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August 7, 2020

Consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2021 <under Japanese GAAP>

Company name: **KATITAS Co., Ltd.** Listing: Tokyo Stock Exchange
Securities code: 8919 URL: http://katitas.jp
Representative: Katsutoshi Arai, President and CEO
Inquiries: Kazuhito Yokota, Director, General Manager of Administration Headquarter and General Manager of General Affairs Department TEL: +81-3-5542-3882 (from overseas)
Scheduled date to file quarterly securities report: August 11, 2020
Scheduled date to commence dividend payments: –
Preparation of supplementary material on quarterly financial results: Yes
Holding of quarterly financial results presentation meeting: None

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

1. Consolidated financial results for the first three months of the fiscal year ending March 31, 2021 (from April 1, 2020 to June 30, 2020)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2020	22,500	(3.5)	2,417	(7.8)	2,355	(8.2)	1,533	(10.9)
June 30, 2019	23,314	15.4	2,621	16.0	2,565	15.9	1,721	11.5

Note: Comprehensive income Three months ended June 30, 2020: ¥1,533 million [(10.9%)]
Three months ended June 30, 2019: ¥1,721 million [11.5%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2020	19.99	19.66
June 30, 2019	22.60	22.11

Note: The Company conducted a 2-for-1 share split of common shares on April 1, 2020. "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.

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

	Adjusted profit attributable to owners of parent		Adjusted basic earnings per share	
Three months ended	Millions of yen	%	Yen	%
June 30, 2020	1,579	(8.3)	20.59	(8.9)
June 30, 2019	1,721	–	22.60	–

Notes: 1. The Company uses 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 2-for-1 share split of common shares on April 1, 2020. "Adjusted basic 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	%
June 30, 2020	59,679	23,251	38.8
March 31, 2020	53,435	22,737	42.3

Reference: Equity As of June 30, 2020: ¥23,128 million
As of March 31, 2020: ¥22,623 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, 2020	–	27.00	–	27.00	54.00
Fiscal year ending March 31, 2021	–				
Fiscal year ending March 31, 2021 (Forecast)		13.50	–	13.50	27.00

Notes: 1. Revisions to the forecasts of dividends most recently announced: None
2. The Company conducted a 2-for-1 share split of common shares on April 1, 2020. However, for the fiscal year ended March 31, 2020, the actual amount of dividends before the share split is stated.

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2021 (from April 1, 2020 to March 31, 2021)

(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
Six months ending September 30, 2020	41,859	(11.7)	4,339	(22.4)	4,223	(22.9)	2,855	(22.6)	37.23
Fiscal year ending March 31, 2021	90,206	0.3	10,128	0.1	9,896	0.0	6,691	28.9	87.23

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.: None
- b. Changes in accounting policies due to other reasons: None
- c. Changes in accounting estimates: None
- d. Restatement: None

(4) Number of issued shares (common shares)
- a. Total number of issued shares at the end of the period (including treasury shares)
  As of June 30, 2020 78,650,640 shares As of March 31, 2020 78,650,640 shares
- b. Number of treasury shares at the end of the period
  As of June 30, 2020 1,937,413 shares As of March 31, 2020 1,943,572 shares
- c. Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)
  Three months ended June 30, 2020 76,713,227 shares Three months ended June 30, 2019 76,177,402 shares

Note: The Company conducted a 2-for-1 share split of common shares on April 1, 2020. "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 three 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 profit attributable to owners of parent = Profit attributable to owners of parent + Differences in consumption taxes, etc.
2. Adjusted basic earnings per share = Adjusted profit attributable to owners of parent / Average number of shares outstanding during the period
3 Adjusted profit attributable to owners of parent is a financial indicator that the Company and its subsidiaries (collectively, the "Group") consider useful for evaluating the performance of the Group for investors. Effects of 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 this financial indicator.
4. Adjusted profit attributable to owners of parent excludes some items that affect profit, and its utilization as an analysis tool is significantly restricted. Consequently, there is a possibility that the indicator 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 indicator.

Means of access to supplementary material on quarterly financial results

The supplementary materials are to be posted on the Company's website.

Attached Materials

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

(1) Explanation regarding operating results

In the first three months under review, the Japanese economy was in extremely challenging conditions because of stagnant and contracting economic activities due to the declaration of a state of emergency, reflecting the spread of COVID-19. The economic outlook is expected to remain extremely harsh and uncertain for the foreseeable future, given that the spread of infection will cause concern about the risk that it will place further downward pressure on the domestic economy, depending on how widely the infections spread, although the level of social and economic activities is expected to rise in stages.

The Group aims to provide a "Fourth Option" as an alternative to newly built, "as-is" pre-owned, and rental houses, mainly targeting the middle- and lower- income market in regional cities and rural areas. We sell pre-owned single-family houses that competitors find challenging to bring to market after refurbishing and adding value to them.

Under these conditions, in terms of sales, the number of inquiries from customers about properties for sale declined from February to April 2020 due to the pandemic. In addition, the number of properties sold through real estate agents decreased due to the effects of working from home by employees of real estate agents and their suspension of business. On the other hand, willingness to buy an inexpensive, high-quality house remained solid, and the number of inquiries from customers showed signs of recovery after May due to the methods we devised such as changing property tours to property viewings by appointment and holding them to avoid the three Cs (closed spaces, crowded places and close-contact settings).

Purchases through real estate agents declined due to the effects of working from home by employees of real estate agents and their suspension of business. Given that the Group had carefully selected purchases since April, when the state of emergency was declared because the outlook for sales trends was uncertain, the Group regards the purchase of properties as an important issue for its sales activities in and after the second half.

In terms of profit, the Group maintained a stable gross margin by refraining from giving deep discounts through the disposal of inventory, while monitoring long-term inventories so that they would stay in an appropriate level. As for selling, general and administrative expenses, while the Group made an investment in human resources for stable growth in the future, other expenses continued to be operated with high cost consciousness. However, given the decline in net sales, the operating margin fell year on year in the first quarter under review.

As a result, in the first three months under review, the number of properties sold was 1,417, down 4.8% year on year, net sales were ¥22,500 million, down 3.5% year on year, operating profit was ¥2,417 million, down 7.8% year on year, ordinary profit was ¥2,355 million, down 8.2% year on year and profit attributable to owners of parent was ¥1,533 million, down 10.9% 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) Current assets

Current assets as of June 30, 2020 amounted to ¥57,647 million, an increase of ¥6,300 million compared to ¥51,346 million at the end of the previous fiscal year. This is mainly due to an increase of ¥8,582 million in cash and deposits, offsetting a decrease of ¥1,298 million in real estate for sale and real estate for sale in process.

(ii) Non-current assets

Non-current assets as of June 30, 2020 amounted to ¥2,032 million, a decrease of ¥56 million compared to ¥2,089 million at the end of the previous fiscal year. This is mainly due to decreases of ¥5 million in property, plant and equipment, ¥48 million in intangible assets and ¥3 million in investments and other assets.

(iii) Current liabilities

Current liabilities as of June 30, 2020 amounted to ¥17,062 million, an increase of ¥5,726 million compared to ¥11,336 million at the end of the previous fiscal year. This is mainly due to an increase of ¥5,600 million in short-term loans payable.

(iv) Non-current liabilities

Non-current liabilities as of June 30, 2020 amounted to ¥19,365 million, an increase of ¥3 million compared to ¥19,361 million at the end of the previous fiscal year. This is mainly due to an increase of ¥3 million in provision for retirement benefits for directors (and other officers).

(v) Net assets

Net assets as of June 30, 2020 amounted to ¥23,251 million, an increase of ¥514 million compared to ¥22,737 million at the end of the previous fiscal year. This is mainly due to the recording of ¥1,533 million in profit attributable to owners of parent and payment of dividends of surplus of ¥1,035 million. As a result, the equity-to-asset ratio was 38.8%.

(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 first half and the full year for the fiscal year ending March 31, 2021, announced on May 11, 2020 in the “Consolidated Financial Results for the Fiscal Year Ended March 31, 2020.”

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
Assets		
Current assets		
Cash and deposits	9,137	17,720
Real estate for sale	28,659	30,597
Real estate for sale in process	11,851	8,614
Income taxes receivable	582	158
Other	1,117	558
Allowance for doubtful accounts	(2)	(2)
Total current assets	51,346	57,647
Non-current assets		
Property, plant and equipment	693	688
Intangible assets		
Goodwill	595	545
Other	30	31
Total intangible assets	625	577
Investments and other assets		
Other	782	779
Allowance for doubtful accounts	(12)	(12)
Total investments and other assets	770	767
Total non-current assets	2,089	2,032
Total assets	53,435	59,679
Liabilities		
Current liabilities		
Accounts payable - trade	2,909	2,844
Short-term borrowings	2,000	7,600
Current portion of long-term borrowings	750	750
Income taxes payable	1,779	2,280
Accrued consumption taxes	2,034	1,656
Provision for bonuses	113	47
Construction warranty reserve	256	234
Provision for loss on litigation	1	0
Other	1,492	1,648
Total current liabilities	11,336	17,062
Non-current liabilities		
Long-term borrowings	19,250	19,250
Provision for retirement benefits for directors (and other officers)	80	83
Other	31	31
Total non-current liabilities	19,361	19,365
Total liabilities	30,698	36,428
Net assets		
Shareholders' equity		
Share capital	3,778	3,778
Capital surplus	3,640	3,640
Retained earnings	16,154	16,646
Treasury shares	(950)	(937)
Total shareholders' equity	22,623	23,128
Share acquisition rights	113	123
Total net assets	22,737	23,251
Total liabilities and net assets	53,435	59,679

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

Quarterly consolidated statement of income (cumulative)

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Net sales	23,314	22,500
Cost of sales	18,207	17,545
Gross profit	5,107	4,955
Selling, general and administrative expenses	2,485	2,537
Operating profit	2,621	2,417
Non-operating income		
Commission income	2	1
Discount revenue	–	3
Other	4	3
Total non-operating income	7	8
Non-operating expenses		
Interest expenses	46	56
Other	16	14
Total non-operating expenses	62	71
Ordinary profit	2,565	2,355
Extraordinary income		
Gain on sales of non-current assets	0	–
Total extraordinary income	0	–
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Differences in consumption taxes, etc.	–	45
Total extraordinary losses	0	45
Profit before income taxes	2,565	2,309
Income taxes - current	692	770
Income taxes - deferred	151	5
Total income taxes	843	776
Profit	1,721	1,533
Profit attributable to owners of parent	1,721	1,533

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Profit	1,721	1,533
Comprehensive income	1,721	1,533
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,721	1,533

(3) 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.

(Additional information)

Filing an appeal against the reassessment penalty, etc.

The Company was subject to a tax inspection by the Kantoshinetsu Regional Taxation Bureau (the "Regional Taxation Bureau") and received a "Written Notice of Reassessment of Consumption Tax and Local Consumption Tax and a Written Notice of Assessment and Determination Regarding Additional Tax," a "Written Notice of Reassessment of Corporate Tax, etc.," and a "Written Notice of Reassessment of Local Corporate Tax, etc." (the "Reassessment Penalty, etc.") on April 28, 2020. As a result, the Company posted differences in consumption taxes, etc. of ¥2,014 million in extraordinary losses in the fiscal year ended March 31, 2020, and posted an estimated amount of delinquent taxes as differences in consumption taxes, etc. of ¥45 million in extraordinary losses in the first three months of the fiscal year ending March 31, 2021.

Because the Company is unable to agree with the Reassessment Penalty, etc. from the Regional Taxation Bureau, it followed the necessary procedures such as filing an appeal. As one step in the procedures, the Company selected Mori Hamada & Matsumoto, which has been advising the Company since the tax inspection, as an agent for the Company and made a request for an examination to demand a retraction of the Reassessment Penalty, etc. to the President of National Tax Tribunal on July 9, 2020. The request was accepted on July 10, 2020. The impact of expenses for the request for examination and others on consolidated financial results for the fiscal year ending March 31, 2021 is minor.

(Segment information, etc.)

Segment information

I. Three months ended June 30, 2019

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.

II. Three months ended June 30, 2020

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.