

Summary of Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending March 31, 2021
(Three Months Ended June 30, 2020)

[Japanese GAAP]

Company name: KI-STAR REAL ESTATE CO., LTD. Listing: Tokyo Stock Exchange, First Section
 Securities code: 3465 URL: <https://www.ki-group.co.jp/>
 Representative: Keiji Hanawa, President and CEO
 Contact: Osamu Matsuzawa, Executive Officer, General Manager of Administration Division
 Tel: +81-(0) 495-27-2525

Scheduled date of filing of Quarterly Report: August 13, 2020
 Scheduled date of payment of dividend: -
 Preparation of supplementary materials for quarterly financial results: None
 Holding of quarterly financial results meeting: None

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

1. Consolidated Financial Results for the First Three Months (April 1, 2020 – June 30, 2020) of the Fiscal Year Ending March 31, 2021

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended Jun. 30, 2020	28,129	8.1	1,015	(20.9)	927	(24.3)	565	(20.9)
Three months ended Jun. 30, 2019	26,009	53.2	1,283	41.4	1,224	39.0	715	45.1

Note: Comprehensive income (million yen) Three months ended Jun. 30, 2020: 631 (down 21.7%)
 Three months ended Jun. 30, 2019: 806 (up 40.1%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2020	39.86	-
Three months ended Jun. 30, 2019	50.41	-

Notes: 1. Diluted net income per share for the three months ended June 30, 2019 and 2020 is not presented because there were no potential shares with dilutive effects.

2. KI-STAR REAL ESTATE CO., LTD. ("the Company") has established a performance-linked stock compensation plan for directors. The Company's shares for this plan 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 Jun. 30, 2020	96,388	19,874	18.8
As of Mar. 31, 2020	89,936	19,848	20.0

Reference: Shareholders' equity (million yen) As of Jun. 30, 2020: 18,095 As of Mar. 31, 2020: 17,998

Note: The Company has established a performance-linked stock compensation plan for directors. The Company's shares for this plan 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, 2020	-	42.00	-	34.00	76.00
Fiscal year ending Mar. 31, 2021	-	-	-	-	-
Fiscal year ending Mar. 31, 2021 (forecasts)	-	44.00	-	44.00	88.00

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

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2021 (April 1, 2020 – March 31, 2021)

(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	130,000	7.7	7,100	10.5	7,000	10.8	4,200	17.2	295.95

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: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Restatements: None

(4) Number of issued shares (common shares)

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

As of Jun. 30, 2020:	14,232,500 shares	As of Mar. 31, 2020:	14,232,500 shares
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2) Number of treasury shares at the end of the period

As of Jun. 30, 2020:	41,344 shares	As of Mar. 31, 2020:	41,344 shares
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3) Average number of shares during the period

Three months ended Jun. 30, 2020:	14,191,156 shares	Three months ended Jun. 30, 2019:	14,191,156 shares
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Note: The Company has established a performance-linked stock compensation plan for directors. The Company's shares for this plan held by the trust are included in treasury shares for calculating the number of treasury shares at the end of the period and the average number of shares during the period.

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

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

Cautionary statement with respect to forecasts

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

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first quarter of the current fiscal year, COVID-19 caused consumer spending in Japan to plummet in the food and beverage, travel and many other sectors of the economy. The loss of jobs, postponement of the Tokyo Olympics and Paralympics, and other events also severely impacted the Japanese economy. Although there were expectations for an economic recovery following the end of the state of emergency at the end of May, the number of COVID-19 infections subsequently started climbing again. The result is an even more uncertain outlook concerning this crisis and when it will end. Furthermore, COVID-19 has caused a steep downturn of economies worldwide.

In the Japanese housing sector, where the KI-STAR Group (“the Group”) operates, people have become increasingly cautious about purchasing a home because several natural disasters and COVID-19 have weakened the labor market and had other negative effects. However, people are spending more time at home because of remote working and the need to stay home as much as possible due to COVID-19. Demand for detached houses is increasing because people want to spend their time at home with more comfort. Furthermore, purchasing a home in Japan is still relatively easy due to reduced housing acquisition preferential taxation, low mortgage interest rates and other reasons.

By supplying design houses with outstanding quality at low prices, 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.” For more progress with combining real estate and IT, we conducted research involving the use of IT and created systems for many of our operations. The objective is to build houses incorporating concepts that look into the future in order to provide outstanding comfort and convenience to residents.

In April 2020, KI-STAR REAL ESTATE acquired TOKYO BIG HOUSE, Inc., making this company and its subsidiaries consolidated subsidiaries. These subsidiaries are Tokyo Big House Community KK, Tokyo Big House Marketing KK, and Sumai-no-Madoguchi KK.

We offered new services that enable people to purchase a home with greater confidence even as worries about economic stability increase because of the COVID-19 crisis. One is the House Res-9 (Kyu) mortgage payment assistance service, which ended on July 31. Customers were eligible to receive payments from us if an unexpected event made it difficult to make mortgage payments. Another new service is Neighborhood Work, which provides KI-STAR part-time work at a nearby location to students and housewives who were laid off or furloughed from a part-time or other job. Working time can be as little as once every week and two hours in one day. This service allows us to increase our workforce for the benefit of our customers as well as the communities where we do business.

First quarter sales increased 2,119 million yen (8.1%) to 28,129 million yen, which was a record-high for first-quarter sales. The gross profit margin improved by 0.3 percentage points from one year earlier to 15.1%. This margin decreased in April and May because of an increase in the use of price reductions to sell houses in response to the sudden decline in the business climate in March and April. In June, the gross profit margin improved as the demand for detached houses increased. Selling, general and administrative expenses were 653 million yen higher than one year earlier mainly because of higher personnel expenses resulting from newly consolidated subsidiaries and the growth of business activities. As a result, first quarter operating profit decreased 268 million yen (20.9%) to 1,015 million yen. Ordinary profit decreased 297 million yen (24.3%) to 927 million yen because of a 26 million yen increase in non-operating expenses caused primarily by higher interest expenses as funds were procured from financial institutions to purchase land. Profit attributable to owners of parent decreased 149 million yen (20.9%) to 565 million yen.

Results by business segment are as follows:

i) Homebuilding and sales business

In this business, there were many activities during the first quarter involving the market share growth strategy,

primarily in the Tokyo area. Backed by marketing activities that link the KEIAI brand with outstanding designs, we continued to supply design houses with outstanding quality at low prices. Prices of houses are set at a level that makes the monthly mortgage payments less expensive than renting a residence. We placed priority on the turnover ratio by shortening the time between the purchase of land and sale of houses. Building houses faster and improving construction processes also contributed to lowering expenses in this business. In addition, we continued to upgrade our sales capabilities by building stronger ties with real estate brokers throughout Japan, increasing purchases of land and increasing the use of outsourced sales activities.

During the first quarter, 592 houses (including land sale) were sold, down by one from one year earlier. However, sales increased 596 million yen to 17,827 million yen. Although earnings were negatively affected by a temporary decrease in the gross profit margin caused by measures to strengthen sales activities during the COVID-19 crisis and higher brokerage commissions (increase of the variable cost) as sales increased, segment profit was up 89 million yen to 1,471 million yen.

ii) Custom-built housing business

This custom-built housing business is concentrating on increasing the number of orders from real estate companies for its Fit-Pro custom-built houses.

The number of houses sold during the first quarter decreased by nine from one year earlier to 20. Sales were down 106 million yen to 231 million yen and segment profit decreased 17 million yen to 38 million yen.

iii) Pre-owned home business

This business has stopped all purchasing activities because we are focusing our resources on the homebuilding and sales business.

The number of houses sold during the first quarter decreased by 38 from one year earlier to 15. Sales decreased 1,082 million yen to 347 million yen and segment profit decreased 37 million yen to 11 million yen.

iv) Yokatown business

Subsidiary Yokatown Co., Ltd. sells built-for-sale houses, land and custom-built houses mainly in Fukuoka prefecture. Yokatown has been working on strengthening its built-for-sale house sales business.

The number of built-for-sale houses sold during the first quarter increased by 75 to 180 (including land sale), the number of custom-built houses sold decreased by nine to 28 because built-for-sale houses are the main activity of this business. Sales increased 1,798 million yen to 4,961 million yen and segment profit decreased 113 million yen to 158 million yen.

v) Asahi Housing business

Subsidiary Asahi Housing Co., Ltd. sells built-for-sale houses mainly in Kanagawa prefecture. There are many activities at this company involving housing development projects.

The number of houses sold during the first quarter increased by 11 to 46 (including land sale). Sales increased 491 million yen to 1,743 million yen and segment profit increased 46 million yen to 81 million yen.

vi) Fresco business

Subsidiary Fresco Inc. sells built-for-sale houses mainly in Chiba prefecture. This company also sells land and custom-built houses. Custom-built house sales mainly consist of houses where buyers can determine designs on their own and the “Hanamaru house” line of homes where buyers choose from pre-determined elements.

The number of built-for-sale houses sold during the first quarter decreased by one to 22 (including land sale) and the number of custom-built houses sold decreased by eight to eight. Sales decreased 162 million yen to 765 million yen and segment profit increased 56 million yen to 31 million yen.

vii) 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 big differences between high and low areas. Kensin plans to increase sales of built-for-sale houses.

The number of built-for-sale houses sold during the first quarter increased by six to 26 (including land sale) and 20 custom-built houses were sold, the same as one year earlier. Sales decreased 48 million yen to 1,322 million yen and segment loss decreased 56 million yen to 73 million yen.

viii) Tokyo Big House business

The main activities of Tokyo Big House, Inc., which are mainly in Tokyo, are the sale of built-for-sale houses, the sale of renovated condominium units and residential remodeling. This company plans to rapidly expand its development business for built-for-sale houses.

Tokyo Big House sold 17 built-for-sale houses (including land sale) and 13 custom-built houses, resulting in sales of 613 million yen. There was a segment loss of 67 million yen. One reason is mainly because of the inclusion of stock acquisition expenses of 3 million yen in selling, general and administrative expenses and a 37 million yen increase in the cost of sales due to the inclusion of a valuation gain resulting from the revaluation of inventories based on market prices as of the time Tokyo Big House was consolidated. There is no prior-year comparison because this reportable segment was added in the first quarter of the current fiscal year due to the acquisition of Tokyo Big House.

(2) Explanation of Financial Position

Assets

Total assets increased by 6,452 million yen from the end of the previous fiscal year to 96,388 million yen at the end of the first quarter of the current fiscal year. This was mainly due to an increase of 6,847 million yen in inventories, which includes real estate for sale, real estate for sale in process and costs on uncompleted construction contracts, while there was a decrease of 783 million yen in cash and deposits.

Liabilities

Total liabilities increased by 6,426 million yen to 76,514 million yen. The main reasons include an increase of 7,150 million yen in borrowings, which includes 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 26 million yen to 19,874 million yen. The main reasons were an increase of 565 million yen in retained earnings due to profit attributable to owners of parent, which was partly offset by a 483 million yen decrease in retained earnings as a result of payments of cash dividends, a 15 million yen increase in valuation difference on available-for-sale securities and a 71 million yen decrease in non-controlling interests.

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

In the first quarter, the gross profit margin decreased in April and May because of an increase in the use of price reductions to sell houses in response to the sudden decline in the business climate in March and April. But the gross profit margin improved in June because of increasing demand for detached houses. We believe that the demand for these houses will continue to increase for the time being. On July 3, 2020, we announced the number of sales contracts signed and contract payments received in the first quarter of the current fiscal year in the KI-STAR Group's core homebuilding and sales business. Contracts and contract payments were as follows in July for KI-STAR REAL ESTATE and subsidiaries established by KI-STAR REAL ESTATE.

Contract payments: Up 34% from one year earlier
Number of sales contracts: Up 28% from one year earlier

In addition, the gross profit margin on contracts signed in July was even higher than the first quarter margin.

We forecast net sales of 130,000 million yen (up 7.7% year on year), operating profit of 7,100 million yen (up 10.5% year on year), ordinary profit of 7,000 million yen (up 10.8% year on year), and profit attributable to owners of parent of 4,200 million yen (up 17.2% year on year) for the fiscal year ending March 31, 2021.

The KI-STAR Group currently specializes in detached houses for real rather than investment demand and has no involvement with overseas real estate and real estate for investments. As a result, demand for the Group's properties has remained firm even during the COVID-19 crisis and the fiscal year forecast reflects this performance. If there is a further downturn of the Japanese economy because of another state of emergency or some other event caused by a worsening of the COVID-19 crisis, there may be a significant effect on this forecast. An announcement will be made promptly if this forecast needs to be revised.

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

	(Thousands of yen)	
	FY3/20 (As of Mar. 31, 2020)	First quarter of FY3/21 (As of Jun. 30, 2020)
Assets		
Current assets		
Cash and deposits	14,126,543	13,343,087
Accounts receivable from completed construction contracts	500,175	365,326
Real estate for sale	28,565,839	32,360,391
Real estate for sale in process	34,688,814	36,883,571
Costs on uncompleted construction contracts	2,412,355	3,270,157
Other	2,461,360	2,318,168
Allowance for doubtful accounts	(11,349)	(48,500)
Total current assets	82,743,738	88,492,201
Non-current assets		
Property, plant and equipment	4,398,021	4,404,419
Intangible assets		
Goodwill	845,683	1,283,451
Other	573,530	590,105
Total intangible assets	1,419,214	1,873,556
Investments and other assets	1,375,073	1,618,604
Total non-current assets	7,192,309	7,896,580
Total assets	89,936,048	96,388,782
Liabilities		
Current liabilities		
Electronically recorded obligations-operating	434,261	474,059
Accounts payable for construction contracts	9,766,640	8,924,877
Short-term borrowings	42,145,532	51,252,813
Current portion of bonds payable	147,400	188,200
Current portion of long-term borrowings	6,978,669	3,412,973
Lease obligations	55,450	54,008
Income taxes payable	1,047,770	376,461
Provision for bonuses	250,539	454,535
Other	2,683,733	3,221,933
Total current liabilities	63,509,998	68,359,863
Non-current liabilities		
Bonds payable	512,300	449,300
Long-term borrowings	5,740,755	7,349,758
Lease obligations	151,832	138,570
Asset retirement obligations	66,582	71,559
Other	106,156	145,158
Total non-current liabilities	6,577,626	8,154,348
Total liabilities	70,087,624	76,514,211

	(Thousands of yen)	
	FY3/20 (As of Mar. 31, 2020)	First quarter of FY3/21 (As of Jun. 30, 2020)
Net assets		
Shareholders' equity		
Share capital	821,050	821,050
Capital surplus	1,726,245	1,726,245
Retained earnings	15,555,237	15,637,020
Treasury shares	(77,428)	(77,428)
Total shareholders' equity	18,025,105	18,106,888
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(26,303)	(10,533)
Foreign currency translation adjustment	(177)	(972)
Total accumulated other comprehensive income	(26,481)	(11,505)
Share acquisition rights	3,161	3,757
Non-controlling interests	1,846,639	1,775,430
Total net assets	19,848,424	19,874,570
Total liabilities and net assets	89,936,048	96,388,782

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

(Thousands of yen)

	First three months of FY3/20 (Apr. 1, 2019 – Jun. 30, 2019)	First three months of FY3/21 (Apr. 1, 2020 – Jun. 30, 2020)
Net sales	26,009,865	28,129,175
Cost of sales	22,152,614	23,886,675
Gross profit	3,857,250	4,242,500
Selling, general and administrative expenses	2,573,965	3,227,367
Operating profit	1,283,285	1,015,132
Non-operating income		
Interest income	134	233
Dividend income	2,969	1,789
Refund of real estate acquisition tax	8,555	14,122
Subsidy income	16,991	-
Other	63,191	73,141
Total non-operating income	91,840	89,286
Non-operating expenses		
Interest expenses	140,170	154,453
Other	9,972	22,576
Total non-operating expenses	150,143	177,030
Ordinary profit	1,224,982	927,389
Extraordinary income		
Gain on sales of non-current assets	-	237
Total extraordinary income	-	237
Extraordinary losses		
Loss on retirement of non-current assets	-	174
Loss on sales of investment securities	-	5,171
Total extraordinary losses	-	5,345
Profit before income taxes	1,224,982	922,280
Income taxes-current	441,241	382,052
Income taxes-deferred	(22,204)	(75,933)
Total income taxes	419,036	306,119
Profit	805,946	616,161
Profit attributable to non-controlling interests	90,474	50,474
Profit attributable to owners of parent	715,471	565,686

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

(Thousands of yen)

	First three months of FY3/20 (Apr. 1, 2019 – Jun. 30, 2019)	First three months of FY3/21 (Apr. 1, 2020 – Jun. 30, 2020)
Profit	805,946	616,161
Other comprehensive income		
Valuation difference on available-for-sale securities	460	15,769
Foreign currency translation adjustment	-	(794)
Total other comprehensive income	460	14,975
Comprehensive income	806,407	631,136
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	715,609	574,544
Comprehensive income attributable to non-controlling interests	90,797	56,592

(3) Notes to Quarterly Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Segment and Other Information

Segment information

First three months of FY3/20 (Apr. 1, 2019 – Jun. 30, 2019)

1. Information related to net sales and profit for each reportable segment

(Thousands of yen)

	Reportable segment					
	Homebuilding and sales	Custom-built housing	Pre-owned home sales	Yokatown	Asahi Housing	Fresco
Net sales						
Sales to external customers	17,230,783	338,075	1,430,336	3,163,404	1,252,533	928,420
Inter-segment sales and transfers	-	-	-	-	-	-
Total	17,230,783	338,075	1,430,336	3,163,404	1,252,533	928,420
Segment profit (loss)	1,382,002	55,752	48,725	272,102	34,870	(25,406)

	Reportable segment		Others (Note 1)	Adjustments (Note 2)	Amounts shown on the quarterly consolidated statement of income (Note 3)
	Kensin	Total			
Net sales					
Sales to external customers	1,371,051	25,714,604	295,260	-	26,009,865
Inter-segment sales and transfers	-	-	232,067	(232,067)	-
Total	1,371,051	25,714,604	527,328	(232,067)	26,009,865
Segment profit (loss)	(17,128)	1,750,918	54,457	(522,090)	1,283,285

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

2. Adjustments to segment profit (loss) consist of corporate expenses that cannot be attributed to any of the reportable segments.

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

First three months of FY3/21 (Apr. 1, 2020 – Jun. 30, 2020)

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	Pre-owned home sales	Yokatown	Asahi Housing	Fresco
Net sales						
Sales to external customers	17,827,072	231,526	347,967	4,961,461	1,743,563	765,761
Inter-segment sales and transfers	-	-	-	-	-	-
Total	17,827,072	231,526	347,967	4,961,461	1,743,563	765,761
Segment profit (loss)	1,471,718	38,392	11,187	158,182	81,834	31,349

	Reportable segment			Others (Note 1)	Adjustments (Note 2)	Amounts shown on the quarterly consolidated statement of income (Note 3)
	Kensin	Tokyo Big House	Total			
Net sales						
Sales to external customers	1,322,215	613,527	27,813,094	316,081	-	28,129,175
Inter-segment sales and transfers	-	-	-	277,814	(277,814)	-
Total	1,322,215	613,527	27,813,094	593,895	(277,814)	28,129,175
Segment profit (loss)	(73,986)	(67,174)	1,651,504	25,506	(661,877)	1,015,132

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

2. Adjustments to segment profit (loss) consist of corporate expenses that cannot be attributed to any of the reportable segments.

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

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.