

*** 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: None
- 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, 2023:	10,011,841 shares	As of Nov. 20, 2022:	10,011,841 shares
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2) Number of treasury shares at the end of the period

As of May 20, 2023:	733,904 shares	As of Nov. 20, 2022:	733,894 shares
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3) Average number of shares outstanding during the period

Six months ended May 20, 2023:	9,277,944 shares	Six months ended May 20, 2022:	9,278,076 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.

- Kitakei plans to hold an in-person results meeting for institutional investors and analysts on July 25, 2023 (Tuesday). 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, 2022 to May 20, 2023) of the current fiscal year, social and economic activities in Japan began returning to normal and the economy slowly recovered as the severity of the pandemic declined. However, the outlook for the economy remains uncertain because of the high cost of resources due mainly to the prolonged Russia's aggression against Ukraine and depreciation of the yen, inflation, and other risk factors involving the economy.

Japan's housing sector benefited from the continuation of many homes and of low interest rates. However, there are concerns about the negative effect of the rising cost of building homes caused by inflation and high prices of building materials on consumer sentiment about buying a home. The number of new construction starts of dwellings is declining in the categories of owner-occupied houses and detached houses for sale, which are the main markets of Kitakei.

Kitakei is taking numerous actions with the primary goal of strengthening relationships with current customers and acquiring new customers. These include, establishing new relationships with leading regional companies, builders, housing manufacturers, home improvement retailers as well as companies in non-housing sectors. Further upgrading construction capabilities in order to increase construction sales involving home exteriors, housing fixtures and other projects is another goal. Other priorities are increasing sales of housing fixtures and original products that are environmentally responsible and conserve energy, and operating our business more efficiently. All of these initiatives are aimed at the growth of sales and earnings.

Sales in the first half of the fiscal year were 30,890 million yen compared with 29,928 million yen one year earlier. Operating profit increased from 414 million yen to 473 million yen and ordinary profit increased from 504 million yen to 573 million yen. Profit was up from 325 million yen to 390 million yen.

(2) Explanation of Financial Position

a. Assets, Liabilities and Net Assets

Assets

Total assets decreased 964 million yen from the end of the previous fiscal year to 27,733 million yen as of the end of the second quarter. The main factor were decreases of 857 million yen in notes and accounts receivable-trade, and contract assets, 208 million yen in merchandise and 160 million yen in cash and deposits, while there was an increase of 257 million yen in other under current assets.

Liabilities

Total liabilities decreased 1,105 million yen from the end of the previous fiscal year to 14,776 million yen as of the end of the second quarter. The main factor was a decrease of 1,115 million yen in notes and accounts payable-trade.

Net assets

Total net assets increased 141 million yen from the end of the previous fiscal year to 12,957 million yen as of the end of the second quarter. The main factor was an increase of 168 million yen in retained earnings.

b. Cash Flows

Cash and cash equivalents (hereinafter, "net cash") at the end of the first half decreased 160 million yen from the end of the previous fiscal year to 10,092 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 112 million yen (compared with 1,462 million yen provided in the same period of the previous fiscal year). Main positive factors include profit before income taxes of 611 million yen, a 622 million yen decrease in trade receivables and a 250 million yen decrease in inventories. Major negative

factors include a 1,082 million yen decrease in trade payables and income taxes paid of 232 million yen.

Cash flows from investing activities

Net cash used in investing activities was 52 million yen (compared with 56 million yen used in the same period of the previous fiscal year). Main negative factors include 75 million yen for purchases of property, plant and equipment and intangible assets and 20 million yen for purchase of shares of subsidiaries and associates. Major positive factors include proceeds of 44 million yen from sale of investment securities.

Cash flows from financing activities

Net cash used in financing activities was 221 million yen (compared with 221 million yen used in the same period of the previous fiscal year). 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, 2022 remain unchanged.

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

(Thousands of yen)

	FY11/22 (As of Nov. 20, 2022)	Second quarter of FY11/23 (As of May 20, 2023)
Assets		
Current assets		
Cash and deposits	10,253,770	10,092,948
Notes and accounts receivable-trade, and contract assets	11,293,490	10,435,945
Merchandise	849,868	641,004
Costs on construction contracts in progress	938,526	896,391
Other	1,785,359	2,042,389
Allowance for doubtful accounts	(4,799)	(4,399)
Total current assets	25,116,215	24,104,280
Non-current assets		
Property, plant and equipment	1,689,339	1,674,196
Intangible assets	164,689	189,785
Investments and other assets		
Other	1,778,858	1,816,128
Allowance for doubtful accounts	(51,192)	(50,539)
Total investments and other assets	1,727,665	1,765,589
Total non-current assets	3,581,695	3,629,571
Total assets	28,697,910	27,733,851
Liabilities		
Current liabilities		
Notes and accounts payable-trade	9,692,683	8,577,054
Electronically recorded obligations-operating	3,990,427	4,023,925
Income taxes payable	267,939	245,578
Provision for bonuses for directors (and other officers)	20,000	-
Other	937,661	942,927
Total current liabilities	14,908,711	13,789,486
Non-current liabilities		
Provision for retirement benefits for directors (and other officers)	292,450	302,180
Provision for retirement benefits	108,144	113,922
Asset retirement obligations	6,659	6,680
Other	565,350	563,931
Total non-current liabilities	972,604	986,714
Total liabilities	15,881,315	14,776,201

	(Thousands of yen)	
	FY11/22 (As of Nov. 20, 2022)	Second quarter of FY11/23 (As of May 20, 2023)
Net assets		
Shareholders' equity		
Share capital	2,220,082	2,220,082
Capital surplus	2,851,427	2,851,427
Retained earnings	7,801,075	7,969,243
Treasury shares	(206,458)	(206,465)
Total shareholders' equity	12,666,127	12,834,287
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	150,468	123,401
Deferred gains or losses on hedges	-	(38)
Total valuation and translation adjustments	150,468	123,362
Total net assets	12,816,595	12,957,650
Total liabilities and net assets	28,697,910	27,733,851

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

(Thousands of yen)

	First six months of FY11/22 (Nov. 21, 2021 – May 20, 2022)	First six months of FY11/23 (Nov. 21, 2022 – May 20, 2023)
Net sales	29,928,474	30,890,000
Cost of sales	27,042,516	27,773,853
Gross profit	2,885,957	3,116,147
Selling, general and administrative expenses	2,471,230	2,642,596
Operating profit	414,727	473,550
Non-operating income		
Interest income	919	1,073
Dividend income	6,268	6,386
Purchase discounts	65,035	63,362
Rental income	13,565	13,593
Other	10,956	20,024
Total non-operating income	96,744	104,440
Non-operating expenses		
Rental costs on real estate	3,759	3,500
Other	2,940	867
Total non-operating expenses	6,699	4,368
Ordinary profit	504,772	573,622
Extraordinary income		
Gain on sale of investment securities	2,083	37,776
Total extraordinary income	2,083	37,776
Profit before income taxes	506,856	611,398
Income taxes-current	187,116	211,151
Income taxes-deferred	(5,315)	9,409
Total income taxes	181,800	220,560
Profit	325,055	390,838

(3) Quarterly Non-consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY11/22 (Nov. 21, 2021 - May 20, 2022)	First six months of FY11/23 (Nov. 21, 2022 - May 20, 2023)
Cash flows from operating activities		
Profit before income taxes	506,856	611,398
Depreciation	50,339	63,985
Increase (decrease) in provision for retirement benefits	7,167	5,777
Increase (decrease) in provision for retirement benefits for directors (and other officers)	8,980	9,730
Increase (decrease) in allowance for doubtful accounts	(891)	(1,053)
Increase (decrease) in provision for bonuses for directors (and other officers)	(19,500)	(20,000)
Interest and dividend income	(7,187)	(7,460)
Loss (gain) on sale of investment securities	(2,083)	(37,776)
Decrease (increase) in trade receivables	1,158,538	622,764
Decrease (increase) in inventories	(239,054)	250,693
Increase (decrease) in trade payables	236,065	(1,082,130)
Other, net	(92,023)	(77,849)
Subtotal	1,607,207	338,080
Interest and dividends received	7,248	7,476
Income taxes paid	(151,593)	(232,795)
Net cash provided by (used in) operating activities	1,462,862	112,761
Cash flows from investing activities		
Purchase of property, plant and equipment	(13,651)	(21,543)
Purchase of intangible assets	(45,389)	(54,271)
Proceeds from sale of investment securities	2,643	44,776
Purchase of shares of subsidiaries and associates	-	(20,100)
Purchase of investment property	-	(887)
Net cash provided by (used in) investing activities	(56,397)	(52,025)
Cash flows from financing activities		
Decrease (increase) in treasury shares	(39)	(7)
Dividends paid	(221,653)	(221,449)
Net cash provided by (used in) financing activities	(221,692)	(221,456)
Effect of exchange rate change on cash and cash equivalents	(3)	(100)
Net increase (decrease) in cash and cash equivalents	1,184,769	(160,821)
Cash and cash equivalents at beginning of period	10,321,361	10,253,770
Cash and cash equivalents at end of period	11,506,130	10,092,948

(4) Notes to Quarterly Non-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 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.

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.