

**Consolidated Financial Results for the Third Quarter of the
Fiscal Year Ending November 20, 2017 (FY11/17)
(Nine Months Ended August 20, 2017)**

[Japanese GAAP]

October 3, 2017

Company name: KITAKEI CO.,LTD. Stock Exchange Listing: Tokyo Stock Exchange, Second Section
 Stock code: 9872 URL: <http://www.kitakei.jp/>
 Representative: Ryoichi Kitamura, President
 Contact: Toshiharu Takashima, General Manager of Corporate Planning Dept. TEL: +81-6-6251-1161
 Scheduled submission of Quarterly Report: October 4, 2017
 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 Third Quarter of FY11/17 (from November 21, 2016 to August 20, 2017)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended								
Aug. 20, 2017	40,916	9.2	536	29.1	609	24.7	362	31.3
Aug. 20, 2016	37,474	7.6	415	(2.7)	488	(2.7)	276	(23.7)

Note: Comprehensive income (millions of yen) Nine months ended Aug. 20, 2017: 460 (up 67.8%)
 Nine months ended Aug. 20, 2016: 274 (down 24.6%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended		
Aug. 20, 2017	39.11	-
Aug. 20, 2016	29.79	-

(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, 2017	23,763	10,822	45.5	1,166.37
As of Nov. 20, 2016	23,424	10,491	44.8	1,130.73

Reference: Shareholders' equity (millions of yen) As of Aug. 20, 2017: 10,822 As of Nov. 20, 2016: 10,491

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY11/16	-	0.00	-	14.00	14.00
FY11/17	-	0.00	-		
FY11/17 (Forecast)				14.00	14.00

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

Please refer to "Cautionary statement with respect to forward-looking statements and other special items" regarding dividends for the fiscal year ending November 20, 2017.

3. Consolidated Forecast for FY11/17 (from November 21, 2016 to November 20, 2017)

(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
Full year	55,000	8.2	700	10.6	800	8.9	480	14.6	51.73

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, 2017:	10,011,841 shares	As of Nov. 20, 2016:	10,011,841 shares
----------------------	-------------------	----------------------	-------------------

2) Number of treasury shares at the end of the period

As of Aug. 20, 2017:	733,142 shares	As of Nov. 20, 2016:	733,102 shares
----------------------	----------------	----------------------	----------------

3) Average number of shares outstanding during the period

Nine months ended Aug. 20, 2017:	9,278,721 shares	Nine months ended Aug. 20, 2016:	9,278,826 shares
----------------------------------	------------------	----------------------------------	------------------

*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 2 for forecast assumptions and notes of caution for usage.
- For the time being, the basic policy for the dividend is to maintain a consolidated payout ratio of 35% but not allow the annual dividend to fall below 14 yen per share.

The Company plans to pay dividends for the fiscal year ending November 20, 2017 based on the above basic policy.

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	2
(3) Explanation of Consolidated Forecast and Other Forward-looking Statements	2
2. Quarterly Consolidated Financial Statements and Notes	3
(1) Quarterly Consolidated Balance Sheet	3
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	5
Quarterly Consolidated Statement of Income	5
Quarterly Consolidated Statement of Comprehensive Income	6
(3) Notes to Quarterly Consolidated Financial Statements	7
Going Concern Assumption	7
Significant Changes in Shareholders' Equity	7
Additional Information	7
Segment and Other Information	7
3. Supplementary Information	8
(1) Breakdown of Sales	8

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first nine months (from November 21, 2016 to August 20, 2017), the Japanese economy stayed on a gradual recovery trend as corporate earnings, and the employment and income environment continued to improve, backed mainly by low interest rates and the Japanese government's economic measures. Outside Japan, the atmosphere continues to be unstable mainly due to increasing concerns over the inability of the Trump administration to implement its policies and geopolitical risk in eastern Asia.

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.

Sales in the first nine months of the fiscal year were 40,916 million yen compared with 37,474 million yen one year earlier. Operating income increased from 415 million yen to 536 million yen and ordinary income increased from 488 million yen to 609 million yen. Profit attributable to owners of parent was up from 276 million yen to 362 million yen.

(2) Explanation of Financial Position

Assets

Total assets increased 338 million yen from the end of the previous fiscal year to 23,763 million yen as of the end of the third quarter. The main factor was an increase of 595 million yen in cash and deposits, while there were decreases of 148 million yen in notes and accounts receivable-trade and 24 million yen in intangible assets.

Liabilities

Total liabilities increased 7 million yen from the end of the previous fiscal year to 12,940 million yen as of the end of the third quarter. The main factor was an increase of 312 million yen in electronically recorded obligations-operating, while there were decreases of 191 million yen in notes and accounts payable-trade, 54 million yen in income taxes payable, and 19 million yen in net defined benefit liability.

Net assets

Total net assets increased 330 million yen from the end of the previous fiscal year to 10,822 million yen as of the end of the third quarter. The main factors were increases of 232 million yen in retained earnings and 87 million yen in valuation difference on available-for-sale securities.

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

There is no change in the consolidated forecast for the fiscal year ending November 20, 2017 that was announced in the "Notice of Revision to Consolidated Forecast" (Japanese version only) on June 29, 2017.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

	(Thousands of yen)	
	FY11/16 (As of Nov. 20, 2016)	Third quarter of FY11/17 (As of Aug. 20, 2017)
Assets		
Current assets		
Cash and deposits	7,206,409	7,801,678
Notes and accounts receivable-trade	10,869,665	10,720,851
Merchandise	607,135	671,628
Costs on uncompleted construction contracts	668,972	704,964
Other	124,617	103,749
Allowance for doubtful accounts	(12,559)	(14,833)
Total current assets	19,464,241	19,988,039
Non-current assets		
Property, plant and equipment	1,652,226	1,652,673
Intangible assets	148,064	123,163
Investments and other assets		
Other	2,198,726	2,045,558
Allowance for doubtful accounts	(38,534)	(46,227)
Total investments and other assets	2,160,191	1,999,330
Total non-current assets	3,960,483	3,775,166
Total assets	23,424,725	23,763,206
Liabilities		
Current liabilities		
Notes and accounts payable-trade	7,965,230	7,773,751
Electronically recorded obligations-operating	2,837,564	3,150,185
Income taxes payable	156,433	101,974
Provision for bonuses	-	141,500
Provision for directors' bonuses	15,500	-
Other	667,828	437,365
Total current liabilities	11,642,556	11,604,777
Non-current liabilities		
Provision for directors' retirement benefits	194,790	206,280
Net defined benefit liability	199,816	180,255
Asset retirement obligations	16,339	16,412
Other	879,442	933,099
Total non-current liabilities	1,290,389	1,336,047
Total liabilities	12,932,945	12,940,824

	(Thousands of yen)	
	FY11/16 (As of Nov. 20, 2016)	Third quarter of FY11/17 (As of Aug. 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	5,639,276
Treasury shares	(205,711)	(205,736)
Total shareholders' equity	10,272,113	10,505,031
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	306,535	394,336
Remeasurements of defined benefit plans	(86,869)	(76,986)
Total accumulated other comprehensive income	219,665	317,350
Total net assets	10,491,779	10,822,382
Total liabilities and net assets	23,424,725	23,763,206

(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 FY11/16 (Nov. 21, 2015 – Aug. 20, 2016)	First nine months of FY11/17 (Nov. 21, 2016 – Aug. 20, 2017)
Net sales	37,474,098	40,916,569
Cost of sales	33,840,805	37,024,193
Gross profit	3,633,292	3,892,376
Selling, general and administrative expenses	3,217,738	3,355,846
Operating income	415,554	536,530
Non-operating income		
Interest income	4,736	2,747
Dividend income	10,086	10,744
Purchase discounts	90,682	95,463
Rent income	21,526	21,526
Other	18,547	11,484
Total non-operating income	145,580	141,967
Non-operating expenses		
Sales discounts	59,036	59,232
Rent cost of real estate	5,108	5,042
Other	8,277	4,556
Total non-operating expenses	72,421	68,831
Ordinary income	488,712	609,665
Extraordinary losses		
Loss on abandonment of non-current assets	3,593	-
Impairment loss	8,107	-
Loss on valuation of golf club membership	-	6,372
Total extraordinary losses	11,701	6,372
Profit before income taxes	477,011	603,293
Income taxes-current	170,687	220,727
Income taxes-deferred	29,875	19,721
Total income taxes	200,562	240,449
Profit	276,448	362,844
Profit attributable to owners of parent	276,448	362,844

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

(Thousands of yen)

	First nine months of FY11/16 (Nov. 21, 2015 – Aug. 20, 2016)	First nine months of FY11/17 (Nov. 21, 2016 – Aug. 20, 2017)
Profit	276,448	362,844
Other comprehensive income		
Valuation difference on available-for-sale securities	(7,049)	87,801
Deferred gains or losses on hedges	(1,022)	-
Remeasurements of defined benefit plans, net of tax	6,111	9,883
Total other comprehensive income	(1,960)	97,684
Comprehensive income	274,488	460,529
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	274,488	460,529
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 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 nine months of FY11/16 and FY11/17 are broken down by category as follows.

(Thousands of yen)

Category		First nine months of FY11/16 (Nov. 21, 2015 – Aug. 20, 2016)		First nine months of FY11/17 (Nov. 21, 2016 – Aug. 20, 2017)	
		Amount	%	Amount	%
Products	Wood building materials	4,382,567	11.7	5,029,471	12.3
	Non-wood building materials	2,600,278	6.9	2,819,718	6.9
	Plywood	1,559,809	4.2	1,644,356	4.0
	Wood products	1,628,880	4.3	1,750,408	4.3
	Housing fixtures	9,171,855	24.5	10,028,797	24.5
	Sales with installation	1,068,521	2.9	1,203,017	2.9
	Others	2,692,283	7.2	2,924,601	7.1
	Subtotal	23,104,195	61.7	25,400,371	62.0
Construction	Completed construction contracts	14,369,902	38.3	15,516,197	38.0
	Subtotal	14,369,902	38.3	15,516,197	38.0
Total		37,474,098	100.0	40,916,569	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 nine months of the previous fiscal year have been also revised.

4. Product sales in the first nine months of FY11/17 include original product sales of 1,309,245 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 installation 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.