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February 5, 2019

Consolidated Financial Results for the First Nine 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: February 12, 2019
 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, 2019 (from April 1, 2018 to December 31, 2018)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2018	61,213	18.0	7,217	27.5	7,057	37.3	4,787	39.1
December 31, 2017	51,886	13.9	5,662	63.2	5,140	55.4	3,442	43.3

Note: Comprehensive income Nine months ended December 31, 2018: ¥4,787 million [39.1%]
 Nine months ended December 31, 2017: ¥3,442 million [43.3%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2018	127.61	122.93
December 31, 2017	94.09	93.72

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	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen	%
December 31, 2018	7,217	26.6	7,411	26.5	7,411	25.7	4,787	30.0	127.61	26.7
December 31, 2017	5,699	20.3	5,857	59.5	5,895	19.3	3,683	20.2	100.70	19.6

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	%
December 31, 2018	42,607	17,989	42.1
March 31, 2018	38,365	15,370	39.9

Reference: Equity As of December 31, 2018: ¥17,924 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	—	26.00	—		
Fiscal year ending March 31, 2019 (Forecast)				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
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 December 31, 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 December 31, 2018	1,646,880 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)

Nine months ended December 31, 2018	37,516,204 shares
Nine months ended December 31, 2017	36,582,178 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 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

- 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 nine months

(1) Explanation regarding operating results

In the first nine 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 nine months under review was 4,025, up 12.1% 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 nine months under review, net sales were ¥61,213 million, up 18.0% year on year, operating profit was ¥7,217 million, up 27.5% year on year, ordinary profit was ¥7,057 million, up 37.3% year on year and profit attributable to owners of parent was ¥4,787 million, up 39.1% year on year. Furthermore, adjusted operating profit was ¥7,217 million, up 26.6% year on year, EBITDA was ¥7,411 million, up 26.5% year on year, adjusted EBITDA was ¥7,411 million, up 25.7% year on year, and adjusted profit attributable to owners of parent was ¥4,787 million, up 30.0% 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

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 December 31, 2018 amounted to ¥40,336 million, an increase of ¥4,298 million compared to ¥36,037 million at the end of the previous fiscal year. This is mainly due to increases of ¥211 million in cash and deposits and ¥4,331 million in real estate for sale and real estate for sale in process.

(ii) Non-current assets

Non-current assets as of December 31, 2018 amounted to ¥2,271 million, a decrease of ¥57 million compared to ¥2,328 million at the end of the previous fiscal year. This is mainly due to increases of ¥0 million in property, plant and equipment, ¥103 million in investments and other assets and a decrease of ¥161 million in intangible assets.

(iii) Current liabilities

Current liabilities as of December 31, 2018 amounted to ¥11,170 million, an increase of ¥1,979 million compared to ¥9,191 million at the end of the previous fiscal year. This is mainly due to increases of ¥2,000 million in short-term loans payable, ¥30 million in income taxes payable and a decrease of ¥61 million in accounts payable - trade.

(iv) Non-current liabilities

Non-current liabilities as of December 31, 2018 amounted to ¥13,447 million, a decrease of ¥356 million compared to ¥13,803 million at the end of the previous fiscal year. This is mainly due to an increase of ¥22 million in provision for directors' retirement benefits and a decrease of ¥375 million in long-term loans payable.

(v) Net assets

Net assets as of December 31, 2018 amounted to ¥17,989 million, an increase of ¥2,618 million compared to ¥15,370 million at the end of the previous fiscal year. This is mainly due to the recording of ¥4,787 million in profit attributable to owners of parent, and payment of dividends of surplus of ¥1,950 million. As a result, the equity-to-asset ratio was 42.1%.

(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 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 December 31, 2018
Assets		
Current assets		
Cash and deposits	4,063	4,275
Real estate for sale	21,154	23,624
Real estate for sale in process	9,900	11,762
Other	920	675
Allowance for doubtful accounts	(2)	(1)
Total current assets	36,037	40,336
Non-current assets		
Property, plant and equipment	752	752
Intangible assets		
Goodwill	991	843
Other	50	37
Total intangible assets	1,042	880
Investments and other assets		
Other	550	652
Allowance for doubtful accounts	(16)	(14)
Total investments and other assets	534	638
Total non-current assets	2,328	2,271
Total assets	38,365	42,607
Liabilities		
Current liabilities		
Accounts payable - trade	2,498	2,437
Short-term loans payable	3,000	5,000
Current portion of long-term loans payable	750	750
Income taxes payable	1,242	1,273
Provision for bonuses	106	31
Construction warranty reserve	245	268
Provision for loss on litigation	—	3
Provision for loss on disaster	—	3
Other	1,347	1,402
Total current liabilities	9,191	11,170
Non-current liabilities		
Long-term loans payable	13,724	13,349
Provision for directors' retirement benefits	36	59
Other	42	38
Total non-current liabilities	13,803	13,447
Total liabilities	22,995	24,617
Net assets		
Shareholders' equity		
Capital stock	3,778	3,778
Capital surplus	3,640	3,640
Retained earnings	9,392	12,114
Treasury shares	(1,490)	(1,609)
Total shareholders' equity	15,321	17,924
Share acquisition rights	49	65
Total net assets	15,370	17,989
Total liabilities and net assets	38,365	42,607

(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, 2017	Nine months ended December 31, 2018
Net sales	51,886	61,213
Cost of sales	39,958	47,194
Gross profit	11,928	14,018
Selling, general and administrative expenses	6,265	6,801
Operating profit	5,662	7,217
Non-operating income		
Commission fee	8	8
Insurance income	7	10
Other	5	8
Total non-operating income	21	27
Non-operating expenses		
Interest expenses	134	145
Going public expenses	352	—
Other	56	41
Total non-operating expenses	543	186
Ordinary profit	5,140	7,057
Extraordinary income		
Gain on sales of non-current assets	4	0
Gain on transfer of investment	11	—
Surrender value of insurance	38	—
Total extraordinary income	53	0
Extraordinary losses		
Loss on retirement of non-current assets	1	4
Loss on disaster	—	16
Total extraordinary losses	1	20
Profit before income taxes	5,192	7,037
Income taxes - current	1,629	2,330
Income taxes - deferred	121	(79)
Total income taxes	1,750	2,250
Profit	3,442	4,787
Profit attributable to owners of parent	3,442	4,787

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Profit	3,442	4,787
Comprehensive income	3,442	4,787
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,442	4,787

(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

I. Nine months ended December 31, 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.

II. Nine months ended December 31, 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.