

Summary of Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending March 31, 2023
(Three Months Ended June 30, 2022)

[Japanese GAAP]

Company name: KI-STAR REAL ESTATE CO., LTD. Listing: Tokyo Stock Exchange
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 Scheduled date of filing of Quarterly Report: August 12, 2022
 Scheduled date of payment of dividend: -
 Preparation of supplementary materials for quarterly financial results: Yes
 Holding of quarterly financial results meeting: None

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

1. Consolidated Financial Results for the First Three Months (April 1, 2022 – June 30, 2022) of the Fiscal Year Ending March 31, 2023

(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	%
Three months ended Jun. 30, 2022	50,035	15.7	5,073	(3.8)	4,883	(5.7)	3,191	(3.0)
Three months ended Jun. 30, 2021	43,261	53.8	5,274	419.6	5,179	458.5	3,289	481.5

Note: Comprehensive income (million yen) Three months ended Jun. 30, 2022: 3,261 (down 6.1%)

Three months ended Jun. 30, 2021: 3,474 (up 450.4%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2022	201.80	201.68
Three months ended Jun. 30, 2021	231.58	231.44

Note: 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 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 Jun. 30, 2022	172,909	49,629	25.9
As of Mar. 31, 2022	163,240	49,037	27.0

Reference: Shareholders' equity (million yen) As of Jun. 30, 2022: 44,765 As of Mar. 31, 2022: 44,026

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 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, 2022	-	115.00	-	150.00	265.00
Fiscal year ending Mar. 31, 2023	-	-	-	-	-
Fiscal year ending Mar. 31, 2023 (forecasts)	-	140.00	-	140.00	280.00

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

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 – March 31, 2023)

(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	220,000	19.3	25,500	7.8	25,000	7.7	16,000	8.5	1,059.53

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: Yes

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 Jun. 30, 2022:	15,857,300 shares	As of Mar. 31, 2022:	15,857,200 shares
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2) Number of treasury shares at the end of the period

As of Jun. 30, 2022:	41,433 shares	As of Mar. 31, 2022:	41,433 shares
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3) Average number of shares during the period

Three months ended Jun. 30, 2022:	15,815,801 shares	Three months ended Jun. 30, 2021:	14,202,767 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 quarter of the current fiscal year, while crude oil prices continued to soar and the depreciation of the yen increased inflationary pressure, consumer spending on services increased as restrictions on economic activity were eased and inbound demand improved because the government raised the daily cap on the number of persons entering Japan. As a result, the Japanese economy showed signs of recovery but the outlook remains unclear due to resurgence of COVID-19 infections.

In the Japanese housing sector, where the KI-STAR Group operates, even though the rapid rise of interest in owning a home has paused due to the spread of the COVID-19 pandemic, demand on the whole remains steady. On the other hand, prices of parts and materials are soaring due to inflation and other factors and shortages of housing equipment have started to appear due to global semiconductor supply shortages.

By supplying design houses with outstanding quality at low prices based on our mission of “house ownership for everyone,” the Group continued to concentrate on the growth strategy for its core homebuilding and sales business. Activities are guided by the management philosophy of “creating lives that are fulfilling, enjoyable and pleasant.” We have expanded operations to new areas and are working to further develop the markets in which we already operate with the aim of increasing our market share.

The Group is also committed to improving management efficiency through the use of DX (Digital Transformation). One activity is the use of MITSUKARU Pro and other information technologies to operate with even greater efficiency, raise productivity, and optimize profit.

Sales increased 6,774 million yen (15.7%) to a record-high 50,035 million yen. Operating profit decreased 201 million yen (3.8%) to 5,073 million yen due to higher cost of sales. Ordinary profit decreased 295 million yen (5.7%) to 4,883 million yen because of non-operating expenses increased 143 million yen primarily due to commission expenses associated with a new syndicated loan to give group companies quick access to funds required for initiatives for growth. Profit attributable to owners of parent was down 97 million yen (3.0%) to 3,191 million yen.

Results by business segment are as follows:

The Tokyo Big House business segment has been deleted because the Company sold part of its holding of Tokyo Big House, Inc. stock in the previous fiscal year and this company is no longer included in the consolidated financial statements.

i) Homebuilding and sales business

In this business, there were many activities involving the market share growth strategy. We have expanded operations to new areas while strengthening operations in areas where we currently operates. 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 quarter, 993 houses (including land sale) were sold, up 120 from one year earlier. Sales increased 3,166 million yen to 34,167 million yen. Segment profit was down 662 million yen to 4,585 million yen primarily due to higher cost of sales.

ii) Custom-built housing business

This custom-built housing business is concentrating on increasing the number of orders from Fit-Pro custom-built houses for real estate companies and the single-story IKI semi custom-built houses.

The number of houses sold during the first quarter increased by 47 from one year earlier to 65. Sales were up 567 million yen to 953 million yen. Segment profit increased 29 million yen to 13 million yen, compared with a loss of 15 million yen one year earlier. There were up-front general and administrative expenses incurred because of the increasing number of orders for the single-story IKI semi custom-built houses.

iii) 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 quarter increased by 32 to 212 (including land sale). The number of custom-built houses sold were 18, the same as one year earlier because built-for-sale houses are the main activity of this business. Sales increased 787 million yen to 5,978 million yen and segment profit decreased 299 million yen to 262 million yen.

iv) Asahi Housing business

Subsidiary Asahi Housing Co., Ltd. sells built-for-sale houses mainly in Kanagawa prefecture. There have been many activities at this company involving development projects for the built-for-sale house sales business.

The number of built-for-sale houses sold during the first quarter increased by 12 to 81 (including land sale). Sales increased 708 million yen to 3,631 million yen and segment profit increased 73 million yen to 545 million yen.

v) 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 sloped ground. Kensin plans to strengthen its built-for-sale house sales business.

The number of built-for-sale houses sold during the first quarter increased by 18 to 73 (including land sale) and custom-built houses sold decreased by 11 to 14 as Kensin has been working on strengthening its built-for-sale house sales business. Sales increased 1,558 million yen to 4,469 million yen and segment profit increased 55 million yen to 215 million yen.

vi) KEIAI Presto business

The main activities of KEIAI Presto K.K. are the sales of built-for-sale houses mainly in Saitama prefecture. There have been many activities at this company involving development projects for the built-for-sale house sales business.

The number of built-for-sale houses sold during the first quarter increased by 9 to 16 (including land sale). Sales increased 311 million yen to 428 million yen and segment profit increased 71 million yen to 40 million yen, compared with a loss of 30 million yen one year earlier.

(2) Explanation of Financial Position

Assets

Total assets increased by 9,668 million yen from the end of the previous fiscal year to 172,909 million yen at the end of first quarter of the current fiscal year. This was mainly due to an increase of 15,593 million yen in inventories, which include real estate for sale, real estate for sale in process and costs on uncompleted construction contracts, and a decrease of 6,459 million yen in cash and deposits resulting mainly from income taxes paid.

Liabilities

Total liabilities increased by 9,076 million yen to 123,279 million yen. The main reasons include an increase of 11,506 million yen in borrowings, which include short-term borrowings, current portion of long-term borrowings

and long-term borrowings because of procurement of funds to purchase land, and a decrease of 4,357 million yen in income taxes payable due to income taxes paid.

Net assets

Total net assets increased by 591 million yen to 49,629 million yen. The main reason was an increase of 3,191 million yen in retained earnings due to profit attributable to owners of parent, which was partly offset by a 2,378 million yen decrease as a result of payments of cash dividends, and a 150 million yen decrease in non-controlling interests.

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

In this fiscal year, sales is skewed toward the second half due to the so-called wood shock that delayed construction starts in the previous fiscal year. Now sales are climbing strongly as construction starts have returned to normal and the stock of completed houses has increased. Although prices of construction materials rose, the increases were in line with our expectations and did not affect our earnings forecast.

First quarter progress ratios against the fiscal year forecasts exceeded at all levels. Sales were 22.7% of the forecast, ordinary profit was 19.5%, and profit attributable to owners of parent was 19.9%. The average first quarter progress ratios for the past five years were 19.7% for sales, 15.5% for ordinary profit and 15.3% for profit attributable to owners of parent.

There are no revisions to the consolidated forecast for the fiscal year ending March 31, 2023 as sales and earnings are in line with the forecast. An announcement will be made promptly if there is any new information about the forecast that requires disclosure.

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

	FY3/22 (As of Mar. 31, 2022)	(Thousands of yen) First quarter of FY3/23 (As of Jun. 30, 2022)
Assets		
Current assets		
Cash and deposits	43,043,330	36,583,546
Accounts receivable from completed construction contracts	578,815	89,462
Real estate for sale	30,473,523	36,153,679
Real estate for sale in process	72,763,078	83,243,876
Costs on uncompleted construction contracts	4,495,297	3,928,238
Advance payments to suppliers	2,037,313	2,381,030
Other	2,361,831	3,460,482
Allowance for doubtful accounts	(66,716)	(33,814)
Total current assets	155,686,474	165,806,501
Non-current assets		
Property, plant and equipment	3,988,463	4,051,757
Intangible assets		
Goodwill	636,615	608,186
Other	521,789	502,243
Total intangible assets	1,158,405	1,110,429
Investments and other assets	2,407,417	1,940,483
Total non-current assets	7,554,287	7,102,671
Total assets	163,240,761	172,909,172
Liabilities		
Current liabilities		
Electronically recorded obligations-operating	3,530,979	3,998,114
Accounts payable for construction contracts	14,779,983	15,384,676
Short-term borrowings	56,864,048	65,614,841
Current portion of bonds payable	3,171,000	3,191,000
Current portion of long-term borrowings	3,700,353	3,683,485
Lease obligations	51,137	50,269
Income taxes payable	5,491,725	1,134,692
Provision for bonuses	580,149	769,653
Other	3,483,381	4,074,827
Total current liabilities	91,652,758	97,901,561
Non-current liabilities		
Bonds payable	2,603,300	2,657,300
Long-term borrowings	19,658,833	22,431,122
Lease obligations	52,026	45,362
Asset retirement obligations	69,054	69,652
Other	166,965	174,853
Total non-current liabilities	22,550,179	25,378,290
Total liabilities	114,202,938	123,279,852

	(Thousands of yen)	
	FY3/22 (As of Mar. 31, 2022)	First quarter of FY3/23 (As of Jun. 30, 2022)
Net assets		
Shareholders' equity		
Share capital	4,810,052	4,810,165
Capital surplus	5,698,164	5,698,283
Retained earnings	33,631,891	34,444,923
Treasury shares	(77,711)	(77,711)
Total shareholders' equity	44,062,396	44,875,660
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(59,299)	(99,992)
Foreign currency translation adjustment	23,205	(10,469)
Total accumulated other comprehensive income	(36,094)	(110,462)
Share acquisition rights	12,569	15,602
Non-controlling interests	4,998,950	4,848,520
Total net assets	49,037,822	49,629,320
Total liabilities and net assets	163,240,761	172,909,172

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

	(Thousands of yen)	
	First three months of FY3/22 (Apr. 1, 2021 – Jun. 30, 2021)	First three months of FY3/23 (Apr. 1, 2022 – Jun. 30, 2022)
Net sales	43,261,242	50,035,310
Cost of sales	33,789,324	40,782,877
Gross profit	9,471,918	9,252,433
Selling, general and administrative expenses	4,196,939	4,179,087
Operating profit	5,274,978	5,073,345
Non-operating income		
Interest income	230	618
Dividend income	41,491	1,935
Refund of real estate acquisition tax	64,892	86,594
Other	86,250	153,642
Total non-operating income	192,864	242,791
Non-operating expenses		
Interest expenses	162,503	234,782
Commission expenses	98,634	162,115
Other	27,324	35,329
Total non-operating expenses	288,462	432,227
Ordinary profit	5,179,380	4,883,910
Extraordinary income		
Gain on sale of non-current assets	301	967
Gain on sale of investment securities	2,070	-
Total extraordinary income	2,371	967
Extraordinary losses		
Loss on sale of non-current assets	1,157	-
Loss on retirement of non-current assets	-	1,014
Loss on sale of investment securities	75,207	-
Total extraordinary losses	76,365	1,014
Profit before income taxes	5,105,387	4,883,863
Income taxes-current	1,646,720	1,114,470
Income taxes-deferred	(41,560)	433,099
Total income taxes	1,605,159	1,547,570
Profit	3,500,227	3,336,292
Profit attributable to non-controlling interests	211,031	144,700
Profit attributable to owners of parent	3,289,196	3,191,592

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

(Thousands of yen)

	First three months of FY3/22 (Apr. 1, 2021 – Jun. 30, 2021)	First three months of FY3/23 (Apr. 1, 2022 – Jun. 30, 2022)
Profit	3,500,227	3,336,292
Other comprehensive income		
Valuation difference on available-for-sale securities	(28,392)	(40,693)
Foreign currency translation adjustment	2,183	(33,674)
Total other comprehensive income	(26,208)	(74,367)
Comprehensive income	3,474,018	3,261,925
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	3,266,153	3,117,224
Comprehensive income attributable to non-controlling interests	207,864	144,700

(3) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Changes in Accounting Policies

Application of the Implementation Guidance on the Accounting Standard for Fair Value Measurement

The Company has applied the Implementation Guidance on the Accounting Standard for Fair Value Measurement (Accounting Standards Board of Japan (ASBJ) Guidance No. 31, June 17, 2021) from the beginning of the first quarter of the current fiscal year, and has applied the new accounting policies set forth by the Implementation Guidance on the Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional measures in Paragraph 27-2 of the Implementation Guidance on the Accounting Standard for Fair Value Measurement. There is no effect of the application of this guidance on the quarterly consolidated financial statements.

Segment and Other Information

Segment information

First three months of FY3/22 (Apr. 1, 2021 – Jun. 30, 2021)

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	Yokatown	Asahi Housing	Kensin
Net sales					
Sales to external customers	31,000,494	220,549	5,191,627	2,922,727	2,911,002
Inter-segment sales and transfers	-	164,531	-	-	-
Total	31,000,494	385,080	5,191,627	2,922,727	2,911,002
Segment profit (loss)	5,248,003	(15,937)	562,509	472,592	160,102

	Reportable segment			Others (Note 1)	Adjustments (Note 2)	Amounts shown on the quarterly consolidated statement of income (Note 3)
	Tokyo Big House	KEIAI Presto	Total			
Net sales						
Sales to external customers	287,588	116,767	42,650,757	610,484	-	43,261,242
Inter-segment sales and transfers	-	-	164,531	295,383	(459,915)	-
Total	287,588	116,767	42,815,289	905,868	(459,915)	43,261,242
Segment profit (loss)	(80,624)	(30,847)	6,315,798	(23,596)	(1,017,222)	5,274,978

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

2. The -1,017 million yen adjustment to segment profit (loss) includes elimination for inter-segment transactions of 4 million yen and -1,021 million yen in corporate expenses that are not attributable to any of the reportable segments.

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

First three months of FY3/23 (Apr. 1, 2022 – Jun. 30, 2022)

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	Yokatown	Asahi Housing	Kensin
Net sales					
Sales to external customers	34,167,234	830,786	5,978,840	3,631,346	4,469,550
Inter-segment sales and transfers	-	122,233	-	-	-
Total	34,167,234	953,020	5,978,840	3,631,346	4,469,550
Segment profit	4,585,932	13,363	262,617	545,942	215,552

	Reportable segment		Others (Note 1)	Adjustments (Note 2)	Amounts shown on the quarterly consolidated statement of income (Note 3)
	KEIAI Presto	Total			
Net sales					
Sales to external customers	428,306	49,506,065	529,245	-	50,035,310
Inter-segment sales and transfers	-	122,233	217,521	(339,755)	-
Total	428,306	49,628,299	746,766	(339,755)	50,035,310
Segment profit	40,469	5,663,878	202,859	(793,391)	5,073,345

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

2. The -793 million yen adjustment to segment profit includes elimination for inter-segment transactions of 18 million yen and -811 million yen in corporate expenses that are not attributable to any of the reportable segments.

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

2. Information related to revisions for reportable segments

The Tokyo Big House business segment has been deleted because the Company sold part of its holding of Tokyo Big House, Inc. stock in the previous fiscal year and this company is no longer included in the consolidated financial statements.

Additional Information

1. 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, 2022 and June 30, 2022.

2. Downturn of the global economy continues because of the COVID-19 pandemic. 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 first 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.