

**Summary of Consolidated Financial Results**  
**for the Second Quarter of the Fiscal Year Ending March 31, 2024**  
**(Six Months Ended September 30, 2023)**

[Japanese GAAP]

Company name: KI-STAR REAL ESTATE Co., Ltd. Listing: Tokyo Stock Exchange  
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 Scheduled date of filing of Quarterly Report: November 14, 2023  
 Scheduled date of payment of dividend: December 6, 2023  
 Preparation of supplementary materials for quarterly financial results: Yes  
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

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

**1. Consolidated Financial Results for the First Six Months (April 1, 2023 – September 30, 2023) of the Fiscal Year Ending March 31, 2024**

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended Sep. 30, 2023	125,484	21.3	4,642	(55.2)	3,957	(60.3)	3,060	(51.9)
Six months ended Sep. 30, 2022	103,452	13.1	10,369	(16.5)	9,974	(18.6)	6,367	(18.0)

Note: Comprehensive income (million yen) Six months ended Sep. 30, 2023: 3,393 (down 48.9%)  
 Six months ended Sep. 30, 2022: 6,645 (down 21.0%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2023	194.24	194.17
Six months ended Sep. 30, 2022	403.01	402.79

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

## (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Sep. 30, 2023	242,436	60,962	21.7
As of Mar. 31, 2023	199,461	56,528	25.6

Reference: Shareholders' equity (million yen) As of Sep. 30, 2023: 52,604 As of Mar. 31, 2023: 50,969

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

## 2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2023	-	140.00	-	90.00	230.00
Fiscal year ending Mar. 31, 2024	-	118.00			
Fiscal year ending Mar. 31, 2024 (forecasts)			-	62.00	180.00

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

## 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	13,500	(29.6)	12,000	(35.0)	8,000	(32.5)	507.71

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 Sep. 30, 2023:	15,862,200 shares	As of Mar. 31, 2023:	15,861,700 shares
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2) Number of treasury shares at the end of the period

As of Sep. 30, 2023:	93,988 shares	As of Mar. 31, 2023:	104,878 shares
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3) Average number of shares during the period

Six months ended Sep. 30, 2023:	15,758,907 shares	Six months ended Sep. 30, 2022:	15,800,258 shares
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Note: The Company has established a performance-linked stock compensation plan for directors and employee stock distribution trust program. Shares for these plans held by the trust are included in treasury shares for calculating the number of treasury shares at the end of the period and the average number of shares during the period.

\* The current 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

The Japanese economy recovered slowly during the first half of the current fiscal year as economic and social activity continued to return to normal following the downgrade of the classification of COVID-19 by the Japanese government. However, the outlook for the economy remains uncertain due to the high cost of building materials and energy, the continuing depreciation of the yen, slowing economic growth in other countries, and other reasons.

In Japan's housing sector, where the KI-STAR Group operates, although demand was extremely high in the first half of the previous fiscal year due to the pandemic, demand normalized in the first half of the current fiscal year. In some areas, there is a surplus of inventories of houses for sale because of the negative effects of inflation on consumer sentiment and of the high cost of building materials and subcontracting on the demand for real estate.

By supplying design houses with outstanding quality at low 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. Although sales increased because of our emphasis on quick-inventory-turnover management in order to further increase turnover efficiency, the gross profit margin decreased due to a large volume of sales activities and the high cost of building materials.

Sales increased 22,031 million yen (21.3%) from the first half of the previous fiscal year to 125,484 million yen. Operating profit decreased 5,727 million yen (55.2%) to 4,642 million yen. This was primarily due to higher cost of goods sold resulting from the revaluation of inventories based on market prices in the consolidation of L-Housing Co., Ltd. in the first quarter and normalization of real estate demand following the very strong demand during the first half of the previous fiscal year caused by the pandemic. Ordinary profit decreased 6,016 million yen (60.3%) to 3,957 million yen. This was primarily due to an increase of 431 million yen in non-operating expenses mainly because of fees paid in association with funds procured. Profit attributable to owners of parent was down 3,306 million yen (51.9%) to 3,060 million yen mainly due to the recording of negative goodwill of 495 million yen.

Results by business segment are as follows:

KI-STAR changed the classification of its reportable segments in the first quarter of the current fiscal year. The following year-on-year comparisons are based on the figures for the same period of the previous fiscal year after reclassifications for consistency with the new segments. More information about the change in reportable segments is in "2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements, Segment and Other Information."

#### i) Homebuilding and sales business

In this business, the KI-STAR Group is actively pursuing a strategy centered on supplying "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. At the same time, the KI-STAR Group is expanding operations to new areas, executing mergers and acquisitions, and taking other actions based on its market share growth strategy.

During the first half, 3,410 houses (including land) were sold, up 541 from one year earlier. Sales increased 22,629 million yen to 121,464 million yen. Segment profit was down 5,092 million yen to 6,492 million yen. This was primarily due to higher cost of goods sold resulting from the revaluation of inventories based on market prices in the consolidation of L-Housing Co., Ltd. and the normalization of real estate demand following the very strong demand during the first half of the previous fiscal year caused by the pandemic.

#### ii) Custom-built housing business

This custom-built housing business is concentrating on increasing the number of custom-built houses for real estate companies, the single-story IKI semi custom-built houses and IKI semi custom-built houses.

The number of houses sold during the first half decreased by 34 from one year earlier to 155. Sales were down 1,071 million yen to 2,511 million yen. Segment profit increased 43 million yen to 103 million yen. This was primarily due to improved gross profit margin, which had been declining because of rising prices of building

materials following the high cost of wood. Earnings also benefited from strong sales of the single-story IKI semi custom-built houses that had produced up-front selling, general and administrative expenses because of the increasing number of orders.

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

### Assets

Total assets increased by 42,974 million yen, which include a 12,370 million yen increase due to consolidation of L-Housing, Ltd., from the end of the previous fiscal year to 242,436 million yen at the end of the second quarter of the current fiscal year. This was mainly due to an increase of 47,577 million yen in inventories, which include real estate for sale, real estate for sale in process and costs on uncompleted construction contracts.

### Liabilities

Total liabilities increased by 38,540 million yen, which include a 9,083 million yen increase due to consolidation of L-Housing, Ltd., to 181,473 million yen. The main reason was an increase of 37,768 million yen in borrowings, which includes short-term borrowings, current portion of long-term borrowings and long-term borrowings, due to the implementation of sustainable financing and the procurement of funds for land purchase.

### Net assets

Total net assets increased by 4,433 million yen to 60,962 million yen. The main reason is an increase of 3,060 million yen in retained earnings due to profit attributable to owners of parent, which was partly offset by a 1,427 million yen decrease as a result of payments of cash dividends and a 2,797 million yen increase in non-controlling interests.

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

We have revised the consolidated forecast for the fiscal year ending March 31, 2024. We forecast net sales of 290,000 million yen (up 19.9% year on year), operating profit of 13,500 million yen (down 29.6% year on year), ordinary profit of 12,000 million yen (down 35.0% year on year), and profit attributable to owners of parent of 8,000 million yen (down 32.5% year on year) for the fiscal year ending March 31, 2024. For more details, please refer to the press release “Notice of Revisions to Consolidated Forecast and Dividend Forecast” dated today.

## 2. Quarterly Consolidated Financial Statements and Notes

### (1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	FY3/23 (As of Mar. 31, 2023)	Second quarter of FY3/24 (As of Sep. 30, 2023)
<b>Assets</b>		
Current assets		
Cash and deposits	47,855,517	42,884,434
Accounts receivable from completed construction contracts	93,365	92,300
Real estate for sale	58,464,976	88,643,699
Real estate for sale in process	74,224,047	91,247,085
Costs on uncompleted construction contracts	4,126,652	4,502,862
Advance payments to suppliers	2,911,032	2,822,440
Other	3,874,441	3,072,672
Allowance for doubtful accounts	(33,740)	(36,250)
Total current assets	191,516,294	233,229,245
Non-current assets		
Property, plant and equipment	4,196,990	4,845,167
Intangible assets		
Goodwill	511,465	455,191
Other	438,371	379,677
Total intangible assets	949,837	834,869
Investments and other assets	2,798,160	3,526,879
Total non-current assets	7,944,989	9,206,915
Total assets	199,461,283	242,436,161
<b>Liabilities</b>		
Current liabilities		
Electronically recorded obligations-operating	4,269,404	4,315,750
Accounts payable for construction contracts	18,325,676	18,017,185
Short-term borrowings	79,159,885	97,329,672
Current portion of bonds payable	2,380,800	2,406,800
Current portion of long-term borrowings	8,082,142	17,414,036
Lease obligations	49,724	31,790
Income taxes payable	2,152,434	1,308,483
Provision for bonuses	705,496	680,127
Other	3,517,814	4,937,835
Total current liabilities	118,643,378	146,441,682
Non-current liabilities		
Bonds payable	3,387,600	3,614,200
Long-term borrowings	20,604,638	30,871,932
Lease obligations	6,577	36,382
Asset retirement obligations	69,463	49,685
Other	221,300	460,059
Total non-current liabilities	24,289,580	35,032,260
Total liabilities	142,932,958	181,473,943

	(Thousands of yen)	
	FY3/23 (As of Mar. 31, 2023)	Second quarter of FY3/24 (As of Sep. 30, 2023)
Net assets		
Shareholders' equity		
Share capital	4,815,525	4,816,125
Capital surplus	5,703,643	5,704,244
Retained earnings	40,878,708	42,512,123
Treasury shares	(377,518)	(357,210)
Total shareholders' equity	51,020,359	52,675,283
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(48,046)	(65,891)
Foreign currency translation adjustment	(2,333)	(4,862)
Total accumulated other comprehensive income	(50,379)	(70,754)
Share acquisition rights	19,288	21,093
Non-controlling interests	5,539,056	8,336,595
Total net assets	56,528,325	60,962,218
Total liabilities and net assets	199,461,283	242,436,161

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

(Thousands of yen)

	First six months of FY3/23 (Apr. 1, 2022 – Sep. 30, 2022)	First six months of FY3/24 (Apr. 1, 2023 – Sep. 30, 2023)
Net sales	103,452,760	125,484,748
Cost of sales	84,486,673	110,460,682
Gross profit	18,966,087	15,024,066
Selling, general and administrative expenses	8,596,166	10,381,740
Operating profit	10,369,921	4,642,326
Non-operating income		
Interest income	6,491	22,448
Dividend income	3,709	2,174
Refund of real estate acquisition tax	213,872	289,773
Other	256,260	308,255
Total non-operating income	480,333	622,651
Non-operating expenses		
Interest expenses	509,679	683,882
Commission expenses	315,607	558,781
Share of loss of entities accounted for using equity method	-	4,831
Other	50,225	59,642
Total non-operating expenses	875,512	1,307,137
Ordinary profit	9,974,742	3,957,840
Extraordinary income		
Gain on sale of non-current assets	1,759	637
Gain on bargain purchase	-	495,863
Total extraordinary income	1,759	496,500
Extraordinary losses		
Loss on sale of non-current assets	97	20
Loss on retirement of non-current assets	2,287	4,303
Total extraordinary losses	2,385	4,323
Profit before income taxes	9,974,116	4,450,017
Income taxes-current	2,919,434	1,684,525
Income taxes-deferred	328,753	(648,203)
Total income taxes	3,248,188	1,036,321
Profit	6,725,927	3,413,696
Profit attributable to non-controlling interests	358,343	352,744
Profit attributable to owners of parent	6,367,584	3,060,952



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

	(Thousands of yen)	
	First six months of FY3/23 (Apr. 1, 2022 – Sep. 30, 2022)	First six months of FY3/24 (Apr. 1, 2023 – Sep. 30, 2023)
Profit	6,725,927	3,413,696
Other comprehensive income		
Valuation difference on available-for-sale securities	(51,137)	(17,845)
Foreign currency translation adjustment	(29,722)	(2,454)
Share of other comprehensive income of entities accounted for using equity method	-	(74)
Total other comprehensive income	(80,859)	(20,374)
Comprehensive income	6,645,067	3,393,321
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	6,286,724	3,040,577
Comprehensive income attributable to non-controlling interests	358,343	352,744

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

Not applicable.

**Significant Changes in Shareholders' Equity**

Not applicable.

**Segment and Other Information**

First six months of FY3/23 (Apr. 1, 2022 – Sep. 30, 2022)

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

(Thousands of yen)

	Reportable segment			Others (Note 1)	Adjustments (Note 2)	Amounts shown on the quarterly consolidated statement of income (Note 3)
	Homebuilding and sales	Custom-built housing	Total			
Net sales						
Sales to external customers	98,835,186	3,208,047	102,043,233	1,409,527	-	103,452,760
Inter-segment sales and transfers	-	374,706	374,706	432,004	(806,710)	-
Total	98,835,186	3,582,753	102,417,939	1,841,531	(806,710)	103,452,760
Segment profit	11,584,832	60,652	11,645,485	420,063	(1,695,627)	10,369,921

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

2. The -1,695 million yen adjustment to segment profit includes elimination for inter-segment transactions of 23 million yen and -1,719 million yen in corporate expenses that are not attributable to any of the reportable segments.

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

First six months of FY3/24 (Apr. 1, 2023 – Sep. 30, 2023)

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

(Thousands of yen)

	Reportable segment			Others (Note 1)	Adjustments (Note 2)	Amounts shown on the quarterly consolidated statement of income (Note 3)
	Homebuilding and sales	Custom-built housing	Total			
Net sales						
Sales to external customers	121,464,349	2,511,443	123,975,793	1,508,955	-	125,484,748
Inter-segment sales and transfers	-	-	-	226,150	(226,150)	-
Total	121,464,349	2,511,443	123,975,793	1,735,106	(226,150)	125,484,748
Segment profit	6,492,571	103,992	6,596,564	229,199	(2,183,437)	4,642,326

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

2. The -2,183 million yen adjustment to segment profit includes elimination for inter-segment transactions of 18 million yen and -2,201 million yen in corporate expenses that are not attributable to any of the reportable segments.

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

## 2. Information related to revisions for reportable segments

In the first three months of FY3/24, the Group undertook a comprehensive reassessment of its business portfolio and changed its management structure and performance management classification in order to optimize the allocation of company-wide management resources and reinforce corporate governance. Consequently, the previously designated reportable segments, including Homebuilding and sales, Custom-built housing, Yokatown, Asahi Housing, Kenshin, and KEIAI Presto, have been reorganized into Homebuilding and sales and Custom-built housing.

The segment information for the first six months of FY3/23 are reported based on the reportable segment classification after the revision.

## 3. Information related to impairment of non-current assets, goodwill, etc. for each reportable segment

### Significant gain on negative goodwill

In the Homebuilding and sales segment, a gain on negative goodwill was reported as a result of the acquisition of shares of L-Housing Co., Ltd. The amount of the gain on negative goodwill resulting from this acquisition was 495 million yen in the first six months of FY3/24.

Gain on negative goodwill is not included in the above segment profit because it is an extraordinary gain.

## **Additional Information**

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. The number of shares of the Company's stock held by the trust was 104,700 shares with a book value of 376 million yen as of March 31, 2023 and 93,780 shares with a book value of 356 million yen as of September 30, 2023. Decreases of 20 million yen and 10,920 shares were due to the grant of the performance-linked stock compensation plan for directors.

*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.*