

**Consolidated Financial Results for the First Quarter of the  
Fiscal Year Ending November 20, 2021 (FY11/21)  
(Three Months Ended February 20, 2021)**

[Japanese GAAP]

April 6, 2021

Company name: KITAKEI CO., LTD.                      Stock exchange listing: Tokyo Stock Exchange, First Section  
 Stock code: 9872    URL: <https://www.kitakei.jp/>  
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 Scheduled submission of Quarterly Report:                      April 6, 2021  
 Scheduled date of dividend payment:    -  
 Preparation of supplementary materials for quarterly financial results:    Yes  
 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 FY11/21  
(from November 21, 2020 to February 20, 2021)**

(1) Consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
Feb. 20, 2021	13,836	0.1	194	5.6	223	6.3	143	(32.3)
Feb. 20, 2020	13,821	(3.9)	184	(15.7)	210	(16.1)	212	31.7

Note: Comprehensive income (millions of yen)                      Three months ended Feb. 20, 2021:    148 (down 13.1%)

Three months ended Feb. 20, 2020:    170 (down 9.5%)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Three months ended				
Feb. 20, 2021	15.48		-	
Feb. 20, 2020	22.87		-	

(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, 2021	25,475		11,870		46.6		1,279.41	
As of Nov. 20, 2020	25,467		11,954		46.9		1,288.43	

Reference: Shareholders' equity (millions of yen)

As of Feb. 20, 2021: 11,870

As of Nov. 20, 2020: 11,954

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen				
FY11/20	-	0.00	-	25.00	25.00
FY11/21	-	-	-	-	-
FY11/21 (Forecast)	-	0.00	-	17.00	17.00

Note: Revisions to the most recently announced dividend forecast: Yes

Please refer to the press release dated today "Notice of Consolidated Forecast and Dividend Forecast for the Fiscal Year Ending in November 2021" (Japanese version only).

**3. Consolidated Forecast for FY11/21 (from November 21, 2020 to November 20, 2021)**

	Net sales		Operating profit		Ordinary profit		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	28,000	4.0	330	5.4	383	1.4	230	(26.0)	24.79
Full year	56,000	4.2	630	19.9	744	14.2	446	(32.3)	48.07

Note: Revisions to the most recently announced consolidated forecast: Yes

There was initially no forecast for the fiscal year ending in November 2021 because the COVID-19 pandemic in Japan makes it extremely difficult to determine an appropriate and reliable forecast for the impact of this crisis. Despite this uncertainty, a consolidated fiscal year forecast has been established by using information that is currently available as well as assumptions that are believed to be valid. Please refer to the press release dated today "Notice of Consolidated Forecast and Dividend Forecast for the Fiscal Year Ending in November 2021" (Japanese version only).

**\* 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 Feb. 20, 2021:	10,011,841 shares	As of Nov. 20, 2020:	10,011,841 shares
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2) Number of treasury shares at the end of the period

As of Feb. 20, 2021:	733,615 shares	As of Nov. 20, 2020:	733,615 shares
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3) Average number of shares outstanding during the period

Three months ended Feb. 20, 2021:	9,278,226 shares	Three months ended Feb. 20, 2020:	9,278,293 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 Kitakei's management at the time the materials were prepared, but are not promises by Kitakei 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.

(How to view supplementary materials for quarterly financial results)

Supplementary materials for the quarterly financial results will be disclosed today (April 6, 2021), using the Timely Disclosure network (TDnet).

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## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

In the first three months (November 21, 2020 to February 20, 2021) of the fiscal year, the Japanese economy was initially recovering slowly. However, in the increasing severity of the COVID-19 pandemic that began at the end of 2020 triggered sharp declines in consumer spending and economic activity. Consequently, it is still difficult to predict how much longer this pandemic will continue and the economic outlook remains uncertain.

In Japan's housing sector, mortgage interest rates are remaining low and the government continues to enact measures to help people purchase residences of all types. However, the number of construction starts for new residences decreased in part because the COVID-19 pandemic made the outlook uncertain for the labor market and personal income.

The Kitakei Group is taking numerous actions with the primary goal of strengthening relationships with current customers and business partners. There are also activities for establishing new relationships with builders, housing manufacturers, home renovation companies, home improvement retailers and other companies. Further upgrading construction capabilities in order to increase construction sales involving home exteriors, housing fixtures and other projects is another goal. Group companies are also working on entering markets outside the housing sector. Another priority is developing and increasing sales of housing fixtures and original products that are environmentally responsible and conserve energy, such as solar power systems and storage batteries. All of these initiatives are aimed at the growth of sales and earnings.

Sales in the first three months of the fiscal year were 13,836 million yen compared with 13,821 million yen one year earlier. Operating profit increased from 184 million yen to 194 million yen and ordinary profit increased from 210 million yen to 223 million yen. Profit attributable to owners of parent was down from 212 million yen to 143 million yen.

In the first three months of the previous fiscal year, there was an extraordinary income of 116 million yen for compensation for the expropriation of land.

### (2) Explanation of Financial Position

#### Assets

Total assets increased 7 million yen from the end of the previous fiscal year to 25,475 million yen as of the end of the first quarter. The main factors were increases of 835 million yen in notes and accounts receivable-trade and 163 million yen in other under current assets, while there was a decrease of 963 million yen in cash and deposits.

#### Liabilities

Total liabilities increased 91 million yen from the end of the previous fiscal year to 13,604 million yen as of the end of the first quarter. The main factors were an increase of 276 million yen in notes and accounts payable-trade, while there was a decrease of 270 million yen in other under current liabilities.

#### Net assets

Total net assets decreased 83 million yen from the end of the previous fiscal year to 11,870 million yen as of the end of the first quarter. The main factor was a decrease of 88 million yen in retained earnings.

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

There was initially no forecast for the fiscal year ending in November 2021 because the COVID-19 pandemic in Japan makes it extremely difficult to determine an appropriate and reliable forecast for the impact of this crisis.

The timing of the end of this crisis and the outlook for the Japanese economy remain unclear. Despite this

uncertainty, we have established a consolidated forecast for the fiscal year by using information that is currently available as well as assumptions that are believed to be valid.

Distributing earnings to shareholders is one of our highest priorities. The basic policy is to pay a stable dividend consistently while conducting shareholder distributions that reflect results of operations and take into account the current business climate, financial condition and other factors. For the time being, our policy is to pay an annual dividend of at least 14 yen and use a consolidated payout ratio of 35% as the basis for determining the amount of dividend. However, the dividend determination process also incorporates changes in profit attributable to owners of parent caused by one-time events.

In the fiscal year that ended in November 2020, there was an extraordinary income of 116 million yen for compensation for the expropriation of land in the first quarter and 282 million yen for a gain on sales of investment securities in the fourth quarter. Due to the effect of this extraordinary income on profit attributable to owners of parent in the previous fiscal year, the dividend forecast for the fiscal year ending in November 2021 is 17 yen per share.

For more information, please refer to the press release dated today “Notice of Consolidated Forecast and Dividend Forecast for the Fiscal Year Ending in November 2021” (Japanese version only).

## 2. Quarterly Consolidated Financial Statements and Notes

## (1) Quarterly Consolidated Balance Sheet

	(Thousands of yen)	
	FY11/20 (As of Nov. 20, 2020)	First quarter of FY11/21 (As of Feb. 20, 2021)
<b>Assets</b>		
Current assets		
Cash and deposits	10,355,212	9,392,100
Notes and accounts receivable-trade	8,655,759	9,491,185
Merchandise	648,489	697,900
Costs on construction contracts in progress	805,530	733,265
Other	1,103,527	1,267,278
Allowance for doubtful accounts	(17,395)	(15,163)
Total current assets	21,551,124	21,566,568
Non-current assets		
Property, plant and equipment	1,756,946	1,747,302
Intangible assets	62,039	61,703
Investments and other assets		
Other	2,174,017	2,155,284
Allowance for doubtful accounts	(76,955)	(55,719)
Total investments and other assets	2,097,061	2,099,565
Total non-current assets	3,916,048	3,908,571
Total assets	25,467,172	25,475,139
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	8,347,777	8,624,684
Electronically recorded obligations-operating	2,993,538	3,102,776
Income taxes payable	252,425	81,489
Provision for bonuses	-	155,890
Provision for bonuses for directors (and other officers)	17,000	-
Other	856,982	586,387
Total current liabilities	12,467,723	12,551,227
Non-current liabilities		
Provision for retirement benefits for directors (and other officers)	256,500	260,980
Retirement benefit liability	150,331	135,026
Asset retirement obligations	16,731	16,756
Other	621,554	640,448
Total non-current liabilities	1,045,117	1,053,211
Total liabilities	13,512,841	13,604,438

	(Thousands of yen)	
	FY11/20 (As of Nov. 20, 2020)	First quarter of FY11/21 (As of Feb. 20, 2021)
Net assets		
Shareholders' equity		
Share capital	2,220,082	2,220,082
Capital surplus	2,851,427	2,851,427
Retained earnings	6,989,222	6,900,912
Treasury shares	(206,196)	(206,196)
Total shareholders' equity	11,854,536	11,766,226
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	146,229	148,210
Remeasurements of defined benefit plans	(46,434)	(43,735)
Total accumulated other comprehensive income	99,794	104,474
Total net assets	11,954,331	11,870,700
Total liabilities and net assets	25,467,172	25,475,139

**(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 FY11/20 (Nov. 21, 2019 – Feb. 20, 2020)	First three months of FY11/21 (Nov. 21, 2020 – Feb. 20, 2021)
Net sales	13,821,036	13,836,935
Cost of sales	12,441,075	12,425,646
Gross profit	1,379,961	1,411,289
Selling, general and administrative expenses	1,195,369	1,216,376
Operating profit	184,591	194,912
Non-operating income		
Interest income	706	654
Dividend income	3,455	2,833
Purchase discounts	31,070	31,031
Rental income	7,146	6,885
Other	3,311	5,825
Total non-operating income	45,689	47,231
Non-operating expenses		
Sales discounts	17,892	14,885
Rental costs on real estate	1,591	1,852
Other	285	1,645
Total non-operating expenses	19,769	18,384
Ordinary profit	210,510	223,760
Extraordinary income		
Compensation for expropriation	116,494	-
Total extraordinary income	116,494	-
Extraordinary losses		
Loss on sales of investment securities	113	-
Total extraordinary losses	113	-
Profit before income taxes	326,892	223,760
Income taxes-current	92,816	65,895
Income taxes-deferred	21,880	14,219
Total income taxes	114,696	80,114
Profit	212,195	143,645
Profit attributable to owners of parent	212,195	143,645



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

(Thousands of yen)

	First three months of FY11/20 (Nov. 21, 2019 – Feb. 20, 2020)	First three months of FY11/21 (Nov. 21, 2020 – Feb. 20, 2021)
Profit	212,195	143,645
Other comprehensive income		
Valuation difference on available-for-sale securities	(43,431)	1,981
Remeasurements of defined benefit plans, net of tax	1,951	2,698
Total other comprehensive income	(41,479)	4,679
Comprehensive income	170,715	148,325
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	170,715	148,325
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**

Kitakei has determined accounting estimates for the impairment of non-current assets, the recoverability of deferred tax assets and other items by using the assumption that the COVID-19 pandemic will decline as the end of the fiscal year ending November 20, 2021 approaches and that economic activity in Japan will slowly return to normal, resulting in a return to pre-crisis market conditions.

There are many uncertainties regarding this assumption and Kitakei may report a loss in the future if the length of the COVID-19 pandemic and its negative effects is longer than expected.

#### **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.

*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.*

Supplementary Materials for the Financial Results  
for the First Quarter of the  
Fiscal Year Ending November 20, 2021

**April 6, 2021**



Stock code: 9872

# 1. Summary of 1Q FY11/21 Consolidated Financial Results



(Millions of yen)

	1Q FY11/20		1Q FY11/21		
	Results	%	Results	%	YoY
<b>Net sales</b>	13,821	100.0%	13,836	100.0%	100.1%
<b>Operating profit</b>	184	1.3%	194	1.4%	105.6%
<b>Ordinary profit</b>	210	1.5%	223	1.6%	106.3%
<b>Profit attributable to owners of parent</b>	212	1.5%	143	1.0%	67.7%
<b>Net income per share (yen)</b>	22.87		15.48		

\* In 1Q FY11/20, there was an extraordinary income for compensation for the expropriation of land in order to widen a national highway.

## 2. Product Category Sales in 1Q FY11/21

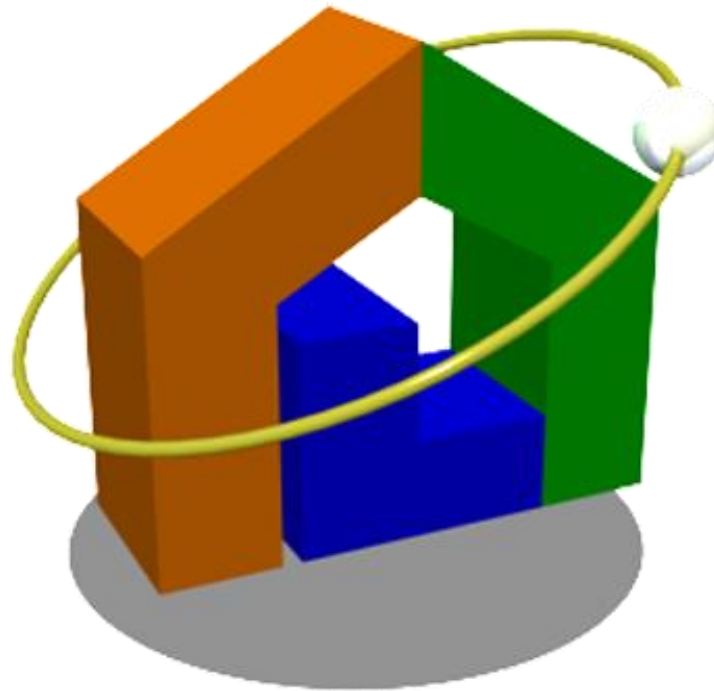
(Millions of yen)

		1Q FY11/20		1Q FY11/21		
		Results	%	Results	%	YoY
<b>Products</b>	Wood building materials	1,712	12.4%	1,843	13.3%	107.6%
	Non-wood building materials	1,103	8.0%	1,124	8.1%	102.0%
	Plywood	503	3.6%	505	3.7%	100.3%
	Wood products	658	4.8%	672	4.9%	102.1%
	Housing fixtures	3,193	23.1%	3,287	23.8%	102.9%
	Sales with installation	333	2.4%	269	1.9%	80.8%
	Others	1,127	8.1%	1,117	8.0%	99.1%
	Subtotal	8,632	62.5%	8,820	63.7%	102.2%
<b>Construction</b>	Completed construction contracts	5,188	37.5%	5,016	36.3%	96.7%
	Subtotal	5,188	37.5%	5,016	36.3%	96.7%
<b>Total</b>		<b>13,821</b>	<b>100.0%</b>	<b>13,836</b>	<b>100.0%</b>	<b>100.1%</b>
<b>Original products</b>		<b>528</b>	<b>3.8%</b>	<b>521</b>	<b>3.8%</b>	<b>98.7%</b>

\* 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.

\* Original product sales are included mainly in wood building materials, wood products, housing fixtures, and others.



Forecasts of future performance in this material are based on assumption judged to be valid and information available to the Kitakei's management at the time the materials were prepared, but are not promises by Kitakei regarding future performance. Actual results may differ materially from the forecasts for a number of reasons. Investors are cautioned not to rely solely on earnings forecasts when making investment decisions.

This material is not prepared for the purpose of soliciting investments. Individuals who use the information in this presentation should reach investment decisions on their own.