

Summary of Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending March 31, 2020
(Three Months Ended June 30, 2019)

[Japanese GAAP]

Company name: KI-STAR REAL ESTATE CO., LTD. Listing: Tokyo Stock Exchange, First Section
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 Scheduled date of filing of Quarterly Report: August 13, 2019
 Scheduled date of payment of dividend: -
 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. Consolidated Financial Results for the First Three Months (April 1, 2019 – June 30, 2019) of the Fiscal Year Ending March 31, 2020

(1) Consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended Jun. 30, 2019	26,009	53.2	1,283	41.4	1,224	39.0	715	45.1
Three months ended Jun. 30, 2018	16,982	39.4	907	30.9	881	27.5	493	13.6

Note: Comprehensive income (million yen) Three months ended Jun. 30, 2019: 806 (up 40.1%)
 Three months ended Jun. 30, 2018: 575 (up 29.1%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2019	50.41	-
Three months ended Jun. 30, 2018	34.74	-

Notes: 1. Diluted net income per share for the three months ended June 30, 2019 is not presented because there was no potential shares with dilutive effects. Diluted net income per share for the three months ended June 30, 2018 is not presented because dilutive shares do not exist.

2. KI-STAR REAL ESTATE CO., LTD. (“the Company”) has established a performance-linked stock compensation plan for directors. The Company’s shares for this plan held by the trust are recorded as treasury shares in the consolidated balance sheet and included in treasury shares for calculating the average number of shares during the period for determining net income per share.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Jun. 30, 2019	79,578	17,176	19.8
As of Mar. 31, 2019	81,416	17,079	19.2

Reference: Shareholders’ equity (million yen) As of Jun. 30, 2019: 15,736 As of Mar. 31, 2019: 15,618

Note: The Company has established a performance-linked stock compensation plan for directors. The Company’s shares for this plan held by the trust are recorded as treasury shares in the consolidated balance sheet.

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2019	-	42.00	-	42.00	84.00
Fiscal year ending Mar. 31, 2020	-	-	-	-	-
Fiscal year ending Mar. 31, 2020 (forecasts)	-	42.00	-	42.00	84.00

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

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2020 (April 1, 2019 – March 31, 2020)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	118,000	14.4	6,400	7.6	6,100	5.7	3,800	9.8	267.77

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

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in the scope of consolidation): None

Newly added: -

Excluded: -

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting 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 estimates: None

4) Restatements: None

(4) Number of issued shares (common shares)

1) Number of shares issued at the end of the period (including treasury shares)

As of Jun. 30, 2019:	14,232,500 shares	As of Mar. 31, 2019:	14,232,500 shares
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2) Number of treasury shares at the end of the period

As of Jun. 30, 2019:	41,344 shares	As of Mar. 31, 2019:	41,344 shares
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3) Average number of shares during the period

Three months ended Jun. 30, 2019:	14,191,156 shares	Three months ended Jun. 30, 2018:	14,191,156 shares
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Note: The Company has established a performance-linked stock compensation plan for directors. The Company's shares for this plan held by the trust are included in treasury shares for calculating the number of treasury shares at the end of the period and the average number of shares during the period.

* 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

Cautionary statement with respect to forecasts

Forecasts of future performance in this report are based on assumptions judged to be valid and information currently available to the Company. Actual results may differ significantly from these forecasts for a number of factors.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first quarter of the current fiscal year, there was a feeling that the economy had stalled although personal income recovered steadily, personal consumption showed a slow recovery, and corporate earnings fluctuated while maintaining high levels. The uncertainty about the outlook for the global economy is increasing because of worsening Japan-South Korea relations, U.S.-China trade friction and other factors.

In the Japanese housing sector, where the KI-STAR REAL ESTATE Group (“the Group”) operates, the environment for purchasing residences remained favorable. The primary reasons are an improvement in personal income, the continuation of reduced taxes that lower the cost of purchasing residences, and low housing loan interest rates. However, the housing industry has been buffeted by scandals one after the other, involving buildings that do not comply with laws and other requirements and window-dressed accounts, among others. As a result, the housing industry’s image has been affected and undeniable concerns have risen about the real estate market.

By supplying houses with outstanding quality at low prices, the Group continued to concentrate on the growth strategy for its core homebuilding and sales business. Activities are guided by the management philosophy of “creating lives that are fulfilling, enjoyable and pleasant.” For more progress with combining real estate and IT, we conducted research involving the use of IT and created systems for many of our operations. The objective is to build houses incorporating concepts that look into the future in order to provide outstanding comfort and convenience to residents. Declaring 2019 as the first year of the Group’s IT growth phase, we are pursuing an IT growth strategy with the goal of becoming the leader in the convergence of real estate and IT.

Our highest priority is improving inventory turnover, which is the time from purchasing land to the sale of a house on that land, in order to properly manage the level of financial soundness. We have also been working on speeding up property sales and shortening construction periods in order to shorten inventory turnover.

Sales and earnings climbed to all-time highs for a three-month period because of numerous initiatives at all group companies aimed at raising the speed of activities involving the market share growth strategy. Sales were 26,009 million yen, 9,027 million yen (53.2%) higher than one year earlier. Selling, general and administrative expenses increased 818 million yen mainly because of an increase in brokerage commissions (a variable expense) due to higher sales. However, operating profit increased 375 million yen (41.4%) to a record-high 1,283 million yen due to sales growth. Ordinary profit increased 343 million yen (39.0%) to 1,224 million yen, while interest expenses were up 48 million yen because of procurement of funds from financial institutions to purchase land. Profit attributable to owners of parent increased 222 million yen (45.1%) to a record-high 715 million yen.

Results by business segment are as follows:

i) Homebuilding and sales business

This business stepped up the pace of activities involving its market share growth strategy. Backed by marketing activities that link the KEIAI brand with outstanding designs, we continued to supply houses with outstanding quality at low prices. Prices of houses are set at a level that makes the mortgage payments less expensive than renting a residence. We placed priority on the turnover ratio by shortening the time between the purchase of land and sale of houses. Building houses faster and improving construction processes also contributed to lowering expenses in this business. In addition, we continued to upgrade our sales capabilities by building stronger ties with real estate brokers throughout Japan, increasing purchases of land and increasing the use of outsourced sales activities.

During the first quarter, 593 houses (including the land) were sold, 100 more than one year earlier, and sales increased 4,716 million yen to 17,230 million yen. Although earnings were negatively affected by higher brokerage commissions (a variable expense) as sales increased, segment profit was up 338 million yen to 1,382 million yen.

ii) Custom-built housing business

This custom-built housing business is now concentrating on increasing the number of orders from real estate companies for its “Fit-Pro” custom-built houses.

The number of houses sold during the first quarter increased by 8 from one year earlier to 29. Sales were up 70 million yen to 338 million yen and segment profit increased 13 million yen to 55 million yen.

iii) Resale housing sales business

This business pays close attention to current market conditions and purchases only carefully chosen houses from real estate companies and other sellers. Most of the sales are derived from pre-owned houses that are sold after performing renovations. This business has started a revitalization business for existing detached houses.

The number of houses sold during the first quarter was 53, 26 more than one year earlier. Sales increased 638 million yen to 1,430 million yen and segment profit increased 40 million yen to 48 million yen.

iv) Yokatown business

Subsidiary Yokatown Co., Ltd. sells built-for-sale houses, land and custom-built houses mainly in Fukuoka prefecture. In particular, Yokatown started to work on strengthening its built-for-sale house sales business from the previous fiscal year.

The number of custom-built houses sold during the first quarter decreased by 22 to 37, the number of built-for-sale houses sold increased by 48 to 105 (including land). Sales increased 696 million yen to 3,163 million yen and segment profit increased 32 million yen to 272 million yen.

v) Asahi Housing business

Subsidiary Asahi Housing Co., Ltd. sells built-for-sale houses mainly in Kanagawa prefecture. There are many activities at this company involving housing development projects.

The number of houses sold during the first quarter increased by 28 to 35 (including land). Sales increased 554 million yen to 1,252 million yen and segment profit increased 23 million yen to 34 million yen.

vi) Fresco business

Subsidiary Fresco Inc. sells land and custom-built houses mainly in Chiba prefecture. Custom-built house sales mainly consist of houses where buyers can determine designs on their own and the Hanamaru house line of homes where buyers choose from pre-determined elements. Fresco plans to increase sales of built-for-sale houses.

Fresco sold 16 custom-built houses, 12 sites for houses and 11 built-for-sale houses, and sales were 928 million yen. There was a segment loss of 25 million yen. There are no sales and earnings comparisons because Fresco was added to reportable segments in the previous second quarter as it became a consolidated subsidiary in July 2018.

vii) Kensin business

Subsidiary Kensin primarily sells built-for-sale houses, custom-built homes and land and performs building site preparation work mainly in the city of Yokosuka in Kanagawa prefecture. The company has been involved with many real estate development projects that required the preparation of building sites at locations with big differences between high and low areas. Kensin plans to increase sales of built-for-sale houses.

Kensin sold 20 custom-built houses, five sites for houses and 15 built-for-sale houses, and sales were 1,371 million yen. There was a segment loss of 17 million yen. There are no sales and earnings comparisons because Kensin was added to reportable segments in the previous second half as it became a consolidated subsidiary in January 2019.

(2) Explanation of Financial Position**【Assets】**

Total assets decreased by 1,837 million yen from the end of the previous fiscal year to 79,578 million yen at the end of the first quarter of the current fiscal year. The main reason includes a decrease of 3,683 million yen in cash and deposits, while there was a 1,819 million yen increase in inventories, which includes real estate for sale, real estate for sale in process and costs on uncompleted construction contracts.

【Liabilities】

Total liabilities decreased by 1,934 million yen to 62,402 million yen. The main reason was a 1,663 million yen decrease in short-term borrowings primarily to improve financial soundness.

【Net assets】

Total net assets increased by 97 million yen to 17,176 million yen. The main reasons were an increase of 715 million yen in retained earnings due to profit attributable to owners of parent, which was partly offset by a 597 million yen decrease in retained earnings as a result of payments of cash dividends, and a 21 million yen decrease in non-controlling interests.

(3) Explanation of Consolidated Forecast and Other Forward-looking Statements

In every fiscal year, sales and earnings at all levels tend to be higher in the second half than in the first half. Due to many activities for the growth strategy for the homebuilding and sales business in the first quarter of the current fiscal year, sales increased 53.2% to 26,009 million yen, ordinary profit increased 39.0% to 1,224 million yen and profit attributable to owners of parent increased 45.1% to 715 million yen. All are record highs for the first three months. We also expect that sales and earnings will reach all-time highs in this fiscal year.

Although sales and earnings in the first quarter were higher than the forecast, there are no revisions to the consolidated forecasts for the fiscal year ending March 31, 2020, which was announced on May 10 2019. An announcement will be made promptly if there is any new information about the forecast that requires disclosure.

2. Quarterly Consolidated Financial Statements and Notes**(1) Quarterly Consolidated Balance Sheet**

	(Thousands of yen)	
	FY3/19 (As of Mar. 31, 2019)	First quarter of FY3/20 (As of Jun. 30, 2019)
Assets		
Current assets		
Cash and deposits	14,020,502	10,337,024
Accounts receivable from completed construction contracts	517,875	223,569
Real estate for sale	26,950,339	31,051,519
Real estate for sale in process	28,412,462	26,798,176
Costs on uncompleted construction contracts	2,293,041	1,625,257
Other	2,000,893	1,985,591
Allowance for doubtful accounts	(14,659)	(14,734)
Total current assets	74,180,454	72,006,404
Non-current assets		
Property, plant and equipment	4,234,275	4,471,243
Intangible assets		
Goodwill	934,705	925,912
Other	464,190	533,386
Total intangible assets	1,398,896	1,459,299
Investments and other assets	1,602,945	1,641,709
Total non-current assets	7,236,116	7,572,251
Total assets	81,416,570	79,578,656
Liabilities		
Current liabilities		
Electronically recorded obligations-operating	518,350	459,845
Accounts payable for construction contracts	8,066,132	7,105,975
Short-term borrowings	41,718,900	40,055,045
Current portion of bonds	122,400	164,400
Current portion of long-term borrowings	2,149,753	3,113,169
Lease obligations	14,121	191,752
Income taxes payable	1,118,414	421,373
Provision for bonuses	225,697	415,982
Other	3,558,295	3,625,341
Total current liabilities	57,492,066	55,552,887
Non-current liabilities		
Bonds payable	480,600	397,400
Long-term borrowings	6,173,017	6,205,397
Lease obligations	13,232	60,738
Asset retirement obligations	69,334	69,466
Other	108,735	116,172
Total non-current liabilities	6,844,921	6,849,174
Total liabilities	64,336,987	62,402,061

	(Thousands of yen)	
	FY3/19 (As of Mar. 31, 2019)	First quarter of FY3/20 (As of Jun. 30, 2019)
Net assets		
Shareholders' equity		
Share capital	821,050	821,050
Capital surplus	1,727,835	1,727,835
Retained earnings	13,166,014	13,283,723
Treasury shares	(77,428)	(77,428)
Total shareholders' equity	15,637,472	15,755,181
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(18,580)	(18,442)
Total accumulated other comprehensive income	(18,580)	(18,442)
Share acquisition rights	1,086	1,448
Non-controlling interests	1,459,604	1,438,407
Total net assets	17,079,583	17,176,594
Total liabilities and net assets	81,416,570	79,578,656

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**Quarterly Consolidated Statement of Income****(For the Three-month Period)**

(Thousands of yen)

	First three months of FY3/19 (Apr. 1, 2018 – Jun. 30, 2018)	First three months of FY3/20 (Apr. 1, 2019 – Jun. 30, 2019)
Net sales	16,982,845	26,009,865
Cost of sales	14,319,943	22,152,614
Gross profit	2,662,901	3,857,250
Selling, general and administrative expenses	1,755,565	2,573,965
Operating profit	907,336	1,283,285
Non-operating income		
Interest income	31	134
Dividend income	345	2,969
Refund of real estate acquisition tax	36,337	8,555
Subsidy income	-	16,991
Share of profit of entities accounted for using equity method	2,140	-
Other	29,153	63,191
Total non-operating income	68,008	91,840
Non-operating expenses		
Interest expenses	91,380	140,170
Other	2,698	9,972
Total non-operating expenses	94,079	150,143
Ordinary profit	881,265	1,224,982
Extraordinary losses		
Loss on sales of non-current assets	4,791	-
Loss on retirement of non-current assets	1,640	-
Total extraordinary losses	6,432	-
Profit before income taxes	874,833	1,224,982
Income taxes-current	297,231	441,241
Income taxes-deferred	1,177	(22,204)
Total income taxes	298,409	419,036
Profit	576,424	805,946
Profit attributable to non-controlling interests	83,324	90,474
Profit attributable to owners of parent	493,099	715,471

Quarterly Consolidated Statement of Comprehensive Income
(For the Three-month Period)

(Thousands of yen)

	First three months of FY3/19 (Apr. 1, 2018 – Jun. 30, 2018)	First three months of FY3/20 (Apr. 1, 2019 – Jun. 30, 2019)
Profit	576,424	805,946
Other comprehensive income		
Valuation difference on available-for-sale securities	(920)	460
Total other comprehensive income	(920)	460
Comprehensive income	575,503	806,407
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	492,179	715,609
Comprehensive income attributable to non-controlling interests	83,324	90,797

(3) Notes to Quarterly Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Segment and Other Information

Segment information

First three months of FY3/19 (Apr. 1, 2018 – Jun. 30, 2018)

1. Information related to net sales and profit for each reportable segment

(Thousands of yen)

	Reportable segment					
	Homebuilding and sales	Custom-built housing	Pre-owned home sales	Yokatown	Asahi Housing	Total
Net sales						
Sales to external customers	12,513,907	267,305	791,714	2,466,901	698,181	16,738,011
Inter-segment sales and transfers	-	-	-	-	-	-
Total	12,513,907	267,305	791,714	2,466,901	698,181	16,738,011
Segment profit (loss)	1,043,709	42,526	8,154	239,817	11,549	1,345,757

	Others (Note 1)	Adjustments (Note 2)	Amounts shown on the quarterly consolidated statement of income (Note 3)
Net sales			
Sales to external customers	244,833	-	16,982,845
Inter-segment sales and transfers	241,340	(241,340)	-
Total	486,174	(241,340)	16,982,845
Segment profit (loss)	41,531	(479,952)	907,336

Notes: 1. Others represent the businesses which are not included in any of the reportable segments and mainly consist of real estate leasing and brokerage businesses.

2. Adjustments to segment profit consist of corporate expenses that cannot be attributed to any of the reportable segments.

3. Segment profit is adjusted with operating profit shown on the consolidated statement of income.

First three months of FY3/20 (Apr. 1, 2019 – Jun. 30, 2019)

1. Information related to net sales and profit for each reportable segment

(Thousands of yen)

	Reportable segment					
	Homebuilding and sales	Custom-built housing	Pre-owned home sales	Yokatown	Asahi Housing	Fresco
Net sales						
Sales to external customers	17,230,783	338,075	1,430,336	3,163,404	1,252,533	928,420
Inter-segment sales and transfers	-	-	-	-	-	-
Total	17,230,783	338,075	1,430,336	3,163,404	1,252,533	928,420
Segment profit (loss)	1,382,002	55,752	48,725	272,102	34,870	(25,406)

	Reportable segment		Others (Note 1)	Adjustments (Note 2)	Amounts shown on the quarterly consolidated statement of income (Note 3)
	Kensin	Total			
Net sales					
Sales to external customers	1,371,051	25,714,604	295,260	-	26,009,865
Inter-segment sales and transfers	-	-	232,067	(232,067)	-
Total	1,371,051	25,714,604	527,328	(232,067)	26,009,865
Segment profit (loss)	(17,128)	1,750,918	54,457	(522,090)	1,283,285

Notes: 1. Others represent the businesses which are not included in any of the reportable segments and mainly consist of real estate leasing and brokerage businesses.

2. Adjustments to segment profit or loss consist of corporate expenses that cannot be attributed to any of the reportable segments.

3. Segment profit or loss is adjusted with operating profit shown on the consolidated statement of income.

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.