

First Half of FY3/20

# Financial Results

Results of Operations for the First Half of the  
Fiscal Year Ending March 31, 2020

KI-STAR REAL ESTATE CO., LTD.

# KEIAI

デザインのケイアイ  
With outstanding designs



Tokyo Stock Exchange, First Section/3465



# IR Topics

April 16, 2019	Notice of Purchase of BR Estate Stock
June 4, 2019	Announcement concerning IT Growth Strategy
June 4, 2019	Establishment of “Five Arrows” of the retech IT Growth Strategy
June 20, 2019	Notice of Joint Development of IoT Residential Sensor
June 24, 2019	Announcement of Franchise Agreement for the First KEIAI Franchised Store
July 2, 2019	Artificial Intelligence Media Company Executive Appointed External Chief Analytics Officer
July 23, 2019	Business Alliance with the Ielove Business Support Cloud Service for Real Estate
July 30, 2019	Establishment of Group Headquarters Production Planning Department for Data-driven Management Using AI, BI and RPA for Improving Inventory Turnover and Productivity
August 8, 2019	Notice of Inclusion in the JPX-Nikkei Mid and Small Cap Index
August 16, 2019	Notice of Purchase of Houseline Stock
August 20, 2019	Announcement of Start of Sales of KEIAI’s brand Kitchens
September 3, 2019	Announcement of Start of KEIAI Denki Electricity Sales Agency Business in North Kanto area

# KEIAI

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KEIAI Growth Strategy\_\_\_\_\_P.09

Dividends and Shareholder Benefits\_\_\_\_\_P.21



# First Half of FY3/20 Financial Results Overview

First half FY3/20 Financial Summary





- Continued to execute the homebuilding and sales business growth strategy
- Sales were **138.2%** higher than one year earlier
- Record-high earnings of **1,893** million yen

# Consolidated Statements of Income



Record-high sales and earnings backed mainly by growth of the homebuilding and sales business

(Millions of yen)

	1H FY3/19	1H FY3/20	YoY change
	Amount	Amount	%
Net sales	<b>41,800</b>	<b>57,758</b>	+38.2%
Gross profit	<b>6,268</b>	<b>8,586</b>	+37.0%
SG&A expenses	<b>3,863</b>	<b>5,275</b>	+36.5%
Operating profit	<b>2,404</b>	<b>3,310</b>	+37.7%
Ordinary profit	<b>2,322</b>	<b>3,125</b>	+34.6%
Profit attributable to owners of parent	<b>1,419</b>	<b>1,893</b>	+33.4%

# Segment Performance



Growth supported by the entire KI-Star Group's measures to strengthen the homebuilding and sales business. Steady growth following recent acquisitions.

		(Millions of yen)			
		1H FY3/19	1H FY3/20	YoY change	Remarks
Homebuilding and sales (including land)	Houses sold	1,208	1,309		Growth due to growth strategy progress
	Sales	30,699	38,409	+25.1%	
	Operating profit	2,577	3,248	+26.0%	
Custom-built housing	Houses sold	50	57		Shifting resources to the homebuilding and sales business
	Sales	768	664	-13.5%	
	Operating profit	163	119	-27.0%	
Pre-owned home sales	Houses sold	55	90		
	Sales	1,629	2,466	+51.4%	
	Operating profit	45	38	-15.5%	
Yokatown	Houses/land sold	Built-for-sale houses: 105 Custom-built houses: 104 Land: 34	Built-for-sale houses: 230 Custom-built houses: 71		Growth due to measures to strengthen the homebuilding and sales business
	Sales	5,066	6,724	+32.7%	
	Operating profit	501	522	+4.1%	
Asahi Housing	Houses/land sold	Built-for-sale houses (including land): 56	Built-for-sale houses (including land): 78		Growth due to measures to strengthen the homebuilding and sales business
	Sales	1,974	2,892	+46.5%	
	Operating profit	60	114	+90.0%	
Fresco	Houses/land sold	Custom-built houses: 33 Land: 14	Built-for-sale houses: 36 Custom-built houses: 47 Land: 32		Comparison with a 3-month period in 1H FY3/19
	Sales	1,073	2,630	+145.1%	
	Operating profit	(74)	134	-	
Kensin	Houses/land sold	-	Built-for-sale houses: 29 Custom-built houses: 30 Land: 14		
	Sales	-	3,203	-	
	Operating profit	-	21	-	

# Consolidated Forecast



## Strong first half performance in relation to the fiscal year forecasts

(Millions of yen)

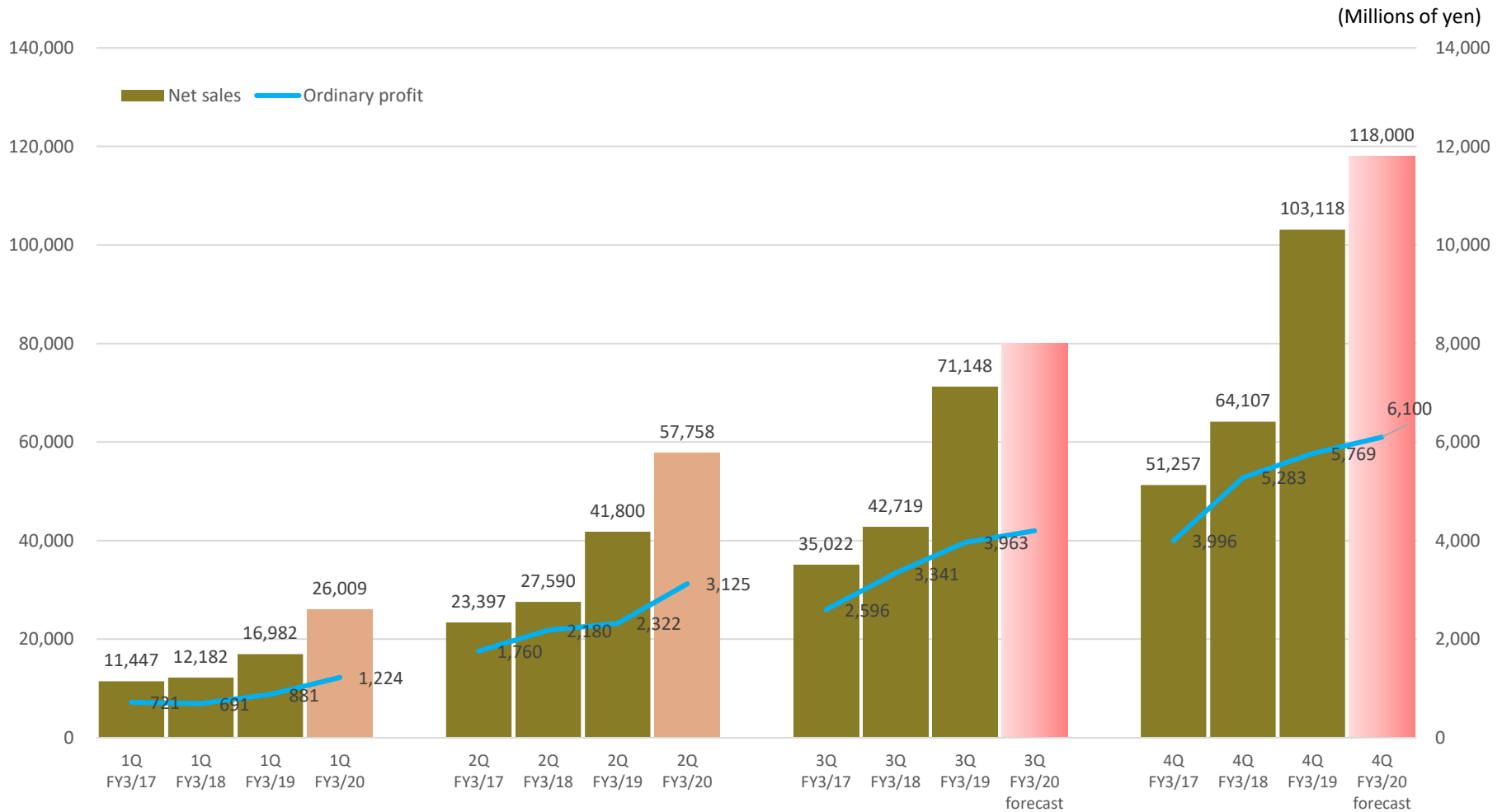
	1H FY3/19 Results	1H FY3/20 Results	1H FY3/19 vs. FY3/19 Results	1H FY3/20 vs. FY3/20 Forecast	FY3/19 Results	FY3/20 Forecast	YoY change (%)
Net sales	41,800	57,758	40.5%	<b>49.0%</b>	103,118	118,000	+14.4%
Operating profit	2,404	3,310	40.4%	51.7%	5,950	6,400	+7.6%
Ordinary profit	2,322	3,125	40.3%	51.2%	5,769	6,100	+5.8%
Profit attributable to owners of parent	1,419	1,893	41.0%	<b>49.8%</b>	3,461	3,800	+9.8%



# Consistent Growth in Sales and Earnings



## Steady progress with the strategy for growth continues



# Consolidated Balance Sheet



Emphasis on high inventory turnover for efficient use of capital to support growth

(Millions of yen)

	March 31, 2019	September 30, 2019	Increase/decrease
Current assets	74,180	72,783	<b>-1,396</b>
(Inventories)	( 57,655)	( 59,185)	<b>( 1,529)</b>
Non-current assets	7,236	7,895	<b>659</b>
Total assets	81,416	80,679	<b>-737</b>
Liabilities	64,336	62,189	<b>-2,147</b>
(Interest-bearing debt)	( 51,190)	( 51,009)	<b>( -181)</b>
Net assets	17,079	18,490	<b>1,410</b>
<b>Total liabilities and net assets</b>	<b>81,416</b>	<b>80,679</b>	<b>-737</b>



# KEIAI Growth Strategy

# Growth Strategy Outline

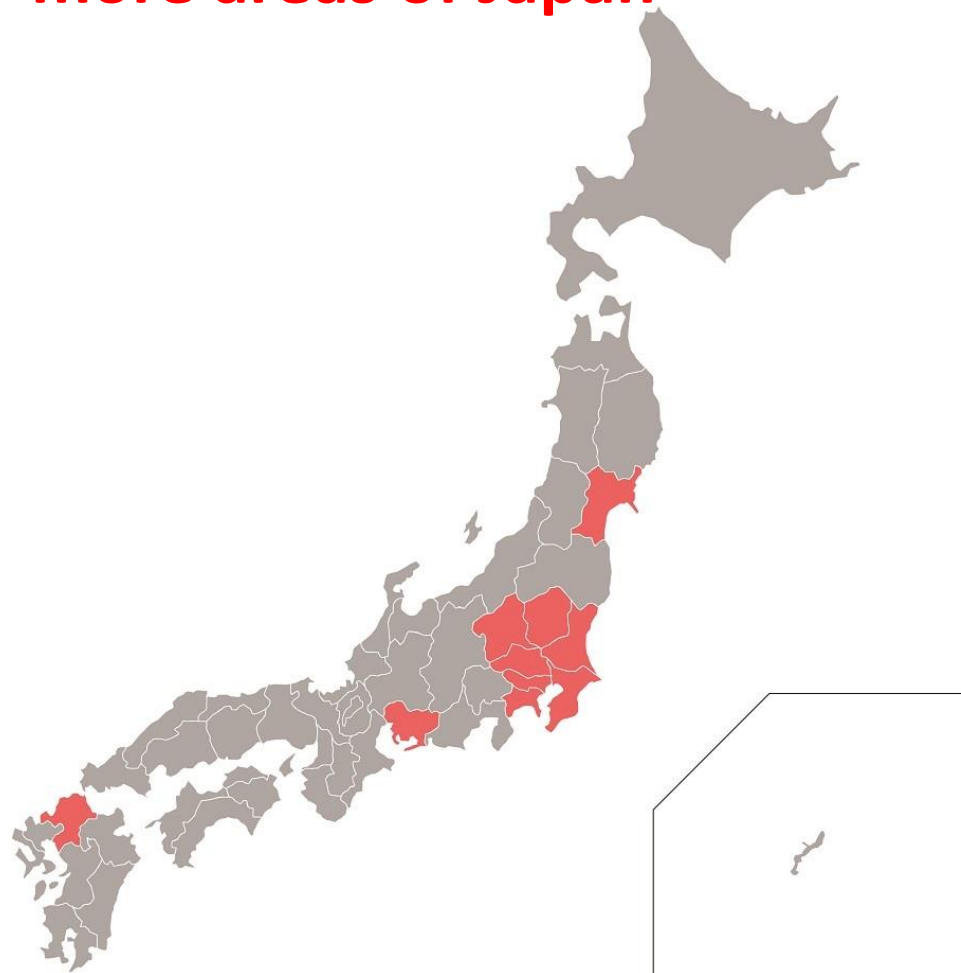
- Expansion to more areas of Japan
- IT/FC/VC for higher productivity
- M&A and alliances
- Financial strategy
- Other initiatives

# Expansion to More Areas of Japan

Current locations of operations



**Much growth potential by extending operations to more areas of Japan**



Number of offices

Kanto area	70
Kyusyu area	14
Tohoku area	2
Tokai area	2
<b>Total</b>	<b>88</b>

(including subsidiaries)

# Expansion to More Areas of Japan



## Plan to use ordinance-designated cities as hubs for expansion to nearby regions

KEIAI has a framework for staffing new offices with people who joined the company as new college graduates and completed training

### 1H FY3/20 new offices

Sendai area	2	(Sendai sales office, Sendai Chuo sales office)
Fukuoka area	1	(Fukuoka Minami sales office)
Saitama area	1	(Sakado sales office)
Tokyo area	1	(Nerima sales office)
Kanagawa area	1	(Mizonokuchi sales office)
Tokai area	1	(Kasugai sales office)

### Expected benefits of new offices

Based on past performance, new offices are expected to have average sales of about 80 houses by their third year of operations.

The average cost of opening a new office is less than 10 million yen.

# IT/FC/VC for Higher Productivity (Using Information Technology to Improve Productivity)

KEIAI [ RealEstate × IT ] Overview

KEIAI

Further improve first impressions of houses

Takasaki IoT model home site

Portal site with information about housing

IoT homes that directly target requirements of primary customer segment

IoT solutions to improve living environment

Added value for homes that makes KEIAI the first choice

Customers

Current value

Next stage of value

Overall value

Products

Sales expertise

Provision of prospective customers

Supply of real estate professionals

IT support

Powerful brand

Digital marketing

Member stores

Human resource services for the real estate industry

Real estate companies

HR solutions for real estate/housing/construction

Sale of IoT home products to construction companies

New products and solutions

Sale of other products to construction companies

Construction management, inspections, AI automation

Sale of products for existing houses

KI-Star Group

Higher construction productivity

RPA/AI

Construction quality management system

BI

Higher labor productivity

More recruiting activities

New business operations IT system

Internal PR platform

Knowledge management infrastructure

Smart office technology at Tokyo Head Office

HR marketing Automation

# IT/FC/VC for Higher Productivity



## Using KEIAI.VC (Voluntary Chain) to Improve Productivity

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

**KEIAI.VC member stores: 231**

\*As of October 31, 2019



KEIAINET  
Tokyo Head Office

### SUPPORT SERVICE MENU

1	Business café	8	e-magazine (useful industry info)
2	Business awards	9	Portal site special services
3	Business etiquette training	10	Website for real estate job openings
4	KEIAI property search tool	11	Lifeline agency service
5	Fee for introduction of options	12	Info about plans exclusively for smartphones
6	Sales/service for KEIAI building products	13	Smart employee benefits for extra value
7	Free consultations with an attorney		

Monthly membership fee (before tax)  
Head office: ¥20,000  
Branch office: ¥10,000

Member stores will be able to

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





## Using KEIAI.FC (Franchised Chain) to Improve Productivity


Growth of the franchised chain, which has stronger ties with KI-Star than with the voluntary chain, contributes to further increases in purchases and sales of properties. This chain has been expanding steadily to more areas of Japan since its launch in May 2019.

**KEIAI.FC member stores 13**

\*As of October 31, 2019


### The 10 Benefits of KEIAI.FC

- 01**  
Store front  
KEIAI sign




ブランドカラーの色を基調とした視認性の高い看板を設置。ひととき目を惹くデザインで、地域の有名店。
- 02**

Support from  
KI-Star advisers




市場動向や成金率の情報共有など、豊富な経験を持ったスタッフがアドバイザーとして支援します。
- 03**

Management/  
recruiting/training  
know-how




不動産業界として成熟し続けてきた仕組の豊富な知見ノウハウを提供。物件管理や営業・販売など、実務の研修メニューを豊富にサポートします。また企業を成長させるために最も重要なのは「人」、マネジメント研修、リーダーシップ研修など、企業発展に貢献する人材を研修で育成します。
- 04**

Support for  
starting  
businesses



【実業種からの参入】や【独立開業】をサポートから安心サポート。免許取得や人材採用、店舗作りなど、オープンまでの期間をサポートアップ。
- 05**

Ability to sell  
KEIAI houses




一般の宅建業者では販売できないKEIAIの売主物件も、KEIAI FC加盟店様なら販売可能。他社との差別化で、高単・成約ともUP!
- 06**

Use of the KEIAI  
Pro Net system




加盟店様の業務全般をサポートいたします。【物件成り】物件管理【顧客管理】物件一覧入籍【顧客検索】メールなど事業展開に必要な基本システムだけでなく、営業に活用できるツールまで提供しております。
- 07**

Property  
purchases by  
KI-Star




加盟店様の事業を積極的に買い取ります。売却価格のみで売却まで対応するので、売却単価が大幅に向上します。もちろん買取後は販売物件として営業活動が可能です。
- 08**

Construction of  
homes for sale  
Supply of KI-Star  
products




建物を建設することができます。もっとうちも敷地内で、建設です。土地のみの販売より集客力も収益もUPします。
- 09**

Supply of  
building products



規定の部材を、業販価格で提供します。新築はもちろん、賃貸や中古再販事業でもご利用いただけます。
- 10**

Low franchising  
fees



私たちがKEIAIグループのメイン事業は戸建て分譲住宅の建築・販売です。このサービスは、加盟店様から多くの利益をいただくという考えから始められたことで、店中ノウハウでも、もっと不動産事業を積極的拡大していたら良いという考えから始めました。この事業を主とする他の企業様の料金設定よりも圧倒的な安値設定でご提供できるのは、このような理由があるからです。



## KEIAI-KAMARQ Equity and Business Alliance



**KEI-Star has started production of kitchens that use the KEIAI brand. Kitchens feature a low cost without any reduction in quality. KEI-Star plans to raise production in stages.**

**KEI-Star and KAMARQ plan to jointly develop more KEIAI brand products that have outstanding quality at reasonable prices.**



## First half FY3/20 Acquisitions

**KI-Star acquired two real estate brokerage companies to continue strengthening sales capabilities**

### **BR Estate Co., Ltd.**

BR Estate provides real estate brokerage, home renovation and other services primarily in Chiba prefecture. Following this acquisition, BR Estate plans to focus mainly on sales of KI-Star Group's built-for-sale houses.

### **Houseline Co., Ltd.**

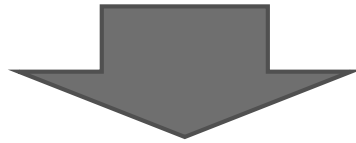
Houseline is a real estate broker that operates primarily in Saitama prefecture. Following this acquisition, Houseline plans to focus mainly on sales of KI-Star Group's built-for-sale houses.

**KI-Star will continue to consider opportunities for vertical and horizontal M&A.**

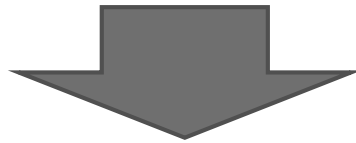


## Stabilize funding to finance growth of the homebuilding and sales business

- \* Improve inventory turnover ratio to reduce inventory finance
- \* Refinance short-term borrowings on a long-term basis



- \* Improve cash position



- \* Invest for growth of the homebuilding and sales business

# Other Initiatives - Increasing Diversity



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.



## ● 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)



**Selected as a 2018 Nadeshiko Brand**

**Platinum+ Certification for Promotion of Diverse Working Styles**



# Other Initiatives - Real Estate Ladies



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

	FY3/18 Results (consolidated)	FY3/19 Results (consolidated)	FY3/20 Forecast (consolidated)
Net income per share (yen)	238.87	243.88	<b>267.77</b>
Dividend per share (yen)	71.0	84.0	<b>84.0</b>
Interim dividend per share (yen)	35.0	42.0	<b>42.0</b>
Payout ratio (%)	29.7%	34.4%	<b>31.4%</b>

## 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)



# Forward-looking Statements



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.

This presentation was prepared for the purpose of providing general IR information for giving people a better understanding of the KI-Star Group and is not a solicitation to invest in KI-Star. Individuals who use the information in this presentation should reach investment decisions on their own.

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