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November 6, 2020

Consolidated Financial Results for the First Six 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
TEL: +81-3-5542-3882 (from overseas)

Scheduled date to file quarterly securities report: November 13, 2020
Scheduled date to commence dividend payments: November 25, 2020
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, 2021 (from April 1, 2020 to September 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	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2020	49,261	3.9	5,705	2.1	5,583	1.9	3,711	0.6
September 30, 2019	47,419	19.1	5,588	24.1	5,479	24.4	3,690	22.8

Note: Comprehensive income Six months ended September 30, 2020: ¥3,711 million [0.6%]
Six months ended September 30, 2019: ¥3,690 million [22.8%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2020	48.37	47.58
September 30, 2019	48.41	47.36

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	
Six months ended	Millions of yen	%	Yen	%
September 30, 2020	3,759	1.9	49.00	0.59
September 30, 2019	3,690	–	48.41	–

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	%
September 30, 2020	54,455	25,455	46.5
March 31, 2020	53,435	22,737	42.3

Reference: Equity As of September 30, 2020: ¥25,322 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	–	13.50			
Fiscal year ending March 31, 2021 (Forecast)			–	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
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 September 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 September 30, 2020 1,856,701 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)
Six months ended September 30, 2020 76,736,605 shares Six months ended September 30, 2019 76,243,178 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 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 profit attributable to owners of parent = Profit attributable to owners of parent + Advisory fees + Differences in consumption taxes, etc. – Adjustment of tax, etc. for adjusted items
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 Company plans to hold a briefing for institutional investors on Tuesday, November 10, 2020. Materials for quarterly financial results to be used on the day will be posted on the Company's website immediately after the session.

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 was in an extremely challenging condition because of stagnant, contracting economic activity due to the COVID-19 pandemic. Regarding the economic outlook, harsh conditions continued although some signs of a phased resumption of economic activities were observed.

The Group aims to provide a fourth option as an alternative to newly built, 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, willingness to buy an inexpensive, high-quality house remained solid, and the number of inquiries from customers about properties for sale rose about 20% year on year in May and June 2020, respectively, when a state of emergency was declared due to the spread of COVID-19. After July 2020, needs for improving the living environment gradually came to the surface, reflecting an increase in time spent at home, and the number of inquiries from customers remained firm, higher than the year-ago level. Associated with the increase in the number of inquiries from customers, the number of prospective customers who were listed also rose.

Affected by the COVID-19 pandemic, we continuously devised methods to avoid the three Cs (closed spaces, crowded places and close-contact settings), such as changing property tours to property viewings by appointment to increase the number of inquiries from customers about properties, in addition to other efforts such as virtual home staging.

The number of purchases declined year on year, because purchase negotiations did not progress smoothly due to difficulty directly visiting properties before purchase and nursing care facilities and hospitals to meet with property owners. For sales activities after the second half, the expansion of purchases while maintaining quality continued to be a challenge as in the first quarter, but we will purchase properties that will achieve a balance with capital efficiency while continuing to improve the inventory turnover ratio.

In terms of profit, the Group maintained a stable gross margin by refraining from giving major discounts through the disposal of inventory, while monitoring long-term inventories to remain at an appropriate level. As for selling, general and administrative expenses, while the Group invested in human resources for stable growth in the future, other expenses continued to be operated with high cost consciousness. As a result, the operating margin maintained the same level as in the corresponding period of the previous fiscal year.

As a result, in the first six months under review, the number of properties sold was 3,093, up 1.0% year on year, net sales were ¥49,261 million, up 3.9% year on year, operating profit was ¥5,705 million, up 2.1% year on year, ordinary profit was ¥5,583 million, up 1.9% year on year, and profit attributable to owners of parent was ¥3,711 million, up 0.6% 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

(Current assets)

Current assets as of September 30, 2020 amounted to ¥52,344 million, an increase of ¥997 million compared to ¥51,346 million at the end of the previous fiscal year. This is mainly due to an increase of ¥8,753 million in cash and deposits, offsetting a decrease of ¥6,959 million in real estate for sale and real estate for sale in process.

(Non-current assets)

Non-current assets as of September 30, 2020 amounted to ¥2,111 million, an increase of ¥22 million compared to ¥2,089 million at the end of the previous fiscal year. This is mainly due to increases of ¥36 million in property, plant and equipment and ¥85 million in investments and other assets, as well as a decrease of ¥99 million in intangible assets.

(Current liabilities)

Current liabilities as of September 30, 2020 amounted to ¥9,987 million, a decrease of ¥1,348 million compared to ¥11,336 million at the end of the previous fiscal year. This is mainly due to decreases of ¥645 million in

accounts payable - trade, ¥2,000 million in short-term borrowings and ¥ 348 million in accrued consumption taxes, despite an increase of ¥1,694 million in income taxes payable.

(Non-current liabilities)

Non-current liabilities as of September 30, 2020 amounted to ¥19,012 million, a decrease of ¥349 million compared to ¥19,361 million at the end of the previous fiscal year. This is mainly due to a decrease of ¥375 million in long-term borrowings.

(Net assets)

Net assets as of September 30, 2020 amounted to ¥25,455 million, an increase of ¥2,718 million compared to ¥22,737 million at the end of the previous fiscal year. This is mainly due to the recording of ¥3,711 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 46.5%.

(ii) Cash flows

The balance of cash and cash equivalents (hereinafter, "cash") as of September 30, 2020 increased by ¥8,753 million from the end of the previous fiscal year to ¥17,890 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 ¥12,159 million during the first six months ended September 30, 2020, an increase of 260.3% compared to the same period of the previous fiscal year. This was mainly due to having posted ¥5,537 million in profit before income taxes and a decrease of ¥6,940 million in inventories, against a decrease of ¥645 million in trade payables and ¥299 million for income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities was ¥15 million during the six month period ended September 30, 2020, compared to net cash used in investing activities of ¥26 million in the same period of the previous fiscal year. This was mainly due to payment of ¥9 million for purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities was ¥3,391 million during the six month period ended September 30, 2020, compared to net cash used in financing activities of ¥1,303 million in the same period of the previous fiscal year. This was mainly due to repayments of short-term borrowings of ¥2,000 million, repayments of long-term borrowings of ¥375 million and dividends paid of ¥1,034 million.

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

Regarding the consolidated earnings forecast, there has been no change to the earnings forecast for 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, 2019." For the revision of the consolidated earnings forecasts for the first six months of the fiscal year ending March 31, 2021, refer to the "Notice Regarding Revision of Consolidated Earnings Forecasts for the First Six Months of the Fiscal Year Ending March 31, 2021" announced on October 27, 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 September 30, 2020
Assets		
Current assets		
Cash and deposits	9,137	17,890
Real estate for sale	28,659	23,990
Real estate for sale in process	11,851	9,559
Income taxes receivable	582	146
Other	1,117	759
Allowance for doubtful accounts	(2)	(2)
Total current assets	51,346	52,344
Non-current assets		
Property, plant and equipment	693	729
Intangible assets		
Goodwill	595	495
Other	30	30
Total intangible assets	625	526
Investments and other assets		
Other	782	867
Allowance for doubtful accounts	(12)	(11)
Total investments and other assets	770	855
Total non-current assets	2,089	2,111
Total assets	53,435	54,455
Liabilities		
Current liabilities		
Accounts payable - trade	2,909	2,264
Short-term borrowings	* 2,000	–
Current portion of long-term borrowings	750	750
Income taxes payable	1,779	3,473
Accrued consumption taxes	2,034	1,685
Provision for bonuses	113	93
Construction warranty reserve	256	232
Provision for loss on litigation	1	0
Provision for loss on disaster	–	2
Other	1,492	1,485
Total current liabilities	11,336	9,987
Non-current liabilities		
Long-term borrowings	19,250	18,875
Provision for retirement benefits for directors (and other officers)	80	87
Other	31	50
Total non-current liabilities	19,361	19,012
Total liabilities	30,698	29,000
Net assets		
Shareholders' equity		
Share capital	3,778	3,778
Capital surplus	3,640	3,640
Retained earnings	16,154	18,810
Treasury shares	(950)	(907)
Total shareholders' equity	22,623	25,322
Share acquisition rights	113	132
Total net assets	22,737	25,455
Total liabilities and net assets	53,435	54,455

(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, 2019	Six months ended September 30, 2020
Net sales	47,419	49,261
Cost of sales	36,870	38,355
Gross profit	10,548	10,906
Selling, general and administrative expenses	4,960	5,200
Operating profit	5,588	5,705
Non-operating income		
Commission income	5	3
Insurance income	1	0
Discount revenue	–	5
Income of compensation	–	13
Other	6	6
Total non-operating income	13	28
Non-operating expenses		
Interest expenses	93	119
Other	28	31
Total non-operating expenses	122	150
Ordinary profit	5,479	5,583
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	5,479	5,537
Income taxes - current	1,736	1,913
Income taxes - deferred	52	(87)
Total income taxes	1,789	1,826
Profit	3,690	3,711
Profit attributable to owners of parent	3,690	3,711

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Profit	3,690	3,711
Comprehensive income	3,690	3,711
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,690	3,711

(3) Consolidated statement of cash flows

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Cash flows from operating activities		
Profit before income taxes	5,479	5,537
Depreciation	24	20
Amortization of goodwill	99	99
Increase (decrease) in allowance for doubtful accounts	(0)	(0)
Increase (decrease) in provision for bonuses	(178)	(19)
Increase (decrease) in construction warranty reserve	14	(23)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	10	7
Increase (decrease) in provision for loss on litigation	(0)	(1)
Increase (decrease) in provision for loss on disaster	–	2
Interest expenses	93	119
Loss (gain) on sales of property, plant and equipment	(0)	–
Share-based remuneration expenses	20	21
Decrease (increase) in inventories	210	6,940
Decrease (increase) in trade receivables	(2)	(0)
Increase (decrease) in trade payables	(363)	(645)
Other, net	(26)	520
Subtotal	5,380	12,578
Interest paid	(95)	(119)
Income taxes paid	(1,910)	(299)
Net cash provided by (used in) operating activities	3,374	12,159
Cash flows from investing activities		
Purchase of property, plant and equipment	(14)	(9)
Proceeds from sales of property, plant and equipment	1	–
Collection of loans receivable	0	0
Purchase of investment securities	(10)	–
Other, net	(2)	(6)
Net cash provided by (used in) investing activities	(26)	(15)
Cash flows from financing activities		
Repayments of short-term borrowings	–	(2,000)
Repayments of long-term borrowings	(375)	(375)
Repayments of finance lease obligations	(3)	(3)
Dividends paid	(988)	(1,034)
Purchase of treasury shares	(0)	(0)
Proceeds from disposal of treasury shares	63	22
Net cash provided by (used in) financing activities	(1,303)	(3,391)
Net increase (decrease) in cash and cash equivalents	2,044	8,753
Cash and cash equivalents at beginning of period	7,395	9,137
Cash and cash equivalents at end of period	9,440	17,890

(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.

(Segment information, etc.)

Segment information

I. Six months ended September 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. Six months ended September 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.