ESG Report 2022

家に価値タス
カチタス

2022/8/5

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01

Value-creation Story

Corporate Philosophy

Opening the Doors to the Future

For regions and customers through “adding [TAS] value [KATI] to houses”

Through the initiatives to “add [TAS] value [KATI] to houses,” we open as many “doors to the future” as possible to local areas and the life of the people living there. In addition, we continue to support the regional revitalization and development by proposing a new way of living in which existing houses are remodeled for another cycle of living, replacing the traditional Japanese living in which new-built houses are preferred supposing property development.

Value KATITAS offers

To provide second-hand residential houses that satisfy both outstanding and underlying needs and make new owners feel secure

Buying customers

Stakeholders

Selling customers

Value KATITAS offers

Identifying house value from a different perspective than our contenders’ to realize easy-to-handle, comfortable purchases with quick response

To deliver what they expected through investments by achieving both social contribution and earnings through conduct of business to realize stable growth

Our shareholders

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Brokerage firms

To become partners that mutually complements purchases and sales by leveraging the strengths of each other

To provide an environment in which they can develop themselves depending on their motivation and performance by handling comprehensive jobs from initial purchase to resale in succession

Our employees

Construction companies

To become partners for mutually better performance by stabilizing the business management through orders of high frequency and accuracy

To “add value” differently for people we interact with through the business, we will be creating the “KATITAS standards” with which products, services and satisfaction of a grade that is not just “as expected” but even “exceeding the expectations” are offered.

Purpose

Bring as much joy as possible to towns and cities

We take responsibility and pride in our work as a pioneer in used housing renovation, lead the used housing industry, help people live without wasting money while valuing local areas, and change the housing market. We are greeted by the wonderful smiling faces of our customers who say, “I ‘m glad I sold my house to KATITAS” and “I’ m glad I bought a house from KATITAS.” We cherish the bonds between our trading partners who say, “We’ d like to form long-term relationship with KATITAS,” and aspire to become a company that each of our employees can take pride in as a member of KATITAS. In order to do so, we will acquire even better properties, plan as many good residential building products as possible, and sell as many residential buildings as we can than last year, last month, and yesterday, to bring as many happy lifestyles to as many people as possible.

Comments we received about the values we provide

Every quarter, KATITAS gathers the comments that employees receive from stakeholders through their daily work about the value we provide. Each time, we receive several thousand words of appreciation. Our employees engage in their work with a sense of the value they provide and feeling appreciation from stakeholders on a daily basis.

Buying customer

- “I went to see a model room of a new house and asked about the price and monthly payment, but it was over my budget. So, I looked into buying a pre-owned house. The exterior was a little worn, but the interior was almost is if brand new. I chose to buy a pre-owned house from KATITAS, because it was less than half the price of a new house. I’ m glad I didn’ t push myself beyond my own means.”

Selling customer

- “I was debating between a new house and a pre-owned house, but KATITAS suggested purchasing a pre-owned house, because it was half the price and monthly payments would be in the 30,000-yen range. The pre-owned house was beautifully renovated, and with the option of adding an air conditioner and TV antenna, I was able to enjoy a comfortable lifestyle immediately after moving in.”
- “My parents’ house had been vacant for about 10 years and had become more difficult for me to manage as I aged. When KATITAS came to see the house, they complimented about the garden and house, which my parents had cherished. I thought it was wonderful to have the house cleaned up for new people to live in it, regardless of the price.”
- “I inherited a house that I was having difficulty selling. The house had a large Buddhist altar, and one broker told me that the house could not be sold until everything that remains in the house is removed. But KATITAS said that I could sell the house to them with everything left as is, and I found this to be very convenient.”
- “I inherited a house but felt bad about tearing down the house I grew up in and clearing it, so I left it vacant. If I had known that the house could be sold so smoothly, I would not have had to manage the vacant house for five years. I will refer KATITAS to my acquaintances.”

Brokerage firms

- “There is no company that is more up to date on market trends and tax code changes as KATITAS. Local brokerage firms are often unable to keep up with the most recent information. This made me realize that being well-informed is one of KATITAS’ strengths.”

Construction companies

- “We are grateful that KATITAS consistently purchases houses and orders construction work, because this allows our craftsmen to continue their work without interruption. It also pleases us to see the renovated houses being sold. We hope to continue to work with KATITAS to build houses that sell and expand our business together with KATITAS.”
- “We are always amazed at the speed with which KATITAS’ houses are sold to customers. It is also a pleasure for us to see customers, who have signed the contract during the renovation process, express their delight as they see the progress being made.”

KATITAS Q2 Company-Wide Kickoff (Jul 2022); excerpts from employee surveys

Value-creation Process

Our business environment

Megatrends

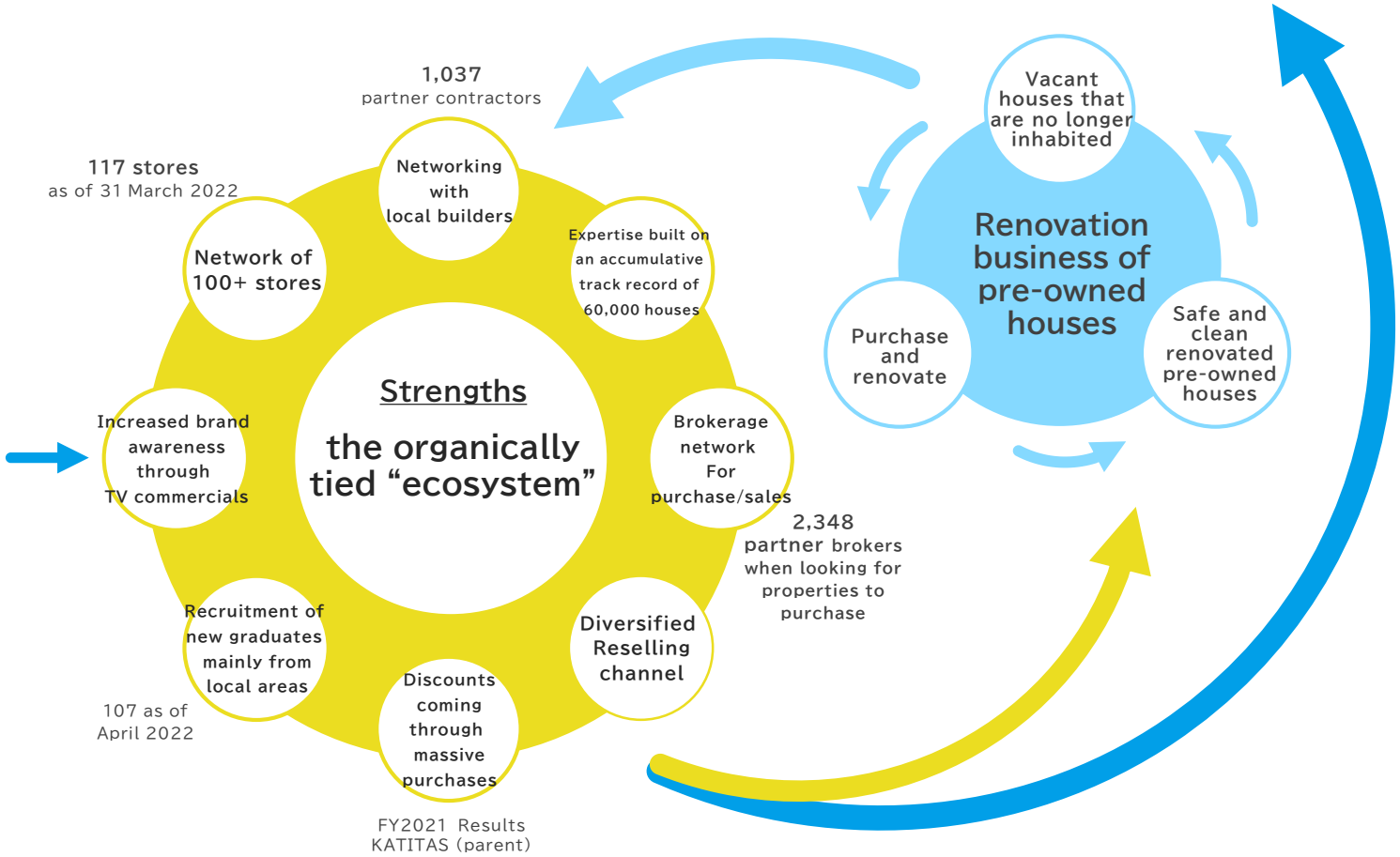
- Climate change
- Resource shortages
- Declining birthrate and aging population
- Technological innovation
- Demographics
- Health care

KATITAS Group contributes to solving the following social issues

- Vacant houses
- Shrinking local economies (Hollowing out of industry, declining population)
- Lack of affordable, quality housing
- Global warming

Sustainable enhancement of corporate value to achieve our purpose

Bring as much joy as possible to towns and cities



Value delivered

Social value

- **Vacant houses**
  Number of properties sold
  6,120
  (FY2021; consolidated (actual))

- **Lack of affordable, quality housing**
  Average selling price
  KATITAS **15.01** million yen
  REPRICE **20.93** million yen
  (FY2021; non-consolidated (actual; tax excluded))

Environmental value

- **Global warming**
  Compared to newly built houses, renovated pre-owned houses reduce CO2 emissions to about 1/4 and wood consumption to about 1/7.

Economic value

3-year CAGR
(FY2019–FY2021; consolidated (actual))

Net sales	Operating profit
+8%	+13%

History

History

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
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.
Mar. 2016	Acquired all shares of REPRICE Co., Ltd.
Apr. 2017	Formed a capital and business alliance with Nitori Holdings Co., Ltd.
Dec. 2017	Listed on the First Section of the Tokyo Stock Exchange
Apr. 2021	Cumulative number of homes sold by KATITAS surpasses 60,000
May. 2021	Cumulative number of homes sold by REPRICE surpasses 10,000
Apr. 2022	Listed on the Prime Market of the Tokyo Stock Exchange

Before



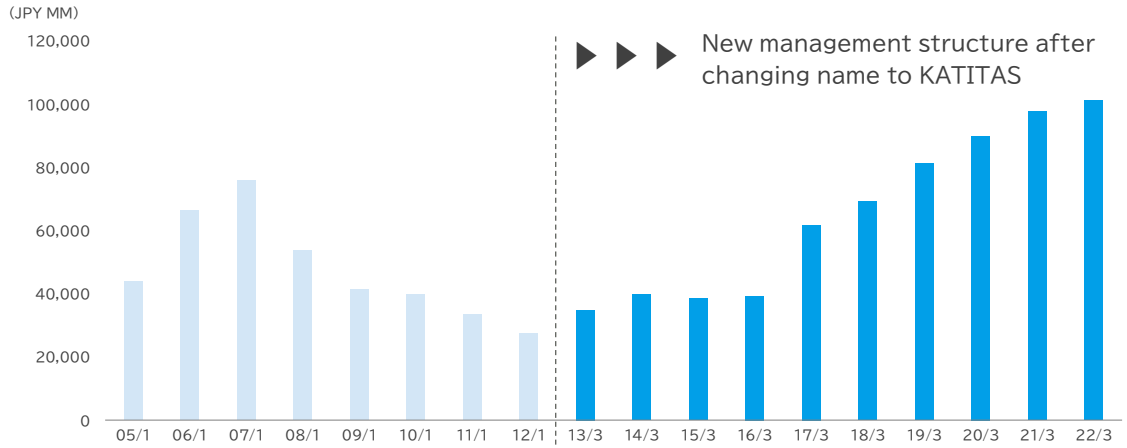


After

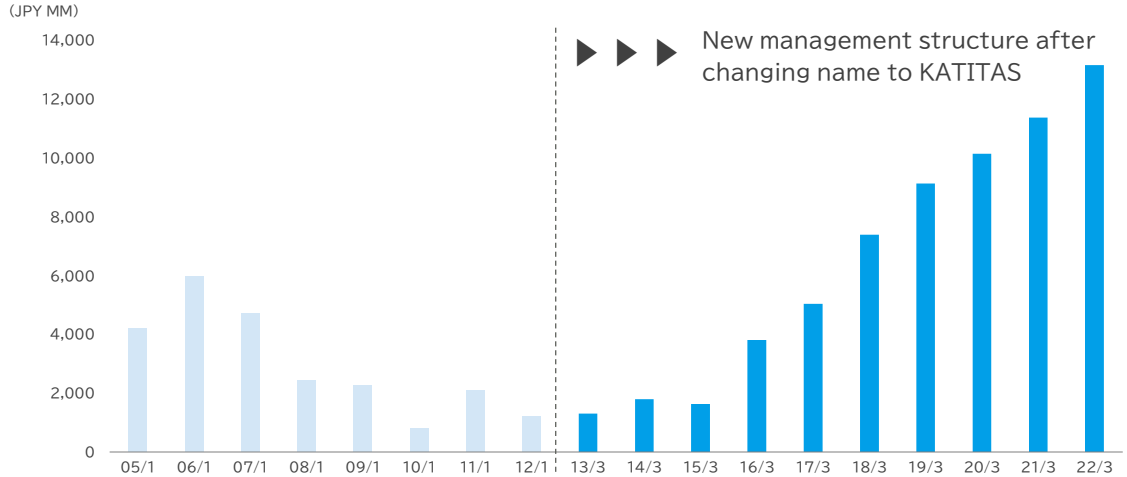




Historical Net Sales



Historical Operating Profit





02

Top Message

As an expert in renovating and selling pre-owned houses in rural areas, we at KATITAS take pride in tackling and contributing to the solution of various social issues faced by Japan.

Specifically, we contribute to solving the growing problem of vacant houses, the provision of low-cost, high-quality housing (affordable housing), and the revitalization of rural economies, which continue to shrink in population. In addition, compared to the scrap-and-build approach of new houses, the rehabilitation of pre-owned houses produces less CO2 emissions and is more environmentally friendly.

Our achievements to date are the result of our desire to “become an indispensable part of society” and our corresponding efforts to examine the issues confronting society and review our business processes.

We will continue to move forward while balancing our efforts to address social issues with business growth.

KATITAS’ business has a high affinity with ESG. Here are some of the issues we address.

Increasing number of vacant houses

The number of vacant houses in Japan was said to be about 8.49 million in 2018, which means approximately one in every seven houses were vacant.

The main reasons for vacancy are that people who acquired them through inheritance leave them because “the household goods of the deceased are still disorganized,” or they remain unsold for a long time after being put on the market because “it is difficult to find buyers for houses that show signs of having been used.”

For customers who have trouble removing the remaining items, we buy houses with everything left intact. By renovating not only the interior and plumbing, but also the exterior walls, roof, garden, and parking lot, we add value to houses that are difficult to sell in the general pre-owned housing market and promote their re-distribution.

In this way, we strive to understand the issues faced by sellers and the needs of buyers to contribute to solving the problem of the increasing number of vacant houses.

Affordable housing

Our vision of providing affordable housing is not only to provide low-cost housing, but also to provide a more comfortable lifestyle for those who purchase and move into the house.

Most of our home-buying customers have household incomes of between 2 and 5 million yen, which is usually not enough to lead a comfortable daily life. Some of these customers had given up on the option of buying a house because they believed, ”It is impossible to buy a house at my income level.”

We pride ourselves on providing houses that fit the values and lifestyles of our customers who seek a better lifestyle without changing their current standard of living. Buying a house is a great joy, but in the end, it is just one of many elements of our daily living environment. Buying a house and taking on a large amount of debt is like seeing the trees and not the forest. We want to provide houses that enable each of our customer to live a better lifestyle, so that they can enjoy a little more comfort without increasing the burden on the family budget.



Revitalization of local economies

In Japan, the population is concentrated in urban areas, while rural areas face social problems such as aging populations, a decline in the number of young people, and the hollowing out of the economy.

KATITAS operates throughout Japan, mainly in regional cities with populations ranging from 50,000 to 300,000. We focus on hiring employees who want to solve the problem of vacant houses and contribute to the local economy. We also ask local craftsmen to renovate these vacant houses through local builders. Furthermore, people who buy the house from us will live in the community.

Through the purchase and sale of houses in rural areas, we are not only attracting new residents to those areas, but also contributing to the revitalization of local economies. We will continue to develop our business by staying close to local communities and the lives of the people living there.

To address social issues, we included “sustainability indicators” in our recently announced Third Medium-Term Business Plan.

Initiatives to improve insulation performance to provide environmentally friendly housing

Renovating to improve the earthquake resistance and insulation of pre-owned houses will incur additional costs in addition to conventional renovation.
We believed that this additional cost would result in a higher selling price that the customer would have to bear, making it more difficult for the customer to purchase a house even if they desired a better way of life.

However, to provide ”safe, clean, and practical” housing, we considered it essential to improve earthquake resistance. Hence as part of our initiative in the Second Medium-Term Business Plan, we made it possible to offer houses with higher earthquake resistance throughout Japan.



Although this initiative has resulted in higher selling prices, we have confirmed that the value of our houses is accepted by customers not only for the improvement in safety, but also as a proposal for a better way of life.
Based on this experience, we included a response to the recent need for improved insulation in our Third Medium-Term Management Plan. We did this ahead of our competitors out of a sense of mission as a pioneer in the pre-owned house purchase and resale industry.
Renovation to improve insulation after purchase is said to cost millions of yen, especially in cold climates. Even with subsidies, not everyone is able to install insulation as they wish.
To solve this problem, we are working to improve insulation performance prior to selling the house so that we can provide even greater comfort to our customers.

Further strengthening our relationship with partner builders

Working together with partners to create good products

We work with over 1,000 renovation partners nationwide to create good products.

We cannot make KATITAS’ business successful on our own. It is only through the diligent renovation of the craftsmen who work with us to renovate pre-owned houses into quality houses that this business is made possible. Therefore, we call our builders and craftsmen ”partner builders” and are working to build sustainable and positive relationships with them.

In our Third Medium-Term Business Plan, we will work to strengthen our renovation capabilities while staying close to our partner builders and craftsmen. We aim to sustainably provide high-quality housing to our customers while building even stronger partnerships for mutual growth.

Human resources that support our business growth

Colleagues who are passionate about solving local and social issues

The key to our business growth is to increase the number of salespeople and improve their productivity. Therefore, we believe it is of utmost importance to hire competent employees who will stay with us for a long time and develop their skills.

Many of the employees who join us are aware of the problems faced by communities in which they grew up, such as vacant houses, and are passionate about solving these problems.
Because our mission is to solve social issues, our work is a daily process of trial and error. Even in the first year as a new graduate, our employees are entrusted with their own house rehabilitation project. This also means that they are given a great deal of discretion from their first year. Above all, we believe that this gives them a sese of fulfillment in knowing that the project they oversaw contributed to solving the social issue of vacant houses.

We began hiring new graduates since 2013, and about half of the sales employees we have now were new graduates. Here is how we train them to be more productive.

Because we have a nationwide network of stores, we believe in the importance of uniform growth of our sales staff.
In hiring, we look for candidates who have the potential to become store managers within three years. Even for new graduates who meet our stringent hiring criteria, training that relies on on-the-job training at sales stores may result in inconsistent growth speed.

As such, we hold a role-playing training session called “role-playing dojo” every Thursday that connects stores nationwide, where new hires fresh out of college can experience simulated business activities such as buying and selling properties and dealing with partner builders alongside senior employees. Through such training, we provide opportunities for new hires across the country to gain similar insights.
We also offer store managers the opportunity to learn more advanced management skills through e-learning courses.

Eleven of our top 20 salespeople are female. Here are some of the reasons why women can play an active role at KATITAS, as well as our approach to promoting women to management positions in the future.

Many of our top salespeople are female, because women are often able to communicate more empathetically with both sellers and buyers when purchasing and selling.
Our company’s operations begin with the purchase of pre-owned houses. Buying a house is something we do on a regular basis. However, for the seller, it means selling the home that has nurtured them since childhood. As a result, we believe it is critical to communicate with them with keeping their feelings in mind.
According to our analysis, women pay closer attention to the wishes of sellers, resulting in better results. Furthermore, when renovating, women are often more conscious of floor plans that are simple to navigate for housekeeping.

We believe that managerial positions should be filled by individuals who can add value to our customers, houses, and team members.
Thus, we do not believe in limiting promotions based on gender, new graduate or mid-career hire, nationality, or other factors. We believe that a higher ratio of women in management positions would be preferable, given the percentage of women among employees and in top sales positions, and we are considering the creation of a system to promote women to management positions.

KATITAS’ strengths found amidst the COVID-19 onslaught

KATITAS deals in housing, which we confirmed to be a basic human need that is less susceptible to economic fluctuations and has a stable demand.

As opposed to custom-built houses or high-rise condominiums, we offer houses that are living necessities. We reaffirmed that such necessities are less susceptible to economic fluctuations.

People tend to avoid purchasing expensive housing and luxury items when the economy slows. Since housing is one of the three largest expenses in a person’s life, we were concerned that demand would fall; it has, on the contrary, increased. We believe this is because our target customer segment consists of first-time home buyers who have a genuine need to buy a home.

The most common reasons for buying a house are “people having a child and their rental apartment becoming too small,” or “grown children becoming rowdy with fights and disturbing neighbors.” We have reaffirmed that housing will be needed as long as people have children and those children grow up.

In addition, customers spent more time at home as a result of the COVID-19 pandemic, creating a demand to move to the suburbs, which led to an increase in inquiries.

Even unforeseen events can be an opportunity to put ideas into action

The idea of tours by appointment had been floating around for some time, but we were concerned that shifting away from the traditional sales method of open houses on weekends and holidays would hurt sales, so we did not pursue it. However, as COVID-19 spread, people became more inclined to avoid contact with others, and we decided to take advantage of this opportunity to conduct tours by appointment only.
In the end, this measure was successful, as appointment-based tours had no effect on sales but increased productivity by freeing up salespeople’s time.
This experience gave us confidence that even unforeseen events can be an opportunity to put ideas into action. We intend to accumulate knowledge gained from these unforeseen events and apply it to our future business growth.

Using our flexible on-site and support capabilities to make the most of what we have now

Supply chain disruptions caused by the spread of COVID-19 resulted in shortages of imported goods such as lumber and housing equipment. Toilets, in particular, were in short supply during the early stages of the pandemic.
Our first priority was to avoid disrupting the move-in schedules of customers who were embarking on a new chapter in their lives. Therefore, we made arrangements for the first-floor home equipment to be replaced while the second floor was professionally cleaned and the equipment were replaced as soon as they arrived. Unlike a newly built house, we were able to make do with what we had on hand.
I was also impressed by our salespeople’s ability to put this idea into action, as well as MSI Management Center’s ability to support them.

KATITAS and society—10 years from now

Making it common sense to consider KATITAS when buying or selling a home

Pre-owned houses account for less than 20% of Japan’s total housing distribution market. This figure is significantly lower than that of Europe and the United States.
I believe that once we reach our sales goal of 10,000 houses per year, people will see it as common sense to consider buying a pre-owned house.
As a leader in the pre-owned house renovation industry, our goal is for people to commonly say, ”KATITAS is my top choice for buying a clean and inexpensive house” and ”KATITAS is my top choice for selling a house filled with fond memories.”

To this end, we will actively work to improve earthquake resistance and insulation performance, as well as raise awareness that even pre-owned houses can be safe, clean, and practical.
The entire KATITAS Group will continue to make every effort to improve the lifestyles of customers.

新井健資
President and CEO

03

Mid-Term Business Plan



Review of Second Mid-Term Business Plan

Quantitative Plan

	Plan	Progress
Net Sales	● FY2021 about 110 billion yen ● CAGR of about 10%	● FY2021 101.2 billion yen ● CAGR: 8%
Operating Profit	● FY2021 approx. 13 billion yen ● CAGR over 10%	● FY2021 13.1 billion yen ● CAGR:13%

Priority measures

	Plan	Progress
Strategy Framework	● Stronger area marketing ● Push ahead with market development ● Continue strengthening existing strategies, etc.	● Adopted new earthquake resistance standard for properties with old earthquake resistance standard in all prefectures. Improved product strength. ● Although we are still in the process of developing markets with high growth potential, improvement in gross margin contributed significantly to growth in operating profit. ● Recruitment of new graduates and training of personnel at store-manager level progressed as planned. ● Created a financial structure that facilitates debt financing by converting bank loans to unsecured bank loans.

Seismic retrofitting project

Some customers looking for a low-cost pre-owned house are hesitant to buy one due to concerns about the house collapsing in an earthquake. Thus, we have begun renovation work in collaboration with a company that conducts building diagnosis and surveys of houses to bring old earthquake-proof standard properties into compliance with the new earthquake-proof standard (“New-New Seismic Resistance Property“). Buying a property that meets the new standard also reduces the burden on customers because they are eligible for tax breaks.

Through this initiative, we will continue to provide housing that our customers can live in with peace of mind.



Reinforcement through installation of metal fittings



Installation of load-bearing walls

What are earthquake-proof standards?

In Japan, the Building Standards Act establishes standards for the seismic strength of buildings, which are called seismic resistance standards.

The standard prior to May 1981 is called the old seismic resistance standard, and seismic resistance performance is defined as "not collapsing in a medium-sized earthquake of level 5 intensity."

Since then, two major earthquakes have occurred, prompting a review of earthquake resistance standards. The current seismic resistance standard, known as the "New-New Seismic Resistance Property," requires that the structure must "not collapse in an earthquake of upper-6 to 7 seismic intensity."

Appointment-based tours

We used to hold open houses where salespeople stood by properties for sale and gave visitors tours. However, following the spread of COVID-19, we implemented “appointment-based tours,” in which only those who contacted us in advance through our website or portal sites (SUUMO, At Home, etc.) were shown the property, in order to reduce contact with a large number of unspecified people.

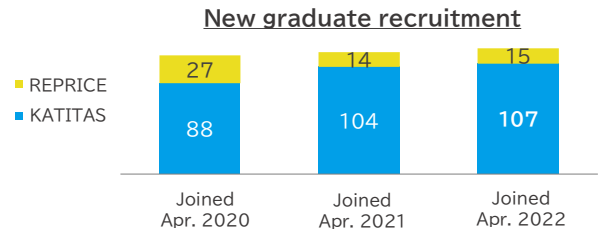
The adoption of "appointment-based tours" has improved the productivity of sales activities by reducing travel and waiting time for our salespeople, as they no longer need to conduct tours unless appointments have been made in advance.

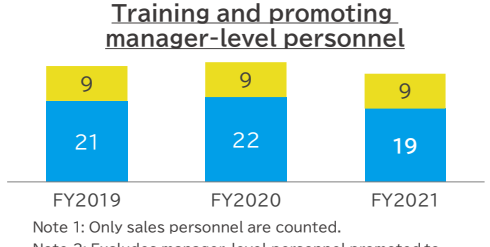
Strengthening new graduate recruitment and training manager-level personnel

The Group focused on increasing the number of salespeople by strengthening recruitment, particularly of new graduates.

We also strengthened the training of manager-level personnel to manage these salespeople.

The graphs below show the number of new graduates hired and the number of manager-level personnel promoted during the Second Medium-Term Business Plan period.





Note 1: Only sales personnel are counted.
Note 2: Excludes manager-level personnel promoted to higher leadership positions

Third Mid-Term Business Plan (FY2022 – FY2024)

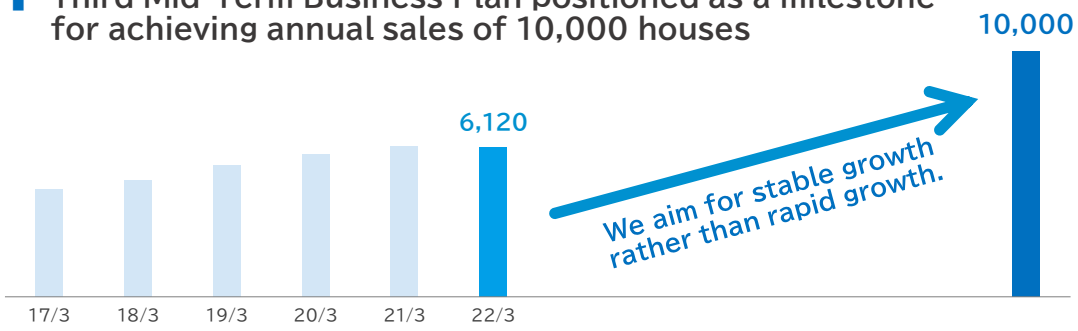
Quantitative Plan

(JPY MM)	FY2021 Results		FY2024 Plan	CAGR
Net sales	101,269	• • •	134,000	10%
Operating profit	13,127	• • •	17,500	10%
ROA	22%	• • •	20%	–
Dividend payout ratio (based on adjusted net profit)	37.8% (30.1%)	• • •	40%	–

Priority measures

① Conduct recruiting activities centered on new graduates and enhance various systems to continue to strengthen employee retention as well as train and foster personnel at the manager level and above.
② Achieve productivity improvements by optimizing overall operations through BPR and considering system implementation.
③ Expand capacity to manage contractors and carpenters, who are our important partners in supplying houses.
④ Deliberate further on M&A possibilities to accelerate growth in existing businesses.

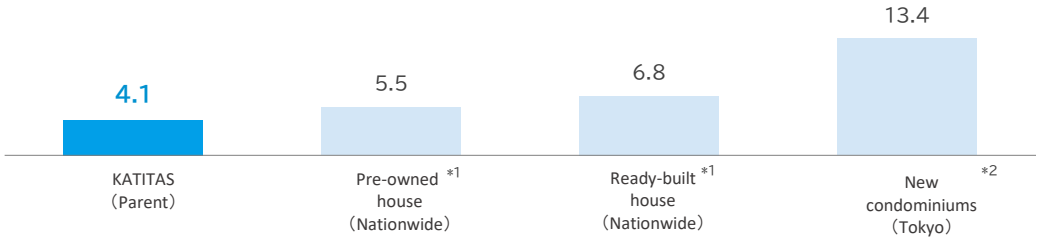
Third Mid-Term Business Plan positioned as a milestone for achieving annual sales of 10,000 houses



Sustainability Initiatives

Keep the mortgage-to-annual-income ratio below 5

Our home-buying customers have a mortgage-to-annual-income ratio of 4.1 times. They can buy and live in affordable, quality housing that is less expensive than new condominiums and detached houses. We will continue to offer better lifestyle options to local customers.



*1 Source: Japan Housing Finance Agency (FY2020 summary table)
*2 Source: Tokyo Kantei Co., Ltd. press release "Annual Income Ratio for New Condominiums" (October 28, 2021)

Increase the number of vacant houses sold to solve as many vacant house problems as possible

Of the properties we buy, 81.8% are vacant houses (as of March 31, 2022).
We intend to increase the number of properties sold in proportion to our sales growth, thereby contributing to the solution of vacant house problems as much as possible.

Consider renovation methods that improve insulation performance while reducing costs

One of the main reasons our customers choose us is that they can buy a quality house at a reasonable price. If we were to pursue high quality energy-saving performance like newly built houses, the selling price may become prohibitively expensive, resulting in a mismatch with our customers' needs. However, we also understand that improving insulation performance is an important part of our mission to combat global warming and climate change.
We will consider renovation methods to improve insulation performance at a price that meets customer needs.


Example of installing double-paned window


Example of installing insulation

04

Materiality (Critical Challenges)

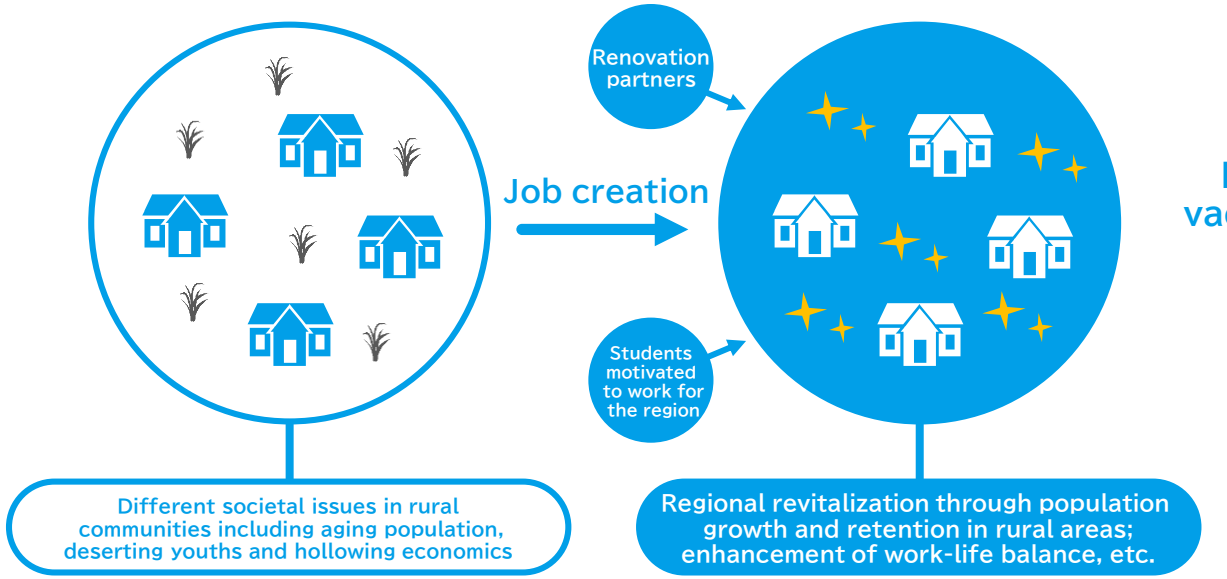


Materiality (Critical Challenges)

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

8.49MM vacant houses nationwide, a significant societal issue

Vacant houses compromising scenic view and public security



Resolving the issues of vacant houses by renewing and distributing them

A house affordable with annual income of 2 to 5 million yen

	Materiality		Specific activities	SDGs
E	I. To reduce the “environmental load” through promoting distribution of pre-owned residential houses	I-1.	Farewell to the Scrap & Build that is based on the new-built house supremacism	
		I-2.	To achieve the circular economy	
S	II. To resolve the “vacant house issues” through provision of the fourth option	II-1.	Resolution of the “vacant house issues” by “adding values” to “regional x detached “x old houses”	
	III. To promote “regional revitalization” through life of local living and working	III-1.	Affordable housing (reasonably priced houses) offers	
		III-2.	Organizing a workplace environment that drives job satisfaction	
		III-3.	Promotion of female participation and career advancement	
		III-4.	Mutual growth through collaboration with local, partner builders	
G	IV. “Enhanced governance” for sustainable growth	IV-1.	Improved structure and effectiveness of the corporate board	
		IV-2.	Supervision of business execution by the Board of Directors	
		IV-3.	Thorough monitoring of the business operations	
		IV-4.	Enhanced governance through the reward system	
		IV-5.	Development of intra-company compliance awareness	
	V. Highly transparent accounting process and attitude for proactive dialogs	V-1.	Simple and visible accounting process centered on the accounting linked to cash and deposits	
		V-2.	Attitude for proactive dialogs with investors through the IR activities	

To reduce the “environmental load” through promoting distribution of second-hand residential houses

Farewell to the Scrap & Build that is based on the new built house supremacism

To resolve the serious housing shortage after World War II, the government implemented a housing policy to promote new-built houses for massive supply. During the high-growth period that followed, we had seen an environment that went so far as “Houses will sell if you only build them” in which the scrap & build that demolishes the second-hand residential policy for new-built became the mainstream supply of housing in Japan.
Though such trend still persists today, we are convinced, in this slow but declining demographic phase of Japan, that housing for another cycle through remodeling of second-hand residential houses, instead of building new ones, should make “the new way of living” with less environmental load and more earth-consciousness.

KATITAS business of second-hand residential house renewals

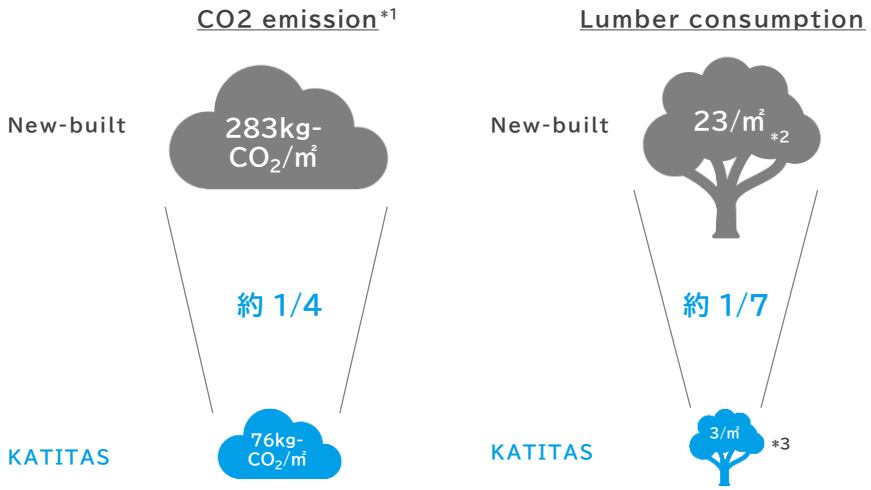


KATITAS business of second-hand residential house renewals



CO2 emission and lumber consumption versus the new-built

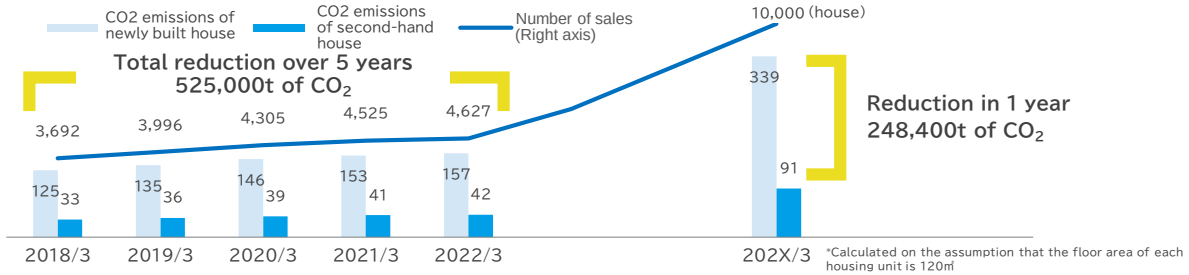
Compared to the new-built, second-hand residential houses emit about 1/4 of CO2 with about 1/7 use of lumber.
While area of the world’s forested land shrinks and global warming from the CO2 emission progresses, people can live in an earth-conscious property just by choosing a KATITAS property instead of a new-built one.



*1 Source: “Estimation of CO2 Emission from Construction, Renovation and Demolition of Residential Buildings up to 2050” Chart 4 CO2 Emissions Volume by Floor Space “Housing Construction/Wooden Construction”
*2 Source: “Use of Wood Resources for Making Forestry a Growing Industry” by the All Japan Wood-recycle Association, an authorized NPO; P. 17 “Lumber usage percentage for different elements per wood-framed house”
*3 Source: Record of our standard remodeling performed in December 2018

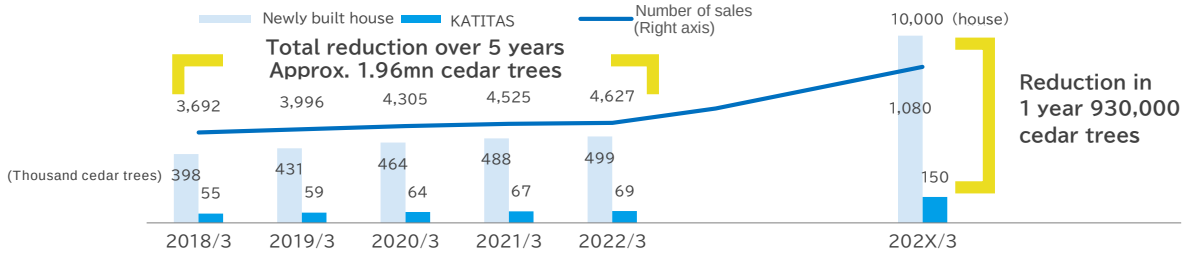
Comparison of CO2 emissions

Over the past five years, KATITAS has reduced a cumulative total of approx. 525,000t of CO2 emissions by selling renovated houses compared to building new houses.
If we sell 10,000 renovated houses in the future, that will mean we can reduce 248,400t of CO2 emissions in one year.



Comparison of lumber usage

Over the past five years, KATITAS has reduced a cumulative total of approx. 1.96 million cedar trees cut by selling renovated houses compared to building new houses (about 1,960 hectares of forest).
If we sell 10,000 renovated houses in the future, that will mean that we can reduce about 930,000 cedar trees cut in one year.
Recently, the rising demand for lumber has caused prices to surge, creating issues such as being unable to procure lumber. However, at KATITAS, we can manage our business stably with a relatively minor impact, because the amount of lumber used is small compared to newly built houses.



Source: Our estimates based on Agriculture and Forestry Research Center, Forestry Research Institute, “Management of Artificial Forests” and Saitama Prefecture Agriculture and Forestry Department Forestry Development Division, “Guideline for Maintaining Wooden Public Buildings.”

Disclosures based on the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations

To "bring as much joy as possible to towns and cities," KATITAS aims to continue to lead the industry as a pioneer in the pre-owned home renovation business.
Amidst a rapidly changing business environment, we recognize the balance between the realization of a sustainable society and sustainable corporate growth as an important management issue and are promoting sustainability initiatives.

In recent years, natural disasters and extreme weather events have become more frequent, and climate change is thought to be a contributing factor. The Fifth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) presented the scientific view that the main cause of global warming since the mid-20th century is highly likely to be the impact of human activities. Since the adoption of the Paris Agreement, countries around the world have made major policy shifts toward achieving a decarbonized society.
Recognizing the importance of climate change and of analyzing and responding to its impacts on the Group's operations, we expressed our support for the TCFD recommendations in January 2022. By disclosing information based on the TCFD recommendations, we will continue to engage in dialogue with our stakeholders. Furthermore, based on the feedback we receive, we will continue to refine our analysis and deepen our disclosure efforts.

In this report, we will disclose information on governance, strategy, risk management, and metrics and targets, which are items encouraged for disclosure in the TCFD recommendations.

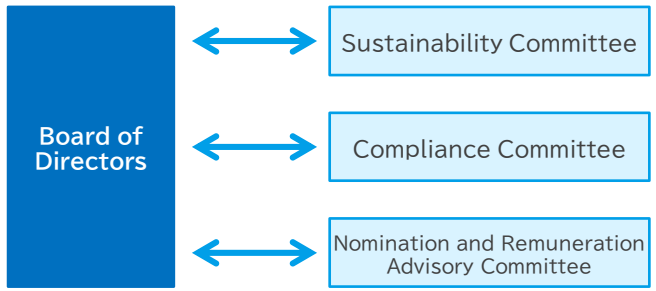
Governance	Governance of the organization around climate-related risks and opportunities
Strategy	Actual and potential impacts of climate-related risks and opportunities on the organization's business, strategy, and financial planning
Risk management	Processes used by the organization to identify, assess, and manage climate-related risks
Metrics and targets	Metrics and targets used to assess and manage relevant climate-related risks and opportunities

1. Governance

KATITAS has established a new Sustainability Committee based on a resolution of the Board of Directors meeting held on April 28, 2022 to promote sustainability initiatives in a continuous and systematic manner.

The Committee will formulate an overall plan for the Company's sustainability activities and monitor its progress. It will also deliberate on risks and opportunities related to climate change as a key issue in the environmental field, and oversee the strategies and responses of each department.

The Committee is chaired by the President and CEO and is composed of directors and executive officers and supervised by the Board of Directors. Meetings will be held at least once a quarter, and the results of deliberations will be reported to the Board of Directors.





2. Strategy

Climate-related risks and opportunities can be broadly divided into transition risks and physical risks. Transition risks arise from changes in policies, markets, and technologies in the process of transitioning to a low-carbon society, while physical risks arise from chronic temperature rises and acute intensification of natural disasters due to global warming.

At KATITAS, we have set (1) 2°C scenario as the scenario with large transition risk and opportunities, referring to the RCP2.6 scenario of the IPCC 5th Assessment Report, the Green Growth Strategy of the Ministry of Economy, Trade and Industry (METI), and the New Housing Life Basic Plan of the Ministry of Land, Infrastructure, Transport and Tourism (MLIT). Meanwhile, we set (2) 4°C scenario as the scenario with large physical risks and opportunities, referring to the RCP8.5 scenario of the IPCC Fifth Assessment Report.

Our analysis covers KATITAS and group company, Reprice. We set the analysis period to the year 2050, with the medium-term analysis until 2030 and long-term analysis from 2031 onward, and analyzed the relative degree of impact of each scenario on our business in three levels: large, medium, and small.

①2°C scenario	IPCC RCP2.6 Green Growth Strategy New Housing Life Basic Plan	Stringent measures against climate change will be thoroughly implemented around the world leading to success in curbing global warming; average temperatures in 2050 will be within about 2°C over the pre-industrial revolution temperatures of the 18th century. Transition risks and opportunities are expected to be significant.
②4°C scenario	IPCC RCP8.5	Despite the various warnings against global warming, countries are not united in their efforts to take severe measures. As a result, global warming will further progress, and the average temperature in 2050 will be 4°C higher than the pre-industrial revolution level of the 18th century, and natural disasters will become more severe and frequent. Physical risks and opportunities are expected to be significant.

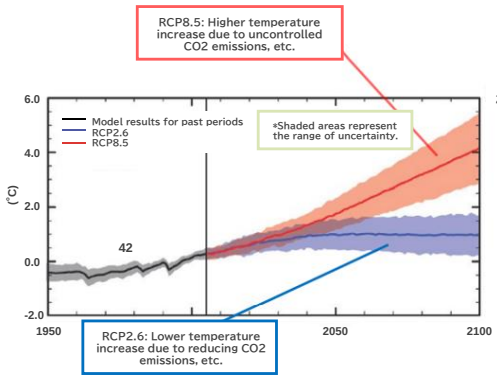


Figure: Simulated time series of change in global average surface temperature relative to the 1986-2005 average based on multiple CMIP5 models

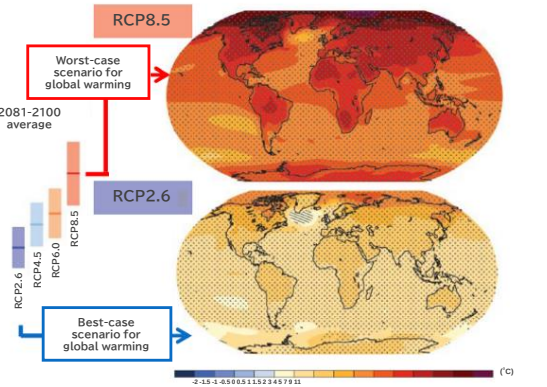


Figure: Distribution of the average of multiple CMIP5 models for the change in annual average surface air temperature (deviation from the 1986-2005 average) from 2081 to 2100, based on the RCP2.6 and RCP8.5 scenarios

Source: Ministry of the Environment, "Summary of the IPCC Fifth Assessment Report."

Analysis Results

① 2°C Scenario ▸ Impact of transition risks and opportunities on our business and countermeasures

A transition risk that is expected to have a significant impact on our business is the rising cost of renovation to comply with energy conservation standards due to stricter energy conservation regulations. Such cost increases will be passed on to sales prices, which may create a mismatch with the budget that customers can spend on home purchases. However, since energy-saving renovation leads to lower utility costs after occupancy, our analysis suggests that in addition to researching efficient methods with related contractors and builders, we need to expand the business by quickly seizing opportunities arising from advances in energy-saving technology. We will make company-wide efforts to improve insulation performance, which is the most important feature of energy-efficient renovation, as a priority measure in the Third Mid-Term Business Plan announced in May 2022.

Furthermore, our analysis suggests that the introduction of a carbon tax will affect our business due to a rise in the cost of heating and electricity derived from fossil fuels. As such, in our business activities, we have switched to electricity derived from renewable energy sources for the electricity used in homes owned for sale by our Group and in our Group's offices. In the future, we will gradually switch to HVs and EVs for vehicles used in our sales activities. With regard to homes after delivery to customers, we recognize the potential for energy creation through advances in solar cell and storage battery technology, in addition to reductions in utility costs through energy-saving renovation.

On the other hand, a transition opportunity that will have a significant impact on our business is the development of a circular economy. Our analysis indicates that consumer preferences will be more geared toward our Group's business, namely, the renovation and reuse of existing homes, to avoid the increased environmental impact of replacing them with new ones. The Ministry of Land, Infrastructure, Transport and Tourism has announced a New Housing Life Basic Plan, which calls for the revitalization of the distribution of existing homes and the lengthening of their useful lives as part of the establishment of a housing circulation system and the formation of high-quality housing stock toward a decarbonized society. We believe that there are significant growth opportunities in the Group's business of providing value to customers by utilizing old detached houses, which account for an overwhelming percentage of the housing stock, and by offering renovated homes at reasonable prices. We intend to expand the Group's business by further enhancing consumer satisfaction and peace of mind through such measures as recommending homes with defect insurance.

Materiality (Critical Challenges)

Item		Impact on business	Degree of impact	Period
Transition risks	Policy and regulation	**Stricter energy conservation regulations** Renovation costs to bring existing homes into compliance with energy efficiency standards may increase, causing a mismatch with customer's home purchase budget. On the other hand, since energy-saving renovation can reduce utility costs after occupancy, we will research efficient methods and consider the use of subsidies and loans. In addition, we will make company-wide efforts to address this issue as a priority measure in the Third Mid-Term Business Plan announced in May 2022.	Large	Medium term
		Stricter regulations on waste disposal While waste disposal costs during renovation are expected to rise, the amount of waste generated in renovation is less than that of new homes that are rebuilt. Thus, regulations on waste disposal will have minimal impact on the Group's business of renovating existing homes. The Group will consider ways to reduce waste and improve the recycling rate in cooperation with builders.	Small	Medium term
	Introduction of carbon tax	**Increase in procurement costs for highly carbon-intensive building materials and parts** Although the cost of building materials and parts used in home renovation is expected to rise, the amount of building materials used is less than in the construction of new homes. Thus, the impact that this will have on the Group's business of renovating existing homes will be minimal. In procuring building materials and housing equipment, we will collaborate with building material and housing equipment-related companies and builders to consider procurement methods that will reduce carbon costs.	Small	Medium term
		Increase in heating and electricity usage costs (business activities) The cost of heating and electricity derived from fossil fuels used in our business activities may rise. We will promote the use of electricity derived from renewable energy sources and the use of HVs and EVs as vehicles used in business activities.	Small	Medium to long term
		Increase in heating and electricity usage costs (after occupancy) The cost of heating and electricity may rise after customers move in. We will work to reduce utility costs through energy-efficient renovation and consider measures such as using electricity derived from renewable energy sources and installing solar panels.	Medium	Medium to long term
Transition Opportunities	Technology	**Advances in energy-saving technology** Advances in energy-saving technologies are expected to reduce the cost of energy-saving renovation and improve the energy efficiency of renovated homes. In addition, advances in solar cell and storage battery technologies are expected to expand opportunities for energy creation in renovated homes. We will cooperate with related industries and builders to quickly seize business opportunities and expand the Group's business.	Medium	Medium to long term
	Consumer/ Market	**Development of a circular economy** With the development of a circular economy, the Group's business of renovating existing homes is expected to become more in line with consumer preferences to avoid the increased environmental impact of rebuilding new homes through scrap-and-build. The Ministry of Land, Infrastructure, Transport and Tourism's Housing Life Basic Plan also sets the goal of revitalizing the distribution of existing homes and extending their useful life, and we hope to expand our business by enhancing consumer satisfaction and trust.	Large	Medium to long term

*Medium-term: Up to 2030; Long-term: 2031–2050
*Small: approx. 100 million yen per year; Medium: approx. 300 million yen per year; Large: approx. 1 billion yen per year

② 4°C Scenario ▸ Impact of physical risks and opportunities on our business and countermeasures

The physical risk that we expect to have the greatest impact on our business is the shorter useful life of houses due to elevated temperatures and humidity. Since most houses in Japan are made of wood, they are susceptible to deterioration in hot and humid environments. Thus, future changes to hot and humid climates may accelerate the deterioration of homes. As a result, we may have fewer opportunities to purchase existing homes, and consumer preferences may shift toward the purchase of new homes. However, our analysis suggests that in addition to considering efficient renovation methods to improve the resilience of homes, we should also consider developing our business to take advantage of the increased demand for maintenance of existing homes.

As temperatures rise, customers will use air conditioning more frequently after moving in, leading to higher air conditioning costs. As in the 2°C scenario, we will promote efficient energy-saving renovation by improving insulation performance and installing the latest equipment.

On the other hand, in terms of physical opportunities, we expect to see an increased preference for durable housing that can continue to provide a safe and comfortable lifestyle amid rising temperatures and an increase in torrential rains and typhoons. We carefully inspect the property prior to purchase, including the deterioration of the building frame and history of leaks. We also conduct thorough three-way inspection with our renovation partner and ant repellent contractor before renovating the property according to the degree of damage and reselling it. In addition, approximately 40% of the properties we purchase are detached houses under the old earthquake-proof standard, of which approximately 80% are renovated under the new earthquake-proof standard before being resold.

The Group has purchased and sold a cumulative total of over 70,000 units, and by leveraging the know-how gained from this track record and sharing knowledge across our network of more than 130 branches nationwide, we aim to pursue higher durability in existing homes and expand the Group's business.

Item		Impact on business	Degree of impact	Period
Physical risks	Chronic	**Shorter useful life of homes due to hot temperatures and humidity** If Japan's hot and humid climate changes to further increases in temperature and humidity, homes will become even more susceptible to damage than they are today, reducing opportunities to purchase existing homes, and consumers may become more inclined toward newly built homes. The Group will collaborate with builders to examine efficient renovation methods to improve resilience and will consider business development to capture the increased demand for maintenance of existing homes. On the other hand, if global warming reduces the amount of snowfall in the current heavy snowfall areas, the decrease in snowfall could extend the useful life of homes and increase business opportunities for renovation of existing homes	Medium	Medium to long term
		Reduced efficiency of outdoor work As summer temperatures rise, the risk of heat stroke and construction delays may increase at renovation sites. However, since most renovation work is done indoors, there is less outdoor work than in the construction of new homes. Thus, the impact of rising summer temperatures on the Group's existing home renovation business is limited. We will continue to collaborate with builders on ways to make renovation work productive and to secure enough time for construction work.	Small	Medium to long term
		Increase in air conditioning costs Air conditioning costs are expected to increase, as rising temperatures increase the frequency of air conditioning use after occupancy. Improved insulation performance and the introduction of the latest equipment will increase the cost of energy-efficient renovation, which may cause a mismatch with customers' home purchase budgets. The Group will cooperate with related industries and builders to examine efficient methods of energy-saving renovation.	Small	Medium to long term
	Acute	**More frequent natural disasters** The expansion of hazardous areas may reduce the areas where existing homes can be purchased. The Group will work to reduce risk by conducting pre-purchase surveys, such as checking disaster histories and viewing hazard maps, and by considering remedial measures to prevent damage caused by torrential rains and typhoons. However, the Group deals mainly with conventional residential land that does not involve land development or clearing. Therefore, we believe that the land handled by the Group is less susceptible to the effects of natural disasters than residential land developed and cleared for the construction of new homes.	Small	Medium to long term
Physical opportunities	Market	**Preference toward products with high resilience** continue to provide a safe and comfortable lifestyle even in times of rising temperatures, heavy rains, typhoons, and other disasters will become more desirable. We purchase houses after surveying the deteriorated condition of the frame and whether or not there is a history of rain leaks. We also carefully inspect the property prior to purchasing, including the deterioration of the building frame and history of leaks. We also conduct a three-way inspection with a renovation partner and an ant repellent contractor before renovating the property according to the degree of damage and reselling it. We will continue to expand the Group's business by further pursuing high durability of housing, making full use of the know-how gained from the purchase and sale of more than 70,000 units in total, and sharing knowledge across our nationwide network of more than 130 branches.	Medium	Medium to long term

*Medium-term: Up to 2030; Long-term: 2031–2050
*Small: approx. 100 million yen per year; Medium: approx. 300 million yen per year; Large: approx. 1 billion yen per year

3. Risk Management

Recognizing the risks and opportunities associated with climate change as principal issues for sustainability management, we discuss these issues at the Sustainability Committee meetings held at least once a quarter. The Sustainability Promotion Office acts as the secretariat to collect necessary information, and the Sustainability Committee brushes up strategies based on the scenario analysis of the Group's business as described in this information disclosure and oversees the progress of measures.

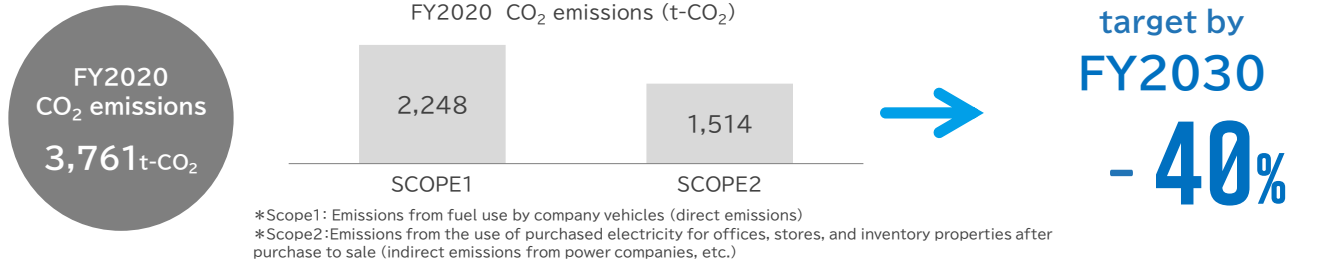
We report the results of deliberations to the Board of Directors and reflect them in our medium-term management plan and other management strategies. Measures related to the insulation of existing homes, which we identified as a principal issue in the scenario analysis, will be addressed on a company-wide basis as priority measures in the Third Mid-Term Business Plan announced in May 2022.

4. Metrics and Targets

We have calculated Scope 1 and Scope 2 CO2 emissions as metrics to assess and manage the risks and opportunities associated with climate change.

Starting in November 2021, the Group is gradually switching the electricity used in our offices, stores, and inventory properties to that derived from renewable energy sources. We also plan to gradually switch our vehicles used for sales activities to HVs and EVs. Through these efforts, we aim to reduce our CO2 emissions intensity by 40% by FY2030.

In addition, we will move on to calculate Scope 3 emissions and disclose them in due course.

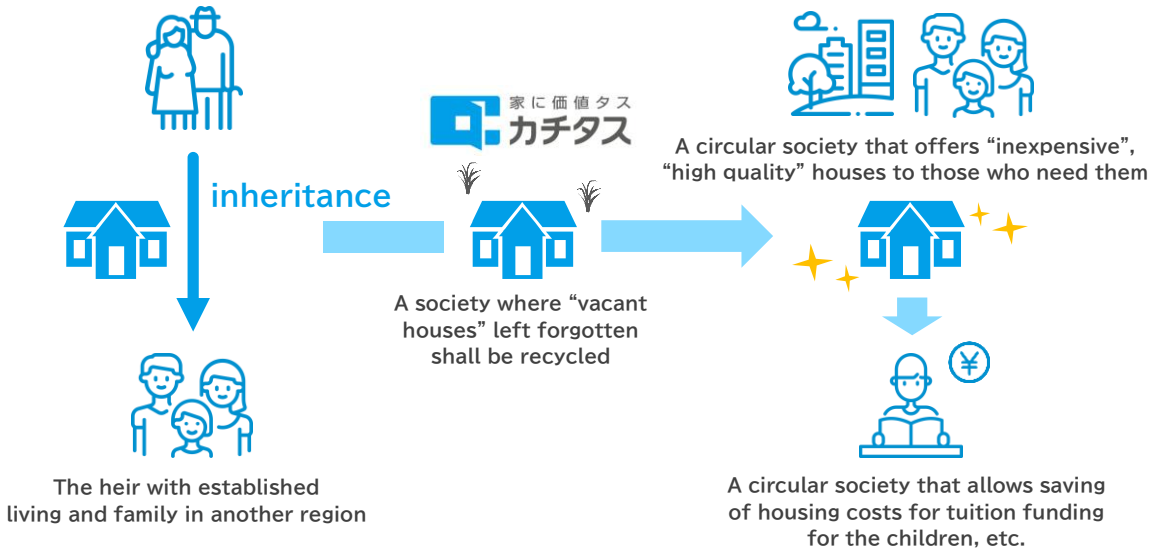


＊Scope1：Emissions from fuel use by company vehicles (direct emissions)
＊Scope2：Emissions from the use of purchased electricity for offices, stores, and inventory properties after purchase to sale (indirect emissions from power companies, etc.)



To achieve the circular economy

Circular economy through the circulation of existing resources and assets



To achieve the circular economy

Per property	
Annual property tax (50,000 yen x 10 yrs.)	0.5mn yen *1
Cost of disposing household goods:	0.3mn yen *2
Future demolition costs:	1.2mn yen *3
Lower price than newly built house	14.0mn yen
Total economic impact of rehabilitating one vacant house	**16.0 mn yen**

Fiscal year ended March 2022: Basic information

Number of sales in one year	6,120 properties
Economic impact	**97,920mn yen**
Total number of beneficiaries	**37,322 people**

Number of beneficiaries per property

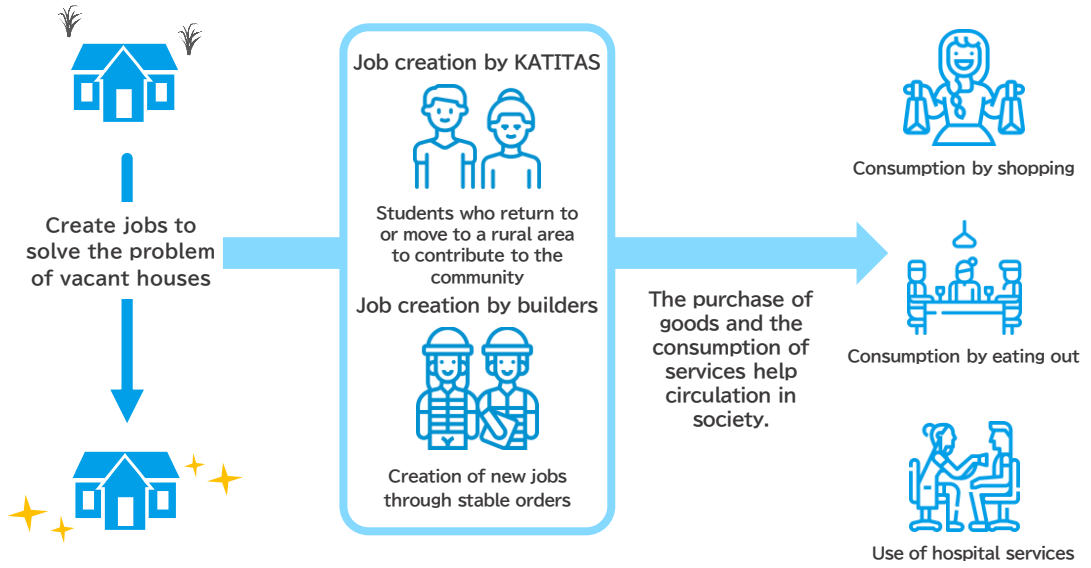
(Beneficiary at the time of purchase) Number of heirs to one ancestor	2.8 people*4
(Beneficiary at the time of sale) Average number of people residing in the purchased house	3.3 people*5
Total number of beneficiaries	**6.1 people**

Economic impact and number of beneficiaries when 10,000 properties are sold

Economic impact	**160,000mn yen**
Total number of beneficiaries	**61,000 people**

*1: MLIT: Our calculation based on “Survey on Owners of Vacant Homes” (2019)
*2: MLIT: Report on survey results regarding the current state of services to sort out the belongings of the deceased.
*3: MLIT: Our calculation based on the situation of housing inventory in Japan
*4: MoF: Materials on basic counting related to inheritance tax and gift tax.
*5: “Housing Market Trends Survey Report” (2019), pre-owned detached houses

Realization of a regional circular economy through the creation of local jobs



Direct job creation

Number of employees	668	*1
Consumption expenditures of working households	¥259,414/month	*2
Impact on local economic revitalization	**¥2,079mn/year**	
Number of new graduates joining KATITAS in April 2022	107	
Consumption expenditures of people in their 20s	¥130,318/month	*3
Impact on local economic revitalization	**¥167mn/year**	
Total direct impact	**¥2,246mn/year**	

Indirect job creation

Partner builders (incl. construction labor cost and housing equipment cost)	1,037	*4
No. of employees per builder	3	*5
Consumption expenditures of working households	¥259,414/month	*2
Total indirect impact	**¥9,684mn/year**	

*1 As of March 31, 2022 (non-consolidated; actual)
*2 Total households, working households, non-working households
*3 See Ministry of Internal Affairs and Communications’ FY2015 survey (average cost of living for a single person household under age 34)
*4 Actual number in fiscal year ended March 31, 2022 (number of builders to which we placed at least one order or which performed at least one project in the year; excludes termite control)
*5 Based on the median number of builder employees from the 4th Nationwide Builder Survey Aggregation Results conducted once a year by KATITAS

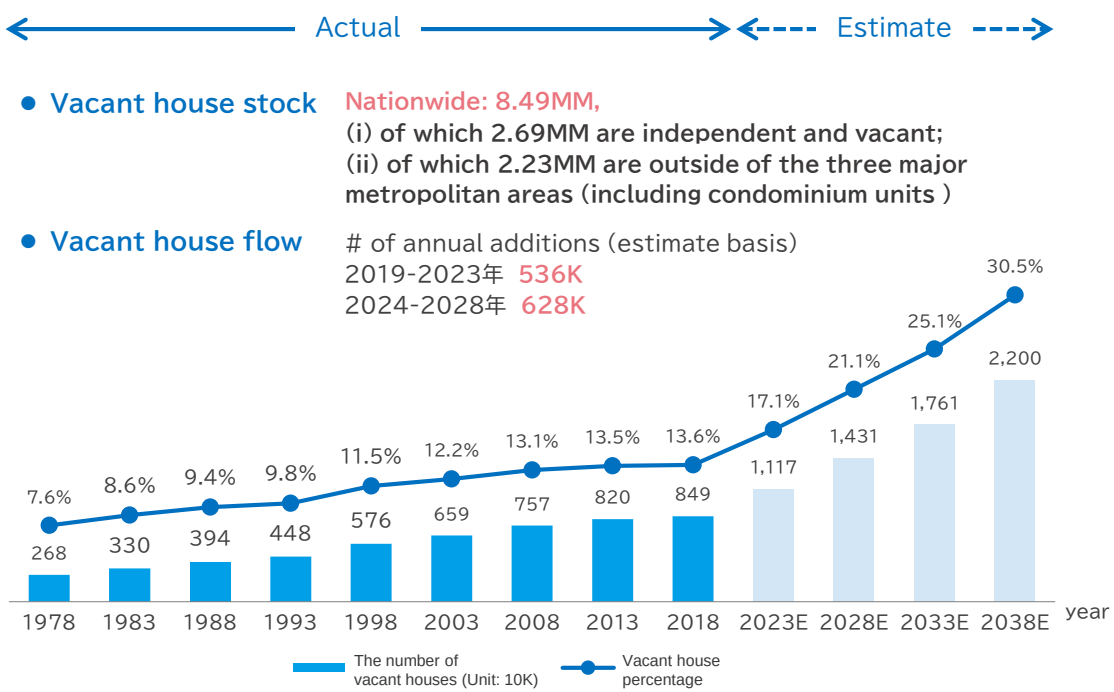
Providing a fourth option to solve the “vacant house problem”

Resolution of the “vacant house issues” by “adding values” to “rural x detached x old houses”

Vacant houses are increasing nationwide in Japan every year and the number as of 2018 stood at 8.49MM (with a vacant ratio of 13.6% of the total houses in Japan), which has become a societal challenge. KATITAS mainly deals with rural x old x detached houses, many of which are inherited but left unused. Against the urban x newer x condominium units focus in the common pre-owned residential house distribution, we are resolving the vacant house issues of detached houses in rural communities that are continually increasing in Japan. We are committed to continued resolution of the societal issues through our business activities to enable the way of living that “economically renovates houses for another cycle of living to care for the regions.”

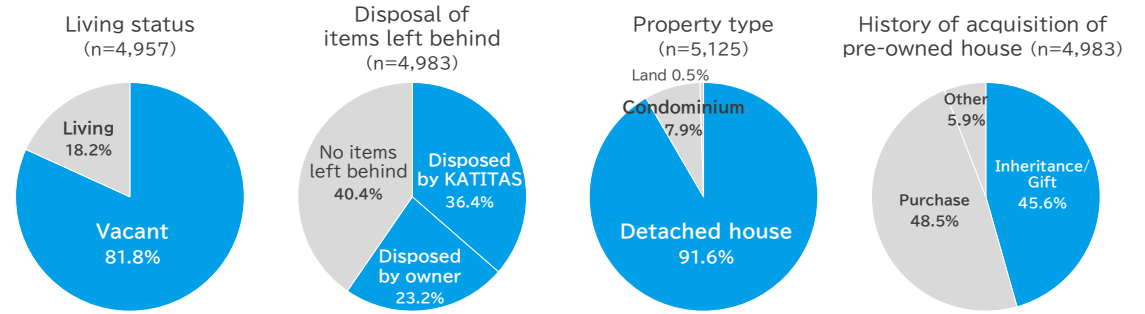
KATITAS buys vacant houses scattered throughout Japan. In the fiscal year ended March 31, 2022, we purchased, rehabilitated, and sold 4,054 vacant houses. Many of these homes have become vacant because their owners have moved into nursing homes or inheritors have taken up residence elsewhere. We will continue to expand the volume of properties we handle to help solve the problem of vacant houses.

Forecast of the number/percentage of the vacant houses

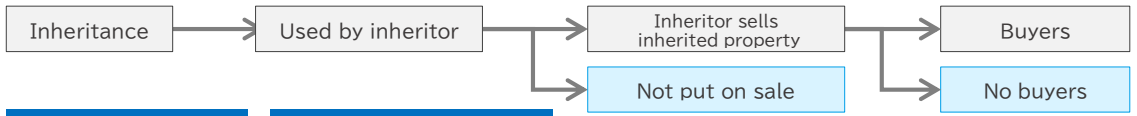


Source: Actual data are from the MIIC documentation “First Estimate, Land and House Survey 2018” while estimates are from <Scenario 1: Demolition rate returning to the 2008-2012 level> in the “Housing Market and Challenges in 2040 - Analysis of Long-range Outlook and Short-term Impacts of COVID-19” by Nomura Research Institute, Ltd.

Vacant houses handled by KATITAS



Mechanism for the occurrence of vacant houses



Reason for acquiring vacant house (n=3,912)	
Inheritance	54.6%
Ordered/bought newly built house	24.1%
Purchased pre-owned house	14.0%
Gift	3.3%
Other/Unknown	4.0%

Reason for leaving house vacant (n=1,097/multiple choice)	
Storage for belongings	60.3%
Too expensive to dismantle	46.9%
No use for land even if it were cleared	36.7%
Poor quality of house	33.2%
Might use in the future	33.1%

No progress made on organizing leftover belongings; house remains vacant like a storage as a result.

Hard to find buyers of pre-owned houses in exiting condition and house becomes vacant as a result.

Source: Prepared by KATITAS based on Ministry of Land, Infrastructure, Transport and Tourism, “Survey of Vacant House Owners in 2019”

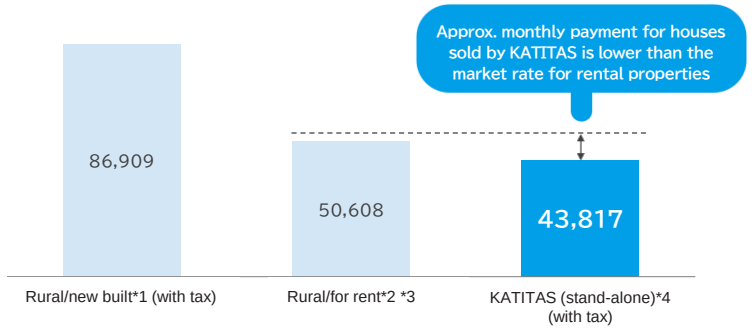
Promoting “community revitalization” by living and working in the community

Affordable housing (reasonably priced houses) offers

“Shelter” is one of the three necessities of daily life (clothing, food, and shelter). KATITAS Group supports people’s lives on a fundamental level by providing high-quality housing at affordable prices.

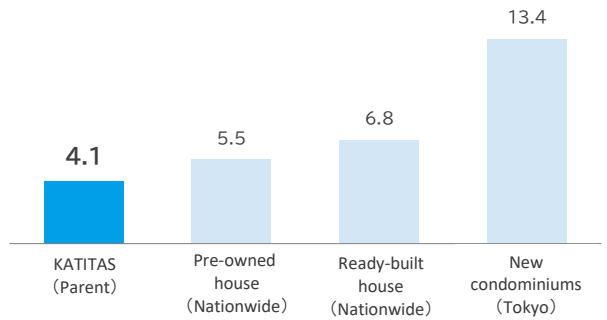
With monthly mortgage payments comparable to or less than the rent of a nearby rental housing, buyers can purchase a house without adding a cost burden to their current lifestyle. The mortgage-to-annual-income ratio of our customers in the fiscal year ended March 31, 2022 was 4.1 times, indicating a significantly lower burden than for newly built houses.

1. Comparison with house rents



1. *1 The amounts of rural/new-built and KATITAS (stand-alone) are calculated assuming a full mortgage with no down payment, 30-year term, at 1.0%-fixed interest rate, and no additional bonus repayment.
   *2 Rents are the amount paid monthly. Single-person households are excluded.
   *3 Source: MIIC documentation “Latest Estimate, Land and House Survey 2018

2. Comparison by mortgage to annual income ratio

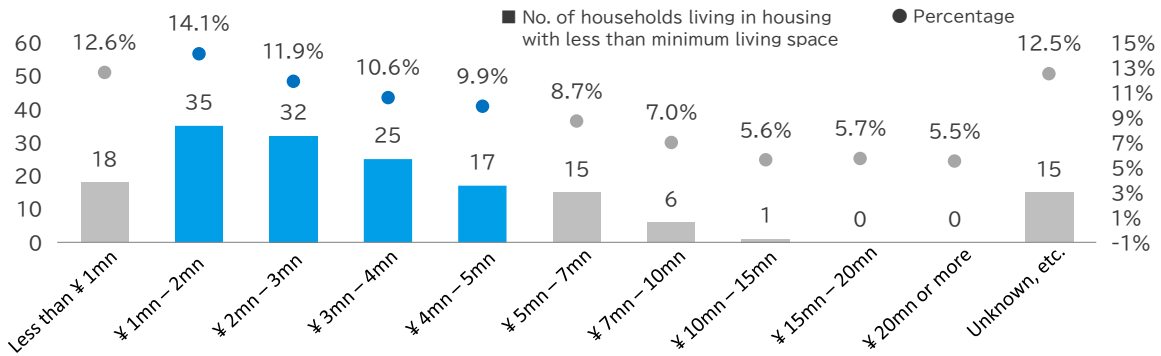


2. *1 Source: Japan Housing Finance Agency (FY2020 summary table)
   *2 Source: Tokyo Kantei Co., Ltd. press release “Annual Income Ratio for New Condominiums” (October 28, 2021)

Relationship between annual income and the number and percentage of households in private rented housing with less than minimum living space

The rent burden by annual income shows that the lower the household income, the greater the percentage of monthly expenditures spent on rent.

Most customers who buy our renovated houses have an annual household income of 2 million to 5 million yen, which is also the most common household income bracket in regional areas. Most of our renovated houses have more floor space and newer water fixtures than neighboring rental housing, allowing for a more comfortable lifestyle without adding to the cost burden.

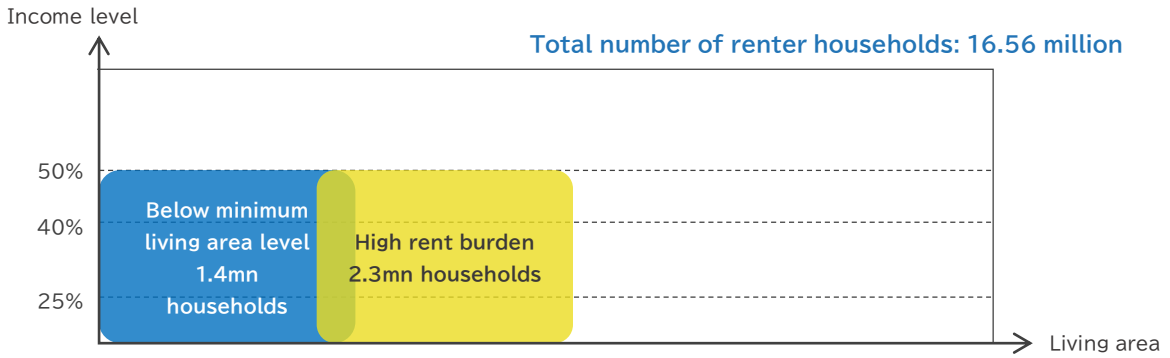


Source: Ministry of Land, Infrastructure, Transport and Tourism, Housing Bureau, “Council for Social Infrastructure Development, Housing and Residential Land Sectional Committee, New Housing Safety Net Study Subcommittee” (July 2016)

Situation of households living in rented housing (excl. public housing)

According to a Ministry of Land, Infrastructure, Transport and Tourism survey, lower-income households are more likely to live in housing with less than minimum living space. We believe we can provide better lifestyles to many people by providing affordable housing.

The more renovated houses we supply, the more customers we can serve with high-quality, low-cost housing. We will continue to strive to provide renovated houses to as many customers as possible.



Source: Ministry of Land, Infrastructure, Transport and Tourism, Housing Bureau, “Council for Social Infrastructure Development, Housing and Residential Land Sectional Committee, New Housing Safety Net Study Subcommittee” (July 2016)

Organizing a workplace environment that drives job satisfaction

Even if the local university graduates wish to work for the region, they are increasingly working away from the local area due to the conditions. We are conducting locally routed recruitment, resolving the challenges that talented students who are “motivated to work to help the regions” face such as:

- less potential employer candidates in rural communities; or
- hard to find opportunities to leverage on their “regional reinvention,” “resolution to vacant house issues” or “regional revitalization” learnings at school,

thus offering creation of jobs and development of job satisfaction.

Designing a system for solid recognition of the hard work and efforts

KATITAS implements an ’Awarding system’ to recognize the teams/individuals with outstanding achievements for the “Year,” “Quarters” and “Months.” We pay incentives depending on the level of goal achievement, job results and contribution to the business performance. The incentives are designed to link with the “team,” “area” and “corporate” goals to avoid egoistic individualism.

We also present the “KATITAS Recognition of Remodeling Idea Award” to the involved employees and the case when an excellent renovation is planned and a house that won the customer satisfaction is offered.

Practicing flexible job rotations and relocations

Our sales operation network expands to over 100 locations, respectively run by 4 to 5 employees. Because of the location management in a small group, bad chemistry may develop between them from time to time. For such problems, we work for the right staff assignments, conducting quarterly job rotations and relocations flexibly.

We sometimes hear an expert store manager say, “I wish to return to a member job because I love the KATITAS work itself rather than the store management.” By flexibly addressing such request, a KATITAS culture has been established in which employees can return to a member job to perform and deliver as just a single player.

Implementing a survey for motivation monitoring

The KATITAS Group has implemented the MOTIVATION CLOUD offered by Link and Motivation Inc. and is monitoring motivation of our employees, conducting semiannual surveys.

We are committed to continued efforts to better drive job satisfaction of our employees who are “motivated to work to help the region,” enhancing their motivation through the periodic monitoring.

Locally routed recruitment

KATITAS is mainly conducting recruitment of students who are motivated to “work to help the regions” or “contribute to the regional revitalization.” Instead of hiring in in the metropolitan areas such as Tokyo or Kansai Areas and assigning locally, students are hired and assigned in the same region as their hometown or university, which constitutes around 80% of the job assignments at KATITAS. We even conduct a survey prior to their joining for management of their motivation so they may work in a region that can drive job satisfaction.



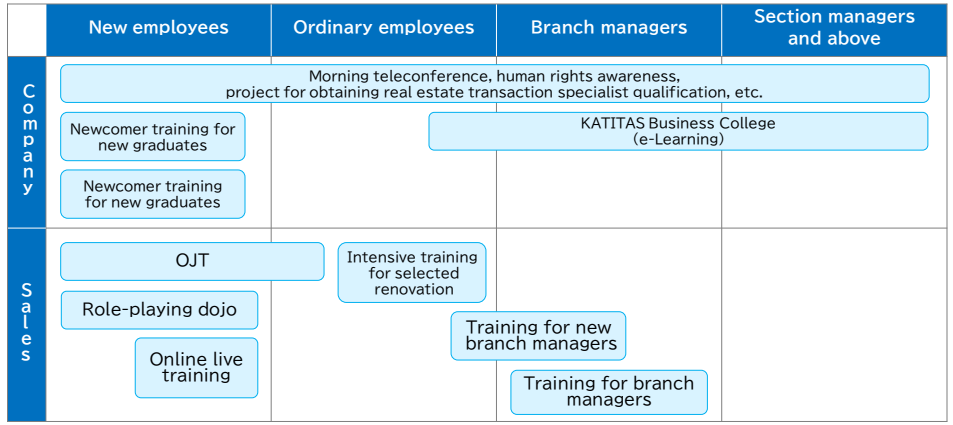


Employee training

We believe that increasing productivity (number of transactions per employee) through appropriate training is crucial for achieving stable growth. At KATITAS, we mainly recruit new graduates and conduct training for new employees primarily through group training and on-the-job training.

We also conduct company-wide training regularly for all sales employees (including contract and part-time employees) to standardize the sales methods and quality of renovation at branches across the country. The following table shows an overview of our training programs.





Morning teleconference

Every Thursday morning, we connect all offices nationwide in a teleconference where we have the president, department heads, and others share information on points to note related to performance trends, legal system revisions, and other topics. As part of our efforts to improve our renovation quality, we are continually sharing information on cautionary points for renovation construction based on recent cases of defects and good renovation examples. We send out a survey after the conference to check how much employees have understood the information that was shared, and if necessary, we share the information again and answer individual questions.

In the fiscal year ended March 31, 2022, we held a total of 46 morning teleconferences for a total of about 56 hours.

All employees belonging to sales branches (including contract and part-time employees) answered the surveys, and the collection rate was 100%.



Intensive training for selected renovation

We ask section managers to recommend branch manager candidates and provide these candidates with small-group training, which are aimed at enhancing their renovation planning skills.

Serving as their instructor is a full-time staff member (registered first-class architect) from our Product Planning Department.

Training is conducted in a small group with content ranging from classroom training to hands-on training at a KATITAS property, providing participants with intensive opportunity to raise their skills. In the fiscal year ended March 2022 (FY2021), we held this training two times and 11 people participated.

Health and safety

We recognize that the ability of our employees (including contract and part-timer workers) to perform their duties safely is critical to the company's sustainable development and productivity improvement.

All occupational accidents that occurred in the fiscal year ended March 31, 2022 were traffic accidents. The main cause was salespeople driving long distances to the company's properties. Recognizing this fact, we will strive to create a safe and comfortable workplace environment.

The circumstances surrounding the accidents are described on the right.

	FY2019	FY2020	FY2021
No. of accidents resulting in death of an employee while on duty	0 cases	0 cases	0 cases
No. of occupational accidents resulting in an employee taking a day or more of leave (incl. traffic accidents) *1	4 cases (3 cases)	5 cases (5 cases)	2 cases (2 cases)
% of employees taking a medical checkup *2	96.44%	95.83%	95.92%
% of employees taking a stress check *2	62.12%	49.63%	50.96%

*1 Accidents that have occurred during commute are excluded.
*2 The data reflects all employees (including contract and part-time employees).

Promotion of female participation and career advancement

Female employees account for 40.3% of sales representatives and female managers account for 20.3% of management positions at KATITAS (as of April 1,2022).
We receive more job application entries from women and as a result, the trend that about half of our new employees are women is retained.
Selling residential houses, female employees are well performing partly thanks to their ability to plan out renovation, keeping the housekeeper's perspective and traffic patterns in mind.

Track record of women in the workplace

Annual purchase/selling ranking of sales personnel (FY2021 Results)

55%

Annual purchase/selling ranking of sales personnel (FY2021 Results)

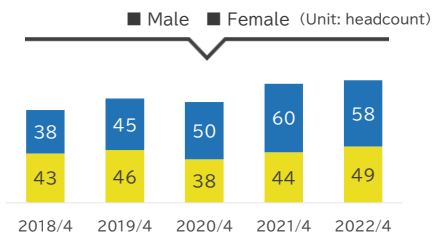
Ratio of female employees (As of April 1, 2022)

40.3%

(Ratio of full-time female employees: 37.1%)

Female employees interested in renovation/housing enrolled

Male/female ration of new graduate employees



High female ratio in our new graduate employees.

Ratio of female managers (As of April 2022)

20.3%

Real estate industry average : 15.3%
High ratio of female managers

※ Counted managers and supervisors in KATITAS' sales and administrative departments
※ Source: TEIKOKU DATABANK, LTD., "Survey of Corporate Attitudes Towards Promotion of Women (2021)"

Comparison of the average years of service, female to male (As of March 31, 2022)

99%

Average for large companies : 66%
Less average service year difference between male and female workers

Addition to the MSCI Japan Empowering Women Index

2022 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

Inclusion in MSCI Japan Empowering Women Index for 3 consecutive years

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2030 Targets for Women's Promotion

As suggested by the fact that many of our top salespeople are women, we believe that there are opportunities for women to play an active role in the pre-owned home rehabilitation business. Therefore, we will continue to promote the hiring and appointment of women from the perspective of business growth.
The Company promotes the retention of women by implementing character-based promotions, and believes this will bring the ratio of female employees in management positions closer to the ratio of female employees in full-time positions. The Company has set the following two quantitative goals with respect to the recruitment of women and the promotion of women to management positions.

Ratio of female employees among full-time employees

37% +

Ratio of female employees appointed to management positions

30% +



Mutual growth through collaboration with local, partner builders

At KATITAS, we request our local partner builders for remodeling of the inventory properties.
Compared with urban areas, fewer projects of public works, new constructions or large building/ condominium constructions are available in rural communities, which in turn reduces orders with the builders there. In such an environment, we are creating jobs of house remodeling in those local areas.
In addition, the renovation work that we request is safer than the large construction described above, because we request for work on low-rise detached houses in places with a roof, and the work does not require the use of large heavy machinery.

Hosting the KRP Meeting aimed at mutual growth with regional partner builders

Once a month, we invite 10 to 20 builder companies from respective regions to host the “KATITAS Remodeling Partners (KRP) Meeting.” Programs including “Introduction of the KATITAS Business Direction,” “Right/wrong Knowledge Sharing,” “Builder Recognition Awarding” and “Get-together Party” are conducted at the KRP Meetings.

Since many of our younger sales reps are hired as new graduates, they work on remodeling planning through advice from the partner builders on construction knowledge and insights. Because of that, we believe that our relationship and partnership with the partner builders are indispensable to the growth of our business.
We are committed to continuing this initiative because we believe setting up opportunities for our CEO and the leadership team to directly communicate with the partner builders is critical in order to secure mutual understanding as partners.

* Though the meetings were suspended between February and July 2020 due to the COVID-19 pandemic, it has been resumed as video conferences after this August.



Scene from a KATITAS Remodeling Partners Meeting



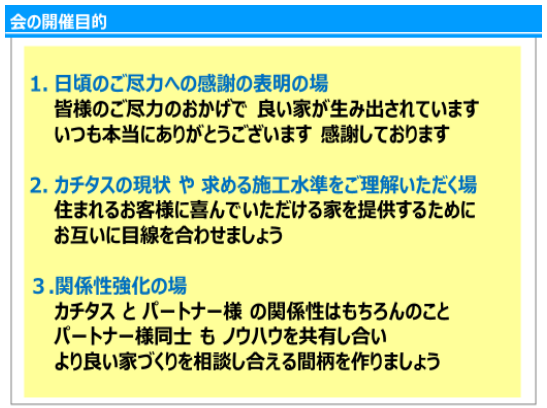
Awarding the Partner Builder Recognition

Excerpts of questionnaire responses by partner builders

Questionnaire items	Comments from partner builders
About the President’s Message	We realized that doing careful and reliable work leads to customer satisfaction and the company’s development. We saw and heard from the President for the first time, and we hope to hear from him regularly in the future.
About the President’s Message	We applied as a renovation partner because the Company’s vision struck a chord with us. We agreed with the vision to advance collectively with other partner builders to meet the needs of customers.
Explanation of points requiring caution in general construction	We understood the points that require attention during renovation because KATITAS shared with us examples of past failures that led to customer complaints. It was also good to see examples of other partner builders.
Explanation of points requiring caution in general construction	As a termite control partner, we are introduced to other partners by KATITAS as a ”professional in underfloor pest control.” This is an important part that supports the house, so we are continuing to carry out investigation and construction work with a sense of responsibility and pride.
Introduction of partner builders	We thought that the other partner builders produced wonderful results in terms of both their transaction history with KATITAS and the number of buildings they constructed. We will also work steadfastly to build our track record.
About Partner Awards	Thank you for presenting us with the Gold Partner Award at the KRP Meeting this time. We will make even further efforts as we move forward and do our best to receive the Platinum Partner Award.



KRP Meeting via video conference amid the COVID-19 pandemic



Slide explaining the purpose of the KRP Meeting

Supplier management

We have established the following as our Basic Procurement Policy with the aim to "add value" to society. This policy is based on our recognition of the need to take environmental impact and social issues into consideration when procuring renovation materials and housing equipment. Our suppliers will also be informed of this policy to promote procurement activities that adhere to this policy.

Compliance with laws, regulations, and social norms

- We shall comply with all relevant laws, regulations, and social norms.

Reduction of environmental impact

- We shall promote resource conservation, active use of externally certified materials (e.g., FSC certified lumber) in consideration of environmental and social issues, and green procurement.
- We shall demonstrate consideration for biodiversity conservation.

Respect for human rights

- We shall not engage in inhumane or unfair treatment (e.g., discrimination, harassment of any kind), showing respect to our employees and those of our business partners.
- We prohibit child labor and forced labor.

Fair trade

- We prohibit acts in violation of laws and regulations that impede the principle of fair competition or acts that are suspected of such violations (e.g., violation of antitrust laws, violation of subcontracting laws, abuse of preferential position).
- We prohibit giving or receiving entertainment, gifts, money, or the like to obtain or maintain an unfair advantage or preferential treatment.

Health and safety

We believe that it is essential for our sustainable development that our partner builders involved in our business perform renovation work safely and securely. To that end, we conduct interviews with the managers of our partner builders once a year to investigate their construction volume, capacity, succession status, and the presence or absence of accidents.
Since the majority of our renovation work is on two-story detached houses and is primarily indoor work, we believe that serious accidents are unlikely to occur.
The circumstances surrounding the accidents are described below.

	FY2019	FY2020	FY2021
Number of fatal accidents at partner construction companies *1	–	–	0
Number of accidents involving injuries at partner construction companies *1	–	–	11

※ Surveyed: 575 construction companies with high transaction counts

Partner construction companies reported a total of 11 accidents involving injuries in the fiscal year ended March 31, 2022. This total includes minor injuries such as falls from stepladders and cuts and puncture wounds caused by nails and other tools. KATITAS puts up warning signs at renovation sites and also takes other measures to continue safe business activities with partner construction companies.



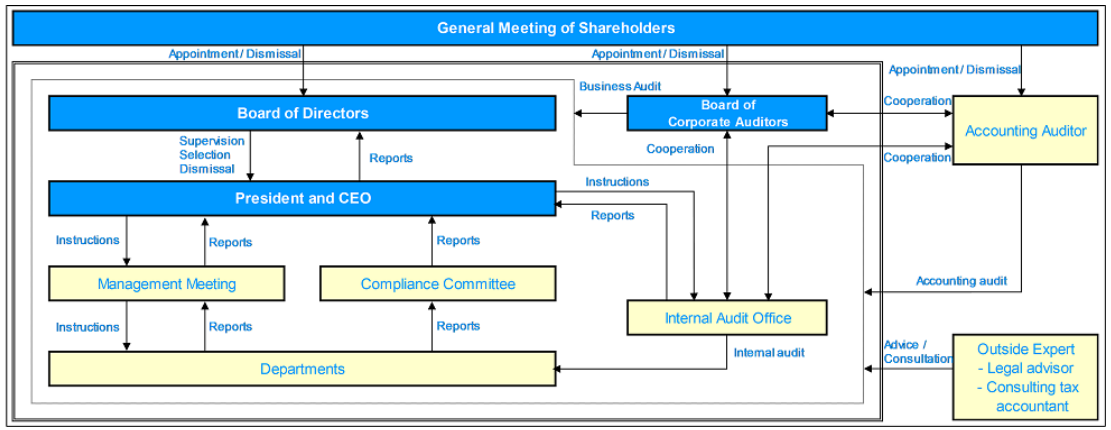


05

Corporate Governance

Improved structure and effectiveness of the corporate board

Corporate Governance Structure



Body	Members
Board of Directors	Chairperson: Katsutoshi Arai (President & CEO) In-house Directors: Katsutoshi Arai, Kazuhito Yokota, Takayuki Usizima, Takayuki Shirai Outside Directors: Seiichi Kumagai, Hideki Tsukuda, Miwa Suto In-house Auditors: Toshiki Hayase, Nobu Fukuda Outside Auditors: Yuki Ichikawa, Tomoko Tsunoda
Board of corporate auditors	Chairperson: Toshiki Hayase (Full-Time Corporate Auditor) In-house Auditors: Toshiki Hayase、Nobu Fukuda Outside Auditors: Yuki Ichikawa, Tomoko Tsunoda
Nomination and Remuneration Advisory Committee	Chairperson: None In-house Directors: Katsutoshi Arai, Takayuki Shirai Outside Directors: Hideki Tsukuda
Compliance Committee	Chairperson: Katsutoshi Arai Committee Members: Katsutoshi Arai, Kazuhito Yokota, Toshiki Hayase, Yuki Ichikawa, Junsuke Kawashima, Masaya Matsumoto, Noriko Arakawa, Sumie Sakamoto, Noriyuki Nakanishi
Sustainability Committee	Chairperson: Katsutoshi Arai Committee Members: Katsutoshi Arai, Kazuhito Yokota, Naoshi Soma
Executive Committee	Chairperson: Katsutoshi Arai Committee Members: Katsutoshi Arai, Kazuhito Yokota, Toshiki Hayase, Naoshi Soma, Akira Akabane, Masayuki Kameyama, Noriyuki Nakanishi, Toshiyuki Tanaka, Shoji Kudo, Yoshiya Akita, Tetsuo Takahashi, Kentaro Hujishima, Junsuke Kawashima, Akira Morikawa

Supervision of business execution by the Board of Directors

The Board of Directors reviews and determines management policies and promptly grasps, manages, and supervises risks in business execution to realize a sustainable improvement of corporate value by putting the Company's purpose into action.

Based on the above objective, we have appointed individuals with the necessary experience, knowledge, and expertise as directors and corporate auditors. From the viewpoint of strengthening supervision, 3 out of the 7 directors are independent outside directors and 2 out of the 11 officers are female directors who are appointed from the perspective of diversity

Skill matrix of the board of directors

We have established the following skills matrix for our Board of Directors. Skills and experience relevant to our strategy include HR (i.e., skills needed to expand the sales force to increase housing supply capacity) and "sales/marketing" and "IT digital" (i.e., skills needed to improve productivity). We also consider "legal/risk management" and "construction/industry experience" to be important skills for preventing the occurrence of defects after delivery, which is the greatest risk to our business.

		Katsutoshi Arai	Kazuhito Yokota	Takayuki Ushijima	Toshiyuki Shirai	Seiichi Kumagai	Hideaki Tsukuda	Miwa Suto	Toshiki Hayase	Yuki Ichikawa	Nobu Fukuda	Tomoko Tsunoda
		Director							Corporate Auditor			
Skills/Experience, etc.	Company management	●	●		●	●	●					●
	HR		●	●	●		●					
	Sales / Marketing	●		●	●	●		●	●		●	
	Legal / Risk Management								●	●		
	ESG						●			●		
	Accounting / Finance	●	●			●		●			●	●
	IT Digital							●				
	Construction / Industry Experience			●					●			●
Profile	Executive Director (Including executive directors of subsidiaries)	●	●	●	-	-	-	-	-	-	-	-
	Of the Executive Directors, etc., those who joined the Company by means other than new graduate hire	●	●	●	-	-	-	-	-	-	-	-
	Notice as an Independent Officer	-	-	-	-	●	●	●	-	●	-	●
	Length of service of independent officer	-	-	-	-	13	3	2	-	12	-	2
	Gender	Male	Male	Male	Male	Male	Male	Female	Male	Male	Male	Female
	Age (As of June 30, 2022)	53	54	38	66	70	58	58	49	51	45	51

＊"●" marks in the skills matrix indicate skills and experience specifically sought for each director (up to three per person).

Improved structure and effectiveness of the corporate board

The Company invites independent outside directors, each with specialized knowledge, so that 3 out of 7 directors (42.9%) monitor the business execution by executive directors from an independent standpoint.

Outside directors are composed of managers of operating companies, experts in corporate governance promotion, and members who have extensive experience and knowledge in accounting, marketing, or other fields, and we are committed to highly transparent business operations.

Assessment of board effectiveness

The Board of Directors conducted questionnaire surveys for all directors and corporate auditors to evaluate the effectiveness of the Board as a whole. A summary of the evaluation is provided below.

(1) Evaluation period

- March 2022: Distributed and collected questionnaires
- April 2022: Reported the results of the evaluation of the effectiveness of the Board of Directors

(2) Evaluation process

- Respondents: All directors and corporate auditors
- Response method: Anonymous response (multiple choice questions based on 5-level evaluation and open-ended answer to each question)
- Evaluation period: Board of Directors meeting held in the fiscal year ended March 31, 2022 (44th Fiscal Year)
- Main evaluation items:

① Management of the Board of Directors (examination period, length of meetings, frequency of meetings, status of improvement, etc.)
② Content of discussions by the Board of Directors (status of the creation of documents on resolutions and reports, etc.)
③ Composition of the Board of Directors (number of people, expertise, diversity, etc.)
④ Communication between members of the Board of Directors (environment, atmosphere, status of discussions, efforts on issues and assignments, etc.)
⑤Initiatives for ESG and SDGs (status of disclosure, evaluation of the effectiveness of the Board of Directors, etc.)

(3) FY2021:Summary of evaluation results

The evaluation results showed generally positive responses in all categories, with few negative evaluations overall. Highly rated evaluations included comments such as the following: “Analysis of business performance is done appropriately;” “Tasks assigned at board meetings are addressed the following month;” and ”The composition of the board has improved with the appointment of female outside directors and outside corporate auditors.” On the other hand, we received comments such as the following as areas for improvement: “Sufficient time should be set aside to discuss medium- to long-term growth strategies;” ”Since the materials are voluminous, the information should be carefully selected;” and ”Information disclosure on ESG and SDGs should be enhanced, including the preparation of an integrated report and disclosure on the website.”

In addition, we conducted an effectiveness evaluation of the Board of Directors last year, and issues such as the following were pointed out: “Issues related to the sending of documents on resolutions and reports in advance,” ”Issues related to ensuring diversity in the composition of the Board of Directors,” and ”Issues related to securing time for discussion of medium to long-term growth strategies.” In the effectiveness evaluation conducted in the fiscal year ended March 31, 2022, respondents made positive comments about improvements made to these issues, such as the following: ”The materials were distributed at an earlier date. We were able to receive the preliminary version earlier and it was handled with care,” ”With the addition of a female director, the composition of the board became more appropriate,” and ”Discussions of the Mid-Term Business Plan are held multiple times at board meetings, and the plan is being reviewed and devised based on previous discussions.”

Enhanced effectiveness of the corporate board

The BOD meetings are effectively working as a place of monthly business operation monitoring and discussions.

They are managed in an atmosphere of unfettered and free exchange of opinions, receiving frequent questions from outside directors concerning business performance monitoring. The KATITAS BOD meetings are therefore managed with solid awareness of dialogs with the investors.

In addition, advice based on the insights of outside directors are often provided, which helps the business operations in a timely manner.

Questions from the outside directors that were not answered or marked as tasks at BOD meetings are worked through to possibly follow up by the next monthly meeting.

Excerpt of comments from assessment of the corporate board effectiveness

Survey item	5-point scale	Comments
Agenda content	Very satisfied	Businesses in the housing industry must be guided by an accurate understanding of not only economic trends, but also housing and financial policies. In light of this, KATITAS has further strengthened its analysis of the business environment.
Agenda content	Neutral	It would be nice to have a retreat where the company’s 10-year vision and long-term growth strategy could be thoroughly discussed without time constraints.
Time until resolution	Satisfied	The proposal documents sent in advance are detailed and fine. However, the review period is a bit short. In some rare cases, it is preferable to explain the proposal in detail over the phone or other means in advance.
Director composition	Very satisfied	I believe that the proportion of female outside directors and female outside corporate auditors has been appropriately increased.
Director composition	Satisfied	Even though there might be shortcomings from the standpoint of investors, management is constantly aware of the issues and actively working to improve the situation. I have no doubt that they will secure an appropriate number of directors and female composition ratio according to its growth stage and market demands.
Director composition	Satisfied	KATITAS has shown consistent growth since the present management team took control, and the share price has also performed well. This is evidence that the knowledge, experience, and expertise of the directors are adequate.
ESG/SDGs disclosure	Very satisfied	I believe KATITAS is undertaking advanced and ambitious activities in an adequate and appropriate manner. Its business model is well aligned with the SDGs, and I hope it continues to push ahead with its efforts.
ESG/SDGs disclosure	Satisfied	I believe we need to look into why KATITAS has not been able to satisfy the strict requirements of institutional investors, such as publishing an integrated report.
Discussion on formulating new medium-term plan	Very satisfied	I believe that the plan is being appropriately developed over multiple discussions as time permits instead of just one discussion, with revisions and additions made based on previous discussions.
Discussion on formulating new medium-term plan	Satisfied	I feel that we are now able to have more productive conversations than before. However, there were some days when I felt that the executive side took too much time to explain things, leaving little time for discussion.

Interview with an Independent Outside Director (2021.1.13)



Hideaki Tsukuda

independent outside director

Appointed as an outside director of the Company in June 2019
CEO, Board Advisors Japan, Inc.
Earned MS from the Massachusetts Institute of Technology's Sloane School of Management



An authority on governance in Japan, Mr. Tsukuda works with Japanese corporate boards and executives to help them enhance corporate value through governance and management reforms. He is a member of various government expert panels, including the Council of Experts Concerning the Follow-up of Japan's Stewardship Code and Japan's Corporate Governance Code. Mr. Tsukuda has also served as Representative Director and Managing Partner of the Japanese arm of Egon Zehnder, a leadership consulting company based in Switzerland, and served on its Global Executive Committee.

Q : How would you assess KATITAS' s business model?

A : In and of itself, KATITAS' s business model has strong social significance; the Company' s purpose is built into its business model. Japan' s population is gradually decreasing, and the number of vacant homes continues to rise as new houses are built. KATITAS generates solid earnings by buying preowned, vacant homes in regional cities. It then refurbishes and sells the homes on. Thus, the Company has established an excellent business model with a robust social significance. With ESG and the SDGs taking on even greater importance, I think the social significance of KATITAS' s business will continue to grow.

I also give high marks to the Company' s strategy of putting its sales employees in charge of both buying and selling. This arrangement enables salespeople to communicate to new buyers the memories shared by the sellers. I believe this has been an important facet of KATITAS' s business. The Company rearranged its sales structure in this way when revamping its business processes; I believe it was an excellent strategic decision.

Q : As a member of the Board of Directors (BOD), what are your thoughts on the board' s operation and execution of business?

A : KATITAS' s BOD materials are extremely detailed and include minute analyses of financial and non-financial information. This level of detail is clear proof that the PDCA cycle is being applied thoroughly and routinely. The Company' s "soul" is evident even in the smallest details of its business.

Also, a comment that BOD materials should incorporate information on the overall market was followed up on quickly, with a market analysis being reflected promptly. Another comment—that reporting documents about progress on the medium-term business plan were not mutually exclusive and collectively exhaustive (MECE) and were difficult to understand—was addressed quickly by making changes to the reporting format. I think such responses underscore the Company' s strength in business execution.

That being said, KATITAS' s BOD closely resembles a managing board. Going forward, I hope it will take on more characteristics of a monitoring board. By relying on the people entrusted to execute business to handle those tasks, the BOD can consider medium- to long-term growth strategies and increase discussion about KATITAS branding. This sort of focus will help enhance corporate value.

Q : In your role as an independent outside director, are you focusing on any areas in particular?

A : My most important roles are managing conflicts of interest and protecting the interests of minority shareholders.

As part of the second role, I am a member of the Nominating/Compensation Advisory Committee. Future-oriented succession planning is an important part of this committee' s work. Shorter-term, we also need to prepare emergency plans in case an unforeseen situation affects the current president. As I have mentioned, I think the management team is solid, so an unforeseen incident would probably have only a small impact on short-term operating performance.

My third role, as noted above, involves strategic deliberation on the BOD from a medium- to long-term perspective. I am committed to helping KATITAS achieve sustainable growth by raising the level of sophistication of the BOD with the management team.

Q : Nitori Holdings is a major shareholder, with a 34% stake in KATITAS. What impact does this ownership have on protecting the interests of minority shareholders?

A : First of all, from KATITAS' s perspective Nitori Holdings is a major shareholder based on an alliance strategy. When it became a major shareholder, Nitori Holdings was understood to be a strategic partner—a stable shareholder as part of Advantage Partners' capital policy. As Nitori Holdings and KATITAS are both listed companies, making a formal analogy as to conflicts of interest would be inappropriate. In truth, I understand the alliance relationship with Nitori Holdings to be extremely positive.

For instance, KATITAS has few related-party transactions with Nitori Holdings, and BOD discussions often involve the sharing of expertise Nitori Holdings gained during its process of growth. KATITAS is also customer-focused and makes decisions based on economic rationality, and business execution is balanced. Still, my comments reflect the present reality. As I noted earlier, it is important for outside directors to perform their monitoring function from an independent perspective, managing conflicts of interest and protecting the interests of minority shareholders.

Q : When seeking your advice on the share buyback in March 2020, what was behind the comment that the Company should consider the situation carefully?

A : I thought it was inappropriate to make a short-sighted move and buy back Company shares when the market was down temporarily due to stock market turmoil surrounding the COVID-19 pandemic.

I thought it would be fine to buy back shares when the market was saturated, or based on the belief that the Company was being inappropriately undervalued in normal times. With the overall stock market in turmoil, in March 2020 I did not think this decision was appropriate.

KATITAS is a growing company, and rather than buying back shares I believed its cash would be better spent on purchasing real estate to sell and grow the business or in investing in human resources—important assets for KATITAS. Even without buying back shares, I believe the Company can enhance its corporate value through business growth and engaging in investor relations.

Interview with an Independent Outside Director (2021.9.29)



Seiichi Kumagai

independent outside director

Appointed as an outside director of the Company in April 2010



Appointed president and representative director of NPC Inc. in November 2018. The printing industry is incurring impact from the progressive implementation of paperless operations, and the initiatives that NPC is undertaking during his tenure have facilitated a V-shaped recovery.

Mr. Kumagai has acquired extensive knowledge of the real estate industry through his experience conducting operations related to lending and non-performing loan resolution at city banks; the consulting he performed as a member of the Japan Management Consultants Association; and the time he spent serving as an outside director at other companies. He is the only outside director at KATITAS who has experienced both the company's current era and its two previous eras as Yasuragi Co., Ltd. and as a subsidiary of an investment fund in which Advantage Partners Inc. held equity.

*Advantage Partners Inc. is a Japanese private equity fund that acquired a 100% stake in Yasuragi Co., Ltd. (now "KATITAS") in 2012 and supported the company's subsequent revitalization.

Q : You have been a member of the Board of Directors since the days of Yasuragi Co., Ltd., KATITAS's predecessor. How did you become a member?

A : I accepted my position at the request of the owner and president of Yasuragi. Previously, I was serving on the board of directors of the Japan Management Consultants Association, which provides management support to small- and medium-sized companies throughout Japan, when Yasuragi, a member organization, consulted with me regarding new business operations.

I informed Yasuragi that, although companies in Tokyo were achieving growth by handling properties procured via auction, no such companies existed in Japan's rural communities. I suggested that Yasuragi might be interested in pursuing a business involving the sale of older single-family homes located in rural areas, and within a year, Yasuragi had grown this business to the point where it was planning to expand nationwide.

At this point in time, the owner and president of Yasuragi approached me about providing ongoing advice as an outside corporate auditor, and I gratefully accepted the position.

Q : Did you observe any changes in governance or business management between the Yasuragi and AP* eras or during the transition to the KATITAS's current system?

A : During the Yasuragi era, the company was publicly listed, but the owner and president still owned 70% of its shares, so management of the company was not subject to any external pressures. Consequently, governance at the time was not exactly what one would call "effective." Afterward, the company's governance and business management changed drastically with reformative support from AP. AP places a tremendous amount of emphasis on transparent business management and believes that it is essential to ensuring accountability with outside investors.

In addition, the company's current management team has maintained AP's culture of candidly expressing opinions regarding growth strategies regardless of position, respecting the opinions of others, and working collectively once a decision is made. In fact, the current management of KATITAS reports all details to outside directors at Board of Directors' meetings and willfully accepts opinions that I form when visiting properties for sale, reflecting my advice in subsequent policies. I believe that sustained growth in the company's sales and profits, enhancement of its corporate value, and the improvement in its employees' working environments are all evidence of upgrades to its governance and business management.

Q : On what points do you focus as an independent outside director at KATITAS?

A : I consider management from three perspectives: that of the consumer, that of the employee, and that of a minority shareholder.

To ensure that I can develop and share opinions from a consumer perspective, I occasionally visited properties, although I cannot drop by as often as I used to because casual visits are impossible due to appointment requirements.

Additionally, I always think about how President Arai would appear to me if I were a third-year employee and what opinions I would want to share with KATITAS if I were a shareholder with 100 shares.

Q : What is your role as the company's non-executive directors increase in number?

A : I am confident that my knowledge of the real estate industry distinguishes me from other outside directors.

As a bank employee, I have been deeply involved with the real estate industry. Although KATITAS's business is highly resistant to impact from economic downturns, the real estate industry is subject to external factors.

During the 2008 financial crisis, I observed a real estate company that immediately went bankrupt after posting record profits during the previous year.

Based on my past experience and knowledge, I believe that my role is to notice signs of changes in external factors and leverage this awareness through my participation in meetings of the Board of Directors.

Q : During meetings of the Board of Directors, you periodically mention the company's relationship with Nitori. Why do you feel that pointing out this relationship is important?

A : I recognize that my role as an independent outside director is to adopt the perspective of a consumer and warn the company's management not to focus too heavily on its major shareholders. For example, at one point, management was discussing the possibility of installing Nitori kitchens within the KATITAS's properties.

At that time, I pointed out that, while the performance of products from Nitori may be excellent, the company should prioritize consumer perspectives when considering the issue.

At the same time, many aspects of Nitori's business management should be emulated in order to further increase corporate value, and one of my additional roles as an independent outside directors is to encourage the management team to respond to the advice it receives from Toshiyuki Shirai, a member of the Board of Directors and president of Nitori Holdings Co., Ltd.

Q : Your shareholders have pointed out the importance of developing successors. How should the company approach and consider the training of successors moving forward?

A : I think that the point of actual turnover still lies ahead, but we should still strengthen our efforts to develop successors.

I believe in the effectiveness of developing individuals capable of assuming the role of president by completely entrusting these potential successors with the management of specific business areas.

Having received this responsibility, successor candidates will develop strength with numerical figures. Ideally, if several potential successors or other employees distinguish themselves from their competition, we should have in place a system that allows this information to be shared within the nominating committee.

Thorough monitoring of the business operations

Sensible monitoring conducted through the Business Update Meetings

The Business Update Meetings are called for on every Monday by the division/group managers to monitor such factors as the business conditions, complaint cases and remodeling delays.
For understanding of the business conditions, we perform sensible monitoring through reviews including reasons for low-profitability properties and properties with revised unit price.
To confirm the complaint details, we review causes of the complaints and the future incident potential to further build on the expertise from our transaction record of 60,000 properties in total. If a complaint can potentially propagate across other properties, it is reflected in the checklist or announced in the Morning Video Sessions as leverage for improvement of the product quality.

Morning Video Sessions facilitating management/field staff communication

As our sales operation network expands to over 100 locations, we currently have less opportunities of direct communication between the management and store staff. Meanwhile, because communication of the management message through the organizational layers often causes misunderstanding and delay of reach, we offer opportunities for direct messaging.
Having staff of all stores suspend their work to participate in the Morning Video Session for an hour from 9 a.m. every Thursday, we are working for the direct and timely delivery of management messages.
Additionally, to avoid one-way communication of the Morning Video Sessions, we are conducting survey and collection, including a check on the degree of understanding, improvement proposals from the field staff perspective and requests from the stores, to ensure the meeting facilitates bilateral communication. Update of response to the questions and requests raised in the survey is also reviewed at aforementioned Business Update Meetings to monitor how the voices from the field are responded to as well.

Monitoring through mutual checks at sales sites and headquarters

As a professional operator dealing with real estate, we have established a mutual checking system that involves sales sites and the headquarters so that customers can complete the purchasing procedures of houses with peace of mind.
Prior to the housing contract, a registered real-estate broker provides explanation of the documents on important matters, and the headquarters conducts a detailed check of those documents. This checking system not only allows customers to complete the housing contract with peace of mind but also helps the Company prevent violations of our obligation to give explanations as a registered real-estate broker.
In addition, the content of the renovation is checked by the Product Planning Department comprising several members who are registered architects, regarding the content of the sales site's renovation plan and the order amount. This check system secures the housing quality, prevents renovation that violates the Building Standards Act, and reduces the risk of placing expensive renovation orders.

Monitoring through audits by corporate auditors and internal audits

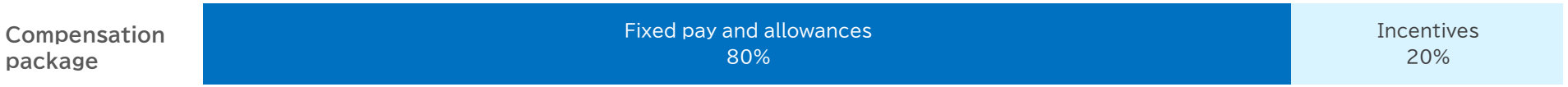
The Company conducts business audits by corporate auditors and internal audits by the Internal Audit Office to confirm the operational status of sales stores and sales sites and to check the properties on sale.
During the course of one year, we conduct audits of more than 100 stores nationwide, and we check approximately 500 properties from the customer's perspective.
Corporate auditors and the Internal Audit Office work together to objectively support the securing of quality in operations and properties to have customers purchase houses with peace of mind and to provide them with a comfortable lifestyle.

Enhanced governance through the reward system

A wage system helping long-term service of employees based on the compensation package with fixed pay focus

We run our business in a very unique, “old,” “rural” and “detached” house sector. As what we do as a business is house remodeling with a high individuality and challenge level, “accumulated expertise from long-term service of employees” becomes critical.

On the other hand, the rural communities we work for constitute a market in which individual sales reps would have a tough time delivering stable monthly results. Understanding that excessive incentives in such environment could lead to inducing irregular sales activities and promotions, we implement a compensation package with fixed pay focus.



Policy for determining remuneration for directors

The remuneration of the Company’s directors is designed with the aim of compensating them for the stable growth of earnings and the creation of new corporate value. We understand that the design of the director remuneration system is an important management issue that contributes to securing outstanding management resources and sustainably developing as a publicly listed company. Based on this recognition, in June 2021, we decided to introduce a performance-linked stock-based compensation system with restriction on transfer for executive directors and reviewed the design of the remuneration system with an eye toward medium- to long-term improvement of corporate value.

The remuneration of the Company’s executive directors consists of “fixed remuneration,” “monetary remuneration linked to performance by individual,” and “performance-linked remuneration (stock-based compensation with restriction on transfer).” The ratio of each remuneration when achieving 100% of the performance indicator by individual is as follows (actual ratio varies depending on the director).



Clarification of the process of deciding the remuneration of officers

At the extraordinary general meeting of shareholders held on January 15, 2002, we decided that the amount of remuneration, etc. of the Company’s directors shall not exceed 300 million yen per year (provided, however, salaries of employees who concurrently serve as directors are not included). The remuneration of officers is then decided after discussions with the Nomination and Remuneration Advisory Committee, which is voluntarily established and consists of internal and external officers.



Development of intra-company compliance awareness

Enhanced compliance awareness through the Morning Video Sessions

We work to cultivate compliance awareness by weekly communicating without exception to all employees, “1. Report problems immediately,” “2. Report negative things first” and “3. Do not lie” as the “Three reporting principles” in the aforementioned Morning Video Sessions.
We are also working to enhance the compliance awareness by reminding at the Sessions that all employees must know the rules, referring to the violations caused by unsecured or limited knowledge of the rules.

Weekly video conference connecting stores nationwide

Communication includes failure cases and compliance matters



Three reporting principles

Assured intra-company notification of the compliance awareness

1. Report problems promptly
2. Report negative things first
3. Do not lie

Holding monthly Compliance Committee meetings

The Compliance Committee discusses the most serious cases of rule violations that occur due to a lack of thorough awareness or understanding of the rules.
The Compliance Committee is attended by the President, the General Manager of Sales Headquarters, the General Manager of Administration Headquarters, full-time corporate auditors, the General Manager of the Internal Audit Office, and the General Manager of the Administrative Division. In addition, outside committee members are invited to bring in an objective and expert perspective from outside the company, and female committee members are invited to bring in a female perspective, so that compliance can be examined from a variety of perspectives.
Decisions made by the Compliance Committee are publicized at morning video meetings and shared internally as regular reports to the Board of Directors.

Respect for human rights

For knowledge of the human rights issues existing in the regions and to avoid development of nationality or race discrimination, training materials concerning the human rights are monthly distributed to all stores. In addition, the material circulation sheets are collected to monitor the training implementation, for secured understanding.

Corruption Prevention and Anti-Bribery Efforts

We consider corruption and bribery as serious risks that can substantially undermine our corporate credibility.
Accordingly, to prevent corruption and bribery, we have set forth the following provisions under the Service Requirements of the Employment Regulations in accordance with the United Nations Convention against Corruption. We strictly prohibit the provision of unjustifiable profits to civil servants or other government personnel which could invite external suspicion or mistrust, as well as the provision of unreasonable or inappropriate entertainment or gifts to business partners or other related parties.

(1) We do not engage in the provision of entertainment, gifts, or money (nor do we engage in activities that could be construed as such) to civil servants or other government personnel (including individuals at institutions deemed government equivalents) in Japan or overseas in the interest of receiving or maintaining preferential treatment.
(2) We do not engage in the exchange or provision of entertainment, gifts, or money to business partners in the interest of obtaining or sustaining excessive gains or preferential treatment.
※ Number of compliance infringements related to corruption or bribery in the fiscal year ended March 31, 2022: 0

Internal Reporting System

We have introduced an Internal Reporting (Whistleblowing) System that all employees can use in accordance with the Whistleblower Protection Act, to promptly detect and resolve compliance issues.

Under this System, officers or employees who have witnessed or have come in contact with information about a suspected violation of the laws and regulations or corporate ethics, or a suspected case of sexual or power harassment, can directly report such incidence or information to the person in charge of the System.

We have put in place an internal and external consultation desk where these reports can be filed.

Whistleblowing reports can be made via e-mail, telephone, or in written forms, and they can also be made anonymously.

Any information regarding a reported case will not be disclosed to anyone other than the person in charge of handling the case without a justifiable reason.

The privacy of the whistleblower will be protected, and any unfavorable treatment of the whistleblower as a result of having made the report will be prohibited. These provisions are clearly stipulated in the Compliance Committee Regulations, Power Harassment Prevention Regulations, and Sexual Harassment Prevention Regulations.

We regularly inform our employees about the Internal Reporting System and the reporting process using the System at new employee training sessions and during all-staff video conferences. We have also set up a link to the reporting desk on the top page of the intranet portal all our employees use.

- Internal consultation contact: Compliance Committee, HR & General Affairs Department
- External consultation contact: Counseling service operated by Advantage Risk Management Co., Ltd.

Political Contributions

Our policy at KATITAS Group is to avoid making contributions to political activities. However, if we support the activities of any political organization, we would do so appropriately in accordance with the Political Funds Control Act, the Public Offices Election Act, and other relevant laws and regulations.

KATITAS made no political contributions during the fiscal year ended March 31, 2022.

Internal Audit System

To confirm the soundness of business operations, we have established the Internal Audit Office, which reports directly to the president and CEO and comprises two internal auditors. The Internal Audit Office and members of the Audit and Supervisory Board work together to confirm the soundness of corporate management. The Internal Audit Office formulates internal audit plans based on the Internal Audit Implementation Regulations.

After obtaining approval from the president and CEO, the office conducts operational audits at subsidiaries and all branch stores. The office reports audit results to the president and CEO and, after confirming with the president and CEO, reports audit results to personnel in charge of individual departments.





06

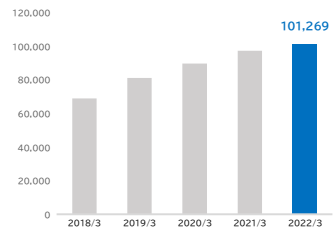
Financial Information

Financial Highlights

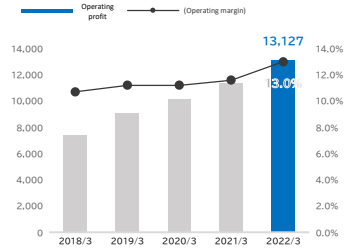
(Millions of yen)

	2018/3	2019/3	2020/3	2021/3	2022/3
Net sales	69,202	81,356	89,978	97,735	101,269
(YoY change)	+11.9%	+17.6%	+10.6%	+8.6%	+3.6%
Number of properties sold	4,773	5,352	5,801	6,155	6,120
Cost of sales	53,272	62,802	69,962	75,545	76,621
Gross profit	15,929	18,553	20,016	22,189	24,647
(Gross profit margin)	23.0%	22.8%	22.2%	22.7%	24.3%
Selling, general and administrative expenses	8,555	9,448	9,894	10,845	11,519
Operating profit	7,374	9,104	10,121	11,343	13,127
(Operating profit margin)	10.7%	11.2%	11.2%	11.6%	13.0%
Ordinary profit	6,789	8,740	9,895	11,125	12,697
(Ordinary profit margin)	9.8%	10.7%	11.0%	11.4%	12.5%
Net income	4,548	5,926	5,190	7,440	6,845
(Net margin)	6.6%	7.3%	5.8%	7.6%	6.8%
Adjusted net income	4,852	5,926	6,671	7,464	8,584
(Adjusted net income margin)	7.0%	7.3%	7.4%	7.6%	8.5%
Basic earnings per share	61.92	78.81	67.98	96.85	88.71
Adjusted earnings per share (in exact yen)	66.06	78.81	87.36	97.16	111. 25
Dividends per share (in exact yen)	13.00	26. 00	27. 00	29.50	33.50
(Dividend payout ratio)	21.0%	33.0%	39.7%	30.5%	37.8%
(Adjusted dividend payout ratio)	19.7%	33.0%	30.9%	30.4%	30.1%
Real estate for sale・ Real estate for sale in process	31,055	36,817	40,510	33,430	44,862
(Inventory turnover)	1.94	1.85	1.81	2.04	1.96
Shareholders' equity	15,321	19,273	22,623	28,091	32,562
Net assets	15,370	19,348	22,737	28,243	32,752
Total assets	38,365	47,406	53,435	55,520	62,644
Equity-to-asset ratio	39.9%	40.7%	42.3%	50.6%	52.0%
Interest-bearing liabilities	17,474	20,750	22,000	19,250	18,500
D/E ratio	1.1	1.1	1.0	0.7	0.6
ROA	20.9%	21.2%	20.1%	20.8%	22.2%
ROE	34.2%	34.3%	24.8%	29.3%	22.6%
Adjusted ROE	36.5%	34.3%	31.8%	29.4%	28.3%
Number of employees (consolidated)	656	715	778	808	866
(Pre-owned house renovation business)	585	635	693	735	784
(Company-wide)	71	80	85	73	82

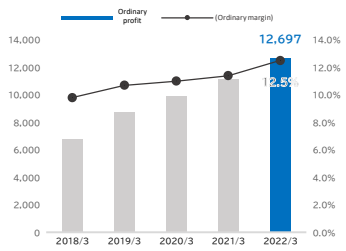
Net sales



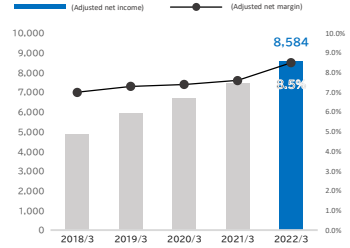
Operating profit/Operating margin



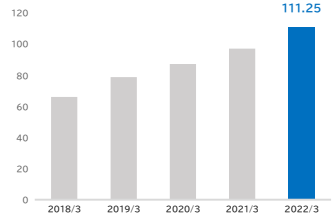
Ordinary profit /Ordinary margin



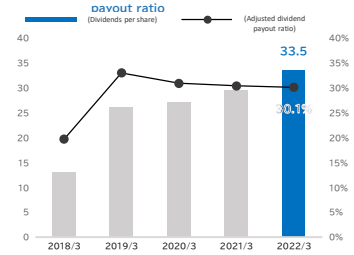
Adjusted net income/Adjusted net margin



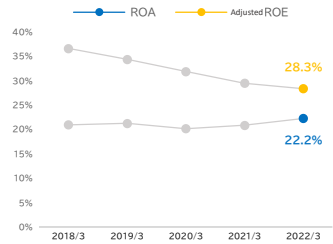
Adjusted earnings per share



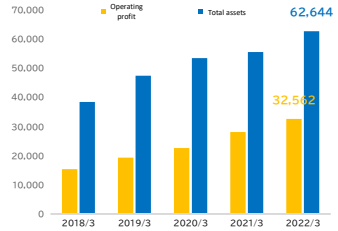
Dividends per share/ Adjusted dividend payout ratio



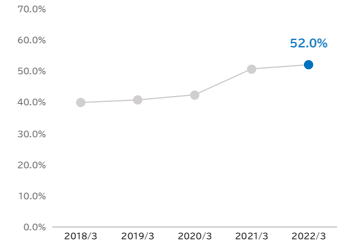
ROA/Adjusted ROE



Shareholders' equity /Total assets



Equity-to-asset ratio



*1 Net income per share, adjusted net income per share, and dividends per share are calculated taking into account the stock splits on September 22, 2017 and April 1, 2020.
*2 ROA = Operating profit / average of total assets as of the beginning and end of period
*3 ROE = Net income / average of balances of shareholders' equity at beginning and end of period
*4 Adjusted net income (margin), adjusted earnings per share, adjusted dividend payout ratio, and adjusted ROE exclude the effect of non-ordinary profit/loss (items not considered indicative of the results of normal operating activities and are not an adequate representation of the Group's performance in comparison to its competitors).

Consolidated balance sheet

(Millions of yen)	2018/3	2019/3	2020/3	2021/3	2022/3
Assets					
Current assets	36,037	45,058	51,346	53,467	60,773
Cash and deposits	4,063	7,395	9,137	19,109	13,409
Real estate for sale	21,154	25,652	28,659	19,656	25,440
Real estate for sale in process	9,900	11,164	11,851	13,774	19,422
Income taxes refund receivable	-	-	582	13	671
Other	920	846	1,117	916	1,833
Allowance for doubtful accounts	-2	-1	-2	-2	-3
Non-current assets	2,328	2,348	2,089	2,053	1,870
Property, plant and equipment					
Buildings and structures, net	174	165	149	149	140
Land	551	524	516	528	527
Other	25	39	27	36	29
Total property, plant and equipment	752	729	693	714	697
Intangible assets					
Goodwill	991	793	595	396	198
Other	50	29	30	29	31
Total intangible assets	1,042	822	625	426	230
Investments and other assets					
Deferred tax assets	390	608	561	713	731
Other	159	201	221	207	217
Allowance for doubtful accounts	-16	-14	-12	-8	-4
Investments and other assets	534	796	770	912	943
Total assets	38,365	47,406	53,435	55,520	62,664
Liabilities					
Current liabilities	9,191	7,964	11,336	8,615	11,252
Accounts payable - trade	2,498	3,105	2,909	3,051	3,769
Short-term loans payable	3,000	-	2,000	-	-
Current portion of long-term borrowings	750	750	750	730	-
Contract liabilities	-	-	-	-	453
Income taxes payable	1,242	1,995	1,779	2,441	2,330
Accrued consumption taxes	-	-	2,034	48	2,409
Provision for bonuses	106	262	113	329	390
Construction warranty reserve	245	255	256	287	305
Provision for loss on litigation	-	1	1	0	2
Provision for loss on disaster	-	-	-	9	5
Other	1,347	1,593	1,492	1,716	1,585
Non-current liabilities	13,803	20,093	19,361	18,662	18,639
Long-term borrowings	13,724	20,000	19,250	18,520	18,500
Allowance for directors' retirement benefits	36	62	80	94	98
Other	42	31	31	47	40
Total liabilities	22,995	28,057	30,698	27,277	29,891
Net assets					
Shareholders' equity	15,321	19,273	22,623	28,091	32,562
Share capital	3,778	3,778	3,778	3,778	3,778
Capital surplus	3,640	3,640	3,640	3,640	3,649
Retained earnings	9,392	13,088	16,154	21,435	25,813
Treasury shares	-1,490	-1,233	-950	-763	-679
Share acquisition rights	49	74	113	152	190
Total net assets	15,370	19,348	22,737	28,243	32,752
Total liabilities and net assets	38,365	47,406	53,435	55,520	62,644

Consolidated statement of income

(Millions of yen)	2018/3	2019/3	2020/3	2021/3	2022/3
Net sales	69,202	81,356	89,978	97,735	101,269
Cost of sales	53,272	62,802	69,962	75,545	76,621
Gross profit	15,929	18,553	20,016	22,189	24,647
Selling, general and administrative expenses	8,555	9,448	9,894	10,845	11,519
Operating profit	7,374	9,104	10,121	11,343	13,127
Non-operating income	31	41	29	45	40
Commission income	11	10	9	7	6
Insurance claim income	12	12	2	3	15
Discount revenue	-	-	5	8	4
Income of compensation	-	-	-	13	-
Other	7	19	12	12	12
Non-operating expenses	616	406	256	262	470
Interest expenses	183	196	189	208	173
Commission for syndicated loans	36	187	39	34	278
Initial public offering expenses	364	-	-	-	-
Other	31	21	27	20	18
Ordinary profit	6,789	8,740	9,895	11,125	12,697
Extraordinary income	53	10	6	-	0
Gain on sale of non-current assets	4	10	6	-	0
Gain on capital transfer	11	-	-	-	-
Insurance surrender payout	38	-	-	-	-
Extraordinary losses	7	25	2,027	51	2,385
Loss on retirement of non-current assets	7	4	0	0	0
Impairment losses	-	5	7	3	0
Loss due to disaster	-	15	4	-	-
Differences in consumption taxes, etc.	-	-	2,014	48	2,385
Profit before income taxes	6,835	8,725	7,874	11,073	10,311
Income taxes - current	2,223	3,016	3,198	3,786	4,129
Income taxes - refund	-	-	-562	-	-646
Income taxes - deferred	62	-218	47	-152	-17
Total income taxes	2,286	2,798	2,683	3,633	3,466
Profit	4,548	5,926	5,190	7,440	6,845
Profit attributable to owners of parent	4,548	5,926	5,190	7,440	6,845

Consolidated statement of cash flows

(Millions of yen)	2018/3	2019/3	2020/3	2021/3	2022/3
Cash flows from operating activities	-2,415	2,069	2,392	14,724	-2,490
Increase/decrease in inventories (- represents increase)	-7,110	-5,762	-3,696	7,065	-11,432
Cash flows from investing activities	95	-20	-23	-21	-20
Cash flows from financing activities	1,660	1,283	-625	-4,731	-3,189
Net increase (decrease) in cash and cash equivalents	-659	3,331	1,742	9,971	-5,700
Cash and cash equivalents at beginning of period	4,723	4,063	7,395	9,137	19,109
Cash and cash equivalents at end of period	4,063	7,395	9,137	19,109	13,409

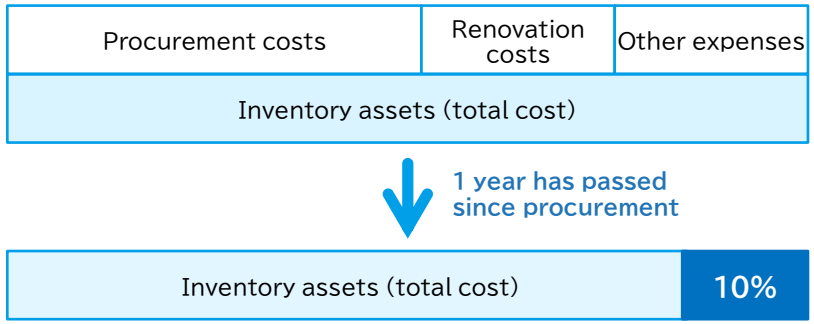
Simple and visible accounting processes centered on the accounting linked to cash and deposits

Accounting process linked to cash and deposits

Revenue and inventory of KATITAS are recorded through an accounting process that links them to the cash and deposits account activities. For example, at the point of sale, about 80% of the buyers leverage housing loans to purchase the KATITAS properties. Payment of the amount of property purchase is directly remitted from the loaner bank of the buyer to KATITAS. The remittance in turn is recorded as revenue, linked to the cash and deposits account, with which a visible accounting process is secured. Because we have no credit risk burden, the accounting process involves fewer account items used for the accounting estimates.

Recording valuation loss as provision for slow-moving inventory

Real estate held for resale occupies a major part of Assets in our balance sheet. Because our real estate held for resale is distributed in rural communities with smaller land price volatility, the level of value volatility risks from slow moving is lower than in urban areas.
However, we record allowance of 10% for real estate held for resale not moving over a year in inventory as valuation loss. Through recording allowance for slow-moving inventory of real estate held for resale, we work for better visibility of our accounting process.



- 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.

Provisioning = Cost anticipation

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

Attitude for proactive dialogs with investors through the IR activities

Assigning dedicated IR personnel, our IR efforts are focused on dialogs with investors. Thanks to the KATITAS model that is simple yet profound, running its business in regional markets less familiar to most of our investors, we are convinced that a widespread understanding of the business model through dialogs with investors is important.
Additionally, by providing regular opportunities for IR personnel to share investor feedback from IR activities with the leadership team, we work to leverage our business operations on the voices from investors.

Development and announcement of the disclosure policy	● The Company has established a disclosure policy that is available for review on its website (https://katitas.jp/en/ir/disclosure.html).
Regular briefings held for individual investors	● Financial results briefings for individual investors are held at branches of securities companies, etc. (Results for the fiscal year ended March 2022: 1 times in total)
Regular briefings held for analysts and institutional Investors	● Briefings are held after the announcement of financial results at the end of the fiscal year and the end of the second quarter.
Regular briefings for overseas investors	● The President and CEO and IR representative provide explanations on financial results and business strategies to overseas investors in North America, Europe, Asia, and other countries through participation in investor conferences hosted by securities companies
IR materials posted on website	● Notices of convocation and resolutions of general shareholder meetings, financial statements, briefing materials for financial results, annual securities reports, press releases, and other materials are posted on the Company's website in a timely manner. ● The Company discloses information to overseas investors by translating financial statements, briefing materials for financial results, limited notices of convocation of general shareholder meetings, and important timely disclosure materials into English.
Establishment of a department (person in charge) related to Investor Relations	● The Company has an IR representative in the Corporate Planning Division along with a dedicated contact point (e-mail). ● For the period from April 2021 to March 2022, the Company actively held meetings with investors, holding a total of approximately 500 IR meetings, excluding financial results briefings.
Other	● To promote understanding of the Group's business, the Company regularly holds property tours mainly for institutional investors. Due to the spread of COVID-19, only one property tour was held in the fiscal year ended March 31, 2022. ● In April 2022, with the cooperation of analysts at securities companies, the Company held a web tour for institutional investors using images of properties for sale, and 71 people from Japan and overseas participated. ● The Company continued to hold shareholder relations meetings during the fiscal year ended March 31, 2022 as in the previous fiscal year and met with departments in charge of exercising voting rights, etc. at nine institutional investors. ● For ESG-related information, please refer to the ESG Report Please refer to the ESG Report.(https://katitas.jp/en/information/sustainability/)

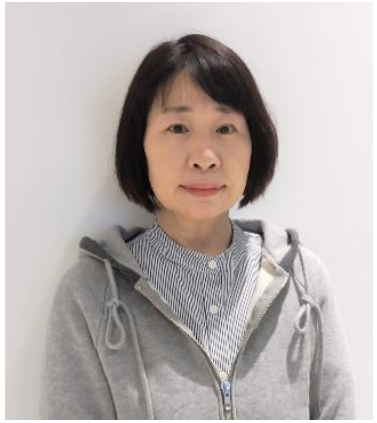
07

Reference information



Customer testimonial: The value KATITAS delivers

I inherited a distant family house, but I sold it after the COVID-19 outbreak because I could not take care of it. Selling the property has lifted a weight off my shoulders.



Ms. K (Shioya, Tochigi Prefecture)

Ms. K sold her family house acquired by inheritance to KATITAS Nasu Branch in May 2021

I sold my family house in Tochigi that I inherited from my parents to the KATITAS Nasu Branch. The family house was more than a two-hour drive from where I lived outside of the prefecture. In addition to the distance, it was difficult for me to make time for it because of work and child care, and I assumed that paying the property taxes would be enough.

Every year, I would travel to Tochigi to visit my parents' grave, but since COVID-19 broke out, I had not been able to do so. I started to feel that I should not leave my parents' house in its current state. I consulted with the local government, but they told me there was nothing they could do. Because clearing the land would be expensive and the house needed maintenance, I was unsure what to do.
In my spare time, I searched the Internet for ways to sell the vacant house and applied for appraisals on broker websites. I was concerned that the house would not sell, but soon after applying, I received a call from KATITAS, which immediately went to see the house with me. I had not been to the house in a long time, and I was shocked to see how badly it had deteriorated over that period.

Because the person in charge was very helpful, I decided to sell the house to KATITAS. Now, I no longer have to pay property taxes, and I feel as though a weight has been lifted off my shoulders. I always thought the house was still livable, so I am happy that KATITAS found the new owners who will keep it.

Before



After



Initiatives to protect customers

Post-delivery repairs

If there are any defects for which the Group is responsible after the delivery of a house sold by the Group (including contractual non-conformities), the Group will repair the defects at its own expense.

Furthermore, even if the Group is not legally responsible for the defect, the Group will perform the repair work if deemed to be appropriate, in order to improve customer satisfaction and protect customers.

The management team reviews the cost of post-delivery repairs on a weekly basis using this as a quality indicator of our renovation work. In conjunction, they review a detailed description of complaints and defects.

The table below shows the repair costs for each fiscal year and their share in net sales. To ensure that repair requests are properly reported by sales personnel and appropriate repair measures are taken, we consider it desirable for the share of repair costs in net sales to be equivalent to or moderately lower than at present.

	FY2019	FY2020	FY2021
Post-delivery repair cost	201 million yen	299 million yen	271 million yen
% in net sales	0.22%	0.31%	0.27%

Survey to check the quality of sales activities

To ensure customer protection, we have a headquarters staff different from our sales staff conduct a follow-up phone survey with customers who have entered into a contract with us.

This is done to check if sales activities by our sales staff are conducted legally and properly and if there are any discrepancies between the contract and the customer's perception of the contract.

Our goal is to have 80% of customers respond to these follow-up phone surveys since some customers can't answer calls during the daytime.

The table below shows our customer response rate (the number of calls made with customers divided by the total number of contracts).



	FY2019	FY2020	FY2021
Goal	80%	80%	80%
Customer response rate	81.75%	85.00%	84.06%

Highly acclaimed by an external rating agency

Winner of the METI Minister Award for advanced remodeling companies (2015)

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- Establishing a mechanism to enhance customer satisfaction, including minimized remodeling costs for second-hand houses, the company is running the resale business of second-hand residential houses focused on detached houses in rural communities.
- In addition to addressing the vacant home issues, the company is contributing to enhanced health of the second-hand residential house distribution market setting unique building and quality standards as the top runner.



Winner of the Porter Prize (2017)

PORTER
PRIZE-2017
AWARD WINNER

- "The Porter Prize" is an award focused on "implementation of outstanding competitive strategies."
- The Porter Prize bestows recognition on companies that have achieved and maintained superior profitability in a particular industry by implementing unique strategies based on innovations in products, processes, and ways of managing.
- Factors that have contributed to the awarding are reselling the houses at a reasonable monthly repayment of the mortgage comparable with the amount paid as rent for an apartment, and providing good-quality homes in areas of declining population where there is a limited supply of newly built homes.

Check the reason for awarding by double-clicking on the URL below or the icons above.
http://katitas.jp/information/ir/file/2017porter prize Jpn.pdf



Raised funds through "social loans" to address social issues (FY2021)

This was the first time (*1) that funds had been raised through social loans by KATITAS or the pre-owned house purchase and resale industry.

Social loans are loans provided for projects that contribute to the resolution or alleviation of social issues according to the Social Loan Principles (SLP) (*2). KATITAS has obtained from Rating & Investment Information, Inc. (R&I) an opinion on conformity (*3) of its loan with the SLP and Social Bond Guidelines set forth by the Financial Services Agency.

The KATITAS Group provides a one-stop service of investigating, purchasing, renovating, and selling pre-owned houses to provide safe, clean, and practical pre-owned houses, based on its management philosophy of "Opening the Doors to the Future for Regions and Customers through Adding [*TAS*] Value [*KATI*] to Houses." The average sales price of KATITAS houses is roughly half the price of newly built houses in the same area, allowing buyers to secure a house without requiring a high income level, thereby helping to improve their quality of life. Furthermore, many of the properties purchased by KATITAS are vacant houses that it renovates and resells. In this way, KATITAS is helping to reduce vacant houses, which have become a social issue throughout Japan.

*1: Confirmed with published materials by Japan Credit Rating Agency, Ltd. (JCR) and Rating & Investment Information, Inc. (R&I)
*2: Social Loan Principles: International guidelines for loans restricted to social projects issued by the Loan Market Association (LMA) based in the UK, Asia Pacific Loan Market Association (APLMA), an Asia Pacific regional industry association headquartered in Hong Kong, and Loan Syndications & Trading Association (LSTA) based in the US in April 2021.
*3: Please refer to the assessment report by Rating & Investment Information, Inc. (R&I) (https://www.r-i.co.jp/rating/esg/sustainabilityfinance/index.html)

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