

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

[Japanese GAAP]

October 3, 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: October 4, 2022  
 Scheduled date of dividend payment: -  
 Preparation of supplementary materials for quarterly financial results: None  
 Holding of quarterly financial results meeting: None

(All amounts are rounded down to the nearest million yen)

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

(1) Results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended								
Aug. 20, 2022	45,110	-	599	-	732	-	468	-
Aug. 20, 2021	-	-	-	-	-	-	-	-

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended		
Aug. 20, 2022	50.49	-
Aug. 20, 2021	-	-

Note: Financial information is consolidated for the third 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 nine months ended August 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 Aug. 20, 2022	27,721	12,626	45.5
As of Nov. 20, 2021	27,381	12,400	45.3

Reference: Shareholders' equity (millions of yen) As of Aug. 20, 2022: 12,626 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)

	Net sales		Operating profit		Ordinary profit		Profit		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
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 Aug. 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 Aug. 20, 2022:	733,894 shares	As of Nov. 20, 2021:	733,741 shares
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3) Average number of shares outstanding during the period

Nine months ended Aug. 20, 2022:	9,278,037 shares	Nine months ended Aug. 20, 2021:	9,278,210 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 3 for forecast assumptions and notes of caution for usage.

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## 1. Qualitative Information on Quarterly Financial Performance

### (1) Explanation of Results of Operations

In the first nine months (November 21, 2021 to August 20, 2022) of the current fiscal year, the Japanese economy recovered steadily even as the pandemic continued to affect the economy. The recovery was supported by vaccinations, government economic measures, and the resumption of normal socioeconomic activities as pandemic restrictions were eased gradually. Despite the recovery, the outlook for the economy remains uncertain because of an increase in COVID-19 cases due to a new variant, the rising cost of raw materials and energy caused by the Ukraine crisis and other turmoil in the world, the yen's rapid depreciation, and other events.

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. In addition, the increase in working at home has created a greater need for better housing, underpinning demand for home renovations and the construction of new homes.

There are still concerns that consumer sentiment about purchasing residences may decline. One reason is delays in deliveries of building materials because of worldwide disruptions in maritime transportation and suspensions of production caused by pandemic lockdowns. The rising cost of building materials and transporting these materials due to the high cost of crude oil is another problem. The yen's rapid depreciation is raising various expenses that further raise the cost of houses.

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 nine months of the fiscal year were 45,110 million yen. Operating profit was 599 million yen, ordinary profit was 732 million yen and profit was 468 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 7 "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 340 million yen from the end of the previous fiscal year to 27,721 million yen as of the end of the third quarter. The main factors were increases of 365 million yen in merchandise and 183 million yen in other under current assets, while there were decreases of 143 million yen in notes and accounts receivable-trade, and contract assets, and 107 million yen in cash and deposits.

#### Liabilities

Total liabilities increased 114 million yen from the end of the previous fiscal year to 15,095 million yen as of the end of the third quarter. The main factors were an increase of 508 million yen in electronically recorded obligations-operating, while there was a decrease of 369 million yen in other under current liabilities.

#### Net assets

Total net assets increased 225 million yen from the end of the previous fiscal year to 12,626 million yen as of the end of the third quarter. The main factor was an increase of 245 million yen in retained earnings.

**(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 (As of Nov. 20, 2021)	Third quarter of FY11/22 (As of Aug. 20, 2022)
<b>Assets</b>		
Current assets		
Cash and deposits	10,321,361	10,213,931
Notes and accounts receivable-trade, and contract assets	-	10,356,029
Notes and accounts receivable-trade	10,499,646	-
Merchandise	669,300	1,034,768
Costs on construction contracts in progress	897,829	887,865
Other	1,504,420	1,687,674
Allowance for doubtful accounts	(5,199)	(4,849)
Total current assets	23,887,358	24,175,421
Non-current assets		
Property, plant and equipment	1,707,321	1,698,276
Intangible assets	66,646	148,227
Investments and other assets		
Other	1,774,464	1,752,207
Allowance for doubtful accounts	(54,280)	(52,590)
Total investments and other assets	1,720,183	1,699,616
Total non-current assets	3,494,151	3,546,120
Total assets	27,381,510	27,721,542
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	9,268,831	9,121,790
Electronically recorded obligations-operating	3,632,311	4,140,332
Income taxes payable	163,152	114,746
Provision for bonuses	-	164,000
Provision for bonuses for directors (and other officers)	19,500	-
Other	927,108	557,627
Total current liabilities	14,010,903	14,098,497
Non-current liabilities		
Provision for retirement benefits for directors (and other officers)	274,430	287,930
Provision for retirement benefits	94,101	96,703
Asset retirement obligations	16,831	16,897
Other	584,973	595,258
Total non-current liabilities	970,337	996,789
Total liabilities	14,981,240	15,095,287

	(Thousands of yen)	
	FY11/21 (As of Nov. 20, 2021)	Third quarter of FY11/22 (As of Aug. 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	7,628,358
Treasury shares	(206,321)	(206,458)
Total shareholders' equity	12,247,804	12,493,410
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	152,465	132,845
Total valuation and translation adjustments	152,465	132,845
Total net assets	12,400,270	12,626,255
Total liabilities and net assets	27,381,510	27,721,542

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

	(Thousands of yen)
	First nine months of FY11/22 (Nov. 21, 2021 – Aug. 20, 2022)
Net sales	45,110,722
Cost of sales	40,756,628
Gross profit	4,354,094
Selling, general and administrative expenses	3,754,241
Operating profit	599,853
Non-operating income	
Interest income	1,410
Dividend income	9,997
Purchase discounts	97,350
Rental income	20,362
Other	14,446
Total non-operating income	143,567
Non-operating expenses	
Rental costs on real estate	6,959
Loss on cancellation of leases	2,647
Other	837
Total non-operating expenses	10,444
Ordinary profit	732,976
Extraordinary income	
Gain on sale of investment securities	2,083
Total extraordinary income	2,083
Profit before income taxes	735,060
Income taxes-current	259,323
Income taxes-deferred	7,319
Total income taxes	266,643
Profit	468,416



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

As a result, net sales decreased 1,466 million yen, cost of sales decreased 1,229 million yen and operating profit decreased 52 million yen. There is no effect on ordinary profit and profit before income taxes in the first nine months 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 nine months 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 nine months of FY11/22 (Nov. 21, 2021 – Aug. 20, 2022)

(Thousands of yen)

Product category		Amount
Products	Building materials/Wood products, etc.	13,675,495
	Housing fixtures	9,940,552
	Sales with installation	728,052
	Others	3,578,321
	Subtotal	27,922,423
Construction	Completed construction contracts	17,188,299
	Subtotal	17,188,299
Revenue from contracts with customers		45,110,722
Sales to external customers		45,110,722

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.*