

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

[Japanese GAAP]

July 1, 2022

Company name: KITAKEI CO., LTD. Stock exchange listing: Tokyo Stock Exchange  
 Stock code: 9872 URL: <https://www.kitakei.jp/>  
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 Scheduled submission of Quarterly Report: July 4, 2022  
 Scheduled date of dividend payment: -  
 Preparation of supplementary materials for quarterly financial results: None  
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)  
 (All amounts are rounded down to the nearest million yen)

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

(1) Results of operations

(Percentages represent year-on-year changes)

| Six months ended | Net sales       |   | Operating profit |   | Ordinary profit |   | Profit          |   |
|------------------|-----------------|---|------------------|---|-----------------|---|-----------------|---|
|                  | Millions of yen | % | Millions of yen  | % | Millions of yen | % | Millions of yen | % |
| May 20, 2022     | 29,928          | - | 414              | - | 504             | - | 325             | - |
| May 20, 2021     | -               | - | -                | - | -               | - | -               | - |

| Six months ended | Net income per share | Diluted net income per share |
|------------------|----------------------|------------------------------|
|                  | Yen                  | Yen                          |
| May 20, 2022     | 35.03                | -                            |
| May 20, 2021     | -                    | -                            |

Note: Financial information is consolidated for the second 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 six months ended May 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 May 20, 2022  | 27,622          | 12,465          | 45.1         |
| As of Nov. 20, 2021 | 27,381          | 12,400          | 45.3         |

Reference: Shareholders' equity (millions of yen) As of May 20, 2022: 12,465 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            | -                  | 0.00   | -      | -        | -     |
| FY11/22 (Forecast) | -                  | -      | -      | 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)

| Full year | Net sales       |   | Operating profit |   | Ordinary profit |   | Profit          |   | Net income per share |
|-----------|-----------------|---|------------------|---|-----------------|---|-----------------|---|----------------------|
|           | Millions of yen | % | Millions of yen  | % | Millions of yen | % | Millions of yen | % | Yen                  |
|           | 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 May 20, 2022: | 10,011,841 shares | As of Nov. 20, 2021: | 10,011,841 shares |
|---------------------|-------------------|----------------------|-------------------|

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

|                     |                |                      |                |
|---------------------|----------------|----------------------|----------------|
| As of May 20, 2022: | 733,784 shares | As of Nov. 20, 2021: | 733,741 shares |
|---------------------|----------------|----------------------|----------------|

3) Average number of shares outstanding during the period

|                                |                  |                                |                  |
|--------------------------------|------------------|--------------------------------|------------------|
| Six months ended May 20, 2022: | 9,278,076 shares | Six months ended May 20, 2021: | 9,278,226 shares |
|--------------------------------|------------------|--------------------------------|------------------|

\*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 3 for forecast assumptions and notes of caution for usage.

- Kitakei plans to hold an in-person results meeting for institutional investors and analysts on July 22, 2022 (Friday). However, this meeting may be canceled for the safety of participants and others depending on upcoming changes in the severity of the COVID-19 pandemic. If the meeting is canceled, a notice will be posted on the Kitakei's website.

Presentation materials which are distributed at this event will be available on the Kitakei's website in late July.

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## 1. Qualitative Information on Quarterly Financial Performance

### (1) Explanation of Results of Operations

In the first half (from November 21, 2021 to May 20, 2022) of the fiscal year, the government took measures to prevent the spread of the COVID-19 infections and normalize socioeconomic activities in an attempt to spur economic recovery. On the other hand, worldwide social turmoil caused by the U.S.-China conflict and the Russia-Ukraine crisis led to higher raw material and energy prices, and sharp depreciation of the yen amid a prolonged global pandemic. As a result, the economic outlook remained uncertain.

In Japan's housing sector, there are concerns about the impact of the COVID-19 pandemic on labor market and personal income. However, the government continues to enact measures to help people purchase residences of all types. In addition, low housing loan mortgage rates and the increase in working at home has created a greater need for better housing, underpinning demand for home renovations and construction of new homes. Nevertheless, there are growing concerns that consumer sentiment about purchasing residences may weaken due to rising housing prices and delivery delays caused by disruptions involving global maritime transportation, shutdowns of manufacturing plants under local lockdown, and soaring cost of building material in general and spike in raw materials and transportation costs associated with high crude oil prices 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 half of the fiscal year were 29,928 million yen. Operating profit was 414 million yen, ordinary profit was 504 million yen and profit was 325 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 8 "2. Quarterly Non-consolidated Financial Statements and Notes, (4) Notes to Quarterly Non-consolidated Financial Statements, Changes in Accounting Policies" for details.

### (2) Explanation of Financial Position

#### a. Assets, Liabilities and Net Assets

##### Assets

Total assets increased 240 million yen from the end of the previous fiscal year to 27,622 million yen as of the end of the second quarter. The main factors were increases of 1,184 million yen in cash and deposits, 193 million yen in merchandise and 331 million yen in other under current assets, while there was a decrease of 1,468 million yen in notes and accounts receivable-trade, and contract assets.

##### Liabilities

Total liabilities increased 175 million yen from the end of the previous fiscal year to 15,157 million yen as of the end of the second quarter. The main factors were an increase of 469 million yen in electronically recorded obligations-operating, while there was a decrease of 255 million yen in notes and accounts payable-trade.

##### Net assets

Total net assets increased 64 million yen from the end of the previous fiscal year to 12,465 million yen as of the end of the second quarter. The main factor was an increase of 102 million yen in retained earnings.

## b. Cash Flows

Kitakei had prepared quarterly consolidated statement of cash flows until the second quarter of the previous fiscal year. As Kitakei has switched to non-consolidated quarterly statement of cash flows from the second quarter of the current fiscal year, comparisons with the previous fiscal year are not presented.

Cash and cash equivalents (hereinafter, “net cash”) at the end of the first half increased 1,184 million yen from the end of the previous fiscal year to 11,506 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 provided by operating activities was 1,462 million yen. Main positive factors include a 1,158 million yen decrease in trade receivables, profit before income taxes of 506 million yen, and a 236 million yen increase in trade payables. Major negative factors include a 239 million yen increase in inventories and income taxes paid of 151 million yen.

### Cash flows from investing activities

Net cash used in investing activities was 56 million yen. Main negative factors include 59 million yen for purchases of property, plant and equipment and intangible assets. Major positive factors include proceeds of 2 million yen from sales of investment securities.

### Cash flows from financing activities

Net cash used in financing activities was 221 million yen. This was mainly due to dividends paid.

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

The 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<br>(As of Nov. 20, 2021) | Second quarter of FY11/22<br>(As of May 20, 2022) |
|--|----------------------------------|---|
| <b>Assets</b>  |                                  |   |
| <b>Current assets</b>  |                                  |   |
| Cash and deposits  | 10,321,361                       | 11,506,130  |
| Notes and accounts receivable-trade, and contract assets             | -                                | 9,031,488   |
| Notes and accounts receivable-trade                                  | 10,499,646                       | -   |
| Merchandise  | 669,300                          | 862,555   |
| Costs on construction contracts in progress                          | 897,829                          | 943,714   |
| Other  | 1,504,420                        | 1,835,666   |
| Allowance for doubtful accounts                                      | (5,199)                          | (4,799)   |
| Total current assets   | 23,887,358                       | 24,174,755  |
| <b>Non-current assets</b>  |                                  |   |
| Property, plant and equipment  | 1,707,321                        | 1,685,071   |
| Intangible assets  | 66,646                           | 91,805  |
| Investments and other assets   |                                  |   |
| Other  | 1,774,464                        | 1,724,249   |
| Allowance for doubtful accounts                                      | (54,280)                         | (53,789)  |
| Total investments and other assets                                   | 1,720,183                        | 1,670,460   |
| Total non-current assets   | 3,494,151                        | 3,447,337   |
| Total assets   | 27,381,510                       | 27,622,092  |
| <b>Liabilities</b>   |                                  |   |
| <b>Current liabilities</b>   |                                  |   |
| Notes and accounts payable-trade                                     | 9,268,831                        | 9,012,849   |
| Electronically recorded obligations-operating                        | 3,632,311                        | 4,101,439   |
| Income taxes payable   | 163,152                          | 220,164   |
| Provision for bonuses for directors (and other officers)             | 19,500                           | -   |
| Other  | 927,108                          | 846,821   |
| Total current liabilities  | 14,010,903                       | 14,181,274  |
| <b>Non-current liabilities</b>                                       |                                  |   |
| Provision for retirement benefits for directors (and other officers) | 274,430                          | 283,410   |
| Provision for retirement benefits                                    | 94,101                           | 101,269   |
| Asset retirement obligations   | 16,831                           | 16,872  |
| Other  | 584,973                          | 574,208   |
| Total non-current liabilities  | 970,337                          | 975,760   |
| Total liabilities  | 14,981,240                       | 15,157,034  |

|   | (Thousands of yen)    |                           |
|---|-----------------------|---------------------------|
|   | FY11/21               | Second quarter of FY11/22 |
|   | (As of Nov. 20, 2021) | (As of May 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             | 7,484,996                 |
| Treasury shares                                       | (206,321)             | (206,360)                 |
| Total shareholders' equity                            | 12,247,804            | 12,350,146                |
| Valuation and translation adjustments                 |                       |                           |
| Valuation difference on available-for-sale securities | 152,465               | 114,910                   |
| Total valuation and translation adjustments           | 152,465               | 114,910                   |
| Total net assets                                      | 12,400,270            | 12,465,057                |
| Total liabilities and net assets                      | 27,381,510            | 27,622,092                |

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

|  | (Thousands of yen)  |
|--|---|
|  | First six months of FY11/22<br>(Nov. 21, 2021 – May 20, 2022) |
| Net sales                                    | 29,928,474  |
| Cost of sales                                | 27,042,516  |
| Gross profit                                 | 2,885,957   |
| Selling, general and administrative expenses | 2,471,230   |
| Operating profit                             | 414,727   |
| Non-operating income                         |   |
| Interest income                              | 919   |
| Dividend income                              | 6,268   |
| Purchase discounts                           | 65,035  |
| Rental income                                | 13,565  |
| Other  | 10,956  |
| Total non-operating income                   | 96,744  |
| Non-operating expenses                       |   |
| Rental costs on real estate                  | 3,759   |
| Loss on cancellation of leases               | 2,647   |
| Other  | 292   |
| Total non-operating expenses                 | 6,699   |
| Ordinary profit                              | 504,772   |
| Extraordinary income                         |   |
| Gain on sale of investment securities        | 2,083   |
| Total extraordinary income                   | 2,083   |
| Profit before income taxes                   | 506,856   |
| Income taxes-current                         | 187,116   |
| Income taxes-deferred                        | (5,315)   |
| Total income taxes                           | 181,800   |
| Profit                                       | 325,055   |



**(3) Non-consolidated Statement of Cash Flows**

|   | (Thousands of yen)  |
|---|---|
|   | First six months of FY11/22<br>(Nov. 21, 2021 – May 20, 2022) |
| Cash flows from operating activities  |   |
| Profit before income taxes  | 506,856   |
| Depreciation  | 50,339  |
| Increase (decrease) in provision for retirement benefits                                    | 7,167   |
| Increase (decrease) in provision for retirement benefits for directors (and other officers) | 8,980   |
| Increase (decrease) in allowance for doubtful accounts                                      | (891)   |
| Increase (decrease) in provision for bonuses for directors (and other officers)             | (19,500)  |
| Interest and dividend income  | (7,187)   |
| Loss (gain) on sale of investment securities  | (2,083)   |
| Decrease (increase) in trade receivables  | 1,158,538   |
| Decrease (increase) in inventories  | (239,054)   |
| Increase (decrease) in trade payables   | 236,065   |
| Other, net  | (92,023)  |
| Subtotal  | 1,607,207   |
| Interest and dividends received   | 7,248   |
| Income taxes paid   | (151,593)   |
| Net cash provided by (used in) operating activities   | 1,462,862   |
| Cash flows from investing activities  |   |
| Purchase of property, plant and equipment   | (13,651)  |
| Purchase of intangible assets   | (45,389)  |
| Proceeds from sale of investment securities   | 2,643   |
| Net cash provided by (used in) investing activities   | (56,397)  |
| Cash flows from financing activities  |   |
| Decrease (increase) in treasury shares  | (39)  |
| Dividends paid  | (221,653)   |
| Net cash provided by (used in) financing activities   | (221,692)   |
| Effect of exchange rate change on cash and cash equivalents                                 | (3)   |
| Net increase (decrease) in cash and cash equivalents  | 1,184,769   |
| Cash and cash equivalents at beginning of period  | 10,321,361  |
| Cash and cash equivalents at end of period  | 11,506,130  |

**(4) 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. There is no effect on retained earnings at the beginning of the first quarter.

As a result, net sales decreased 1,068 million yen, cost of sales decreased 898 million yen and operating profit decreased 37 million yen. There is no effect on ordinary profit and profit before income taxes in the first half 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 half 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 six months of FY11/22 (Nov. 21, 2021 – May 20, 2022)

|                                       |  | (Thousands of yen) |
|---------------------------------------|--|--------------------|
| Segment                               |  | Amount             |
| Products                              | Building materials/Wood products, etc. | 9,103,207          |
|                                       | Housing fixtures                       | 6,613,564          |
|                                       | Sales with installation                | 441,403            |
|                                       | Others                                 | 2,379,108          |
|                                       | Subtotal                               | 18,537,283         |
| Construction                          | Completed construction contracts       | 11,391,190         |
|                                       | Subtotal                               | 11,391,190         |
| Revenue from contracts with customers |  | 29,928,474         |
| Sales to external customers           |  | 29,928,474         |

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.*