

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2020

[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/>

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Scheduled date of Annual General Meeting of Shareholders: June 25, 2020

Scheduled date of filing of Annual Securities Report: June 25, 2020

Scheduled date of payment of dividend: June 26, 2020

Preparation of supplementary materials for financial results: Yes

Holding of financial results meeting: None

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2020 (April 1, 2019 – March 31, 2020)

(1) Consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Mar. 31, 2020	120,710	17.1	6,425	8.0	6,317	9.5	3,584	3.6
Fiscal year ended Mar. 31, 2019	103,118	60.9	5,950	12.3	5,769	9.2	3,461	2.0

Note: Comprehensive income (million yen) Fiscal year ended Mar. 31, 2020: 4,082 (up 13.5%)

Fiscal year ended Mar. 31, 2019: 3,837 (up 6.7%)

	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, 2020	252.60	-	21.3	7.4	5.3
Fiscal year ended Mar. 31, 2019	243.88	-	24.0	8.2	5.8

Reference: Equity in earnings of affiliates (million yen)

Fiscal year ended Mar. 31, 2020: -

Fiscal year ended Mar. 31, 2019: 2

Notes: 1. Diluted net income per share for the fiscal year ended March 31, 2019 and 2020 is not presented because there were no potential shares with dilutive effects.

2. KI-STAR REAL ESTATE CO., LTD. (“the Company”) has established a performance-linked stock compensation plan for directors. The Company’s shares for this plan held by the trust are recorded as treasury shares in the 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, 2020	89,936	19,848	20.0	1,268.29
As of Mar. 31, 2019	81,416	17,079	19.2	1,100.60

Reference: Shareholders’ equity (million yen) As of Mar. 31, 2020: 17,998 As of Mar. 31, 2019: 15,618

Note: The Company has established a performance-linked stock compensation plan for directors. The Company’s shares for this plan held by the trust are recorded as treasury shares in the 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, 2020	(2,411)	(680)	3,236	13,858
Fiscal year ended Mar. 31, 2019	709	(309)	5,242	13,714

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, 2019	Yen -	Yen 42.00	Yen -	Yen 42.00	Yen 84.00	Million yen 1,195	% 34.4	% 8.2
Fiscal year ended Mar. 31, 2020	-	42.00	-	34.00	76.00	1,081	30.1	5.9
Fiscal year ending Mar. 31, 2021 (forecasts)	-	-	-	-	-	-	-	-

Note: The dividend forecast for the fiscal year ending March 31, 2021 has not been determined at this time.

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2021 (April 1, 2020 – March 31, 2021)

The forecast for the fiscal year ending March 31, 2021 has not been determined at this time because it is difficult to reasonably predict the impact of the COVID-19 pandemic. The Company will promptly announce the forecast as soon as it is determined.

Please refer to “(4) Outlook” of the attachments for further information.

*** 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, 2020: 14,232,500 shares As of Mar. 31, 2019: 14,232,500 shares
 2) Number of treasury shares at the end of the period
 As of Mar. 31, 2020: 41,344 shares As of Mar. 31, 2019: 41,344 shares
 3) Average number of shares during the period
 Fiscal year ended Mar. 31, 2020: 14,191,156 shares Fiscal year ended Mar. 31, 2019: 14,191,156 shares

Note: The Company has established a performance-linked stock compensation plan for directors. The Company's shares for this plan held by the trust are included in treasury shares for calculating the number of treasury shares at the end of the period and the average number of shares during the period.

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2020 (April 1, 2019 – March 31, 2020)

(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, 2020	74,525	0.6	4,402	4.2	4,517	6.1	2,918	(1.2)
Fiscal year ended Mar. 31, 2019	74,048	37.4	4,226	(12.8)	4,257	(13.5)	2,954	(13.2)

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2020	205.64	-
Fiscal year ended Mar. 31, 2019	208.20	-

Notes: 1. Diluted net income per share for the fiscal year ended March 31, 2019 and 2020 is not presented because there were no potential shares with dilutive effects.

2. The Company has established a performance-linked stock compensation plan for directors. The Company's shares for this plan held by the trust are recorded as treasury shares in the 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, 2020	59,319	16,719	28.2	1,177.94
As of Mar. 31, 2019	56,007	14,996	26.8	1,056.65

Reference: Shareholders' equity (million yen): As of Mar. 31, 2020: 16,716 As of Mar. 31, 2019: 14,995

2. Non-consolidated Forecast for the Fiscal Year Ending March 31, 2021 (April 1, 2020 – March 31, 2021)

The forecast for the fiscal year ending March 31, 2021 has not been determined at this time because it is difficult to reasonably predict the impact of the COVID-19 pandemic. The Company will promptly announce the forecast as soon as it is determined. Please refer to "(4) Outlook" of the attachments for further information.

* 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

The recovery of the Japanese economy that has continued for several years lost momentum during the fiscal year that ended in March 2020 because of a downturn in internal demand caused by several natural disasters, the October 2019 consumption tax hike and other events. Furthermore, the COVID-19 outbreak that began early in 2020 triggered a steep decline in the Japanese economy because people stayed home and businesses activity was severely restricted. China, the United States and other many countries responded to this crisis by enacting lockdowns. The outlook is for economic activity to remain lackluster for a long time.

In the Japanese housing sector, where the KI-STAR REAL ESTATE Group (“the Group”) operates, the environment for purchasing residences remained favorable. The primary reasons are an improvement in personal income, the continuation of reduced housing acquisition preferential taxation, and low mortgage interest rates. However, people have become increasingly cautious about buying a residence because of the consumption tax hike and the increasing frequency of natural disasters. In addition, COVID-19 has created difficulties as fewer people visit houses for sale because of the need to stay at home for safety and as factory shutdowns and shorter operating hours slow down construction due to delays in deliveries of housing fixtures and other products.

By supplying design houses with outstanding quality at low prices, the Group continued to concentrate on the growth strategy for its core homebuilding and sales business. Activities are guided by the management philosophy of “creating lives that are fulfilling, enjoyable and pleasant.” For more progress with combining real estate and IT, we conducted research involving the use of IT and created systems for many of our operations. The objective is to build houses incorporating concepts that look into the future in order to provide outstanding comfort and convenience to residents.

Our highest priority is improving inventory turnover, which is the time from purchasing land to the sale of a house on that land, in order to properly manage and improve the level of financial soundness. One step to accomplish this was an increase in activities during the 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 120,710 million yen, 17,591 million yen (17.1%) higher than one year earlier because of measures to strengthen sales activities. Selling, general and administrative expenses increased 2,673 million yen mainly because of an increase in brokerage commissions (increase of the variable cost) due to higher sales. However, operating profit increased 475 million yen (8.0%) to a record-high 6,425 million yen due to sales growth. Ordinary profit increased 548 million yen (9.5%) to 6,317 million yen, while interest expenses were up 106 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. Although there was a valuation loss of 352 million yen due to a decline in the value of the stock of alliance partner KAMARQ HOLDINGS PTE. LTD., profit attributable to owners of parent increased 123 million yen (3.6%) to a record-high 3,584 million yen.

Results by business segment are as follows:

i) Homebuilding and sales business

In this business, there were many activities during the fiscal year involving the market share growth strategy, primarily in the Tokyo area. Backed by marketing activities that link the KEIAI brand with outstanding designs, we continued to supply design houses with outstanding quality at low prices. Prices of houses are set at a level that makes the monthly mortgage payments less expensive than renting a residence. We placed priority on the turnover ratio by shortening the time between the purchase of land and sale of houses. Building houses faster and improving construction processes also contributed to lowering expenses in this business. In addition, we continued to upgrade our sales capabilities by building stronger ties with real estate brokers throughout Japan, increasing purchases of land and increasing the use of outsourced sales activities.

During the fiscal year, 2,700 houses (including land sale) were sold, 57 less than one year earlier. However, sales increased 4,188 million yen to 77,411 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 (increase of the variable cost) as sales increased, segment profit was up 1,099 million yen to 6,855 million yen.

ii) Custom-built housing business

This custom-built housing business is concentrating on increasing the number of orders from real estate companies for its Fit-Pro custom-built houses.

The number of houses sold during the fiscal year increased by one from one year earlier to 109. Sales were down 247 million yen to 1,218 million yen and segment profit decreased 17 million yen to 254 million yen.

iii) Resales housing sales business

This business pays close attention to current market conditions and purchases only carefully chosen houses from real estate companies and other sellers. In the fiscal year ending in March 2021, we plan to start reducing the size of this business.

The number of houses sold during the fiscal year increased by 167 from one year earlier to 304. Sales increased 390 million yen to 4,272 million yen and segment profit decreased 33 million yen to 86 million yen.

iv) Yokatown business

Subsidiary Yokatown Co., Ltd. sells built-for-sale houses, land and custom-built houses mainly in Fukuoka prefecture. Yokatown has been working on strengthening its built-for-sale house sales business since the previous fiscal year.

The number of built-for-sale houses sold during the fiscal year increased by 177 to 553 (including land sale), the number of custom-built houses sold decreased by 56 to 134. Sales increased 3,587 million yen to 15,818 million yen and segment profit decreased 79 million yen to 1,039 million yen.

v) Asahi Housing business

Subsidiary Asahi Housing Co., Ltd. sells built-for-sale houses mainly in Kanagawa prefecture. There are many activities at this company involving housing development projects.

The number of houses sold during the fiscal year increased by 36 to 175 (including land sale). Sales increased 1,622 million yen to 6,533 million yen and segment profit increased 137 million yen to 238 million yen.

vi) Fresco business

Subsidiary Fresco Inc. sells built-for-sale houses mainly in Chiba prefecture. This company also sells land and custom-built houses. 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 sold 109 built-for-sale houses, 54 sites for houses and 97 custom-built houses. Sales increased 2,649 million yen to 6,166 million yen. Segment profit was 215 million yen, an increase of 149 million year compared with one year earlier when segment profit was held down to 66 million yen due to an increase in the cost of sales caused by the inclusion in sales of a valuation gain resulting from the revaluation of inventories based on market prices. The previous fiscal year was an irregular 9-month accounting period (July to March) because Fresco was added to reportable segments when it became a consolidated subsidiary in July 2018.

vii) Kensin business

Subsidiary Kensin Construction inc. primarily sells built-for-sale houses, custom-built homes and land and performs building site preparation work mainly in Kanagawa prefecture. The company has been involved with many real estate development projects that required the preparation of building sites at locations with big

differences between high and low areas. Kensin plans to increase sales of built-for-sale houses.

Kensin sold 72 custom-built houses, 27 sites for houses and 123 built-for-sale houses. Sales increased 5,298 million yen to 7,923 million yen. In the previous fiscal year, there was a segment loss of 1 million yen mainly because of the inclusion of stock acquisition expenses of 46 million yen in selling, general and administrative expenses and a higher 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. In this fiscal year, there was a segment profit of 221 million yen in comparison with the previous consolidated account year to be increased 222 million yen. The previous fiscal year was an irregular 3-month accounting period (January to March) because Kensin was added to reportable segments when it became a consolidated subsidiary in January 2019.

(2) Financial Position

Assets

Total assets increased by 8,519 million yen from the end of the previous fiscal year to 89,936 million yen at the end of the current fiscal year. The main reason includes an increase of 7,891 million yen in inventories, which includes real estate for sale and real estate for sale in process.

Liabilities

Total liabilities increased by 5,750 million yen to 70,087 million yen. The main reasons include an increase of 4,823 million yen in borrowings, which includes short-term borrowings, current portion of long-term borrowings and long-term borrowings because of procurement of funds to purchase land, and an increase of 1,700 million yen in accounts payable for construction contracts due to an increase in built-for-sale houses construction.

Net assets

Total net assets increased by 2,768 million yen to 19,848 million yen. The main reasons were an increase of 3,584 million yen in retained earnings due to profit attributable to owners of parent, which was partly offset by a 1,195 million yen decrease in retained earnings as a result of payments of cash dividends.

(3) Cash Flows

Cash and cash equivalents at the end of the current fiscal year increased 144 million yen from the end of the previous fiscal year to 13,858 million yen.

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

Cash flows from operating activities

Net cash used in operating activities increased 3,121 million yen from the previous fiscal year to 2,411 million yen.

Cash used by the increase in inventories was 3,803 million yen more than in the previous fiscal year and cash used by the decrease in trade payables was 876 million yen less than in the previous fiscal year.

Cash flows from investing activities

Net cash used in investing activities increased 370 million yen from the previous fiscal year to 680 million yen.

There were increases of 87 million yen in purchase of property, plant and equipment primarily due to the construction of a new head office by a subsidiary, and 200 million yen in loan advances. Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation was 831 million yen less than in the previous fiscal year, and payment for purchase of investment securities decreased 558 million yen.

Cash flows from financing activities

Net cash provided by financing activities decreased 2,006 million yen from the previous fiscal year to 3,236

million yen.

Main factors include a net decrease of 4,953 million yen in proceeds from short-term borrowings and a net increase of 2,930 million yen in proceeds from long-term borrowings.

Reference: Cash flow indicators

	FY3/18	FY3/19	FY3/20
Shareholders' equity ratio (%)	22.1	19.2	20.0
Shareholders' equity ratio based on market prices (%)	63.4	29.1	17.8
Interest-bearing debt to cash flow ratio	-	71.4	-
Interest coverage ratio (times)	-	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 balance sheet that incurs interest.

4. Interest-bearing debt to cash flow ratio and interest coverage ratio are not shown for FY3/18 and FY3/20 because operating cash flows were negative.

(4) Outlook

Although we achieved record-high sales and earnings in the fiscal year that ended in March 2020, the outlook for the fiscal year ending in March 2021 is uncertain because of the sharp worldwide economic downturn caused by the coronavirus crisis.

It is impossible to predict when the COVID-19 outbreak will come to an end. Our forecast assumes that the bottom of this decline in real estate demand in Japan will be from April to June 2020. We then assume that demand will slowly recover and that demand will return in 2021 to about the same level as in 2020.

Current market conditions

In Japan's real estate industry, there are two main categories of properties: investment properties and properties for real demand (properties constructed for sale). The operations of the Group are entirely in the real demand category. Experience has shown that demand in this category generally remains firm during economic downturns such as the global financial crisis. Furthermore, we believe that the current increase in calls from prospective homebuyers may be an indication of growth in demand for houses associated with restrictions that force people to stay at home most of the time.

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 the Company and subsidiaries established by the Company.

Orders received from April 1 to May 10, 2020

Monetary value: Up 7% year-on-year

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

Forecast

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.

We have established the following forecast for consolidated sales that reflects the currently favorable environment for orders as well as certain assumptions, including a decline in personal income caused by restrictions on going out and the severe economic downturn caused by COVID-19.

Sales: 122,000 million yen, up 1.1% year-on-year

Note: This forecast assumes that the economy will start recovering gradually after bottoming out in the April-June quarter. The forecast may change significantly if this assumption is no longer valid and there is

a second or third wave of the COVID-19 pandemic.

This forecast is based on certain assumptions and therefore actual results may differ significantly for a number of factors. Consolidated results may be affected significantly if the COVID-19 crisis is prolonged and personal income declines sharply because of economic slowdown.

2. Basic Approach to the Selection of Accounting Standards

As of May 10, 2020, 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)	
	FY3/19 (As of Mar. 31, 2019)	FY3/20 (As of Mar. 31, 2020)
Assets		
Current assets		
Cash and deposits	14,020,502	14,126,543
Accounts receivable from completed construction contracts	517,875	500,175
Real estate for sale	26,950,339	28,565,839
Real estate for sale in process	28,412,462	34,688,814
Costs on construction contracts in progress	2,293,041	2,412,355
uncompleted construction contracts		
Advance payments-trade	1,367,060	1,412,759
Other	633,832	1,048,600
Allowance for doubtful accounts	(14,659)	(11,349)
Total current assets	74,180,454	82,743,738
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,531,526	1,679,981
Machinery, equipment and vehicles, net	46,898	38,352
Land	2,537,889	2,570,626
Leased assets, net	26,411	14,141
Construction in progress	34,391	22,675
Other, net	57,157	72,244
Total property, plant and equipment	4,234,275	4,398,021
Intangible assets		
Goodwill	934,705	845,683
Other	464,190	573,530
Total intangible assets	1,398,896	1,419,214
Investments and other assets		
Investment securities	813,320	442,729
Deferred tax assets	290,089	455,401
Other	499,535	476,943
Total investments and other assets	1,602,945	1,375,073
Total non-current assets	7,236,116	7,192,309
Total assets	81,416,570	89,936,048

	(Thousands of yen)	
	FY3/19 (As of Mar. 31, 2019)	FY3/20 (As of Mar. 31, 2020)
Liabilities		
Current liabilities		
Electronically recorded obligations-operating	518,350	434,261
Accounts payable for construction contracts	8,066,132	9,766,640
Short-term borrowings	41,718,900	42,145,532
Current portion of bonds payable	122,400	147,400
Current portion of long-term borrowings	2,149,753	6,978,669
Lease obligations	14,121	55,450
Income taxes payable	1,118,414	1,047,770
Provision for bonuses	225,697	250,539
Other	3,558,295	2,683,733
Total current liabilities	57,492,066	63,509,998
Non-current liabilities		
Bonds payable	480,600	512,300
Long-term borrowings	6,173,017	5,740,755
Lease obligations	13,232	151,832
Asset retirement obligations	69,334	66,582
Other	108,735	106,156
Total non-current liabilities	6,844,921	6,577,626
Total liabilities	64,336,987	70,087,624
Net assets		
Shareholders' equity		
Share capital	821,050	821,050
Capital surplus	1,727,835	1,726,245
Retained earnings	13,166,014	15,555,237
Treasury shares	(77,428)	(77,428)
Total shareholders' equity	15,637,472	18,025,105
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(18,580)	(26,303)
Foreign currency translation adjustment	-	(177)
Total accumulated other comprehensive income	(18,580)	(26,481)
Share acquisition rights	1,086	3,161
Non-controlling interests	1,459,604	1,846,639
Total net assets	17,079,583	19,848,424
Total liabilities and net assets	81,416,570	89,936,048

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

(Thousands of yen)

	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)
Net sales	103,118,889	120,710,862
Cost of sales	88,507,335	102,950,301
Gross profit	14,611,553	17,760,560
Selling, general and administrative expenses		
Sales commission	1,657,689	2,156,573
Advertising expenses	705,760	823,923
Salaries and allowances	2,495,577	3,217,725
Provision for bonuses	119,872	135,097
Other	3,682,006	5,001,556
Total selling, general and administrative expenses	8,660,906	11,334,876
Operating profit	5,950,647	6,425,684
Non-operating income		
Cancellation earnest income	27,131	15,030
Refund of real estate acquisition tax	203,673	251,302
Share of profit of entities accounted for using equity method	2,472	-
Other	115,027	287,949
Total non-operating income	348,304	554,281
Non-operating expenses		
Interest expenses	475,180	582,126
Commission expenses	22,247	65,134
Other	32,381	15,382
Total non-operating expenses	529,808	662,643
Ordinary profit	5,769,143	6,317,322
Extraordinary income		
Gain on sales of non-current assets	133	5,877
Total extraordinary income	133	5,877
Extraordinary losses		
Loss on sales of non-current assets	11,518	-
Loss on retirement of non-current assets	13,817	70,309
Loss on sales of investment securities	-	872
Loss on valuation of investment securities	-	352,843
Total extraordinary losses	25,335	424,026
Profit before income taxes	5,743,940	5,899,174
Income taxes-current	1,922,328	1,962,264
Income taxes-deferred	(43,424)	(158,930)
Total income taxes	1,878,903	1,803,333
Profit	3,865,036	4,095,840
Profit attributable to non-controlling interests	403,960	511,091
Profit attributable to owners of parent	3,461,076	3,584,748

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)
Profit	3,865,036	4,095,840
Other comprehensive income		
Valuation difference on available-for-sale securities	(27,152)	(12,874)
Foreign currency translation adjustment	-	(177)
Share of other comprehensive income of entities accounted for using equity method	(527)	-
Total other comprehensive income	(27,680)	(13,052)
Comprehensive income	3,837,356	4,082,787
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	3,445,192	3,576,934
Comprehensive income attributable to non-controlling interests	392,163	505,853

(3) Consolidated Statement of Changes in Equity

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	821,050	1,727,835	10,815,070	(77,428)	13,286,528
Changes during period					
Dividends of surplus			(1,110,131)		(1,110,131)
Profit attributable to owners of parent			3,461,076		3,461,076
Net changes in items other than shareholders' equity					-
Total changes during period	-	-	2,350,944	-	2,350,944
Balance at end of 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 period	(3,224)	(3,224)	-	573,453	13,856,757
Changes during period					
Dividends of surplus					(1,110,131)
Profit attributable to owners of parent					3,461,076
Net changes in items other than shareholders' equity	(15,355)	(15,355)	1,086	886,150	871,881
Total changes during period	(15,355)	(15,355)	1,086	886,150	3,222,826
Balance at end of period	(18,580)	(18,580)	1,086	1,459,604	17,079,583

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	821,050	1,727,835	13,166,014	(77,428)	15,637,472
Changes during period					
Dividends of surplus			(1,195,526)		(1,195,526)
Profit attributable to owners of parent			3,584,748		3,584,748
Net changes in items other than shareholders' equity		(1,590)			(1,590)
Total changes during period	-	(1,590)	2,389,222	-	2,387,632
Balance at end of period	821,050	1,726,245	15,555,237	(77,428)	18,025,105

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	(18,580)	-	(18,580)	1,086	1,459,604	17,079,583
Changes during period						
Dividends of surplus						(1,195,526)
Profit attributable to owners of parent						3,584,748
Net changes in items other than shareholders' equity	(7,722)	(177)	(7,900)	2,074	387,034	379,618
Total changes during period	(7,722)	(177)	(7,900)	2,074	387,034	2,768,840
Balance at end of period	(26,303)	(177)	(26,481)	3,161	1,846,639	19,848,424

(4) Consolidated Statement of Cash Flows

	(Thousands of yen)	
	FY3/19	FY3/20
	(Apr. 1, 2018 – Mar. 31, 2019)	(Apr. 1, 2019 – Mar. 31, 2020)
Cash flows from operating activities		
Profit before income taxes	5,743,940	5,899,174
Depreciation	208,975	336,989
Amortization of long-term prepaid expenses	16,777	10,476
Amortization of goodwill	58,565	113,492
Increase (decrease) in allowance for doubtful accounts	(142)	(3,310)
Increase (decrease) in provision for bonuses	251	22,822
Interest and dividend income	(10,779)	(9,881)
Commission expenses	22,247	65,134
Interest expenses	475,180	582,126
Loss (gain) on sales and retirement of non-current assets	25,202	54,536
Loss (gain) on valuation of investment securities	-	352,843
Decrease (increase) in trade receivables	(23,792)	(14,913)
Decrease (increase) in inventories	(4,125,918)	(7,929,517)
Increase (decrease) in trade payables	736,142	1,612,499
Other, net	(32,873)	(910,408)
Subtotal	3,093,776	182,064
Interest and dividends received	10,779	9,881
Interest paid	(475,122)	(531,179)
Income taxes paid	(1,919,691)	(2,072,749)
Net cash provided by (used in) operating activities	709,742	(2,411,982)
Cash flows from investing activities		
Purchase of property, plant and equipment	(169,374)	(257,325)
Proceeds from sales of property, plant and equipment	5,513	24,551
Purchase of intangible assets	(414,276)	(308,389)
Purchase of investment securities	(558,465)	-
Proceeds from withdrawal of time deposits	-	72,065
Payments into time deposits	-	(41,111)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	901,805	70,263
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(79,721)	(444)
Loan advances	-	(200,000)
Collection of loans receivable	8,611	21,595
Payments of guarantee deposits	(15,426)	(146,252)
Proceeds from refund of guarantee deposits	11,108	93,223
Other, net	566	(8,500)
Net cash provided by (used in) investing activities	(309,659)	(680,324)
Cash flows from financing activities		
Proceeds from short-term borrowings	56,588,002	63,192,122
Repayments of short-term borrowings	(51,273,374)	(62,830,625)
Proceeds from long-term borrowings	4,711,957	9,099,701
Repayments of long-term borrowings	(3,454,556)	(4,912,264)
Proceeds from issuance of bonds	-	815,000
Redemption of bonds	(135,400)	(758,300)
Repayments of lease obligations	(22,973)	(62,171)
Dividends paid	(1,109,796)	(1,194,620)
Dividends paid to non-controlling interests	(60,874)	(111,994)
Net cash provided by (used in) financing activities	5,242,984	3,236,846
Net increase (decrease) in cash and cash equivalents	5,643,067	144,540
Cash and cash equivalents at beginning of period	8,071,288	13,714,356
Cash and cash equivalents at end of period	13,714,356	13,858,896

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

Not applicable.

Segment and Other Information

Segment information

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

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

(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 -47 million yen and -2,054 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.

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

(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	77,411,742	1,218,453	4,272,435	15,818,722	6,533,863	6,166,364
Inter-segment sales and transfers	-	-	-	-	-	-
Total	77,411,742	1,218,453	4,272,435	1,039,802	6,533,863	6,166,364
Segment profit	6,855,045	254,437	86,437	1,039,802	238,034	215,092

	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	7,923,215	119,344,796	1,366,065	-	120,710,862
Inter-segment sales and transfers	-	-	1,124,827	(1,124,827)	-
Total	7,923,215	119,344,796	2,490,893	(1,124,827)	120,710,862
Segment profit	221,319	8,910,169	326,186	(2,810,672)	6,425,684

Notes: 1. Others represent the businesses which are not included in any of the reportable segments and mainly consist of real estate leasing and brokerage businesses.

2. Adjustments are as follows:

(1) The -2,810 million yen adjustment to segment profit includes elimination for inter-segment transactions of -39 million yen and -2,849 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 is adjusted with operating profit shown on the consolidated financial statements.

Per Share Information

(Yen)

	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)
Net assets per share	1,100.60	1,268.30
Net income per share	243.88	252.60
Diluted net income per share	-	-

Notes: 1. Diluted net income per share for FY3/19 and FY3/20 is not presented because there were no potential shares with dilutive effects.

2. The Company has established a performance-linked stock compensation plan for directors. 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 assets per share and net income per share, the average number of treasury shares outstanding that was deducted was 41,300 each for FY3/19 and FY3/20.

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

(Thousands of yen)

	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)
Net income per share		
Profit attributable to owners of parent	3,461,076	3,584,748
Amounts not attributable to common shareholders	-	-
Profit attributable to owners of parent applicable to common shares	3,461,076	3,584,748
Average number of common shares outstanding during the period (Shares)	14,191,156	14,191,156
Summary of dilutive shares not included in the calculation of "diluted net income per share" since there was no dilutive effect	Share acquisition rights No. 1 issued pursuant to the 28th Annual General Meeting of Shareholders' resolution on June 26, 2018 Number of share acquisition rights: 41 units (Common shares: 4,100 shares)	Share acquisition rights No. 1 issued pursuant to the 28th Annual General Meeting of Shareholders' resolution on June 26, 2018 Share acquisition rights No. 2 issued pursuant to the 29th Annual General Meeting of Shareholders' resolution on June 25, 2019 Number of share acquisition rights: 84 units (Common shares: 8,400 shares)

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

(Thousands of yen)

	FY3/19 (As of Mar. 31, 2019)	FY3/20 (As of Mar. 31, 2020)
Total net assets	17,079,583	19,848,424
Deduction on total net assets	1,460,690	1,849,800
[of which share acquisition rights]	[1,086]	[3,161]
[of which non-controlling interests]	[1,459,604]	[1,846,639]
Net assets applicable to common shares	15,618,892	17,998,623
Number of common shares 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.