

KEIAI

デザインのケイアイ

Third Quarter of FY3/22 Financial Results

KI-STAR REAL ESTATE CO., LTD.



Tokyo Stock Exchange,
First Section/3465

Our Purpose

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

Our Mission

House ownership for everyone

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1. 3Q FY3/22 Financial Summary
2. KEIAI Growth Strategy
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3Q FY3/22 Financial Highlights (Consolidated)

1Q-3Q Results

Net sales **136,112** million JPY
(+24.0% YoY)

Ordinary profit **17,885** million JPY
(+117.6% YoY)

Profit*¹ **11,235** million JPY
(+131.1% YoY)

3Q Results

Net sales **44,624** million JPY
(+1.9% YoY)

Ordinary profit **5,638** million JPY
(+25.5% YoY)

Profit*¹ **3,470** million JPY
(+30.8% YoY)

*1: Profit attributable to owners of parent

3Q FY3/22 Highlights

- Consolidated sales and earnings at all levels continued to increase, climbing to new 3Q all-time highs. Achieved high growth of 30% YoY while maintaining high profitability with an operating profit margin of 12.9% in the 3Q.
- In addition to the growth in business centered on strong compact ready-built house development (semi custom-built house) category, consolidated sales and earnings remained to expand due to the continued growth of a subsidiary added to the Group through acquisition.
- There was steady progress with the receipt of information about available land and the number of lots purchased due to the use of the KEIAI Platform. In the 3Q, 2,000 lots were purchased, 34% more than one year earlier.
- Sales in the first nine months were consistent with the fiscal year plan. Sales in the 2Q increased more than expected and there was only a small sales increase in the 3Q because of delays in deliveries of some building materials and other reasons.

1. 3Q FY3/22 Financial Summary

Consolidated Statement of Income (1Q-3Q)

Higher growth continued as sales increased 24.0% YoY to 136.1 billion JPY, operating profit increased 121.4% to 18.1 billion JPY, ordinary profit increased 117.6% to 17.8 billion JPY and profit attributable to owners of parent increased 131.1% to 11.2 billion JPY.

(JPY mil.)

	1Q-3Q (Apr-Dec) of FY3/21		1Q-3Q (Apr-Dec) of FY3/22		YoY change
	Amount	Proportion	Amount	Proportion	
Net sales	109,803	100.0%	136,112	100.0%	24.0%
Gross profit	18,696	17.0%	30,374	22.3%	62.5%
SG&A expenses	10,492	9.6%	12,214	9.0%	16.4%
Operation profit	8,204	7.5%	18,159	13.3%	121.4%
Ordinary profit	8,219	7.5%	17,885	13.1%	117.6%
Profit attributable to owners of parent	4,861	4.4%	11,235	8.3%	131.1%

Consolidated Statement of Income (3Q)

Sales in the 3Q increased only 1.9% mainly because of the larger than expected growth in 2Q sales and an inadequate inventory of completed houses caused by delays in deliveries of some building materials. Operating profit achieved a high growth rate of more than 30% YoY due to favorable market conditions and the success of measures to improve productivity, including the use of the KEIAI Platform.

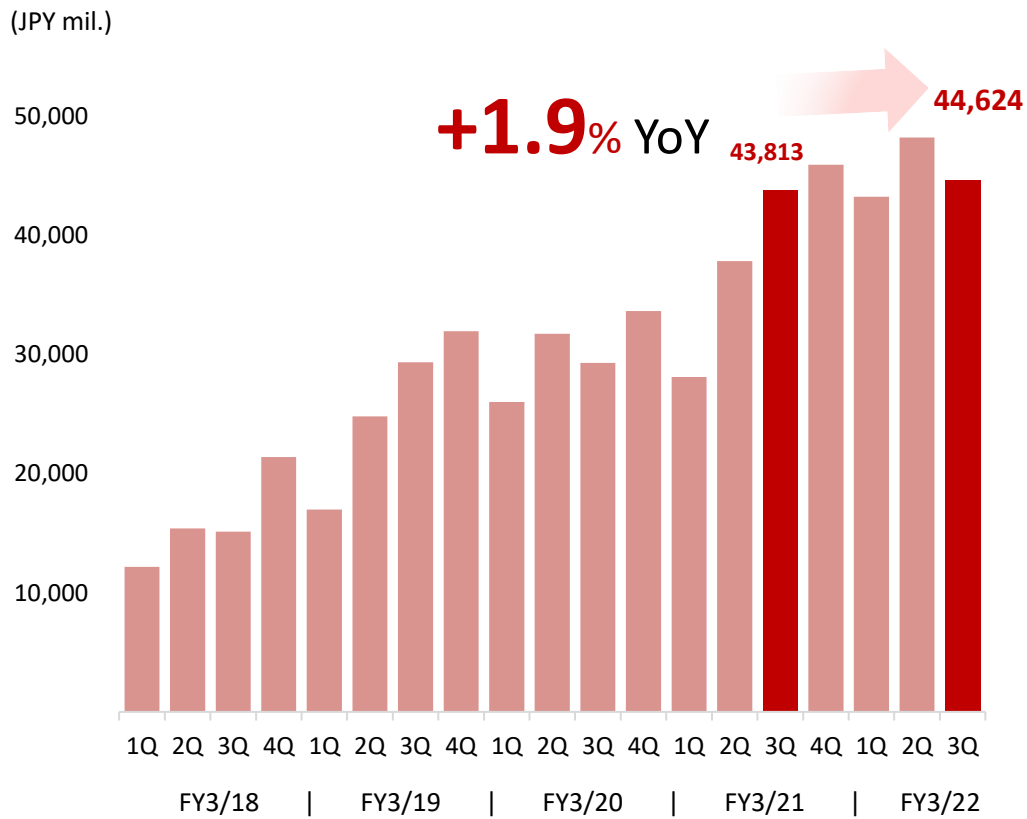
(JPY mil.)

	3Q (Oct-Dec) of FY3/21		3Q (Oct-Dec) of FY3/22		YoY change
	Amount	Proportion	Amount	Proportion	
Net sales	43,813	100.0%	44,624	100.0%	1.9%
Gross profit	8,280	18.9%	9,600	21.5%	15.9%
SG&A expenses	3,862	8.8%	3,854	8.6%	-0.2%
Operation profit	4,417	10.1%	5,745	12.9%	30.1%
Ordinary profit	4,493	10.3%	5,638	12.6%	25.5%
Profit attributable to owners of parent	2,652	6.1%	3,470	7.8%	30.8%

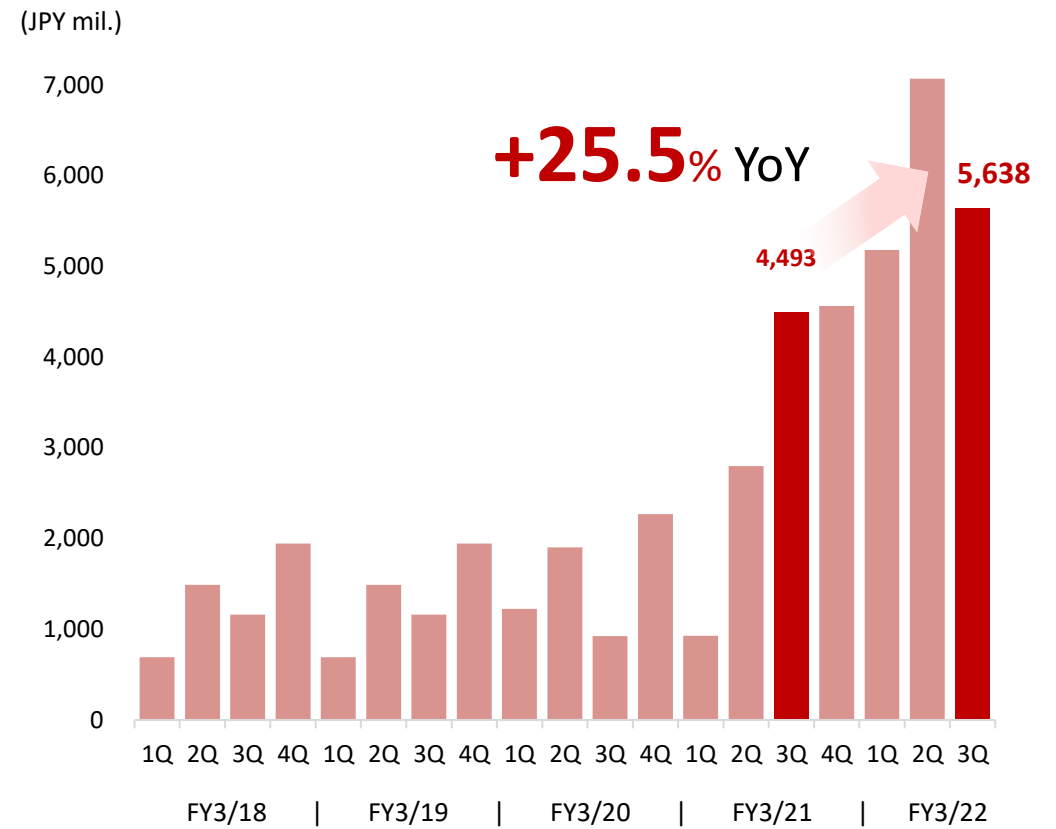
Quarterly Results (Consolidated)

3Q sales increased 1.9% YoY to 44.6 billion JPY and ordinary profit increased 25.5% to 5.6 billion JPY, an all-time 3Q high.

Quarterly Sales



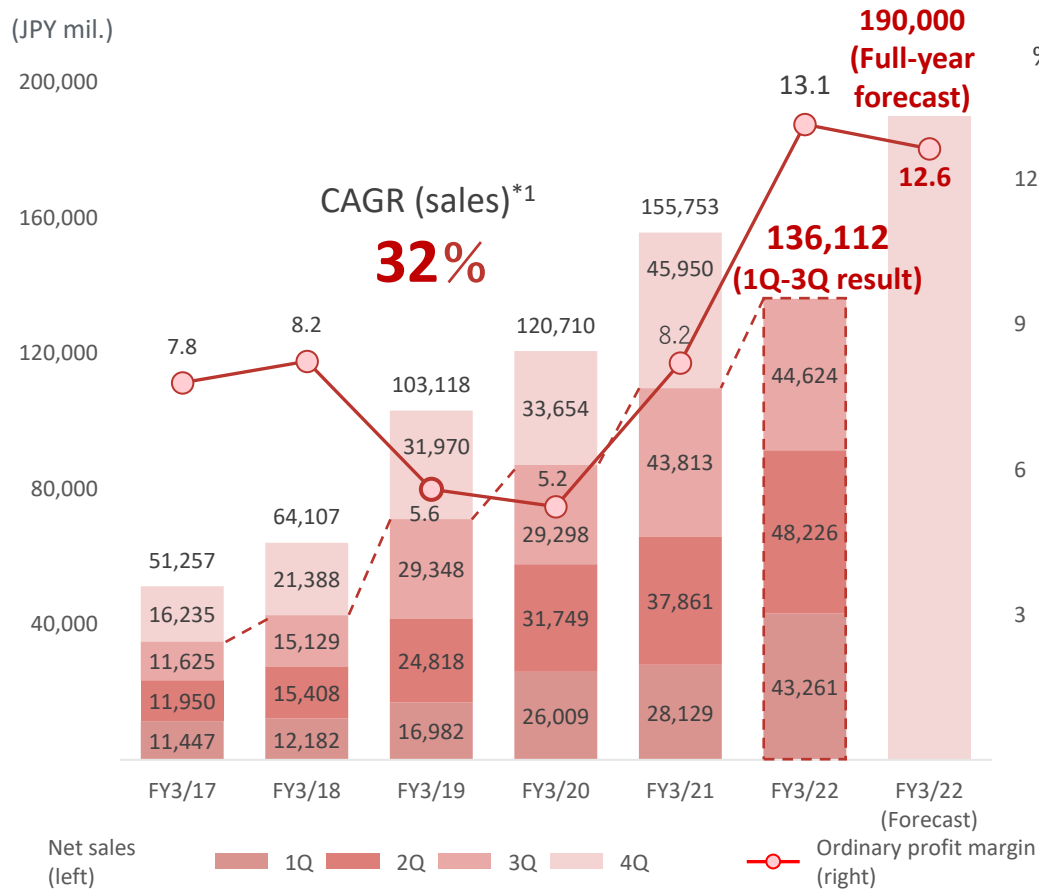
Quarterly Ordinary Profit



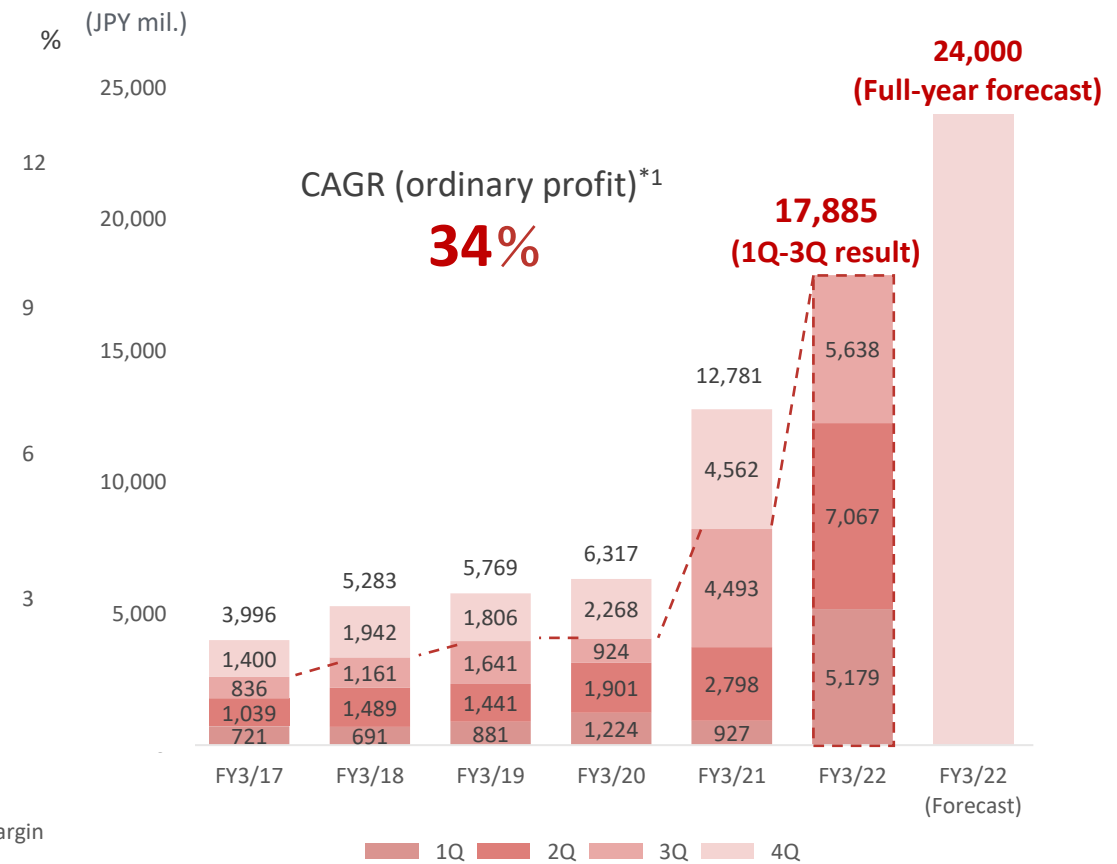
Consistent Growth in Consolidated Sales and Earnings

Steady progress toward achieving the full-year forecast. (Sales and earnings tend to be concentrated in the second half)

Net Sales and Ordinary Profit Margin (Full-year)



Ordinary Profit (Full-year)



1: Average annual growth rate of sales/ordinary profit (CAGR) from FY3/17 to FY3/21

Segment Performance (1)

Growth continues by accelerating and strengthening the shift to the compact ready-built house business throughout the Group.

(Unit of sales and profit: JPY mil.)

		1Q-3Q (Apr-Dec) of FY3/21	1Q-3Q (Apr-Dec) of FY3/22	YoY change	Remarks
Homebuilding and sales (including land)	Houses sold	2,227	2,703		Growth due to growth strategy progress
	Sales	71,991	93,463	+29.8%	
	Operating profit	8,012	15,971	+99.3%	
Custom-built housing	Houses sold	61	103		Upfront SG&A expenses due to higher orders for IKI
	Sales	737	1,967	+166.7%	
	Operating profit	152	73	-51.6%	
Yokatown	Houses sold	Built-for-sales house (including land): 544 Custom-built houses: 65	Built-for-sales house (including land): 647 Custom-built houses: 53		Higher sales due to focus on build-for-sales house business
	Sales	14,776	18,435	+24.8%	
	Operating profit	1,197	2,127	+77.6%	
Asahi Housing	Houses sold	Built-for-sale houses (including land): 175	Built-for-sale houses (including land): 197		Increase due to focus on build-for-sales house business
	Sales	6,913	8,441	+22.1%	
	Operating profit	584	1,395	+139.0%	

Segment Performance (2)

Growth continues by accelerating and strengthening the shift to the compact ready-built house business throughout the Group.

(Unit of sales and profit: JPY mil.)

		1Q-3Q (Apr-Dec) of FY3/21	1Q-3Q (Apr-Dec) of FY3/22	YoY change	Remarks
Kensin	Houses sold	Built-for-sale houses (including land): 141 Custom-built houses: 90	Built-for-sale houses (including land): 186 Custom-built houses: 96		Increase due to focus on build-for-sales house business
	Sales	6,916	9,879	+42.8%	
	Operating profit	152	741	+387.4%	
Tokyo Big House	Houses sold	Built-for-sale houses (including land): 13 Custom-built houses: 25	Built-for-sale houses (including land): 45 Custom-built houses: 3		Consolidated in April 2020
	Sales	1,503	1,730	+15.2%	
	Operating profit	4	50	+961.8%	
KEIAI Presto	Houses sold	-	Built-for-sale houses (including land) and custom-built houses: 26		Consolidated in January 2021
	Sales	-	691	-	
	Operating profit	-	17	-	

Consolidated Balance Sheet

Total assets were 149.7 billion JPY and net assets 45.4 billion JPY (an increase of 16.1 billion JPY from March 31, 2021).

(JPY mil.)

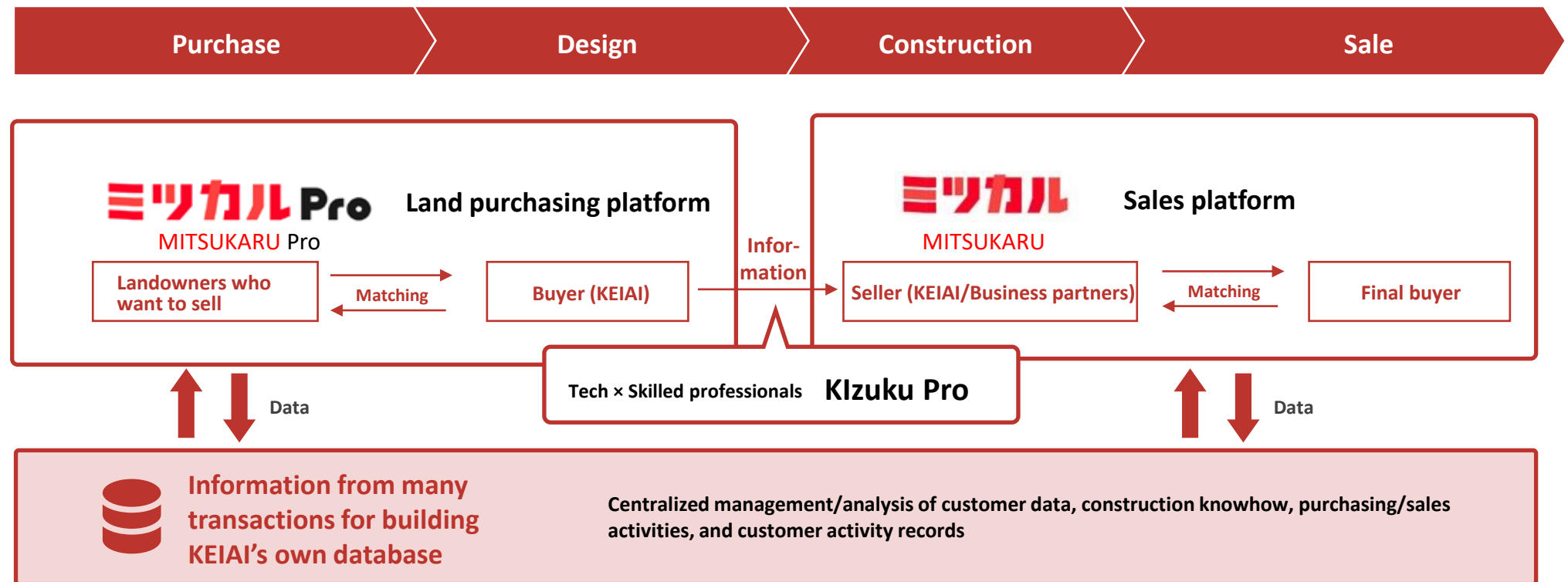
	March 31, 2021	December 31, 2021	Increase/decrease
Current assets	102,015	142,139	40,123
Non-current assets	8,111	7,637	(474)
Total assets	110,127	149,776	39,649
Current liabilities	67,495	83,318	15,822
Non-current liabilities	13,412	21,048	7,636
Total liabilities	80,908	104,367	23,458
Net assets	29,218	45,409	16,190
Total liabilities and net assets	110,127	149,776	39,649

2. KEIAI Growth Strategy

A Fully Integrated Platform

A “Real x Technology” supply model that revolutionizes the detached housing supply chain in Japan. KEIAI has developed an integrated technology platform extending from purchasing land to constructing and selling houses.

● The “Real x Technology” KEIAI Platform

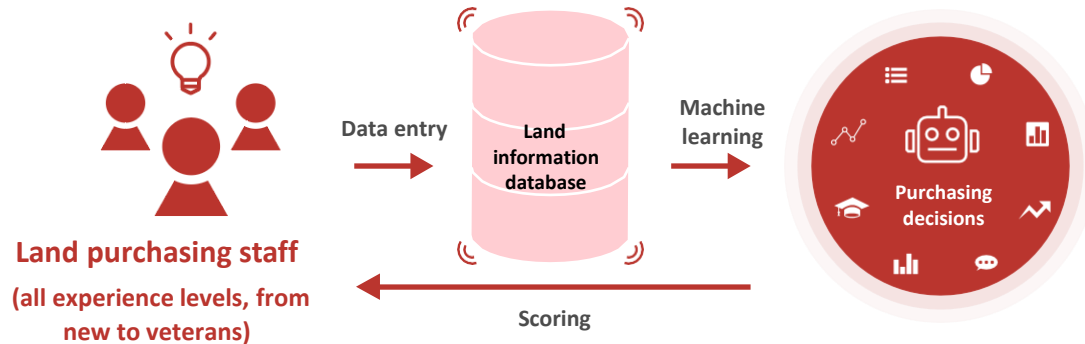


Land Purchasing Platform MITSUKARU Pro

KEIAI's MITSUKARU Pro land purchasing platform makes it possible to use the best possible process for purchasing land. This platform gives KEIAI a powerful framework for consistent and substantial purchases of land for growth after the pandemic ends.



- AI and other systems assist relatively new land purchasing personnel
- Highly accurate land purchases are possible by using data covering more than 30,000 potential land purchases in prior years and data about more than 10,000 transactions



Companies in the purchasing network

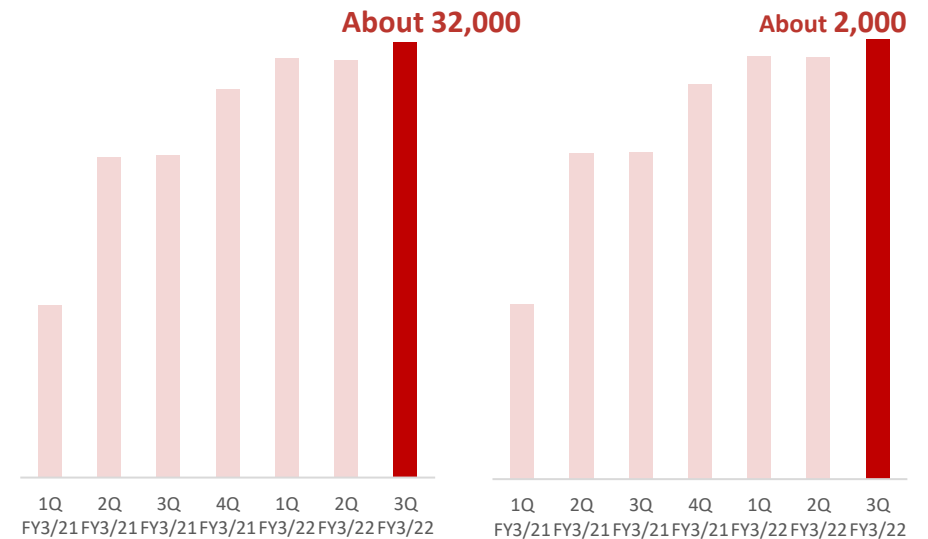
About 6,000

Land information data entries*1

About 32,000

Number of lots purchased*1

About 2,000



Land scoring 30,000+ data entries

- Scoring of prospective purchases by using more than 30,000 data entries about potential land purchases and actual sales (prices of housing lots sold by KEIAI and data on local market characteristics) in prior years

Instant bidding system 10,000+ data entries

- An IT system (plan to develop a system that uses AI to produce highly accurate plans) uses more than 10,000 data entries about past land purchases to prepare development estimates and business plans that allow submitting a bid the same day

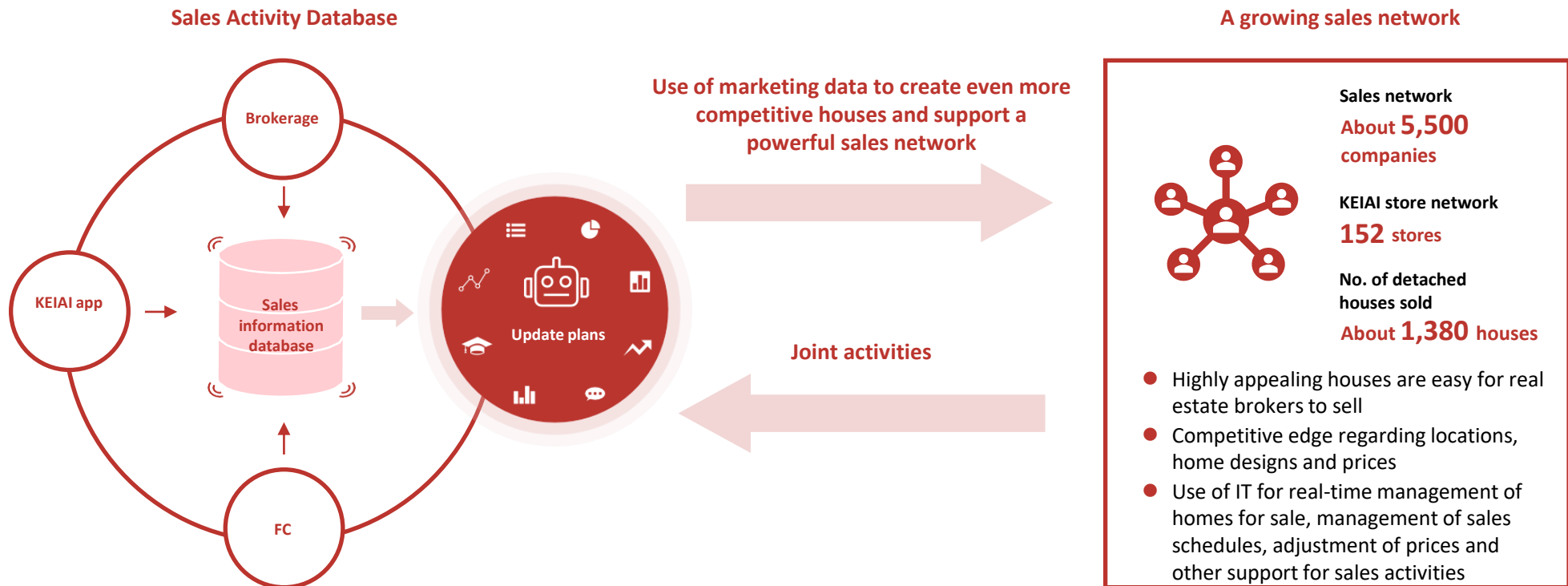
Market condition big data

- Big data reduces risk involving the compact, ready-built house business model; also optimizes pricing of land purchases by using market data and real-time data on KEIAI houses for sale

*1: Number of data entries at the KEIAI Group about land purchase information and the number of lots purchased (includes some estimates)

Sales Platform MITSUKARU

Enlarge sales network by using a database encompassing marketing activities spanning many sales channels, such as a powerful network of real estate brokers, KEIAI's own matching website (New House MITSUKARU), a network of franchised locations and KEIAI app members.



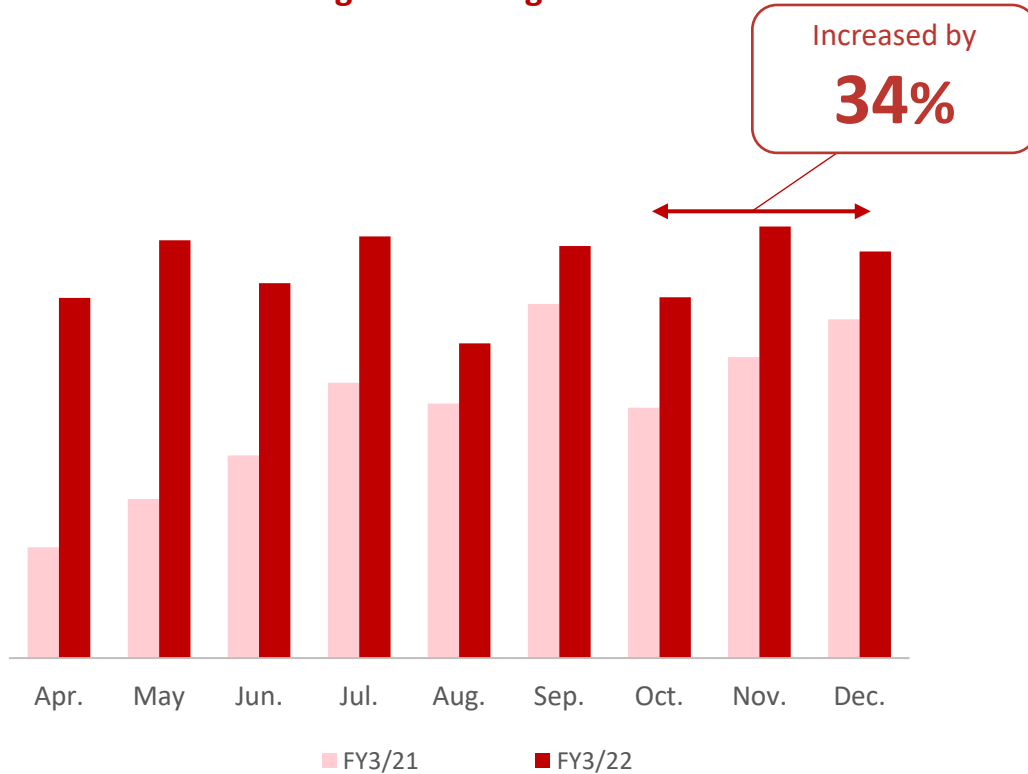
Note 1) Number of companies in the sales networks is as of the end of 2Q FY3/22

Note 2) Number of detached houses sold is the number of buildings sold by the KEIAI Group during 3Q FY3/22 (including land sales).

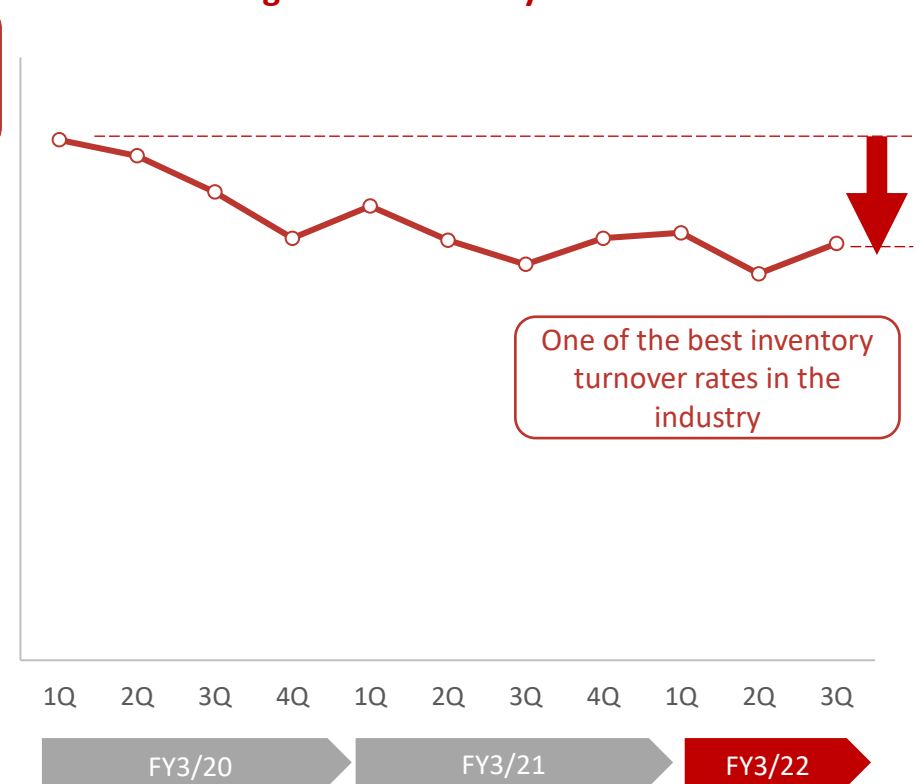
Land Purchases Using Technology and Inventory Turnover

The number of housing lots purchased is consistently high and the inventory turnover is among the shortest in Japan's homebuilding and sales industry.

Year-to-Year Change in Housing Lots Purchased*1



Shortening of the Inventory Turnover Period*2



*1: Actual number of purchases by the KEIAI Group

*2: The average of number of days between the purchase of land and the posting of sales for development of detached ready-built houses at the KEIAI Group

Advantages for Purchasing Lots Due to the Development of Compact Ready-built Houses

The development of KEIAI's distinctive compact ready-built houses makes it possible to accumulate a large volume of data quickly.

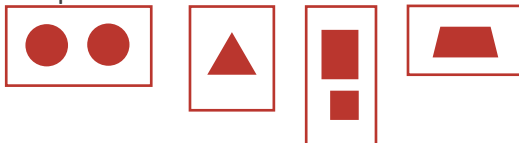
Conventional ready-built houses

Four to 10 houses for sale are constructed at once, resulting in similar houses
 = Small number of house models on big development sites



Compact ready-built houses

This business model targets sites for one or two houses, where conventional developers seeking larger sites normally do not operate, and supplies a large number of compact houses with outstanding designs.
 = Large number of house models on small development sites

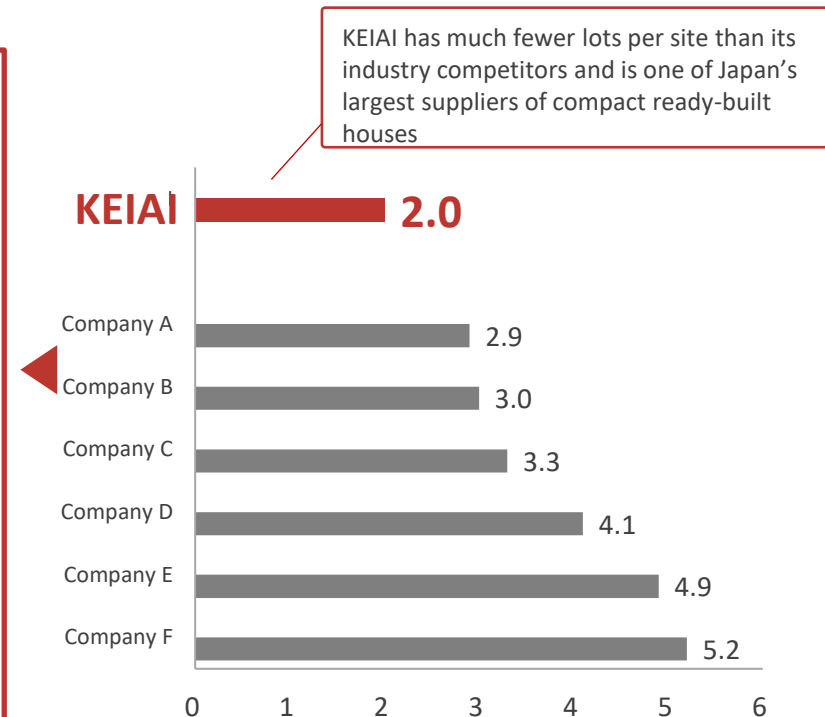


Increase in the number of land data entries

- Allows accumulating a large volume of information about experiences and other items about housing developments within a short time
- Data are stored in the KEIAI Platform for increasing the accuracy of land purchases and sales and marketing activities



Avg. number of lots*1 in housing developments



KEIAI has much fewer lots per site than its industry competitors and is one of Japan's largest suppliers of compact ready-built houses

*1: KEIAI estimates based on housing developments of KEIAI and other companies as of December 2020

Semi Custom-built Housing Using Compact Ready-built House Development

I want to live in a house with an elegant design,
but I don't have a lot of money.
Also, I'm worried about
earthquake resistance.



Customer

Feedback via the Web/app, analysis of inquiries,
customer support



KEIAI

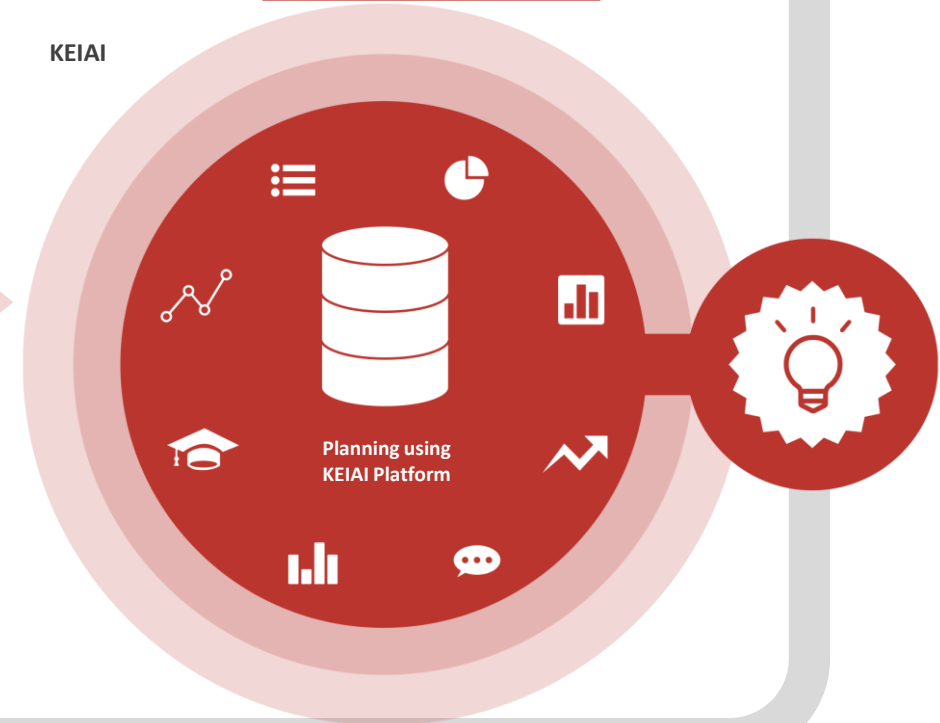
Optimal purchases of land

Price estimation using AI

Expertise of skilled
professionals

SOLUTION

Provide feedback to improve the
quality of planning



One and only semi
custom-built housing
just for the customer.



Utilize KEIAI Platform to achieve house planning with superb designs that
fulfill our customers' requests

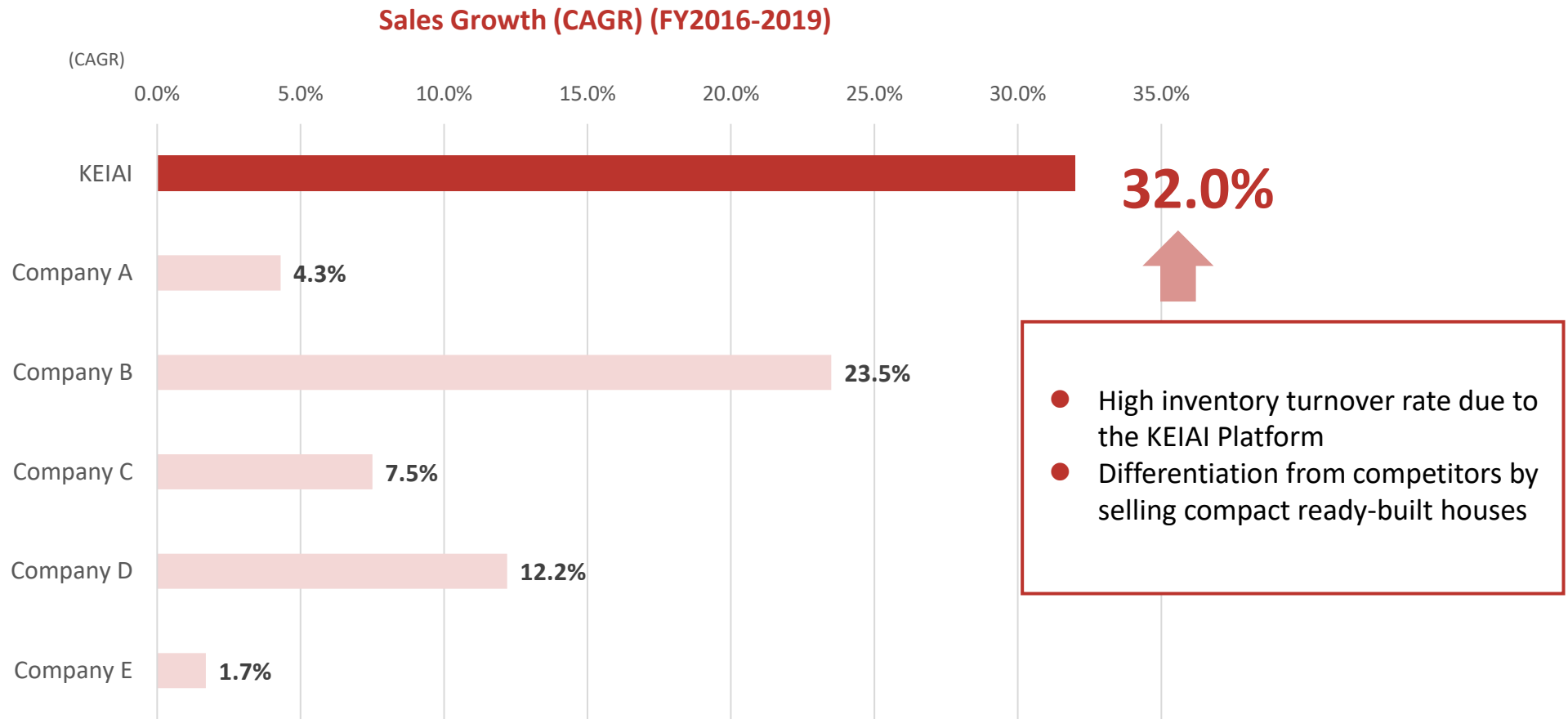
Semi-custom Built Houses by KEIAI

The development of compact ready-built houses makes it possible to supply semi-custom, well-designed houses with outstanding quality and low prices.



Sales Growth Much Faster Than at Competitors

KEIAI's sales are increasing much faster than at competitors because of the KEIAI Platform and focus on the compact ready-built house development.

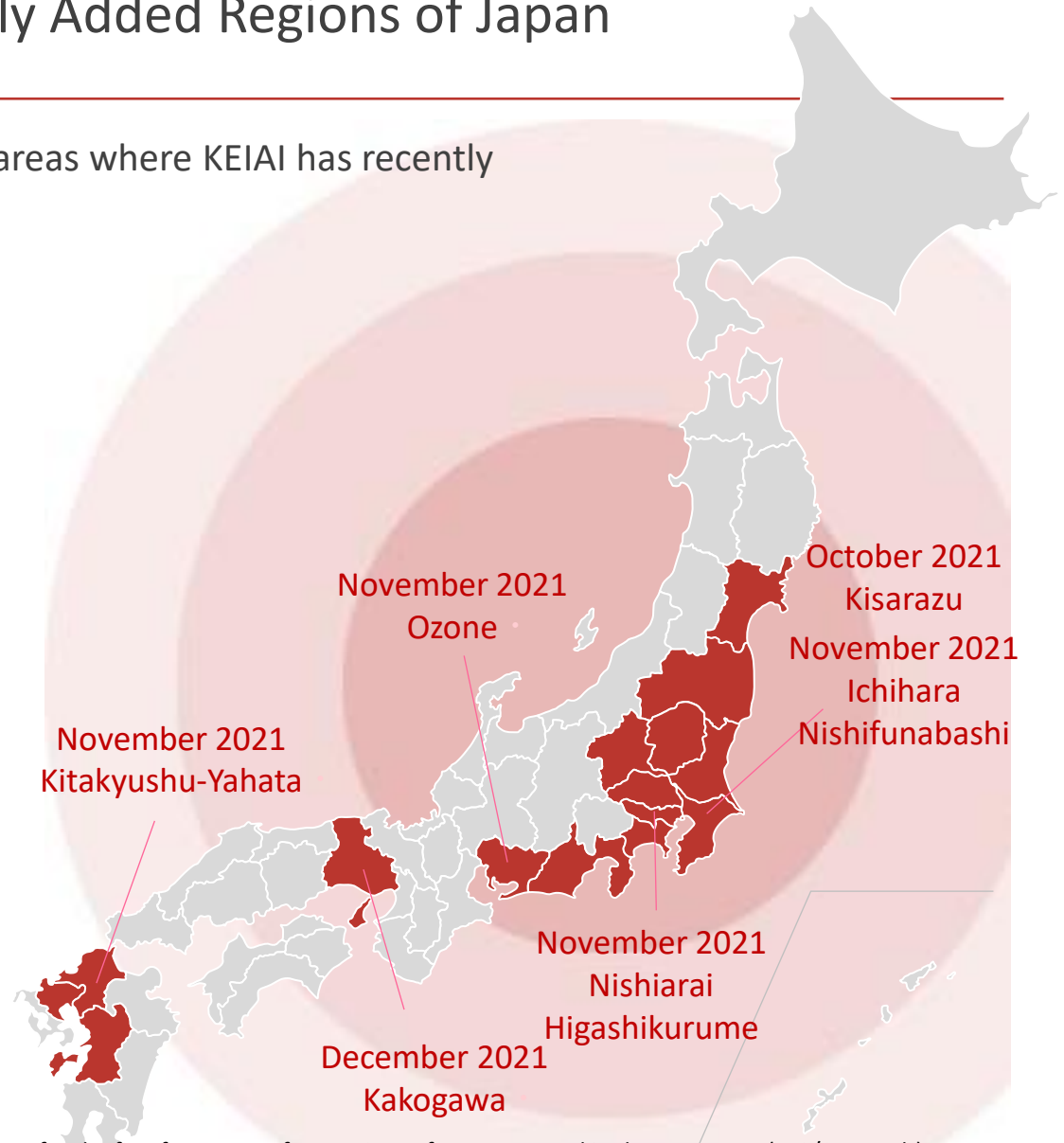
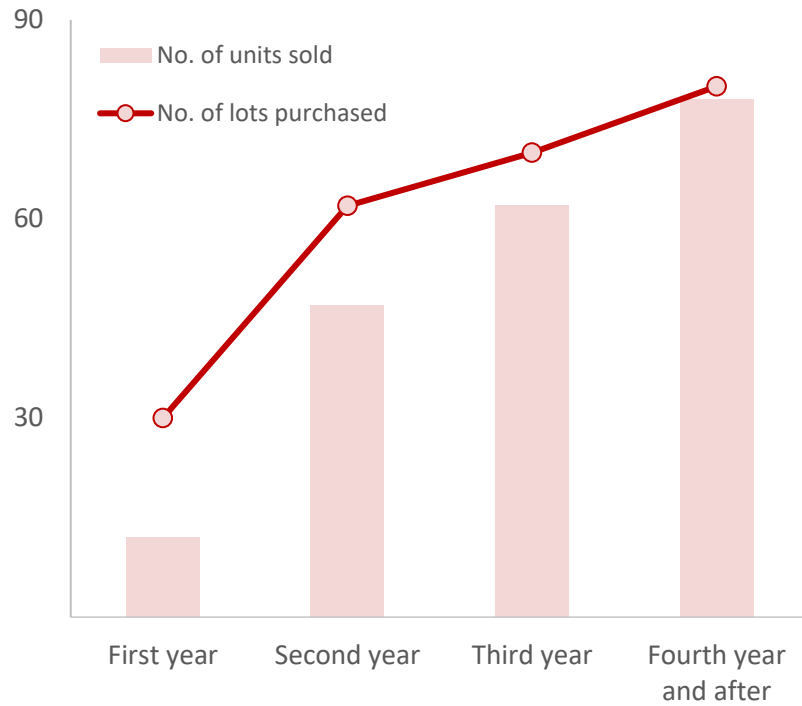


Growth of Purchases and Sales in Newly Added Regions of Japan

Steady increase in purchases of lots and house sales in areas where KEIAI has recently started operations

Growth of Purchases and Sales per Store*1

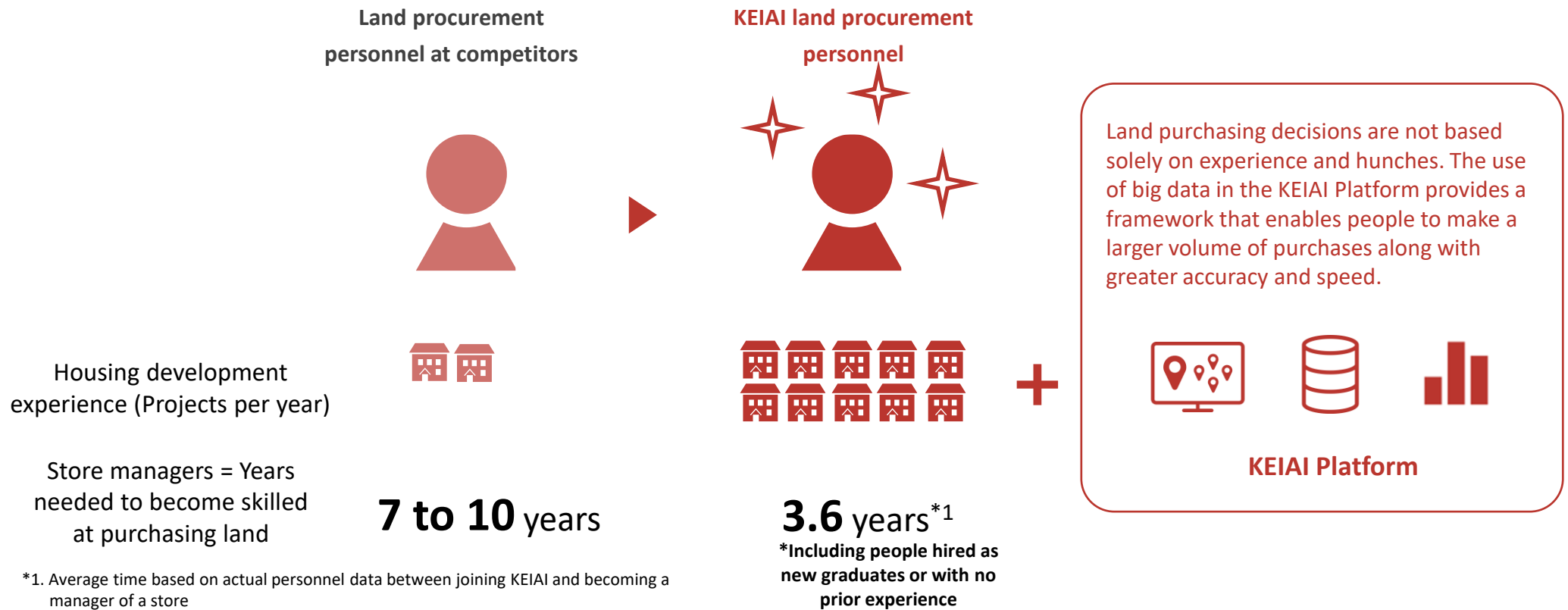
Units: Lots, houses



*1: For the number of houses sold by KEIAI stores (broker sales), comparison using averages for the first four years of operations of stores opened in the same year (FY3/21 Result)

Rapid Training of Store Managers by Using the KEIAI Platform

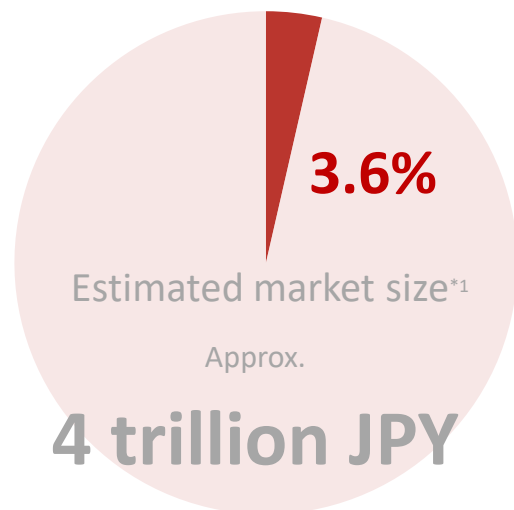
Focusing on compact houses results in development projects that are fast and keep the inventory turnover rate high. These benefits help store managers acquire skills and knowledge faster. The use of big data covering all KEIAI activities accumulated by using the KEIAI Platform enables people in their third to fourth years at KEIAI to perform at a higher level than people at competitors who have seven to 10 years of experience.



Huge Built-for-Sale Detached House Market and KEIAI's Potential for Increase in Market Share

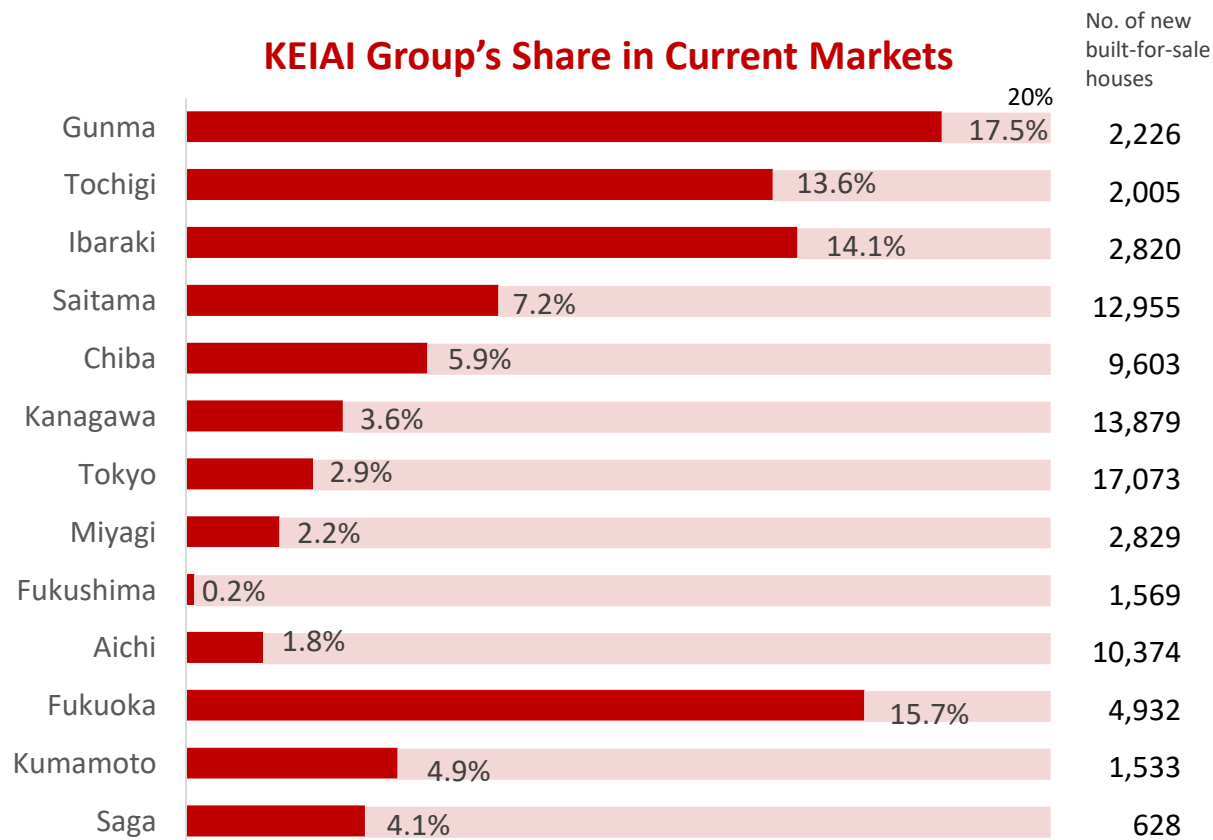
KEIAI's market share is only 3.6%, which implies very large room for our future market and encourages us to continue to expand our market share.

KEIAI Group's Nationwide Market Share



**FY2020 supply of built-for-sale detached houses:
129,351**

KEIAI Group's Share in Current Markets



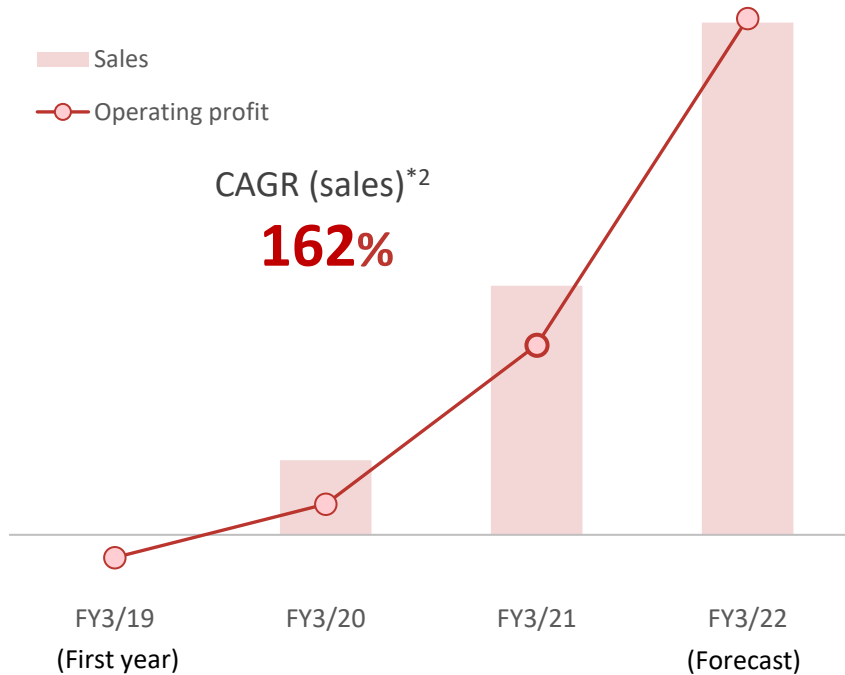
Source) "Housing Construction Statistics" (FY2020 new built-for sale detached houses) of Ministry of Land, Infrastructure, Transport and Tourism, and KEIAI Group sales

*1: Estimated based on the number of new housing starts stated in "Housing Construction Statistics" multiplied by KEIAI's average unit price

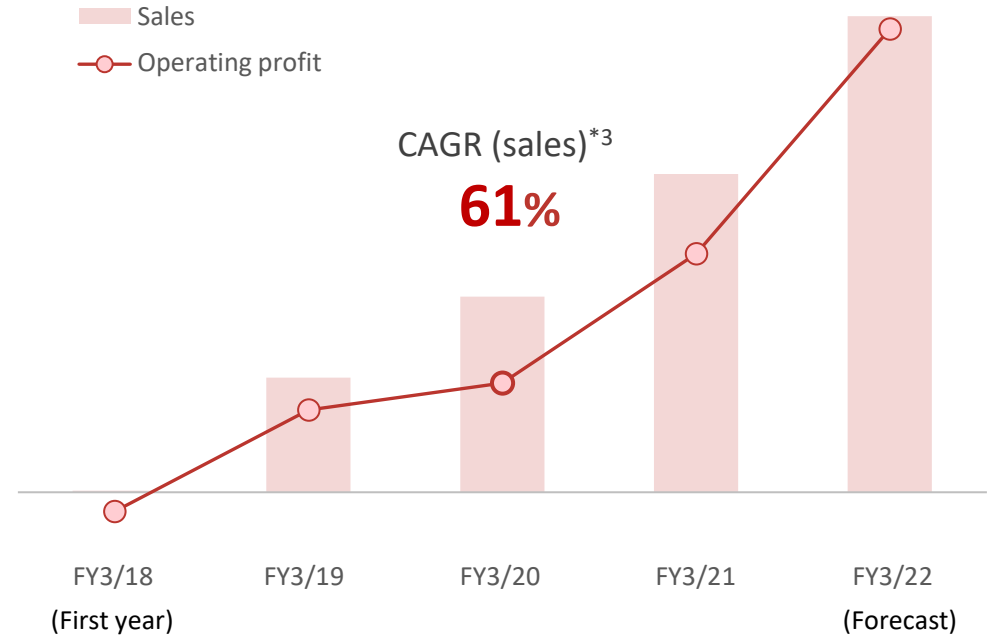
Growth in Sales and Earnings in New Business Areas

Sales and earnings have increased rapidly in areas where operations started in recent years.

Chubu Area Sales and Earnings*1



Kyushu Area Sales and Earnings*1



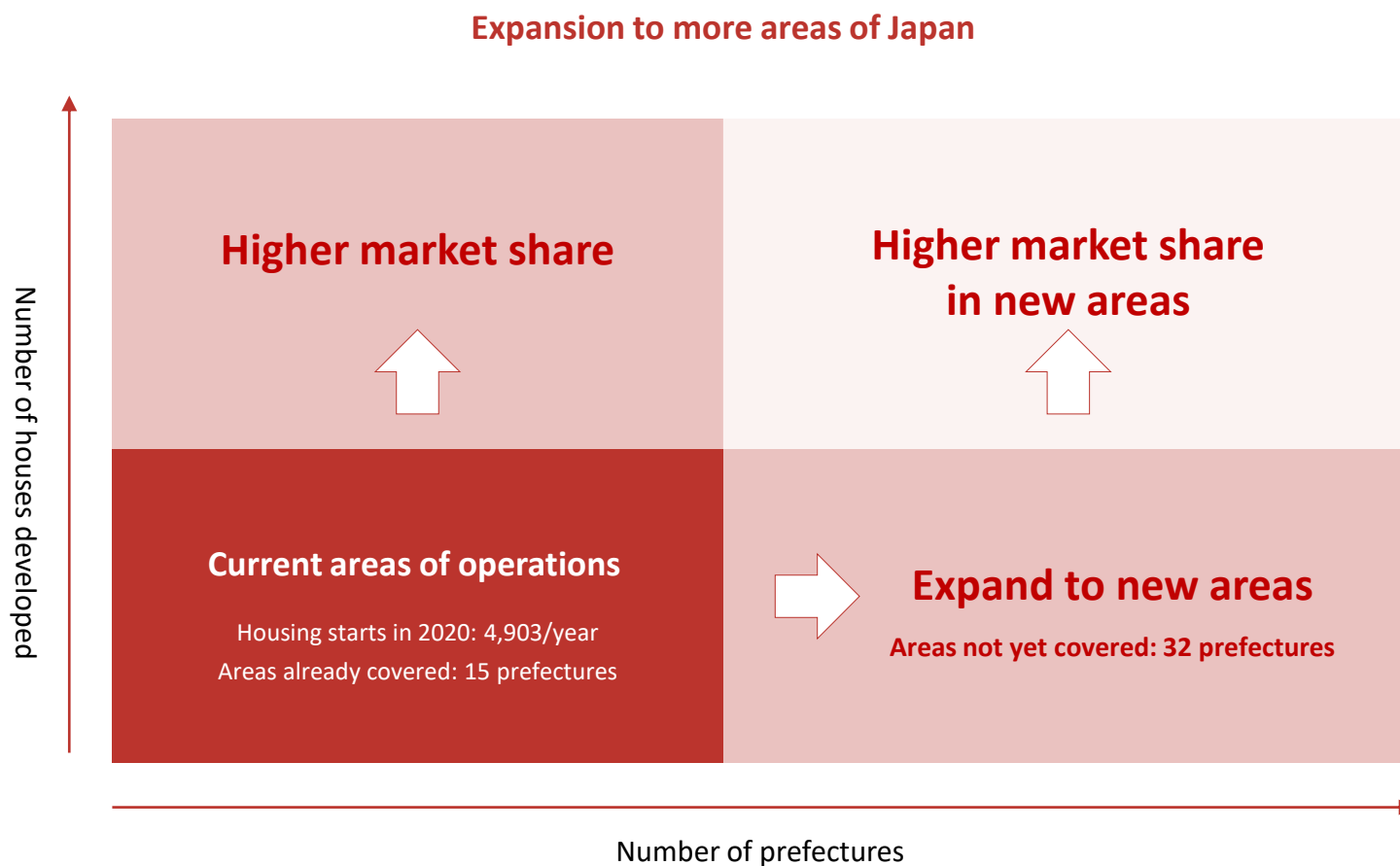
*1: Chubu area sales and earnings are for KI Planning, Ltd., which operates mainly in this area (Aichi prefecture). Kyushu area sales and earnings are for KI-Star Build Co., Ltd., which operates mainly in Kyushu (Fukuoka prefecture).

*2: Average annual growth rate of sales (CAGR) from FY3/20 to FY3/22 (Forecast)

*3: Average annual growth rate of sales (CAGR) from FY3/19 to FY3/22 (Forecast)

More Growth Potential Using the Area Expansion Strategy

Aiming for more growth by starting operations in new areas of Japan and increasing market share in current areas of business activities.



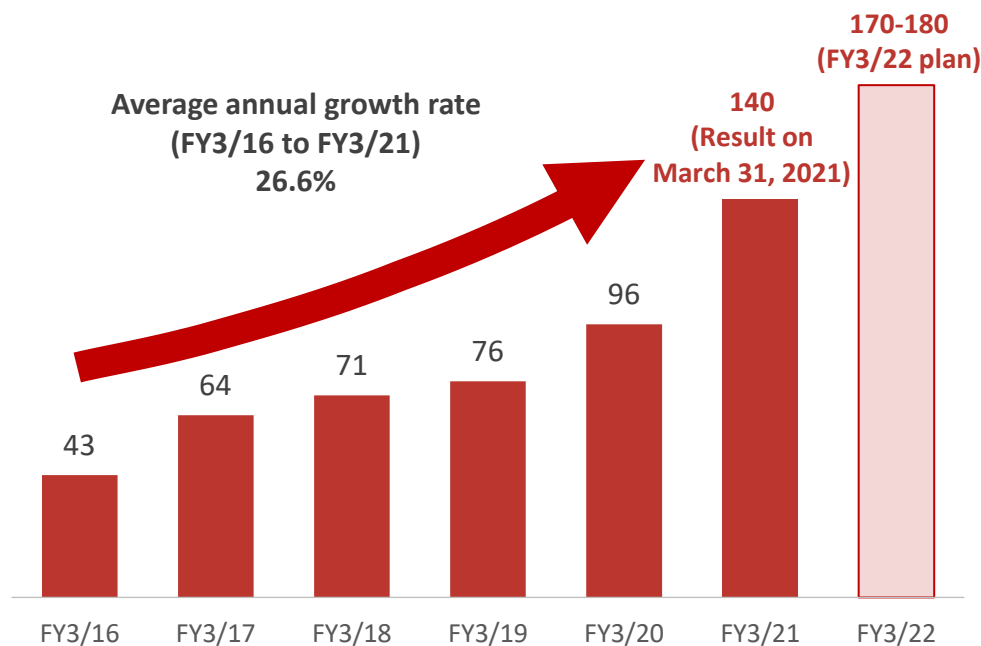
*1: Housing starts in 2020 include the number of houses (including land) sold by the KEIAI Group

*2: Areas already covered as of the end of December 2021

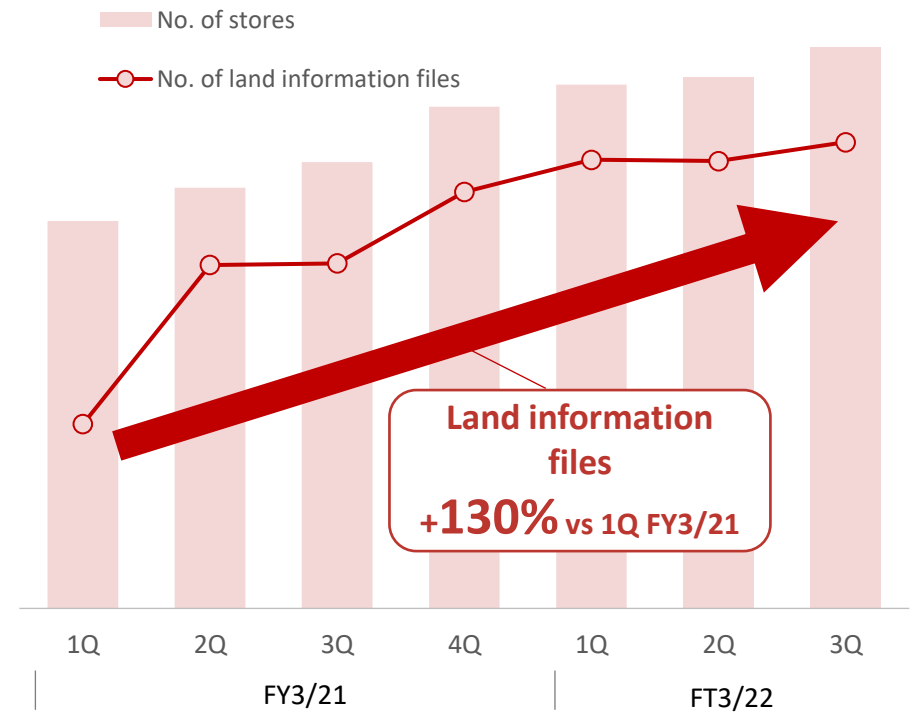
Expansion to More Areas of Japan Raises the Volume of Land Information

KEIAI Group's own network of stores has grown at an average annual rate of about 27% during the past five years. This network expansion has greatly increased the volume of information about land that can be received.

Growth of the Directly Operated Store Network (Number of Stores)

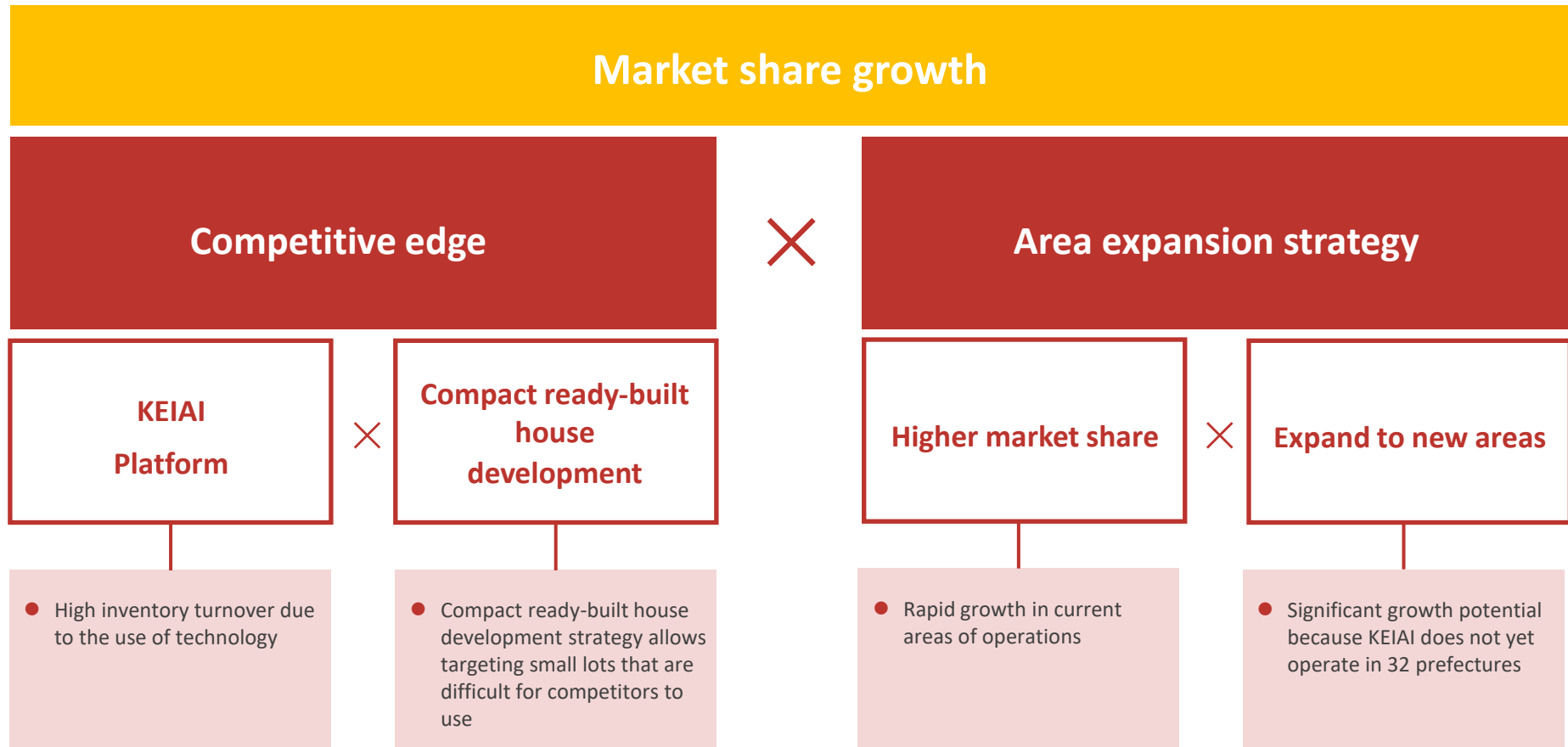


Number of KEIAI Stores and Information about Land



Competitive Edge x Area Strategy = Market Share Growth

KEIAI uses its competitive superiority and area expansion strategy to aim for more market share growth.



3. Dividends and Shareholder Benefits

Dividends and Shareholder Benefits

Dividend (Started to pay an interim dividend in FY3/18)

	FY3/20 results (consolidated)	FY3/21 results (consolidated)	FY3/22 revised forecast (consolidated)
Net income per share (yen)	252.60	536.69	993.31
Dividend per share (yen)	76.00	139.00	245.00
Interim dividend per share (yen)	42.00	44.00	115.00
Payout ratio (%)	30.1%	25.9%	24.7%

Shareholder Benefits

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)

4. ESG/SDGs Initiatives

Establishment of the Sustainability Office

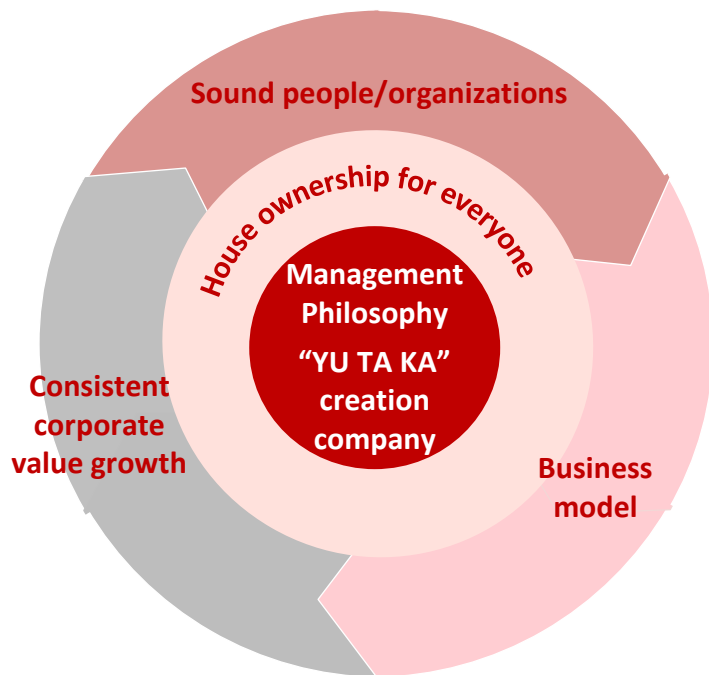
The KEIAI Group has many activities for helping solve social issues in Japan and other countries. By supplying homes where people can lead happy and fulfilling lives, we are dedicated to playing a role in creating a sustainable and affluent society. We believe these activities will contribute to the growth of our corporate value. The establishment of the Sustainability Office further strengthens our ability to improve our governance, conduct activities concerning social issues in Japan and other countries, protect the environment, ensure respect for human rights, and maintain and upgrade rigorous compliance programs.



Sustainability Policy and Determination of ESG Materiality

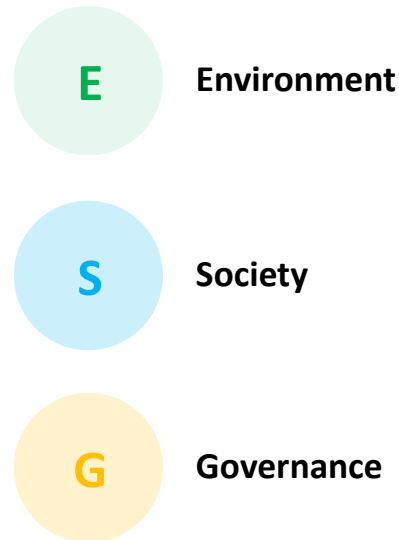
We have established a basic policy for sustainability initiatives. Our goal is sustainable progress while using a people/organization-business model-consistent corporate value growth cycle that is focused on our management philosophy and mission.

The DNA of KEIAI



Determination of ESG Materiality

Considerations



KEIAI actions

- Environmental programs
- Products for fulfilling, enjoyable and pleasant lifestyles
- Human resources and working styles
- Diversity/Inclusion
- Quality control/Customer satisfaction
- Supply chain & partnerships
- Corporate citizenship
- Compliance/Respect for human rights

Sustainability Materiality (1)

E Environment



Environmental programs

- KEIAI participated in the establishment of the Japan Wood-Housing Association, which promotes the use of lumber grown in Japan and the protection of Japan's forests and the environment.
- Started a plan for buyers of KEIAI's IKI one-story unitized house that allows installing with no initial payment for a solar power system, which is source of renewable energy and helps reduce CO2 emissions.
- KEIAI's built-for-sale houses use entirely lumber grown in Japan and have solar power systems.

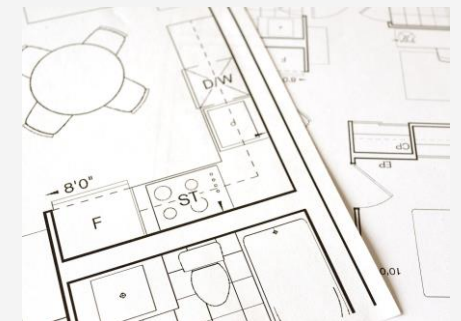


S Society



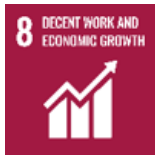
Products for fulfilling, enjoyable and pleasant lifestyles

- Based on our mission of "house ownership for everyone," we build houses in suburban areas that are affordable for first-time buyers.
- We use advanced technologies wherever possible to build high-quality, low-cost houses. Expertise for the use of sites with space for only one or two houses is a core strength of ours. Our skills are also ideal for replacing outdated and unoccupied residences with new houses. We were certified as a DX business operator by Ministry of Economy, Trade and Industry of Japan in October 2021.



Sustainability Materiality (2)

S Society



Human resources and working styles

- All employees receive cards with the KEIAI Code of Conduct, awards are given for outstanding work based on the KEIAI philosophy and mission, and other activities are used to maintain a sound and motivated workforce.
- Training programs for specific job categories, bonuses and other programs for developing skills and achieving career goals
- Flexible working styles, including time off when a child is born, reduced or shifted working hours, and other options



S Society



Diversity/Inclusion

- Diversity management to allow many types of people to realize their full potential centered on (1) programs for empowering women, (2) working style reforms and (3) workplaces that are pleasant and rewarding
- A strong commitment to diversity at KEIAI Group companies has resulted in the receipt of a White Company Award (for companies with outstanding human resource systems and initiatives), three-star Eruboshi Certification (for supporting the participation and advancement of women in the workplace), and other recognition.



Won many awards including New Diversity Management Selection 100

Sustainability Materiality (3)

S Society



Quality control/Customer satisfaction

- A fully integrated infrastructure encompassing the purchase of land, design, construction and sale of houses, services after houses are built and home renovations.
- Houses undergo government inspections as well as KEIAI's own rigorous inspection process to ensure that customers can purchase and occupy our affordable houses with confidence.



S Society



Supply chain & partnerships

- We have close ties with partners across our entire supply chain in order to thoroughly manage cost, quality, volume, construction schedules and other aspects of our operations.
- We build long-term relationships with our business partners and have the goal of seeking equitable earnings for everyone rather than aiming for short-term profits for KEIAI alone.



Sustainability Materiality (4)

S Society



Corporate citizenship

- Support for para-athletics by providing jobs for people with disabilities
- Actively participate in local sports events and educational activities



KEIAI Challenged Athlete Team

G Governance



Compliance/Respect for human rights

- We have a basic policy for compliance and use job-specific training programs, the KEIAI Academy and training for new employees to ensure that everyone fully understands the importance of compliance.
- The basic policy for compliance and standards of conduct include a resolute commitment to respect for human rights.



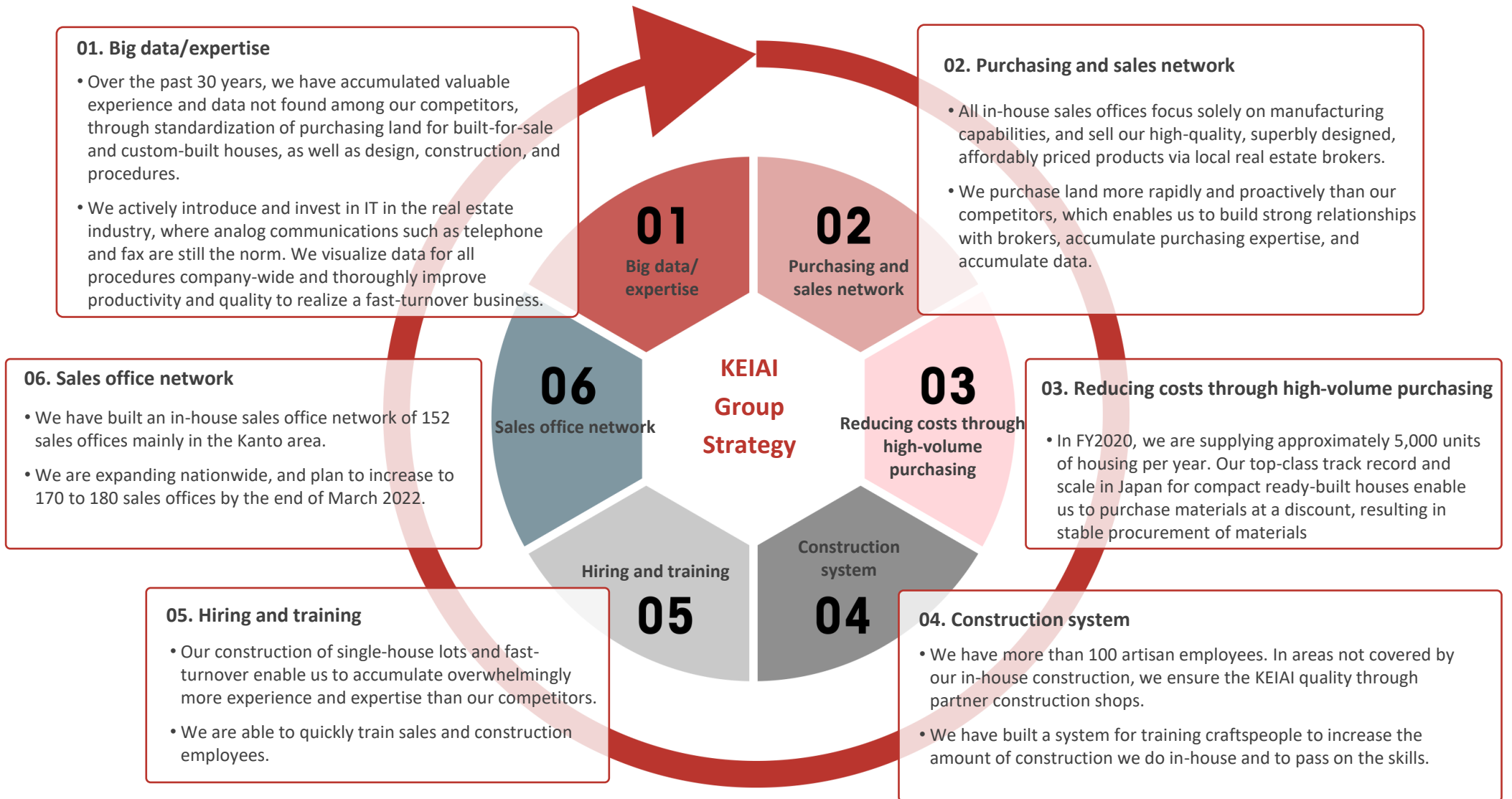
5. Appendix

Benefits of KEIAI's Semi Custom-Built Housing

Offers a “fourth choice” for detached houses combining the benefits of both built-for-sale and custom-built houses

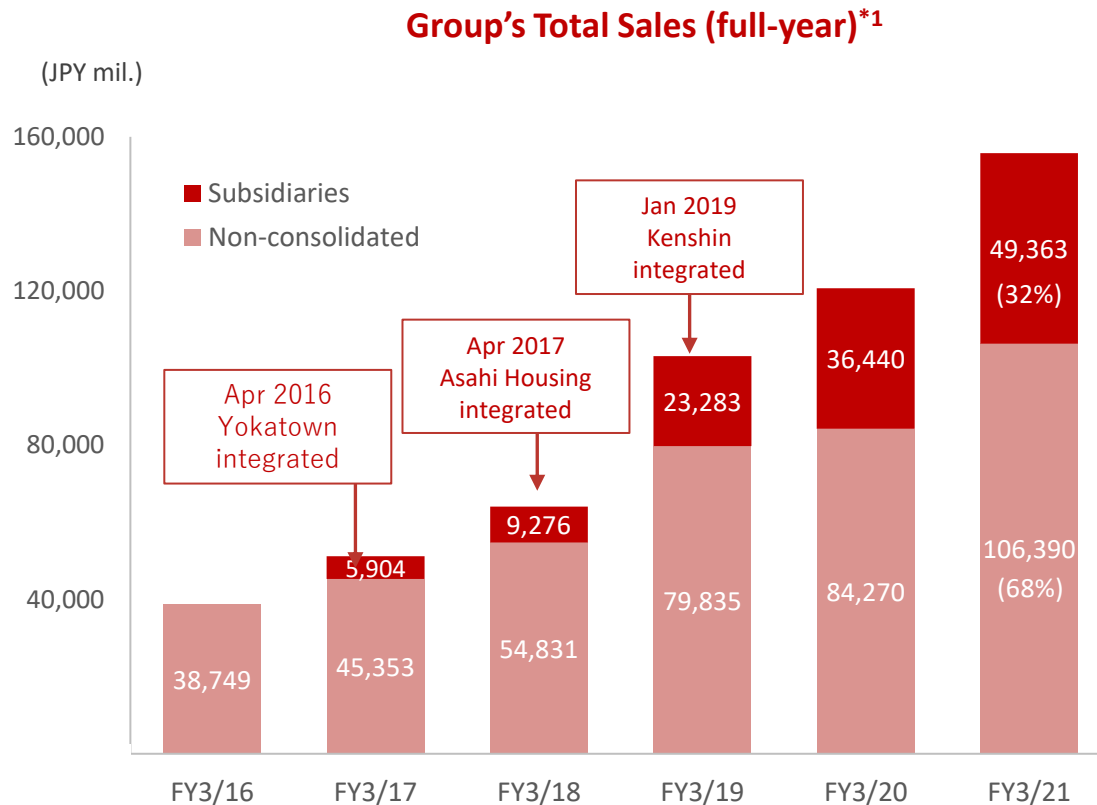
Features / property type	Built-for-sale houses	Custom-built houses	Remodeled houses	Semi custom-built houses
Price	Low to mid price	High price	Low price (Partial remodeling)	Low price
Purchasing of land	Generally, 7 houses lots or more	A single house	Existing house	Possible from 1 house lot
Design	Uniform design	Entire house is fully customized	Only part of a house is remodeled	Superb design by semi custom-building each entire house
Earthquake resistance	Complies with new earthquake resistance standards	Complies with new earthquake resistance standards	Includes old earthquake resistance standards	Complies with new earthquake resistance standards
Time until move-in	Short	Long	Short	Short
Asset value	Low to mid value (Suburban locations, uniform designs)	Low to high value (Influenced by owner preferences)	Low to mid value (Structure remains old)	High value (Good location selected using KEIAI's proprietary database, superb design)
Sustainability	High (Latest materials and fixtures, easy to repair due to using standard materials)	Low to mid (Maintenance cost is high because it is custom-made)	Low to mid (In some cases, another remodeling or rebuilding may be required)	High (Latest materials and fixtures, easy to repair due to using standard materials)

KEIAI's Group Growth Strategy



M&A – Growth of a Subsidiary after the Acquisition

Subsidiaries have achieved high sales growth after M&A, resulting in boosting group's total sales expansion.



External Growth through M&A (sales growth rate)^{*2}

Yokatown	CAGR +36%
Asahi Housing	CAGR +72%
Kenshin	CAGR +42%

Internal Growth by Parent (sales growth rate)^{*3}

Internal Growth by Parent	CAGR +24%
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*1: Non-consolidated results for FY3/16

*2: CAGR (compound annual growth rate) from the time the company joins the group to FY3/21.

CAGR from FY3/17-FY3/21 for Yokatown, CAGR from FY3/18-FY3/21 for Asahi Housing, and CAGR from FY3/20-FY3/21 for Kenshin

*3: CAGR from FY3/17-FY3/21

Financial Strategy/Fund Procurement

Secure funds for further growth of the homebuilding and sales business and continue to strengthen KEIAI Group's financial soundness

Inventory reduction and risk control through compact ready-built house development and improved inventory turnover



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

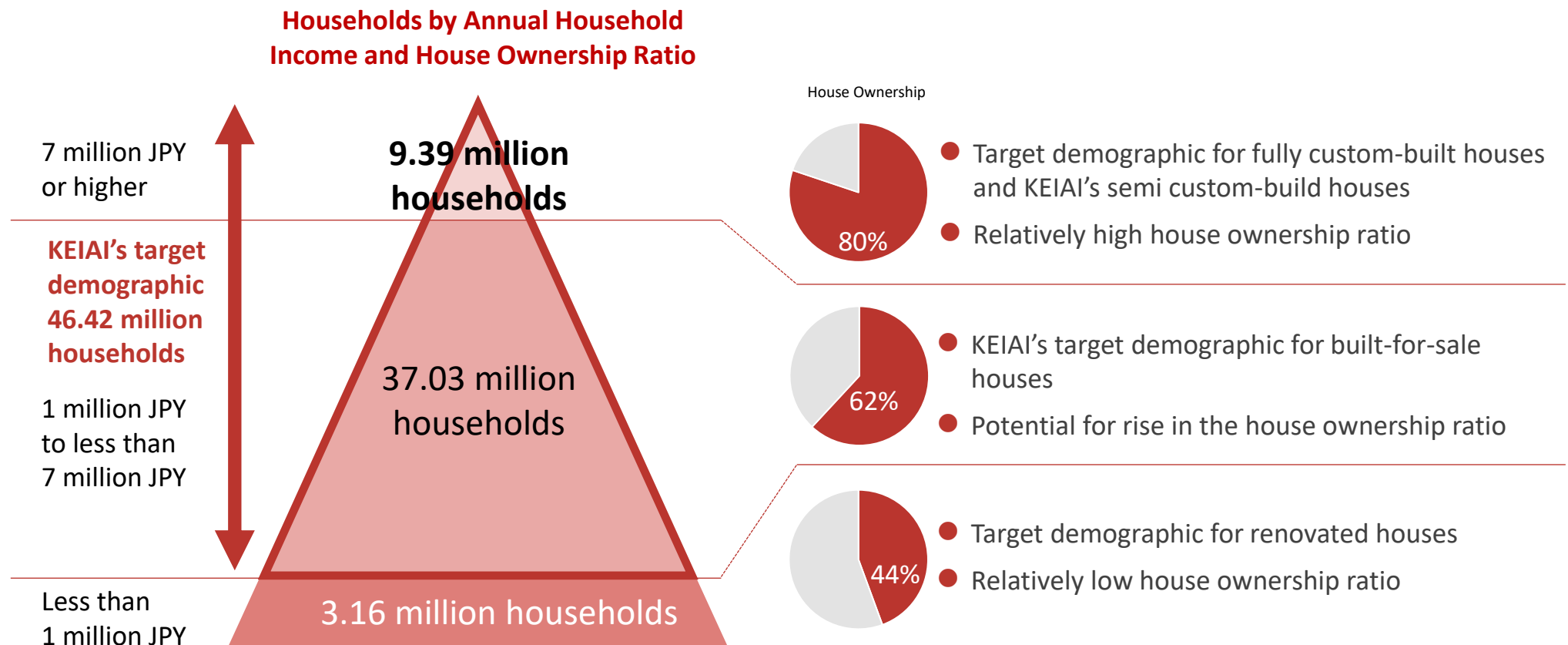
- Overdraft agreement (7 billion JPY overdraft agreement with a megabank, October 2021)
- Committed credit facility
- Large syndicated loan (total amount: 35 billion JPY, June 2021)
- Issuance of bonds
(total amount: 3 billion JPY, October 2020; total amount: 2 billion JPY, December 2021)
- Public offering (total amount: 7.9 billion JPY by public offering and third-party allotment, September 2021)



Secure funds and make investments for **more growth** of the homebuilding and sales business

KEIAI's Target Market

KEIAI utilizes technology to supply high-quality and low-price design houses, creating a mass market inclusive of both the wealthy and those previously unable to become house owners



Source) Ministry of Internal Affairs and Communications "Housing and Land Survey of Japan (2018)"

Target Customers

Area



- Regional cities
- Major cities designated by ordinance
- Semi-major cities (population of 100 thousand to 1 million)

Property type



- Semi custom-built detached houses
- Compact town planning starting from a single house
- 25 to 30 million JPY

Buyer



- Real demand
- In their 30s to 40s
- Annual household income: 2 to 6 million JPY range

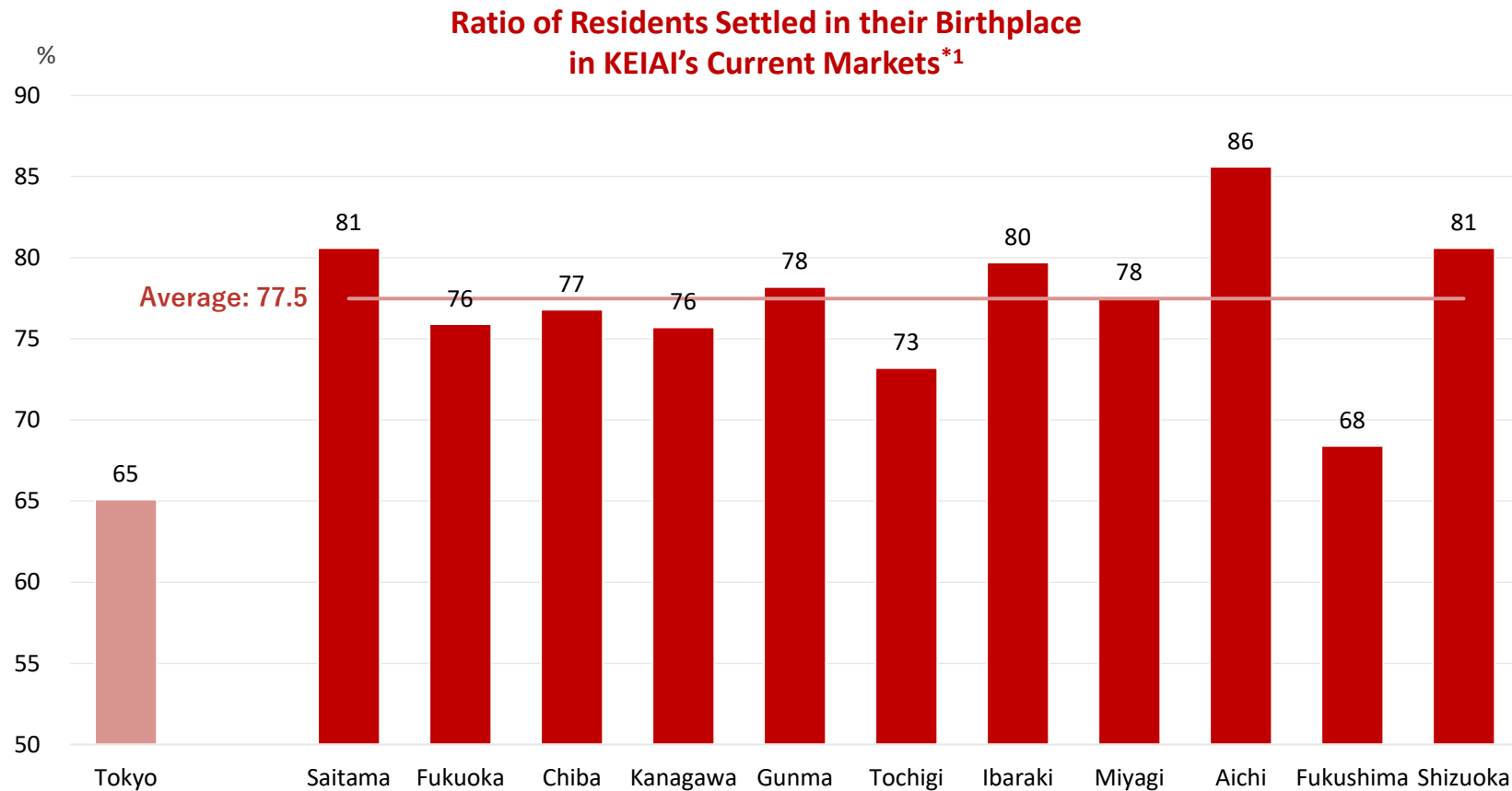
Loan



- Housing loan
- City banks and regional banks nationwide
- Labor income of the buyer

The Potential Opportunities in KEIAI's Current Markets

Areas other than Tokyo have relatively greater prospects for home purchases as their ratio of fixed domicile residents is higher.



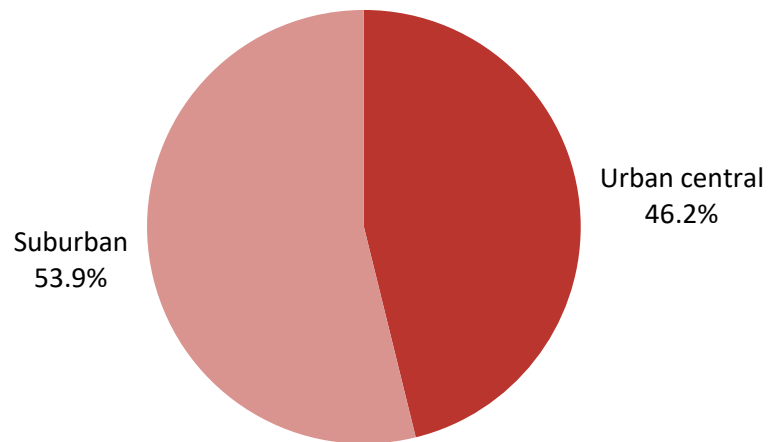
*1: Ratio of residents who currently live in their birthplace

Source) Based on "National Survey on Migration (2016)" by the National Institute of Population and Social Security Research

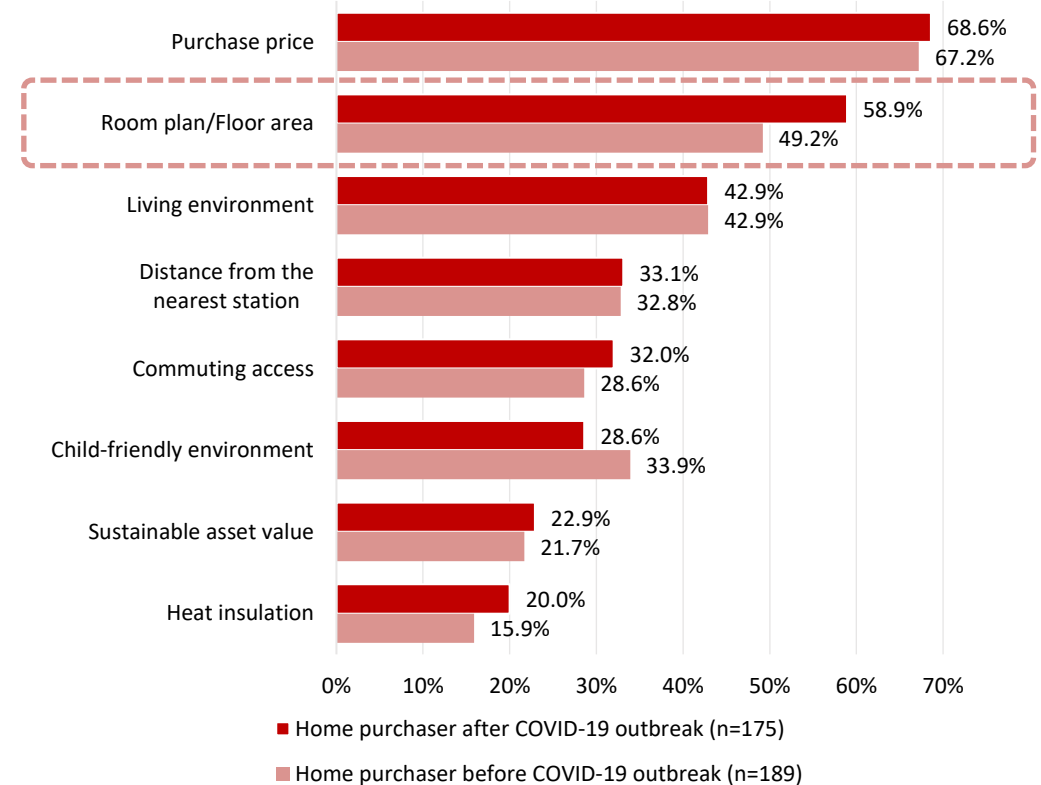
Post/With COVID-19 – Growing Demand for Detached Houses in Suburban Areas

COVID-19 has influenced perspectives in home purchases, with customers showing preferences for suburban locations and larger houses.

**Preferred Housing Location
(among would-be home-buyers)
(n=529)**



**Changes in Priorities of Home Purchase
(multiple choice)**

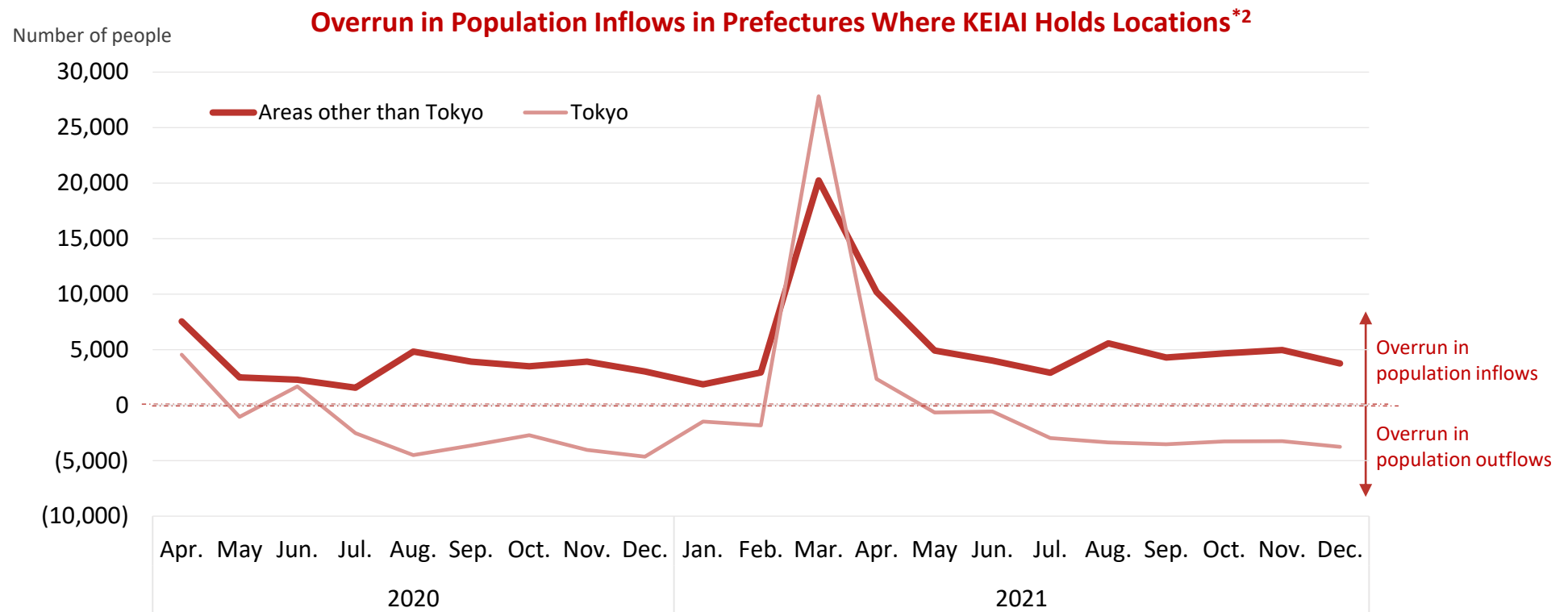


Source) Cardiff Assurance Vie Japan, "The 2nd Attitude Survey on Lifestyle Values and Home" (conducted from October 16 to 20, 2020)

Post/With COVID-19 – Growing Demand for Detached Houses in Suburban Areas (Cont'd)

The population outflow from Tokyo has continued under the COVID-19 pandemic, with some seasonal increases in inflow.

Meanwhile, KEIAI's main business areas*¹ other than Tokyo have potential opportunities for market expansion with continued population inflow.

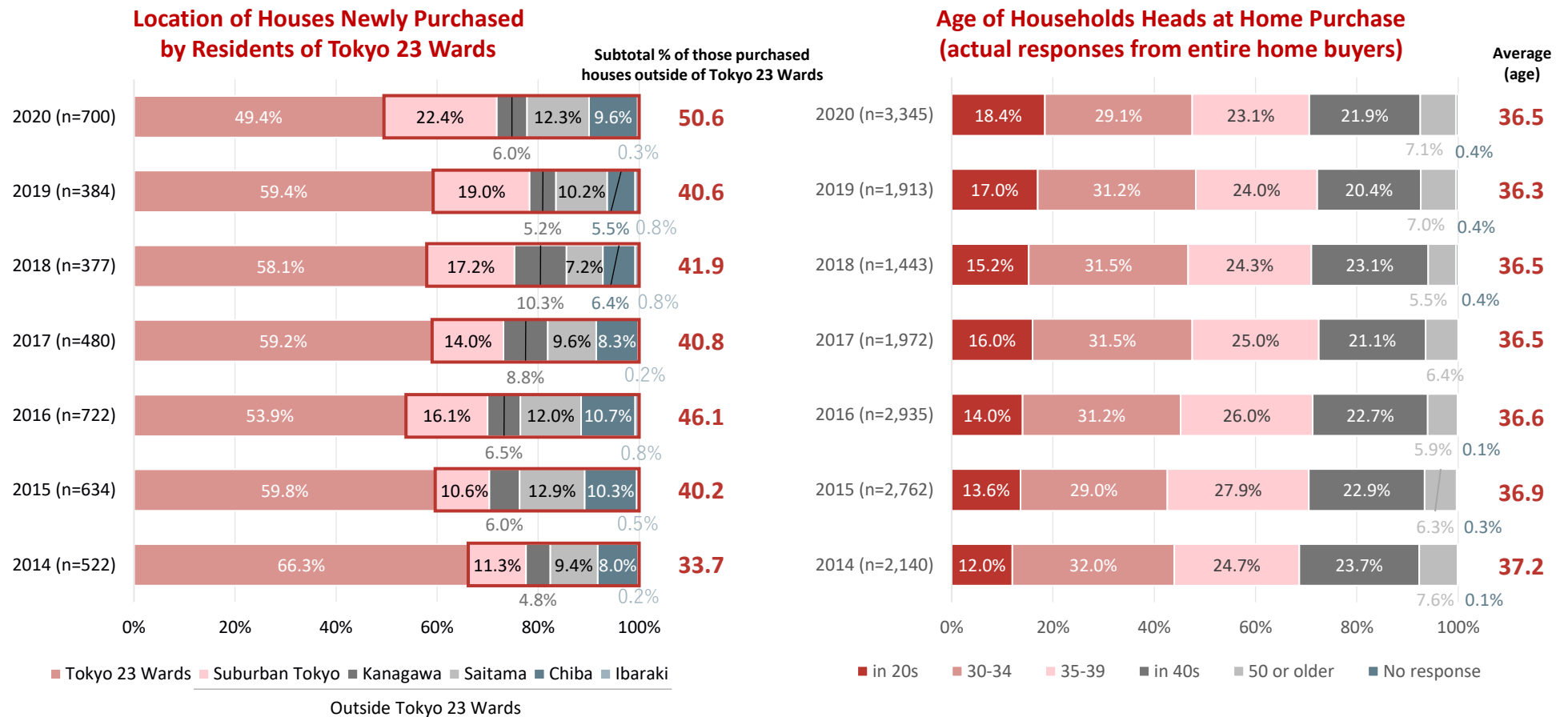


*1: Prefectures in which KEIAI holds locations

*2: Prefectures in which KEIAI holds locations as of the end of FY3/21 other than Tokyo: Saitama, Fukuoka, Chiba, Kanagawa, Gunma, Tochigi, Ibaraki, Miyagi, Aichi, Fukushima and Shizuoka
Source) Statistics Bureau, Ministry of Internal Affairs and Communications, "Report on Internal Migration in Japan Derived from the Basic Resident Registration"

Post/With COVID-19 – Growing Demand for Detached Houses in Suburban Areas (Cont'd)

Recently, higher percentage of home buyers who reside in Tokyo 23 wards purchase new detached houses outside of these wards, showing growth in demand for detached houses in suburban areas. Further, the declining trend in average age of home buyers hints that detached houses at lower prices may be preferred.

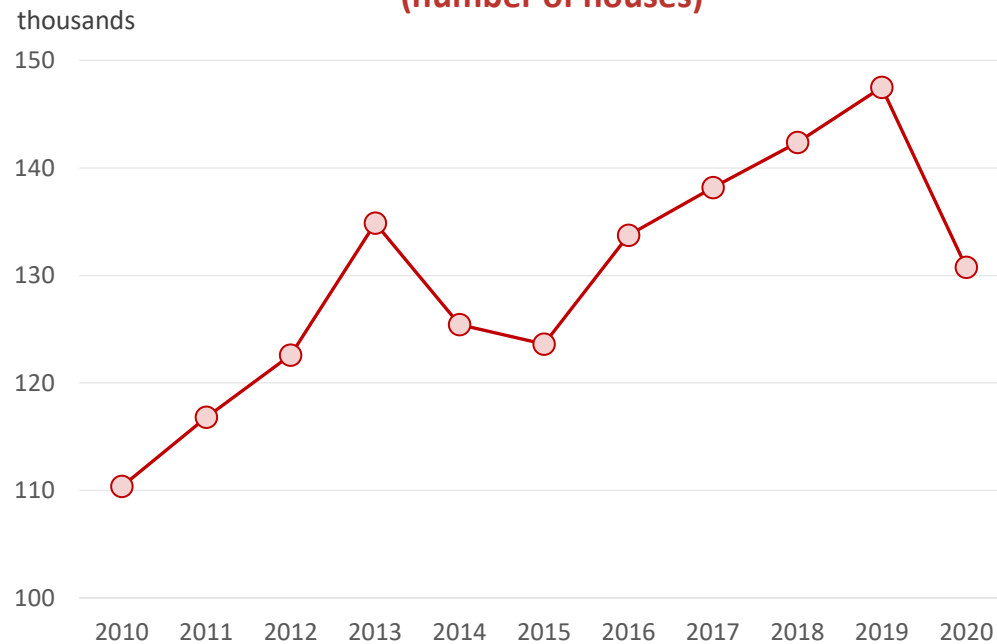


Source) Recruit “2020 Trend Survey on Purchasers of Newly-built Detached Houses in Tokyo Metropolitan Area”

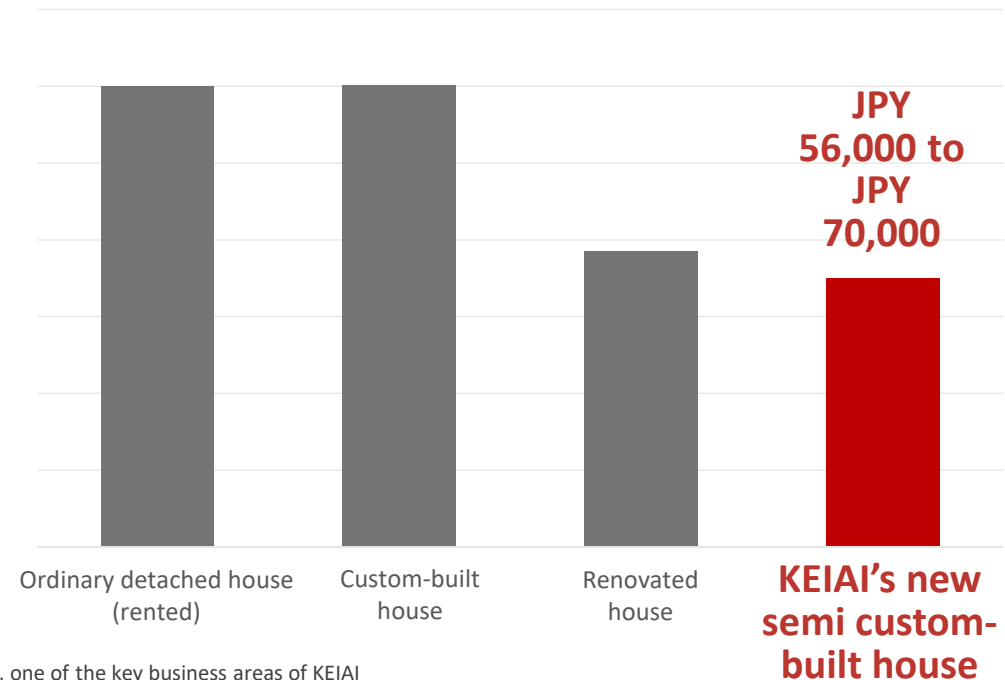
New Housing Starts of Detached Houses and Cost Comparison

While there is a temporary decline due to COVID-19, the market of detached houses is expanding with an increase in the number of housing starts of built-for-sale houses. KEIAI offers new semi custom-built houses at a cost lower than market level rent.

**New Housing Starts of Built-for-sale Houses
(number of houses)**



Monthly Cost Comparison ^{*1}



Source) Ministry of Land, Infrastructure, Transport and Tourism "Housing Construction Statistics"

*1: Cost for ordinary detached house (rented) is estimated using the rent of average 3LDK detached houses in Takasaki, one of the key business areas of KEIAI

Cost for custom-built house is the estimated monthly payment of a 35-year, 1% interest, mortgage for the full purchase price. Purchase price is based on the average national purchase price of custom built houses (with land) using Flat-35.

Cost for renovated house is the estimated monthly payment of 15-year, 1% mortgage for the full purchase price. Purchase price is estimated based on the average prices of past transactions in Takasaki

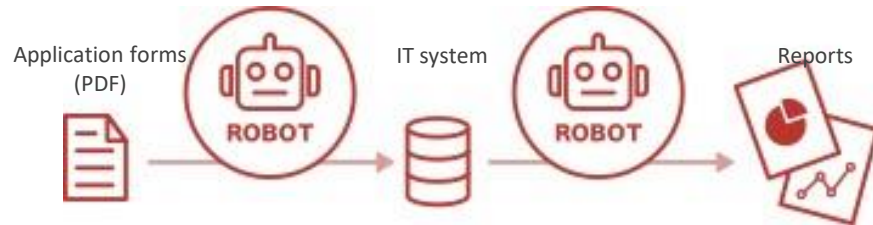
Cost for KEIAI's new semi custom-built house is the estimated monthly payment of 35-year, 1% mortgage for the full purchase price. Purchase price is based on the average purchase price of 4 - 5LDK KEIAI built houses in Takasaki
The cost does not include expenses such as property tax.

Using Technology to Improve Business Productivity

Over 14,000 man-hours saved since the start of full-scale operation by using RPA and AI-OCR

- Automates tasks that were once done manually
- Expands the scope of application to include contract work, financial and accounting-related work, and other administrative work, and the number of projects are gradually increasing

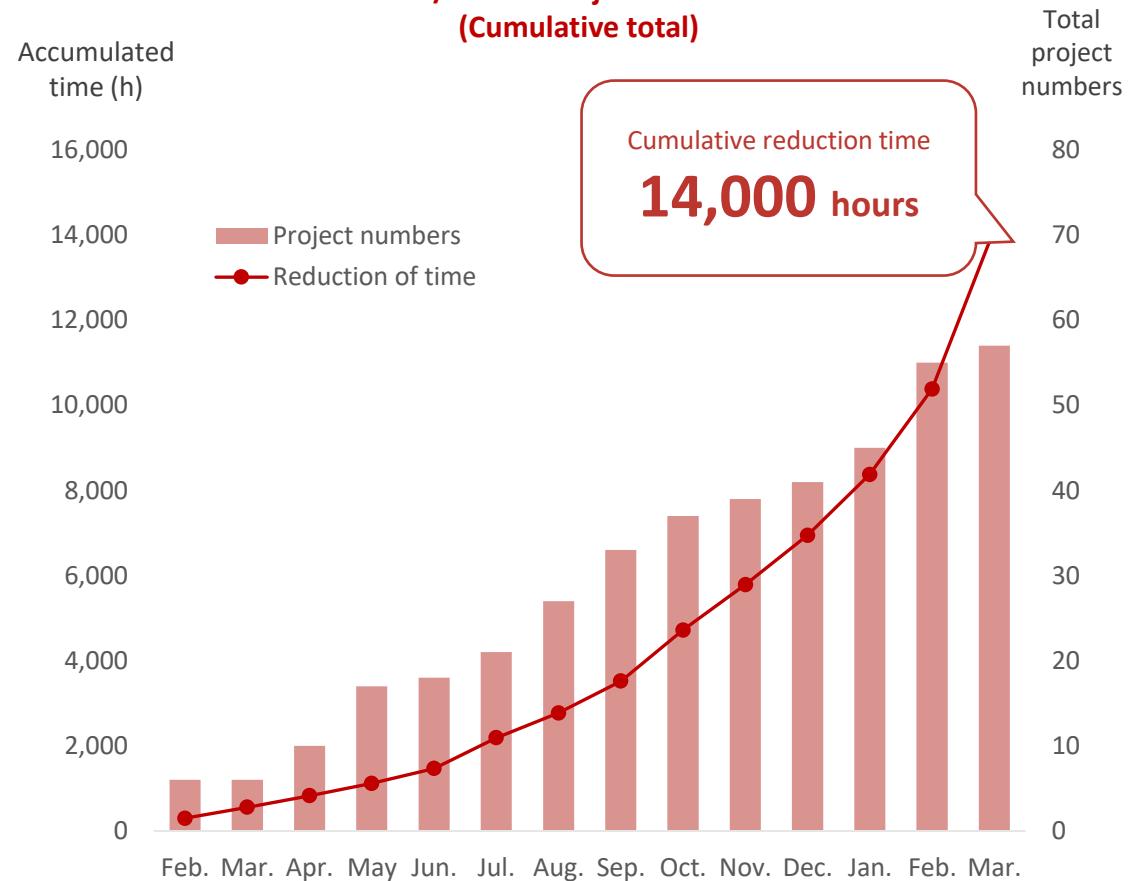
Clerical tasks using robotic process automation (example)



Robotic process automation improves productivity

Personnel costs **Reduced to 1/3** Efficiency **3-fold improvement**

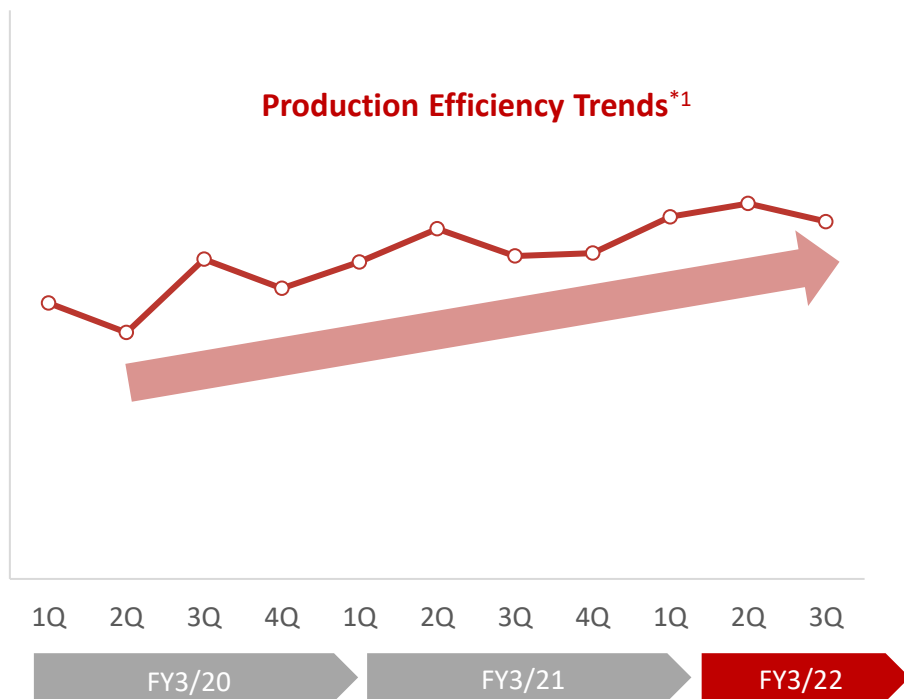
Number of RPA/AI-OCR Projects and Reduction Time (Cumulative total)



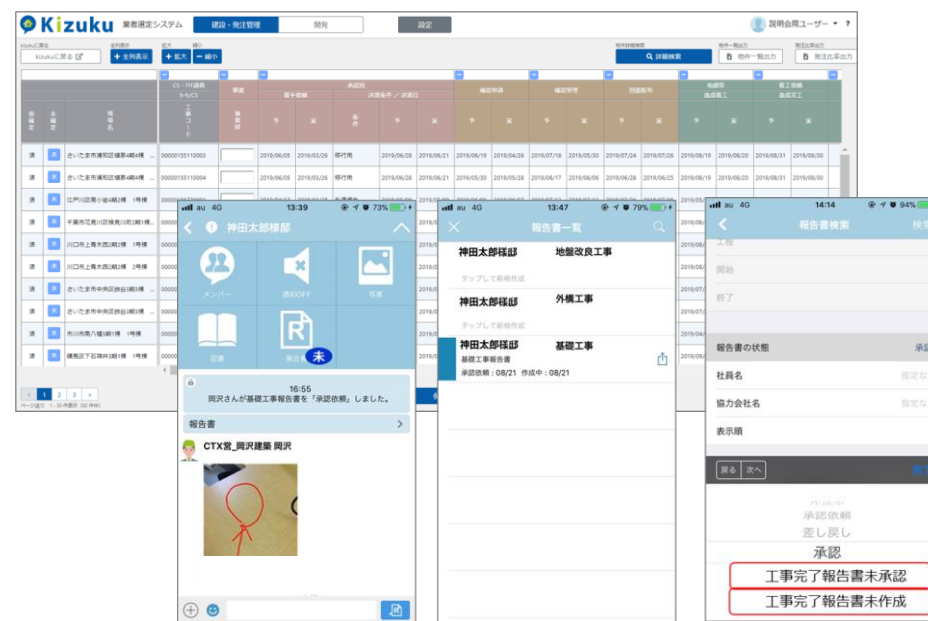
Introduction of the KEIAI Platform on Construction Sites

Expanding the operation of Klzuku PRO, an app to improve productivity at construction sites

- In October 2020, we began operating Klzuku PRO, a version of a construction site support app customized for KEIAI, and have successfully increased construction productivity by 30%. In addition, in order to improve productivity in all areas where the Group has opened stores, some Group companies began operating the app in August 2021.



Klzuku PRO Screen Shots



*1: The number of buildings managed per supervisor in the production sector where the KIZUKU system has been stably introduced.

Certified as a DX Business Operator

The Ministry of Economy, Trade and Industry has certified KEIAI as a DX business operator, recognition of KEIAI's outstanding DX strategy centered on the KEIAI Platform.

A “YU TA KA” (fulfilling, enjoyable, pleasant) lifestyle creation company that uses IT for higher productivity and new services for customers



In conjunction with the Digital Governance Code, the Ministry of Economy, Trade and Industry established the DX certification program to encourage companies to take actions involving the digital transformation (DX). Certification is given to companies that excel in terms of their management vision, business model, framework for business operations, provision of information and other items concerning the DX.

KEIAI received DX certification in October 2021 as recognition for its outstanding DX strategy centered on the KEIAI Platform, which has contributed to average annual sales growth of more than 30%*. We will continue to use IT for more improvements in productivity and the creation of new services. Our objective is to help solve many issues in the real estate industry and enable our customers to lead lives that are even more fulfilling, enjoyable and pleasant.

2021 Good Design Award, the First for KEIAI, for Urban Built-for-Sale Houses

The award recognizes the comfort of KEIAI houses with the independent room to serve as a link between people and the communities where they live.

- Product recognized: Connecting Corridor, a corridor and a independent room providing interaction with others is a new concept for houses in urban areas.
- Category: Commercial/industrial houses
- Property: Two houses in Tokyo, one on a 62.20m² site (floor area 100.78m²) and the other on a 53.41m² site (floor area of 97.09m²)

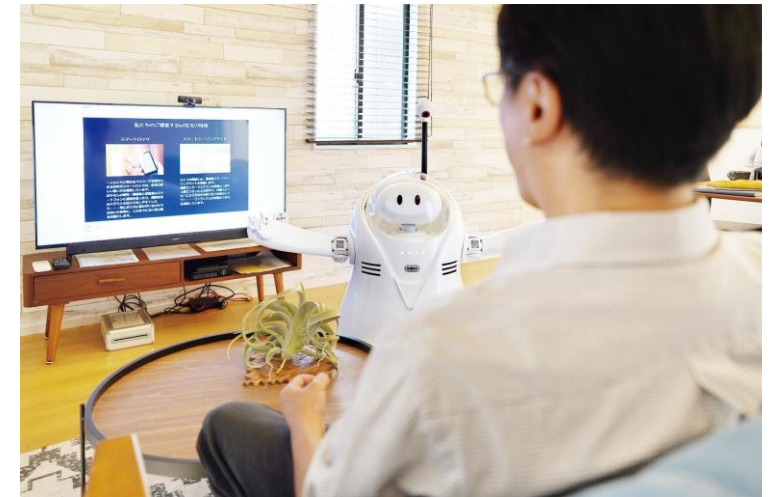


URL: <https://kigroup.co.jp/company/award/gdaward2021/>

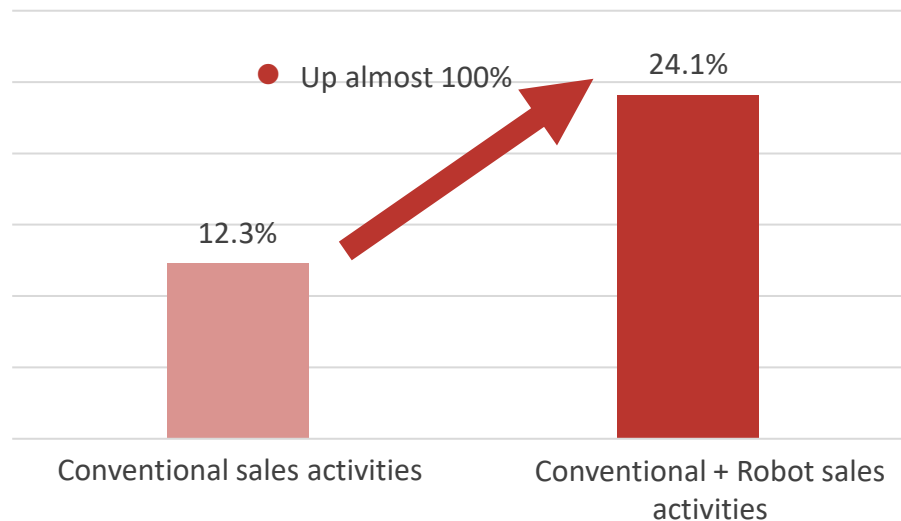
A Safe Private Home Touring System for Sales During the Pandemic

KEIAI subsidiary Casa Robotics has a department dedicated solely to remote customer interaction (*1). During a five-month period, this system was used for about 300 customer visits to model houses. About 20% of these visits resulted in a sale(*2).

Established in June 2021, the robot department specializes in methods to facilitate remote interaction with customers. The separation of initial customer contact and subsequent face-to-face sales meetings has increased the efficiency of selling custom-built houses.



Ratio of Sales for Conventional and Robot Sales Activities



*1: Remote customer interaction is a contactless system that uses the internet for every step from reservations to viewing homes. Twelve IKI one-story unitized house model house areas are fully automated; free of contact with people by using the RURA remote customer service system (March 1, 2021)
https://ki-group.co.jp/keiai_magazine/2021/03/01/iki-timeleap/

*2: The ratio of sales is a comparison with the closing rate of conventional activities, in which a sales representative serves customers face-to-face at the exhibition site on their first visit. "The robot department of Casa Robotics achieved 300 customer visits to model houses during a five-month period"(December 22, 2021)
https://ki-group.co.jp/keiai_magazine/2021/12/22/robot300/

Kodate-Ooyasan® – Home Ownership and Rental Income

Kodate-Ooyasan® (House-and-Landlord) is a built-for-sale house that also has a rental unit. This combination allows people to buy a home, make an investment for rental income and build retirement savings.

■ What is Kodate-Ooyasan®

Offered by KEIAI in the Tokyo area, this product allows people to buy a home to live in and receive rental income. Land for these houses is purchased by using KEIAI's system that utilizes artificial intelligence. Furthermore, areas where Kodate-Ooyasan® houses are sold are carefully selected. KEIAI utilizes its expertise concerning compact, semi-custom houses to create the best possible plan for the size of every site in order to develop houses with substantial added value.

For more information: <https://www.kodate-ooyasan.jp/>



■ Five key competitive advantages

1. KEIAI uses expertise as a homebuilder to provide land in prime locations.
2. Houses can be combined with a small store and many other types of rental properties.
3. Properties qualify for home loans, which have low interest rates.
4. Many ways to utilize a Kodate-Ooyasan® property to meet the requirements of each customer.
5. Investing in a Kodate-Ooyasan® property helps people build retirement savings.



Two Orders for Developing Cloud Systems for Next-generation Facility Horticulture

KEIAI subsidiary PROMPT K, Inc. has received orders in two consecutive years^(*2) for the development and management of IoP (Internet of Plants) cloud systems for a project for advancing to the future of agriculture by using IoP for next-generation facility horticulture^(*1). This project is a 10-year plan established and overseen by the prefectural government of Kochi.

■ What is next-generation facility horticulture?

This project is the world's first full-scale undertaking in the field of facility horticulture. The Kochi prefectural government is overseeing the project, which also includes partners in the academic and business sectors.

Funding includes regional revitalization promotion grants and other sources. The goal is to use data-driven agriculture to reduce the workload of agricultural operations while making agriculture more enjoyable and profitable.

Reference: <https://kochi-iop.jp/>



*1: Facility horticulture entails growing vegetables, flowers, fruit and other products by using greenhouses and other agricultural facilities and environmental control equipment.

*2: PROMPT K received orders in two consecutive years for the outsourced development and management of an IoP cloud, a joint project of the Kochi prefectural government and partners in the academic and business sectors (August 23, 2021) https://ki-group.co.jp/keiai_magazine/2021/08/23/promptk-kouchiken/

Forward-looking Statements

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