

Summary of Consolidated Financial Results
for the Third Quarter of the Fiscal Year Ending March 31, 2024
(Nine Months Ended December 31, 2023)

[Japanese GAAP]

Company name: KI-STAR REAL ESTATE Co., Ltd. Listing: Tokyo Stock Exchange
Securities code: 3465 URL: <https://www.ki-group.co.jp>
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Scheduled date of filing of Quarterly Report: February 14, 2024
Scheduled date of payment of dividend: -
Preparation of supplementary materials for quarterly financial results: Yes
Holding of quarterly financial results meeting: None

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

1. Consolidated Financial Results for the First Nine Months (April 1, 2023 – December 31, 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	%
Nine months ended Dec. 31, 2023	197,622	23.4	7,885	(46.3)	7,023	(50.5)	4,775	(47.3)
Nine months ended Dec. 31, 2022	160,209	17.7	14,683	(19.1)	14,183	(20.7)	9,055	(19.4)

Note: Comprehensive income (million yen) Nine months ended Dec. 31, 2023: 5,377 (down 43.4%)
Nine months ended Dec. 31, 2022: 9,497 (down 22.0%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2023	302.96	302.86
Nine months ended Dec. 31, 2022	573.64	573.35

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

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Dec. 31, 2023	245,604	61,083	21.3
As of Mar. 31, 2023	199,461	56,528	25.6

Reference: Shareholders' equity (million yen) As of Dec. 31, 2023: 52,408 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: None

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: None

*** 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 Dec. 31, 2023:	15,862,500 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 Dec. 31, 2023:	89,552 shares	As of Mar. 31, 2023:	104,878 shares
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3) Average number of shares during the period

Nine months ended Dec. 31, 2023:	15,763,118 shares	Nine months ended Dec. 31, 2022:	15,785,422 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.

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Forecast and Other Forward-looking Statements	3
2. Quarterly Consolidated Financial Statements and Notes	4
(1) Quarterly Consolidated Balance Sheet	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	6
Quarterly Consolidated Statement of Income	
For the Nine-month Period	6
Quarterly Consolidated Statement of Comprehensive Income	
For the Nine-month Period	7
(3) Notes to Quarterly Consolidated Financial Statements	8
Going Concern Assumption	8
Significant Changes in Shareholders' Equity	8
Segment and Other Information	8
Additional Information	9

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

The Japanese economy recovered slowly during the first nine months of the current fiscal year as economic activity returned to normal following the downgrade of the classification of COVID-19 by the Japanese government. Business sentiment is improving too. However, there are still many risk factors that may cause an economic downturn, including the high cost of raw materials and energy, the yen's depreciation, and instability in many areas of the world.

In Japan's housing sector, where the KI-STAR Group operates, demand has returned to normal following the unusually high level in the previous fiscal year caused by the pandemic. Demand remains firm, mainly in the Tokyo area, and real estate prices are increasing.

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 rapid inventory turnover in order to further increase turnover, the gross profit margin decreased due to a large volume of sales activities and the high cost of building materials.

Sales increased 37,413 million yen (23.4%) from the first nine months of the previous fiscal year to 197,622 million yen. Operating profit decreased 6,798 million yen (46.3%) to 7,885 million yen. This was primarily due to higher cost of sales 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 caused by the pandemic. Ordinary profit decreased 7,159 million yen (50.5%) to 7,023 million yen. This was primarily due to an increase of 566 million yen in non-operating expenses mainly because of fees paid in association with funds procured. Profit attributable to owners of parent was down 4,279 million yen (47.3%) to 4,775 million yen although there was a gain on bargain purchase 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, using mergers and acquisitions, and taking other actions based on its market share growth strategy.

During the first nine months, 5,450 houses (including land) were sold, up 980 from one year earlier. Sales increased 37,825 million yen to 191,282 million yen. Segment profit was down 5,977 million yen to 10,434 million yen. This was primarily due to higher cost of sales 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 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 semi custom-built houses.

The number of houses sold during the first nine months decreased by 63 from one year earlier to 249. Sales were down 1,523 million yen to 3,995 million yen. Segment profit increased 234 million yen to 450 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 46,143 million yen, which include a 12,098 million yen increase due to consolidation of L-Housing, Ltd., from the end of the previous fiscal year to 245,604 million yen at the end of the third quarter of the current fiscal year. This was mainly due to an increase of 54,358 million yen in inventories, which include real estate for sale, real estate for sale in process and costs on uncompleted construction contracts and a decrease of 11,535 million yen in cash and deposits resulting mainly from income taxes paid.

Liabilities

Total liabilities increased by 41,588 million yen, which include an 8,498 million yen increase due to consolidation of L-Housing, Ltd., to 184,521 million yen. The increase was mainly due to a 42,336 million yen increase in borrowings (of which increase of 6,913 million yen for the consolidation of L-Housing, Ltd.), including 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 4,555 million yen to 61,083 million yen. The main reason is an increase of 4,775 million yen in retained earnings due to profit attributable to owners of parent, which was partly offset by a 3,299 million yen decrease as a result of payments of cash dividends and a 3,114 million yen increase in non-controlling interests.

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

There are no revisions to the consolidated forecast for the fiscal year ending March 31, 2024 that was announced on November 13, 2023. An announcement will be made promptly if there is any new information about the forecast that requires disclosure.

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

	(Thousands of yen)	
	FY3/23 (As of Mar. 31, 2023)	Third quarter of FY3/24 (As of Dec. 31, 2023)
Assets		
Current assets		
Cash and deposits	47,855,517	36,319,650
Accounts receivable from completed construction contracts	93,365	279,437
Real estate for sale	58,464,976	95,506,633
Real estate for sale in process	74,224,047	90,888,542
Costs on uncompleted construction contracts	4,126,652	4,779,485
Advance payments to suppliers	2,911,032	2,696,539
Other	3,874,441	4,707,337
Allowance for doubtful accounts	(33,740)	(8,750)
Total current assets	191,516,294	235,168,877
Non-current assets		
Property, plant and equipment	4,196,990	4,802,848
Intangible assets		
Goodwill	511,465	426,871
Other	438,371	341,766
Total intangible assets	949,837	768,638
Investments and other assets	2,798,160	4,864,519
Total non-current assets	7,944,989	10,436,005
Total assets	199,461,283	245,604,883
Liabilities		
Current liabilities		
Electronically recorded obligations-operating	4,269,404	4,121,893
Accounts payable for construction contracts	18,325,676	17,695,698
Short-term borrowings	79,159,885	101,564,672
Current portion of bonds payable	2,380,800	556,600
Current portion of long-term borrowings	8,082,142	17,581,028
Lease obligations	49,724	19,685
Income taxes payable	2,152,434	572,546
Provision for bonuses	705,496	341,851
Other	3,517,814	6,316,413
Total current liabilities	118,643,378	148,770,390
Non-current liabilities		
Bonds payable	3,387,600	4,168,400
Long-term borrowings	20,604,638	31,037,536
Lease obligations	6,577	41,262
Asset retirement obligations	69,463	49,780
Other	221,300	454,034
Total non-current liabilities	24,289,580	35,751,013
Total liabilities	142,932,958	184,521,404

	(Thousands of yen)	
	FY3/23 (As of Mar. 31, 2023)	Third quarter of FY3/24 (As of Dec. 31, 2023)
Net assets		
Shareholders' equity		
Share capital	4,815,525	4,816,492
Capital surplus	5,703,643	5,704,610
Retained earnings	40,878,708	42,355,103
Treasury shares	(377,518)	(348,901)
Total shareholders' equity	51,020,359	52,527,304
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(48,046)	(106,254)
Foreign currency translation adjustment	(2,333)	(12,547)
Total accumulated other comprehensive income	(50,379)	(118,802)
Share acquisition rights	19,288	20,930
Non-controlling interests	5,539,056	8,654,046
Total net assets	56,528,325	61,083,478
Total liabilities and net assets	199,461,283	245,604,883

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

	(Thousands of yen)	
	First nine months of FY3/23 (Apr. 1, 2022 – Dec. 31, 2022)	First nine months of FY3/24 (Apr. 1, 2023 – Dec. 31, 2023)
Net sales	160,209,801	197,622,814
Cost of sales	132,402,127	174,103,136
Gross profit	27,807,674	23,519,677
Selling, general and administrative expenses	13,123,985	15,634,302
Operating profit	14,683,688	7,885,375
Non-operating income		
Interest income	12,556	109,521
Dividend income	5,057	3,339
Refund of real estate acquisition tax	342,526	423,190
Other	397,753	427,027
Total non-operating income	757,894	963,078
Non-operating expenses		
Interest expenses	804,719	1,094,520
Commission expenses	387,926	646,295
Share of loss of entities accounted for using equity method	-	2,079
Other	65,567	81,809
Total non-operating expenses	1,258,213	1,824,705
Ordinary profit	14,183,370	7,023,748
Extraordinary income		
Gain on sale of non-current assets	1,517	2,517
Gain on bargain purchase	-	495,863
Total extraordinary income	1,517	498,381
Extraordinary losses		
Loss on sale of non-current assets	3,815	212
Loss on retirement of non-current assets	2,320	16,032
Total extraordinary losses	6,135	16,244
Profit before income taxes	14,178,751	7,505,885
Income taxes-current	4,098,780	2,603,169
Income taxes-deferred	498,796	(543,125)
Total income taxes	4,597,577	2,060,043
Profit	9,581,173	5,445,841
Profit attributable to non-controlling interests	526,059	670,194
Profit attributable to owners of parent	9,055,114	4,775,647

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

(Thousands of yen)

	First nine months of FY3/23 (Apr. 1, 2022 – Dec. 31, 2022)	First nine months of FY3/24 (Apr. 1, 2023 – Dec. 31, 2023)
Profit	9,581,173	5,445,841
Other comprehensive income		
Valuation difference on available-for-sale securities	(58,193)	(58,208)
Foreign currency translation adjustment	(25,909)	(10,475)
Share of other comprehensive income of entities accounted for using equity method	-	262
Total other comprehensive income	(84,103)	(68,422)
Comprehensive income	9,497,070	5,377,419
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	8,971,010	4,707,229
Comprehensive income attributable to non-controlling interests	526,059	670,189

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

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Segment and Other Information

First nine months of FY3/23 (Apr. 1, 2022 – Dec. 31, 2022)

1. Information related to net sales and profit 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	153,456,391	4,685,390	158,141,782	2,068,019	-	160,209,801
Inter-segment sales and transfers	-	833,938	833,938	636,643	(1,470,582)	-
Total	153,456,391	5,519,328	158,975,720	2,704,663	(1,470,582)	160,209,801
Segment profit	16,411,757	216,285	16,628,043	704,498	(2,648,853)	14,683,688

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

2. The -2,648 million yen adjustment to segment profit includes elimination for inter-segment transactions of 20 million yen and -2,669 million yen in corporate expenses that are not attributable to any of the reportable segments.

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

First nine months of FY3/24 (Apr. 1, 2023 – Dec. 31, 2023)

1. Information related to net sales and profit 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	191,282,119	3,995,722	195,277,841	2,344,972	-	197,622,814
Inter-segment sales and transfers	-	-	-	298,013	(298,013)	-
Total	191,282,119	3,995,722	195,277,841	2,642,986	(298,013)	197,622,814
Segment profit	10,434,690	450,851	10,885,541	284,586	(3,284,752)	7,885,375

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 -3,284 million yen adjustment to segment profit includes elimination for inter-segment transactions of 26 million yen and -3,310 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 quarter 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 nine 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 nine 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 89,344 shares with a book value of 348 million yen as of December 31, 2023.

Decreases of 28 million yen and 15,356 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.