

**Consolidated Financial Results for the First Quarter of the
Fiscal Year Ending November 20, 2016 (FY11/16)
(Three Months Ended February 20, 2016)**

[Japanese GAAP]

March 31, 2016

Company name: KITAKEI CO.,LTD. Stock Exchange Listing: Tokyo Stock Exchange, Second Section
 Stock code: 9872 URL: <http://www.kitakei.jp/>
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 Scheduled submission of Quarterly Report: April 1, 2016
 Scheduled date of dividend payment: -
 Preparation of supplementary materials for quarterly financial results: None
 Holding of quarterly financial results meeting: None

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

1. Consolidated Financial Results for the First Quarter of FY11/16

(from November 21, 2015 to February 20, 2016)

(1) Consolidated results of operations (Percentages represent year-on-year changes)

Three months ended	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Feb. 20, 2016	11,951	2.8	67	(48.1)	87	(45.4)	46	(70.3)
Feb. 20, 2015	11,626	(6.6)	129	(49.9)	160	(42.3)	155	(4.8)

Note: Comprehensive income (millions of yen) Three months ended Feb. 20, 2016: 0 (down 99.4%)
 Three months ended Feb. 20, 2015: 158 (down 8.9%)

Three months ended	Net income per share	Diluted net income per share
	Yen	Yen
Feb. 20, 2016	4.97	-
Feb. 20, 2015	16.71	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Feb. 20, 2016	22,070	10,014	45.4	1,079.25
As of Nov. 20, 2015	22,177	10,143	45.7	1,093.16

Reference: Shareholders' equity (millions of yen) As of Feb. 20, 2016: 10,014 As of Nov. 20, 2015: 10,143

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY11/15	-	0.00	-	14.00	14.00
FY11/16	-	-	-	-	-
FY11/16 (Forecast)	-	0.00	-	14.00	14.00

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

3. Consolidated Forecast for FY11/16 (from November 21, 2015 to November 20, 2016)

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	23,720	2.5	280	(11.6)	320	(15.4)	170	(41.6)	18.32
Full year	48,800	3.0	600	2.6	690	0.4	400	(13.3)	43.11

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: Yes

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

Note: Please refer to “2. Matters Related to Summary Information (Notes), (3) Changes in Accounting Policies and Accounting-based Estimates, and Restatements” on page 3 of the attachments for further information.

(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, 2016:	10,011,841 shares	As of Nov. 20, 2015:	10,011,841 shares
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2) Number of treasury shares at the end of the period

As of Feb. 20, 2016:	732,941 shares	As of Nov. 20, 2015:	732,881 shares
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3) Average number of shares outstanding during the period

Three months ended Feb. 20, 2016:	9,278,930 shares	Three months ended Feb. 20, 2015:	9,279,110 shares
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Information regarding the implementation of quarterly review procedures

The current quarterly financial statements are exempted from quarterly review procedures based on the Financial Instruments and Exchange Act. At the time of disclosure, the review procedures for these consolidated financial statements have not been completed.

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 quarter (from November 21, 2015 to February 20, 2016), the Japanese economy was generally lackluster, although there were improvements in some categories of corporate earnings and jobs due mainly to government economic stimulus measures. Overseas, U.S. economic growth is slowing and there are concerns about slowing economic growth in China and other emerging countries. As a result, the economic outlook remained unclear.

Japan's housing sector is benefiting from low interest rates along with numerous government initiatives aimed at increasing activity in the residential real estate market. This environment is supporting recovery in the single-family home category, both existing houses and newly constructed houses for sale, which is the primary market for the Kitakei Group.

Establishing relationships with new suppliers and customers and upgrading construction capabilities are two major goals of the Kitakei Group. Another goal is increasing construction sales, chiefly for work involving home exteriors and home fixtures. We are also focusing on sales of housing facilities like kitchen equipment and modular bathrooms and of original products. All these activities were aimed at improving our performance as we made utilizing our resources and improving efficiency our highest priorities.

First quarter sales were 11,951 million yen compared with 11,626 million yen one year earlier. Earnings were impacted by a lower gross profit margin caused by intense competition and higher selling, general and administrative expenses, mainly the result of growth in personnel and transportation expenses. Operating income decreased from 129 million yen to 67 million yen and ordinary income decreased from 160 million yen to 87 million yen. Furthermore, since earnings one year earlier included an extraordinary gain on the sale of investment real estate, profit attributable to owners of parent was down from 155 million yen to 46 million yen.

(2) Explanation of Financial Position

Assets

Total assets decreased 106 million yen from the end of the previous fiscal year to 22,070 million yen as of the end of the first quarter under review. The main factors were a decrease of 727 million yen in cash and deposits and an increase of 481 million yen in notes and accounts receivable-trade.

Liabilities

Total liabilities increased 22 million yen from the end of the previous fiscal year to 12,055 million yen as of the end of the first quarter under review. The main factors were increases of 50 million yen in notes and accounts payable-trade and 81 million yen in electronically recorded obligations-operating, and a decrease of 65 million yen in income taxes payable.

Net assets

Total net assets decreased 129 million yen from the end of the previous fiscal year to 10,014 million yen as of the end of the first quarter under review. The main factor was a decrease of 83 million yen in retained earnings.

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

The first half and fiscal year consolidated forecasts announced on January 6, 2016 remain unchanged.

2. Matters Related to Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Period

Not applicable.

(2) Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements

Not applicable.

(3) Changes in Accounting Policies and Accounting-based Estimates, and Restatements

Changes in Accounting Policies

Effective from the first quarter of the current fiscal year, the Company has adopted the “Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013), “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013) and other standards. In association with these changes, the presentation of net income and other items has been revised. For consistency with these changes, the consolidated financial statements for the first quarter of the previous fiscal year and the previous fiscal year have been revised.

3. Quarterly Consolidated Financial Statements**(1) Quarterly Consolidated Balance Sheet**

(Thousands of yen)

	FY11/15 (As of Nov. 20, 2015)	First quarter of FY11/16 (As of Feb. 20, 2016)
Assets		
Current assets		
Cash and deposits	7,379,756	6,651,985
Notes and accounts receivable-trade	9,371,803	9,853,536
Securities	300,480	300,380
Merchandise	615,546	724,622
Costs on uncompleted construction contracts	568,903	624,455
Other	108,869	143,091
Allowance for doubtful accounts	(14,063)	(11,630)
Total current assets	18,331,294	18,286,440
Non-current assets		
Property, plant and equipment	1,679,381	1,674,121
Intangible assets	178,852	173,466
Investments and other assets		
Other	2,022,269	1,971,525
Allowance for doubtful accounts	(34,770)	(35,520)
Total investments and other assets	1,987,499	1,936,004
Total non-current assets	3,845,733	3,783,592
Total assets	22,177,027	22,070,032
Liabilities		
Current liabilities		
Notes and accounts payable-trade	7,391,904	7,442,561
Electronically recorded obligations-operating	2,548,628	2,630,290
Income taxes payable	118,279	52,693
Provision for bonuses	-	137,300
Provision for directors' bonuses	19,000	-
Other	683,107	580,835
Total current liabilities	10,760,920	10,843,681
Non-current liabilities		
Provision for directors' retirement benefits	268,230	183,360
Net defined benefit liability	185,319	181,331
Asset retirement obligations	16,243	16,267
Other	802,958	831,101
Total non-current liabilities	1,272,751	1,212,061
Total liabilities	12,033,672	12,055,742

	(Thousands of yen)	
	FY11/15 (As of Nov. 20, 2015)	First quarter of FY11/16 (As of Feb. 20, 2016)
Net assets		
Shareholders' equity		
Capital stock	2,220,082	2,220,082
Capital surplus	2,851,408	2,851,408
Retained earnings	5,117,267	5,033,442
Treasury shares	(205,600)	(205,632)
Total shareholders' equity	9,983,158	9,899,301
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	245,017	201,470
Deferred gains or losses on hedges	1,022	(3,326)
Remeasurements of defined benefit plans	(85,842)	(83,155)
Total accumulated other comprehensive income	160,197	114,989
Total net assets	10,143,355	10,014,290
Total liabilities and net assets	22,177,027	22,070,032

(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 FY11/15 (Nov. 21, 2014 – Feb. 20, 2015)	First three months of FY11/16 (Nov. 21, 2015 – Feb. 20, 2016)
Net sales	11,626,950	11,951,867
Cost of sales	10,451,633	10,781,919
Gross profit	1,175,317	1,169,948
Selling, general and administrative expenses	1,045,968	1,102,856
Operating income	129,348	67,091
Non-operating income		
Interest income	1,735	1,659
Dividend income	2,129	2,278
Purchase discounts	28,283	29,336
Rent income	8,622	7,175
Other	14,174	4,512
Total non-operating income	54,945	44,962
Non-operating expenses		
Sales discounts	20,693	18,489
Rent cost of real estate	1,853	1,573
Other	1,279	4,309
Total non-operating expenses	23,826	24,372
Ordinary income	160,468	87,681
Extraordinary income		
Gain on sales of non-current assets	1,669	-
Gain on sales of investment property	83,968	-
Total extraordinary income	85,637	-
Profit before income taxes	246,105	87,681
Income taxes-current	67,059	45,366
Income taxes-deferred	23,950	(3,765)
Total income taxes	91,010	41,600
Profit	155,095	46,080
Profit attributable to owners of parent	155,095	46,080

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

(Thousands of yen)

	First three months of FY11/15 (Nov. 21, 2014 – Feb. 20, 2015)	First three months of FY11/16 (Nov. 21, 2015 – Feb. 20, 2016)
Profit	155,095	46,080
Other comprehensive income		
Valuation difference on available-for-sale securities	6,746	(43,546)
Deferred gains or losses on hedges	(4,487)	(4,348)
Remeasurements of defined benefit plans, net of tax	1,031	2,687
Total other comprehensive income	3,290	(45,208)
Comprehensive income	158,385	871
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	158,385	871
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

The Kitakei Group does not provide business segment information because all business activities are in a single category. Group companies are engaged in the sales (including sales with installation) for materials and equipment used for homebuilding, such as new types of 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.

4. Supplementary Information**(1) Breakdown of Sales****1) Sales**

Sales in the period under review are broken down by category as follows.

(Thousands of yen)

Category		First three months of FY11/15 (Nov. 21, 2014 – Feb. 20, 2015)		First three months of FY11/16 (Nov. 21, 2015 – Feb. 20, 2016)	
		Amount	%	Amount	%
Products	Wood building materials	1,262,850	10.9	1,050,454	8.8
	Non-wood building materials	1,129,832	9.7	752,823	6.3
	Plywood	524,381	4.5	482,699	4.0
	Wood products	473,154	4.1	437,456	3.7
	Housing fixtures	3,065,651	26.4	2,599,313	21.7
	Sales with installation	154,623	1.3	1,262,179	10.6
	Others	815,320	7.0	789,446	6.6
	Subtotal	7,425,814	63.9	7,374,373	61.7
Construction	Completed construction contracts	4,201,136	36.1	4,577,494	38.3
	Subtotal	4,201,136	36.1	4,577,494	38.3
Total		11,626,950	100.0	11,951,867	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. Product sales in the first three months of FY11/16 include original product sales of 412,480 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.

4. Sales with installations 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.