

FY3/20

Financial Results

Results of Operations
for the Fiscal Year Ended March 31, 2020

KI-STAR REAL ESTATE CO., LTD.



Tokyo Stock Exchange, First Section/3465

Listed on
TSE 1st

KEIAI

デザインのケイアイ
With outstanding designs





Management Philosophy



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



Vision



The company of the best envy and admiration in Japan.

Highlights of FY3/20



- Achieved consolidated net sales of **¥120.7 billion**
Five consecutive years of sales and earnings growth,
every year since the IPO
- Record-high profit attributable to owners of parent of **¥3.5 billion**
- Gross profit margin increased from 14.2% in FY3/19 to 14.7% in FY3/20
Aiming for an even higher margin by holding down the cost of sales
- Acquired BR Estate Co., Ltd. in April 2019, **making this company a consolidated subsidiary**
- Acquired Houseline Co., Ltd. in August 2019, **making this company a consolidated subsidiary**
- Growth of **steady-revenue businesses that do not require assets**
- Selected as a **2020 Nadeshiko Brand by Tokyo Stock Exchange in cooperation with Ministry of Economy, Trade and Industry** for the second consecutive year, which is recognition for companies dedicated to empowering women in the workplace

Information about Today's Earnings Announcement



1. Postponement of announcement of FY3/21 forecasts for results of operations and the dividend

Determining a reasonable forecast for sales and earnings is not possible at this time because we cannot predict the magnitude of the impact of the COVID-19 pandemic. As a result, **there are no forecasts for results of operations and the dividend for the fiscal year ending in March 2021.**

2. Outlook

We are currently examining how much COVID-19 is affecting the business operations of KI-Star Group companies. We will make an announcement promptly when it becomes possible to determine reasonable forecasts for results of operations and the dividend.



KEIAI

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The Effects of COVID-19



COVID-19 Economic Impact and KEIAI Strengths



Economic impact and risk

- * Simultaneous economic downturns worldwide
- * Risk of an even deeper economic downturn if the crisis does not end soon
- * Increasing worries about job security

KEIAI strengths

- * The KI-Star Group's built-for-sale houses target only real demand
- * Houses have outstanding high quality and designs at low prices that make buying a house less expensive than renting
- * **Firm demand during economic downturns; demand for low-priced houses for real demand remained firm during the global financial crisis "Bankruptcy Lehman Brothers"**
- * As people stay home for safety, the need for detached houses is increasing (people want teleworking space, houses with yards, and separate rooms for privacy)

Actions for Preventing the Spread of COVID-19



- Even during Japan's state of emergency, the number of people who want to buy a house is larger than expected.
- With customers' safety the highest priority, KI-Star has announced the following measures for personnel and sales offices in order to enable people to look for a house with confidence.

The April 13, 2020 press release that explains the COVID-19 protection measures KI-Star is using for its people and sales offices (on the left) and for customers (on the right)

安心して
オウチ探しを
してください

安心・安全の住まい探しのために

新型コロナウイルス（COVID-19）感染拡大防止のための 当社の対応について

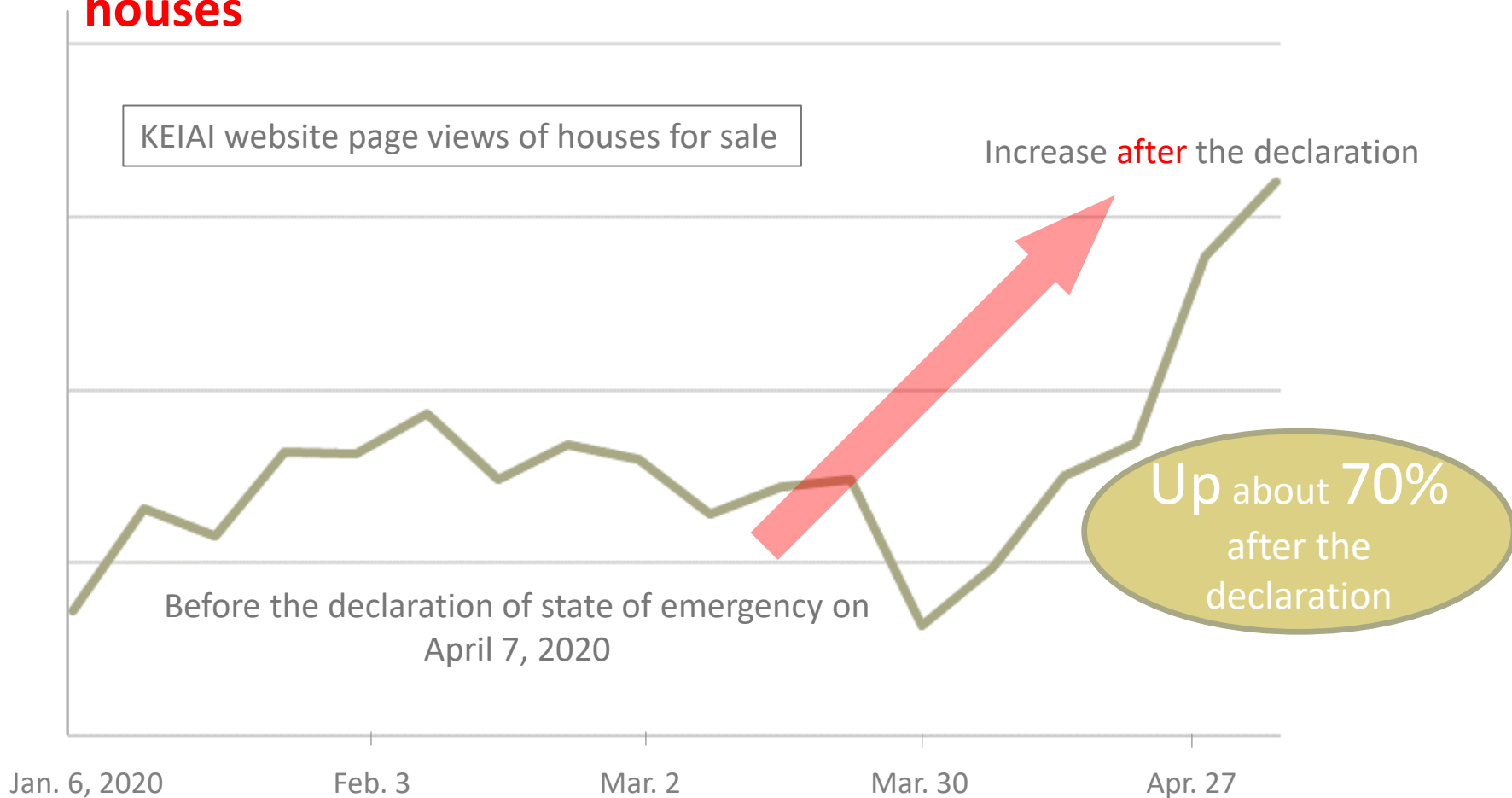
「緊急事態宣言」発令を鑑み、当社ではお客様やスタッフの健康を守るために下記の取り組みを実施致します。
ご理解、ご協力をいただきますよう、何卒よろしくお願い申し上げます。

スタッフ・店舗対応		お客様対応	
<p>1 手洗い・消毒の徹底、咳・くしゃみエチケットの徹底を行います。</p>	<p>2 お客様、お取引業者様と接する場合はマスクの着用をいたします。</p>	<p>9 ご来店のお客様には必要に応じて手袋をお渡ししています。</p>	<p>10 名刺は現地であればお客様のスマホなどで撮影、店舗であれば机の上に置かせていただきます。</p>
<p>3 ご希望の場合はお電話にて対応を致します。</p>	<p>4 スタッフは毎日出勤時に検温の報告を会社に行います。</p>	<p>11 接客テーブルなどお客様の手に触れる箇所は都度消毒を行います。</p>	<p>12 お客様との間隔を1m以上開けてお話をさせていただきます。</p>
<p>5 打合せ等は、換気やスペースの確保などの対策を充分に施したうえに行います。</p>	<p>6 キッズスペースは閉鎖いたします。お子様はブース内にてご同席をお願いします。</p>	<p>13 完成物件の内覧はご予約ください。いらっしゃる前に換気などの対策を施します。</p>	<p>14 同じ物件・スペース内のご案内については、30分以上の間隔をあけて行います。</p>
<p>7 各営業所やオープンハウス等、建物内の換気を定期的に行います。</p>	<p>8 出入口に消毒液を設置致します。</p>	<p>お客様とお打ち合わせについて</p> <ul style="list-style-type: none"> ■完成物件に関しては、当該物件にて行います。 ■未完成物件に関しては、近くの完成物件にて行います。 ■他のお客様がいらっしゃる場合は、お子様のご同席をご遠慮いただく場合がございます。 <p style="font-size: 0.7em; margin-top: 5px;">※現在マスクが市場で品薄状態につき、可能な範囲内で実施いたします。</p>	

The Increasing Interest in Owning a House (KEIAI website page views of houses for sale)



The need to stay home appears to be raising the demand for houses



Note: Page views are for designated pages on the KEIAI website; page views are the most widely used indicator of website utilization.

Current Market Conditions



Orders in the March 2021 fiscal year at this point are as follows.

(These orders are calculated by the KI-Star homebuilding and sales business and are totals for KI-Star and subsidiaries established by KI-Star)

Orders received from April 1 to May 10, 2020

Monetary value: **Up 7%** year-on-year

Number of houses: **Up 5%** year-on-year

Orders are currently higher than one year earlier because of rising demand for detached houses as people stay home. People's values concerning houses are changing because of shifts in life styles (such as more time at home with the family due to teleworking and other reasons) and how people plan to spend their lives.

House Res-9(Kyu) (Homes for People Worried about Job Security)



お住まい
レスキュー
今、戸建住宅の購入に
「安心」を。



キュー
お住まいレス9

新築分譲物件を引き渡し後、6か月以内に
経済情勢の悪化による企業倒産・解雇に
なったら

「お見舞金」
最大45万円
一括お渡し



- Houses include a rescue service in the event of a financial problem after the purchase.
- If there is a problem, people can stay in the house for 9 months while reducing the monthly mortgage payment.
Res-Kyu combines the words “rescue” and “kyu” (9 in Japanese).

Website for more information:

<https://ki-group.jp/housingres9/>



Purchase of new KEIAI
house using a loan



Loss of job due to
economic downturn



Consolation payment of
up to ¥450,000

KEIAI gives buyers peace of mind

Outlook for Consolidated Net Sales



As there are many uncertainties that may affect our performance, it is difficult to establish a reliable forecast. The forecast is therefore undecided at this time. We will promptly announce the full year forecast once this becomes possible.

Our forecast shown below assumes that the economy will start recovering gradually after bottoming out in the April-June quarter and return in 2021 to about the same level as in the previous year.

(Millions of yen)

	FY3/20 Results	FY3/21 Forecast	YoY change	YoY change
	Amount	Amount	Amount	%
Net sales	120,710	122,000	1,289	+1.1%

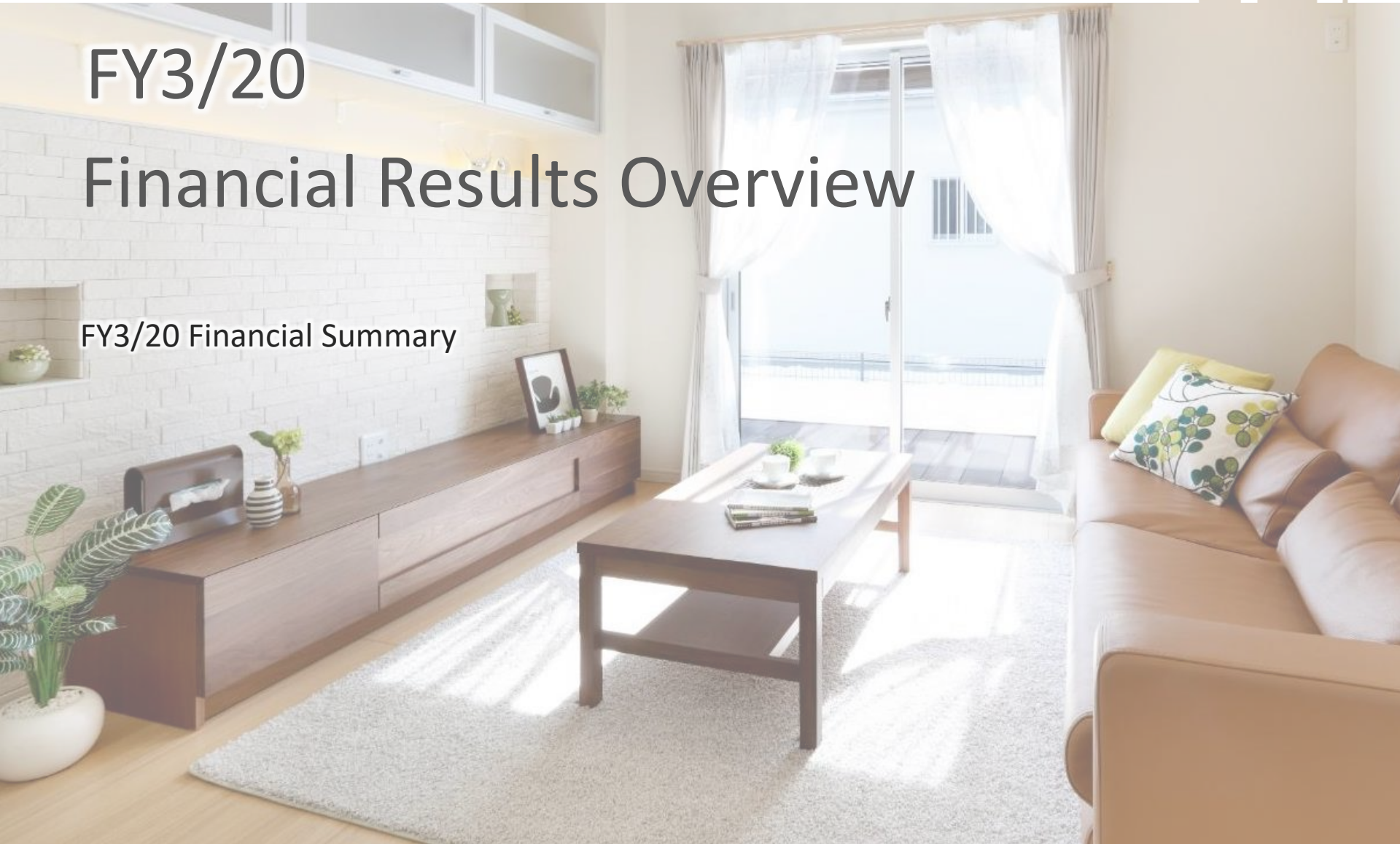
Although the environment for orders is currently favorable, actual results may change significantly if there is a second or third wave of the COVID-19 pandemic and the above assumption is no longer valid as restrictions on going out and the severe economic downturn may cause personal income to decline.



FY3/20

Financial Results Overview

FY3/20 Financial Summary



FY3/20 Financial Summary



- Continued to execute the homebuilding and sales business growth strategy
- Sales were **17.1% higher** than one year earlier
- Record-high earnings of **3,584** million yen

Consolidated Statement of Income



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

Gross profit margin increased from 14.2% in FY3/19 to 14.7% in FY3/20.

Aiming for an even higher margin by holding down the cost of sales.

(Millions of yen)

	FY3/19	FY3/20	YoY change
	Amount	Amount	%
Net sales	103,118	120,710	+17.1%
Gross profit	14,611	17,760	+21.6%
SG&A expenses	8,660	11,334	+30.9%
Operating profit	5,950	6,425	+8.0%
Ordinary profit	5,769	6,317	+9.5%
Profit attributable to owners of parent	3,461	3,584	+3.6%

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)

		FY3/19	FY3/20	YoY change	Remarks
Homebuilding and sales (including land)	Houses sold	2,757	2,700		Growth due to growth strategy progress
	Sales	73,223	77,411	+5.7%	
	Operating profit	5,755	6,855	+19.1%	
Custom-built housing	Houses sold	108	109		Shifting more resources to the homebuilding and sales business
	Sales	1,466	1,218	-16.9%	
	Operating profit	271	254	-6.4%	
Pre-owned home sales	Houses sold	137	304		
	Sales	3,881	4,272	+10.1%	
	Operating profit	120	86	-28.0%	
Yokatown	Houses/land sold	Built-for-sale houses: 300 Custom-built houses: 190 Land: 76	Built-for-sale houses: 482 Custom-built houses: 134 Land: 71		Higher sales due to measures to strengthen the homebuilding and sales business
	Sales	12,231	15,818	+29.3%	
	Operating profit	1,118	1,039	-7.1%	
Asahi Housing	Houses/land sold	Built-for-sale houses (including land): 139		Built-for-sale houses (including land): 175	Growth due to measures to strengthen the homebuilding and sales business
	Sales	4,911	6,533	+33.0%	
	Operating profit	100	238	+137.3%	
Fresco	Houses/land sold	Built-for-sale houses: 34 Custom-built houses: 84 Land: 47	Built-for-sale houses: 109 Custom-built houses: 97 Land: 54		Comparison with a 9-month period in FY3/19 (consolidated in July 2018)
	Sales	3,517	6,166	+75.3%	
	Operating profit	66	215	+225.6%	
Kensin	Houses/land sold	Built-for-sale houses: 21 Custom-built houses: 48 Land: 31	Built-for-sale houses: 123 Custom-built houses: 72 Land: 27		Comparison with a 3-month period in FY3/19 (consolidated in January 2019)
	Sales	2,624	7,923	+201.9%	
	Operating profit	(1)	221	-	

Actual Consolidated Results of Operations vs. Forecast



Sales, operating profit and ordinary profit were **all higher than the initial forecast** despite challenges posed by COVID-19.

Although there was a valuation loss due to a decline in the value of the stock of alliance partner KAMARQ HOLDINGS, earnings achieved record highs.

(Millions of yen)

	FY3/19 Results	FY3/20 Initial forecast	FY3/20 Results	Results/ Forecast	YoY change
Net sales	103,118	118,000	120,710	102.3%	+17.1%
Operating profit	5,950	6,400	6,425	100.4%	+8.0%
Ordinary profit	5,769	6,100	6,317	103.6%	+9.5%
Profit attributable to owners of parent	3,461	3,800	3,584	94.3%	+3.6%

Consistent Growth in Sales and Earnings



Steady progress with the strategy for growth has been successful



* Consolidation started in FY3/17

Consolidated Balance Sheet



The current ratio increased from 129.0% (March 2019) to 130.3% (March 2020)

Continue to place emphasis on high inventory turnover for efficient use of capital to support growth

(Millions of yen)

	March 31, 2019	March 31, 2020	Increase/decrease
Current assets	74,180	82,743	8,563
(Inventories)	(57,655)	(65,667)	(8,011)
Non-current assets	7,236	7,192	-43
Total assets	81,416	89,936	8,519
Current liabilities	57,492	63,509	6,017
Non-current liabilities	6,844	6,577	-267
(Short-term and long-term borrowings and bonds payable)	(50,644)	(55,524)	(4,879)
Net assets	17,079	19,848	2,768
Total liabilities and net assets	81,416	89,936	8,519

Consolidated Cash Flows



(Millions of yen)

	FY3/19	FY3/20	Remarks
Cash flows from operating activities	709	(2,411)	Profit before income taxes was ¥5,899 million but inventories increased ¥7,929 million because of the strategy for growth
Cash flows from investing activities	(309)	(680)	
Cash flows from financing activities	5,242	3,236	
Net increase (decrease) in cash and cash equivalents	5,643	144	
Cash and cash equivalents at beginning of period	8,071	13,714	
Cash and cash equivalents at end of period	13,714	13,858	



KEIAI Growth Strategy

Growth Strategy Outline



- Expansion to more areas of Japan
- Growth of steady-revenue business with no assets
- M&A
- Financial strategy
- Other initiatives



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

	Existing locations	New offices in FY3/20
Kanto area	75	4
Kyushu area	15	1
Tohoku area	2	2
Tokai area	2	1
Total	94	8

Note: Including subsidiaries

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.

Growth of Steady-revenue Business with No Assets (Voluntary Chain)



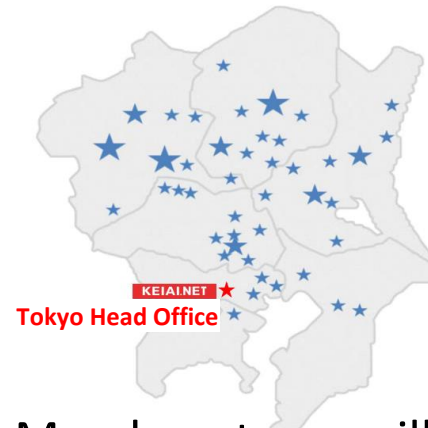
Using KEIAI.VC (Voluntary Chain) to Improve Productivity

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: 267

*As of March 31, 2020



Member stores will be able to

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

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

Growth of Steady-revenue Business with No Assets (Franchised Chain)



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: 31

*As of March 31, 2020

The 10 Benefits of KEIAI.FC

01
Store front
KEIAI sign



ブランドカラーの赤を基調とした視認性の高い看板を設置。ひとさき目を惹くデザインで、地域の有名店に。

02
Support from
KI-Star advisers



市場動向や成交事例の共有共有など、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



不動産業として成長し続けてきた圧倒的な営業ノウハウを提供。物件管理や営業・販売など、充実の研修メニューで徹底的にサポートします。また多く企業を育成するための豊富な事例の紹介。また、コンサルタント研修、リーダーシップ研修など、企業発展に貢献する人材を育成や研修で育成します。

04
Support for
starting
businesses



【買主様からの参入】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バックアップ。

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加盟店舗なら販売可能。物件ごとの差別化で、最高・最速の成約に！

06
Use of the KEIAI
Pro Net system



加盟店舗の業務全般をサポートいたします。【中野成】「物件管理」「顧客管理」「物件一括入力」「資金回収ツール」など事業運営に必要なシステムを揃え、一括で導入・運用できるツールまで提供しております。

07
Property
purchases by
KI-Star



加盟店舗の物件もKEIAIが積極的に買い取ります。情報提供のみで済まないので、加盟店舗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



所在地に、KEIAIの建物を建設することができます。もちろん、販売価格でご提供ですので、土地のみの販売より販売力も収益もUPします。

09
Supply of
building
products



規定の設備材を、販売価格で提供します。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FCサービスは、加盟店舗から多くの利益をいただくという考えから始められたのではなく、我々のノウハウで、もっと不動産事業を継続、拡大したいと考えている方々から求められたFC事業を主とする他の企業様の利益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なのです。

Growth of Steady-revenue Business with No Assets (Home Renovation)



The goals are more growth and higher customer satisfaction



**Both companies are based in the city of
Honjo in Saitama**

As KEIAI operations expand to more areas of Japan and housing starts climb, we established an alliance with CAINZ Corporation, operator of a nationwide network of home improvement stores.

The alliance allows KEIAI customers to purchase the high-quality products of CAINZ at low prices, including the large lineup of storage sheds, carports and other outdoor additions to houses.

**KEIAI and CAINZ will combine their know-how in
order to help customers create lives that are
fulfilling, enjoyable and pleasant.**

Representatives:

Hiromasa Tsuchiya, Chairman
Masayuki Takaya, President

Established: March 1989

Headquarters: 1-2-1 Waseda no Mori, Honjo-shi,
Saitama

Capital: 3,260 million yen

Business: Operation of home improvement
stores



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.

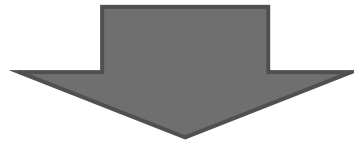
KI-Star will continue to consider opportunities for vertical and horizontal M&A.

(For reference: "Notice of Purchase of TOKYO BIG HOUSE Stock" announced on April 1, 2020 (Japanese version only))

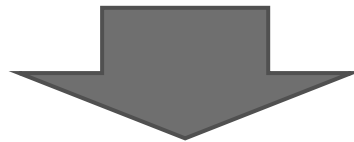


Stabilize funding to finance growth of the homebuilding and sales business

- * Improve inventory turnover ratio to reduce inventory finance



- * 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 2020 Nadeshiko Brand



The first Nadeshiko selection for two consecutive years in the homebuilding industry

Platinum+ Certification for Promotion of Diverse Working Styles



Dividends and Shareholder Benefits



Dividends and Shareholder Benefits



Dividend forecast Started to pay an interim dividend in FY3/18

	FY3/19 Results (consolidated)	FY3/20 Results (consolidated)	FY3/21 Forecast (consolidated)
Net income per share (yen)	243.88	252.60	Undecided
Dividend per share (yen)	84.0	76.0	Undecided
Interim dividend per share (yen)	42.0	42.0	Undecided
Payout ratio (%)	34.4%	30.1%	-

Note: As there are many uncertainties that may affect our performance, it is difficult to establish a reliable forecast. The dividend forecast for FY3/21 is therefore undecided at this time. We will promptly announce the forecast once this becomes possible.

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.

Although KI-Star has exercised care concerning the information in this presentation, the company makes no guarantee whatsoever regarding this information. Furthermore, KI-Star assumes no responsibility at all for any losses or other damages that may result from the use of the information in this presentation.

Inquiries

KI-STAR REAL ESTATE CO., LTD. Tokyo Head Office Web: <http://www.ki-group.co.jp>
Matsuzawa, Executive Officer, General Manager of Administration Division
Marunouchi Trust Tower North 17th floor, 1-8-1 Marunouchi, Chiyoda-ku, Tokyo 100-0005
Tel: +81-3-6268-0520