



Results of Operations for the First Half of the Fiscal Year Ending March 31, 2019

KI-STAR REAL ESTATE CO., LTD.

(Tokyo Stock Exchange, First Section/3465)



KEIAI

デザインのケアイ
With outstanding designs



1H FY3/19 Financial Summary

Company Profile

Company name	KI-STAR REAL ESTATE CO., LTD.
Head office	Honjo Head Office: 762-1, Nishitomida, Honjo, Saitama Prefecture Tokyo Head Office: Marunouchi Trust Tower North 13th floor, 1-8-1, Marunouchi, Chiyoda-ku, Tokyo
Established	November 27, 1990
Representative	Keiji Hanawa, President and CEO
Capital	821,050,000 yen
Number of employees	838 (consolidated, as of April 1, 2018)
Businesses	Detached house sales business, custom-built housing business, comprehensive real estate brokerage business, asset management business, house management business and residential land development business
Major subsidiaries	Yokatown Co., Ltd. (Custom-built housing business and detached house sales business) KI-Star Development Co., Ltd. (Pre-owned home sales business) KI Craft Co., Ltd. (Detached house construction business) KI-Star Build Co., Ltd. (Detached house sales business, Fukuoka) KI Net Realty 1 st Co., Ltd. (Real estate brokerage business) KI Net Realty 2 nd Co., Ltd. (Real estate brokerage business) KI Net Realty 3 rd Co., Ltd. (Real estate brokerage business) KI Net Cloud Co., Ltd. (Networking business and real estate brokerage business) Asahi Housing Co., Ltd. (Detached house sales business) KEIAI Kaimasse Co., Ltd. (Pre-owned home sales business) <u>KI Planning Co., Ltd. (Detached house sales business, Nagoya) *Established in June 2018</u> <u>Fresco Inc. (Custom-built housing business and detached house sales business)</u> <u>*Consolidated in August 2018</u>
Equity-method affiliate	KeNSiN CONSTRUCTION inc. (Detached house sales business and residential land development business)

History

1990	Established KI Planning, Ltd.
1994	Established Grounbuil Home Co., Ltd. in the Construction Division.
2003	Top home seller among homebuilders in Gunma Prefecture (* 1, 2)
2006	Changed the company name to KI-STAR REAL ESTATE CO., LTD. Opened the first location in Tochigi Pref.
2007	Established Tokyo branch office.
2008	First private-sector company to sell subdivisions in Honjo city using the construction mutual agreement program
2009	Reached the 20th anniversary and established the Hanamaru house business division for custom-built houses.
2010	Opened the first location in Ibaraki Pref. Top custom-built housing provider among homebuilders in Gunma Prefecture (* 1, 3)
2011	Established KEIAI CASA, the custom-built housing business department.
2012	Introduced the craftsman program and annual sales of newly built houses reached 1,000.
2013	Opened the first location in Kanagawa Pref.
2014	Won “House of The Year in Energy 2014.”
2015	Listed on the Second Section of the Tokyo Stock Exchange.
2016	Listed on the First Section of the Tokyo Stock Exchange. Made Yokatown Co., Ltd. a consolidated subsidiary.
2017	Made Asahi Housing Co., Ltd. a subsidiary and KeNSiN CONSTRUCTION inc. an equity-method affiliate. Formed an equity alliance with Alpha Technology Co., Ltd.
2018	Formed a business alliance with Beijing Youlu Qianxing Technology Development Co., Ltd. and an equity alliance with KAMARQ HOLDINGS PTE. LTD.

*1. Source: JUTAKU SANGYO KENKYUSHO CO., LTD.

*2. Selected in 2003, 2004, 2005, 2006, 2011, 2012, 2016

*3. Selected in 2010 and 2014

Management Philosophy

**We are an organization dedicated to the creation of lives that are
“fulfilling, enjoyable and pleasant.”**

Vision

**We want to be a company that people in Japan
envy and admire.**

- First half sales were **51.5%** higher than one year earlier and ordinary profit was **6.5%** higher
- First half sales were strong at **48.69%** of the fiscal year forecast
- **Big increase in sales** due to measures to strengthen sales activities in the homebuilding and sales business in order to increase the inventory turnover
- Acquired Fresco Inc. in August, **making this company a consolidated subsidiary**
- Completed work on KI-Star's first housing development site in the **Nagoya area** and will soon start proactive sales activities

Consolidated Statements of Income

● Sales and earnings increased to all-time highs for a six-month period

(Millions of yen)

	1H FY3/18		1H FY3/19		
	Amount	% to sales	Amount	% to sales	YoY change
Net sales	27,590	100.0	41,800	100.0	+51.5%
Gross profit	5,164	18.7	6,268	15.0	+21.4%
SG&A expenses	2,943	10.7	3,863	9.2	+31.3%
Operating profit	2,221	8.1	2,404	5.8	+8.3%
Ordinary profit	2,180	7.9	2,322	5.6	+6.5%
Profit attributable to owners of parent	1,407	5.1	1,419	3.4	+0.9%

Segment Performance

(Millions of yen)

		1H FY3/18	1H FY3/19	
Homebuilding and sales (including land)	Houses sold	838	1,208	Big increase in sales but lower profit margin as operations were extended to new areas, market share in current locations increased and actions were taken to improve the inventory turnover
	Sales	21,724	30,699	
	Operating profit	2,483	2,577	
Custom-built housing	Houses sold	134	50	Focused on increasing sales of Fit-Pro custom-built houses to real estate companies
	Sales	1,842	768	
	Operating profit	253	163	
Pre-owned home sales	Houses sold	17	55	Properties held for sale increased as KI-Star Development and KEIAI Kaimasse purchased a large number of houses
	Sales	389	1,629	
	Operating profit	21	45	
Yokatown	Houses/land sold	Built-for-sale houses: 34 Custom-built houses: 94 Land: 49	Built-for-sale houses: 105 Custom-built houses: 104 Land: 34	Operating profit margin improved because of growth of the homebuilding and sales business and cost savings resulting from joining the KI-Star Group
	Sales	3,032	5,066	
	Operating profit	177	501	
Asahi Housing	Houses/land sold	Built-for-sale houses: 3 Pre-owned houses: 3 Custom-built houses: 1 Land: 1	Built-for-sale houses (including land): 56	Properties purchased after Asahi Housing joined the KI-Star Group in FY3/18 are being sold consistently; expect sales and earnings to grow in the second half
	Sales	432	1,974	
	Operating profit	(83)	60	
Fresco	Houses/land sold	-	Custom-built houses: 33 Land: 14	The sale of properties that were revalued at the time Fresco became a consolidated subsidiary caused the cost of sales to increase by ¥86 million, resulting in an operating loss
	Sales	-	1,073	
	Operating profit	-	(74)	
Others	Sales	300	1,101	
	Operating profit	189	197	

- First half sales were **33.9%** higher than one year earlier and operating profit was **20.4%** higher.

Making substantial investments for **medium and long-term growth**

(Millions of yen)

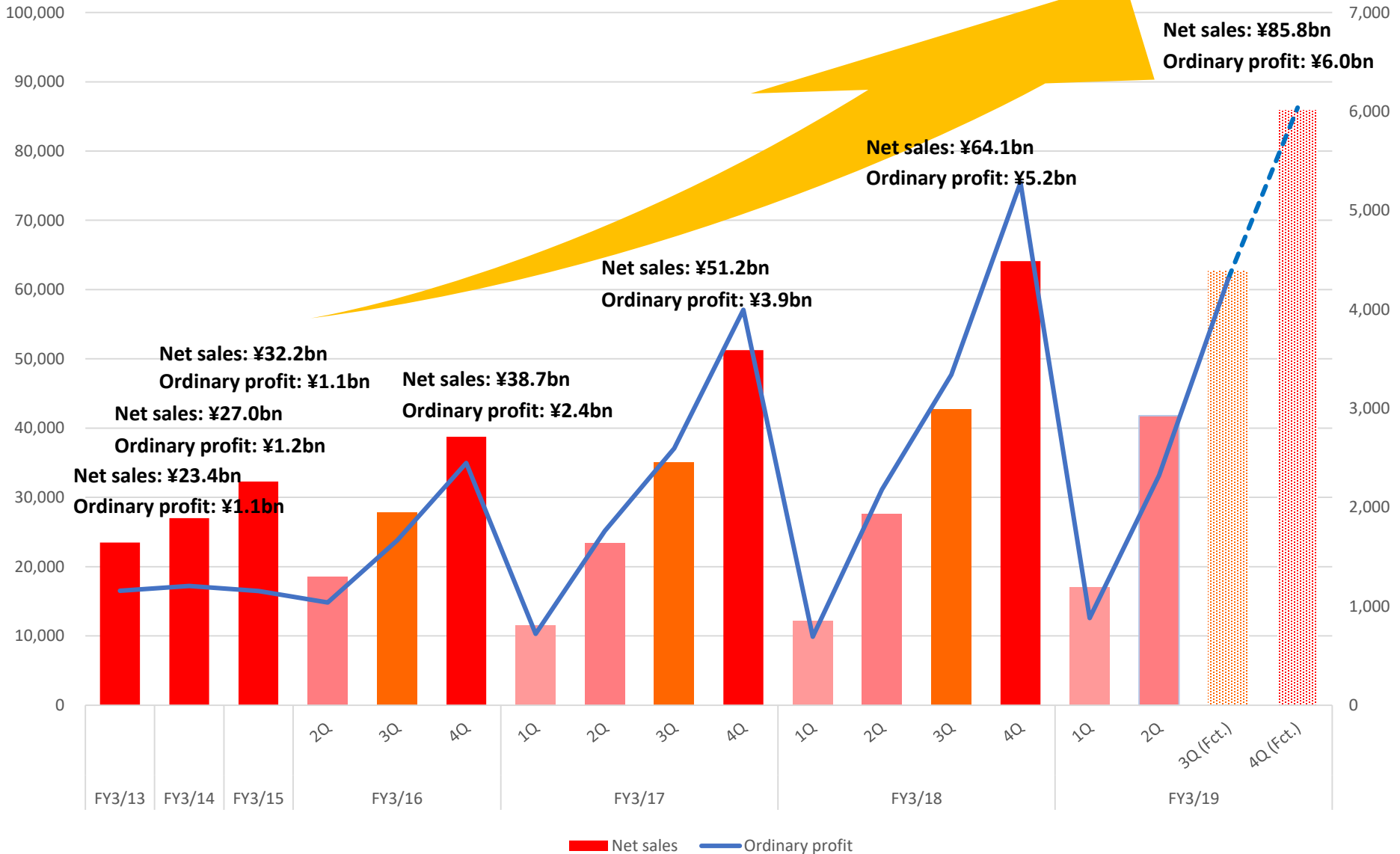
	FY3/18 Results	FY3/19 Forecast	YoY change (amount)	YoY change (%)	1H FY3/19 Results	Progress ratio
Net sales	64,107	85,840	21,732	+33.9%	41,800	48.69%
Gross profit	11,566	14,235	2,668	+23.1%	6,268	44.0%
SG&A expenses	6,268	7,855	1,586	+25.3%	3,863	49.17%
Operating profit	5,298	6,380	1,081	+20.4%	2,404	37.68%
Ordinary profit	5,283	6,040	756	+14.3%	2,322	38.44%
Profit attributable to owners of parent	3,393	4,000	606	+17.9%	1,419	35.47%

Earnings were behind sales as a percentage of the fiscal year forecast but in line with the first half forecast. There is no change to the FY3/19 consolidated forecast because inventory properties with a long turnover period have been significantly reduced, the volume of new orders is remaining strong, and there is a sufficient level of inventory properties to reach the fiscal year sales forecast.

Consistent Growth in Sales and Earnings

● Sales in FY3/19 are on target for achieving the 29th consecutive year of sales growth – every year since KI-Star’s establishment

(Millions of yen)



Net sales: ¥85.8bn
Ordinary profit: ¥6.0bn

Net sales: ¥64.1bn
Ordinary profit: ¥5.2bn

Net sales: ¥51.2bn
Ordinary profit: ¥3.9bn

Net sales: ¥32.2bn
Ordinary profit: ¥1.1bn

Net sales: ¥38.7bn
Ordinary profit: ¥2.4bn

Net sales: ¥27.0bn
Ordinary profit: ¥1.2bn

Net sales: ¥23.4bn
Ordinary profit: ¥1.1bn

Consolidated Balance Sheet

- The strategic increase in inventories positions the KI-Star Group for further growth and quickly reaching the goal of raising sales to ¥100 billion

(Millions of yen)

	March 31, 2018	September 30, 2018	Increase/decrease	Increase from newly consolidated subsidiaries
Current assets	55,909	66,672	10,763	3,251
Inventories	46,407	60,282	13,875	2,599
Non-current assets	4,149	6,090	1,940	689
Total assets	60,058	72,763	12,704	3,941
Liabilities	46,202	57,579	11,377	3,659
Interest-bearing debt	36,035	46,194	10,159	2,746
Net assets	13,856	15,183	1,326	282
Total liabilities and net assets	60,058	72,763	12,704	3,941

◆ Temporary drop in equity ratio due to consolidation of subsidiaries

Equity ratio 19.5% → 20.6% excluding the newly consolidated subsidiaries

Orders received (built-for-sale houses/custom-built houses)

- Number of orders has been steadily increasing to achieve the target

	1H FY3/18 Results	1H FY3/19 Results	YoY change (%)
Number of orders received for built-for-sale houses	875	1,483	+69.4%
Number of orders received for custom-built houses	134	54	-59.8%
Total number of orders received	1,009	1,537	+52.3%
Total amount of orders received (millions of yen)	24,020	37,376	+55.6%

* Number of orders received for built-for-sale and custom-built houses in Yokatown, Asahi Housing and Fresco businesses is not included as the above table shows orders received by business segment.



Strategic Initiatives for Growth

Expansion of the Member Store Network

Increase sales of KI-Star houses by establishing a strong network of real estate brokers

Activities have been expanding steadily into new areas since the creation of a broker network started in February 2017

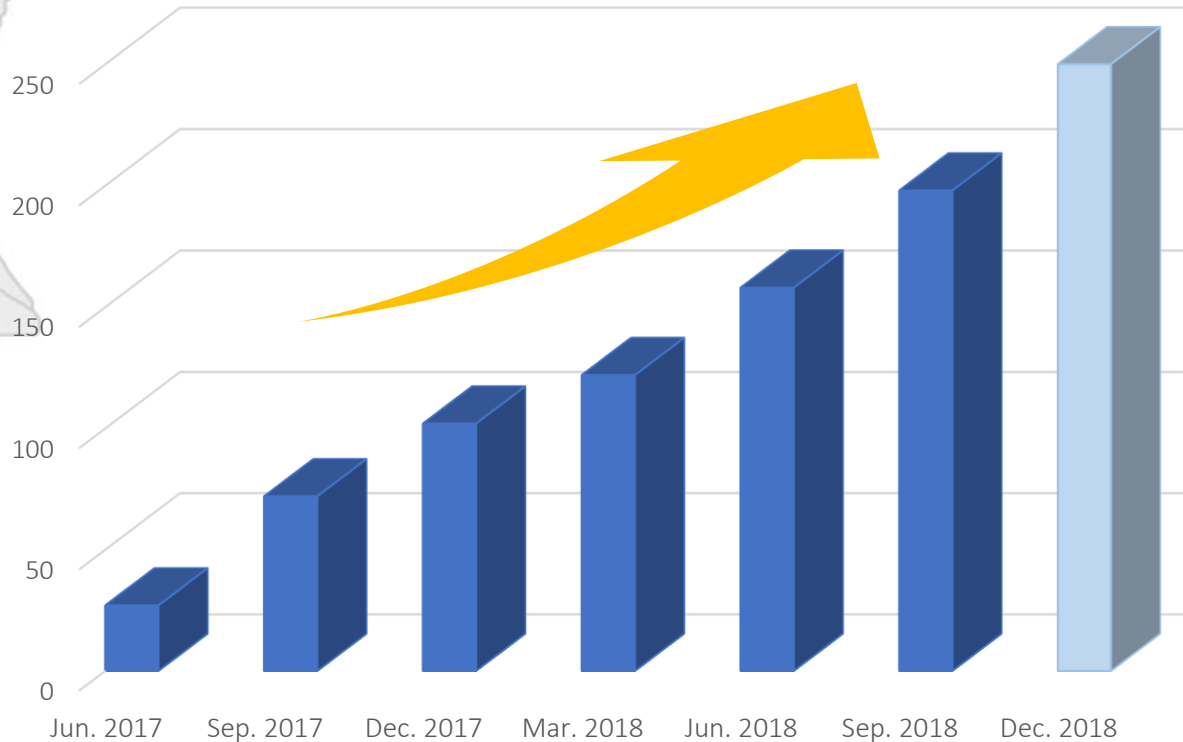
As of October 31, 2018

KEIAI.NET member stores: **204** (including group companies)



Goal is to quickly build a network of 1,000 member stores

Become Japan's largest real estate network based on the number of member stores



Increase the Lineup of Services of Member Stores

Use IT and KI-Star's expertise to provide members with even more support for their sales activities



Convergence of Internet and real services

● Services using information technology

➡ Businesses operated by an individual have limited resources for IT investments. KI-Star supports these businesses by providing an IT system infrastructure.

● Services using KI-Star expertise

➡ Real estate firms that handle many types of properties are often unable to acquire knowledge and sales techniques for specific types of real estate. KI-Star supplies knowledge that can improve the quality of the services of these firms.

In the future, member stores will be able to

- ✓ Convert to franchising agreements
- ✓ Receive products from KI-Star
- ✓ Sell stock to KI-Star for equity alliances

The plan is to build a platform for flexible network services that can be offered only by a real estate developer.


Increase the Lineup of Services of Member Stores

Member stores receive iPads to support sales promotion activities



iPads for use in sales promotion activities

Each member store receives one iPad at no cost!
*More iPads can be purchased.

 Property navigation

 Digital catalog

The KEIAI.NET system



★POINT★

No more need to confirm property information by using a telephone, fax, e-mail or other conventional method.

The latest information can be accessed by using the iPad.

Fast and simple confirmations make business operations more efficient.

*Property information confirmations are communications with sellers concerning price revisions, property availability and other items.

Property navigation

Virtual reality property view



Digital catalog

iPads display up-to-date information about properties that is constantly updated regarding price revisions, availability and other items. Pictures and other information are easy to see. iPads can also be used for activating property navigation and virtual reality property viewing.

The KEIAI.NET system



Virtual reality property viewing



Simply **tap the QR code** to activate a virtual reality view. This allows showing customers a property at any time and from any place, even on a rainy day.

The KEIAI.NET system



The AI Assistant

The AI Assistant backs up sales activities by answering frequently asked questions every day at any time of the day or night.

Ask the assistant anything about the property sales manual, real estate industry terminology or other real estate subjects. The assistant is an excellent way to acquire knowledge and develop the skills of sales personnel.

★POINT1★

A chart format makes it easy to ask questions to receive information that is needed.

★POINT2★

A real estate glossary is a useful tool for training new sales personnel.

★POINT3★

The assistant can provide advice when an unexpected issue occurs during discussions with a customer.



Increase the Lineup of Services of Member Stores

Business Café for the provision and sharing of information

- Services that take full advantage of KI-Star expertise



Explanations of new products and key points when talking to customers

Examples of successful sales activities to improve the activities of other member stores



This event also includes one-to-one consultations



Increase the Lineup of Services of Member Stores

More support for sales activities by using KI-Star's expertise

Open house events to explain the on-site management and features of KI-Star houses



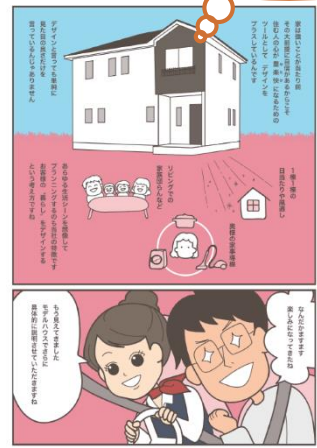
On-site management manual for ensuring that houses leave customers with the best possible impression

設営の基礎知識①
賑わい感を出しましょう

他の設営で大事なものは、「ここに販売中の物件がある」ということを多くの人に知ってもらう事です。
看板だけでなく、ノボリや懸垂幕、連続旗などを物件に設えれば、そこからお客様に売り出し中の現場だと認知してもらえます。

【設置POINT】
遠くからでも目に付く最適な場所か、設置後にも確認します。
また、色の統一も重要です。色々な色を使ってしまうよりも、統一感のあるデザインを心がけましょう。

KEIAI House Manga publications give customers information in a format that is easy to understand



Code of Conduct for the Strategic Use of IT

Real Estate x IT

Use IT for change. Be a force of change in the real estate industry.

IT's Real Estate, and IT.

We are committed to solving a diverse array of real estate industry issues and to using IT for the creation of new services that can enable our customers to lead lives that are even more fulfilling, enjoyable and pleasant. We will use innovations made possible by IT in order to make extensive use of "real estate tech." We will play a central role in taking the real estate industry into the future as we become one of Japan's leading real estate companies.

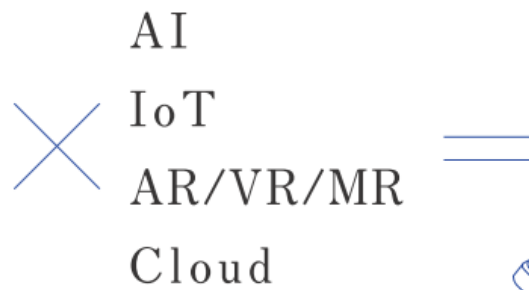
Use of IT for the best possible overall business processes

Keiji Hanawa, President and CEO
KI-STAR REAL ESTATE CO., LTD.

Productivity

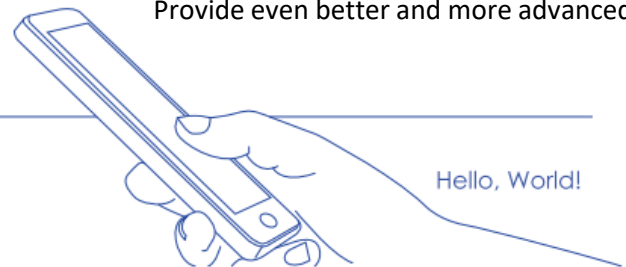
Workplace environment

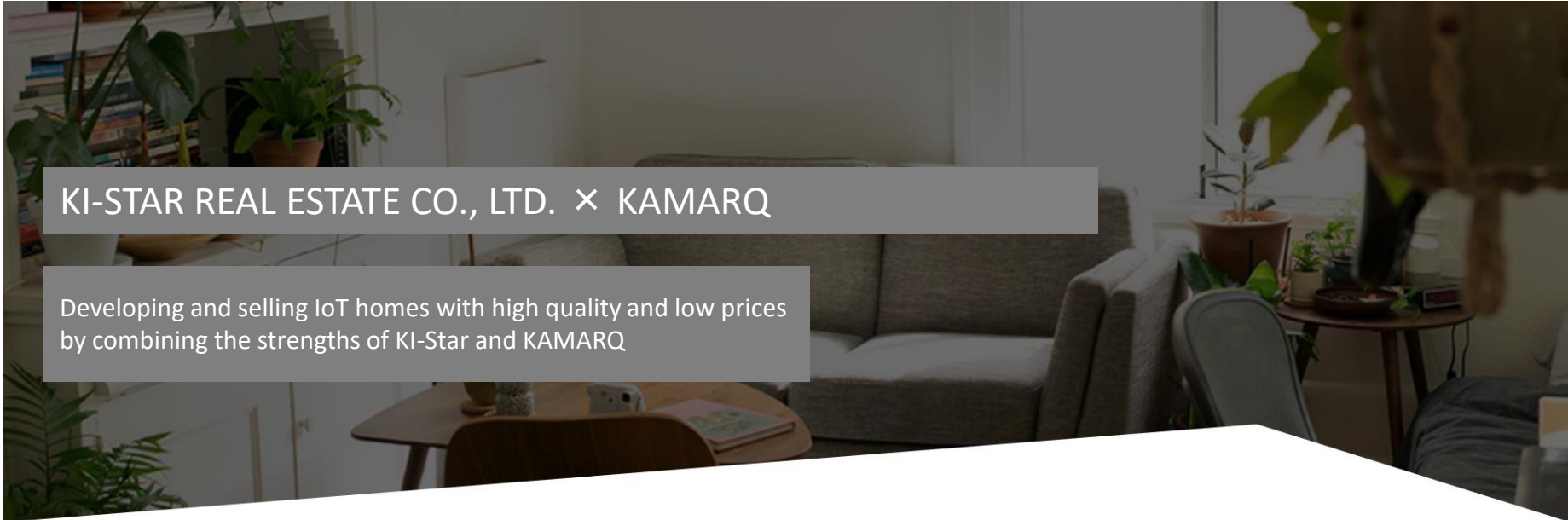
Customer experience



Create a next-generation real estate business

- Increase transparency for supplying information
- Realize the full potential of new technologies
- Provide even better and more advanced services





KI-STAR REAL ESTATE CO., LTD. × KAMARQ

Developing and selling IoT homes with high quality and low prices by combining the strengths of KI-Star and KAMARQ

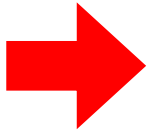
<https://kamarq.net/ja>

KAMARQ

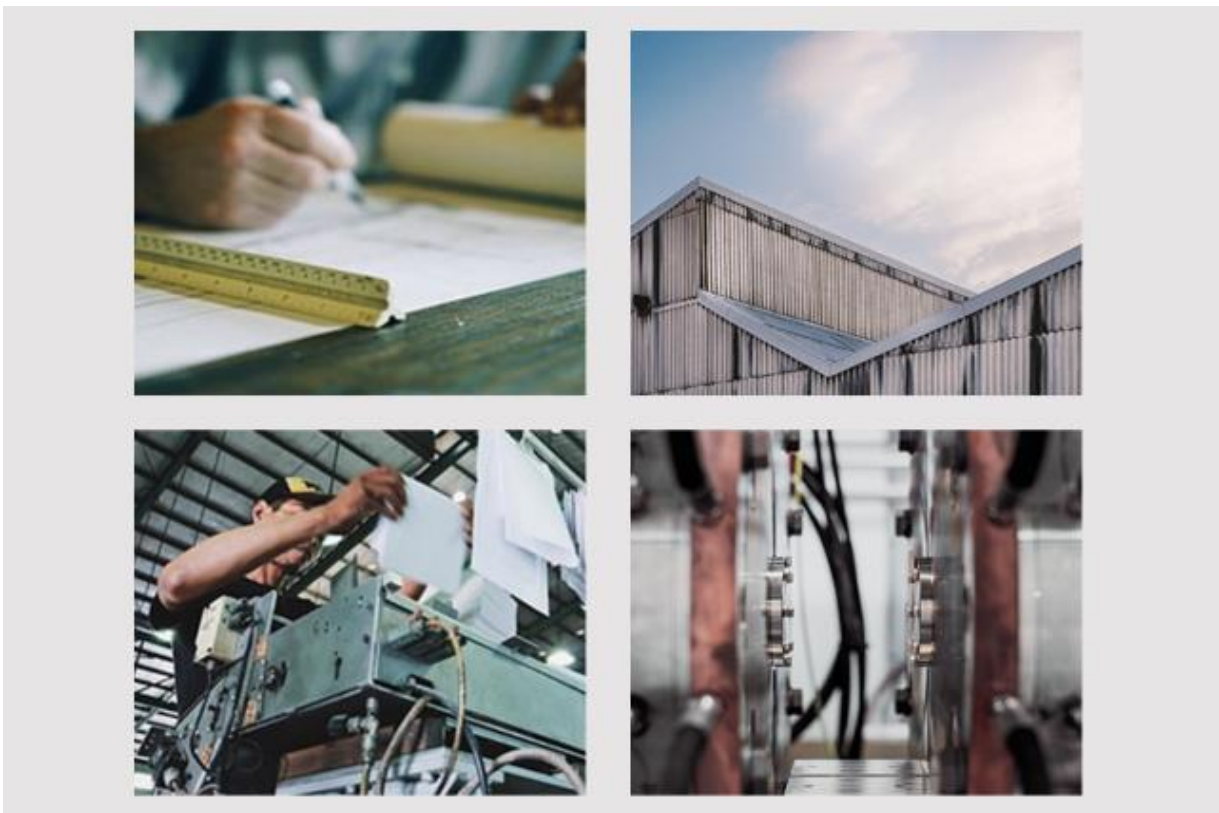
KAMARQ is an OEM for Japanese manufacturers and plans and manufactures housing products, furniture and other wood products. The company is known for creating innovative products by using unprecedented ideas such as the Sound Table, which combines a wood table with the IoT to play music or environmental sounds.



A new factory in Indonesia will start operating in December 2018



Further cost reduction due to the start of the OEM supply of kitchen and other housing products using an original brand with low prices



KI-Star plans to use the manufacturing infrastructure of KAMARQ, which complies with Japanese quality standards, in order to develop an innovative KEIAI brand and sell IoT products with outstanding quality and excellent performance in relation to the cost.

Expanding Operations to More Areas of Japan

Opening more locations, mainly in the Tokyo metropolitan area

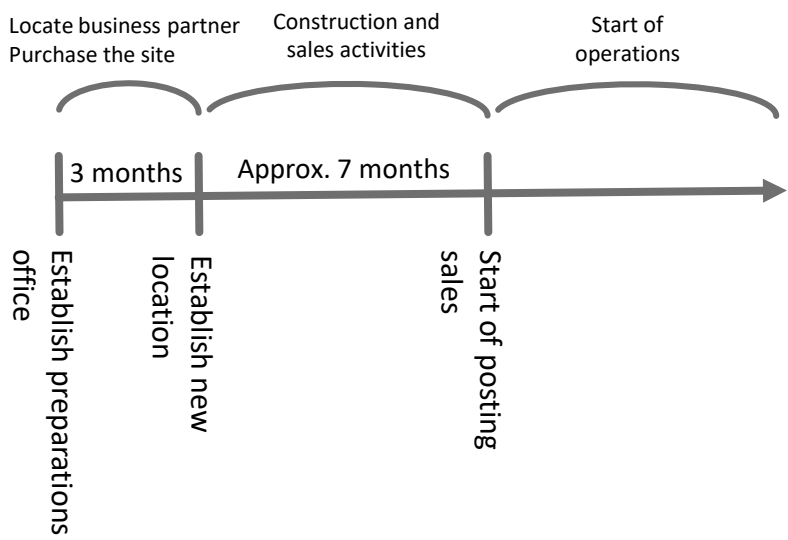
New locations in FY3/18

Tokyo area	1 location
Saitama area	6 locations
Chiba area	1 location
Aichi area	1 location
Fukuoka area	4 locations

New locations in FY3/19

Yokohama sales office (Kanagawa)	Opened on April 2018
Ikebukuro sales office (Tokyo)	Opened on July 2018
Kita-narashino sales office (Chiba)	Opened on September 2018
Moriya sales office (Ibaraki)	Opened on August 2018
Sano sales office (Tochigi)	Opened on June 2018

Area	March 2018	September 2018
Tokyo	4(0)	5(0)
Gunma	17(0)	17(0)
Saitama	18(0)	19(0)
Tochigi	11(1)	12(1)
Ibaraki	3(0)	4(0)
Chiba	3(0)	8(0)
Kanagawa	2(0)	3(0)
Aichi	1(0)	1(0)
Fukuoka	14(9)	14(9)
Total	73(10)	78(10)



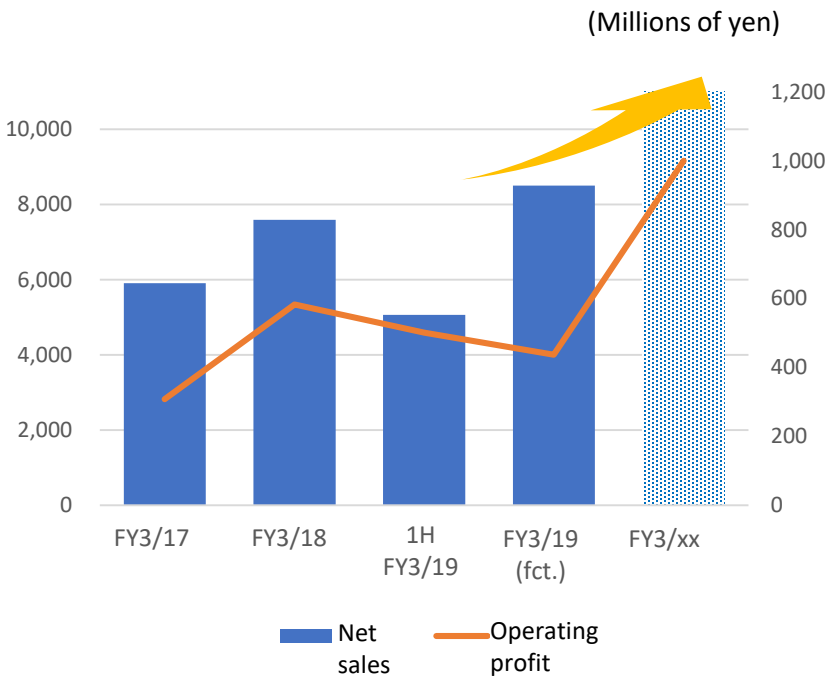
Accumulated know-how and the cooperation of real estate broker partners make it possible to start operations at new locations within only about one year.

* Numbers in parentheses are locations primarily for the custom-built house business.

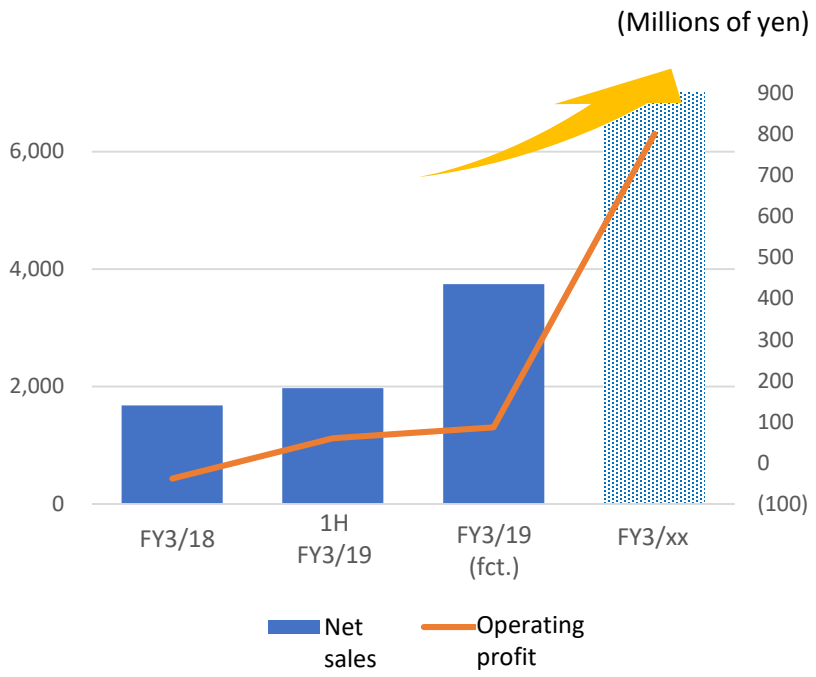
Using Acquisitions for Growth

The growth of the homebuilding and sales businesses of Yokatown and Asahi Housing has increased significantly after these companies became members of the KI-Star Group. Each company is aiming for further growth in order to become the leader in the region where it operates.

● Yokatown



● Asahi Housing



◆ Ranked the 3rd in Fukuoka for the number of wooden house construction in FY3/17 (excluding houses for rent)

*Source: JUTAKU SANGYO KENKYUSHO CO., LTD.

Building a win-win relationship by sharing knowledge and assets

● Fresco Inc.

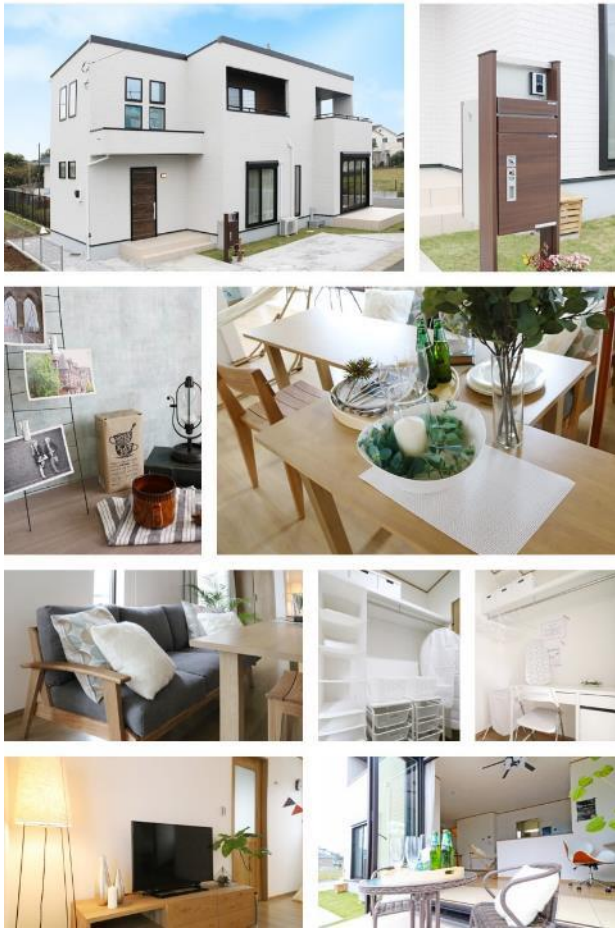


Fresco sells land and conducts a custom-built housing business. The company operates primarily in the city of Chiba. Operations are fully integrated, extending from the purchase of land to home construction, sales and maintenance services. Further growth is expected as Fresco works closely with KI-Star to expand its detached house sales business.

(Millions of yen)

	FY3/16	FY3/17	FY3/18
Net sales	3,000	3,343	3,216
Operating profit	52	45	79
Ordinary profit	37	39	60

* Net sales include taxes.
 * Figures are not audited.



Offering many ways to work improves efficiency and helps attract talented people

Programs to allow women to realize their full potential are a priority

◆ Working style innovations

Shorter working time, staggered working hours, working at home and other programs

These innovations give employees the flexibility to work in a manner that matches their life styles.

◆ Educational activities

Meetings for female employees



These meetings provide an opportunity for mothers and other women at the KI-Star Group to share information that enables them to continue advancing their careers at the group for many years. This reduces the number of women who resign due to marriage, childbirth or other events in their lives.



FY3/18 Statistics

- Female managers: 15 (10.8% of all management personnel)
- Time off for childbirth and child raising: 9 women
- Women who returned after time off: 3 (100% of women who used this program)

Government certification



Eruboshi Certification for supporting the participation and advancement of women in the workplace (Ministry of Health, Labour and Welfare)



Kurumin Certification for support for raising children (Ministry of Health, Labour and Welfare)

There are also many other programs involving working style reforms

- Employee turnover
- FY3/17: 14.2%
- FY3/18: 7.29%
- 1H FY3/19: 6.59%

A community that encourages women to achieve their career goals

Activities to increase the role of women in the real estate industry and bring “women” and “real estate” closer



This community is for women with an interest in real estate and women who want to meet people who work in the real estate industry. Women can attend gatherings with no obligations in order to learn more about working styles, residences and other topics involving real estate. In addition to our real estate sales activities, we hold these events for encouraging women to become interested in real estate from a variety of perspectives of the real estate market.



Dividends and Shareholder Benefits

Dividends and Shareholder Benefits

● Dividend forecast

Started to pay an interim dividend in FY3/18

	FY3/17 Results (consolidated)	FY3/18 Results (consolidated)	FY3/19 Forecast (consolidated)
Net income per share (yen)	203.34	238.87	281.86
Dividend per share (yen)	64.0	71.0	84.0
Payout ratio (%)	31.5%	29.7%	29.8%
Payout ratio using the number of shares issued at end of fiscal year (%)	31.5%	29.7%	29.8%

* KI-Star conducted a 2-for-1 stock split effective on February 1, 2017. The above figures are calculated as if the stock split had taken place at the beginning of FY3/17.

● Shareholder Benefits

Purpose: Increase the number of medium and long-term shareholders by making KI-Star stock more appealing

Eligibility: Shareholders who are listed in the shareholder register on September 30 and own at least one trading unit

Number of shares held as of the record date	Gift
100 shares to 499 shares	Quo card (1,000 yen)
500 shares and more	Quo card (3,000 yen)

This presentation includes information about future performance and other items that are not historical facts. This information was prepared by using certain assumptions at the time that this presentation was prepared. Actual performance may differ significantly from forward-looking statements due to a variety of uncertainties.

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Inquiries

Takanashi, Corporate Planning Department, Corporate Planning Division
KI-STAR REAL ESTATE CO., LTD. Tokyo Head Office
Marunouchi Trust Tower North 13th floor,
1-8-1 Marunouchi, Chiyoda-ku, Tokyo 100-0005
Tel: +81-
3-6268-0520 (Direct to Corporate Planning Department)
Web: <http://www.ki-group.co.jp>