



March 23, 2021

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Update Regarding Measures in Response to Reassessment Receipt of Written Notice from the Kantoshinetsu Regional Taxation Bureau (April 28, 2020)

As per the “Notice Regarding Reassessment Receipt of Written Notice from the Kantoshinetsu Regional Taxation Bureau and Revision of Earnings Forecasts” dated April 28, 2020, KATITAS Co., Ltd. (“the Company”) received 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.”) from Kantoshinetsu Regional Taxation Bureau (the “Tax Authorities”). We would like to inform you about subsequent measures taken in response, as below.

1. Progress on appeal procedures

As announced on April 28, 2020, the Company believes that its accounting and tax treatment are appropriate and it has proceeded with the necessary measures for the appeal and other measures related to the Reassessment Penalty, etc.

After appointing Mori Hamada & Matsumoto as the legal counsel for the Company, on July 9, 2020 a request for administrative review seeking the revocation of the Reassessment Penalty, etc. was made to the President of the National Tax Tribunal, which was accepted on July 10, 2020.

2. Filing of a lawsuit with the Tokyo District Court

As no decision was made within three months from the day after the Company filed a request for administrative review with the President of the National Tax Tribunal, the Company appointed Mori Hamada & Matsumoto and others as the legal counsels for the Company and resolved at a meeting of the Board of Directors held on March 23, 2021 to file a lawsuit against the Tax Authorities seeking revocation of the Reassessment Penalty, etc. (the “Lawsuit”) with the Tokyo District Court in March of this year (“the Resolution”).

The filing of the Lawsuit was planned from the beginning of the response, and there is no change from the initial outlook.

3. Impact on consolidated earnings

The impact of the Resolution on the consolidated earnings for the fiscal year ending March 31, 2021

is expected to be negligible, and the Company will disclose appropriate information regarding the Lawsuit in a timely manner as it develops.

Regarding the accounting treatment, upon receipt of the Reassessment Penalty, etc., the Company has already recorded consumption tax, etc. difference of ¥2,014 million as extraordinary losses in its financial results for the fiscal year ended March 31, 2020.

In addition, in the first quarter of the fiscal year ending March 31, 2021, the Company estimated ¥45 million in taxes in arrears on the consumption tax, etc. difference and recorded this as extraordinary losses.

The Company plans to continue with the existing accounting and tax treatments for consumption tax treatment.

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