

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.



November 6, 2024

Consolidated Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2025 <under Japanese GAAP>

Company name: **KATITAS Co., Ltd.** Listing: Tokyo Stock Exchange
 Securities code: 8919 URL: <https://katitas.co.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 semi-annual securities report: November 11, 2024
 Scheduled date to commence dividend payments: November 26, 2024
 Preparation of supplementary material on financial results: Yes
 Holding of 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, 2025 (from April 1, 2024 to September 30, 2024)

(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, 2024	64,010	3.2	6,820	16.6	6,656	16.2	4,535	13.6
September 30, 2023	62,054	4.9	5,850	(21.3)	5,729	(22.1)	3,991	(19.7)

Note: Comprehensive income Six months ended September 30, 2024: ¥4,535 million [13.6%]
 Six months ended September 30, 2023: ¥3,991 million [(19.7)%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2024	58.08	58.01
September 30, 2023	51.34	51.09

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, 2024	7,833	13.6	7,668	13.2	5,235	12.7	67.04	12.2
September 30, 2023	6,894	(7.3)	6,773	(7.9)	4,646	(6.5)	59.77	(7.0)

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

As of	Total assets		Net assets		Equity-to-asset ratio	
	Millions of yen		Millions of yen			%
September 30, 2024	78,439		42,891			54.7
March 31, 2024	77,366		40,341			52.1

Reference: Equity As of September 30, 2024: ¥42,891 million
 As of March 31, 2024: ¥40,289 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, 2024	Yen —	Yen 27.00	Yen —	Yen 27.00	Yen 54.00
Fiscal year ending March 31, 2025	—	28.00			
Fiscal year ending March 31, 2025 (Forecast)			—	28.00	56.00

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

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

(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, 2025	134,500	6.1	14,000	10.5	13,700	11.2	9,400	10.6	120.56

Note: Revisions to the earnings forecasts most recently announced: None

* Notes

- (1) Significant changes in the scope of consolidation during the period: None
- (2) Application of special accounting for preparing semi-annual 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, 2024	78,650,640 shares	As of March 31, 2024	78,650,640 shares
--------------------------	-------------------	----------------------	-------------------
 - b. Number of treasury shares at the end of the period

As of September 30, 2024	455,947 shares	As of March 31, 2024	681,315 shares
--------------------------	----------------	----------------------	----------------
 - c. Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2024	78,089,342 shares	Six months ended September 30, 2023	77,743,109 shares
-------------------------------------	-------------------	-------------------------------------	-------------------

*** Semi-annual financial results reports are exempt from review 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. Overview of operating results, (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 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 conventional 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 ended 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, 2025, 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 review by a certified public accountant or audit corporation.

Means of access to supplementary material on financial results

The Company plans to hold financial results presentation meeting for institutional investors on Wednesday, November 6, 2024.

The supplementary materials used for the 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. Overview of operating results.....	2
(1) Overview of operating results in the period.....	2
(2) Overview of financial position in the period.....	2
(3) Explanation regarding consolidated earnings forecasts and other forward-looking statements	3
2. Semi-annual consolidated financial statements and significant notes thereto	4
(1) Semi-annual consolidated balance sheet.....	4
(2) Semi-annual consolidated statement of income and semi-annual consolidated statement of comprehensive income.....	5
Semi-annual consolidated statement of income.....	5
Semi-annual consolidated statement of comprehensive income.....	6
(3) Semi-annual consolidated statement of cash flows.....	7
(4) Notes on the semi-annual consolidated financial statements	8
(Notes to segment information, etc.).....	8
(Notes on significant changes in the amount of shareholders' equity)	8
(Notes on premise of going concern).....	8
(Additional information).....	8

1. Overview of operating results

(1) Overview of operating results in the period

During the first six months under review, the Japanese economy showed a gradual recovery trend due to a recovery in business performance by companies that passed on higher raw material and import prices to selling prices, and an increase in inbound demand on the back of the weaker yen. However, the economic outlook remains uncertain, mainly due to concerns about a decline in consumer demand as a result of the aforementioned passed-on prices and rising living costs for consumers.

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, and this demand proceeded firmly. The number of homes sold increased year on year due to continued sales policies such as offering houses in a lower price range to address the rising cost of living, and provision of houses that meet the needs of customers. In addition, net sales increased year on year due to the increase in the number of homes sold.

In terms of purchases, the Company’s policy is to carefully assess the risks associated with used housing and carefully select properties that can be rehabilitated and that will ensure profitability. Under such circumstances, real estate for sale and real estate for sale in process increased compared to the end of the previous fiscal year, as a result of increasing the level of purchasing activity for the purpose of achieving stable growth.

In terms of profit, the gross margin increased 1.4 percentage points year on year as a result of the continued contribution of measures to improve gross profit, including measures to provide houses in a lower price range. Selling, general and administrative expenses increased 4.5% year on year as a result of higher personnel expenses due to investment in human resources for future stable growth.

As a result, in the first six months under review, the number of properties sold was 3,676, up 5.5% year on year, net sales were ¥64,010 million, up 3.2% year on year, operating profit was ¥6,820 million, up 16.6% year on year, ordinary profit was ¥6,656 million, up 16.2% year on year and profit attributable to owners of parent was ¥4,535 million, up 13.6% year on year.

Excluding the impact of the differences in consumption taxes, etc., which is the amount of discrepancy between the Group’s conventional accounting treatment and the calculation method claimed by the Regional Taxation Bureau in connection with a court case against the Regional Taxation Bureau over the accounting treatment of consumption taxes, adjusted operating profit was ¥7,833 million, up 13.6% year on year, adjusted ordinary profit was ¥7,668 million, up 13.2% year on year, adjusted profit attributable to owners of parent was ¥5,235 million, up 12.7% 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) Overview of financial position in the period

(i) Assets, liabilities and net assets

(Current assets)

Current assets as of September 30, 2024 amounted to ¥76,481 million, an increase of ¥1,146 million compared to ¥75,334 million at the end of the previous fiscal year. This was mainly due to increases of ¥825 million in real estate for sale and real estate for sale in process and ¥261 million in cash and deposits.

(Non-current assets)

Non-current assets as of September 30, 2024 amounted to ¥1,958 million, a decrease of ¥73 million compared to ¥2,031 million at the end of the previous fiscal year. This was mainly due to decreases of ¥24 million in property, plant and equipment and ¥49 million in investments and other assets.

(Current liabilities)

Current liabilities as of September 30, 2024 amounted to ¥8,967 million, a decrease of ¥1,474 million compared to ¥10,441 million at the end of the previous fiscal year. This was mainly due to decreases of ¥950 million in accounts payable - trade, ¥309 million in accrued consumption taxes and ¥229 million in provision for bonuses.

(Non-current liabilities)

Non-current liabilities as of September 30, 2024 amounted to ¥26,581 million, a decrease of ¥1 million compared to ¥26,583 million at the end of the previous fiscal year. This was mainly due to a decrease of ¥1 million in other non-current liabilities.

(Net assets)

Net assets as of September 30, 2024 amounted to ¥42,891 million, an increase of ¥2,549 million compared to ¥40,341 million at the end of the previous fiscal year. This was mainly due to the recording of ¥4,535 million in profit attributable to owners of parent while paying out dividends of surplus of ¥2,105 million. As a result, the equity-to-asset ratio was 54.7%.

(ii) Cash flows

The balance of cash and cash equivalents (hereinafter, “cash”) as of September 30, 2024 increased by ¥261 million from the end of the previous fiscal year to ¥22,289 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 ¥2,363 million during the six months ended September 30, 2024, compared to net cash provided by operating activities of ¥630 million in the same period of the previous fiscal year. This was mainly due to an increase in inventories of ¥822 million, income taxes paid of ¥1,646 million, and a decrease in trade payables of ¥945 million, while recording ¥6,649 million in profit before income taxes.

(Cash flows from investing activities)

Net cash used in investing activities was ¥19 million during the six months ended September 30, 2024, compared to net cash used in investing activities of ¥58 million in the same period of the previous fiscal year. This was mainly due to purchase of intangible assets of ¥23 million, while recording proceeds from sale of property, plant and equipment of ¥7 million.

(Cash flows from financing activities)

Net cash used in financing activities was ¥2,081 million during the six months ended September 30, 2024, compared to net cash provided by financing activities of ¥557 million in the same period of the previous fiscal year. This was mainly due to ¥2,108 million in dividends paid.

(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, 2025 announced in the “Consolidated Financial Results for the Fiscal Year Ended March 31, 2024” on May 7, 2024.

2. Semi-annual consolidated financial statements and significant notes thereto

(1) Semi-annual consolidated balance sheet

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	22,027	22,289
Real estate for sale	37,454	34,214
Real estate for sale in process	14,798	18,863
Income taxes refund receivable	448	82
Other	609	1,036
Allowance for doubtful accounts	(4)	(4)
Total current assets	75,334	76,481
Non-current assets		
Property, plant and equipment	758	734
Intangible assets	151	150
Investments and other assets		
Other	1,124	1,074
Allowance for doubtful accounts	(2)	(1)
Total investments and other assets	1,122	1,073
Total non-current assets	2,031	1,958
Total assets	77,366	78,439
Liabilities		
Current liabilities		
Accounts payable - trade	4,723	3,772
Income taxes payable	2,123	2,129
Accrued consumption taxes	581	272
Provision for bonuses	355	125
Construction warranty reserve	344	322
Provision for loss on litigation	6	3
Provision for loss on disaster	66	57
Other	2,239	2,282
Total current liabilities	10,441	8,967
Non-current liabilities		
Long-term borrowings	26,500	26,500
Provision for retirement benefits for directors (and other officers)	71	71
Other	11	9
Total non-current liabilities	26,583	26,581
Total liabilities	37,025	35,548
Net assets		
Shareholders' equity		
Share capital	3,778	3,778
Capital surplus	3,703	3,764
Retained earnings	33,139	35,569
Treasury shares	(332)	(222)
Total shareholders' equity	40,289	42,891
Share acquisition rights	52	-
Total net assets	40,341	42,891
Total liabilities and net assets	77,366	78,439

(2) Semi-annual consolidated statement of income and semi-annual consolidated statement of comprehensive income

Semi-annual consolidated statement of income

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Net sales	62,054	64,010
Cost of sales	48,719	49,364
Gross profit	13,335	14,645
Selling, general and administrative expenses	7,484	7,825
Operating profit	5,850	6,820
Non-operating income		
Commission income	2	2
Insurance claim income	1	0
Discount revenue	5	2
Income of compensation	2	6
Other	13	10
Total non-operating income	25	20
Non-operating expenses		
Interest expenses	107	139
Other	38	46
Total non-operating expenses	146	185
Ordinary profit	5,729	6,656
Extraordinary income		
Differences in consumption taxes, etc.	12	–
Total extraordinary income	12	–
Extraordinary losses		
Loss on sale of non-current assets	–	6
Loss on retirement of non-current assets	0	–
Total extraordinary losses	0	6
Profit before income taxes	5,742	6,649
Income taxes - current	1,697	2,019
Income taxes - deferred	52	94
Total income taxes	1,750	2,114
Profit	3,991	4,535
Profit attributable to owners of parent	3,991	4,535

Semi-annual consolidated statement of comprehensive income

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Profit	3,991	4,535
Comprehensive income	3,991	4,535
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,991	4,535

(3) Semi-annual consolidated statement of cash flows

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Cash flows from operating activities		
Profit before income taxes	5,742	6,649
Depreciation	20	32
Increase (decrease) in allowance for doubtful accounts	(2)	(0)
Increase (decrease) in provision for bonuses	(290)	(229)
Increase (decrease) in construction warranty reserve	(13)	(21)
Increase (decrease) in provision for loss on litigation	1	(2)
Increase (decrease) in provision for loss on disaster	0	(0)
Interest expenses	107	139
Loss (gain) on sale of property, plant and equipment	–	6
Loss on retirement of non-current assets	0	–
Share-based payment expenses	17	21
Decrease (increase) in inventories	(1,388)	(822)
Decrease (increase) in trade receivables	(2)	(1)
Increase (decrease) in trade payables	431	(945)
Decrease (increase) in consumption taxes refund receivable	93	–
Increase (decrease) in accrued consumption taxes	(2,488)	(309)
Other, net	(175)	(357)
Subtotal	2,053	4,159
Interest paid	(107)	(136)
Income taxes paid	(1,315)	(1,646)
Payments associated with disaster loss	–	(13)
Net cash provided by (used in) operating activities	630	2,363
Cash flows from investing activities		
Purchase of property, plant and equipment	(9)	(3)
Proceeds from sale of property, plant and equipment	–	7
Purchase of intangible assets	(49)	(23)
Proceeds from collection of loans receivable	0	0
Net cash provided by (used in) investing activities	(58)	(19)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	2,500	–
Repayments of finance lease liabilities	(2)	(2)
Dividends paid	(1,941)	(2,108)
Proceeds from disposal of treasury shares	2	29
Net cash provided by (used in) financing activities	557	(2,081)
Net increase (decrease) in cash and cash equivalents	1,129	261
Cash and cash equivalents at beginning of period	8,728	22,027
Cash and cash equivalents at end of period	9,857	22,289

(4) Notes on the semi-annual consolidated financial statements

(Notes to segment information, etc.)

Segment information

I. 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.

II. Six months ended September 30, 2024

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.

(Notes on significant changes in the amount of shareholders' equity)

No items to report.

(Notes on premise of going concern)

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 the Kanto-Shinetsu 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 High Court rendered a judgment on May 30, 2024 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 was unable to accept the Original Judgment and accordingly has filed an appeal to the Supreme 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 previous fiscal year.