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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 May 20, 2017:	10,011,841 shares	As of Nov. 20, 2016:	10,011,841 shares
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2) Number of treasury shares at the end of the period

As of May 20, 2017:	733,122 shares	As of Nov. 20, 2016:	733,102 shares
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3) Average number of shares outstanding during the period

Six months ended May 20, 2017:	9,278,727 shares	Six months ended May 20, 2016:	9,278,858 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 3 for forecast assumptions and notes of caution for usage.

The Company plans to hold a results presentation for institutional investors and analysts on Friday, July 14, 2017. Materials to be distributed at this event will be available (Japanese version only) on the Company's website immediately thereafter.

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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, 2016 to May 20, 2017), the Japanese economy stayed on a gradual recovery trend as corporate earnings, employment, and income environment continued to improve, backed mainly by low interest rates and the Japanese government's economic measures. But there were concerns about the outlook going forward due to slowing economic growth in emerging countries and concerns over political trends in Europe and the U.S. and other issues.

In the Japan's housing sector, new construction starts stayed firm as mortgage rates continued to hover at low levels and the government extended measures to help people purchase residences.

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.

First half sales were 27,409 million yen compared with 24,880 million yen one year earlier due to the effect of the firm new construction starts. Operating income increased from 296 million yen to 357 million yen along with the sales increase. Ordinary income increased from 347 million yen to 407 million yen. Profit attributable to owners of parent was up from 198 million yen to 244 million yen.

(2) Explanation of Financial Position

a. Assets, Liabilities and Net Assets

Assets

Total assets increased 217 million yen from the end of the previous fiscal year to 23,642 million yen as of the end of the second quarter. The main factor was an increase of 261 million yen in notes and accounts receivable-trade.

Liabilities

Total liabilities increased 14 million yen from the end of the previous fiscal year to 12,947 million yen as of the end of the second quarter. The main factors were increases of 248 million yen in electronically recorded obligations-operating, 31 million yen in income taxes payable and 38 million yen in other non-current liabilities while there was a decrease of 304 million yen in notes and accounts payable-trade.

Net assets

Total net assets increased 203 million yen from the end of the previous fiscal year to 10,695 million yen as of the end of the second quarter. The main factors were increases of 114 million yen in retained earnings and 82 million yen in valuation difference on available-for-sale securities.

b. Cash flows

Cash and cash equivalents (hereinafter, "net cash") at the end of the first half increased 81 million yen from the end of the previous fiscal year to 7,287 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 58 million yen (compared with 220 million yen used in the same period of the previous fiscal year). Main positive factors include profit before income taxes of 407 million yen and a 40 million yen decrease in inventories. Major negative factors include a 274 million yen increase in notes and accounts receivable-trade and income taxes paid of 136 million yen.

Cash flows from investing activities

Net cash provided by investing activities was 151 million yen (compared with 23 million yen used in the same period of the previous fiscal year). Main positive factors include proceeds from redemption of securities of 200 million yen. Main negative factors include 31 million yen for the purchase of property, plant and equipment.

Cash flows from financing activities

Net cash used in financing activities was 129 million yen (compared with 128 million yen used in the same period of the previous fiscal year). This was mainly due to cash dividends paid of 129 million yen.

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

We have revised the consolidated forecast for the fiscal year ending November 20, 2017 announced on December 28, 2016.

For details, please refer to the press release “Notice of Revision to Consolidated Forecast” announced on June 29, 2017 (Japanese version only).

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	FY11/16 (As of Nov. 20, 2016)	Second quarter of FY11/17 (As of May 20, 2017)
Assets		
Current assets		
Cash and deposits	7,206,409	7,287,768
Notes and accounts receivable-trade	10,869,665	11,131,009
Securities	-	100,850
Merchandise	607,135	552,226
Costs on uncompleted construction contracts	668,972	683,646
Other	124,617	122,716
Allowance for doubtful accounts	(12,559)	(16,374)
Total current assets	19,464,241	19,861,842
Non-current assets		
Property, plant and equipment	1,652,226	1,657,057
Intangible assets	148,064	129,891
Investments and other assets		
Other	2,198,726	2,043,033
Allowance for doubtful accounts	(38,534)	(49,165)
Total investments and other assets	2,160,191	1,993,867
Total non-current assets	3,960,483	3,780,817
Total assets	23,424,725	23,642,659
Liabilities		
Current liabilities		
Notes and accounts payable-trade	7,965,230	7,660,637
Electronically recorded obligations-operating	2,837,564	3,085,767
Income taxes payable	156,433	187,849
Provision for directors' bonuses	15,500	-
Other	667,828	682,316
Total current liabilities	11,642,556	11,616,570
Non-current liabilities		
Provision for directors' retirement benefits	194,790	202,440
Net defined benefit liability	199,816	194,401
Asset retirement obligations	16,339	16,388
Other	879,442	917,632
Total non-current liabilities	1,290,389	1,330,862
Total liabilities	12,932,945	12,947,433

	(Thousands of yen)	
	FY11/16 (As of Nov. 20, 2016)	Second quarter of FY11/17 (As of May 20, 2017)
Net assets		
Shareholders' equity		
Capital stock	2,220,082	2,220,082
Capital surplus	2,851,408	2,851,408
Retained earnings	5,406,334	5,520,936
Treasury shares	(205,711)	(205,722)
Total shareholders' equity	10,272,113	10,386,704
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	306,535	388,802
Remeasurements of defined benefit plans	(86,869)	(80,280)
Total accumulated other comprehensive income	219,665	308,522
Total net assets	10,491,779	10,695,226
Total liabilities and net assets	23,424,725	23,642,659

(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 FY11/16 (Nov. 21, 2015 – May 20, 2016)	First six months of FY11/17 (Nov. 21, 2016 – May 20, 2017)
Net sales	24,880,197	27,409,927
Cost of sales	22,443,170	24,803,915
Gross profit	2,437,027	2,606,012
Selling, general and administrative expenses	2,140,147	2,248,247
Operating income	296,880	357,764
Non-operating income		
Interest income	3,279	1,793
Dividend income	7,940	7,710
Purchase discounts	61,261	64,870
Rent income	14,350	14,350
Other	13,247	6,947
Total non-operating income	100,080	95,673
Non-operating expenses		
Sales discounts	42,263	39,383
Rent cost of real estate	3,084	2,945
Other	4,301	4,051
Total non-operating expenses	49,648	46,379
Ordinary income	347,311	407,057
Extraordinary losses		
Impairment loss	8,107	-
Total extraordinary losses	8,107	-
Profit before income taxes	339,203	407,057
Income taxes-current	115,218	160,487
Income taxes-deferred	25,350	2,065
Total income taxes	140,569	162,553
Profit	198,634	244,504
Profit attributable to owners of parent	198,634	244,504

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

(Thousands of yen)

	First six months of FY11/16 (Nov. 21, 2015 – May 20, 2016)	First six months of FY11/17 (Nov. 21, 2016 – May 20, 2017)
Profit	198,634	244,504
Other comprehensive income		
Valuation difference on available-for-sale securities	(11,792)	82,267
Deferred gains or losses on hedges	(4,058)	-
Remeasurements of defined benefit plans, net of tax	3,356	6,589
Total other comprehensive income	(12,493)	88,856
Comprehensive income	186,140	333,360
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	186,140	333,360
Comprehensive income attributable to non-controlling interests	-	-

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY11/16 (Nov. 21, 2015 – May 20, 2016)	First six months of FY11/17 (Nov. 21, 2016 – May 20, 2017)
Cash flows from operating activities		
Profit before income taxes	339,203	407,057
Depreciation	50,630	49,841
Impairment loss	8,107	-
Increase (decrease) in net defined benefit liability	13,287	4,066
Increase (decrease) in provision for directors' retirement benefits	(81,070)	7,650
Increase (decrease) in allowance for doubtful accounts	(2,224)	14,446
Increase (decrease) in provision for directors' bonuses	(19,000)	(15,500)
Interest and dividend income	(11,219)	(9,504)
Decrease (increase) in notes and accounts receivable-trade	(70,423)	(274,247)
Decrease (increase) in inventories	67,868	40,699
Increase (decrease) in notes and accounts payable-trade	(428,387)	(55,574)
Other, net	13,373	15,907
Subtotal	(119,854)	184,842
Interest and dividend income received	11,841	10,069
Income taxes paid	(112,354)	(136,136)
Net cash provided by (used in) operating activities	(220,366)	58,774
Cash flows from investing activities		
Proceeds from redemption of securities	-	200,000
Purchase of property, plant and equipment	(7,795)	(31,793)
Proceeds from sales of property, plant and equipment	250	-
Purchase of intangible assets	(8,111)	(9,130)
Purchase of investment securities	(7,343)	(990)
Other, net	-	(6,300)
Net cash provided by (used in) investing activities	(23,000)	151,785
Cash flows from financing activities		
Decrease (increase) in treasury shares	(101)	(11)
Cash dividends paid	(128,809)	(129,183)
Net cash provided by (used in) financing activities	(128,910)	(129,195)
Effect of exchange rate change on cash and cash equivalents	(22)	(5)
Net increase (decrease) in cash and cash equivalents	(372,301)	81,359
Cash and cash equivalents at beginning of period	7,379,756	7,206,409
Cash and cash equivalents at end of period	7,007,455	7,287,768

(4) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Additional Information

Application of Implementation Guidance on Recoverability of Deferred Tax Assets

Effective from the first quarter of the current fiscal year, the Company has applied the "Implementation Guidance on Recoverability of Deferred Tax Assets" (Accounting Standards Board of Japan (ASBJ) Guidance No. 26, March 28, 2016).

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 six months of FY11/16 and FY11/17 are broken down by category as follows.

(Thousands of yen)

Category		First six months of FY11/16 (Nov. 21, 2015 – May 20, 2016)		First six months of FY11/17 (Nov. 21, 2016 – May 20, 2017)	
		Amount	%	Amount	%
Products	Wood building materials	2,913,340	11.7	3,442,992	12.6
	Non-wood building materials	1,739,057	7.0	1,954,134	7.1
	Plywood	1,045,112	4.2	1,179,486	4.3
	Wood products	1,115,307	4.5	1,209,467	4.4
	Housing fixtures	6,066,050	24.4	6,735,697	24.6
	Sales with installation	710,016	2.9	797,561	2.9
	Others	1,782,829	7.1	1,728,248	6.3
	Subtotal	15,371,713	61.8	17,047,588	62.2
Construction	Completed construction contracts	9,508,483	38.2	10,362,338	37.8
	Subtotal	9,508,483	38.2	10,362,338	37.8
Total		24,880,197	100.0	27,409,927	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 first half of the previous fiscal year have been also revised.

4. Product sales in the first six months of FY11/17 include original product sales of 1,027,192 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 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.