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February 3, 2023

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

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Scheduled date to file quarterly securities report: February 10, 2023
 Scheduled date to commence dividend payments: –
 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 nine months of the fiscal year ending March 31, 2023 (from April 1, 2022 to December 31, 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	%
Nine months ended								
December 31, 2022	88,709	16.4	10,804	1.3	10,681	1.6	7,211	1.6
December 31, 2021	76,192	1.0	10,665	18.2	10,516	18.7	7,100	19.8

Note: Comprehensive income
 Nine months ended December 31, 2022: ¥7,211 million [1.6%]
 Nine months ended December 31, 2021: ¥7,100 million [19.8%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2022	93.22	92.25
December 31, 2021	92.04	90.85

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, 2022	7,209	1.5	93.20	1.3
December 31, 2021	7,100	19.2	92.04	18.7

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, 2022	65,440	36,864	56.2
March 31, 2022	62,644	32,752	52.0

Reference: Equity As of December 31, 2022: ¥36,752 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, (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, 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 December 31, 2022	1,025,636 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)

Nine months ended December 31, 2022	77,362,121 shares	Nine months ended December 31, 2021	77,141,103 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 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, February 3, 2023.

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 nine months

(1) Explanation regarding operating results

During the first nine 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 an increase in the number of confirmed cases caused by an eighth wave of the virus. However, the economic outlook remains uncertain due to concerns about declining consumption demand caused by 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. We add value by refurbishing properties that are difficult to live in as they are, and sell them to customers.

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 (hereinafter the “number of responses”) remained at a high level. The number of properties sold increased year on year as a result of strength in the number of responses from customers and a steady increase in the sellable inventory. Also, net sales increased as a result of revising selling prices in line with rising raw material prices, and of 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, have now regained or exceeded their pre-pandemic level. As a result of proactive purchasing to prepare for stable growth next fiscal year, real estate for sale and real estate for sale in process also increased from the end of the previous fiscal year.

In terms of profit, the gross margin declined 2.2 points year on year, due to higher installation work expenses from advanced refurbishing, such as rising purchasing prices and seismic retrofitting to meet the earthquake resistance standards, despite an increase in the selling price per property, mainly in suburban areas. However, gross profit per property, which has been designated an operational indicator, is at a higher level than the first nine months of the previous fiscal year. 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. In addition, we continue to operate the business with a strong awareness of costs including other expenses.

As a result, in the first nine months under review, the number of properties sold was 5,080, up 9.3% year on year, net sales were ¥88,709 million, up 16.4% year on year, operating profit was ¥10,804 million, up 1.3% year on year, ordinary profit was ¥10,681 million, up 1.6% year on year and profit attributable to owners of parent was ¥7,211 million, up 1.6% year on year. Also, adjusted profit attributable to owners of parent was ¥7,209 million, up 1.5% 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

Assets, liabilities and net assets

(Current assets)

Current assets as of December 31, 2022 amounted to ¥63,807 million, an increase of ¥3,033 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 ¥10,198 million, despite a ¥7,118 million decrease in cash and deposits.

(Non-current assets)

Non-current assets as of December 31, 2022 amounted to ¥1,633 million, a decrease of ¥237 million compared to ¥1,870 million at the end of the previous fiscal year. This was mainly due to decreases of ¥133 million in intangible assets and ¥136 million in investments and other assets.

(Current liabilities)

Current liabilities as of December 31, 2022 amounted to ¥9,984 million, a decrease of ¥1,267 million compared to ¥11,252 million at the end of the previous fiscal year. This was mainly due to decreases of ¥1,048 million in income taxes payable, ¥2,409 million in accrued consumption taxes and ¥327 million in provision for bonuses, despite increases of ¥510 million in accounts payable - trade and ¥2,000 million in short-term borrowings.

(Non-current liabilities)

Non-current liabilities as of December 31, 2022 amounted to ¥18,591 million, a decrease of ¥47 million compared to ¥18,639 million at the end of the previous fiscal year. This was mainly due to decreases of ¥26 million in provision for retirement benefits for directors (and other officers) and ¥20 million in other.

(Net assets)

Net assets as of December 31, 2022 amounted to ¥36,864 million, an increase of ¥4,111 million compared to ¥32,752 million at the end of the previous fiscal year. This was mainly due to the recording of ¥7,211 million in profit attributable to owners of parent while paying out dividends of surplus of ¥3,208 million. As a result, the equity-to-asset ratio was 56.2%.

(3) Explanation regarding consolidated earnings forecasts and other forward-looking statements

There has been no change to the full-year consolidated earnings forecast 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 December 31, 2022
Assets		
Current assets		
Cash and deposits	13,409	6,290
Real estate for sale	25,440	32,678
Real estate for sale in process	19,422	22,382
Income taxes refund receivable	671	157
Other	1,833	2,299
Allowance for doubtful accounts	(3)	(2)
Total current assets	60,773	63,807
Non-current assets		
Property, plant and equipment	697	731
Intangible assets		
Goodwill	198	49
Other	31	46
Total intangible assets	230	96
Investments and other assets		
Other	948	810
Allowance for doubtful accounts	(4)	(3)
Total investments and other assets	943	806
Total non-current assets	1,870	1,633
Total assets	62,644	65,440
Liabilities		
Current liabilities		
Accounts payable - trade	3,769	4,279
Short-term borrowings	-	2,000
Income taxes payable	2,330	1,281
Accrued consumption taxes	2,409	-
Provision for bonuses	390	62
Construction warranty reserve	305	307
Provision for loss on litigation	2	1
Provision for loss on disaster	5	4
Other	2,038	2,046
Total current liabilities	11,252	9,984
Non-current liabilities		
Long-term borrowings	18,500	18,500
Provision for retirement benefits for directors (and other officers)	98	71
Other	40	19
Total non-current liabilities	18,639	18,591
Total liabilities	29,891	28,576
Net assets		
Shareholders' equity		
Share capital	3,778	3,778
Capital surplus	3,649	3,658
Retained earnings	25,813	29,816
Treasury shares	(679)	(501)
Total shareholders' equity	32,562	36,752
Share acquisition rights	190	112
Total net assets	32,752	36,864
Total liabilities and net assets	62,644	65,440

(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, 2021	Nine months ended December 31, 2022
Net sales	76,192	88,709
Cost of sales	57,406	68,800
Gross profit	18,786	19,909
Selling, general and administrative expenses	8,120	9,105
Operating profit	10,665	10,804
Non-operating income		
Commission income	5	3
Insurance claim income	4	5
Discount revenue	3	3
Differences in consumption taxes, etc.	–	2
Other	9	13
Total non-operating income	23	29
Non-operating expenses		
Interest expenses	131	137
Other	40	14
Total non-operating expenses	172	152
Ordinary profit	10,516	10,681
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	10,516	10,678
Income taxes - current	3,197	3,288
Income taxes - deferred	218	178
Total income taxes	3,416	3,467
Profit	7,100	7,211
Profit attributable to owners of parent	7,100	7,211

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Profit	7,100	7,211
Comprehensive income	7,100	7,211
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,100	7,211

(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 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 nine months ended December 31, 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 nine months ended December 31, 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. 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.

II. Nine months ended December 31, 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.