

May 12, 2023

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2023

[Japanese GAAP]

Company name: KI-STAR REAL ESTATE CO., LTD. Listing: Tokyo Stock Exchange
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Scheduled date of Annual General Meeting of Shareholders: June 26, 2023

Scheduled date of filing of Annual Securities Report: June 26, 2023

Scheduled date of payment of dividend: June 27, 2023

Preparation of supplementary materials for financial results: Yes

Holding of 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 Fiscal Year Ended March 31, 2023 (April 1, 2022 – 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	%
Fiscal year ended Mar. 31, 2023	241,879	31.2	19,189	(18.9)	18,467	(20.4)	11,845	(19.7)
Fiscal year ended Mar. 31, 2022	184,388	18.4	23,659	88.3	23,203	81.5	14,746	93.6

Note: Comprehensive income (million yen) Fiscal year ended Mar. 31, 2023: 12,666 (down 20.6%)

Fiscal year ended Mar. 31, 2022: 15,958 (up 85.5%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit on total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended Mar. 31, 2023	750.77	750.42	24.9	10.2	7.9
Fiscal year ended Mar. 31, 2022	976.49	975.80	43.0	17.0	12.8

Reference: Equity in earnings of affiliates (million yen) Fiscal year ended Mar. 31, 2023: -
 Fiscal year ended Mar. 31, 2022: -

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 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	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2023	199,461	56,528	25.6	3,234.79
As of Mar. 31, 2022	163,240	49,037	27.0	2,783.70

Reference: Shareholders' equity (million yen) As of Mar. 31, 2023: 50,969 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 consolidated balance sheet.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended Mar. 31, 2023	(16,394)	(2,476)	22,388	46,258
Fiscal year ended Mar. 31, 2022	(20,706)	(3,109)	36,556	42,740

2. Dividends

	Dividend per share					Total dividends	Payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended Mar. 31, 2022	-	115.00	-	150.00	265.00	4,202	27.1	11.7
Fiscal year ended Mar. 31, 2023	-	140.00	-	90.00	230.00	3,648	30.6	7.6
Fiscal year ending Mar. 31, 2024 (forecasts)	-	118.00	-	118.00	236.00		31.0	

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023 – March 31, 2024)

(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	290,000	19.9	19,500	1.6	19,000	2.9	12,000	1.3	761.57

*** 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) 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

(3) Number of issued shares (common shares)

1) Number of shares issued at the end of the period (including treasury shares)

As of Mar. 31, 2023: 15,861,700 shares As of Mar. 31, 2022: 15,857,200 shares

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

As of Mar. 31, 2023: 104,878 shares As of Mar. 31, 2022: 41,433 shares

3) Average number of shares during the period

Fiscal year ended Mar. 31, 2023: 15,778,355 shares Fiscal year ended Mar. 31, 2022: 15,101,055 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.

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022 – March 31, 2023)

(1) Non-consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Mar. 31, 2023	143,453	31.9	11,725	(20.2)	11,562	(20.5)	8,269	(21.8)
Fiscal year ended Mar. 31, 2022	108,800	18.3	14,690	71.4	14,533	65.1	10,571	74.0

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2023	524.08	523.84
Fiscal year ended Mar. 31, 2022	700.02	699.53

Note: The Company has established a performance-linked stock compensation plan for directors and employee stock distribution trust program. Shares for this plan held by the trust are recorded as treasury shares in the balance sheet and included in treasury shares for calculating the average number of shares during the period for determining net income per share.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2023	147,150	40,415	27.5	2,563.73
As of Mar. 31, 2022	118,786	37,016	31.2	2,339.68

Reference: Shareholders' equity (million yen): As of Mar. 31, 2023: 40,396 As of Mar. 31, 2022: 37,003

2. Non-consolidated Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023 – March 31, 2024)

(Percentages represent year-on-year changes)

	Net sales		Ordinary profit		Profit		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	160,000	11.5	10,000	(13.5)	7,000	(15.3)	444.25

* The current financial report is not subject to audit 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. Overview of Results of Operations

(1) Results of Operations

As social and economic activity began to return to normal after the pandemic, the Japanese economy slowly recovered during the current fiscal year. However, the outlook continued to be uncertain because of the yen's depreciation, inflation, the prolonged Russia-Ukraine conflict, financial instability in Japan and other countries and many other sources of concern.

In Japan's housing sector, where the KI-STAR Group operates, the rapid increase in interest in owning a house sparked by the pandemic has ended but demand for houses is still firm. Demand is supported by the continuation of tax reductions for homeowners, subsidies for purchasing energy-efficient houses and other programs. The cost of building houses continues to climb because of rising prices of building materials due to worldwide inflation and the difficulty of procuring these materials.

By supplying design houses with outstanding quality at affordable prices based on the vision of "house ownership for everyone," the KI-STAR 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 expanded operations to new areas and are working to continue growing in markets where we already operate with the aim of increasing our market share and cutting costs.

The KI-STAR Group is committed to using the digital transformation (DX) to improve the efficiency of business operations. Group companies made extensive use of MITSUKARU Pro and other information technologies to reduce business losses and expenses as the cost of building houses increases and raise efficiency and productivity. The goal was to maintain the best possible level of profitability.

Sales increased 57,491 million yen (31.2%) to a record-high 241,879 million yen. Operating profit decreased 4,469 million yen (18.9%) to 19,189 million yen due to aggressive sales promotions. Ordinary profit decreased 4,736 million yen (20.4%) to 18,467 million yen because of non-operating expenses increased 368 million yen. Profit attributable to owners of parent was down 2,900 million yen (19.7%) to 11,845 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 affordable 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 inventory turnover 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 fiscal year, 4,791 houses (including land sale) were sold, up 1,187 from one year earlier. Sales increased 40,837 million yen to 165,212 million yen. Segment profit was down 3,478 million yen to 17,198 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 fiscal year increased by 76 from one year earlier to 266. Sales were up 1,464 million yen to 4,770 million yen. Segment profit increased 45 million yen to 156 million yen caused by increasing

number of orders for the single-story IKI semi custom-built houses although with the up-front general and administrative expenses .

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 fiscal year increased by 180 to 1,078 (including land sale). The number of custom-built houses sold decreased by 26 to 45, because built-for-sale houses are the main activity of this business. Sales increased 5,372 million yen to 30,838 million yen and segment profit decreased 1,113 million yen to 1,563 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 fiscal year increased by 85 to 357 (including land sale). Sales increased 3,560 million yen to 15,166 million yen and segment profit decreased 141 million yen to 1,711 million yen.

v) Kensin business

Subsidiary KENSIN Co., Ltd. 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 fiscal year increased by 154 to 443 (including land sale) and custom-built houses sold decreased by 11 to 98 as Kensin has been working on strengthening its built-for-sale house sales business. Sales increased 6,654 million yen to 21,413 million yen and segment profit increased 147 million yen to 1,288 million yen.

vi) KEIAI Prest business

The main activities of KEIAI PREST Co., Ltd. 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 fiscal year increased by 66 to 98 (including land sale). Sales increased 1,285 million yen to 2,523 million yen and segment profit increased 51 million yen to 147 million yen.

(2) Financial Position

Assets

Total assets increased by 36,220 million yen from the end of the previous fiscal year to 199,461 million yen at the end of the current fiscal year. This was mainly due to an increase of 29,083 million yen in inventories, which include real estate for sale, real estate for sale in process and costs on uncompleted construction contracts, and an increase of 4,812 million yen in cash and deposits.

Liabilities

Total liabilities increased by 28,730 million yen to 142,932 million yen. The main reasons include an increase of 27,623 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 7,490 million yen to 56,528 million yen. The main reason was an increase of 11,845 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) Cash Flows

Cash and cash equivalents at the end of the current fiscal year increased 3,517 million yen from the end of the previous fiscal year to 46,258 million yen.

Cash flows and the main reasons for changes are as follows.

Cash flows from operating activities

Net cash used in operating activities decreased 4,311 million yen from the previous fiscal year to 16,394 million yen.

Main factors include a decrease of 15,527 million yen in inventories, which was partly offset by a 4,722 million yen decrease in profit before income taxes and a 3,590 million yen increase in income taxes paid.

Cash flows from investing activities

Net cash used in investing activities decreased 633 million yen from the previous fiscal year to 2,476 million yen.

Main factors include a decrease of 1,797 million yen in payments for sale of shares of subsidiaries resulting in change in scope of consolidation and an increase of payments into time deposits of 1,262 million yen.

Cash flows from financing activities

Net cash provided by financing activities decreased 14,167 million yen from the previous fiscal year to 22,388 million yen.

Main factors include a net decrease of 8,669 million yen in proceeds from long-term borrowings and a decrease of 7,920 million yen in proceeds from issuance of shares.

Reference: Cash flow indicators

	FY3/21	FY3/22	FY3/23
Shareholders' equity ratio (%)	22.3	27.0	25.6
Shareholders' equity ratio based on market prices (%)	52.0	51.2	33.0
Interest-bearing debt to cash flow ratio (times)	5.0	-	-
Interest coverage ratio (times)	15.8	-	-

Notes: 1. Shareholders' equity ratio: Shareholders' equity / Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt / Operating cash flows

Interest coverage ratio: Operating cash flows / Interest payments

2. All figures are calculated based on consolidated financial values.

3. Interest-bearing debt includes all debts on the consolidated balance sheet that incur interest.

4. Interest-bearing debt to cash flow ratio and interest coverage ratio are not shown for FY3/22 and FY3/23 because operating cash flows were negative.

(4) Outlook

The growth strategy of the KI-STAR Group is to increase its share of the built-for-sale house market. To accomplish this goal, group companies will continue to expand operations to more areas of Japan while strengthening operations in areas where the group currently operates.

The key indicator used for determining the achievement of targets is year-on-year sales growth. Sales have increased for eight consecutive years, which is every year since KI-STAR's initial public offering.

The upturn in demand for houses caused by the pandemic is ending and the cost of building materials is continuing to climb. Although the outlook is unclear, we forecast net sales of 290,000 million yen, up 19.9%, operating profit of 19,500 million yen, up 1.6%, ordinary profit of 19,000 million yen, up 2.9%, and profit attributable to owners

of parent of 12,000 million yen, up 1.3%.

This forecast is based on certain assumptions and therefore actual results may differ significantly for a number of reasons. Consolidated results may be affected significantly if the pandemic continues or personal income declines sharply because of an economic slowdown.

2. Basic Approach to the Selection of Accounting Standards

The Company plans to use Japanese accounting standards for the foreseeable future because, as of May 2023, almost all business operations are in Japan and operations in other countries are negligible. However, we intend to consider the future adoption of International Financial Reporting Standards (IFRS), depending on our percentage of foreign shareholders and adoption trends among other companies in Japan.

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

(Thousands of yen)

	FY3/22 (As of Mar. 31, 2022)	FY3/23 (As of Mar. 31, 2023)
Assets		
Current assets		
Cash and deposits	43,043,330	47,855,517
Accounts receivable from completed construction contracts	578,815	93,365
Real estate for sale	30,473,523	58,464,976
Real estate for sale in process	72,763,078	74,224,047
Costs on uncompleted construction contracts	4,495,297	4,126,652
Advance payments to suppliers	2,037,313	2,911,032
Other	2,361,831	3,874,441
Allowance for doubtful accounts	(66,716)	(33,740)
Total current assets	155,686,474	191,516,294
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,586,224	1,526,372
Machinery, equipment and vehicles, net	43,638	46,268
Land	2,245,809	2,413,066
Leased assets, net	2,906	5,079
Construction in progress	25,050	99,401
Other, net	84,834	106,801
Total property, plant and equipment	3,988,463	4,196,990
Intangible assets		
Goodwill	636,615	511,465
Other	521,789	438,371
Total intangible assets	1,158,405	949,837
Investments and other assets		
Investment securities	626,933	648,022
Deferred tax assets	1,163,084	877,654
Other	617,399	1,272,484
Total investments and other assets	2,407,417	2,798,160
Total non-current assets	7,554,287	7,944,989
Total assets	163,240,761	199,461,283

	(Thousands of yen)	
	FY3/22	FY3/23
	(As of Mar. 31, 2022)	(As of Mar. 31, 2023)
Liabilities		
Current liabilities		
Electronically recorded obligations-operating	3,530,979	4,269,404
Accounts payable for construction contracts	14,779,983	18,325,676
Short-term borrowings	56,864,048	79,159,885
Current portion of bonds payable	3,171,000	2,380,800
Current portion of long-term borrowings	3,700,353	8,082,142
Lease obligations	51,137	49,724
Income taxes payable	5,491,725	2,152,434
Provision for bonuses	580,149	705,496
Other	3,483,381	3,517,814
Total current liabilities	91,652,758	118,643,378
Non-current liabilities		
Bonds payable	2,603,300	3,387,600
Long-term borrowings	19,658,833	20,604,638
Lease obligations	52,026	6,577
Asset retirement obligations	69,054	69,463
Other	166,965	221,300
Total non-current liabilities	22,550,179	24,289,580
Total liabilities	114,202,938	142,932,958
Net assets		
Shareholders' equity		
Share capital	4,810,052	4,815,525
Capital surplus	5,698,164	5,703,643
Retained earnings	33,631,891	40,878,708
Treasury shares	(77,711)	(377,518)
Total shareholders' equity	44,062,396	51,020,359
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(59,299)	(48,046)
Foreign currency translation adjustment	23,205	(2,333)
Total accumulated other comprehensive income	(36,094)	(50,379)
Share acquisition rights	12,569	19,288
Non-controlling interests	4,998,950	5,539,056
Total net assets	49,037,822	56,528,325
Total liabilities and net assets	163,240,761	199,461,283

(2) Consolidated Statements of Income and Comprehensive Income**Consolidated Statement of Income**

(Thousands of yen)

	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)	FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)
Net sales	184,388,059	241,879,410
Cost of sales	144,348,475	204,219,460
Gross profit	40,039,583	37,659,949
Selling, general and administrative expenses		
Sales commission	3,676,795	5,242,003
Advertising expenses	937,302	662,823
Salaries and allowances	4,474,181	4,531,202
Provision for bonuses	375,092	498,575
Other	6,916,849	7,535,925
Total selling, general and administrative expenses	16,380,220	18,470,530
Operating profit	23,659,363	19,189,419
Non-operating income		
Cancellation earnest income	17,308	27,646
Refund of real estate acquisition tax	431,295	462,064
Other	416,972	477,791
Total non-operating income	865,576	967,502
Non-operating expenses		
Interest expenses	774,463	1,118,867
Commission expenses	397,286	469,179
Other	149,298	101,034
Total non-operating expenses	1,321,048	1,689,082
Ordinary profit	23,203,891	18,467,839
Extraordinary income		
Gain on sale of non-current assets	3,897	2,685
Gain on sale of investment securities	70,114	-
Total extraordinary income	74,011	2,685
Extraordinary losses		
Loss on sale of non-current assets	1,157	3,815
Loss on retirement of non-current assets	22,724	21,707
Loss on sale of investment securities	86,115	-
Total extraordinary losses	109,997	25,522
Profit before income taxes	23,167,905	18,445,002
Income taxes-current	7,493,818	5,483,302
Income taxes-deferred	(317,906)	280,620
Total income taxes	7,175,911	5,763,922
Profit	15,991,994	12,681,079
Profit attributable to non-controlling interests	1,245,914	835,237
Profit attributable to owners of parent	14,746,079	11,845,842

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)	FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)
Profit	15,991,994	12,681,079
Other comprehensive income		
Valuation difference on available-for-sale securities	(59,091)	11,253
Foreign currency translation adjustment	25,566	(25,539)
Total other comprehensive income	(33,525)	(14,285)
Comprehensive income	15,958,468	12,666,794
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	14,715,543	11,831,556
Comprehensive income attributable to non-controlling interests	1,242,925	835,237

(3) Consolidated Statement of Changes in Equity

FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	821,050	1,726,245	22,061,361	(77,519)	24,531,137
Changes during period					
Issuance of new shares	3,960,117	3,960,117			7,920,234
Issuance of new shares - exercise of share acquisition rights	2,133	2,133			4,267
Dividends of surplus			(3,175,549)		(3,175,549)
Profit attributable to owners of parent			14,746,079		14,746,079
Purchase of treasury shares				(192)	(192)
Increase by share exchanges	26,752	9,667			36,419
Net changes in items other than shareholders' equity					
Total changes during period	3,989,002	3,971,918	11,570,530	(192)	19,531,259
Balance at end of period	4,810,052	5,698,164	33,631,891	(77,711)	44,062,396

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	(207)	(2,360)	(2,568)	4,082	4,686,178	29,218,829
Changes during period						
Issuance of new shares						7,920,234
Issuance of new shares - exercise of share acquisition rights						4,267
Dividends of surplus						(3,175,549)
Profit attributable to owners of parent						14,746,079
Purchase of treasury shares						(192)
Increase by share exchanges						36,419
Net changes in items other than shareholders' equity	(59,091)	25,566	(33,525)	8,487	312,771	287,733
Total changes during period	(59,091)	25,566	(33,525)	8,487	312,771	19,818,992
Balance at end of period	(59,299)	23,205	(36,094)	12,569	4,998,950	49,037,822

FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	4,810,052	5,698,164	33,631,891	(77,711)	44,062,396
Changes during period					
Issuance of new shares					
Issuance of new shares - exercise of share acquisition rights	5,472	5,472			10,945
Dividends of surplus			(4,599,025)		(4,599,025)
Profit attributable to owners of parent			11,845,842		11,845,842
Purchase of treasury shares				(299,806)	(299,806)
Purchase of shares of consolidated subsidiaries		6			6
Net changes in items other than shareholders' equity					
Total changes during period	5,472	5,479	7,246,817	(299,806)	6,957,963
Balance at end of period	4,815,525	5,703,643	40,878,708	(377,518)	51,020,359

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	(59,299)	23,205	(36,094)	12,569	4,998,950	49,037,822
Changes during period						
Issuance of new shares						
Issuance of new shares - exercise of share acquisition rights						10,945
Dividends of surplus						(4,599,025)
Profit attributable to owners of parent						11,845,842
Purchase of treasury shares						(299,806)
Purchase of shares of consolidated subsidiaries						6
Net changes in items other than shareholders' equity	11,253	(25,539)	(14,285)	6,718	540,106	532,539
Total changes during period	11,253	(25,539)	(14,285)	6,718	540,106	7,490,502
Balance at end of period	(48,046)	(2,333)	(50,379)	19,288	5,539,056	56,528,325

(4) Consolidated Statement of Cash Flows

	(Thousands of yen)	
	FY3/22	FY3/23
	(Apr. 1, 2021 – Mar. 31, 2022)	(Apr. 1, 2022 – Mar. 31, 2023)
Cash flows from operating activities		
Profit before income taxes	23,167,905	18,445,002
Depreciation	384,048	433,114
Amortization of long-term prepaid expenses	25,449	22,415
Amortization of goodwill	155,675	125,149
Increase (decrease) in allowance for doubtful accounts	21,993	(32,976)
Increase (decrease) in provision for bonuses	215,423	125,346
Interest and dividend income	(43,364)	(25,970)
Commission expenses	397,286	469,179
Interest expenses	774,463	1,118,867
Loss (gain) on sale and retirement of non-current assets	19,985	22,836
Decrease (increase) in trade receivables	37,175	1,990
Decrease (increase) in inventories	(44,612,862)	(29,084,910)
Increase (decrease) in trade payables	7,010,196	4,284,117
Other, net	(1,875,839)	(1,890,597)
Subtotal	(14,322,463)	(5,986,433)
Interest and dividends received	43,364	25,970
Interest paid	(1,171,749)	(1,588,047)
Income taxes paid	(5,255,341)	(8,845,990)
Net cash provided by (used in) operating activities	(20,706,190)	(16,394,501)
Cash flows from investing activities		
Purchase of property, plant and equipment	(690,285)	(531,828)
Proceeds from sales of property, plant and equipment	13,344	5,406
Purchase of intangible assets	(108,719)	(83,756)
Proceeds from withdrawal of time deposits	4,804	79,901
Payments into time deposits	(67,306)	(1,330,000)
Purchase of investment securities	(448,327)	(10,060)
Proceeds from sale of investment securities	-	5,034
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	(1,797,181)	-
Loan advances	(1,455)	(248,010)
Collection of loans receivable	45,543	19,838
Payments of guarantee deposits	(77,171)	(389,088)
Proceeds from refund of guarantee deposits	26,416	10,756
Other, net	(8,970)	(4,428)
Net cash provided by (used in) investing activities	(3,109,309)	(2,476,235)

	(Thousands of yen)	
	FY3/22	FY3/23
	(Apr. 1, 2021 – Mar. 31, 2022)	(Apr. 1, 2022 – Mar. 31, 2023)
Cash flows from financing activities		
Proceeds from short-term borrowings	286,422,068	501,943,002
Repayments of short-term borrowings	(270,704,746)	(479,649,028)
Proceeds from long-term borrowings	20,488,477	15,157,950
Repayments of long-term borrowings	(6,491,314)	(9,830,356)
Proceeds from issuance of bonds	2,679,000	3,170,000
Redemption of bonds	(328,000)	(3,175,900)
Repayments of lease obligations	(51,568)	(41,089)
Proceeds from issuance of shares	7,920,234	-
Purchase of treasury shares	-	(299,806)
Dividends paid	(3,174,151)	(4,596,667)
Dividends paid to non-controlling interests	(207,005)	(265,294)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	-	(29,830)
Other, net	3,282	5,556
Net cash provided by (used in) financing activities	36,556,276	22,388,536
Net increase (decrease) in cash and cash equivalents	12,740,777	3,517,800
Cash and cash equivalents at beginning of period	29,999,578	42,740,355
Cash and cash equivalents at end of period	42,740,355	46,258,156

(5) Notes to Consolidated Financial Statements**Going Concern Assumption**

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 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 consolidated financial statements.

Segment and Other Information

Segment information

1. Overview of reportable segment

(1) Method for identifying reportable segments

Segments used for financial reporting are the Company's constituent units for which separate financial information is available and for which the Board of Directors performs periodic studies for the purposes of determining the allocation of resources and evaluating performance.

The business units of the Company are based on categories of products and services. Each business unit determines comprehensive strategies for its products and services and conducts business operations.

Consequently, the reportable segments consist of categories of products and services based on these business units: homebuilding and sales, custom-built housing, and pre-owned home. In addition, the following consolidated subsidiaries, which operate businesses autonomously, are reportable segments: Yokatown Co., Ltd., Asahi Housing Co., Ltd., KENSIN Co., Ltd., and KEIAI PREST Co., Ltd..

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.

(2) Types of products and services in each reportable segment

The homebuilding and sales business sells built-for-sale houses and performs additional construction and other services for these houses.

The custom-built housing business sells custom-built houses and performs additional construction and other services for these houses.

The pre-owned home business sells pre-owned houses and has other activities.

The Yokatown business is mainly the sale of built-for-sale houses, custom-built houses and land in Fukuoka prefecture.

The Asahi Housing business is primarily the sale of built-for-sale houses and land in Kanagawa prefecture.

The Kensin business is primarily the sale of built-for-sale houses, custom-built houses and land as well as building site preparation work in Kanagawa prefecture.

The KEIAI Prest business is primarily the sale of built-for-sale houses and custom-built houses in the Kanto area.

2. Calculation methods for net sales, profits/losses, assets, and other items for each reportable segment

The accounting method used for reportable business segments are same as those described in "Significant Accounting Policies in the Preparation of Consolidated Financial Statements."

Segment profit for reportable segments is based on operating profit.

3. Information related to net sales, profits/losses, assets, and other items for each reportable segment
FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)

(Thousands of yen)

	Reportable segment			
	Homebuilding and sales	Custom-built housing	Yokatown	Asahi Housing
Net sales				
Sales to external customers	124,375,453	2,429,474	25,465,770	11,605,853
Inter-segment sales and transfers	-	876,468	-	-
Total	124,375,453	3,305,943	25,465,770	11,605,853
Segment profit	20,676,987	110,490	2,676,489	1,852,551
Segment assets	69,572,658	920,242	17,883,201	9,208,697
Other items				
Depreciation	46,564	11,776	44,327	7,247
Increase in property, plant and equipment and intangible assets	114,990	49,847	259,462	11,896

	Reportable segment				Others (Note 1)	Adjustments (Note 2)	Amounts shown on the consolidated financial statements (Note 3)
	Kensin	Tokyo Big House	KEIAI Prest	Total			
Net sales							
Sales to external customers	14,759,079	1,730,991	1,237,622	181,604,246	2,783,812	-	184,388,059
Inter-segment sales and transfers	-	-	-	876,468	964,967	(1,841,435)	-
Total	14,759,079	1,730,991	1,237,622	182,480,715	3,748,779	(1,841,435)	184,388,059
Segment profit	1,141,265	50,055	95,835	26,603,675	575,304	(3,519,616)	23,659,363
Segment assets	13,240,349	-	850,487	111,675,636	2,552,217	49,012,907	163,240,761
Other items							
Depreciation	29,287	6,624	2,687	148,517	38,660	196,870	384,048
Increase in property, plant and equipment and intangible assets	260,783	3,156	1	700,138	12,082	86,783	799,004

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. Adjustments are as follows:

- (1) The -3,519 million yen adjustment to segment profit includes elimination for inter-segment transactions of 31 million yen and -3,551 million yen in corporate expenses that cannot be allocated to any of the reportable segments. Corporate expenses mainly consist of general and administrative expenses that are not attributable to any of the reportable segments.
- (2) The adjustment to segment assets is corporate assets that are not attributable to reportable segments.
- (3) The adjustment to other items is an increase in corporate expenses and corporate assets that are not attributable to reportable segments.

3. Segment profit is adjusted with operating profit shown on the consolidated financial statements.

FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)

(Thousands of yen)

	Reportable segment			
	Homebuilding and sales	Custom-built housing	Yokatown	Asahi Housing
Net sales				
Sales to external customers	165,212,634	3,751,736	30,838,309	15,166,402
Inter-segment sales and transfers	-	1,019,174	-	-
Total	165,212,634	4,770,911	30,838,309	15,166,402
Segment profit	17,198,020	156,086	1,563,105	1,711,177
Segment assets	86,679,057	832,311	21,129,959	10,865,113
Other items				
Depreciation	55,388	18,286	42,014	8,029
Increase in property, plant and equipment and intangible assets	40,668	6,372	102,777	4,876

	Reportable segment			Others (Note 1)	Adjustments (Note 2)	Amounts shown on the consolidated financial statements (Note 3)
	Kensin	KEIAI Prest	Total			
Net sales						
Sales to external customers	21,413,647	2,523,568	238,906,298	2,973,112	-	241,879,410
Inter-segment sales and transfers	-	-	1,019,174	849,464	(1,868,639)	-
Total	21,413,647	2,523,568	239,925,473	3,822,576	(1,868,639)	241,879,410
Segment profit	1,288,417	147,590	22,064,398	892,472	(3,767,451)	19,189,419
Segment assets	15,689,102	812,398	136,007,942	1,909,846	61,543,494	199,461,283
Other items						
Depreciation	48,727	1,062	173,509	28,906	230,699	433,114
Increase in property, plant and equipment and intangible assets	228,781	320	383,797	7,761	224,025	615,584

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. Adjustments are as follows:

- (1) The -3,767 million yen adjustment to segment profit includes elimination for inter-segment transactions of 41 million yen and -3,808 million yen in corporate expenses that cannot be allocated to any of the reportable segments. Corporate expenses mainly consist of general and administrative expenses that are not attributable to any of the reportable segments.
- (2) The adjustment to segment assets is corporate assets that are not attributable to reportable segments.
- (3) The adjustment to other items is an increase in corporate expenses and corporate assets that are not attributable to reportable segments.

3. Segment profit is adjusted with operating profit shown on the consolidated financial statements.

Per Share Information

(Yen)

	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)	FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)
Net assets per share	2,783.70	3,234.79
Net income per share	976.49	750.77
Diluted net income per share	975.80	750.42

Notes: 1. The Company has established a performance-linked stock compensation plan for directors and employee stock distribution trust program. Shares for this plan held by the trust are recorded as treasury shares in the consolidated balance sheet and included in treasury shares for determining net assets per share and net income per share. For the determination of net assets per share and net income per share, the average number of treasury shares outstanding that were deducted were 41,300 for FY3/22 and 81,077 for FY3/23.

2. The basis of calculating net income per share and diluted net income per share is as follows:

(Thousands of yen)

	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)	FY3/23 (Apr. 1, 2022 – Mar. 31, 2023)
Net income per share		
Profit attributable to owners of parent	14,746,079	11,845,842
Amounts not attributable to common shareholders	-	-
Profit attributable to owners of parent applicable to common shares	14,746,079	11,845,842
Average number of common shares outstanding during the period (Shares)	15,101,055	15,778,355
Diluted net income per share		
Adjusted profit attributable to owners of parent	-	-
Increase in the number of shares of common stock (Shares)	10,695	7,239
Summary of dilutive shares not included in the calculation of “diluted net income per share” since there was no dilutive effect	Not applicable	Number of share acquisition rights No. 4: 125 (Common shares: 12,500 shares)

3. The basis of calculating net assets per share is as follows:

(Thousands of yen)

	FY3/22 (As of Mar. 31, 2022)	FY3/23 (As of Mar. 31, 2023)
Total net assets	49,037,822	56,528,325
Deduction on total net assets	5,011,520	5,558,345
[of which share acquisition rights]	[12,569]	[19,288]
[of which non-controlling interests]	[4,998,950]	[5,539,056]
Net assets applicable to common shares at the fiscal year end	44,026,302	50,969,979
Number of common shares at the fiscal year end used in calculation of net assets per share (Shares)	15,815,767	15,756,822

Material Subsequent Events

Business Combinations

Business Combination through Acquisition

Based on the resolution of the Board of Directors meeting held on March 14, 2023, KI-STAR entered into a share purchase agreement on March 28, 2023 to acquire stock of L-Housing Co., Ltd., and the stock was acquired on April 7, 2023.

(1) Summary of business combination

1) Company acquired and its business activities

Company acquired: L-Housing Co., Ltd.

Business activities: Purchase and sale of real estate, real estate agent and broker business, leasing, renovations

2) Main reasons for acquisition

Since its establishment in 1989, L-Housing has constructed single-family houses for sale mainly in Kyoto prefecture. Operations are guided by the corporate philosophy of “enlarging the circle of happiness in people’s lives.” During the past several years, operations have been extended to neighboring Shiga prefecture, the city of Hirakata in Osaka and northern Osaka prefecture for the growth of the homebuilding and sales business.

The KI-STAR Group has been expanding its own operations in the Osaka area, beginning with the opening of its first store in Hyogo prefecture in May 2021. This was followed by the opening of a store in Osaka prefecture in March 2022. Adding L-Housing to the KI-STAR Group is expected to further increase corporate value by combining their mutually complementary infrastructures, knowledge and other resources.

3) Acquisition date

April 7, 2023

4) Legal form of acquisition

Acquisition of shares

5) Name after acquisition

There is no change in the company’s name

6) Percentage of voting rights acquired

51.6%

7) Basis for choosing the company to acquire

KI-STAR acquired a majority of the voting rights.

(2) Acquisition cost of L-Housing and break down by type of consideration

The acquisition cost cannot be disclosed due to confidentiality obligations under the terms of the share purchase agreement, but was determined based on a reasonable price calculated by a third party.

(3) Details of major acquisition-related costs

Advisory compensation, fees, etc. 7,100 thousand yen

(4) Goodwill resulting from the acquisition

Not yet determined.

(5) Breakdown of assets acquired and liabilities assumed on the acquisition date

Not yet determined.

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.