

*** 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 Feb. 20, 2024:	10,011,841 shares	As of Nov. 20, 2023:	10,011,841 shares
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2) Number of treasury shares at the end of the period

As of Feb. 20, 2024:	733,999 shares	As of Nov. 20, 2023:	733,999 shares
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3) Average number of shares outstanding during the period

Three months ended Feb. 20, 2024:	9,277,842 shares	Three months ended Feb. 20, 2023:	9,277,947 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.

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1. Qualitative Information on Quarterly Financial Performance

(1) Explanation of Results of Operations

In the first three months (November 21, 2023 to February 20, 2024) of the current fiscal year, the Japanese economy gradually recovered as economic activity normalized, the employment and income environment improved, and the Nikkei Stock Average chalked up significant gains. Despite these positive trends, the outlook for the economy remains uncertain. There is a downturn in overseas economies attributed to global monetary tightening and uncertainty about the Chinese economy's outlook, price increases driven by soaring costs of resources and raw materials, exacerbated by the yen's weakening trend, and geopolitical risks, stemming from prolonged Russia's aggression against Ukraine and instability in the Middle East.

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. Moreover, it will be necessary to keep an eye on housing loan interest rate trends.

In this challenging business climate, activities continued for growth in the market for newly constructed houses. There are also numerous activities for growth in the renovation market, non-residential market and other market sectors by using skills involving sales of residences with construction included and logistics capabilities. The goals are to build stronger ties with current customers and add new customers. We also focused on further upgrading construction capabilities for the growth of construction sales and activities associated with construction. Another priority is increasing sales of environmental products, mainly solar power systems and storage batteries, and other original products. 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 three months of the fiscal year were 15,131 million yen compared with 15,418 million yen one year earlier. Operating profit increased from 215 million yen to 267 million yen and ordinary profit increased from 262 million yen to 319 million yen. Profit was up from 164 million yen to 202 million yen.

(2) Explanation of Financial Position

Assets

Total assets decreased 629 million yen from the end of the previous fiscal year to 28,379 million yen as of the end of the first quarter. The main factor was a decrease of 855 million yen in notes and accounts receivable-trade, and contract assets, while there was an increase of 209 million yen in other under current assets.

Liabilities

Total liabilities decreased 521 million yen from the end of the previous fiscal year to 15,131 million yen as of the end of the first quarter. The main factors were decreases of 662 million yen in notes and accounts payable-trade, 293 million yen in other under current liabilities and 224 million yen in income taxes payable, while there were increases of 509 million yen in electronically recorded obligations-operating and 152 million yen in provision for bonuses.

Net assets

Total net assets decreased 107 million yen from the end of the previous fiscal year to 13,247 million yen as of the end of the first quarter. The main factor was a decrease of 135 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, 2023 remain unchanged.

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

(Thousands of yen)

	FY11/23 (As of Nov. 20, 2023)	First quarter of FY11/24 (As of Feb. 20, 2024)
Assets		
Current assets		
Cash and deposits	11,648,811	11,649,800
Notes and accounts receivable-trade, and contract assets	9,588,539	8,732,833
Merchandise	674,556	827,101
Costs on construction contracts in progress	992,136	882,508
Other	2,365,338	2,574,629
Allowance for doubtful accounts	(6,399)	(7,149)
Total current assets	25,262,984	24,659,725
Non-current assets		
Property, plant and equipment	1,713,015	1,701,189
Intangible assets	197,243	186,734
Investments and other assets		
Other	1,895,963	1,891,733
Allowance for doubtful accounts	(60,539)	(60,211)
Total investments and other assets	1,835,424	1,831,521
Total non-current assets	3,745,682	3,719,445
Total assets	29,008,667	28,379,170
Liabilities		
Current liabilities		
Notes and accounts payable-trade	7,145,005	6,482,236
Electronically recorded obligations-operating	6,117,919	6,627,322
Income taxes payable	308,064	83,944
Provision for bonuses	-	152,510
Provision for bonuses for directors (and other officers)	25,800	-
Other	1,037,550	743,613
Total current liabilities	14,634,339	14,089,626
Non-current liabilities		
Provision for retirement benefits for directors (and other officers)	312,510	-
Provision for retirement benefits	119,830	115,845
Asset retirement obligations	24,069	24,110
Other	562,434	902,032
Total non-current liabilities	1,018,844	1,041,988
Total liabilities	15,653,184	15,131,614

	(Thousands of yen)	
	FY11/23 (As of Nov. 20, 2023)	First quarter of FY11/24 (As of Feb. 20, 2024)
Net assets		
Shareholders' equity		
Share capital	2,220,082	2,220,082
Capital surplus	2,851,427	2,851,427
Retained earnings	8,391,026	8,255,160
Treasury shares	(206,542)	(206,542)
Total shareholders' equity	13,255,993	13,120,128
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	99,488	127,427
Total valuation and translation adjustments	99,488	127,427
Total net assets	13,355,482	13,247,556
Total liabilities and net assets	29,008,667	28,379,170

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

(Thousands of yen)

	First three months of FY11/23 (Nov. 21, 2022 – Feb. 20, 2023)	First three months of FY11/24 (Nov. 21, 2023 – Feb. 20, 2024)
Net sales	15,418,093	15,131,598
Cost of sales	13,891,147	13,503,978
Gross profit	1,526,945	1,627,619
Selling, general and administrative expenses	1,311,443	1,360,486
Operating profit	215,502	267,133
Non-operating income		
Interest income	523	821
Dividend income	3,670	3,952
Purchase discounts	31,512	31,958
Rental income	6,796	6,714
Other	6,547	11,215
Total non-operating income	49,050	54,661
Non-operating expenses		
Rental costs on real estate	2,210	1,966
Other	95	2
Total non-operating expenses	2,305	1,968
Ordinary profit	262,247	319,826
Profit before income taxes	262,247	319,826
Income taxes-current	67,731	66,835
Income taxes-deferred	29,998	50,215
Total income taxes	97,729	117,050
Profit	164,517	202,776

(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.