

# KATITAS Co., Ltd.

## Financial Results Presentation For the First Six Months of the 43rd Fiscal Year Ending March 31, 2021 (FY2020)

Nov 10, 2020

Before



After



(Securities Code: 8919, First Section of TSE)

# Presentation Highlights

**1.**

**Overview of Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2021**

**P2-P7**

**2.**

**Management Plan for FY2020 (Ending March 31, 2021)**

**P9-P19**

**3.**

**Overview of Business Model**

**P21-P40**

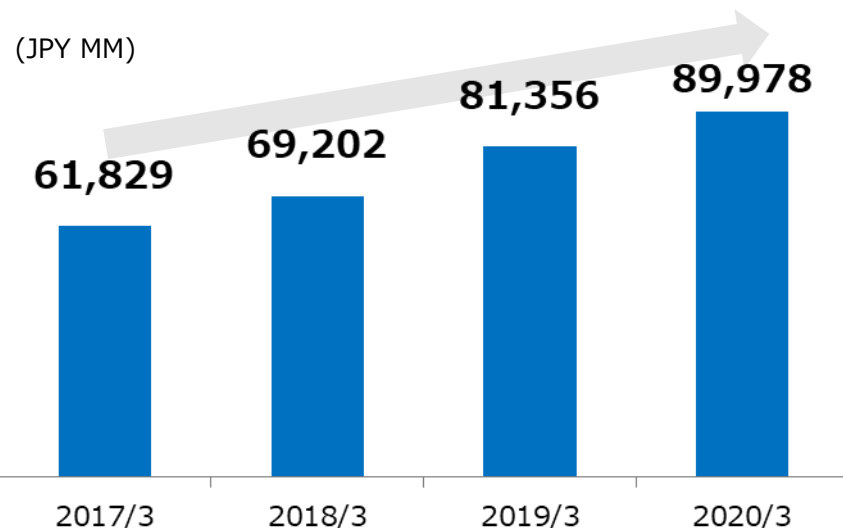
**4.**

**APPENDIX**

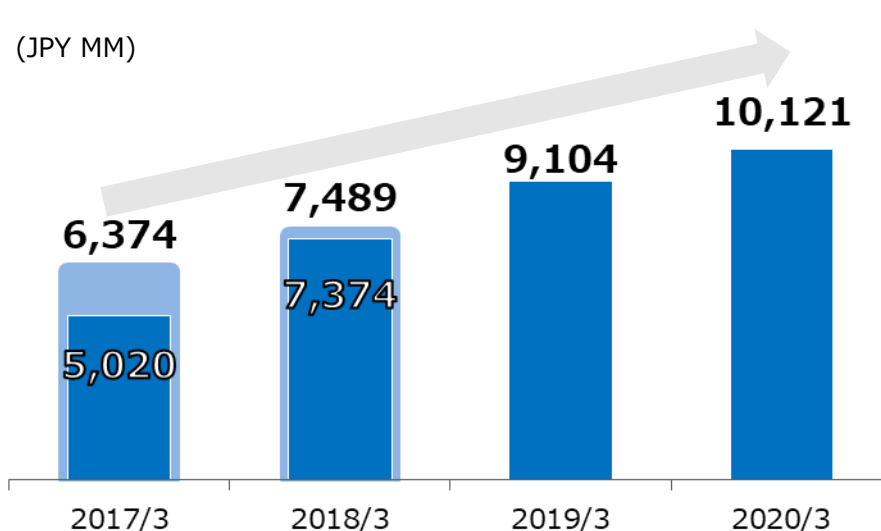
**P42-P55**

# 1. Sales and Operating profit Trend

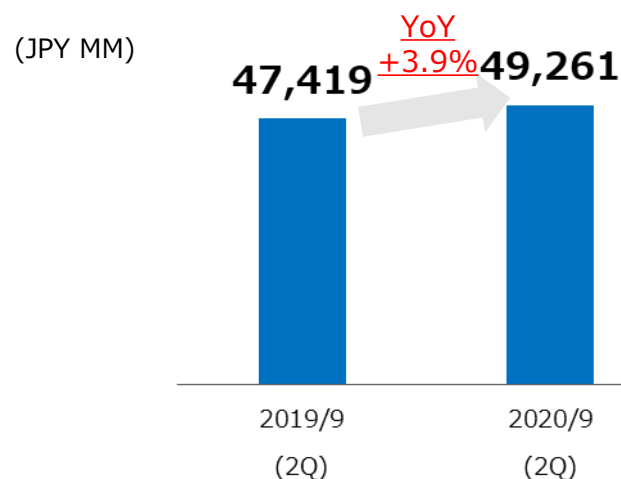
## Historical Net Sales (FY-base)



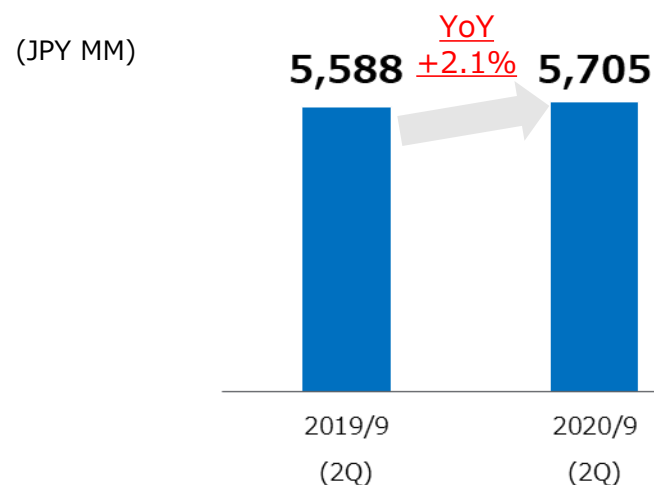
## Historical Operating profit (FY-base)



## Historical Net Sales (FY2020 2Q)



## Historical Operating Profit (FY2020 2Q)



\*1 The adjustment amount of operating profit in 2017/3 and 2018/3 reflects the effect of an inventory revaluation carried out during the business integration with Reprice and the amount of expenses related to stock listing.

\* The above information includes forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. Please refer to the disclaimer on the last page of this presentation.

# 1. Highlights of Financial Results for the First Six Months of the Fiscal Year Ended March 31, 2021

- **Since May 2020, when the state of emergency was lifted, demand for lower-priced single-family detached houses has been firm and sales have been strong. Net sales and operating profit increased compared to the previous first half, which grew about 20% from the year before (due to deliveries being brought forward ahead of the September 2019 consumption tax hike).**
  - Net sales were up 3.9%, and operating profit was up 2.1% compared to the first half of the previous year.
  - The progression rate for the initial first half budget was 117.7% for net sales and 131.5% for operating profit.
  - The progression rate for the annual budget was 54.6% for net sales and 56.3% for operating profit.
  - On October 27, 2020, the company announced a revised forecast for the first half of the year. The full-year forecast was unchanged.
- **Although expanding purchases while maintaining quality continues to be a challenge from the first quarter, the inventory turnover ratio improved.**
  - The sum of real estate for sale and real estate for sale in process declined by 8.4% compared to the end of the first half of the previous year.
  - The inventory turnover ratio (\*1) improved to 2.07.
  - Focus on improving inventory turnover after procurement by concluding contracts while under renovation, conducting property tours by appointment only, VHS (\*2), etc.
- **The gross profit margin remained at the same level as in the first half of the previous year. As a result, operating profit was also at the same level.**
  - As not engaging in heavy discounting to dispose of long-term inventory like in the past, we maintained stable gross profit margins.
  - Sales of long-term inventory progressed due to strong demand for detached houses. We continue to monitor this to maintain the appropriate level.

\*1 Inventory turnover ratio = cost of sales for a period divided by the average of the amount of inventory at the beginning and end of the period

\*2 VHS: abbreviation for Virtual Home Staging (Please refer to P40 for details)

## 1. Impact of COVID-19 (1/2)

|             | Situation up to the first quarter of the fiscal year ending March 31, 2021  | Situation at the time of financial results announcement for the second quarter of the fiscal year ending March 31, 2021   |
|-------------|---|---|
| Sale        | <ul style="list-style-type: none"> <li>The number of initial inquiries for February to April remained low</li> <li>High initial inquiries level since May</li> <li>Demand from first-time buyers for lower-priced single-family homes is firm.</li> </ul>   | <ul style="list-style-type: none"> <li>The need to improve living environments is gradually becoming apparent as people spend more time at home.</li> <li>The number of initial inquiries have increased on YOY basis, and demand continues to be strong despite the decline in inventory.</li> <li>The number of potential customers listed increases with the number of responses.</li> </ul>   |
| Procurement | <ul style="list-style-type: none"> <li>First quarter procurement was 1,214 units (82.6% of the previous year's level).</li> <li>In April, when the state of emergency was declared, the outlook for sales trends was unclear, so we were very selective in our procurement.</li> <li>Purchasing through real estate brokers was 70% at Katitas and 90% at Reprice.</li> <li>Many real estate brokers were working from home or were closed until May. Regular work patterns resumed from June.</li> <li>Sellers tend to hold off from selling due to concerns about a decline in assessed purchase prices.</li> </ul> | <ul style="list-style-type: none"> <li>Procurement numbers began to recover in the second quarter, reaching 1,409 units (84.3% of the previous year's level).</li> <li>The trend improved after hitting a low point in May and June. October number recovered to the same level as October of the last year.</li> <li>Most of the properties purchased are houses that were vacant due to inheritance or the occupants moving to nursing homes. Pre-purchase appraisal visits and interviews with individuals at facilities are obstacles.</li> <li>We conduct promotions such as ads on YouTube and in local newspapers. Local advertisements were deemed cheaper and more cost effective, and were implemented to alleviate anxiety about assessment visits.</li> </ul> |

# 1. Impact of COVID-19 (2/2)

|   | Situation up to the first quarter of the fiscal year ending March 31, 2021   | Situation at the time of financial results announcement for the second quarter of the fiscal year ending March 31, 2021  |
|---|--|--|
| Purchase of toilet fixtures and fittings *  | <ul style="list-style-type: none"> <li>Delivery delays occurred, but improved from April.</li> </ul>   | <ul style="list-style-type: none"> <li>Normal delivery times</li> </ul>  |
| Mortgage application screening *            | <ul style="list-style-type: none"> <li>There were approval delays due to financial institution employees working from home and prioritizing of corporate loans.</li> </ul>   | <ul style="list-style-type: none"> <li>The contract cancellation rate due to not passing mortgage screening was normal.</li> <li>Continue to watch for signs that some financial institutions are tightening their screening procedures</li> </ul>             |
| Working conditions at the Group branches *  | <ul style="list-style-type: none"> <li>In April some branches were working from home, but work patterns returned to normal from May.</li> </ul>  | <ul style="list-style-type: none"> <li>Normal work patterns</li> </ul>   |
| Activity situation at real estate brokers * | <ul style="list-style-type: none"> <li>Working from home or shut down until May</li> <li>Normal operations resumed from June.</li> </ul>   | <ul style="list-style-type: none"> <li>Normal operations</li> </ul>  |
| Open houses *                               | <ul style="list-style-type: none"> <li>Shifted open houses completely to a system of viewing by appointment only</li> <li>In addition to reducing customer anxiety, we have seen a side effect of increased productivity.</li> </ul>                             | <ul style="list-style-type: none"> <li>Continue viewings by appointment only</li> </ul>  |
| Cash on hand *                              | <ul style="list-style-type: none"> <li>Cash on hand increased to 17.7 billion yen as of the end of June (9.1 billion yen at the end of March).</li> </ul>  | <ul style="list-style-type: none"> <li>After repayment of short-term loans, cash on hand as of the end of September were 17.8 billion yen.</li> <li>Strong sales, preceding cash inflows due to procurement delays, high level of on-hand liquidity</li> </ul> |
| Medium-to long-term impact *                | <ul style="list-style-type: none"> <li>Migration needs did not materialize to the extent reported in newspapers.</li> <li>The need to improve the living environment is gradually manifesting itself in the form of a preference for detached houses.</li> </ul> | <ul style="list-style-type: none"> <li>Primary acquisition by local residents is the main focus.</li> <li>In a few cases, people are buying for the purpose of returning to rural areas.</li> </ul>  |

\* To be disclosed as needed because they are deemed to have returned to a normal state.

# 1. Financial Highlights

| (JPY MM)   | FY2019 2Q<br>(ended Sep 30,<br>2019) | FY2020 2Q<br>(ended Sep 30, 2020) |        |         | (Ref) Full-Year<br>FY2019 |
|--|--------------------------------------|-----------------------------------|--------|---------|---------------------------|
|  |                                      | Results                           | YoY    | YoY (%) | Results                   |
| Net sales  | 47,419                               | 49,261                            | +1,842 | +3.9    | 89,978                    |
| Number of properties sold                              | 3,062                                | 3,093                             | +31    | +1.0    | 5,801                     |
| Gross profit   | 10,548                               | 10,906                            | +357   | +3.4    | 20,016                    |
| Margin (%)   | 22.2                                 | 22.1                              | △0.1   | —       | 22.2                      |
| Operating profit                                       | 5,588                                | 5,705                             | +117   | +2.1    | 10,121                    |
| Margin (%)   | 11.8                                 | 11.6                              | △0.2   | —       | 11.2                      |
| (Ref) EBITDA   | 5,712                                | 5,825                             | +113   | +2.0    | 10,367                    |
| Ordinary profit  | 5,479                                | 5,583                             | +104   | +1.9    | 9,895                     |
| Profit attributable to owners of parent                | 3,690                                | 3,711                             | +20    | +0.6    | 5,190                     |
| (Ref) Adjusted profit attributable to owners of parent | 3,690                                | 3,759                             | +69    | +1.9    | 6,671                     |
| Inventory turnover ratio (times)                       | 2.01                                 | 2.07                              | +0.06  | —       | 1.81                      |
| Net assets   | 22,160                               | 25,455                            | +3,294 | +14.9   | 22,737                    |
| Total assets   | 48,937                               | 54,455                            | +5,518 | +11.3   | 53,435                    |
| Equity-to-asset ratio (%)                              | 45.1                                 | 46.5                              | +1.4   | —       | 42.3                      |
| EPS (JPY)  | 48.41                                | 48.37                             | △0.04  | —       | 67.98                     |
| (Ref) Adjusted EPS (JPY)                               | 48.41                                | 49.00                             | +0.59  | —       | 87.36                     |
| ROA (%)  | 23.2                                 | 21.2                              | △2.0   | —       | 20.1                      |
| ROE (%)  | 35.7                                 | 31.0                              | △4.7   | —       | 24.8                      |
| (Ref) Adjusted ROE (%)                                 | 35.7                                 | 31.4                              | △4.4   | —       | 31.8                      |

(1) EBITDA = Operating profit + Depreciation + Amortization of goodwill (consolidated only) (2) ROA = operating profit x 2 / average of total assets as of the beginning and end of period

(3) ROE = Profit x 2 / average of balances of shareholders' equity at beginning and end of period

(4) For details of accounting adjustments for adjusted profit attributable to owners of parent, adjusted EPS and adjusted ROE, please refer to the table on P19.

(5) Katitas implemented a 2-for-1 common stock split, effective April 1, 2020. EPS and adjusted EPS are calculated on the assumption that the stock split took place at the beginning of the previous consolidated fiscal year.

## 1. Selected Consolidated Balance Sheet Data

| (JPY MM)                               | End of FY2019<br>(ended Mar 31, 2020) | FY2020 2Q<br>(ended Sep 30, 2020) |        |
|--|---------------------------------------|-----------------------------------|--------|
|  |                                       | Results                           | YoY    |
| Cash and deposits                      | 9,137                                 | 17,890                            | +8,753 |
| Real estate for sale                   | 28,659                                | 23,990                            | △4,668 |
| Real estate for sale in process        | 11,851                                | 9,559                             | △2,291 |
| Inventory real estates                 | 40,510                                | 33,550                            | △6,959 |
| Non-current assets                     | 2,089                                 | 2,111                             | +22    |
| Total assets                           | 53,435                                | 54,455                            | +1,019 |
| Accounts payable – trade               | 2,909                                 | 2,264                             | △645   |
| Short-term loans payable               | 2,000                                 | –                                 | △2,000 |
| Long-term loans payable <sup>(1)</sup> | 20,000                                | 19,625                            | △375   |
| Net assets                             | 22,737                                | 25,455                            | +2,718 |
| Total of liabilities and net assets    | 53,435                                | 54,455                            | +1,019 |

| (JPY MM)   | FY2019 2Q<br>(ended Sep 30, 2019) | FY2020 2Q (ended Sep 30, 2020) |        |
|--|-----------------------------------|--------------------------------|--------|
|  |                                   | Results                        | YoY    |
| (Increase) decrease in real estate for sale                                    | 210                               | 6,940                          | +6,730 |
| Cash flows from operating activities   | 3,374                             | 12,159                         | +8,784 |
| Cash flows from investing activities   | △26                               | △15                            | +10    |
| Cash flows from financing activities   | △1,303                            | △3,391                         | △2,087 |
| Increase (decrease) of cash and cash equivalents, at the beginning of the year | 2,044                             | 8,753                          | +6,708 |

(1) Long-term loans payable = Current portion of long-term loans payable + Long-term loans payable



# Presentation Highlights

- |           |  |                |
|-----------|--|----------------|
| <b>1.</b> | <b>Overview of Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2021</b> | <b>P2-P7</b>   |
| <b>2.</b> | <b>Management Plan for FY2020 (Ending March 31, 2021)</b>  | <b>P9-P19</b>  |
| <b>3.</b> | <b>Overview of Business Model</b>  | <b>P21-P40</b> |
| <b>4.</b> | <b>APPENDIX</b>  | <b>P42-P55</b> |

## 2. Mid-Term Business Plan (FY2019-2021)

(Reposted from FY2019 4Q)

- Formulated the Mid-Term Business Plan (FY2019-FY2021)\*1 aiming to build a structure for continuous growth by enabling both Katitas and Reprice to make use of each other's strengths and to sell 10,000 houses per year in the long term
- Continue stable growth rather than aiming for rapid growth, while maintaining and improving quality and value of provided homes
- Start considering new businesses aiming to provide a wide range of solutions to the empty-home problem using existing assets, based on the business model strengths and accumulated know-how

### Quantitative Targets

| Net sales  | Operating profit   |
|--|--|
| <ul style="list-style-type: none"> <li>✓ Approx. ¥110 billion for FY2021<br/>(Increase of approx. ¥30 billion compared to FY2018)</li> <li>✓ CAGR of around 10%</li> </ul> | <ul style="list-style-type: none"> <li>✓ Approx. ¥13 billion range for FY2021<br/>(Increase of approx. ¥4 billion compared to FY2018)</li> <li>✓ CAGR of over 10%</li> </ul> |

### Growth Strategy

| Strengthen area marketing   | Promote market development  |
|---|---|
| <ul style="list-style-type: none"> <li>① Separate and optimize the sales to match the characteristics of local markets.</li> <li>② Strengthen development and support of area and store managers by introducing a range of systems, etc.</li> <li>③ Continue collaboration with local builders to strengthen product capabilities.</li> </ul> | <ul style="list-style-type: none"> <li>① Horizontally deploy methods from the areas of success to the areas with room for development.</li> <li>② Actively assign human resources to growth areas.</li> <li>③ Improve efficiency of operations by expanding the Head Office functions.</li> </ul> |
| Continue to strengthen existing strategies  |   |
| <ul style="list-style-type: none"> <li>① Continue and expand aggressive recruitment mainly among new graduates.</li> <li>② Improve sales productivity by promoting contracts of houses being renovated, etc.</li> <li>③ Intensify examination of new business and other M&amp;A opportunities</li> </ul>                                      |   |

\*1 Targets in the Mid-Term Business Plan do not include amounts for potential M&As and the impacts of new businesses.

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## 2. Management Plan for FY2020 (Ending March 31, 2021)

(Reposted from FY2019 4Q)

- Results for the first half of the fiscal year ended March 31, 2020 were far higher than those for the first half of the fiscal year ended March 31, 2019 owing to an increase in requests for handover in April 2019 from buyers wanting to move house during the long Golden Week holiday in May 2019 and an increase in requests for handover before the consumption tax hike in September 2019.
- In the fiscal year ending March 31, 2021, figures for the first half were calculated assuming growth was unlikely due to the impact of the coronavirus (because the number of initial inquiries from customers has fallen, supplies of toilet fixtures and fittings have been delayed, mortgage application screening is taking longer and employees at some branches are working from home) and because the performance during the first half of the fiscal year ended March 31, 2020 would be difficult to beat. On the other hand, demand for affordable, high-quality housing is firm and Katitas will focus on improving the success rate and improving gross profit per property.
- The figures were calculated assuming that the impact of the coronavirus was expected to be felt during the first half. The Company estimates that it can aim for results on a par with the previous year on an annual basis, provided it can operate as normal in the second half onwards.
- However, if the coronavirus outbreak worsens, bringing about a change in the situation or prolonging the damage caused, and it becomes necessary to revise the earnings forecasts, Katitas will promptly disclose to this effect.

| (JPY MM)  | FY2019<br>(ended Mar 31,2020) |           | FY2020(ended Mar 31,2021) |        |        |           |        |        |
|---|-------------------------------|-----------|---------------------------|--------|--------|-----------|--------|--------|
|   |                               |           | The first half            |        |        | Full-year |        |        |
|   | The first half                | Full-year | Plan                      | YoY    | YoY(%) | Plan      | YoY    | YoY(%) |
| Sales   | 47,419                        | 89,978    | 41,859                    | △5,559 | 88.3   | 90,206    | +227   | 100.3  |
| Number of units sold                                  | 3,062                         | 5,801     | 2,731                     | △331   | 89.2   | 5,848     | +47    | 100.8  |
| Gross profit  | 10,548                        | 20,016    | 9,559                     | △989   | 90.6   | 20,700    | +684   | 103.4  |
| Operating profit                                      | 5,588                         | 10,121    | 4,339                     | △1,249 | 77.6   | 10,128    | +6     | 100.1  |
| (Ref)EBITDA   | 5,712                         | 10,367    | 4,459                     | △1,253 | 78.1   | 10,366    | △0     | 100.0  |
| Ordinary profit                                       | 5,479                         | 9,895     | 4,223                     | △1,256 | 77.1   | 9,896     | +0     | 100.0  |
| Profit attributable to owners of parent               | 3,690                         | 5,190     | 2,855                     | △835   | 77.4   | 6,691     | +1,500 | 128.9  |
| (Ref)Adjusted profit attributable to owners of parent | 3,690                         | 6,671     | 2,855                     | △835   | 77.4   | 6,691     | +20    | 100.3  |

(+) Handover before Golden Week  
(+) Handover before consumption tax hike

(△)Impact of typhoons  
(△)Weak demand after consumption tax hike

(△)Impact of coronavirus

(→) Based on assumption of return to normal operation in the second half

\*1 EBITDA = Operating profit+ Depreciation + Amortization of goodwill

\*2 For details of accounting adjustments for adjusted profit attributable to owners of parent, please refer to the table on P19.

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## 2. Rate of progress for Management Plan for FY 2020 (Ending March 31, 2021)

- On May 11, 2020, when the consolidated earnings forecasts for the first six months of the fiscal year ending March 31, 2021 were released, the state-of-emergency declaration was still in effect due to the spread of novel coronavirus disease (COVID-19), and circumstances such as customers avoiding contact with sales representatives and the public practicing self-restraint regarding unnecessarily leaving home led us to make the projection that there would be a decrease in the number of responses to properties and a decrease in the number of properties sold during the first six months of the fiscal year ending March 31, 2021.
- However, during May and June 2020 after the state-of-emergency declaration was lifted, the number of responses relating to inquiries on properties for sale was approximately 20% higher in both months compared with the corresponding months of the previous fiscal year, and in July onwards, the number of responses for each month has been consistently higher than those particular months of the previous fiscal year.
- As a result, the number of properties sold for the first six months of the fiscal year ending March 31, 2021 exceeded the projections made at the time of planning at 3,093 properties (an increase of 13.3% from the plan projections).
- Please note that the earnings forecasts for the fiscal year ending March 31, 2021 have not been changed from the forecasts announced on May 11, 2020. If a revision is deemed necessary for those forecasts, the Company will promptly disclose that information.

| (JPY MM)  | FY2020 2Q<br>(ended Sep 30,<br>2020) | FY2020 Plan (Ending March 31, 2021) |                        |           |                         |
|---|--------------------------------------|-------------------------------------|------------------------|-----------|-------------------------|
|   |                                      | The first half                      |                        | Full-year |                         |
|   |                                      | Initial plan                        | vs Initial plan<br>(%) | Plan      | Rate of<br>progress (%) |
| Sales   | 49,261                               | 41,859                              | +17.7                  | 90,206    | 54.6                    |
| Number of units sold                                  | 3,093                                | 2,731                               | +13.3                  | 5,848     | 52.9                    |
| Gross profit  | 10,906                               | 9,559                               | +14.1                  | 20,700    | 52.7                    |
| Operating profit                                      | 5,705                                | 4,339                               | +31.5                  | 10,128    | 56.3                    |
| (Ref)EBITDA   | 5,825                                | 4,459                               | +30.6                  | 10,366    | 56.2                    |
| Ordinary profit                                       | 5,583                                | 4,223                               | +32.2                  | 9,896     | 56.4                    |
| Profit attributable to owners of parent               | 3,711                                | 2,855                               | +30.0                  | 6,691     | 55.5                    |
| (Ref)Adjusted profit attributable to owners of parent | 3,759                                | 2,855                               | +31.7                  | 6,691     | 56.2                    |

(1) EBITDA = Operating profit+ Depreciation + Amortization of goodwill (consolidated only)

(2) For details of accounting adjustments for adjusted profit attributable to owners of parent, please refer to the table on P19.

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## 2.

# Growth Strategy of Katitas: Increase in Number of Sales Employees

(FY2019 Results) (Reposted from FY2019 4Q)

- Katitas plans to expand through an increase in procured and sold homes by increasing sales staff headcount while maintaining and improving productivity.

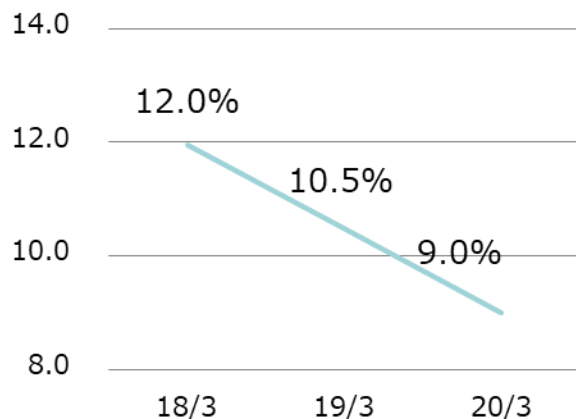
### Sales Staff

Sales employees<sup>(1)</sup>  
(average during the fiscal year)  
501

### Increase in Number of Sales Employees

- ✓ Continued hiring with a focus on new graduates
- ✓ A new graduate 88 joined Katitas in April 2020
- ✓ Decline in turnover rate of employees

### <Historical Turnover Rate<sup>(3)</sup>>



### Productivity

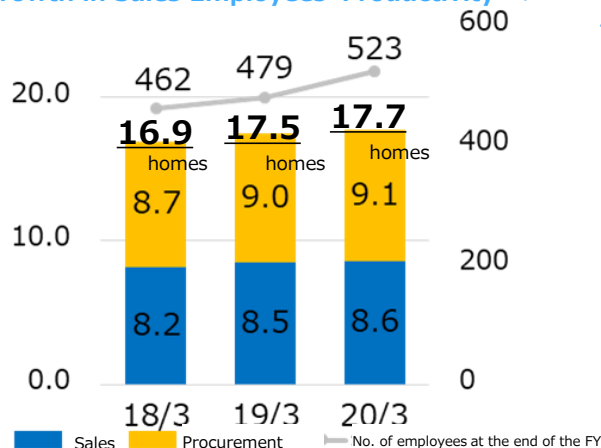
✕ Procurement 9.1<sup>(2)</sup> / sales employee =

✕ Sales 8.6 / sales employee =

### Improvement in Productivity of Sales Employees

- ✓ Track record of improvement in productivity by reducing the inventory turnover ratio

### <Growth in Sales Employees' Productivity<sup>(4)</sup>>



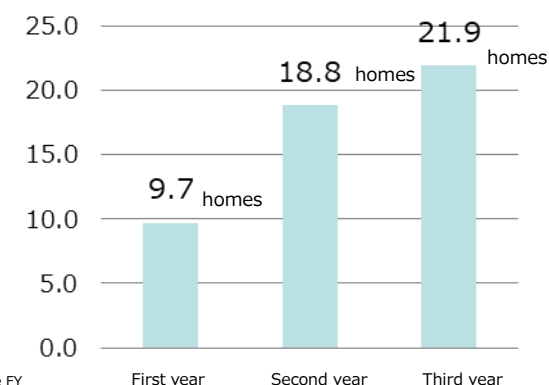
### Capacity(FY2019 Results)

Number of units procured: 4,563<sup>(2)</sup>

Number of units sold: 4,305

- ✓ Increased productivity of new graduate employees in a short time through established training programs<sup>(5)</sup>

### <Average Productivity of New Graduates for First Three Years of Employment<sup>(5)</sup>>



(1) The number of sales employee includes employees in branches, sales department managers and section chiefs  
 (2) Procurement via direct purchase method  
 (3) Turnover rate = number of employees who resigned or retired during the fiscal year / number of employees at the beginning of the fiscal year

(4) Productivity= sum of the number of homes procured and the number of homes sold by Katitas over a period, divided by the average of the number of sales employees of Katitas at the beginning and end of the period  
 (5) Averages taken of each year's annual new graduate figures beginning with April 2013  
 (6) Figures represent historical results of Katitas (non-consolidated)

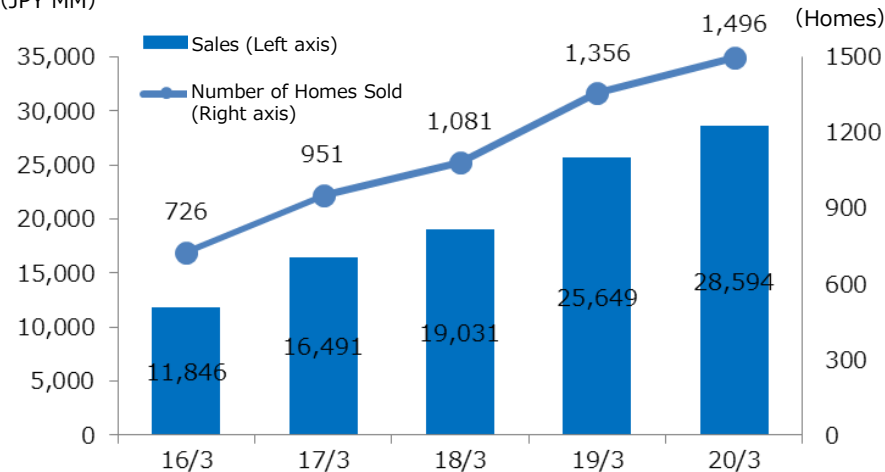
## 2. Reprice: Company Overview (FY2019 Results)

(Reposted from FY2019 4Q)

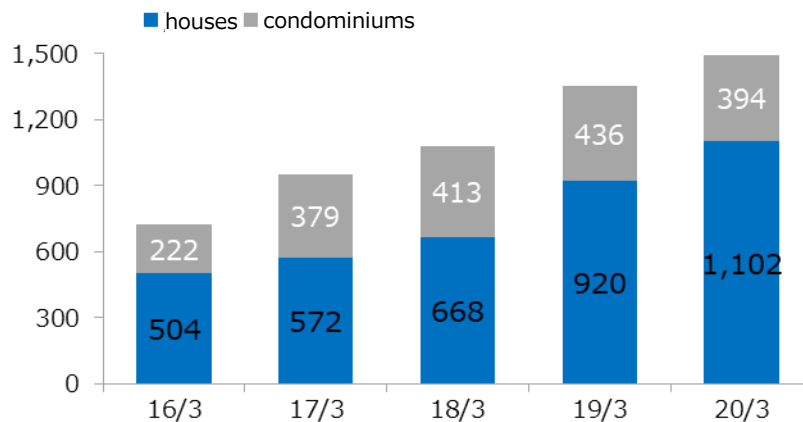
- “Value” rather than “price”: Expanding business areas steadily focusing on the Three Metropolitan Areas and ordinance-designated cities
- Accelerated business expansion from (i) pricing capabilities from accumulated transaction database, (ii) shift toward “core broker strategy” and (iii) capital support (inter-company loans) from Katitas

### Number of Homes Sold <sup>(1)</sup> and Sales Volume <sup>(1)</sup>

(JPY MM)

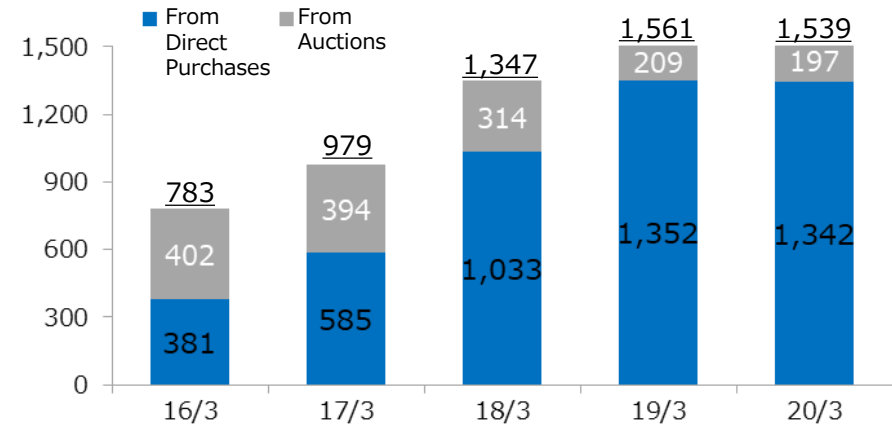


### Number of sales by houses/condominiums<sup>(1)(2)</sup>



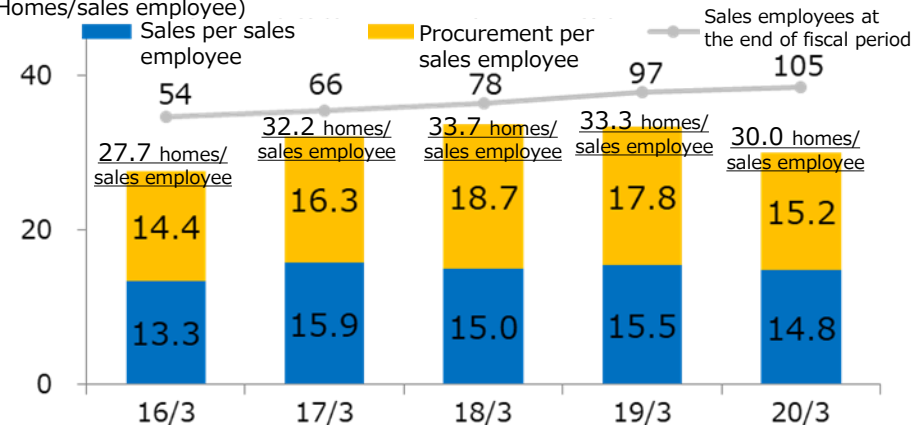
### Number of Houses Procured by Procurement Method <sup>(4)</sup>

(Homes)



### Number of sales employees at FY end and changes in productivity of sales employees<sup>(1)(2)</sup>

(Homes/sales employee)

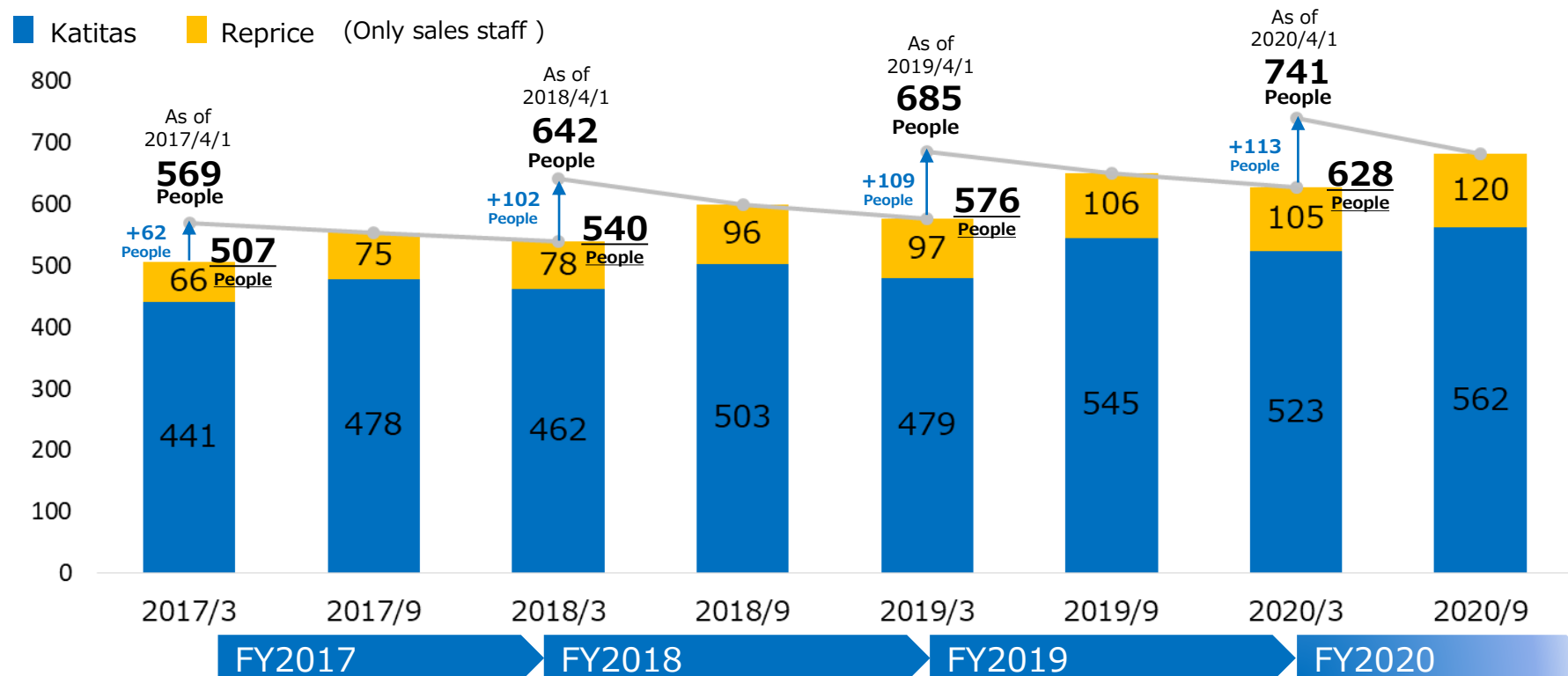


(1) Number of homes procured and homes sold, and sales volume are for Reprice Co., Ltd. and Comprehensive Urban Development Corporation (a former subsidiary of Reprice, which was sold in September 2016)

(2) Productivity= sum of the number of homes procured and the number of homes sold by Katitas over a period, divided by the average of the number of sales employees of Katitas at the beginning and end of the fiscal year

## 2. Trends in the number of sales staff at the end of the fiscal year

- To ensure continuous growth going forward, we will continue hiring activities focused on new graduates.
- As planned, the company has been able to recruit 94 prospective employees at Katitas and 14 at Reprice, who are expected to join the company in April 2021. (As of October 1, 2020)



|                 |         | FY2017   | FY2018   | FY2019   | FY2020   |
|-----------------|---------|--|--|--|--|
| new graduates   | Katitas | +59 people<br>(No.of back-office employees: 1) | +81 people                                     | +91 people<br>(No.of back-office employees: 1) | +88 people                                     |
|                 | Reprice | +5 people<br>(No.of back-office employees: 1)  | +22 people<br>(No.of back-office employees: 1) | +20 people<br>(No.of back-office employees: 1) | +27 people<br>(No.of back-office employees: 1) |
| Monthly avg (1) | Katitas | 477 people                                     | 498 people                                     | 543 people                                     | —  |
|                 | Reprice | 76 people                                      | 95 people                                      | 107 people                                     | —  |

(1) Monthly avg = The total of the number of sales employees at the end of each month / 12

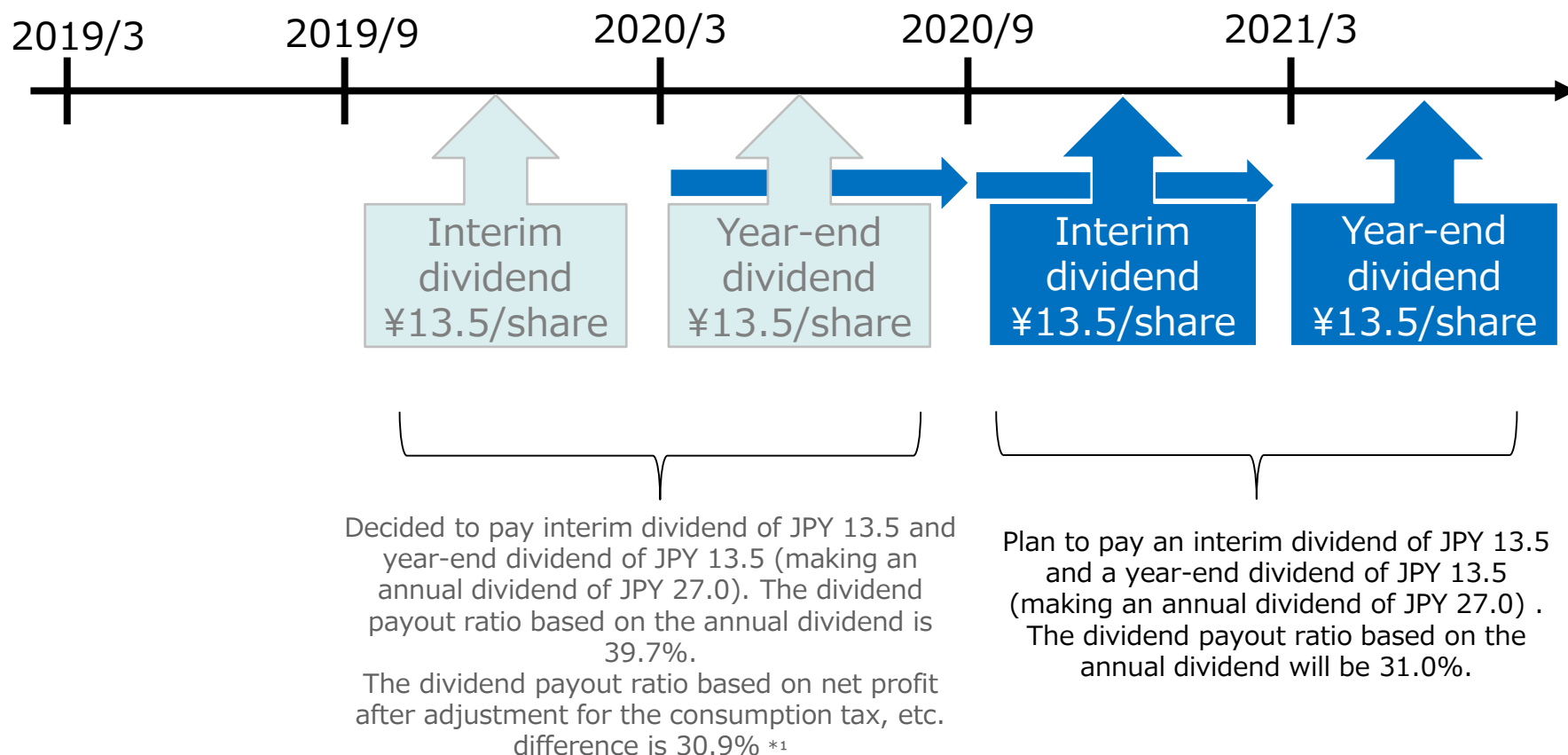
## 2. Shareholder Return

(Reposted from FY2019 4Q)

- For FY2019 (ending March 31, 2020), Katitas has decided to pay a total dividend of JPY 27.0 per share, comprising an interim dividend of JPY 13.5 and a year-end dividend of JPY 13.5. Looking forward, we intend to pay dividends twice a year at a payout ratio of 30% or higher.
- The Company will defer making a per-share dividend forecast for FY2020 (ending March 31, 2021) but plans to maintain stable returns to shareholders.

※The Company implemented a 2-for-1 common stock split of common shares on March 31, 2020 as the record date.

In the foregoing, the per-share dividend is calculated on the assumption that the stock split took place on April 1, 2019.



\*1 For details of accounting adjustments for adjusted profit for the consumption tax, please refer to the table on P19.



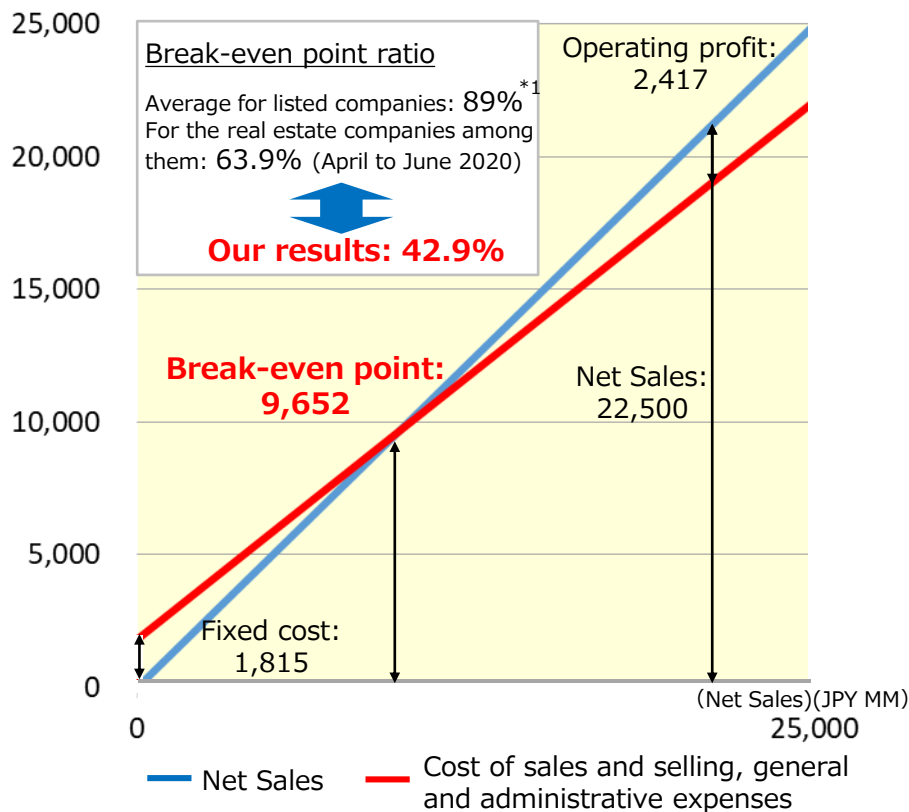
## 2. Performance stability

- Fixed costs are small relative to variable costs, making it easy for profits to stabilize.
- Geographical diversification minimizes risk of impairment due to disasters, and provisions for a portion of the cost of long-term inventory serves to curb future losses.

### The cost structure with a high variable cost ratio and small fluctuations in profit

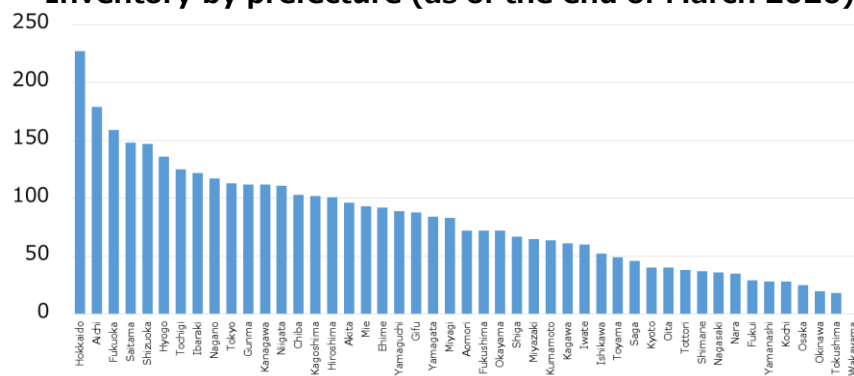
#### Cost Structure (1st quarter, ending March 2021)

(Net Sales & Cost)(JPY MM)

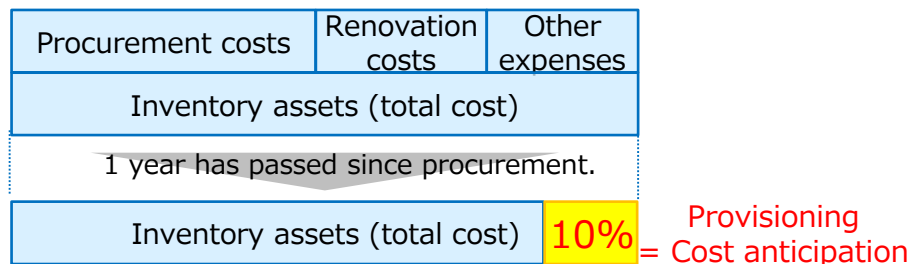


### Holdings dispersed throughout Japan / low risk of major impairment due to disaster

#### Inventory by prefecture (as of the end of March 2020)



### Provisioning for long-term inventory at 10% of cost\*2



- The number of properties that would be in the red based on the gross profit of the property itself is in the 1% range.  
The number of properties that lose money on a property gross profit basis after provisioning is even more limited.

\*1 Nihon Keizai Shimbun, September 19, 2020: "Deficits due to reduced revenues, Increasing vulnerability, Sudden rise from April to June, Break-even ratios in 19 industries over 90%, with air transport at 300%"

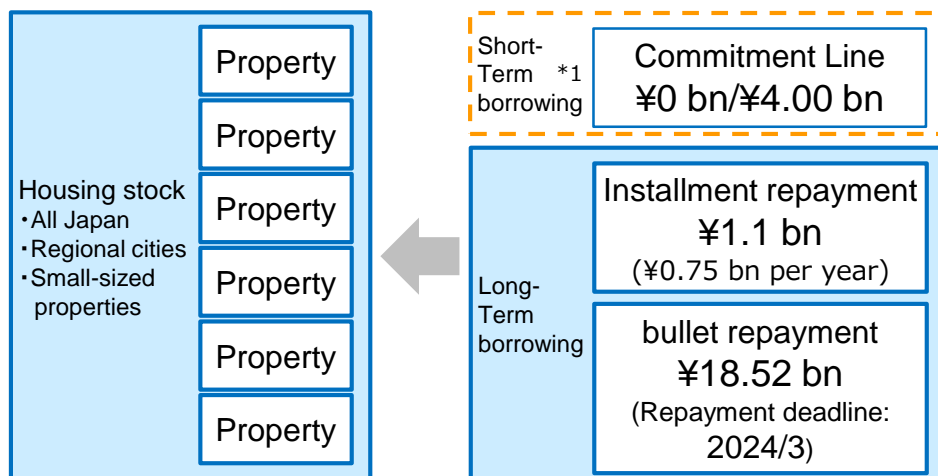
\*2 Long-term inventory: inventory for which 1 year has passed since purchase settlement

## 2. Financial Stability

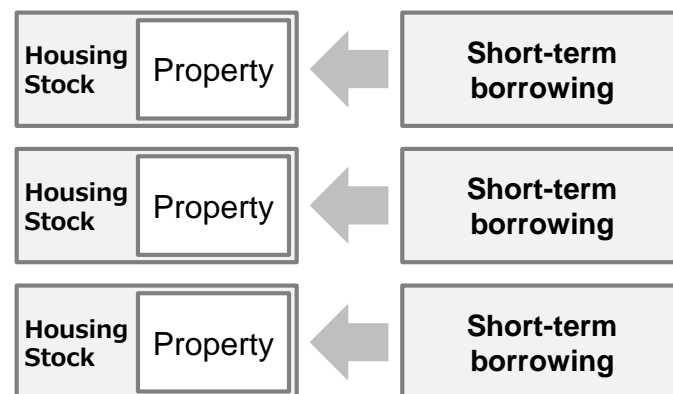
- Katitas takes out working capital loans to cover all its operating needs thanks to its high profitability and stable financial position.
- This has operating advantages in terms of improving purchasing flexibility and financial advantages in terms of making it easier to secure on-hand liquidity even in an unfavorable environment.

### KATITAS

Stable borrowing through the arrangement of a syndicated loan



Borrowing by taking out individual short-term loans for each property



### Balance Sheet Strengths

- Katitas can purchase properties flexibly without the need to borrow funds at the time of purchase.
- Katitas can ensure on-hand liquidity provided it controls purchases when sales decline.
- Katitas already has commitment lines as back-up lines of credit and will continue to build good relationships with financial institutions.
- The current rate is 188.2%, and the ratio of fixed assets to long-term capital is 4.7%<sup>2</sup>. Liquidity of real estate for sale, etc. was also high, at around 2 times per year.
- Katitas enjoys financial stability, with an equity-to-asset ratio of 46.5%.

\*1 Repayment of 3.6 billion yen in short-term debt and 4.0 billion yen in committed lines of credit at the end of September 2020

\*2 Current rate = (Current assets - Real estate for sale - Real estate for sale in process) / Current liabilities

Ratio of fixed assets to long-term capital = Total non-current assets / (Total non-current liabilities + Total net assets)

## 2. Progress in the Reassessment Penalty, etc. from the Regional Taxation Bureau

(Reposted from FY2020 1Q)

As announced in a press release on April 28, 2020, Katitas believes that there are no errors in its existing accounting and tax treatment. Because the Company is unable to completely agree with the Reassessment Penalty, etc. from the Regional Taxation Bureau, it has been preparing to follow the necessary procedures for filing an appeal.

As a first step in the procedures, Katitas selected Mori Hamada & Matsumoto, which has advised the Company since the tax inspections, as an agent for the Company and made a request for an examination to demand a retraction of the Reassessment Penalty, etc. to the President of National Tax Tribunal on July 9, 2020. The request was accepted on July 10, 2020.

The impact of expenses related to the request for examination on consolidated financial results for the fiscal year ending March 31, 2021 is minor.

### Contents of the presentation materials for the results of the fiscal year ended March 31, 2020

#### [Circumstances and details regarding the Reassessment Penalty, etc.]

Since August 2019, the Company has been subject to a tax inspection by the Regional Taxation Bureau covering the period from the fiscal year ended March 31, 2016 to the fiscal year ended March 31, 2019. As a result of the inspection, the Regional Taxation Bureau claimed that in the following method used by the Company for calculating consumption tax amounts, 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 the Reassessment Penalty, etc. was carried out.

#### (1) Method adopted by the Company for calculating the amount of consumption tax

The Company concluded sales agreements with buyers that covered the 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 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 Company had adopted the Company's Proportional Division Method mainly because **it deemed this approach to be a rational method for separating the land and building portions based on the method of "proportional division based on the assessed value of inheritance tax and the assessed value of fixed assets tax"** for transfer payments in the National Tax Agency Tax Answer "No. 6301 Tax Base Q&A: Building payment in the case where buildings and land are transferred together."

#### (2) Reason for the Reassessment Penalty, etc. from the Regional Taxation Bureau

The Regional Taxation Bureau claims that "the amount of the transfer consideration of the taxable asset and the amount of the transfer consideration for the non-taxable asset" are "not rationally separated" in the Company's accounting and tax treatment for the following reasons.  
i. It is not rational to calculate the amount corresponding to the consumption tax amount using a uniform ratio to the total sale amount.  
ii. When the uniform ratio used by the Company is applied, the price of buildings that have added value from renovations is not reflected.

#### (3) Location of the problem

In principle, the amount that the Consumption Tax Act treats as the tax base is the amount of consideration that passes between the parties involved in the transfer, etc., of a taxable asset. Where a taxable asset and a non-taxable asset are transferred together, the amount of consideration for transfer of the taxable asset and the amount of consideration for transfer of the non-taxable asset need to be rationally separated. If they are not separated rationally, the tax base for consumption tax pertaining to the transfer, etc. of the taxable asset is an exceptional provision (Article 45, paragraph 3 of the Order for Enforcement of the Consumption Tax Act) of multiplying the amount of consideration for transfer of the assets by the ratio of the value of the taxable asset to the total amount of the value of the taxable asset and the value of the non-taxable asset at the time of their transfer.

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## 2. Adjustment Item List

- Following a tax investigation by the Kantoshinetsu Regional Taxation Bureau, Katitas recorded a consumption tax difference of JPY 2,014 million under extraordinary losses.
- Because the Company is unable to completely agree with the Reassessment Penalty, etc., it is filing an appeal.
- Katitas plans to continue using its Proportional Division Method in its accounts in the future.

|  | Full Year |                     | The first half |                  |
|--|-----------|---------------------|----------------|------------------|
|  | FY2018    | FY2019              | FY2019 2Q      | FY2020 2Q        |
| Profit attributable to owners of parent                  | 5,926     | 5,190               | 3,690          | 3,711            |
| Differences in consumption taxes, etc.                   | —         | 2,014 <sup>*1</sup> | —              | 45 <sup>*2</sup> |
| Refund of income taxes                                   | —         | △562                | —              | —                |
| Income taxes – deferred for refund of income taxes       | —         | 28                  | —              | —                |
| Advisory fees  | —         | —                   | —              | 3 <sup>*3</sup>  |
| Tax impact to above adjustments                          | —         | —                   | —              | △0               |
| Total of adjustment (After tax impact adjustment)        | —         | 1,480               | —              | 48               |
| Adjusted net profit attributable to owners of the parent | 5,926     | 6,671               | 3,690          | 3,759            |
| Adjusted EPS (JPY)                                       | 78.81     | 87.36               | 48.41          | 49.00            |
| Adjusted dividend payout ratio(%)                        | 33.0      | 30.9                | 27.9           | 27.6             |

<sup>\*1</sup> The amount of Reassessment Penalty, etc. due to a difference in views on the method of calculating consumption tax, which was based on a tax investigation by Kantoshinetsu Taxation Bureau. The Company is filing for an appeal because it considers that the Penalty, etc. is not acceptable.

<sup>\*2</sup> Rough estimate of a delinquent tax pertaining to the Reassessment Penalty, etc.

<sup>\*3</sup> The amount paid to lawyers, tax accountants, and other professionals in relation to tax reassessment, etc.

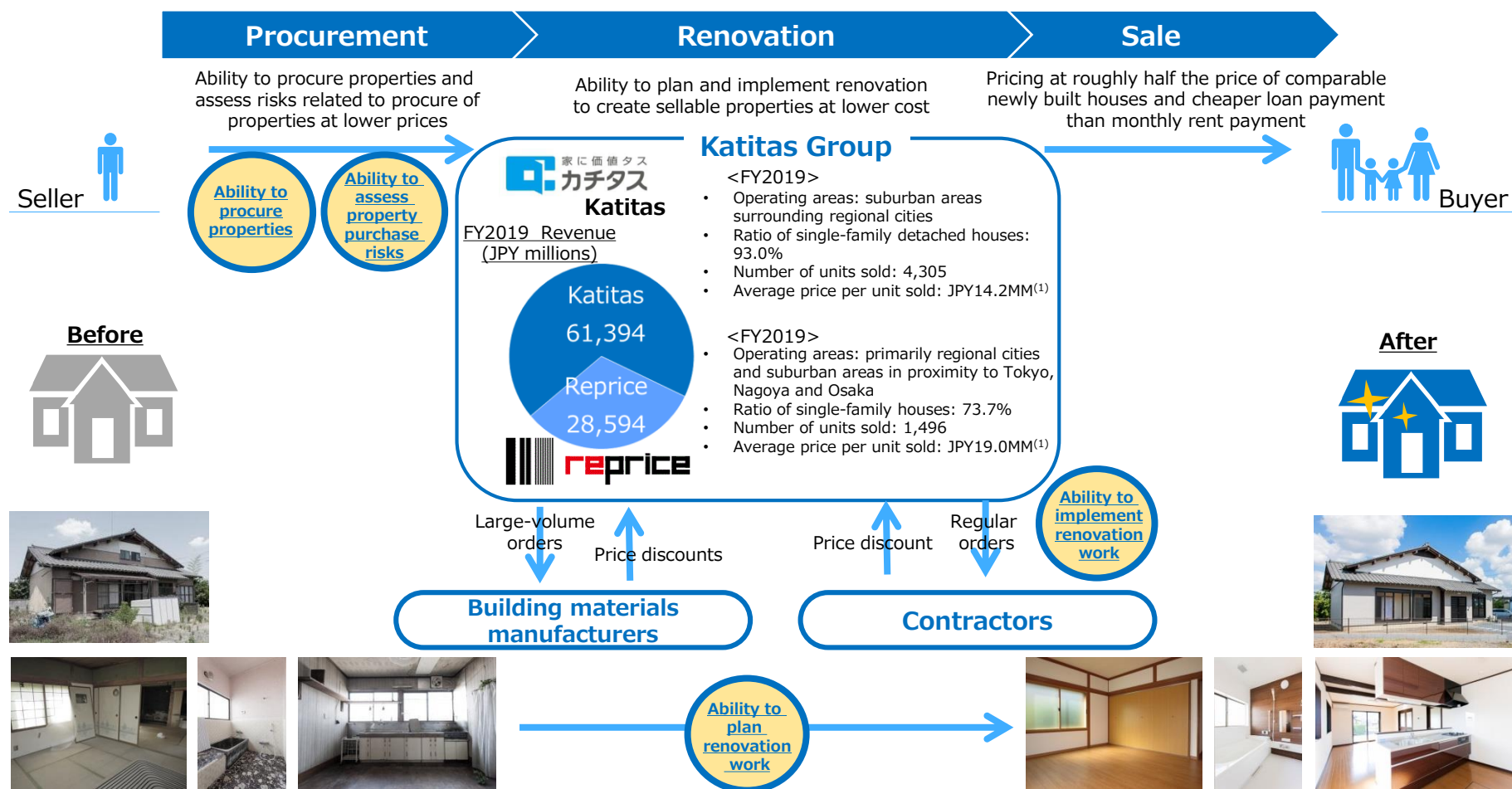
<sup>\*4</sup> Katitas implemented a 2-for-1 common stock split, effective April 1, 2020. Adjusted EPS is calculated on the assumption that the stock split took place at the beginning of the previous consolidated fiscal year.

# Presentation Highlights

- |           |  |                |
|-----------|--|----------------|
| <b>1.</b> | <b>Overview of Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2021</b> | <b>P2-P7</b>   |
| <b>2.</b> | <b>Management Plan for FY2020 (Ending March 31, 2021)</b>  | <b>P9-P19</b>  |
| <b>3.</b> | <b>Overview of Business Model</b>  | <b>P21-P40</b> |
| <b>4.</b> | <b>APPENDIX</b>  | <b>P42-P55</b> |

### 3. Business Model of Katitas

- Katitas procures lower-cost pre-owned vacant houses through its unique know-how, adds value to them through renovation and sells them at roughly half the price of comparable newly built houses
- Katitas sells renovated pre-owned single-family houses to the market targeting middle- and lower-income households in regional cities as a new “Fourth Option” – an alternative housing option to newly built, “as is” pre-owned and rental houses

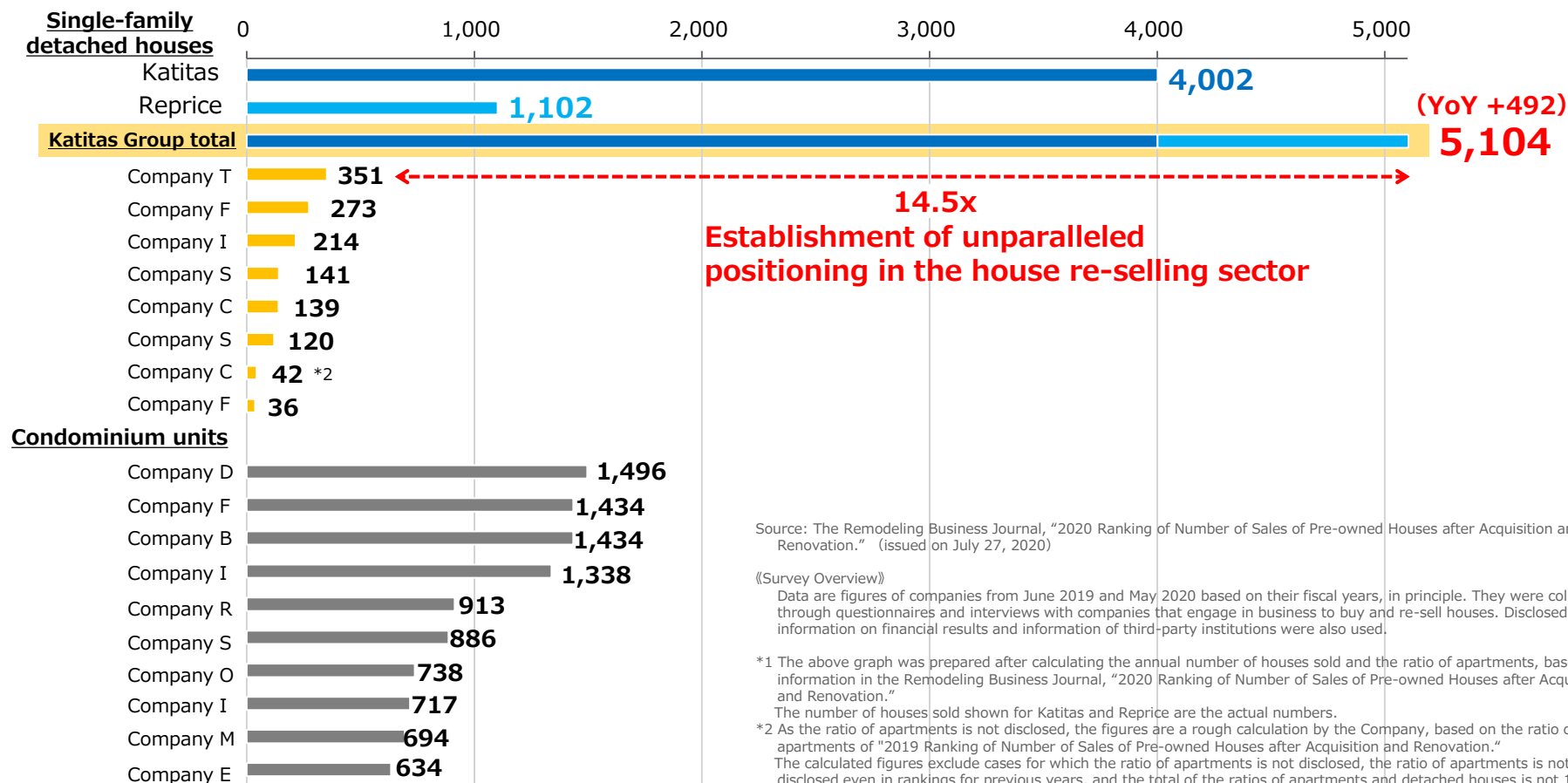


(1) Excluding tax

### 3. Number of Houses Sold is Over 10 Times that of No.2 Ranked Company

- No.1 among House Reselling Businesses<sup>(1)</sup> in terms of number of units sold in FY2019
- Established unique positioning by focusing on pre-owned single-family detached houses located in regional cities and Regional areas that competitors find challenging to bring to the market

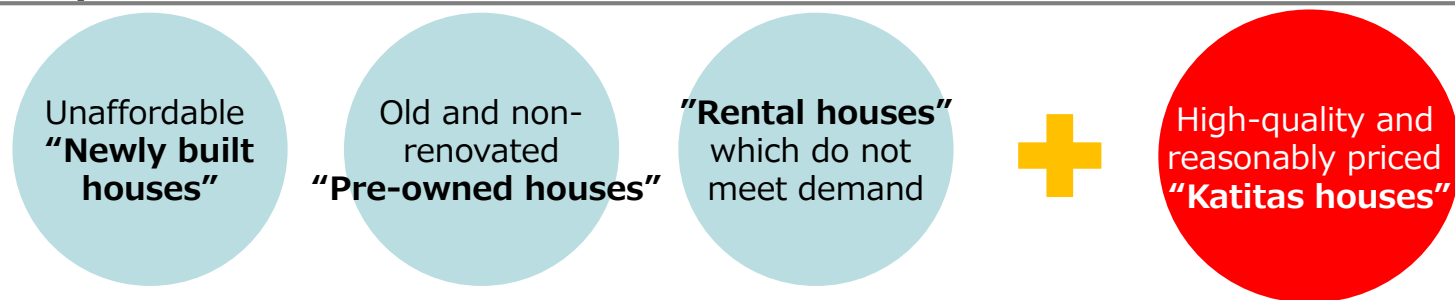
#### Number of Units Sold by Major House Re-sellers (FY2019)



(1) A "Housing Reselling Business" is defined as one conducted by certified "building lot and transactions" dealers with extensive know-how in renovation so as to efficiently and effectively improve the quality of existing house inventory (Requests for FY2016 Tax Reform (Special Measures Concerning Taxation))

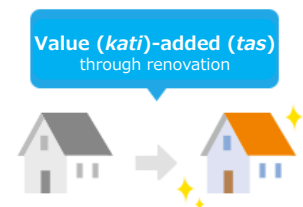
### 3. Katitas's Unique Model and Positive Social Impact

**Providing a 4<sup>th</sup> housing option – an affordable alternative to newly built houses, pre-owned houses and rental houses**



**Katitas's Unique Model : Creating value from valueless "as-is" houses**

- Purchase, renovate and re-sell pre-owned single-family houses and houses left vacant which are valueless "as-is"
- Value-added house re-selling business: "Kati" (= "value" in Japanese) tas (= "to add" in Japanese) to valueless "as is" properties"



**Positive Social Impact : Addressing one of Japan's social issues**

- A pressing social issue in Japan facing population decline is what to do with the existing vacant houses in regional areas
- Sales of previously vacant, unused houses to new homeowners stimulate local economies and help foster community development

**Addressing Issue of Vacant Houses (Akiya)**

**Stimulation of Local Economy**

**Environmentally Friendly**



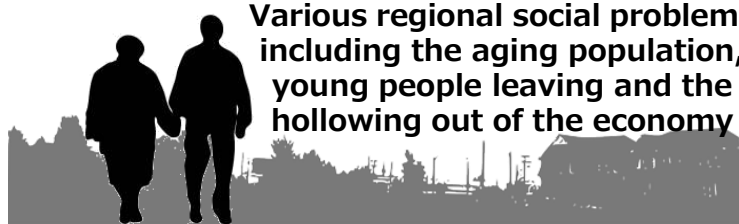
### 3. Katitas' ESG and SDGs : Contributing to Acquisition of Affordable Housing for Low- and Middle-Income Households

There are 8.49 million vacant houses nationwide, a large social problem



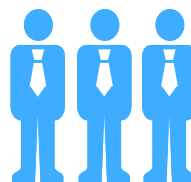
Vacant houses spoil the landscape and create concern over public safety

Various regional social problems including the aging population, young people leaving and the hollowing out of the economy



Renovation contractors

Creating employment

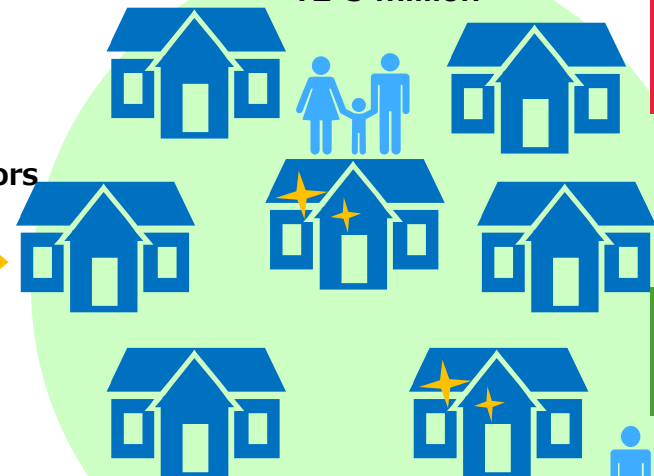


University students wishing to work for the community

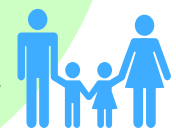


Resolving the vacant house issue by renovating and distributing vacant houses

Ability to own a home with an annual income of ¥2-5 million



Stimulation of the community



Work-Life balance



Population concentration in urban areas

### 3. Katitas' ESG and SDGs : Company Where Female Employees Can Take an Active Role

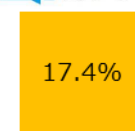
- Katitas actively recruits and promotes women because operations to procure houses and to remodel them are ones in which women can take an active role.
- Katitas contributes to the revitalization of local regions through the creation of job opportunities for women, which is an issue in local regions and the suburbs where the Company operates.
- In June 2020, Katitas was selected as a new constituent of the MSCI Japan Empowering Women Select Index.

#### Annual sales ranking of sales employees (FY2019 results)

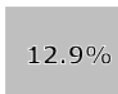


60% (12) of the company's top-ranking sales personnel were women

#### Percentage of female managers(as of April 2020)



Real estate \*2 industry average



Katitas also has a high percentage of women in managerial positions\*1

#### Female employee ratio: 40.7% (As of April, 2020)

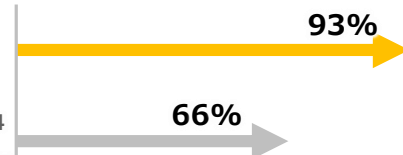


Many women interested in renovations and housing

#### Ratio of women and men in terms of average years of service (as of July 2020) \*3

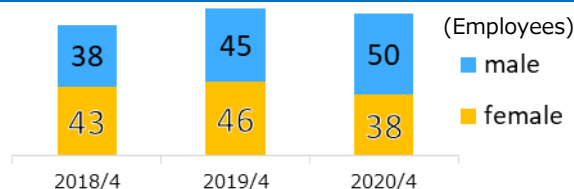


Average for\*4 large companies



There is little difference in average years of service between men and women.

#### Breakdown of new-graduate recruits by gender



A high percentage of the company's new-graduate recruits are women

#### Selected as a new constituent of the MSCI Japan Empowering Women Select Index

2020 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

THE INCLUSION OF KATITAS Co., Ltd. IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF KATITAS Co., Ltd. BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

\*1 Area manager or branch manager

\*2 Source: Teikoku Databank "Awareness Survey of Corporate Attitudes Towards Promotion of Women (2019)"

\*3 Average years of service of female employees/Average years of service of male employees

\*4 Source: The Ministry of Health, Labour and Welfare "Basic Survey on Wage Structure (2020)"

### 3. Katitas' ESG and SDGs : Other Initiatives

#### Katitas's pre-owned house renovation business



#### Scrap and build new houses



#### CO2 emissions volume <sup>\*4</sup>



#### The wooden materials used



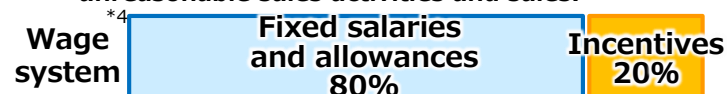
#### Ratio of Outside Directors: 37.5%

- ✓ Of those, two are Independent Outside Directors.
- ✓ Outside Director attendance ratio: 90% or more.
- ✓ Flat Board of Directors operations in which Directors can comment freely.



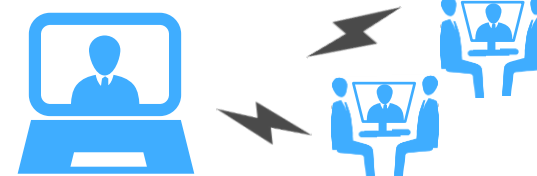
#### Salaries of sales employees are mainly fixed salaries

- ✓ Incentives make up a small percentage of salaries, which are less likely to become contributors to unreasonable sales activities and sales.



#### Weekly video conference connecting all branches nationwide

- ✓ Communication including failure cases and compliance.



#### The three reporting principles

- ✓ Thorough internal notifications on compliance awareness.

- Promptly** report trouble
  - Report the bad things first**
  - Do not lie**
- Voluntary Remuneration Advisory Committee
  - Monthly partner meetings held with renovation contractors (KRP Meeting)
  - Monthly human rights education

<sup>\*1</sup> From results for renovation implemented in standard Katitas properties in December 2018

<sup>\*2</sup> Source: Authorized NPO All Japan Wood-recycle Association, "The Use of Wooden Materials and Transformation of the Forestry Industry into a Growth Industry"

P17 "Percentage of Wooden Materials Used by Building Material in a Single Wooden-framed House"

<sup>\*3</sup> Source: Ministry of Agriculture, Forestry and Fisheries, "Annual Report on Forest and Forestry in Japan (FY 2011)"

<sup>\*4</sup> Source: Results for the fiscal year ended March 31, 2020

(for employees ranging from personnel in charge to sales department managers)

<sup>\*The UN's Sustainable Development Goals website :</sup>

<https://www.un.org/sustainabledevelopment/>

### 3. ESG Report Publication

- Publication of the ESG Report, which summarizes the Katitas Group's ESG and SDGs initiatives and non-financial information
- This report is published to deepen readers' understanding of the Katitas Group, by providing not just the sort information disclosed in conventional financial results materials, but by also setting materiality and describing our governance initiatives. We plan to update the report periodically in the future.

#### Setting materiality

Combining our business model with ESG and SDGs

#### Specific initiatives for materiality






















Add details that could not be included in the financial results presentation materials

#### Detailed descriptions of governance initiatives and other activities

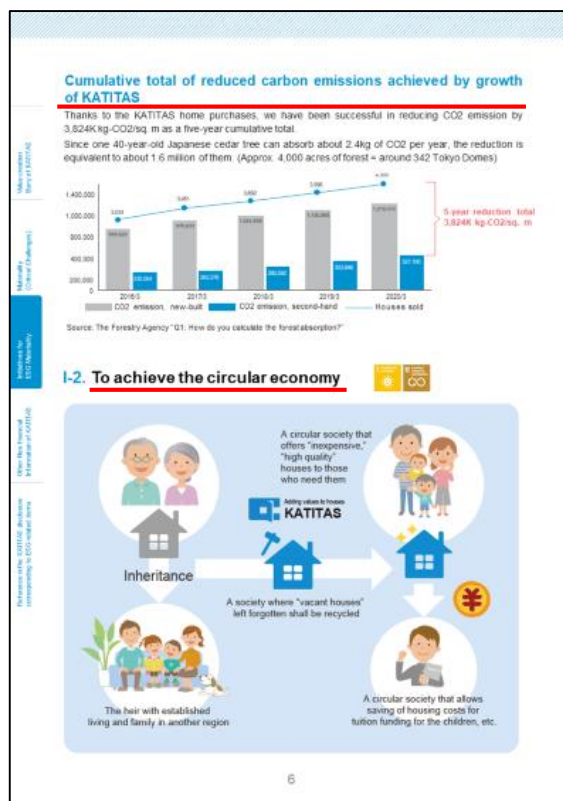
Mention comments from board members from the board of directors' effectiveness assessment

## Materiality (Critical Challenges)

We are believe that resolving the societal challenges while growing business is critical. In line with the belief, we are committed to working to grow our business, resolve the societal challenges and realize a society of sustainable growth by defining our materiality as follows.

| Materiality | Specific activities  | SDGs  |
|-------------|--|---|
| E           | I. To reduce the "environmental load" through promoting distribution of second-hand residential houses |          |
|             | II. To resolve the "vacant house issues" through provision of the fourth option                        |          |
| S           | III. To promote "regional revitalization" through life of local living and working                     |          |
|             | IV. "Enhanced governance" for sustainable growth   |          |
|             | V. Highly transparent accounting process and attitude for proactive dialogs                            |          |
| G           | VI. Simple and visible accounting process centered on the accounting linked to cash and deposits       |    |
|             | VII. Attitude for proactive dialogs with investors through the IR activities                           |    |

4



**IV. "Enhanced governance" for sustainable growth**

**IV-1. Improved structure and effectiveness of the corporate board**

**Proactive appointment of outside board members**

The outside board of directors at KATITAS is composed of three outside directors including two independent outside directors, allowing a higher standard of operation with three out of total eight (37.5%) board members coming from outside.

Comprising the outside directors by appointing members with diversified experience and expertise including corporate managers of business companies and experts of corporate governance promotion, KATITAS is pursuing highly transparent business operations.

**Enhanced effectiveness of the corporate board**

The BOO meetings are effectively working as a place of monthly business operation monitoring and discussions. They are managed in an atmosphere of unfettered and free exchange of opinions, receiving frequent questions from outside directors concerning business performance monitoring. The KATITAS BOO meetings are therefore managed with solid awareness of dialogs with the investors. In addition, advice based on the insights of outside directors are often provided, which helps the business operations in a timely manner. Questions from the outside directors that were not answered or marked as tasks at BOO meetings are worked through to possibly follow up by the next monthly meeting. Meanwhile, we are conducting assessment of the corporate board's effectiveness for the purpose of its enhancement. Honest opinions are provided, on which we will base our continuous improvement for better corporate board quality. Details about the assessment of the corporate board effectiveness are available [here](#).

**Excerpt of comments from assessment of the corporate board effectiveness**

| Survey item  | Score         | Free comment   |
|--|---------------|--|
| Agenda item coverage                                   | Quite pleased | Sufficiently covered and discussed from the governance aspect.   |
| Agenda item coverage                                   | Pleased       | Better if the mid-term management strategies are further discussed.  |
| Agenda item coverage                                   | Pleased       | The wider coverage with additional external environment analysis and mid-to-long-term management plan should be appreciated.   |
| Preparation of the reference materials for resolutions | Frustrated    | Reference materials for some matters are recommended on the previous date of the resolution, causing difficulty to practically review them lead to be improved.  |
| Preparation of the report materials                    | Quite pleased | Quite pleased as they always include on-the-spot comments (summaries).   |
| Preparation of the report materials                    | Fair          | Though generally pleased with reports on the numbers, efforts such as organizing the 4Rs in a logic tree format are necessary.   |
| Composition of the board members (Diversity)           | Fair          | Actually lacking balance with no inclusion of foreigners and women. Yet the policy to give priority to these meeting the requirements is good enough, with no need to assign them, constrained with the diversity focus. |
| Expertise/experience/competency of the board members   | Pleased       | Seems to be a well-balanced composition with corporate governance experts, managers with experience from the YASURAGI days of KATITAS, retail business managers and former fund professionals.                           |
| Unfettered atmosphere of the discussions               | Fair          | Opinions mostly coming from the CEO and outside board members. It would be better if more reports come from the internal members who are closer to the business execution.   |
| Response to existing homework issues                   | Quite pleased | Worth a high score as we are always getting feedbacks on them.   |

### 3. Overview of the Company's Business Model

|   | Business Model  |
|---|---|
| Overview of the Company's Business Model      | <b><u>Suburban areas surrounding regional cities</u></b> (Targeting regions with populations of 50,000 – 300,000)   |
| Properties handled                            | Mainly pre-owned single-family <b><u>detached houses</u></b> which have become vacant due to events such as inheritance   |
| Average selling price                         | <b><u>JPY 14.7 million</u></b> (including tax)  |
| Buyers' needs                                 | <b><u>Actual demand</u></b> (purchases made for the purpose of the buyer themselves living in the property as a residence)  |
| Buyers' age range                             | <b><u>30s–50s</u></b> (75.8% of the Company's sales results)  |
| Buyers' annual income                         | <b><u>JPY 2-5 million</u></b> (70.8% of the Company's sales results)<br>(home loan to annual income ratio is 3.97)<br>* Households with annual incomes between 2 and 5 million yen are the largest volume zones in rural areas, excluding the three major cities. |
| Type of buyers' loan                          | <b><u>Home</u></b> loan   |
| Financial institutions with loan transactions | <b><u>Nationwide</u></b> regional banks, shinkin banks, credit associations and labor banks, etc.   |
| Source of loan payments                       | Buyer's <b><u>flow income</u></b>   |

\*1 Figures for average selling price, buyers' age range, and buyers' annual income are from cumulative results for the fiscal year ended March 31, 2020.

\*2 Home loan to annual income ratio = selling price (including tax) ÷ annual income

Annual income based on customer responses. Calculated excluding customers that pay in full in cash, customers with unknown income, and corporations.



### 3. Examples of Value-Added Properties (1): Appearance and Exterior Work

- Work on appearance is intended to improve endurance and make houses look more attractive
- Expansion of parking spaces is essential in Regional areas; decisions on procuring properties are made depending on whether such expansion is possible or not, and potential acquisition of adjacent land and scaling-down of the size of houses are examined



Renovated one-story house: replaced the damaged eaves and refreshed the dilapidated exterior



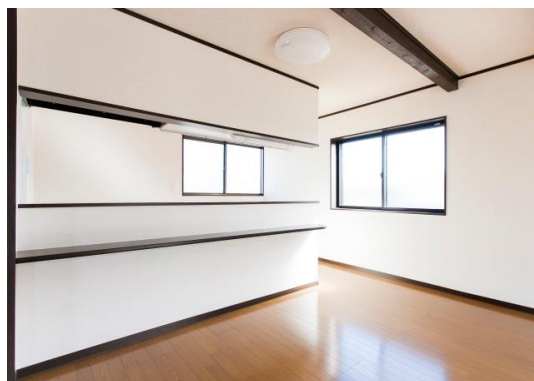
House where porch tiles were replaced, a new exit door was installed and the exterior wall was clad with accent tiles



House where two parking spaces were created by removing garden trees and part of the retaining wall

### 3. Examples of Value-Added Houses (2): Interior Work

- Not only re-wallpapering and re-flooring, but also a willingness to make floor plan changes helps Katitas' efforts to "create comfortable dwelling spaces"
- Renovation work is intended to erase traces of former owners completely, while selected parts of houses are left untouched in order to curb costs (and eventually, to rein in selling prices)



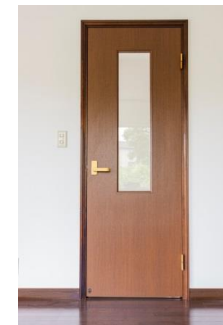
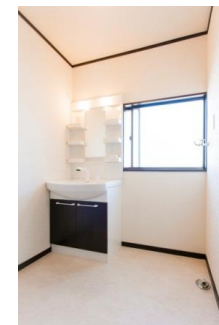
New look of an integrated LDK space with replaced flooring and wallpaper, after the floor plan with the living and dining rooms separated was altered by changing the location of the kitchen

Conversion of two adjoining Japanese rooms into two modern Western rooms, by installing a wall and replacing tatami mats with flooring, at a low cost achieved by using the original sash

Renovated entrance, by replacing the carpet with flooring, cladding the entrance foyer with new terracotta-style tiles and installing a new shoe closet

### 3. Examples of Value-Added Houses (3): Facilities Work

- New plumbing products are installed to improve usability and cleanliness
- Materials are procured at lower prices through bulk purchases, which results in large-scale renovation work at about half the price paid in personally-requested renovation work



Newly-installed kitchen unit with a hanging cupboard, replacing the inconvenient unit used for more than 30 years and resulting in drastic improvement in both usability and appearance

A new modular bath system is installed in approx. 90% of houses procured

A new multi-functional toilet is also installed in approx. 90% of houses procured

A new washstand is installed in approx. 90% of houses procured and many requests for locational change are met

Room doors and other fittings are replaced and repaired as necessary



### 3. Implementing risk management based on track record of 50,000 projects

- Katitas has accumulated a stock of “failure cases” through purchasing and selling more than 50,000 houses. These cases frequently occur as a result of errors made at the time of procurement. Failure cases are shared with branches nationwide on a weekly basis.
- Before procurement, in addition to clarifying the boundaries with adjacent land, Katitas conducts “three-party on-site meetings” with the renovation contractor and termite exterminator. The three parties will check the entire house to ascertain whether the building has deterioration in the frame, or a history of roof leakage.
- Katitas will also carry out extensive inspections both during renovation and at the time of completion, in order to minimize failures and problems that may occur after the property has been delivered.

#### Details of pre-procurement inspection



The termite exterminator performs an inspection of the underfloor space looking for evidence of termite damage. This avoids unexpected renovation costs, and reduces the risk of procuring a property that is difficult to renovate



The renovation contractor will check the entire frame of the building including the roof space looking for evidence of roof leaks and pests. These inspections increase the accuracy of renovation cost estimates.



A land survey is conducted on every project. This provides comfort to the buyer. Land surveys are unnecessary for pre-owned condominiums.

#### Examples of cases which required major repair after procurement or after sale



Unstable foundations were discovered after procurement. This needed to be repaired before sale which led to additional costs.



Case in which subsidence under the floor was discovered after procurement. A major rebuilding of the foundation was necessary.



Case in which the roof leaked after sale. A full repair was carried out under the warranty against defects.



Case in which deterioration in roof materials was noticed after sale. As a partial repair was not possible, the entire roof had to be replaced.

● Katitas regards these failure cases as the “assets of the company,”. They are shared with the entire company on a weekly basis to prevent recurrences (= minimize risk)

● Nevertheless, unsaleable properties are occasionally procured due to unexpected defects.

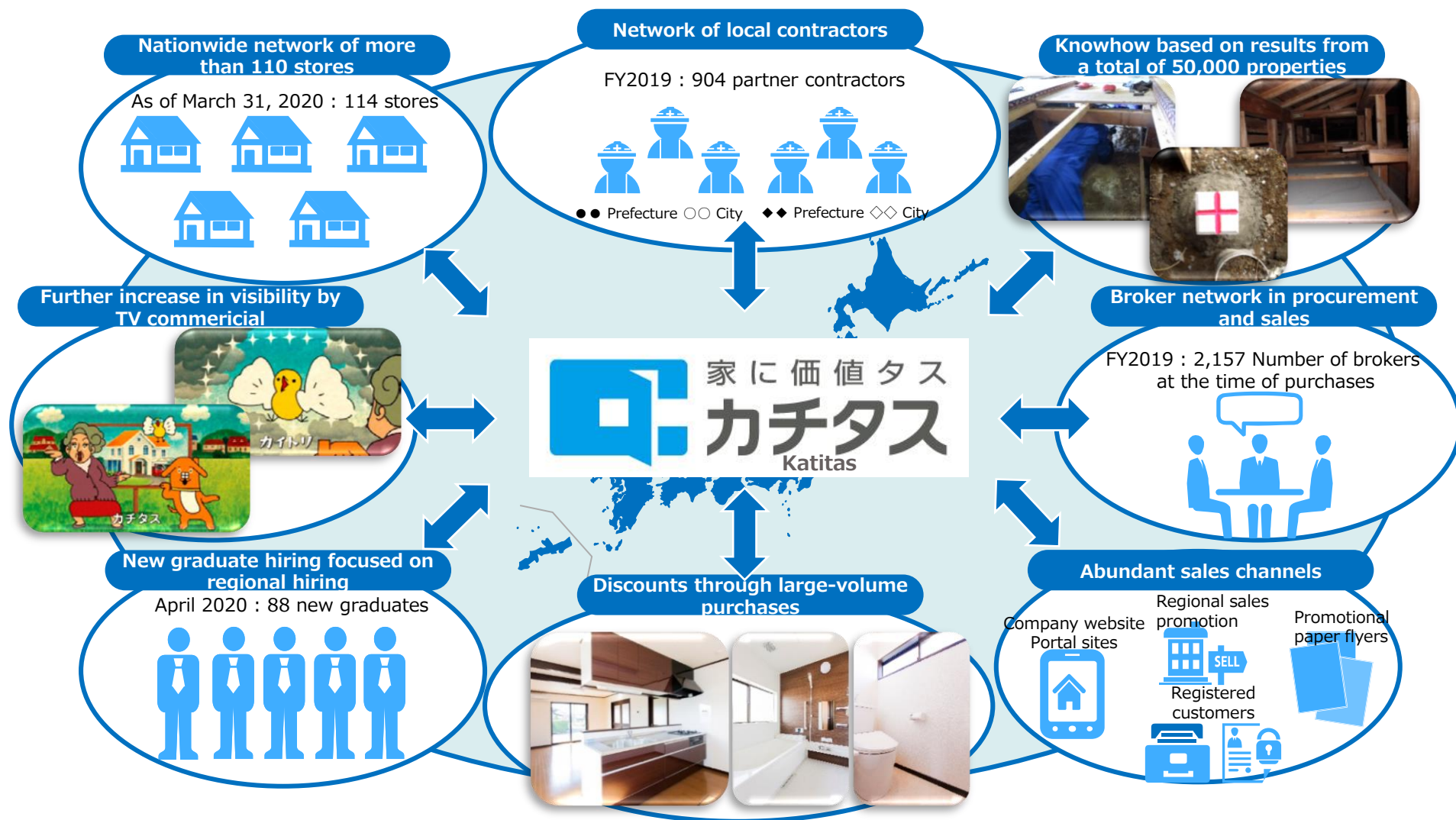
### 3. Entry Barrier of Katitas' Business Model and Competitive Advantage

|  |  |  |   |   |
|--|--|--|---|---|
| Entry Barrier  | Individual property characteristics  |  | Regional characteristics  |   |
|  | <p><b><u>Property conditions are extremely varied</u></b></p> <p>Even with properties built by the same home builder, the deterioration of properties differs based on the location and maintenance.</p>   | <p><b><u>Economies of scale do not apply</u></b></p> <p>In addition to the individual characteristics of the homes themselves, extreme differences in the levels of deterioration make standardized reforms difficult, and economies of scale do not easily apply.</p> | <p><b><u>Lifestyles by region</u></b></p> <p>Lifestyles differ throughout Japan with its heavy snowfall regions and hot and humid regions, meaning thorough regional knowledge is required to respond to customer needs.</p>  | <p><b><u>Differing business environments</u></b></p> <p>The presence of competition as well as the number and level of partner companies such as contractors and other licensed professionals differ by region.</p> |
| <p><b>We will create our own unique positioning by properly managing the balance between “standardization” and “individual solutions”</b></p>  |  |  |   |   |
| Competitive Advantage  | Standardization policies   |  | Individual solutions policies   |   |
|  | <p>●<b><u>Preparation and weekly updates of manuals</u></b></p> <p>~Organize individual work processes including procurement, reforms, and sales in detail.<br/>Create manuals for renovation contractors as well.</p> <p>●<b><u>Standardization of knowledge</u></b></p> <p>~Collect information on good knowledge and bad knowledge through weekly business condition reports.<br/>Standardize and disseminate solution methods to workplaces through weekly company-wide morning video conferences.</p> <p>●<b><u>Checking system at headquarters</u></b></p> <p>~Check the contents of contracts and reforms at headquarters from a third-party perspective.</p> |  | <p>●<b><u>Sales staff oversees every phase of the business flow</u></b></p> <p>~By overseeing every phase from the property acquisition to reform plans to sales, the sales staff takes responsibility for everything from property quality to customer support.</p> <p>●<b><u>Hire personnel with ties to each region throughout Japan</u></b></p> <p>~Hire “exceptional students wishing to work for the region” at local universities and establish positioning as a company that works for the region.</p> <p>●<b><u>Compensation system not reliant on results</u></b></p> <p>~Compensation system based on fixed salaries to allow employees to work for a long time and accumulate the benefits of experience.</p> |   |
| <p>●Accumulate “experiences of success and failure” based on the results of more than 50,000 properties</p> <p>●By focusing on regional cities and the middle-income range, we will build a platform that, unlike metropolitan city center and high-end markets, is resistant to market conditions</p> <p>●Hiring and development that enhances personnel performance</p> <p>●Detailed management by a management class with diverse backgrounds</p> |  |  |   |   |

3.

# Build a strong foundation that cannot be imitated by competitors through an organically integrated ecosystem

- The strength of Katitas's business model is as a strong, organically integrated collective, and not in individual, exceptional strengths.
- Build a highly unique business model that cannot be easily imitated by competitors.



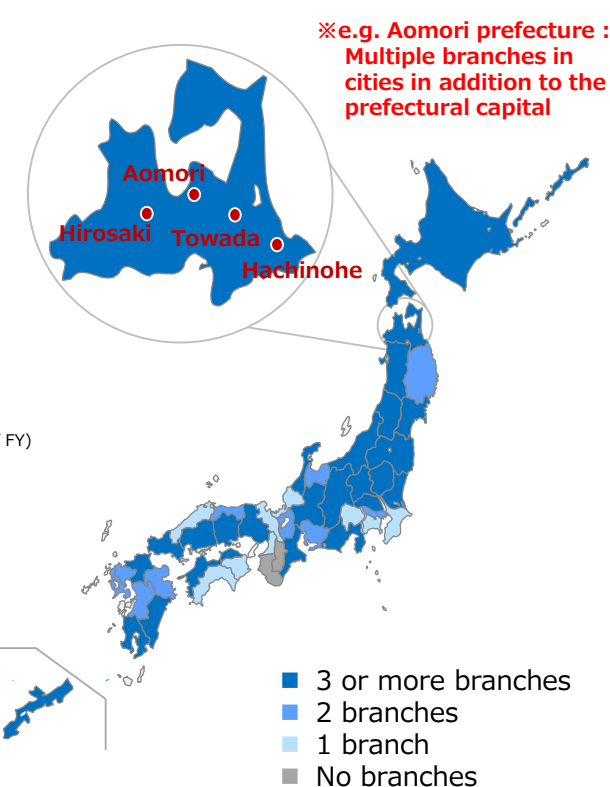
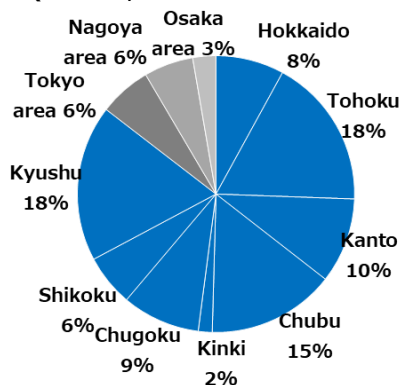
### 3. Nationwide Branch Network and High Brand Recognition

- Katitas maximizes procurement and sales opportunities by covering geographic areas not or rarely accessed by competitors, including small- and medium-sized cities with populations between 50,000-300,000
- Katitas has No.1 brand recognition in regional areas

#### Nationwide Branch Network

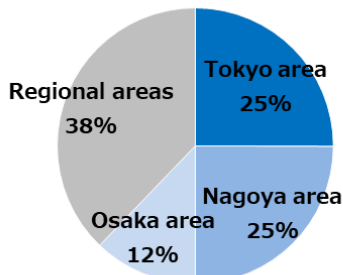
**Katitas: Sales by area<sup>(1)(2)</sup>**  
(FY2019, based on number of units)

**Branch Locations<sup>(3)</sup> of Katitas**  
(As of March 31, 2020)



\*Number of units sold (FY2019): 4,305  
\*FY2019 results  
(representing closing/settlement completed by the end of FY)

**Reprice: Sales by area<sup>(2)</sup>**  
(FY2019, based on number of unit)



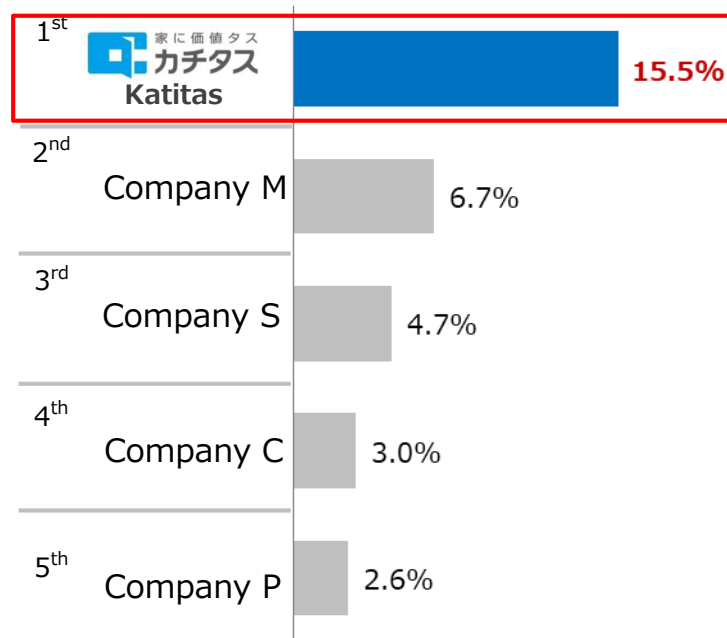
\*Number of units sold annually: 1,496  
\*\*"Regional areas" are other areas than the "three metropolitan areas"<sup>(2)</sup>  
\*FY2019 results (Houses that were delivered by the end of FY)

#### High Brand Recognition in Regional Areas

##### Survey on Brand Recognition<sup>(4)</sup>

Q. "Which company comes to mind if you are asked about a company to which one could sell a house?"

(Surveyed without presenting answers options in August 2020 in areas where Katitas TV commercials were aired)



Source: Web-based survey conducted by a third-party research firm requested by Katitas. The number of samples of each survey was 1,100. Ten prefectures were selected as target survey areas and the surveys were conducted in rotation. The above chart shows aggregated results of prefectures where Katitas TV commercials were aired

(1) Tohoku: Aomori, Iwate, Miyagi, Akita, Yamagata and Fukushima prefectures. Kanto: Ibaraki, Tochigi and Gunma Prefectures. Chubu: Niigata, Toyama, Ishikawa, Fukui, Yamanashi, Nagano and Shizuoka prefectures. Kinki: Shiga and Wakayama prefectures. Chugoku: Tottori, Shimane, Okayama, Hiroshima and Yamaguchi prefectures. Shikoku: Tokushima, Kagawa, Ehime and Kochi prefectures. Kyushu: Fukuoka, Saga, Nagasaki, Kumamoto, Oita, Miyazaki, Kagoshima and Okinawa prefectures.  
(2) Three Metropolitan Areas (defined by the Ministry of Internal Affairs and Communications): Tokyo area (Saitama, Chiba, Kanagawa and Tokyo prefectures), Nagoya area (Gifu, Aichi and Mie prefectures) and Osaka area (Osaka, Hyogo, Nara and Kyoto prefectures)  
(3) Branch list is explained in detail on P.43  
(4) Surveyed areas in Aug 2020 were Akita, Yamagata, Fukui, Ishikawa, Shizuoka, Kagawa, Fukuoka, and Kagoshima prefectures (where TV commercials were aired), as well as Ibaraki and Mie prefectures (where no TV commercials were aired)

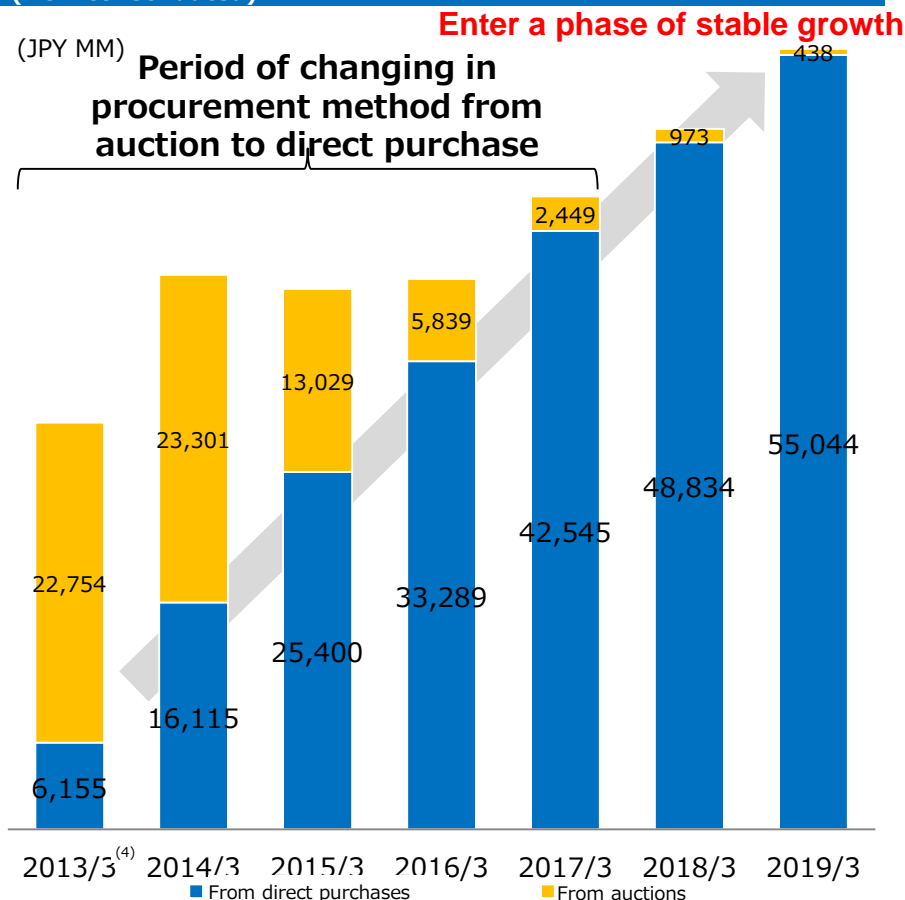
3.

# Increased Ratio of Properties Procured Through Direct Purchases as Compared to Auction Purchases Contributed to Rapid Growth in Sales and Gross Profit

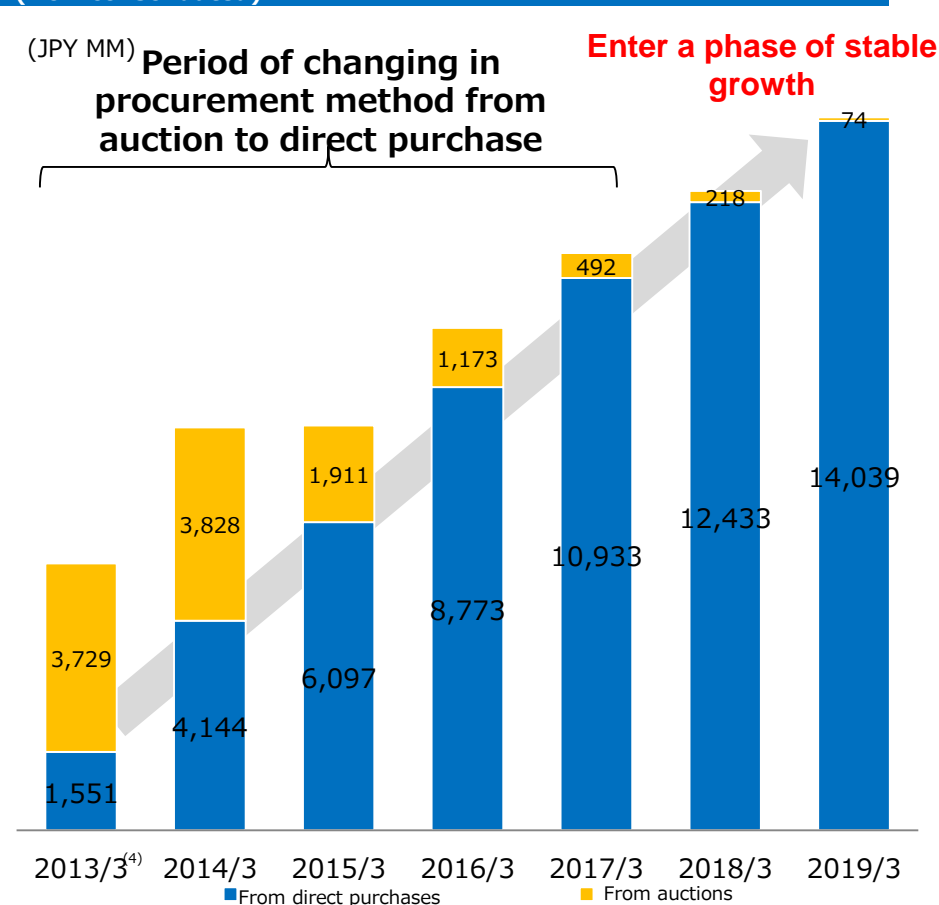
(Reposted from FY2018 4Q)

- Katitas has largely shifted its property procurement method from auctions to direct purchases.<sup>(1)</sup> This drastic reform increased gross profit
- From FY2018/3, Katitas is likely to enter a phase of stable growth of around 10% annually

Historical Sales <sup>(2)</sup> Breakdown by Procurement Method  
(Non-consolidated)



Historical Gross Profit<sup>(2)(3)</sup> Breakdown by Procurement Method  
(Non-consolidated)



(1) Please refer to P.52 regarding the comparison between procurement through auctions and direct purchases

(2) Sales and gross profit are based on managerial accounting

(3) Gross profit from sales attributed to homes procured through auction and direct purchases is based on the procurement costs and renovation costs of the homes before appraisal loss, loss from lower-of-cost-or-market valuation, impairment loss and other minor adjustments

(4) During the fiscal year ended March 31, 2013, we changed the end of our fiscal year from January 20 to March 31 and as a result the fiscal year ended March 31, 2013 covers the approximately 14-month period from January 21, 2012 until March 31, 2013



### 3. Unique Business Model to Add Value to Vacant Houses

- Katitas adds value to under-valued vacant houses by renovating them for re-sale
- Katitas' unique business model and its efforts to solve problems related to vacant houses in regional areas are highly regarded by external parties, as represented by the award given by the Ministry of Economy, Trade and Industry and the Porter Prize

Awarded by the Ministry of Economy, Trade and Industry as an Innovative Renovation Company in 2015<sup>(1)</sup>



- Contribution made through purchasing/reselling pre-owned houses with a focus on regional single-family houses. Developed a framework to enhance customer satisfaction by minimizing renovation costs
- As an industry leader, not only tackling the empty house problem but also established its own construction quality standard which contributes to the soundness of the industry

Porter Prize in FY2017



The reasons awards were received can be viewed through the following URL or by double-clicking on the above icon.

[http://katitas.jp/information/ir/file/2017porter\\_prize\\_Eng.pdf](http://katitas.jp/information/ir/file/2017porter_prize_Eng.pdf)

- The prize is intended to recognize outstanding Japanese companies that implement **excellent competitive strategies**
- The prize bestows recognition on Japanese companies that have **achieved and maintained superior profitability** by implementing **unique strategies** based on innovations in products, processes, and ways of managing
- Reason for the award; (1) Katitas renovates pre-owned houses in regional areas and sells them at price levels that make mortgage payments competitive with renting. (2) Katitas continues its growth by providing high quality houses in regional areas where population is decreasing with limited supply of newly built houses

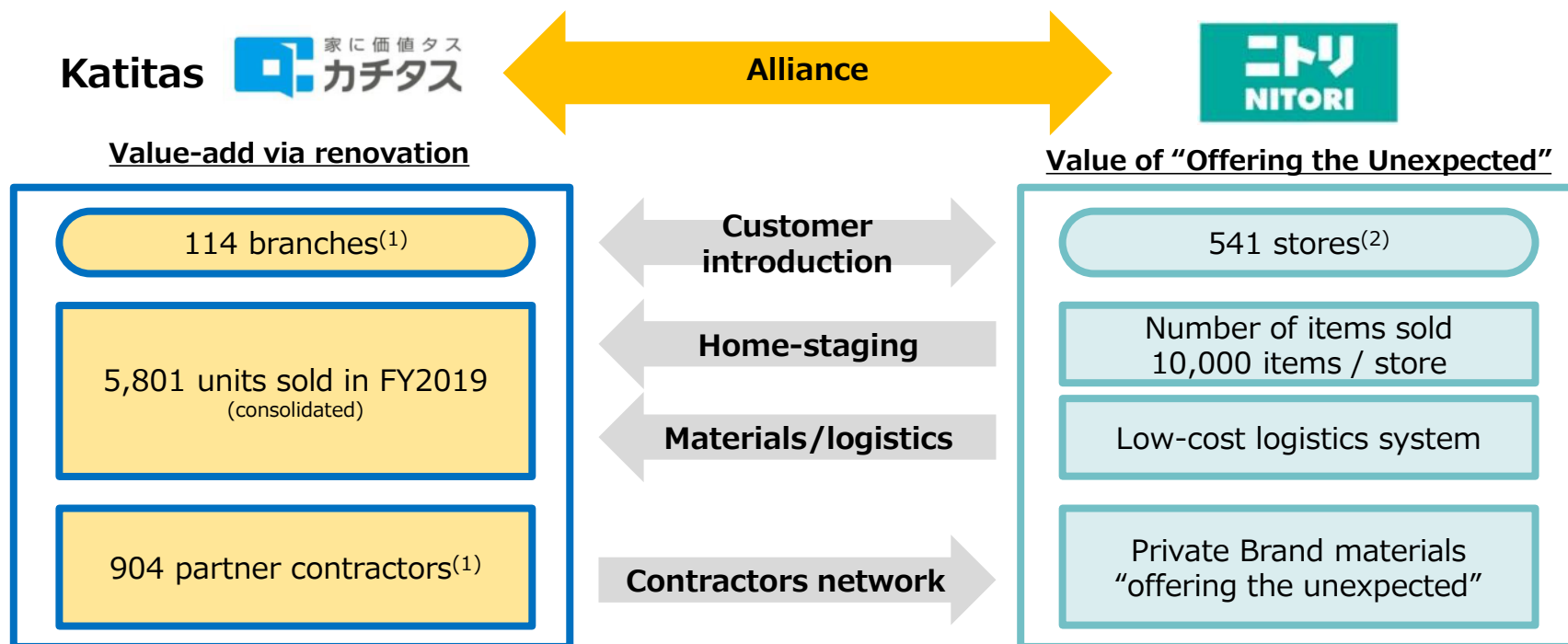
(1) Starting in 2014, METI has been granting annual awards to companies that address a variety of needs of consumers with the strengths of their unique business models

### 3. Alliance with Nitori Holdings (Announced on April 28, 2017)

- Advantage Partners transferred 34% of Katitas' shares to Nitori Holdings for JPY23,300 MM
- Katitas and Nitori entered into an alliance that aims to utilize their respective strengths to provide enriched and more comfortable living environments to their customers

#### Expected Synergies

### From House Re-seller to Lifestyle Provider



(1) As of March 31, 2020

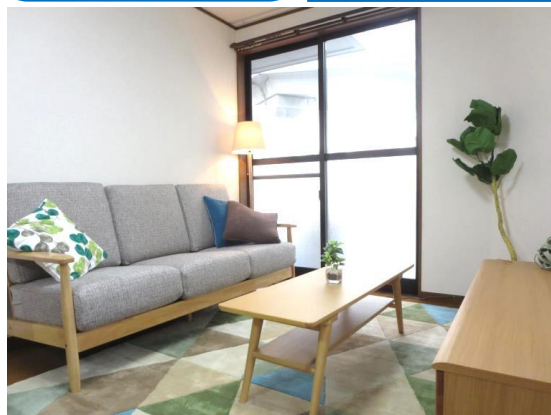
(2) Aggregate of "Nitori" stores, "Nitori Express" stores and "Nitori Deco house" stores in Japan (as of February 29, 2020)

### 3. Progress of Alliance-based Operations (1/2)

- Pre-owned houses fitted with Nitori furniture and interior items not only convey a more concrete image of the post-move lifestyle and living space to those considering purchasing, but also have the advantage to the purchaser of incorporating the expense into the home loan, so that there is no burden associated with the new lifestyle.
- Those who have purchased a property from the Katitas Group are presented with a coupon which will earn them five times more points than usual when they purchase Nitori products

#### Sales Service

#### Offering and selling pre-owned houses fitted with Nitori furniture and interior items



#### Sales Service

#### Issuing coupons that can be used for purchases of Nitori products

#### カチタス・リブライズご成約者様 ニトリ特別クーポン

ニトリ  
メンバーズ  
ポイント

**5倍**  
プレゼント!

**SAMPLE**

〈クーポンご利用上のご注意〉

●お一人様1回までのご利用とさせていただきます。●ニトリメンバーズ会員様対象です。(当日入会可)●ニトリネット・電話でのご注文、ニトリ法人事業部・リフォーム事業部ではご利用いただけません。●送料・組立料・設置料などのサービス料金は除きます。●クーポンのコピーはご利用いただけません。●付与されたポイントはお客様の買い物の翌日からご利用いただけます。●クーポンはお会計時に回収させていただきます。●他のクーポンや割引、キャンペーンとの併用はできません。●有償・無償問わず、クーポンの第三者への譲渡は禁止します。●購入金額が100円(税別)未満の場合はポイント加算いたしません。 ※お会計の前に店員へお渡しください。

Discount coupon presented to purchasers when properties are delivered

**ニトリ**  
NITORI

【ニトリ×カチタス 業務提携特別サービス】

※詳細は物件内覧時に弊社担当にお尋ねください

カチタスの住宅をご成約いただいた方に、ニトリでの商品購入時に利用できる  
**ニトリポイント5倍クーポンを差し上げます**

**ニトリ**  
NITORI

× **reprice**

業務提携特別サービス実施中

リブライズの住宅をご購入頂くと、ニトリ店舗・デコホーム店舗で使える

**ニトリメンバーズポイント5倍クーポン**  
プレゼント!

※詳細は物件内覧時に弊社担当にお尋ねください

Website banner announcing that coupons will be given



### 3. Progress of Alliance-based Operations (2/2)

- "VHS (Virtual Home Staging)" virtually installs Nitori furniture in Katitas properties.
- This can be implemented more easily in terms of cost and furniture delivery logistics than showing a "furnished house".
- There has been an improvement in the contract rate for properties where VHS is implemented, so we plan to increase the number.

**2 Yaeta-cho, Aomori-shi, Aomori (single-family homes)** 予約販売学会実行中 10月17日(土)

【リフォーム済】10月17日(土)予約利見学会開催(前日18時までに要電話予約)間取りは3LDK、駐車場には軽自動車2台まで停められます。全部屋洋室、収納スペースもあります。





**Selling Price**  
**JPY 11.5MM**  
(Including tax)

**Monthly payments**  
**JPY 32,435**

Land 150.02㎡ Building 120.21㎡ (3bedroom + 1.5bathroom)

現地見学会 パンラマ写真あり



Links to a 360° panorama allows viewers to take virtual tour of a property while moving the view around.



Switchable with one click



Currently, VHS is used mainly for living rooms (the curtains at both ends of the image and the refrigerator are also VHS)

# Presentation Highlights

**1.**

**Overview of Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2021**

**P2-P7**

**2.**

**Management Plan for FY2020 (Ending March 31, 2021)**

**P9-P19**

**3.**

**Overview of Business Model**

**P21-P40**

**4.**

**APPENDIX**

**P42-P55**

## 4. Company Summary

|                              |   |
|------------------------------|---|
| Name                         | KATITAS Co., Ltd.                       |
| Date of Establishment        | September 1, 1978                       |
| Representative               | Katsutoshi Arai, President and CEO      |
| Fiscal Year-End              | March 31                                |
| Capitalization               | JPY 3,778,871,000 (As of Sep 30, 2020)  |
| Number of outstanding shares | 78,650,640 shares (As of Sep 30, 2020)  |
| Listed Stock Market          | TSE 1st Section (Securities Code: 8919) |
| Headquarters                 | 4-2 Mihara-cho, Kiryu-shi, Gunma        |
| Subsidiary                   | REPRICE Co., Ltd.                       |

## 4. Katitas Group Branch List (All Own Branches)

Branches (As of Sep 30, 2020)

**Katitas**  ⇒ Nationwide network covering regional small- to medium- sized cities

|   |  |   |   |
|---|--|---|---|
| <b><u>Hokkaido</u></b><br>Sapporo<br>Otaru<br>Asahikawa<br>Iwamizawa<br>Kitami<br>Hakodate<br>Kushiro<br>Obihiro<br>Muroran | <b><u>Kanto</u></b><br>Mito<br>Tsukuba<br>Shimotsuma<br>Hitachi<br>Utsunomiya<br>Oyama<br>Tochigi *1<br>Nasu<br>Ota<br>Midori<br>Numata<br>Takasaki<br>Kumagaya<br>Koshigaya<br>Saitama<br>Iruma<br>Mobara<br>Hachioji<br><b><u>Koshinetsu, Hokuriku</u></b><br>Nagaoka<br>Niigata<br>Joetsu<br>Shibata<br>Tsubamesanjo<br>Toyama<br>Takaoka<br>Kanazawa<br>Nanao<br>Fukui<br>Kofu<br>Ueda<br>Nagano<br>Matsumoto<br>Ina | <b><u>Tokai</u></b><br>Gifu<br>Tajimi<br>Ogaki<br>Shizuoka<br>Numazu<br>Iwata<br>Nagoya<br>Matsuzaka<br>Nabari<br><br><b><u>Kansai</u></b><br>Shiga<br>Kusatsu<br>Fukuchiyama<br>Kobe<br>Toyooka<br>Himeji<br><br><b><u>Chugoku</u></b><br>Tottori<br>Yonago<br>Izumo<br>Okayama<br>Tsuyama<br>Hiroshima<br>Fukuyama<br>Kita-Hiroshima<br>Yamaguchi<br>Shimonoseki<br>Shunan<br>Ube | <b><u>Shikoku</u></b><br>Tokushima<br>Takamatsu<br>Marugame<br>Matsuyama<br>Saijo<br>Uwajima<br>Kochi<br><br><b><u>Kyushu</u></b><br>Fukuoka<br>Kita-Kyushu<br>Kurume<br>Iizuka<br>Omura<br>Saga<br>Sasebo<br>Isahaya<br>Kumamoto<br>Yatsushiro<br>Oita<br>Nakatsu<br>Miyazaki<br>Miyakonojo<br>Nobeoka<br>Kagoshima<br>Kagoshima Chuo<br>Satumasendai<br>Okinawa |
|---|--|---|---|

**Total 113 Branches**


 **reprice** ⇒ Focus on urban areas




|  |  |
|--|--|
| Reprice Tokai<br>Reprice Tokyo Shibarikyu<br>Reprice Tokyo Daimon<br>Reprice Hokkaido<br>Reprice Tohoku<br>Reprice Kita-Kanto<br>Reprice Shinshu<br>Reprice Shizuoka | Reprice Gifu<br>Reprice Kansai<br>Reprice Chugoku<br>Reprice Okayama<br>Reprice Shikoku<br>Reprice Kyushu<br>Reprice Okinawa |
|--|--|

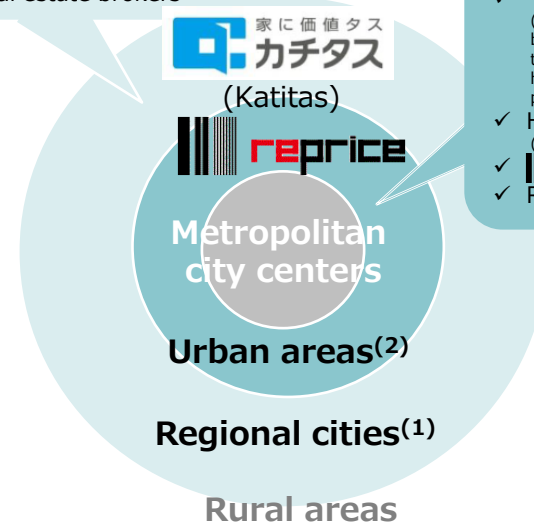
**Total 15 Branches**

### Main types of house sellers

- ✓ Local home builders
- ✓  カチタス (Katitas)
- ✓ Real estate brokers

### Main types of house sellers

- ✓ Home builders
- ✓ "Power Builders"  
(home builders specializing in built-for-sale houses primarily targeting customers purchasing home for the first time in the price range of JPY20MM-30MM)
- ✓ House re-sellers  
(primarily condominium units)
- ✓  reprice
- ✓ Real estate brokers



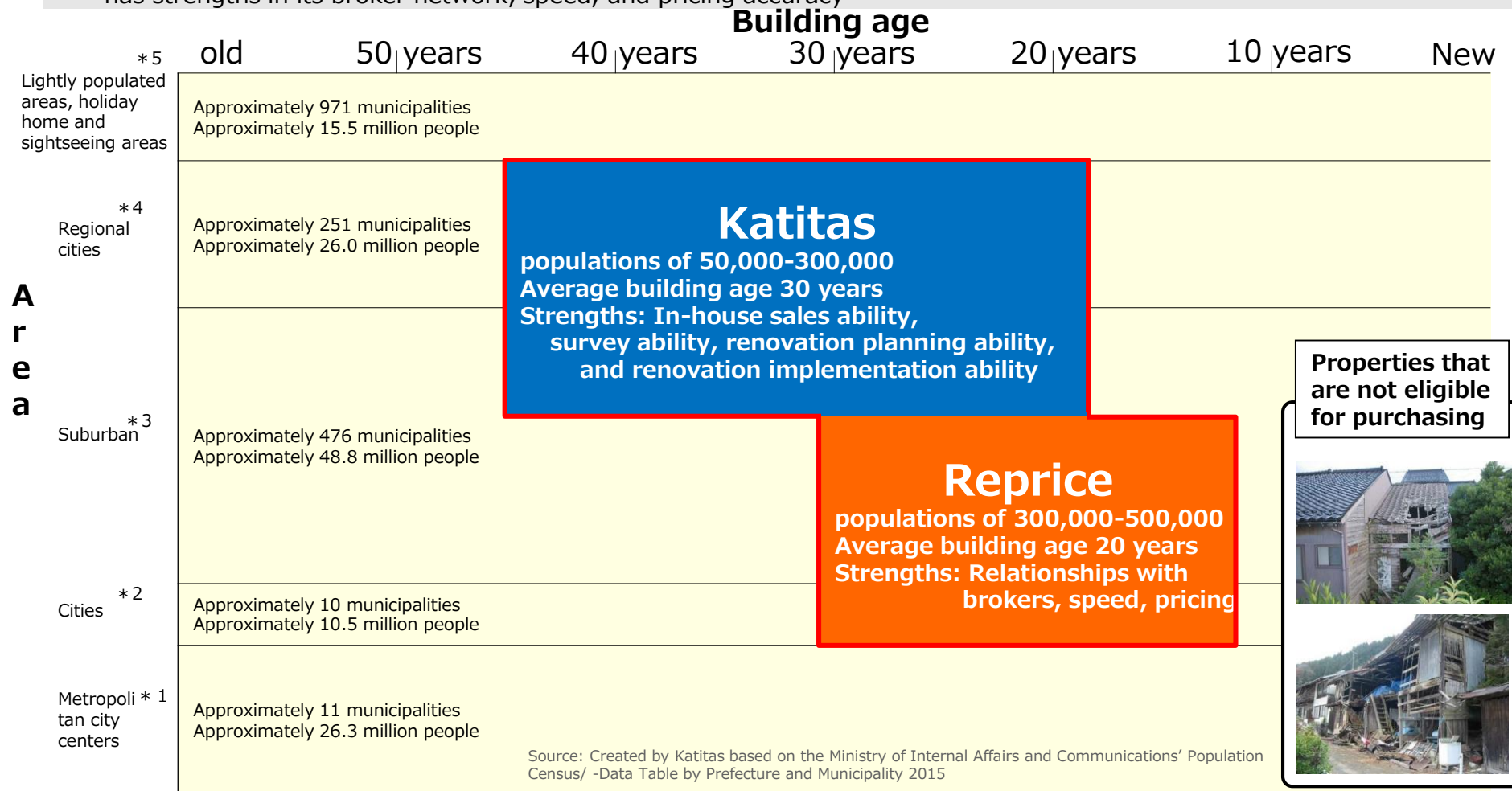
\*1 The branch newly opened in July 2020

(1) Suburban areas surrounding regional cities across Japan

(2) Primarily regional cities and suburban areas in proximity to the three major metropolitan cities of Japan (Tokyo, Nagoya and Osaka)

## 4. Business Development Areas and Building Ages of the Group

- Katitas focuses on regional cities (population 50,000-300,000) and buildings with an average 30 years. It has strengths in in-house sales ability, survey ability, renovation planning ability, and renovation implementation ability.
- Reprice focuses on urban and suburban areas (population 300,000-500,000) and buildings with an average 20 years. It has strengths in its broker network, speed, and pricing accuracy



\*1 Metropolitan city centers: Tokyo 23 wards and ordinance-designated cities within three metropolitan areas (Osaka-shi, Nagoya-shi, Kyoto-shi, Yokohama-shi, Kobe-shi, Kawasaki-shi, Chiba-shi, Saitama-shi, Sakai-shi, Sagami-hara-shi)  
 \*2 Cities: Ordinance-designated cities outside the Tokyo 23 wards and three metropolitan areas (Sapporo-shi, Fukuoka-shi, Hiroshima-shi, Sendai-shi, Kitakyushu-shi, Niigata-shi, Hamamatsu-shi, Kumamoto-shi, Okayama-shi, Shizuoka-shi)  
 \*3 Suburban areas : Areas within three metropolitan areas excluding Tokyo 23 wards, ordinance-designated cities same as above and municipalities with populations of 300,000-500,000  
 \*4 Regional cities: Municipalities with populations of 50,000-300,000 excluding areas within the three metropolitan areas  
 \*5 Lightly populated areas, holiday home and sightseeing areas: Municipalities with populations under 50,000 excluding areas within the three metropolitan areas

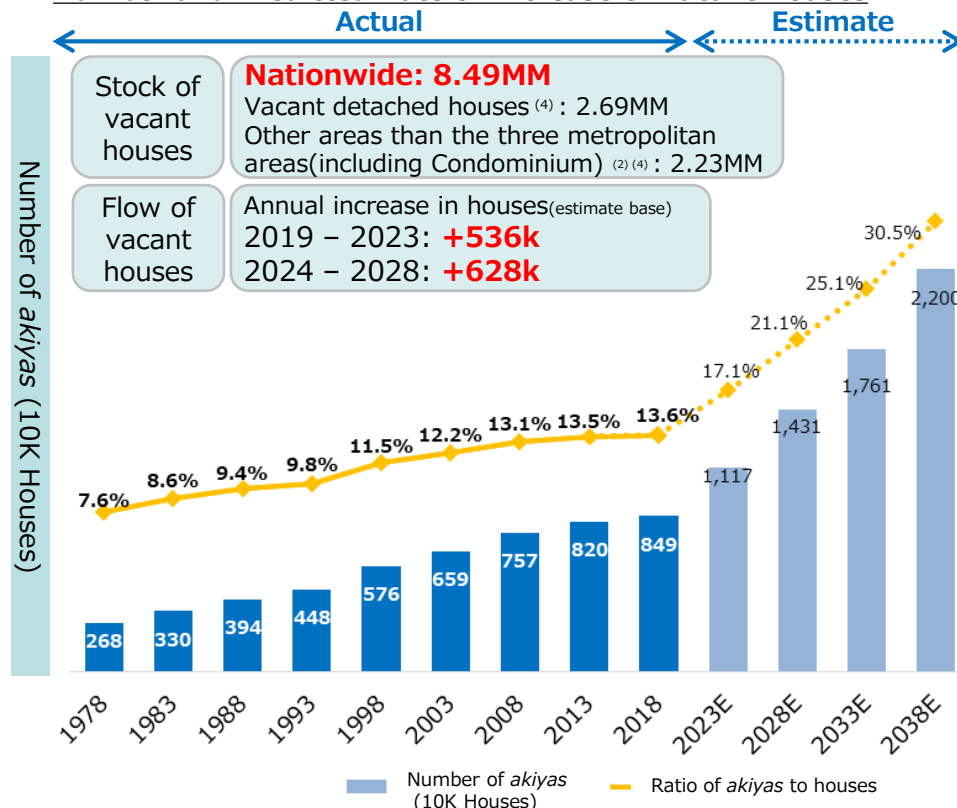
4.

# Medium and Long Term Expansion with Opportunities for Procurement Based on Increased Supply of Vacant Houses

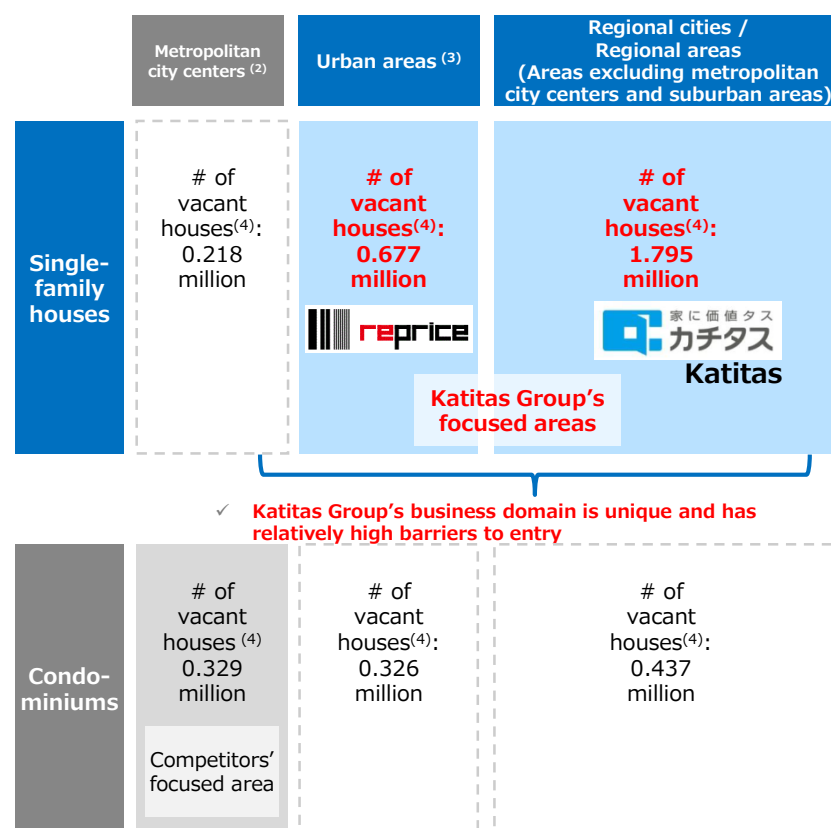
- There is a large number of vacant houses and the number is expected to increase, which provides Katitas with procurement opportunities
- Although a large majority of such vacant houses cannot be distributed in the housing market on an “as-is” basis, Katitas is capable of acquiring such houses with a low level of competition

## Abundance in Stock and Flow of Vacant Houses<sup>(1)</sup>

### Number and Predicted Rate of Increase of Vacant Houses



## Unique Business Segment



Source: Ministry of Internal Affairs and Communications, "2018 Housing and Land Survey Approximate Tabulation of Dwellings", Estimates are prepared by Katitas based on "Scenario 1: Retirement rate will return to the level in FY2008 - FY2012" in "Housing Market and Its Issues in 2040: Long-Term Outlook and Short-Term Analysis due to COVID-19" by Nomura Research Institute, Ltd.

(1) Vacant houses include pre-owned properties and rental houses

(2) Tokyo 23 wards and ordinance-designated cities within three metropolitan areas (Osaka-shi, Nagoya-shi, Kyoto-shi, Yokohama-shi, Kobe-shi, Kawasaki-shi, Chiba-shi, Saitama-shi, Sakai-shi, Sagami-hara-shi)

(3) Areas within three metropolitan areas excluding Tokyo 23 wards and ordinance-designated cities same as above

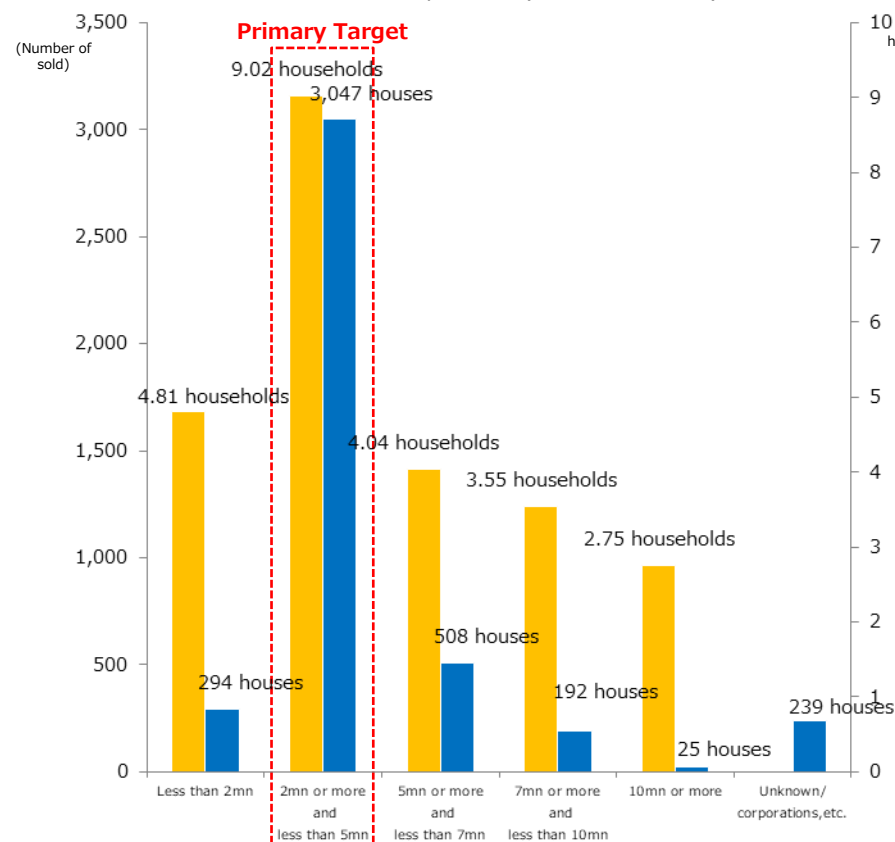
(4) Pre-owned properties and rental houses are excluded from the calculation of vacant houses same as above

## 4. Fourth Housing Option in Regional Areas: Pre-Owned and Renovated Single-Family Houses

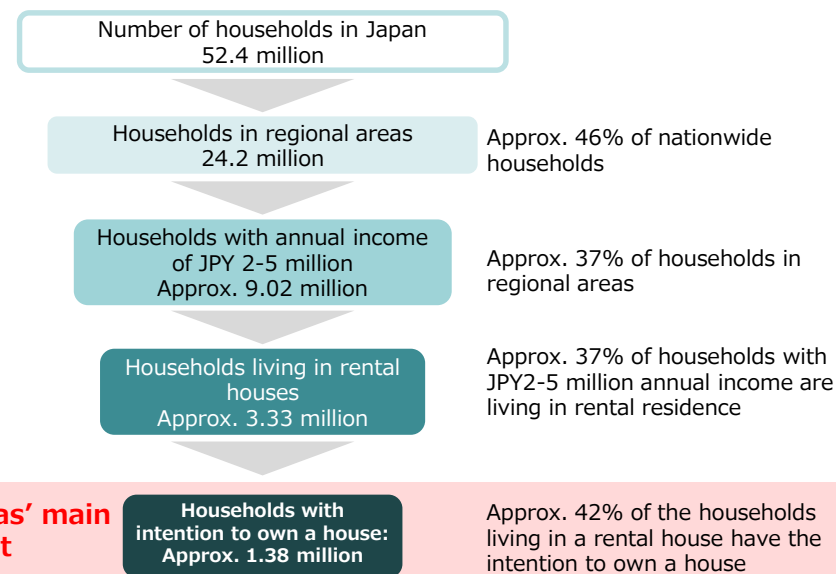
- Katitas' primary target customer base consists of approximately 1.38 million households currently living in rental houses in regional areas, with annual income of JPY2-5 million and the intention to own a house
- Based on the assumption that there is demand for 138,000 units if the duration of the abovementioned families considering the purchase of housing units is 10 years.
- The number of properties sold by Katitas in FY2019 was 4,305, which is equivalent to around 3% of the estimated market and many potential customers still exist.

### Customer Group by Annual Income and Macro Environment

■ Number of regional area households by annual income (JPY)  
■ Number of houses sold by Katitas (non-consolidated) in FY2019



### Large Potential Customer Base



Based on the assumption that the duration of considering the purchase of housing units is approximately **10 years**.  
⇒ The size of the market including potential demand is estimated at about **138,000 houses** per year.

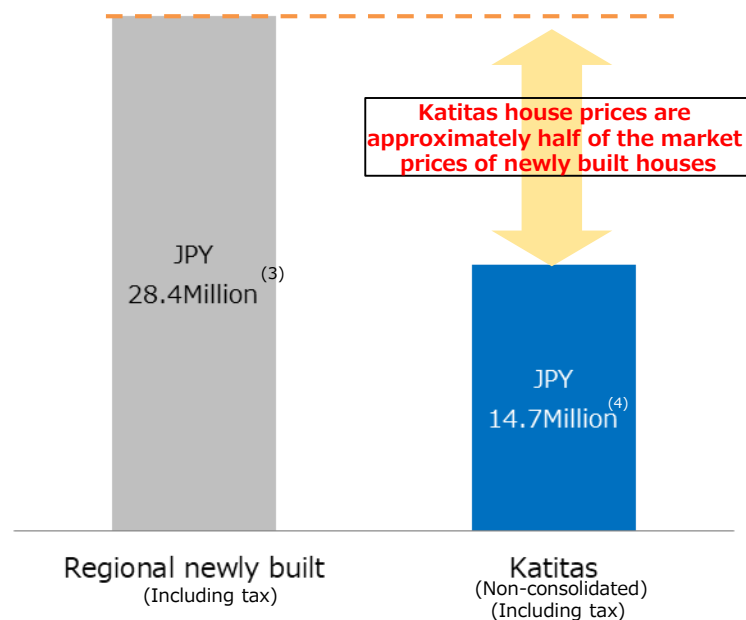
Annual number of houses sold by Katitas: 4,305 (around 3% of target)  
⇒ There are still many potential customers



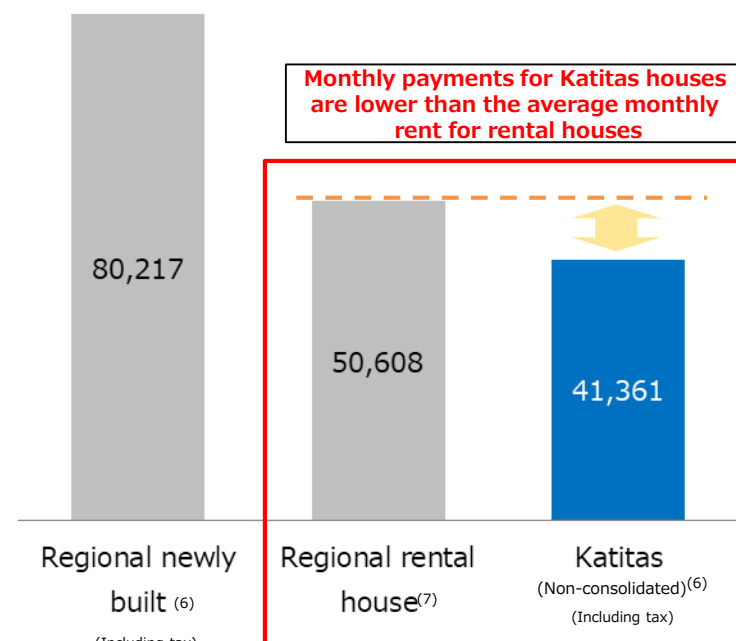
## 4. Offering High-Quality Renovated Houses at Reasonable Prices

- Katitas offers high-quality renovated houses at reasonable prices, which provides customers a "Fourth Option" to either newly built, pre-owned (non-renovated) or rental houses
- Katitas is able to offer renovated houses at roughly half the price of comparable newly built houses, that also offer lower monthly mortgage payments compared to renting

### Less Expensive than the Average Selling Price of Newly Built Houses



### Lower Payments than Rental Houses<sup>(5)</sup>



|                                    |                                  |
|------------------------------------|----------------------------------|
| Timing of transaction              | From April 2016 to March 2017    |
| Timing of construction             | In January 2016 and after        |
| Type                               | Building lot (land and building) |
| Total floor area (m <sup>2</sup> ) | Between 50 and 200               |
| Use of building                    | Housing                          |

(3) Average prices (including tax) of newly built houses are surveyed under the following screening method, based on the "Integrated System of Land Information" operated by Ministry of Land, Infrastructure, Transport and Tourism

(4) The average sales price of Katitas is calculated based on the sale price of properties constructed during the period between April 2019 and March 2020.

(1) The amounts used in the case above are estimates based on average amounts from Katitas (standalone) transactions in FY2018  
 (2) Mainly including real estate acquisition tax, registration license tax, registration fees and intermediary fees

(5) Monthly rent paid by households other than single-person households  
 (6) Payment amounts for Regional newly built<sup>(3)</sup> and Katitas<sup>(4)</sup> are calculated based on the premise assuming that a buyer pays the average sale price under a 35-year loan with no initial down payment or other incentive payments at a fixed interest rate of 1.0% for the life of the loan  
 (7) Source: Ministry of Internal Affairs and Communications, "2018 Housing and Land Survey (Revised Report)"

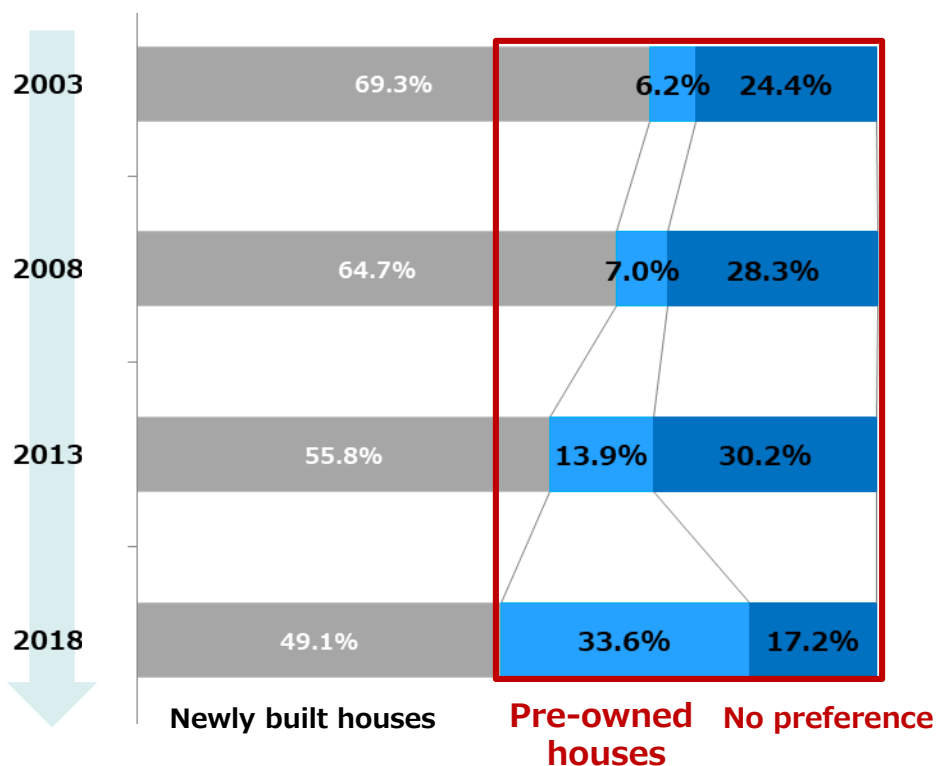


## 4. Expanding Market for Procurement and Sale of Pre-owned Houses

- Increasing number of households with less preference for newly built houses and increasing preference for pre-owned houses even in the Japanese market where traditionally people tend to prefer newly built houses
- Expansion of the pre-owned housing market is expected to continue according to research by Nomura Research Institute, Ltd. (NRI)

### Mindset Change toward Ownership of Pre-owned Houses

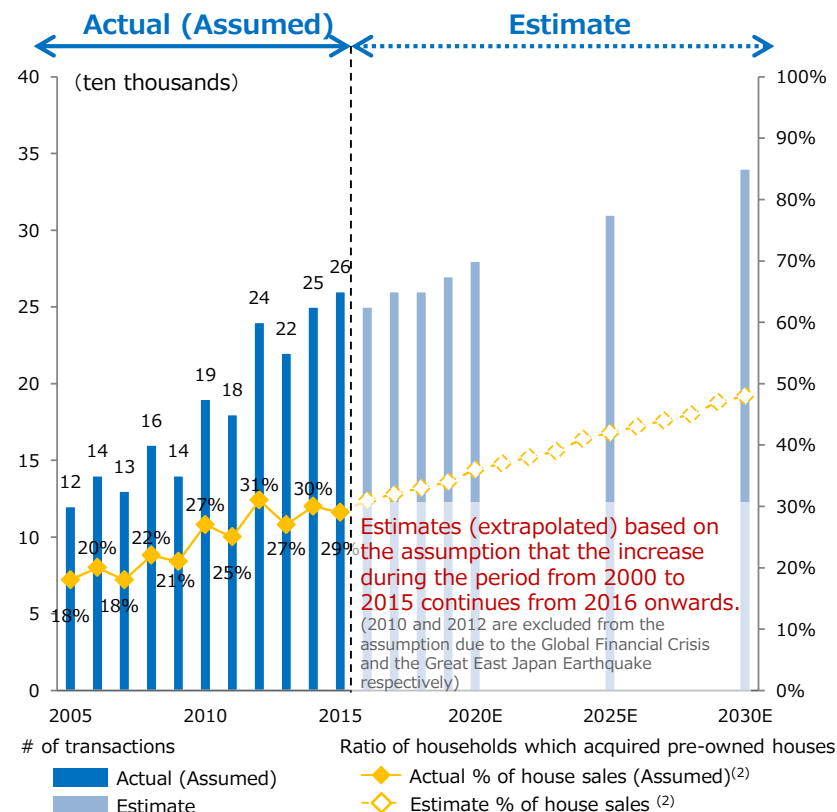
Survey of preference in moving to newly built or pre-owned houses from the current rental houses



Source: Housing Bureau of Ministry of Land, Infrastructure, Transport and Tourism, "Comprehensive Survey on Housing and Living Environments (2018)"

### Increase in Transactions of Pre-owned Houses

Actual and estimated figures of transactions of pre-owned houses and ratio of households which acquired pre-owned houses from 2005 to 2015



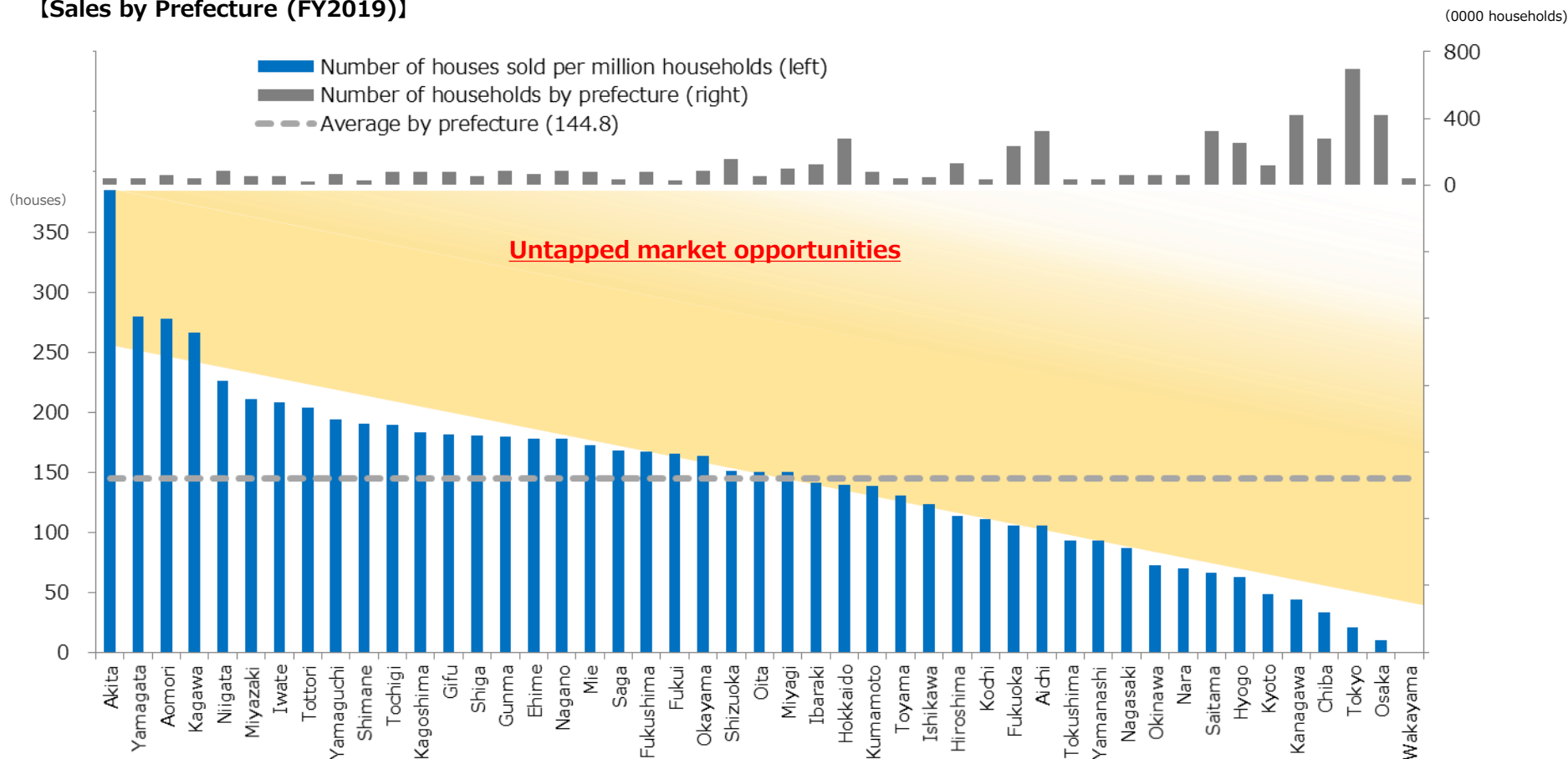
Source: Produced by Katitas based on data in NRI's June 7, 2017 press release claiming that existing housing will increase to 340,000 houses by 2030 and unoccupied houses will double to more than 20 million houses by 2033.

## 4. Untapped Market Opportunities

- Housing sales of Katitas vary by region, although the branch network finally covers all areas of Japan
- It is intended to expand the share in each sales area through quantitative and qualitative measures (recruit of salespersons and enhancement of salespersons' capabilities, respectively)

### Gap in Market Share by Region

【Sales by Prefecture (FY2019)】



4.

# Katitas' Advantages in Supplying High-Quality Renovated Homes at Reasonable Prices

- Track record of dealing over 50,000 pre-owned single-family homes, leading to accumulation of know-how (Management of failure)
- Conducting efficient procurement and renovation by utilizing organized third parties such as builders and intermediaries
- Advantage in ability to procure vacant pre-owned homes that competitors are unable to acquire, utilizing our ability to judge, procure, plan and renovate

## Accumulated Knowhow based on Track Record

### Ability to assess property purchase risks

- ✓ Careful inspection and leverage track record to knowledgeably assess properties that on face might seem too risky for competitors to procure
- ✓ Purchase price determined with strong awareness of expected renovation costs and likely selling price

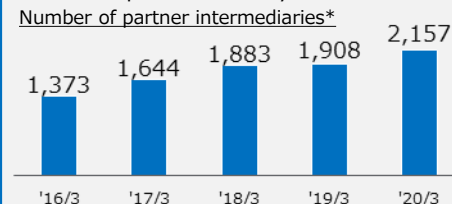
### Ability to plan renovation work

- ✓ Exploit renovation know-how to meet customer needs with a reasonable selling price
- ✓ Plan renovation to make purchased properties sellable, by addressing region specific needs
- ✓ Awarded by the Ministry of Economy, Trade and Industry as an Innovative Renovation Company in 2015<sup>(3)</sup>

## Well-organized Third Parties

### Ability to procure properties

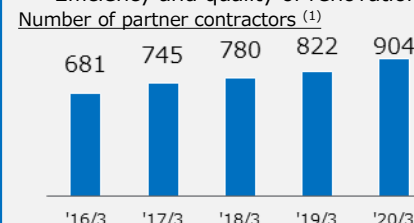
- ✓ Form alliances with local brokers throughout Japan to gain strength of presence in local markets
- ✓ Stable procurement system



\* Number of intermediary companies with which Katitas concluded one or more purchase transaction annually

### Ability to implement renovation work

- ✓ Entrust renovation work to partner contractors that are knowledgeable about Katitas quality
- ✓ Efficiency and quality of renovation work



\*Number of contractors to which Katitas placed one or more orders or which engaged in renovation work at one or more homes annually (except termite extermination)

(1) The number of contractors and intermediary companies are on a non-consolidated basis

(2) Starting in 2014, METI has been granting annual awards to companies that address a variety of needs of consumers with the strengths of their unique business models

## 4. Comparison: Detached Houses vs Condominium Units

- There are few companies which can accommodate renovations for regional older detached houses. Price competition rarely occurs at the procurement and selling stages
- Cost-effective promotion can be achieved because of limited numbers of competitors exist

### Detached house in regional area

Regional detached housing stock<sup>(1)</sup>:  
14.6 (million units)



#### Product

- ✓ Mainly wooden
- ✓ Interior + Exterior construction (parking extension etc.)
- ✓ Many properties **for which, without renovation, there are no buyer**

#### Value-added points

- ✓ **Time-consuming and value-added** renovation  
(Need to deal with various aspects, such as area under flooring, termites and other structural issues so that the renovation needs skilled workers and experience)

#### Distribution network

- ✓ Leading brokers have not entered the regional markets so that **bespoke procurement and selling networks need to be established**

### City area condominium

Three metropolitan areas  
condominiums stock<sup>(1)</sup>:  
4.34 (million units)



- ✓ Reinforced concrete
- ✓ Mainly interior renovations
- ✓ Many properties **can be sold without renovation**

- ✓ **Instant and low value-adding** renovation  
(Easy renovation such as interior renovation)

- ✓ Brokerage network is well-established and there is **low need to newly establish procurement and selling network**

### Attractiveness of regional detached house market

#### Competition environment

- ✓ Market entry is difficult and there are few competitors  
⇒ **Price competition is less likely to occur (both in procurement and selling)**

#### Promotion

- ✓ Promotional costs (Net advertisement and TV commercial) is relatively low
- ✓ Few competitors so **accumulated costs invested in advertising are likely to be recored**

#### Price volatility

- ✓ Procurement and selling prices are generally stable. **Resistant to fluctuations in real estate market condition**

- ✓ Market entry is easy and there are many competitors  
⇒ **Significant price competition (both in procurement and selling)**

- ✓ Promotion cost is high
- ✓ Many competitors so that **accumulated costs invested in advertisement are less likely to be realized**

- ✓ Procurement and selling prices are both **volatile against real estate market condition**

(1)Source: Ministry of Internal Affairs and Communications, "2013 Housing and Land Survey (Revised Report)"

## 4. (Ref) Shift from Auction Procurement to Direct Purchases (FY2016 Results)

- Shift from procurement by auction to direct purchase has enabled us to alleviate difficulty in procurement, minimize price competition, reduce inventory turnover period, and minimize quality risk

|                           | Residential properties procured mainly through auction   | Residential properties procured mainly through direct purchase  |
|---------------------------|--|---|
| Targeted portfolios       | <ul style="list-style-type: none"> <li>✓ Residential properties subject to auction due to owners' inability to repay housing loans, etc.</li> <li>✓ Sold through courts</li> </ul>   | <ul style="list-style-type: none"> <li>✓ Residential properties purchased from house owners directly or through housing brokers</li> </ul>  |
| Difficulty in procurement | <ul style="list-style-type: none"> <li>✓ Anyone can participate in auction process</li> <li>✓ Purchasing team is not required for negotiations with house owners</li> </ul> <p>→ <b>Entry barrier: Low</b></p>   | <ul style="list-style-type: none"> <li>✓ Procurement requires relationships with residential brokers and brand power</li> <li>✓ Proposals and negotiations with house owners are required for sale (a strong purchasing team is essential)</li> </ul> <p>→ <b>Entry barrier: High</b></p>                   |
| Price competition         | <ul style="list-style-type: none"> <li>✓ Supply volume is unstable and sensitive to economic circumstances</li> <li>✓ Many participants in the market spurs price competition</li> </ul> <p>→ <b>Gross margin ratio<sup>(2)</sup>: Low (20.1%<sup>(1)</sup>)</b></p> | <ul style="list-style-type: none"> <li>✓ Stable supply volume backed by events such as inheritance and relocation of residence</li> <li>✓ Negotiation-based transactions are less likely to cause price competition</li> </ul> <p>→ <b>Gross margin ratio<sup>(2)</sup>: High (25.7%<sup>(1)</sup>)</b></p> |
| Inventory period          | <ul style="list-style-type: none"> <li>✓ Longer time for properties to be delivered after a successful bid</li> </ul> <p>→ <b>Inventory period<sup>(3)</sup>: Long (340 days<sup>(1)</sup>)</b></p>  | <ul style="list-style-type: none"> <li>✓ Properties can be delivered shortly after purchase, which enables us to commence renovations promptly</li> </ul> <p>→ <b>Inventory period<sup>(3)</sup>: Short (177 days<sup>(1)</sup>)</b></p>  |
| Quality risk              | <ul style="list-style-type: none"> <li>✓ Preliminary inspection of properties prior to a bidding is not possible</li> </ul> <p>→ <b>Risk related to quality of residence: High</b></p>   | <ul style="list-style-type: none"> <li>✓ Preliminary inspection of properties prior to purchase is possible</li> </ul> <p>→ <b>Risk related to quality of residence: Low</b></p>  |

(1) Figures in brackets represent historical results of Katitas on a non-consolidated basis (averages with respect to properties procured through auctions or direct purchases (FY2017/3))

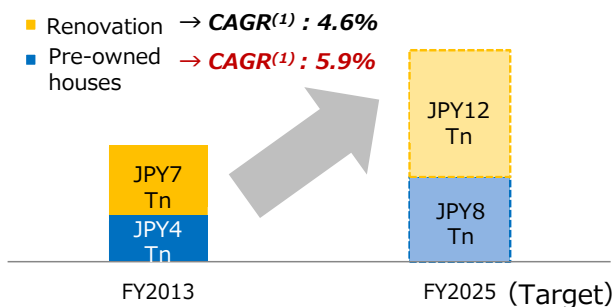
(2) Gross margin ratio (Management accounting base): Gross profit ÷ Net sales

(3) Inventory period: Simple average number of days from the date procured to the date sold of each property

## 4. Market Revitalization Backed by Governmental Policies (Reposted from FY2018 4Q)

- The Government of Japan is making efforts to build a society in which real estate stock is efficiently used by expanding the market of pre-owned houses and renovation projects, with an aim to solve problems related to the rapidly proliferating number of vacant houses
- Specifically, reduction in the real estate acquisition tax has decreased procurement costs (on a scaled basis according to building age)

### Japanese Government's Plan to Expand Market Size of Pre-owned Houses and Renovation Market



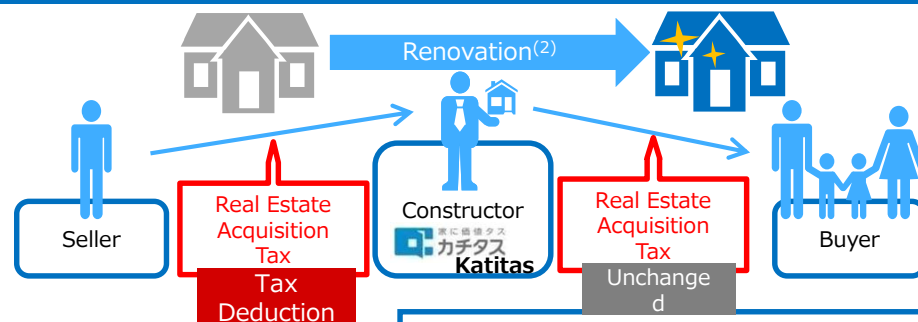
Source: Ministry of Land, Infrastructure, Transport and Tourism, Housing Bureau, Housing Policy Division "Housing Policy Basic Plan (Nationwide) (Overview)"

### Government Plan

To accelerate residential stock utilization by promoting distribution of pre-owned houses and utilization of vacant houses

Important to support house resellers to effectively promote circulation of pre-owned houses

### Specific Measures: Reduction in Real Estate Acquisition Tax Imposed on Resold Pre-owned Houses



#### Building

Tax relief according to building age<sup>(3)</sup>  
 → To be reduced by 3% from tax base

| Building Age (yy/mm/dd)                   | Deduction | Reduction |
|---|-----------|-----------|
| ~Approx. 22 years (1997/4/1~)             | JPY12MM   | JPY360k   |
| Approx. 22~30 years (1989/4/1~1997/3/31)  | JPY10MM   | JPY300k   |
| Approx. 30~34 years (1985/7/1~1989/3/31)  | JPY4.5MM  | JPY135k   |
| Approx. 34~38 years (1981/7/1~1985/6/30)  | JPY4.2MM  | JPY126k   |
| Approx. 38~43 years (1976/1/1~1981/6/30)  | JPY3.5MM  | JPY105k   |
| Approx. 43~46 years (1973/1/1~1975/12/31) | JPY2.3MM  | JPY69k    |

**FY2018 tax reform**

Taxation on Land  
 •JPY45,000 per building  
 or  
 •Tax amount for the space of the doubled floor area (up to 200㎡)

Tax burden reduction based on whichever is higher.  
 Enacted on April, 2018.

(1) CAGR is an average annual growth rate of market size (estimate) from FY2013 to FY2025

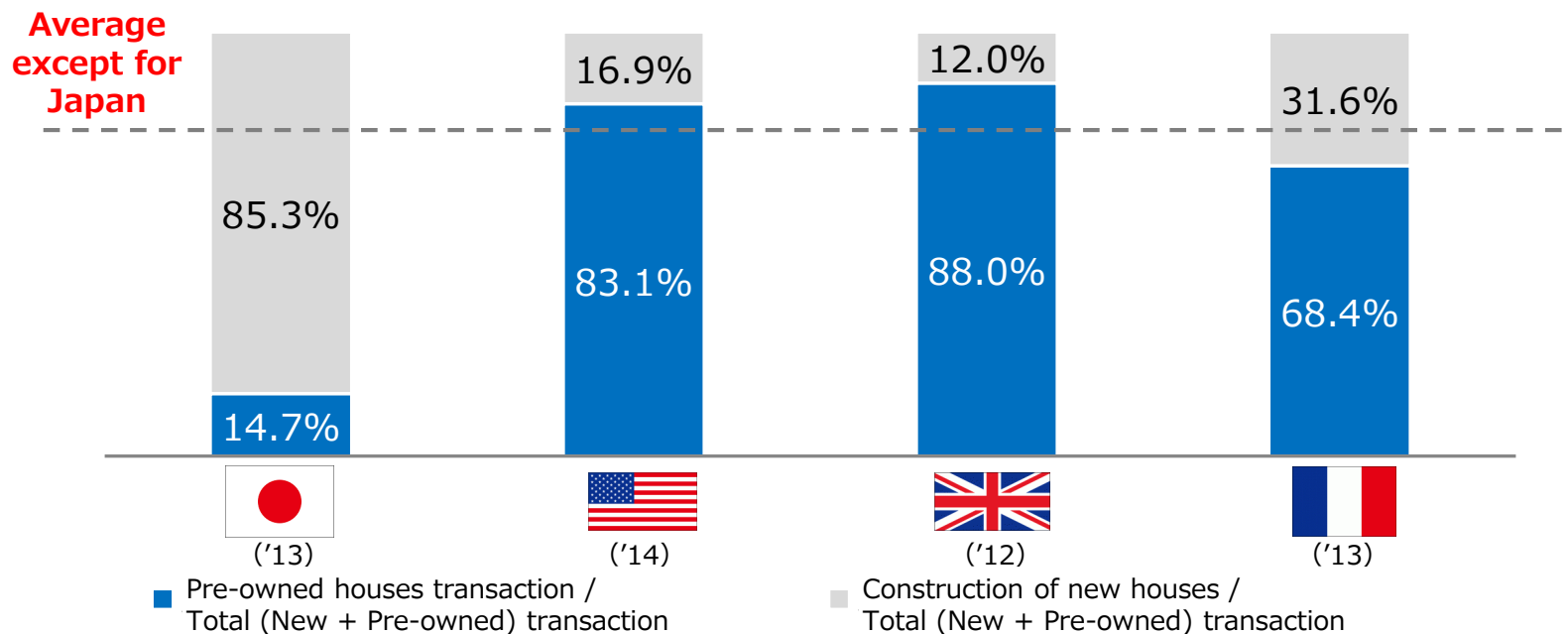
(2) Quake-resistance, energy-saving, barrier-free, water facilities

(3) As of the time of preparation of this material

## 4. Pre-owned Houses Market Share of Each Country

- Lower market share of pre-owned houses compared with United States and Europe

### Pre-owned houses Market Share - Japan vs United States and Europe

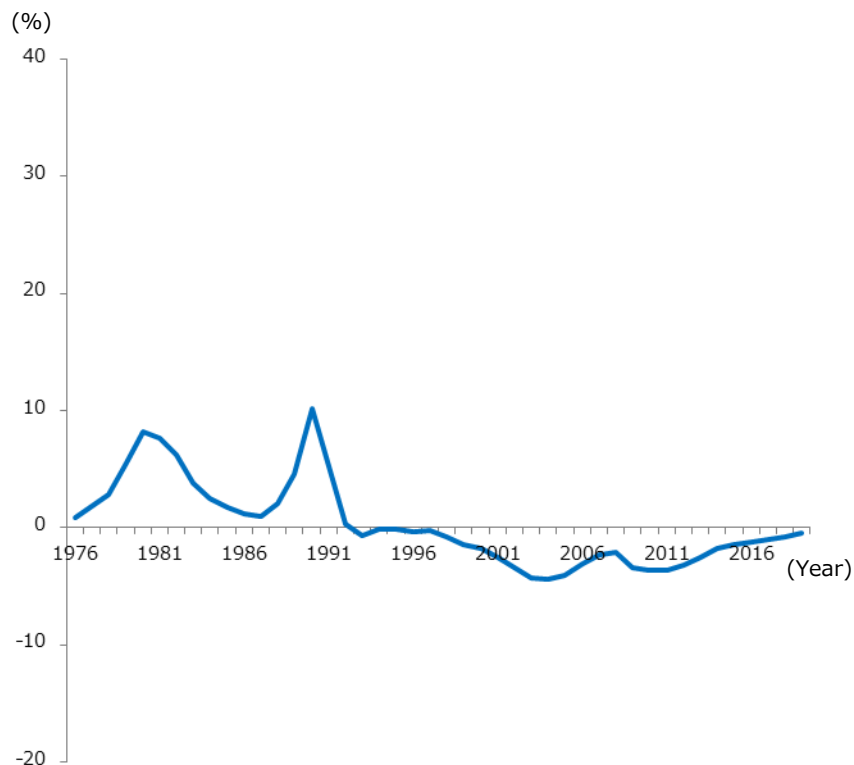




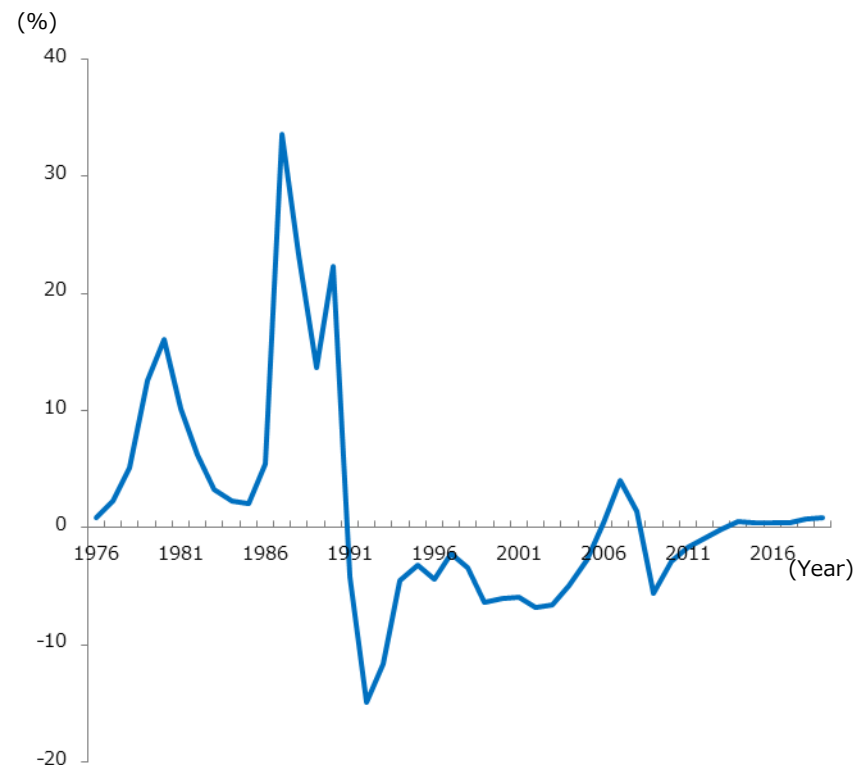
## 4. Trends in Land Prices - Regional Areas vs Three Metropolitan Areas

- As land prices in regional areas fluctuate based on actual demand, the level of volatility is lower than that in urban areas.
- In addition, with the trend of stable and low land prices, fluctuations in land prices have a limited influence on prices of residential properties in regional areas.
- As a result, buying and re-selling residential properties in regional areas is less subject to market volatility.

**Trends in land prices of residential districts in regional areas, compared to the previous year**



**Trends in land prices of residential districts in the three metropolitan areas, compared to the previous year**



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Throughout this presentation, unless otherwise specified, FY refers to the fiscal year ended March 31 of the following year (for example, FY2020 refers to the fiscal year ended March 31, 2021).

In this presentation, unless otherwise specified, references to our “homes” include single-family detached houses and condominium units that Katitas acquires, renovates and resells as part of its business. Data presented for “homes” is on a gross basis, excluding home returns.

This is a partial English translations of the original Japanese version prepared only for the convenience of shareholders residing outside Japan. Should there be any inconsistency between the translation and the official Japanese text, the latter shall prevail.

On March 30, 2016, Katitas completed the acquisition of Reprice Co., Ltd. (“Reprice”) and its two wholly owned subsidiaries (Comprehensive Urban Development Corporation and Arctive Co., Ltd.), and Reprice became a wholly owned subsidiary of Katitas as of the same date. Because the date of the acquisition of Reprice was deemed to be March 31, 2016 for accounting purposes, the consolidated balance sheet of Katitas as of March 31, 2016 reflects the consolidation of Reprice but the consolidated results of operations of Reprice for the period from March 30, 2016 to March 31, 2016 are not reflected in Katitas’ consolidated statements of income, comprehensive income, changes in equity and cash flows for the fiscal year ended March 31, 2016. On September 2, 2016, Katitas sold all of the shares of Comprehensive Urban Development Corporation, and on September 30, 2016, Katitas sold all of the shares of Arctive Co., Ltd. to third parties. Due to the consolidation of the results of operations of Reprice and its subsidiaries in Katitas’ results of operations for the fiscal year ended March 31, 2017, Katitas’ results of operations for that fiscal year are not directly comparable to the results of operations for prior fiscal years. Further, prior to the completion of the acquisition of Reprice on March 30, 2016, Katitas did not have any subsidiaries.