

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.



February 7, 2024

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

Company name: **KATITAS Co., Ltd.** Listing: Tokyo Stock Exchange
 Securities code: 8919 URL: <https://katitas.jp>
 Representative: Katsutoshi Arai, President and CEO
 Inquiries: Kazuhito Yokota, Director, General Manager of Administration Headquarter
 TEL: +81-3-5542-3882 (from overseas)
 Scheduled date to file quarterly securities report: February 14, 2024
 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, 2024 (from April 1, 2023 to December 31, 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	%
Nine months ended								
December 31, 2023	93,669	5.6	9,363	(13.3)	9,107	(14.7)	6,305	(12.6)
December 31, 2022	88,709	16.4	10,804	1.3	10,681	1.6	7,211	1.6

Note: Comprehensive income
 Nine months ended December 31, 2023: ¥6,305 million [(12.6)%]
 Nine months ended December 31, 2022: ¥7,211 million [1.6%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2023	81.10	80.69
December 31, 2022	93.22	92.25

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	%
Nine months ended								
December 31, 2023	10,929	1.2	10,673	(0.1)	7,321	1.6	94.17	1.0
December 31, 2022	10,804	1.3	10,681	1.6	7,209	1.5	93.20	1.3

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, 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, 2023	72,299	38,115	52.6
March 31, 2023	66,304	35,768	53.8

Reference: Equity
 As of December 31, 2023: ¥38,003 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
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	—	24.00	—	25.00	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 December 31, 2023	78,650,640 shares	As of March 31, 2023	78,650,640 shares
-------------------------	-------------------	----------------------	-------------------
 - b. Number of treasury shares at the end of the period

As of December 31, 2023	879,975 shares	As of March 31, 2023	916,916 shares
-------------------------	----------------	----------------------	----------------
 - c. Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Nine months ended December 31, 2023	77,752,979 shares	Nine months ended December 31, 2022	77,362,121 shares
-------------------------------------	-------------------	-------------------------------------	-------------------

*** 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. 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") 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 excludes some items that affect any of the steps of profit 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 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 Wednesday, February 7, 2024.

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

Index

1. Qualitative information regarding financial results for the first nine months	2
(1) Explanation regarding operating results.....	2
(2) Explanation regarding financial position	3
(3) Explanation regarding consolidated earnings forecasts and other forward-looking statements	3
2. Quarterly consolidated financial statements and significant notes thereto	4
(1) Quarterly consolidated balance sheet.....	4
(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income.....	5
Quarterly consolidated statement of income (cumulative).....	5
Quarterly consolidated statement of comprehensive income (cumulative)	6
(3) Notes to quarterly consolidated financial statements	7
(Notes on premise of going concern).....	7
(Notes on significant changes in the amount of shareholders' equity)	7
(Additional information)	7
(Segment information, etc.).....	7

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

(1) Explanation regarding operating results

Looking at the Japanese economy during the first nine months under review, there was a gradual economic recovery trend as the spread of COVID-19 abated and socioeconomic activities moved toward normalization. However, the economic outlook remains uncertain, as the income environment has not sufficiently improved despite inflation remaining at a high level.

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. In this environment, the Company increased the number of homes sold and net sales year on year by providing customers with homes that are suitable for their needs, guided by sales policies that include providing refurbishment plans tailored to individual pre-owned houses and homes in the lower price ranges.

In terms of purchases, in light of 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.

On the profit front, due to an increase in costs, the gross margin for the first nine months of the fiscal year declined 0.6 points year on year. However, due to a revision of refurbishment plans and sales policies, the gross margin for the quarter (three-month period) was up 0.8 points year on year. 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 21.7% year on year. Excluding the impact of said differences in consumption taxes, etc., adjusted selling, general and administrative expenses rose by 4.5% year on year.

As a result, in the first nine months under review, the number of properties sold was 5,273, up 3.8% year on year, net sales were ¥93,669 million, up 5.6% year on year, operating profit was ¥9,363 million, down 13.3% year on year, ordinary profit was ¥9,107 million, down 14.7% year on year and profit attributable to owners of parent was ¥6,305 million, down 12.6% year on year.

Excluding the impact of the above-mentioned differences in consumption taxes, etc., adjusted operating profit was ¥10,929 million, up 1.2% year on year, adjusted ordinary profit was ¥10,673 million, down 0.1% year on year, and adjusted profit attributable to owners of parent was ¥7,321 million, up 1.6% 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.

In addition, no Group employees were personally injured in the 2024 Noto Peninsula Earthquake, which occurred on January 1, 2024. Furthermore, although the Company has confirmed that damage has occurred, including partial damage and destruction of some of its properties and facilities, at this point the Company has yet to conduct a detailed survey of all of its properties. However, in the confirmation of damage so far, the Company judges the impact to the Group’s business results to be minor.

(2) Explanation regarding financial position

Assets, liabilities and net assets

(Current assets)

Current assets as of December 31, 2023 amounted to ¥70,389 million, an increase of ¥5,883 million compared to ¥64,505 million at the end of the previous fiscal year. This was mainly due to increases of ¥2,091 million in real estate for sale and real estate for sale in process and ¥4,367 million in cash and deposits.

(Non-current assets)

Non-current assets as of December 31, 2023 amounted to ¥1,910 million, an increase of ¥111 million compared to ¥1,798 million at the end of the previous fiscal year. This was mainly due to a decrease of ¥14 million in investments and other assets, despite increases of ¥38 million in property, plant and equipment and ¥87 million in intangible assets.

(Current liabilities)

Current liabilities as of December 31, 2023 amounted to ¥7,598 million, a decrease of ¥4,346 million compared to ¥11,944 million at the end of the previous fiscal year. This was mainly due to decreases of ¥463 million in accounts payable - trade, ¥855 million in income taxes payable, ¥2,563 million in accrued consumption taxes and ¥356 million in provision for bonuses.

(Non-current liabilities)

Non-current liabilities as of December 31, 2023 amounted to ¥26,585 million, an increase of ¥7,994 million compared to ¥18,590 million at the end of the previous fiscal year. This was mainly due to a decrease of ¥5 million in other non-current liabilities, despite an increase of ¥8,000 million in long-term borrowings.

(Net assets)

Net assets as of December 31, 2023 amounted to ¥38,115 million, an increase of ¥2,347 million compared to ¥35,768 million at the end of the previous fiscal year. This was mainly due to the recording of ¥6,305 million in profit attributable to owners of parent while paying out dividends of surplus of ¥4,043 million. As a result, the equity-to-asset ratio was 52.6%.

(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 December 31, 2023
Assets		
Current assets		
Cash and deposits	8,728	13,095
Real estate for sale	34,064	39,168
Real estate for sale in process	20,079	17,067
Income taxes refund receivable	914	485
Other	723	575
Allowance for doubtful accounts	(4)	(2)
Total current assets	64,505	70,389
Non-current assets		
Property, plant and equipment	726	765
Intangible assets	51	138
Investments and other assets		
Other	1,024	1,009
Allowance for doubtful accounts	(3)	(2)
Total investments and other assets	1,020	1,006
Total non-current assets	1,798	1,910
Total assets	66,304	72,299
Liabilities		
Current liabilities		
Accounts payable - trade	4,340	3,877
Income taxes payable	1,817	961
Accrued consumption taxes	2,851	288
Provision for bonuses	429	72
Construction warranty reserve	348	348
Provision for loss on litigation	2	10
Provision for loss on disaster	53	53
Other	2,101	1,986
Total current liabilities	11,944	7,598
Non-current liabilities		
Long-term borrowings	18,500	26,500
Provision for retirement benefits for directors (and other officers)	71	71
Other	19	13
Total non-current liabilities	18,590	26,585
Total liabilities	30,535	34,184
Net assets		
Shareholders' equity		
Share capital	3,778	3,778
Capital surplus	3,640	3,706
Retained earnings	28,685	30,947
Treasury shares	(448)	(429)
Total shareholders' equity	35,655	38,003
Share acquisition rights	112	112
Total net assets	35,768	38,115
Total liabilities and net assets	66,304	72,299

(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, 2022	Nine months ended December 31, 2023
Net sales	88,709	93,669
Cost of sales	68,800	73,227
Gross profit	19,909	20,442
Selling, general and administrative expenses	9,105	11,079
Operating profit	10,804	9,363
Non-operating income		
Commission income	3	4
Insurance claim income	5	1
Discount revenue	3	7
Other	16	22
Total non-operating income	29	35
Non-operating expenses		
Interest expenses	137	165
Commission for syndicated loans	–	92
Other	14	33
Total non-operating expenses	152	290
Ordinary profit	10,681	9,107
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	7
Loss on disaster	4	–
Total extraordinary losses	4	7
Profit before income taxes	10,678	9,112
Income taxes - current	3,288	2,723
Income taxes - deferred	178	83
Total income taxes	3,467	2,806
Profit	7,211	6,305
Profit attributable to owners of parent	7,211	6,305

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Profit	7,211	6,305
Comprehensive income	7,211	6,305
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,211	6,305

(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.

(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. The notice of appeal was accepted by the Tokyo High Court.

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. 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.

II. Nine months ended December 31, 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.