English Version

家に価値タス カチタス

KATITAS Co., Ltd.

Financial Results Presentation
For the 43rd Fiscal Year Ending March 31, 2021 (FY2020)

May 11, 2021

Before



After



(Securities Code: 8919, First Section of TSE)

Presentation Highlights

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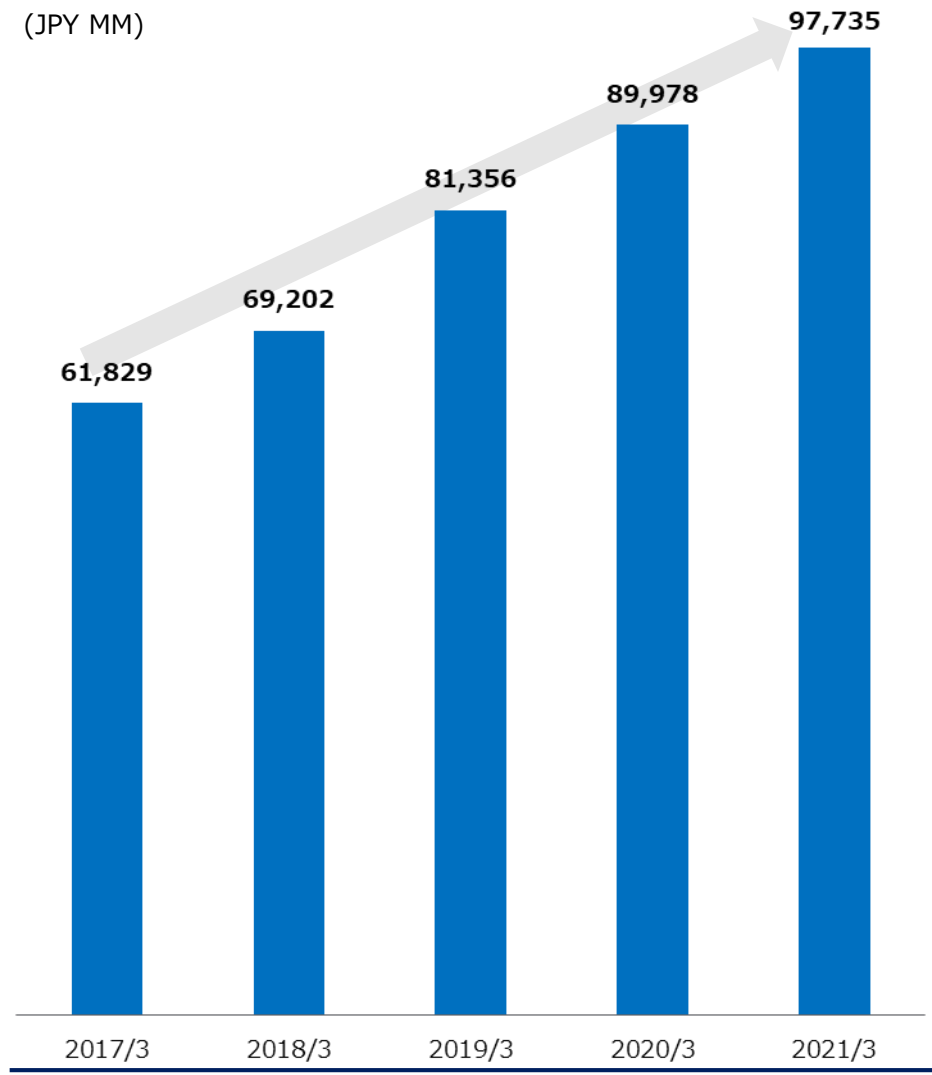
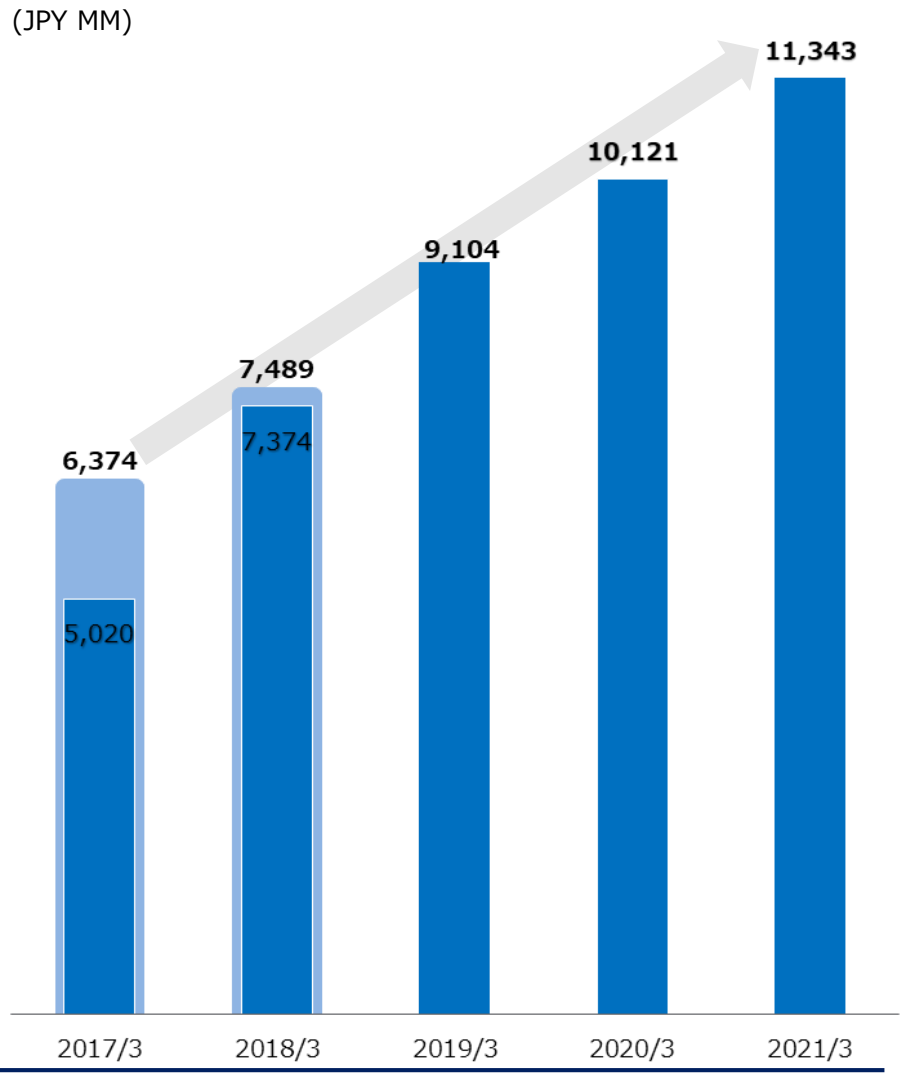
1. Sales and Operating profit Trend

Historical Net Sales (FY-base)



Historical Operating profit (FY-base)



* 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.

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

■ **The market for low-priced, good-quality houses in outlying areas has been relatively unaffected by the external environment, including COVID-19. Demand has remained stable.**
- Net sales rose 8.6% year on year, and operating profit increased 12.1%.
- We exceeded our annual sales target by 8.3%, while operating profit was 12.0% higher.

■ **Purchases have been trending toward recovery since July 2020. Growth in Q4 (three months) was stable, rising 15.3% year on year.**
- As of March 31, 2021, inventory, the sum of real estate for sale and real estate for sale in process, was down 17.5% from a year earlier.
- Reflecting recent purchasing trends, real estate for sale in process recovered, rising 13.6% compared with December 31, 2020.
- The inventory turnover ratio(1) was 2.04 times (+0.23 times year on year).
- In line with the rise in the inventory turnover ratio, indicators of profitability remained high, with ROA at 20.8% and ROE at 29.3%.

■ **The gross profit margin increased 0.5%pt year on year. The operating profit margin rose 0.4%pt, buoyed by robust sales.**
- Successful measures on contracts on houses being renovated contributed to a rise in the gross profit margin.
- The Company resolved to pay special year-end bonuses of ¥238 million. Through these bonuses, we aim to enhance employee motivation to achieve stable growth.
- Despite promotions to encourage purchasing, these efforts were focused on outlying areas, so the rise in costs was small, and the SG&A ratio decreased. In line with steady growth, the operating profit margin increased.

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

1. Supplementary Explanation of Quarterly Results

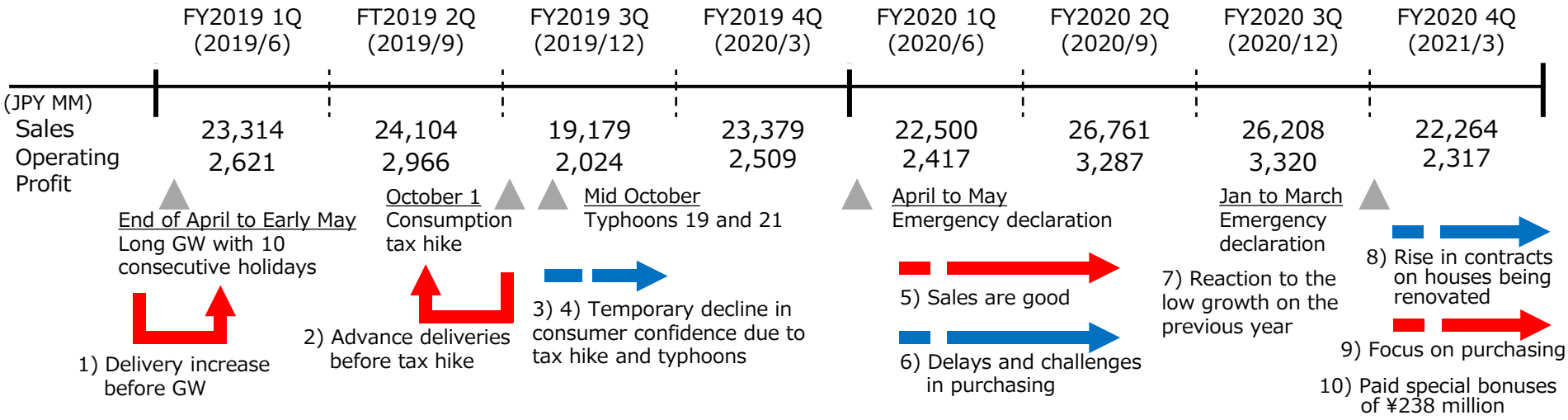
It is possible that the external environment may impact “quarterly results” to some extent. However, demand is firm, so there is no change in the trend of stable growth on an "annual basis".

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

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

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

5) Demand for inexpensive, high-quality detached houses has been firm, and an increase in responses compared to the previous period resulted in higher net sales.
6) On the other hand, the number of house purchases decreased due to the fact that sellers were avoiding contact with strangers, such as that involved with home viewings, in order to avoid the possibility of coronavirus infection.
7) The growth on the previous year is low due to the factors mentioned above in items 3) and 4), so the ratio of increase in sales and profit will be higher.
8) A fair number of sales contracts were closed due to firm demand, but many contracts were on houses being renovated that have not yet been completed.
9) We focused on purchasing. As a result, the number of properties purchased rose 15.3% year on year.
10) The Company resolved to pay special year-end bonuses totaling ¥238 million. Such bonuses are aimed at enhancing employee motivation to achieve stable growth.



1. Impact of COVID-19 on sales and purchasing

	Market environment over the past year	Our initiatives over the past year
Sales	• Demand for low-priced detached houses was firm. • The market in outlying and suburban areas was relatively unaffected by economic fluctuations. • As people spend more time at home, demand for improved housing environments has been gradually materializing. • Working from home is becoming mainstream at more companies. More people are relocating to live and work in outlying and suburban areas where prices are lower and more space is available. • The housing supply is decreasing. According to REINS(1) statistics, a shortage exists in the stock of detached houses and condominiums in urban and outlying areas, pointing to a sellers' market.	• The number of initial inquiries from customers decreased between February and April 2020. However, since May 2020 the number of inquiries has been up year on year. • We stepped up ongoing measures, such as accumulating customer lists, promoting contracts on houses being renovated, and pursuing option sales. • We curtailed discounting and price reductions, began conducting open house viewings by appointment only, and have introduced new measures since the outbreak of the COVID-19 pandemic, such as VHS(2). • Our success rate has risen as a result. At the same time, the gross profit margin and gross profit per unit have increased.
Purchasing	• A large number of real estate brokers worked at home or suspended operations between March and May 2020. • In the first half, sellers were hesitant, due to reluctance to have other people visit their homes, voluntary restraint at moving outside their home prefectures, and concerns that selling prices would be low. • The Japanese population is characterized by a falling number of childbirths and an aging population. In addition, the stock of new houses continues to rise due to new construction. For this reason, the market is experiencing an irreversible trend toward more houses lying vacant as the result of inheritance and people entering care facilities. Although some short-term fluctuations may occur, we expect purchasing to remain stable over the medium to long term.	• Properties purchased in Q1: 1,214 (-17.4% year on year) • Properties purchased in Q2: 1,409 (-15.7% year on year) • Properties purchased in Q3: 1,686 (+3.2% year on year) • Properties purchased in Q4: 1,548 (+15.3% year on year) • When the state of emergency was declared in April 2020, we began vetting purchases more stringently, given the uncertain outlook for sales. • At Katitas, 70% of houses are purchased through brokers; the figure is 90% at Reprice. In the first half, purchasing was affected by a lower level of activity by real estate brokers. • We promoted purchasing by running advertisements in regional newspapers and on YouTube. These efforts effectively led to assessments. • The year-on-year rate of increase in the number of properties purchased has been rising. A stable purchasing environment appears to be returning.

(1) Real Estate Information Network System (REINS) is a system operated by the Real Estate Information Network for managing various types of data related to the retail market for real estate.
(2) VHS: abbreviation for Virtual Home Staging (Please refer to P40 for details)

1. Other impacts due to COVID-19

(Reposted from FY2020 2Q)

	Situation up to the first quarter of the fiscal year ending March 31, 2021	Situation at the time of financial results announcement for the second quarter of the fiscal year ending March 31, 2021
Purchase of toilet fixtures and fittings *	• Delivery delays occurred, but improved from April.	• Normal delivery times
Mortgage application screening *	• There were approval delays due to financial institution employees working from home and prioritizing of corporate loans.	• The contract cancellation rate due to not passing mortgage screening was normal. • Continue to watch for signs that some financial institutions are tightening their screening procedures
Working conditions at the Group branches *	• In April some branches were working from home, but work patterns returned to normal from May.	• Normal work patterns
Activity situation at real estate brokers *	• Working from home or shut down until May • Normal operations resumed from June.	• Normal operations
Open houses *	• Shifted open houses completely to a system of viewing by appointment only • In addition to reducing customer anxiety, we have seen a side effect of increased productivity.	• Continue viewings by appointment only
Cash on hand *	• Cash on hand increased to 17.7 billion yen as of the end of June (9.1 billion yen at the end of March).	• After repayment of short-term loans, cash on hand as of the end of September were 17.8 billion yen. • Strong sales, preceding cash inflows due to purchasing delays, high level of on-hand liquidity
Medium-to long-term impact *	• Migration needs did not materialize to the extent reported in newspapers. • The need to improve the living environment is gradually manifesting itself in the form of a preference for detached houses.	• Primary acquisition by local residents is the main focus. • In a few cases, people are buying for the purpose of returning to rural areas.

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

1. Financial Highlights

(JPY MM)	FY2019 (ended Mar 31, 2020)	FY2020 (ended Mar 31, 2021)					
		Plan	Results	YoY	YoY(%)	Vs. plan	% of plan
Net sales	89,978	90,206	97,735	+7,756	108.6	+7,528	108.3
Number of properties sold	5,801	5,848	6,155	+354	106.1	+307	105.2
Gross profit	20,016	20,700	22,189	+2,173	110.9	+1,488	107.2
Margin(%)	22.2	–	22.7	+0.5	–	–	–
Operating profit	10,121	10,128	11,343	+1,222	112.1	+1,215	112.0
Margin(%)	11.2	–	11.6	+0.4	–	–	–
(Ref)EBITDA	10,367	10,366	11,582	+1,214	111.7	+1,215	111.7
Ordinary profit	9,895	9,896	11,125	+1,230	112.4	+1,229	112.4
Profit attributable to owners of parent	5,190	6,691	7,440	+2,249	143.3	+749	111.2
(Ref)Adjusted profit attributable to owners of parent	6,671	6,691	7,464	+793	111.9	+773	111.6
Inventory turnover ratio(times)	1.81	–	2.04	+0.23	–	–	–
Net assets	22,737	–	28,243	+5,505	124.2	–	–
Total assets	53,435	–	55,520	+2,085	103.9	–	–
Equity-to-asset ratio(%)	42.3	–	50.6	+8.3	–	–	–
EPS(JPY)	67.98	–	96.85	+28.87	–	–	–
(Ref)Adjusted EPS(JPY)	87.36	–	97.16	+9.79	–	–	–
ROA(%)	20.1	–	20.8	+0.7	–	–	–
ROE(%)	24.8	–	29.3	+4.6	–	–	–
(Ref) Adjusted ROE (%)	31.8	–	29.4	△2.4	–	–	–

(1) EBITDA = Operating profit + Depreciation + Amortization of goodwill (consolidated only) (2) ROA = operating profit / average of total assets as of the beginning and end of period
(3) ROE = Profit / average of balances of shareholders' equity at beginning and end of period
(4) For details of accounting adjustments for adjusted profit attributable to owners of parent, adjusted EPS and adjusted ROE, please refer to the table on P19.
(5) Katitas implemented a 2-for-1 common stock split, effective April 1, 2020. EPS and adjusted EPS are calculated on the assumption that the stock split took place at the beginning of the FY2019.

1. Consolidated Balance Sheet and Cash Flow Statement for FY2020

(JPY MM)	End of FY2019 (ended Mar 31, 2020)	FY2020 (ended Mar 31, 2021)	
		Results	YoY
Cash and deposits	9,137	19,109	+9,971
Real estate for sale	28,659	19,656	△9,002
Real estate for sale in process	11,851	13,774	+1,922
Inventory real estates	40,510	33,430	△7,080
Non-current assets	2,089	2,053	△35
Total assets	53,435	55,520	+2,085
Accounts payable – trade	2,909	3,051	+141
Short-term loans payable	2,000	–	△2,000
Long-term loans payable(1)	20,000	19,250	△750
Net assets	22,737	28,243	+5,505
Total of liabilities and net assets	53,435	55,520	+2,085

(JPY MM)	End of FY2019 (ended Mar 31, 2020)	FY2020 (ended Mar 31, 2021)	
		Results	YoY
(Increase) decrease in real estate for sale	△3,696	7,065	+10,761
Cash flows from operating activities	2,392	14,724	+12,332
Cash flows from investing activities	△23	△21	+2
Cash flows from financing activities	△625	△4,731	△4,105
Increase (decrease) of cash and cash equivalents, at the beginning of the year	1,742	9,971	+8,229

(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. Please refer to the disclaimer on the last page of this presentation.

2. Management Plan for FY2021 (Ending March 31, 2022)

- We aim to maintain stable growth, with operating profit growth of around 10%.
- Given the favorable sales climate, we aim to boost the inventory turnover ratio and improve the gross profit margin.
- We expect the year-on-year rate of increase in the number of properties purchased to move toward recovery. However, inventory was short at the beginning of the year.
- We will continue working to increase the number of properties purchased to ensure steady growth from FY2022.
- Even so, we will continue to uphold our quality-focused purchasing policy, rather than simply maintaining inventories through "purchases for the sake of purchases."
- Through operational improvements at sales locations, we will step up initiatives to reduce work loads and enhance productivity.

(JPY MM)	FY2020 (ended Mar 31, 2021)		FY2021 (ended Mar 31, 2022)					
			The first half			Full-year		
	The first half	Full-year	Plan	YoY	YoY(%)	Plan	YoY	YoY(%)
Sales	49,261	97,735	50,665	+1,403	102.8	103,622	+5,886	106.0
Number of units sold	3,093	6,155	3,219	+126	104.1	6,558	+403	106.5
Gross profit	10,906	22,189	11,838	+932	108.5	23,891	+1,702	107.7
Operating profit	5,705	11,343	6,207	+502	108.8	12,509	+1,165	110.3
(Ref)EBITDA	5,825	11,582	6,325	+499	108.6	12,744	+1,162	110.0
Ordinary profit	5,583	11,125	6,097	+513	109.2	12,293	+1,168	110.5
Profit attributable to owners of parent	3,711	7,440	4,073	+361	109.7	8,210	+769	110.3
(Ref)Adjusted profit attributable to owners of parent	3,759	7,464	4,073	+313	108.3	8,210	+745	110.0

(1) EBITDA = Operating profit+ Depreciation + Amortization of goodwill
(2) For details of accounting adjustments for adjusted profit attributable to owners of parent, please refer to the table on P19.
* The above information includes forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. Please refer to the disclaimer on the last page of this presentation.

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

(FY2020 Results)

■ 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(FY2020 Results)
Sales employees(1) (average during the fiscal year) 525	×	Procurement 8.6(2) / sales employee	=	Number of units procured: 4,502(2)
	×	Sales 8.6 / sales employee	=	Number of units sold: 4,525

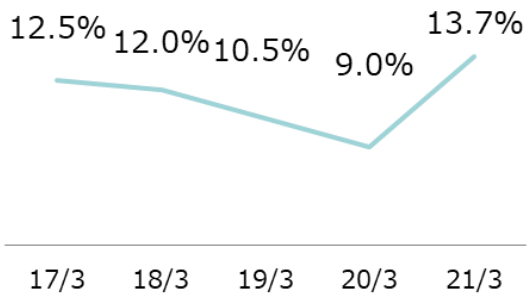
Increase in Number of Sales Employees

- ✓ Continued hiring with a focus on new graduates
- ✓ A new graduate 104 joined Katitas in April 2021

New initiatives to enhance retention

- ✓ Strengthen initiatives to reduce work loads through operational improvements
- ✓ Pay special year-end bonuses, introduce a defined contribution pension plan

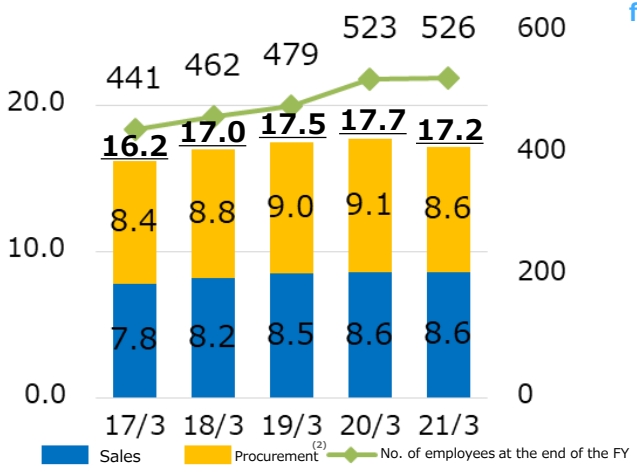
<Historical Turnover Rate(3)>



Improvement in Productivity of Sales Employees

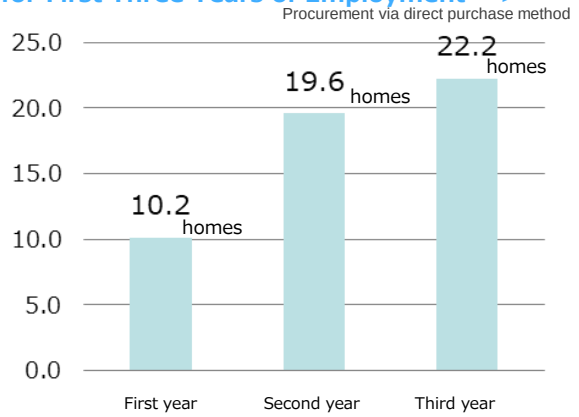
- ✓ Improvement in productivity by increasing the inventory turnover ratio and improving operations

<Growth in Sales Employees' Productivity (2)(4)>



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

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

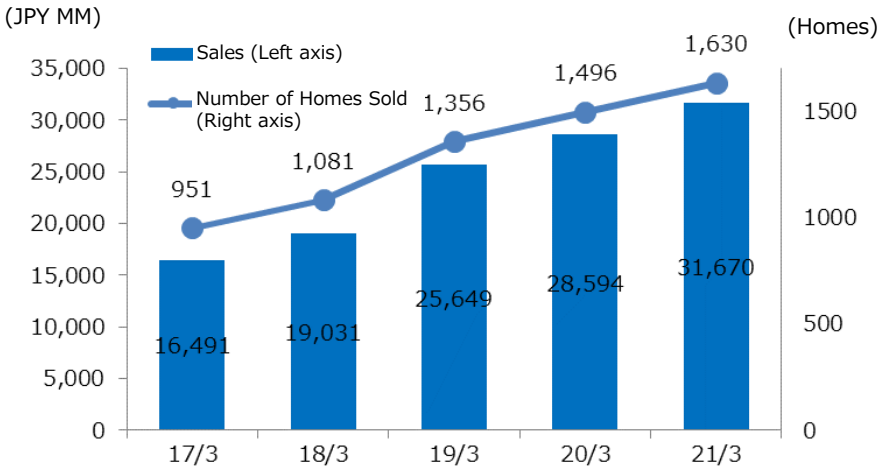


(1)The number of sales employee includes employees in branches, sales department managers and section chiefs
(2)Earnings presentation materials from the fiscal year ended March 31, 2021, will include properties purchased at auction, retroactively applied in previous fiscal years.
(3)Turnover rate = number 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 purchased 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)

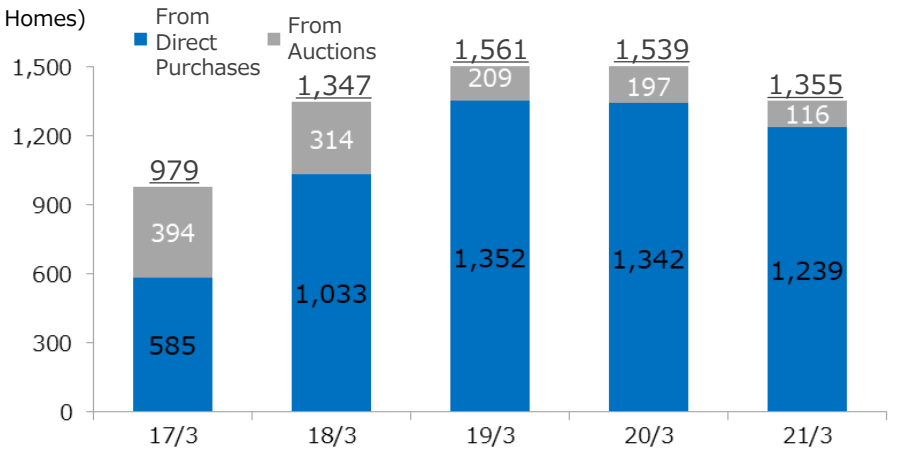
2. Reprice: Company Overview (FY2020 Results)

- "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

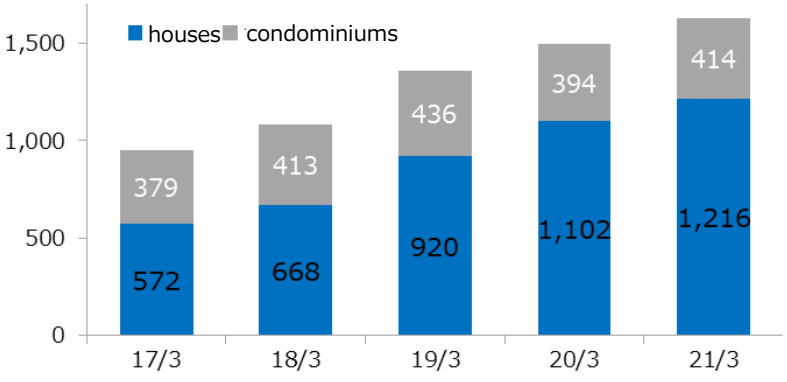
Sales Volume (1) and Number of Homes Sold (1)



Number of Houses Procured by Procurement Method (1)

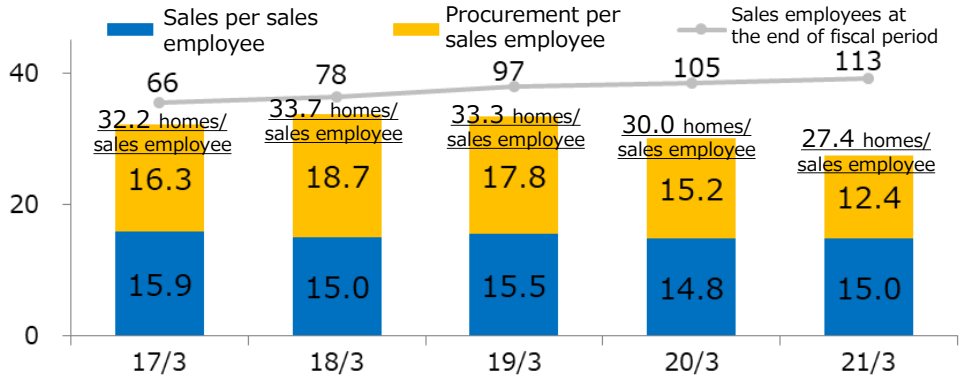


Number of sales by houses/condominiums (1)



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

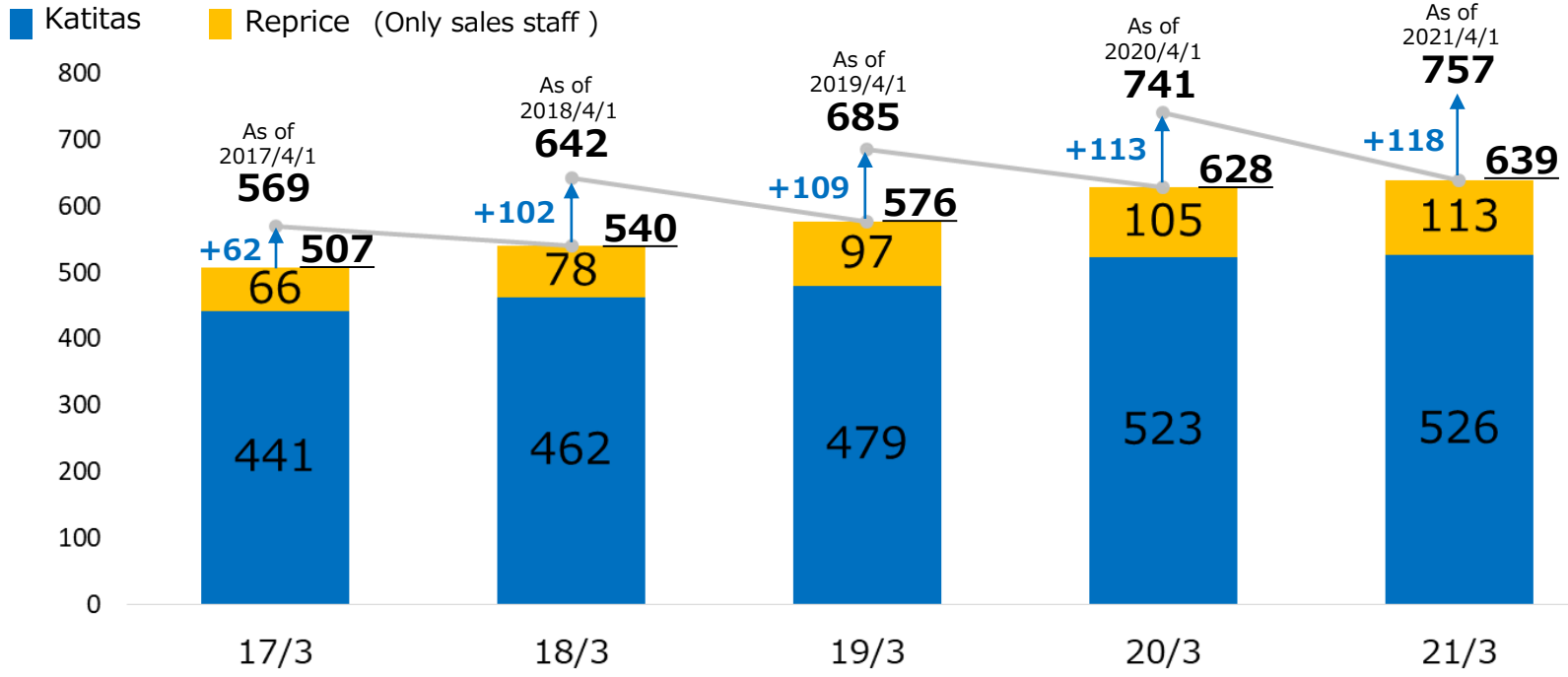
(Homes/sales employee)



(1) Sales volume and number of homes procured and homes sold, and 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. Number of sales staff

- To ensure continuous growth going forward, we will continue hiring activities focused on new graduates.
- In April 2021, 104 new graduates joined Katitas and 14 entered Reprice, as planned.
- We will step up operational improvements through project teams. The best sales employees tend to handle more projects, so their work load increases. We are working on ways to reduce their work load. In addition, at the Company's kickoff meeting in April 2021, we announced the payment of special year-end bonuses and introduction of a defined contribution pension plan.



		FY2017	FY2018	FY2019	FY2020	FY2021
New graduates	Katitas	+59 people (No. of back-office employees: 1)	+81 people	+91 people(No. of back-office employees: 1)	+88 people	+104 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: 2)	+14 people
Monthly avg(1)	Katitas	477 people	498 people	543 people	558 people	–
	Reprice	76 people	95 people	107 people	120 people	–

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

2. Dividends

- We decided on a FY2020 year-end dividend of ¥16.0 per share, up from our initial forecast of ¥13.5 (announced on April 27, 2021).
- As a result, total dividends for FY2020 amounted to ¥29.5 per share (interim dividend of ¥13.5, year-end dividend of ¥16.0)
- For FY2021, we forecast total dividends of ¥32.0 per share (¥16.0 each for interim and year-end dividends).
- We plan to maintain a consolidated dividend payout ratio of 30% or more and continue paying dividends twice each year.

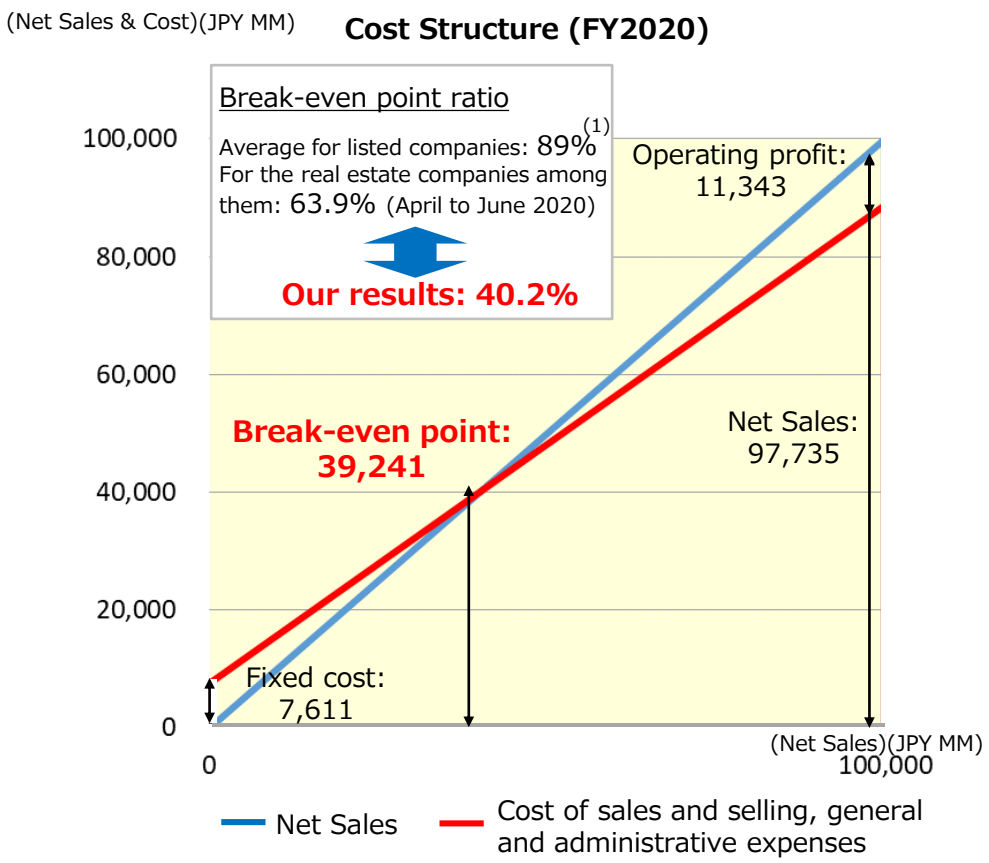
	FY2020 (ended March 31, 2021)		Forecast for FY2021 (ending March 31, 2022)	
	Interim	Year-end	Interim	Year-end
Dividends per share (initial forecast)	¥13.5	¥16.0 (¥13.5)	¥16.0	¥16.0
Dividend payout ratio	30.5%		30.0%	
Dividend payout ratio(1) (based on adjusted net profit)	30.4%		-	

(1) Adjusted net profit: Net profit adjusted for consumption tax and other items. Please see P19 for details on adjustment items.

2. Performance stability

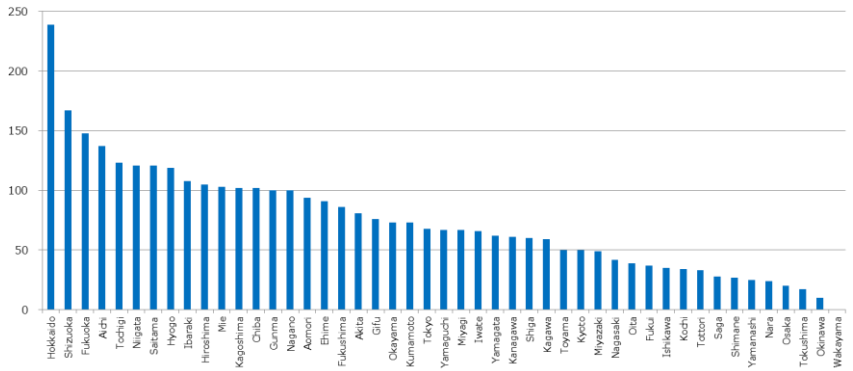
- Fixed costs are small relative to variable costs, making it easy for profits to stabilize.
- Geographical diversification minimizes risk of impairment due to disasters, and provisions for a portion of the cost of long-term inventory serves to curb future losses.

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

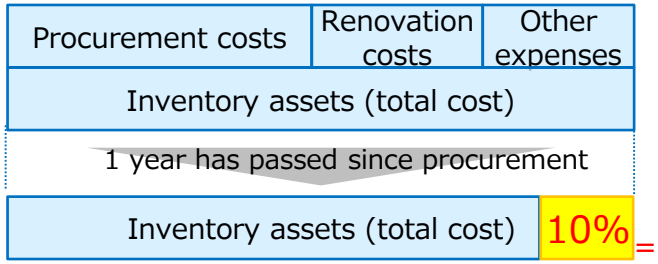


Holdings dispersed throughout Japan / low risk of major impairment due to disaster

Inventory by prefecture (as of the end of March 2021)



Provisioning for long-term inventory at 10% of cost(2)



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

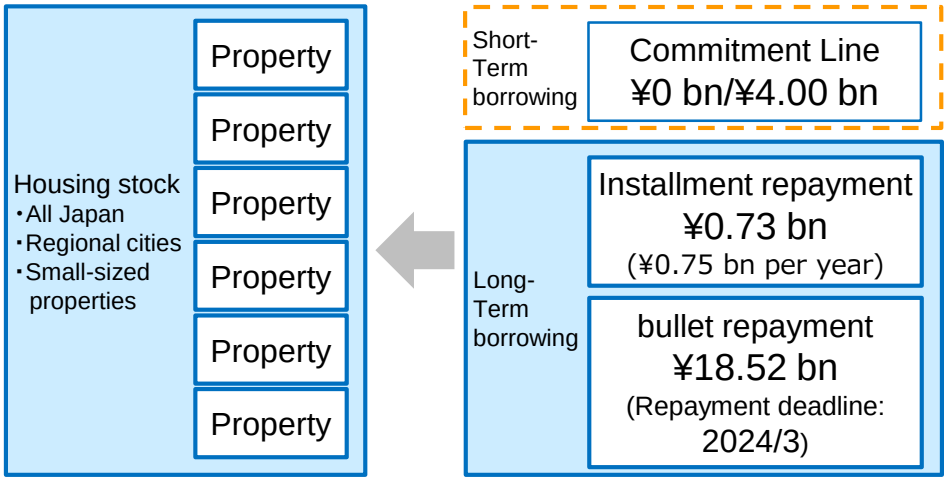
(1) Nihon Keizai Shimbun, September 19, 2020: "Deficits due to reduced revenues, Increasing vulnerability, Sudden rise from April to June, Break-even ratios in 19 industries over 90%, with air transport at 300%"

(2) Long-term inventory: inventory for which 1 year has passed since purchase settlement

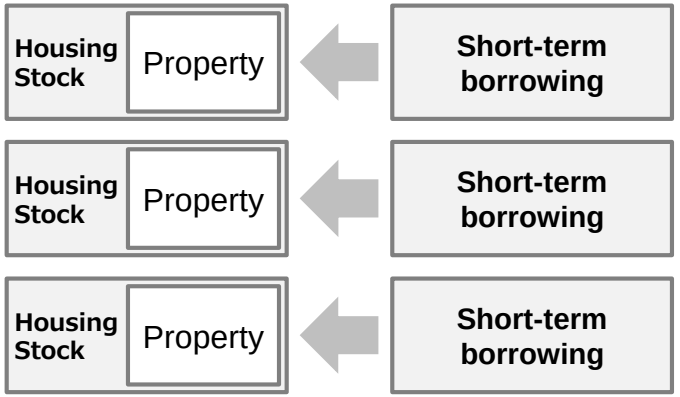
2. Financial Stability

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

KATITAS
Stable borrowing through the arrangement of a syndicated loan



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



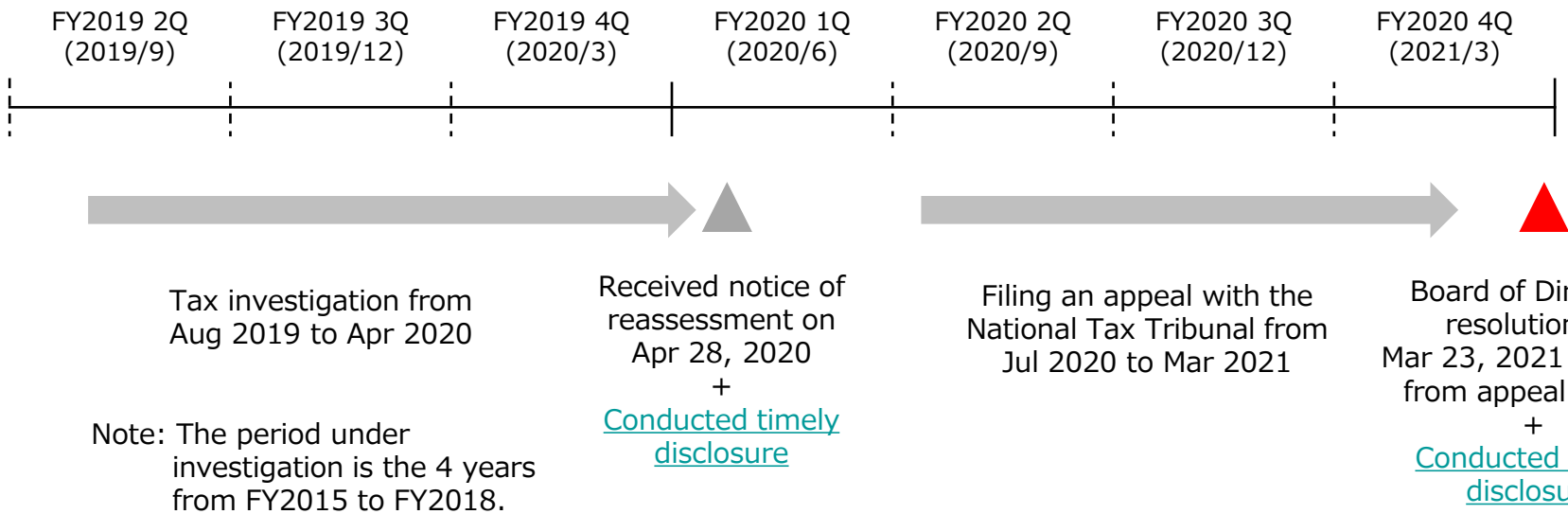
Balance Sheet Strengths

- Katitas can purchase properties flexibly without the need to borrow funds at the time of purchase.
- Katitas can ensure on-hand liquidity provided it controls purchases when sales decline.
- Katitas already has commitment lines as back-up lines of credit and will continue to build good relationships with financial institutions.
- The current rate is 232.6%(1), and the ratio of fixed assets to long-term capital is 4.4%(2). Liquidity of real estate for sale, etc. was also high, at 2.04 times per year.
- Katitas enjoys financial stability, with an equity-to-asset ratio of 50.6%.

(1) Current rate =(Current assets − Real estate for sale − Real estate for sale in process)/ Current liabilities
(2) Ratio of fixed assets to long-term capital = Total non-current assets /(Total non-current liabilities+Total net assets)

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

- As announced in a press release on April 28, 2020, Katitas believes that there are no errors in its existing accounting and tax treatment. Accordingly, the Company has moved ahead with necessary procedures for filing an appeal against the reassessment penalty.
- At a meeting on March 23, 2021, the Board of Directors resolved to file an appeal by the end of March 2021 with the Tokyo District Court asking for the tax authorities to rescind the reassessment penalty (the "Appeal"). The Appeal was received by the Tokyo District Court on March 29, 2021.
- As we had expected to file the Appeal, our forecast remains unchanged.
- The costs of the lawsuit will have a negligible impact on operating performance.
- In our accounting and tax processes, we plan to maintain our current method of handling consumption tax.



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.
- The Company is not in full agreement with the reassessment penalty. Accordingly, we are filing an appeal with the Tokyo District Court.
- Katitas plans to continue using its Proportional Division Method in its accounts in the future.

	FY2018 (ended March 31, 2019)	FY2019 (ended March 31, 2020)	FY2020 (ended March 31, 2021)
Profit attributable to owners of parent	5,926	5,190	7,440
Differences in consumption taxes, etc.	–	2,014 (1)	48 (2)
Refund of income taxes	–	△562	–
Income taxes – deferred for refund of income taxes	–	28	△27
Advisory fees	–	–	3 (3)
Tax impact to above adjustments	–	–	△1
Total of adjustment (After tax impact adjustment)	–	1,480	23
Adjusted net profit attributable to owners of the parent	5,926	6,671	7,464
Adjusted EPS (JPY) (4)	78.81	87.36	97.16
Adjusted dividend payout ratio(%)	33.0	30.9	30.4

(1) Amount subject to reassessment due to a difference in views on the method of calculating consumption tax, based on a tax investigation by the Kantoshinetsu Regional Taxation Bureau. The Company is filing an appeal with the Tokyo District Court because it considers the penalty unacceptable.
(2) Rough estimate of a delinquent tax pertaining to the Reassessment Penalty, etc.
(3) The amount paid to lawyers, tax accountants, and other professionals in relation to tax reassessment, etc.
(4) The Company conducted a two-for-one common stock split on April 1, 2020. Adjusted EPS is calculated as if the stock split had occurred at the beginning of the fiscal year ended March 31, 2019.

Presentation Highlights

1.	Overview of Financial Results for the Fiscal Year Ending March 31, 2021	P2-P8
2.	Management Plan for FY2021 (Ending March 31, 2022)	P10-P19
3.	Overview of Business Model	P21-P40
4.	APPENDIX	P42-P58

3. Business Model of Katitas

- Katitas purchases 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

Procurement → **Renovation** → **Sale**

Ability to procure properties and assess risks related to procure of properties at lower prices

Ability to plan and implement renovation to create sellable properties at lower cost

Pricing at roughly half the price of comparable newly built houses and cheaper loan payment than monthly rent payment

Seller

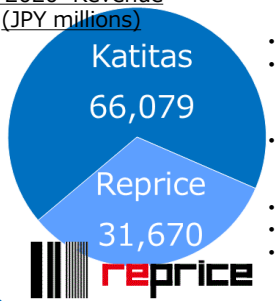
Ability to procure properties

Ability to assess property purchase risks

Katitas Group

家に価値タス カチタス Katitas

FY2020 Revenue (JPY millions)



<FY2020>
- Operating areas: suburban areas surrounding regional cities
- Ratio of single-family detached houses: 93.1%
- Number of units sold: 4,525
- Average price per unit sold: JPY14.5MM(1)

<FY2020>
- Operating areas: primarily regional cities and suburban areas in proximity to Tokyo, Nagoya and Osaka
- Ratio of single-family houses: 74.6%
- Number of units sold: 1,630
- Average price per unit sold: JPY19.3MM(1)

Buyer

Before

After





Large-volume orders

Price discounts

Price discount

Regular orders

Ability to implement renovation work

Building materials manufacturers

Contractors







Ability to plan renovation work





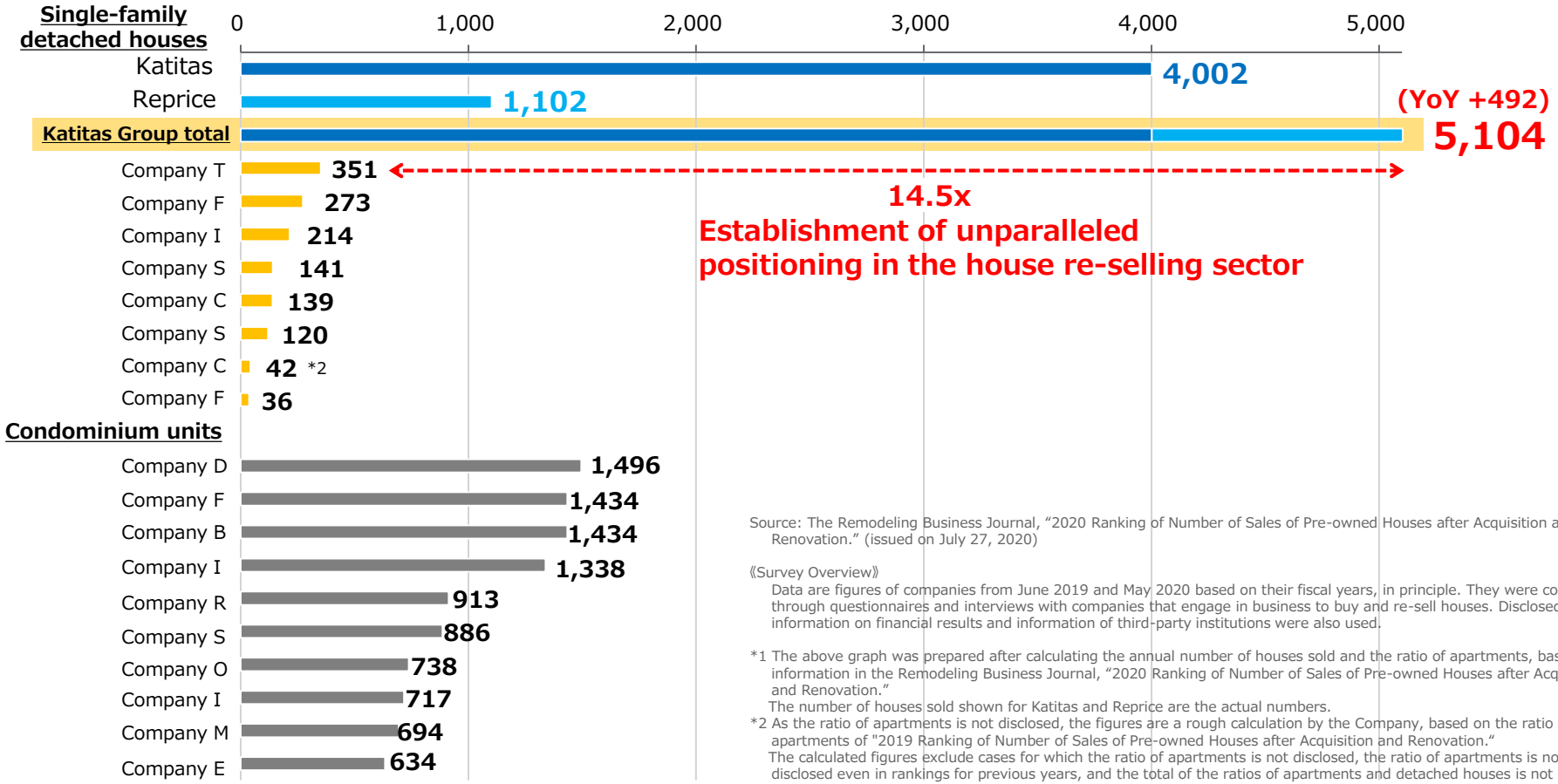


(1) Excluding tax

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

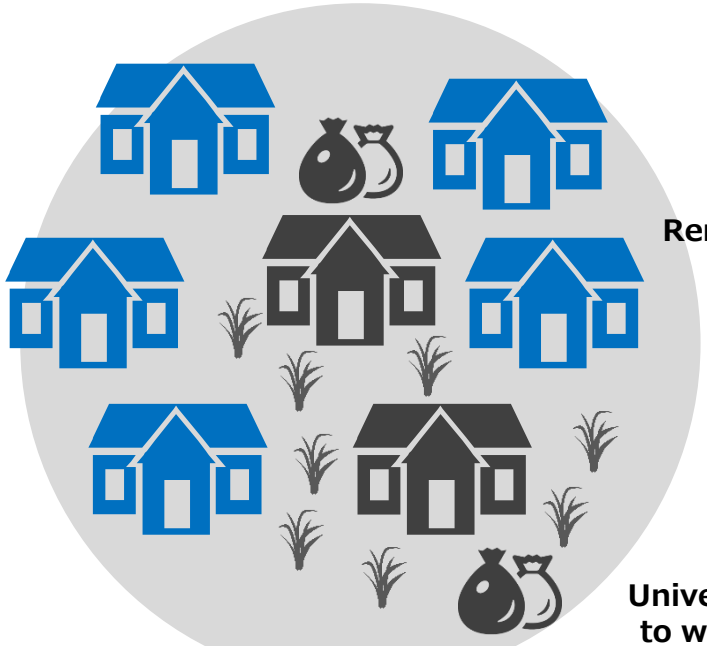
Addressing Issue of Vacant Houses (*Akiya*)

Stimulation of Local Economy

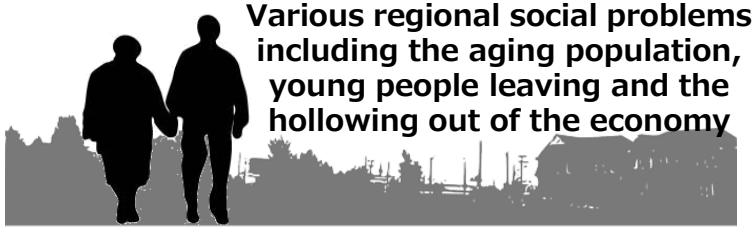
Environmentally Friendly

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



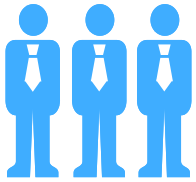
Various regional social problems including the aging population, young people leaving and the hollowing out of the economy

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

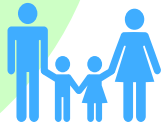
Ability to own a home with an annual income of ¥2-5 million

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: Status of Overall Initiatives

Katitas's pre-owned house renovation business

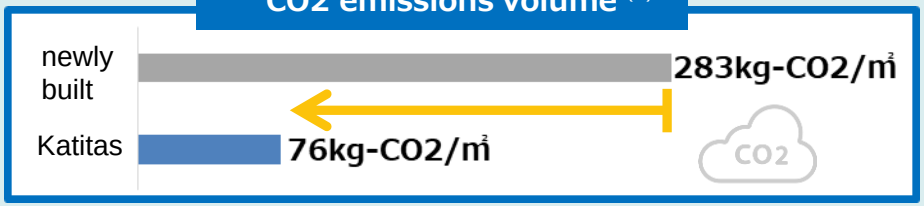


12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Scrap and build new houses



CO2 emissions volume (1)



7 AFFORDABLE AND CLEAN ENERGY

13 CLIMATE ACTION

The wooden materials used



15 LIFE ON LAND

Independent outside directors: 1/3 of the total (4)

- ✓ Of those, three are Independent Outside Directors.
- ✓ Outside Director attendance ratio: 100% (5)
- ✓ 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.

Wage system (6): Fixed salaries and allowances 80% | Incentives 20%

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

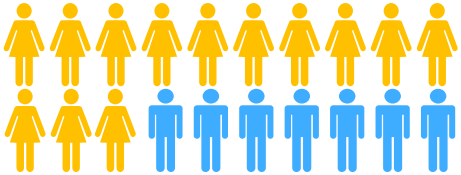
(1) Source: Kimoto, Ikaga, Hanaki, Shintani, and Noguchi (2009), "Projection of CO2 Emissions from Construction, Renovation, and Demolition of Housing to 2050"
(2) Source: "Current Status and Issues in the Forestry, Logging, and Timber Industry," Forestry Agency (March 2021)
(3) Our standard remodeling property results, constructed in December 2018
(4) In case the proposals for election of all directors at the June 2021 shareholders' meeting is approved
(5) Results for the fiscal year ended March 31, 2021
(6) Results for the fiscal year ended March 31, 2020 (for employees ranging from personnel in charge to sales department managers)

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

- Katitas actively recruits and promotes women because operations to purchase 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 (FY2020 results)

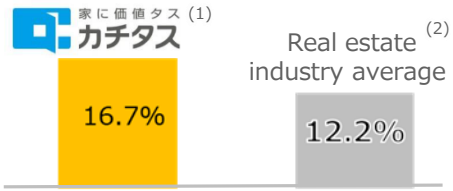




65% (13) of the company's top-ranking sales personnel were women

Percentage of female managers(As of April 2021)





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

Female employee ratio: 39.2% (As of April 2021)

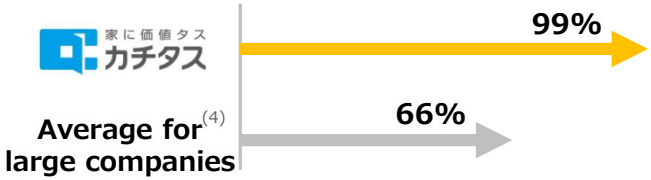




Many women interested in renovations and housing

Ratio of women and men in terms of average years of service (As of March 31, 2021) (3)

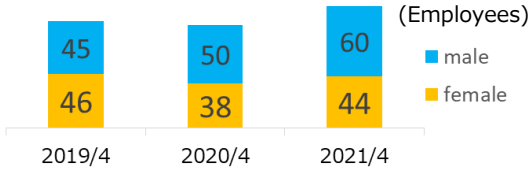




There is little difference in average years of service between men and women.

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

2020 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

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

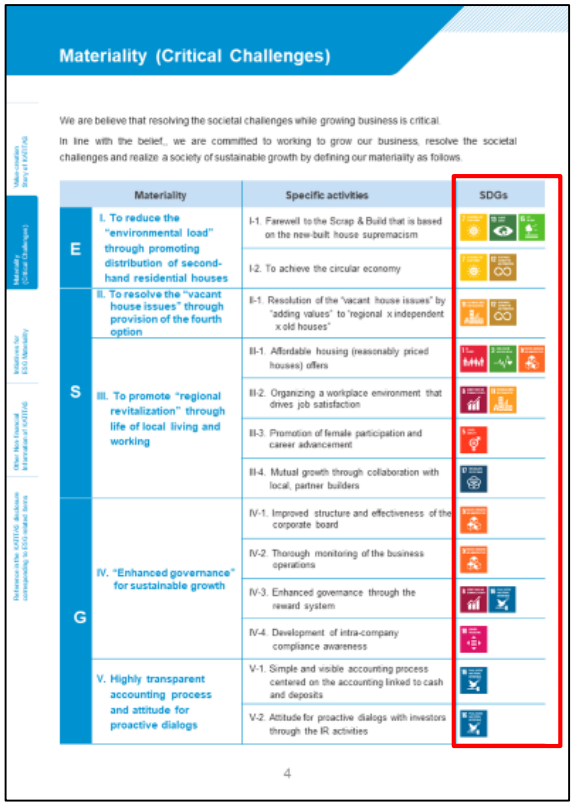
(1) Total number in management and supervisory roles, including Katitas's sales and administrative divisions
(2) Source: Teikoku Databank "Awareness Survey of Corporate Attitudes Towards Promotion of Women (2020)"
(3) Average years of service of female employees/Average years of service of male employees
(4) Source: The Ministry of of Health, Labour and Welfare "Basic Survey on Wage Structure (2020)"

3. ESG Report Publication (Updated Edition Scheduled for Publication on June 25, 2021)

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

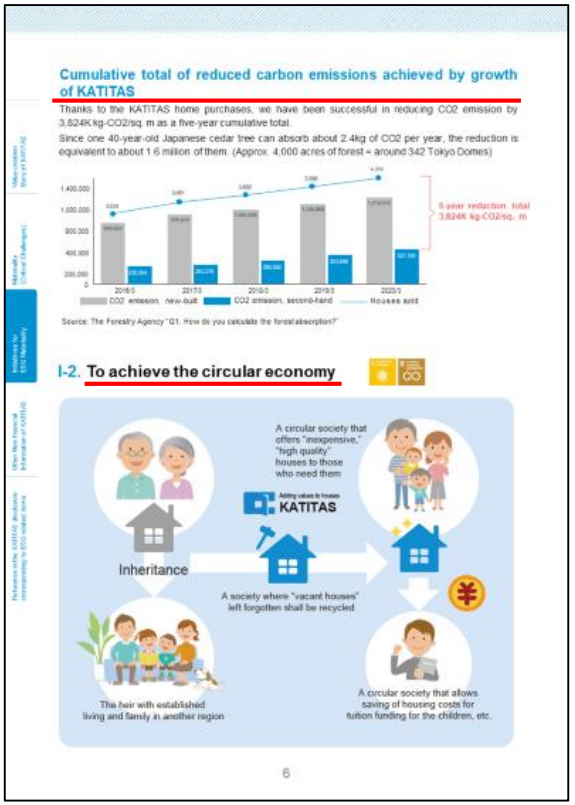
Setting materiality

Combining our business model with ESG and SDGs



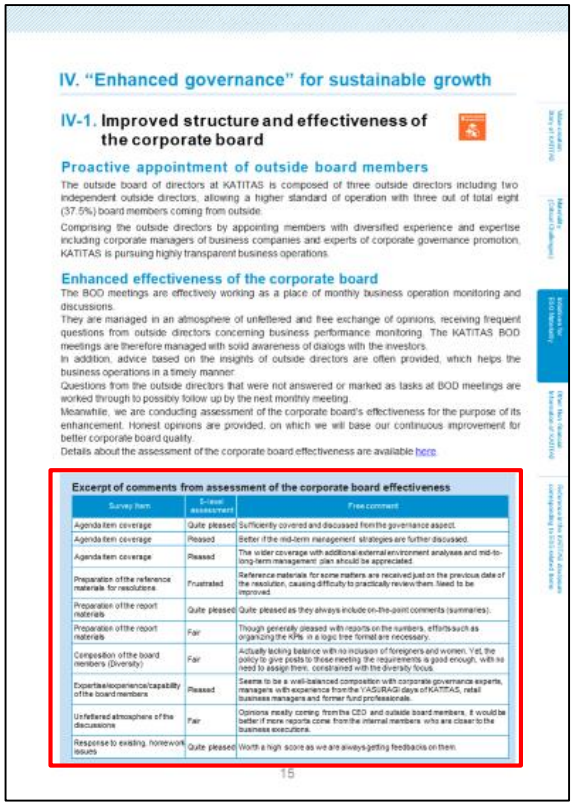
Specific initiatives for materiality

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



Detailed descriptions of governance initiatives and other activities

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



The full ESG report is available here (English version)

3. The Company's Customer Profile

	Customer profile
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 15.0 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** (75.2% of the Company's sales results)
Buyers' annual income	**JPY 2-5 million** (69.9% of the Company's sales results) (home loan to annual income ratio is 3.94) * Households with annual incomes between JPY 2-5 million are the largest volume zones in rural areas, excluding the three major cities.
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, 2021.
(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

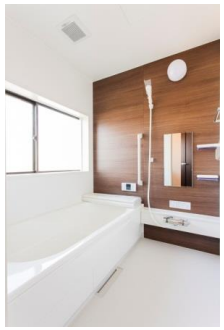
- New plumbing products are installed to improve usability and cleanliness
- Materials are purchased at lower prices through bulk purchases, which results in large-scale renovation work at about half the price paid in personally-requested renovation work





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





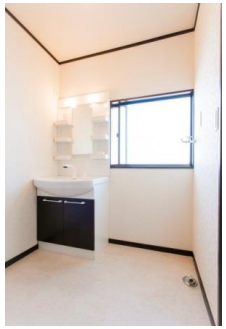
A new modular bath system is installed in approx. 90% of houses purchased





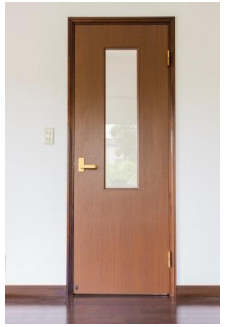
A new multi-functional toilet is also installed in approx. 90% of houses purchased





A new washstand is installed in approx. 90% of houses purchased 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 60,000 projects

- Katitas has accumulated a stock of “failure cases” through purchasing and selling more than 60,000 houses. These cases frequently occur as a result of errors made at the time of purchasing. Failure cases are shared with branches nationwide on a weekly basis.
- Before purchasing, 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-purchasing 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 purchasing or after sale



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



Case in which subsidence under the floor was discovered after purchasing. 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 purchasing, 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.

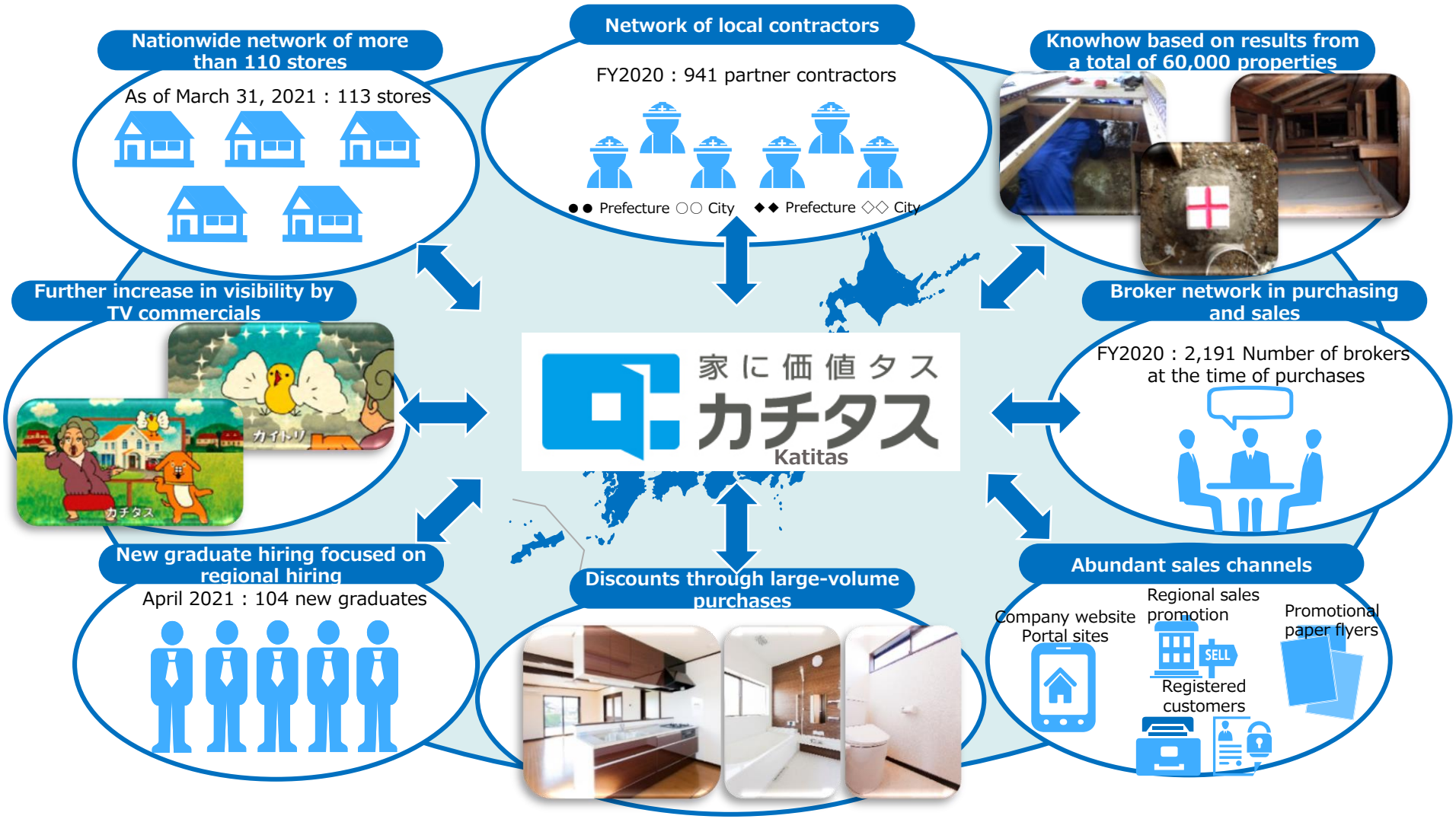
Individual solutions policies

- **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 60,000 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.



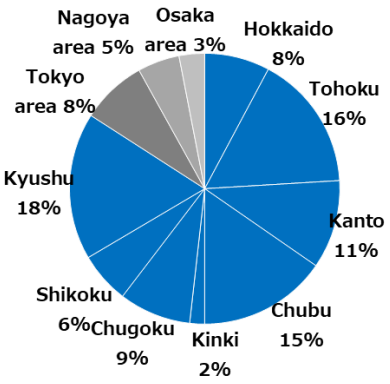
Note: Figures on this slide are for Katitas on a non-consolidated basis.

3. Nationwide Branch Network and High Brand Recognition

- Katitas maximizes purchasing 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

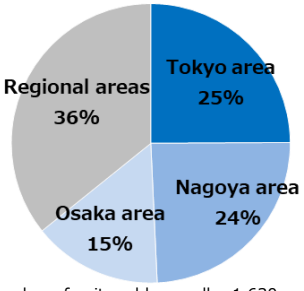
Nationwide Branch Network

Katitas: Sales by area(1)(2)
(FY2020, based on number of units)



*Number of units sold (FY2020): 4,525

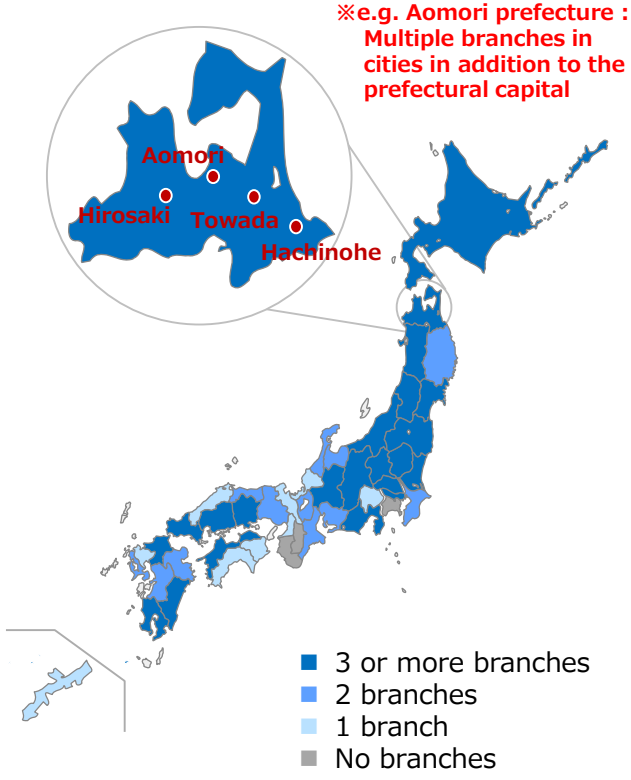
Reprice: Sales by area(2)
(FY2020, based on number of unit)



*Number of units sold annually: 1,630
*"Regional areas" are other areas than the "three metropolitan areas"(2)

Branch Locations(3) of Katitas
(As of March 31, 2021)

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

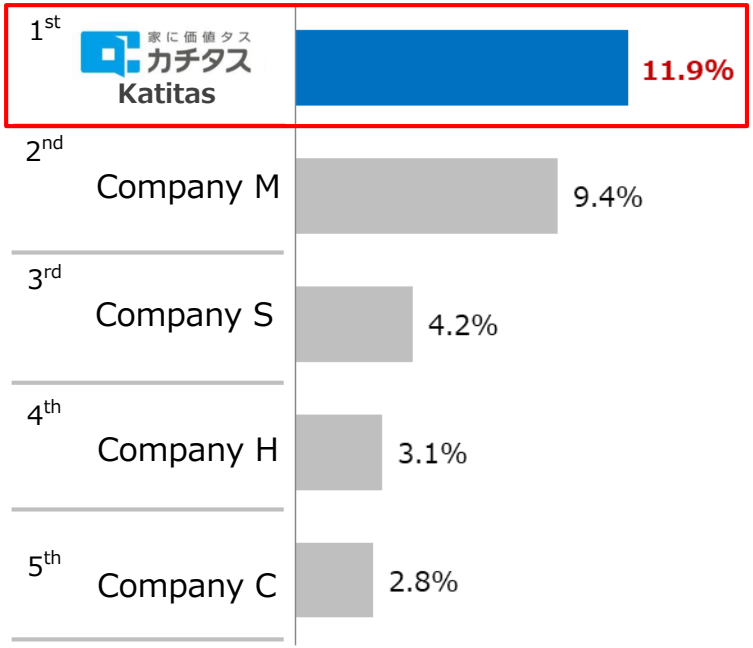


High Brand Recognition in Regional Areas

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 January 2021 in areas where Katitas TV commercials were aired)



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

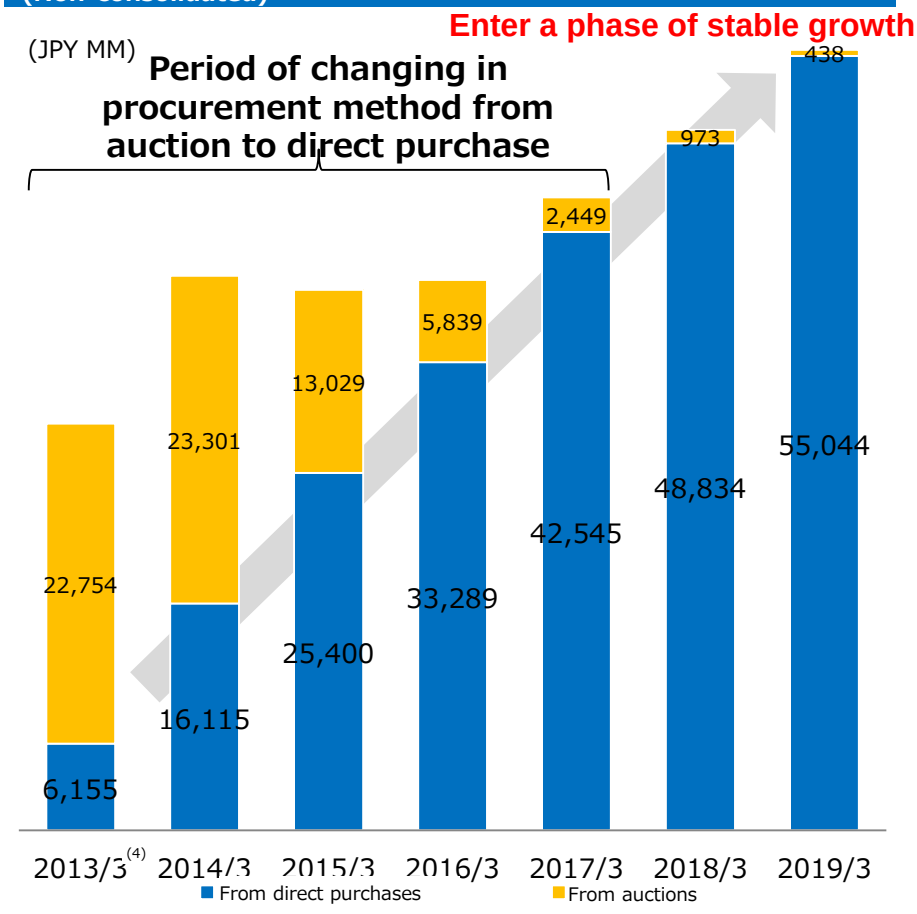
(1) Tohoku: Aomori, Iwate, Miyagi, Akita, Yamagata and Fukushima prefectures. Kanto: Ibaraki, Tochigi and Gunma Prefectures. Chubu: Niigata, Toyama, Ishikawa, Fukui, Yamanashi, Nagano and Shizuoka prefectures. Kinki: Shiga and Wakayama prefectures. Chugoku: Tottori, Shimane, Okayama, Hiroshima and Yamaguchi prefectures. Shikoku: Tokushima, Kagawa, Ehime and Kochi prefectures. Kyushu: Fukuoka, Saga, Nagasaki, Kumamoto, Oita, Miyazaki, Kagoshima and Okinawa prefectures.
(2) Three Metropolitan Areas (defined by the Ministry of Internal Affairs and Communications): Tokyo area (Saitama, Chiba, Kanagawa and Tokyo prefectures), Nagoya area (Gifu, Aichi and Mie prefectures) and Osaka area (Osaka, Hyogo, Nara and Kyoto prefectures)
(3) Branch list is explained in detail on P.45
(4) Surveyed areas in Jan 2021 were Hokkaido, Aomori, Niigata, Ishikawa, Nagano, Yamaguchi, Ehime, and Kagoshima prefectures (where TV commercials were aired), as well as Tochigi and Gifu prefectures (where no TV commercials were aired)

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

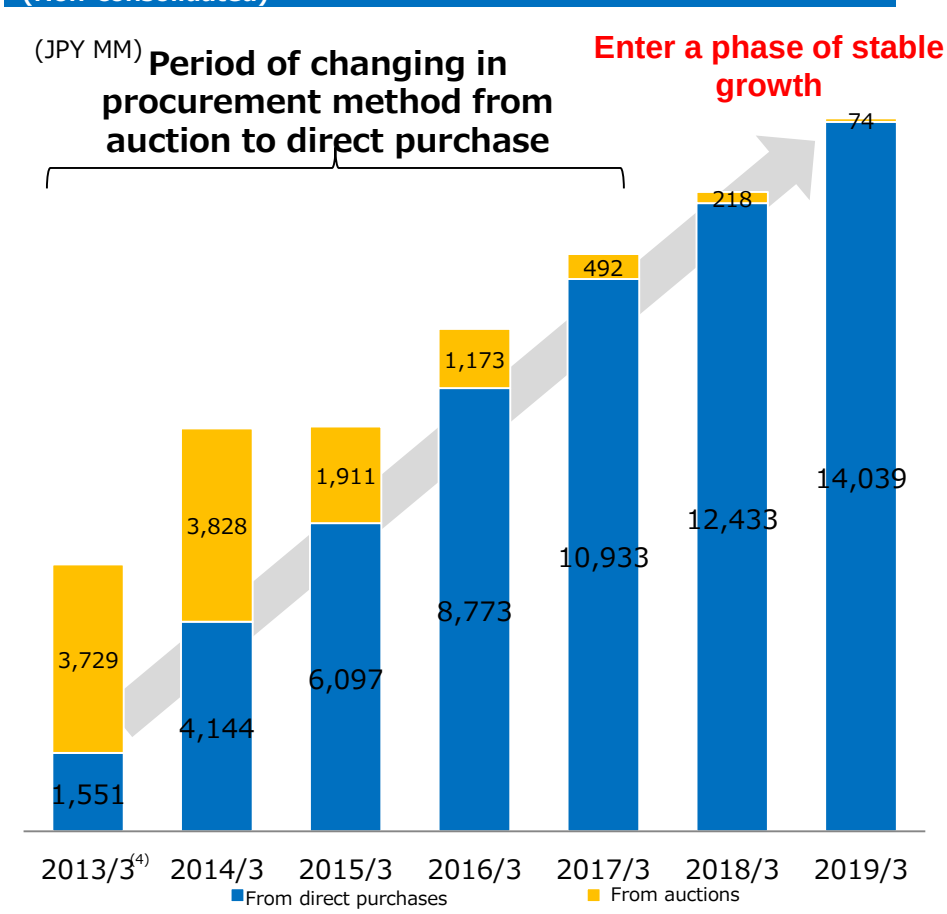
(Reposted from FY2018 4Q)

- Katitas has largely shifted its property procurement method from auctions to direct purchases.(1) This drastic reform increased gross profit
- From the fiscal year ended March 31, 2018, 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.55 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 FY2015(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

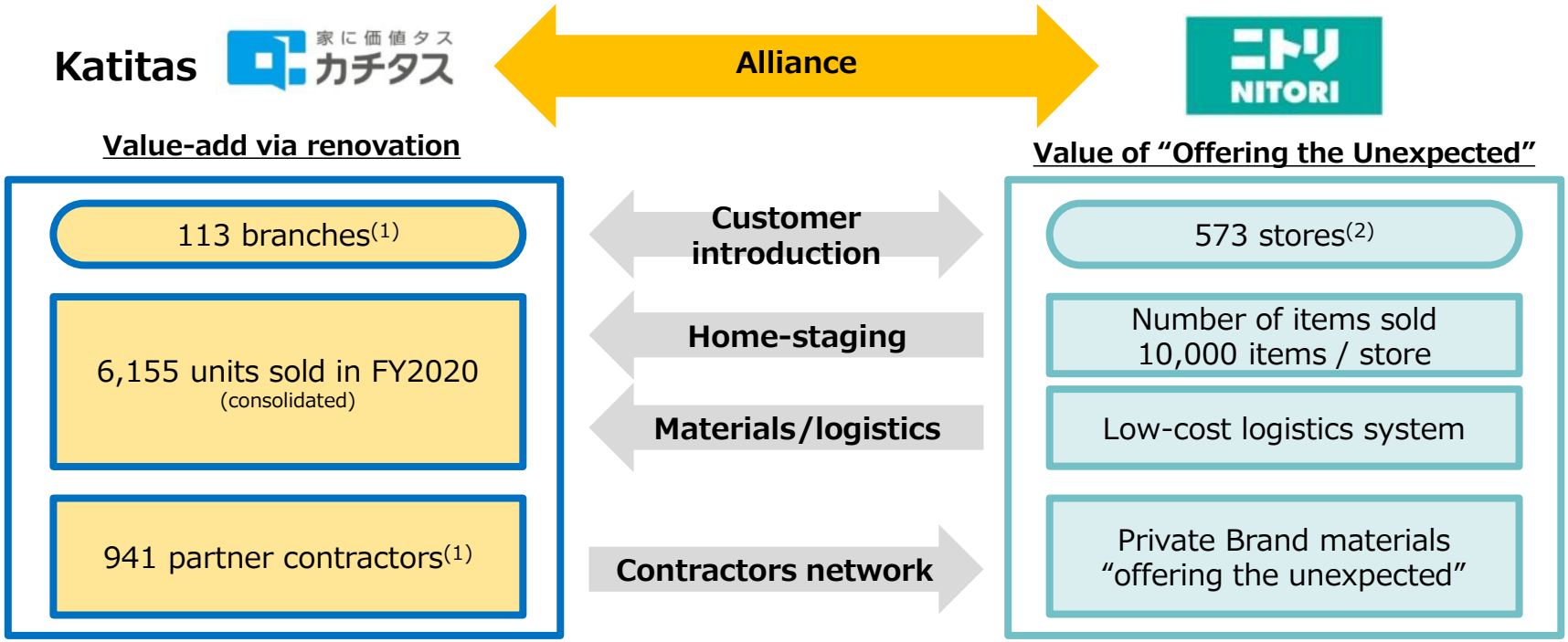
(1) Starting in 2014, METI has been granting annual awards to companies that address a variety of needs of consumers with the strengths of their unique business models

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, 2021
(2) Aggregate of "Nitori" stores, "Nitori Express" stores and "Nitori Deco house" stores in Japan (as of February 28, 2021)

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

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

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

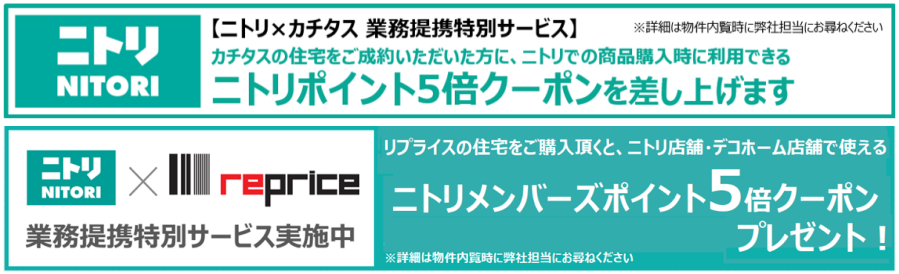




Sales Service Issuing coupons that can be used for purchases of Nitori products



Discount coupon presented to purchasers when properties are delivered



Website banner announcing that coupons will be given

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

- "VHS (Virtual Home Staging)" virtually installs Nitori furniture in Katitas properties.
- This can be implemented more easily in terms of cost and furniture delivery logistics than showing a "furnished house".
- VHS increases the success rate, so using VHS before revising prices helps to curtail price reductions.

中古戸建 **1 Yokomori, Akita-shi, Akita (single-family homes)**

予約制見学会受付中 4月24日(土)

【リフォーム済】4月24日(土)予約制見学会開催(前日18時まで要電話予約) 5LDK。駐車場並列3台駐車可能。大家族におすすめの住宅です。







Selling Price
JPY 15.8MM
(Including tax)

Monthly payments
JPY 44,573

Land 325.98㎡ Building 125.85㎡ (5 bedroom + 1 bathroom)

現地見学会 パノラマ写真有り



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



Switchable with one click



Currently, VHS is used mainly for living rooms

Presentation Highlights

1.	Overview of Financial Results for the Fiscal Year Ending March 31, 2021	P2-P8
2.	Management Plan for FY2021 (Ending March 31, 2022)	P10-P19
3.	Overview of Business Model	P21-P40
4.	APPENDIX	P42-P58

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 March 31, 2021)
Number of outstanding shares	78,650,640 shares (As of March 31, 2021)
Listed Stock Market	TSE 1st Section (Securities Code: 8919)
Headquarters	4-2 Mihara-cho, Kiryu-shi, Gunma
Tokyo office	Shinkawa Nakano TH Bld., 1-18-3, Shinkawa, Chuo-ku, Tokyo
MSI Management Center	3-12 Kotohira-cho, Kiryu-shi, Gunma
Subsidiary	REPRICE Co., Ltd.

Name	REPRICE Co., Ltd.
Date of Establishment	June 19, 1996
Representative	Katsutoshi Arai, President and CEO
Fiscal Year-End	March 31
Capitalization	JPY 75,000,000 (As of March 31, 2021)
Headquarters	NF Bld., 1-9-16, Sakae, Naka-ku, Nagoya-shi, Aichi
Parent company	KATITAS Co., Ltd.

4. History

Date	Event
Sep. 1978	Established as Yasuragi Co., Ltd., in Kiryu, Gunma Prefecture with ¥10 million in capital to conduct the stone quarrying business
Dec. 1988	Acquired a real estate brokerage license and started the real estate sales and agency business
Aug. 1998	In line with the revised Civil Execution Act, established a business model of purchasing real estate at property auctions and selling refurbished properties
Mar. 1999	Opened the Takasaki Branch (later opened more regional branches, reaching a total of 113 as of March 31, 2021)
Feb. 2004	Listed on the Centrex Market of the Nagoya Stock Exchange
Mar. 2012	Tender offer for the Company's shares by Advantage Partners Inc., a private-equity fund
Jul. 2012	Delisted from the Centrex Market of the Nagoya Stock Exchange
Jul. 2013	Changed company name to KATITAS Co., Ltd.
Feb. 2016	Received the METI Minister Award for "Advanced Rehabilitation Remodeler" from the Ministry of Economy, Trade and Infrastructure
Mar. 2016	Acquired all shares of REPRICE Co., Ltd. (now a consolidated subsidiary)
Apr. 2017	Formed a capital and business alliance with Nitori Holdings Co., Ltd.
Oct. 2017	Received the 17th Porter Prize (sponsored by the School of International Corporate Strategy, Hitotsubashi University Business School)
Dec. 2017	Listed shares on the First Section of the Tokyo Stock Exchange
Mar. 2020	Due to stable growth post-listing, achieved consolidated operating profit of ¥10.0 billion
Apr. 2021	Cumulative number of homes sold by Katitas surpasses 60,000

4. Management Team (Executive Directors)

Katsutoshi Arai, President and CEO of Katitas and Reprice



- After working at Sanwa Bank (now MUFG Bank) and Bain & Company, obtained an MBA at Columbia University and then joined Recruit. In May 2012, joined the new management team of the former Yasuragi (now Katitas) as the company was taken private. Has been CEO since then.
- During his time at Recruit, was in charge of new business development related to housing, which he launched and grew as a business. Became sales manager of the custom-built housing business which at the time was a low-profile business, achieving rapid growth of its sales, becoming general manager in one year.
- Creating a foundation for stable growth through management that combines his background in consulting, MBA, and sales skills.

Shinichi Onizawa, Director, General Manager of Sales Headquarters



- Joined Yasuragi in June 2001.
- Involved in management of the Sales Headquarters since the Yasuragi days.
- As an industry veteran, is very familiar with the risks related to the purchase and sale of pre-owned homes.

Kazuhito Yokota, Director, General Manager of Administration Headquarters



- After working at Recruit, established Career Design Center, which listed on TSE (ticker: 2410), and served as representative director and vice president.
- Joined Yasuragi in August 2012.
- Advanced understanding of business administration and the recruiting of talented personnel due to extensive experience and performance.

Harutoshi Oe, Director, General Manager of Marketing Office



- Previously worked at Recruit (medium- and long-term strategy office) and chief editor of a housing magazine.
- Joined Yasuragi in January 2013.
- Brought into the Company to strengthen its marketing.
- Helped to raise Katitas brand awareness through TV commercials and newspaper ads promoting purchases.

Takayuki Ushijima, Director, Vice President of Reprice



- After working at a recruitment consulting company, joined Reprice in May 2009.
- At Reprice, promoted to area manager three months after joining the company. In 2014, became the youngest director ever.
- Engaged in building up Reprice's organization, leading the company's growth.

4. Katitas Group Branch List（All Own Branches）

Branches (As of March 31, 2021)

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
Tochigi
Nasu
Ota
Midori
Numata
Takasaki
Kumagaya
Koshigaya
Saitama
Iruma
Mobara
Sakura (1)
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
Himeji

Chugoku
Tottori
Yonago
Izumo
Okayama
Tsuyama
Hiroshima
Fukuyama
Kita-Hiroshima
Yamaguchi
Shimonoseki
Iwakuni
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 113 Branches

+

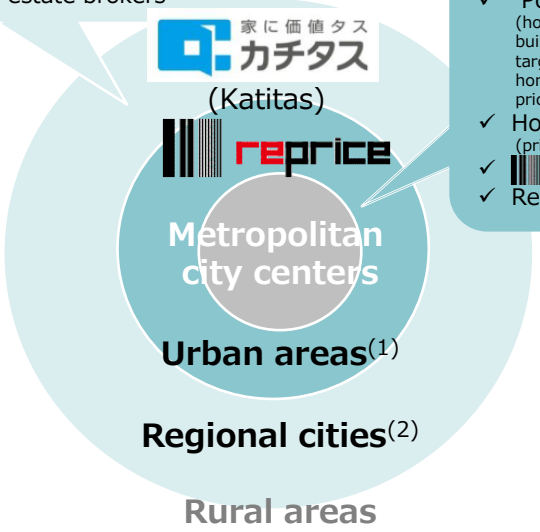
reprice ⇒**Focus on urban areas**

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

Total 14 Branches

Main types of house sellers
- ✓ Local home builders
- ✓ カチタス (Katitas)
- ✓ Real estate brokers

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



(1) The branch newly opened in November 2020

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

(3) Suburban areas surrounding regional cities across Japan

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

Lightly populated areas, holiday home and sightseeing areas (1)	Approximately 971 municipalities Approximately 15.5 million people
Regional cities (2)	Approximately 251 municipalities Approximately 26.0 million people
Suburban (3)	Approximately 476 municipalities Approximately 48.8 million people
Cities (4)	Approximately 10 municipalities Approximately 10.5 million people
Metropolitan city centers (5)	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) Lightly populated areas, holiday home and sightseeing areas: Municipalities with populations under 50,000 excluding areas within the three metropolitan areas
(2) Regional cities: Municipalities with populations of 50,000-300,000 excluding areas within the three metropolitan areas
(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) 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)
(5) 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)

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

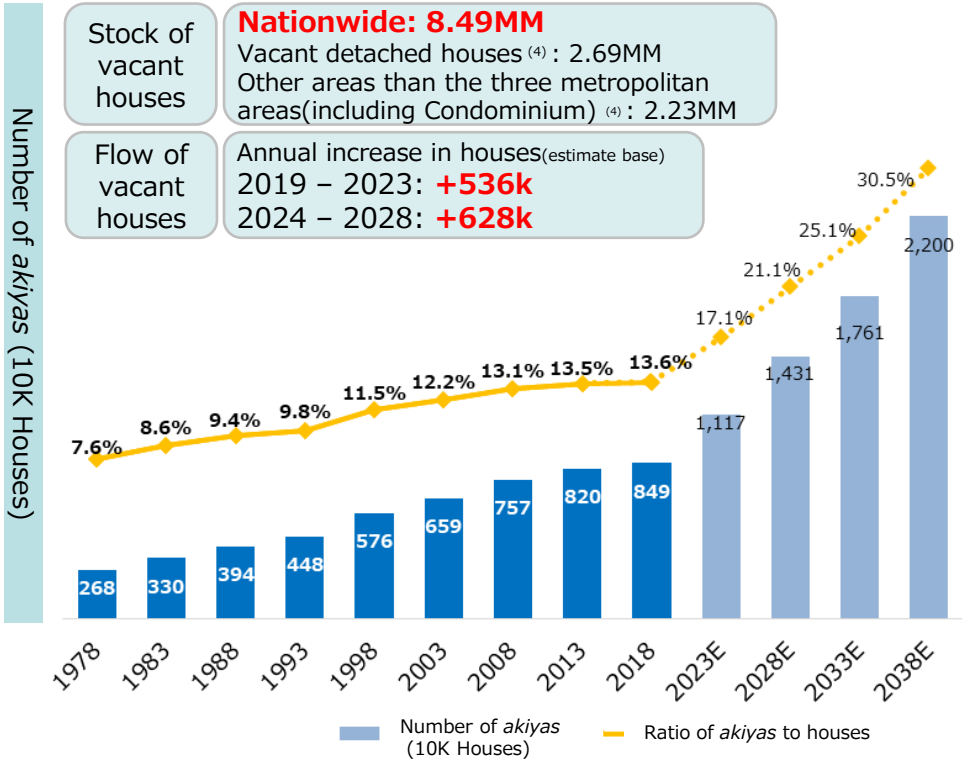
- There is a large number of vacant houses and the number is expected to increase, which provides Katitas with procurement opportunities
- Although a large majority of such vacant houses cannot be distributed in the housing market on an “as-is” basis, Katitas is capable of acquiring such houses with 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) (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(3): 0.218 million	**# of vacant houses(4): 0.677 million** reprice	**# of vacant houses(4): 1.795 million** 家に価値タス カチタス Katitas
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 focused areas

✓ **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. Reasons for Temporary Purchasing Issues

(Reposted from FY2020 3Q)

Home Inheritance

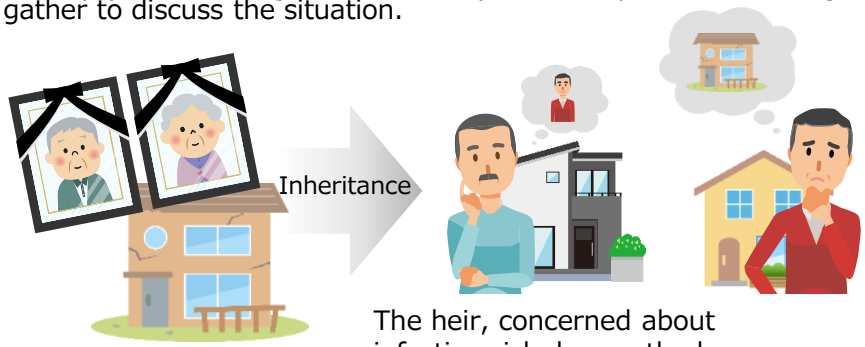
→The heir, an adult, has built another house. He has no need for the inherited house, which then lies vacant.

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

Senior Owners

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

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



The heir, concerned about infection risk, leaves the home vacant. Family members have few opportunities to gather.



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



Vacant houses

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

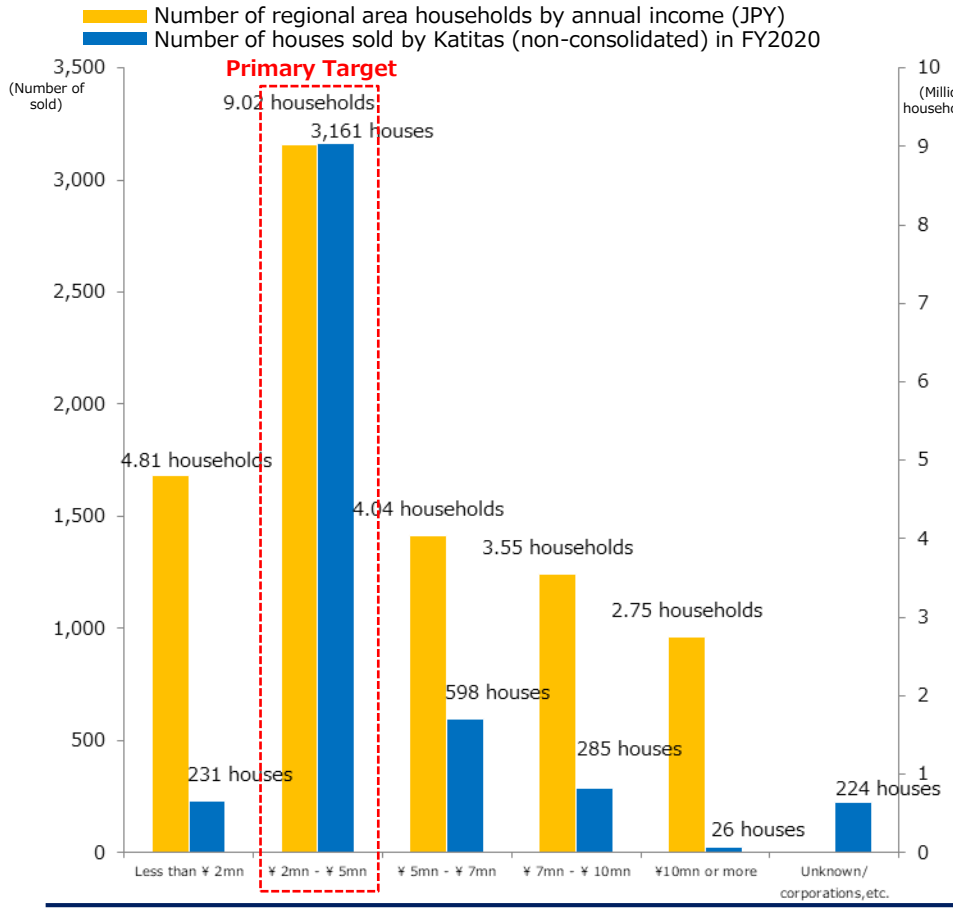


The issue is with timing: when information about vacant houses becomes available.
The size of the market for unoccupied houses (purchasing environment) remains unchanged.

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

- Katitas' primary target customer base consists of approximately 1.38 million households currently living in rental houses in regional areas, with annual income of JPY2-5 million and the intention to own a house
- Based on the assumption that there is demand for 138,000 units if the duration of the abovementioned families considering the purchase of housing units is 10 years.
- The number of properties sold by Katitas in FY2020 was 4,525, 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.

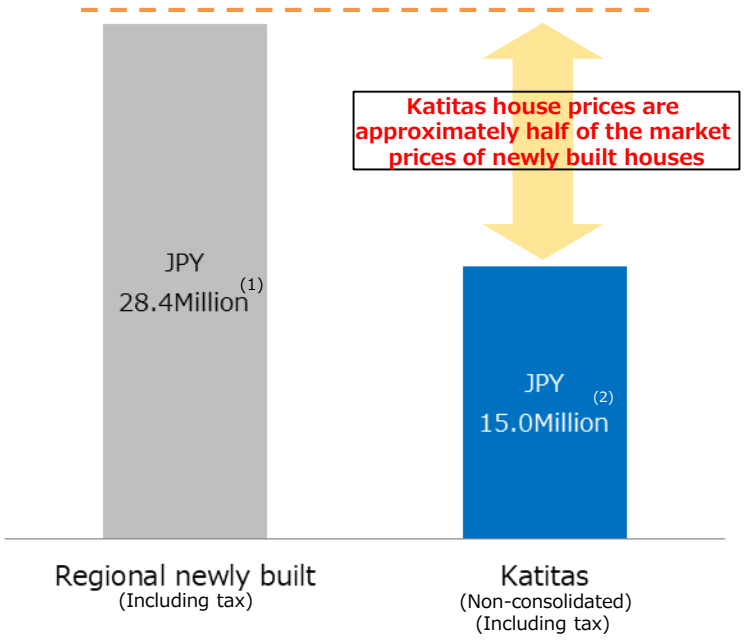
Annual number of houses sold by Katitas: 4,525(around 3% of target)
⇒ There are still many potential customers

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

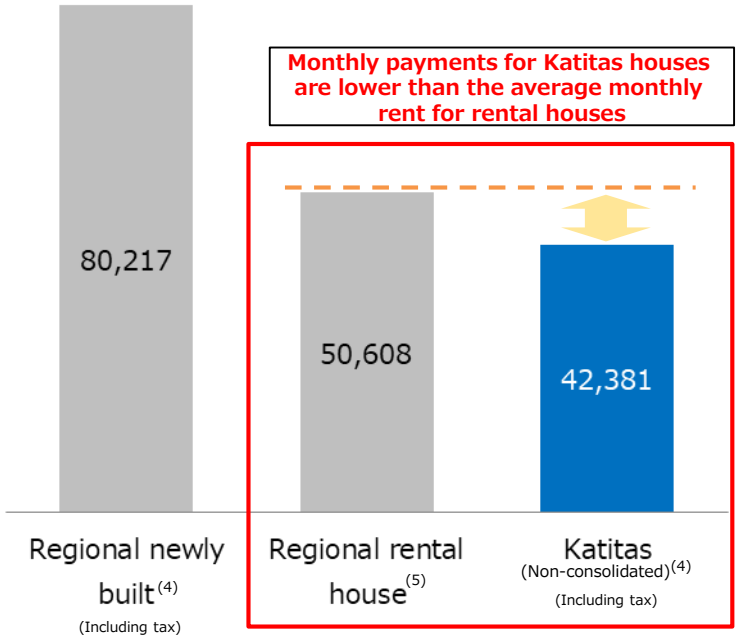
- Katitas offers high-quality renovated houses at reasonable prices, which provides customers a “Fourth Option” to either newly built, pre-owned (non-renovated) or rental houses
- Katitas is able to offer renovated houses at roughly half the price of comparable newly built houses, that also offer lower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

Lower Payments than Rental Houses(3)



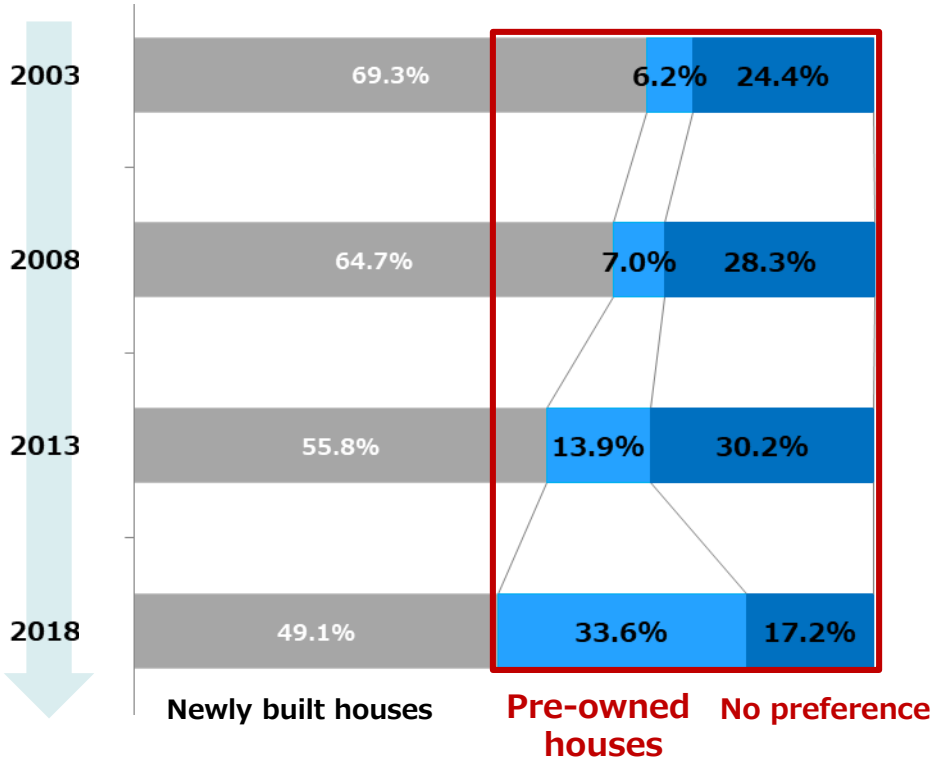
(1)Average prices (including tax) of newly built houses are surveyed under the following screening method, based on the “Integrated System of Land Information” operated by Ministry of Land, Infrastructure, Transport and Tourism
(2)The average sales price of Katitas is calculated based on the sale price of properties constructed during the period between April 2019 and March 2020.
(3) Monthly rent paid by households other than single-person households
(4) Payment amounts for Regional newly built and Katitas 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
(5) 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

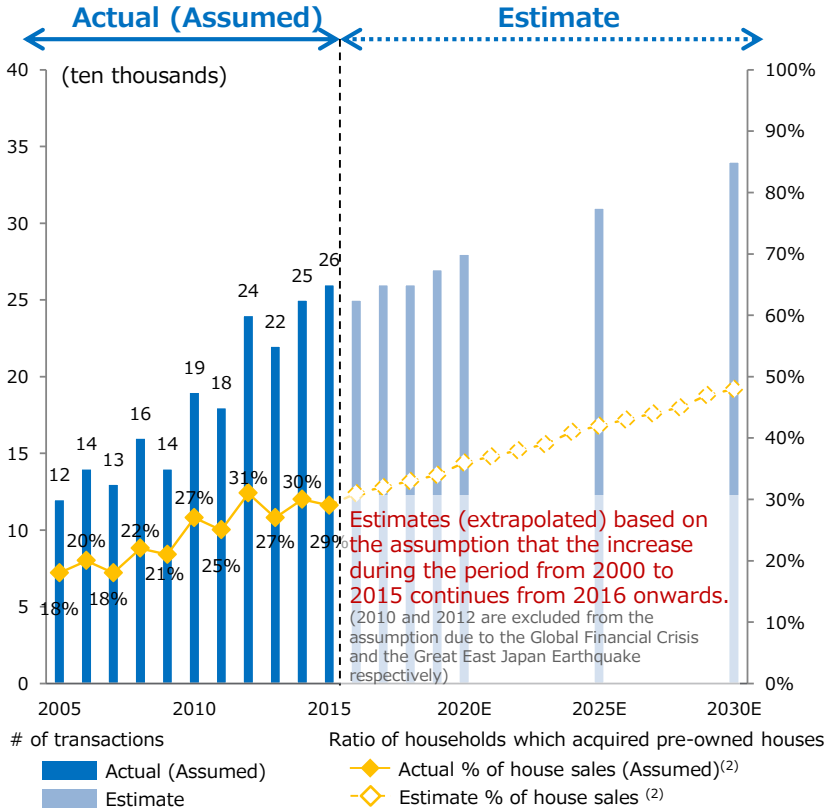
Survey of preference in moving to newly built or pre-owned houses from the current rental houses



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.

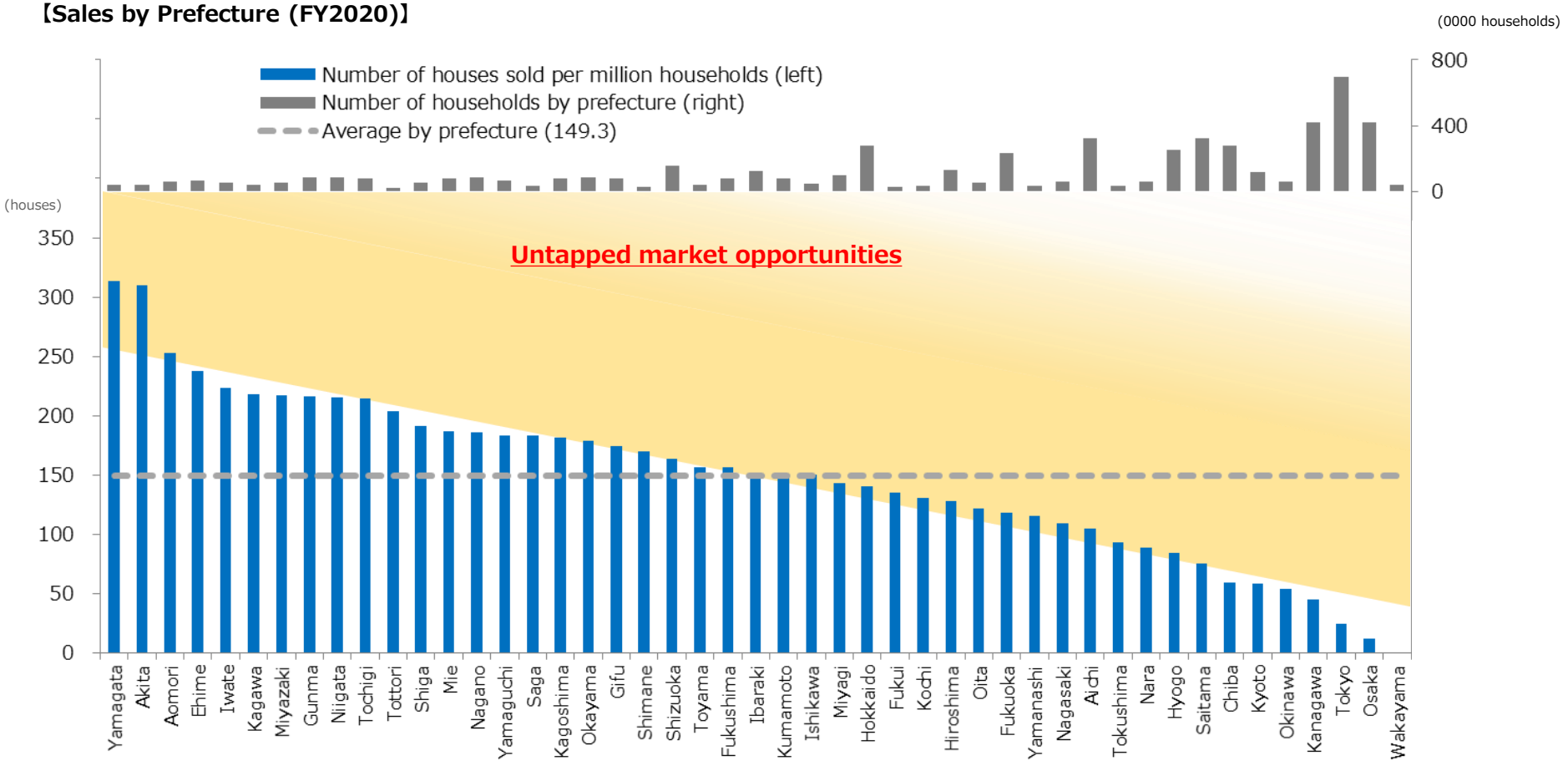
(1) NRI estimates / forecasts based on Census, Ministry of Internal Affairs and Communications "Population estimate", "Housing and Land survey", National Social Security and Population Research Institute "Forecast of number of Japan's households" and NRI Questionnaire on housing purchasers
(2) Questionnaire 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 (FY2020)】



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

- Track record of dealing over 60,000 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

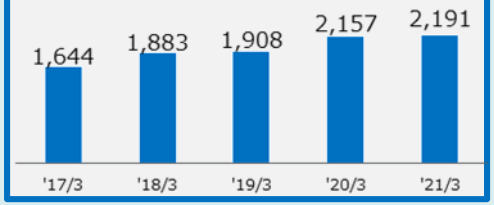
- ✓ Exploit renovation know-how to meet customer needs with a reasonable selling price
- ✓ Plan renovation to make purchased properties sellable, by addressing region specific needs
- ✓ Awarded by the Ministry of Economy, Trade and Industry as an Innovative Renovation Company in 2015(3)

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*

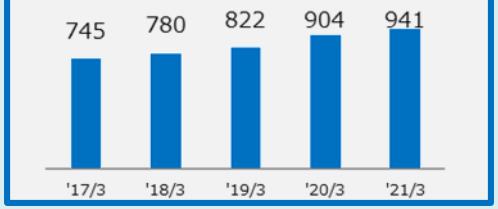


* Number of intermediary companies with which Katitas concluded one or more purchase transaction annually

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

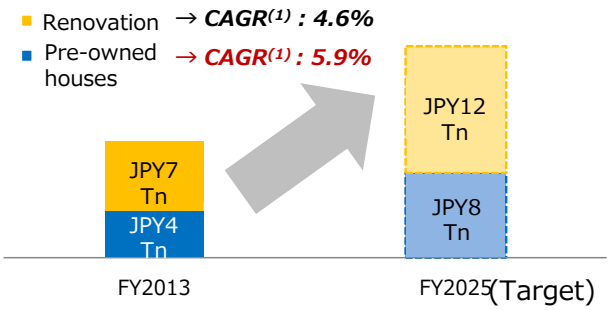
	Residential properties procured mainly through auction	Residential properties procured mainly through direct purchase
Targeted portfolios	✓ Residential properties subject to auction due to owners' inability to repay housing loans, etc. ✓ Sold through courts	✓ Residential properties purchased from house 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**	✓ Purchasing 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



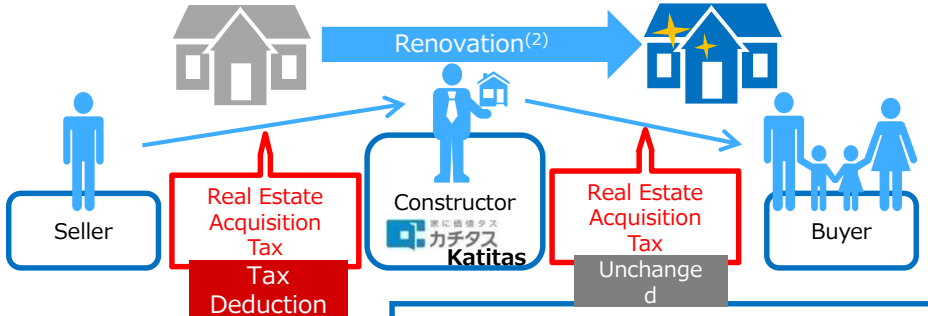
Source: Ministry of Land, Infrastructure, Transport and Tourism, Housing Bureau, Housing Policy Division "Housing Policy Basic Plan(Nationwide)(Overview)"

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㎡)

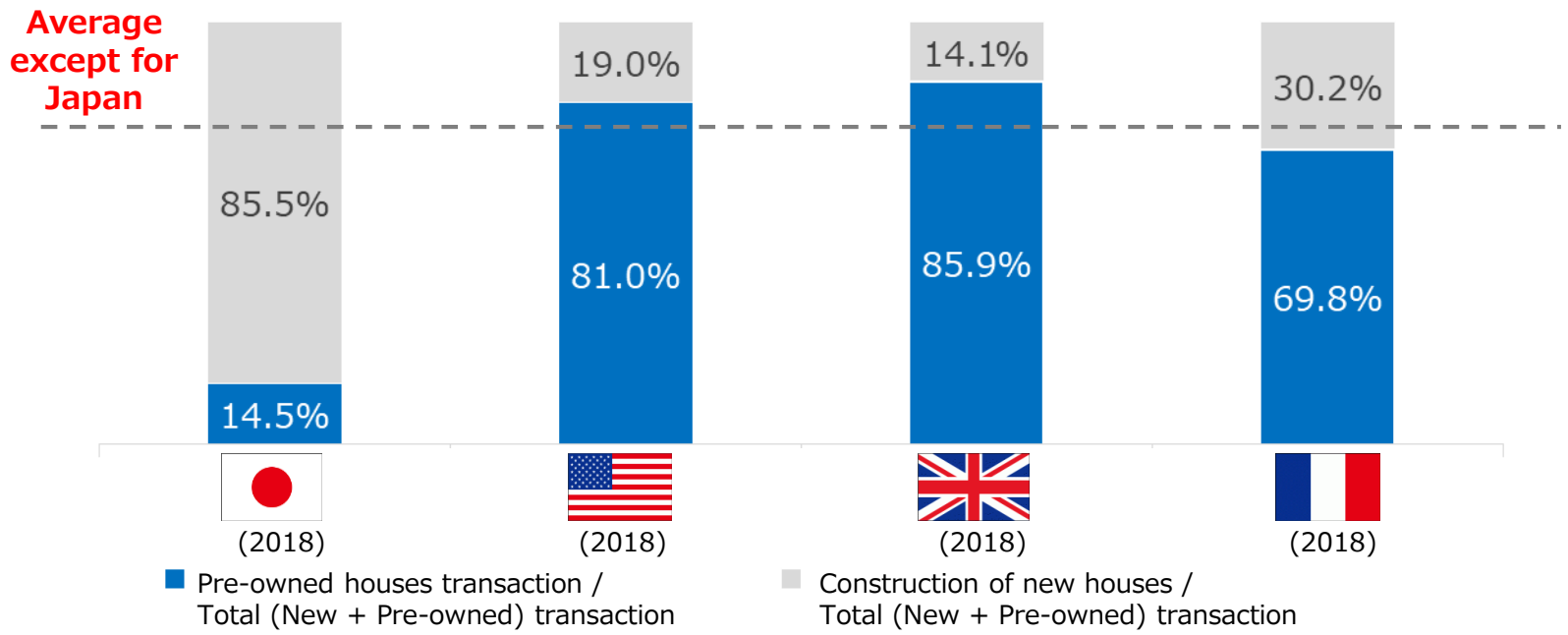
Tax burden reduction based on whichever is higher.
Enacted on April,2018.

(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

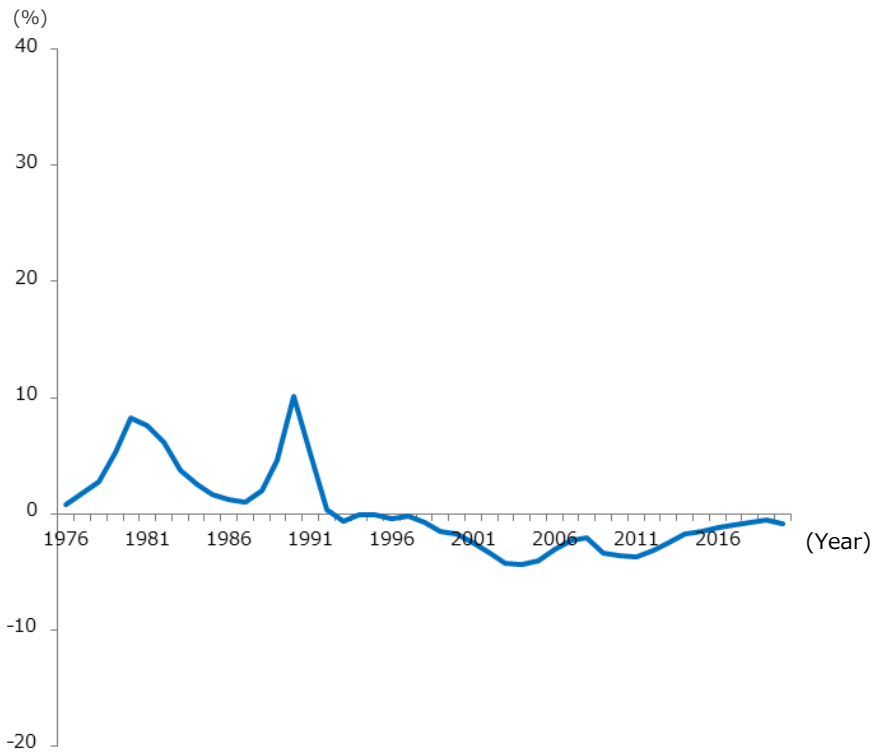


Source: Ministry of Land, Infrastructure, Transport and Tourism, "Revitalization of Pre-owned House Market, Promotion of Utilizing Vacant houses, Practice of Smoothing of Relocation of Residence"

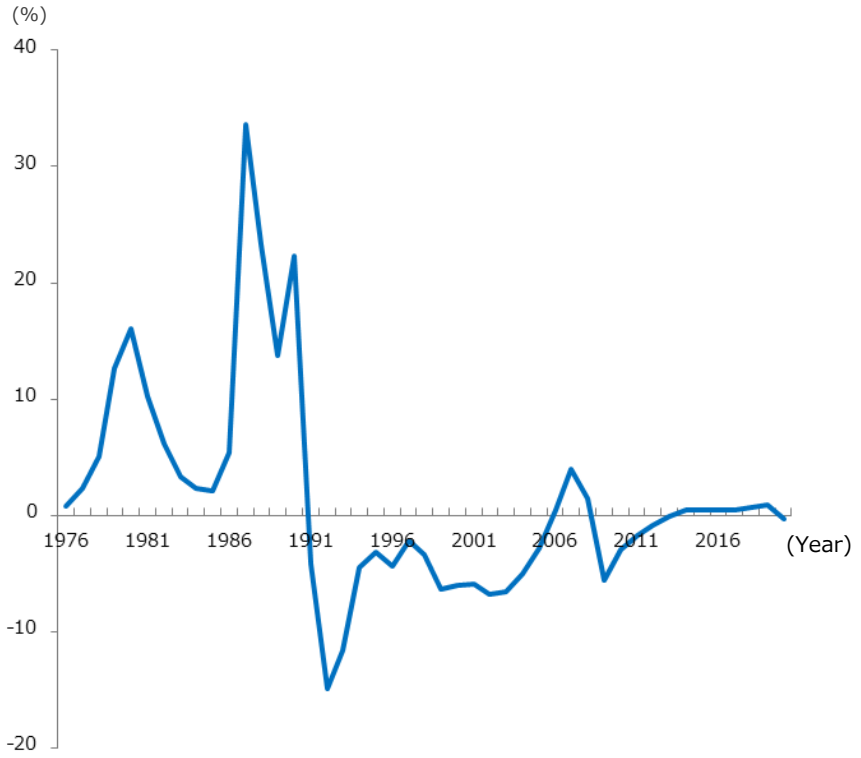
4. Trends in Land Prices - Regional Areas vs Three Metropolitan Areas

- 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.