English Version

家に価値タス カチタス

KATITAS Co., Ltd.

Financial Results Presentation

For the First Three Months of the 43rd Fiscal Year Ending March 31, 2021 (FY2020)

Aug 7, 2020

Before



After



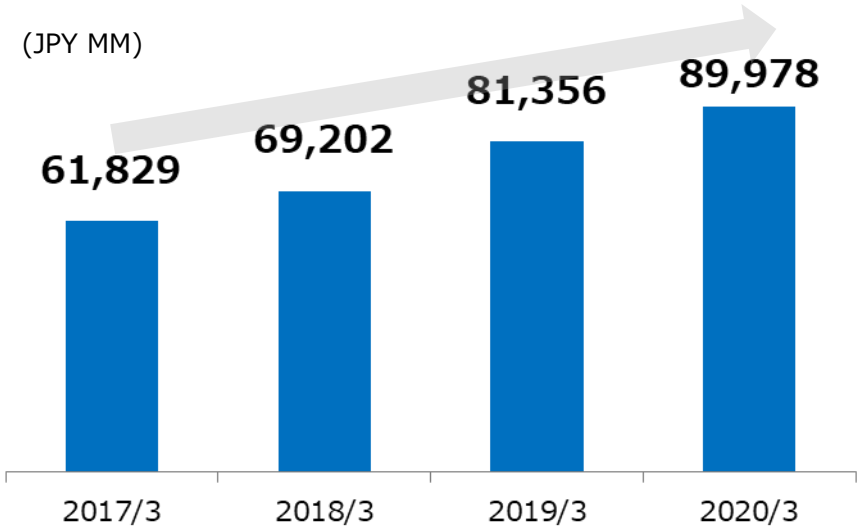
(Securities Code: 8919, First Section of TSE)

Presentation Highlights

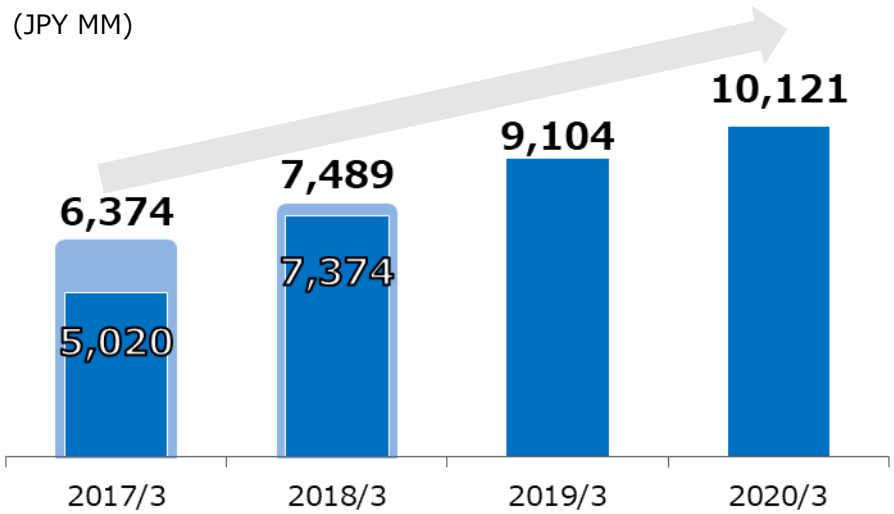
1.	Overview of Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2021	P2-P7
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1. Sales and Operating profit Trend

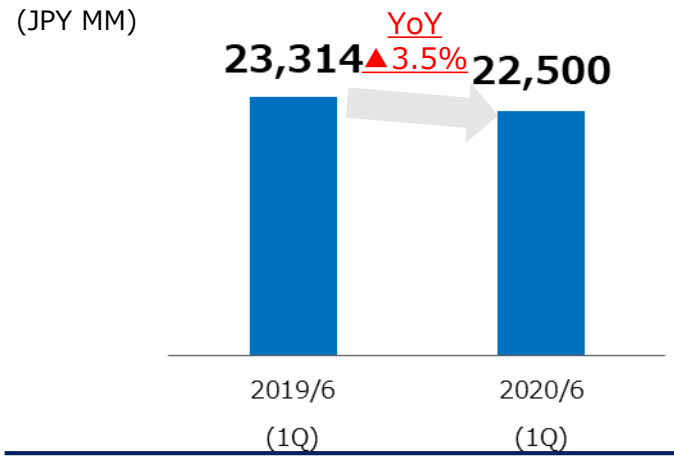
Historical Net Sales (FY-base)



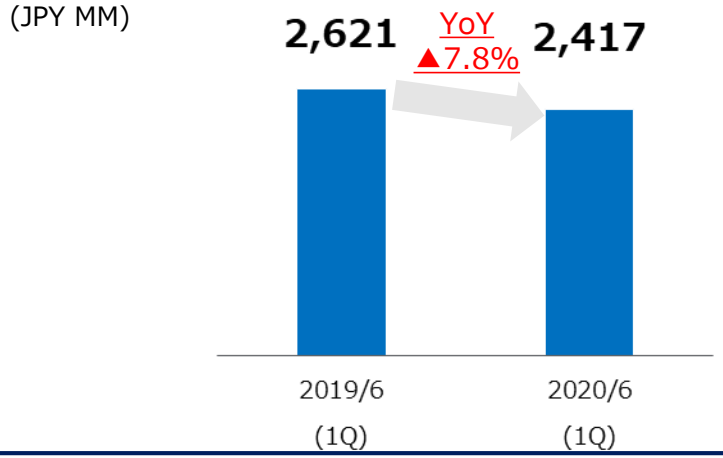
Historical Operating profit (FY-base)



Historical Net Sales (FY2020 1Q)



Historical Operating Profit (FY2020 1Q)



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

* The above information includes forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. See the disclaimer on P.54 of this presentation

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

- **The number of properties sold declined due to a fall in the number of initial inquiries from customers and the effects of working from home by employees of real estate brokers and the suspension of business of the brokers from February to April 2020 due to the impact of COVID-19. Meanwhile, results for FY2019 1Q were higher than normally expected due to the impact of Golden Week.**
  - Compared with FY2019 1Q, net sales and operating profit declined by 3.5% and 7.8%, respectively from the previous year.
  - The progression rate for the budget for the first half was 53.8% for net sales and 55.7% for operating profit.
  - The progression rate for the annual budget was 24.9% for net sales and 23.9% for operating profit.
  - Supplementary explanation on FY2019 1Q: In FY2019 1Q, the delivery of properties, which would have normally been delivered in March 2019 (FY2018 4Q), was delayed to April 2019 (FY2019 1Q) given a large number of requests to move during Golden Week, starting from the end of April.

- **Working from home by employees of real estate brokers had a larger impact on purchases than on sales. While it did not have an impact on results for FY2020 1Q, purchases are an important issue for the second half.**
  - The sum of real estate for sale and real estate for sale in process rose 9.6% from the previous year.
  - However, real estate for sale in process was at a low level, fell 26.2% from the previous year.
  - Damage from concentrated heavy rains in July 2020 comprised flooding under floor level only in two properties.

- **Gross profit margin improved slightly from FY2019 1Q. Because long-term inventory for which a contract is made in February and March during the peak season is delivered in 1Q in the normal year, the gross profit margin tends to be low in 1Q.**
  - Long-term inventory has been monitored to ensure that it is maintained at an appropriate level. Meanwhile, the gross profit margin remained stable in the absence of a significant discount similar to the disposal of inventory.
  - Cost-conscious management continued to be implemented despite an increase in personnel expenses from the perspective of growth investment. The operating profit margin fell from FY2019 1Q as sales were delayed in comparison with the increase in expenses. However, operating profit remained higher than the budget for the first half.

1. Impact of COVID-19 on Katitas' Business （1/2）

	Situation at the time of announcing results for FY2019	Situation at the time of announcing results for FY2020 1Q
Number of initial inquiries from customers *	• The number of initial inquiries from customers, which is a leading KPI, remained flat from the same month of the previous year in February and March 2020. • It declined 10% after the declaration of a state of emergency in April.	• Initial inquiries from customers increased 20% year on year in May and June 2020, turning to an upward trend. • Currently, they are returning to a normal level.
Purchase of toilet fixtures and fittings*	• The acceptance of orders stopped after February. • Even after resuming the acceptance of orders in late March, a delay in delivery occurred (two weeks to one month).	• Delay in delivery has been eliminated and normalized.
Mortgage application screening *	• 80% of purchases take out mortgages. • Delivery is made after mortgage application screening and sales will be recorded. • Mortgage application screening took longer due to working from home by employees at financial institutions and their prioritizing of corporate loan screening.	• Delay in mortgage application screening is gradually being eliminated. • Some financial institutions show signs of tightening the screening for purchasers who work in the restaurant business or the travel industry.
Working conditions at the Group branches*	• Katitas employees based at 3 of its 112 branches were working from home. • Reprice employees based at 5 of its 15 branches were working from home.	• They have returned to normal work patterns.
Activity situation at real estate brokers*	• Major real estate brokers, among others, had their employees work from home or suspended business.	• Some real estate brokers resumed operation in May. • Real estate brokers including major ones returned to normal operation in June.

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

1. Impact of COVID-19 on Katitas' Business （2/2）

	Situation at the time of announcing results for FY2019	Situation at the time of announcing results for FY2020 1Q
House inspection *	• Katitas reduced customer anxiety by shifting to open house viewings by appointment.	• There is a side benefit of improving productivity in the effort on the left. • This is to be continued.
Cash on hand *	• Katitas secured cash on hand by borrowing additional loans of JPY 3.6 billion in May 2020.	• Cash on hand as of the end of June 2020 was JPY 17.7 billion, exceeding the level at the end of March 2020 (JPY 9.1 billion) by JPY 8.5 billion. • Ample cash on hand has been secured, implying a sound financial position that is able to respond flexibly to risks.
Medium-to long-term impact *	• There was a possibility that consumers were oriented toward inexpensive houses due to the uncertain future. • There was a possibility that consumers were oriented toward large detached houses in the suburbs due to teleworking. • Above changes in trends could provide a boost to Katitas over the medium to long term.	• Trends on the left will not emerge in the short term and Katitas will continue to pay attention.
【NEW】 Purchase of properties	• Purchases through agents made up 70% of purchase channels in Katitas and 90% in Reprice. • Purchases were delayed due to the impact of working from home by employees at real estate brokers and the suspension of business of the brokers. • Katitus carefully selected purchases in April when the state of emergency was declared, given that the sales trend was uncertain.	• Real estate brokers including major ones returned to normal operation in June. • The number of homes purchased by Katitas in FY2020 1Q was 1,214 (down 17.4% year on year), although Katitas strengthened the approach to local and medium-sized real estate brokers. • Katitas' business is a purchase-first business, and a period of about six months is required from purchase to sales. Therefore, purchases for the second half are an important issue.

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

1. Financial Highlights

(JPY MM)	FY2019 1Q (ended June 30, 2019)	FY2020 1Q (ended June 30, 2020)			(Ref) Full-Year FY2019
		Results	YoY	YoY (%)	Results
Net sales	23,314	22,500	△814	96.5	89,978
Number of properties sold	1,488	1,417	△71	95.2	5,801
Gross profit	5,107	4,955	△151	97.0	20,016
Margin (%)	21.9	22.0	+0.1	–	22.2
Operating profit	2,621	2,417	△203	92.2	10,121
Margin (%)	11.2	10.7	△0.5	–	11.2
(Ref) EBITDA	2,683	2,479	△204	92.4	10,367
Ordinary profit	2,565	2,355	△210	91.8	9,895
Profit attributable to owners of parent	1,721	1,533	△188	89.1	5,190
(Ref) Adjusted profit attributable to owners of parent	1,721	1,579	△142	91.7	6,671
Inventory turnover ratio (times)	2.01	1.76	△0.25	–	1.81
Net assets	20,141	23,251	+3,110	115.4	22,737
Total assets	46,572	59,679	+13,107	128.1	53,435
Equity-to-asset ratio (%)	43.1	38.8	△4.3	–	42.3
EPS (JPY)	22.60	19.99	△2.61	–	67.98
(Ref) Adjusted EPS (JPY)	22.60	20.59	△2.01	–	87.36
ROA (%)	22.3	17.1	△5.2	–	20.1
ROE (%)	35.0	26.8	△8.2	–	24.8
(Ref) Adjusted ROE (%)	35.0	27.6	△7.4	–	31.8

(1) EBITDA = Operating profit + Depreciation + Amortization of goodwill (consolidated only) (2) ROA = operating profit x 4 / average of total assets as of the beginning and end of period
(3) ROE = Profit x 4 / 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 P18.
(5) Katitas implemented a 2-for-1 common stock split, effective April 1, 2020. EPS and adjusted EPS are calculated on the assumption that the stock split took place at the beginning of the previous consolidated fiscal year.

1. Selected Consolidated Balance Sheet Data

(JPY MM)	End of FY2019 (ended Mar 31, 2020)	FY2020 1Q (ended June 30, 2020)	
		Results	YoY
Cash and deposits	9,137	17,720	+8,582
Real estate for sale	28,659	30,597	+1,938
Real estate for sale in process	11,851	8,614	△3,236
Inventory real estates	40,510	39,212	△1,298
Non-current assets	2,089	2,032	△56
Total assets	53,435	59,679	+6,244
Accounts payable – trade	2,909	2,844	△64
Short-term loans payable	2,000	7,600	+5,600
Long-term loans payable(1)	20,000	20,000	–
Net assets	22,737	23,251	+514
Total of liabilities and net assets	53,435	59,679	+6,244

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

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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
✓ Approx. ¥110 billion for FY2021 (Increase of approx. ¥30 billion compared to FY2018) ✓ CAGR of around 10%	✓ Approx. ¥13 billion range for FY2021 (Increase of approx. ¥4 billion compared to FY2018) ✓ CAGR of over 10%

Growth Strategy

Strengthen area marketing

① Separate and optimize the sales to match the characteristics of local markets.
② Strengthen development and support of area and store managers by introducing a range of systems, etc.
③ Continue collaboration with local builders to strengthen product capabilities.

Promote market development

① Horizontally deploy methods from the areas of success to the areas with room for development.
② Actively assign human resources to growth areas.
③ Improve efficiency of operations by expanding the Head Office functions.

Continue to strengthen existing strategies

① Continue and expand aggressive recruitment mainly among new graduates.
② Improve sales productivity by promoting contracts of houses being renovated, etc.
③ Intensify examination of new business and other M&A opportunities

*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. See the disclaimer on P54 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 P18.
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2. Rate of progress for Management Plan for FY 2020 (Ending March 31, 2021)

(JPY MM)	FY2020 1Q (ended June 30, 2020)	FY2020 Plan (Ending March 31, 2021)			
		The first half		Full-year	
		Plan	Rate of progress (%)	Plan	Rate of progress (%)
Sales	22,500	41,859	53.8	90,206	24.9
Number of units sold	1,417	2,731	51.9	5,848	24.2
Gross profit	4,955	9,559	51.8	20,700	23.9
Operating profit	2,417	4,339	55.7	10,128	23.9
(Ref)EBITDA	2,479	4,459	55.6	10,366	23.9
Ordinary profit	2,355	4,223	55.8	9,896	23.8
Profit attributable to owners of parent	1,533	2,855	53.7	6,691	22.9
(Ref)Adjusted profit attributable to owners of parent	1,579	2,855	55.3	6,691	23.6

(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 P18.

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2. Growth Strategy of Katitas: Increase in Number of Sales Employees

(FY2019 Results) (Reposted from FY2019 4Q)

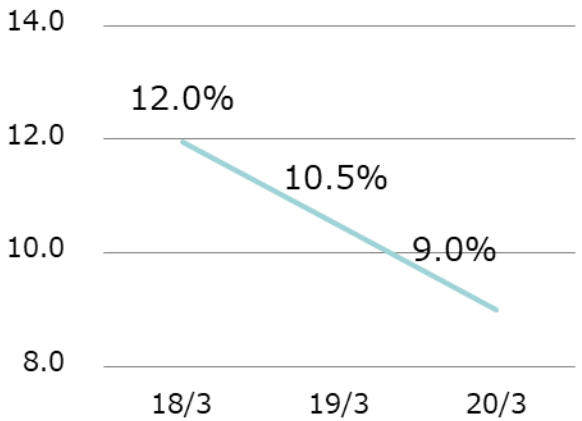
■ Katitas plans to expand through an increase in procured and sold homes by increasing sales staff headcount while maintaining and improving productivity.

Sales Staff		Productivity		Capacity(FY2019 Results)
Sales employees(1) (average during the fiscal year) 501	×	Procurement 9.1(2) / sales employee	=	Number of units procured: 4,563(2)
	×	Sales 8.6 / sales employee	=	Number of units sold: 4,305

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

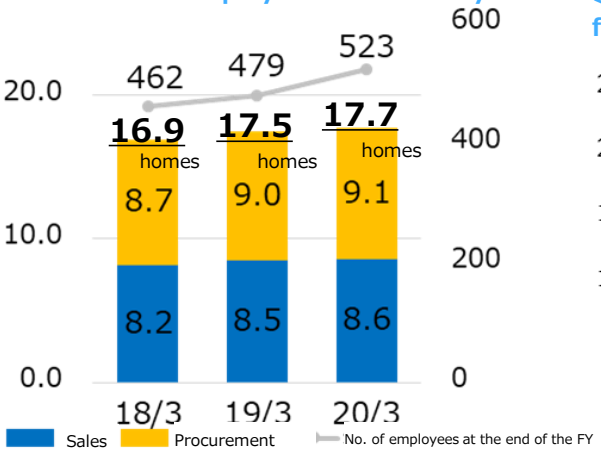
<Historical Turnover Rate(3)>



Improvement in Productivity of Sales Employees

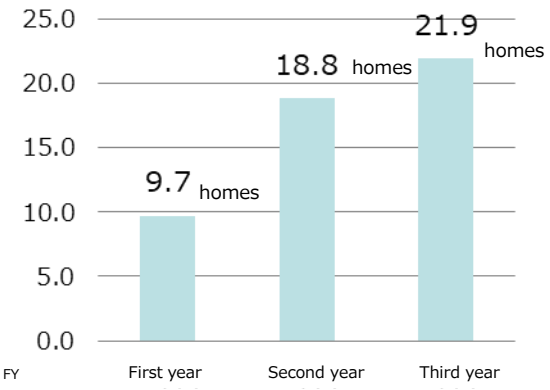
- ✓ Track record of improvement in productivity by reducing the inventory turnover ratio

<Growth in Sales Employees' Productivity(4)>



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

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



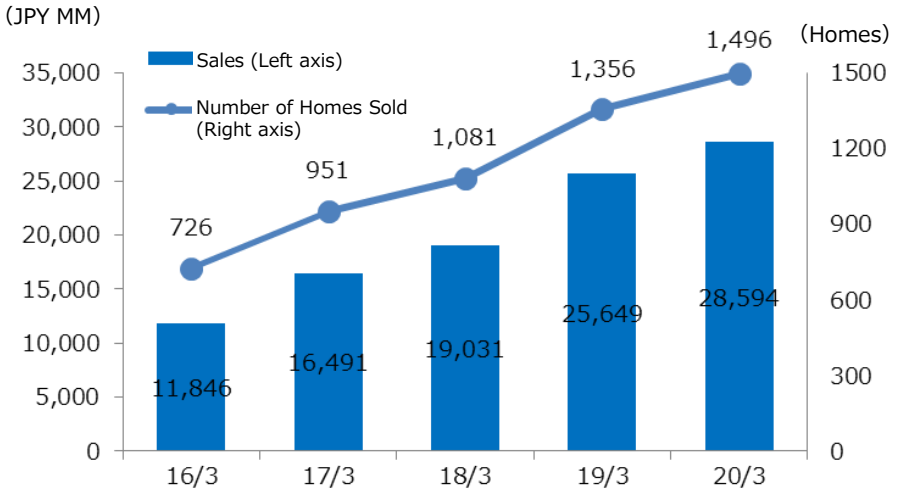
(1) The number of sales employee includes employees in branches, sales department managers and section chiefs
(2) Procurement via direct purchase method
(3) Turnover rate = number of employees who resigned or retired during the fiscal year / number of employees at the beginning of the fiscal year
(4) 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)

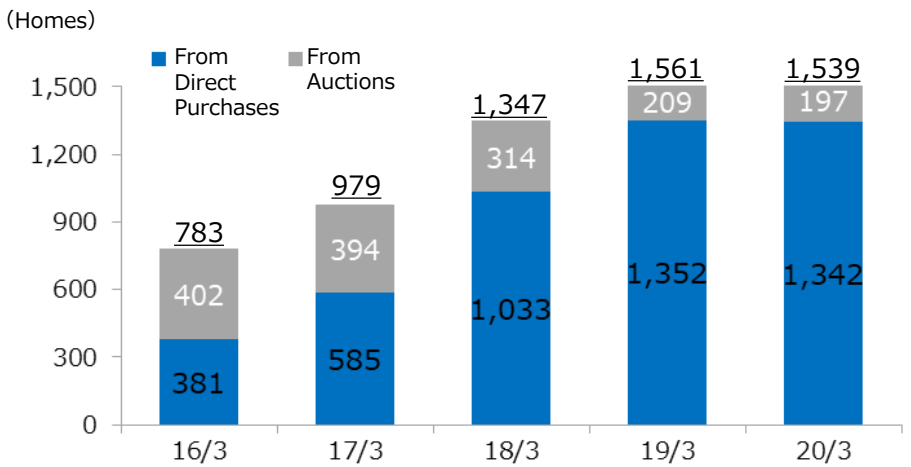
(Reposted from FY2019 4Q)

- "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

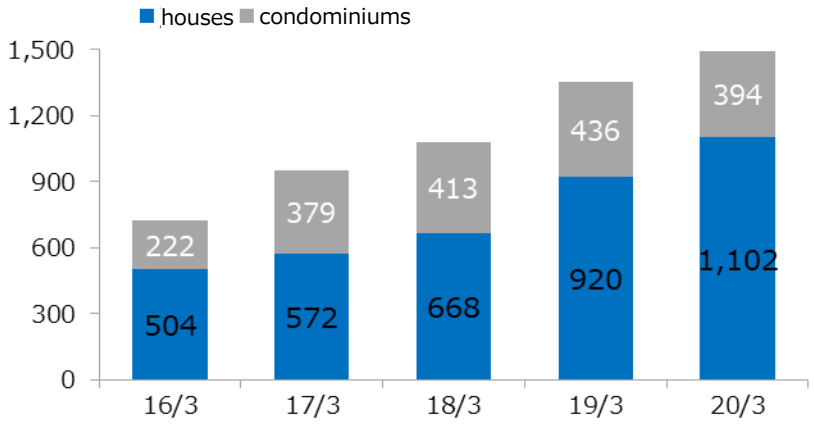
Number of Homes Sold (1) and Sales Volume (1)



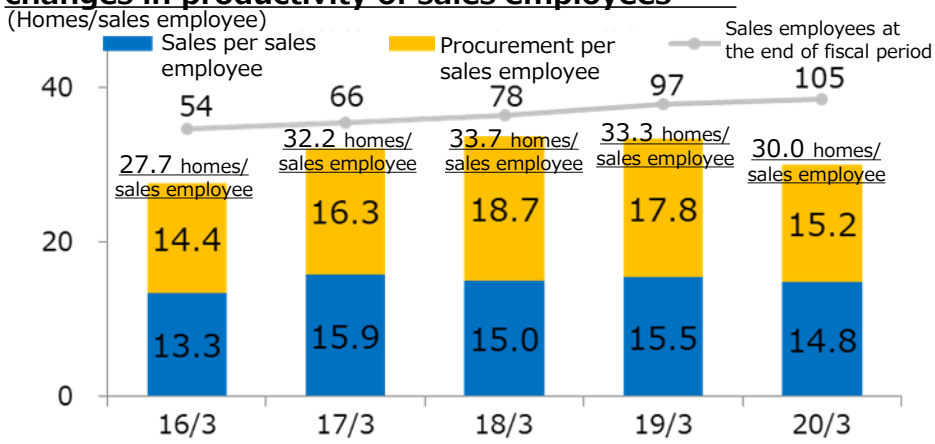
Number of Houses Procured by Procurement Method (4)



Number of sales by houses/condominiums(1)(2)



Number of sales employees at FY end and changes in productivity of sales employees(1)(2)

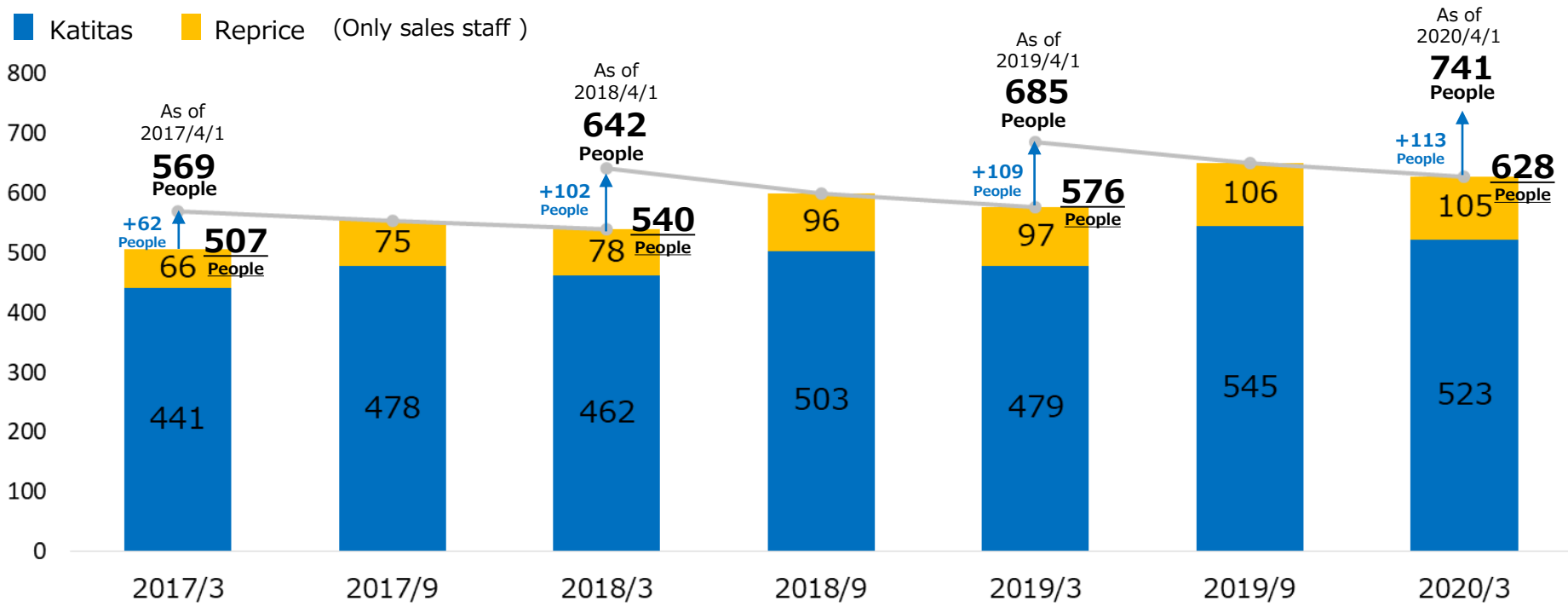


(1) Number of homes procured and homes sold, and sales volume are for Reprice Co., Ltd. and Comprehensive Urban Development Corporation (a former subsidiary of Reprice, which was sold in September 2016)
(2) Productivity= sum of the number of homes procured and the number of homes sold by Katitas over 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

(Reposted from FY2019 4Q)

- To ensure continuous growth going forward, we will continue hiring activities focused on new graduates.
- In April 2020, 88 new graduates joined Katitas, and 27 joined Reprice.



		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	–

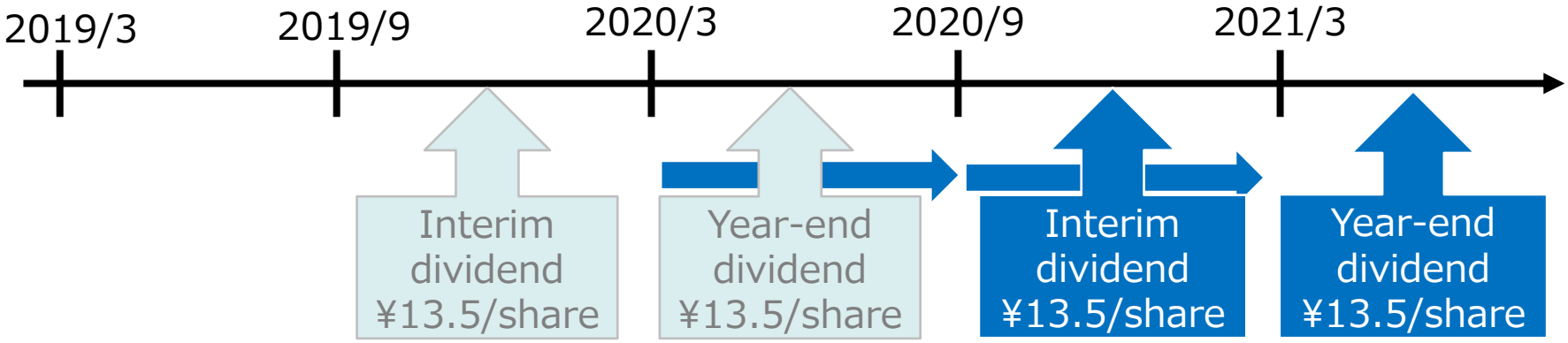
(1) Monthly avg = The total of the number of sales employees at the end of each month / 12

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.



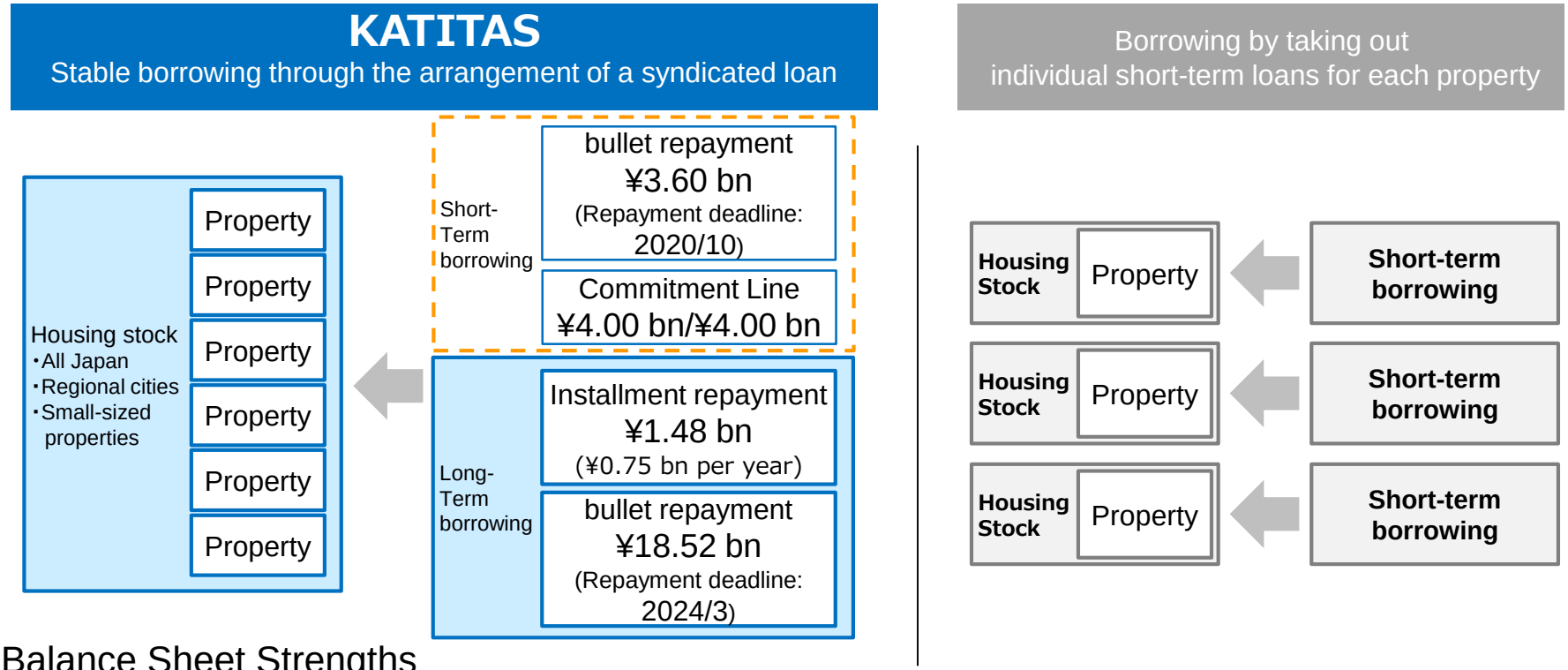
Decided to pay interim dividend of JPY 13.5 and year-end dividend of JPY 13.5 (making an annual dividend of JPY 27.0). The dividend payout ratio based on the annual dividend is 39.7%.
The dividend payout ratio based on net profit after adjustment for the consumption tax, etc. difference is 30.9% *1

Plan to pay an interim dividend of JPY 13.5 and a year-end dividend of JPY 13.5 (making an annual dividend of JPY 27.0) . The dividend payout ratio based on the annual dividend will be 31.0%.

*1 For details of accounting adjustments for adjusted profit for the consumption tax, please refer to the table on P18.

2. Balance Sheet Strengths

- 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 its easier to secure on-hand liquidity even in an unfavorable environment.



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. JPY 3.6 billion was raised in May to secure on-hand liquidity.
- Housing stock is distributed all over Japan, primarily in regional cities. Properties are small-sized detached residential properties and the risk of impairment as a result of natural disaster or market price fluctuation is low.
- Katitas enjoys financial stability, with an equity-to-asset ratio of about 40%.

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

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.

(JPY MM)	2019FY	2020FY	2019FY 1Q	2020FY 1Q
Profit attributable to owners of parent	5,926	5,190	1,721	1,533
+ Consumption tax difference	–	2,014 *1	–	45 *2
△ Tax adjustment of adjusted items	–	△562	–	–
Total of adjustment (After tax impact adjustment)	–	28	–	–
Income taxes – deferred for refund of income taxes	–	1,480	–	45
Adjusted net profit attributable to owners of the parent	5,926	6,671	1,721	1,579
Adjusted EPS (JPY)	78.81	87.36	22.60	20.59
Adjusted dividend payout ratio(%)	33.0	30.9	–	–

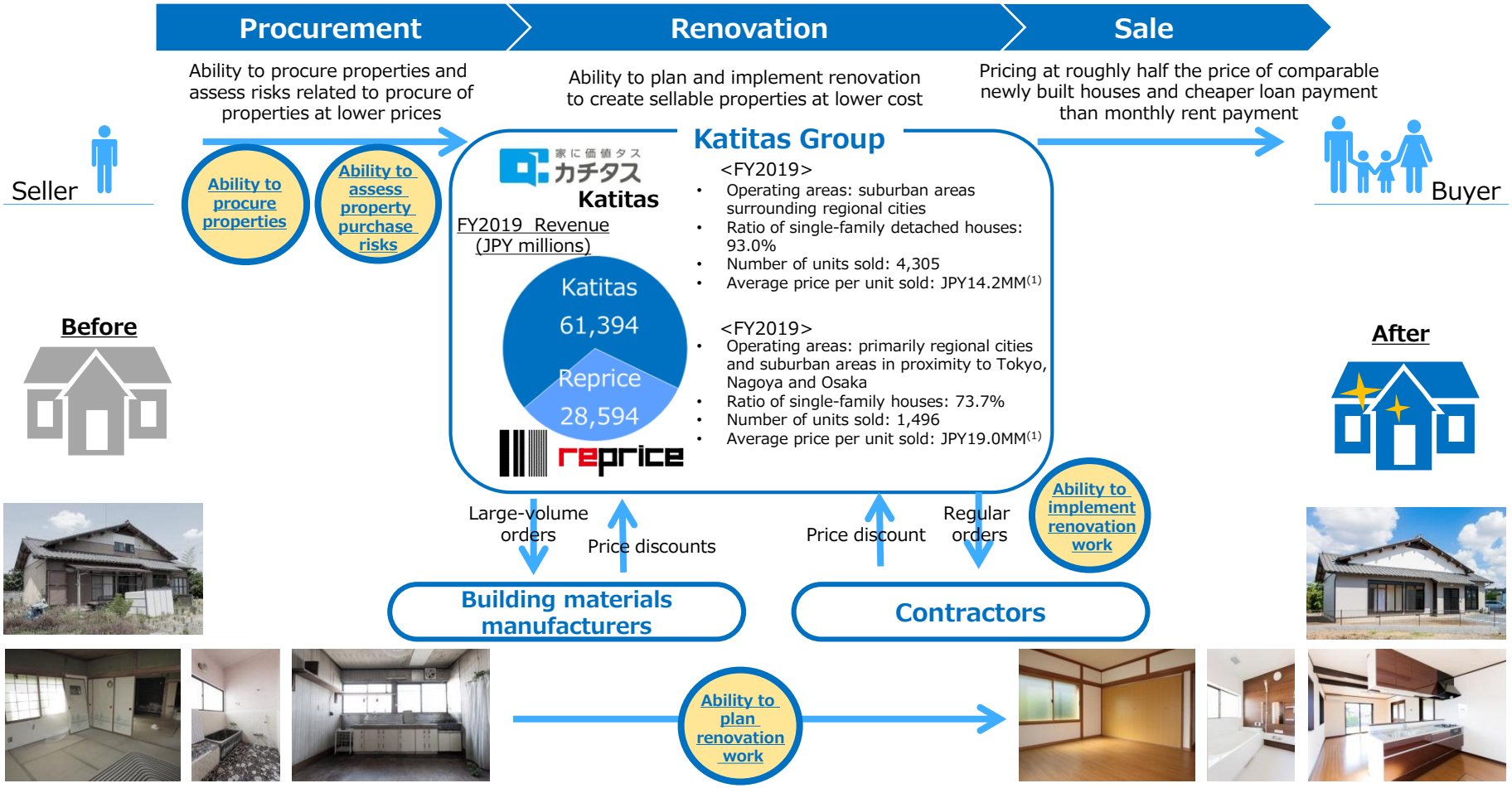
*1 The amount of Reassessment Penalty, etc. due to a difference in views on the method of calculating consumption tax, which was based on a tax investigation by Kantoshinetsu Taxation Bureau. The Company is filing for an appeal because it considers that the Penalty, etc. is not acceptable.
*2 Rough estimate of a delinquent tax pertaining to the Reassessment Penalty, etc.
*3 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

1.	Overview of Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2021	P2-P7
2.	Management Plan for FY2020 (Ending March 31, 2021)	P9-P18
3.	Overview of Business Model	P20-P38
4.	APPENDIX	P40-P53

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

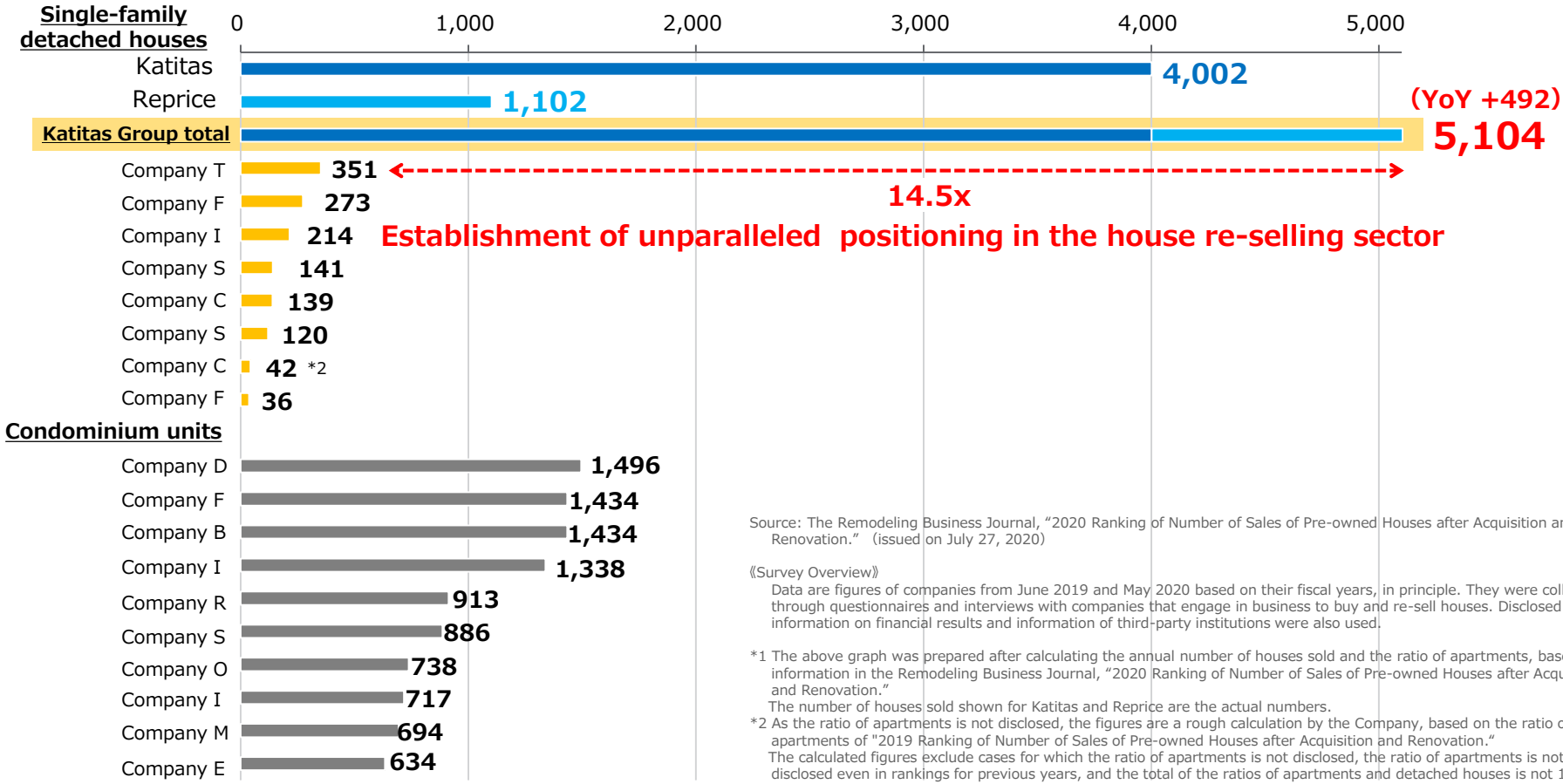


(1) Excluding tax

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

- No.1 among House Reselling Businesses(1) 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)



Source: The Remodeling Business Journal, "2020 Ranking of Number of Sales of Pre-owned Houses after Acquisition and Renovation." (issued on July 27, 2020)

《Survey Overview》
Data are figures of companies from June 2019 and May 2020 based on their fiscal years, in principle. They were collected through questionnaires and interviews with companies that engage in business to buy and re-sell houses. Disclosed information on financial results and information of third-party institutions were also used.

*1 The above graph was prepared after calculating the annual number of houses sold and the ratio of apartments, based on information in the Remodeling Business Journal, "2020 Ranking of Number of Sales of Pre-owned Houses after Acquisition and Renovation."
The number of houses sold shown for Katitas and Reprice are the actual numbers.
*2 As the ratio of apartments is not disclosed, the figures are a rough calculation by the Company, based on the ratio of apartments of "2019 Ranking of Number of Sales of Pre-owned Houses after Acquisition and Renovation."
The calculated figures exclude cases for which the ratio of apartments is not disclosed, the ratio of apartments is not disclosed even in rankings for previous years, and the total of the ratios of apartments and detached houses is not 100%.

(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 4th housing option – an affordable alternative to newly built houses, pre-owned houses and rental houses

Unaffordable **"Newly built houses"**

Old and non-renovated **"Pre-owned houses"**

"Rental houses" which do not meet demand

+

High-quality and reasonably priced **"Katitas 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

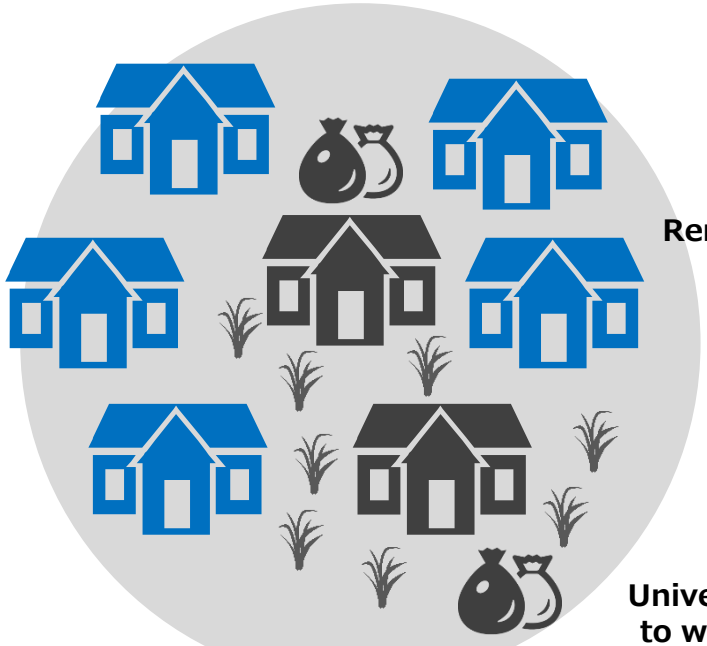
Addressing Issue of Vacant Houses (*Akiya*)

Stimulation of Local Economy

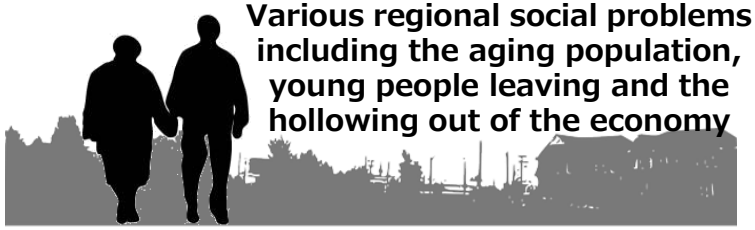
Environmentally Friendly

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



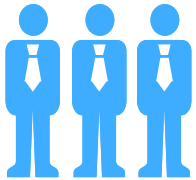
Various regional social problems including the aging population, young people leaving and the hollowing out of the economy

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

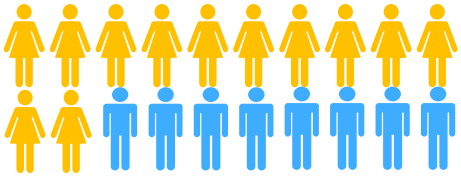
*The UN's Sustainable Development Goals website : https://www.un.org/sustainabledevelopment/

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

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

Annual sales ranking of sales employees (FY2019 results)





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

Percentage of female managers(as of April 2020)





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

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

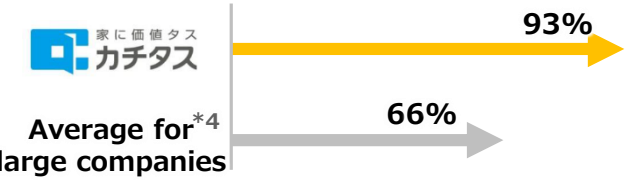




Many women interested in renovations and housing

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

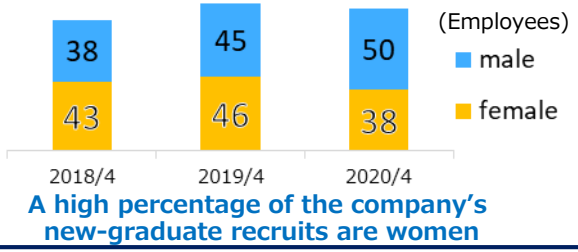




There is little difference in average years of service between men and women.

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



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*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 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

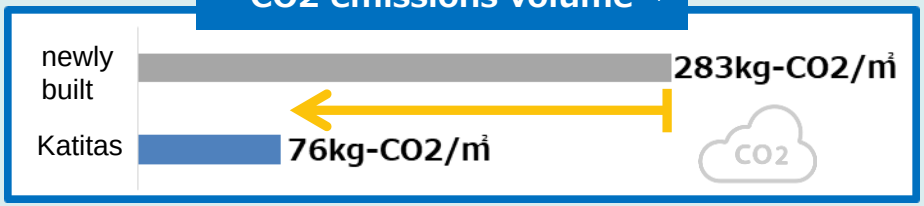


12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Scrap and build new houses



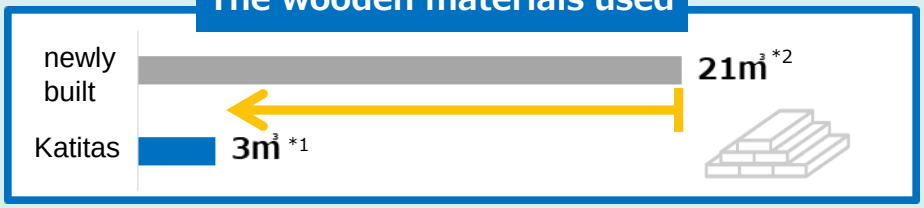
CO2 emissions volume *4



7 AFFORDABLE AND CLEAN ENERGY

13 CLIMATE ACTION

The wooden materials used



15 LIFE ON LAND

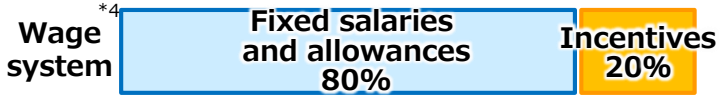
Ratio of Outside Directors: 37.5%

- ✓ 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.

1. Promptly report trouble
2. Report the bad things first
3. Do not lie

- Voluntary Remuneration Advisory Committee
- Monthly partner meetings held with renovation contractors (KRP Meeting)
- Monthly human rights education

*1 From results for renovation implemented in standard Katitas properties in December 2018
*2 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"
*3 Source: Ministry of Agriculture, Forestry and Fisheries, "Annual Report on Forest and Forestry in Japan (FY 2011) "

*4 Source: Results for the fiscal year ended March 31, 2020 (for employees ranging from personnel in charge to sales department managers)
*The UN's Sustainable Development Goals website : https://www.un.org/sustainabledevelopment/

3. Overview of the Company's Business Model

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

*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

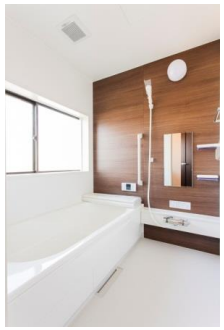
- New plumbing products are installed to improve usability and cleanliness
- Materials are procured at lower prices through bulk purchases, which results in large-scale renovation work at about half the price paid in personally-requested renovation work





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





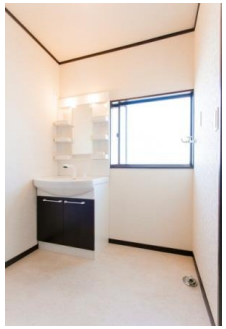
A new modular bath system is installed in approx. 90% of houses procured





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

Property conditions are extremely varied
Even with properties built by the same home builder, the deterioration of properties differs based on the location and maintenance.

Economies of scale do not apply
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.

Regional characteristics

Lifestyles by region
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.

Differing business environments
The presence of competition as well as the number and level of partner companies such as contractors and other licensed professionals differ by region.

We will create our own unique positioning by properly managing the balance between "standardization" and "individual solutions"

Competitive Advantage

Standardization policies

- **Preparation and weekly updates of manuals**
  ～Organize individual work processes including procurement, reforms, and sales in detail.
  Create manuals for renovation contractors as well.
- **Standardization of knowledge**
  ～Collect information on good knowledge and bad knowledge through weekly business condition reports.
  Standardize and disseminate solution methods to workplaces through weekly company-wide morning video conferences.
- **Checking system at headquarters**
  ～Check the contents of contracts and reforms at headquarters from a third-party perspective.

Individual solutions policies

- **Sales staff oversees every phase of the business flow**
  ～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.
- **Hire personnel with ties to each region throughout Japan**
  ～Hire "exceptional students wishing to work for the region" at local universities and establish positioning as a company that works for the region.
- **Compensation system not reliant on results**
  ～Compensation system based on fixed salaries to allow employees to work for a long time and accumulate the benefits of experience.

- Accumulate "experiences of success and failure" based on the results of more than 50,000 properties
- 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
- Hiring and development that enhances personnel performance
- Detailed management by a management class with diverse backgrounds

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.

Nationwide network of more than 110 stores

As of March 31, 2020 : 114 stores

Network of local contractors

FY2019 : 904 partner contractors

●● Prefecture ○○ City　◆◆ Prefecture ◇◇ City

Knowhow based on results from a total of 50,000 properties



Further increase in visibility by TV commericial



家に価値タス カチタス Katitas

Broker network in procurement and sales

FY2019 : 2,157 Number of brokers at the time of purchases

New graduate hiring focused on regional hiring

April 2020 : 88 new graduates

Discounts through large-volume purchases



Abundant sales channels

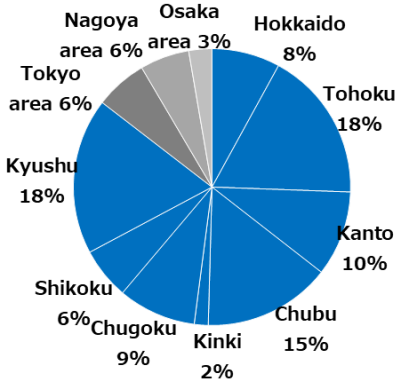
Company website
Portal sites
Regional sales promotion
SELL
Registered customers
Promotional paper flyers

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

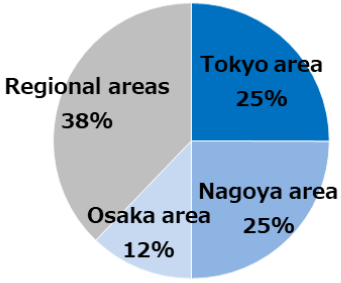
Nationwide Branch Network

Katitas: Sales by area(1)(2) (FY2019, based on number of units)



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

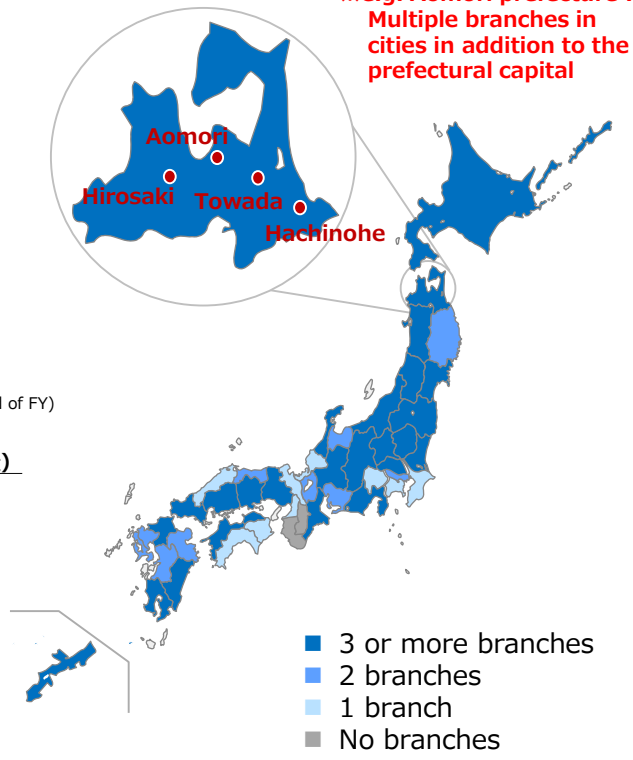
Reprice: Sales by area(2) (FY2019, based on number of unit)



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

Branch Locations(3) of Katitas (As of March 31, 2020)

※e.g. Aomori prefecture : Multiple branches in cities in addition to the prefectural capital

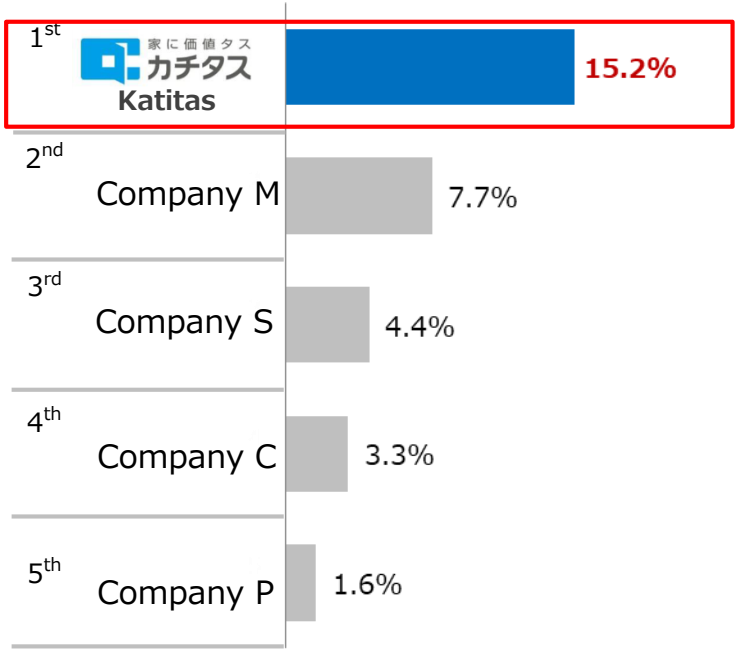


High Brand Recognition in Regional Areas

Survey on Brand Recognition(4)

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 June 2020 in areas where Katitas TV commercials were aired)



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

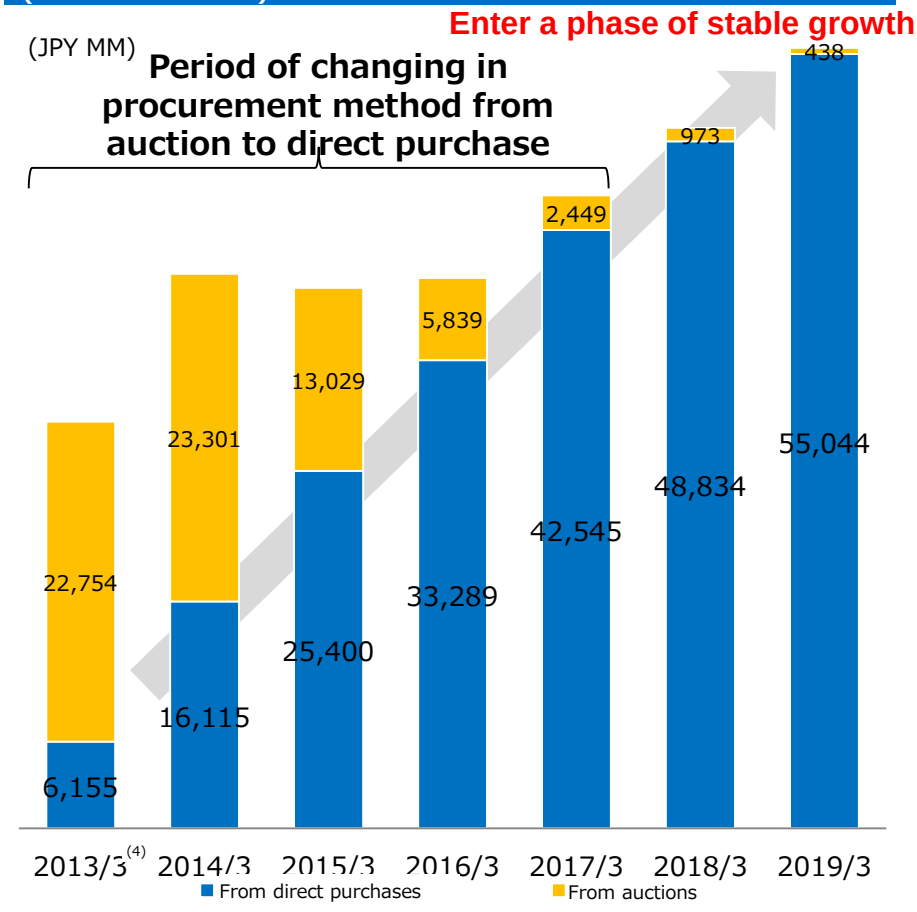
(1) Tohoku: Aomori, Iwate, Miyagi, Akita, Yamagata and Fukushima prefectures. Kanto: Ibaraki, Tochigi and Gunma Prefectures. Chubu: Niigata, Toyama, Ishikawa, Fukui, Yamanashi, Nagano and Shizuoka prefectures. Kinki: Shiga and Wakayama prefectures. Chugoku: Tottori, Shimane, Okayama, Hiroshima and Yamaguchi prefectures. Shikoku: Tokushima, Kagawa, Ehime and Kochi prefectures. Kyushu: Fukuoka, Saga, Nagasaki, Kumamoto, Oita, Miyazaki, Kagoshima and Okinawa prefectures.
(2) Three Metropolitan Areas (defined by the Ministry of Internal Affairs and Communications): Tokyo area (Saitama, Chiba, Kanagawa and Tokyo prefectures), Nagoya area (Gifu, Aichi and Mie prefectures) and Osaka area (Osaka, Hyogo, Nara and Kyoto prefectures)
(3) Branch list is explained in detail on P.41
(4) Surveyed areas in June 2020 were Aomori, Fukushima, Niigata, Ishikawa, Okayama, Kochi, Oita, and Kagoshima prefectures (where TV commercials were aired), as well as Gunma and Shiga 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

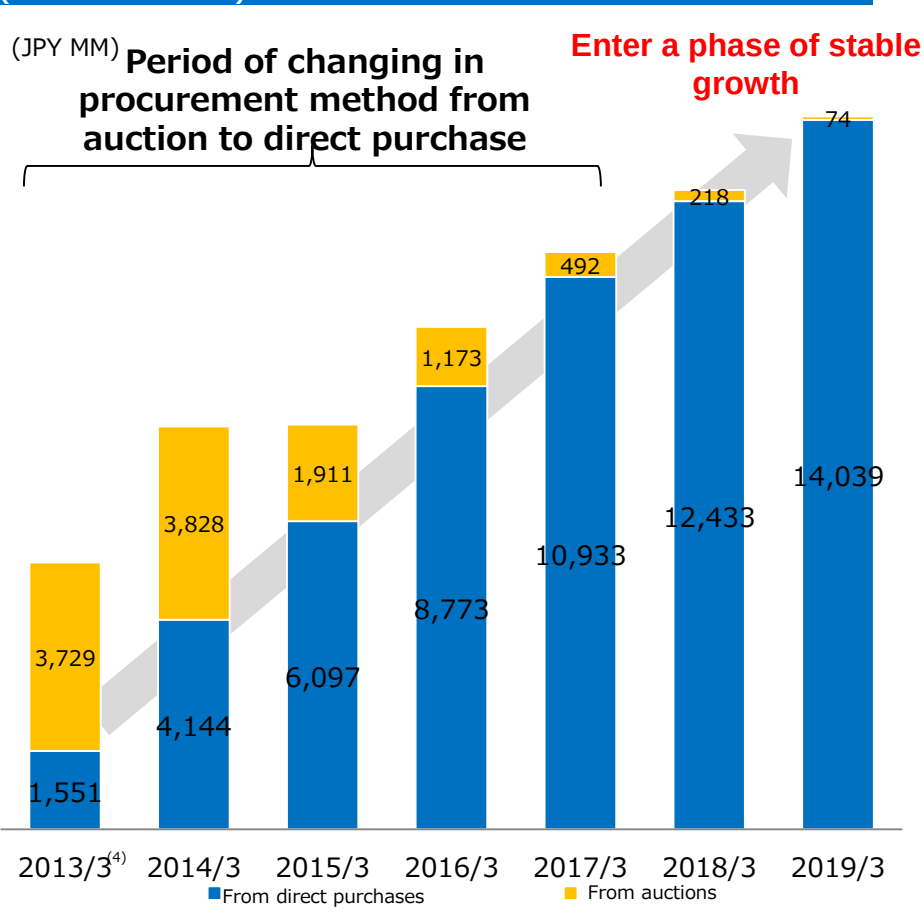
(Reposted from FY2018 4Q)

- Katitas has largely shifted its property procurement method from auctions to direct purchases.(1) 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 (2) Breakdown by Procurement Method (Non-consolidated)



Historical Gross Profit(2)(3) Breakdown by Procurement Method (Non-consolidated)



(1) Please refer to P.50 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(1)

先進的なリフォーム事業者表彰
経済産業大臣賞



- 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

PORTER PRIZE-2017 AWARD WINNER




KATITAS CO., LTD

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

- 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

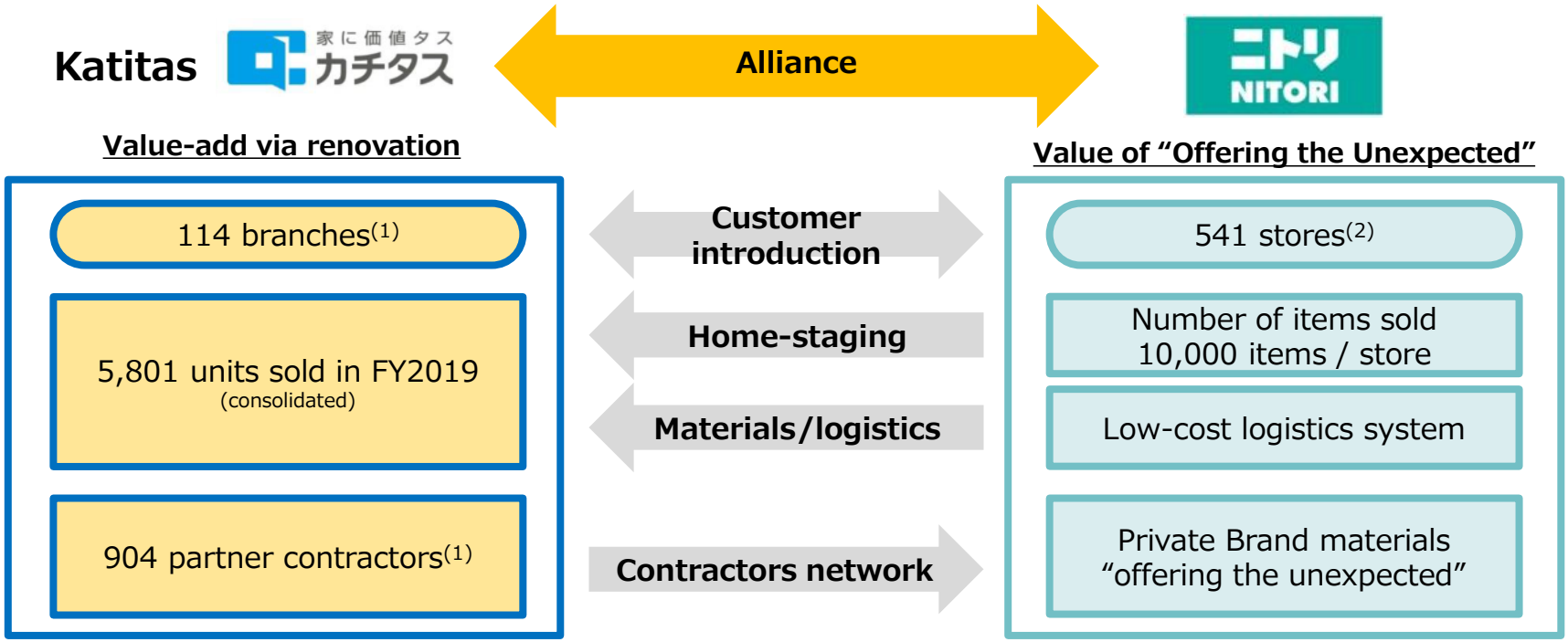
(1) Starting in 2014, METI has been granting annual awards to companies that address a variety of needs of consumers with the strengths of their unique business models

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（Sales Service）

- 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

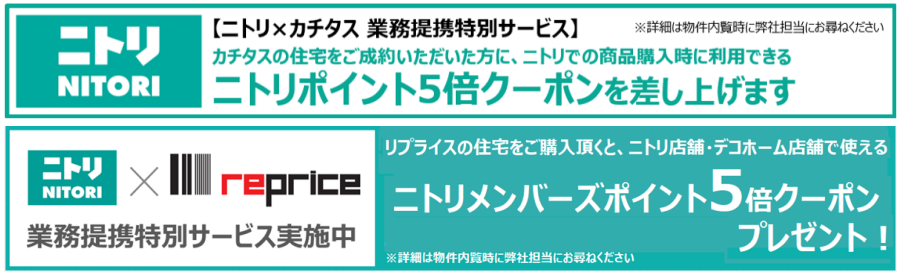




Sales Service Issuing coupons that can be used for purchases of Nitori products



Discount coupon presented to purchasers when properties are delivered



Website banner announcing that coupons will be given

3. Renewal of Katitas' Website

- Katitas' website was redesigned in July.
- The website's structure has been changed to increase the convenience of the service site for customers and to give investors a greater understanding of the business, for example by adding a page about sustainability on the corporate site.

Service Site



Announcement of open house viewings by appointment

Display of the amount of monthly payment



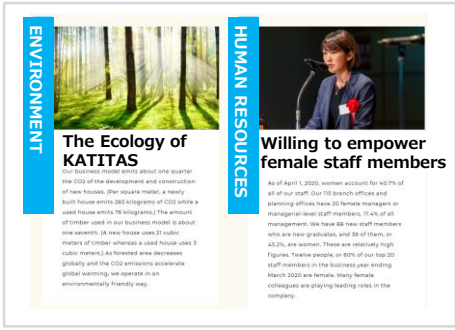
Increased convenience to allow users to see the details of a property without going to the site by introducing 360-degree panoramic photos

Corporate Site



Explain the corporate philosophy and business of Katitas and its efforts for ESG and SDGs by preparing a page on "Katitas' Sustainability."







URL of Katitas' Service Site
https://katitas.jp/

URL of Katitas' Corporate Site
https://katitas.jp/en/

Presentation Highlights

1.	Overview of Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2021	P2-P7
2.	Management Plan for FY2020 (Ending March 31, 2021)	P9-P18
3.	Overview of Business Model	P20-P38
4.	APPENDIX	P40-P53

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 June 30, 2020）
Number of outstanding shares	78,650,640 shares（As of June 30, 2020）
Listed Stock Market	TSE 1st Section (Securities Code: 8919)
Headquarters	4-2 Mihara-cho, Kiryu-shi, Gunma
Subsidiary	REPRICE Co., Ltd.

4. Katitas Group Branch List（All Own Branches）

Branches (As of June 30, 2020)

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

Hokkaido
Sapporo
Otaru
Asahikawa
Iwamizawa
Kitami
Hakodate
Kushiro
Obihiro
Muroran

Tohoku
Hirosaki
Towada
Hachinohe
Aomori
Morioka
Ichinoseki
Sendai
Osaki
Akita
Yokote
Odate
Yamagata
Sakata
Yonezawa
Koriyama
Iwaki
Aizu
Fukushima

Kanto
Mito
Tsukuba
Shimotsuma
Hitachi
Utsunomiya
Oyama
Nasu
Ota
Midori
Numata
Takasaki
Kumagaya
Koshigaya
Saitama
Iruma
Mobara
Hachioji

Koshinetsu, Hokuriku
Nagaoka
Niigata
Joetsu
Shibata
Tsubamesanjo
Toyama
Takaoka
Kanazawa
Nanao
Fukui
Kofu
Ueda
Nagano
Matsumoto
Ina

Tokai
Gifu
Tajimi
Ogaki
Shizuoka
Numazu
Iwata
Nagoya
Matsuzaka
Nabari

Kansai
Shiga
Kusatsu
Fukuchiyama
Kobe
Toyooka
Himeji

Chugoku
Tottori
Yonago
Izumo
Okayama
Tsuyama
Hiroshima
Fukuyama
Kita-Hiroshima
Yamaguchi
Shimonoseki
Shunan
Ube

Shikoku
Tokushima
Takamatsu
Marugame
Matsuyama
Saijo
Uwajima
Kochi

Kyushu
Fukuoka
Kita-Kyushu
Kurume
Iizuka
Omuta
Saga
Sasebo
Isahaya
Kumamoto
Yatsushiro
Oita
Nakatsu
Miyazaki
Miyakonojo
Nobeoka
Kagoshima
Kagoshima Chuo
Satsumasendai
Okinawa

Total 112 Branches

+

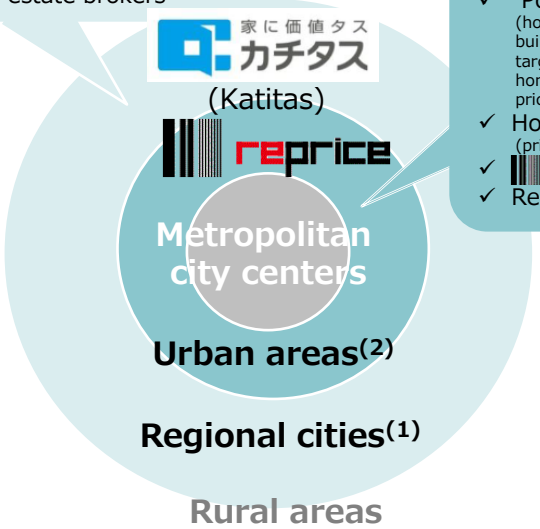
reprice ⇒**Focus on urban areas**

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) 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

Building age

old | 50 years | 40 years | 30 years | 20 years | 10 years | New

Area

＊5 Lightly populated areas, holiday home and sightseeing areas	Approximately 971 municipalities Approximately 15.5 million people
＊4 Regional cities	Approximately 251 municipalities Approximately 26.0 million people
＊3 Suburban	Approximately 476 municipalities Approximately 48.8 million people
＊2 Cities	Approximately 10 municipalities Approximately 10.5 million people
Metropoli ＊1 tan city centers	Approximately 11 municipalities Approximately 26.3 million people

Katitas
populations of 50,000-300,000
Average building age 30 years
Strengths: In-house sales ability, survey ability, renovation planning ability, and renovation implementation ability

Reprice
populations of 300,000-500,000
Average building age 20 years
Strengths: Relationships with brokers, speed, pricing

Properties that are not eligible for purchasing





Source: Created by Katitas based on the Ministry of Internal Affairs and Communications' Population Census/ -Data Table by Prefecture and Municipality 2015

*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, Sagamihara-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

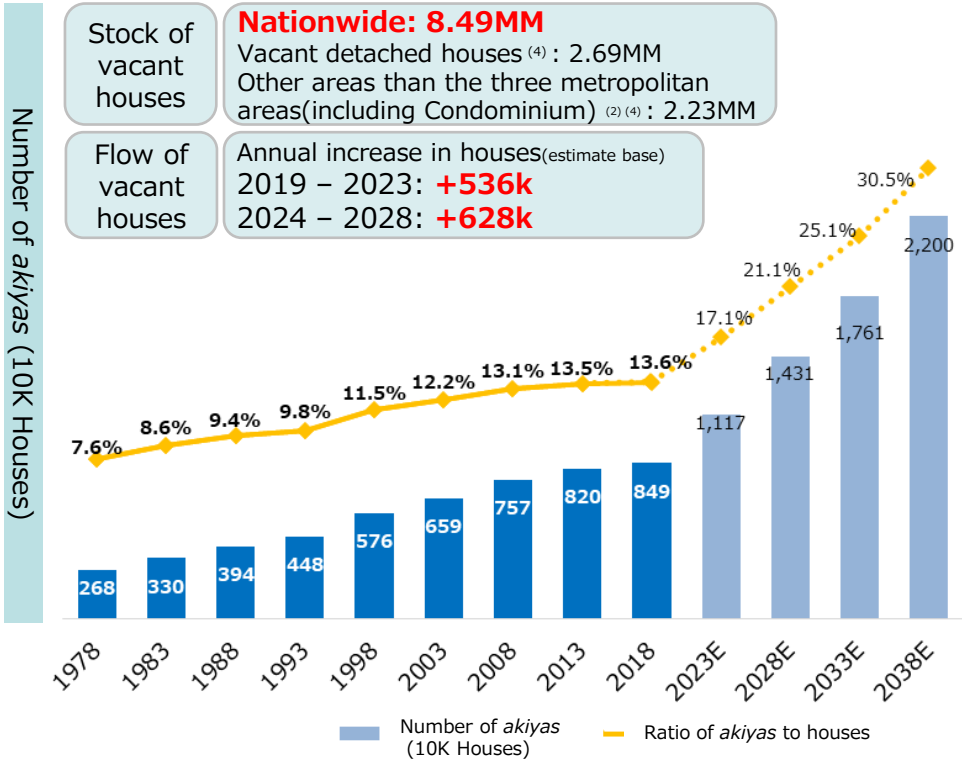
- There is a large number of vacant houses and the number is expected to increase, which provides Katitas with procurement opportunities
- Although a large majority of such vacant houses cannot be distributed in the housing market on an “as-is” basis, Katitas is capable of acquiring such houses with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

Abundance in Stock and Flow of Vacant Houses(1)

Number and Predicted Rate of Increase of Vacant Houses

Actual ⟷ Estimate

Stock of vacant houses	**Nationwide: 8.49MM** Vacant detached houses (4) : 2.69MM Other areas than the three metropolitan areas(including Condominium) (2) (4) : 2.23MM
Flow of vacant houses	Annual increase in houses(estimate base) 2019 – 2023: **+536k** 2024 – 2028: **+628k**



➢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.

Unique Business Segment

	Metropolitan city centers (2)	Urban areas (3)	Regional cities / Regional areas (Areas excluding metropolitan city centers and suburban areas)
Single-family houses	# of vacant houses(4): 0.218 million	**# of vacant houses(4): 0.677 million** reprice	**# of vacant houses(4): 1.795 million** カチタス Katitas **Katitas Group’s focused areas**
Condo-miniums	# of vacant houses (4) 0.329 million Competitors’ focused area	# of vacant houses(4): 0.326 million	# of vacant houses(4): 0.437 million

✓ **Katitas Group’s business domain is unique and has relatively high barriers to entry**

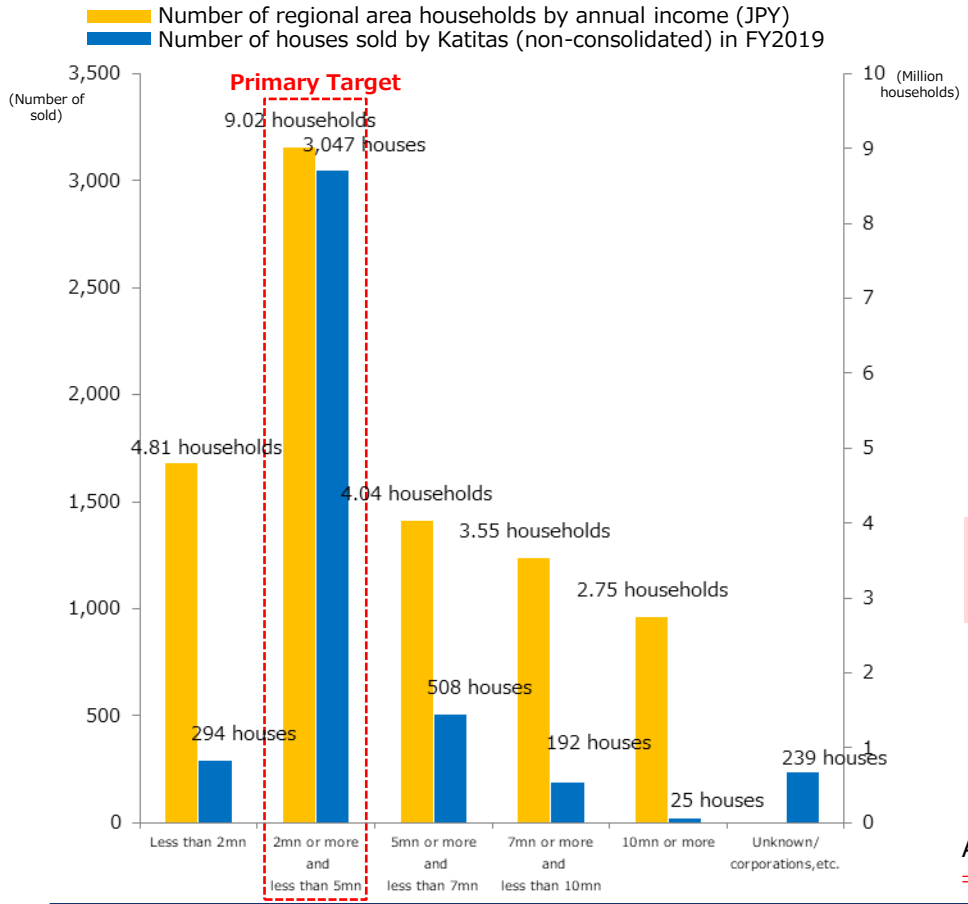
Source: Ministry of Internal Affairs and Communications,“2018 Housing and Land Survey (Revised Report)”

(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, Sagamihara-shi)
(3) Areas within three metropolitan areas excluding Tokyo 23 wards and ordinance-designated cities same as above
(4) Pre-owned properties and rental houses are excluded from the calculation of vacant houses same as above

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

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

Customer Group by Annual Income and Macro Environment



Large Potential Customer Base

Number of households in Japan
52.4 million

Households in regional areas
24.2 million
Approx. 46% of nationwide households

Households with annual income of JPY 2-5 million
Approx. 9.02 million
Approx. 37% of households in regional areas

Households living in rental houses
Approx. 3.33 million
Approx. 37% of households with JPY2-5 million annual income are living in rental residence

Katitas' main target

Households with intention to own a house: Approx. 1.38 million

Approx. 42% of the households living in a rental house have the intention to own a house

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.

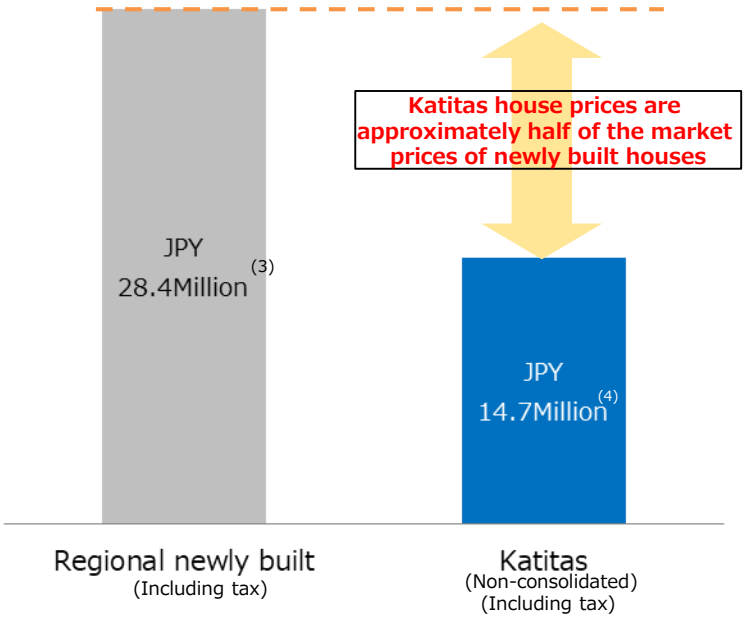
Annual number of houses sold by Katitas: 4,305(around 3% of target)
⇒ There are still many potential customers

Sources: Ministry of Health, Labour and Welfare "2015 Comprehensive Survey of Living Conditions", Ministry of Internal Affairs and Communications "2013 Housing and Land Survey (Revised Report)", National Institute of Population and Social Security Research "2014 Household Projections for Japan by Prefectures" and Ministry of Land, Infrastructure, Transport and Tourism "Outline of 'FY2015 Survey of Public Consciousness about Land Issues'"

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

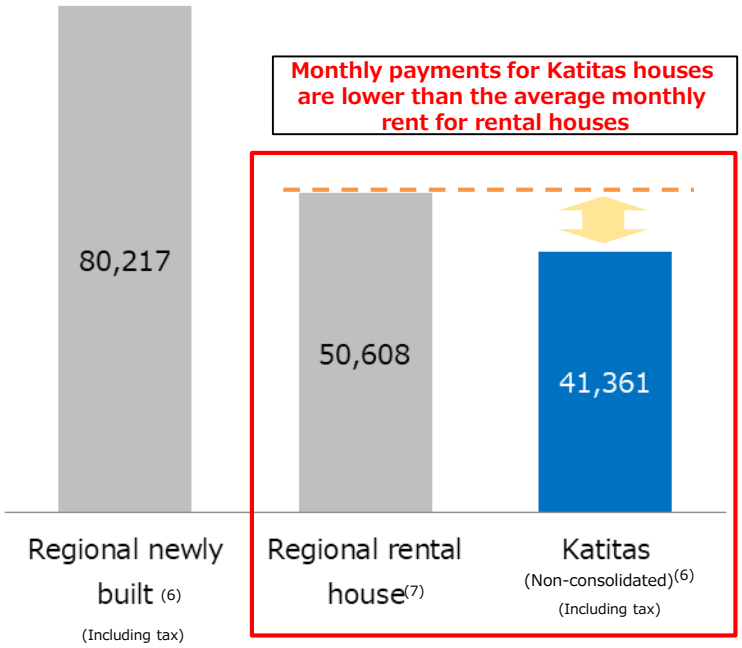


Timing of transaction	From April 2016 to March 2017
Timing of construction	In January 2016 and after
Type	Building lot (land and building)
Total floor area (m^2)	Between 50 and 200
Use of building	Housing

(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.

Lower Payments than Rental Houses(5)



(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 (3) and Katitas (4) 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

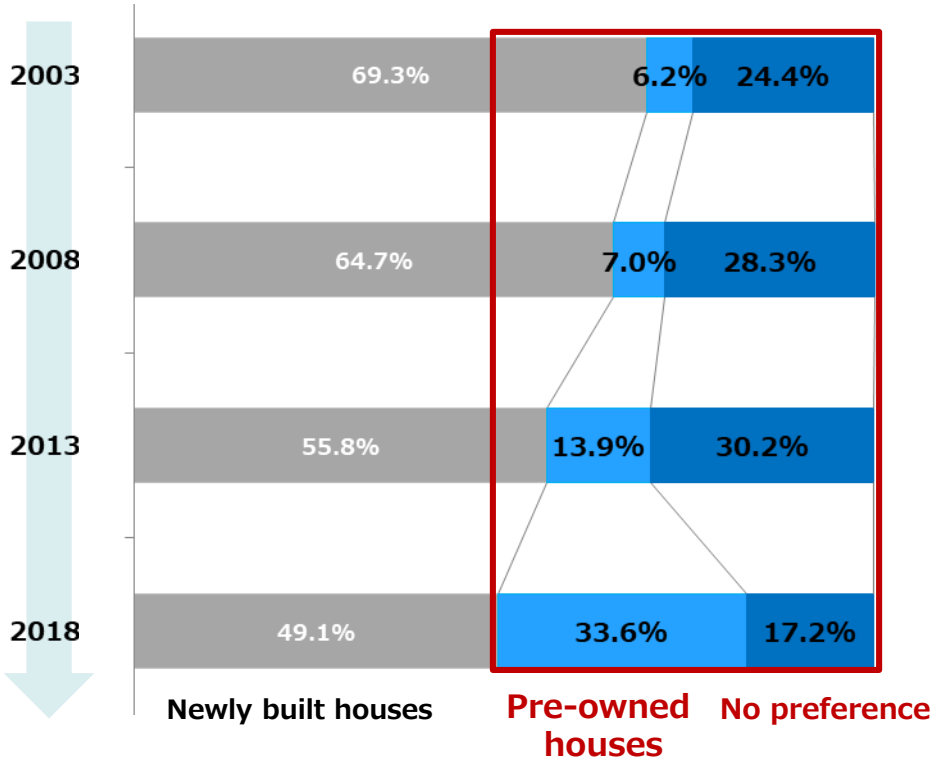
(7) Source: Ministry of Internal Affairs and Communications, “2018 Housing and Land Survey (Revised Report)”

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

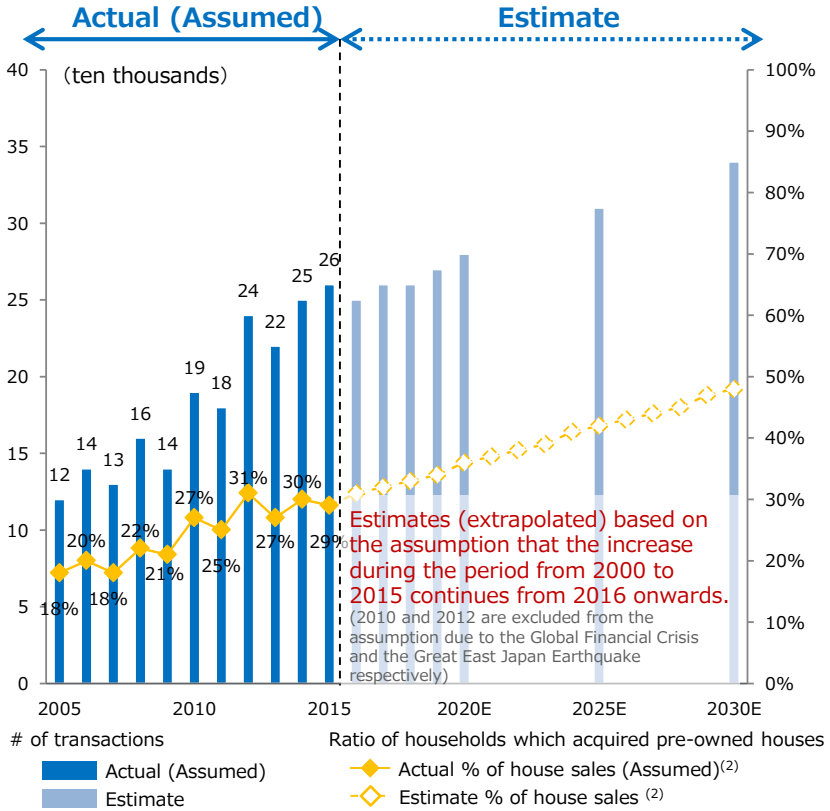
Survey of preference in moving to newly built or pre-owned houses from the current rental houses



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.

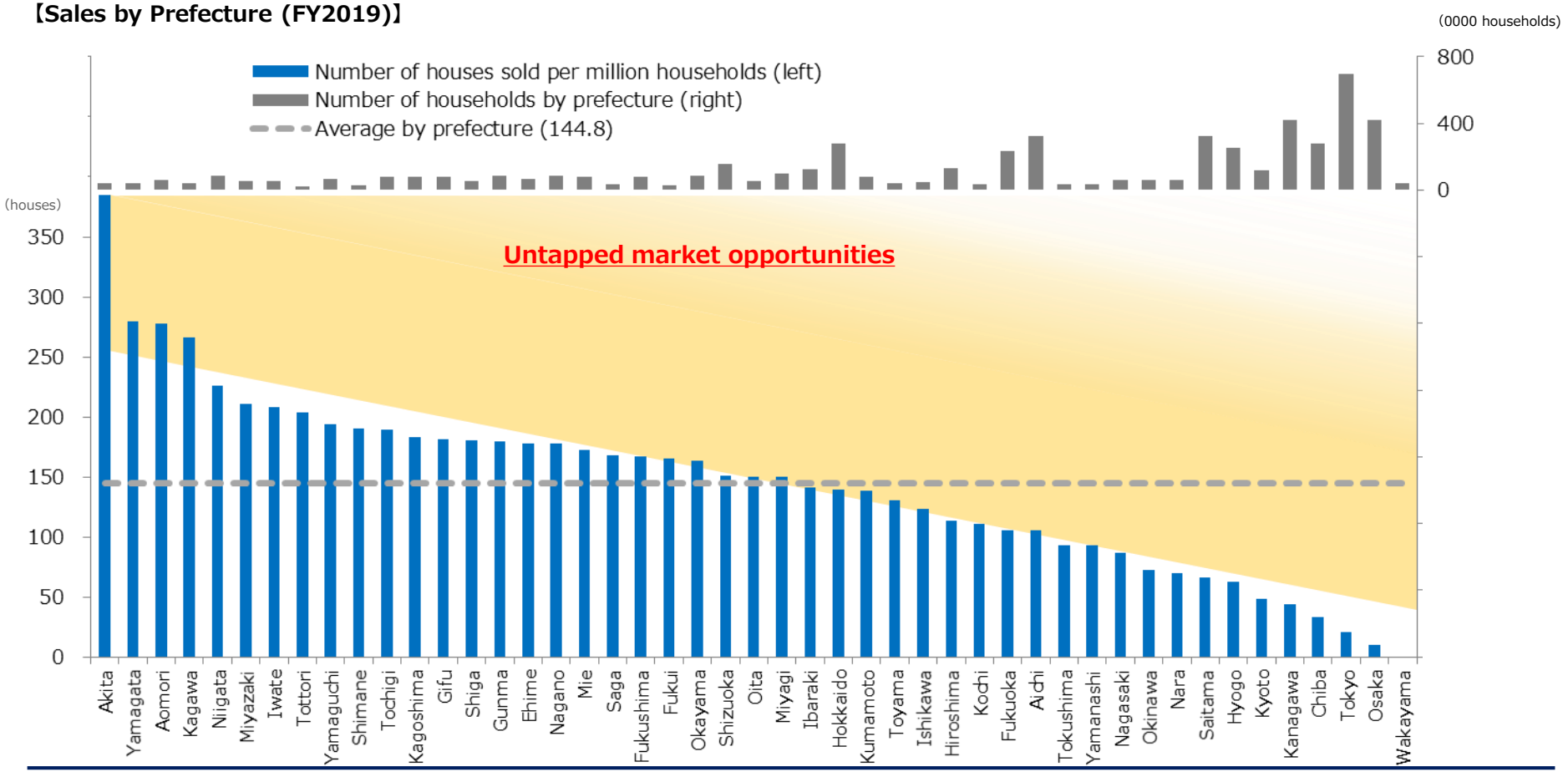
(1) NRI estimates / forecasts based on Census, Ministry of Internal Affairs and Communications "Population estimate", "Housing and Land survey", National Social Security and Population Research Institute "Forecast of number of Japan's households" and NRI Questionnaire on housing purchasers
(2) Questionnaire by NRI : Ratio of households which acquired pre-owned houses (excluding newly built houses) out of households which acquired a house

4. Untapped Market Opportunities

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

Gap in Market Share by Region

【Sales by Prefecture (FY2019)】



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

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

Accumulated Knowhow based on Track Record

Ability to assess property purchase risks

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

Ability to plan renovation work

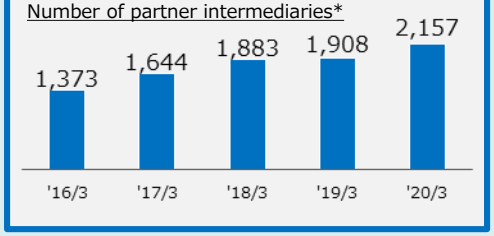
- ✓ Exploit renovation know-how to meet customer needs with a reasonable selling price
- ✓ Plan renovation to make purchased properties sellable, by addressing region specific needs
- ✓ Awarded by the Ministry of Economy, Trade and Industry as an Innovative Renovation Company in 2015(3)

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 partner intermediaries*

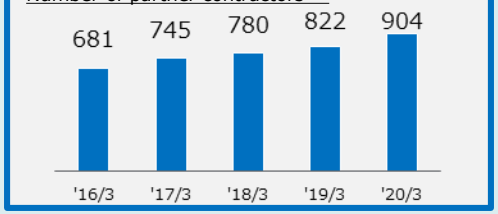


* Number of intermediary companies with which Katitas concluded one or more purchase transaction annually

Ability to implement renovation work

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

Number of partner contractors (1)



*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(1): 14.6 (million units) 	City area condominium Three metropolitan areas condominiums stock(1): 4.34 (million units) 
Product	✓ Mainly wooden ✓ Interior + Exterior construction (parking extension etc.) ✓ Many properties **for which, without renovation, there are no buyer**	✓ Reinforced concrete ✓ Mainly interior renovations ✓ Many properties **can be sold without renovation**
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)	✓ **Instant and low value-adding** renovation (Easy renovation such as interior renovation)
Distribution network	✓ Leading brokers have not entered the regional markets so that **bespoke procurement and selling networks need to be established**	✓ 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)**	✓ Market entry is easy and there are many competitors ⇒ **Significant price competition (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**	✓ Promotion cost is high ✓ Many competitors so that **accumulated costs invested in advertisement are less likely to be realized**
Price volatility	✓ Procurement and selling prices are generally stable. **Resistant to fluctuations in real estate market condition**	✓ 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

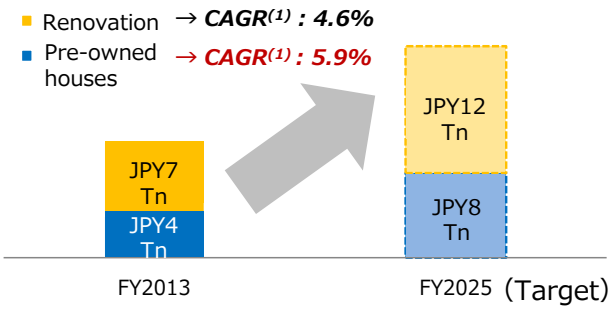
	Residential properties procured mainly through auction	Residential properties procured mainly through direct purchase
Targeted portfolios	✓ Residential properties subject to auction due to owners' inability to repay housing loans, etc. ✓ Sold through courts	✓ Residential properties purchased from house owners directly or through housing brokers
Difficulty in procurement	✓ Anyone can participate in auction process ✓ Purchasing team is not required for negotiations with house owners → **Entry barrier: Low**	✓ Procurement requires relationships with residential brokers and brand power ✓ Proposals and negotiations with house owners are required for sale (a strong purchasing team is essential) → **Entry barrier: High**
Price competition	✓ Supply volume is unstable and sensitive to economic circumstances ✓ Many participants in the market spurs price competition → **Gross margin ratio(2): Low (20.1%(1))**	✓ Stable supply volume backed by events such as inheritance and relocation of residence ✓ Negotiation-based transactions are less likely to cause price competition → **Gross margin ratio(2): High (25.7%(1))**
Inventory period	✓ Longer time for properties to be delivered after a successful bid → **Inventory period(3): Long (340 days(1))**	✓ Properties can be delivered shortly after purchase, which enables us to commence renovations promptly → **Inventory period(3): Short (177 days(1))**
Quality risk	✓ Preliminary inspection of properties prior to a bidding is not possible → **Risk related to quality of residence: High**	✓ Preliminary inspection of properties prior to purchase is possible → **Risk related to quality of residence: Low**

(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



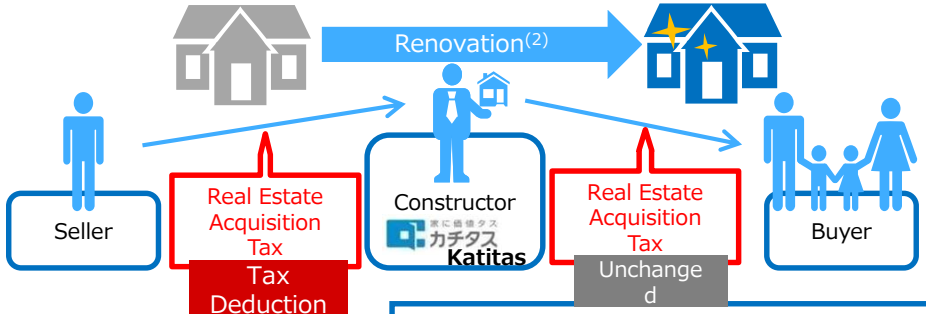
Source: Ministry of Land, Infrastructure, Transport and Tourism, Housing Bureau, Housing Policy Division "Housing Policy Basic Plan (Nationwide) (Overview)"

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(3)
→ 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㎡)

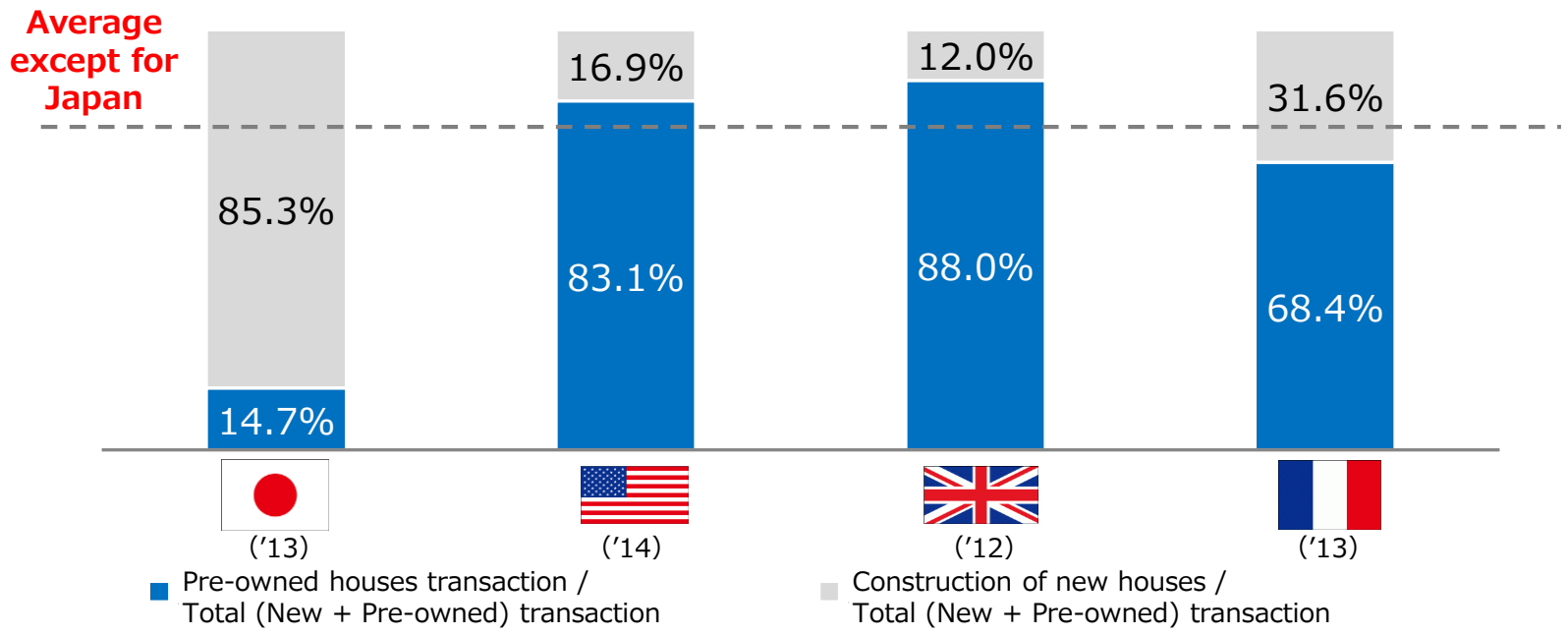
Tax burden reduction based on whichever is higher.
Enacted on April,2018.

(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

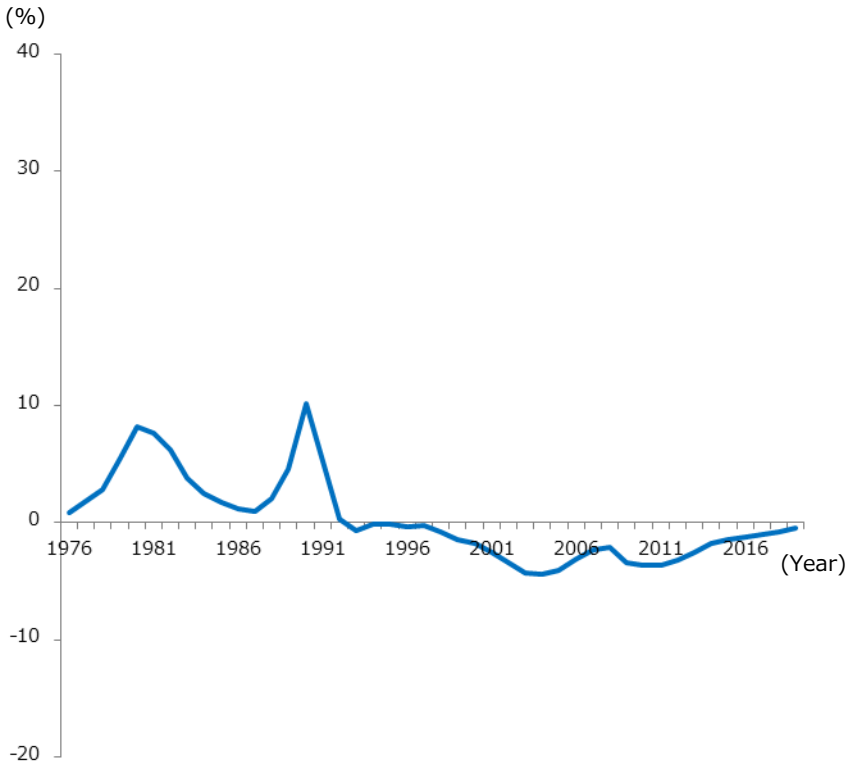


Source: Ministry of Land, Infrastructure, Transport and Tourism, "Revitalization of Pre-owned House Market, Promotion of Utilizing Vacant houses, Practice of Smoothing of Relocation of Residence"

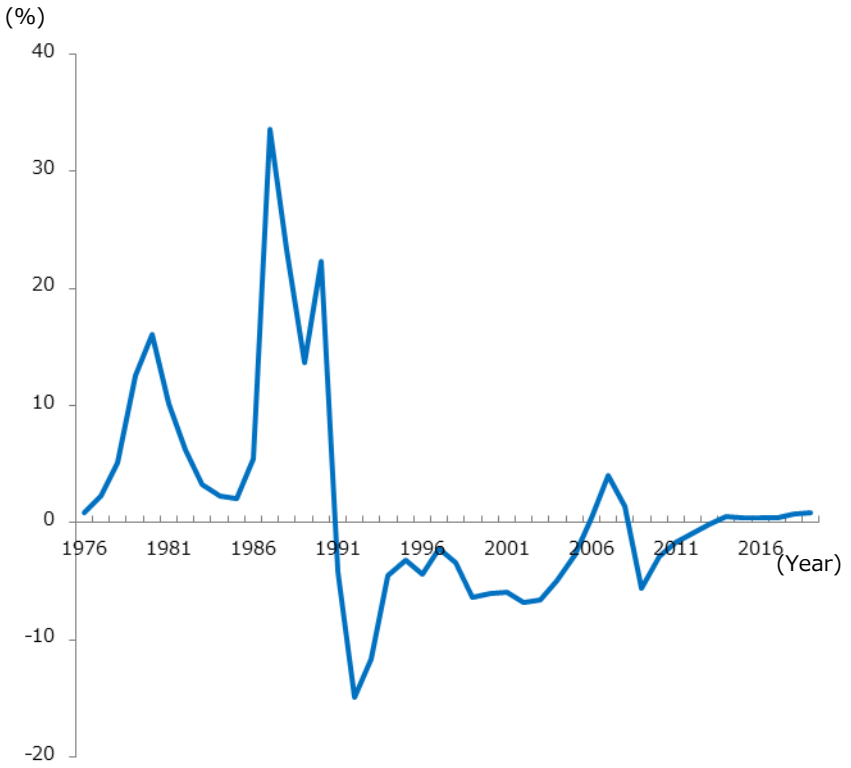
4. Trends in Land Prices - Regional Areas vs Three Metropolitan Areas

- 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



Source: Ministry of Land, Infrastructure, Transport and Tourism, “Survey of Land Prices by Prefecture”

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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.