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November 4, 2022

Consolidated Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2023 <under Japanese GAAP>

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Scheduled date to file quarterly securities report: November 11, 2022
 Scheduled date to commence dividend payments: November 25, 2022
 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, 2023 (from April 1, 2022 to September 30, 2022)

(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	%
Six months ended								
September 30, 2022	59,160	19.4	7,436	8.1	7,355	8.5	4,971	8.6
September 30, 2021	49,559	0.6	6,876	20.5	6,780	21.4	4,577	23.3

Note: Comprehensive income Six months ended September 30, 2022: ¥4,971 million [8.6%]
 Six months ended September 30, 2021: ¥4,577 million [23.3%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2022	64.32	63.60
September 30, 2021	59.36	58.58

Reference:

(Percentages indicate year-on-year changes.)

	Adjusted profit attributable to owners of parent		Adjusted basic earnings per share	
	Millions of yen	%	Yen	%
Six months ended				
September 30, 2022	4,969	8.6	64.30	8.3
September 30, 2021	4,577	21.8	59.36	21.2

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	%
September 30, 2022	63,806	36,435	56.8
March 31, 2022	62,644	32,752	52.0

Reference: Equity As of September 30, 2022: ¥36,241 million
 As of March 31, 2022: ¥32,562 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, 2022	Yen —	Yen 16.00	Yen —	Yen 17.50	Yen 33.50
Fiscal year ending March 31, 2023	—	24.00			
Fiscal year ending March 31, 2023 (Forecast)			—	24.50	48.50

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

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

(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, 2023	113,376	12.0	14,018	6.8	13,875	9.3	9,355	36.7	121.08

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, (4) Notes to quarterly consolidated financial statements, (Changes in accounting policies)” on page 8 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 September 30, 2022	78,650,640 shares	As of March 31, 2022	78,650,640 shares
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- b. Number of treasury shares at the end of the period

As of September 30, 2022	1,292,636 shares	As of March 31, 2022	1,388,308 shares
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- c. Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2022	77,293,945 shares	Six months ended September 30, 2021	77,115,885 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 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 + Adjustments (differences in consumption taxes, etc. and income taxes-current)
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 financial results presentation meeting for institutional investors on Friday, November 4, 2022.

The supplementary materials used for the quarterly financial results briefing on this date is to be posted on the Company’s website promptly after the briefing has concluded.

Attached Materials

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

(1) Explanation regarding operating results

During the first six months under review, the Japanese economy was moving toward normalization of socioeconomic activities as restrictions on activities associated with COVID-19 were eased with the spread of vaccinations, despite a brief increase in the number of confirmed cases caused by a seventh wave of the virus. However, the economic outlook remains uncertain due to concerns such as an increased burden on households from the rising price of raw materials and imported goods.

Under these circumstances, 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 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, and the number of customer inquiries remained at a high level. The number of properties sold increased year on year as a result of the Group’s thorough management of the renovation construction period and focus on smooth delivery after the signing of the contract. Also, net sales increased as a result of a revision of selling prices in line with rising raw material prices and higher selling prices, mainly in suburban areas.

In terms of purchases, sales assessment requests, which were temporarily suppressed by the impact of the COVID-19 pandemic, are now back to their pre-pandemic level. As a result, 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 declined 2.0 points year on year, due to a rise in purchasing prices, despite profit per property being higher than previous periods, particularly in the suburban areas. Regarding selling, general and administrative expenses, personnel expenses increased due to investments in human resources for stable growth in the future, and brokerage commissions increased as net sales increased. Other expenses continue to be operated with a strong cost awareness.

As a result, in the first six months under review, the number of properties sold was 3,437, up 12.4% year on year, net sales were ¥59,160 million, up 19.4% year on year, operating profit was ¥7,436 million, up 8.1% year on year, ordinary profit was ¥7,355 million, up 8.5% year on year and profit attributable to owners of parent was ¥4,971 million, up 8.6% year on year. Also, adjusted profit attributable to owners of parent was ¥4,969 million, up 8.6% 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, 2022 amounted to ¥62,063 million, an increase of ¥1,290 million compared to ¥60,773 million at the end of the previous fiscal year. This was mainly due to an increase in real estate for sale and real estate for sale in process of ¥4,988 million, despite a ¥3,214 million decrease in cash and deposits.

(Non-current assets)

Non-current assets as of September 30, 2022 amounted to ¥1,742 million, a decrease of ¥128 million compared to ¥1,870 million at the end of the previous fiscal year. This was mainly due to decreases of ¥103 million in intangible assets and ¥64 million in investments and other assets.

(Current liabilities)

Current liabilities as of September 30, 2022 amounted to ¥8,777 million, a decrease of ¥2,474 million compared to ¥11,252 million at the end of the previous fiscal year. This was mainly due to decreases of ¥2,409 million in accrued consumption taxes and ¥263 million in provision for bonuses, despite an increase of ¥394 million in accounts payable - trade.

(Non-current liabilities)

Non-current liabilities as of September 30, 2022 amounted to ¥18,593 million, a decrease of ¥45 million compared to ¥18,639 million at the end of the previous fiscal year. This was mainly due to a decrease of ¥26 million in provision for retirement benefits for directors (and other officers).

(Net assets)

Net assets as of September 30, 2022 amounted to ¥36,435 million, an increase of ¥3,682 million compared to ¥32,752 million at the end of the previous fiscal year. This was mainly due to the recording of ¥4,971 million in profit attributable to owners of parent while paying out dividends of surplus of ¥1,352 million. As a result, the equity-to-asset ratio was 56.8%.

(ii) Cash flows

The balance of cash and cash equivalents (hereinafter, “cash”) as of September 30, 2022 decreased by ¥3,214 million from the end of the previous fiscal year to ¥10,194 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 used in operating activities was ¥1,825 million during the six months ended September 30, 2022, compared to net cash provided by operating activities of ¥56 million in the same period of the previous fiscal year. This was mainly due to an increase in inventories of ¥4,998 million, income taxes paid of ¥2,236 million, and a decrease in accrued consumption taxes of ¥2,409 million, against having posted ¥7,352 million in profit before income taxes.

(Cash flows from investing activities)

Net cash used in investing activities was ¥50 million during the six months ended September 30, 2022, compared to net cash used in investing activities of ¥7 million in the same period of the previous fiscal year. This was mainly due to purchase of property, plant and equipment of ¥63 million, while proceeds from sale of property, plant and equipment amounted to ¥13 million.

(Cash flows from financing activities)

Net cash used in financing activities was ¥1,339 million during the six months ended September 30, 2022, compared to net cash used in financing activities of ¥1,602 million in the same period of the previous fiscal year. This was mainly due to dividends paid of ¥1,351 million.

(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, 2023, announced on May 13, 2022, in the “Consolidated Financial Results for the Fiscal Year Ended March 31, 2022.”

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	13,409	10,194
Real estate for sale	25,440	28,968
Real estate for sale in process	19,422	20,882
Income taxes refund receivable	671	158
Other	1,833	1,862
Allowance for doubtful accounts	(3)	(2)
Total current assets	60,773	62,063
Non-current assets		
Property, plant and equipment	697	736
Intangible assets		
Goodwill	198	99
Other	31	27
Total intangible assets	230	126
Investments and other assets		
Other	948	883
Allowance for doubtful accounts	(4)	(4)
Total investments and other assets	943	879
Total non-current assets	1,870	1,742
Total assets	62,644	63,806
Liabilities		
Current liabilities		
Accounts payable - trade	3,769	4,164
Income taxes payable	2,330	2,396
Accrued consumption taxes	2,409	-
Provision for bonuses	390	127
Construction warranty reserve	305	303
Provision for loss on litigation	2	2
Provision for loss on disaster	5	5
Other	2,038	1,778
Total current liabilities	11,252	8,777
Non-current liabilities		
Long-term borrowings	18,500	18,500
Provision for retirement benefits for directors (and other officers)	98	71
Other	40	21
Total non-current liabilities	18,639	18,593
Total liabilities	29,891	27,371
Net assets		
Shareholders' equity		
Share capital	3,778	3,778
Capital surplus	3,649	3,662
Retained earnings	25,813	29,432
Treasury shares	(679)	(632)
Total shareholders' equity	32,562	36,241
Share acquisition rights	190	193
Total net assets	32,752	36,435
Total liabilities and net assets	62,644	63,806

(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, 2021	Six months ended September 30, 2022
Net sales	49,559	59,160
Cost of sales	37,264	45,670
Gross profit	12,295	13,489
Selling, general and administrative expenses	5,419	6,053
Operating profit	6,876	7,436
Non-operating income		
Commission income	3	2
Insurance claim income	4	5
Discount revenue	3	2
Differences in consumption taxes, etc.	–	2
Other	7	6
Total non-operating income	18	19
Non-operating expenses		
Interest expenses	88	89
Other	25	10
Total non-operating expenses	114	100
Ordinary profit	6,780	7,355
Extraordinary income		
Gain on sale of non-current assets	0	1
Total extraordinary income	0	1
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Loss on disaster	–	4
Total extraordinary losses	0	4
Profit before income taxes	6,780	7,352
Income taxes - current	2,053	2,293
Income taxes - deferred	148	87
Total income taxes	2,202	2,380
Profit	4,577	4,971
Profit attributable to owners of parent	4,577	4,971

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Profit	4,577	4,971
Comprehensive income	4,577	4,971
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,577	4,971

(3) Quarterly consolidated statement of cash flows

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from operating activities		
Profit before income taxes	6,780	7,352
Depreciation	17	17
Amortization of goodwill	99	99
Increase (decrease) in allowance for doubtful accounts	(0)	(1)
Increase (decrease) in provision for bonuses	(217)	(263)
Increase (decrease) in construction warranty reserve	(20)	(2)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	4	(26)
Increase (decrease) in provision for loss on litigation	0	(0)
Increase (decrease) in provision for loss on disaster	(5)	(0)
Interest expenses	88	89
Loss (gain) on sale of property, plant and equipment	(0)	(1)
Loss on retirement of non-current assets	0	0
Share-based payment expenses	28	18
Decrease (increase) in inventories	(4,079)	(4,998)
Decrease (increase) in trade receivables	0	(3)
Increase (decrease) in trade payables	191	394
Increase (decrease) in accrued consumption taxes	(48)	(2,409)
Other, net	(360)	235
Subtotal	2,477	500
Interest paid	(88)	(89)
Income taxes paid	(2,331)	(2,236)
Net cash provided by (used in) operating activities	56	(1,825)
Cash flows from investing activities		
Purchase of property, plant and equipment	(5)	(63)
Proceeds from sale of property, plant and equipment	0	13
Proceeds from collection of loans receivable	0	0
Other, net	(2)	(0)
Net cash provided by (used in) investing activities	(7)	(50)
Cash flows from financing activities		
Repayments of long-term borrowings	(375)	–
Repayments of finance lease liabilities	(2)	(2)
Dividends paid	(1,232)	(1,351)
Purchase of treasury shares	–	(0)
Proceeds from disposal of treasury shares	8	15
Net cash provided by (used in) financing activities	(1,602)	(1,339)
Net increase (decrease) in cash and cash equivalents	(1,553)	(3,214)
Cash and cash equivalents at beginning of period	19,109	13,409
Cash and cash equivalents at end of period	17,555	10,194

(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.

(Changes in accounting policies)

Application of Guidance on Accounting Standard for Measurement of Fair Value

The "Guidance on Accounting Standard for Measurement of Fair Value" (ASBJ Guidance No. 31, June 17, 2021) is applied from the beginning of the first three months of the fiscal year ending March 31, 2023, and the new accounting policy will be applied prospectively in accordance with the transitional treatment stipulated in Paragraph 27-2 of Guidance on Accounting Standard for Measurement of Fair Value. This has no effect on the quarterly consolidated financial statements for the six months ended September 30, 2022.

(Additional information)

Receipt of Written Notice of Reassessment Order from the Kantoshinetsu Regional Taxation Bureau

The Company was subject to a tax examination covering the fiscal years ended March 31, 2020 and March 31, 2021, and on July 11, 2022, the Company received a "Notice of Reassessment Order for Consumption Tax and Local Consumption Tax and Notice of Decision to Impose Additional Tax" (hereinafter the "Reassessment Order, etc."). As of March 31, 2022, the Company expected to receive the Reassessment Order, etc., and accordingly, the Company recorded the estimated difference in consumption taxes, etc. in the fiscal year ended March 31, 2022. Therefore, the impact of the Reassessment Order, etc. on the quarterly consolidated financial statements for the six months ended September 30, 2022 was immaterial.

The Company has prepared an appeal and other necessary procedures against the Reassessment Order, etc. by the tax authorities, as the Company views it as unacceptable. The Company has appointed Mori Hamada & Matsumoto to represent the Company, and on October 4, 2022, filed a request for reconsideration to the Director-General of the National Tax Tribunal seeking revocation of the reassessment order, etc., and it was accepted on October 5, 2022.

Note that the Company received a similar reassessment order, etc. from the tax authorities for the four-year period from the fiscal year ended March 31, 2016 to the fiscal year ended March 31, 2019. In response to said reassessment order, etc., the Company appointed Mori Hamada & Matsumoto and others to represent the Company and filed a lawsuit against the tax authorities seeking the revocation of said reassessment order, etc. The lawsuit is currently pending.

(Segment information, etc.)

Segment information

I. Six months ended September 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.

II. Six months ended September 30, 2022

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.