

Summary of Consolidated Financial Results
for the Second Quarter of the Fiscal Year Ending March 31, 2021
(Six Months Ended September 30, 2020)

[Japanese GAAP]

Company name: KI-STAR REAL ESTATE CO., LTD. Listing: Tokyo Stock Exchange, First Section
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 Scheduled date of filing of Quarterly Report: November 12, 2020
 Scheduled date of payment of dividend: December 7, 2020
 Preparation of supplementary materials for quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes

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

1. Consolidated Financial Results for the First Six Months (April 1, 2020 – September 30, 2020) of the Fiscal Year Ending March 31, 2021

(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	%
Six months ended Sep. 30, 2020	65,990	14.3	3,786	14.4	3,725	19.2	2,209	16.7
Six months ended Sep. 30, 2019	57,758	38.2	3,310	37.7	3,125	34.6	1,893	33.4

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2020: 2,469 (up 16.1%)
 Six months ended Sep. 30, 2019: 2,127 (up 35.3%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2020	155.68	-
Six months ended Sep. 30, 2019	133.42	-

Notes: 1. Diluted net income per share for the six months ended September 30, 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. Shares for this plan held by the trust are recorded as treasury shares in the quarterly 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
	Million yen	Million yen	%
As of Sep. 30, 2020	97,352	21,708	20.3
As of Mar. 31, 2020	89,936	19,848	20.0

Reference: Shareholders' equity (million yen) As of Sep. 30, 2020: 19,732 As of Mar. 31, 2020: 17,998

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

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2020	-	42.00	-	34.00	76.00
Fiscal year ending Mar. 31, 2021	-	44.00	-	-	-
Fiscal year ending Mar. 31, 2021 (forecasts)	-	-	-	44.00	88.00

Note: Revisions to the most recently announced dividend forecast: None

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

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	130,000	7.7	7,100	10.5	7,000	10.8	4,200	17.2	295.95

Note: Revisions to the most recently announced consolidated forecast: None

*** 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) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) 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

(4) Number of issued shares (common shares)

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

As of Sep. 30, 2020:	14,232,500 shares	As of Mar. 31, 2020:	14,232,500 shares
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2) Number of treasury shares at the end of the period

As of Sep. 30, 2020:	41,392 shares	As of Mar. 31, 2020:	41,344 shares
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3) Average number of shares during the period

Six months ended Sep. 30, 2020:	14,191,143 shares	Six months ended Sep. 30, 2019:	14,191,156 shares
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Note: The Company has established a performance-linked stock compensation plan for directors. 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.

* The current quarterly financial report is not subject to quarterly review 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. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first half of the current fiscal year, a recovery of the Japanese economy started because of the Go To Travel campaign and other government measures to stimulate a rebound in consumer spending in Japan after the downturn due to COVID-19. However, many big companies have reported significant losses, the labor market is weak and there are other negative effects of the COVID-19 crisis and the outlook remains unclear. In Europe, a second wave of infections has started and France and other countries have enacted lockdowns and other measures. Economic activity that finally restarted is again being restricted in some countries. As a result, it is impossible to predict when the global economy will return to normal.

In the Japanese housing sector, where the KI-STAR Group operates, people have become increasingly cautious about purchasing a home because several natural disasters and COVID-19 have weakened the labor market and had other negative effects. However, people are spending more time at home because of remote working and the need to stay home as much as possible due to COVID-19. Demand for detached houses is increasing because people want to spend their time at home with more comfort. Furthermore, purchasing a home in Japan is still relatively easy due to reduced housing acquisition preferential taxation, low mortgage interest rates and other reasons.

By supplying design houses with outstanding quality at low prices, the KI-STAR 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.

In April 2020, the Company acquired Tokyo Big House, Inc., making this company and its subsidiaries consolidated subsidiaries. These subsidiaries are Tokyo Big House Community KK, Tokyo Big House Marketing KK, and Sumai-no-Madoguchi KK.

We offered new services that enable people to purchase a home with greater confidence even as worries about economic stability increase because of the COVID-19 crisis. One is the House Res-9 (Kyu) mortgage payment assistance service, which ended on July 31, 2020. Customers were eligible to receive payments from us if an unexpected event made it difficult to make mortgage payments. Another new service is Neighborhood Work, which provides KI-STAR part-time work at a nearby location to students and housewives who were laid off or furloughed from a part-time or other job. Working time can be as little as once every week and two hours in one day. This service allows us to increase our workforce for the benefit of our customers as well as the communities where we do business.

In August 2020, in response to changes in life styles and needs involving houses due to COVID-19, we started selling the IKI line of customized one-story houses, which are based on standardized designs and options, and opened an IKI model house with a fully automated internal viewing system in the city of Takasaki in Gunma prefecture. We started using a fully automated interior viewing system and chatbot sales meetings in December 2019 for contact-free sales activities. To meet the expected further growth in the demand for contact-free sales activities, we plan to set up model houses with fully automated interior viewing systems in more areas of Japan.

First half sales increased 8,232 million yen (14.3%) from one year earlier to 65,990 million yen, which is a record high for the first half of a fiscal year. Operating profit increased 475 million yen (14.4%) to 3,786 million yen, also an all-time high. The gross profit margin decreased in April and May as emphasis was placed on sales for the turnover of inventory in response to the sudden decline in the business climate in March and April. However, the gross profit margin has been increasing since June because of the increasing demand for detached houses. As a result, the first half gross profit was 1,829 million yen (21.3%) higher than one year earlier. Operating profit was also affected by a 1,353 million yen increase in selling, general and administrative expenses resulting primarily from higher personnel expenses because of the larger number of consolidated subsidiaries and the growth of business operations. Ordinary profit increased 599 million yen (19.2%) to 3,725 million yen despite an 82 million

yen increase in non-operating expenses caused mainly by higher interest expenses because of funds procured from financial institutions to purchase land. Profit attributable to owners of parent was up 315 million yen (16.7%) to a first-half record-high of 2,209 million yen.

In the second quarter, there were increases from one year earlier of 19.3% in net sales, 36.7% in operating profit, 47.2% in ordinary profit and 39.5% in profit attributable to owners of parent.

Results by business segment are as follows:

i) Homebuilding and sales business

In this business, there were many activities during the first half 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 first half, 1,375 houses (including land sale) were sold, up by 66 from one year earlier. Sales increased 4,269 million yen to 42,679 million yen. Although earnings were negatively affected by higher brokerage commissions (increase of the variable cost) as sales increased, segment profit was up 781 million yen to 4,030 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 first half decreased by 25 from one year earlier to 32. Sales were down 268 million yen to 395 million yen and segment profit decreased 62 million yen to 56 million yen.

iii) Pre-owned home business

This business has stopped all purchasing activities because we are focusing our resources on the homebuilding and sales business.

The number of houses sold during the first half decreased by 52 from one year earlier to 38. Sales decreased 1,508 million yen to 957 million yen and segment profit decreased 1 million yen to 37 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.

The number of built-for-sale houses sold during the first half increased by 115 to 345 (including land sale), the number of custom-built houses sold decreased by 23 to 48 because built-for-sale houses are the main activity of this business. Sales increased 2,689 million yen to 9,413 million yen and segment profit increased 66 million yen to 589 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 built-for-sale houses sold during the first half increased by 35 to 113 (including land sale). Sales increased 1,424 million yen to 4,316 million yen and segment profit increased 163 million yen to 278 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.

The number of built-for-sale houses sold during the first half decreased by 3 to 65 (including land sale) and the number of custom-built houses sold decreased by 22 to 25. Sales decreased 304 million yen to 2,326 million yen and segment profit decreased 32 million yen to 101 million yen.

vii) Kensin business

Subsidiary Kensin Construction inc. primarily sells built-for-sale houses, land and custom-built houses 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.

The number of built-for-sale houses sold during the first half increased by 43 to 86 (including land sale) and custom-built houses sold increased by 35 to 65. Sales increased 742 million yen to 3,945 million yen and segment profit increased 9 million yen to 30 million yen.

viii) Tokyo Big House business

The main activities of Tokyo Big House, Inc., which are mainly in Tokyo, are the sale of built-for-sale houses, the sale of renovated condominium units and residential remodeling. This company plans to rapidly expand its development business for built-for-sale houses.

Tokyo Big House sold 25 built-for-sale houses and condominium units (including land sale) and 24 custom-built houses, resulting in sales of 1,224 million yen. There was a segment loss of 53 million yen. One reason is mainly because of the inclusion of stock acquisition expenses of 3 million yen in selling, general and administrative expenses and a 37 million yen increase in the cost of sales due to the inclusion of a valuation gain resulting from the revaluation of inventories based on market prices as of the time Tokyo Big House was consolidated. There is no prior-year comparison because this reportable segment was added in the first half of the current fiscal year due to the acquisition of Tokyo Big House.

(2) Explanation of Financial Position

Assets

Total assets increased by 7,416 million yen from the end of the previous fiscal year to 97,352 million yen at the end of the second quarter of the current fiscal year. This was mainly due to an increase of 3,940 million yen in inventories, which includes real estate for sale, real estate for sale in process and costs on uncompleted construction contracts, and an increase of 2,631 million yen in cash and deposits.

Liabilities

Total liabilities increased by 5,555 million yen to 75,643 million yen. The main reasons include an increase of 5,915 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.

Net assets

Total net assets increased by 1,860 million yen to 21,708 million yen. The main reasons were an increase of 2,209 million yen in retained earnings due to profit attributable to owners of parent, which was partly offset by a 483 million yen decrease in retained earnings as a result of payments of cash dividends, and a 128 million yen increase in non-controlling interests.

(3) Explanation of Consolidated Forecast and Other Forward-looking Statements

In the first half, the gross profit margin decreased in April and May because emphasis was placed on sales for the turnover of inventory in response to the sudden decline in the business climate in March and April. But the gross profit margin improved from June to September because of increasing demand for detached houses.

Year-on-year changes in sales, earnings and the gross profit margin in the first and second quarters and the first half are as follows.

	First quarter of FY3/21	Second quarter of FY3/21	First half of FY3/21
	April - June	July - September	April - September
Net sales	+8.1%	+19.3%	+14.3%
Gross profit	+10.0%	+30.5%	+21.3%
Operating profit	(20.9)%	+36.7%	+14.4%
Ordinary profit	(24.3)%	+47.2%	+19.2%
Profit attributable to owners of parent	(20.9)%	+39.5%	+16.7%
Gross profit margin	+0.3%	+1.4%	+0.9%

We believe that the demand for detached houses will continue to increase for the time being. The number of sales contracts signed and contract payments received in the KI-STAR Group's core homebuilding and sales business were as follows in October 2020 for the Company and subsidiaries established by the Company.

Contract payments: Up 49.7% from one year earlier (October 2020)

Number of sales contracts signed: Up 36.3% from one year earlier (October 2020)

We forecast net sales of 130,000 million yen (up 7.7% year on year), operating profit of 7,100 million yen (up 10.5% year on year), ordinary profit of 7,000 million yen (up 10.8% year on year), and profit attributable to owners of parent of 4,200 million yen (up 17.2% year on year) for the fiscal year ending March 31, 2021.

Usually, the second half sales of the KI-STAR Group are higher than first half sales. First half performance was generally consistent with the fiscal year forecast. Sales were 50.8% of the forecast, operating profit was 53.3%, ordinary profit was 53.2% and profit attributable to owners of parent was 52.6%.

The KI-STAR Group currently specializes in detached houses for end-user rather than investment demand and has no involvement with overseas real estate and real estate for investments. As a result, demand for the KI-STAR Group's properties has remained firm even during the COVID-19 crisis and the fiscal year forecast reflects this demand. If there is a further downturn of the Japanese economy because of another state of emergency or some other event caused by a worsening of the COVID-19 crisis, there may be a significant effect on this forecast. An announcement will be made promptly if this forecast needs to be revised.

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

	(Thousands of yen)	
	FY3/20 (As of Mar. 31, 2020)	Second quarter of FY3/21 (As of Sep. 30, 2020)
Assets		
Current assets		
Cash and deposits	14,126,543	16,758,352
Accounts receivable from completed construction contracts	500,175	421,522
Real estate for sale	28,565,839	36,440,823
Real estate for sale in process	34,688,814	30,068,643
Costs on uncompleted construction contracts	2,412,355	3,097,585
Other	2,461,360	2,714,342
Allowance for doubtful accounts	(11,349)	(48,514)
Total current assets	82,743,738	89,452,755
Non-current assets		
Property, plant and equipment	4,398,021	4,428,746
Intangible assets		
Goodwill	845,683	1,249,101
Other	573,530	585,551
Total intangible assets	1,419,214	1,834,653
Investments and other assets	1,375,073	1,636,274
Total non-current assets	7,192,309	7,899,674
Total assets	89,936,048	97,352,430
Liabilities		
Current liabilities		
Electronically recorded obligations-operating	434,261	501,112
Accounts payable for construction contracts	9,766,640	8,874,629
Short-term borrowings	42,145,532	44,913,918
Current portion of bonds payable	147,400	196,200
Current portion of long-term borrowings	6,978,669	5,695,012
Lease obligations	55,450	53,047
Income taxes payable	1,047,770	1,347,440
Provision for bonuses	250,539	403,293
Other	2,683,733	2,759,683
Total current liabilities	63,509,998	64,744,337
Non-current liabilities		
Bonds payable	512,300	395,400
Long-term borrowings	5,740,755	10,171,041
Lease obligations	151,832	125,308
Asset retirement obligations	66,582	62,429
Other	106,156	144,996
Total non-current liabilities	6,577,626	10,899,176
Total liabilities	70,087,624	75,643,513

	(Thousands of yen)	
	FY3/20 (As of Mar. 31, 2020)	Second quarter of FY3/21 (As of Sep. 30, 2020)
Net assets		
Shareholders' equity		
Share capital	821,050	821,050
Capital surplus	1,726,245	1,726,245
Retained earnings	15,555,237	17,280,661
Treasury shares	(77,428)	(77,519)
Total shareholders' equity	18,025,105	19,750,437
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(26,303)	(17,241)
Foreign currency translation adjustment	(177)	(1,099)
Total accumulated other comprehensive income	(26,481)	(18,341)
Share acquisition rights	3,161	1,722
Non-controlling interests	1,846,639	1,975,097
Total net assets	19,848,424	21,708,916
Total liabilities and net assets	89,936,048	97,352,430

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**Quarterly Consolidated Statement of Income****(For the Six-month Period)**

(Thousands of yen)

	First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)	First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)
Net sales	57,758,278	65,990,803
Cost of sales	49,171,970	55,575,084
Gross profit	8,586,307	10,415,718
Selling, general and administrative expenses	5,275,640	6,629,153
Operating profit	3,310,667	3,786,565
Non-operating income		
Interest income	175	1,027
Dividend income	5,666	2,452
Refund of real estate acquisition tax	13,489	159,372
Other	94,465	157,738
Total non-operating income	113,796	320,590
Non-operating expenses		
Interest expenses	277,391	314,750
Other	21,152	66,702
Total non-operating expenses	298,544	381,453
Ordinary profit	3,125,919	3,725,702
Extraordinary income		
Gain on sales of non-current assets	478	1,018
Total extraordinary income	478	1,018
Extraordinary losses		
Loss on sales of non-current assets	-	142
Loss on retirement of non-current assets	1,527	24,200
Loss on sales of investment securities	-	3,121
Total extraordinary losses	1,527	27,464
Profit before income taxes	3,124,870	3,699,256
Income taxes-current	1,020,171	1,363,744
Income taxes-deferred	(17,121)	(117,263)
Total income taxes	1,003,049	1,246,480
Profit	2,121,820	2,452,775
Profit attributable to non-controlling interests	228,412	243,448
Profit attributable to owners of parent	1,893,408	2,209,327

Quarterly Consolidated Statement of Comprehensive Income
(For the Six-month Period)

(Thousands of yen)

	First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)	First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)
Profit	2,121,820	2,452,775
Other comprehensive income		
Valuation difference on available-for-sale securities	6,142	17,805
Foreign currency translation adjustment	-	(921)
Total other comprehensive income	6,142	16,883
Comprehensive income	2,127,963	2,469,659
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	1,896,369	2,219,147
Comprehensive income attributable to non-controlling interests	231,593	250,511

(3) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Segment and Other Information

Segment information

First six months of FY3/20 (Apr. 1, 2019 – Sep. 30, 2019)

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

(Thousands of yen)

	Reportable segment						
	Homebuilding and sales	Custom-built housing	Pre-owned home sales	Yokatown	Asahi Housing	Fresco	Kensin
Net sales							
Sales to external customers	38,409,450	664,238	2,466,070	6,724,008	2,892,002	2,630,607	3,203,203
Inter-segment sales and transfers	-	-	-	-	-	-	-
Total	38,409,450	664,238	2,466,070	6,724,008	2,892,002	2,630,607	3,203,203
Segment profit (loss)	3,248,740	119,655	38,756	522,099	114,791	134,295	21,448

	Reportable segment	Others (Note 1)	Adjustments (Note 2)	Amounts shown on the quarterly consolidated statement of income (Note 3)
	Total			
Net sales				
Sales to external customers	56,989,582	768,696	-	57,758,278
Inter-segment sales and transfers	-	467,317	(467,317)	-
Total	56,989,582	1,236,013	(467,317)	57,758,278
Segment profit (loss)	4,199,786	205,122	(1,094,242)	3,310,667

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

2. The -1,094 million yen adjustment to segment profit (loss) includes elimination for inter-segment transactions of 18 million yen and -1,113 million yen in corporate expenses that cannot be attributed to any of the reportable segments.

3. Segment profit (loss) is adjusted with operating profit shown on the consolidated statement of income.

First six months of FY3/21 (Apr. 1, 2020 – Sep. 30, 2020)

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

(Thousands of yen)

	Reportable segment					
	Homebuilding and sales	Custom-built housing	Pre-owned home sales	Yokatown	Asahi Housing	Fresco
Net sales						
Sales to external customers	42,679,392	395,818	957,153	9,413,531	4,316,184	2,326,583
Inter-segment sales and transfers	-	-	-	-	-	-
Total	42,679,392	395,818	957,153	9,413,531	4,316,184	2,326,583
Segment profit (loss)	4,030,336	56,822	37,347	589,015	278,247	101,635

	Reportable segment			Others (Note 1)	Adjustments (Note 2)	Amounts shown on the quarterly consolidated statement of income (Note 3)
	Kensin	Tokyo Big House	Total			
Net sales						
Sales to external customers	3,945,863	1,224,448	65,258,975	731,828	-	65,990,803
Inter-segment sales and transfers	-	-	-	602,452	(602,452)	-
Total	3,945,863	1,224,448	65,258,975	1,334,280	(602,452)	65,990,803
Segment profit (loss)	30,725	(53,181)	5,070,949	(64,566)	(1,219,817)	3,786,565

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

2. The -1,219 million yen adjustment to segment profit (loss) includes elimination for inter-segment transactions of 15 million yen and -1,234 million yen in corporate expenses that cannot be attributed to any of the reportable segments.

3. Segment profit (loss) is adjusted with operating profit shown on the consolidated statement of income.

2. Information related to revisions for reportable segments

In association with acquiring shares of Tokyo Big House, Inc. and making this company a consolidated subsidiary in the first six months of FY3/21, the Company has revised a reportable segment structure in the first six months of FY3/21 to include the Tokyo Big House Business.

Additional Information

- The Company has established a performance-linked stock compensation plan for directors. Shares for this plan held by the trust are recorded as treasury shares in the consolidated balance sheet. The number of shares of the Company's stock held by the trust was 41,300 shares with a book value of 77 million yen as of March 31, 2020 and September 30, 2020.
- The worldwide COVID-19 pandemic is creating concerns about the possibility of a further downturn of the global economy. It is uncertain when this crisis will end and it is currently impossible to predict the effects of this crisis on the performance of the KI-STAR Group. As of the date of this earnings announcement, the COVID-19 crisis has not created any problems serious enough to affect accounting estimates. Consequently, accounting estimates as of the end of the second quarter of the current fiscal year do not incorporate any effects of the COVID-19 crisis.

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.