

**Summary of Consolidated Financial Results**  
**for the Second Quarter of the Fiscal Year Ending March 31, 2023**  
**(Six Months Ended September 30, 2022)**

[Japanese GAAP]

Company name: KI-STAR REAL ESTATE CO., LTD. Listing: Tokyo Stock Exchange  
 Securities code: 3465 URL: <https://www.ki-group.co.jp/>  
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 Scheduled date of filing of Quarterly Report: November 14, 2022  
 Scheduled date of payment of dividend: December 6, 2022  
 Preparation of supplementary materials for quarterly financial results: Yes  
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

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

**1. Consolidated Financial Results for the First Six Months (April 1, 2022 – September 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	%
Six months ended Sep. 30, 2022	103,452	13.1	10,369	(16.5)	9,974	(18.6)	6,367	(18.0)
Six months ended Sep. 30, 2021	91,487	38.6	12,413	227.8	12,247	228.7	7,764	251.5

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2022: 6,645 (down 21.0%)  
 Six months ended Sep. 30, 2021: 8,413 (up 240.7%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2022	403.01	402.79
Six months ended Sep. 30, 2021	539.57	539.19

Note: KI-STAR REAL ESTATE CO., LTD. ("the Company") has established a performance-linked stock compensation plan for directors and employee stock distribution trust program. Shares for these plans held by the trust are recorded as treasury shares in the quarterly consolidated balance sheet and included in treasury shares for calculating the average number of shares during the period for determining net income per share.

## (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Sep. 30, 2022	191,078	52,721	24.9
As of Mar. 31, 2022	163,240	49,037	27.0

Reference: Shareholders' equity (million yen) As of Sep. 30, 2022: 47,643 As of Mar. 31, 2022: 44,026

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

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2022	-	115.00	-	150.00	265.00
Fiscal year ending Mar. 31, 2023	-	140.00	-	-	-
Fiscal year ending Mar. 31, 2023 (forecasts)	-	-	-	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 Sep. 30, 2022:	15,860,600 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 Sep. 30, 2022:	104,833 shares	As of Mar. 31, 2022:	41,433 shares
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3) Average number of shares during the period

Six months ended Sep. 30, 2022:	15,800,258 shares	Six months ended Sep. 30, 2021:	14,390,683 shares
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Note: The Company has established a performance-linked stock compensation plan for directors and employee stock distribution trust program. Shares for these plans held by the trust are included in treasury shares for calculating the number of treasury shares at the end of the period and the average number of shares during the period.

\* The current quarterly financial report is not subject to quarterly review by certified public accountants or auditing firms.

\* Cautionary statement with respect to forward-looking statements, and other special items

Cautionary statement with respect to forecasts

Forecasts of future performance in this report are based on assumptions judged to be valid and information currently available to the Company. Actual results may differ significantly from these forecasts for a number of factors.

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## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

In the first half of the current fiscal year, there were signs of a recovery in Japan's non-manufacturing sector as the severity of the pandemic declined, spending on services started rebounding due to subsidies for travel and other measures, and demand from foreign tourists increased following the easing of restrictions on the entry of tourists. However, conditions in the manufacturing sector are declining because of the prolonged Ukraine crisis, inflation caused by the continuing weakness of the yen and other reasons.

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 delay in delivery 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 11,964 million yen (13.1%) to a record-high 103,452 million yen. Operating profit decreased 2,043 million yen (16.5%) to 10,369 million yen due to higher cost of sales. Ordinary profit decreased 2,272 million yen (18.6%) to 9,974 million yen because of non-operating expenses increased 319 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 1,397 million yen (18.0%) to 6,367 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 operate. Backed by marketing activities that link the KEIAI brand with outstanding designs, we continued to supply design houses with outstanding quality at low prices. Prices of houses are set at a level that makes the monthly mortgage payments less expensive than renting a residence. We placed priority on the turnover ratio by shortening the time between the purchase of land and sale of houses. Building houses faster and improving construction processes also contributed to lowering expenses in this business. In addition, we continued to upgrade our sales capabilities by building stronger ties with real estate brokers throughout Japan, increasing purchases of land and increasing the use of outsourced sales activities.

During the first half, 2,036 houses (including land sale) were sold, up 204 from one year earlier. Sales increased 6,027 million yen to 70,423 million yen. Segment profit was down 1,840 million yen to 9,392 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 half increased by 66 from one year earlier to 115. Sales were up 949 million yen to 1,952 million yen. Segment profit decreased 45 million yen to a loss of 22 million yen caused by the up-front general and administrative expenses that 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 half increased by 65 to 471 (including land sale). The number of custom-built houses sold decreased by 6 to 27, because built-for-sale houses are the main activity of this business. Sales increased 1,599 million yen to 13,210 million yen and segment profit decreased 705 million yen to 685 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 half increased by 27 to 162 (including land sale). Sales increased 1,296 million yen to 7,068 million yen and segment profit increased 54 million yen to 1,026 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 half increased by 51 to 166 (including land sale) and custom-built houses sold decreased by 15 to 47 as Kensin has been working on strengthening its built-for-sale house sales business. Sales increased 2,909 million yen to 9,024 million yen and segment profit increased 81 million yen to 517 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 half increased by 26 to 34 (including land sale). Sales increased 617 million yen to 974 million yen and segment profit increased 65 million yen to 76 million yen.

## **(2) Explanation of Financial Position**

### Assets

Total assets increased by 27,837 million yen from the end of the previous fiscal year to 191,078 million yen at the end of second quarter of the current fiscal year. This was mainly due to an increase of 35,254 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 7,498 million yen in cash and deposits resulting mainly from income taxes paid.

### Liabilities

Total liabilities increased by 24,154 million yen to 138,357 million yen. The main reasons include an increase of 24,143 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.

#### Net assets

Total net assets increased by 3,683 million yen to 52,721 million yen. The main reason was an increase of 6,367 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.

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

In the current fiscal year, sales are 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. 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. First half progress ratios against the fiscal year consolidated forecasts are 47.0% for sales, 39.9% for ordinary profit, and 39.8% for profit attributable to owners of parent.

## 2. Quarterly Consolidated Financial Statements and Notes

### (1) Quarterly Consolidated Balance Sheet

	FY3/22 (As of Mar. 31, 2022)	(Thousands of yen) Second quarter of FY3/23 (As of Sep. 30, 2022)
<b>Assets</b>		
Current assets		
Cash and deposits	43,043,330	35,545,230
Accounts receivable from completed construction contracts	578,815	185,940
Real estate for sale	30,473,523	49,640,902
Real estate for sale in process	72,763,078	88,801,369
Costs on uncompleted construction contracts	4,495,297	4,543,975
Advance payments to suppliers	2,037,313	2,336,162
Other	2,361,831	2,706,790
Allowance for doubtful accounts	(66,716)	(33,814)
Total current assets	155,686,474	183,726,556
Non-current assets		
Property, plant and equipment	3,988,463	4,049,682
Intangible assets		
Goodwill	636,615	567,372
Other	521,789	483,275
Total intangible assets	1,158,405	1,050,648
Investments and other assets	2,407,417	2,251,608
Total non-current assets	7,554,287	7,351,938
Total assets	163,240,761	191,078,494
<b>Liabilities</b>		
Current liabilities		
Electronically recorded obligations-operating	3,530,979	4,280,017
Accounts payable for construction contracts	14,779,983	16,487,731
Short-term borrowings	56,864,048	73,017,730
Current portion of bonds payable	3,171,000	3,168,000
Current portion of long-term borrowings	3,700,353	3,112,833
Lease obligations	51,137	50,269
Income taxes payable	5,491,725	2,988,502
Provision for bonuses	580,149	603,974
Other	3,483,381	3,391,379
Total current liabilities	91,652,758	107,100,439
Non-current liabilities		
Bonds payable	2,603,300	2,695,700
Long-term borrowings	19,658,833	28,235,846
Lease obligations	52,026	31,684
Asset retirement obligations	69,054	69,751
Other	166,965	223,753
Total non-current liabilities	22,550,179	31,256,735
Total liabilities	114,202,938	138,357,175

	(Thousands of yen)	
	FY3/22 (As of Mar. 31, 2022)	Second quarter of FY3/23 (As of Sep. 30, 2022)
Net assets		
Shareholders' equity		
Share capital	4,810,052	4,814,192
Capital surplus	5,698,164	5,702,310
Retained earnings	33,631,891	37,620,916
Treasury shares	(77,711)	(377,320)
Total shareholders' equity	44,062,396	47,760,099
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(59,299)	(110,436)
Foreign currency translation adjustment	23,205	(6,517)
Total accumulated other comprehensive income	(36,094)	(116,954)
Share acquisition rights	12,569	16,011
Non-controlling interests	4,998,950	5,062,162
Total net assets	49,037,822	52,721,319
Total liabilities and net assets	163,240,761	191,078,494



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

(Thousands of yen)

	First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)	First six months of FY3/23 (Apr. 1, 2022 – Sep. 30, 2022)
Net sales	91,487,966	103,452,760
Cost of sales	70,714,749	84,486,673
Gross profit	20,773,217	18,966,087
Selling, general and administrative expenses	8,359,344	8,596,166
Operating profit	12,413,873	10,369,921
Non-operating income		
Interest income	1,669	6,491
Dividend income	41,738	3,709
Refund of real estate acquisition tax	176,633	213,872
Other	169,368	256,260
Total non-operating income	389,411	480,333
Non-operating expenses		
Interest expenses	353,122	509,679
Commission expenses	121,533	315,607
Other	81,468	50,225
Total non-operating expenses	556,124	875,512
Ordinary profit	12,247,160	9,974,742
Extraordinary income		
Gain on sale of non-current assets	302	1,759
Gain on sale of investment securities	70,114	-
Total extraordinary income	70,417	1,759
Extraordinary losses		
Loss on sale of non-current assets	1,157	97
Loss on retirement of non-current assets	608	2,287
Loss on sale of investment securities	75,207	-
Total extraordinary losses	76,974	2,385
Profit before income taxes	12,240,603	9,974,116
Income taxes-current	3,990,651	2,919,434
Income taxes-deferred	(159,797)	328,753
Total income taxes	3,830,854	3,248,188
Profit	8,409,749	6,725,927
Profit attributable to non-controlling interests	644,964	358,343
Profit attributable to owners of parent	7,764,785	6,367,584

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

(Thousands of yen)

	First six months of FY3/22 (Apr. 1, 2021 – Sep. 30, 2021)	First six months of FY3/23 (Apr. 1, 2022 – Sep. 30, 2022)
Profit	8,409,749	6,725,927
Other comprehensive income		
Valuation difference on available-for-sale securities	1,707	(51,137)
Foreign currency translation adjustment	2,183	(29,722)
Total other comprehensive income	3,890	(80,859)
Comprehensive income	8,413,639	6,645,067
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	7,771,842	6,286,724
Comprehensive income attributable to non-controlling interests	641,797	358,343

**(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 six months of FY3/22 (Apr. 1, 2021 – Sep. 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	64,396,366	657,679	11,611,056	5,772,841	6,114,913
Inter-segment sales and transfers	-	345,324	-	-	-
Total	64,396,366	1,003,003	11,611,056	5,772,841	6,114,913
Segment profit	11,233,283	23,959	1,390,075	971,721	436,470

	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	1,126,287	356,720	90,035,865	1,452,101	-	91,487,966
Inter-segment sales and transfers	-	-	345,324	480,461	(825,785)	-
Total	1,126,287	356,720	90,381,189	1,932,562	(825,785)	91,487,966
Segment profit	10,800	10,828	14,077,139	178,822	(1,842,088)	12,413,873

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 -1,842 million yen adjustment to segment profit includes elimination for inter-segment transactions of 24 million yen and -1,866 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.

First six months of FY3/23 (Apr. 1, 2022 – Sep. 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	70,423,655	1,577,693	13,210,583	7,068,888	9,024,126
Inter-segment sales and transfers	-	374,706	-	-	-
Total	70,423,655	1,952,399	13,210,583	7,068,888	9,024,126
Segment profit (loss)	9,392,297	(22,039)	685,069	1,026,318	517,606

	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	974,610	102,279,558	1,173,202	-	103,452,760
Inter-segment sales and transfers	-	374,706	432,004	(806,710)	-
Total	974,610	102,654,264	1,605,206	(806,710)	103,452,760
Segment profit (loss)	76,562	11,675,815	389,732	(1,695,627)	10,369,921

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 -1,695 million yen adjustment to segment profit includes elimination for inter-segment transactions of 23 million yen and -1,719 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 September 30, 2022.

2. As part of incentive plans for employees, the KI-STAR Group started an employee stock distribution trust program in the second quarter of the current fiscal year. The purpose is to further increase motivation to contribute to the medium and long-term growth of sales and earnings and the growth of corporate value.

## (1) Summary

The employee stock distribution trust program, which is established and funded by KI-STAR, purchases KI-STAR stock that is subsequently distributed to employees of KI-STAR and its group companies who have fulfilled the requirements for receiving stock in accordance with stock distribution rules determined by the Board of Directors.

## (2) Remaining stock held by the trust

Stock remaining in the trust is recorded at book value (excluding associated expenses) as treasury stock in net assets. As of September 30, 2022, there are 63,400 shares of this trust treasury stock with a book value of 299 million yen.

## (3) Book value of borrowings recognized by using the gross method

Not applicable

3. 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 second quarter of the current fiscal year do not incorporate any effects of the COVID-19 crisis.

*This financial report is solely a translation of “Kessan Tanshin” (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*