

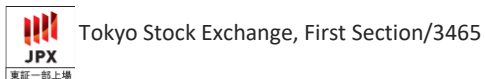
KEIAI

デザインのケイアイ
With outstanding designs

First Half of FY3/21 Financial Results

Results of Operations for the First Half of the
Fiscal Year Ending March 31, 2021

KI-STAR REAL ESTATE CO., LTD.



A Message from KI-Star



We extend our best wishes for a speedy recovery to people who have been infected with the COVID-19 virus as well as to others who have been affected by this crisis.

In addition, we are deeply saddened by the impact of the heavy rain and flooding of July 2020 and other natural disasters. We send our heartfelt thoughts to everyone who has been affected by these unfortunate events.

KI-Star hopes for a recovery from these infections and a return to normal in areas affected by natural disasters as quickly as possible.

Everyone at the KI-Star Group



Management Philosophy

We are a “YU TA KA” creation company that delivers “fulfilling, enjoyable and pleasant” lifestyles in the world.

Vision

The most adored company in Japan

1H FY3/21 Highlights



- Achieved **14.3% growth of consolidated net sales to ¥65.9 billion** from ¥57.7 billion one year earlier
- **Operating profit was ¥3.7 billion (increased 14.4% YoY), ordinary profit was ¥3.7 billion (increased 19.2% YoY)** and profit attributable to owners of parent was ¥2.2 billion (increased 16.7% YoY)
- The gross margin improved by 0.9 points to 15.8% from 14.9% one year earlier as the margin started increasing in June 2020 due to increasing demand for detached houses.
- In the second quarter of FY3/21, sales increased 19.3% YoY to ¥37.8 billion and the gross profit margin improved by 1.4 points to 16.3% from 14.9% one year earlier. **Ordinary profit was up 47.2% YoY to ¥2.7 billion.**
- Sales started for IKI, KEIAI's one-story houses, a new strategic product.
- Opened the IKI model house with automated interior viewing for contactless sales activities.
- Using business intelligence, robotic process automation and AI-OCR technologies to automate tasks for the construction of new detached houses.
- Acquired TOKYO BIG HOUSE, Inc. in April 2020, making this company a consolidated subsidiary



KEIAI

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First Half of FY3/21 Financial Results Overview

First half FY3/21 Financial Summary



1H FY3/21 Financial Summary



- Continue to execute growth strategies for the ready-built house business
- Sales increased 14.3% YoY
- Profits also increased YoY

The Japanese Housing Market



The following is a summary of the residential house and detached house sales markets, including the unexpected benefits of the COVID-19, as well as of KEIAI's 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 focuses on the built-for-sale houses business
- * Houses have outstanding quality and designs at affordable 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**
- * 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)

Changes in customers' needs

- * From urban to suburban locations, from condominiums (limited space) to detached houses, from rented residences to owned houses (makes DIY renovations possible)

Consolidated Statement of Income (1H)



Sales **increased 14.3% YoY to ¥65,990 million, a new first-half record**. The gross profit margin increased 0.9 points to 15.8% and **ordinary profit was up 19.2% to ¥3,725 million**.

	(Millions of yen)		
	1H FY3/20	1H FY3/21	YoY change
	Amount	Amount	%
Net sales	57,758	65,990	+14.3%
Gross profit	8,586	10,415	+21.3%
SG&A expenses	5,275	6,629	+25.7%
Operating profit	3,310	3,786	+14.4%
Ordinary profit	3,125	3,725	+19.2%
Profit attributable to owners of parent	1,893	2,209	+16.7%

Consolidated Statement of Income (2Q)



In the second quarter (July-September), **sales increased 19.3% to ¥37,861 million and ordinary profit was up 47.2% to ¥2,798 million.**

	(Millions of yen)		
	2Q FY3/20 (July- September)	2Q FY3/21 (July- September)	YoY change
	Amount	Amount	%
Net sales	31,748	37,861	+19.3%
Gross profit	4,729	6,173	+30.5%
SG&A expenses	2,701	3,401	+25.9%
Operating profit	2,027	2,771	+36.7%
Ordinary profit	1,900	2,798	+47.2%
Profit attributable to owners of parent	1,177	1,643	+39.5%

Consolidated Forecast and Dividend Forecast



The gross profit margin started climbing in June 2020 along the growth in the demand for detached houses. This forecast is based on the outlook of strong demand for detached houses.

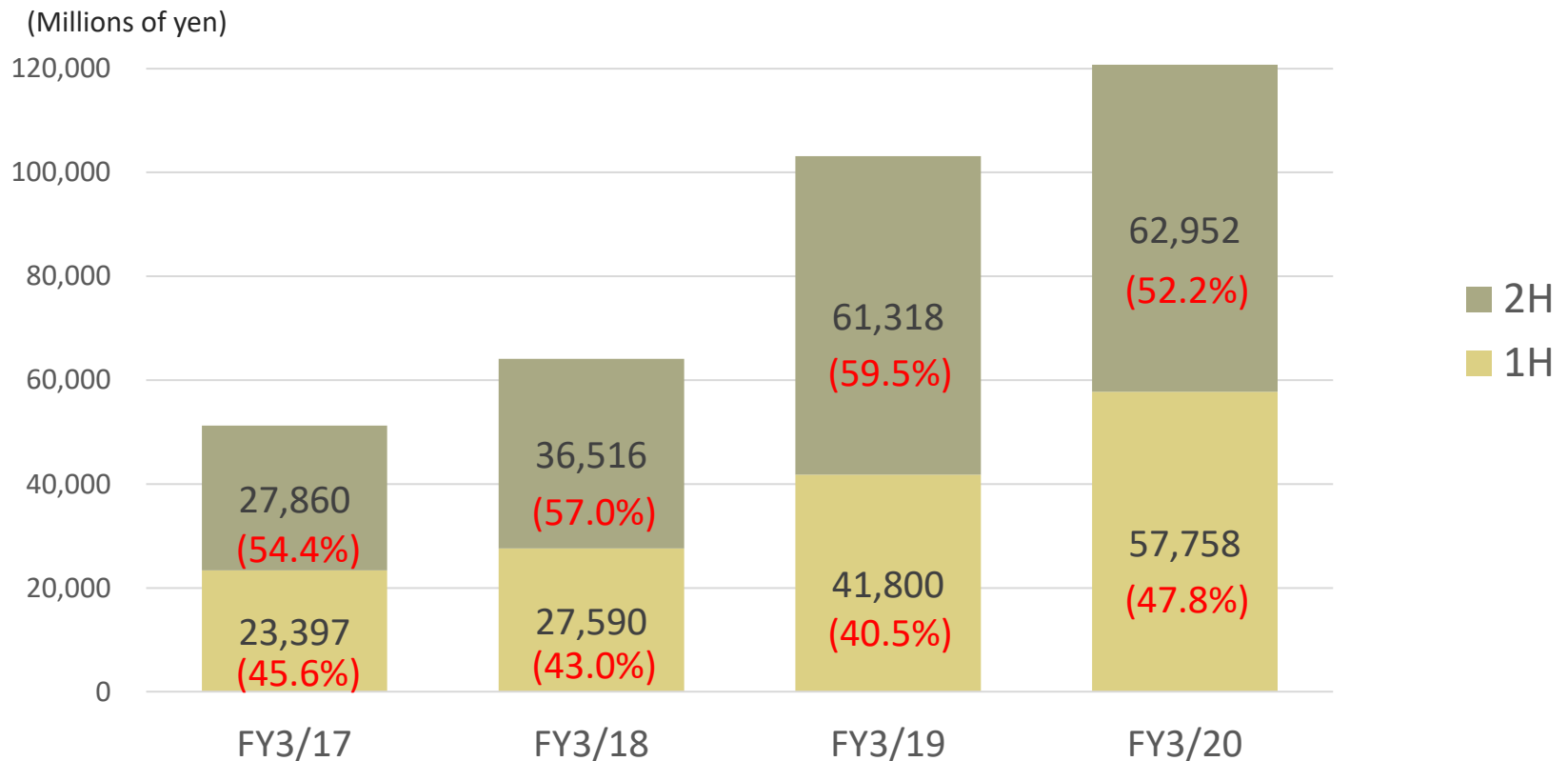
(Millions of yen)	FY3/20 Results	FY3/21 Forecasts	YoY change	YoY change
	Amount	Amount	Amount	%
Net sales	120,710	130,000	9,289	+7.7%
Operating profit	6,425	7,100	674	+10.5%
Ordinary profit	6,317	7,000	682	+10.8%
Profit attributable to owners of parent	3,584	4,200	615	+17.2%

Net income per share (yen)	252.60	295.95
Dividend per share (yen)	76.00	88.00
Interim dividend per share (yen)	42.00	44.00

Four-year 1H/2H Sales Growth



Second half sales are much higher than in the first half every fiscal year.
(First half sales are 40-48% and second half sales are 52-60% of FY sales.)



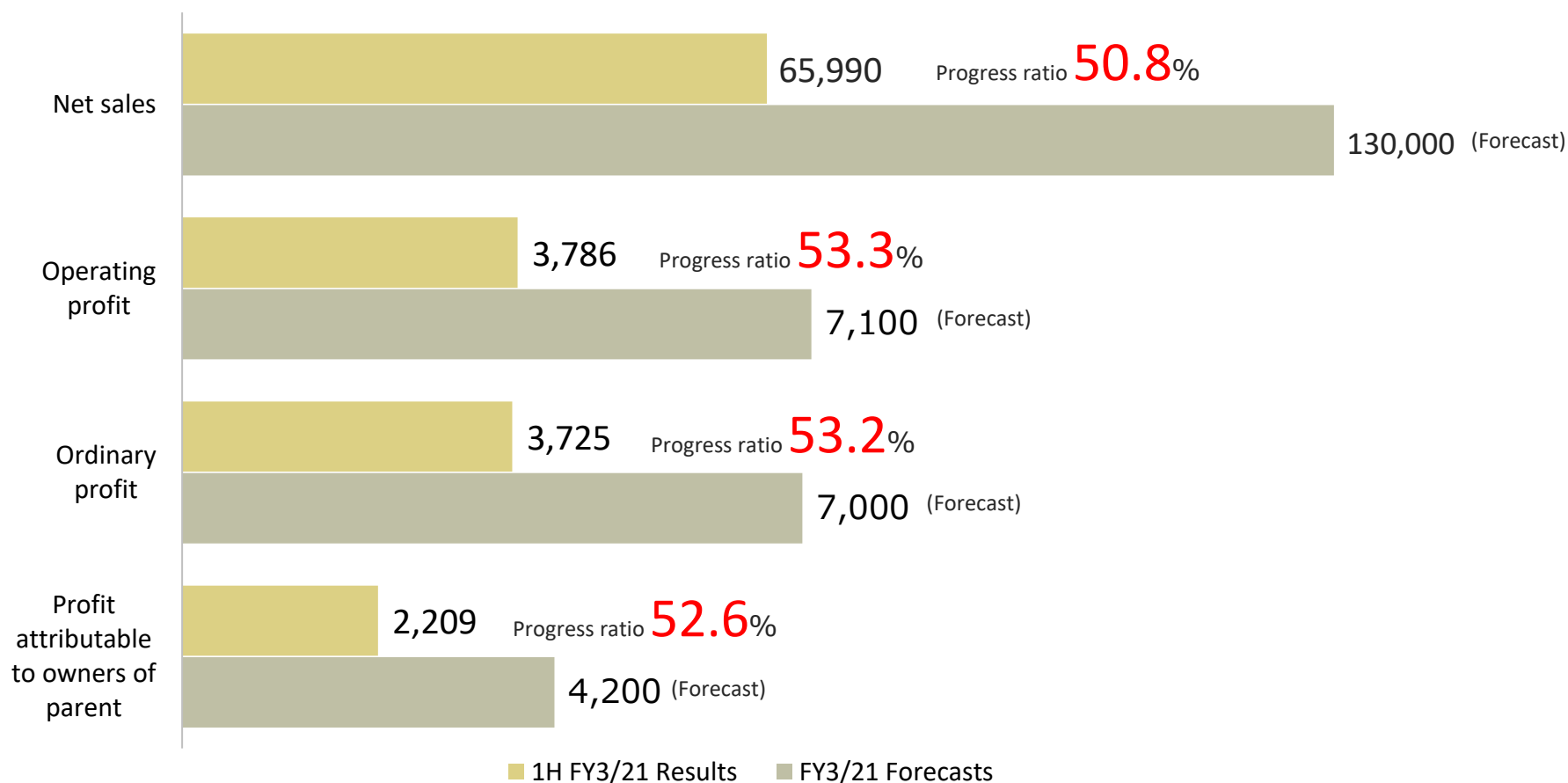
First Half FY3/21 Results vs. FY3/21 Forecasts



First half sales and earnings at all levels were more than 50% of the FY forecasts.

Sales and earnings progress vs. FY3/21 forecasts

(Millions of yen)

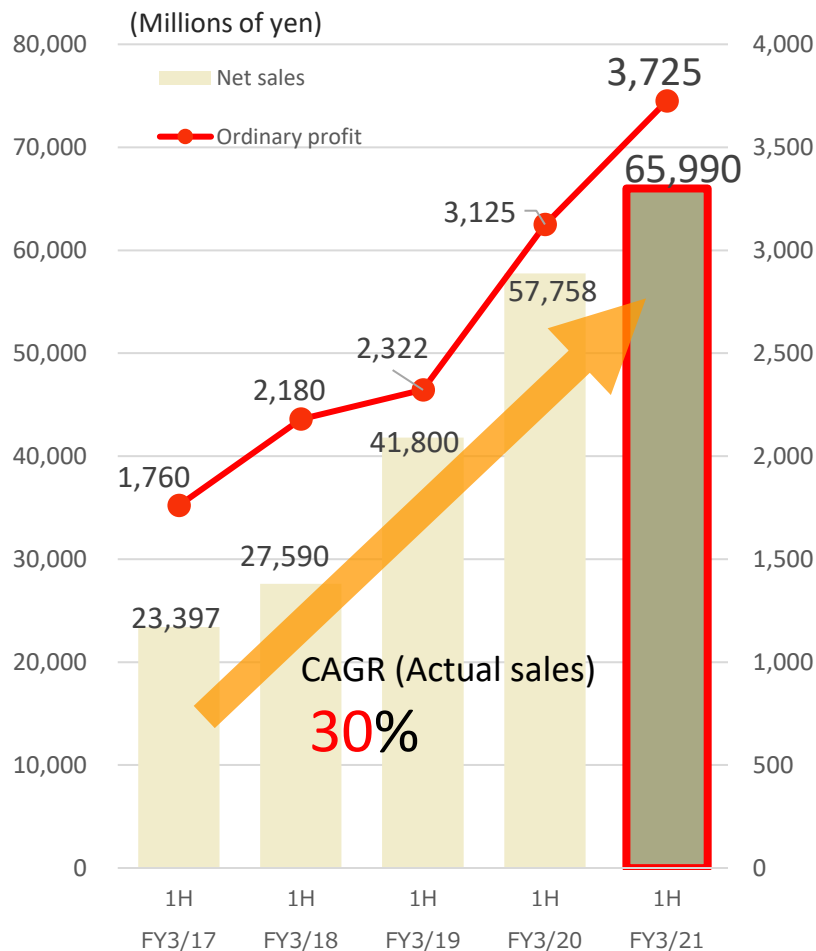


Consistent Growth in Consolidated Sales and Earnings

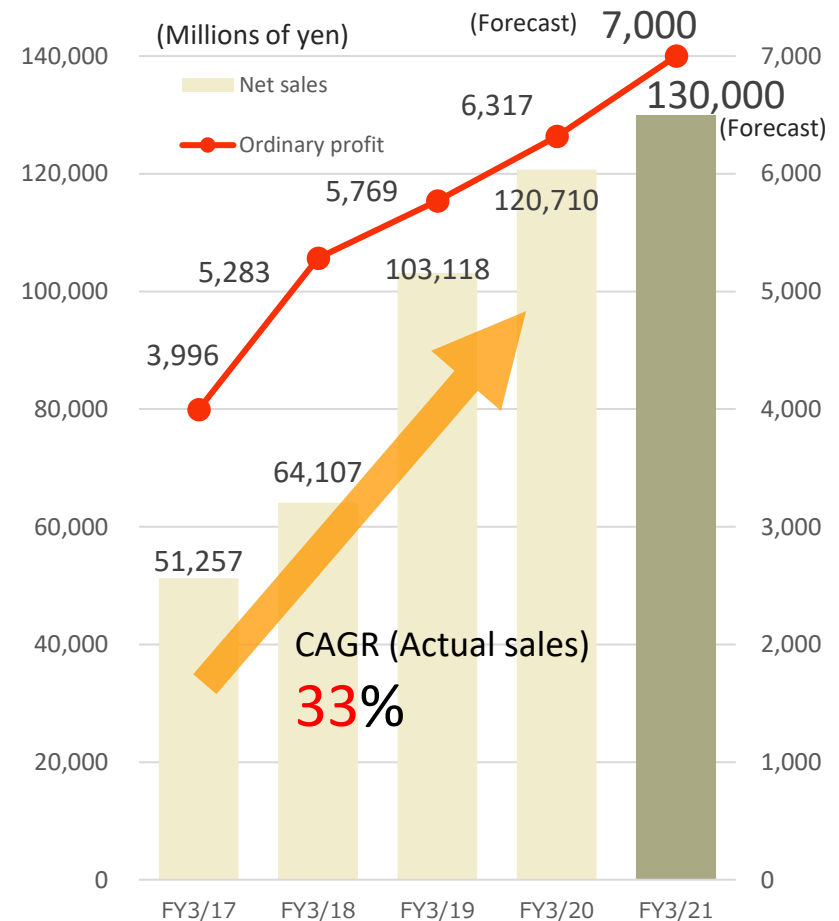


Sales and earnings are growing consistently due to steady progress with the growth strategy. Record-high first half performance.

1H Net Sales and Ordinary Profit



Fiscal Year Net Sales and Ordinary Profit



Note: Compound annual growth rate, or CAGR, is the mean annual growth rate of an investment over a specified period of time longer than one year.

Segment Performance



Growth by shifting to the ready-built house business in each segment.

(Millions of yen)

		1H FY3/20	1H FY3/21	YoY change	Remarks
Homebuilding and sales (including land)	Houses sold	1,309	1,375		Growth due to growth strategy progress
	Sales	38,409	42,679	+11.1%	
	Operating profit	3,248	4,030	+24.1%	
Custom-built housing	Houses sold	57	32		Shifting more resources to the homebuilding and sales business
	Sales	664	395	-40.4%	
	Operating profit	119	56	-52.5%	
Pre-owned home sales	Houses sold	90	38		Shifting more resources to the homebuilding and sales business
	Sales	2,466	957	-61.2%	
	Operating profit	38	37	-3.6%	
Yokatown	Houses sold	Built-for-sale houses (including land): 230 Custom-built houses: 71	Built-for-sale houses (including land): 345 Custom-built houses: 48		Higher sales due to measures to strengthen the homebuilding and sales business
	Sales	6,724	9,413	+40.0%	
	Operating profit	522	589	+12.8%	
Asahi Housing	Houses sold	Built-for-sale houses (including land): 78	Built-for-sale houses (including land): 113		Higher sales due to measures to strengthen the homebuilding and sales business
	Sales	2,892	4,316	+49.2%	
	Operating profit	114	278	+142.4%	
Fresco	Houses sold	Built-for-sale houses (including land): 68 Custom-built houses: 47	Built-for-sale houses (including land): 65 Custom-built houses: 25		
	Sales	2,630	2,326	-11.6%	
	Operating profit	134	101	-24.3%	
Kensin	Houses sold	Built-for-sale houses (including land): 43 Custom-built houses: 30	Built-for-sale houses (including land): 86 Custom-built houses: 65		Higher sales due to measures to strengthen the homebuilding and sales business
	Sales	3,203	3,945	+23.2%	
	Operating profit	21	30	+43.3%	
Tokyo Big House	Houses sold	-	Built-for-sale houses (including land): 25 Custom-built houses: 24		Consolidated in April 2020
	Sales	-	1,224	-	
	Operating profit	-	(53)	-	

Current Market Conditions



Orders in October 2020 remain strong; YoY comparisons 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.)

Contracts from October 1 to October 31, 2020

Monetary value: **Up 49.7%** year-on-year

Number of houses: **Up 36.3%** year-on-year

Consolidated Balance Sheet



Total assets were ¥97,352 million and net assets were ¥21,708 million (increased ¥1,860 million YoY)

(Millions of yen)

	March 31, 2020	September 30, 2020	Increase/decrease
Current assets	82,743	89,452	6,709
(Inventories)	(65,667)	(69,607)	(3,940)
Non-current assets	7,192	7,899	707
Total assets	89,936	97,352	7,416
Current liabilities	63,509	64,744	1,234
Non-current liabilities	6,577	10,899	4,321
(Short-term and long-term borrowings and bonds payable)	(55,524)	(61,371)	(5,846)
Net assets	19,848	21,708	1,860
Total liabilities and net assets	89,936	97,352	7,416



KEIAI Growth Strategy



Growth Strategy Outline



- Expansion to more areas of Japan
- AI / Technology
- Steady-revenue business with no assets
- Financial strategy and fund procurement
- M&A
- Development of human resources

Expansion to More Areas of Japan

- No. of Sales Branches at 2Q-End



We are expanding our sales branch network in Japan to areas not yet covered. The network expansion strategy will focus on building trust with local real estate brokers and customers.



Expansion to More Areas of Japan

- New Stores in FY3/21



New stores in Tokyo and 11 other prefectures (First sales offices in a prefecture are underlined)

(Tokyo, Saitama, Gunma, Tochigi, Ibaraki, Chiba, Kanagawa, Fukuoka, Aichi, Miyagi, Fukushima and Shizuoka)

(New offices)

July

Koriyama sales office (first in Fukushima prefecture)

KEIAI casa style Mito

Shiki sales office

Chiba sales office

August

Motoyawata sales office

Machida sales office

IKI one-story house

Kamata sales office

September

Shizuoka sales office (first in Shizuoka prefecture)

Misato sales office

(New subsidiary)

Since April

TOKYO BIG HOUSE

Shinjuku head office, etc.

(Third quarter)

October

Kichijoji sales office

Iruma sales office

TOKYO BIG HOUSE Kashiwa sales office

November

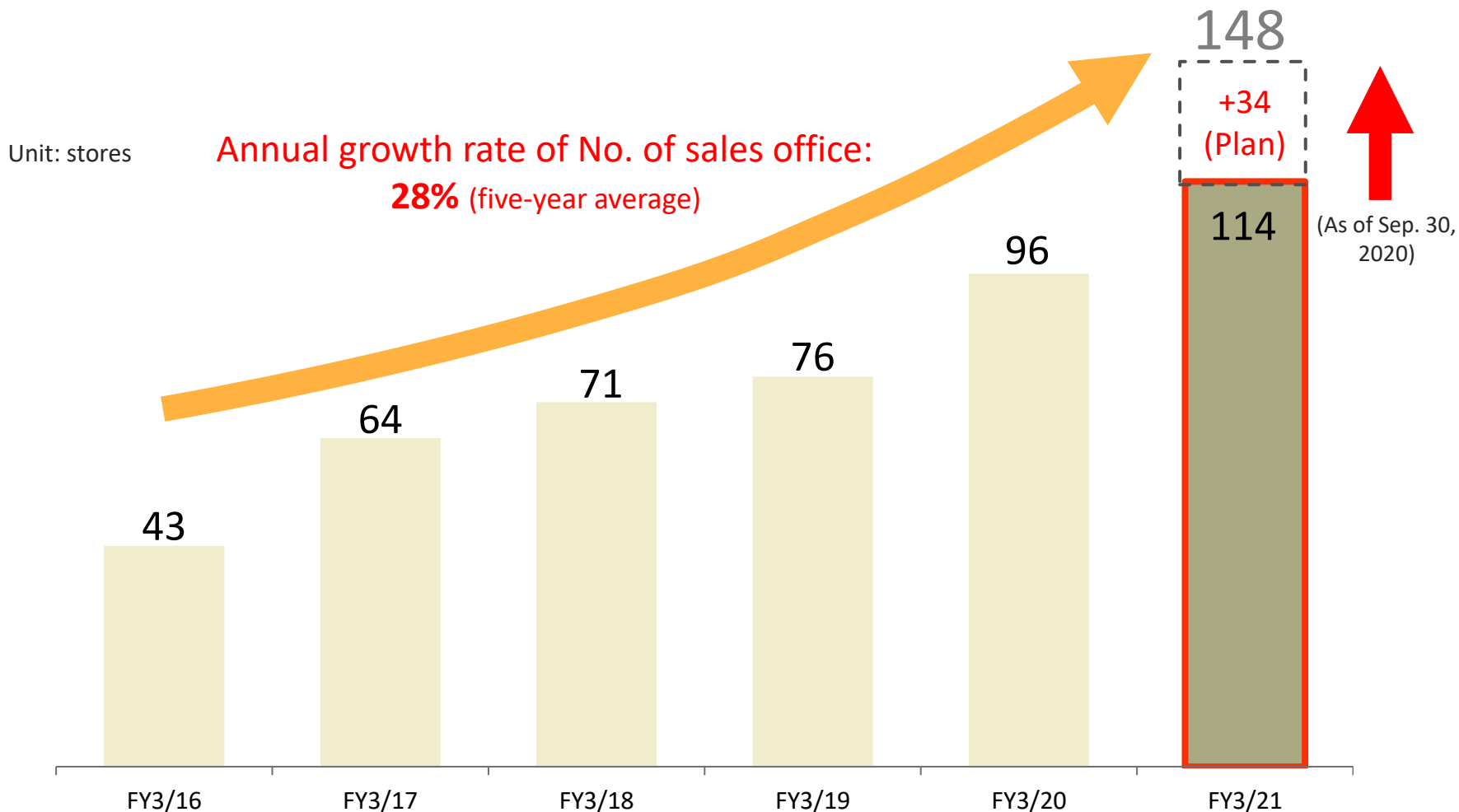
Nagoya sales office, etc.

Expansion to More Areas of Japan

- No. of Sales Offices



We plan to continue to add offices at a rapid pace in Japan to extend KEIAI store network.
(Reference: Avg. annual home orders per office is about 70 (results))



Expansion to More Areas of Japan

- KEIAI Franchised Stores



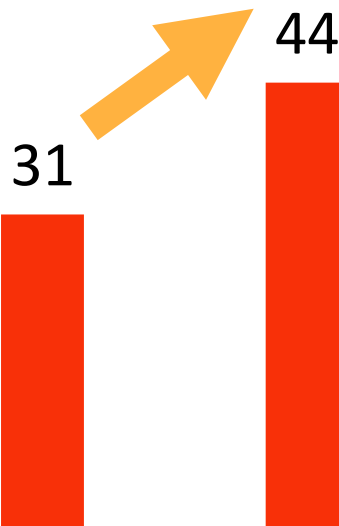
Growth of the KEIAI sales network includes the company's own locations as well as franchised stores.

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. This expansion is expected to increase franchising revenue.

Franchised Stores

Up 42%

Unit: stores



As of Mar. 31, 2020 As of Sep. 30, 2020

The 10 Benefits of KEIAI.FC

- 01 Support for starting businesses**
不動産業(目)など、ゼロからの市場上ではKEIAIがきっかけポイント。不動産業の職業に必要となる、宅建士の採用、宅建業免許の取得、店舗内外装の準備など、オープンまでしっかりとバックアップいたします。
- 02 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。統一感のある店舗装いで、清潔感・信頼感など、ポジティブなイメージが大きくアップします。ひととき目を惹くデザインで、地域の有名店に。
- 03 Manuals explaining KEIAI know-how**
ノウハウをマニュアルで提供。物件管理や業者(仲介)の仕入など、知実(知)のノウハウが伝えます。また、会社を発展させるために最も重要な「人財」(人材)育成や人材育成なども私たちが支離し、多く終身就業環境をサポートします。
- 04 Support from KI-Star advisers**
KEIAIのノウハウを持った不動産のプロ集団が、加盟店様専用のアドバイザーとなり、日々の店舗運営や経営活動をサポート。市場動向・成功事例の共有や企業運営の方法が相談など、定期的な訪問をしながら長期的な企業成長を支援いたします。
- 05 Outsourced sales / Purchase of properties**
メイトグループの物件で、売却・購入・中古の買取りなどさまざまなニーズに対応可能。現地集約・契約ともにアップ! また、売却時もKEIAIが積極的に買い取ります。
- 06 Leaseback**
【2020年5月新規リリース】
 「売っても住み続けられる」(即売売却)の方法として、不動産業界で大きな注目を浴びています。(売)ローンの返済で取り戻す方が、宅建業資格を有効にした方などの目を引くサービスで、売却条件に驚かすくらいお得を獲得できます。
- 07 Construction of homes for sale Supply of KI-Star products**
「国産の良質」(品質)の所有地にKEIAIの建物も特別価格で建設することができます。物件+土地の価値が可能なため、通常の土地のみ販売に比べて、業効力(収益)をアップさせることができます。
- 08 Supply of building products**
自社建築を行うKEIAIが大量仕入で安価になった建築資材を、加盟店様に特別価格で提供します。新築時にはもちろん、賃貸マンションや中古再販事業、リフォーム事業など、さまざまな場面でご利用いただけます。



AI / Technology

- Planning and Development of Strategic Products

Next-generation strategic product: Launch of the IKI one-story house that is build using an app with less cost.

- Created for simple and space-saving life styles
- Meets many needs for necessary living space
- Unitized design speeds up completions and holds down the cost

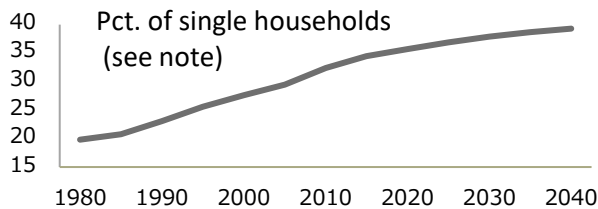
Floor area: About 56.2 to 89.3 square meters

Price: ¥5.9 to ¥8.19 million /unit

Design: 1LDK to 4LDK



Growth of single households in Japan



Note: Based on "Household Projection for Japan (2018 Estimates)" by the National Institute of Population and Social Security Research

More teleworking and rethinking of lifestyles centered on work at companies and homes in densely populated areas due to COVID-19

Changes in perception and needs involving residences

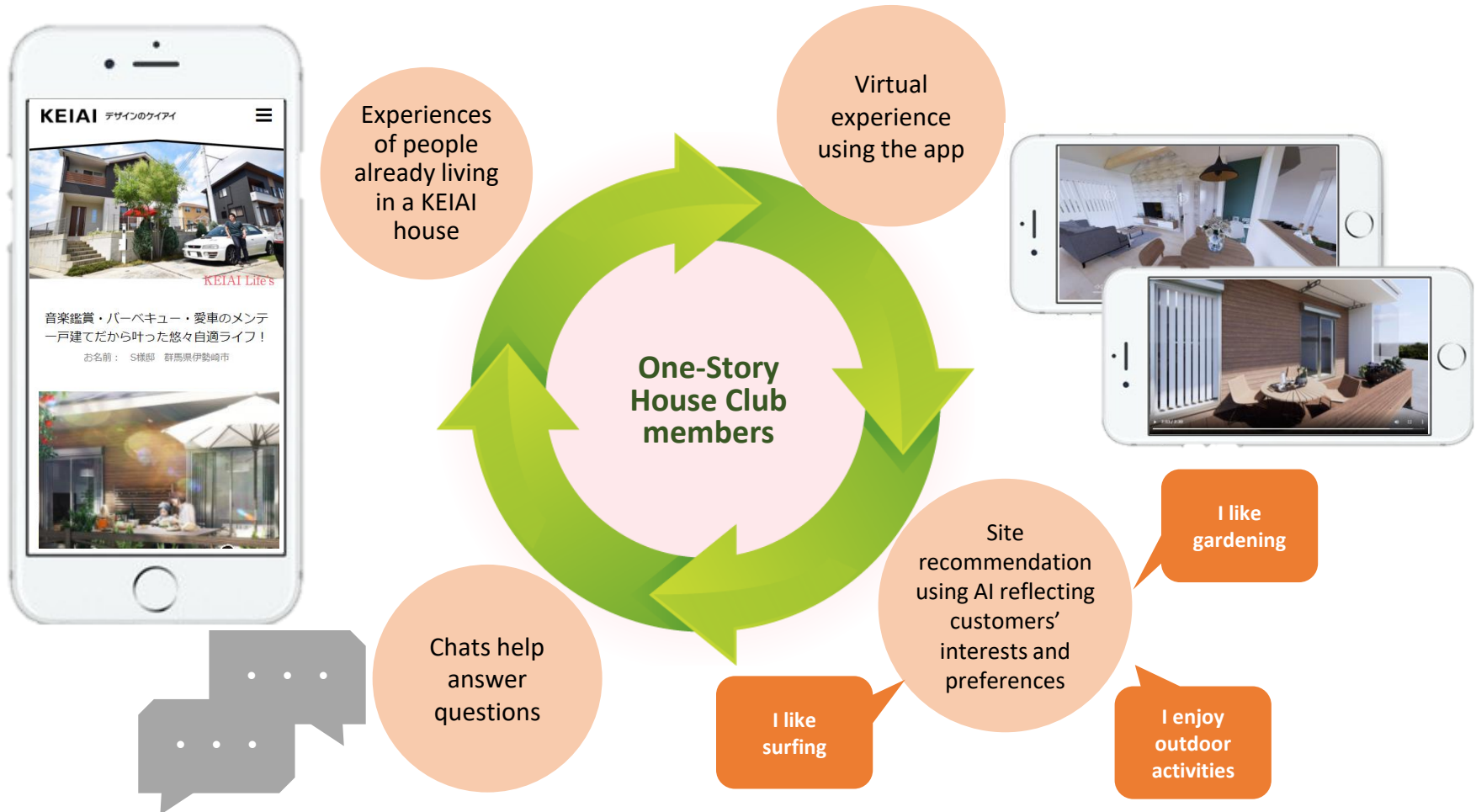
Development of proposal-based houses for a wide variety of lifestyles



AI / Technology - A Dedicated App for Sales Activities



An app under development will be used to build a base of One-Story House Club Members (prospective customers). We plan to use marketing automation, combining this app and the internet, to start sales activities.



AI / Technology - Contactless Customer Interactions



We have started remote, contact-free customer services that provide assistance and use an app with charts. These sales activities have increased by about 20% the pct. of prospective customers who place an order and reduced by about 60% the time from first contact to the signing of a sales contract.

The IKI model house in the Takasaki model home site has an automated interior viewing system and uses a chat app



The time from the first visit to a model home site to the signing of a sales contract is 60% shorter than before using the contact-free system. Furthermore, the pct. of people placing an order is about 20% higher.



Remote customer service

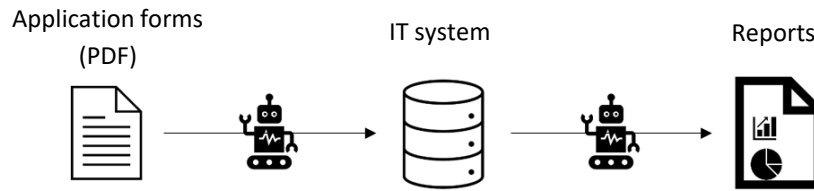
- Allows collecting and storing customer interaction data
- Use of an animated character to provide information as one of attractions for families
- Contactless interaction format protects customers and KEIAI personnel from COVID-19 infections

AI / Technology - RPA/AI for Real Estate Tasks





The use of RPA/AI for real estate back office tasks has reduced more than 2,000 hours of back office processes during about six months since the new IT system became operational.

Clerical tasks using robotic process automation (example)



Robotic process automation improves productivity

Cost of RPA worker vs. Human  >  One-third

RPA efficiency vs. Human  <  Three times higher

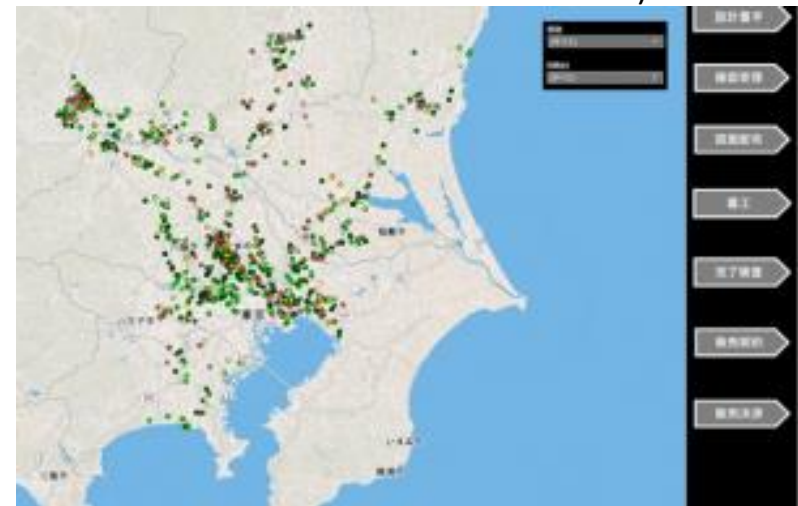
*Automates tasks that would normally be performed manually

(In conjunction with the distribution of similar data across many departments and the increasing number of report formats as the KI-Star Group expands, procedures for conversions between individual forms and integrated view formats)

*Use of AI-OCR technology to convert paper media data to text data

(Data input for invoices, questionnaires and other documents, formerly done manually, is replaced with automatic conversions to text data)

*Uses a system for the visualization of real-time numbers for information that is constantly changing, such as land acquisition activities, days needed to build houses and the status of home sales in the homebuilding and sales business.



Steady-Revenue Business with No Assets - For KEIAI Members



KEIAI Concierge improves customer satisfaction by upgrading after-sales services for members who have purchased a KEIAI home. This service also forms the basis for businesses that generate steady revenue.

KEIAI

Only for KEIAI Concierge members

Use points for KEIAI renovation services

A members-only app for buyers of KEIAI homes

KEIAI Concierge

KEIAI Concierge is a **members-only app** created for people who have purchased a KI-Star Real Estate Group residence.

The app periodically sends useful information about homes and special events to enable people to enjoy their homes with confidence for many years. Members can also use the app to contact KEIAI with questions about their homes, requests for additional work and estimates, and many other items.

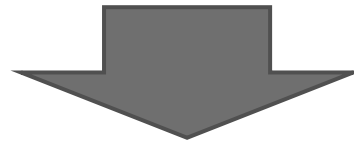


Financial Strategy and Fund Procurement



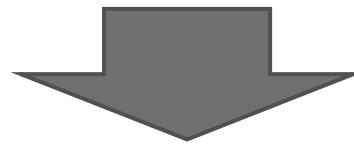
Secure funds for growth of the homebuilding and sales business and ensure the stability of fund procurement activities

- * Improve inventory turnover ratio to reduce inventory



- * Use our financial soundness for the flexible and diversified procurement of funds

- Overdraft agreement
- Committed credit facility
- Issuance of bonds (3Q)



- * Investments for more growth of the homebuilding and sales business

M&A - Seeking Many M&A Opportunities



M&A for strengthening sales capabilities and expanding to more areas of Japan

For vertical and horizontal M&A, continue examining opportunities and completing deals

Consolidated in April 2020

- TOKYO BIG HOUSE, Inc.



Operating mostly in Chiba and Saitama prefectures, this company primarily buys and sells real estate and performs planning, design and renovation work for buildings. Following this acquisition, TOKYO BIG HOUSE will focus mainly on activities involving KI-Star Group houses.

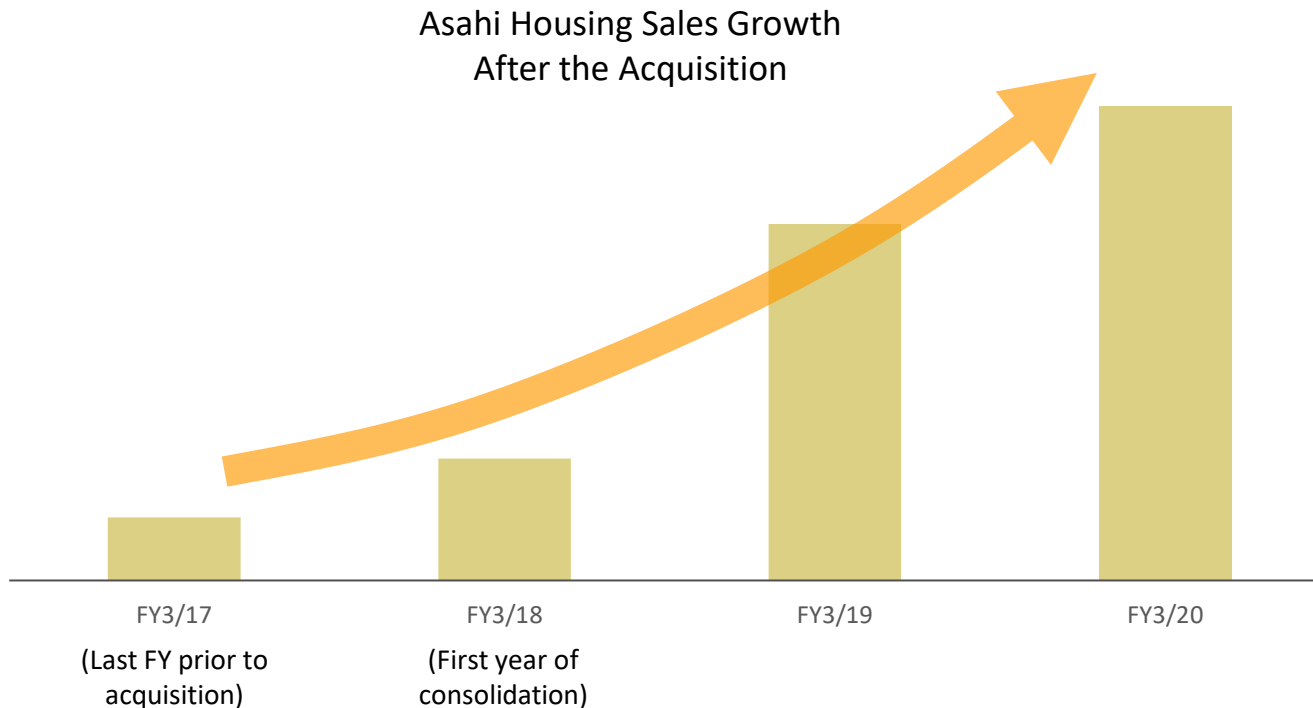
Joining the KI-Star Group will allow TOKYO BIG HOUSE to benefit from synergies for sales, purchasing and other activities as well as from the KI-Star Group's management expertise. These benefits are expected to speed up the growth of TOKYO BIG HOUSE.

M&A - Growth of a Subsidiary after the Acquisition (Example)



Asahi Housing has grown rapidly after becoming a member of the KI-Star Group.

- Sales are up about **7.5** times after the acquisition (FY3/20 sales vs. FY3/17 sales)
- The post-acquisition CAGR is **95.9%** ($\left(\left[\frac{\text{FY3/20 sales}}{\text{FY3/17 sales}}\right]^{1/3} - 1\right) \times 100$)



Note: Compound annual growth rate, or CAGR, is the mean annual growth rate of an investment over a specified period of time longer than one year.

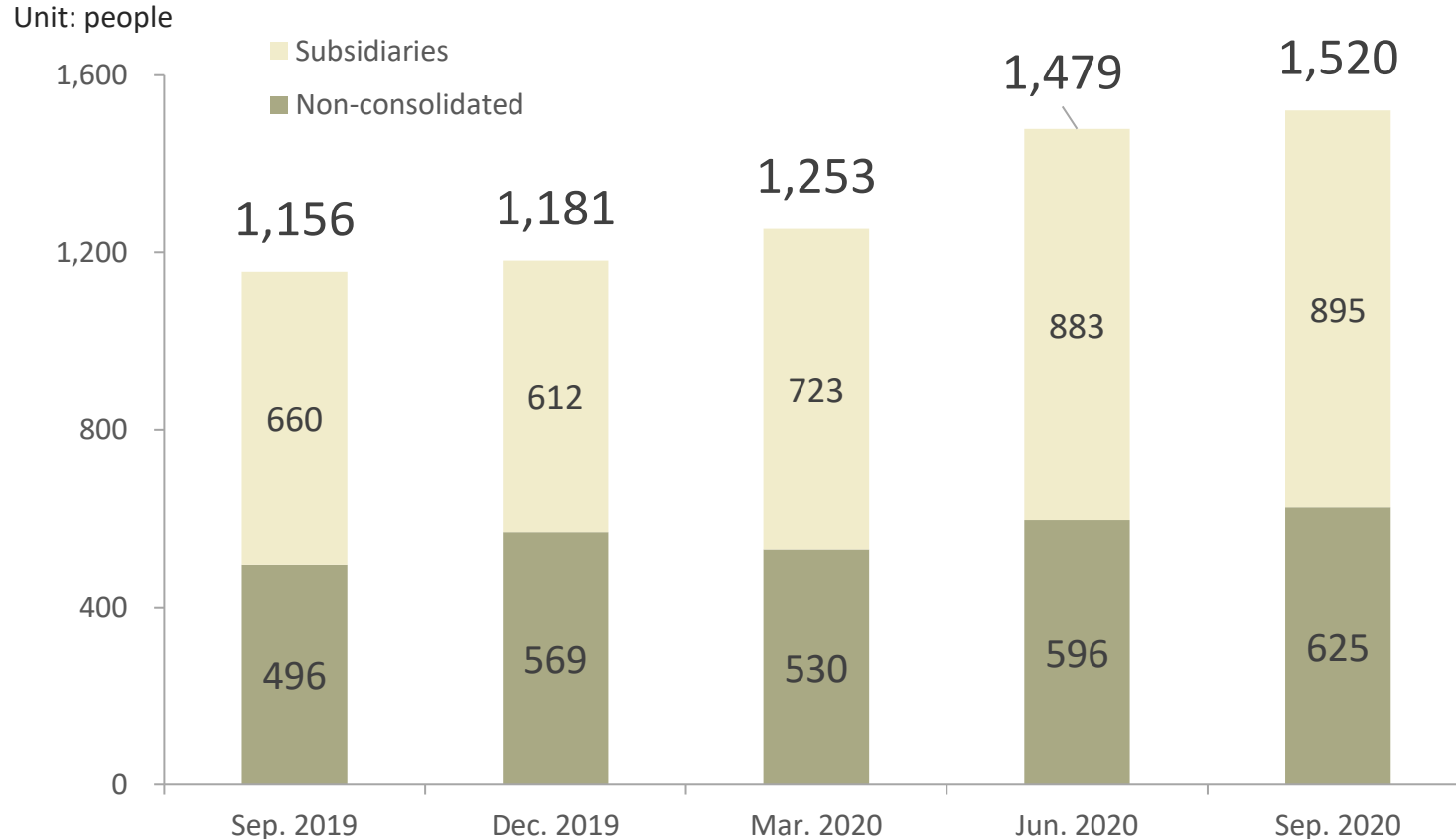
Development of Human Resources -Recruiting Activities



Consistently hiring people to support the KI-Star Group's steady growth

Recruiting goals were achieved. We hired almost 200 new college graduates in 2020 despite the COVID-19 crisis, including more than 80 at KI-Star Real Estate.

Growth of the KI-Star Group's Workforce

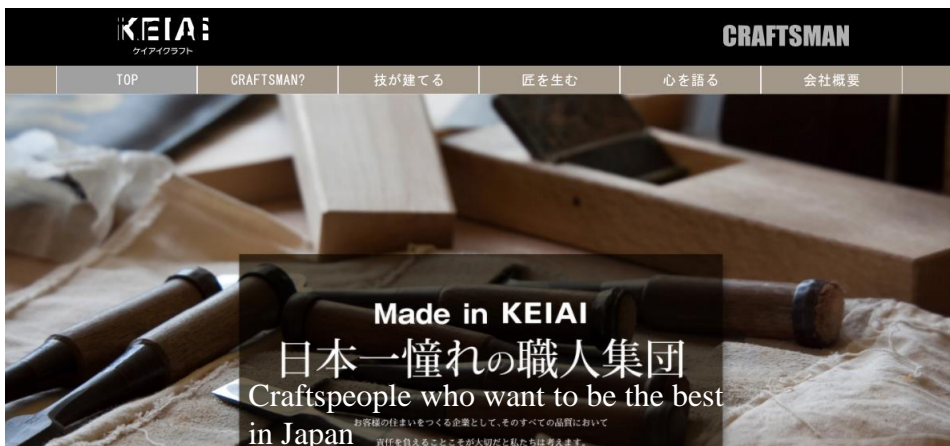


Development of Human Resources

-Training Programs for Employees with Expertise



Many activities for hiring and training employees with essential skills in order to maintain outstanding quality and ensure a sufficient number of people as Japan's labor shortage



A homebuilding craft training facility to create professionals for every construction skill and process

日本一の職人集団へ向かって
Building Japan's best team of highly skilled craftspeople

日本には、古くから伝わる「匠」たちの家づくりの「技」があります。

しかし、進みゆく少子高齢化社会において、その技を受け継ぐ職人が減少傾向にあることもまた事実です。

強く美しい日本の木造住宅をつくり上げてきた「技」を受け継ぎ、後世へと伝えてゆくことも、私たち日本の住宅供給企業のあるべき姿であると考えます。

先人の「技」を受け継ぎ、未来へとつないでゆくためにも、妥協のない家づくりを続ける義務があると思うのです。

「日本一の職人集団」を合言葉に、クラフトマンは日々己の技を磨き続けています。



Development of Human Resources -Empowering Women



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)



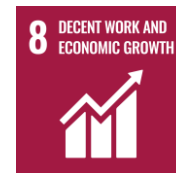
Selected as a 2020 Nadeshiko Brand



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

Platinum+ Certification for Promotion of Diverse Working Styles

Development of Human Resources -Support for Deaf Futsal



2020.06.08
ケイアイ チャレンジド アスリートチーム SNS スタートしました

「ケイアイ チャレンジド アスリートチーム」がSNSで情報発信をスタートしました

↓↓ Facebook ↓↓

<https://www.facebook.com/KEIAIChallengedAthleteTeam/>

こちらのFacebookページではアスリートチーム、各アスリートの活動はもちろんのこと、様々な障がい者スポーツの情報などを発信し、ケイアイアスリートチームを通して障がい者スポーツ業界全体の活性化の促進に繋がっていただきたいと思います。

↓↓ Instagram ↓↓



https://www.instagram.com/ki_athlete/

こちらのInstagramではアスリートチームの活動や所属アスリートをより身近に感じてもらえるような発信を行っています。



Featured on the Fuji Television
“Wide na Show” on March 29, 2020

Development of Human Resources

- Increasing Diversity



Offering a variety of ways to work improves efficiency and helps attract talented people

Received the Excellent Foreign Construction Worker Award of the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) two years in a row



Left: Director-general of the Land Economy and Construction Industries Bureau of the MLIT
Right: An employee of the KI-Star Group

We started hiring trainees from Vietnam in 2013 as one step to maintain the people we require for our operations. Every year, about 10 people from Vietnam join our group in order to acquire skills by performing various jobs. We plan to continue recruiting trainees from Vietnam and giving them expertise about Japanese construction techniques.



Dividends and Shareholder Benefits



Dividends and Shareholder Benefits



Dividend Started to pay an interim dividend in FY3/18

	FY3/19 Results (consolidated)	FY3/20 Results (consolidated)	FY3/21 (consolidated)
Net income per share (yen)	243.88	252.60	(Forecast) 295.95
Dividend per share (yen)	84.00	76.00	(Forecast) 88.00
Interim dividend per share (yen)	42.00	42.00	(Result) 44.00
Payout ratio (%)	34.4%	30.1%	(Forecast) 29.7%

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.

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