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November 6, 2023

Consolidated Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2024 <under Japanese GAAP>

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Scheduled date to file quarterly securities report: November 10, 2023
 Scheduled date to commence dividend payments: November 28, 2023
 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, 2024 (from April 1, 2023 to September 30, 2023)

(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, 2023	62,054	4.9	5,850	(21.3)	5,729	(22.1)	3,991	(19.7)
September 30, 2022	59,160	19.4	7,436	8.1	7,355	8.5	4,971	8.6

Note: Comprehensive income
 Six months ended September 30, 2023: ¥3,991 million [(19.7)%]
 Six months ended September 30, 2022: ¥4,971 million [8.6%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended		
September 30, 2023	51.34	51.09
September 30, 2022	64.32	63.60

Reference:

(Percentages indicate year-on-year changes.)

	Adjusted operating profit		Adjusted ordinary profit		Adjusted profit attributable to owners of parent		Adjusted basic earnings per share	
	Millions of yen	%	Millions of Yen	%	Millions of yen	%	Yen	%
Six months ended								
September 30, 2023	6,894	(7.3)	6,773	(7.9)	4,646	(6.5)	59.77	(7.0)
September 30, 2022	7,436	8.1	7,355	8.5	4,969	8.6	64.30	8.3

Note: The Company uses adjusted operating profit, adjusted ordinary profit, adjusted profit attributable to owners of parent and adjusted basic earnings per share (hereinafter, "adjusted multi-step profit") as important management indicators. Regarding adjusted multi-step profit or loss, 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	
	Millions of yen		Millions of yen			%
As of						
September 30, 2023	68,599		37,901			55.1
March 31, 2023	66,304		35,768			53.8

Reference: Equity
 As of September 30, 2023: ¥37,789 million
 As of March 31, 2023: ¥35,655 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, 2023	Yen —	Yen 24.00	Yen —	Yen 25.00	Yen 49.00
Fiscal year ending March 31, 2024	—	27.00			
Fiscal year ending March 31, 2024 (Forecast)			—	27.00	54.00

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

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(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, 2024	132,464	9.2	13,216	(6.0)	12,954	(6.4)	8,866	45.6	114.06

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.: None
 - b. Changes in accounting policies due to other reasons: None
 - c. Changes in accounting estimates: None
 - d. Restatement: None
- (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, 2023	78,650,640 shares	As of March 31, 2023	78,650,640 shares
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 - b. Number of treasury shares at the end of the period

As of September 30, 2023	877,175 shares	As of March 31, 2023	916,916 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, 2023	77,743,109 shares	Six months ended September 30, 2022	77,293,945 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 4 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. The Company uses adjusted selling, general and administrative expenses, adjusted operating profit, adjusted ordinary profit, adjusted profit attributable to owners of parent, and adjusted basic earnings per share (hereinafter, "adjusted multi-step profit or loss") as important management indicators.
This is because, as stated in the "Notice Regarding Ruling on Lawsuit Filed by the Company for Revocation of Consumption Tax Reassessment Penalty, etc." released on May 25, 2023 and the "Notice Regarding Revision of Earnings Forecasts for the Fiscal Year ending March 31, 2024" released on May 26, 2023, the Company filed a lawsuit against the Regional Taxation Bureau seeking the revocation of the reassessment penalty, etc., and the Tokyo District Court rendered a judgment dismissing the Company's claim for revocation of the reassessment penalty, etc.
In light of the ruling, the Company has calculated the difference arising from the discrepancies between the existing accounting treatment of the Group and the calculation method advocated by the Regional Taxation Bureau and recorded it as differences in consumption taxes, etc. in selling, general and administrative expenses, starting from the fiscal year ending March 31, 2024.
2. Adjusted multi-step profit or loss excludes some items that affect any of the steps of profit or loss for the fiscal year ending March 31, 2024, for the purpose of enabling comparison with prior fiscal year financial results, 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.
3. Adjusted multi-step profit or loss is a reference figure estimated by the Company and is not subject to audit by a certified public accountant or audit corporation.

Means of access to supplementary material on quarterly financial results

The Company plans to hold financial results presentation meeting for institutional investors on Monday, November 6, 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 six months

(1) Explanation regarding operating results

Looking at the Japanese economy during the first six months under review, COVID-19 was shifted to Class 5 infectious disease status and socioeconomic activities moved toward normalization. Under this situation, private consumption in sectors such as dining out and travel, and inbound demand have been drivers of economic activities. 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. 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 desire to buy inexpensive, high-quality houses or to improve their living environments, and this demand is proceeding firmly. Inquiries from customers, however, dipped from July to August 2023, owing to a shift toward the consumption of services such as dining out and travel but then recovered again in September.

In terms of purchases, due to an increase in the number of pre-owned housing properties for sale on the market, we selected properties to purchase more carefully to ensure a suitable level of inventory. As a result, real estate for sale and real estate for sale in process have increased from the end of the previous fiscal year.

Profits are on a gradually rising trend on account of revisions to selling prices and other initiatives, despite the gross margin declining 1.3 points year on year due to the high cost of sales. Regarding selling, general and administrative expenses, personnel expenses increased due to the hiring of a large number of sales staff for stable growth in the future, and expenses increased for investment in digitalization aimed at improving productivity. In addition to this, due to the Company’s loss in the first instance in the court case filed against the Regional Taxation Bureau, the difference arising from the discrepancies between the existing accounting treatment of the Group and the calculation method advocated by the Regional Taxation Bureau with regard to consumption tax has been calculated and recorded as differences in consumption taxes, etc. in selling, general and administrative expenses. As a result, selling, general and administrative expenses rose by 23.7% year on year. Excluding the impact of said differences in consumption taxes, etc., adjusted selling, general and administrative expenses rose by 6.4% year on year.

As a result, in the first six months under review, the number of properties sold was 3,485, up 1.4% year on year, net sales were ¥62,054 million, up 4.9% year on year, operating profit was ¥5,850 million, down 21.3% year on year, ordinary profit was ¥5,729 million, down 22.1% year on year and profit attributable to owners of parent was ¥3,991 million, down 19.7% year on year.

Excluding the impact of the above-mentioned differences in consumption taxes, etc., adjusted operating profit was ¥6,894 million, down 7.3% year on year, adjusted ordinary profit was ¥6,773 million, down 7.9% year on year, and adjusted profit attributable to owners of parent was ¥4,646 million, down 6.5% 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

(i) Assets, liabilities and net assets

(Current assets)

Current assets as of September 30, 2023 amounted to ¥66,703 million, an increase of ¥2,198 million compared to ¥64,505 million at the end of the previous fiscal year. This was mainly due to increases of ¥1,383 million in real estate for sale and real estate for sale in process and ¥1,129 million in cash and deposits.

(Non-current assets)

Non-current assets as of September 30, 2023 amounted to ¥1,895 million, an increase of ¥97 million compared to ¥1,798 million at the end of the previous fiscal year. This was mainly due to increases of ¥60 million in intangible assets and ¥34 million in investments and other assets.

(Current liabilities)

Current liabilities as of September 30, 2023 amounted to ¥12,108 million, an increase of ¥163 million compared to ¥11,944 million at the end of the previous fiscal year. This was mainly due to decreases of ¥2,488 million in accrued consumption taxes and ¥290 million in provision for bonuses, despite increases of ¥2,500 million in short-term borrowings and ¥431 million in accounts payable - trade.

(Non-current liabilities)

Non-current liabilities as of September 30, 2023 amounted to ¥18,589 million, a decrease of ¥1 million compared to ¥18,590 million at the end of the previous fiscal year. This was mainly due to a decrease of ¥2 million in long-term lease liabilities.

(Net assets)

Net assets as of September 30, 2023 amounted to ¥37,901 million, an increase of ¥2,133 million compared to ¥35,768 million at the end of the previous fiscal year. This was mainly due to the recording of ¥3,991 million in profit attributable to owners of parent while paying out dividends of surplus of ¥1,943 million. As a result, the equity-to-asset ratio was 55.1%.

(ii) Cash flows

The balance of cash and cash equivalents (hereinafter, “cash”) as of September 30, 2023 increased by ¥1,129 million from the end of the previous fiscal year to ¥9,857 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 provided by operating activities was ¥630 million during the six months ended September 30, 2023, compared to net cash used in operating activities of ¥1,825 million in the same period of the previous fiscal year. This was mainly due to an increase in inventories of ¥1,388 million, income taxes paid of ¥1,315 million, and a decrease in accrued consumption taxes of ¥2,488 million, while recording ¥5,742 million in profit before income taxes.

(Cash flows from investing activities)

Net cash used in investing activities was ¥58 million during the six months ended September 30, 2023, compared to net cash used in investing activities of ¥50 million in the same period of the previous fiscal year. This was mainly due to purchase of property, plant and equipment of ¥9 million and purchase of intangible assets of ¥49 million.

(Cash flows from financing activities)

Net cash provided by financing activities was ¥557 million during the six months ended September 30, 2023, compared to net cash used in financing activities of ¥1,339 million in the same period of the previous fiscal year. This was mainly due to the recording of ¥2,500 million as net increase in short-term borrowings while recording dividends paid of ¥1,941 million.

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

There are no changes to the consolidated earnings forecasts for the full year for the fiscal year ending March 31, 2024 announced in the “Notice Regarding Revision of Earnings Forecasts for the Fiscal Year ending March 31, 2024” on May 26, 2023.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	8,728	9,857
Real estate for sale	34,064	37,225
Real estate for sale in process	20,079	18,301
Income taxes refund receivable	914	562
Other	723	758
Allowance for doubtful accounts	(4)	(2)
Total current assets	64,505	66,703
Non-current assets		
Property, plant and equipment	726	728
Intangible assets	51	111
Investments and other assets		
Other	1,024	1,058
Allowance for doubtful accounts	(3)	(2)
Total investments and other assets	1,020	1,055
Total non-current assets	1,798	1,895
Total assets	66,304	68,599
Liabilities		
Current liabilities		
Accounts payable - trade	4,340	4,771
Short-term borrowings	–	2,500
Income taxes payable	1,817	1,845
Accrued consumption taxes	2,851	363
Provision for bonuses	429	139
Construction warranty reserve	348	335
Provision for loss on litigation	2	3
Provision for loss on disaster	53	53
Other	2,101	2,095
Total current liabilities	11,944	12,108
Non-current liabilities		
Long-term borrowings	18,500	18,500
Provision for retirement benefits for directors (and other officers)	71	71
Other	19	17
Total non-current liabilities	18,590	18,589
Total liabilities	30,535	30,698
Net assets		
Shareholders' equity		
Share capital	3,778	3,778
Capital surplus	3,640	3,706
Retained earnings	28,685	30,733
Treasury shares	(448)	(429)
Total shareholders' equity	35,655	37,789
Share acquisition rights	112	112
Total net assets	35,768	37,901
Total liabilities and net assets	66,304	68,599

(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, 2022	Six months ended September 30, 2023
Net sales	59,160	62,054
Cost of sales	45,670	48,719
Gross profit	13,489	13,335
Selling, general and administrative expenses	6,053	7,484
Operating profit	7,436	5,850
Non-operating income		
Commission income	2	2
Insurance claim income	5	1
Discount revenue	2	5
Other	9	16
Total non-operating income	19	25
Non-operating expenses		
Interest expenses	89	107
Other	10	38
Total non-operating expenses	100	146
Ordinary profit	7,355	5,729
Extraordinary income		
Gain on sale of non-current assets	1	–
Differences in consumption taxes, etc.	–	12
Total extraordinary income	1	12
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Loss on disaster	4	–
Total extraordinary losses	4	0
Profit before income taxes	7,352	5,742
Income taxes - current	2,293	1,697
Income taxes - deferred	87	52
Total income taxes	2,380	1,750
Profit	4,971	3,991
Profit attributable to owners of parent	4,971	3,991

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit	4,971	3,991
Comprehensive income	4,971	3,991
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,971	3,991

(3) Quarterly consolidated statement of cash flows

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	7,352	5,742
Depreciation	17	20
Amortization of goodwill	99	–
Increase (decrease) in allowance for doubtful accounts	(1)	(2)
Increase (decrease) in provision for bonuses	(263)	(290)
Increase (decrease) in construction warranty reserve	(2)	(13)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(26)	–
Increase (decrease) in provision for loss on litigation	(0)	1
Increase (decrease) in provision for loss on disaster	(0)	0
Interest expenses	89	107
Loss (gain) on sale of property, plant and equipment	(1)	–
Loss on retirement of non-current assets	0	0
Share-based payment expenses	18	17
Decrease (increase) in inventories	(4,998)	(1,388)
Decrease (increase) in trade receivables	(3)	(2)
Increase (decrease) in trade payables	394	431
Increase (decrease) in accrued consumption taxes	(2,409)	(2,488)
Other, net	235	(82)
Subtotal	500	2,053
Interest paid	(89)	(107)
Income taxes paid	(2,236)	(1,315)
Net cash provided by (used in) operating activities	(1,825)	630
Cash flows from investing activities		
Purchase of property, plant and equipment	(63)	(9)
Proceeds from sale of property, plant and equipment	13	–
Purchase of intangible assets	(0)	(49)
Proceeds from collection of loans receivable	0	0
Net cash provided by (used in) investing activities	(50)	(58)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	–	2,500
Repayments of finance lease liabilities	(2)	(2)
Dividends paid	(1,351)	(1,941)
Purchase of treasury shares	(0)	–
Proceeds from disposal of treasury shares	15	2
Net cash provided by (used in) financing activities	(1,339)	557
Net increase (decrease) in cash and cash equivalents	(3,214)	1,129
Cash and cash equivalents at beginning of period	13,409	8,728
Cash and cash equivalents at end of period	10,194	9,857

(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.

(Additional information)

(Regarding progress of the ruling on the lawsuit seeking the revocation of the reassessment penalty, etc. received from the Regional Taxation Bureau)

The Company filed a lawsuit against Kantoshinetsu Regional Taxation Bureau (hereinafter, the "Regional Taxation Bureau"), seeking the revocation of a Written Notice of Reassessment of Consumption Tax and Local Consumption Tax and a Written Notice of Assessment and Determination Regarding Additional Tax (hereinafter, the "Reassessment Penalty, etc.") the Company received from the Regional Taxation Bureau on April 28, 2020, and the Tokyo District Court rendered a judgment dismissing the Company's claim for revocation of the Reassessment Penalty, etc. (hereinafter, the "Original Judgment").

After closely scrutinizing the court's decision with its counsel, the Company decided that it cannot accept the Original Judgment, and the Board of Directors resolved on June 8, 2023 to file an appeal to the Tokyo High Court against the Original Judgment.

With regard to the calculation method of consumption tax, the Company has calculated the amount of difference between the Group's conventional accounting treatment and the calculation method stressed by the Regional Taxation Bureau and recorded it as selling, general and administrative expenses from the current fiscal year.

(Segment information, etc.)

Segment information

I. 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.

II. Six months ended September 30, 2023

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.