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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, 2018:	10,011,841 shares	As of Nov. 20, 2017:	10,011,841 shares
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2) Number of treasury shares at the end of the period

As of May 20, 2018:	733,346 shares	As of Nov. 20, 2017:	733,142 shares
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3) Average number of shares outstanding during the period

Six months ended May 20, 2018:	9,278,588 shares	Six months ended May 20, 2017:	9,278,727 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 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 20, 2018. Materials to be distributed at this event will be available (Japanese version only) on the Company's website immediately thereafter.

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	3
2. Quarterly Consolidated Financial Statements and Notes	4
(1) Quarterly Consolidated Balance Sheet	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	6
Quarterly Consolidated Statement of Income	6
Quarterly Consolidated Statement of Comprehensive Income	7
(3) Quarterly Consolidated Statement of Cash Flows	8
(4) Notes to Quarterly Consolidated Financial Statements	9
Going Concern Assumption	9
Significant Changes in Shareholders' Equity	9
Segment and Other Information	9
3. Supplementary Information	10
(1) Breakdown of Sales	10

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first half (from November 21, 2017 to May 20, 2018) of the fiscal year, the Japanese economy continued to recover slowly as employment and personal income continued to rise against the backdrop of a trend toward improvement in overseas economies and corporate earnings, as well as the benefits of the government's various economic policies.

In Japan's housing sector, market conditions were favorable in the single-family houses newly constructed for sale. The main reasons are improvements in employment and personal income, and low mortgage interest rates. New residential construction starts remained weak as construction starts of single-family houses constructed by owners failed to rebound, construction of rental housing for inheritance tax saving ran its course along with widespread perception of oversupply.

The Kitakei Group focused on increasing construction sales and establishing relationships with more regional companies, housing manufacturers, home improvement retailers and other companies. Another priority was increasing sales of housing fixtures and of original products in order to target demand associated with new houses and home renovations. All these activities were aimed at improving our performance.

First half sales were 28,433 million yen compared with 27,409 million yen one year earlier. Operating profit increased from 357 million yen to 407 million yen and ordinary profit increased from 407 million yen to 459 million yen. Profit attributable to owners of parent was up from 244 million yen to 286 million yen.

(2) Explanation of Financial Position

a. Assets, Liabilities and Net Assets

Assets

Total assets decreased 417 million yen from the end of the previous fiscal year to 24,667 million yen as of the end of the second quarter. The main factor was an increase of 422 million yen in notes and accounts receivable-trade, while there was a decrease of 880 million yen in cash and deposits.

Liabilities

Total liabilities decreased 619 million yen from the end of the previous fiscal year to 13,402 million yen as of the end of the second quarter. The main factor was a decrease of 734 million yen in notes and accounts payable-trade.

Net assets

Total net assets increased 202 million yen from the end of the previous fiscal year to 11,265 million yen as of the end of the second quarter. The main factors were increases of 101 million yen in retained earnings and 96 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 decreased 880 million yen from the end of the previous fiscal year to 8,025 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 used in operating activities was 568 million yen (compared with 58 million yen provided in the same period of the previous fiscal year). Main negative factors include a 386 million yen increase in notes and accounts receivable-trade, a 763 million yen decrease in notes and accounts payable-trade and income taxes paid of 214 million yen. Major positive factors include profit before income taxes of 459 million yen and a 168 million yen decrease in inventories.

Cash flows from investing activities

Net cash used in investing activities was 127 million yen (compared with 151 million yen provided in the same period of the previous fiscal year). Main factors include payments of 101 million yen for purchase of investment securities and 25 million yen for purchases of property, plant and equipment and intangible assets.

Cash flows from financing activities

Net cash used in financing activities was 184 million yen (compared with 129 million yen used in the same period of the previous fiscal year). This was mainly due to cash dividends paid.

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

The full-year consolidated forecasts announced on December 28, 2017 remain unchanged.

2. Quarterly Consolidated Financial Statements and Notes**(1) Quarterly Consolidated Balance Sheet**

	(Thousands of yen)	
	FY11/17 (As of Nov. 20, 2017)	Second quarter of FY11/18 (As of May 20, 2018)
Assets		
Current assets		
Cash and deposits	8,906,043	8,025,176
Notes and accounts receivable-trade	10,758,431	11,180,720
Merchandise	632,819	635,737
Costs on uncompleted construction contracts	852,144	679,275
Other	135,566	118,522
Allowance for doubtful accounts	(13,670)	(15,350)
Total current assets	21,271,334	20,624,082
Non-current assets		
Property, plant and equipment	1,641,649	1,650,770
Intangible assets	114,352	96,913
Investments and other assets		
Other	2,102,133	2,329,466
Allowance for doubtful accounts	(44,473)	(33,380)
Total investments and other assets	2,057,660	2,296,086
Total non-current assets	3,813,662	4,043,770
Total assets	25,084,996	24,667,852
Liabilities		
Current liabilities		
Notes and accounts payable-trade	8,634,558	7,899,612
Electronically recorded obligations-operating	3,032,329	3,003,912
Income taxes payable	256,605	179,759
Provision for directors' bonuses	17,500	-
Other	733,645	911,261
Total current liabilities	12,674,640	11,994,545
Non-current liabilities		
Provision for directors' retirement benefits	210,090	217,840
Net defined benefit liability	163,357	157,004
Asset retirement obligations	16,436	16,485
Other	958,142	1,016,921
Total non-current liabilities	1,348,027	1,408,251
Total liabilities	14,022,668	13,402,797

	(Thousands of yen)	
	FY11/17 (As of Nov. 20, 2017)	Second quarter of FY11/18 (As of May 20, 2018)
Net assets		
Shareholders' equity		
Capital stock	2,220,082	2,220,082
Capital surplus	2,851,408	2,851,408
Retained earnings	5,819,218	5,920,310
Treasury shares	(205,736)	(205,903)
Total shareholders' equity	10,684,973	10,785,898
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	432,842	529,060
Remeasurements of defined benefit plans	(55,486)	(49,903)
Total accumulated other comprehensive income	377,355	479,156
Total net assets	11,062,328	11,265,055
Total liabilities and net assets	25,084,996	24,667,852

(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 FY11/17 (Nov. 21, 2016 – May 20, 2017)	First six months of FY11/18 (Nov. 21, 2017 – May 20, 2018)
Net sales	27,409,927	28,433,687
Cost of sales	24,803,915	25,737,872
Gross profit	2,606,012	2,695,815
Selling, general and administrative expenses	2,248,247	2,288,244
Operating profit	357,764	407,570
Non-operating income		
Interest income	1,793	851
Dividend income	7,710	8,859
Purchase discounts	64,870	64,457
Rent income	14,350	14,350
Other	6,947	7,798
Total non-operating income	95,673	96,318
Non-operating expenses		
Sales discounts	39,383	34,907
Rent cost of real estate	2,945	3,609
Other	4,051	5,390
Total non-operating expenses	46,379	43,907
Ordinary profit	407,057	459,981
Profit before income taxes	407,057	459,981
Income taxes-current	160,487	152,271
Income taxes-deferred	2,065	21,043
Total income taxes	162,553	173,314
Profit	244,504	286,666
Profit attributable to owners of parent	244,504	286,666

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

	(Thousands of yen)	
	First six months of FY11/17 (Nov. 21, 2016 – May 20, 2017)	First six months of FY11/18 (Nov. 21, 2017 – May 20, 2018)
Profit	244,504	286,666
Other comprehensive income		
Valuation difference on available-for-sale securities	82,267	96,218
Remeasurements of defined benefit plans, net of tax	6,589	5,583
Total other comprehensive income	88,856	101,801
Comprehensive income	333,360	388,468
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	333,360	388,468
Comprehensive income attributable to non-controlling interests	-	-

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY11/17 (Nov. 21, 2016 – May 20, 2017)	First six months of FY11/18 (Nov. 21, 2017 – May 20, 2018)
Cash flows from operating activities		
Profit before income taxes	407,057	459,981
Depreciation	49,841	49,303
Increase (decrease) in net defined benefit liability	4,066	1,680
Increase (decrease) in provision for directors' retirement benefits	7,650	7,750
Increase (decrease) in allowance for doubtful accounts	14,446	(9,413)
Increase (decrease) in provision for directors' bonuses	(15,500)	(17,500)
Interest and dividend income	(9,504)	(9,711)
Decrease (increase) in notes and accounts receivable-trade	(274,247)	(386,494)
Decrease (increase) in inventories	40,699	168,991
Increase (decrease) in notes and accounts payable-trade	(55,574)	(763,363)
Other, net	15,907	134,390
Subtotal	184,842	(364,385)
Interest and dividend income received	10,069	9,577
Income taxes paid	(136,136)	(214,168)
Net cash provided by (used in) operating activities	58,774	(568,976)
Cash flows from investing activities		
Proceeds from redemption of securities	200,000	-
Purchase of property, plant and equipment	(31,793)	(19,220)
Purchase of intangible assets	(9,130)	(6,454)
Purchase of investment securities	(990)	(101,859)
Other, net	(6,300)	-
Net cash provided by (used in) investing activities	151,785	(127,534)
Cash flows from financing activities		
Decrease (increase) in treasury shares	(11)	(167)
Cash dividends paid	(129,183)	(184,234)
Net cash provided by (used in) financing activities	(129,195)	(184,401)
Effect of exchange rate change on cash and cash equivalents	(5)	45
Net increase (decrease) in cash and cash equivalents	81,359	(880,867)
Cash and cash equivalents at beginning of period	7,206,409	8,906,043
Cash and cash equivalents at end of period	7,287,768	8,025,176

(4) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

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 FY11/17 and FY11/18 are broken down by category as follows.

(Thousands of yen)

Category		First six months of FY11/17 (Nov. 21, 2016 – May 20, 2017)		First six months of FY11/18 (Nov. 21, 2017 – May 20, 2018)	
		Amount	%	Amount	%
Products	Wood building materials	3,442,992	12.6	3,357,632	11.8
	Non-wood building materials	1,954,134	7.1	1,903,274	6.7
	Plywood	1,179,486	4.3	1,140,967	4.0
	Wood products	1,209,467	4.4	1,164,104	4.1
	Housing fixtures	6,735,697	24.6	6,815,076	24.0
	Sales with installation	797,561	2.9	837,943	2.9
	Others	1,728,248	6.3	2,163,560	7.6
	Subtotal	17,047,588	62.2	17,382,559	61.1
Construction	Completed construction contracts	10,362,338	37.8	11,051,127	38.9
	Subtotal	10,362,338	37.8	11,051,127	38.9
Total		27,409,927	100.0	28,433,687	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 six months of FY11/18 include original product sales of 977,290 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 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.