Consolidated Financial Results for the Fiscal Year Ended November 20, 2016 (FY11/16)

[Japanese GAAP]

December 28, 2016

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 date of Annual General Meeting of Shareholders: February 17, 2017
Scheduled date of payment of dividend: February 20, 2017
Scheduled date of filing of Annual Securities Report: February 20, 2017
Preparation of supplementary materials for financial results: Yes
Holding of 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 Fiscal Year Ended November 20, 2016 (from November 21, 2015 to November 20, 2016)

(1) Consolidated results of operations (Percentages shown for net sales and incomes 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	%
Fiscal year ended Nov. 20, 2016	50,827	7.3	632	8.2	734	6.9	418	(9.2)
Fiscal year ended Nov. 20, 2015	47,383	(3.2)	584	(34.5)	687	(30.4)	461	(18.0)

Note: Comprehensive income (millions of yen) Fiscal year ended Nov. 20, 2016: 478 (up 29.1%)
Fiscal year ended Nov. 20, 2015: 370 (down 36.0%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income on total assets	Operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended Nov. 20, 2016	45.15	-	4.1	3.2	1.2
Fiscal year ended Nov. 20, 2015	49.73	-	4.6	3.1	1.2

Reference: Equity in earnings of affiliates (millions of yen) Fiscal year ended Nov. 20, 2016: - Fiscal year ended Nov. 20, 2015: -

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of Nov. 20, 2016	23,424	10,491	44.8	1,130.73
As of Nov. 20, 2015	22,177	10,143	45.7	1,093.16

Reference: Shareholders' equity (millions of yen) As of Nov. 20, 2016: 10,491 As of Nov. 20, 2015: 10,143

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended Nov. 20, 2016	(185)	141	(129)	7,206
Fiscal year ended Nov. 20, 2015	647	311	(129)	7,379

2. Dividends

	Dividend per share					Total dividends	Payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended Nov. 20, 2015	-	0.00	-	14.00	14.00	129	28.2	1.3
Fiscal year ended Nov. 20, 2016	-	0.00	-	14.00	14.00	129	31.0	1.3
Fiscal year ending Nov. 20, 2017 (Forecast)	-	0.00	-	14.00	14.00		28.9	

3. Consolidated Forecast for the Fiscal Year Ending November 20, 2017 (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
First half	25,000	0.5	270	(9.1)	310	(10.7)	185	(6.9)	19.94
Full year	52,000	2.3	650	2.7	750	2.1	450	7.4	48.50

*** Notes**

(1) Changes in significant subsidiaries during the period (change in scope of consolidation): None

Newly added: - Excluded: -

(2) 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 “5. Consolidated Financial Statements, (5) Notes to Consolidated Financial Statements, Changes in Accounting Policies” on page 15 of the attachments for further information.

(3) Number of shares outstanding (common stock)

1) Number of shares outstanding at the end of the period (including treasury shares)

As of Nov. 20, 2016:	10,011,841 shares	As of Nov. 20, 2015:	10,011,841 shares

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

As of Nov. 20, 2016:	733,102 shares	As of Nov. 20, 2015:	732,881 shares

3) Average number of shares outstanding during the period

Fiscal year ended Nov. 20, 2016:	9,278,806 shares	Fiscal year ended Nov. 20, 2015:	9,279,010 shares

Information regarding the implementation of audit procedures

The current summary report is exempted from audit procedures based on the Financial Instruments and Exchange Act. At the time of disclosure, the audit procedures for the 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. Analysis of Results of Operations and Financial Position, (1) Analysis of Results of Operations and (4) Business and Other Risks” on pages 2 and 4 for forecast assumptions and notes of caution for usage.

The Company plans to hold a results presentation for institutional investors and analysts on Thursday, January 26, 2017. Materials to be distributed at this event will be available on the Company’s website immediately thereafter.

Contents of Attachments

1. Analysis of Results of Operations and Financial Position

(1) Analysis of Results of Operations

a. Summary of the Fiscal Year Ended November 20, 2016

The Japanese economy had no clear direction during the fiscal year ended November 20, 2016. Corporate earnings and employment recovered slowly because of various economic stimulus measures. But there were concerns about a downturn in the global economy caused by slowing economic growth in emerging countries, Brexit and other issues. In addition, sentiment among companies was generally weak and consumer spending was sluggish as stock prices remained low and the yen continued to appreciate.

In the Japan’s housing sector, new construction starts stayed firm due to falling interest rates as the Bank of Japan adopted a negative interest rate policy, government measures to help people purchase residences, and an increase in the construction of rental units resulting in part from revisions to Japan’s inheritance taxes.

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.

In the fiscal year under review, sales were a record-high 50,827 million yen compared with 47,383 million yen one year earlier. Operating income increased from 584 million yen to 632 million yen and ordinary income increased from 687 million yen to 734 million yen. Profit attributable to owners of parent was down from 461 million yen to 418 million yen. The main reason for the fall in profit is that earnings one year earlier included an extraordinary gain on the sales of investment property of 83 million yen.

b. Outlook for the Fiscal Year Ending November 20, 2017

Companies in Japan are expected to continue performing well with the support of economic stimulus measures. There are also expectations for a slow recovery in consumer spending as the employment and incomes continue to improve. However, Brexit, increasing uncertainty about US government policies and other factors may have an impact on the economies of Japan and other countries. As a result, the business climate will probably be unclear during the fiscal year ending in November 2017.

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. Due to the continuation of these benefits, the outlook for the new construction starts to be firm during the fiscal year.

The Kitakei Group is well aware of the opportunities and challenges associated with this operating environment. Group companies will continue to work on establishing relationships with new suppliers and customers, increasing construction sales from home exterior, home fixture and other projects, and increasing sales of housing fixtures and original products that conserve energy and are environmentally responsible. Further upgrading construction capabilities is another goal for the fiscal year.

All these activities are aimed at improving our performance as we made utilizing our resources and improving efficiency our highest priorities.

Based on this outlook, we are forecasting sales of 52,000 million yen, operating income of 650 million yen, ordinary income of 750 million yen and profit attributable to owners of parent of 450 million yen.

(2) Analysis of Financial Position

a. Assets, Liabilities and Net Assets

Total assets increased 1,247 million yen from the end of the previous fiscal year to 23,424 million yen as of the end of the fiscal year under review. The main factor was an increase of 1,497 million yen in notes and accounts receivable-trade.

Total liabilities increased 899 million yen from the end of the previous fiscal year to 12,932 million yen as of the end of the fiscal year under review. The main factors were increases of 573 million yen in notes and accounts payable-trade and 288 million yen in electronically recorded obligations-operating.

Total net assets increased 348 million yen from the end of the previous fiscal year to 10,491 million yen as of the end of the fiscal year under review. The main factor was an increase of 289 million yen in retained earnings.

b. Cash Flows

Cash and cash equivalents (hereinafter, “net cash”) at the end of the fiscal year under review decreased 173 million yen from the end of the previous fiscal year to 7,206 million yen.

The cash flow components during the fiscal year and the main reasons for changes are as described below.

Cash flows from operating activities

Net cash used in operating activities was 185 million yen (compared with 647 million yen provided in the previous fiscal year). Major negative factors include a 1,523 million yen increase in notes and accounts receivable-trade and income taxes paid of 263 million yen. Main positive factors include profit before income taxes of 721 million yen and an 861 million yen increase in notes and accounts payable-trade.

Cash flows from investing activities

Net cash provided by investing activities was 141 million yen (compared with 311 million yen provided in the previous fiscal year). Main positive factors include proceeds from redemption of securities and investment securities of 500 million yen. Main negative factors include 308 million yen for the purchase of investment securities.

Cash flows from financing activities

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

Reference: Cash flow indicators

	FY11/12	FY11/13	FY11/14	FY11/15	FY11/16
Equity ratio (%)	47.1	45.5	45.9	45.7	44.8
Market value-based equity ratio (%)	15.1	22.3	25.0	23.4	21.5

Equity ratio: Shareholders’ equity / Total assets

Market value-based equity ratio: Market capitalization / Total assets

Notes: 1. Market capitalization is calculated by multiplying the closing share price at the end of the period by the total number of shares outstanding, excluding treasury shares, at the end of the period.

2. Ratio of interest-bearing debt to cash flow and interest coverage ratio are not presented because the amount of interest-bearing debt and interest payments is insignificant.

(3) Basic Policy for Profit Distribution, and Dividends in the Current and Next Fiscal Years

The basic policy for the dividend is to consistently distribute earnings to shareholders while determining the dividend by reflecting performance in each fiscal year. The dividend also takes into account the need to increase retained earnings in order to build a stronger base of operations and be prepared for business activities in the future. Retained earnings are used to fund upcoming business activities.

Although we have a provision for the payment of interim dividends, our current policy is to pay only a year-end dividend. The main reason is the increase in administrative procedures and expenses that would result from paying an interim dividend, too.

The board of directors determines the interim dividend and the year-end dividend is determined at the shareholders meeting.

In accordance with this basic policy, we plan to pay a dividend of 14 yen per share for the fiscal year that ended on November 20, 2016.

For the fiscal year ending November 20, 2017, we also plan to pay a dividend of 14 yen per share, based on this basic policy.

Note: The Kitakei Articles of Incorporation include a provision for the payment of an interim dividend as provided for in Article 454, Paragraph 5 of the Companies Act.

(4) Business and Other Risks

This section presents a list of major items from among the factors associated with the Kitakei Group's business operations and financial position that may affect the decisions of investors. The Group is aware of these risks and takes actions aimed at preventing these problems and responds to these problems if they should occur.

Forward-looking statements in this section are based on the judgment of the Group as of the end of the fiscal year and do not cover all potential future risks.

a. Changes in the number of new construction starts in Japan

Changes in the number of new construction starts in Japan have a significant influence on the performance of the housing sector. In particular, due to the types of products sold and the composition of customers, performance of the Kitakei Group is greatly affected by changes in the number of single-family houses constructed by owners and single-family houses constructed for sale by developers.

Actions by the Japanese government have a big impact on the desire and willingness of consumers to purchase a house. For example, the government may enact tax measures such as favorable treatment of mortgage interest expenses or a gift tax exemption for gifts given for the purpose of purchasing a house. Changes in the consumption tax also affect consumer sentiment concerning housing. A sudden shift in the demand for housing caused by a government action may therefore have an effect on results of operations.

To reduce vulnerability to volatility in demand, group companies are reinforcing sales of unique products combined with installation and other services and taking other actions.

b. Guarantees concerning defects and other problems

In accordance with the Housing Quality Assurance Act, the Kitakei Group is obligated to guarantee work involving home exteriors and other housing-related work. As a result, if there is a problem that is covered by this obligation, there may be expenses for repairs, replacements and other items.

The Kitakei Group is creating an even more rigorous oversight framework for home exterior and other work performed at houses, purchasing liability insurance, and taking other actions to lower exposure to risk involving defects and other problems.

c. Credit risk

The Kitakei Group is exposed to credit risk in conjunction with various transactions with suppliers and customers. We assess credit risk for each counterparty in order to determine whether or not to continue each relationship. In addition, there are measures to make sales personnel more aware of credit risk in order to lower exposure to this risk.

d. Retirement benefit obligations

Employee retirement benefit expenses and obligations may have an effect on the Kitakei Group's results of operations and financial position due to declines in the discount rate and return on plan assets or changes in other assumptions concerning retirement benefits.

e. Licenses required by the Construction Business Act

Kitakei has an Ordinary Construction Business License (Minister of Land, Infrastructure, Transport and Tourism License (Ordinary-27) No. 18960) issued in accordance with the Construction Business Act. Article 3 (3) of this act states that the license shall cease to be effective if not renewed every five years. Furthermore, Article 29 provides for the cancelation of this license under certain circumstances.

Maintaining the Ordinary Construction Business License is essential for continuing to conduct the Kitakei Group's core business activities. We believe that there are no reasons for the cancelation of this license. However, if this license is canceled for some reason in the future, we would be unable to conduct our core business activities and there may be a significant impact on results of operations.

f. Natural disasters, accidents and other emergencies

In the event of a major natural disaster, such as an earthquake, tsunami or flood, there may be damage to the Kitakei Group's buildings and equipment and to projects that are under construction. There is also the possibility of severe damage from these events at the factories and other business facilities of suppliers and customers. If any of this damage disrupts our business activities, there may be an effect on results of operations.

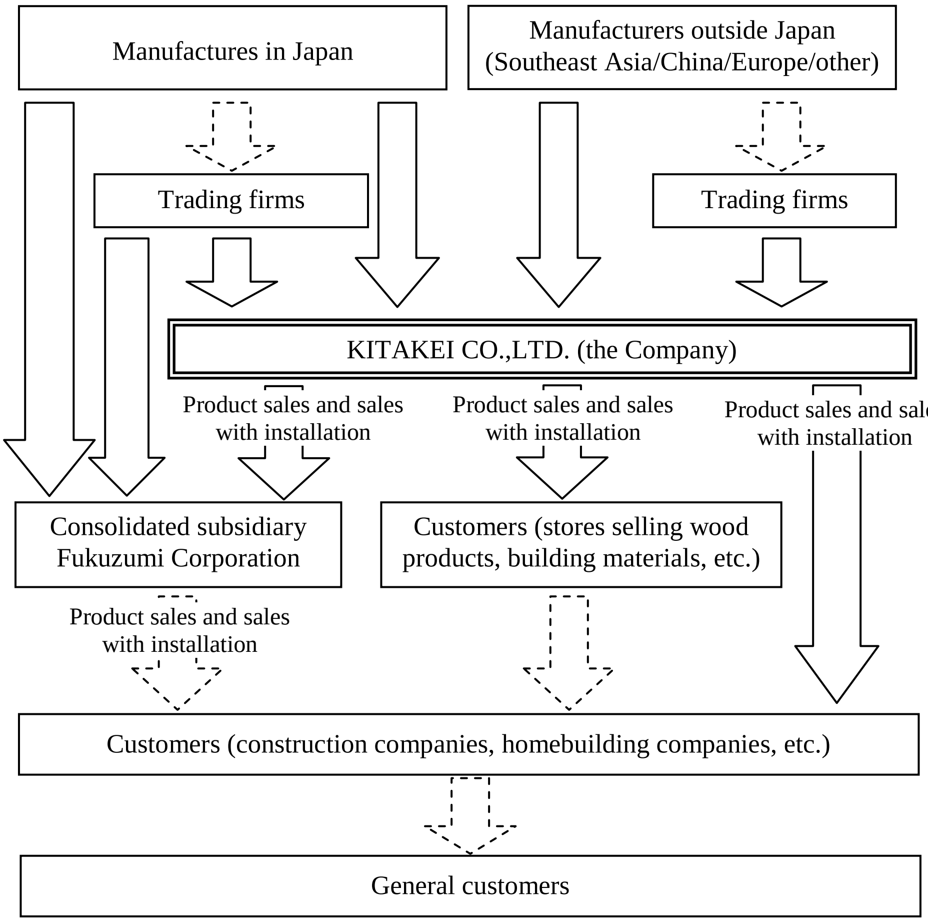
In addition, a sudden and unexpected accident or other emergency may disrupt the Kitakei Group's business activities.

2. Corporate Group

(1) Business Overview

The Kitakei Group consists of KITAKEI CO.,LTD. (the Company) and a consolidated subsidiary (Fukuzumi Corporation). Group companies are engaged in the product sales (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.

Major business activities and the roles of group companies are shown below.



Note: There is no non-consolidated subsidiary or equity-method affiliate as of the end of the fiscal year.

(2) Major Products

Category	Major products
Wood building materials	Unit doors, closets, floors, storage units, stairway sets
Non-wood building materials	Gypsum boards, insulation, roof materials, nonflammable panels, siding
Plywood	Lauan plywood, conifer plywood
Wood products	Structural wood products, manufactured wood products, flooring
Housing fixtures	System kitchens, modular baths, wash stands, toilets, heating/AC equipment, burners, solar panels
Sales with installation	Works associated with exterior walls, home fixtures, roofing, structural components, interior finishing and window sashes, solar power systems
Others	Window sashes, exterior products, chemicals, architectural metal parts, architectural tools

3. Management Policies

(1) Basic Management Policy

Based on the belief that “there will be needs involving houses for as long as there are people,” the Kitakei Group is dedicated to functioning as a supplier of homebuilding materials that always plays a valuable role in society in order to respond to diversifying needs for houses. Our highest priority is providing materials and services that satisfy our business partners and the people who use the homes we help create.

(2) Performance Targets

To place emphasis on profitability, the targeted performance indicators are the gross profit margin and the operating income to net sales ratio. To contribute to growth in corporate value, the composition of sales (original products, sales with installation, etc.) is another key numerical target.

(3) Medium- and Long-term Management Strategy

To respond to expected changes in market conditions, the Kitakei Group will create new ideas that accurately target the needs of business partners and customers and concentrate on providing products and services of the highest quality. The objectives are to improve performance in the Group’s current markets and continue to increase the number of customers.

As one way to accomplish these goals, we will reinforce our capabilities involving original products and the sale of products with installation services, which are our core strengths. We aim to use these skills to set ourselves apart from competitors and establish a clear competitive edge. In addition, due to the outlook for growth in demand in Japan for home renovations, we will focus on strengthening our ability to sell housing fixtures.

(4) Challenges

The Kitakei Group will pursue these management strategies to build a more powerful base of operations and increase sales and earnings. Furthermore, we will make significant investments in our IT systems for the purpose of making our operations more efficient.

4. Basic Approach for the Selection of Accounting Standards

The Kitakei Group will continue to prepare consolidated financial statements using the generally accepted accounting principles in Japan for the time being to permit comparisons with prior years and with the financial data of other companies.

We will take suitable actions with regard to the application of International Financial Reporting Standards by taking into account associated factors in Japan and other countries.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Thousands of yen)

	FY11/15 (As of Nov. 20, 2015)	FY11/16 (As of Nov. 20, 2016)
Assets		
Current assets		
Cash and deposits	7,379,756	7,206,409
Notes and accounts receivable-trade	9,371,803	10,869,665
Securities	300,480	-
Merchandise	615,546	607,135
Costs on uncompleted construction contracts	568,903	668,972
Supplies	3,542	4,544
Deferred tax assets	73,467	79,127
Other	31,859	40,945
Allowance for doubtful accounts	(14,063)	(12,559)
Total current assets	18,331,294	19,464,241
Non-current assets		
Property, plant and equipment		
Buildings and structures	828,154	815,688
Accumulated depreciation	(591,338)	(580,222)
Buildings and structures, net	236,816	235,466
Land	1,357,940	1,357,940
Other	232,257	221,642
Accumulated depreciation	(147,631)	(162,821)
Other, net	84,625	58,820
Total property, plant and equipment	1,679,381	1,652,226
Intangible assets		
Other	178,852	148,064
Total intangible assets	178,852	148,064
Investments and other assets		
Investment securities	1,056,452	1,245,002
Real estate for investment, net	533,841	530,650
Other	431,976	423,072
Allowance for doubtful accounts	(34,770)	(38,534)
Total investments and other assets	1,987,499	2,160,191
Total non-current assets	3,845,733	3,960,483
Total assets	22,177,027	23,424,725

(Thousands of yen)

	FY11/15 (As of Nov. 20, 2015)	FY11/16 (As of Nov. 20, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	7,391,904	7,965,230
Electronically recorded obligations-operating	2,548,628	2,837,564
Accounts payable-other	265,700	271,761
Accrued expenses	259,309	282,388
Income taxes payable	118,279	156,433
Provision for directors’ bonuses	19,000	15,500
Other	158,097	113,678
Total current liabilities	10,760,920	11,642,556
Non-current liabilities		
Long-term guarantee deposited	675,232	707,266
Deferred tax liabilities	117,927	162,673
Provision for directors’ retirement benefits	268,230	194,790
Net defined benefit liability	185,319	199,816
Asset retirement obligations	16,243	16,339
Other	9,798	9,503
Total non-current liabilities	1,272,751	1,290,389
Total liabilities	12,033,672	12,932,945
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	5,406,334
Treasury shares	(205,600)	(205,711)
Total shareholders’ equity	9,983,158	10,272,113
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	245,017	306,535
Deferred gains or losses on hedges	1,022	-
Remeasurements of defined benefit plans	(85,842)	(86,869)
Total accumulated other comprehensive income	160,197	219,665
Total net assets	10,143,355	10,491,779
Total liabilities and net assets	22,177,027	23,424,725

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Thousands of yen)

	FY11/15 (Nov. 21, 2014 – Nov. 20, 2015)	FY11/16 (Nov. 21, 2015 – Nov. 20, 2016)
Net sales	47,383,055	50,827,744
Cost of sales	42,607,223	45,888,330
Gross profit	4,775,831	4,939,413
Selling, general and administrative expenses	4,191,228	4,306,675
Operating income	584,603	632,738
Non-operating income		
Interest income	6,714	6,415
Dividend income	12,226	14,704
Purchase discounts	113,454	121,282
Rent income	31,476	28,701
Other	38,891	26,668
Total non-operating income	202,762	197,772
Non-operating expenses		
Interest expenses	157	116
Sales discounts	85,970	79,055
Rent cost of real estate	6,554	6,256
Other	7,525	10,256
Total non-operating expenses	100,207	95,684
Ordinary income	687,158	734,826
Extraordinary income		
Gain on sales of non-current assets	1,749	-
Gain on sales of investment securities	11,125	-
Gain on sales of investment property	83,968	-
Total extraordinary income	96,843	-
Extraordinary losses		
Loss on sales of non-current assets	5,396	-
Loss on abandonment of non-current assets	777	5,529
Impairment loss	-	8,107
Total extraordinary losses	6,174	13,637
Profit before income taxes	777,826	721,188
Income taxes-current	301,883	287,314
Income taxes-deferred	14,502	14,902
Total income taxes	316,385	302,216
Profit	461,441	418,972
Profit attributable to owners of parent	461,441	418,972

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	FY11/15 (Nov. 21, 2014 – Nov. 20, 2015)	FY11/16 (Nov. 21, 2015 – Nov. 20, 2016)
Profit	461,441	418,972
Other comprehensive income		
Valuation difference on available-for-sale securities	4,887	61,517
Deferred gains or losses on hedges	(5,601)	(1,022)
Remeasurements of defined benefit plans, net of tax	(90,010)	(1,027)
Total other comprehensive income	(90,724)	59,468
Comprehensive income	370,716	478,440
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	370,716	478,440
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statement of Changes in Equity

FY11/15 (Nov. 21, 2014 – Nov. 20, 2015)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,220,082	2,851,408	4,829,498	(205,513)	9,695,475
Cumulative effects of changes in accounting policies			(43,764)		(43,764)
Restated balance	2,220,082	2,851,408	4,785,734	(205,513)	9,651,711
Changes of items during period					
Dividends of surplus			(129,907)		(129,907)
Profit attributable to owners of parent			461,441		461,441
Purchase of treasury shares				(86)	(86)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	331,533	(86)	331,447
Balance at end of current period	2,220,082	2,851,408	5,117,267	(205,600)	9,983,158

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	240,130	6,623	4,167	250,921	9,946,397
Cumulative effects of changes in accounting policies					(43,764)
Restated balance	240,130	6,623	4,167	250,921	9,902,633
Changes of items during period					
Dividends of surplus					(129,907)
Profit attributable to owners of parent					461,441
Purchase of treasury shares					(86)
Net changes of items other than shareholders' equity	4,887	(5,601)	(90,010)	(90,724)	(90,724)
Total changes of items during period	4,887	(5,601)	(90,010)	(90,724)	240,722
Balance at end of current period	245,017	1,022	(85,842)	160,197	10,143,355

FY11/16 (Nov. 21, 2015 – Nov. 20, 2016)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,220,082	2,851,408	5,117,267	(205,600)	9,983,158
Changes of items during period					
Dividends of surplus			(129,905)		(129,905)
Profit attributable to owners of parent			418,972		418,972
Purchase of treasury shares				(111)	(111)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	289,066	(111)	288,955
Balance at end of current period	2,220,082	2,851,408	5,406,334	(205,711)	10,272,113

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	245,017	1,022	(85,842)	160,197	10,143,355
Changes of items during period					
Dividends of surplus					(129,905)
Profit attributable to owners of parent					418,972
Purchase of treasury shares					(111)
Net changes of items other than shareholders' equity	61,517	(1,022)	(1,027)	59,468	59,468
Total changes of items during period	61,517	(1,022)	(1,027)	59,468	348,423
Balance at end of current period	306,535	-	(86,869)	219,665	10,491,779

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	FY11/15 (Nov. 21, 2014 – Nov. 20, 2015)	FY11/16 (Nov. 21, 2015 – Nov. 20, 2016)
Cash flows from operating activities		
Profit before income taxes	777,826	721,188
Depreciation	116,232	102,993
Impairment loss	-	8,107
Increase (decrease) in net defined benefit liability	(3,603)	16,115
Increase (decrease) in provision for directors’ retirement benefits	11,320	(73,440)
Increase (decrease) in allowance for doubtful accounts	(7,300)	2,260
Increase (decrease) in provision for directors’ bonuses	(4,000)	(3,500)
Interest and dividend income	(18,940)	(21,120)
Loss (gain) on sales of non-current assets	3,647	-
Loss on abandonment of non-current assets	777	5,529
Loss (gain) on sales of investment securities	(11,125)	-
Gain on sales of investment estates	(83,968)	-
Decrease (increase) in notes and accounts receivable-trade	(64,463)	(1,523,918)
Decrease (increase) in inventories	19,675	(92,660)
Increase (decrease) in notes and accounts payable-trade	365,318	861,446
Other, net	(71,875)	52,870
Subtotal	1,029,520	55,874
Interest and dividend income received	20,838	22,118
Income taxes paid	(402,442)	(263,217)
Net cash provided by (used in) operating activities	647,916	(185,224)
Cash flows from investing activities		
Proceeds from redemption of securities	200,000	300,000
Purchase of property, plant and equipment	(21,911)	(31,455)
Proceeds from sales of property, plant and equipment	100,827	743
Purchase of intangible assets	(11,610)	(19,813)
Purchase of investment securities	(102,228)	(308,245)
Proceeds from sales of investment securities	23,293	-
Proceeds from redemption of investment securities	-	200,000
Proceeds from sales of investments in real estates	123,565	-
Net cash provided by (used in) investing activities	311,934	141,229
Cash flows from financing activities		
Decrease (increase) in treasury shares	(86)	(111)
Cash dividends paid	(129,414)	(129,278)
Net cash provided by (used in) financing activities	(129,500)	(129,389)
Effect of exchange rate change on cash and cash equivalents	59	38
Net increase (decrease) in cash and cash equivalents	830,410	(173,346)
Cash and cash equivalents at beginning of period	6,549,345	7,379,756
Cash and cash equivalents at end of period	7,379,756	7,206,409

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Changes in Accounting Policies

Application of the accounting standard for business combinations, etc.

Effective from 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, and the minority interests item has been renamed non-controlling interests. For consistency with these changes, the consolidated financial statements for the previous fiscal year have been revised.

Change in depreciation method

Following the revision of the Corporation Tax Act, the Company has adopted the “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (ASBJ Practical Issue Task Force (PITF) No. 32, June 17, 2016) from the current fiscal year, and changed the method for the depreciation of facilities attached to buildings and structures acquired on or after April 1, 2016, from the declining-balance method to the straight-line method.

The effect of this change on the consolidated financial statements is insignificant.

Segment and Other Information

Segment 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.

Related information

1. Information by product or service

This information is omitted since sales to external customers of materials and equipment used for homebuilding such as new building materials and a variety of housing fixtures (including sales with installation), and activities associated with these sales accounted for more than 90% of net sales in the consolidated statement of income.

2. Information by region

(1) Net sales

This information is omitted since sales to external customers in Japan accounted for more than 90% of net sales in the consolidated statement of income.

(2) Property, plant and equipment

Not applicable because there are no property, plant and equipment outside Japan.

3. Information by major client

This information is omitted because no single external customer accounted for 10% or more of net sales in the consolidated statement of income.

Information related to impairment losses of non-current assets for each reportable segment

FY11/15 (Nov. 21, 2014 – Nov. 20, 2015)
Not applicable.

FY11/16 (Nov. 21, 2015 – Nov. 20, 2016)
This information is omitted because the Kitakei Group has only a single business segment, which is 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.

Information related to goodwill amortization and the unamortized balance for each reportable segment

Not applicable.

Information related to gain on bargain purchase for each reportable segment

Not applicable.

Per-share Information

(Yen)

	FY11/15 (Nov. 21, 2014 – Nov. 20, 2015)	FY11/16 (Nov. 21, 2015 – Nov. 20, 2016)
Net assets per share	1,093.16	1,130.73
Net income per share	49.73	45.15

Notes: 1. Diluted net income per share is not presented since the Company had no dilutive potential shares.
2. The basis of calculating the net income per share is as follows:

	FY11/15 (Nov. 21, 2014 – Nov. 20, 2015)	FY11/16 (Nov. 21, 2015 – Nov. 20, 2016)
Profit attributable to owners of parent (Thousands of yen)	461,441	418,972
Amount not attributable to common shareholders (Thousands of yen)	-	-
Profit attributable to owners of parent applicable to common stock (Thousands of yen)	461,441	418,972
Average number of common stock outstanding during the period (Thousands shares)	9,279	9,278

Material Subsequent Events

Not applicable.

6. Others

(1) Production, Orders and Sales

1) Breakdown of Sales

a) Sales

Sales in FY11/15 and FY11/16 are broken down by category as follows.

(Thousands of yen)

Category		FY11/15 (Nov. 21, 2014 – Nov. 20, 2015)		FY11/16 (Nov. 21, 2015 – Nov. 20, 2016)	
		Amount	%	Amount	%
Products	Wood building materials	4,475,032	9.4	4,640,064	9.1
	Non-wood building materials	3,031,219	6.4	3,061,315	6.0
	Plywood	2,057,297	4.3	2,110,996	4.2
	Wood products	1,862,183	3.9	1,832,792	3.6
	Housing fixtures	11,366,347	24.0	11,291,317	22.2
	Sales with installation	4,206,037	8.9	5,173,412	10.2
	Others	3,345,893	7.1	3,353,499	6.6
	Subtotal	30,344,010	64.0	31,463,398	61.9
Construction	Completed construction contracts	17,039,044	36.0	19,364,346	38.1
	Subtotal	17,039,044	36.0	19,364,346	38.1
Total		47,383,055	100.0	50,827,744	100.0

Notes: 1. Figures in this table do not include consumption taxes.
2. No single customer accounts for 10% or more of total sales.
3. Product sales in FY11/16 include original product sales of 1,737,529 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.