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November 6, 2018

Consolidated Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2019 <under Japanese GAAP>

Company name: **KATITAS Co., Ltd.**
Listing: Tokyo Stock Exchange
Securities code: 8919
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Scheduled date to file quarterly securities report: November 13, 2018
Scheduled date to commence dividend payments: November 30, 2018
Preparation of supplementary material on quarterly financial results: Yes
Holding of quarterly financial results presentation meeting: Yes (for institutional investors)

(Millions of yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated financial results for the first six months of the fiscal year ending March 31, 2019 (from April 1, 2018 to September 30, 2018)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2018	39,818	18.9	4,503	29.9	4,403	31.8	3,005	35.1
September 30, 2017	33,482	–	3,466	–	3,341	–	2,224	–

Note: Comprehensive income Six months ended September 30, 2018: ¥3,005 million [35.1%]
Six months ended September 30, 2017: ¥2,224 million [–%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2018	80.27	77.12
September 30, 2017	60.85	–

Reference: (Percentages indicate year-on-year changes.)

	Adjusted operating profit		EBITDA		Adjusted EBITDA		Adjusted profit attributable to owners of parent		Adjusted basic earnings per share	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen	%
September 30, 2018	4,503	28.6	4,632	28.8	4,632	27.5	3,005	33.3	80.27	30.1
September 30, 2017	3,501	–	3,596	–	3,631	–	2,255	–	61.70	–

Notes: 1. KATITAS Co., Ltd. (the "Company") uses adjusted operating profit, EBITDA, adjusted EBITDA, adjusted profit attributable to owners of parent, and adjusted basic earnings per share as important management indicators. Regarding each indicator, please see the following "*Proper use of earnings forecasts, and other special matters, *Notes regarding "Reference" in summary information*."

2. The Company conducted a 30-for-1 share split of common shares on September 22, 2017. “Basic earnings per share” and “diluted earnings per share” have been calculated under the assumption that this share split was conducted at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
September 30, 2018	40,581	17,553	43.1
March 31, 2018	38,365	15,370	39.9

Reference: Equity As of September 30, 2018: ¥17,497 million
As of March 31, 2018: ¥15,321 million

2. Dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2018	–	–	–	26.00	26.00
Fiscal year ending March 31, 2019	–	26.00			
Fiscal year ending March 31, 2019 (Forecast)			–	26.00	52.00

Note: Revisions to the forecasts of dividends most recently announced: None

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2019 (from April 1, 2018 to March 31, 2019)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2019	77,420	11.9	8,502	15.3	8,266	21.8	5,525	21.5	147.80

Note: Revisions to the earnings forecasts most recently announced: None

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Application of special accounting for preparing quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement
   a. Changes in accounting policies in accordance with changes in accounting standards, etc.: Yes
   b. Changes in accounting policies due to other reasons: None
   c. Changes in accounting estimates: None
   d. Restatement: None

   Note: For details, please refer to “2. Quarterly consolidated financial statements and significant notes thereto, (4) Notes to quarterly consolidated financial statements (Changes in accounting policies)” on page 8 of the attached materials.

(4) Number of issued shares (common shares)
   a. Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2018	39,325,320 shares
As of March 31, 2018	39,325,320 shares

b. Number of treasury shares at the end of the period

As of September 30, 2018	1,668,960 shares
As of March 31, 2018	1,944,120 shares

c. Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2018	37,444,170 shares
Six months ended September 30, 2017	36,555,779 shares

Note: The Company conducted a 30-for-1 share split of common shares on September 22, 2017. "Total number of issued shares at the end of the period," "number of treasury shares at the end of the period," and "average number of shares outstanding during the period" have been calculated under the assumption that this share split was conducted at the beginning of the previous fiscal year.

*** Quarterly financial results reports are exempt from quarterly reviews conducted by certified public accountants or an audit corporation.**

*** Proper use of earnings forecasts, and other special matters**

Caution regarding forward-looking statements and others

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Consequently, the statements herein do not constitute assurances regarding the Company's actual results. Actual financial and other results may differ substantially from the statements herein due to various factors. Please refer to "1. Qualitative information regarding financial results for the first six months, (3) Explanation regarding consolidated earnings forecasts and other forward-looking statements" on page 3 of the attached materials for the suppositions that form the assumptions for the earnings forecasts and cautions regarding the use of the earnings forecasts.

Notes regarding "Reference" in summary information

1. Adjusted operating profit = Operating profit + Increase in cost of sales due to inventory revaluation of REPRICE Co., Ltd. ("REPRICE") + Listing related expenses
2. EBITDA = Operating profit + Depreciation + Amortization of goodwill
3. Adjusted EBITDA = EBITDA + Increase in cost of sales due to REPRICE's inventory revaluation + Listing related expenses
4. Adjusted profit attributable to owners of parent = Profit attributable to owners of parent + Increase in cost of sales due to REPRICE's inventory revaluation + Listing related expenses + Refinance related expenses - Gain on cancellations of insurance policies
5. Adjusted basic earnings per share = Adjusted profit attributable to owners of parent / Average number of shares outstanding during the period
6. Adjusted operating profit, EBITDA, adjusted EBITDA, and adjusted profit attributable to owners of parent are financial indicators that the Company and its subsidiaries (collectively, the "Group") consider useful for evaluating the performance of the Group for investors. Effects of expenses that are not expected to occur after listing or items that are nonrecurring (items that are not considered to be indicative of the results of ordinary operating activities, or items that do not appropriately indicate the Group's performance to competitors) are excluded from these financial indicators.
7. Adjusted operating profit, EBITDA, adjusted EBITDA, and adjusted profit attributable to owners of parent exclude some items that affect profit, and their respective utilizations as an analysis tool are significantly restricted. Consequently, there is a possibility that the respective indicators may not be comparable with the same or similar indicator of other companies in the same industry because of differences in calculation method, thereby decreasing the usefulness of the respective indicator.

Means of access to supplementary material on quarterly financial results

The Company plans to hold financial results presentation meeting for institutional investors on Thursday, November 8, 2018.

The supplementary materials used for the quarterly financial results briefing on this date is to be posted on the Company's website promptly after the briefing has concluded.

Attached Materials

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1. Qualitative information regarding financial results for the first six months

(1) Explanation regarding operating results

In the first six months under review, the Japanese economy saw a trend of improvement in the employment and income environment through sustained strong levels of corporate earnings, as well as a gradual track of recovery in private consumption.

Amid this type of market environment, in the used housing refurbishing and remodeling business, the Group continued efforts initiated in the previous fiscal year to promote contracts for properties being refurbished through enhanced online advertising and build cooperative sales systems with real estate brokerage companies, and the number of properties sold for the first six months under review was 2,606, up 11.9% year on year.

In terms of profit, we implemented thorough three-party on-site meetings prior to acquisitions including sales representatives of the Company, renovation contractors, and termite exterminators to allow acquisitions that consider the amount of refurbishing costs expected to be incurred after the acquisition. Furthermore, we have continuously implemented policies to increase profits on each property through initiatives such as promoting contracts for properties being refurbished and limiting reduced profits through discounts by selling properties at the initial offering price. Moreover, we promoted online sales activities in the form of open-house notices on our website and on real estate portal sites, continuously working to reduce costs by reducing newspaper insert advertisements, etc.

As a result, in the first six months under review, net sales were ¥39,818 million, up 18.9% year on year, operating profit was ¥4,503 million, up 29.9% year on year, ordinary profit was ¥4,403 million, up 31.8% year on year and profit attributable to owners of parent was ¥3,005 million, up 35.1% year on year. Furthermore, adjusted operating profit was ¥4,503 million, up 28.6% year on year, EBITDA was ¥4,632 million, up 28.8% year on year, adjusted EBITDA was ¥4,632 million, up 27.5% year on year, and adjusted profit attributable to owners of parent was ¥3,005 million, up 33.3% year on year.

The Group's sole reportable segment is the "used housing refurbishing and remodeling business." Other businesses have been omitted due to a lack of materiality.

(2) Explanation regarding financial position

(i) Assets, liabilities and net assets

The Group has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and relevant Guidances effective from the beginning of the first quarter of the fiscal year ending March 31, 2019 and has compared its financial position to the figures at the end of the previous fiscal year after retroactively applying the amendments.

(Current assets)

Current assets as of September 30, 2018 amounted to ¥38,243 million, an increase of ¥2,205 million compared to ¥36,037 million at the end of the previous fiscal year. This is mainly due to an increase of ¥2,421 million in real estate for sale and real estate for sale in process.

(Non-current assets)

Non-current assets as of September 30, 2018 amounted to ¥2,338 million, an increase of ¥9 million compared to ¥2,328 million at the end of the previous fiscal year. This is mainly due to decreases of ¥13 million in property, plant and equipment, ¥105 million in intangible assets and an increase of ¥128 million in investments and other assets.

(Current liabilities)

Current liabilities as of September 30, 2018 amounted to ¥9,583 million, an increase of ¥391 million compared to ¥9,191 million at the end of the previous fiscal year. This is mainly due to increases of ¥43 million in accounts payable - trade and ¥330 million in income taxes payable.

(Non-current liabilities)

Non-current liabilities as of September 30, 2018 amounted to ¥13,445 million, a decrease of ¥358 million compared to ¥13,803 million at the end of the previous fiscal year. This is mainly due to repayments of ¥375 million for long-term loans payable.

(Net assets)

Net assets as of September 30, 2018 amounted to ¥17,553 million, an increase of ¥2,182 million compared to ¥15,370 million at the end of the previous fiscal year. This is mainly due to the recording of ¥3,005 million in profit attributable to owners of parent, and payment of dividends of surplus of ¥971 million. As a result, the equity-to-asset ratio was 43.1%.

(ii) Cash flows

The balance of cash and cash equivalents (hereinafter, "cash") as of September 30, 2018 decreased by ¥0 million from the end of the previous fiscal year to ¥4,063 million.
The situation and factors related to cash flows for the first six months under review are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥1,220 million during the six months ended September 30, 2018, compared to net cash used in operating activities of ¥1,097 million in the same period of the previous fiscal year. This was mainly due to having posted ¥4,388 million in profit before income taxes and an increase of ¥43 million in notes and accounts payable - trade, against an increase of ¥2,419 million in inventories as a result of steady progress made in property acquisitions and payment of ¥1,166 million for income taxes.

(Cash flows from investing activities)

Net cash used in investing activities was ¥0 million during the six months ended September 30, 2018, compared to net cash provided by investing activities of ¥29 million in the same period of the previous fiscal year. This was mainly due to proceeds of ¥4 million from sales of property, plant and equipment, against payment of ¥3 million for the purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities was ¥1,220 million during the six months ended September 30, 2018, compared to net cash provided by financing activities of ¥664 million in the same period of the previous fiscal year. This was mainly due to repayments of ¥375 million in long-term loans payable and payments of dividends of ¥970 million, against proceeds of ¥129 million in disposal of treasury shares.

(3) Explanation regarding consolidated earnings forecasts and other forward-looking statements

In regard to the consolidated earnings forecast, there has been no change to the earnings forecast for the full year for the fiscal year ending March 31, 2019 announced on May 11, 2018 in the "Consolidated Financial Results for the Fiscal Year Ended March 31, 2018."

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
Assets		
Current assets		
Cash and deposits	4,063	4,063
Real estate for sale	21,154	23,268
Real estate for sale in process	9,900	10,208
Other	920	705
Allowance for doubtful accounts	(2)	(2)
Total current assets	36,037	38,243
Non-current assets		
Property, plant and equipment	752	738
Intangible assets		
Goodwill	991	892
Other	50	43
Total intangible assets	1,042	936
Investments and other assets		
Other	550	678
Allowance for doubtful accounts	(16)	(15)
Total investments and other assets	534	662
Total non-current assets	2,328	2,338
Total assets	38,365	40,581
Liabilities		
Current liabilities		
Accounts payable - trade	2,498	2,542
Short-term loans payable	3,000	3,000
Current portion of long-term loans payable	750	750
Income taxes payable	1,242	1,572
Provision for bonuses	106	57
Construction warranty reserve	245	258
Provision for loss on litigation	–	5
Provision for loss on disaster	–	13
Other	1,347	1,383
Total current liabilities	9,191	9,583
Non-current liabilities		
Long-term loans payable	13,724	13,349
Provision for directors' retirement benefits	36	56
Other	42	39
Total non-current liabilities	13,803	13,445
Total liabilities	22,995	23,028
Net assets		
Shareholders' equity		
Capital stock	3,778	3,778
Capital surplus	3,640	3,640
Retained earnings	9,392	11,357
Treasury shares	(1,490)	(1,279)
Total shareholders' equity	15,321	17,497
Share acquisition rights	49	55
Total net assets	15,370	17,553
Total liabilities and net assets	38,365	40,581

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income

Quarterly consolidated statement of income (cumulative)

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Net sales	33,482	39,818
Cost of sales	25,810	30,741
Gross profit	7,671	9,077
Selling, general and administrative expenses	4,204	4,574
Operating profit	3,466	4,503
Non-operating income		
Commission fee	6	5
Insurance income	–	5
Other	3	7
Total non-operating income	9	18
Non-operating expenses		
Interest expenses	88	95
Other	46	22
Total non-operating expenses	135	117
Ordinary profit	3,341	4,403
Extraordinary income		
Gain on sales of non-current assets	4	0
Gain on transfer of investment	11	–
Total extraordinary income	15	0
Extraordinary losses		
Loss on retirement of non-current assets	1	–
Loss on disaster	–	16
Total extraordinary losses	1	16
Profit before income taxes	3,354	4,388
Income taxes - current	1,010	1,497
Income taxes - deferred	119	(114)
Total income taxes	1,130	1,382
Profit	2,224	3,005
Profit attributable to owners of parent	2,224	3,005

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Profit	2,224	3,005
Comprehensive income	2,224	3,005
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,224	3,005

(3) Quarterly consolidated statement of cash flows

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Cash flows from operating activities		
Profit before income taxes	3,354	4,388
Depreciation	30	29
Amortization of goodwill	99	99
Increase (decrease) in allowance for doubtful accounts	(13)	(0)
Increase (decrease) in provision for bonuses	(2)	(49)
Increase (decrease) in construction warranty reserve	4	12
Increase (decrease) in provision for directors' retirement benefits	(194)	19
Increase (decrease) in provision for loss on litigation	(0)	5
Increase (decrease) in provision for loss on disaster	–	13
Interest expenses	88	95
Loss (gain) on sales of property, plant and equipment	(4)	(0)
Loss (gain) on transfer of investment	(11)	–
Share-based compensation expenses	16	19
Decrease (increase) in inventories	(3,029)	(2,419)
Decrease (increase) in notes and accounts receivable - trade	(0)	0
Increase (decrease) in notes and accounts payable - trade	198	43
Other, net	(84)	225
Subtotal	452	2,481
Interest expenses paid	(90)	(95)
Income taxes paid	(1,458)	(1,166)
Net cash provided by (used in) operating activities	(1,097)	1,220
Cash flows from investing activities		
Purchase of property, plant and equipment	(11)	(3)
Proceeds from sales of property, plant and equipment	17	4
Proceeds from transfer of investment	23	–
Collection of loans receivable	0	0
Other, net	(0)	(0)
Net cash provided by (used in) investing activities	29	(0)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	2,000	–
Repayments of long-term loans payable	(375)	(375)
Repayments of finance lease obligations	(4)	(3)
Cash dividends paid	(998)	(970)
Proceeds from disposal of treasury shares	42	129
Net cash provided by (used in) financing activities	664	(1,220)
Net increase (decrease) in cash and cash equivalents	(404)	(0)
Cash and cash equivalents at beginning of period	4,723	4,063
Cash and cash equivalents at end of period	4,319	4,063

(4) Notes to quarterly consolidated financial statements

(Notes on premise of going concern)

No items to report.

(Notes on significant changes in the amount of shareholders' equity)

No items to report.

(Changes in accounting policies)

Application of "Practical Solution on Transactions Granting Employees and Others Stock Acquisition Rights, Which Involve Considerations, with Vesting Conditions" and relevant accounting standards

The Group has applied the "Practical Solution on Transactions Granting Employees and Others Stock Acquisition Rights, Which Involve Considerations, with Vesting Conditions" (ASBJ PITF No. 36, January 12, 2018; hereinafter "PITF No. 36") effective from April 1, 2018. Accordingly, transactions granting employees and certain persons share acquisition rights that involve considerations and are with vesting conditions, are now accounted for in accordance with the "Accounting Standard for Share-based Payments (ASBJ Statement No. 8, December 27, 2005) and relevant accounting standards.

However, as the application of PITF No. 36 by the Group is subject to the transitional treatment provided for in paragraph 10 (3) of said PITF, transactions where share acquisition rights that involve considerations and are with vesting conditions were granted to employees and certain persons before the date of its application, are still accounted for in accordance with the accounting treatment previously adopted.

(Additional information)

Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting" and relevant Guidances

The Group has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and relevant Guidances effective from the beginning of the first quarter of the fiscal year ending March 31, 2019. Accordingly, deferred tax assets were presented under "Investments and other assets."

(Segment information, etc.)

Segment information

Six months ended September 30, 2018

The Group's sole reportable segment is the "used housing refurbishing and remodeling business." Other businesses have been omitted due to a lack of materiality.

(Significant subsequent events)

Purchase of treasury shares

The Company resolved at its meeting of the Board of Directors held on November 6, 2018, to purchase treasury shares, pursuant to the provisions of Article 156 of the Companies Act, as applied by replacing the relevant terms pursuant to the provisions of Article 165, Paragraph 3 of the same Act.

1. Reason for conducting purchase of treasury shares:
   To execute a flexible capital policy in accordance with changes in the business environment and to utilize the purchased treasury shares for future incentive plans and business strategies
2. Class of shares subject to purchase: Common shares
3. Total number of shares to be purchased: 150,000 shares (maximum)
4. Total amount for share purchase: ¥525 million (maximum)
5. Purchase period: From November 7, 2018 to December 28, 2018
6. Method of purchase: Open market purchase on the Tokyo Stock Exchange