

Summary of Consolidated Financial Results
for the Third Quarter of the Fiscal Year Ending March 31, 2023
(Nine Months Ended December 31, 2022)

[Japanese GAAP]

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 Scheduled date of filing of Quarterly Report: February 13, 2023
 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 Nine Months (April 1, 2022 – December 31, 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 | % |
| Nine months ended Dec. 31, 2022 | 160,209 | 17.7 | 14,683 | (19.1) | 14,183 | (20.7) | 9,055 | (19.4) |
| Nine months ended Dec. 31, 2021 | 136,112 | 24.0 | 18,159 | 121.4 | 17,885 | 117.6 | 11,235 | 131.1 |

Note: Comprehensive income (million yen) Nine months ended Dec. 31, 2022: 9,497 (down 22.0%)
 Nine months ended Dec. 31, 2021: 12,176 (up 122.2%)

| | Net income per share | Diluted net income per share |
|---------------------------------|----------------------|------------------------------|
| | Yen | Yen |
| Nine months ended Dec. 31, 2022 | 573.64 | 573.35 |
| Nine months ended Dec. 31, 2021 | 755.72 | 755.13 |

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 Dec. 31, 2022 | 202,565 | 53,356 | 23.7 |
| As of Mar. 31, 2022 | 163,240 | 49,037 | 27.0 |

Reference: Shareholders' equity (million yen) As of Dec. 31, 2022: 48,109 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) | | | | 90.00 | 230.00 |

Note: Revisions to the most recently announced dividend forecast: Yes

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 | 18,500 | (21.8) | 18,000 | (22.4) | 12,000 | (18.6) | 760.54 |

Note: Revisions to the most recently announced consolidated forecast: Yes

*** 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 Dec. 31, 2022: | 15,861,500 shares | As of Mar. 31, 2022: | 15,857,200 shares |
|----------------------|-------------------|----------------------|-------------------|

2) Number of treasury shares at the end of the period

| | | | |
|----------------------|----------------|----------------------|---------------|
| As of Dec. 31, 2022: | 104,833 shares | As of Mar. 31, 2022: | 41,433 shares |
|----------------------|----------------|----------------------|---------------|

3) Average number of shares during the period

| | | | |
|----------------------------------|-------------------|----------------------------------|-------------------|
| Nine months ended Dec. 31, 2022: | 15,785,422 shares | Nine months ended Dec. 31, 2021: | 14,867,235 shares |
|----------------------------------|-------------------|----------------------------------|-------------------|

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 nine months of the current fiscal year, easing of COVID-19 related border restrictions combined with the depreciation of the yen led to a rapid recovery in demand from foreign tourists. As a result, business confidence in consumer-related services sectors, such as hotels and food services, improved significantly. At the same time, consumer prices spiked and pressured household budgets because of a prolonged weak yen and the Ukraine conflict. As a result, the economic outlook remains uncertain.

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 convergence of the COVID-19 pandemic, demand on the whole remains steady. On the other hand, prices of parts and materials are soaring due to global inflation and other factors. Procurement continues to be difficult.

By supplying design houses with outstanding quality at affordable prices based on our vision 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 24,097 million yen (17.7%) to a record-high 160,209 million yen. Operating profit decreased 3,476 million yen (19.1%) to 14,683 million yen due to intensive sales promotions. Ordinary profit decreased 3,702 million yen (20.7%) to 14,183 million yen because of non-operating expenses increased 379 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 2,180 million yen (19.4%) to 9,055 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 nine months, 3,161 houses (including land sale) were sold, up 458 from one year earlier. Sales increased 15,680 million yen to 109,144 million yen. Segment profit was down 2,685 million yen to 13,285 million yen primarily due to aggressive sales promotions.

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 nine months increased by 78 from one year earlier to 181. Sales were up 1,380 million yen to 3,348 million yen. Segment profit increased 22 million yen to 96 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 nine months increased by 80 to 727 (including land sale). The number of custom-built houses sold decreased by 14 to 39, because built-for-sale houses are the main activity of this business. Sales increased 2,075 million yen to 20,511 million yen and segment profit decreased 1,153 million yen to 973 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 nine months increased by 52 to 249 (including land sale). Sales increased 2,269 million yen to 10,710 million yen and segment profit increased 52 million yen to 1,448 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 nine months increased by 85 to 271 (including land sale) and custom-built houses sold decreased by 5 to 91 as Kensin has been working on strengthening its built-for-sale house sales business. Sales increased 4,071 million yen to 13,950 million yen and segment profit increased 57 million yen to 799 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 nine months increased by 48 to 62 (including land sale). Sales increased 988 million yen to 1,679 million yen and segment profit increased 110 million yen to 127 million yen.

(2) Explanation of Financial Position

Assets

Total assets increased by 39,325 million yen from the end of the previous fiscal year to 202,565 million yen at the end of third quarter of the current fiscal year. This was mainly due to an increase of 51,721 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 13,400 million yen in cash and deposits resulting mainly from income taxes paid.

Liabilities

Total liabilities increased by 35,006 million yen to 149,209 million yen. The main reasons include an increase of

35,770 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 4,318 million yen to 53,356 million yen. The main reason was an increase of 9,055 million yen in retained earnings due to profit attributable to owners of parent, which was partly offset by a 4,599 million yen decrease as a result of payments of cash dividends.

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

In the fiscal year ending March, 31, 2023, the Group continued to focus on maintaining high inventory turnover and intensively promoting sales as the market is returning to normal after the temporary surge in demand resulting from the Corona pandemic. Consequently, sales have been favorable as demand rose above the pre-pandemic level. On the other hand, gross profit margin has been declining. In view of these factors, we have revised the forecasts of operating profit, ordinary profit, and profit attributable to owners of parent to 18,500 million yen, 18,000 million yen, and 12,000 million yen, respectively. For details, please refer to “Revisions to Earnings Forecast” which was announced today.

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

| | FY3/22 (As of Mar. 31, 2022) | (Thousands of yen) Third quarter of FY3/23 (As of Dec. 31, 2022) |
|---|---------------------------------|--|
| Assets | | |
| Current assets | | |
| Cash and deposits | 43,043,330 | 29,642,422 |
| Accounts receivable from completed construction contracts | 578,815 | 60,907 |
| Real estate for sale | 30,473,523 | 59,702,104 |
| Real estate for sale in process | 72,763,078 | 94,651,955 |
| Costs on uncompleted construction contracts | 4,495,297 | 5,099,210 |
| Advance payments to suppliers | 2,037,313 | 2,297,173 |
| Other | 2,361,831 | 3,706,135 |
| Allowance for doubtful accounts | (66,716) | (33,814) |
| Total current assets | 155,686,474 | 195,126,093 |
| Non-current assets | | |
| Property, plant and equipment | 3,988,463 | 4,156,741 |
| Intangible assets | | |
| Goodwill | 636,615 | 539,418 |
| Other | 521,789 | 462,901 |
| Total intangible assets | 1,158,405 | 1,002,320 |
| Investments and other assets | 2,407,417 | 2,280,715 |
| Total non-current assets | 7,554,287 | 7,439,778 |
| Total assets | 163,240,761 | 202,565,872 |
| Liabilities | | |
| Current liabilities | | |
| Electronically recorded obligations-operating | 3,530,979 | 4,586,791 |
| Accounts payable for construction contracts | 14,779,983 | 17,582,961 |
| Short-term borrowings | 56,864,048 | 85,514,429 |
| Current portion of bonds payable | 3,171,000 | 2,178,000 |
| Current portion of long-term borrowings | 3,700,353 | 3,199,863 |
| Lease obligations | 51,137 | 49,724 |
| Income taxes payable | 5,491,725 | 781,095 |
| Provision for bonuses | 580,149 | 257,662 |
| Other | 3,483,381 | 3,815,322 |
| Total current liabilities | 91,652,758 | 117,965,851 |
| Non-current liabilities | | |
| Bonds payable | 2,603,300 | 3,649,700 |
| Long-term borrowings | 19,658,833 | 27,279,311 |
| Lease obligations | 52,026 | 19,271 |
| Asset retirement obligations | 69,054 | 69,461 |
| Other | 166,965 | 225,518 |
| Total non-current liabilities | 22,550,179 | 31,243,262 |
| Total liabilities | 114,202,938 | 149,209,113 |

| | (Thousands of yen) | |
|---|---------------------------------|--|
| | FY3/22 (As of Mar. 31, 2022) | Third quarter of FY3/23 (As of Dec. 31, 2022) |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 4,810,052 | 4,815,281 |
| Capital surplus | 5,698,164 | 5,703,399 |
| Retained earnings | 33,631,891 | 38,087,980 |
| Treasury shares | (77,711) | (377,320) |
| Total shareholders' equity | 44,062,396 | 48,229,340 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | (59,299) | (117,493) |
| Foreign currency translation adjustment | 23,205 | (2,704) |
| Total accumulated other comprehensive income | (36,094) | (120,197) |
| Share acquisition rights | 12,569 | 17,736 |
| Non-controlling interests | 4,998,950 | 5,229,879 |
| Total net assets | 49,037,822 | 53,356,758 |
| Total liabilities and net assets | 163,240,761 | 202,565,872 |

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

(Thousands of yen)

| | First nine months of FY3/22 (Apr. 1, 2021 – Dec. 31, 2021) | First nine months of FY3/23 (Apr. 1, 2022 – Dec. 31, 2022) |
|--|---|---|
| Net sales | 136,112,329 | 160,209,801 |
| Cost of sales | 105,738,224 | 132,402,127 |
| Gross profit | 30,374,105 | 27,807,674 |
| Selling, general and administrative expenses | 12,214,337 | 13,123,985 |
| Operating profit | 18,159,767 | 14,683,688 |
| Non-operating income | | |
| Interest income | 717 | 12,556 |
| Dividend income | 41,738 | 5,057 |
| Refund of real estate acquisition tax | 290,703 | 342,526 |
| Other | 271,301 | 397,753 |
| Total non-operating income | 604,461 | 757,894 |
| Non-operating expenses | | |
| Interest expenses | 547,436 | 804,719 |
| Commission expenses | 216,262 | 387,926 |
| Other | 114,865 | 65,567 |
| Total non-operating expenses | 878,564 | 1,258,213 |
| Ordinary profit | 17,885,664 | 14,183,370 |
| Extraordinary income | | |
| Gain on sale of non-current assets | 420 | 1,517 |
| Gain on sale of investment securities | 70,114 | - |
| Total extraordinary income | 70,534 | 1,517 |
| Extraordinary losses | | |
| Loss on sale of non-current assets | 1,157 | 3,815 |
| Loss on retirement of non-current assets | 12,929 | 2,320 |
| Loss on sale of investment securities | 75,207 | - |
| Total extraordinary losses | 89,295 | 6,135 |
| Profit before income taxes | 17,866,904 | 14,178,751 |
| Income taxes-current | 5,740,961 | 4,098,780 |
| Income taxes-deferred | (91,625) | 498,796 |
| Total income taxes | 5,649,336 | 4,597,577 |
| Profit | 12,217,568 | 9,581,173 |
| Profit attributable to non-controlling interests | 982,131 | 526,059 |
| Profit attributable to owners of parent | 11,235,436 | 9,055,114 |

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

(Thousands of yen)

| | First nine months of FY3/22 (Apr. 1, 2021 – Dec. 31, 2021) | First nine months of FY3/23 (Apr. 1, 2022 – Dec. 31, 2022) |
|--|---|---|
| Profit | 12,217,568 | 9,581,173 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (43,902) | (58,193) |
| Foreign currency translation adjustment | 2,889 | (25,909) |
| Total other comprehensive income | (41,012) | (84,103) |
| Comprehensive income | 12,176,555 | 9,497,070 |
| Comprehensive income attributable to: | | |
| Comprehensive income attributable to owners of parent | 11,197,412 | 8,971,010 |
| Comprehensive income attributable to non-controlling interests | 979,142 | 526,059 |

(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 nine months of FY3/22 (Apr. 1, 2021 – Dec. 31, 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 | 93,463,300 | 1,323,493 | 18,435,865 | 8,441,130 | 9,879,833 |
| Inter-segment sales and transfers | - | 644,499 | - | - | - |
| Total | 93,463,300 | 1,967,992 | 18,435,865 | 8,441,130 | 9,879,833 |
| Segment profit | 15,971,959 | 73,600 | 2,127,288 | 1,395,864 | 741,779 |

| | 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 | 1,730,991 | 691,872 | 133,966,486 | 2,145,843 | - | 136,112,329 |
| Inter-segment sales and transfers | - | - | 644,499 | 715,275 | (1,359,775) | - |
| Total | 1,730,991 | 691,872 | 134,610,985 | 2,861,119 | (1,359,775) | 136,112,329 |
| Segment profit | 50,055 | 17,670 | 20,378,218 | 388,728 | (2,607,179) | 18,159,767 |

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 -2,607 million yen adjustment to segment profit includes elimination for inter-segment transactions of 30 million yen and -2,637 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 nine months of FY3/23 (Apr. 1, 2022 – Dec. 31, 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 | 109,144,118 | 2,514,285 | 20,511,097 | 10,710,706 | 13,950,976 |
| Inter-segment sales and transfers | - | 833,938 | - | - | - |
| Total | 109,144,118 | 3,348,224 | 20,511,097 | 10,710,706 | 13,950,976 |
| Segment profit | 13,285,991 | 96,020 | 973,740 | 1,448,601 | 799,235 |

| | 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 | 1,679,885 | 158,511,069 | 1,698,732 | - | 160,209,801 |
| Inter-segment sales and transfers | - | 833,938 | 636,643 | (1,470,582) | - |
| Total | 1,679,885 | 159,345,008 | 2,335,375 | (1,470,582) | 160,209,801 |
| Segment profit | 127,957 | 16,731,547 | 600,994 | (2,648,853) | 14,683,688 |

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 -2,648 million yen adjustment to segment profit includes elimination for inter-segment transactions of 20 million yen and -2,669 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 December 31, 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 December 31, 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 third 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.