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February 4, 2022

Consolidated Financial Results for the First Nine Months of the Fiscal Year Ending March 31, 2022 <under Japanese GAAP>

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 Scheduled date to file quarterly securities report: February 10, 2022
 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 nine months of the fiscal year ending March 31, 2022 (from April 1, 2021 to December 31, 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	%
Nine months ended								
December 31, 2021	76,192	1.0	10,665	18.2	10,516	18.7	7,100	19.8
December 31, 2020	75,470	13.3	9,026	18.6	8,858	18.9	5,924	18.2

Note: Comprehensive income
 Nine months ended December 31, 2021: ¥7,100 million [19.8%]
 Nine months ended December 31, 2020: ¥5,924 million [18.2%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2021	92.04	90.85
December 31, 2020	77.18	75.93

Reference:

(Percentages indicate year-on-year changes.)

	Adjusted profit attributable to owners of parent		Adjusted basic earnings per share	
	Millions of yen	%	Yen	%
Nine months ended				
December 31, 2021	7,100	19.2	92.04	18.7
December 31, 2020	5,954	18.8	77.57	18.0

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	%
December 31, 2021	58,951	32,985	55.6
March 31, 2021	55,520	28,243	50.6

Reference: Equity
 As of December 31, 2021: ¥32,803 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	—	16.00	—		
Fiscal year ending March 31, 2022 (Forecast)				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
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 December 31, 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 December 31, 2021	1,428,151 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)

Nine months ended December 31, 2021	77,141,103 shares	Nine months ended December 31, 2020	76,767,575 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 nine 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 material on quarterly financial results is to be posted on the Company’s website on Friday, February 4, 2022.

Attached Materials

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

(1) Explanation regarding operating results

In the first nine months under review, the Japanese economy showed signs of recovery in economic activity as vaccinations against COVID-19 progressed, but the economic outlook remains uncertain due to the resurgence of the risk of infection by new mutated strains of the virus.

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

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. We deal with older pre-owned single-family detached houses that competitors find challenging to bring to market and sell them after refurbishing and adding value to the properties that are difficult to live in as they are.

In terms of sales, families living in rental homes, in particular, have a strong desire to buy inexpensive, high-quality houses or to improve their living environments, reflecting an increase in time spent at home, and also the number of customer inquiries has increased year on year. The number of properties sold by the Group fell year on year due to a situation where few properties could be delivered soon after being contracted as many properties had either just been purchased or were being refurbished. However, there were many inquiries from customers about properties, resulting in higher sales prices with limited discounts in business negotiations and price reductions due to a review of sales prices, so net sales increased year on year.

In terms of purchases, the number of purchases increased year on year as a result of the Group’s continued purchasing activities as well as the trend of improvement in the sentiment of sellers who were avoiding contact with third parties for purchase assessments. 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 an increase in contracts for properties being refurbished and the aforementioned limited discounts and price reductions. Regarding selling, general and administrative expenses, personnel expenses are increasing due to an increase in sales staff and an increase in performance-based remuneration, and advertising and marketing expenses are increasing, mainly due to internet-based advertising to increase purchases. These are due to measures for stable growth going forward. In terms of expenses, the Group operates with continuous strong cost awareness.

As a result, in the first nine months under review, the number of properties sold was 4,646, down 2.5% year on year, net sales were ¥76,192 million, up 1.0% year on year, operating profit was ¥10,665 million, up 18.2% year on year, ordinary profit was ¥10,516 million, up 18.7% year on year and profit attributable to owners of parent was ¥7,100 million, up 19.8% 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

Assets, liabilities and net assets

(Current assets)

Current assets as of December 31, 2021 amounted to ¥57,251 million, an increase of ¥3,784 million compared to ¥53,467 million at the end of the previous fiscal year. This was mainly due to an increase of ¥7,486 million in real estate for sale and real estate for sale in process, and a decrease of ¥4,257 million in cash and deposits.

(Non-current assets)

Non-current assets as of December 31, 2021 amounted to ¥1,699 million, a decrease of ¥353 million compared to ¥2,053 million at the end of the previous fiscal year. This was mainly due to decreases of ¥13 million in property, plant and equipment, ¥145 million in intangible assets and ¥194 million in investments and other assets.

(Current liabilities)

Current liabilities as of December 31, 2021 amounted to ¥7,305 million, a decrease of ¥1,309 million compared to ¥8,615 million at the end of the previous fiscal year. This was mainly due to decreases of ¥375 million in current portion of long-term borrowings, ¥1,083 million in income taxes payable, and ¥276 million in provision for bonuses, despite an increase of ¥465 million in accounts payable - trade.

(Non-current liabilities)

Non-current liabilities as of December 31, 2021 amounted to ¥18,660 million, a decrease of ¥1 million compared to ¥18,662 million at the end of the previous fiscal year. This was mainly due to an increase of ¥4 million in provision for retirement benefits for directors (and other officers), and a decrease of ¥5 million in other.

(Net assets)

Net assets as of December 31, 2021 amounted to ¥32,985 million, an increase of ¥4,741 million compared to ¥28,243 million at the end of the previous fiscal year. This was mainly due to the recording of ¥7,100 million in profit attributable to owners of parent and payment of dividends of surplus of ¥2,467 million. As a result, the equity-to-asset ratio was 55.6%.

(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, 2022, announced on May 11, 2021, in the “Consolidated Financial Results for the Fiscal Year Ended March 31, 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 December 31, 2021
Assets		
Current assets		
Cash and deposits	19,109	14,851
Real estate for sale	19,656	23,453
Real estate for sale in process	13,774	17,463
Income taxes receivable	13	0
Other	916	1,486
Allowance for doubtful accounts	(2)	(4)
Total current assets	53,467	57,251
Non-current assets		
Property, plant and equipment	714	701
Intangible assets		
Goodwill	396	247
Other	29	32
Total intangible assets	426	280
Investments and other assets		
Other	921	723
Allowance for doubtful accounts	(8)	(5)
Total investments and other assets	912	718
Total non-current assets	2,053	1,699
Total assets	55,520	58,951
Liabilities		
Current liabilities		
Accounts payable - trade	3,051	3,516
Current portion of long-term borrowings	730	355
Income taxes payable	2,441	1,358
Accrued consumption taxes	48	–
Provision for bonuses	329	52
Construction warranty reserve	287	248
Provision for loss on litigation	0	0
Provision for loss on disaster	9	–
Other	1,716	1,773
Total current liabilities	8,615	7,305
Non-current liabilities		
Long-term borrowings	18,520	18,520
Provision for retirement benefits for directors (and other officers)	94	98
Other	47	41
Total non-current liabilities	18,662	18,660
Total liabilities	27,277	25,966
Net assets		
Shareholders' equity		
Share capital	3,778	3,778
Capital surplus	3,640	3,655
Retained earnings	21,435	26,067
Treasury shares	(763)	(698)
Total shareholders' equity	28,091	32,803
Share acquisition rights	152	181
Total net assets	28,243	32,985
Total liabilities and net assets	55,520	58,951

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

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Net sales	75,470	76,192
Cost of sales	58,581	57,406
Gross profit	16,889	18,786
Selling, general and administrative expenses	7,862	8,120
Operating profit	9,026	10,665
Non-operating income		
Commission income	5	5
Insurance claim income	3	4
Discount revenue	7	3
Income of compensation	13	–
Other	9	9
Total non-operating income	38	23
Non-operating expenses		
Interest expenses	164	131
Other	42	40
Total non-operating expenses	206	172
Ordinary profit	8,858	10,516
Extraordinary income		
Gain on sale 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	46	0
Profit before income taxes	8,812	10,516
Income taxes - current	2,846	3,197
Income taxes - deferred	41	218
Total income taxes	2,887	3,416
Profit	5,924	7,100
Profit attributable to owners of parent	5,924	7,100

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Profit	5,924	7,100
Comprehensive income	5,924	7,100
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,924	7,100

(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 applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the first quarter of the fiscal year ending March 31, 2022, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services. As a result of this application, the Company recognizes revenue from the used housing refurbishing and remodeling business at the time the control of property is 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 Accounting Standard for Revenue Recognition and relevant ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the first quarter of the current fiscal year was added to or deducted from the opening balance of retained earnings of the first quarter of the current fiscal year, and thus the new accounting policy was applied from such opening balance.

As a result, there is no impact on quarterly consolidated financial statements for the first nine months under review. In addition, there is no impact on the opening balance of retained earnings of the first quarter of the current fiscal year.

The information on disaggregation of revenue from contracts with customers during the first nine months of the previous fiscal year has not been disclosed as allowed by the transitional treatment provided for in paragraph 28-15 of the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12, March 31, 2020).

(Additional information)

Application of Accounting Standard for Fair Value Measurement, etc.

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the first quarter of the fiscal year ending March 31, 2022, and it has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures provided for in paragraph 19 of the Accounting Standard for Fair Value Measurement, and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). The application has no impact on quarterly consolidated financial statements for the first nine months under review.

(Segment information, etc.)

Segment information

I. Nine months ended December 31, 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. Nine months ended December 31, 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.