

KEIAI

デザインのケイアイ

Third Quarter of FY3/24 Financial Results

KI-STAR REAL ESTATE CO., LTD.



Tokyo Stock Exchange,
Prime Market/ 3465

Our Purpose and Vision

Our Purpose

We are a “YU TA KA” creation company that delivers “fulfilling, enjoyable and pleasant” lifestyles in the world.

Our Vision

House ownership for everyone

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1. 1Q-3Q FY3/24 Financial Summary

Consolidated Statement of Income (First Nine Months)

Net sales were 197.62 billion JPY (up 23.4% YoY), ordinary profit decreased 50.5% to 7.02 billion JPY and profit attributable to owners of parent decreased 47.3% to 4.77 billion JPY in the first nine months of FY3/24.

(JPY mil.)

	1Q-3Q (Apr-Dec) of FY3/23		1Q-3Q (Apr-Dec) of FY3/24		YoY change
	Amount	Proportion	Amount	Proportion	
Net sales	160,209	100.0%	197,622	100.0%	23.4%
Gross profit	27,807	17.4%	23,519	11.9%	-15.4%
SG&A expenses	13,123	8.2%	15,634	7.9%	19.1%
Operating profit	14,683	9.2%	7,885	4.0%	-46.3%
Ordinary profit	14,183	8.9%	7,023	3.6%	-50.5%
Profit attributable to owners of parent	9,055	5.7%	4,775	2.4%	-47.3%

Consolidated Statement of Income (3Q)

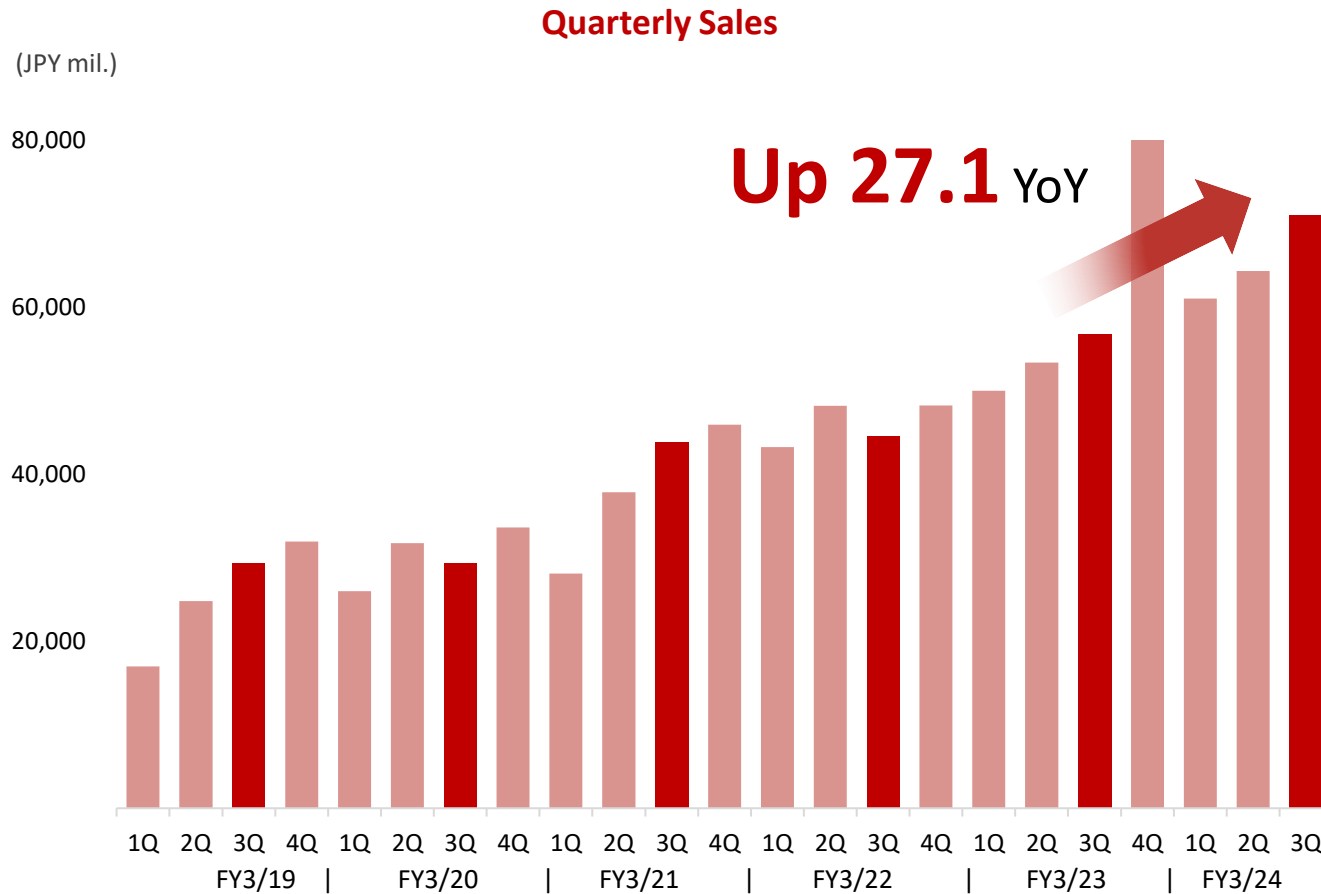
In the third quarter of FY3/24, net sales increased 27.1% YoY to 72.13 billion JPY. Ordinary profit decreased 27.2% to 3.06 billion JPY and profit attributable to owners of parent decreased 36.2% to 1.71 billion JPY.

(JPY mil.)

	3Q (Oct-Dec) of FY3/23		3Q (Oct-Dec) of FY3/24		YoY change
	Amount	Proportion	Amount	Proportion	
Net sales	56,757	100.0%	72,138	100.0%	27.1%
Gross profit	8,841	15.6%	8,495	11.8%	-3.9%
SG&A expenses	4,527	8.0%	5,252	7.3%	16.0%
Operating profit	4,313	7.6%	3,243	4.5%	-24.8%
Ordinary profit	4,208	7.4%	3,065	4.3%	-27.2%
Profit attributable to owners of parent	2,687	4.7%	1,714	2.4%	-36.2%

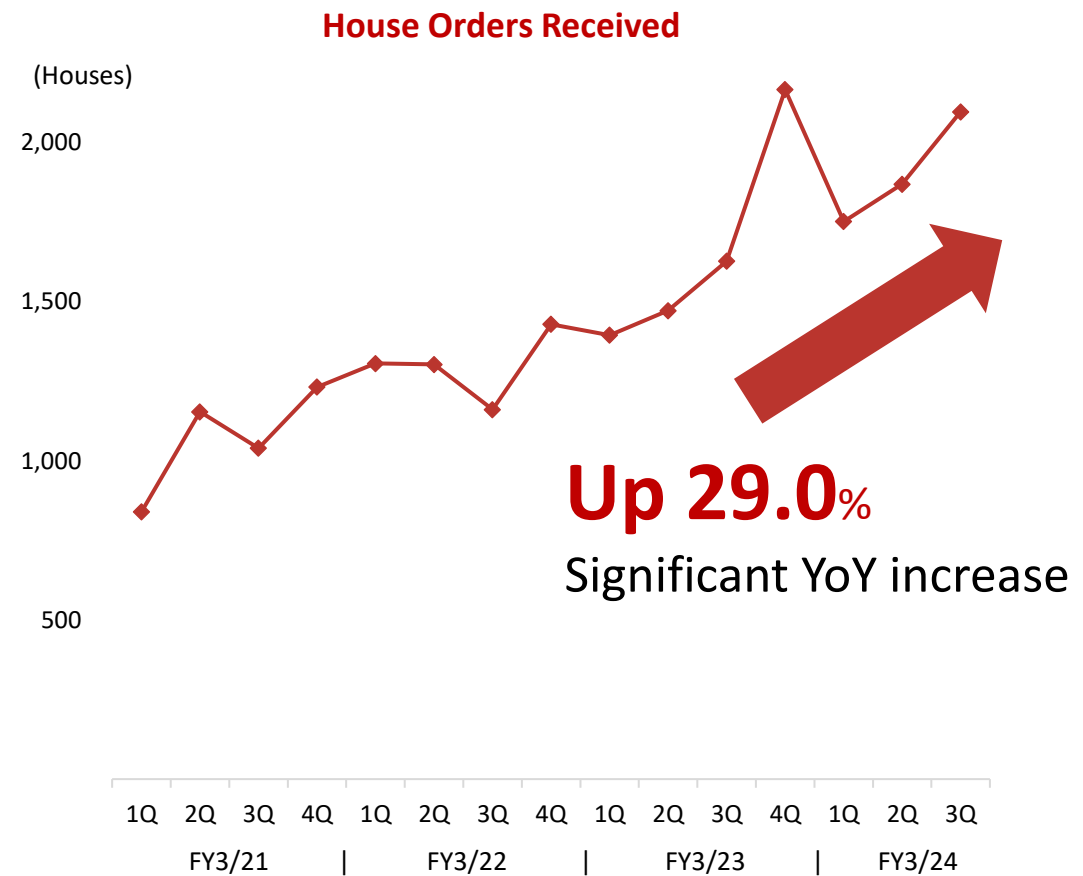
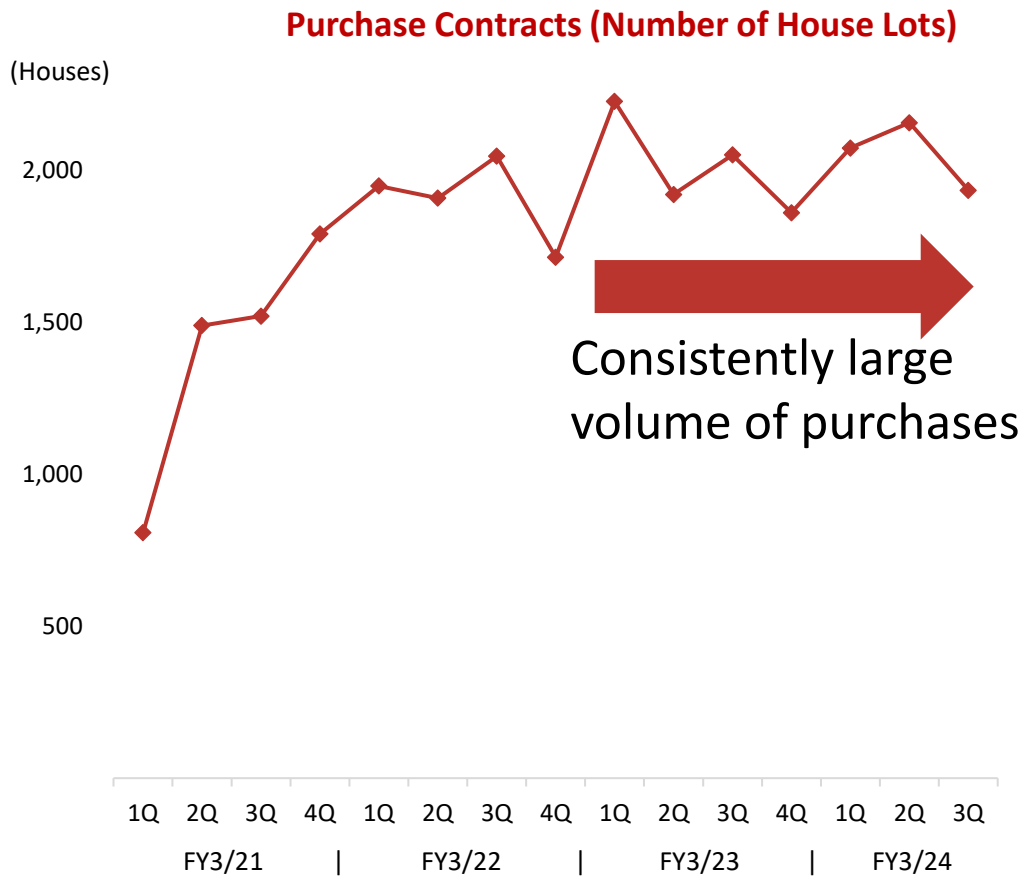
Quarterly Results (Consolidated): Sales

Third quarter sales increased 27%, much higher than one year earlier because of the consistent purchase of properties for houses and measures to strengthen sales activities. KEIAI will continue to place priority on steady top-line growth backed by high inventory turnover.



Constant Inventory Turnover Due to Stable Purchases and Sales

Purchases of properties for new houses were down slightly from one year earlier in the third quarter but remained high. There was a big increase of about 30% in house orders received because of measures to strengthen sales activities.



Performance of Main Reportable Segments

Growth continues by strengthening the shift to the compact ready-built house business throughout the Group.

(Unit of sales and profit: JPY mil.)

		First nine months of FY3/23	First nine months of FY3/24	YoY change	Remarks
Homebuilding and sales (including land)	Houses sold	4,470	5,450	+21.9%	Sales growth continued due to growth strategy progress; earnings down because of higher cost of sales caused by the consolidation of L-Housing and end of special demand for pandemic, normalization of real estate demand.
	Sales	153,456	191,282	+24.6%	
	Operating profit	16,411	10,434	-36.4%	
Custom-built housing	Houses sold	312	249	-20.2%	The gross profit margin improved as a result of higher COGS and profit increased due to higher sales of custom-built houses.
	Sales	5,519	3,995	-27.6%	
	Operating profit	216	450	+108.5%	

Consolidated Balance Sheet

Total assets were 245.6 billion JPY and net assets were 61.0 billion JPY.

(JPY mil.)

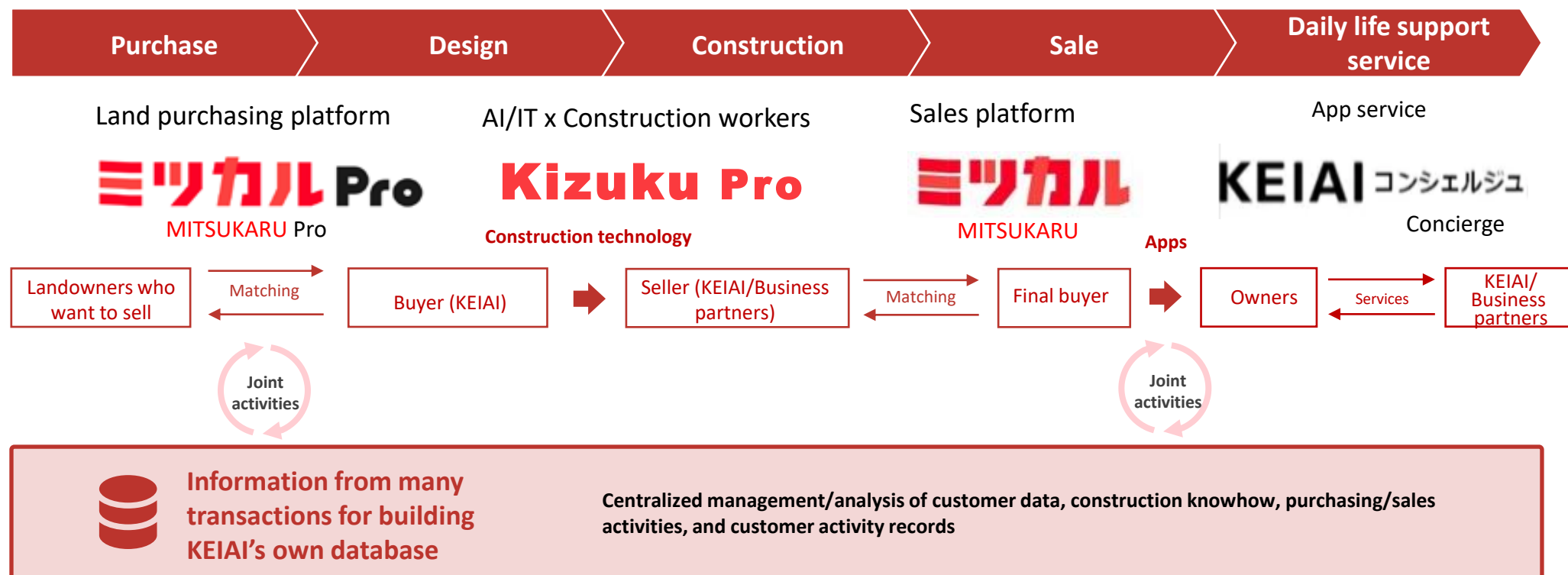
	March 31, 2023	December 31, 2023	Increase/decrease
Current assets	191,516	235,168	43,652
Non-current assets	7,944	10,436	2,491
Total assets	199,461	245,604	46,143
Current liabilities	118,643	148,770	30,127
Non-current liabilities	24,289	35,751	11,461
Total liabilities	142,932	184,521	41,588
Net assets	56,528	61,083	4,555
Total liabilities and net assets	199,461	245,604	46,143

2. Business Model

A Fully Integrated “Real x Technology” Platform

A “Real x Technology” supply model that revolutionizes the detached housing supply chain in Japan. KEIAI has developed an integrated technology platform extending from purchasing land, designing, constructing and selling houses, to support services.

● The “Real x Technology” KEIAI Platform



Advantages of Land Purchase through the Development of Compact Ready-built Houses

The development of KEIAI's distinctive compact ready-built houses makes it possible to accumulate a large volume of data quickly.

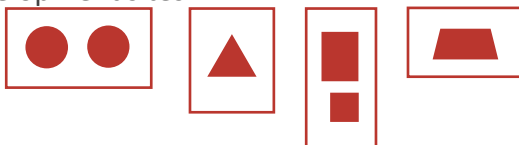
Conventional ready-built houses

Four to 10 houses for sale are constructed at once, resulting in similar houses
 = Small number of house models on big development sites



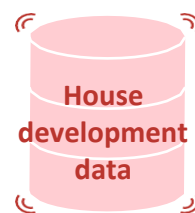
Compact ready-built houses

This business model targets sites for one or two houses, where conventional developers seeking larger sites normally do not operate, and supplies a large number of compact houses with outstanding designs.
 = Large number of house models on small development sites

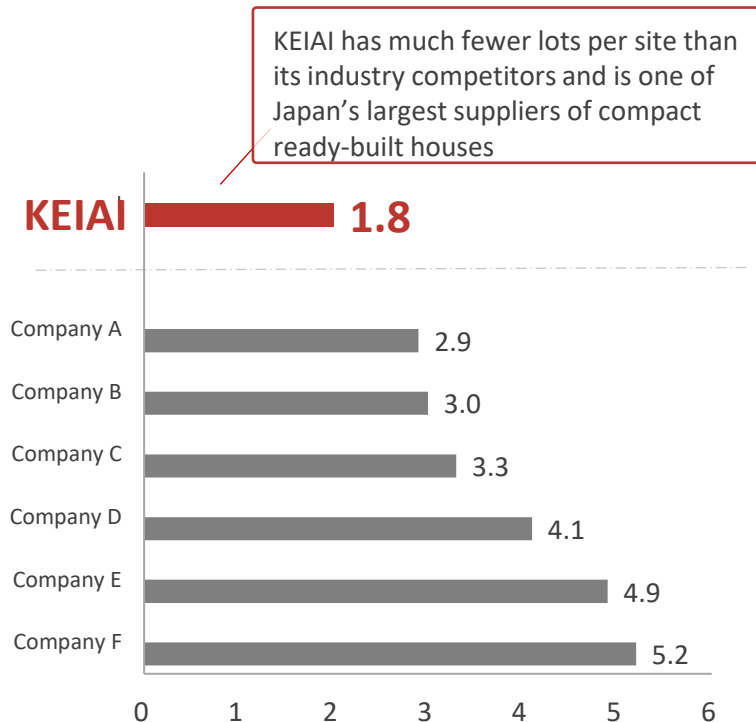


Increase in the number of land data entries

- Allows accumulating a large volume of information about experiences and other items about housing developments within a short time
- Data are stored in the KEIAI Platform for increasing the accuracy of land purchases and sales and marketing activities



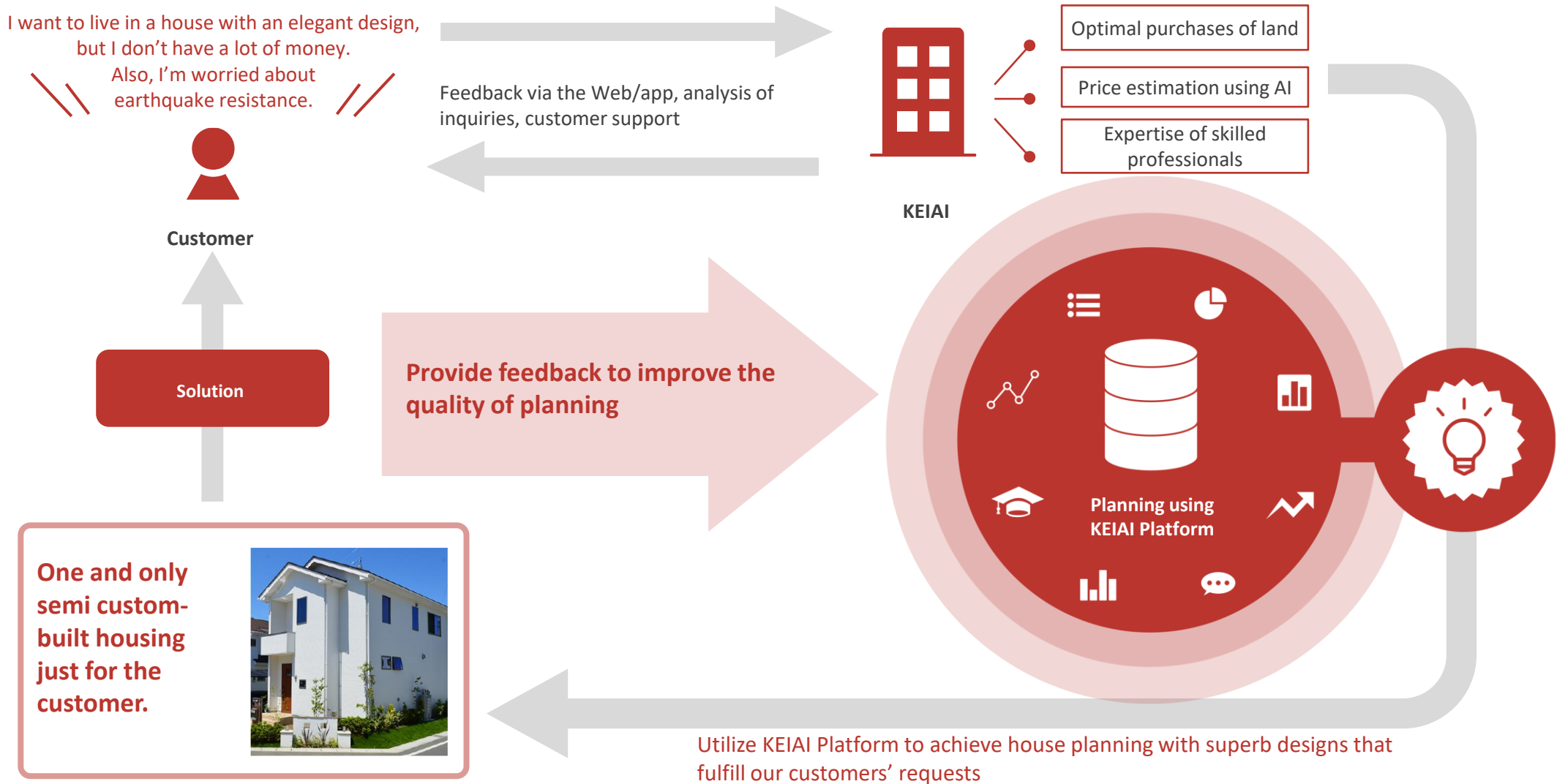
Avg. number of lots*1 in housing developments



KEIAI has much fewer lots per site than its industry competitors and is one of Japan's largest suppliers of compact ready-built houses

*1: KEIAI estimates (FY3/22 results) based on housing developments of KEIAI and other companies as of December 2020

Semi Custom-built Housing Using Compact Ready-built House Development



3. Growth Strategy

Medium-term Goals

KEIAI is expanding rapidly nationwide by the KEIAI Platform and the unique business model of building and selling compact houses. Our medium-term goal is consistent annual consolidated sales growth of at least 15% by using investments for the expansion to more areas of Japan and the growth of production capacity in order to raise the number of houses we supply year after year and our market share.

Medium-term goal

**Increase our share of
Japan's built-for-sale
house market**

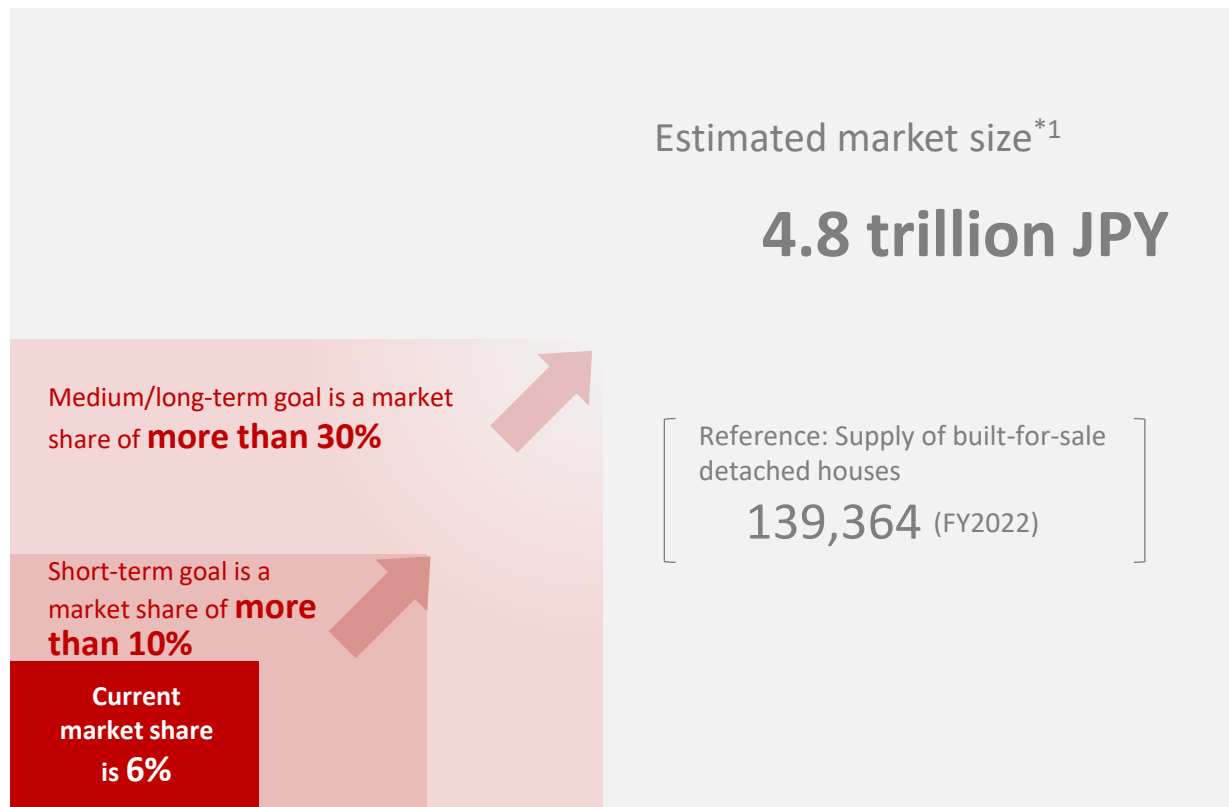
Priority performance indicator

**Consolidated sales
(Annual growth of at
least **15%**)**

 **Aiming to achieve these goals by expanding the KEIAI Platform**

Medium-term Goals

The goal is a steady increase in market share by expanding to more areas of Japan in the core homebuilding and sales business, while fully utilizing strengths involving technologies and compact ready-built houses.



Medium-term goal

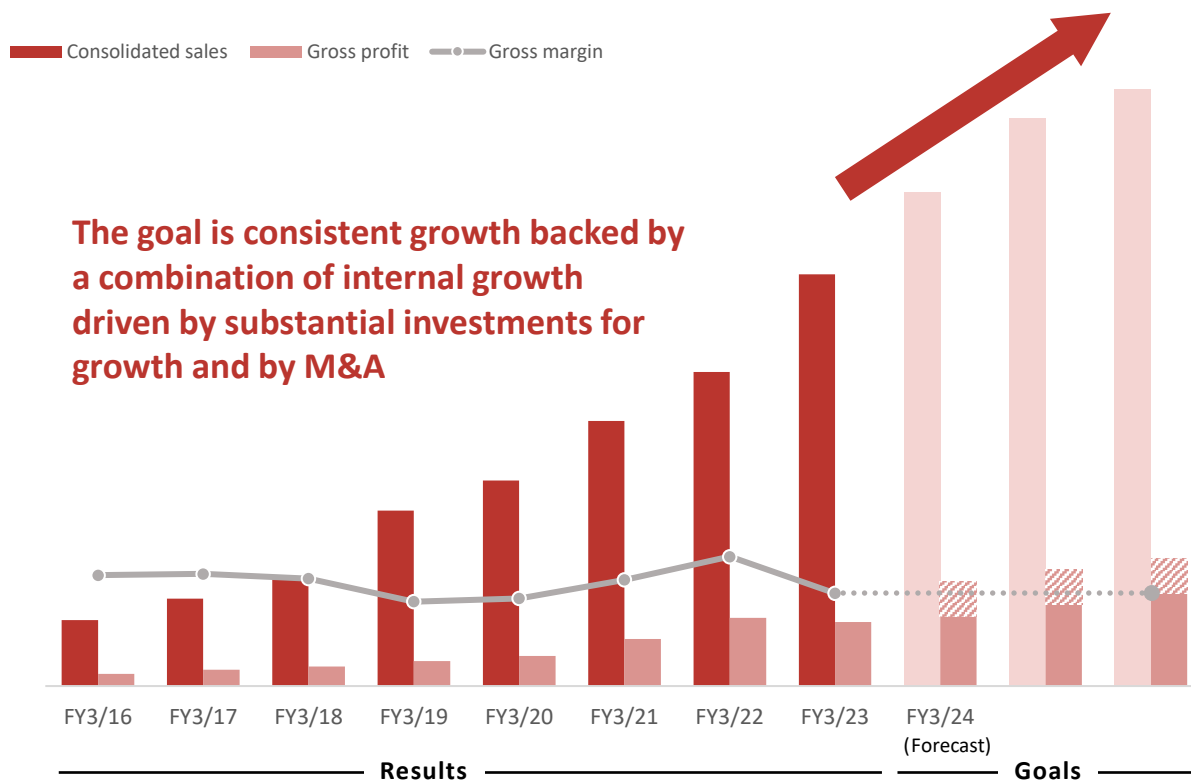
Increase our share of Japan's built-for-sale house market

*1: KEIAI estimates based on the number of new built-for sale wooden detached houses that have been constructed according to the Ministry of Land, Infrastructure, Transport and Tourism's "Housing Construction Statistics" through December 2023.

Priority Performance Indicator

Our mid-term goal is more than double-digit consolidated sales growth every fiscal year by continuing to make investments for business growth. Investments are used mainly for opening more sales offices, purchasing a large volume of land, raising production capacity and M&A.

Projected growth of consolidated sales and gross margin



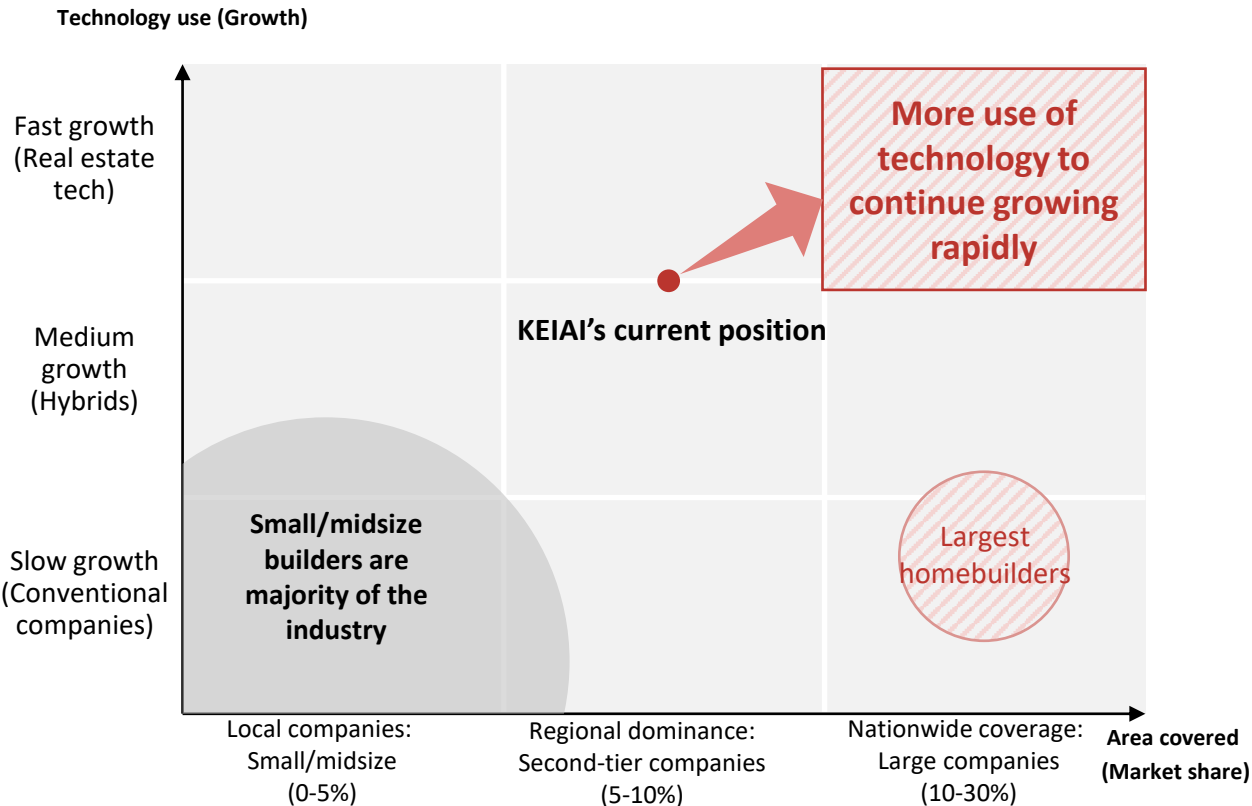
The most important performance indicator

Annual sales growth of at least **15%**

The Built-for Sale House Industry and KEIAI's Position

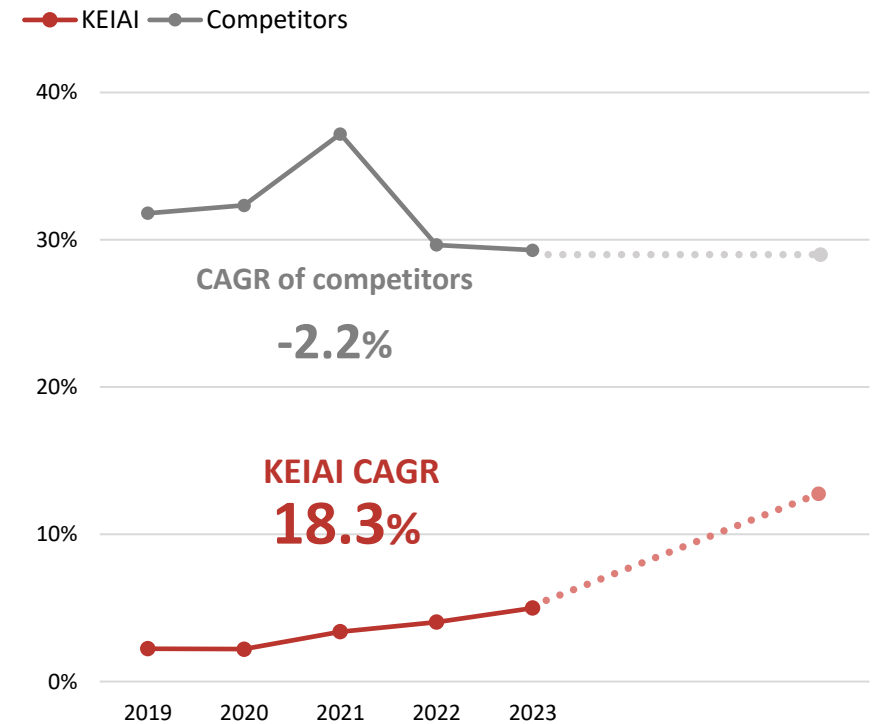
Japan has a large number of small companies that build houses for homebuyers. However, very few of these companies are skilled at using advanced technologies. KEIAI has the goal of continuing to increase its market share while growing rapidly by increasing its use of various technologies.

Market share and Growth Potential in the Built-for-Sale Housing Market Industry



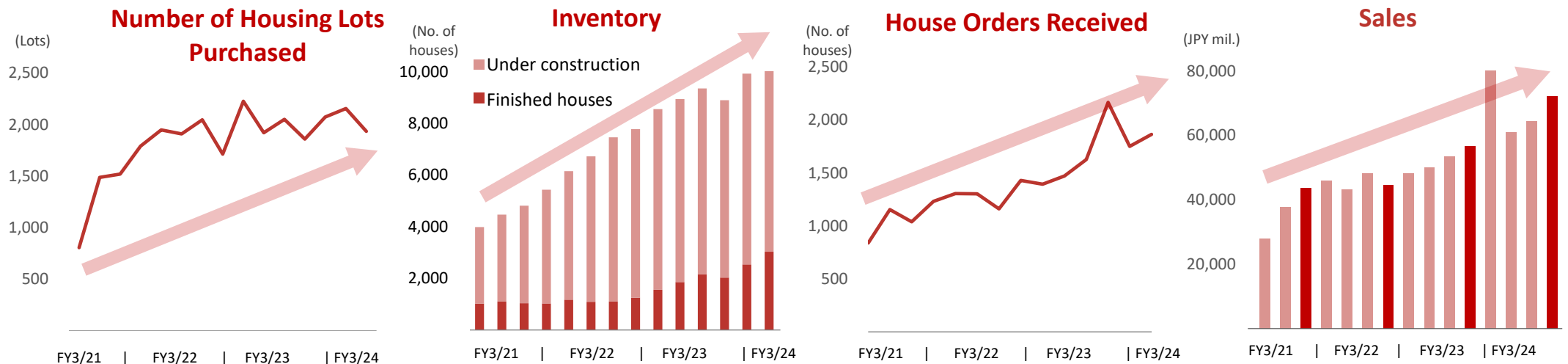
*1 Comparison of sales growth of largest companies and KEIAI

Market Shares of Large Companies and KEIAI *1



Past Performance of KPIs Supporting Business Growth

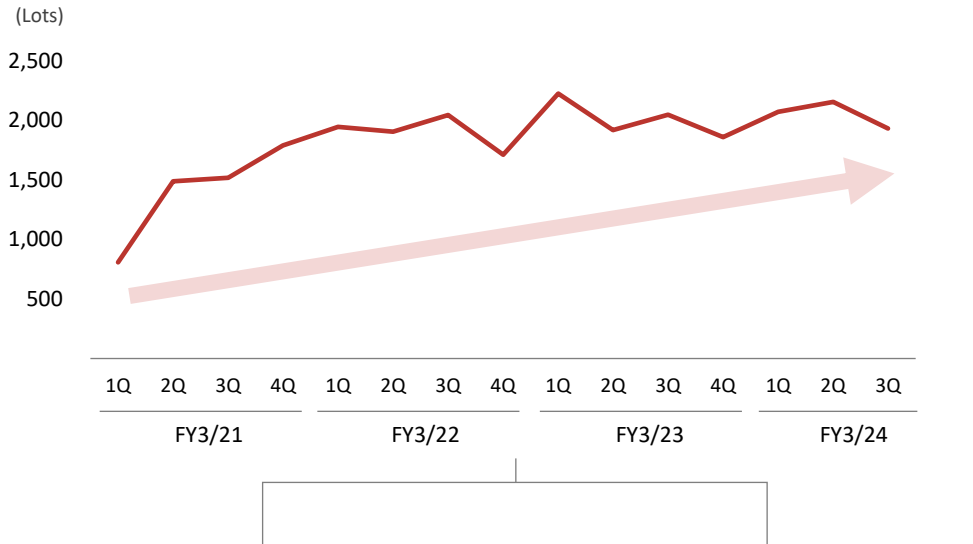
Steady growth continues in all KPI – inventory, house orders and house sales – because of KEIAI’s technology platform and unique compact house development business model. Aiming for the continuation of sales growth.



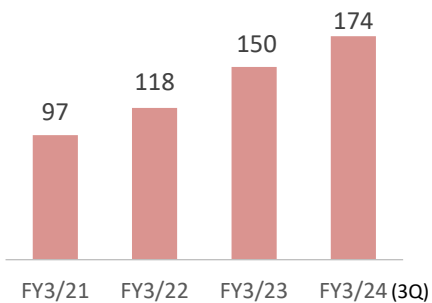
Note: Figures are actual for the Group’s homebuilding and sales business

Growth Strategy (1): Consistently Large Volume of Property Purchases

Number of Housing Lots Purchased



Number of Stores



Store Productivity

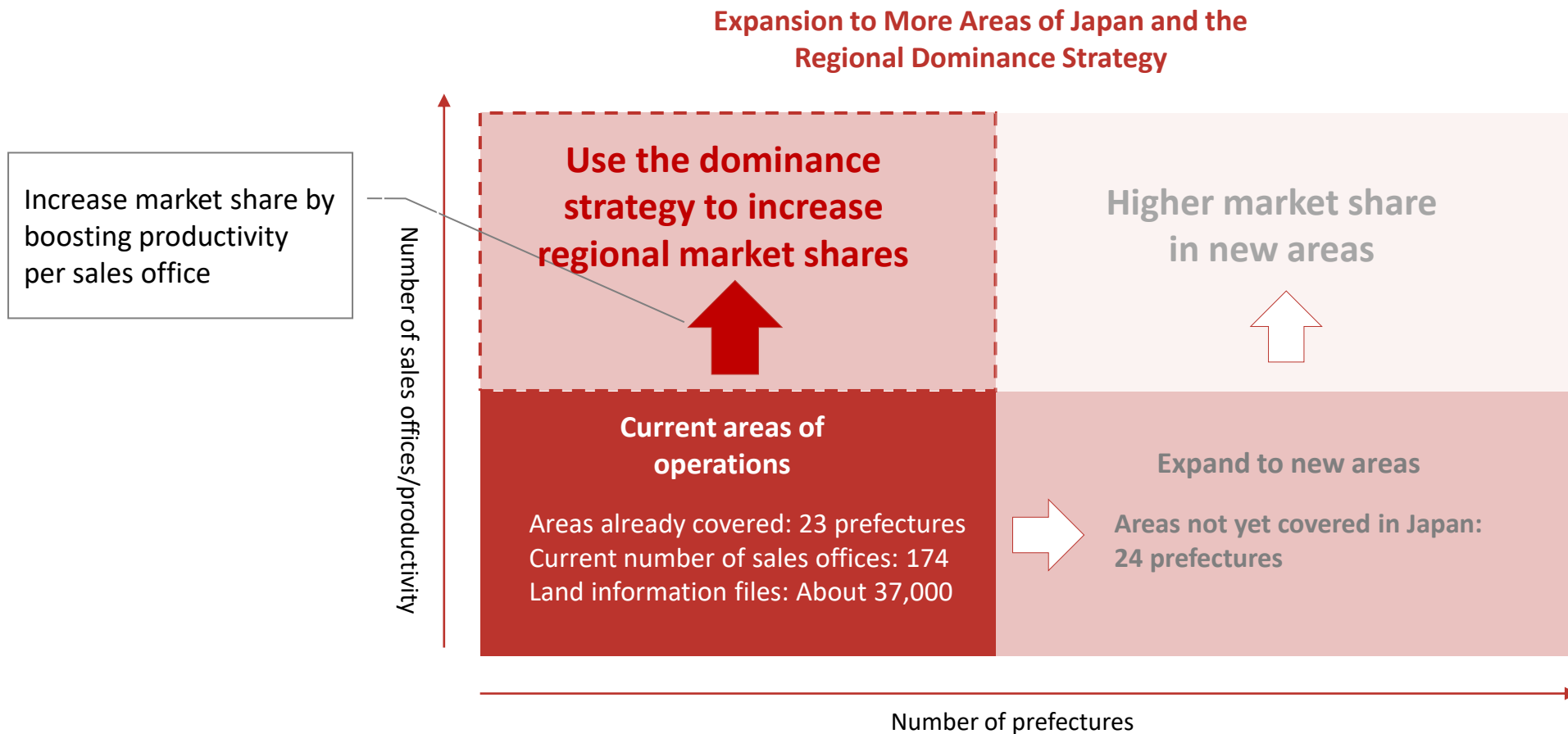


Improving purchases per sales offices

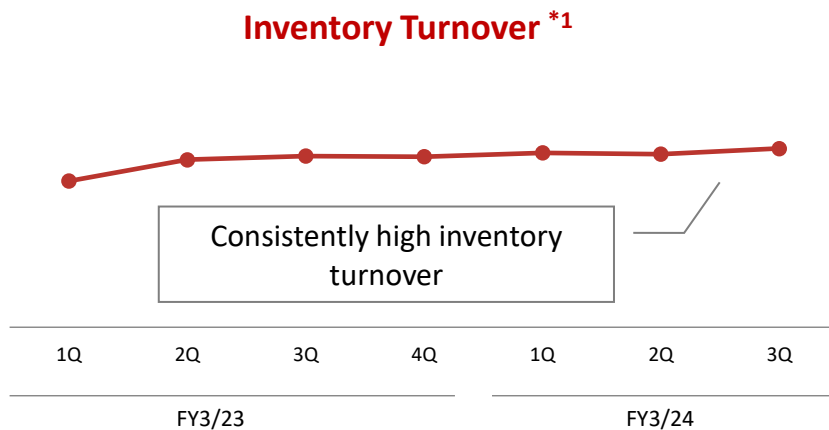
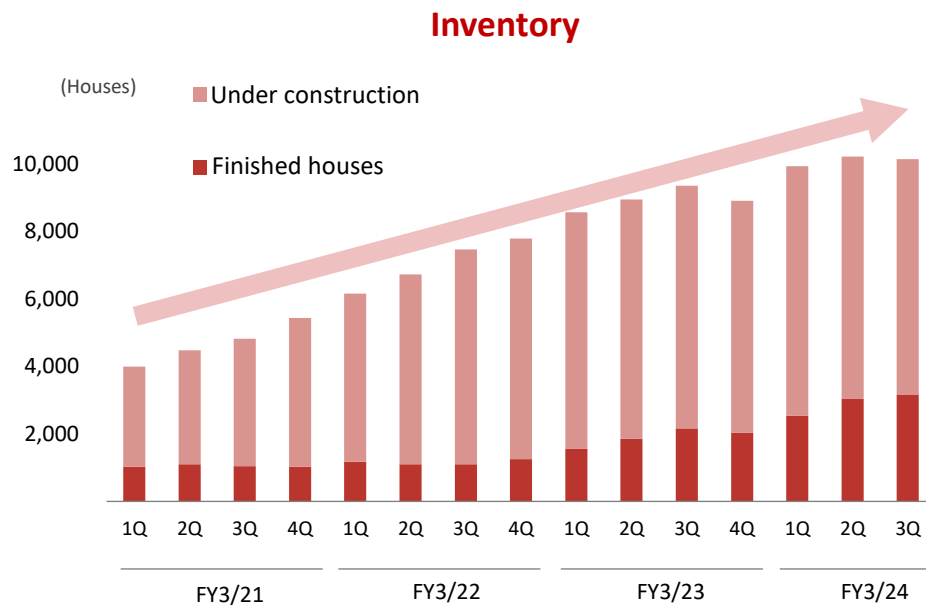
- Progress continues with expansion of the store network to all major regions of Japan. The network is currently sufficient to increase market share and sales in the current and next fiscal years.
 - Number of sales offices: 174
 - Locations of offices: 23 prefectures
- ▼
- In addition to expanding the number of stores, KEIAI will increase the overall land purchases by raising the productivity of stores in areas where we currently operate.
 - In areas where KEIAI currently operates, the focus is on the development of compact houses on small lots in areas relatively near major railway stations. This is a category where KEIAI can effectively utilize its strengths.
 - For further growth, KEIAI will improve store productivity by maturing and strengthening land procurement operations at stores.

Reference) Growth in New Areas and Areas Where KEIAI Already Operates

The priority in the current and next fiscal years is a larger market share in areas where KEIAI already operates.



Growth Strategy (2): Inventory Management Using a High Turnover



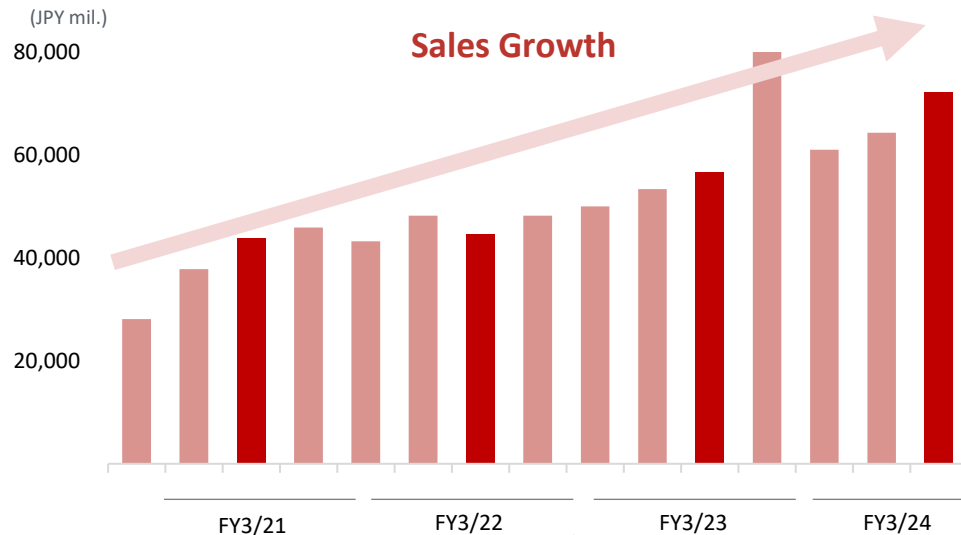
*1 Average turnover from purchase of land to closing of home sale (Group average excluding L Housing)

- Inventory properties are climbing steadily, providing a sound base for more growth in the following fiscal years.
 - The inventory of finished houses is increasing too. The total inventory of properties for the construction of houses and of finished houses is now more than 10,000 houses. Purchasing for growth in the following fiscal years are progressing well.
- Inventories remain sound due to the ability to maintain a high turnover ratio.
 - As the total inventories increase, there are constant sales and replacements due to the consistently high turnover.



- The goal is to maintain a business framework that keeps a suitable balance between sales growth and earnings as the KEIAI Platform is used to keep inventory turnover high.

Growth Strategy (3): Steady Sales Growth Due to Coverage of Many Regions

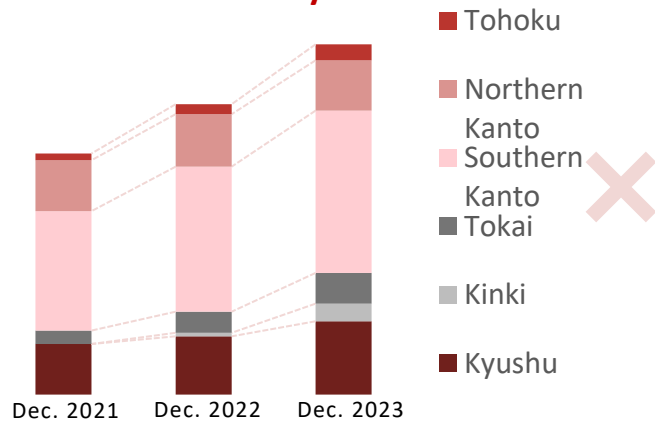


- KEIAI has a balanced and diverse portfolio covering many areas of Japan with no excessive reliance on a single region. This is the result of years of sales office expansion nationwide and acquisitions of companies.



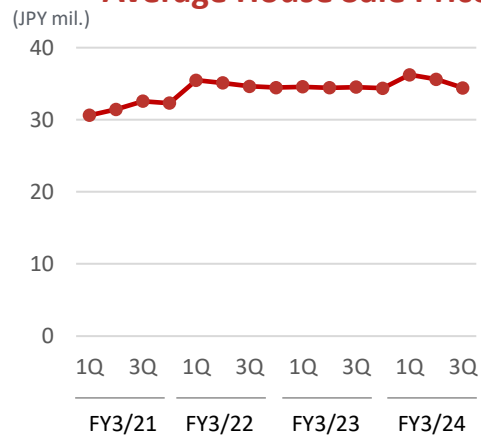
- In the following fiscal years, KEIAI will continue to aim for steady growth in the number of houses sold and optimization of house prices while maintaining the best possible regional composition and balance.

Houses Sold by Area



Note: Houses sold in first nine months of each fiscal year

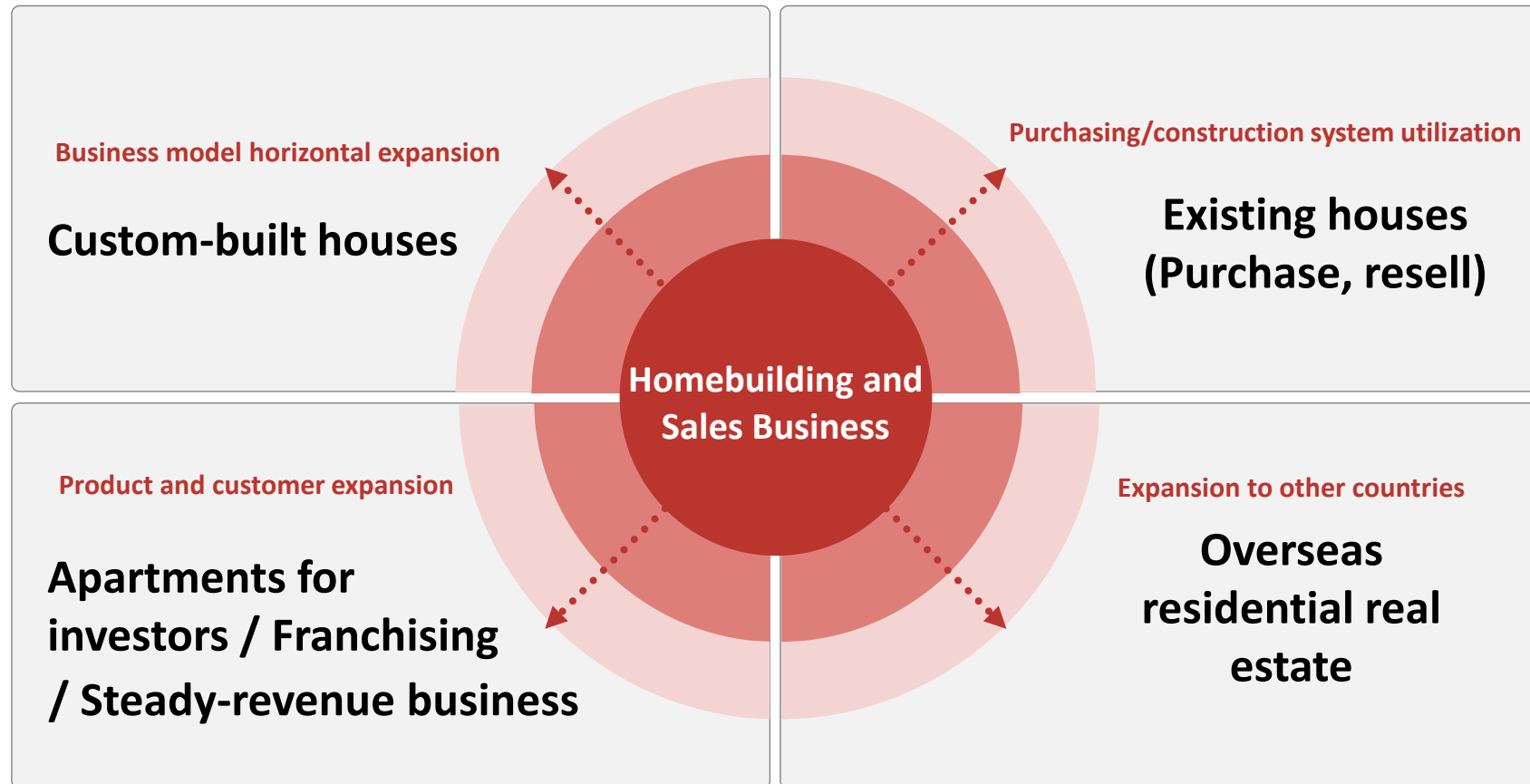
Average House Sale Price



- Currently, purchase and sales activities are increasing in the Southern Kanto and Tokai areas, where demand is strong, in order to keep home prices high even after the pandemic.
- KEIAI is aiming for steady sales growth and optimization of profitability by maintaining the most suitable store locations based on house demand and supply data for individual regions.

Growth Strategy (4): Business Portfolio Expansion

Expand operations to new categories of the housing business by utilizing the strengths of the KEIAI Group, including synergies created by KEIAI Group management and the DX backed by the KEIAI Platform in the core homebuilding and sales business.



Reference) Business Portfolio Expansion: Custom-built Housing

Established a stronger position in the custom-built housing business by acquiring in January 2024 a majority equity stake in Shinyamagata Hometech, which operates this business mainly in Yamagata prefecture. The goal is more growth of the KEIAI Group's share of Japan's custom-built housing market.

KEIAI Custom-built Housing

- ✓ Differentiation from competitors by using KEIAI's expertise involving home designs, property purchases and construction acquired over many years in the homebuilding and sales business
- ✓ Acquired Shinyamagata Hometech in January 2024 and plan to continue adding companies throughout Japan to the KEIAI Group



- Synergies spanning the KEIAI Group and prominent local custom-built housing companies
- Aiming to increase the KEIAI Group's share of Japan's custom-built housing market too



**SHINYAMAGATA
HOMETECH** (Joined the KEIAI Group in January 2024)

IKI One-story Houses

- ✓ Compact, one-story houses are supplied efficiently by using the digital transformation as much as possible. For example, an IKI app is used for marketing and robots provide customers with information.
- ✓ Houses have many sustainability features. For example, all lumber is from trees grown in Japan and all houses have solar power systems.

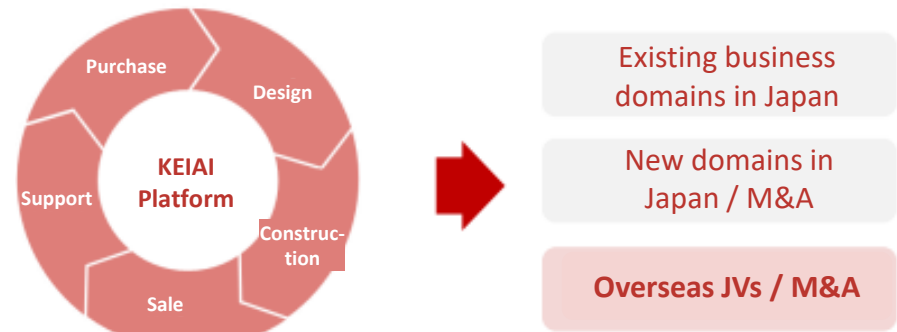


Reference) Business Portfolio Expansion: Overseas (U.S.)

Established KI-Star Real Estate America, Inc. in December 2023. The KEIAI Group now has bases of operations in Australia and the United States. The new company will start studies for starting operations in the United States and explore opportunities for alliances with U.S. companies as well as for investments and acquisitions.



Use of the KEIAI Platform to supply affordable, high-quality houses with outstanding designs in other countries



4. Dividends and Shareholder Benefits

Dividends and Shareholder Benefits

Dividend (Started to pay an interim dividend in FY3/18)

	FY3/22 results (consolidated)	FY3/23 results (consolidated)	FY3/24 forecast (consolidated) *After revision
Net income per share (yen)	976.49	750.77	507.71
Dividend per share (yen)	265.00	230.00	180.00
Interim dividend per share (yen)	115.00	140.00	118.00
Payout ratio (%)	27.1%	30.6%	35.5%

Shareholder Benefits

Number of shares held as of the record date	Gift
100 shares to 499 shares	Quo card (1,000 yen)
500 shares and more	Quo card (3,000 yen)

5. ESG/SDGs Initiatives

Establishment of the Sustainability Committee

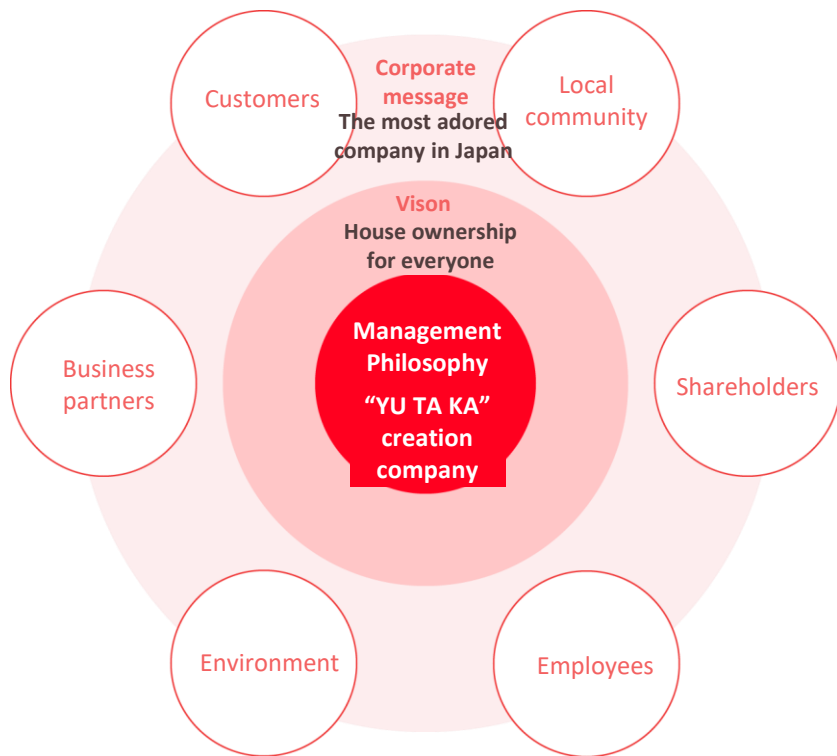
The KEIAI Group has many activities for helping solve social issues in Japan and other countries. By supplying homes where people can lead happy and fulfilling lives, we are dedicated to playing a role in creating a sustainable and affluent society. We believe these activities will contribute to the growth of our corporate value. One part of these activities is the Sustainability Committee, which is an important component of corporate governance. This committee conduct activities concerning social issues in Japan and other countries, protect the environment, ensure respect for human rights, and the maintenance and enhancement of rigorous compliance programs.



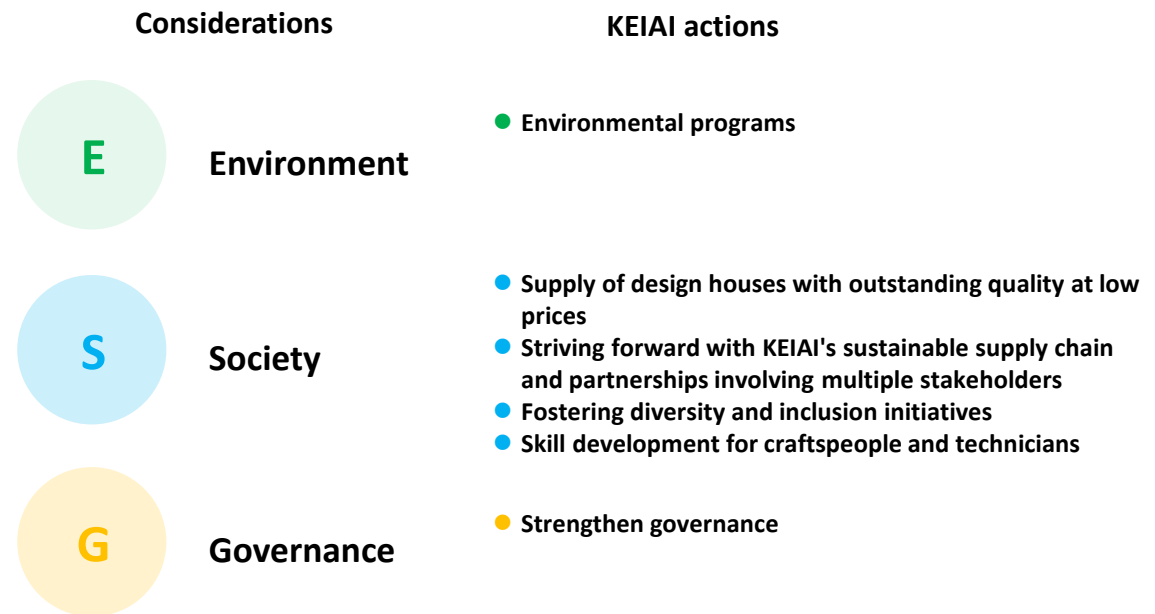
Sustainability Policy and Determination of ESG Materiality

The company is dedicated to elevating its corporate value by nurturing the growth of individuals, organizations, and business models rooted in its management philosophy of "YU TA KA" creation.

Striving forward with KEIAI's sustainable supply chain partnerships involving multiple stakeholders.



Determination of ESG Materiality



Sustainability Materiality (1)

E Environment



Environmental programs

- KEIAI participated in the establishment of the Japan Wood-Housing Association, which promotes the use of lumber grown in Japan and the protection of Japan's forests and the environment.
- Started a plan for buyers of KEIAI's IKI one-story unitized house that allows installing with no initial payment for a solar power system, which is source of renewable energy and helps reduce CO2 emissions.
- Started selling built-for-sale houses that use entirely lumber grown in Japan and have solar power systems.

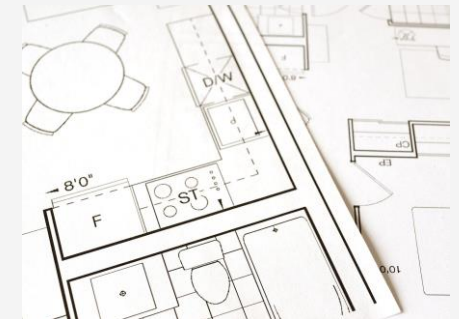


S Society



Supply of design houses with outstanding quality at low prices

- Based on our mission of "house ownership for everyone," we build houses in suburban areas that are affordable for first-time buyers.
- We use advanced technologies wherever possible to build high-quality, low-cost houses. Expertise for the use of sites with space for only one or two houses is a core strength of ours. Our skills are also ideal for replacing outdated and unoccupied residences with new houses. We were certified as a DX business operator by Ministry of Economy, Trade and Industry of Japan in October 2021.



Sustainability Materiality (2)

S Society



Striving forward with KEIAI's sustainable supply chain and partnerships involving multiple stakeholders.

- We have close ties with partners across our entire supply chain in order to thoroughly manage cost, quality, volume, construction schedules and other aspects of our operations.
- We build long-term relationships with our business partners and have the goal of seeking equitable earnings for everyone rather than aiming for short-term profits for KEIAI alone.



S Society



Fostering diversity and inclusion initiatives

- Diversity management to allow many types of people to realize their full potential centered on (1) programs for empowering women, (2) working style reforms and (3) workplaces that are pleasant and rewarding.
- A strong commitment to diversity at KEIAI Group companies has resulted in the receipt of a White Company Award (for companies with outstanding human resource systems and initiatives), three-star Eruboshi Certification (for supporting the participation and advancement of women in the workplace), and other recognition.
- Provide places where people with disabilities can perform fulfilling and enjoyable jobs. Use of the KEIAI Farm to provide a workplace environment where many types of people can do a variety of jobs.
- Support for para-athletics by providing jobs for people with disabilities.



Won many awards including New Diversity Management Selection 100



Sustainability Materiality (3)

S Society



Skill development for craftspeople and technicians

- A fully integrated infrastructure encompassing the purchase of land, design, construction and sale of houses, services after houses are built and home renovations.
- Houses undergo government inspections as well as KEIAI's own rigorous inspection process to ensure that customers can purchase and occupy our affordable houses with confidence.



G Governance



Strengthen governance

- We have a basic policy for compliance and use job-specific training programs, the KEIAI Academy and training for new employees to ensure that everyone fully understands the importance of compliance.
- The basic policy for compliance and standards of conduct include a resolute commitment to respect for human rights.



6. News Topics

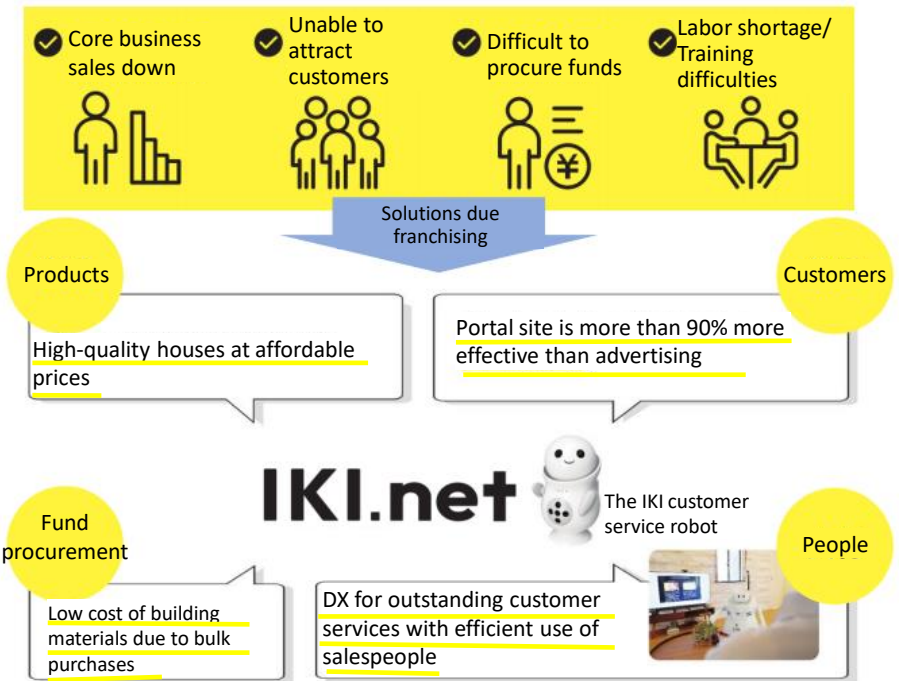
Start of IKI.net Franchising for IKI Low-cost One-floor Semi-custom Houses

The IKI.net franchising operation started in October 2023. This business primarily handles the IKI series of semi custom-built houses, which are designed and constructed by KEIAI Group member KI Net Cloud Co., Ltd. The sale of IKI houses began about three years ago. The initial goal is 100 franchising agreements by providing solutions for four key issues at small construction firms: products, customers, fund procurement and human resources.

IKI.net



Four Key Issues at Small Construction Firms



Additional information is in the press release titled “Innovation driven by the DX backed by IKI and the next step” (July 12, 2023)

https://ki-group.co.jp/wp/wp-content/uploads/2023/07/2023.07.12_IKI_jisseki.pdf

Safety Seminar Held at Seven Sites Nationwide

To make everyone more aware of the need to be vigilant about safety, KEIAI held a safety seminar for the first time in four years on November 21, 2023. There were seven seminar sites: Miyagi, Gunma, Saitama, Chiba, Tokyo, Aichi and Fukuoka. More than 1,400 people attended these events, which included presentations by employees to reconfirm safety activities. Numerous programs will continue at the KEIAI Group and its partner companies for more improvements involving workplace safety.



*The seminar at the primary location in Saitama prefecture was viewed simultaneously at the other six seminar sites.

Sustainable Finance to Help Achieve a Sustainable Society

In November 2023, KEIAI executed a Sustainability Link Loan based on the SLL framework with THE KAGAWA BANK, Ltd. as one of our efforts to realize a sustainable society. This is the fourth bank to execute sustainable finance, and KEIAI will continue to reinforce its commitment to ESG and the SDGs in order to play a role in solving environmental and social issues.



Information about Ashikaga Bank Positive Impact Finance:

https://ki-group.co.jp/wp/wp-content/uploads/2023/10/2023.10.02_ashikagaginkou.pdf

Information about Saitama Resona Bank Sustainability Link Loan:

https://ki-group.co.jp/wp/wp-content/uploads/2023/10/2023.10.02_saitamarisona.pdf



Information about Chiba Bank Sustainability Link Loan:

https://ki-group.co.jp/wp/wp-content/uploads/2023/10/2023.10.02_chibaginkou.pdf

Information about Kagawa Bank Sustainability Link Loan:

https://ki-group.co.jp/wp/wp-content/uploads/2023/11/2023.11.30_kagawabank_SSL.pdf

Silver Style Award at the 2023 YKK AP Exterior Style Awards

- Product: Tokorozawa, Saitama Concept Housing Development
- Category: New home neighborhood and commercial facilities
- Product: Rewood Deck 200EG
- Features
 - ◆ The design is based on the concept of “inclusion.”
 - ◆ Individual spaces are interlinked, centered on the interior garden, for a design that creates a sense of security and feeling of openness.
 - ◆ The external periphery of the site is surrounded by buildings and features scenery that is pleasing to everyone by taking full advantage of the prime location of this development.
 - ◆ The central interior garden is covered with a wood deck and has a floor line linked to the main building, detached building, home entrances and garages. This linkage promotes communications among families living in the surrounding houses.



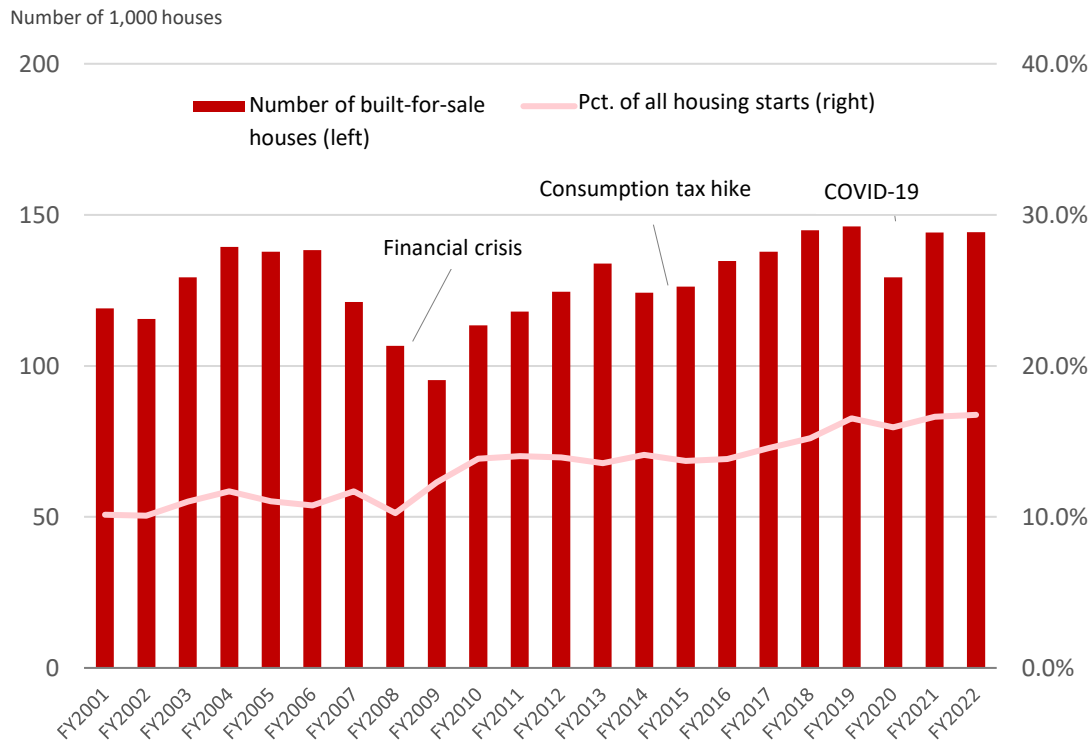
YKK AP 2023 Exterior Style Awards website: : https://www.ykkap.co.jp/consumer_business/satellite/campaign/ex_contest/

7. Appendix

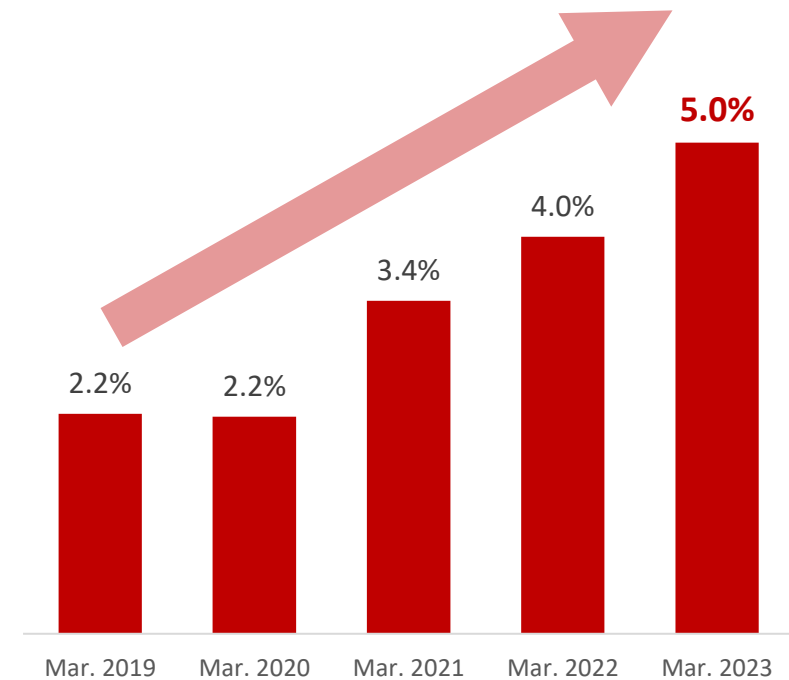
KEIAI's Market – Built-for-Sale Houses

Japan's market for built-for-sale houses has been steady for many years, other than brief downturns because of the pandemic and other one-time events. KEIAI's share of Japan's enormous market for detached houses has been rising rapidly in recent years.

Construction Starts for Built-for-Sale Detached Houses



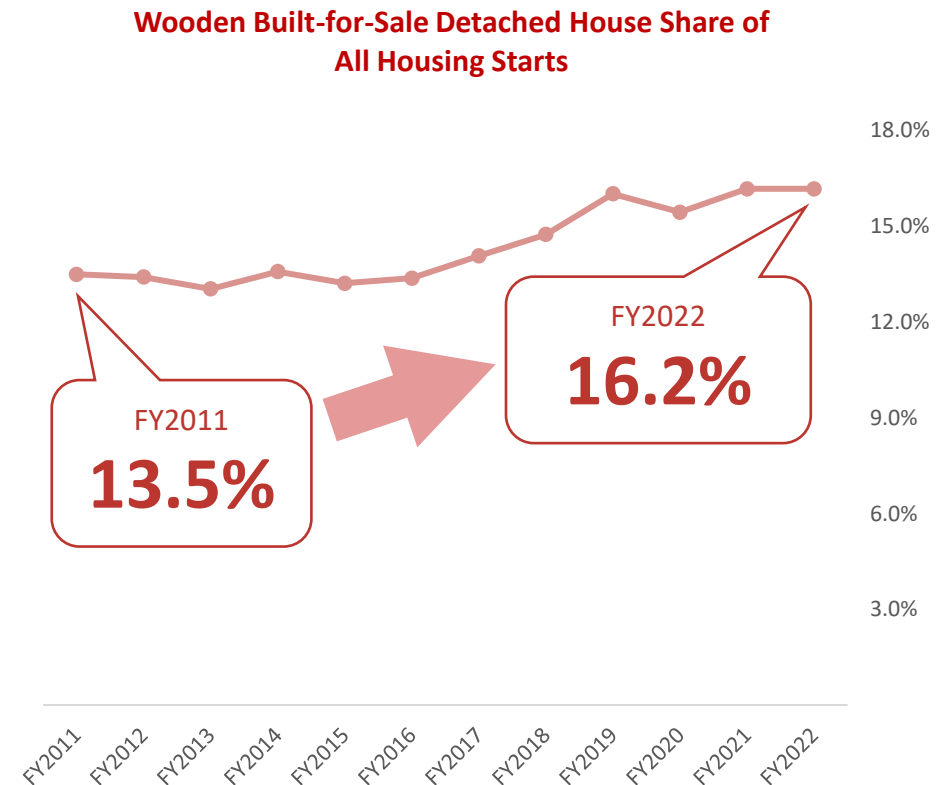
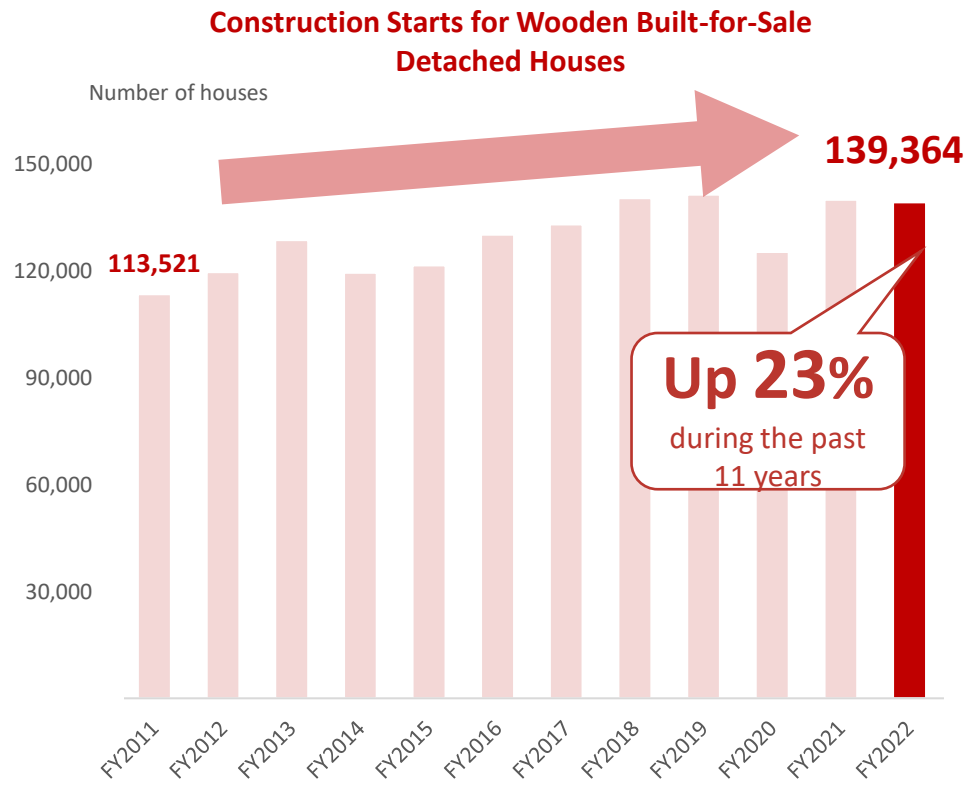
KEIAI Group's Nationwide Market Share



Source: Housing Start Statistics, Ministry of Land, Infrastructure, Transport and Tourism

Market Growth: The Steady Increase of the Popularity of Built-for-Sale Detached Houses

The number of construction starts for built-for-sale detached houses has been increasing steadily during the past decade. Furthermore, these houses are climbing as a percentage of all housing starts.



Source) Ministry of Land, Infrastructure, Transport and Tourism "Housing Construction Statistics"

Benefits of KEIAI's Semi Custom-Built Housing

Offers a “fourth choice” for detached houses combining the benefits of both built-for-sale and custom-built houses

Features / property type	Built-for-sale houses	Custom-built houses	Remodeled houses	Semi custom-built houses
Price	Low to mid price	High price	Low price (Partial remodeling)	Low price
Purchasing of land	Generally, 7 houses lots or more	A single house	Existing house	Possible from 1 house lot
Design	Uniform design	Entire house is fully customized	Only part of a house is remodeled	Superb design by semi custom-building each entire house
Earthquake resistance	Complies with new earthquake resistance standards	Complies with new earthquake resistance standards	Includes old earthquake resistance standards	Complies with new earthquake resistance standards
Time until move-in	Short	Long	Short	Short
Asset value	Low to mid value (Suburban locations, uniform designs)	Low to high value (Influenced by owner preferences)	Low to mid value (Structure remains old)	High value (Good location selected using KEIAI's proprietary database, superb design)
Sustainability	High (Latest materials and fixtures, easy to repair due to using standard materials)	Low to mid (Maintenance cost is high because it is custom-made)	Low to mid (In some cases, another remodeling or rebuilding may be required)	High (Latest materials and fixtures, easy to repair due to using standard materials)

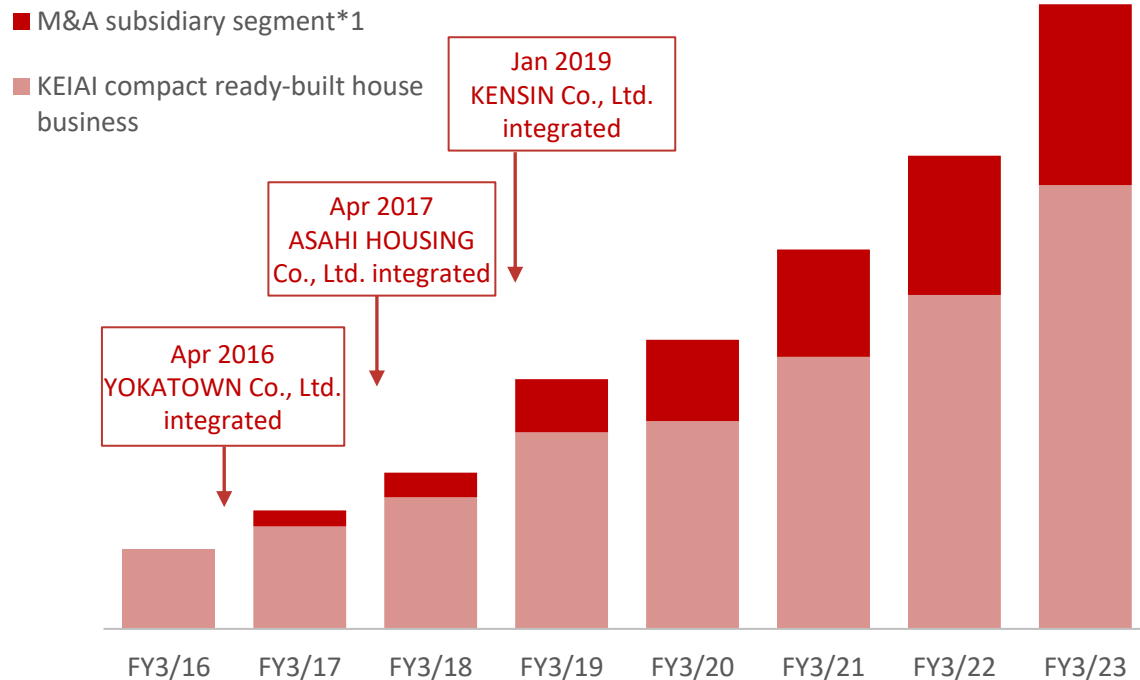
Six Strengths Backing the KEIAI Group's Growth



M&A – Growth of a Subsidiary after the Acquisition

Subsidiaries have achieved high sales growth after M&A, resulting in boosting group's total sales expansion.

Results of the KEIAI Compact Ready-built House Business and M&A Group Companies



External Growth through M&A (sales growth rate)*2

YOKATOWN	CAGR +32%
ASAHI HOUSING	CAGR +55%
KENSIN	CAGR +39%

Internal Growth by Parent (sales growth rate)*3

CAGR +28%

*1: Results of M&A subsidiary segment includes YOKATOWN, ASAHI HOUSING and KENSIN

*2: CAGR (compound annual growth rate) from the time the company joins the group to FY3/23.

CAGR from FY3/17-FY3/23 for YOKATOWN, CAGR from FY3/18-FY3/23 for ASAHI HOUSING, and CAGR from FY3/20-FY3/23 for KENSIN

*3: CAGR from FY3/17-FY3/23 (non-consolidated)

Forward-looking Statements

This presentation includes information about future performance and other items that are not historical facts. This information was prepared by using certain assumptions at the time that this presentation was prepared. Actual performance may differ significantly from forward-looking statements due to a variety of uncertainties.

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