

**Non-consolidated Financial Results for the First Quarter of the  
Fiscal Year Ending November 20, 2022 (FY11/22)  
(Three Months Ended February 20, 2022)**

[Japanese GAAP]

April 1, 2022

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 5, 2022  
 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. Non-consolidated Financial Results for the First Quarter of FY11/22  
(from November 21, 2021 to February 20, 2022)**

(1) Results of operations

(Percentages represent year-on-year changes)

Three months ended	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Feb. 20, 2022	14,564	-	177	-	226	-	144	-
Feb. 20, 2021	-	-	-	-	-	-	-	-

Three months ended	Net income per share	Diluted net income per share
	Yen	Yen
Feb. 20, 2022	15.61	-
Feb. 20, 2021	-	-

Note: Financial information is consolidated for the first quarter of the fiscal year that ended in November 2021 and non-consolidated for the fourth quarter of the fiscal year that ended in November 2021. As a result, figures for the three months ended February 20, 2021 and year-on-year changes are not presented.

(2) Financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Feb. 20, 2022	27,723	12,303	44.4
As of Nov. 20, 2021	27,381	12,400	45.3

Reference: Shareholders' equity (millions of yen)                      As of Feb. 20, 2022: 12,303                      As of Nov. 20, 2021: 12,400

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY11/21	-	0.00	-	24.00	24.00
FY11/22	-	-	-	-	-
FY11/22 (Forecast)	-	0.00	-	21.00	21.00

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

**3. Non-consolidated Forecast for FY11/22 (from November 21, 2021 to November 20, 2022)**

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	28,000	-	420	-	469	-	286	-	30.82
Full year	58,000	-	815	-	923	-	560	-	60.36

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

Beginning with the first quarter of the fiscal year ending in November 2022, Kitakei has applied the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020), etc. Figures for the non-consolidated forecast incorporate these accounting standards.

**\* Notes**

(1) Application of special accounting methods for presenting quarterly financial statements: None

(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

(3) Number of shares outstanding (common stock)

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

As of Feb. 20, 2022:	10,011,841 shares	As of Nov. 20, 2021:	10,011,841 shares
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2) Number of treasury shares at the end of the period

As of Feb. 20, 2022:	733,774 shares	As of Nov. 20, 2021:	733,741 shares
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3) Average number of shares outstanding during the period

Three months ended Feb. 20, 2022:	9,278,091 shares	Three months ended Feb. 20, 2021:	9,278,226 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 Financial Performance, (3) Explanation of Non-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 1, 2022), using the Timely Disclosure network (TDnet).

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## 1. Qualitative Information on Quarterly Financial Performance

### (1) Explanation of Results of Operations

In the first three months (from November 21, 2021 to February 20, 2022) of the fiscal year, although the severity of the COVID-19 pandemic declined in Japan for a while, there was subsequently a rapid increase in the number of cases due to the new Omicron variant. Measures to prevent the spread of these infections were imposed and expanded to more areas in stages beginning on January 9, 2022. Due to these measures and other reasons, consumer spending was soft and economic activity in Japan was generally sluggish.

The global economy continues to be disrupted by many events, notably geopolitical risk involving Russia's invasion of Ukraine. This situation is beginning to have a negative effect on the Japanese economy, such as by rapidly raising prices of various resources.

In Japan's housing sector, there are concerns about the impact of the COVID-19 pandemic. However, the government continues to enact measures to help people purchase residences of all types. In addition, the increase in working at home has created a greater need for better housing. However, the outlook remains uncertain because of the rising cost of raw materials and cargo transportation, due partly to the high price of crude oil, global problems involving maritime transportation and other reasons.

Kitakei 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. Kitakei is 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 14,564 million yen. Operating profit was 177 million yen, ordinary profit was 226 million yen and profit was 144 million yen.

Beginning with the first quarter of the current fiscal year, Kitakei has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. Please refer to page 6 "2. Quarterly Non-consolidated Financial Statements and Notes, (3) Notes to Quarterly Non-consolidated Financial Statements, Changes in Accounting Policies" for details.

### (2) Explanation of Financial Position

#### Assets

Total assets increased 342 million yen from the end of the previous fiscal year to 27,723 million yen as of the end of the first quarter. The main factors were increases of 305 million yen in merchandise and 189 million yen in other under current assets, while there was a decrease of 150 million yen in notes and accounts receivable-trade, and contract assets.

#### Liabilities

Total liabilities increased 439 million yen from the end of the previous fiscal year to 15,420 million yen as of the end of the first quarter. The main factors were increases of 303 million yen in notes and accounts payable-trade and 354 million yen in electronically recorded obligations-operating.

#### Net assets

Total net assets decreased 96 million yen from the end of the previous fiscal year to 12,303 million yen as of the end of the first quarter. The main factor was a decrease of 77 million yen in retained earnings.

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

The first-half and full-year non-consolidated forecasts announced on December 28, 2021 remain unchanged.

**2. Quarterly Non-consolidated Financial Statements and Notes****(1) Quarterly Non-consolidated Balance Sheet**

(Thousands of yen)

	FY11/21 (As of Nov. 20, 2021)	First quarter of FY11/22 (As of Feb. 20, 2022)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	10,321,361	10,312,051
Notes and accounts receivable-trade, and contract assets	-	10,349,307
Notes and accounts receivable-trade	10,499,646	-
Merchandise	669,300	975,120
Costs on construction contracts in progress	897,829	935,132
Other	1,504,420	1,694,308
Allowance for doubtful accounts	(5,199)	(5,049)
<b>Total current assets</b>	<b>23,887,358</b>	<b>24,260,870</b>
<b>Non-current assets</b>		
Property, plant and equipment	1,707,321	1,698,921
Intangible assets	66,646	69,686
<b>Investments and other assets</b>		
Other	1,774,464	1,748,373
Allowance for doubtful accounts	(54,280)	(54,140)
<b>Total investments and other assets</b>	<b>1,720,183</b>	<b>1,694,232</b>
<b>Total non-current assets</b>	<b>3,494,151</b>	<b>3,462,841</b>
<b>Total assets</b>	<b>27,381,510</b>	<b>27,723,711</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	9,268,831	9,572,585
Electronically recorded obligations-operating	3,632,311	3,986,440
Income taxes payable	163,152	89,558
Provision for bonuses	-	159,000
Provision for bonuses for directors (and other officers)	19,500	-
Other	927,108	633,941
<b>Total current liabilities</b>	<b>14,010,903</b>	<b>14,441,526</b>
<b>Non-current liabilities</b>		
Provision for retirement benefits for directors (and other officers)	274,430	278,910
Provision for retirement benefits	94,101	89,828
Asset retirement obligations	16,831	16,856
Other	584,973	593,171
<b>Total non-current liabilities</b>	<b>970,337</b>	<b>978,766</b>
<b>Total liabilities</b>	<b>14,981,240</b>	<b>15,420,292</b>

	(Thousands of yen)	
	FY11/21 (As of Nov. 20, 2021)	First quarter of FY11/22 (As of Feb. 20, 2022)
Net assets		
Shareholders' equity		
Share capital	2,220,082	2,220,082
Capital surplus	2,851,427	2,851,427
Retained earnings	7,382,616	7,304,775
Treasury shares	(206,321)	(206,350)
Total shareholders' equity	12,247,804	12,169,935
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	152,465	133,483
Total valuation and translation adjustments	152,465	133,483
Total net assets	12,400,270	12,303,418
Total liabilities and net assets	27,381,510	27,723,711

**(2) Quarterly Non-consolidated Statement of Income****For the Three-month Period**

	(Thousands of yen)
	First three months of FY11/22 (Nov. 21, 2021 – Feb. 20, 2022)
Net sales	14,564,988
Cost of sales	13,164,293
Gross profit	1,400,694
Selling, general and administrative expenses	1,222,702
Operating profit	177,992
Non-operating income	
Interest income	445
Dividend income	3,532
Purchase discounts	31,497
Rental income	6,769
Other	8,015
Total non-operating income	50,260
Non-operating expenses	
Rental costs on real estate	1,936
Other	22
Total non-operating expenses	1,959
Ordinary profit	226,293
Profit before income taxes	226,293
Income taxes-current	73,492
Income taxes-deferred	7,966
Total income taxes	81,459
Profit	144,833

**(3) Notes to Quarterly Non-consolidated Financial Statements****Going Concern Assumption**

Not applicable.

**Significant Changes in Shareholders' Equity**

Not applicable.

**Changes in Accounting Policies****Application of the Accounting Standards for Revenue Recognition**

Kitakei has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter the "Revenue Recognition Accounting Standard"), etc. beginning with the first quarter of the current fiscal year. When control of a promised good or service is transferred to a customer, we recognize revenue at the amount expected to be received in exchange for the good or service.

Due to the application of this standard, the following changes have been made to some accounting methods.

**- Revenue recognition for agent transactions**

When Kitakei's role is as an agent for the provision of a good or service to a customer, Kitakei previously recognized revenue based on the total amount of consideration received from the customer. Kitakei now instead recognizes net revenue, which is the amount received from the customer less the amount paid to the supplier.

**- Revenue recognition for construction subcontracting**

For construction contracts, revenue was previously recognized by using the percentage-of-completion method when there was certainty about the results of the portion of a project that was finished. This revenue recognition method has been changed for projects where control of goods or services is transferred to a customer over a certain period. In this case, revenue is recognized over a certain period as the performance obligation to transfer the goods or services to the customer is fulfilled. The percentage of the expected total cost of construction for a project that has been incurred at the end of each reporting period is used to measure progress with fulfilling this obligation. When a reasonable estimate of progress with fulfilling the performance obligation cannot be determined at an early stage after a contract is signed but expenses associated with the contract are expected to be recovered, revenue is recognized using the cost recovery method. For construction contracts where the period between the start of work under the contract and complete fulfillment of the associated obligation is very short, an alternate method is used in which revenue is recognized when the entire obligation has been fulfilled rather than over a certain period.

**- Revenue recognition for transactions including variable consideration and consideration payable to customers**

Some expenses that were included in selling, general and administrative expenses and sales rebates classified as non-operating expenses in prior years are now instead deducted from sales.

For the application of the Revenue Recognition Accounting Standard, etc., in accordance with the transitional treatment in the proviso to paragraph 84 of this standard, the cumulative effect of the retrospective application of the new standard, if it is applied prior to the first quarter of the current fiscal year, is added to or subtracted from retained earnings at the beginning of the first quarter of the current fiscal year. The new standard is then applied beginning with this amount of retained earnings. However, Kitakei has applied the method prescribed in paragraph 86 of this standard and has not retrospectively applied the new accounting policy to contracts in which almost all revenue was recognized in accordance with the previous treatment prior to the beginning of the first quarter of the current fiscal year. There is no effect on retained earnings at the beginning of the first quarter.

As a result, net sales decreased 456 million yen, cost of sales decreased 372 million yen and operating profit decreased 8 million yen. Ordinary profit and profit before income taxes increased 9 million yen each in the first quarter of the current fiscal year.

Due to the application of the Revenue Recognition Accounting Standard, etc., notes and accounts receivable-trade that were presented in the current assets section of the balance sheet in the previous fiscal year is, from the first



quarter of the current fiscal year, included in notes and accounts receivable-trade, and contract assets. In accordance with the transitional treatment prescribed in paragraph 89-2 of the Revenue Recognition Accounting Standard, no reclassification has been made to the prior year's figures to conform to the new presentation. Furthermore, in accordance with the transitional treatment prescribed in paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), Kitakei has not presented information on disaggregated revenue from contracts with customers for the first quarter of the previous fiscal year.

#### Application of the Accounting Standards Fair Value Measurement

Kitakei has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019), etc. beginning with the first quarter of the current fiscal year, and has applied the new accounting policies set forth by the Accounting Standard of Fair Value Measurement, etc. prospectively in accordance with the transitional treatment in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). There is no effect of the application of these standards on the quarterly non-consolidated financial statements.

#### Segment and Other Information

Business segment information is omitted because Kitakei has only a single business segment and therefore there is no segment subject to disclosure requirements. Kitakei 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.

#### Revenue Recognition

##### Disaggregation of revenues

##### Information of disaggregated revenue from contracts with customers

First three months of FY11/22 (Nov. 21, 2021 – Feb. 20, 2022)

(Thousands of yen)

Segment		Amount
Products	Building materials/Wood products, etc.	4,416,041
	Housing fixtures	3,142,586
	Sales with installation	202,146
	Others	1,166,582
	Subtotal	8,927,356
Construction	Completed construction contracts	5,637,631
	Subtotal	5,637,631
Revenue from contracts with customers		14,564,988
Sales to external customers		14,564,988

Note: Building materials/Wood products, etc. includes wood building materials, non-wood building materials, plywood, and wood products.

*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, 2022

**April 1, 2022**



Stock code: 9872

# 1. Summary of 1Q FY11/22 Financial Results



(Millions of yen)

	1Q FY11/22	
	Amount	%
<b>Net sales</b>	14,564	100.0%
<b>Operating profit</b>	177	1.2%
<b>Ordinary profit</b>	226	1.6%
<b>Profit</b>	144	1.0%
<b>Net income per share (yen)</b>	15.61	

(Reference) 1Q FY11/21 consolidated results	
<b>Net sales</b>	13,836
<b>Operating profit</b>	194
<b>Ordinary profit</b>	223
<b>Profit attributable to owners of parent</b>	143
<b>Net income per share (yen)</b>	15.48

\* Kitakei absorbed and merged with consolidated subsidiary Fukuzumi Corporation on August 21, 2021 and changed from consolidated to non-consolidated financial statements beginning with the fourth quarter of the fiscal year that ended in November 2021. Figures for 1Q FY11/21 consolidated results are shown here for reference. Kitakei has applied the Accounting Standard for Revenue Recognition, etc. beginning with FY11/22. Figures for 1Q FY11/21 consolidated results have not been adjusted to conform with these accounting standards.

## 2. Product Category Sales in 1Q FY11/22



(Millions of yen)

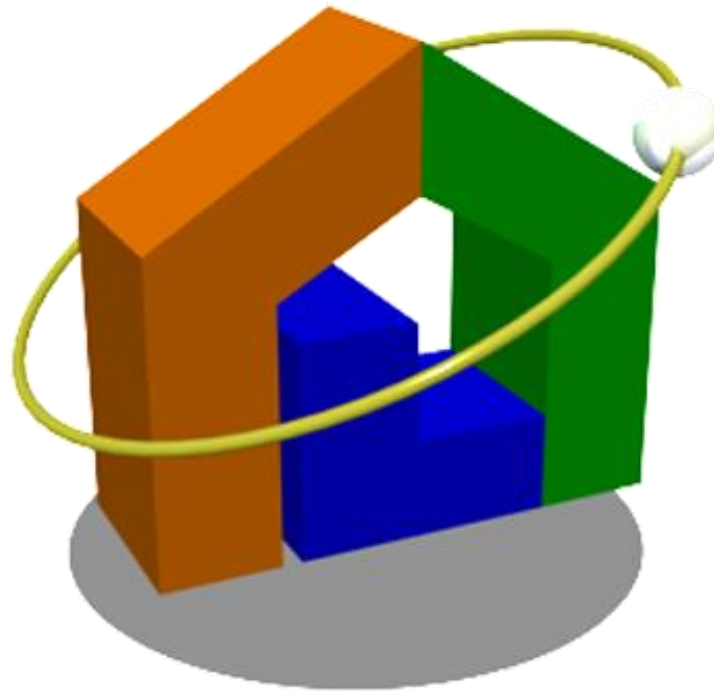
		1Q FY11/22		(Reference) 1Q FY11/21 consolidated results	
		Amount	%	Amount	%
Products	Wood building materials	1,760	12.1%	1,843	13.3%
	Non-wood building materials	1,211	8.3%	1,124	8.1%
	Plywood	545	3.7%	505	3.7%
	Wood products	898	6.2%	672	4.9%
	Housing fixtures	3,142	21.6%	3,287	23.8%
	Sales with installation	202	1.4%	269	1.9%
	Others	1,166	8.0%	1,117	8.0%
	Subtotal	8,927	61.3%	8,820	63.7%
Construction	Completed construction contracts	5,637	38.7%	5,016	36.3%
	Subtotal	5,637	38.7%	5,016	36.3%
Total		14,564	100.0%	13,836	100.0%

\* Kitakei absorbed and merged with consolidated subsidiary Fukuzumi Corporation on August 21, 2021 and changed from consolidated to non-consolidated financial statements beginning with the fourth quarter of the fiscal year that ended in November 2021. Figures for 1Q FY11/21 consolidated results are shown here for reference. Kitakei has applied the Accounting Standard for Revenue Recognition, etc. beginning with FY11/22. Figures for 1Q FY11/21 consolidated results have not been adjusted to conform with these accounting standards.

\* 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 Kitakei performs the installation or construction.

\* The transaction amount of original products, which are included mainly in wood building materials, wood products, housing fixtures and others, was 627 million yen in 1Q FY11/22.



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 material should reach investment decisions on their own.