

**Summary of Consolidated Financial Results**  
**for the Third Quarter of the Fiscal Year Ending March 31, 2020**  
**(Nine Months Ended December 31, 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: February 13, 2020  
 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 Nine Months (April 1, 2019 – December 31, 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	%
Nine months ended Dec. 31, 2019	87,056	22.4	4,258	3.4	4,049	2.2	2,506	6.6
Nine months ended Dec. 31, 2018	71,148	66.5	4,117	19.8	3,963	18.6	2,351	13.4

Note: Comprehensive income (million yen) Nine months ended Dec. 31, 2019: 2,811 (up 7.0%)  
 Nine months ended Dec. 31, 2018: 2,627 (up 18.4%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2019	176.63	-
Nine months ended Dec. 31, 2018	165.71	-

Notes: 1. Diluted net income per share for the nine months ended December 31, 2018 and 2019 is not presented because there was no potential shares with dilutive effects.

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 quarterly 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 Dec. 31, 2019	85,783	18,576	19.7
As of Mar. 31, 2019	81,416	17,079	19.2

Reference: Shareholders’ equity (million yen) As of Dec. 31, 2019: 16,935 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 quarterly 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	-	42.00	-		
Fiscal year ending Mar. 31, 2020 (forecasts)				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 Dec. 31, 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 Dec. 31, 2019:	41,344 shares	As of Mar. 31, 2019:	41,344 shares
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3) Average number of shares during the period

Nine months ended Dec. 31, 2019:	14,191,156 shares	Nine months ended Dec. 31, 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 nine months of the current fiscal year, although personal income and personal consumption recovered moderately, corporate earnings lacked growth momentum. Consequently, there was a feeling that the economy had stalled. In addition, 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 housing acquisition preferential taxation, and low mortgage interest rates. However, a situation in which concerns about the real estate market continue is undeniable due to a series of scandals involving the industry, such as improper loans for the purchase of residences by investors.

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.

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 and improve the level of financial soundness.

Sales and earnings climbed to all-time highs for a nine-month period. Sales were 87,056 million yen, 15,908 million yen (22.4%) higher than one year earlier because of measures to strengthen sales activities. Selling, general and administrative expenses increased 2,169 million yen mainly because of an increase in brokerage commissions (Increase of the variable cost ) due to higher sales. However, operating profit increased 141 million yen (3.4%) to a record-high 4,258 million yen due to sales growth. Ordinary profit increased 86 million yen (2.2%) to 4,049 million yen, while interest expenses were up 78 million yen because of an increase in loans to procure funds from financial institutions for purchasing land based on the growth strategy for the homebuilding and sales business. Profit attributable to owners of parent increased 155 million yen (6.6%) to 2,506 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 monthly 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 nine months, 1,922 houses (including land sale) were sold, 76 less than one year earlier. However, sales increased 4,883 million yen to 56,823 million yen as unit sales prices increased. Although earnings were negatively affected by higher brokerage commissions (Increase of the variable cost ) as sales increased, segment profit was up 634 million yen to 4,637 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 nine months decreased by 4 from one year earlier to 74. Sales were down 241 million yen to 855 million yen and segment profit decreased 13 million yen to 184 million yen.

iii) Resales 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 nine months was 119, 24 more than one year earlier. Sales increased 637 million yen to 3,328 million yen and segment profit decreased 48 million yen to 42 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 built-for-sale houses sold during the first nine months increased by 121 to 390 (including land sale), the number of custom-built houses sold decreased by 113 to 99. Sales increased 2,190 million yen to 11,098 million yen and segment profit decreased 113 million yen to 777 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 nine months increased by 39 to 137 (including land sale). Sales increased 1,671 million yen to 5,121 million yen and segment profit increased 82 million yen to 177 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 99 custom-built houses, 45 sites for houses and 54 built-for-sale houses. Sales increased 1,692 million yen to 3,825 million yen. Segment profit was 127 million yen, an increase of 121 million year compared with one year earlier when segment profit was held down to 5 million yen due to an increase in the cost of sales caused by the inclusion in sales of a valuation gain resulting from the revaluation of inventories based on market prices. The previous first nine months was an irregular 6-month accounting period (July to December) because Fresco was added to reportable segments as it became a consolidated subsidiary in July 2018.

vii) Kensin business

Subsidiary Kensin Construction inc. primarily sells built-for-sale houses, custom-built homes and land and performs building site preparation work mainly 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 37 custom-built houses, 17 sites for houses and 77 built-for-sale houses. Sales were 4,917 million yen and segment loss was 81 million yen. There are no sales and earnings comparisons because Kensin was added to reportable segments in the previous first nine months as it became a consolidated subsidiary in January 2019.

**(2) Explanation of Financial Position**

## Assets

Total assets increased by 4,366 million yen from the end of the previous fiscal year to 85,783 million yen at the end of the third quarter of the current fiscal year. The main reason includes an increase of 13,750 million yen in real estate for sale in process, while there was a 6,850 million yen decrease in real estate for sale.

## Liabilities

Total liabilities increased by 2,869 million yen to 67,206 million yen. The main reasons include an increase of 3,163 million yen in short-term borrowings because of procurement of funds to purchase land.

## Net assets

Total net assets increased by 1,496 million yen to 18,576 million yen. The main reasons were an increase of 2,506 million yen in retained earnings due to profit attributable to owners of parent, which was partly offset by a 1,195 million yen decrease in retained earnings as a result of payments of cash dividends.

**(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 nine months of the current fiscal year, sales increased 22.4% to 87,056 million yen, ordinary profit increased 2.2% to 4,049 million yen and profit attributable to owners of parent increased 6.6% to 2,506 million yen. All are record highs for the first nine months. We also expect that sales and earnings will reach all-time highs in this fiscal year.

Sales and earnings in the first nine months were in line with the forecast and 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)	Third quarter of FY3/20 (As of Dec. 31, 2019)
<b>Assets</b>		
Current assets		
Cash and deposits	14,020,502	12,460,146
Accounts receivable from completed construction contracts	517,875	195,650
Real estate for sale	26,950,339	20,100,169
Real estate for sale in process	28,412,462	42,163,085
Costs on uncompleted construction contracts	2,293,041	491,185
Other	2,000,893	2,738,938
Allowance for doubtful accounts	(14,659)	(14,642)
Total current assets	74,180,454	78,134,533
Non-current assets		
Property, plant and equipment	4,234,275	4,458,224
Intangible assets		
Goodwill	934,705	880,274
Other	464,190	593,175
Total intangible assets	1,398,896	1,473,449
Investments and other assets	1,602,945	1,716,823
Total non-current assets	7,236,116	7,648,497
Total assets	81,416,570	85,783,031
<b>Liabilities</b>		
Current liabilities		
Electronically recorded obligations-operating	518,350	444,784
Accounts payable for construction contracts	8,066,132	8,036,193
Short-term borrowings	41,718,900	44,882,548
Current portion of bonds	122,400	187,400
Current portion of long-term borrowings	2,149,753	3,228,156
Lease obligations	14,121	56,958
Income taxes payable	1,118,414	389,565
Provision for bonuses	225,697	131,640
Other	3,558,295	3,138,013
Total current liabilities	57,492,066	60,495,262
Non-current liabilities		
Bonds payable	480,600	543,200
Long-term borrowings	6,173,017	5,811,900
Lease obligations	13,232	165,064
Asset retirement obligations	69,334	87,276
Other	108,735	104,087
Total non-current liabilities	6,844,921	6,711,530
Total liabilities	64,336,987	67,206,793
<b>Net assets</b>		
Shareholders' equity		
Share capital	821,050	821,050
Capital surplus	1,727,835	1,726,245
Retained earnings	13,166,014	14,477,145
Treasury shares	(77,428)	(77,428)
Total shareholders' equity	15,637,472	16,947,012
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(18,580)	(11,251)
Foreign currency translation adjustment	-	(242)
Total accumulated other comprehensive income	(18,580)	(11,494)
Share acquisition rights	1,086	2,564
Non-controlling interests	1,459,604	1,638,155
Total net assets	17,079,583	18,576,238
Total liabilities and net assets	81,416,570	85,783,031

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

(Thousands of yen)

	First nine months of FY3/19 (Apr. 1, 2018 – Dec. 31, 2018)	First nine months of FY3/20 (Apr. 1, 2019 – Dec. 31, 2019)
Net sales	71,148,074	87,056,738
Cost of sales	60,915,473	74,513,221
Gross profit	10,232,601	12,543,517
Selling, general and administrative expenses	6,115,517	8,285,381
Operating profit	4,117,083	4,258,135
Non-operating income		
Interest income	72	1,055
Dividend income	4,680	6,798
Refund of real estate acquisition tax	89,326	63,169
Share of profit of entities accounted for using equity method	2,472	-
Other	90,070	154,564
Total non-operating income	186,622	225,588
Non-operating expenses		
Interest expenses	321,669	399,803
Other	18,829	34,694
Total non-operating expenses	340,498	434,497
Ordinary profit	3,963,207	4,049,226
Extraordinary income		
Gain on sales of non-current assets	133	2,389
Total extraordinary income	133	2,389
Extraordinary losses		
Loss on sales of non-current assets	4,820	-
Loss on retirement of non-current assets	9,348	1,798
Total extraordinary losses	14,168	1,798
Profit before income taxes	3,949,171	4,049,817
Income taxes-current	1,236,998	1,330,820
Income taxes-deferred	55,081	(78,567)
Total income taxes	1,292,079	1,252,252
Profit	2,657,092	2,797,565
Profit attributable to non-controlling interests	305,467	290,908
Profit attributable to owners of parent	2,351,624	2,506,656



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

(Thousands of yen)

	First nine months of FY3/19 (Apr. 1, 2018 – Dec. 31, 2018)	First nine months of FY3/20 (Apr. 1, 2019 – Dec. 31, 2019)
Profit	2,657,092	2,797,565
Other comprehensive income		
Valuation difference on available-for-sale securities	(29,008)	13,875
Foreign currency translation adjustment	-	(242)
Share of other comprehensive income of entities accounted for using equity method	(527)	-
Total other comprehensive income	(29,536)	13,632
Comprehensive income	2,627,555	2,811,197
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	2,334,793	2,513,860
Comprehensive income attributable to non-controlling interests	292,761	297,337

**(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 nine months of FY3/19 (Apr. 1, 2018 – Dec. 31, 2018)

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

(Thousands of yen)

	Reportable segment						
	Homebuilding and sales	Custom-built housing	Pre-owned home sales	Yokatown	Asahi Housing	Fresco	Total
Net sales							
Sales to external customers	51,940,446	1,097,048	2,690,572	8,908,135	3,450,102	2,132,253	70,218,558
Inter-segment sales and transfers	-	-	-	-	-	-	-
Total	51,940,446	1,097,048	2,690,572	8,908,135	3,450,102	2,132,253	70,218,558
Segment profit	4,002,397	197,673	91,012	891,410	95,343	5,418	5,283,254

	Others (Note 1)	Adjustments (Note 2)	Amounts shown on the quarterly consolidated statement of income (Note 3)
Net sales			
Sales to external customers	929,516	-	71,148,074
Inter-segment sales and transfers	731,517	(731,517)	-
Total	1,661,033	(731,517)	71,148,074
Segment profit	400,332	(1,566,503)	4,117,083

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 nine months of FY3/20 (Apr. 1, 2019 – Dec. 31, 2019)

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

(Thousands of yen)

	Reportable segment						
	Homebuilding and sales	Custom-built housing	Pre-owned home sales	Yokatown	Asahi Housing	Fresco	Kensin
Net sales							
Sales to external customers	56,823,707	855,144	3,328,314	11,098,869	5,121,674	3,825,141	4,917,674
Inter-segment sales and transfers	-	-	-	-	-	-	-
Total	56,823,707	855,144	3,328,314	11,098,869	5,121,674	3,825,141	4,917,674
Segment profit (loss)	4,637,062	184,302	42,132	777,947	177,584	127,395	(81,714)

	Reportable segment	Others (Note 1)	Adjustments (Note 2)	Amounts shown on the quarterly consolidated statement of income (Note 3)
	Total			
Net sales				
Sales to external customers	85,970,525	1,086,213	-	87,056,738
Inter-segment sales and transfers	-	703,761	(703,761)	-
Total	85,970,525	1,789,974	(703,761)	87,056,738
Segment profit (loss)	5,864,710	239,443	(1,846,018)	4,258,135

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 (loss) consist of corporate expenses that cannot be attributed to any of the reportable segments.

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

## 2. Information related to revisions for reportable segments

In association with acquiring shares of Kensin CONSTRUCTION inc. and making this company a consolidated subsidiary in FY3/19, the Company has revised a reportable segment structure in FY3/19 to include the Kensin Business.

**Additional Information**

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 quarterly consolidated balance sheet. The number of shares of the Company's stock held by the trust was 41,300 shares with a book value of 77 million yen as of December 31, 2018 and 2019.

*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.*