(6,619)
Loss (gain) on sales of investment securities	2,683	-
Compensation for expropriation	(116,494)	-
Decrease (increase) in trade receivables	873,782	(113,029)
Decrease (increase) in inventories	25,192	162,356
Increase (decrease) in trade payables	(910,979)	(155,177)
Other, net	(62,434)	(28,847)
Subtotal	348,139	358,057
Interest and dividends received	13,574	6,688
Proceeds from compensation for expropriation	51,624	-
Income taxes paid	(200,847)	(220,475)
Net cash provided by (used in) operating activities	212,491	144,270
Cash flows from investing activities		
Proceeds from redemption of securities	100,000	-
Purchase of property, plant and equipment	(143,841)	(32,551)
Purchase of intangible assets	(11,910)	(7,841)
Purchase of investment securities	(735)	(297)
Proceeds from sales of investment securities	13,987	-
Net cash provided by (used in) investing activities	(42,499)	(40,689)
Cash flows from financing activities		
Decrease (increase) in treasury shares	(57)	-
Dividends paid	(203,161)	(230,850)
Net cash provided by (used in) financing activities	(203,219)	(230,850)
Effect of exchange rate change on cash and cash equivalents	(48)	7
Net increase (decrease) in cash and cash equivalents	(33,276)	(127,261)
Cash and cash equivalents at beginning of period	9,847,017	10,355,212
Cash and cash equivalents at end of period	9,813,740	10,227,950

(4) Notes to Quarterly Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Additional Information

Impact of the spread of the COVID-19 pandemic

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. There are no significant changes in the assumptions for the effect of the COVID-19 pandemic that are explained in "Supplementary Information" in the Securities Report (Japanese version only) for the fiscal year that ended in November 2020.

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.

Absorption and merger of consolidated subsidiaries

On May 11, 2021, the Kitakei's Board of Directors approved a resolution to absorb and merge with wholly owned subsidiary Fukuzumi Corporation (hereinafter, "Fukuzumi") on the effective date of August 21, 2021. The merger contract was signed on the same day.

(1) Purpose of merger

The sale of housing fixtures and construction materials is the primary business of Fukuzumi. Kitakei and this company will merge for the purpose of consolidating the resources of the Kitakei Group and increasing the efficiency of business operations.

(2) Summary of merger

i. Method

An absorption-type merger between Kitakei, which will be the surviving company, and Fukuzumi, which will be dissolved.

ii. Schedule

Approval of merger contract:	May 11, 2021
Signing of merger contract:	May 11, 2021
Date of merger (effective date)	August 21, 2021 (tentative)

Note: For Kitakei, this merger is a simple merger in accordance with Article 796-2 of the Companies Act. For Fukuzumi, this merger is a short-form merger in accordance with Article 784-1 of the Companies Act. Consequently, both companies will not hold shareholders meetings for the approval of this merger.

iii. Distribution of stock associated with the merger

There will be no distribution of stock or other considerations because this is an absorption-type merger of Kitakei and a wholly owned subsidiary.

iv. Basis of the distribution of stock associated with the merger

Not applicable.

v. Assets and liabilities received

In accordance with the merger contract signed by Kitakei and Fukuzumi on May 11, 2021, all assets and liabilities of Fukuzumi along with associated rights and obligations will be transferred to Kitakei on the date of the merger.

vi. Overview of surviving company in the absorption-type merger

Company name: KITAKEI CO., LTD.
Location of Headquarters: Ito Building, 3-6-14, Minami-Honmachi, Chuo-ku, Osaka
Representative: Ryoichi Kitamura, President
Amount of capital: 2,220 million yen
Business: Sales of housing fixtures and construction materials

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, 2021

July 1, 2021



Stock code: 9872

1. Summary of 1Q-2Q FY11/21 Consolidated Financial Results



(Millions of yen)

	1Q-2Q FY11/20		1Q-2Q FY11/21				
	Results	%	Plan	Results	%	YoY	Vs. plan
Net sales	26,935	100.0%	28,000	27,841	100.0%	103.4%	99.4%
Operating profit	313	1.2%	330	422	1.5%	134.9%	128.0%
Ordinary profit	377	1.4%	383	473	1.7%	125.4%	123.6%
Profit attributable to owners of parent	310	1.2%	230	304	1.1%	97.8%	132.2%
Net income per share (yen)	33.52		24.79	32.77			

* Figures for the 1Q-2Q FY11/21 plan are the full-year consolidated forecasts announced on April 6, 2021.

2. Product Category Sales in 1Q-2Q FY11/21



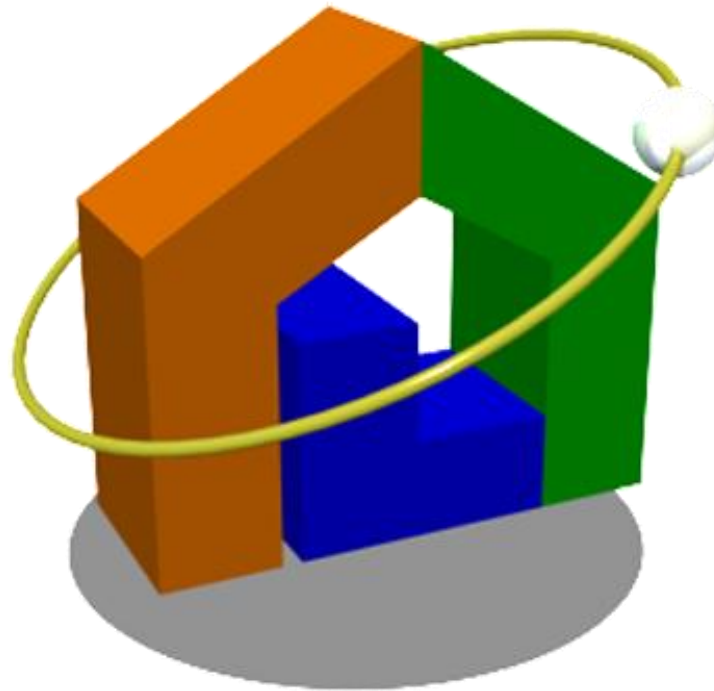
(Millions of yen)

		1Q-2Q FY11/20		1Q-2Q FY11/21		
		Results	%	Results	%	YoY
Products	Wood building materials	3,394	12.6%	3,693	13.3%	108.8%
	Non-wood building materials	2,267	8.4%	2,252	8.1%	99.3%
	Plywood	1,019	3.8%	1,065	3.8%	104.6%
	Wood products	1,358	5.0%	1,317	4.7%	96.9%
	Housing fixtures	6,237	23.2%	6,803	24.4%	109.1%
	Sales with installation	610	2.3%	533	1.9%	87.4%
	Others	2,233	8.3%	2,243	8.1%	100.4%
	Subtotal	17,121	63.6%	17,908	64.3%	104.6%
Construction	Completed construction contracts	9,814	36.4%	9,932	35.7%	101.2%
	Subtotal	9,814	36.4%	9,932	35.7%	101.2%
Total		26,935	100.0%	27,841	100.0%	103.4%
Original products		1,069	4.0%	1,026	3.7%	96.0%

* 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.