

KEIAI

デザインのカイアイ

Third Quarter of FY3/21 Financial Results

KI-STAR REAL ESTATE CO., LTD.



Tokyo Stock Exchange,
First Section/3465

A Message from KEIAI

We extend our best wishes for a speedy recovery to people who have been infected with the COVID-19 virus as well as to others who have been affected by this crisis. In addition, we are deeply saddened by the impact of the heavy rain and flooding of July 2020 and other natural disasters. We send our heartfelt thoughts to everyone who has been affected by these unfortunate events. KI-Star hopes for a recovery from these infections and a return to normal in areas affected by natural disasters as quickly as possible.

Management Philosophy, Mission, and Vision

Management Philosophy

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

Mission

House ownership for everyone

Vision

The most adored company in Japan

3Q FY3/21 Highlights

- Achieved Net sales ¥109,803 million and Ordinary profit of ¥8,219 million yen, setting a new record high.
- Announced upward revision of full-year earnings forecast. FY3/21 Net sales is ¥148,000 million, Ordinary profit is ¥11,600 million, and Profit attributable to owners of parent is ¥7,000 million. The highest ever full-year earnings forecast.
- As a growth strategy, we will continue to accelerate our nationwide expansion of “fourth choice” Semi custom-built detached houses based on our strength of Compact Ready-Built House development. Increase our national market share through a unique business model with "KEIAI technology platform".
- The dividend forecast has been revised upward to ¥139 per share in line with the revision of the full-year earnings forecast.

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1. Third Quarter FY3/21 Financial Summary

3Q FY3/21 Financial Summary

- Continue to execute growth strategies for the ready-built house business.
- Net sales ¥109,803 million, hit a new record high in first nine month.
- Ordinary profit ¥8,219 million(increased 103%YoY),a record high profit.
- As a result of strong orders in the mainstay detached housing business, upward revision of full-year earnings forecast of FY3/21. Net sales ¥148,000 million (increased 22.6% YoY), Ordinary profit ¥11,600 million (increased 83.6% YoY), and Profit attributable to owners of parent ¥7,000 million(increased 95.3% YoY).The highest ever full-year earnings forecast.

The Japanese Housing Market

COVID-19 has had unexpected benefits in the residential house and detached house sales markets. KEIAI's detached house business based on real demand can continue to grow, supported by firm demand moving forward.

Economic impact and risk

- Simultaneous economic downturns worldwide
- Risk of an even deeper economic downturn if the crisis does not end soon
- Increasing worries about job security

Changes in customers' needs

- From urban to suburban locations, from condominiums (limited space) to detached houses, from rented residences to owned houses (makes DIY renovations possible)

KEIAI strengths

- The KI-Star Group focuses on the built-for-sale houses business
- Houses have outstanding quality and designs at affordable prices that make buying a house less expensive than renting
- Firm demand during economic downturns; demand for low-priced houses for real demand remained firm during the global financial crisis
- As people stay home for safety, the demand for detached houses will become established (people want teleworking space, houses with yards, and separate rooms for privacy)

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

Net sales ¥109,803 million(increased 26.1% YoY),a new record in first nine month. Gross profit ¥18,696 million, Gross profit margin 17.0%,Operation profit ¥8,204 million (increased 92.7% YoY), Ordinary profit ¥8,219 million(increased 103.0% YoY), achieved record profit for the same period.

(Millions of yen)

	First nine months of FY3/20		First nine months of FY3/21		YoY
	Amount	Proportion	Amount	Proportion	
Net sales	87,056	100.0%	109,803	100.0%	26.1%
Gross profit	12,543	14.4%	18,696	17.0%	49.1%
SG&A expenses	8,285	9.5%	10,492	9.6%	26.6%
Operation profit	4,258	4.9%	8,204	7.5%	92.7%
Ordinary profit	4,049	4.7%	8,219	7.5%	103.0%
Profit attributable to owners of parent	2,506	2.9%	4,861	4.4%	94.0%

Consolidated Statement of Income (3Q)

In the third quarter (October-December), Net sales ¥43,813 million(increased 49.5% YoY), Gross profit ¥18,696 million(increased 386.7% YoY), Profit attributable to owners of parent ¥2,652 (increased 332.5% YoY).

(Million of yen)

	3Q(Oct-Dec) of FY3/20		3Q(Oct-Dec) of FY3/21		YoY
	Amount	Proportion	Amount	Proportion	
Net sales	29,298	100.0%	43,813	100.0%	49.5%
Gross profit	3,957	13.5%	8,280	18.9%	109.2%
SG&A expenses	3,009	10.3%	3,862	8.8%	28.3%
Operation profit	947	3.2%	4,417	10.1%	366.2%
Ordinary profit	923	3.2%	4,493	10.3%	386.7%
Profit attributable to owners of parent	613	2.1%	2,652	6.1%	332.5%

Consolidated Forecast (revised)

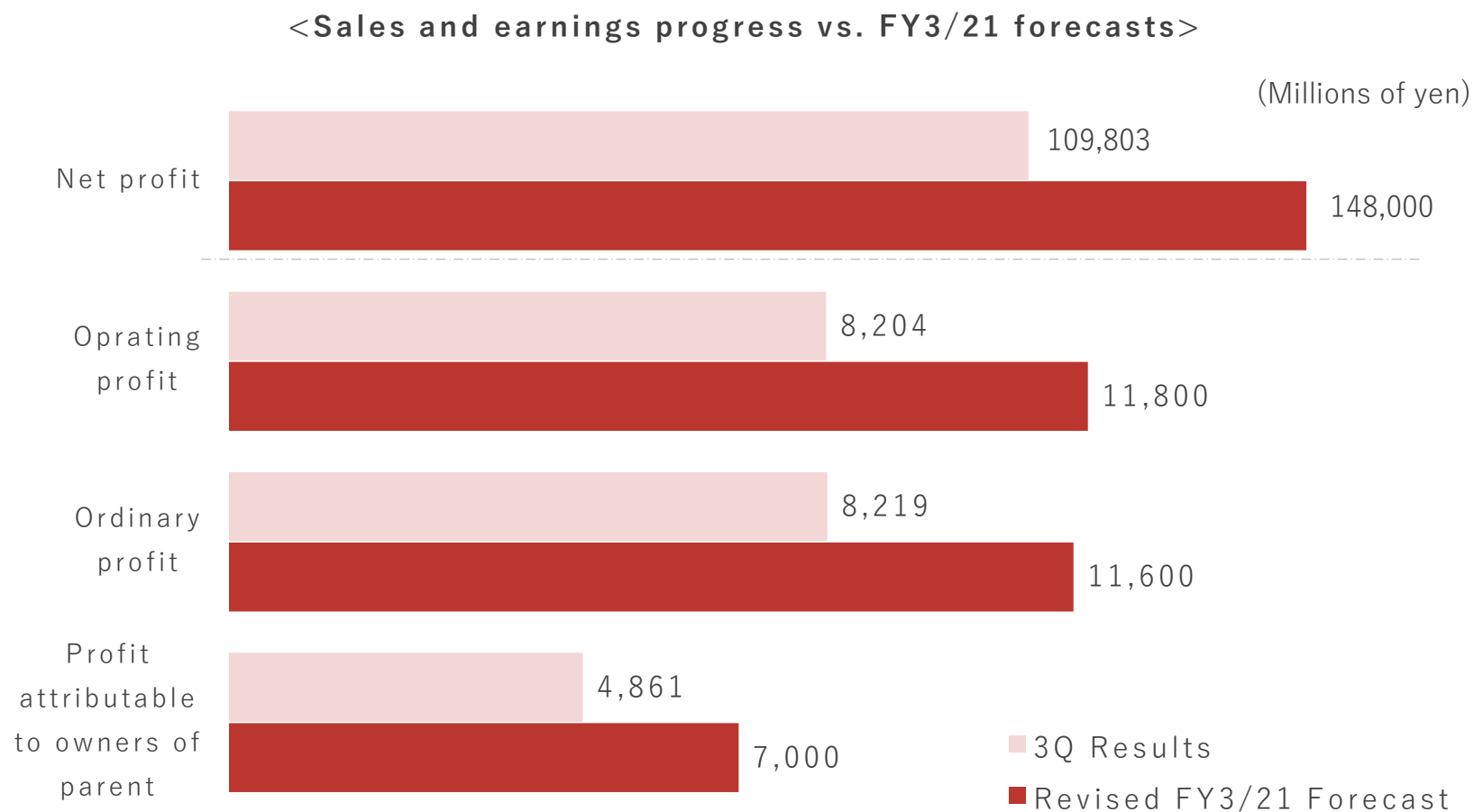
We have revised our full-year forecast upwards due to more-than-expected strong orders. Our full-year forecast for FY3/21 is net sales of ¥ 148,000 million, operating profit of ¥ 11,600 million, and ordinary profit of ¥ 7,000 million. Forecasting record-high performance in all stages of profit

(Millions of yen)

	Full-year of FY3/20 (reference)	Full-year of FY3/21 Announced on Aug. 11	Full-year of FY3/21 Current forecast (revised)	Comparison to the previous forecast (Aug. 11)	YoY change
Net sales	120,710	130,000	148,000	13.8%	22.6%
Operating profit	6,425	7,100	11,800	66.2%	83.7%
Ordinary profit	6,317	7,000	11,600	65.7%	83.6%
Profit attributable to owners of parent	3,584	4,200	7,000	66.7%	95.3%

First Nine Months of FY3/21 Results vs. FY3/21 Forecasts (Revised)

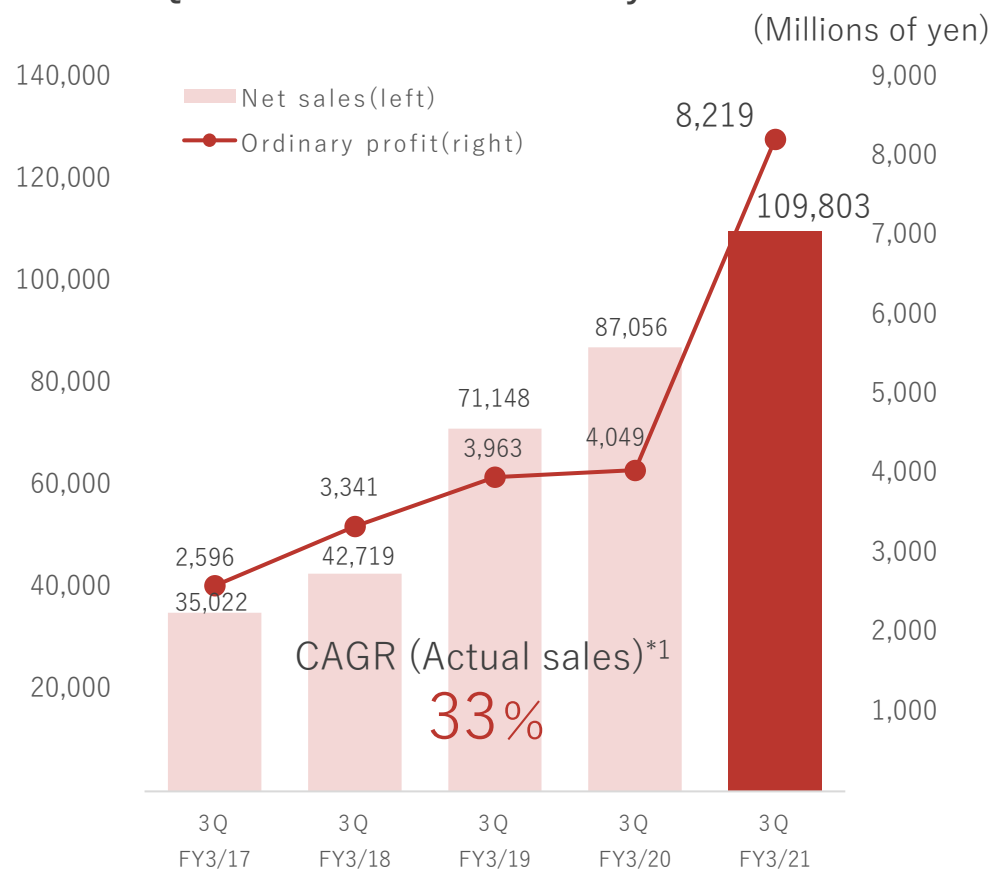
Results for the first nine months are on track to meet the revised forecasts.



Consistent Growth in Consolidated Sales and Earnings

Sales and earnings are growing consistently due to steady progress with the growth strategy. Record-high first nine months performance.

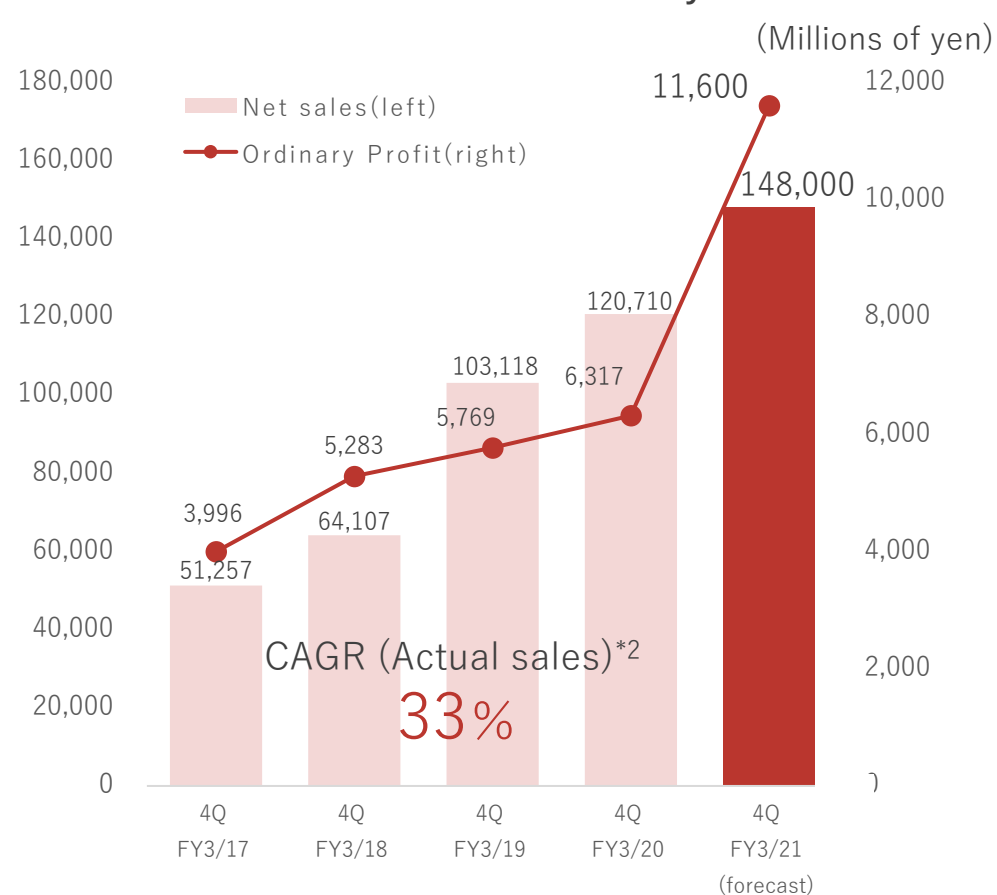
3Q Net Sales and Ordinary Profit



*1: Average annual growth rate of sales from 3Q FY3/17 to 3Q FY3/21 (CAGR)

*2: Average annual growth rate of sales from FY3/17 to FY3/20 (CAGR)

Fiscal Year Net Sales and Ordinary Profit



Segment Performance (1)

Growth continues by shifting to the ready-built house business in each segment.

(Unit of Sales and profit: millions of yen)

		First nine months of FY3/20	First nine months of FY3/21	YoY change	Remarks
Homebuilding and sales (including land)	Houses sold	1,922	2,227		Growth due to growth strategy progress
	Sales	56,823	71,991	+26.7%	
	Operating profit	4,637	8,012	+72.8%	
Custom-built housing	Houses sold	74	61		Shifting more resources to the homebuilding and sales business
	Sales	855	737	-13.8%	
	Operating profit	184	152	-17.4%	
Pre-owned home sales	Houses sold	119	52		Shifting more resources to the homebuilding and sales business
	Sales	3,328	1,383	-58.4%	
	Operating profit	42	55	+31.0%	
Yokatown	Houses sold	Built-for-sale houses (including land): 390 Custom-built houses: 99	Built-for-sale houses (including land): 544 Custom-built houses: 65		Higher sales due to measures to strengthen the homebuilding and sales business
	Sales	11,098	14,776	+33.1%	
	Operating profit	777	1,197	+54.1%	

Segment Performance (2)

Growth continues by shifting to the ready-built house business in each segment.

(Unit of Sales and profit: millions of yen)

		First nine months of FY3/20	First nine months of FY3/21	YoY change	Remarks
Asahi Housing	Houses sold	Built-for-sale houses (including land): 137	Built-for-sale houses (including land): 175		Higher sales due to measures to strengthen the homebuilding and sales business
	Sales	5,121	6,913	+35.0%	
	Operating profit	177	584	+229.9%	
Fresco	Houses sold	Built-for-sale houses (including land): 99 Custom-built houses: 99	Built-for-sale houses (including land): 126 Custom-built houses: 34		
	Sales	3,825	4,391	+14.8%	
	Operating profit	127	261	+105.5%	
Kensin	Houses sold	Built-for-sale houses (including land): 94 Custom-built houses: 37	Built-for-sale houses (including land): 141 Custom-built houses: 90		Higher sales due to measures to strengthen the homebuilding and sales business
	Sales	4,917	6,916	+40.7%	
	Operating profit	(81)	152	-	
Tokyo Big House	Houses sold	—	Built-for-sale houses (including land): 32 Custom-built houses: 25		Consolidated in April 2020
	Sales	—	1,503	—	
	Operating profit	—	4	—	

Consolidated Balance Sheet

Total assets were ¥107,008 million and net assets were ¥24,094 million (increased ¥4,246 million YoY)

(Millions of yen)

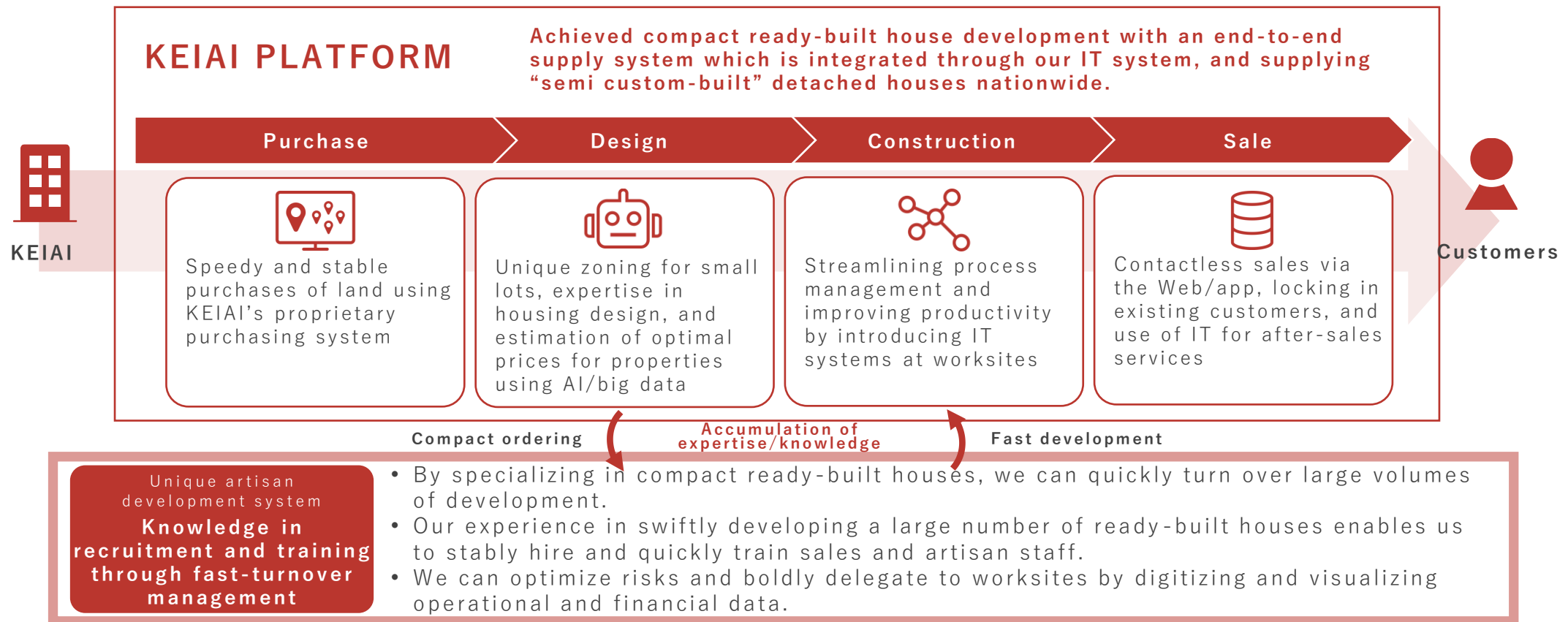
	March 31, 2020	September 30, 2021	Increase/decrease
Current assets	82,743	99,292	16,549
(Inventories)	(65,667)	(69,887)	(4,220)
Non-current assets	7,192	7,933	741
Total assets	89,936	106,944	17,008
Current liabilities	63,509	71,541	8,032
Non-current liabilities	6,577	11,308	4,731
(Short-term and long-term borrowings and bonds payable)	(55,524)	(67,065)	(11,541)
Net assets	19,848	24,094	4,246
Total liabilities and net assets	89,936	106,944	17,008

2. KEIAI Growth Strategy

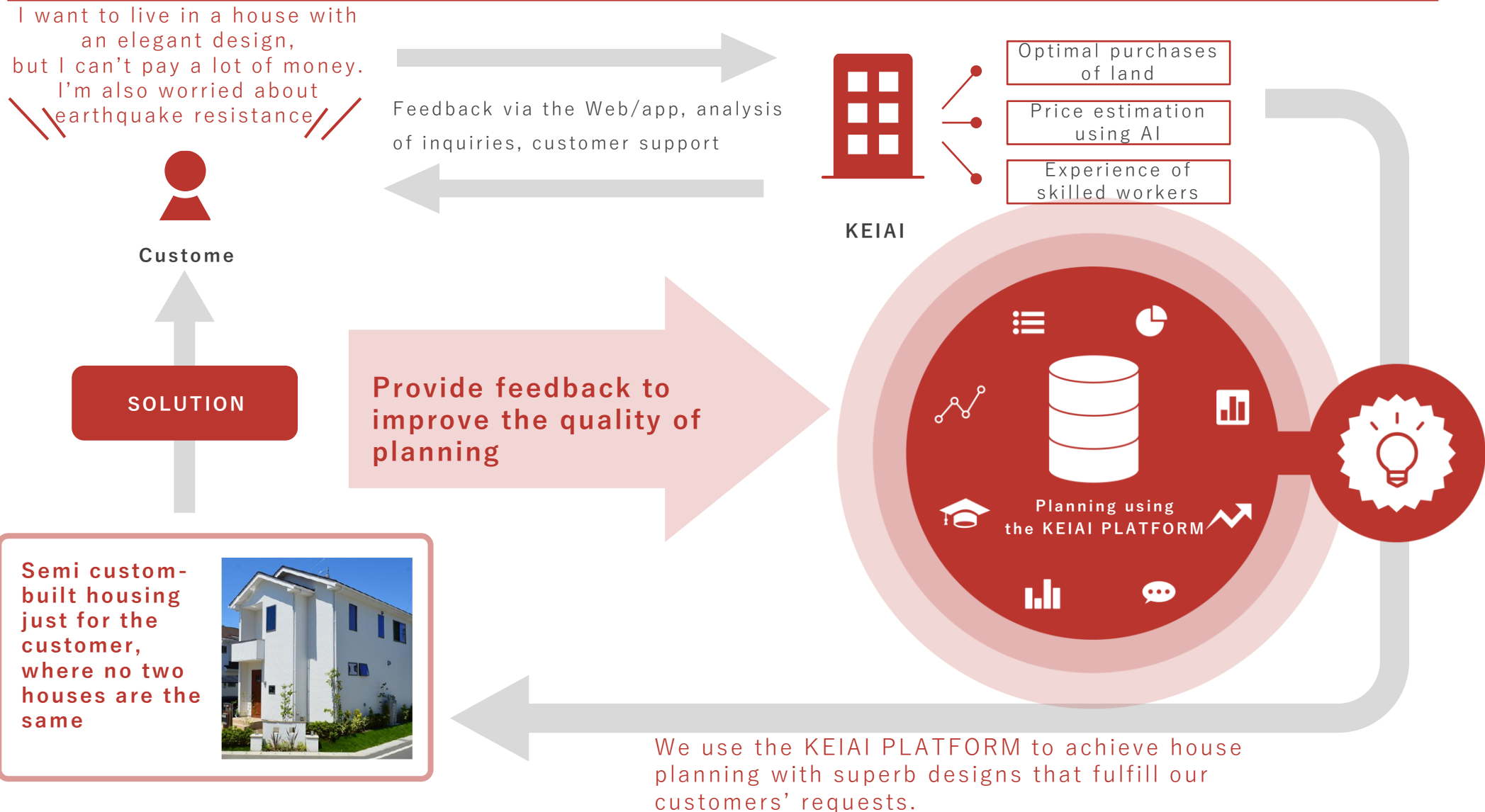
Innovation in Detached Houses through KEIAI Technology Platform

- Growth in the ready-built house business with high efficiency/quality and low prices by introducing IT into every stage of the detached house supply chain
- The KEIAI PLATFORM optimizes the business end-to-end, from purchases to sales. It enables speedy coordination within the Group.
- KEIAI is one of the largest players in Japan in compact ready-built house development. We offer “**semi custom-built housing***” as a fourth choice for detached houses.

*Newly built detached houses with unique designs where no two houses are the same, combining the quality and design features of custom-built houses with the low price of ready-built houses



What Is Semi Custom-built Housing Using Compact Ready-Built House Development?

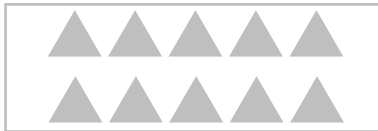


What Is Semi Custom-built Housing Using Compact Ready-Built House Development?

By conducting development with a plan optimal for each piece of land, we offer housing with the reasonable prices of ready-built houses, and the quality and design features of custom-built houses. This achieves town planning starting from a single house.

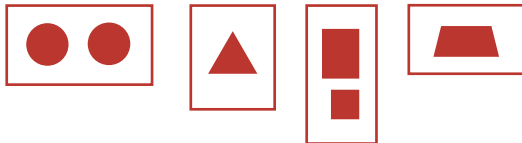
Conventional ready-built houses

Conventional ready-built houses are mass-produced and uniform, built by developing lots of 4 to 10 houses at once



Compact ready-built house development

Development of compact ready-built houses with superb designs on small lots of 1 to 2 houses, which are difficult for conventional homebuilders focused on large lots to enter



KEIAI's semi custom-built houses, where no two houses are the same

New Product: Launch of the IKI Semi Custom-built Housing

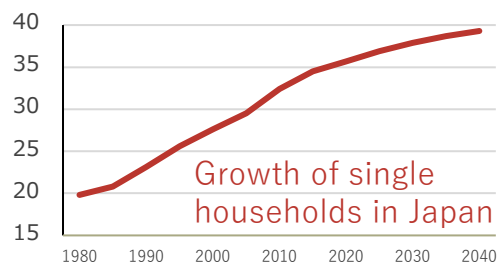
Next-generation strategic product: Launch of the IKI one-story house that is build using an app with less cost.

- Created for simple and space-saving life styles
- Meets many needs for necessary living space
- Unitized design speeds up completions and holds down the cost

Floor area: About 56.2 to 89.3 square meters / **Price:** ¥5.9 million to ¥8.19 million/unit / **Design:** 1 to 4 bedroom



Pct. of single households



More teleworking and rethinking of lifestyles centered on work at companies and homes in densely populated areas due to COVID-19

Changes in perception and needs involving residences

Development of proposal-based houses for a wide variety of lifestyles

Note: Based on "Household Projection for Japan (2018 Estimates)" by the National Institute of Population and Social Security Research

Target Customers

Area



- Regional cities
- Major cities designated by ordinance
- Semi-major cities (population of 100 thousand to 1 million)

Property type



- Semi custom-built detached houses
- Compact town planning starting from a single house
- ¥25 million

Buyer



- Real demand
- In their 30s to 40s
- Annual household income : ¥2 to 5 million range

Loan



- Housing loan
- City banks and regional banks nationwide
- Labor income of the buyer

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)

Competitive Advantages of KEIAI's Business Model and Barriers to Entry by Competitors

Competitive advantages

1. Use of technology/big data

- Design and construction processes are streamlined through the use of technology (e.g., on-site systems) even with small lots. We can develop housing without loss of productivity per unit by having a single foreperson to supervise many worksites.
- Digitizing worksite data with our systems enables us to accumulate and share worksite knowledge, standardize operations, and apply that knowledge to worksites nationwide. Working on many worksites also improves our power to purchase materials.

2. Stable supply

- We can quickly develop our human resources, because the development of large numbers of small lots enables our employees to gain experience on many diverse worksites. It also enables us to stably hire and train the artisan employees for construction sites.
- Experience with designing large varieties of (semi custom-built) detached houses in small batches by our in-house design division.
- Fast-turnover management enables us to ensure profitability and efficient financing.

Barriers to entry by competitors

1. Unique features of small-lot development

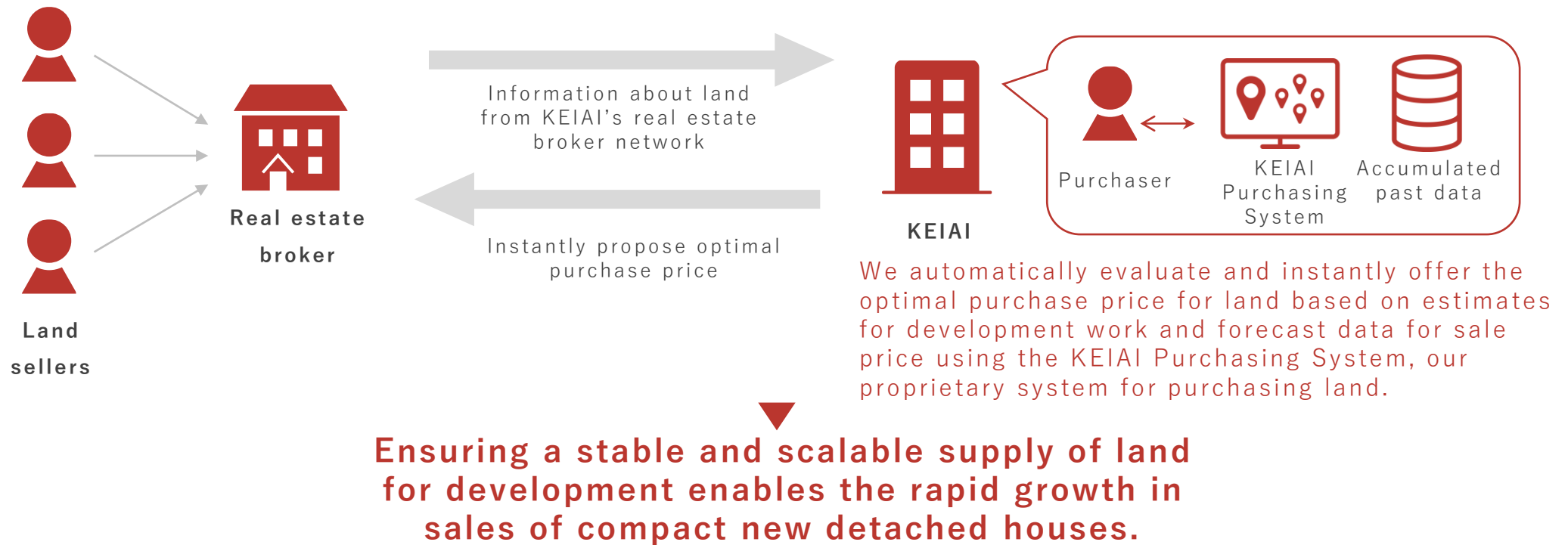
- Developing compact small lots requires development of large varieties of houses in small batches, with design and construction conducted one house at a time. This makes the development of ready-built houses extremely labor-intensive, and establishing standardized work procedures is unfeasible.

2. Uneconomical scales

- Developing small lots requires individual development and multiple houses cannot be built at the same time. It also requires the development to be spread out over time. This prevents companies from making large bulk purchases of materials, therefore difficult to take advantage of economies of scale.

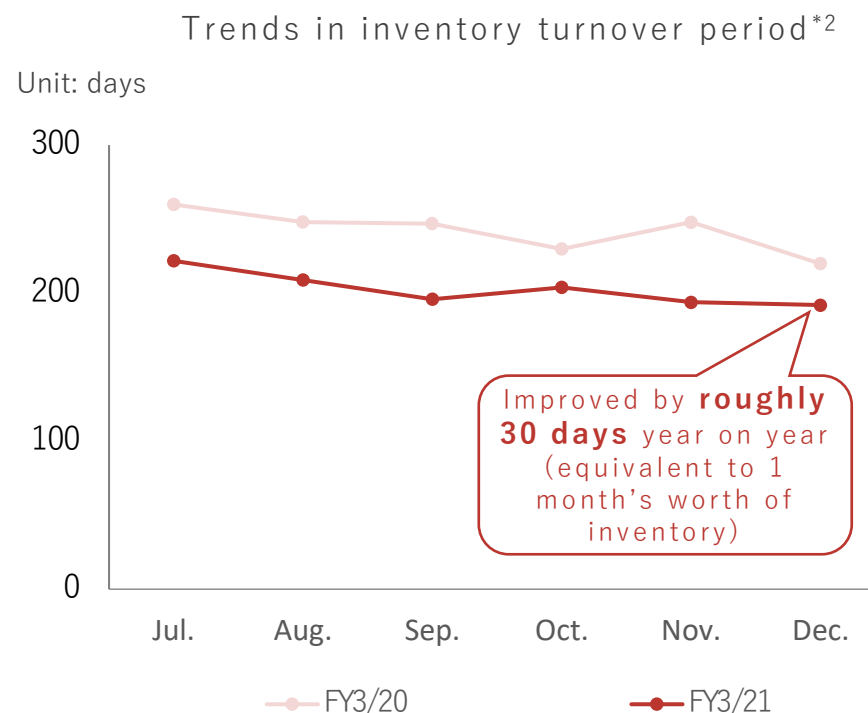
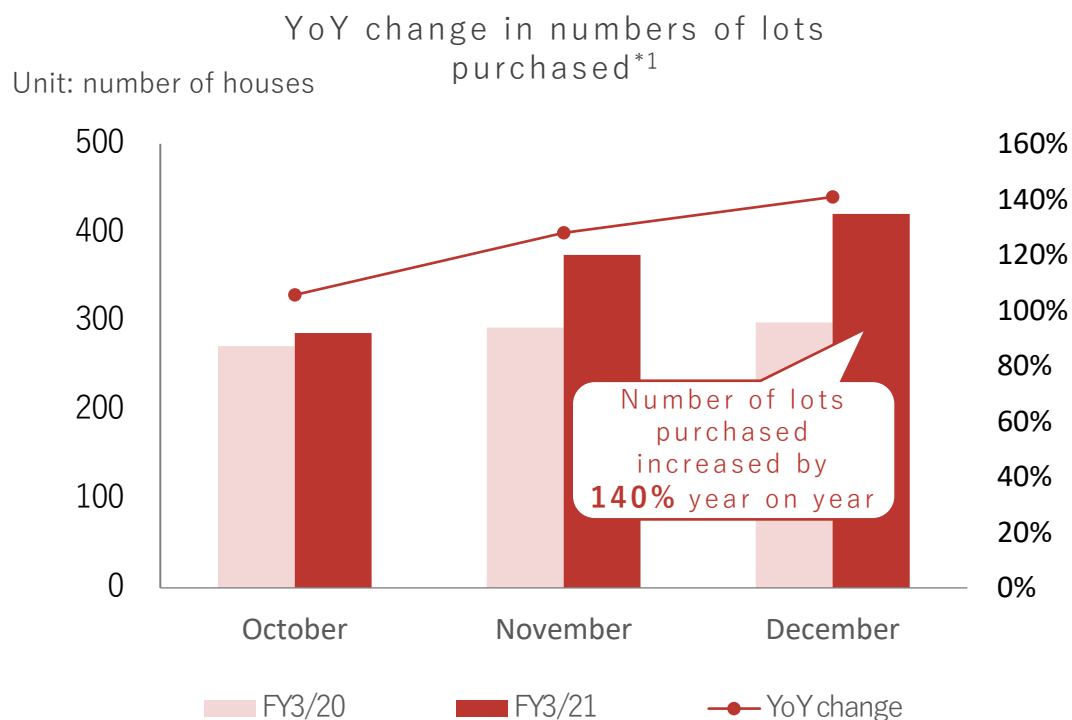
Optimizing Purchasing Process with Land Purchasing System

We have developed our own proprietary system for purchasing land for development based on past transaction data. We use big data to instantly offer the optimal purchase price, without relying on the experience or intuition of the purchaser. This enables us to purchase and secure land for development ahead of our competitors.



Status of Land Purchasing and Inventory Turnover Period for Growth in Next Fiscal Year

The current number of land purchases is trending well, greatly exceeding that of the previous fiscal year. At the same time, the number of days until inventory turnover is improving smoothly. Our preparations for continued growth in the next fiscal year (FY3/22) is well underway.



*1: Actual number of purchases by the KI-Star Group, excluding purchases by subsidiaries brought into the Group via M&As

*2: Actual number of days for turnover from a settlement for purchasing land to a settlement for sale by the KI-Star Group, excluding M&A subsidiaries in the same manner as *1

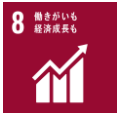
KEIAI's Significance for Society – ESG/SDG Initiatives (1)



SDGs	KEIAI's initiatives
  	<p>1. Enabling everyone to own a home</p> <p>By proposing high-quality yet affordably priced houses, we provide safe and secure living environments to all generations, offering houses that respond to such social issues as the aging population and decreasing household size.</p>
  	<p>2. Alleviating extreme concentration of population in metropolitan centers</p> <p>By vitalizing rural areas, we are improving the living environment, which has become smaller due to the extreme concentration of population in metropolitan centers. We meet the need to combine living and working spaces brought on by the increased adoption of teleworking.</p>
 	<p>3. Updating construction and real estate using IT</p> <p>We will update construction sites and the real estate industry, which have many outdated systems, by introducing new technologies, and we will pass on the benefits from streamlining to our customers.</p>
  	<p>4. Solving problem of vacant housing</p> <p>We offer a solution to the 8.5 million vacant houses in Japan through semi custom-built detached houses. This is an issue that cannot be solved by remodeling.</p>

KEIAI's Significance for Society – ESG/SDG Initiatives (2)



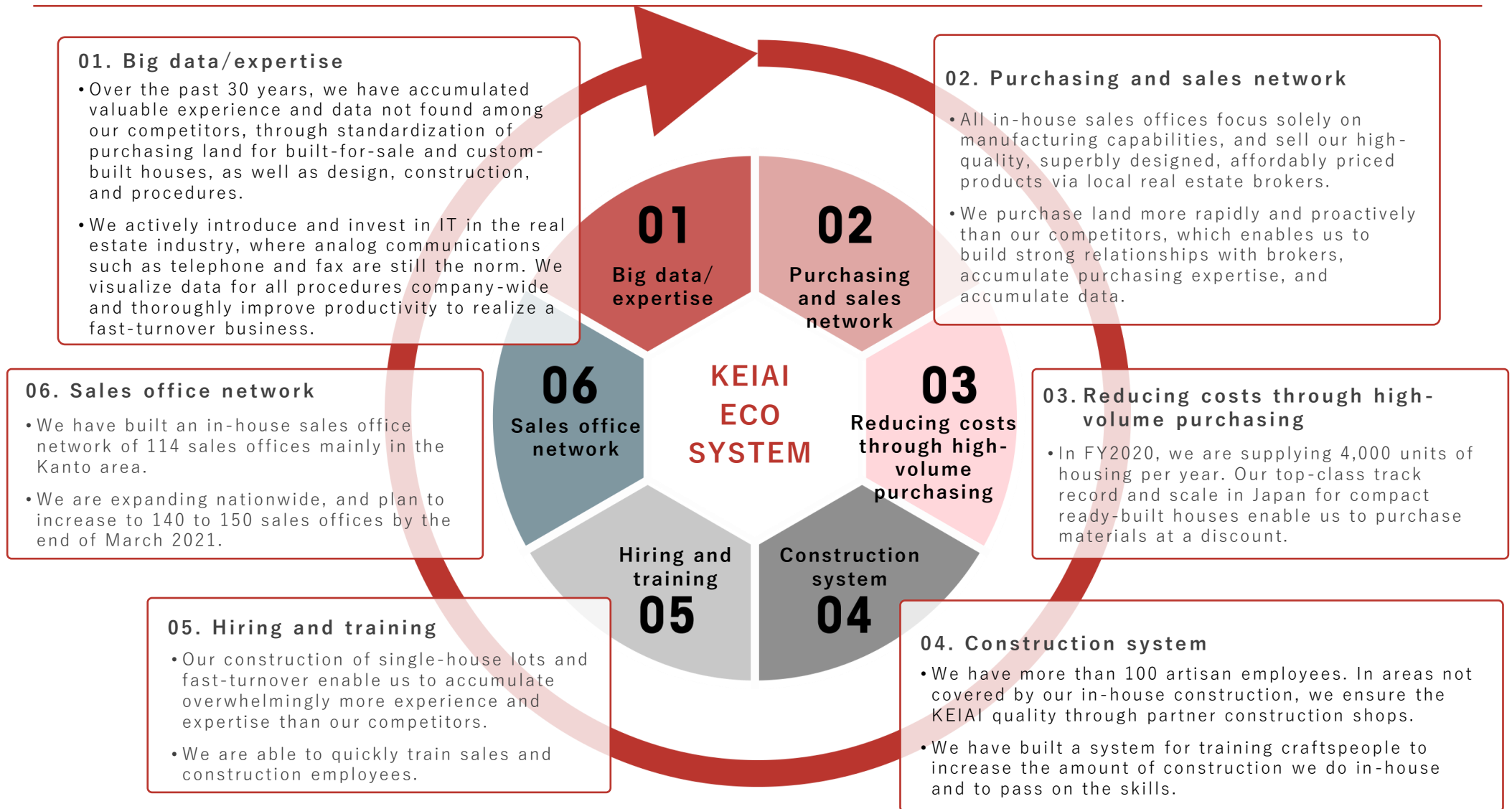
SDGs	KEIAI's initiatives
  	<p>5. Developing human resources</p> <p>We have created a Craftsman Program for artisan employees. We train junior artisans, improve working conditions that used to be called the 3Ds (dirty, dangerous, and demeaning), and also work to ensure that they have stable income.</p>
  	<p>6. Promoting diversity and empowerment of women</p> <p>We are committed to creating an environment that empowers women, including promoting women to management positions and encouraging the use of childcare leave. In 2019 and 2020, we were selected as a “Nadeshiko Brand” established by the Tokyo Stock Exchange and Ministry of Economy, Trade and Industry.</p>
 	<p>7. Hiring athletes with disabilities and supporting parasports</p> <p>In April 2019, we created the KEIAI Challenged Athlete Team. We participate in events held in partnership with local governments and educational institutions, and work to raise awareness of parasports.</p>
  	<p>8. Hiring and promoting participation by foreign nationals</p> <p>In both FY2018 and FY2019, our employees received the Excellent Foreign Construction Worker Award of the Ministry of Land, Infrastructure, Transport and Tourism and the Foundation for International Transfer of Skills and Knowledge in Construction.</p>

KEIAI's Significance for Society – ESG/SDG Initiatives (3)



SDGs	KEIAI's initiatives
<div data-bbox="338 504 456 620"> 12 つくる責任 つかう責任 </div> <div data-bbox="488 504 607 620"> 13 気候変動に 具体的な対策を </div> <div data-bbox="636 504 754 620"> 15 陸の豊かさも 守ろう </div>	<p>9. Reducing CO₂ emissions</p> <p>Building wooden houses captures about 9.5 tons of CO₂ per unit (80 m²). In addition to building wooden houses, we are helping to reduce CO₂ emissions by promoting the use of Japanese lumber.</p>
<div data-bbox="338 695 456 812"> 7 エネルギーをみんなに そしてクリーンに </div> <div data-bbox="488 695 607 812"> 11 住み続けられる まちづくりを </div> <div data-bbox="636 695 754 812"> 13 気候変動に 具体的な対策を </div>	<p>10. Promoting the use and development of renewable energy</p> <p>In order to realize a carbon-free society set as a goal in 2050, we will work to develop and promote the use of renewable energy, such as by developing house equipped with a solar power generation system.</p>

KEIAI Ecosystem

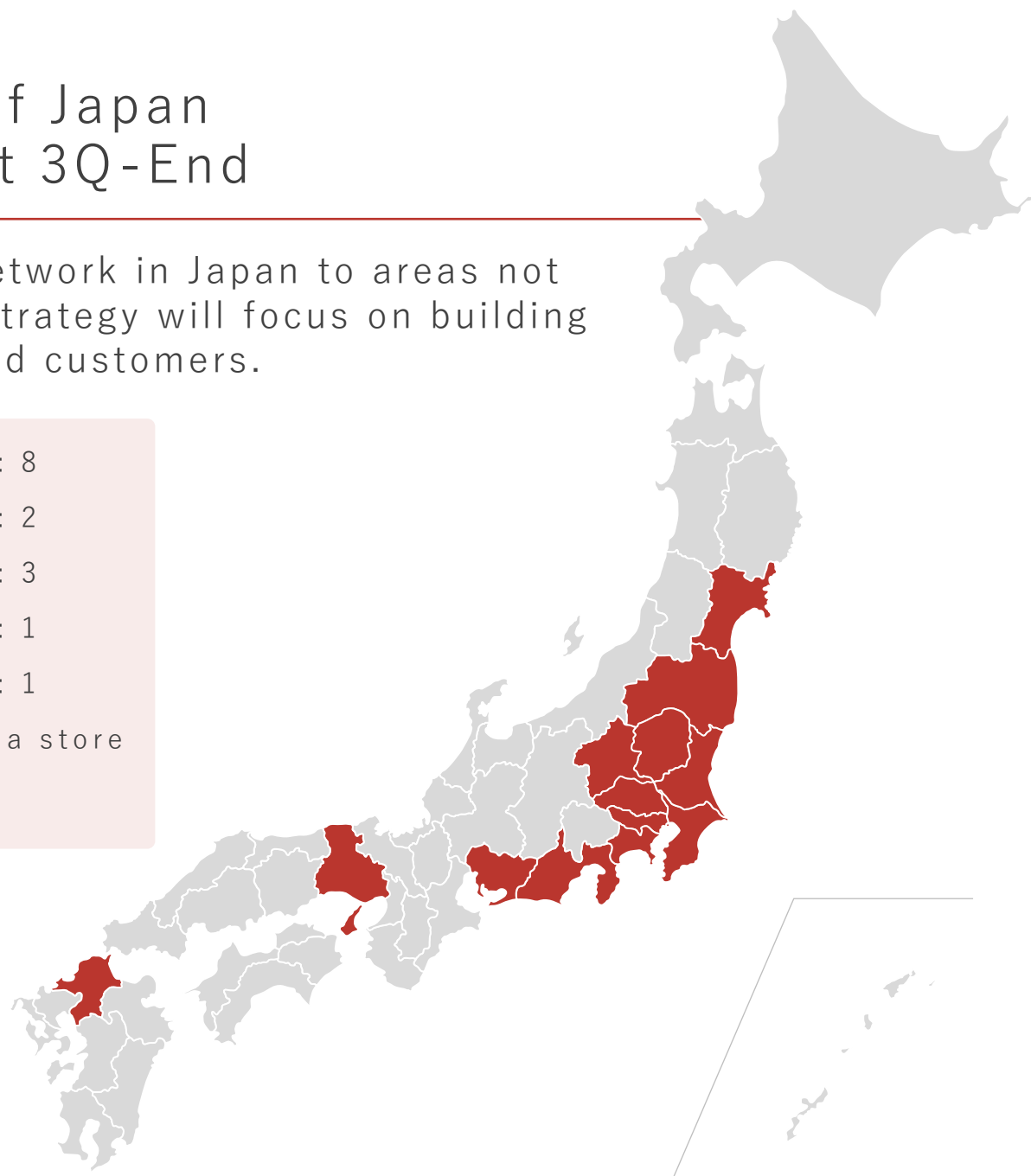


Expansion to More Areas of Japan

– No. of Sales Branches at 3Q-End

We are expanding our sales branch network in Japan to areas not yet covered. The network expansion strategy will focus on building trust with local real estate brokers and customers.

● Saitama : 26	● Ibaraki : 8
● Fukuoka : 18	● Miyagi : 2
● Chiba : 15	● Aichi : 3
● Kanagawa : 13	● Fukushima : 1
● Gunma : 12	● Shizuoka : 1
● Tokyo : 12	● Plan to open a store in Hyogo
● Tochigi : 10	



Expansion to More Areas of Japan

– New Branches in FY3/21

We plan to open a series of new branch offices around major cities designated by ordinance, using our offices in these cities as hubs.

We have a **system in place to staff the new offices with new-graduate hires** trained for these roles.

New branch offices

October Kichijoji branch office
2020 Iruma branch office
 Kumagaya branch office

November Nagoya branch office
 Hanamaru House Tsuchiura branch office
 Hanamaru House Kazo branch office
 Tsukuba branch office

December Hanamaru House Sakado branch office
 Kazo branch office

New subsidiaries

K.K. Yoka Net Crowd
Kokura sales office
Asahi Housing Co., Ltd.
Kunitachi Fuchu sales office, etc.

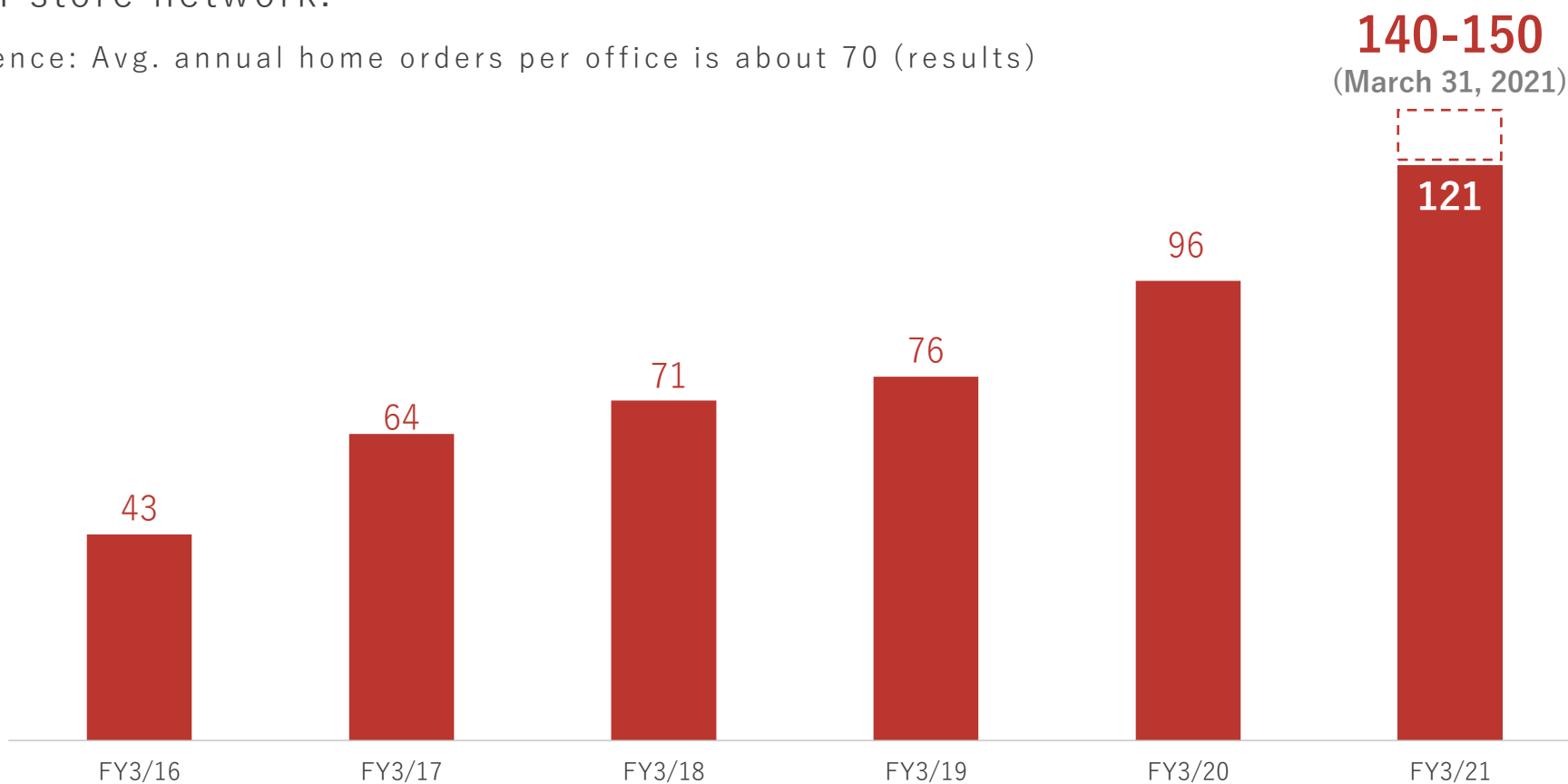
Fourth quarter

January Kobe sales office (first in Hyogo
2021 prefecture)
Nagoya Sakae branch office
Urawa Yono real estate center (FC
Directory managed office), etc.

Expansion to More Areas of Japan – No. of Sales Offices

The number of sales offices has grown at an average rate of roughly 130% over the past five years. We plan to continue to add offices at a rapid pace in Japan to extend KEIAI store network.

Reference: Avg. annual home orders per office is about 70 (results)



Examples of New Sales Offices

– Background of Area Expansion

Second quarter

- **Koriyama sales office**

Our second sales office in the Tohoku region of Japan was built in the city of Koriyama, in Fukushima prefecture, which is the second-largest economic center in Tohoku.

- **Shizuoka sales office**

Newly opened in the city of Shizuoka, in Shizuoka prefecture, a major city designated by ordinance with a population of approximately 700,000.



Koriyama sales office

Third quarter

- **Nagoya sales office**

Our Nagoya sales office is the third office we opened in Aichi prefecture, as we aim to expand our scale in the Tokai area.

Each sales office focuses on capturing the trend of increasing demand for detached houses in its respective area, while actively promoting sales of new ready-built houses.



Shizuoka sales office

Fourth quarter

- **Kobe sales office**

Scheduled to open in the city of Kobe, in Hyogo prefecture, this will be the KI-Star Group's first office in the Kinki area.



Nagoya sales office

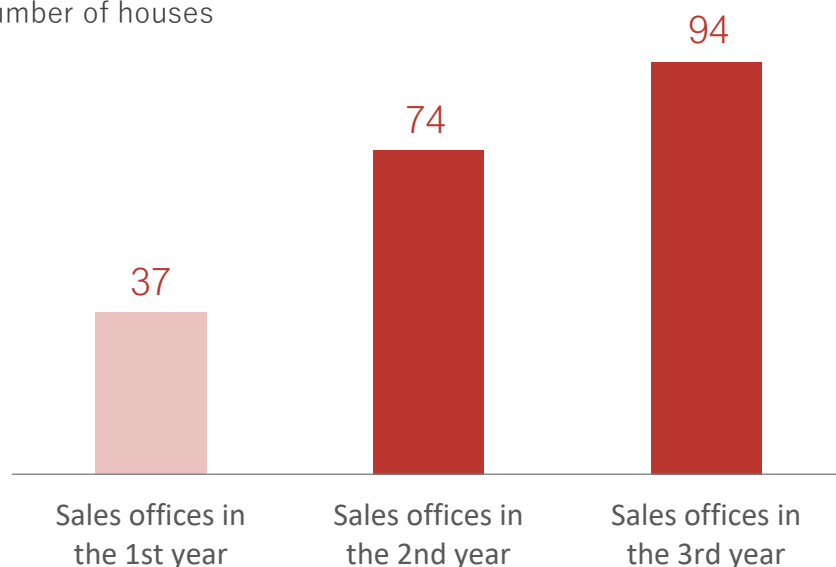
Expansion to More Areas of Japan

– Improving Productivity of Sales Offices

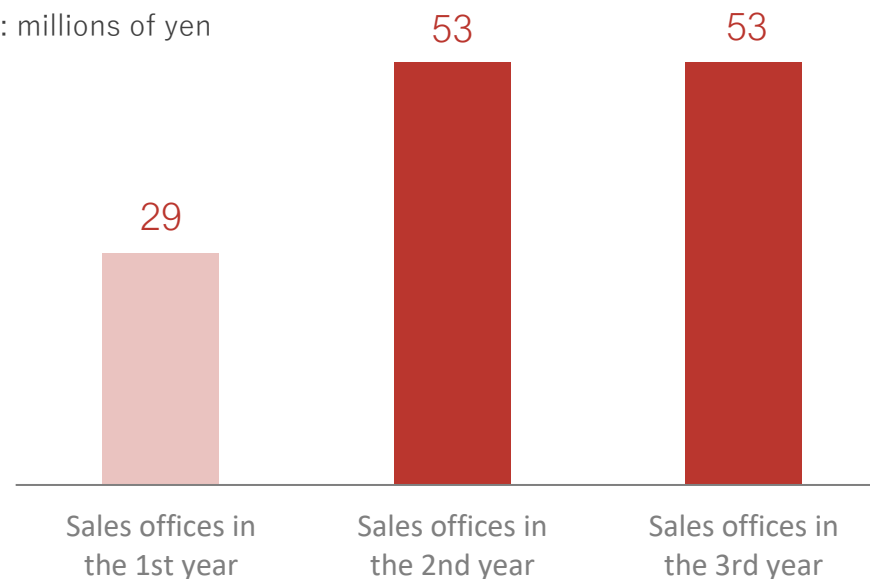
We have established an organizational readiness that enables us to open new sales offices without losing productivity. Newly opened offices achieved stable growth over a three-year period. At the same time, productivity per employee has significantly increased starting in the second year after opening.

Productivity per sales office (houses sold/sales office)*¹ Productivity per employee (monthly orders/employee)*²

Unit: number of houses



Unit: millions of yen



*1: Numbers of detached houses sold by KEIAI sales offices (intermediary sales) (FY3/19 results)

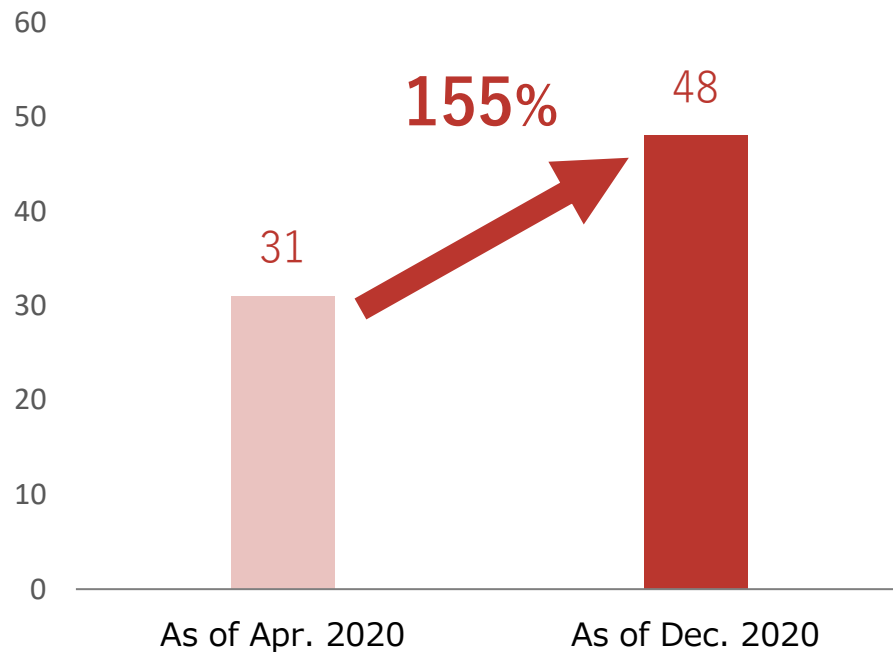
*2: Monthly orders per sales employee at KEIAI sales offices (FY3/19 results)

Expansion to More Areas of Japan – KEIAI Franchised Stores

Growth of the KEIAI's national sales network includes the company's own locations as well as franchised stores.

- Growth of the franchised chain, which has stronger ties with KI-Star than with the voluntary chain, contributes to further increases in purchases and sales of properties.
- This chain has been expanding steadily to more areas of Japan since its launch in May 2019. This expansion is expected to increase franchising revenue.

Unit: stores



The 10 Benefits of KEIAI EC

- 01 Support for starting businesses**
「独立開業支援」など、ゼロからの立ち上げをKEIAIがしっかりサポート。不動産業の開業に必要な、店舗主の研修、営業案件の提供、店舗内外装の準備など、オープンまでしっかりバックアップいたします。
- 02 Store front KEIAI sign**
ブランドカラーの赤を基調とした視認性の高い看板を設置。統一感のある店舗外観で、清潔感・信頼感など、ポジティブなイメージが大きくアップします。ひとりで目を惹くデザインで、地域の有名店に。
- 03 Manuals explaining KEIAI know-how**
ノウハウ、マニュアルを提供。物件情報や「営業・販売」のノウハウを体系的に伝えます。また、会社を支援するためにも最も重要な「人材育成」もサポートいたします。
- 04 Support from KI-Star advisers**
「プロ」が、加盟店専用のアドバイザリーサービスを提供。不動産市場の動向や最新のトレンド、最新の営業方法など、定期的な研修を通して最新の営業方法を伝えます。
- 05 Outsourced sales / Purchase of properties**
グループの物件で、新築戸建・中古戸建・マンション・アパートなど、多種多様なニーズに対応可能。建物・土地の購入・売却のサポートも提供いたします。
- 06 Leaseback**
「売ってもいいけれど」自宅売却の方法として、不動産業界で大きな注目を集めています。店舗・オフィスの売却や、老後資金の確保を目的としたなどの目を引くサービスで、登録案件に繋がります。お客様のニーズに応じます。
- 07 Construction of homes for sale**
KEIAIの店舗を特別価格で建設することによって、通常の土地のみの販売に比べ、利益が広がります。
- 08 Supply of building products**
自社建設を行うKEIAIが大量仕入で安く仕入れた建材を、加盟店に特別価格で提供します。新規開店にももちろん、既存店舗のメンテナンスや修繕工事、リフォーム事業など、さまざまな場面でご利用いただけます。



Financial Strategy and Fund Procurement

Secure funds for growth of the homebuilding and sales business and ensure the stability of fund procurement activities

Improve inventory turnover ratio to reduce inventory



Use our financial soundness for the flexible and diversified procurement of funds

- Overdraft agreement
- Committed credit facility
- Issuance of bonds (3Q)



Investments for more growth of the homebuilding and sales business

M&A – Seeking Many M&A Opportunities

M&A for strengthening sales capabilities and expanding to more areas of Japan
For vertical and horizontal M&A, continue examining opportunities and completing deals

TOKYO BIG HOUSE, Inc.

Operating mostly in Chiba and Saitama prefectures, this company primarily buys and sells real estate and performs planning, design and renovation work for buildings. Following this acquisition, TOKYO BIG HOUSE will focus mainly on activities involving KI-Star Group houses.
(Consolidated in April 2020)

K.K. presto-Home

presto-Home designs and sells detached houses mainly in Saitama prefecture. It is accelerating the growth of the KI-Star Group's domestic business through synergy with KEIAI's expertise in compact ready-built houses and the groupwide procurement.
(Consolidated in January 2021)

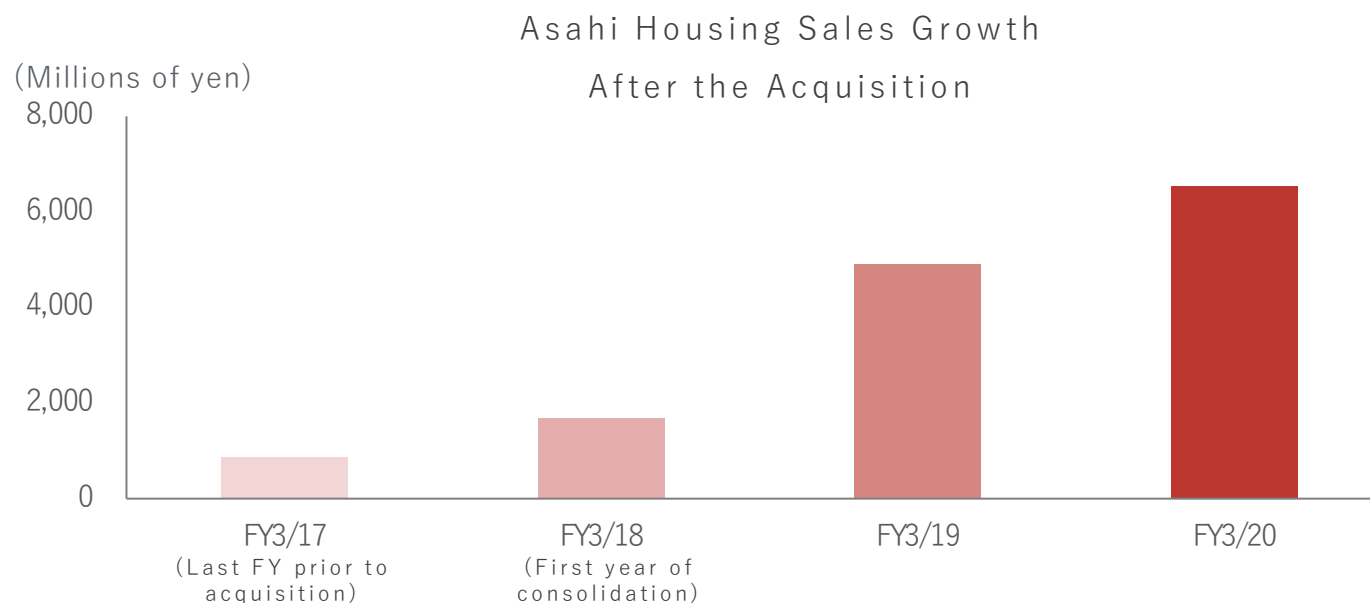


Joining the KI-Star Group will allow each company to benefit from synergies for sales, purchasing and other activities as well as from productivity improvements through the KEIAI Technology Platform. These benefits are expected to speed up the growth of these companies.

M&A – Growth of a Subsidiary after the Acquisition (Example: Asahi Housing)

Asahi Housing has rapidly increased its sales 7.5-fold since joining the KI-Star Group in 2018.

- Sales are up **about 7.5 times** after the acquisition (FY3/20 sales vs. FY3/17 sales)
- The post-acquisition CAGR*¹ is **95.9%** ($([FY3/20 \text{ sales}/FY3/17 \text{ sales}]^{1/3}-1) \times 100$)

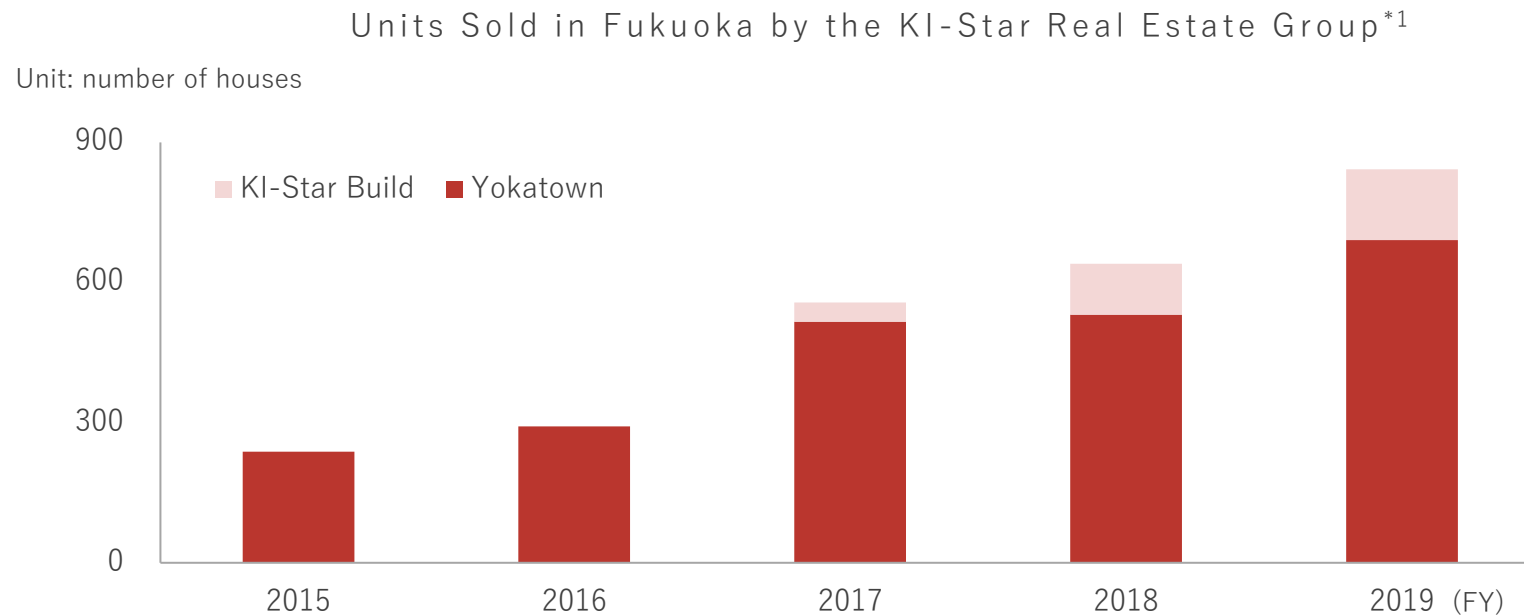


*1: Compound annual growth rate, or CAGR, is the mean annual growth rate of an investment over a specified period of time longer than one year.

M&A – Growth of a Subsidiary after the Acquisition (Example: Yokatown)

Since joining the KI-Star Group in 2016, Yokatown has grown to become the **number-one** supplier among ready-built house builders in Fukuoka prefecture.

- Yokatown sells KEIAI FiT, a KEIAI product.
- Leveraging the strengths of the KI-Star Group, including reducing costs through use of uniform materials and improving workflows, the company produces high-quality, low-priced products.

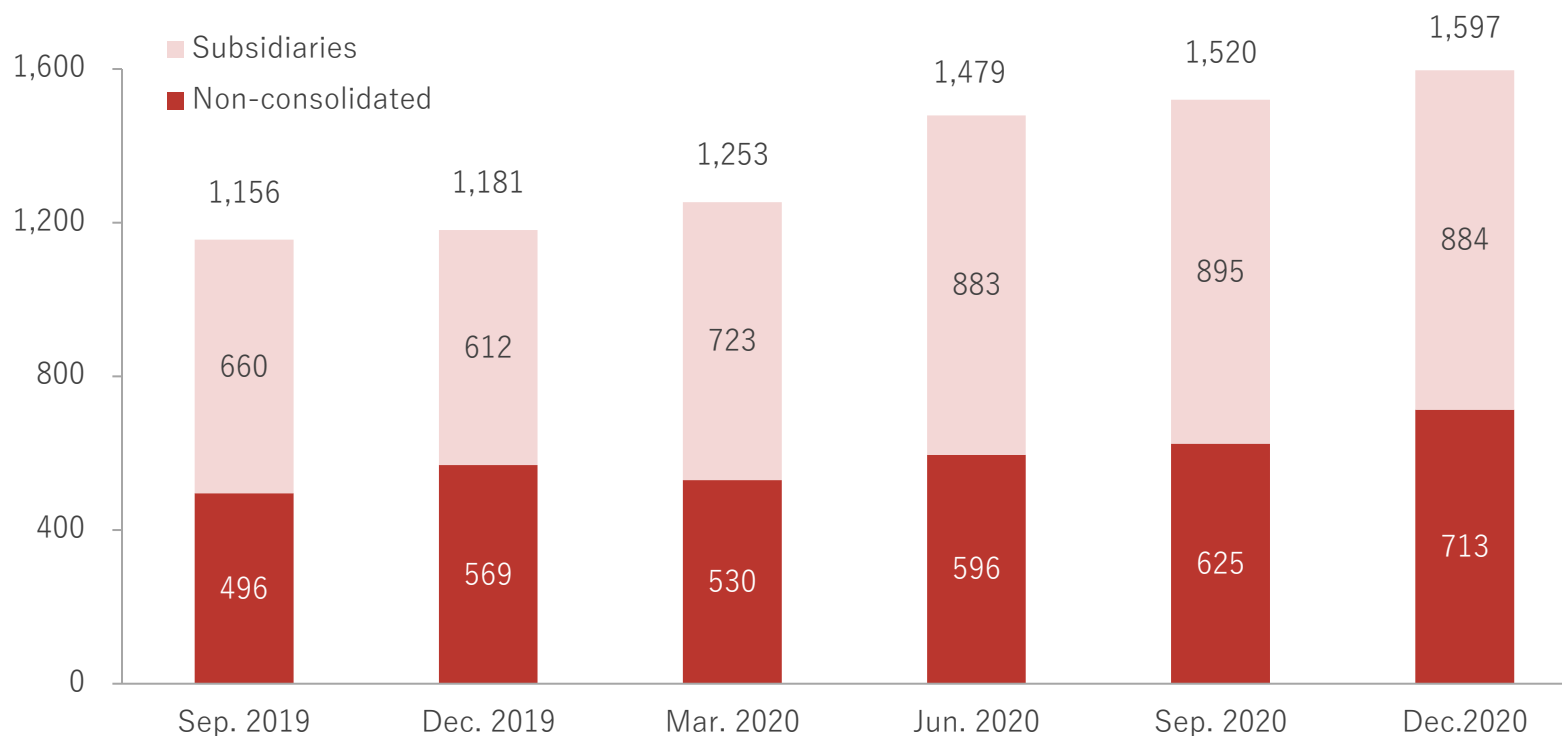


*1: Prepared based on materials published in "Monthly TACT" by JUTAKU SANGYO KENKYUSHO CO., LTD.

Development of Human Resources

– Recruiting Activities

We are consistently hiring people to support the KI-Star Group's steady growth. Recruiting goals were achieved. We hired almost 200 new college graduates in 2020 despite the COVID-19 crisis, including more than 80 at KI-Star Real Estate.



3. Dividends and Shareholder Benefits

Dividends and Shareholder Benefits

Dividend Started to pay an interim dividend in FY3/18

	FY3/19 Results (consolidated)	FY3/20 Results (consolidated)	Previous FY3/21 Forecast (consolidated)	Current FY3/21 Forecast (consolidated)
Net income per share (yen)	243.88	252.60	295.95	(Forecast) 493.27
Dividend per share (yen)	84.00	76.00	88.00	(Forecast) 139.00
Interim dividend per share (yen)	42.00	42.00	44.00	(Results) 44.00
Payout ratio (%)	34.4%	30.1%	29.7%	(Forecast) 28.2%

Shareholder Benefits

Purpose: Increase the number of medium and long-term shareholders by making KI-Star stock more appealing

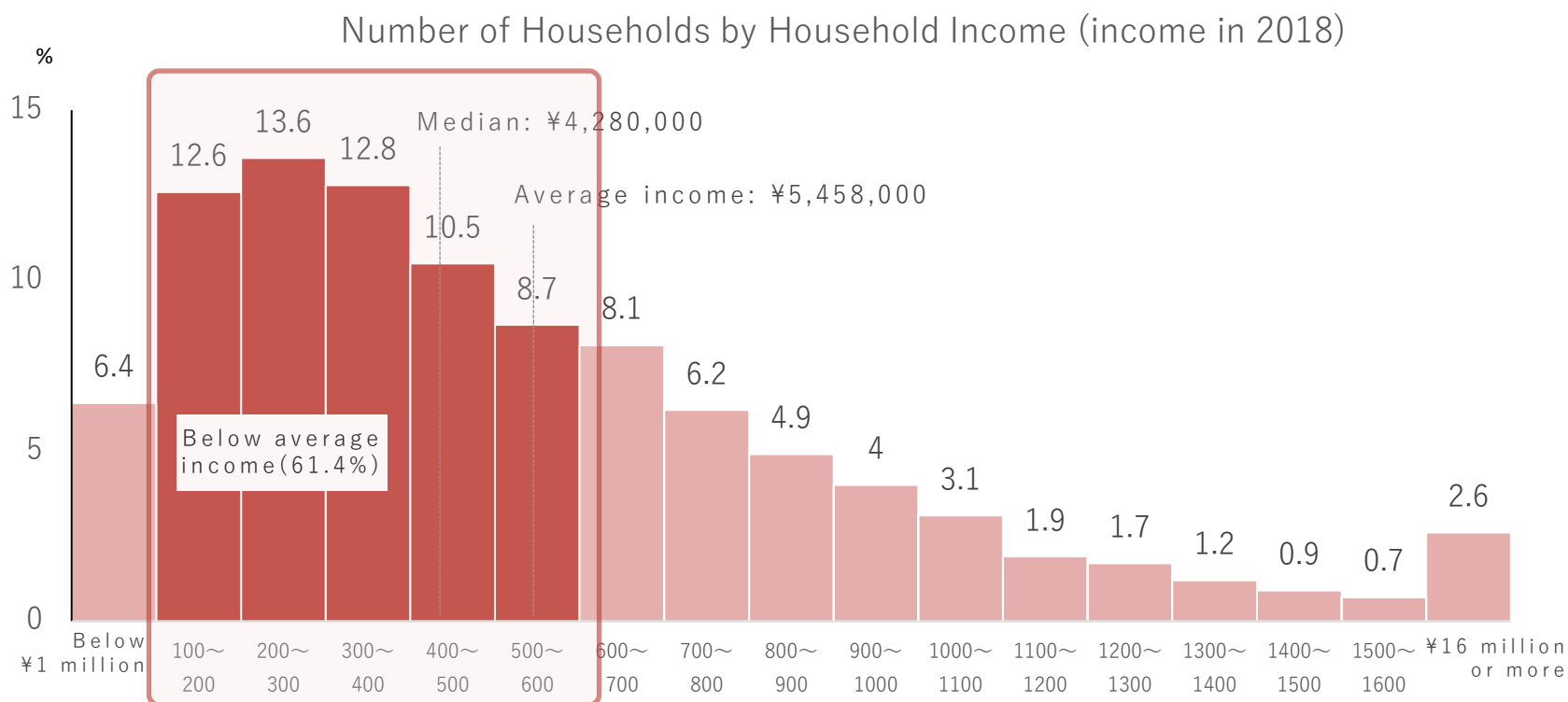
Eligibility: Shareholders who are listed in the shareholder register on September 30 and own at least one trading unit

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)

4. Appendix

KEIAI's Target Market

Our mission is “house ownership for everyone.” We target customers in the high-volume mass market. We are helping to increase number of homeowners in Japan.

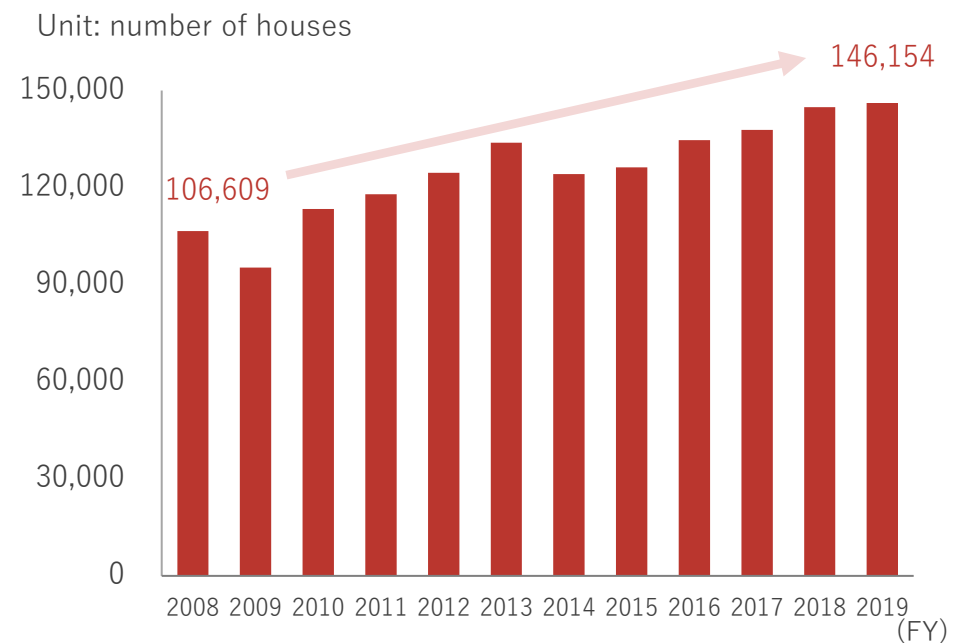


Source: Ministry of Health, Labour and Welfare, “2019 Comprehensive Survey of Living Conditions”

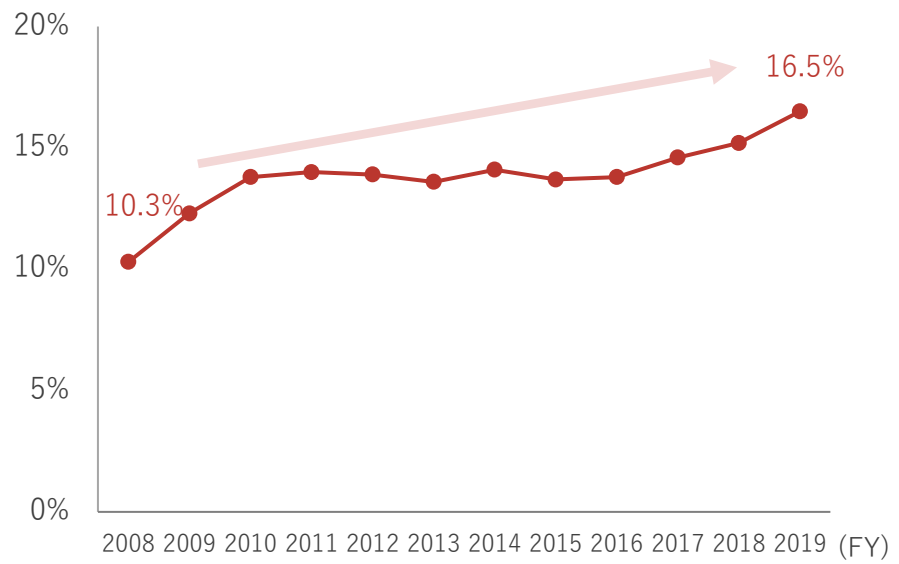
Trends and Outlook for Size of Detached Ready-Built House Market

Over the past decade, the Japanese market for ready-built detached houses has continued to grow at a stable rate. Amid the COVID-19 pandemic, the demand for detached houses in suburbs is increasing. This will also increase the overall demand for ready-built detached houses, as well as the ratio of ready-built detached houses to total new housing.

Number of new housing starts: ready-built detached houses



Ratio of ready-built detached houses to total new housing starts

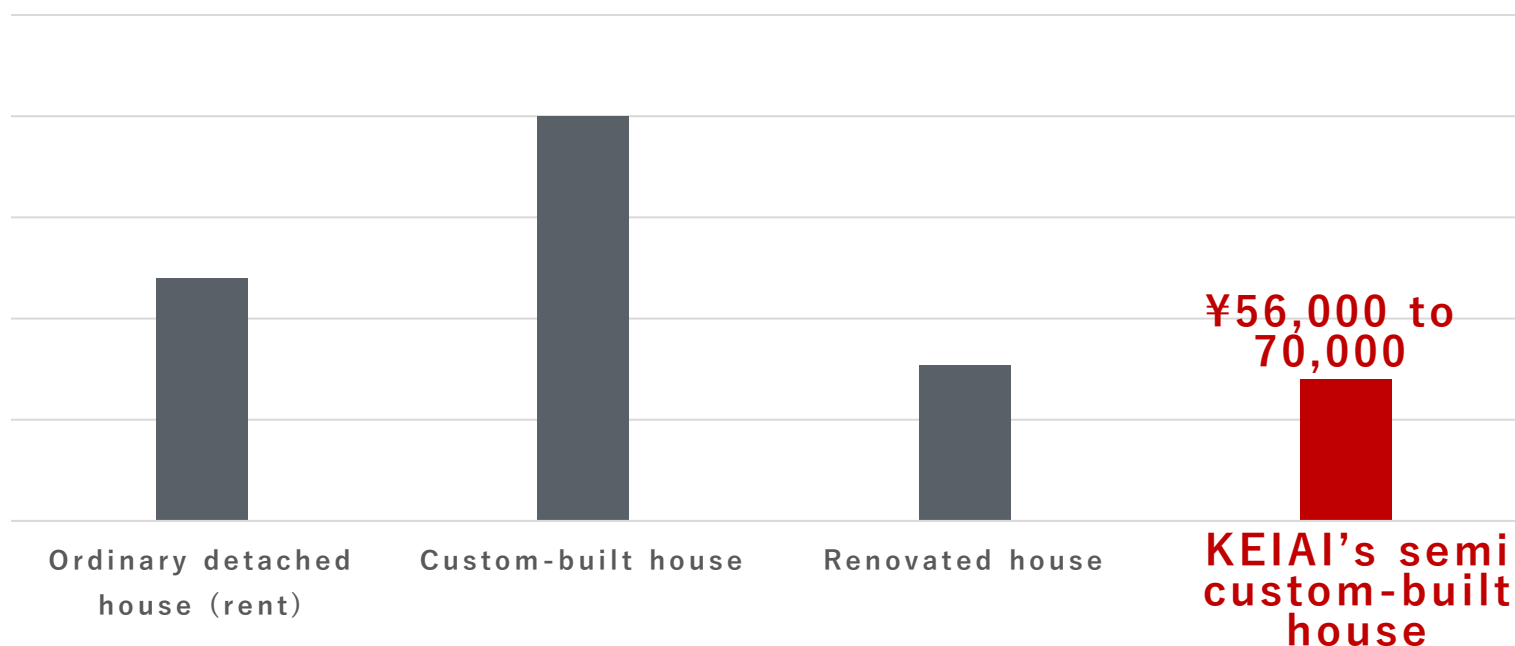


Source: Prepared based on Ministry of Land, Infrastructure, Transport and Tourism, "Housing Start Statistics"

Price Comparison of Detached Houses

KEIAI offers superbly designed, semi custom-built detached houses at a price that is lower than rent. It enables customers to purchase a new house with excellent earthquake resistance and fixtures for less than it would cost to remodel an existing house.

Example of monthly cost burden^{*1}



^{*1}: Comparison of average rent for a 3LDK detached house with monthly loan payment (at 1% interest) for a 4-5LDK KEIAI ready-built detached house in the city of Takasaki

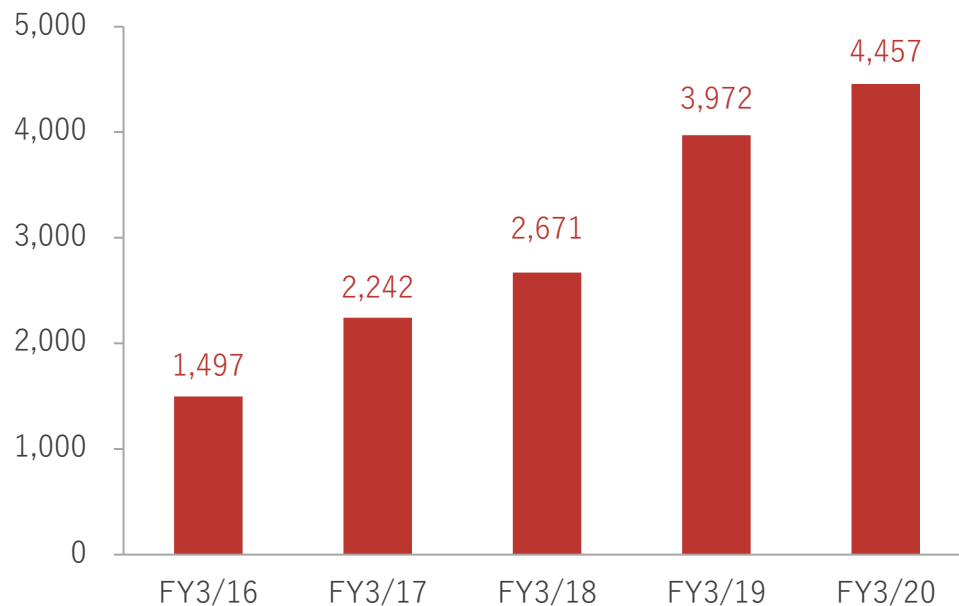
As reference, monthly loan payments (at 1% interest) calculated based on the common sale prices for a custom-built house and remodeled house

Track Record in Compact Ready-Built House Development

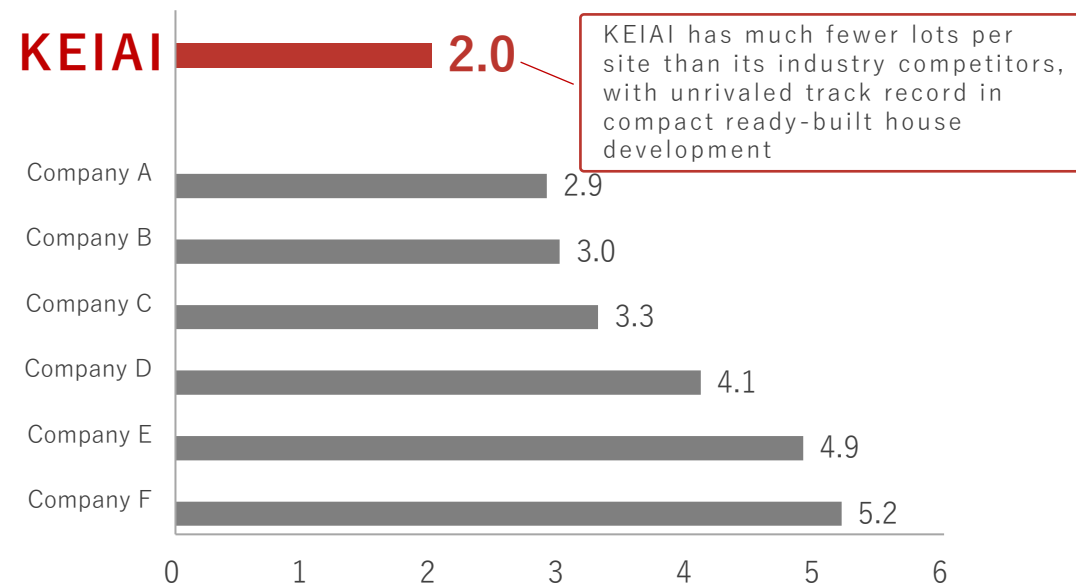
By introducing the KEIAI Technology Platform to our supply of detached houses, we are able to develop ready-built houses compactly and quickly. KEIAI's compact ready-built house development has overwhelming advantages over its industry competitors (track record of 2.0 lots per site on average^{*1}).

Units Sold by the KI-Star Group

Unit: number of houses



Comparison of Average Number of Lots per Ready-Built House Worksite^{*1} with Industry Competitors



^{*1}: Based on KEIAI estimate of average ready-built house development status by KEIAI and industry competitors

Past Design Awards

KEIAI has won a large number of design awards.



Kids Design Award (twice)
Shared Garden House - Style
Mitaka, metropolitan ready-built
houses with a shared garden



House of the Year in Energy
(twice)

Bellezza α and Signorina α ,
KEIAI Casa



Japan Wood Design Award

Learning and Experience
Classroom
Choices for Future Careers



Keiichi Tanaka Award, Japan
Association for Real Estate
Sciences

Hanamaru Power Plant



Excellent Business Award,
National Housing Industry
Association (4 times)

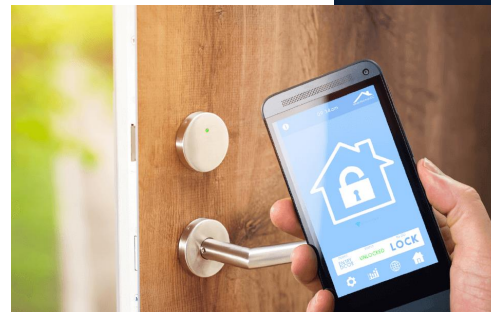
dan-lan no machi, medium-
scale ready-built detached
house business, etc.



Established Subsidiary Casa robotics

Casa robotics specializes in the sale of IKI one-story houses. It promotes sales of one-story houses using IT and AI.

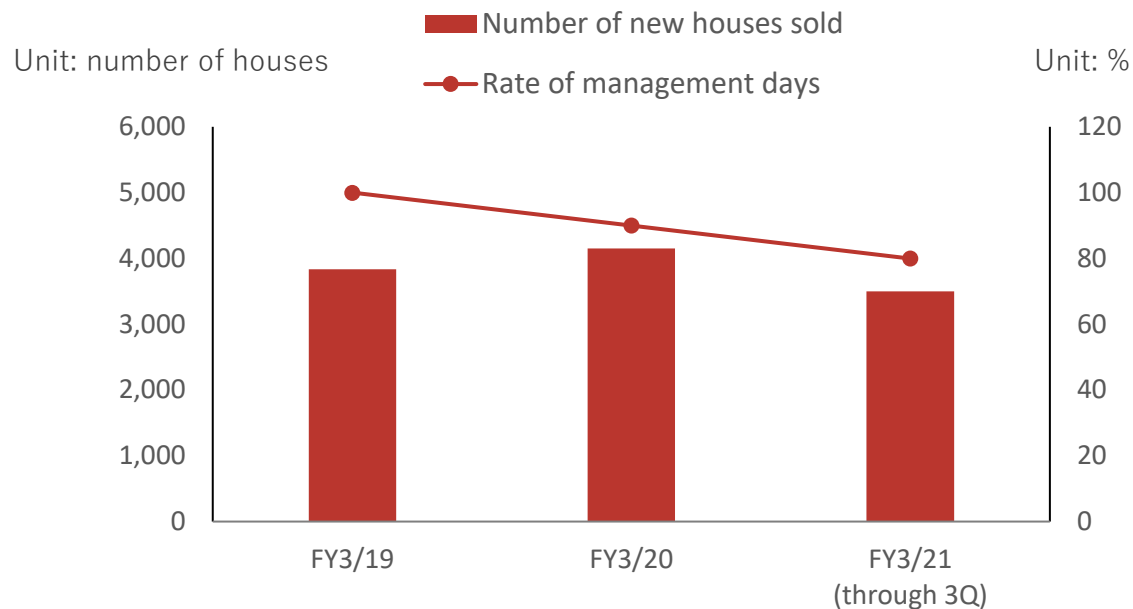
- Casa robotics was founded in November 2020. The company interfaces with customers using new technologies, including contactless sales, virtual tours, the Internet, and apps. It uses technology to reduce store operating costs, and aims to provide high-quality custom-built houses at low prices.



Introduced Klzuku PRO to Streamline Management of Construction Sites

Introducing an app to streamline the management of construction sites, which lags in IT

- In October 2020, we began operating Klzuku PRO, a version of a construction site support app customized for KEIAI. This cloud-based app manages a variety of information on construction sites, such as work schedules, site progress, process charts, and construction quality checks. By achieving a 100% introduction rate for the app, we have increased the annual number of construction sites managed per foreperson by 20% on average.



Note: Rate of management days is the proportion per fiscal year, taking the company-wide construction site management days for FY3/19 as an index of 1.

Introduced Remote Customer Service for Showcase Model Houses

We have reduced the risk of COVID-19 infections for both KEIAI personnel and customers by introducing contactless sales.

- In addition to automated interior viewing of model houses, which we began in December 2019, in August 2020, we introduced RURA, a remote customer service system. Staff is on standby to answer questions from customers remotely, enabling customers to take interior viewing tours with no unanswered questions left about the product. This avoids the risk of COVID-19 infection, and enables us to work and assign staff more efficiently.



The IKI model house in the Takasaki model home site has an automated interior viewing system and uses a chat app

Order rate: **Approx. 20% increase**

Time from the first contact to the signing of a sales contract:

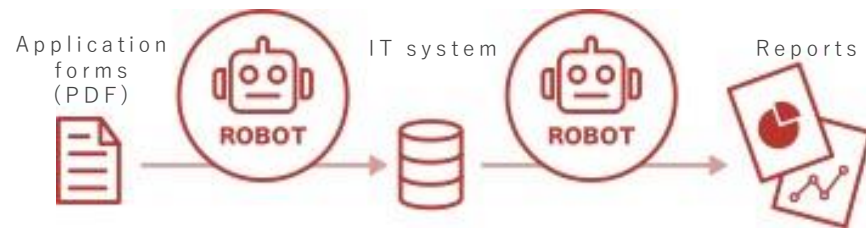
Approx. 60% reduction

RPA/AI for Back Office Tasks

The use of RPA/AI for real estate back office tasks has **reduced more than 2,000 hours of back office processes during about six months** since the new IT system became operational.

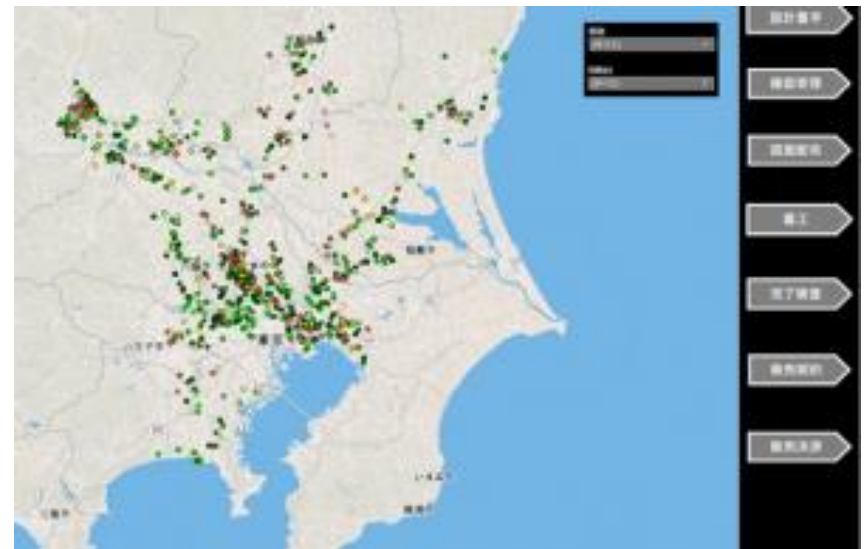
- Automates tasks that were once done manually
- Use of AI-OCR technology to convert paper media data to text data
- Uses a system for the visualization of real-time numbers for information that is constantly changing, such as land acquisition activities, days needed to build houses and the status of home sales in the homebuilding and sales business.

Clerical tasks using robotic process automation (example)



Robotic process automation improves productivity

Personnel costs **Reduced to 1/3** Efficiency **3-fold** improvement



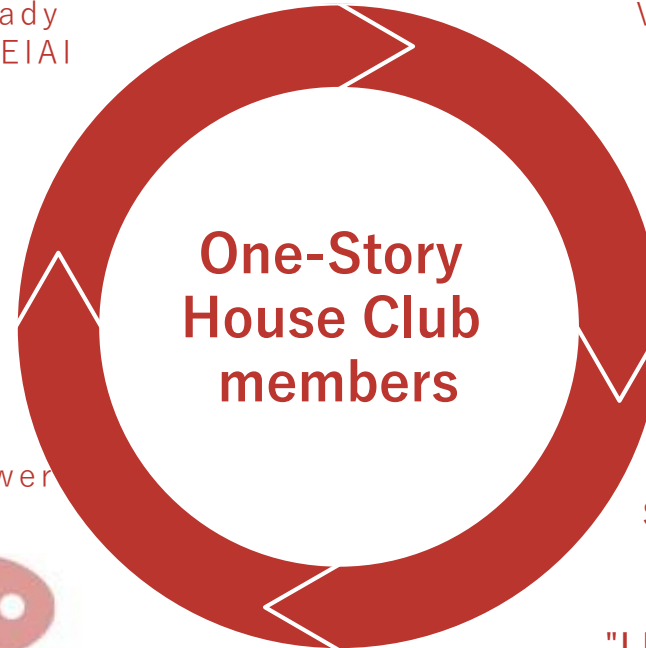
IKI One-Story House App for Sales Activities

An app under development will be used to build a base of One-Story House Club Members (prospective customers). We plan to use marketing automation, combining this app and the Internet, to start sales activities.



Experiences of
people already
living in a KEIAI
house

Chats help answer
questions



Virtual experience
using the app



Site recommendation using
AI reflecting customers'
interests and preferences

"I like gardening" "I like surfing"
"I enjoy outdoor activities"

Steady-Revenue Business for KEIAI Members

KEIAI Concierge improves customer satisfaction by upgrading after-sales services for members who have purchased a KEIAI home. This service also forms the basis for businesses that generate steady revenue.

KEIAI

A members-only app for buyers of KEIAI homes
KEIAI Concierge

KEIAI Concierge is a **members-only app** created for people who have purchased a KI-Star Real Estate Group residence.

The app periodically sends useful information about homes and special events to enable people to enjoy their homes with confidence for many years. Members can also use the app to contact KEIAI with questions about their homes, requests for additional work and estimates, and many other items.



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.

This presentation was prepared for the purpose of providing general IR information for giving people a better understanding of the KI-Star Group and is not a solicitation to invest in KI-Star. Individuals who use the information in this presentation should reach investment decisions on their own.

Although KI-Star has exercised care concerning the information in this presentation, the company makes no guarantee whatsoever regarding this information. Furthermore, KI-Star assumes no responsibility at all for any losses or other damages that may result from the use of the information in this presentation.

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