

Summary of Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending March 31, 2025
(Three Months Ended June 30, 2024)

[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 payment of dividend: -
 Preparation of supplementary materials for financial results: Yes
 Holding of 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, 2024 – June 30, 2024) of the Fiscal Year Ending March 31, 2025

(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, 2024	67,568	10.6	2,635	5.3	2,228	(7.6)	1,288	(38.0)
Three months ended Jun. 30, 2023	61,096	22.1	2,502	(50.7)	2,411	(50.6)	2,078	(34.9)

Note: Comprehensive income (million yen) Three months ended Jun. 30, 2024: 1,556 (down 29.6%)
 Three months ended Jun. 30, 2023: 2,210 (down 32.2%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Jun. 30, 2024	82.07	82.05
Three months ended Jun. 30, 2023	131.89	131.84

Note: KI-STAR REAL ESTATE Co., Ltd. ("the Company") has established a performance-linked stock compensation plan for directors and employee stock distribution trust program. Shares for these plans held by the trust are recorded as treasury shares in the consolidated balance sheet.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Jun. 30, 2024	262,790	60,594	20.4
As of Mar. 31, 2024	245,938	61,024	22.1

Reference: Shareholders' equity (million yen) As of Jun. 30, 2024: 53,709 As of Mar. 31, 2024: 54,376

- Notes: 1. The Company has established a performance-linked stock compensation plan for directors and employee stock distribution trust program. Shares for these plans held by the trust are recorded as treasury shares in the consolidated balance sheet.
 2. From the beginning of the first quarter of the fiscal year ending March 31, 2025, the Company has applied Accounting Standard for Current Income Taxes (Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022). All figures as of Mar. 31, 2024 incorporate this accounting standard.

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2024	-	118.00	-	62.00	180.00
Fiscal year ending Mar. 31, 2025	-				
Fiscal year ending Mar. 31, 2025 (forecasts)		65.00	-	65.00	130.00

Note: Revisions to the most recently announced dividend forecast: None

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2025 (April 1, 2024 – March 31, 2025)

(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	320,000	13.0	14,500	27.6	12,000	18.5	7,300	6.5	462.82

Note: Revisions to the most recently announced consolidated forecast: None

*** Notes**

(1) Significant changes in the scope of consolidation during the period: 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: Yes

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

3) Changes in accounting estimates: None

4) Restatements: None

Note: Please refer to page 8 “2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements, Changes in Accounting Policies” for details.

(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, 2024:	15,863,100 shares	As of Mar. 31, 2024:	15,862,600 shares
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2) Number of treasury shares at the end of the period

As of Jun. 30, 2024:	381,846 shares	As of Mar. 31, 2024:	89,591 shares
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3) Average number of shares during the period

Three months ended Jun. 30, 2024:	15,699,964 shares	Three months ended Jun. 30, 2023:	15,756,853 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.

* Review of the attached quarterly consolidated financial statements by a certified public accountant or auditing firm: None

* 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.

Change in units for monetary figures

Monetary figures for account and other items in the quarterly consolidated financial statements had been shown in thousands of yen in prior years. From the beginning of the first quarter of the fiscal year ending March 31, 2025, monetary figures are shown in millions of yen. To facilitate comparisons, figures for the previous first three months and fiscal year have been also revised to millions of yen.

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1. Overview of Results of Operations, Etc.

(1) Results of Operations

The Japanese economy showed improvements with the support of strong corporate earnings and the demand created by the large number of foreign tourists during the first quarter of the current fiscal year. Despite these positive trends, the recovery of the economy has stopped due to rising expenses caused by the yen's depreciation, a downturn in consumer spending and other reasons.

In Japan's housing sector, where the KI-STAR Group operates, there are concerns about a decline in the desire to purchase a home because of the high cost of houses due to increasing costs for building materials and labor, and the outlook for higher interest rates on mortgage.

Based on the KI-STAR Group's philosophy of "creating lives that are fulfilling, enjoyable and pleasant" and a commitment to accomplishing the vision of "house ownership for everyone," activities continue for expanding to more areas of Japan and strengthening our presence in areas where we currently operate, and executing M&A to increase our market share. All activities are centered on the growth strategy for the core homebuilding and sales business. In addition, activities are continuing for making all the houses we build ZEH (Net Zero Energy House) compliant, meeting the increasingly diverse needs of our customers, and supplying houses that comply with government measures for building energy-efficient houses.

Sales increased 10.6% from the same period of the previous fiscal year to a record quarterly high 67,568 million yen. Operating profit increased 5.3% to 2,635 million yen as the gross profit margin recovered from the second half of the previous fiscal year. Higher personnel and other expenses were offset by an increase in productivity and a slow reduction in unsold finished houses in Japan. Ordinary profit decreased 7.6% to 2,228 million yen and profit attributable to owners of parent was down 38.0% to 1,288 million yen. These declines were mainly the result of fees associated with a large syndicated loan and a gain on bargain purchase one year earlier that temporarily raised earnings.

Results by business segment are as follows:

i) Homebuilding and sales business

This business is continuing to take actions with the goal of increasing its market share by expanding to more areas of Japan and strengthening its position in areas where the KI-STAR Group currently operates. Operations are based on the commitment to supplying design houses with outstanding quality at low prices.

During the first quarter, 1,785 houses (including land) were sold. Sales increased 10.5% to 65,090 million yen and segment profit increased 4.6% to 3,306 million yen.

ii) Custom-built housing business

This custom-built housing business is concentrating on increasing the number of the single-story IKI custom-built houses and IKI semi custom-built houses. In the first quarter, the Company acquired Shinyamagata Hometech Co., Ltd., which has a custom-built housing business mainly in Yamagata prefecture, making this company a consolidated subsidiary.

During the first quarter, 80 houses were sold. Sales increased 17.7 % to 1,434 million yen and segment profit increased 68.9% to 140 million yen.

(2) Financial Position

Assets

Total assets increased by 16,852 million yen from the end of the previous fiscal year to 262,790 million yen at the end of the first quarter of the current fiscal year. This was mainly due to an increase of 21,215 million yen in real estate for sale and real estate for sale in process and a decrease of 8,074 million yen in cash and deposits.

Liabilities

Total liabilities increased by 17,282 million yen to 202,196 million yen. The increase was mainly due to a 16,509 million yen increase in borrowings due to the procurement of funds for land purchase.

Net assets

Total net assets decreased by 429 million yen to 60,594 million yen. The main reason is dividends of surplus of 983 million yen and purchase of treasury shares of 1,000 million yen, while there was profit attributable to owners of parent of 1,288 million yen.

(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, 2025 that was announced on May 13, 2024. Sales and earnings are in line with the forecast.

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

(Millions of yen)

	FY3/24 (As of Mar. 31, 2024)	First quarter of FY3/25 (As of Jun. 30, 2024)
Assets		
Current assets		
Cash and deposits	56,046	47,971
Accounts receivable from completed construction contracts	331	84
Real estate for sale	89,317	105,755
Real estate for sale in process	76,792	81,570
Costs on uncompleted construction contracts	4,423	5,401
Advance payments to suppliers	3,357	3,571
Other	4,779	5,174
Allowance for doubtful accounts	(6)	(8)
Total current assets	235,041	249,520
Non-current assets		
Property, plant and equipment	4,500	4,648
Intangible assets		
Goodwill	398	370
Other	304	284
Total intangible assets	703	654
Investments and other assets	5,692	7,967
Total non-current assets	10,896	13,270
Total assets	245,938	262,790
Liabilities		
Current liabilities		
Electronically recorded obligations-operating	3,835	3,806
Accounts payable for construction contracts	18,790	18,463
Short-term borrowings	96,586	93,719
Current portion of bonds payable	365	449
Current portion of long-term borrowings	12,800	10,689
Lease obligations	7	2
Income taxes payable	503	377
Provision for bonuses	650	926
Other	6,262	7,117
Total current liabilities	139,801	135,552
Non-current liabilities		
Bonds payable	6,392	6,299
Long-term borrowings	38,171	59,658
Lease obligations	38	63
Asset retirement obligations	47	47
Other	461	573
Total non-current liabilities	45,111	66,643
Total liabilities	184,913	202,196

	(Millions of yen)	
	FY3/24 (As of Mar. 31, 2024)	First quarter of FY3/25 (As of Jun. 30, 2024)
Net assets		
Shareholders' equity		
Share capital	4,816	4,817
Capital surplus	5,704	5,705
Retained earnings	44,323	44,628
Treasury shares	(349)	(1,349)
Total shareholders' equity	54,495	53,801
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(110)	(79)
Foreign currency translation adjustment	(8)	(12)
Total accumulated other comprehensive income	(119)	(92)
Share acquisition rights	18	18
Non-controlling interests	6,629	6,867
Total net assets	61,024	60,594
Total liabilities and net assets	245,938	262,790

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

(Millions of yen)

	First three months of FY3/24 (Apr. 1, 2023 – Jun. 30, 2023)	First three months of FY3/25 (Apr. 1, 2024 – Jun. 30, 2024)
Net sales	61,096	67,568
Cost of sales	53,631	59,270
Gross profit	7,464	8,298
Selling, general and administrative expenses	4,962	5,663
Operating profit	2,502	2,635
Non-operating income		
Interest income	7	84
Refund of real estate acquisition tax	139	134
Foreign exchange gains	31	133
Other	153	255
Total non-operating income	331	608
Non-operating expenses		
Interest expenses	326	494
Commission expenses	65	491
Share of loss of entities accounted for using equity method	-	6
Other	29	22
Total non-operating expenses	422	1,015
Ordinary profit	2,411	2,228
Extraordinary income		
Gain on sale of non-current assets	-	0
Gain on bargain purchase	495	125
Total extraordinary income	495	125
Extraordinary losses		
Loss on sale of non-current assets	-	0
Loss on retirement of non-current assets	1	0
Total extraordinary losses	1	0
Profit before income taxes	2,905	2,353
Income taxes-current	1,098	971
Income taxes-deferred	(438)	(148)
Total income taxes	660	823
Profit	2,245	1,529
Profit attributable to non-controlling interests	167	240
Profit attributable to owners of parent	2,078	1,288

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

(Millions of yen)

	First three months of FY3/24 (Apr. 1, 2023 – Jun. 30, 2023)	First three months of FY3/25 (Apr. 1, 2024 – Jun. 30, 2024)
Profit	2,245	1,529
Other comprehensive income		
Valuation difference on available-for-sale securities	(32)	31
Foreign currency translation adjustment	(2)	(5)
Share of other comprehensive income of entities accounted for using equity method	-	0
Total other comprehensive income	(35)	26
Comprehensive income	2,210	1,556
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	2,043	1,315
Comprehensive income attributable to non-controlling interests	167	240

(3) Notes to Quarterly Consolidated Financial Statements**Changes in Accounting Policies****Application of Accounting Standard for Current Income Taxes**

The Company has applied the Accounting Standard for Current Income Taxes (Accounting Standards Board of Japan (ASBJ) No. 27, October 28, 2022, the “Revised Standard”) from the beginning of the first quarter of the fiscal year ending March 31, 2025.

Revisions concerning the accounting classification of income taxes (taxation of other comprehensive income) are made in accordance with the transitional treatment stipulated in the proviso of Paragraph 20-3 of the Revised Standard.

For the revision concerning the change in the treatment in the consolidated financial statements of the tax deferral of gains or losses on sales of shares of subsidiaries, etc. between consolidated companies, the Company has applied the Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022) from the beginning of the first quarter of the fiscal year ending March 31, 2025. This change has been applied retrospectively and the quarterly and fiscal year consolidated financial statements for the previous fiscal year are shown after this restatement.

As a result, retained earnings as of March 31, 2024 decreased 112 million yen compared to before retrospective application.

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Based on the resolution of the Board of Directors meeting held on May 23, 2024, the Company acquired 292,200 treasury shares. As a result, treasury shares increased 1,000 million yen during the first three month of the current fiscal year to 1,349 million yen at the end of the first quarter.

Quarterly Consolidated Balance Sheet

1. Financial covenants

There are financial covenants on some loans from financial institutions. The five primary requirements, which apply to consolidated and non-consolidated financial statements are for net assets, ordinary profit, loan to value (LTV), monthly inventory turnover, and the debt-equity ratio. If there is a violation of one or more of these requirements or there is a continuous violation, the financial institutions may demand the immediate repayment of all applicable loans.

Borrowings subject to these financial covenants were as follows at the end of the previous fiscal year and the end of the first quarter.

	(Millions of yen)	
	FY3/24 (As of Mar. 31, 2024)	First quarter of FY3/25 (As of Jun. 30, 2024)
Short-term borrowings	72,504	59,830
Long-term borrowings (including current portion of long-term borrowings)	26,907	54,737

2. Other current liabilities include the following contract liabilities.

	(Millions of yen)	
	FY3/24 (As of Mar. 31, 2024)	First quarter of FY3/25 (As of Jun. 30, 2024)
Contract liabilities	1,636	2,306

Quarterly Consolidated Statement of Income

Seasonal changes in sales

The KI-STAR Group's housing business delivers more houses to customers in the fourth quarter. As a result, there are seasonal changes in sales and sales are usually higher in the fourth quarter.

Quarterly Consolidated Statement of Cash Flows

A quarterly consolidated statement of cash flows pertaining to the first three months of FY3/25 has not been prepared. Depreciation (includes amortization expenses related to intangible assets minus goodwill) and amortization of goodwill pertaining to the first three months of each year is as follows.

(Millions of yen)

	First three months of FY3/24 (Apr. 1, 2023 – Jun. 30, 2023)	First three months of FY3/25 (Apr. 1, 2024 – Jun. 30, 2024)
Depreciation	98	104
Amortization of goodwill	27	27

Segment and Other Information

First three months of FY3/24 (Apr. 1, 2023 – Jun. 30, 2023)

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

(Millions 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	58,903	1,218	60,121	974	-	61,096
Inter-segment sales and transfers	-	-	-	155	(155)	-
Total	58,903	1,218	60,121	1,129	(155)	61,096
Segment profit	3,161	83	3,244	212	(954)	2,502

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 -954 million yen adjustment to segment profit includes elimination for inter-segment transactions of 13 million yen and -968 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 quarterly consolidated statement of income.

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

Significant gain on bargain purchase

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

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

First three months of FY3/25 (Apr. 1, 2024 – Jun. 30, 2024)

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

(Millions 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	65,090	1,434	66,525	1,043	-	67,568
Inter-segment sales and transfers	-	-	-	29	(29)	-
Total	65,090	1,434	66,525	1,073	(29)	67,568
Segment profit	3,306	140	3,447	108	(920)	2,635

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 -920 million yen adjustment to segment profit includes elimination for inter-segment transactions of 18 million yen and -938 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 quarterly consolidated statement of income.

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

Significant gain on bargain purchase

In the Custom-built housing segment, a gain on bargain purchase was reported as a result of the acquisition of shares of Shinyamagata Hometech Co., Ltd.. The amount of the gain on bargain purchase resulting from this acquisition was 125 million yen in the first three months of FY3/25.

Gain on bargain purchase 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 as of March 31, 2024 and June 30, 2024 was 89,344 shares with a book value of 348 million yen.

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.