

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2019

[Japanese GAAP]

Company name: KI-STAR REAL ESTATE CO., LTD.

Listing: Tokyo Stock Exchange, First Section

Securities code: 3465

URL: <http://www.ki-group.co.jp/>

Representative: Keiji Hanawa, President and CEO

Contact: Osamu Matsuzawa, Executive Officer, General Manager of Administration Division

Tel: +81-(0) 495-27-2525

Scheduled date of Annual General Meeting of Shareholders: June 25, 2019

Scheduled date of filing of Annual Securities Report: June 25, 2019

Scheduled date of payment of dividend: June 26, 2019

Preparation of supplementary materials for financial results: Yes

Holding of financial results meeting: Yes (for institutional investors and analysts)

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 (April 1, 2018 – March 31, 2019)

(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	%
Fiscal year ended Mar. 31, 2019	103,118	60.9	5,950	12.3	5,769	9.2	3,461	2.0
Fiscal year ended Mar. 31, 2018	64,107	25.1	5,298	28.2	5,283	32.2	3,393	17.3

Note: Comprehensive income (million yen) Fiscal year ended Mar. 31, 2019: 3,837 (up 6.7%)

Fiscal year ended Mar. 31, 2018: 3,596 (up 20.8%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit on total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended Mar. 31, 2019	243.88	-	24.0	8.2	5.8
Fiscal year ended Mar. 31, 2018	238.87	-	27.5	10.9	8.3

Reference: Equity in earnings of affiliates (million yen) Fiscal year ended Mar. 31, 2019: 2

Fiscal year ended Mar. 31, 2018: (5)

Notes: 1. Diluted net income per share for the fiscal year ended March 31, 2019 is not presented because there was no potential shares with dilutive effects. Diluted net income per share for the fiscal year ended March 31, 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 in the previous fiscal year. 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	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2019	81,416	17,079	19.2	1,100.60
As of Mar. 31, 2018	60,058	13,856	22.1	936.02

Reference: Shareholders' equity (million yen) As of Mar. 31, 2019: 15,618 As of Mar. 31, 2018: 13,283

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

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended Mar. 31, 2019	709	(309)	5,242	13,714
Fiscal year ended Mar. 31, 2018	(15,779)	491	15,886	8,071

2. Dividends

	Dividend per share					Total dividends	Payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
Fiscal year ended Mar. 31, 2018	-	35.00	-	36.00	71.00	1,010	29.7	8.2
Fiscal year ended Mar. 31, 2019	-	42.00	-	42.00	84.00	1,195	34.4	8.2
Fiscal year ending Mar. 31, 2020 (forecasts)	-	42.00	-	42.00	84.00		31.4	

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

*** 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) 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

(3) Number of issued shares (common shares)

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

As of Mar. 31, 2019: 14,232,500 shares As of Mar. 31, 2018: 14,232,500 shares

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

As of Mar. 31, 2019: 41,344 shares As of Mar. 31, 2018: 41,344 shares

3) Average number of shares during the period

Fiscal year ended Mar. 31, 2019: 14,191,156 shares Fiscal year ended Mar. 31, 2018: 14,207,926 shares

Note: The Company has established a performance-linked stock compensation plan for directors in the previous fiscal year. 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.

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2019 (April 1, 2018 – March 31, 2019)

(1) Non-consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Mar. 31, 2019	74,048	37.4	4,226	(12.8)	4,257	(13.5)	2,954	(13.2)
Fiscal year ended Mar. 31, 2018	53,910	18.2	4,849	23.9	4,923	29.8	3,404	23.6

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2019	208.20	-
Fiscal year ended Mar. 31, 2018	239.62	-

Notes: 1. Diluted net income per share for the fiscal year ended March 31, 2019 is not presented because there was no potential shares with dilutive effects. Diluted net income per share for the fiscal year ended March 31, 2018 is not presented because dilutive shares do not exist.

2. The Company has established a performance-linked stock compensation plan for directors in the previous fiscal year. 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) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2019	56,007	14,996	26.8	1,056.65
As of Mar. 31, 2018	51,269	13,153	25.7	926.90

Reference: Shareholders' equity (million yen): As of Mar. 31, 2019: 14,995 As of Mar. 31, 2018: 13,153

2. Non-consolidated Forecast for the Fiscal Year Ending March 31, 2020 (April 1, 2019 – March 31, 2020)

(Percentages represent year-on-year changes)

	Net sales		Ordinary profit		Profit		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	76,300	3.0	4,460	4.8	3,100	4.9	218.44

* The current financial report is not subject to audit 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. Overview of Results of Operations

(1) Results of Operations

Although there was a brief downturn in economic sentiment in Japan during the current fiscal year due to major natural disasters, the Japanese economy continued to recover. The recovery was backed by consistently strong corporate earnings, a slow recovery in personal income and other factors. In the global economy, a downturn is more likely to occur than an upturn because of slowing economic growth in China, U.S.-China trade friction and other events. As a result, the outlook for the global economy remains unclear.

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 House acquisition preferential taxation reduced that lower the cost of purchasing residences, and low mortgage interest rates. However, there are concerns about the real estate market because of a series of problems, including improper loans for the purchase of residences by investors and problems involving buildings that do not comply with laws and other requirements.

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 the level of financial soundness. One step to accomplish this was increased activities during the current fiscal year to sell inventory properties where the turnover had become longer as of the end of the first quarter. The shortage of construction workers in the previous fiscal year is one cause of the longer turnover. Selling these inventory properties improves financial soundness.

Sales and earnings climbed to all-time highs because of numerous initiatives at all group companies aimed at raising the speed of activities involving the market share growth strategy. Sales were 103,118 million yen, 39,011 million yen (60.9%) higher than one year earlier because of measures to strengthen sales activities. Gross profit margin decreased due to proactive sales activities and selling, general and administrative expenses increased 2,392 million yen mainly because of an increase in brokerage commissions (a variable expense) due to higher sales. However, operating profit increased 651 million yen (12.3%) to a record-high 5,950 million yen due to sales growth. Ordinary profit increased 485 million yen (9.2%) to 5,769 million yen. However, interest expenses were up 188 million yen because of an increase in loans to procure funds from financial institutions to purchase land and due to an increase in the number of consolidated subsidiaries. Profit attributable to owners of parent increased 67 million yen (2.0%) to a record-high 3,461 million yen.

During the current fiscal year, the Company acquired 50.5% of shares of Fresco Inc., making this company and its subsidiary Oyumino Jutaku, Inc. consolidated subsidiaries. In addition, due to an additional acquisition of shares of Kensin CONSTRUCTION inc., formerly an equity-method affiliate, the Company made this company and its subsidiaries, Home Kenso Inc. and Union Surveying Corporation, consolidated subsidiaries. As a result, the Group now consists of the Company and 18 consolidated subsidiaries.

The activities of Fresco are the sale of land, custom-built houses and built-for-sale houses. The activities of Kensin CONSTRUCTION are the sale of built-for-sale houses, custom-built houses and land and building site preparation work. There is no significant change to the existing reportable segments due to this acquisition. The Fresco Group and the Kensin CONSTRUCTION Group have been added as a separate business segment, increasing the number of segments to seven: homebuilding and sales, custom-built housing, pre-owned home sales, Yokatown, Asahi Housing, Fresco and Kensin .

Results by business segment are as follows:

i) Homebuilding and sales

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 current fiscal year, 2,757 houses (including the land) were sold, 852 houses more than one year earlier, and sales increased 24,245 million yen to 73,223 million yen. Although earnings were negatively affected by a lower gross profit margin, the result of measures to sell inventory properties quickly, and higher brokerage commissions (a variable expense) as sales increased, segment profit was up 295 million yen to 5,755 million yen.

ii) Order custom-built housing

This business reduced activities to sell homes to the general public in the previous fiscal year because personnel were transferred to homebuilding and sales to make this business stronger. This order custom-built housing business is now concentrating on increasing the number of orders from real estate companies for its Fit-Pro custom-built houses.

Due to this change in sales activities, the number of houses sold during the current fiscal year decreased by 175 from one year earlier to 108. Sales were down 2,357 million yen to 1,466 million yen and segment profit decreased 481 million yen to 271 million yen.

iii) Resale housing

This business pays close attention to current market conditions and purchases only carefully chosen houses from real estate companies and other sellers. As in prior years, 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. Subsidiary KEIAI Kaimasse Co., Ltd. is purchasing a large number of properties for the growth of this new business and has started sales of the properties.

The number of houses sold during the current fiscal year was 137, 100 more than one year earlier. Sales increased 2,359 million yen to 3,881 million yen and segment profit increased 56 million yen to 120 million yen.

iv) Yokatown

Yokatown Co., Ltd. sells built-for-sale houses, land and custom-built houses mainly in Fukuoka 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. In addition, Yokatown worked on strengthening its built-for-sale house sales business during the current fiscal year.

The number of custom-built houses sold during the current fiscal year increased by 2 to 190, the number of built-for-sale houses sold increased by 188 to 300 and the number of home sites sold decreased by 41 to 76. Sales increased 4,633 million yen to 12,231 million yen and segment profit increased 535 million yen to 1,118 million yen.

v) Asahi Housing

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 current fiscal year increased by 110 to 139 (including land). Sales increased 3,232 million yen to 4,911 million yen and segment profit was 100 million yen, an improvement of 138 million yen from one year earlier.

vi) Fresco

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 was consolidated in July 2018, and sold 84 custom-built houses, 47 sites for houses and 34 built-for-sale houses, and sales were 3,517 million yen. There was a segment profit of 66 million yen. Earnings were held down by an 87 million yen 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 as of the time Fresco was consolidated. There are no sales and earnings comparisons because Fresco was added to reportable segments as it became a consolidated subsidiary in the current fiscal year.

vii) Kensin

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 was consolidated in January 2019, and sold 48 custom-built houses, 31 sites for houses and 21 built-for-sale houses, and sales were 2,624 million yen. There was a segment loss of 1 million yen mainly because of the inclusion of stock acquisition-related expenses of 46 million yen in selling, general and administrative expenses and an increase of 28 million yen 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 as of the time Kensin was consolidated. There are no sales and earnings comparisons because Kensin was added to reportable segments as it became a consolidated subsidiary in the current fiscal year.

(2) Financial Position

Assets

Total assets increased by 21,357 million yen from the end of the previous fiscal year to 81,416 million yen at the end of the current fiscal year. There was a 9,689 million yen increase in inventories, which includes real estate for sale and real estate for sale in process. This was attributable primarily to an increase in purchases of land in association with the growth strategy for the homebuilding and sales business. In addition, newly consolidated subsidiaries accounted for 4,146 million yen of the increase in inventories. Cash and deposits increased 5,953 million yen, including 3,022 million yen due to newly consolidated subsidiaries attributable primarily to an improvement in financial soundness and an increase in the number of consolidated subsidiaries. In property, plant and equipment, land increased 1,125 million yen mainly because of newly consolidated subsidiaries.

Liabilities

Total liabilities increased by 18,134 million yen to 64,336 million yen. The main reason was increases in short-term and long-term loans payable. Short-term loans payable increased 9,077 million yen primarily to procure funds from financial institutions for the purchases of land for built-for-sale houses and the construction of houses. Newly consolidated subsidiaries accounted for 4,245 million yen of this increase. Long-term loans payable, including the current portion, increased 5,015 million yen to procure long-term funds required for business operations. Newly consolidated subsidiaries accounted for 3,457 million yen of this increase. Accounts payable for construction contracts increased 2,494 million yen mainly because of newly consolidated subsidiaries.

Net assets

Total net assets increased by 3,222 million yen to 17,079 million yen. The main reasons were an increase of 3,461 million yen in retained earnings due to profit attributable to owners of parent, which was partly offset by a 1,110 million yen decrease in retained earnings as a result of payments of cash dividends, and an 886 million yen increase in non-controlling interests due to newly consolidated subsidiaries.

(3) Cash Flows

Cash and cash equivalents at the end of the current fiscal year increased 5,643 million yen from the end of the previous fiscal year to 13,714 million yen.

Cash flows and the main reasons for changes are as follows.

Cash flows from operating activities

Net cash provided by operating activities increased 16,489 million yen from the previous fiscal year to 709 million yen.

Profit before income taxes increased 461 million yen and cash used by the increase in inventories was 17,285 million yen less than in the previous fiscal year because of a smaller increase in inventories resulting from measures to strengthen sales activities.

Cash flows from investing activities

Net cash used in investing activities totaled 309 million yen, compared with net cash provided of 491 million yen in the previous fiscal year.

Main factors include purchase of investment securities of 558 million yen due to an equity alliance, purchase of intangible assets of 414 million yen due to expenditures for IT systems and proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation of 901 million yen.

Cash flows from financing activities

Net cash provided by financing activities decreased 10,643 million yen from the previous year to 5,242 million yen.

There was a net decrease of 12,627 million yen in proceeds from short-term loans payable because of measures to hold down borrowing to fund inventory purchases in conjunction with measures to strengthen sales activities. There was a net increase of 1,693 million yen in proceeds from long-term loans payable because of loans to procure long-term funds required for business operations.

Reference: Cash flow indicators

	FY3/17	FY3/18	FY3/19
Shareholders' equity ratio (%)	30.7	22.1	19.2
Shareholders' equity ratio based on market prices (%)	60.1	63.4	29.0
Interest-bearing debt to cash flow ratio	15.8	-	71.4
Interest coverage ratio (times)	5.0	-	1.5

Notes: 1. Shareholders' equity ratio: Shareholders' equity / Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt / Operating cash flows

Interest coverage ratio: Operating cash flows / Interest payments

2. All figures are calculated based on consolidated financial values.

3. Interest-bearing debt includes all debts on the non-consolidated balance sheet that incurs interest.

4. Interest-bearing debt to cash flow ratio and interest coverage ratio are not shown for FY3/18 because operating cash flows were negative.

(4) Outlook

Although we achieved record-high sales and earnings in the fiscal year that ended in March 2019, the outlook is uncertain due to Japan's planned consumption tax hike, global events and other reasons. We will continue to take many actions based on the growth strategy for our group.

We forecast net sales of 118,000 million yen (up 14.4% year on year), operating profit of 6,400 million yen (up 7.6% year on year), ordinary profit of 6,100 million yen (up 5.7% year on year), and profit attributable to owners of parent of 3,800 million yen (up 9.8% year on year) for the fiscal year ending March 31, 2020.

Actual results may differ significantly from these forecasts for a number of factors. An announcement will be made promptly if there is a significant effect on our performance.

The policy for dividend payments from retained earnings is to pay a dividend equivalent to approximately 30% of consolidated earnings, excluding one-time items that affect earnings.

2. Basic Approach to the Selection of Accounting Standards

As of May 10, 2019, as the Company's operations are limited to Japan and we have no overseas activity, we expect to employ Japanese accounting standards for the foreseeable future. However, we intend to consider the future adoption of International Financial Reporting Standards (IFRS), depending on our percentage of foreign shareholders and adoption trends among other companies in Japan.

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

	(Thousands of yen)	
	FY3/18 (As of Mar. 31, 2018)	FY3/19 (As of Mar. 31, 2019)
Assets		
Current assets		
Cash and deposits	8,066,564	14,020,502
Accounts receivable from completed construction contracts	15,831	517,875
Real estate for sale	20,491,892	26,950,339
Real estate for sale in process	25,181,037	28,412,462
Costs on uncompleted construction contracts	734,071	2,293,041
Advance payments-trade	655,237	1,367,060
Other	773,475	633,832
Allowance for doubtful accounts	(9,021)	(14,659)
Total current assets	55,909,087	74,180,454
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,129,508	1,531,526
Machinery, equipment and vehicles, net	32,510	46,898
Land	1,412,037	2,537,889
Leased assets, net	47,315	26,411
Construction in progress	42,061	34,391
Other, net	40,337	57,157
Total property, plant and equipment	2,703,771	4,234,275
Intangible assets		
Goodwill	323,108	934,705
Other	82,624	464,190
Total intangible assets	405,733	1,398,896
Investments and other assets		
Investment securities	542,027	813,320
Deferred tax assets	222,712	290,089
Other	275,613	499,535
Total investments and other assets	1,040,353	1,602,945
Total non-current assets	4,149,859	7,236,116
Total assets	60,058,946	81,416,570

	(Thousands of yen)	
	FY3/18	FY3/19
	(As of Mar. 31, 2018)	(As of Mar. 31, 2019)
Liabilities		
Current liabilities		
Electronically recorded obligations-operating	789,788	518,350
Accounts payable for construction contracts	5,572,025	8,066,132
Short-term loans payable	32,641,685	41,718,900
Current portion of bonds	22,400	122,400
Current portion of long-term loans payable	1,255,880	2,149,753
Lease obligations	21,921	14,121
Income taxes payable	1,093,003	1,118,414
Provision for bonuses	208,203	225,697
Other	2,358,407	3,558,295
Total current liabilities	43,963,316	57,492,066
Non-current liabilities		
Bonds payable	64,000	480,600
Long-term loans payable	2,051,478	6,173,017
Lease obligations	28,406	13,232
Asset retirement obligations	67,395	69,334
Other	27,592	108,735
Total non-current liabilities	2,238,873	6,844,921
Total liabilities	46,202,189	64,336,987
Net assets		
Shareholders' equity		
Capital stock	821,050	821,050
Capital surplus	1,727,835	1,727,835
Retained earnings	10,815,070	13,166,014
Treasury shares	(77,428)	(77,428)
Total shareholders' equity	13,286,528	15,637,472
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(3,224)	(18,580)
Total accumulated other comprehensive income	(3,224)	(18,580)
Share acquisition rights	-	1,086
Non-controlling interests	573,453	1,459,604
Total net assets	13,856,757	17,079,583
Total liabilities and net assets	60,058,946	81,416,570

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statement of Income

(Thousands of yen)

	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Net sales	64,107,202	103,118,889
Cost of sales	52,540,272	88,507,335
Gross profit	11,566,929	14,611,553
Selling, general and administrative expenses		
Sales commission	807,749	1,657,689
Advertising expenses	547,679	705,760
Salaries and allowances	1,814,715	2,495,577
Provision of allowance for doubtful accounts	52	-
Provision for bonuses	129,880	119,872
Other	2,968,135	3,682,006
Total selling, general and administrative expenses	6,268,213	8,660,906
Operating profit	5,298,715	5,950,647
Non-operating income		
Cancellation earnest income	13,540	27,131
Refund of real estate acquisition tax	200,924	203,673
Share of profit of entities accounted for using equity method	-	2,472
Other	103,306	115,027
Total non-operating income	317,771	348,304
Non-operating expenses		
Interest expenses	286,577	475,180
Commission expenses	32,232	22,247
Share of loss of entities accounted for using equity method	5,493	-
Other	8,309	32,381
Total non-operating expenses	332,613	529,808
Ordinary profit	5,283,873	5,769,143
Extraordinary income		
Gain on sales of non-current assets	9,946	133
Total extraordinary income	9,946	133
Extraordinary losses		
Loss on sales of non-current assets	-	11,518
Loss on retirement of non-current assets	11,362	13,817
Total extraordinary losses	11,362	25,335
Profit before income taxes	5,282,457	5,743,940
Income taxes-current	1,672,823	1,922,328
Income taxes-deferred	12,764	(43,424)
Total income taxes	1,685,588	1,878,903
Profit	3,596,869	3,865,036
Profit attributable to non-controlling interests	202,904	403,960
Profit attributable to owners of parent	3,393,964	3,461,076

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Profit	3,596,869	3,865,036
Other comprehensive income		
Valuation difference on available-for-sale securities	(375)	(27,152)
Share of other comprehensive income of entities accounted for using equity method	40	(527)
Total other comprehensive income	(334)	(27,680)
Comprehensive income	3,596,534	3,837,356
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	3,393,629	3,445,192
Comprehensive income attributable to non-controlling interests	202,904	392,163

(3) Consolidated Statement of Changes in Equity

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	821,050	1,727,835	8,830,122	-	11,379,008
Changes of items during period					
Dividends of surplus			(1,409,015)		(1,409,015)
Profit attributable to owners of parent			3,393,964		3,393,964
Purchase of treasury shares				(77,428)	(77,428)
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	-	1,984,948	(77,428)	1,907,519
Balance at end of current period	821,050	1,727,835	10,815,070	(77,428)	13,286,528

	Accumulated other comprehensive income		Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income			
Balance at beginning of current period	(2,849)	(2,849)	-	399,588	11,775,747
Changes of items during period					
Dividends of surplus					(1,409,015)
Profit attributable to owners of parent					3,393,964
Purchase of treasury shares					(77,428)
Net changes of items other than shareholders' equity	(375)	(375)	-	173,864	173,489
Total changes of items during period	(375)	(375)	-	173,864	2,081,009
Balance at end of current period	(3,224)	(3,224)	-	573,453	13,856,757

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	821,050	1,727,835	10,815,070	(77,428)	13,286,528
Changes of items during period					
Dividends of surplus			(1,110,131)		(1,110,131)
Profit attributable to owners of parent			3,461,076		3,461,076
Purchase of treasury shares					-
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	-	2,350,944	-	2,350,944
Balance at end of current period	821,050	1,727,835	13,166,014	(77,428)	15,637,472

	Accumulated other comprehensive income		Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income			
Balance at beginning of current period	(3,224)	(3,224)	-	573,453	13,856,757
Changes of items during period					
Dividends of surplus					(1,110,131)
Profit attributable to owners of parent					3,461,076
Purchase of treasury shares					-
Net changes of items other than shareholders' equity	(15,355)	(15,355)	1,086	886,150	871,881
Total changes of items during period	(15,355)	(15,355)	1,086	886,150	3,222,826
Balance at end of current period	(18,580)	(18,580)	1,086	1,459,604	17,079,583

(4) Consolidated Statement of Cash Flows

	(Thousands of yen)	
	FY3/18	FY3/19
	(Apr. 1, 2017 – Mar. 31, 2018)	(Apr. 1, 2018 – Mar. 31, 2019)
Cash flows from operating activities		
Profit before income taxes	5,282,457	5,743,940
Depreciation	182,788	208,975
Amortization of long-term prepaid expenses	8,332	16,777
Amortization of goodwill	38,842	58,565
Increase (decrease) in allowance for doubtful accounts	(22)	(142)
Increase (decrease) in provision for bonuses	(71,424)	251
Interest and dividend income	(1,326)	(10,779)
Commission expenses	32,232	22,247
Interest expenses	286,577	475,180
Loss (gain) on sales and retirement of non-current assets	1,416	25,202
Decrease (increase) in notes and accounts receivable-trade	(6,015)	(23,792)
Decrease (increase) in inventories	(21,411,739)	(4,125,918)
Increase (decrease) in notes and accounts payable-trade	1,789,395	736,142
Other, net	(174,023)	(32,873)
Subtotal	(14,042,511)	3,093,776
Interest and dividend income received	1,294	10,779
Interest expenses paid	(294,476)	(475,122)
Income taxes paid	(1,443,673)	(1,919,691)
Net cash provided by (used in) operating activities	(15,779,366)	709,742
Cash flows from investing activities		
Purchase of property, plant and equipment	(203,888)	(169,374)
Proceeds from sales of property, plant and equipment	193,916	5,513
Purchase of intangible assets	(57,537)	(414,276)
Purchase of investment securities	(529,416)	(558,465)
Proceeds from withdrawal of time deposits	1,379,871	-
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	-	901,805
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(260,003)	(79,721)
Collection of loans receivable	856	8,611
Payments for guarantee deposits	(62,186)	(15,426)
Proceeds from cancellation of guarantee deposits	34,822	11,108
Other, net	(4,726)	566
Net cash provided by (used in) investing activities	491,708	(309,659)
Cash flows from financing activities		
Proceeds from short-term loans payable	48,313,686	56,588,002
Repayments of short-term loans payable	(30,371,871)	(51,273,374)
Proceeds from long-term loans payable	2,653,827	4,711,957
Repayments of long-term loans payable	(3,089,787)	(3,454,556)
Redemption of bonds	(72,400)	(135,400)
Repayments of lease obligations	(22,881)	(22,973)
Purchase of treasury shares	(86,071)	-
Cash dividends paid	(1,408,123)	(1,109,796)
Dividends paid to non-controlling interests	(29,539)	(60,874)
Net cash provided by (used in) financing activities	15,886,838	5,242,984
Net increase (decrease) in cash and cash equivalents	599,181	5,643,067
Cash and cash equivalents at beginning of period	7,472,106	8,071,288
Cash and cash equivalents at end of period	8,071,288	13,714,356

(5) Notes to Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Segment and Other Information

Segment information

FY3/18 (Apr. 1, 2017 – Mar. 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	Total
Net sales						
Sales to external customers	48,978,370	3,823,934	1,522,284	7,597,581	1,679,124	63,601,295
Inter-segment sales and transfers	-	-	-	-	-	-
Total	48,978,370	3,823,934	1,522,284	7,597,581	1,679,124	63,601,295
Segment profit (loss)	5,460,272	753,713	63,139	583,551	(38,570)	6,822,106

	Others (Note 1)	Adjustments (Note 2)	Amounts shown on the consolidated financial statements (Note 3)
Net sales			
Sales to external customers	505,906	-	64,107,202
Inter-segment sales and transfers	430,799	(430,799)	-
Total	936,705	(430,799)	64,107,202
Segment profit (loss)	238,512	(1,761,903)	5,298,715

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. The 1,761 million yen adjustment to segment profit (loss) includes elimination for inter-segment transactions of -430 million yen and -1,331 million yen in corporate expenses that cannot be allocated to any of the reportable segments. Corporate expenses mainly consist of general and administrative expenses that are not attributable to any of the reportable segments.

3. Segment profit (loss) is adjusted with operating profit shown on the consolidated financial statements.

FY3/19 (Apr. 1, 2018 – Mar. 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
Net sales						
Sales to external customers	73,223,726	1,466,040	3,881,809	12,231,250	4,911,837	3,517,092
Inter-segment sales and transfers	-	-	-	-	-	-
Total	73,223,726	1,466,040	3,881,809	12,231,250	4,911,837	3,517,092
Segment profit (loss)	5,755,919	271,809	120,034	1,118,805	100,304	66,067

	Reportable segment		Others (Note 1)	Adjustments (Note 2)	Amounts shown on the consolidated financial statements (Note 3)
	Kensin	Total			
Net sales					
Sales to external customers	2,624,397	101,856,155	1,262,733	-	103,118,889
Inter-segment sales and transfers	-	-	1,029,055	(1,029,055)	-
Total	2,624,397	101,856,155	2,291,789	(1,029,055)	103,118,889
Segment profit (loss)	(1,130)	7,431,811	621,351	(2,102,515)	5,950,647

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. The -2,102 million yen adjustment to segment profit (loss) includes elimination for inter-segment transactions of -1,029 million yen and -1,073 million yen in corporate expenses that cannot be allocated to any of the reportable segments. Corporate expenses mainly consist of general and administrative expenses that are not attributable to any of the reportable segments.

3. Segment profit (loss) is adjusted with operating profit shown on the consolidated financial statements.

2. Information related to revisions for reportable segments

In association with acquiring shares of Fresco Inc. and making this company a consolidated subsidiary, the Company revised a reportable segment structure in the second quarter of FY3/19 to include the Fresco Business. In addition, in association with acquiring additional shares of Kensin CONSTRUCTION inc. and making this company a consolidated subsidiary, the Company revised a reportable segment structure in the fourth quarter of FY3/19 to include the Kensin Business.

Per Share Information

(Yen)

	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Net assets per share	936.02	1,100.60
Net income per share	238.87	243.88
Diluted net income per share	-	-

Notes: 1. Diluted net income per share for FY3/19 is not presented because there was no potential shares with dilutive effects. Diluted net income per share for FY3/18 is not presented because dilutive shares do not exist.

2. The Company has established a performance-linked stock compensation plan for directors in the previous fiscal year. The Company's shares for this stock compensation plan held by the trust are recorded as treasury shares in the consolidated balance sheet and included in treasury shares for calculating the net assets per share and net income per share. For the determination of net income per share, the average numbers of treasury shares outstanding that were deducted were 24,535 for FY3/18 and 41,300 for FY3/19.

3. The basis of calculating the net income per share is as follows:

(Thousands of yen)

	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Net income per share		
Profit attributable to owners of parent	3,393,964	3,461,076
Amounts not attributable to common shareholders	-	-
Profit attributable to owners of parent applicable to common shares	3,393,964	3,461,076
Average number of common shares outstanding during the period (Shares)	14,207,926	14,191,156
Summary of dilutive shares not included in the calculation of "net income per share (diluted)" since there was no dilutive effect	-	Share acquisition rights issued pursuant to the 28th Annual General Meeting of Shareholders' resolution on June 26, 2018 Share acquisition rights No. 1 Number of share acquisition rights: 41 units (Common shares: 4,100 shares)

4. The basis of calculating net assets per share is as follows:

(Thousands of yen)

	FY3/18 (As of Mar. 31, 2018)	FY3/19 (As of Mar. 31, 2019)
Total net assets	13,856,757	17,079,583
Deduction on total net assets	573,453	1,460,690
[of which non-controlling interests]	[573,453]	[1,459,604]
Net assets applicable to common stock	13,283,303	15,618,892
Number of common stock at the fiscal year end used in calculation of net assets per share (Shares)	14,191,156	14,191,156

Material Subsequent Events

Not applicable.

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.