



May 30, 2024

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**Notice Regarding Ruling on Lawsuit Filed by the Company for Revocation of
Consumption Tax Reassessment Penalty, etc.**

KATITAS Co., Ltd. (the “Company”) has filed a lawsuit against the Kantoshinetsu Regional Taxation Bureau (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 (the “Reassessment Penalty, etc.”) the Company received from the Regional Taxation Bureau on April 28, 2020 (the “Lawsuit”). The Company hereby provides notice that today the Tokyo High Court rendered a judgment dismissing the Company’s claim for revocation of the Reassessment Penalty, etc.

1. Details of the Reassessment Penalty, etc. and circumstances leading to the judgment

(1). Details of the Reassessment Penalty, etc.

The Company concluded sales agreements with buyers that covered the sale of land and buildings together. The Company calculated the amount of consumption tax applicable to the buildings by multiplying the total amount of the sale payment by a past-data-based ratio, which was calculated by multiplying the consumption tax rate by the average value of the proportion of the assessed value of fixed assets tax for the building within the total amount of the assessed value of fixed assets tax for the land and buildings of properties traded in the past (the “Company’s Proportional Division Method”).

The Regional Taxation Bureau claimed that in the Company’s Proportional Division Method, the separation of the amount of consideration for transfer of the taxable asset and the amount of consideration for transfer of the non-taxable asset corresponds to a “case where the value is not rationally separated” under Article 45, paragraph 3 of the Order for Enforcement of the Consumption Tax Act, and imposed the Reassessment Penalty, etc.

(For details, please refer to the “Notice Regarding Reassessment Receipt of Written Notice from the Kantoshinetsu Regional Taxation Bureau and Revision of Earnings Forecasts,” released on April 28, 2020.)

(2). Circumstances

April 28, 2020	The Company received a notice of Reassessment Penalty, etc., from the Regional Taxation Bureau, requiring additional consumption tax payment, etc., for the four-year period from the fiscal year ended March 31, 2016, to that ended March 2019.
July 9, 2020	The Company filed a request for administrative review to the National Tax Tribunal for the revocation of the Reassessment Penalty, etc.

March 29, 2021	The Company filed a lawsuit seeking revocation of the Reassessment Penalty, etc., with the Tokyo District Court.
July 11, 2022	The Company received a notice requiring additional consumption tax payments, etc., for the two-year period from the fiscal year ended March 31, 2020, to the fiscal year ended March 31, 2021 (the “Reassessment Penalty, etc., in Subsequent Fiscal Years”) from Regional Taxation Bureau.
October 5, 2022	The Company filed a request for administrative review to the National Tax Tribunal for the revocation of the Reassessment Penalty, etc., in Subsequent Fiscal Years.
May 25, 2023	Tokyo District Court rendered the judgment on the Reassessment Penalty, etc.
June 8, 2023	The Company filed an appeal to the Tokyo High Court.
May 30, 2024	Tokyo High Court rendered the judgment on the Reassessment Penalty, etc.

2. Details of the decision

The Company’s appeal is dismissed, upholding the first instance judgment, in favor of the Government (Regional Taxation Bureau).

3. Response to the ruling

With regard to the Lawsuit filed by the Company, it will carefully analyze the court’s decision in consultation with its attorney, consider future actions, and will promptly make an announcement as soon as a decision is made.

4. Impact on the Company group’s earnings

Regarding the calculation method for consumption tax, the Company has calculated the difference arising from the discrepancies between the existing accounting treatment of the Company 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.

Therefore, there is no impact on the financial results for the fiscal year ending March 2024 and the financial forecast for the fiscal year ending March 2025, which was announced on May 7, 2024.

(Reference) Past timely disclosures related to the Reassessment Penalty, etc.

April 28, 2020	<u>Notice Regarding Reassessment Receipt of Written Notice from the Kantoshinetsu Regional Taxation Bureau and Revision of Earnings Forecasts</u>
March 23, 2021	<u>Update Regarding Measures in Response to Reassessment Receipt of Written Notice from the Kantoshinetsu Regional Taxation Bureau (April 28, 2020)</u>
April 28, 2022	<u>Recording of Extraordinary Losses in Regard to a Tax Audit by Kantoshinetsu Regional Taxation Bureau</u>
July 11, 2022	<u>Notice Regarding Reassessment Receipt of Written Notice from the Kantoshinetsu Regional Taxation Bureau</u>
April 27, 2023	<u>Notice Concerning Receipt of Written Notice of Reassessment Order from Nagoya-Naka Tax Office Directed at Subsidiary and Revisions to Earnings Forecasts</u>
May 25, 2023	<u>Notice Regarding Ruling on Lawsuit Filed by the Company for Revocation of Consumption Tax Reassessment Penalty, etc.</u>
June 8, 2023	<u>Notice Regarding Filing of Appeal against Ruling on Lawsuit for Revocation of Consumption Tax Reassessment Penalty, etc.</u>

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