

# KATITAS Co., Ltd.

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

Feb 9, 2021

Before



After



(Securities Code: 8919, First Section of TSE)

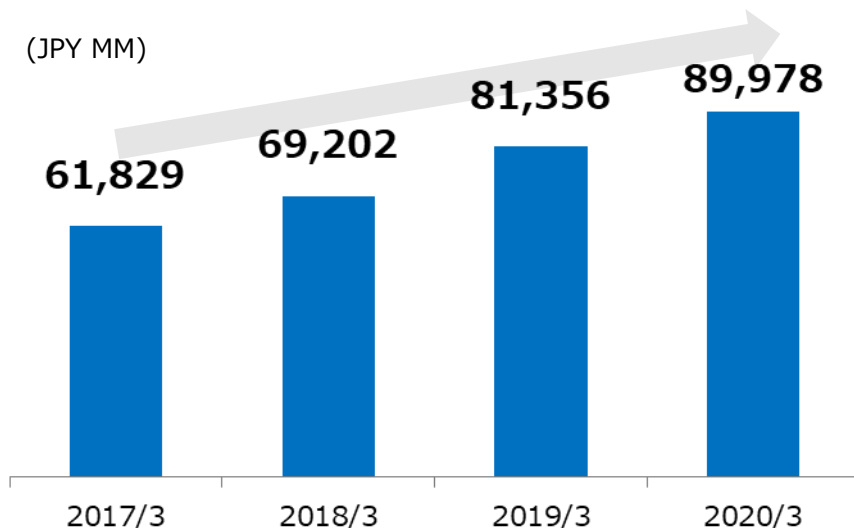
# Presentation Highlights

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| <b>1.</b> | <b>Overview of Financial Results for the First Nine Months of the Fiscal Year Ending March 31, 2021</b> | <b>P2-P8</b>   |
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# 1. Sales and Operating profit Trend

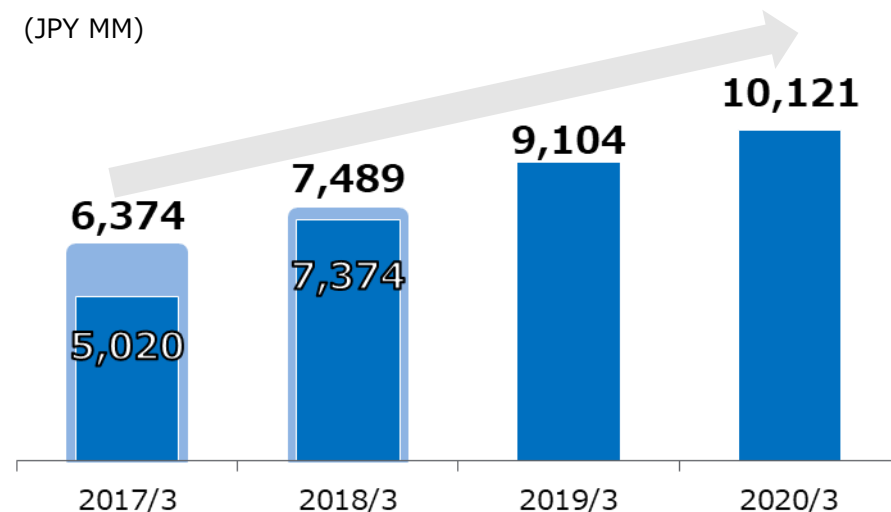
## Historical Net Sales (FY-base)

(JPY MM)



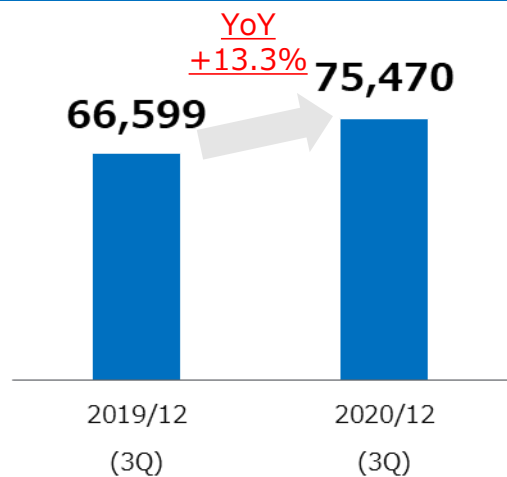
## Historical Operating profit (FY-base)

(JPY MM)



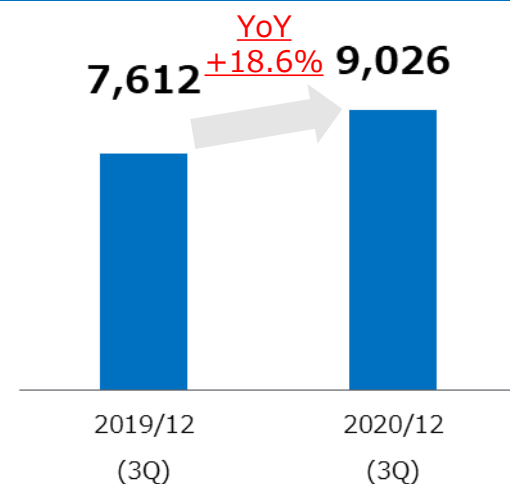
## Historical Net Sales (FY2020 3Q)

(JPY MM)



## Historical Operating Profit (FY2020 3Q)

(JPY MM)



1.

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

- **Demand for low-priced detached houses has been firm, and since October 2020 response numbers have remained positive and sales have remained steady. Sales and profits increased compared to the FY2019 3Q (alone), when demand declined temporarily due to the consumption tax hike and large typhoons in October 2019.**
  - Net sales were up 13.3% and operating profit was up 18.6% from the FY2019 Sum total up to 3Q .
  - The progress rate in relation to the annual budget was 83.7% for net sales and 89.1% for operating profit.
  - Net sales were up 36.6% and operating profit was up 64.1% from the FY2019 3Q (alone). However, the poor performance in the FY2019 3Q (alone) was a factor.
  - In order to secure inventory for the next term onward, FY2020 4Q (alone) business activities will be focused on procurement.
- **Procurement has been on a recovering trend since July 2020. Since October, the previous year's levels have been exceeded.**
  - The total sum of real estate for sale and real estate for sale in process making up inventory was down 22.8% from the end of December 2019.
  - Real estate for sale in process, which reflects the latest procurement situation, is on a recovery trend, up 26.8% compared to the end of September 2020.
  - The inventory turnover ratio (\*1) was 2.15 (up 0.39 compared to the same period last year).
  - Housing demand is strong while its supply is relatively tight, and we will focus on maintaining and improving the inventory turnover ratio by promoting contracts during renovation, conducting property tours by appointment, and installing VHS (\*2).
  - Although we will focus on procurement, we do not intend to purchase excessively to make up for the inventory decrease.
- **Gross profit margin remained at the same level as in the FY2019 Sum total up to 3Q . The operating profit margin improved thanks to strong sales.**
  - There has been a lot of response from customers regarding "move-in-ready" completed inventory, and we made progress in selling long-term inventory.
  - Activities to promote purchasing have been carried out mainly in regional areas, so there was little increase in costs.

\*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 (Annualized)

\*2 VHS: abbreviation for Virtual Home Staging (Please refer to P41 for details)

# 1. Supplementary Explanation of Quarterly Results

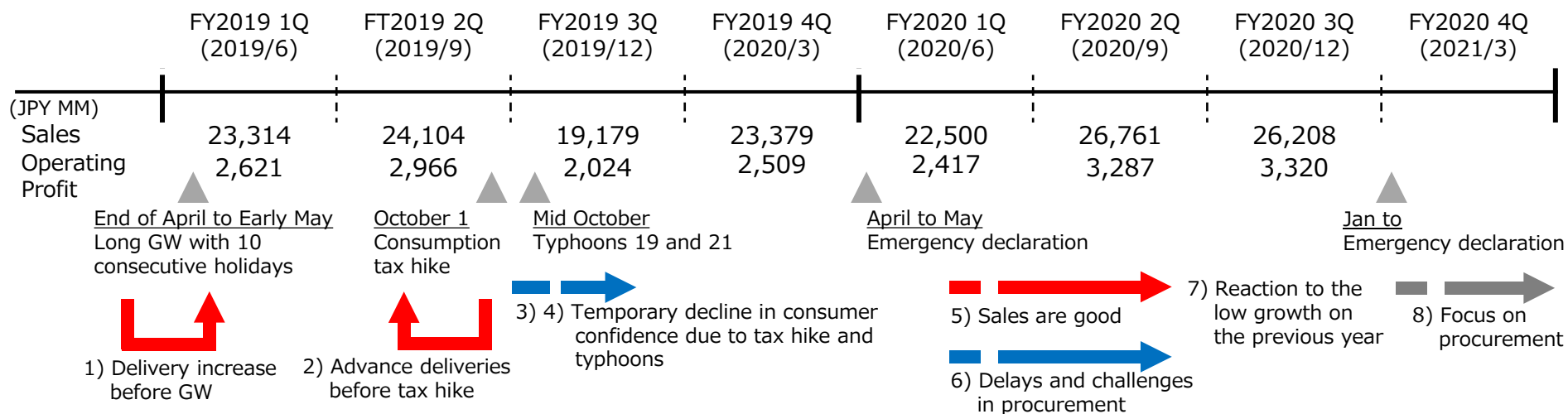
- ◆ It is possible that the external environment may impact “quarterly results” to some extent. However, demand is firm, so there is no change in the trend of stable growth on an “annual basis”.

## Factors Causing Fluctuations in Quarterly Results in the Previous Period (Ending March 2020)

- 1) Long Golden Week (10 consecutive holidays) in May 2019. April 2019 **net sales were up** due to an increase in customers wishing to move during the period of consecutive holidays.
- 2) There was a concentration of deliveries in advance of the consumption tax hike. **Sales during September 2019 increased** in anticipation of the tax hike.
- 3) The consumption tax hike had a psychological effect on consumer behavior, causing **net sales to drop** afterward due to a temporary decline in consumer confidence.
- 4) The record-breaking series of typhoons that hit Japan during October 2019 prevented sales activities, resulting in a **decline in sales**.

## Factors Causing Fluctuations in Quarterly Results during the Current Period (Ending March 2021)

- 5) Demand for inexpensive, high-quality detached houses has been firm, and an increase in responses compared to the previous period **resulted in higher net sales**.
- 6) On the other hand, **the number of house purchases decreased** due to the fact that sellers were avoiding contact with strangers, such as that involved with home viewings, in order to avoid the possibility of coronavirus infection.
- 7) The growth on the previous year is low due to the factors mentioned above in items 3) and 4), so the ratio of increase in sales and profit will be higher.
- 8) Policy will be to focus on procurement. We will aim to secure the inventory necessary for stable growth on a yearly basis in the next fiscal year and beyond.



# 1. Impact of COVID-19 on sales and procurement

	Situation up to the second quarter of the fiscal year ending March 31, 2021	Situation at the time of financial results announcement for the third 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>The need to improve living environments is gradually becoming apparent as people spend more time at home.</li> <li>Demand from first-time buyers for low-priced detached houses is firm, with a high number of responses since May</li> </ul>	<ul style="list-style-type: none"> <li>Although inventory declined compared to the previous period, the number of responses from October onward was up from the previous period, indicating that demand remains firm</li> <li>A trend toward moving to suburbs also emerged. There was also a small amount of U-turn demand in regional cities which are the major areas of our business activities</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>Second quarter procurement was 1,409 units (84.3% 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. Many real estate brokers were working from home or were closed until May. Regular work patterns resumed from June.</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> </ul>	<ul style="list-style-type: none"> <li>Third quarter procurement was 1,686 units (103.2% of the previous year's level).</li> <li>Since October, purchases have been up compared to the previous period, and the trend has been improving</li> <li>There was a positive response to ads on YouTube and in regional newspapers placed to promote procurement, so we will continue them</li> <li>In addition to the demographic trends of a declining birthrate and aging population, Japan's housing stock is increasing due to the continued supply of new housing, so the occurrence of vacant houses due to inheritance and occupants moving into nursing care facilities is irreversible. Despite short term fluctuations, we expect to be able to achieve stable procurement over the medium term.</li> </ul>

# 1. 新型コロナウイルス(COVID-19)によるその他の影響

(Reposted from FY2020 2Q)

	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 3Q (ended Dec 31, 2019)	FY2020 3Q (ended Dec 31, 2020)			(Ref) Full-Year FY2019
		Results	YoY	YoY (%)	Results
Net sales	66,599	75,470	+8,871	+13.3	89,978
Number of properties sold	4,315	4,764	+449	+10.4	5,801
Gross profit	14,884	16,889	+2,004	+13.5	20,016
Margin (%)	22.3	22.4	+0.0	—	22.2
Operating profit	7,612	9,026	+1,414	+18.6	10,121
Margin (%)	11.4	12.0	+0.5	—	11.2
(Ref) EBITDA	7,797	9,206	+1,408	+18.1	10,367
Ordinary profit	7,451	8,858	+1,406	+18.9	9,895
Profit attributable to owners of parent	5,014	5,924	+910	+18.2	5,190
(Ref) Adjusted profit attributable to owners of parent	5,014	5,954	+940	+18.8	6,671
Inventory turnover ratio (times)	1.76	2.15	+0.39	—	1.81
Net assets	22,467	26,663	+4,196	+18.7	22,737
Total assets	49,807	55,620	+5,813	+11.7	53,435
Equity-to-asset ratio (%)	44.9	47.7	+2.8	—	42.3
EPS (JPY)	65.72	77.18	+11.46	—	67.98
(Ref) Adjusted EPS (JPY)	65.72	77.57	+11.85	—	87.36
ROA (%)	20.9	22.1	+1.2	—	20.1
ROE (%)	32.1	32.1	+0.0	—	24.8
(Ref) Adjusted ROE (%)	32.1	32.3	+0.2	—	31.8

(1) EBITDA = Operating profit + Depreciation + Amortization of goodwill (consolidated only) (2) ROA = operating profit x 4/3 / average of total assets as of the beginning and end of period

(3) ROE = Profit x 4/3 / 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 P20.

(5) Kachitas 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 (ended Mar 31, 2020)	FY2020 3Q (ended Dec 31, 2020)	
		Results	YoY
Cash and deposits	9,137	20,804	+11,666
Real estate for sale	28,659	19,911	△8,747
Real estate for sale in process	11,851	12,124	+272
Inventory real estates	40,510	32,035	△8,475
Non-current assets	2,089	1,920	△168
Total assets	53,435	55,620	+2,184
Accounts payable – trade	2,909	2,590	△319
Short-term loans payable	2,000	–	△2,000
Long-term loans payable <sup>(1)</sup>	20,000	19,625	△375
Net assets	22,737	26,663	+3,926
Total of liabilities and net assets	53,435	55,620	+2,184

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

# Presentation Highlights

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## 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 (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 (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.

※ 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.

## 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 (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 P20.

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

- As of May 11, 2020, when the Company announced its consolidated earnings forecast, the emergency declaration had already been issued due to the coronavirus pandemic, so we expected the number of responses to our properties to decrease due to customers avoiding contact with sales representatives and refraining from going out.
- However, in May and June 2020 after the emergency declaration was lifted, the number of responses, which are inquiries about properties for sale, increased by approximately 20% compared to the same months of the previous year. In addition, the number of responses from July to December 2020 was steady, exceeding those during the same months of the previous year.
- 1) While procurement recovery since October 2020 has increased real estate for sale in process, the total sum of the inventory asset is on a downward trend thanks to strong sales, and 2) policy during FY2020 4Q (alone) has been to focus business activities on procurement to ensure stable growth from the next fiscal year onward, and therefore the Company has not revised its forecast.

(JPY MM)	FY2020 3Q (ended Dec 31, 2020)	FY2020 Plan (Ending March 31, 2021)	
		Full-year	
		Plan	Rate of progress (%)
Sales	75,470	90,206	83.7
Number of units sold	4,764	5,848	81.5
Gross profit	16,889	20,700	81.6
Operating profit	9,026	10,128	89.1
(Ref)EBITDA	9,206	10,366	88.8
Ordinary profit	8,858	9,896	89.5
Profit attributable to owners of parent	5,924	6,691	88.5
(Ref)Adjusted profit attributable to owners of parent	5,954	6,691	89.0

(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 P20.

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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.

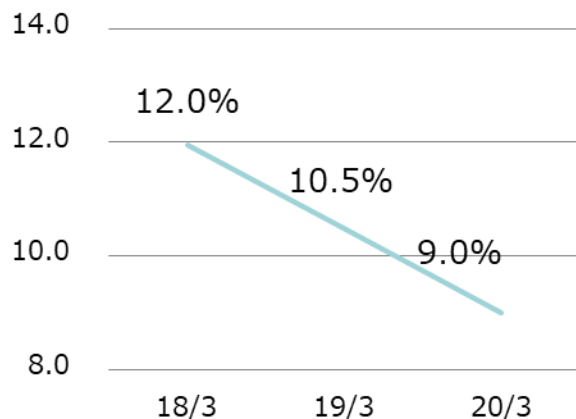
### Sales Staff

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

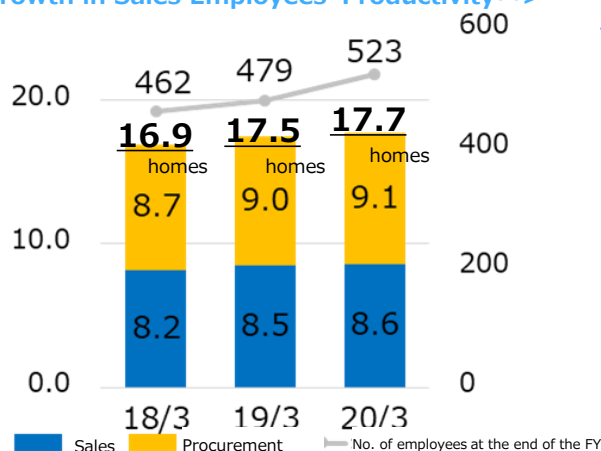
✕ Procurement 9.1<sup>(2)</sup> / sales employee =

✕ 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>>



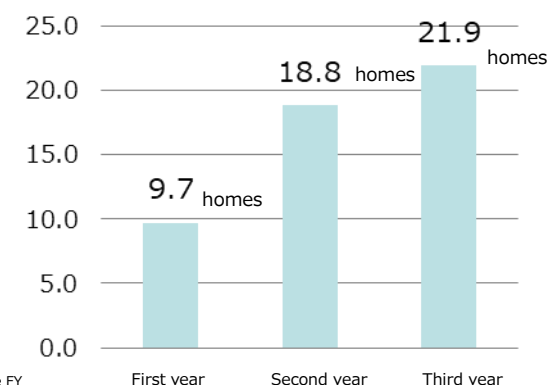
### Capacity(FY2019 Results)

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)

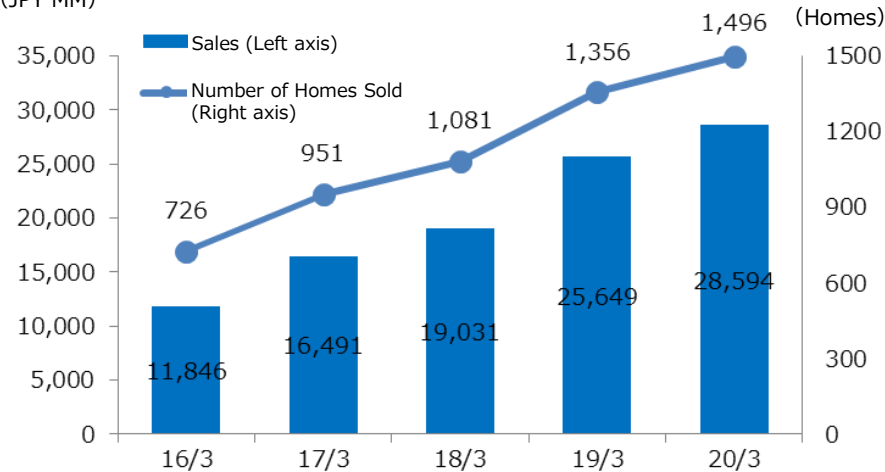
## 2. Reprice: Company Overview (FY2019 Results)

(Reposted from FY2019 4Q)

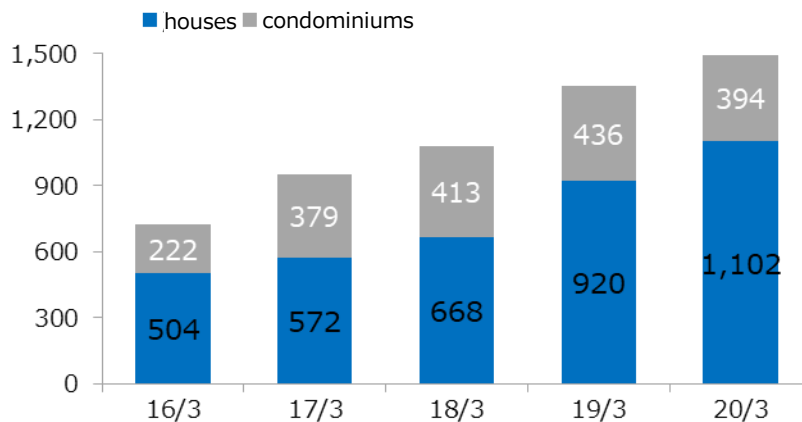
- “Value” rather than “price”: Expanding business areas steadily focusing on the Three Metropolitan Areas and ordinance-designated cities
- Accelerated business expansion from (i) pricing capabilities from accumulated transaction database, (ii) shift toward “core broker strategy” and (iii) capital support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

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

(JPY MM)

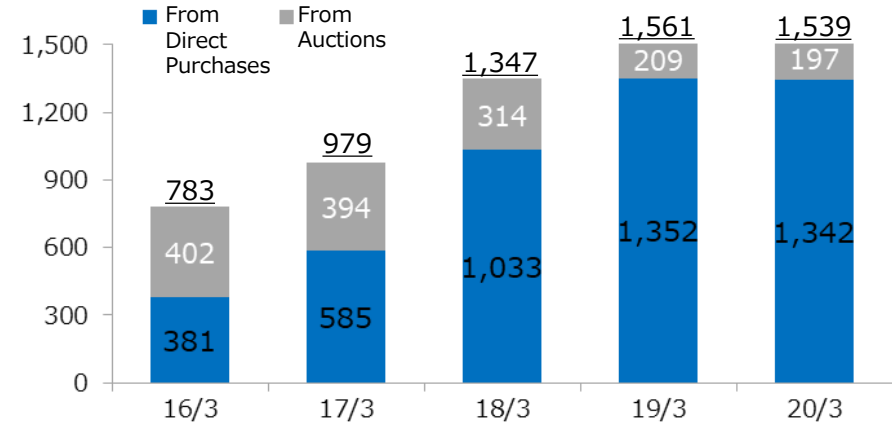


### Number of sales by houses/condominiums <sup>(1)(2)</sup>



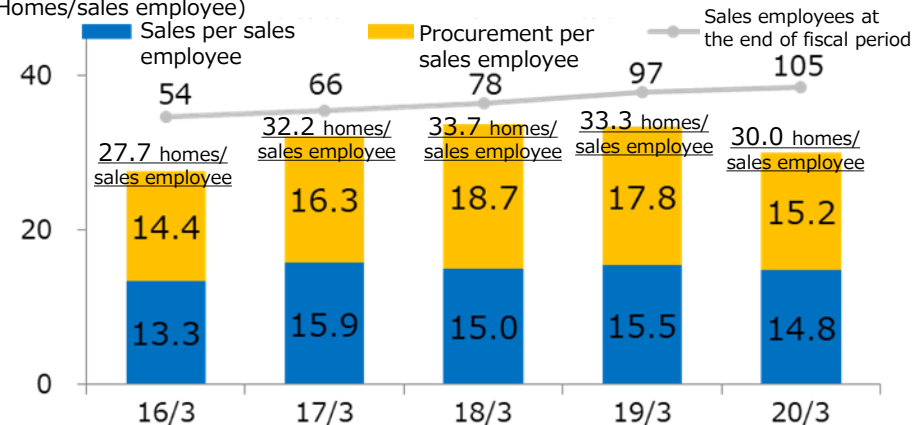
### Number of Houses Procured by Procurement Method <sup>(4)</sup>

(Homes)



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

(Homes/sales employee)

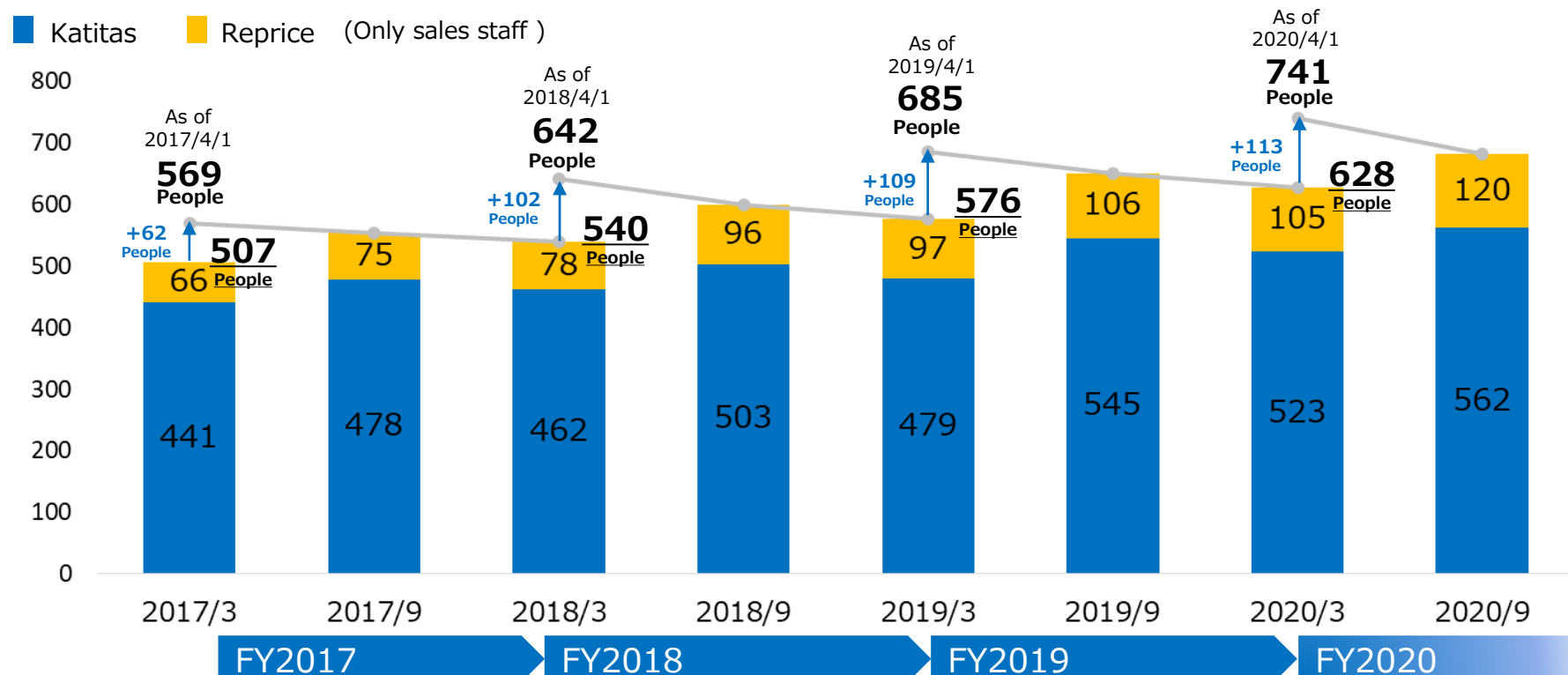


(1) Number of homes procured and homes sold, and sales volume are for Reprice Co., Ltd. and Comprehensive Urban Development Corporation (a former subsidiary of Reprice, which was sold in September 2016)

(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 102 prospective employees at Katitas and 14 at Reprice, who are expected to join the company in April 2021. (As of January 1, 2021)



		FY2017	FY2018	FY2019	FY2020
new graduates	Katitas	+59 people (No. of back-office employees: 1)	+81 people	+91 people (No. of back-office employees: 1)	+88 people
	Reprice	+5 people (No. of back-office employees: 1)	+22 people (No. of back-office employees: 1)	+20 people (No. of back-office employees: 1)	+27 people (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



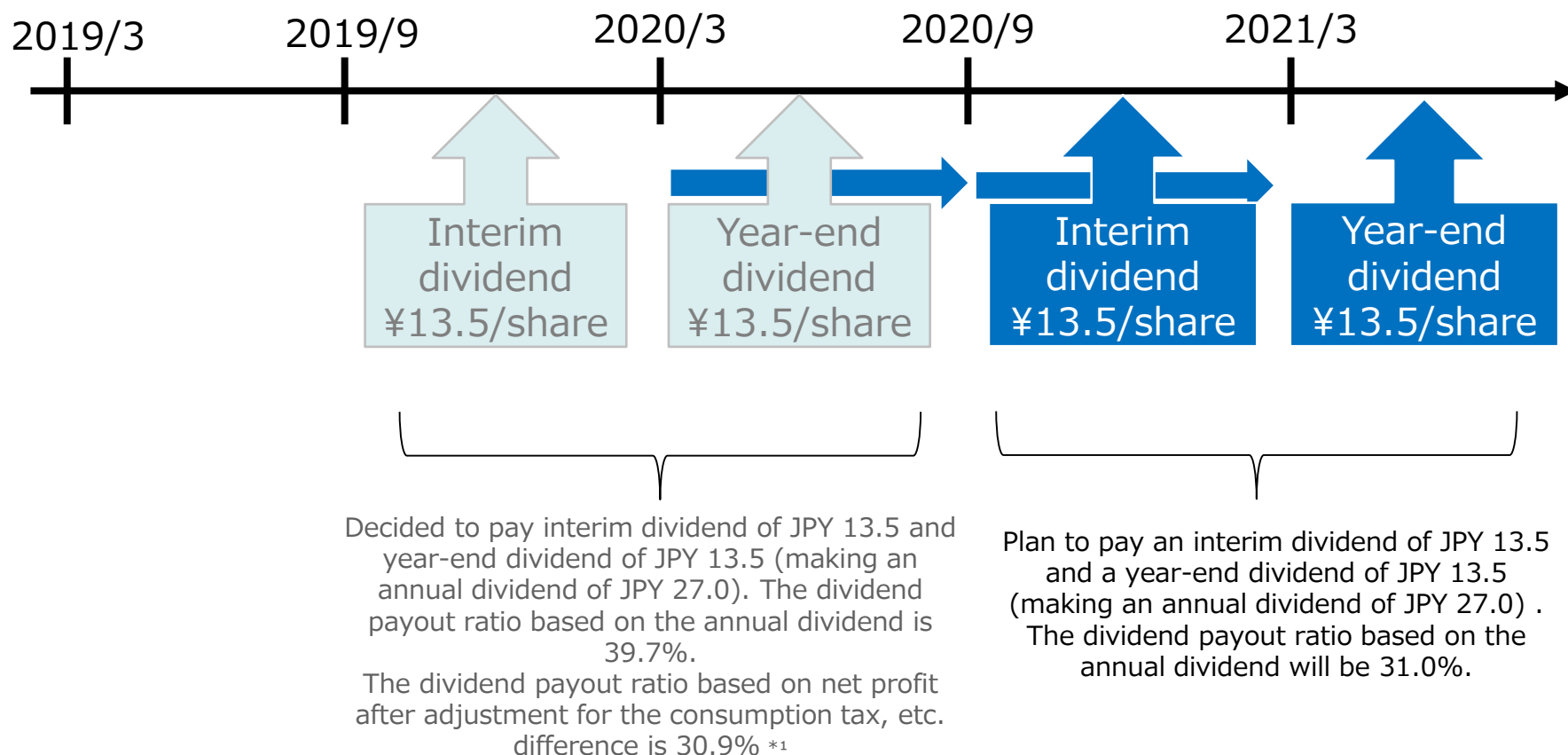
## 2. Shareholder Return

(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 P20.

## 2. Performance stability

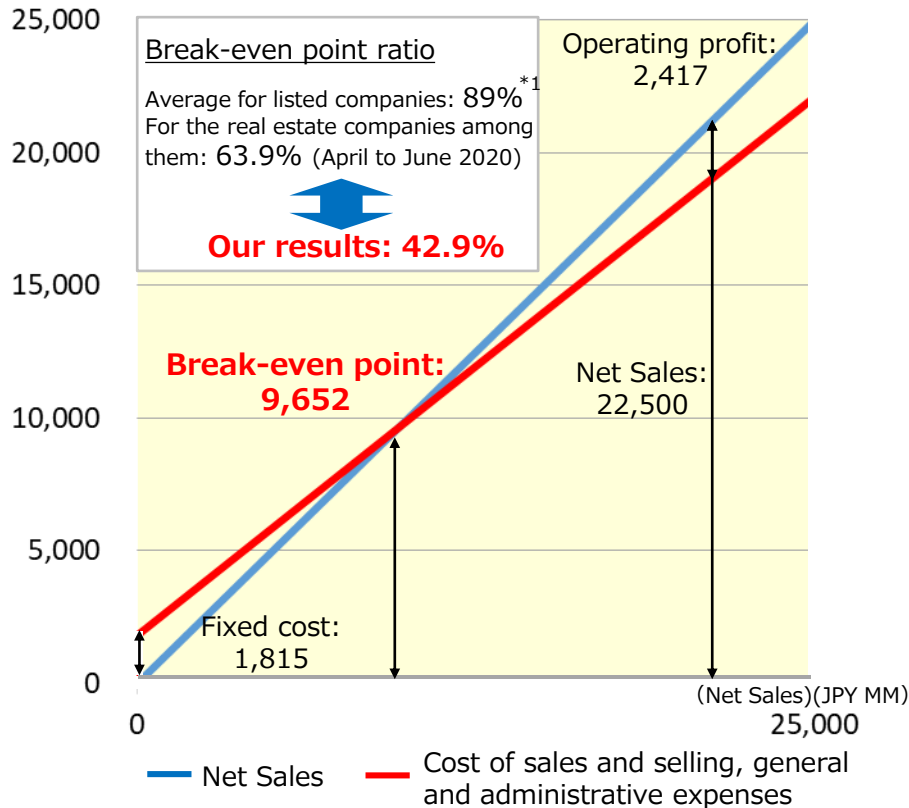
(Reposted from FY2020 2Q)

- 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

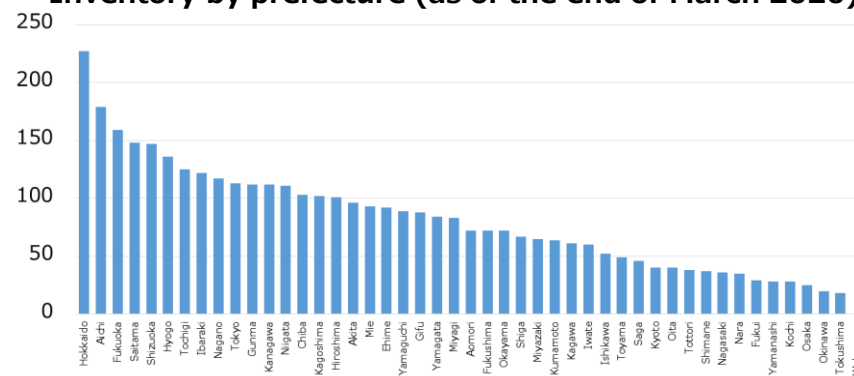
#### Cost Structure (1st quarter, ending March 2021)

(Net Sales & Cost)(JPY MM)

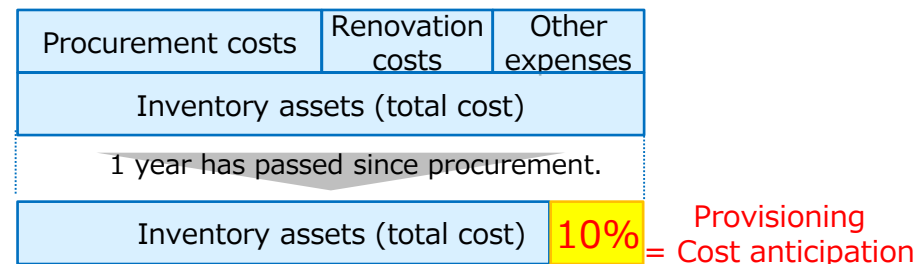


### Holdings dispersed throughout Japan / low risk of major impairment due to disaster

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



### Provisioning for long-term inventory at 10% of cost<sup>\*2</sup>



- 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.

<sup>\*1</sup> 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%"

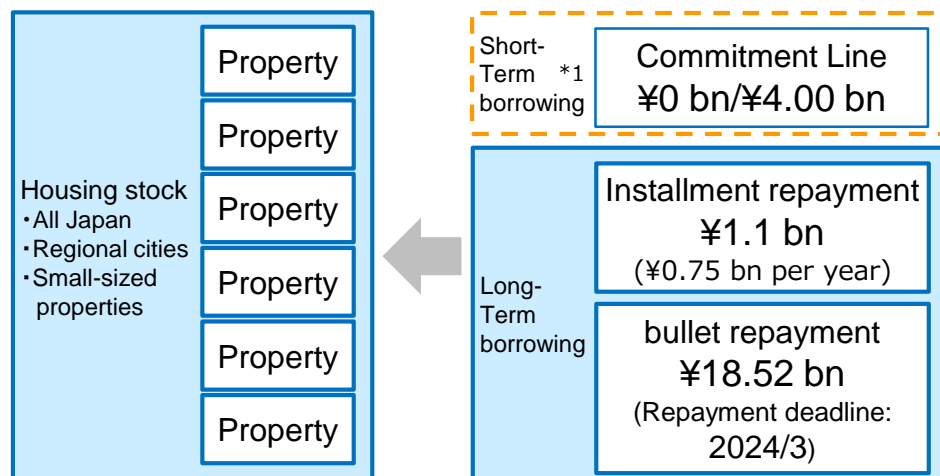
<sup>\*2</sup> Long-term inventory: inventory for which 1 year has passed since purchase settlement

## 2. Financial Stability

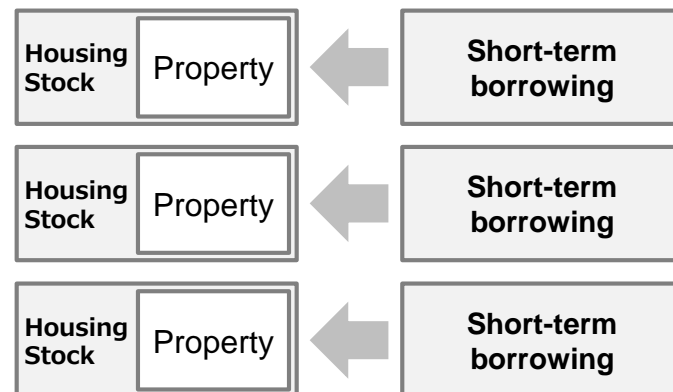
- Katitas takes out working capital loans to cover all its operating needs thanks to its high profitability and stable financial position.
- This has operating advantages in terms of improving purchasing flexibility and financial advantages in terms of making it easier to secure on-hand liquidity even 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 217.9%, and the ratio of fixed assets to long-term capital is 4.2%<sup>\*2</sup>. Liquidity of real estate for sale, etc. was also high, at 2.15 times per year.
- Katitas enjoys financial stability, with an equity-to-asset ratio of 47.7%.

\*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		Sum Total up to Third Quarter	
	FY2018	FY2019	FY2019 3Q	FY2020 3Q
Profit attributable to owners of parent	5,926	5,190	5,014	5,924
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	—	—	—	△19
Total of adjustment (After tax impact adjustment)	—	1,480	—	29
Adjusted net profit attributable to owners of the parent	5,926	6,671	5,014	5,954
Adjusted EPS (JPY)	78.81	87.36	65.72	77.57
Adjusted dividend payout ratio(%)	33.0	30.9	—	—

<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.

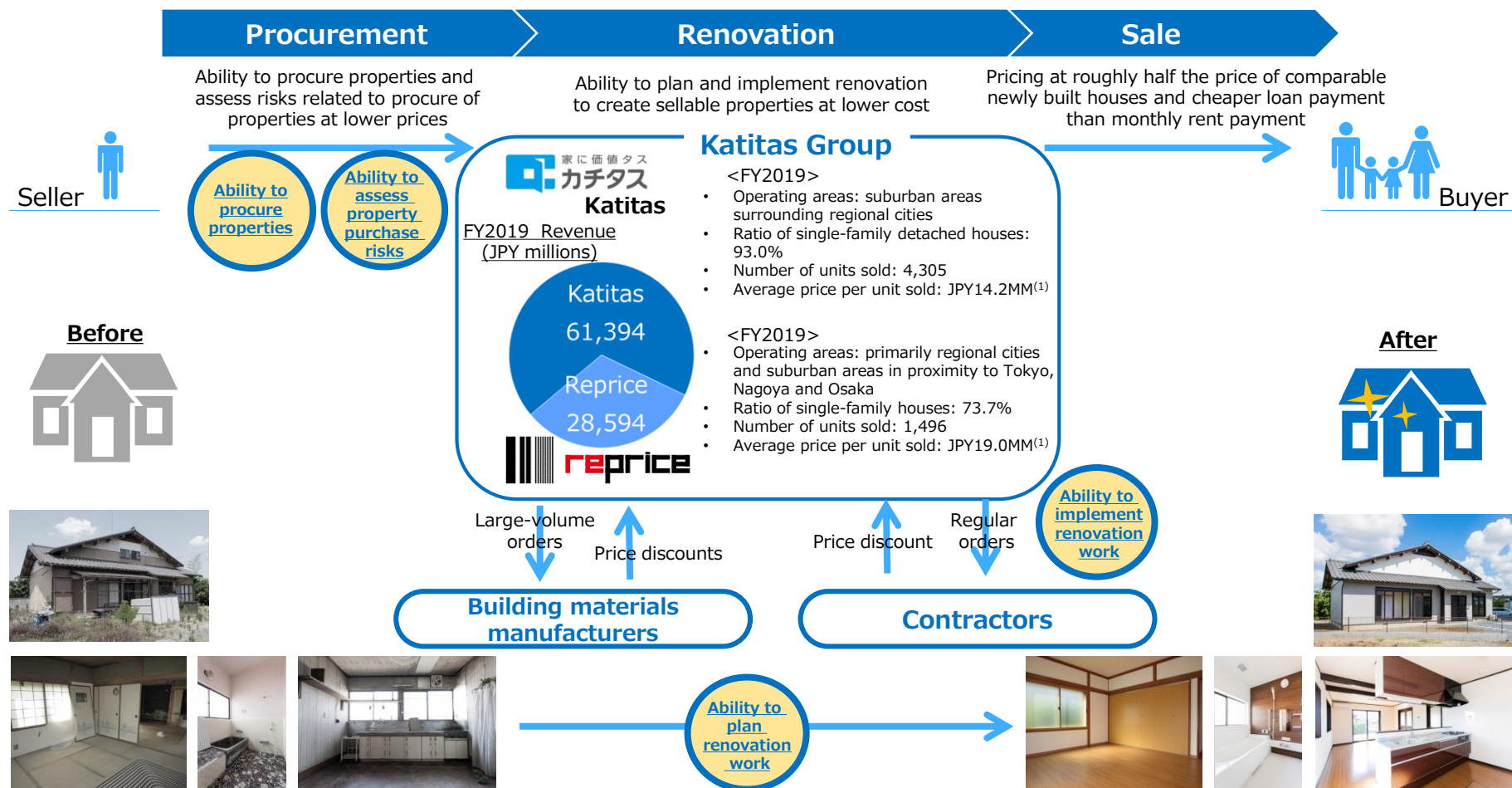
<sup>\*4</sup> Katitas implemented a 2-for-1 common stock split, effective April 1, 2020. Adjusted EPS is calculated on the assumption that the stock split took place at the beginning of the previous consolidated fiscal year.

# Presentation Highlights

- |           |   |                |
|-----------|---|----------------|
| <b>1.</b> | <b>Overview of Financial Results for the First Nine Months of the Fiscal Year Ending March 31, 2021</b> | <b>P2-P8</b>   |
| <b>2.</b> | <b>Management Plan for FY2020 (Ending March 31, 2021)</b>   | <b>P10-P20</b> |
| <b>3.</b> | <b>Overview of Business Model</b>   | <b>P22-P41</b> |
| <b>4.</b> | <b>APPENDIX</b>   | <b>P43-P57</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

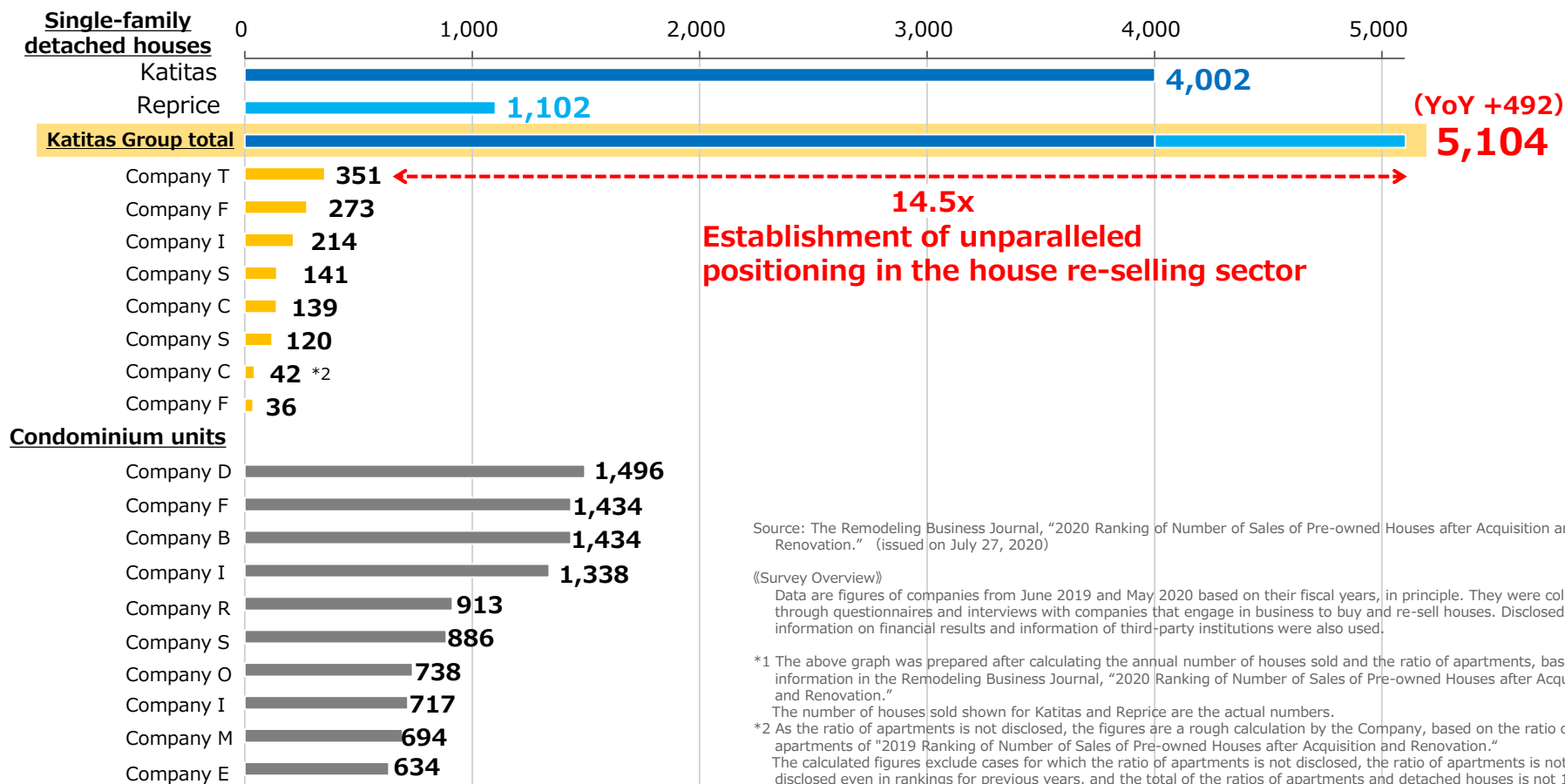


(1) Excluding tax

### 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)

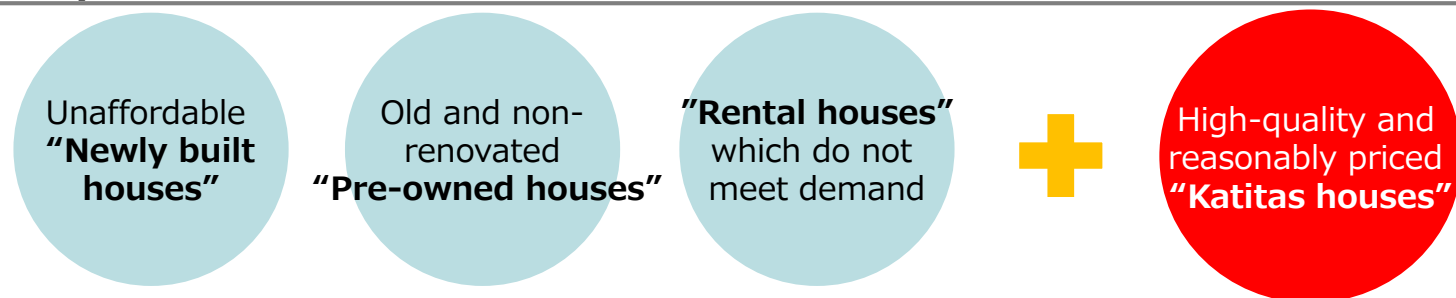


(1) A "Housing Reselling Business" is defined as one conducted by certified "building lot and transactions" dealers with extensive know-how in renovation so as to efficiently and effectively improve the quality of existing house inventory (Requests for FY2016 Tax Reform (Special Measures Concerning Taxation))



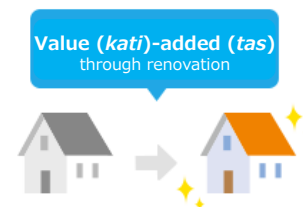
### 3. Katitas's Unique Model and Positive Social Impact

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

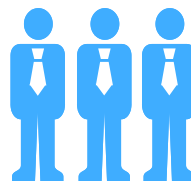


17 PARTNERSHIPS FOR THE GOALS



Renovation contractors

Creating employment



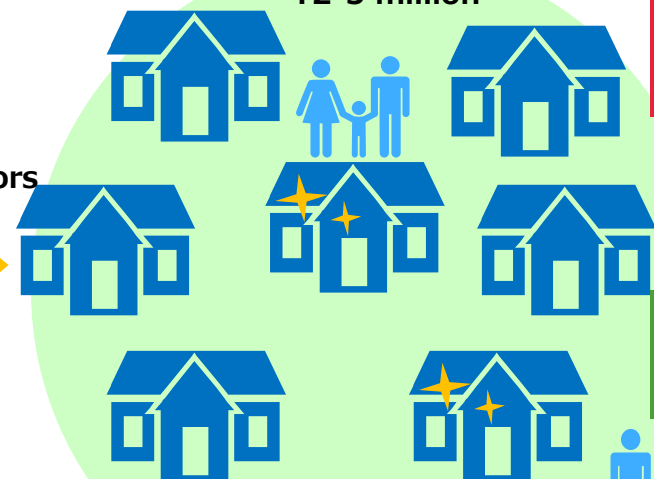
University students wishing to work for the community

8 DECENT WORK AND ECONOMIC GROWTH



Resolving the vacant house issue by renovating and distributing vacant houses

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



1 NO POVERTY



3 GOOD HEALTH AND WELL-BEING



Stimulation of the community



Work-Life balance



11 SUSTAINABLE CITIES AND COMMUNITIES



Population concentration in urban areas

## 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)



17.4%

Real estate \*2  
industry average

12.9%

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



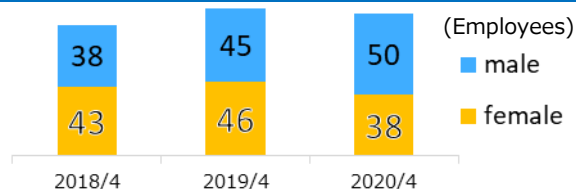
Average for\*4  
large companies

66%

93%

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

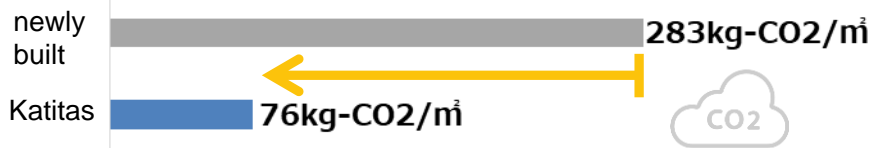
#### Katitas's pre-owned house renovation business



#### Scrap and build new houses



#### CO2 emissions volume <sup>\*1</sup>



#### The wooden materials used



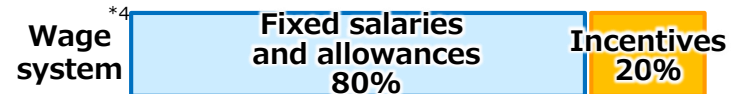
#### Ratio of Outside Directors: 37.5%

- ✓ 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.



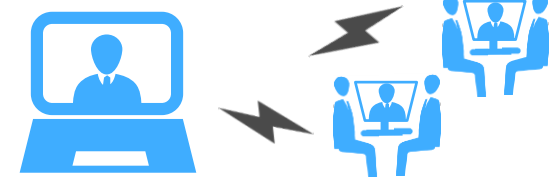
#### Salaries of sales employees are mainly fixed salaries

- ✓ 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> Source: "Estimation of CO2 Emission from Construction, Renovation and Demolition of Residential Buildings up to 2050" Chart 4 CO2 Emissions Volume by Floor Space "Housing Construction/Wooden Construction"

<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: Results for the fiscal year ended March 31, 2020 (for employees ranging from personnel in charge to sales department managers)

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

## Materiality (Critical Challenges)

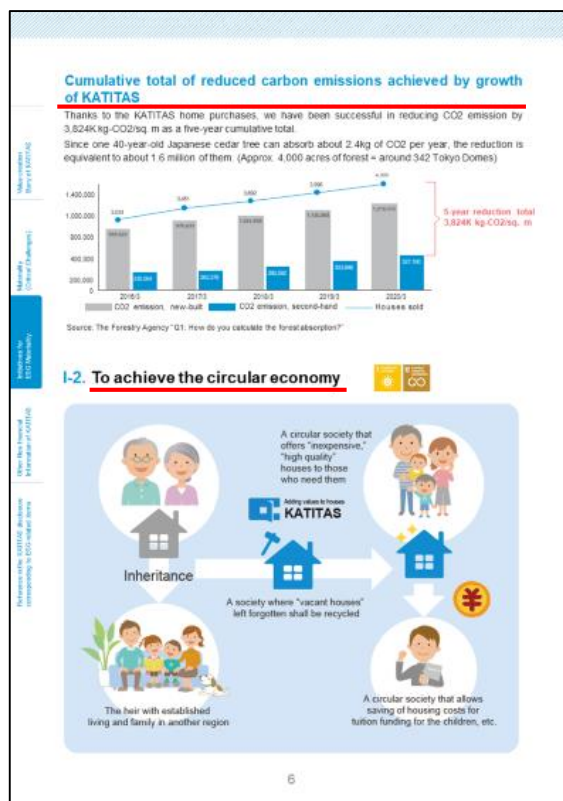
We are believe that resolving the societal challenges while growing business is critical. In line with the belief, we are committed to working to grow our business, resolve the societal challenges and realize a society of sustainable growth by defining our materiality as follows.

	Materiality	Specific activities	SDGs
E	I. To reduce the "environmental load" through promoting distribution of second-hand residential houses	I-1. Farewell to the Scrap & Build that is based on the new-built house supremacy	  
		I-2. To achieve the circular economy	 
S	II. To resolve the "vacant house issues" through provision of the fourth option	I-1. Resolution of the "vacant house issues" by "adding values" to "regional x independent x old houses"	  
		II-1. Affordable housing (reasonably priced houses) offers	  
	III. To promote "regional revitalization" through life of local living and working	II-2. Organizing a workplace environment that drives job satisfaction	  
		II-3. Promotion of female participation and career advancement	  
G	IV. "Enhanced governance" for sustainable growth	II-4. Mutual growth through collaboration with local, partner builders	  
		IV-1. Improved structure and effectiveness of the corporate board	  
		IV-2. Through monitoring of the business operations	  
		IV-3. Enhanced governance through the reward system	  
	V. Highly transparent accounting process and attitude for proactive dialogs	IV-4. Development of intra-company compliance awareness	  
		V-1. Simple and visible accounting process centered on the accounting linked to cash and deposits	  
		V-2. Attitude for proactive dialogs with investors through the IR activities	  

4

#### 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

IV. "Enhanced governance" for sustainable growth		
IV-1. Improved structure and effectiveness of the corporate board		
<b>Proactive appointment of outside board members</b> 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.		
<b>Enhanced effectiveness of the corporate board</b> 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 <a href="#">here</a> .		
<b>Excerpt of comments from assessment of the corporate board effectiveness</b>		
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-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 4th in a long time 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 seats 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) (home loan to annual income ratio is 3.97) * 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



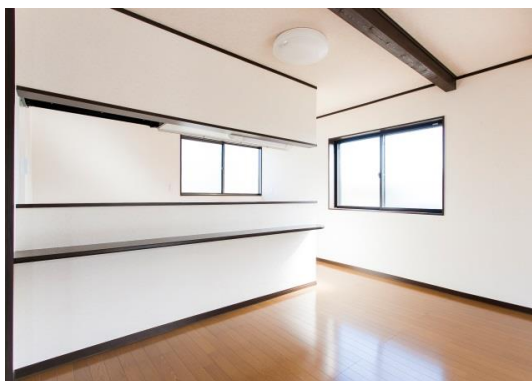
House where porch tiles were replaced, a new exit door was installed and the exterior wall was clad with accent tiles



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

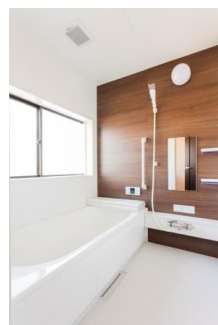


### 3. Examples of Value-Added Houses (3): Facilities Work

- 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



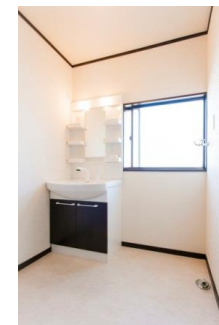
Newly-installed kitchen unit with a hanging cupboard, replacing the inconvenient unit used for more than 30 years and resulting in drastic improvement in both usability and appearance



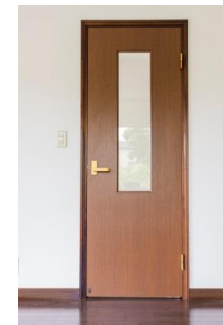
A new modular bath system is installed in approx. 90% of houses procured



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.

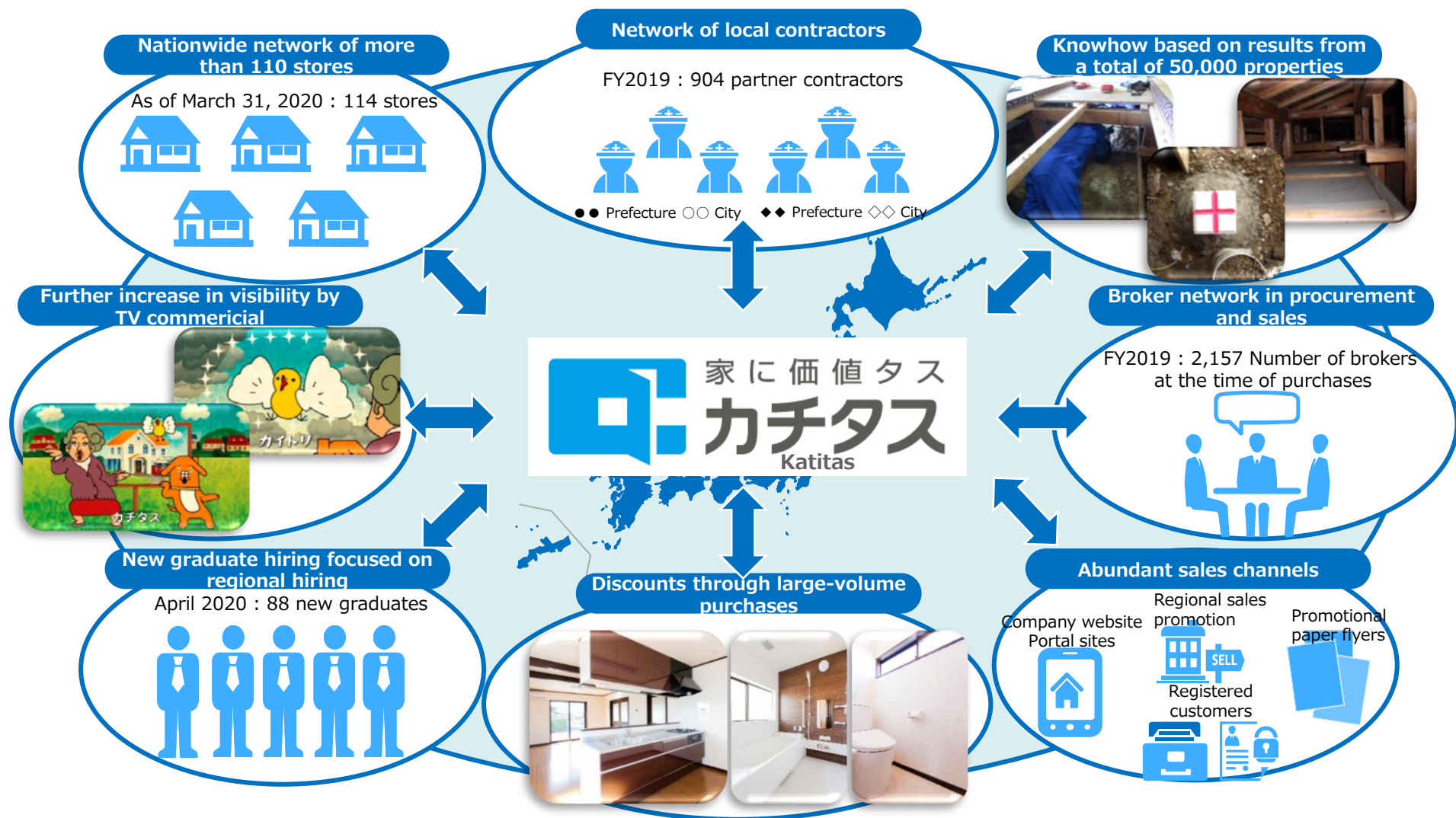
### 3. Entry Barrier of Katitas' Business Model and Competitive Advantage

Entry Barrier	Individual property characteristics		Regional characteristics	
	<p><u>Property conditions are extremely varied</u></p> <p>Even with properties built by the same home builder, the deterioration of properties differs based on the location and maintenance.</p>	<p><u>Economies of scale do not apply</u></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><u>Lifestyles by region</u></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><u>Differing business environments</u></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>We will create our own unique positioning by properly managing the balance between “standardization” and “individual solutions”</p>				
Competitive Advantage	Standardization policies		Individual solutions policies	
	<p>●<u>Preparation and weekly updates of manuals</u></p> <p>~Organize individual work processes including procurement, reforms, and sales in detail.</p> <p>Create manuals for renovation contractors as well.</p> <p>●<u>Standardization of knowledge</u></p> <p>~Collect information on good knowledge and bad knowledge through weekly business condition reports.</p> <p>Standardize and disseminate solution methods to workplaces through weekly company-wide morning video conferences.</p> <p>●<u>Checking system at headquarters</u></p> <p>~Check the contents of contracts and reforms at headquarters from a third-party perspective.</p>		<p>●<u>Sales staff oversees every phase of the business flow</u></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>●<u>Hire personnel with ties to each region throughout Japan</u></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>●<u>Compensation system not reliant on results</u></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.



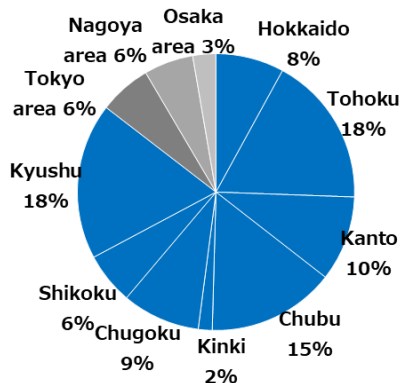


### 3. Nationwide Branch Network and High Brand Recognition

- 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

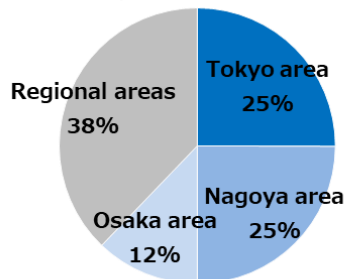
#### Nationwide Branch Network

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



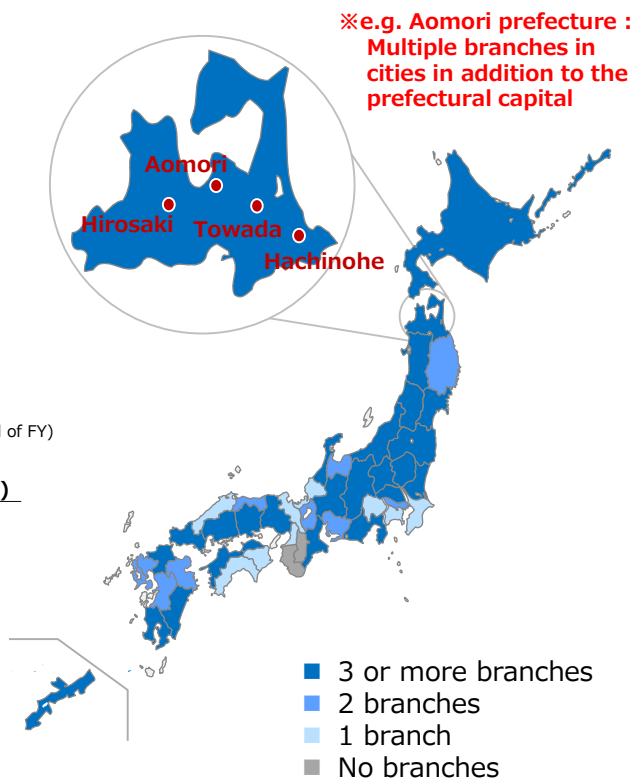
\*Number of units sold (FY2019): 4,305  
\*FY2019 results  
(representing closing/settlement completed by the end of FY)

**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)

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

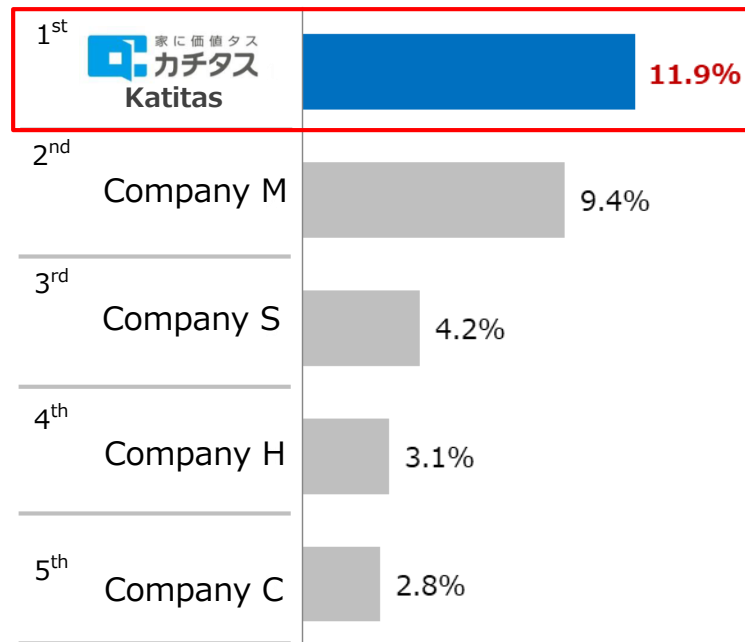


#### High Brand Recognition in Regional Areas

##### 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 January 2021 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.44  
(4) Surveyed areas in Jan 2021 were Hokkaido, Aomori, Niigata, Ishikawa, Nagano, Yamaguchi, Ehime, and Kagoshima prefectures (where TV commercials were aired), as well as Tochigi and Gifu prefectures (where no TV commercials were aired)

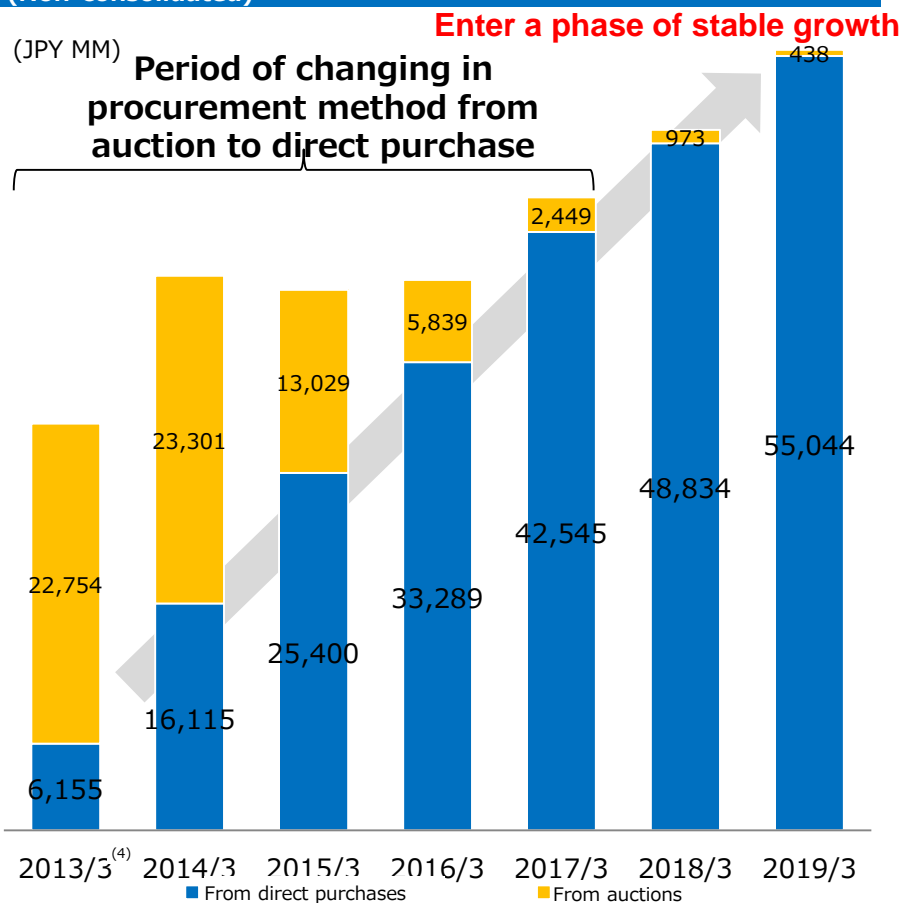
## 3.

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

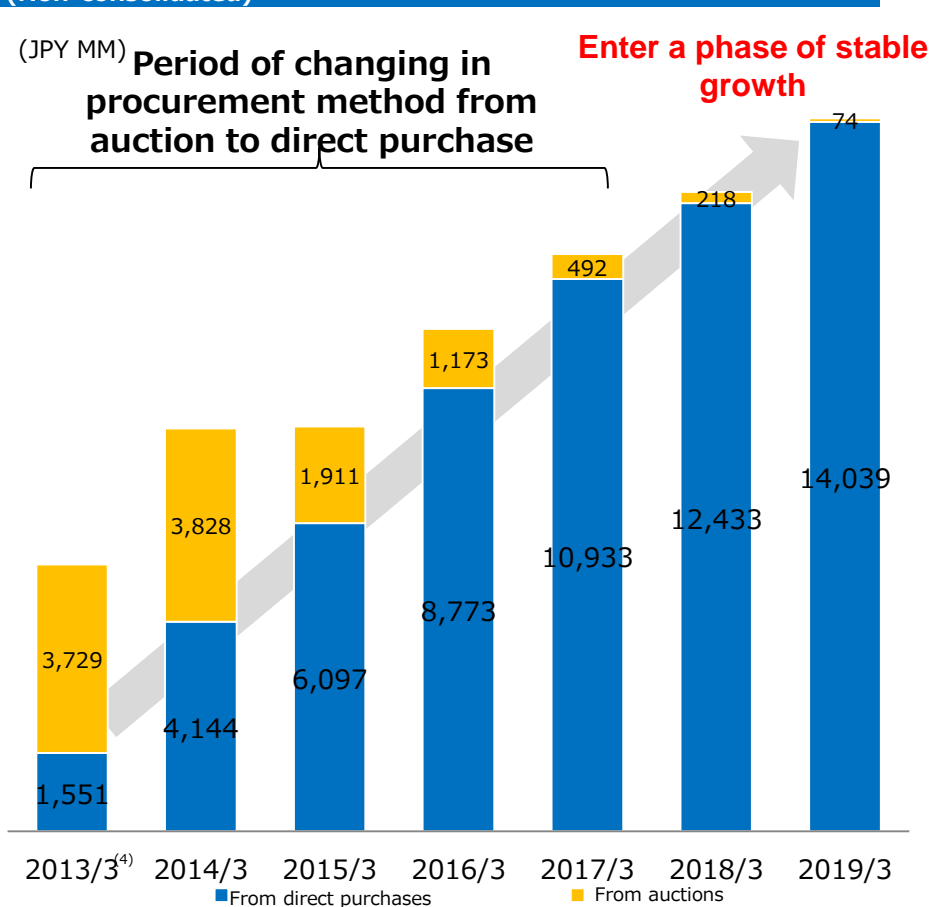
(Reposted from FY2018 4Q)

- 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.54 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

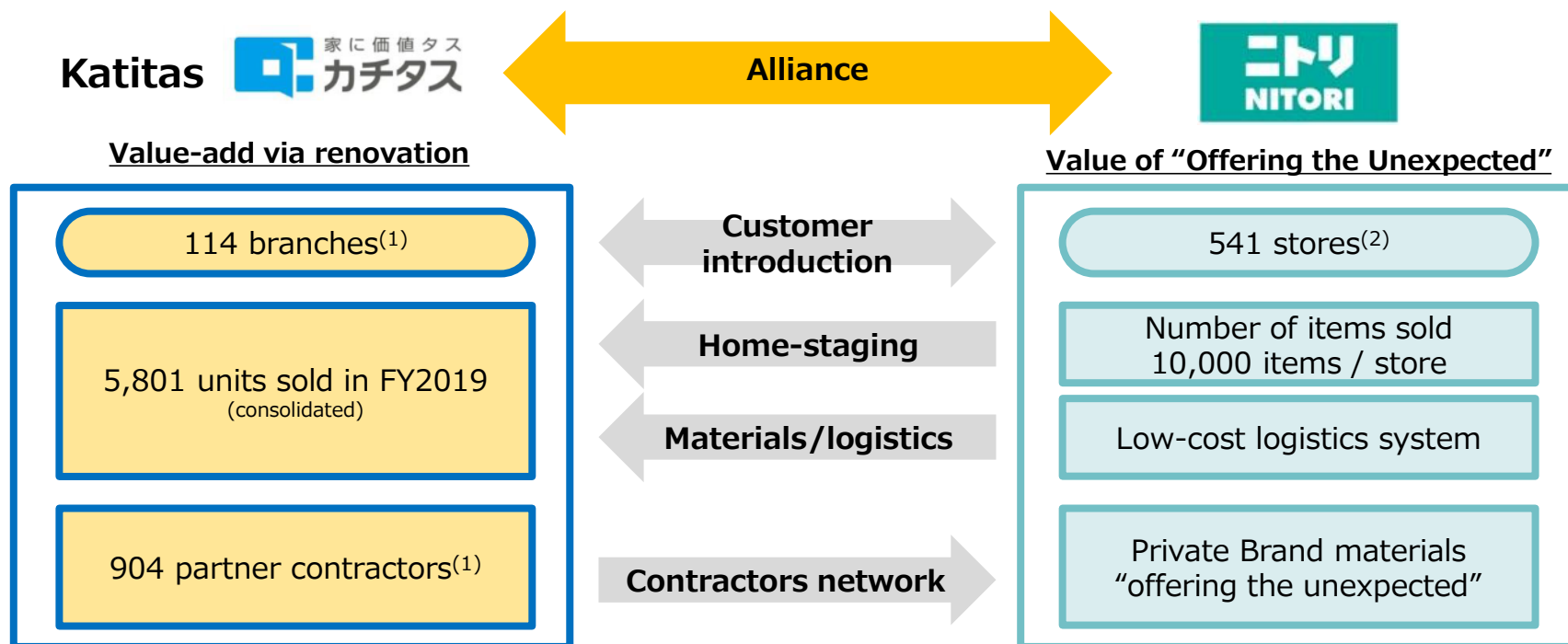
(1) Starting in 2014, METI has been granting annual awards to companies that address a variety of needs of consumers with the strengths of their unique business models

### 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付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)** 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orama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

- |           |   |                |
|-----------|---|----------------|
| <b>1.</b> | <b>Overview of Financial Results for the First Nine Months of the Fiscal Year Ending March 31, 2021</b> | <b>P2-P8</b>   |
| <b>2.</b> | <b>Management Plan for FY2020 (Ending March 31, 2021)</b>   | <b>P10-P20</b> |
| <b>3.</b> | <b>Overview of Business Model</b>   | <b>P22-P41</b> |
| <b>4.</b> | <b>APPENDIX</b>   | <b>P43-P57</b> |

## 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 Dec 31, 2020)
Number of outstanding shares	78,650,640 shares (As of Dec 31, 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 Dec 31, 2020)

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

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

**Total 114 Branches**

**reprice** ⇒ Focus on urban areas




Reprice Tokai  
Reprice Tokyo Shibarikyu  
Reprice Tokyo Daimon  
Reprice Hokkaido  
Reprice Tohoku  
Reprice Kita-Kanto  
Reprice Shinshu  
Reprice Shizuoka


Reprice Gifu  
Reprice Kansai  
Reprice Chugoku  
Reprice Okayama  
Reprice Shikoku  
Reprice Kyushu  
Reprice Okinawa

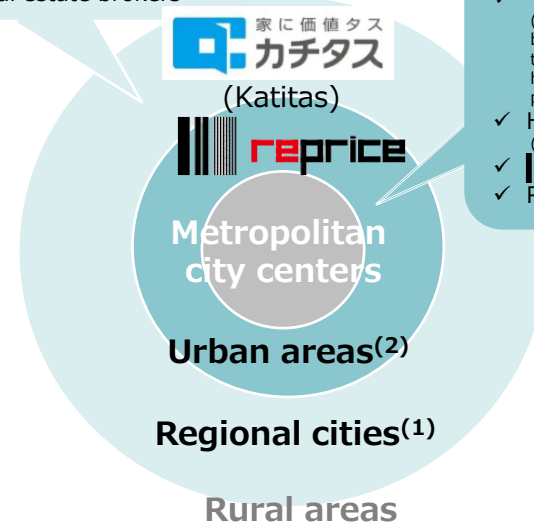
**Total 15 Branches**

### 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



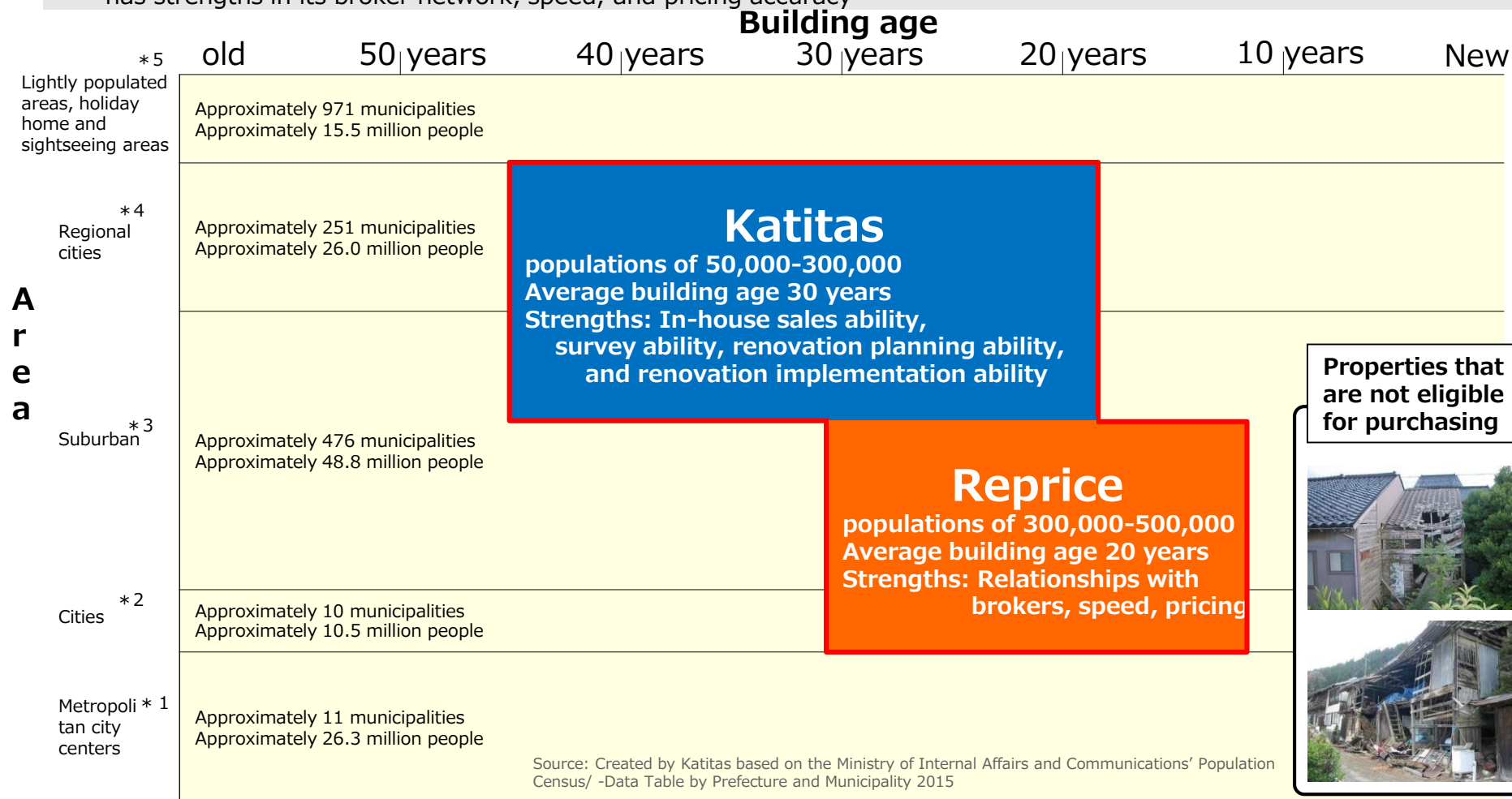
\*1 The branch newly opened in November 2020

(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



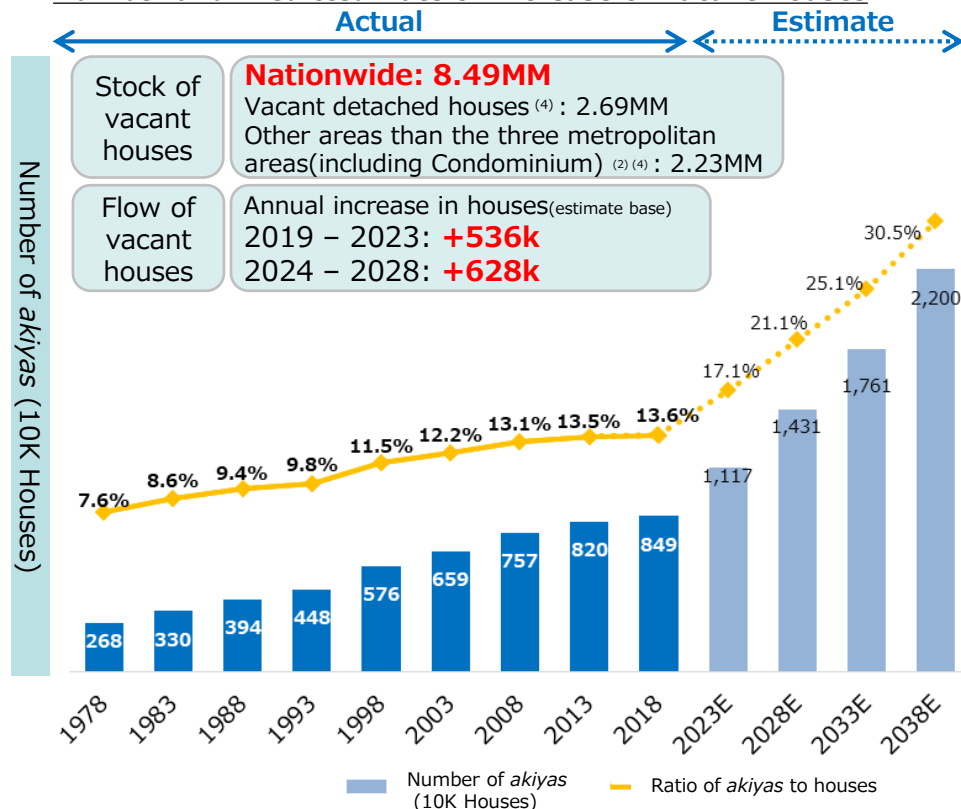
## 4.

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

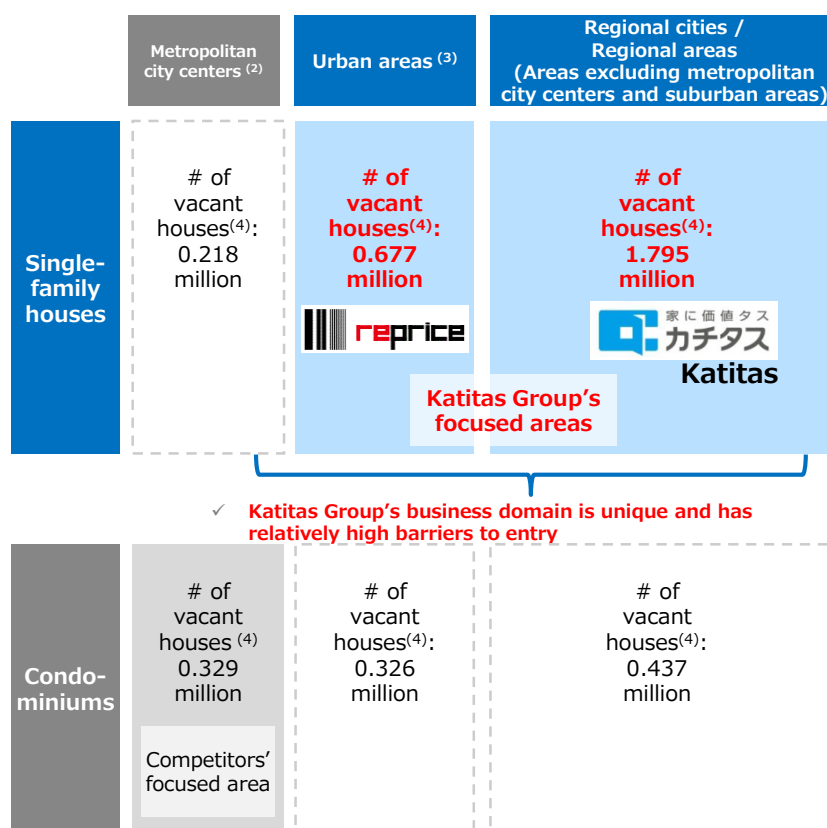
- There is a large number of vacant houses and the number is expected to increase, which provides Katitas with procurement opportunities
- Although a large majority of such vacant houses cannot be distributed in the housing market on an “as-is” basis, Katitas is capable of acquiring such houses with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

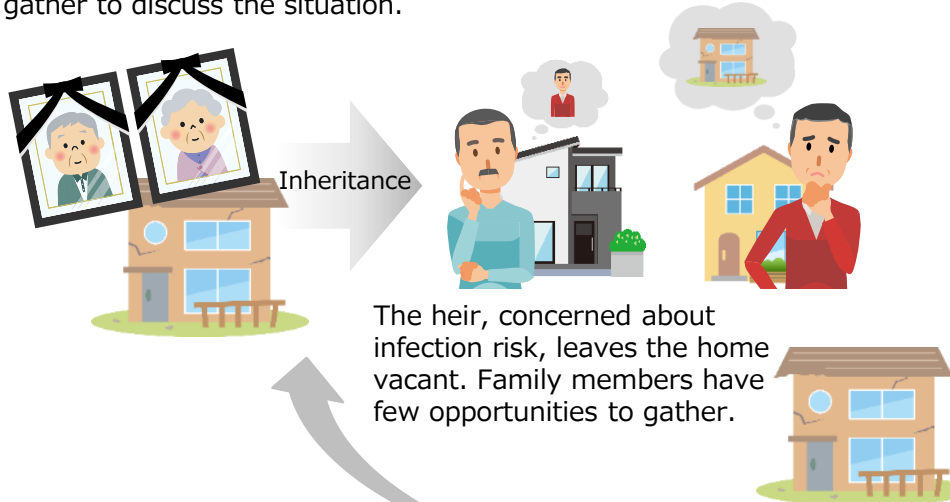


## 4. Reasons for Temporary Purchasing Issues

### Home Inheritance

→The heir, an adult, has built another house. He has no need for the inherited house, which then **lies vacant**.

- The house was built 30–40 years ago, around the time the heir entered elementary school.
- The heir is currently between 40 and 60 years old and is concerned about COVID-19 infection, so is limiting contact with other people and movement outside the prefecture where he lives.
- There are fewer opportunities for family members to gather (such as for memorial services, religious festivals, and year-end holidays), and dealing with the family home requires that siblings gather to discuss the situation.



### Senior Owners

→A house becomes vacant when the owner moves into a care facility.

- Buying or selling a house requires contact with the owner. (Confirmation of intent by a judicial scrivener may also be needed.)
- Many seniors resist meeting others in person, due to concerns about infection risk.
- Care homes may prohibit visitors. (Japan's Ministry of Health, Labour and Welfare introduced mitigation measures on October 15, 2020.)



The owner, aged 80+, is in a senior care facility. Family members are unable to visit.

### Vacant houses

The **pause** in information about vacant houses is only temporary.  
The number of vacant homes is **rising each year**.



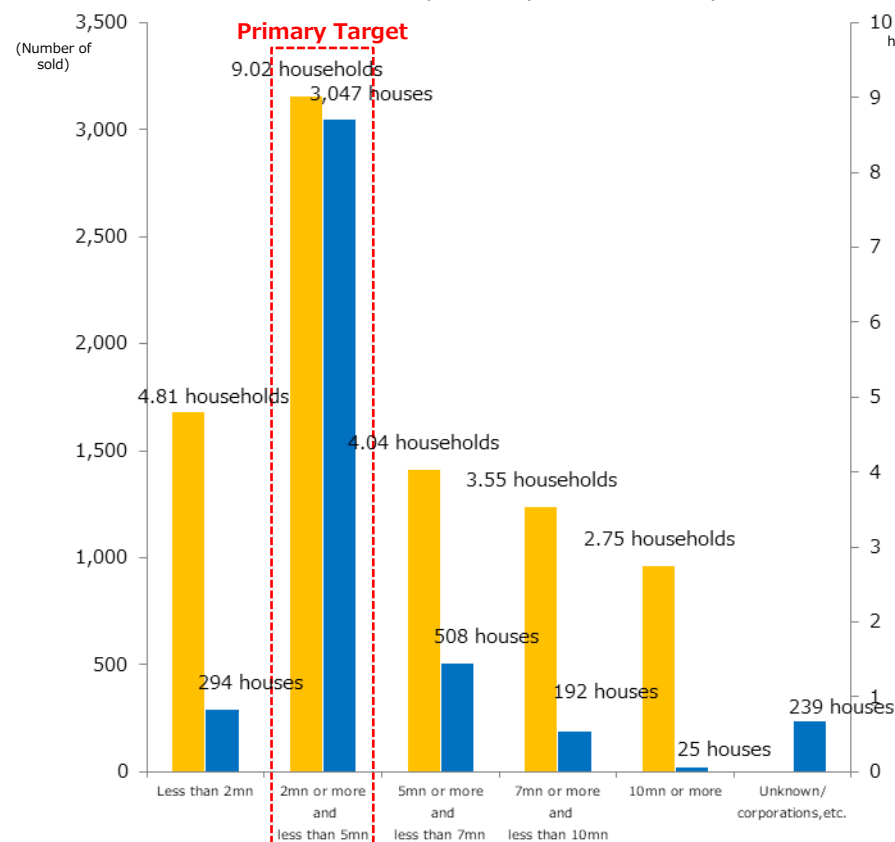
**The issue is with timing: when information about vacant houses becomes available.  
The size of the market for unoccupied houses (purchasing environment) remains unchanged.**

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

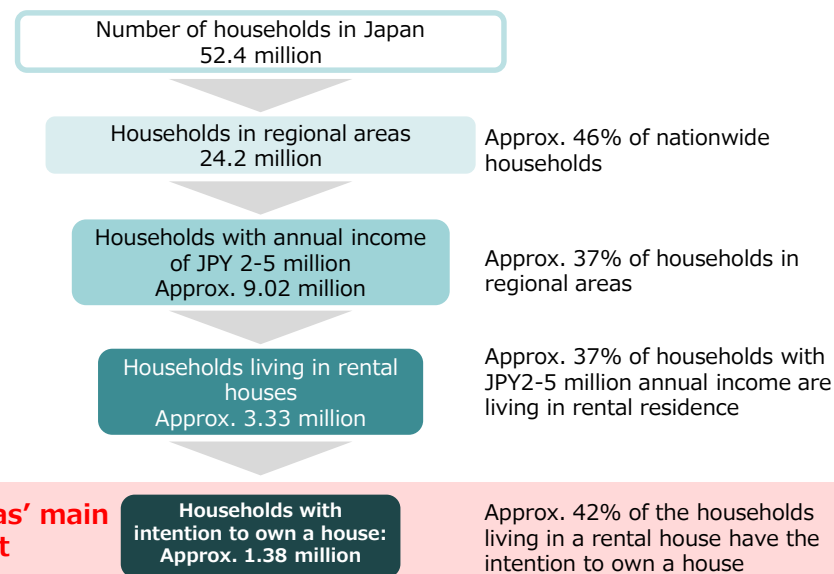
- Katitas' primary target customer base consists of approximately 1.38 million households currently living in rental houses in regional areas, with annual income of JPY2-5 million and the intention to own a house
- Based on the assumption that there is demand for 138,000 units if the duration of the 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



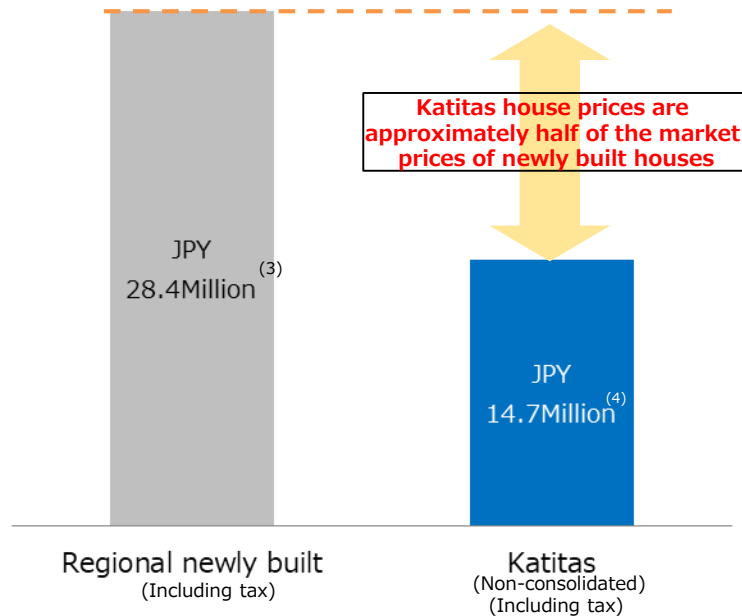
Based on the assumption that the duration of considering the purchase of housing units is approximately **10 years**.  
⇒ The size of the market including potential demand is estimated at about **138,000 houses** per year.

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

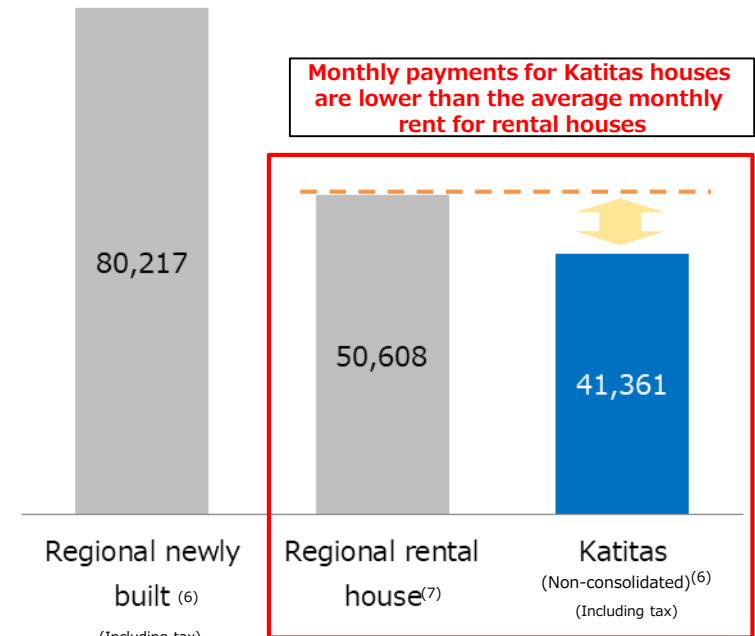
## 4. Offering High-Quality Renovated Houses at Reasonable Prices

- 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

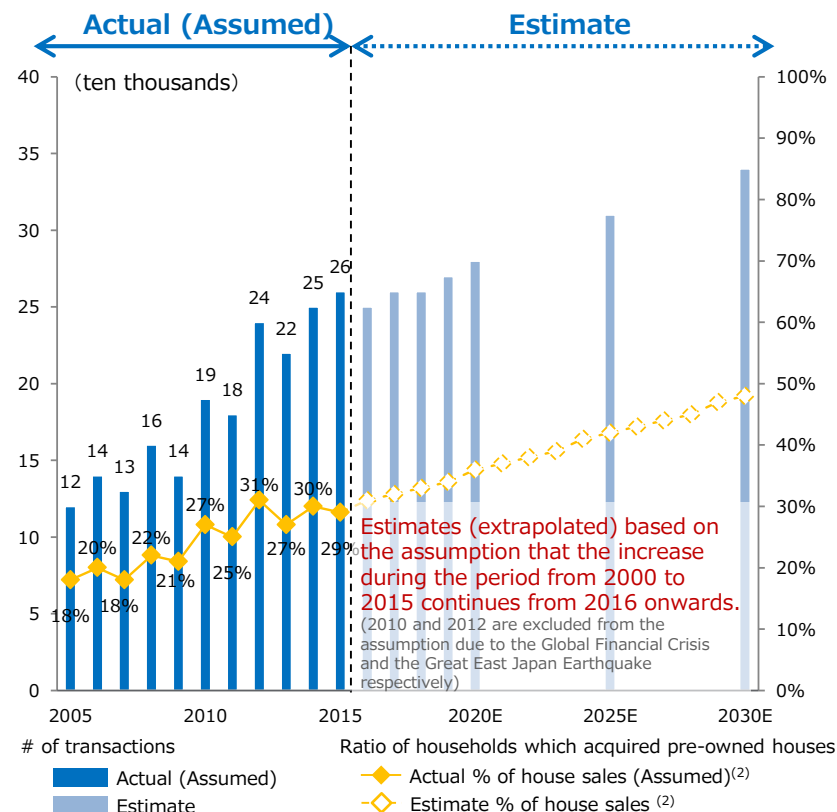
Survey of preference in moving to newly built or pre-owned houses from the current rental houses



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



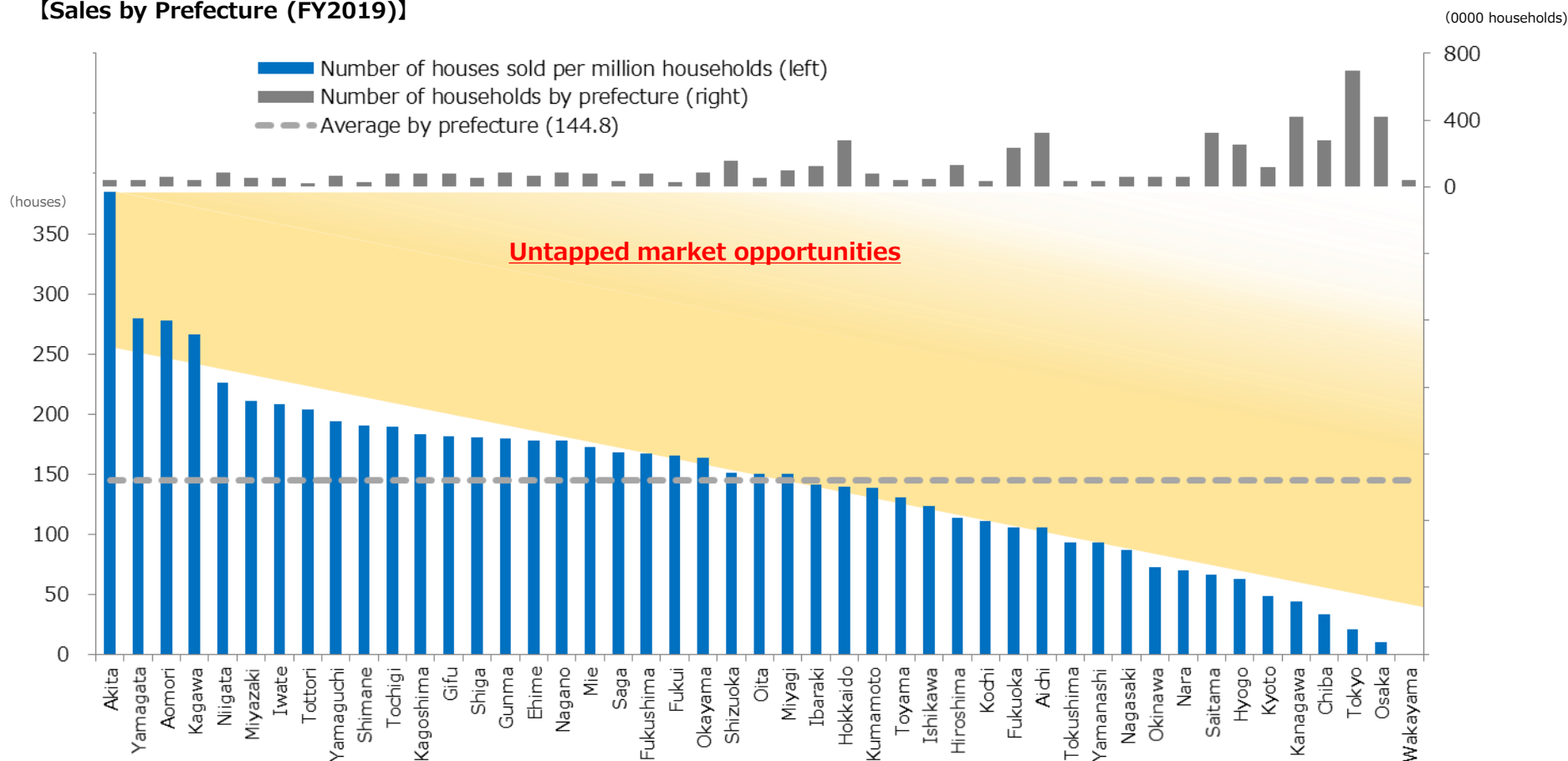
Source: Produced by Katitas based on data in NRI's June 7, 2017 press release claiming that existing housing will increase to 340,000 houses by 2030 and unoccupied houses will double to more than 20 million houses by 2033.

## 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

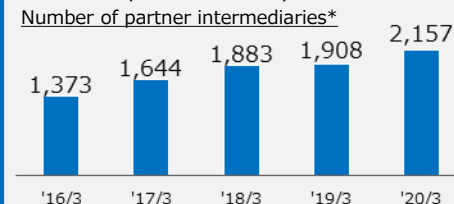
#### Ability to assess property purchase risks

- ✓ 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

### 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



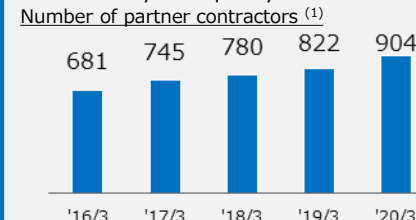
\* Number of intermediary companies with which Katitas concluded one or more purchase transaction annually

#### Ability to 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>

#### 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))

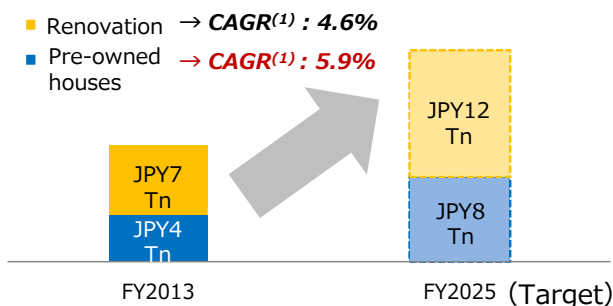
(2) Gross margin ratio (Management accounting base): Gross profit ÷ Net sales

(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



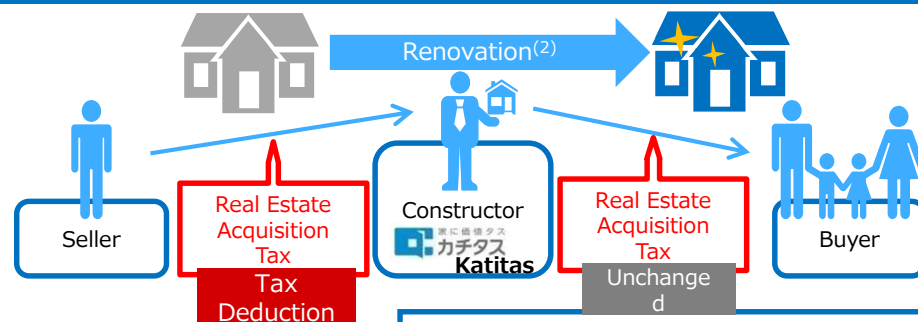
Source: Ministry of Land, Infrastructure, Transport and Tourism, Housing Bureau, Housing Policy Division "Housing Policy Basic Plan (Nationwide) (Overview)"

### 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

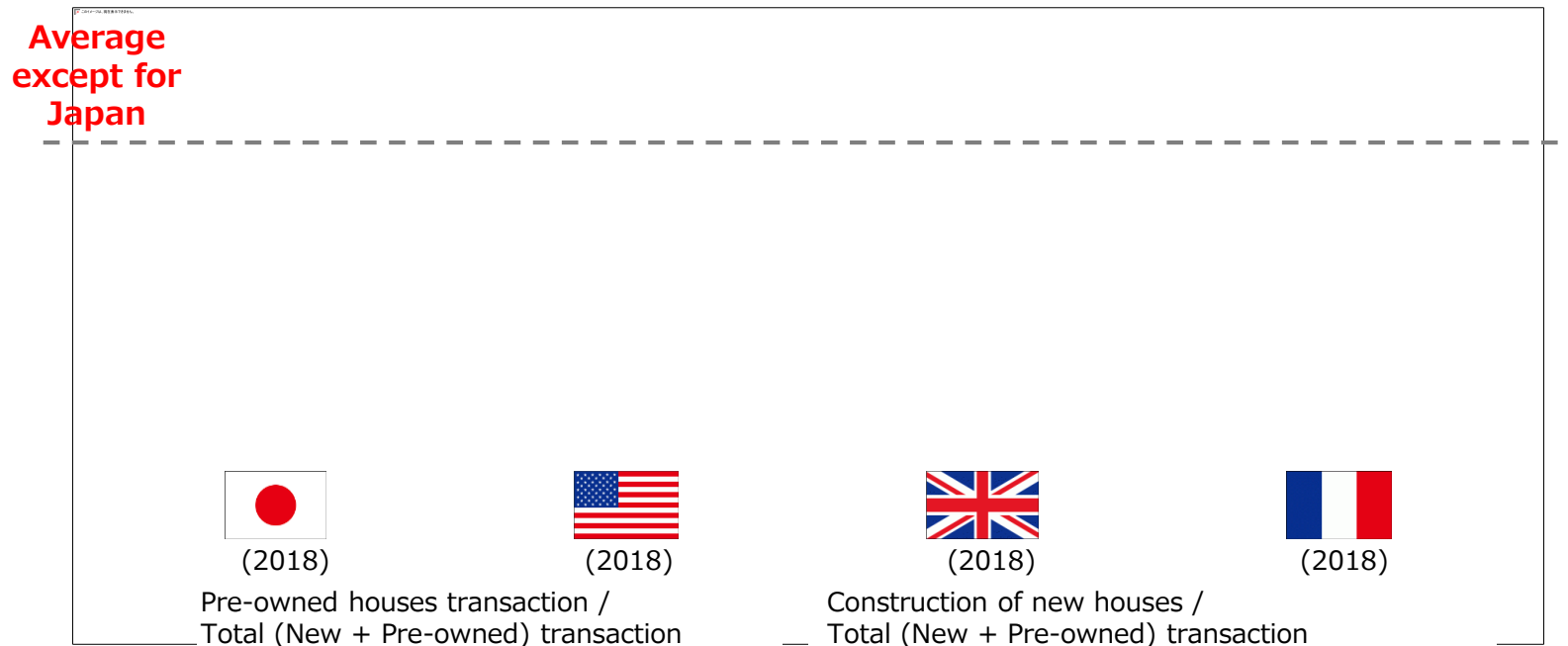
(2) Quake-resistance, energy-saving, barrier-free, water facilities

(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

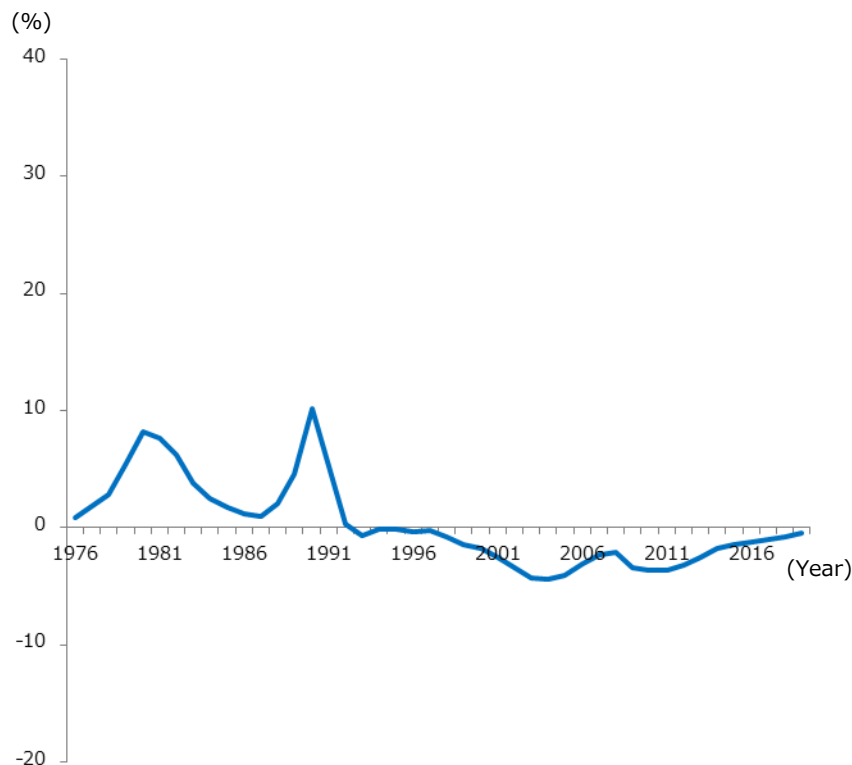
### Pre-owned houses Market Share - Japan vs United States and Europe



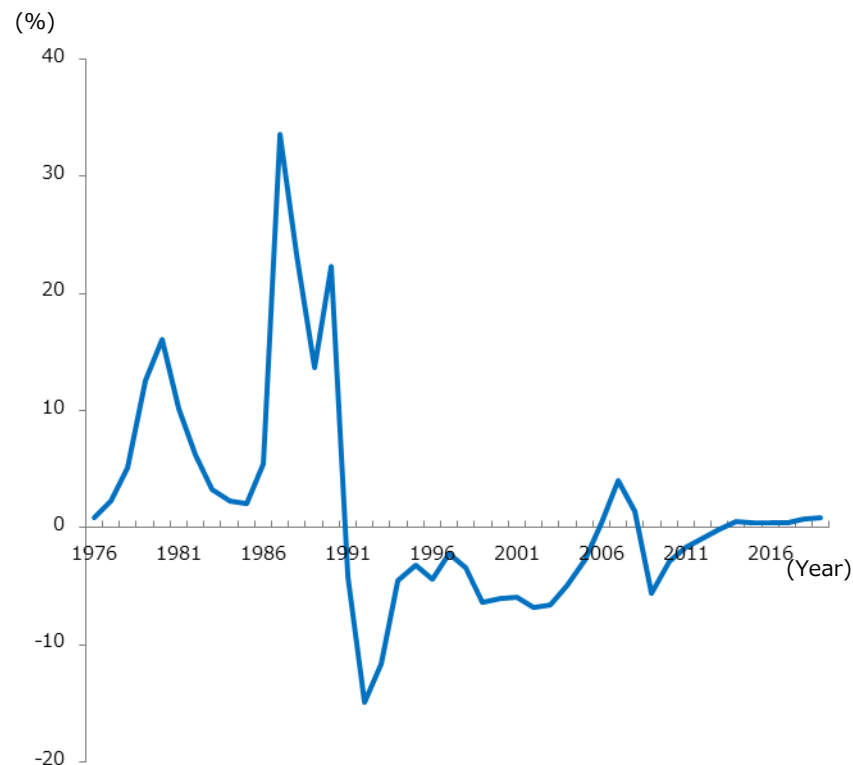
## 4. Trends in Land Prices - Regional Areas vs Three Metropolitan Areas

- 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.