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August 6, 2021

Consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2022 <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: August 12, 2021
 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, 2022 (from April 1, 2021 to June 30, 2021)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
June 30, 2021	24,337	8.2	3,181	31.6	3,131	33.0	2,109	37.5
June 30, 2020	22,500	(3.5)	2,417	(7.8)	2,355	(8.2)	1,533	(10.9)

Note: Comprehensive income Three months ended June 30, 2021: ¥2,109 million [37.5%]
 Three months ended June 30, 2020: ¥1,533 million [(10.9%)]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2021	27.36	27.00
June 30, 2020	19.99	19.66

Reference:

(Percentages indicate year-on-year changes.)

	Adjusted profit attributable to owners of parent		Adjusted basic earnings per share	
	Millions of yen	%	Yen	%
Three months ended				
June 30, 2021	2,109	33.5	27.36	32.9
June 30, 2020	1,579	(8.3)	20.59	(8.9)

Note: 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) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
June 30, 2021	54,603	29,164	53.1
March 31, 2021	55,520	28,243	50.6

Reference: Equity As of June 30, 2021: ¥29,003 million
 As of March 31, 2021: ¥28,091 million

2. Dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year ended March 31, 2021	Yen —	Yen 13.50	Yen —	Yen 16.00	Yen 29.50
Fiscal year ending March 31, 2022	—				
Fiscal year ending March 31, 2022 (Forecast)		16.00	—	16.00	32.00

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

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

(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, 2021	50,665	2.8	6,207	8.8	6,097	9.2	4,073	9.7	52.83
Fiscal year ending March 31, 2022	103,622	6.0	12,509	10.3	12,293	10.5	8,210	10.3	106.50

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, (3) Notes to quarterly consolidated financial statements (Changes in accounting policies)” on page 7 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 June 30, 2021	78,650,640 shares	As of March 31, 2021	78,650,640 shares
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- b. Number of treasury shares at the end of the period

As of June 30, 2021	1,548,893 shares	As of March 31, 2021	1,561,493 shares
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- c. Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2021	77,089,747 shares	Three months ended June 30, 2020	76,713,227 shares
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*** 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 + Adjustments (differences in consumption taxes, etc. and related income taxes - deferred)
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 will be posted on the Company’s website on Friday, August 6, 2021.

Attached Materials

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

(1) Explanation regarding operating results

During the first three months under review, the Japanese economy remained uncertain, given the declaration of a state of emergency in some regions due to the spread of infection with a new variant of the novel coronavirus, which is more infectious than the original virus.

However, because the Group conducts sales activities in regional cities and urban suburbs, the impact of measures to prevent the spread of COVID-19, which have been focused on heavily populated urban areas, is relatively limited.

In addition, the Group deals with pre-owned single-family houses that competitors find challenging to bring to market and sells them after refurbishing and adding value to properties that are difficult to live in as they are, with the aim of providing 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 terms of sales, families who currently live in a rental house, in particular, have a solid willingness to buy inexpensive, high-quality houses and the need to improve their living environments, reflecting an increase in time spent at home. As such, the number of inquiries from customers remains high. Reflecting this, the sales environment remained firm. In the Group, inventories were on a downward trend as sales advanced, and some properties were not delivered to customers due to a rise in the ratio of contracts on houses being renovated. However, sales continued to show stable growth.

Purchases were recovering as a result of focusing sales activities on purchasing while strengthening promotions to facilitate purchasing, and real estate for sale and real estate for sale in process increased from the end of the previous fiscal year.

In terms of profit, the gross margin improved 2.3 points year on year due to limited price reductions and discounts associated with an increase in contracts on houses being renovated. Regarding selling, general and administrative expenses, agency fees increased due to a rise in net sales. Personnel expenses, among others, also increased as the Group is investing in human resources and is taking steps to improve the motivation of employees on an ongoing basis to achieve stable growth in the future. Other expenses continued to be operated with a strong cost awareness. As a result, in the first three months under review, the number of properties sold was 1,496, up 5.6% year on year, net sales were ¥24,337 million, up 8.2% year on year, operating profit was ¥3,181 million, up 31.6% year on year, ordinary profit was ¥3,131 million, up 33.0% year on year and profit attributable to owners of parent was ¥2,109 million, up 37.5% 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, 2021 amounted to ¥52,810 million, a decrease of ¥657 million compared to ¥53,467 million at the end of the previous fiscal year. This was mainly due to a decrease of ¥2,203 million in cash and deposits, offsetting an increase of ¥1,113 million in real estate for sale and real estate for sale in process.

(ii) Non-current assets

Non-current assets as of June 30, 2021 amounted to ¥1,792 million, a decrease of ¥260 million compared to ¥2,053 million at the end of the previous fiscal year. This is mainly due to decreases of ¥4 million in property, plant and equipment, ¥49 million in intangible assets and ¥206 million in investments and other assets.

(iii) Current liabilities

Current liabilities as of June 30, 2021 amounted to ¥6,773 million, a decrease of ¥1,841 million compared to ¥8,615 million at the end of the previous fiscal year. This was mainly due to a decrease of ¥1,617 million in Income taxes payable.

(iv) Non-current liabilities

Non-current liabilities as of June 30, 2021 amounted to ¥18,664 million, an increase of ¥2 million compared to ¥18,662 million at the end of the previous fiscal year. This is mainly due to an increase of ¥4 million in provision for retirement benefits for directors (and other officers).

(v) Net assets

Net assets as of June 30, 2021 amounted to ¥29,164 million, an increase of ¥921 million compared to ¥28,243 million at the end of the previous fiscal year. This is mainly due to the recording of ¥2,109 million in profit attributable to owners of parent and payment of dividends of surplus of ¥1,233 million. As a result, the equity-to-asset ratio was 53.1%.

(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, 2022, announced on May 11, 2021 in the “Consolidated Financial Results for the Fiscal Year Ended March 31, 2021” announced on May 11, 2021.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2021	As of June 30, 2021
Assets		
Current assets		
Cash and deposits	19,109	16,906
Real estate for sale	19,656	20,502
Real estate for sale in process	13,774	14,040
Income taxes receivable	13	1
Other	916	1,361
Allowance for doubtful accounts	(2)	(2)
Total current assets	53,467	52,810
Non-current assets		
Property, plant and equipment	714	710
Intangible assets		
Goodwill	396	347
Other	29	29
Total intangible assets	426	376
Investments and other assets		
Other	921	714
Allowance for doubtful accounts	(8)	(7)
Total investments and other assets	912	706
Total non-current assets	2,053	1,792
Total assets	55,520	54,603
Liabilities		
Current liabilities		
Accounts payable - trade	3,051	3,027
Current portion of long-term borrowings	730	730
Income taxes payable	2,441	824
Accrued consumption taxes	48	–
Provision for bonuses	329	52
Construction warranty reserve	287	276
Provision for loss on litigation	0	–
Provision for loss on disaster	9	12
Other	1,716	1,850
Total current liabilities	8,615	6,773
Non-current liabilities		
Long-term borrowings	18,520	18,520
Provision for retirement benefits for directors (and other officers)	94	98
Other	47	46
Total non-current liabilities	18,662	18,664
Total liabilities	27,277	25,438
Net assets		
Shareholders' equity		
Share capital	3,778	3,778
Capital surplus	3,640	3,670
Retained earnings	21,435	22,310
Treasury shares	(763)	(757)
Total shareholders' equity	28,091	29,003
Share acquisition rights	152	161
Total net assets	28,243	29,164
Total liabilities and net assets	55,520	54,603

(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, 2020	Three months ended June 30, 2021
Net sales	22,500	24,337
Cost of sales	17,545	18,407
Gross profit	4,955	5,930
Selling, general and administrative expenses	2,537	2,748
Operating profit	2,417	3,181
Non-operating income		
Commission income	1	1
Discount revenue	3	1
Other	3	2
Total non-operating income	8	6
Non-operating expenses		
Interest expenses	56	44
Other	14	11
Total non-operating expenses	71	55
Ordinary profit	2,355	3,131
Extraordinary losses		
Loss on retirement of non-current assets	0	–
Differences in consumption taxes, etc.	45	–
Total extraordinary losses	45	–
Profit before income taxes	2,309	3,131
Income taxes - current	770	781
Income taxes - deferred	5	240
Total income taxes	776	1,022
Profit	1,533	2,109
Profit attributable to owners of parent	1,533	2,109

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Profit	1,533	2,109
Comprehensive income	1,533	2,109
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,533	2,109

(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.

(Changes in accounting policies)

Application of Accounting Standard for Revenue Recognition, etc.

The Company has decided to apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter the "Revenue Recognition Accounting Standard"), etc. from the beginning of the first three months under review and recognize revenue from goods or services which the Company promised to provide at an amount expected to be received in exchange for the goods or services at the time when control over the promised goods or services has been transferred to a customer. With this, the Company recognizes revenue from the used housing refurbishing and remodeling business at the time when control over property has been transferred to a customer based on the content and consideration that are clarified in a real estate sales contract concluded with the customer.

The application of the Revenue Recognition Accounting Standard follows the provisional treatment stipulated in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative effects in the case of retroactively applying the new accounting policy to before the beginning of the first three months under review are adjusted in retained earnings at the beginning of the first three months review, and the new accounting policy is applied from this initial balance.

As a result, there is no impact on quarterly consolidated financial statements for the first three months under review. In addition, there is no impact on the beginning balance of retained earnings.

in accordance with the transitional treatment stipulated in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), information on the breakdown of revenue generated from contracts with customers for the first quarter of the previous consolidated fiscal year is not shown.

(Additional information)

Application of Accounting Standard for Fair Value Measurement, etc.

The Company has decided to apply the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereinafter the "Fair Value Measurement Accounting Standard"), etc. from the beginning of the first three months under review and to continue to apply the new accounting policy stipulated in the Fair Value Measurement Accounting Standard, etc. according to the provisional treatment stipulated in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). The application of has no impact on quarterly consolidated financial statements for the first three months under review.

(Segment information, etc.)

Segment information

I. 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.

II. Three months ended June 30, 2021

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.