

**Non-consolidated Financial Results for the Third Quarter of the
Fiscal Year Ending November 20, 2023 (FY11/23)
(Nine Months Ended August 20, 2023)**

[Japanese GAAP]
October 2, 2023

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 3, 2023
 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 FY11/23
(from November 21, 2022 to August 20, 2023)**

| Nine months ended | Net sales | | Operating profit | | Ordinary profit | | Profit | |
|-------------------|-----------------|-----|------------------|------|-----------------|------|-----------------|------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Aug. 20, 2023 | 45,967 | 1.9 | 692 | 15.5 | 844 | 15.2 | 589 | 25.9 |
| Aug. 20, 2022 | 45,110 | - | 599 | - | 732 | - | 468 | - |

| Nine months ended | Net income per share | Diluted net income per share |
|-------------------|----------------------|------------------------------|
| | Yen | Yen |
| Aug. 20, 2023 | 63.58 | - |
| Aug. 20, 2022 | 50.49 | - |

Note: Financial information is consolidated for the third quarter of the fiscal year that ended in November 2021 and non-consolidated beginning with the fourth quarter of the fiscal year that ended in November 2021. As a result, year-on-year changes for the nine months ended August 20, 2022 are not presented.

(2) Financial position

| | Total assets | Net assets | Equity ratio |
|---------------------|-----------------|-----------------|--------------|
| | Millions of yen | Millions of yen | % |
| As of Aug. 20, 2023 | 27,440 | 13,136 | 47.9 |
| As of Nov. 20, 2022 | 28,697 | 12,816 | 44.7 |

Reference: Shareholders' equity (millions of yen) As of Aug. 20, 2023: 13,136 As of Nov. 20, 2022: 12,816

2. Dividends

| | Dividend per share | | | | |
|--------------------|--------------------|--------|--------|----------|-------|
| | 1Q-end | 2Q-end | 3Q-end | Year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| FY11/22 | - | 0.00 | - | 24.00 | 24.00 |
| FY11/23 | - | 0.00 | - | - | - |
| FY11/23 (Forecast) | - | - | - | 30.50 | 30.50 |

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

Breakdown of the year-end dividend for the fiscal year ending November 20, 2023: Ordinary dividend: 24.00 yen;
 Commemorative dividend to celebrate 65th founding anniversary: 6.50 yen

3. Non-consolidated Forecast for FY11/23 (from November 21, 2022 to November 20, 2023)

| 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 |
| | 63,800 | 4.8 | 830 | 0.9 | 1,010 | 0.5 | 642 | 0.1 | 69.20 |

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

*** 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 Aug. 20, 2023: | 10,011,841 shares | As of Nov. 20, 2022: | 10,011,841 shares |
|----------------------|-------------------|----------------------|-------------------|

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

| | | | |
|----------------------|----------------|----------------------|----------------|
| As of Aug. 20, 2023: | 733,904 shares | As of Nov. 20, 2022: | 733,894 shares |
|----------------------|----------------|----------------------|----------------|

3) Average number of shares outstanding during the period

| | | | |
|----------------------------------|------------------|----------------------------------|------------------|
| Nine months ended Aug. 20, 2023: | 9,277,942 shares | Nine months ended Aug. 20, 2022: | 9,278,037 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 2 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, 2022 to August 20, 2023) of the current fiscal year, economic activity in Japan returned to normal following the government's downgrade of the classification of COVID-19. Foreign tourists have returned and consumer spending and capital expenditures are recovering. However, there are difficulties due to inflation backed by higher wages and rising raw material and energy costs due to the prolonged Russia's aggression against Ukraine and the depreciation of the yen. Worldwide monetary tightening is another source of uncertainty. As a result, there is a risk of an economic downturn in Japan caused by a global economic decline caused by these events.

In Japan's housing sector, 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. Construction starts for houses by owners and houses for sale, the main markets of Kitakei, have been declining year-on-year on a monthly basis, resulting in a difficult business climate. Furthermore, although variable interest rates on home loans are still low, it will be necessary to keep a close eye on future trends.

In this challenging business climate, Kitakei is taking numerous actions for sales growth. Activities include measures to increase sales of housing fixtures that are environmentally responsible, conserve energy and can produce energy. In addition, Kitakei is using its construction expertise to expand operations to market sectors other than houses. These activities are aimed at strengthening relationships with current customers and adding new customers. Another priority is the development and sale of original products that help people enjoy their lives with confidence. For example, there are products designed for faster construction and the limitation of waste materials to only packaging materials, and wood flooring coated with an antiviral and antibacterial treatment certified by the Society of International sustaining growth for Antimicrobial Articles (SIAA). These measures help deal with the shortage of workers and environmental problems at construction sites, and meet the need for safety regarding the spread of diseases. To increase the interest of consumers in original products, we started rebranding activities that reflect current market trends, including the use of Instagram and a website redesign for the Sprout Universal Series of building materials. In addition to these sales initiatives, there are many activities for increasing the efficiency of business operations, such as the use of robotic process automation (RPA), for sales growth and higher earnings. Sales in the first nine months of the fiscal year were 45,967 million yen compared with 45,110 million yen one year earlier. Operating profit increased from 599 million yen to 692 million yen and ordinary profit increased from 732 million yen to 844 million yen. Profit was up from 468 million yen to 589 million yen.

(2) Explanation of Financial Position

Assets

Total assets decreased 1,257 million yen from the end of the previous fiscal year to 27,440 million yen as of the end of the third quarter. The main factors were decreases of 1,100 million yen in notes and accounts receivable-trade, and contract assets and 326 million yen in cash and deposits.

Liabilities

Total liabilities decreased 1,577 million yen from the end of the previous fiscal year to 14,303 million yen as of the end of the third quarter. The main factor was a decrease of 2,054 million yen in notes and accounts payable-trade, while there was an increase of 754 million yen in electronically recorded obligations-operating.

Net assets

Total net assets increased 320 million yen from the end of the previous fiscal year to 13,136 million yen as of the end of the third quarter. The main factor was an increase of 367 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, 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) | Third quarter of FY11/23 (As of Aug. 20, 2023) |
|--|----------------------------------|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 10,253,770 | 9,927,007 |
| Notes and accounts receivable-trade, and contract assets | 11,293,490 | 10,192,688 |
| Merchandise | 849,868 | 775,962 |
| Costs on construction contracts in progress | 938,526 | 905,861 |
| Other | 1,785,359 | 2,059,151 |
| Allowance for doubtful accounts | (4,799) | (4,249) |
| Total current assets | 25,116,215 | 23,856,422 |
| Non-current assets | | |
| Property, plant and equipment | 1,689,339 | 1,671,211 |
| Intangible assets | 164,689 | 185,634 |
| Investments and other assets | | |
| Other | 1,778,858 | 1,778,166 |
| Allowance for doubtful accounts | (51,192) | (51,242) |
| Total investments and other assets | 1,727,665 | 1,726,923 |
| Total non-current assets | 3,581,695 | 3,583,769 |
| Total assets | 28,697,910 | 27,440,191 |
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 9,692,683 | 7,638,487 |
| Electronically recorded obligations-operating | 3,990,427 | 4,745,050 |
| Income taxes payable | 267,939 | 126,875 |
| Provision for bonuses | - | 170,000 |
| Provision for bonuses for directors (and other officers) | 20,000 | - |
| Other | 937,661 | 614,208 |
| Total current liabilities | 14,908,711 | 13,294,622 |
| Non-current liabilities | | |
| Provision for retirement benefits for directors (and other officers) | 292,450 | 307,340 |
| Provision for retirement benefits | 108,144 | 108,742 |
| Asset retirement obligations | 6,659 | 6,691 |
| Other | 565,350 | 586,037 |
| Total non-current liabilities | 972,604 | 1,008,810 |
| Total liabilities | 15,881,315 | 14,303,432 |

| | (Thousands of yen) | |
|---|----------------------------------|---|
| | FY11/22 (As of Nov. 20, 2022) | Third quarter of FY11/23 (As of Aug. 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 | 8,168,283 |
| Treasury shares | (206,458) | (206,465) |
| Total shareholders' equity | 12,666,127 | 13,033,328 |
| Valuation and translation adjustments | | |
| Valuation difference on available-for-sale securities | 150,468 | 103,430 |
| Total valuation and translation adjustments | 150,468 | 103,430 |
| Total net assets | 12,816,595 | 13,136,758 |
| Total liabilities and net assets | 28,697,910 | 27,440,191 |

(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) | First nine months of FY11/23 (Nov. 21, 2022 – Aug. 20, 2023) |
|--|---|---|
| Net sales | 45,110,722 | 45,967,069 |
| Cost of sales | 40,756,628 | 41,257,116 |
| Gross profit | 4,354,094 | 4,709,952 |
| Selling, general and administrative expenses | 3,754,241 | 4,017,206 |
| Operating profit | 599,853 | 692,746 |
| Non-operating income | | |
| Interest income | 1,410 | 1,609 |
| Dividend income | 9,997 | 10,099 |
| Purchase discounts | 97,350 | 94,846 |
| Rental income | 20,362 | 20,389 |
| Other | 14,446 | 33,031 |
| Total non-operating income | 143,567 | 159,975 |
| Non-operating expenses | | |
| Rental costs on real estate | 6,959 | 6,107 |
| Other | 3,484 | 2,311 |
| Total non-operating expenses | 10,444 | 8,418 |
| Ordinary profit | 732,976 | 844,303 |
| Extraordinary income | | |
| Gain on sale of investment securities | 2,083 | 76,660 |
| Total extraordinary income | 2,083 | 76,660 |
| Profit before income taxes | 735,060 | 920,963 |
| Income taxes-current | 259,323 | 305,872 |
| Income taxes-deferred | 7,319 | 25,211 |
| Total income taxes | 266,643 | 331,084 |
| Profit | 468,416 | 589,879 |

(3) 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.