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August 3, 2018

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

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 Listing: Tokyo Stock Exchange
 Securities code: 8919
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Scheduled date to file quarterly securities report: August 10, 2018
 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, 2019 (from April 1, 2018 to June 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	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2018	20,206	22.6	2,259	36.5	2,214	38.5	1,544	44.3
June 30, 2017	16,476	—	1,655	—	1,598	—	1,070	—

Note: Comprehensive income Three months ended June 30, 2018: ¥1,544 million [44.3%]
 Three months ended June 30, 2017: ¥1,070 million [—%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2018	41.30	39.63
June 30, 2017	29.33	—

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	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen	%
June 30, 2018	2,259	34.5	2,324	35.1	2,324	33.2	1,544	42.1	41.30	38.7
June 30, 2017	1,679	—	1,720	—	1,744	—	1,087	—	29.79	—

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	%
June 30, 2018	38,554	15,966	41.3
March 31, 2018	38,365	15,370	39.9

Reference: Equity As of June 30, 2018: ¥15,907 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	—				
Fiscal year ending March 31, 2019 (Forecast)		26.00	—	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
Six months ending September 30, 2018	37,613	12.3	3,999	15.4	3,879	16.1	2,590	16.4	69.29
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, (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, 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 June 30, 2018	1,902,720 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)

Three months ended June 30, 2018	37,391,730 shares
Three months ended June 30, 2017	36,499,320 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 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

- Adjusted operating profit = Operating profit + Increase in cost of sales due to inventory revaluation of REPRICE Co., Ltd. (“REPRICE”) + Listing related expenses
- EBITDA = Operating profit + Depreciation + Amortization of goodwill
- Adjusted EBITDA = EBITDA + Increase in cost of sales due to REPRICE’s inventory revaluation + Listing related expenses
- 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
- Adjusted basic earnings per share = Adjusted profit attributable to owners of parent / Average number of shares outstanding during the period
- 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.
- 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 supplementary material on quarterly financial results is 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 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 three months under review was 1,328, up 14.3% 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 three months under review, net sales were ¥20,206 million, up 22.6% year on year, operating profit was ¥2,259 million, up 36.5% year on year, ordinary profit was ¥2,214 million, up 38.5% year on year and profit attributable to owners of parent was ¥1,544 million, up 44.3% year on year. Furthermore, adjusted operating profit was ¥2,259 million, up 34.5% year on year, EBITDA was ¥2,324 million, up 35.1% year on year, adjusted EBITDA was ¥2,324 million, up 33.2% year on year, and adjusted profit attributable to owners of parent was ¥1,544 million, up 42.1% 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.

Additional information

Due to the heavy rains that occurred in west Japan in July 2018, the Company's Kurume Branch was damaged by flooding, and we are temporarily conducting operations out of a neighboring branch (Saga Branch). Moreover, eight real estate for sale and real estate for sale in process were damaged (above-ground flooding: 3, underground flooding: 3, rain leakage: 2), but we believe the heavy rains will have a minimal impact on the Group's financial results.

(2) Explanation regarding financial position

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.

(i) Current assets

Current assets as of June 30, 2018 amounted to ¥36,247 million, an increase of ¥210 million compared to ¥36,037 million at the end of the previous fiscal year. This is mainly due to an increase of ¥604 million in real estate for sale and real estate for sale in process, and a decrease of ¥74 million in cash and deposits.

(ii) Non-current assets

Non-current assets as of June 30, 2018 amounted to ¥2,306 million, a decrease of ¥21 million compared to ¥2,328 million at the end of the previous fiscal year. This is mainly due to decreases of ¥6 million in property, plant and equipment, ¥56 million in intangible assets and an increase of ¥40 million in investments and other assets.

(iii) Current liabilities

Current liabilities as of June 30, 2018 amounted to ¥8,768 million, a decrease of ¥422 million compared to ¥9,191 million at the end of the previous fiscal year. This is mainly due to an increase of ¥119 million in accounts payable - trade and a decrease of ¥495 million in income taxes payable.

(iv) Non-current liabilities

Non-current liabilities as of June 30, 2018 amounted to ¥13,818 million, an increase of ¥14 million compared to ¥13,803 million at the end of the previous fiscal year. This is mainly due to an increase of ¥16 million in provision for directors' retirement benefits.

(v) Net assets

Net assets as of June 30, 2018 amounted to ¥15,966 million, an increase of ¥595 million compared to ¥15,370 million at the end of the previous fiscal year. This is mainly due to the recording of ¥1,544 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 41.3%.

(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 six months ending September 30, 2018 and 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 June 30, 2018
Assets		
Current assets		
Cash and deposits	4,063	3,989
Real estate for sale	21,154	21,653
Real estate for sale in process	9,900	10,006
Other	920	600
Allowance for doubtful accounts	(2)	(1)
Total current assets	36,037	36,247
Non-current assets		
Property, plant and equipment	752	745
Intangible assets		
Goodwill	991	942
Other	50	43
Total intangible assets	1,042	985
Investments and other assets		
Other	550	590
Allowance for doubtful accounts	(16)	(15)
Total investments and other assets	534	574
Total non-current assets	2,328	2,306
Total assets	38,365	38,554
Liabilities		
Current liabilities		
Accounts payable - trade	2,498	2,618
Short-term loans payable	3,000	2,800
Current portion of long-term loans payable	750	750
Income taxes payable	1,242	746
Provision for bonuses	106	29
Construction warranty reserve	245	252
Provision for loss on litigation	—	3
Other	1,347	1,568
Total current liabilities	9,191	8,768
Non-current liabilities		
Long-term loans payable	13,724	13,724
Provision for directors' retirement benefits	36	53
Other	42	40
Total non-current liabilities	13,803	13,818
Total liabilities	22,995	22,587
Net assets		
Shareholders' equity		
Capital stock	3,778	3,778
Capital surplus	3,640	3,640
Retained earnings	9,392	9,947
Treasury shares	(1,490)	(1,458)
Total shareholders' equity	15,321	15,907
Share acquisition rights	49	58
Total net assets	15,370	15,966
Total liabilities and net assets	38,365	38,554

(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, 2017	Three months ended June 30, 2018
Net sales	16,476	20,206
Cost of sales	12,714	15,611
Gross profit	3,762	4,595
Selling, general and administrative expenses	2,106	2,336
Operating profit	1,655	2,259
Non-operating income		
Commission fee	3	3
Insurance income	—	6
Returns received	—	3
Other	3	2
Total non-operating income	6	15
Non-operating expenses		
Interest expenses	42	48
Other	21	12
Total non-operating expenses	64	60
Ordinary profit	1,598	2,214
Extraordinary income		
Gain on sales of non-current assets	4	—
Gain on transfer of investment	11	—
Total extraordinary income	15	—
Extraordinary losses		
Loss on retirement of non-current assets	0	—
Total extraordinary losses	0	—
Profit before income taxes	1,613	2,214
Income taxes - current	459	710
Income taxes - deferred	83	(40)
Total income taxes	542	669
Profit	1,070	1,544
Profit attributable to owners of parent	1,070	1,544

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Profit	1,070	1,544
Comprehensive income	1,070	1,544
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,070	1,544

(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 "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

Three months ended June 30, 2017

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.

Three months ended June 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.