



ESG Report

2021.6.25



KATITAS Co., Ltd.

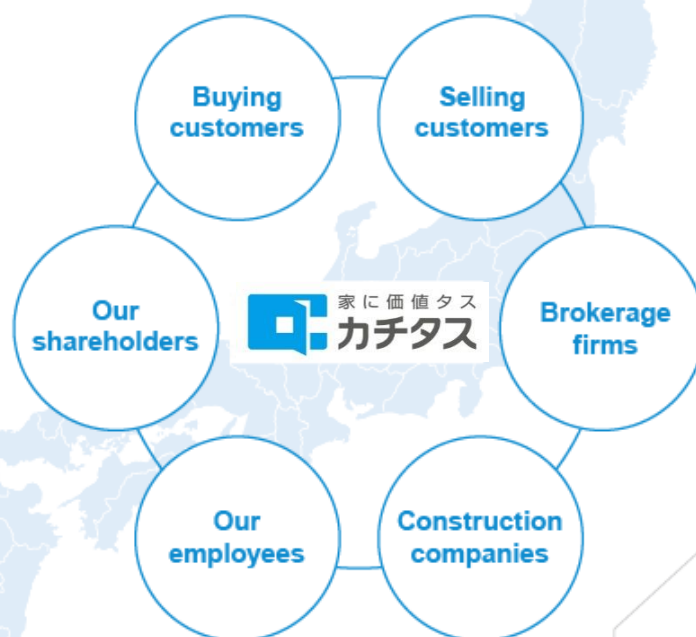
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Providing the Doors to the Future

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

Through the initiatives to “add [TAS] values [KATI] to houses,” we provide 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.



Stakeholders	Values KATITAS offers
Buying customers	To provide second-hand residential houses that satisfy both outstanding and underlying needs and make new owners feel secure
Selling customers	Identifying house values from a different perspective than our contenders' to realize easy-to-handle, comfortable purchases with quick response
Brokerage firms	To become partners that mutually complements purchases and sales by leveraging the strengths of each other
Construction companies	To become partners for mutually better performance by stabilizing the business management through orders of high frequency and accuracy
Our employees	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 shareholders	To deliver what they expected through investments by achieving both social contribution and earnings through conduct of business to realize stable growth

To “add values” 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.

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.

(Disclosed as our “Vision” on our corporate website since changing the company name in 2013.)

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.























Stakeholder	Words of appreciation
Buying customer	We showed the house to a customer who signed the contract during renovation, and gave another tour after the contract. During that tour, the neighbors welcomed the customer warmly, and the customer said the following words of appreciation: “I’m, of course, satisfied with the house. But, even more than that, I’m grateful that you introduced me to a house in such a great environment.” People in the neighborhood also expressed appreciation saying to us, “This was a property that had long been vacant. We’re happy that you brought good people to the neighborhood.”
Buying customer	“We were looking for a newly built house. But conditions and terms were better for KATITAS’ house, and we saved about 8 million yen. We weren’t considering a second-hand house at first, but we were surprised by the quality of the finished house introduced to us by the real estate broker. We found a house that we like at a lower price than our budget, so we could spend the extra budget on buying a car and leave some money as savings. We are very satisfied with the purchase.”
Selling customer	“Our house wasn’t managed very well, so most of the real estate brokers turned us down when we asked for an appraisal. KATITAS was the only company that treated us politely and found value in our house. They made it possible so that people can continue to live in the house without tearing it down. I’m sure my late parents would also be proud.”
Selling customer	“I didn’t know how to sell my parents’ home that had become vacant. That was when I saw a newspaper insert by KATITAS. The content was easy to understand and I was able to make a phone call with peace of mind. The person in charge responded kindly and politely and helped me sell the house. Thank you very much.”
Selling customer	“I inherited my parents’ house where I grew up. But the house was left vacant for over 10 years with a lot of belongings left untouched. Even though the house didn’t sell for much, I was very happy because KATITAS praised my parents’ house, and it was the only company to do so. Now, I can tell the good news to my parents in heaven.” The customer expressed their appreciation while grasping my hand with tears in their eyes when settling the payment. This reminded me of the value of KATITAS.
Brokerage firm	This is a story of a real estate broker that was showing houses to a customer looking for a renovated house. After showing the customer two different renovated houses, the broker showed KATITAS’ house at the end and was able to win the contract. The broker said, “KATITAS’ renovated houses are in a different league. Thank you.”
Construction company	“While there have been many companies that went bankrupt during the pandemic, KATITAS has provided us with a steady stream of work. We are grateful for this and truly glad to work on KATITAS’ projects.”
Construction company	“Winter is usually a slow season, but KATITAS gives us work uninterruptedly, allowing us to keep the business going even during the winter.”

KATITAS Q4 Company-Wide Kickoff (Jan 2021), KATITAS Q1 Company-Wide Kickoff (Apr 2021); excerpts from employee surveys

Materiality (Critical Challenges) UPDATE

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.

	Materiality	Specific activities	SDGs
E	I. To reduce the “environmental load” through promoting distribution of second-hand residential houses	I-1. Farewell to the Scrap & Build that is based on the new-built house 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	

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

I-1. Farewell to the Scrap & Build that is based on the new-built house supremacism

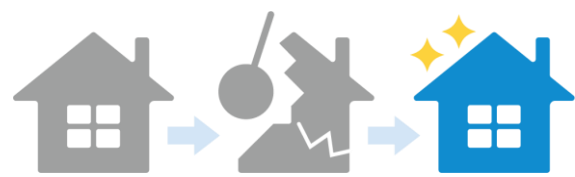


To resolve the serious housing shortage after World War II, the government implemented a housing policy to promote new-built houses for massive supply. During the high-growth period that followed, we had seen an environment that went so far as “Houses will sell if you only build them” in which the scrap & 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

New-built houses by scrap & build

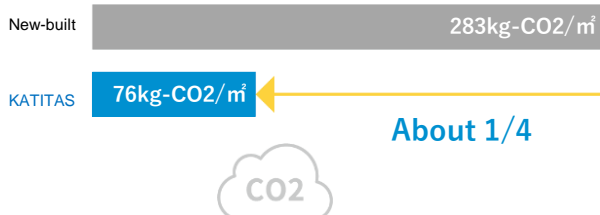


CO2 emission and lumber consumption versus the new-built

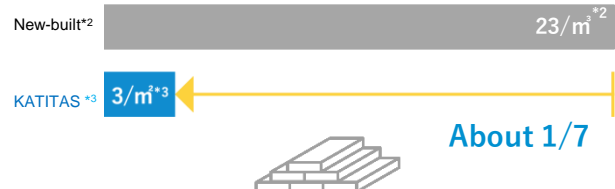
UPDATE

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.

CO2 emission *1



Lumber consumption



*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”

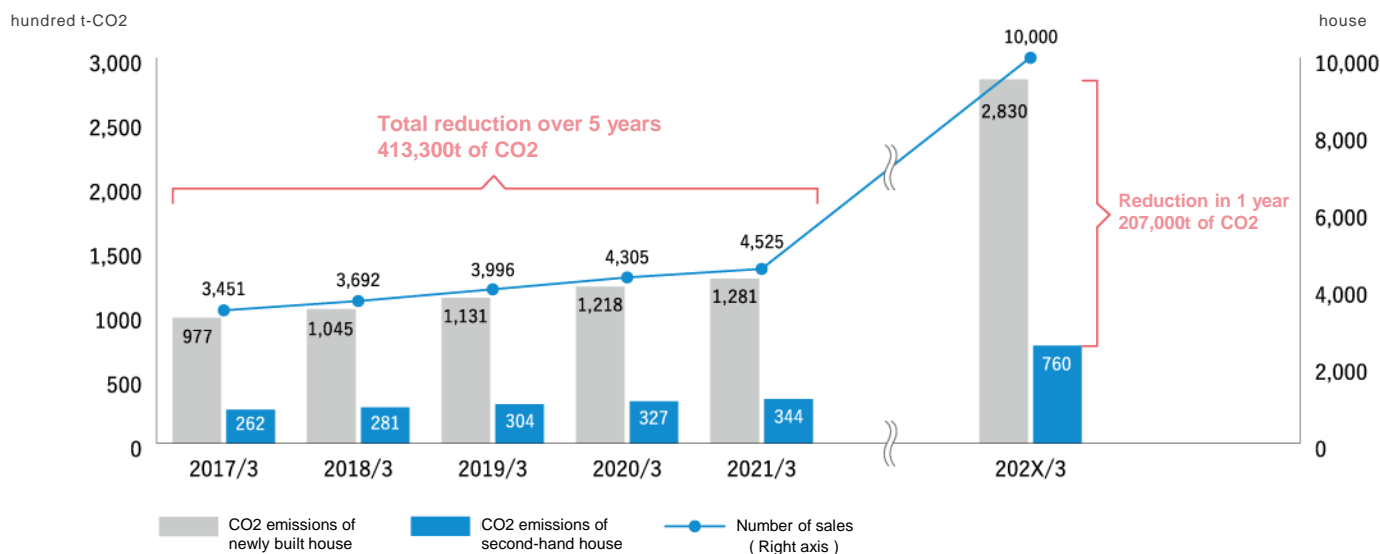
*2 Source: “Use of Wood Resources for Making Forestry a Growing Industry” by the All Japan Wood-recycle Association, an authorized NPO; P. 17 “Lumber usage percentage for different elements per wood-framed house”

*3 Source: Record of our standard remodeling performed in December 2018

Comparison of CO2 emissions UPDATE

Over the past five years, KATITAS has reduced a cumulative total of approx. 413,300t 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 207,000t of CO2 emissions in one year.



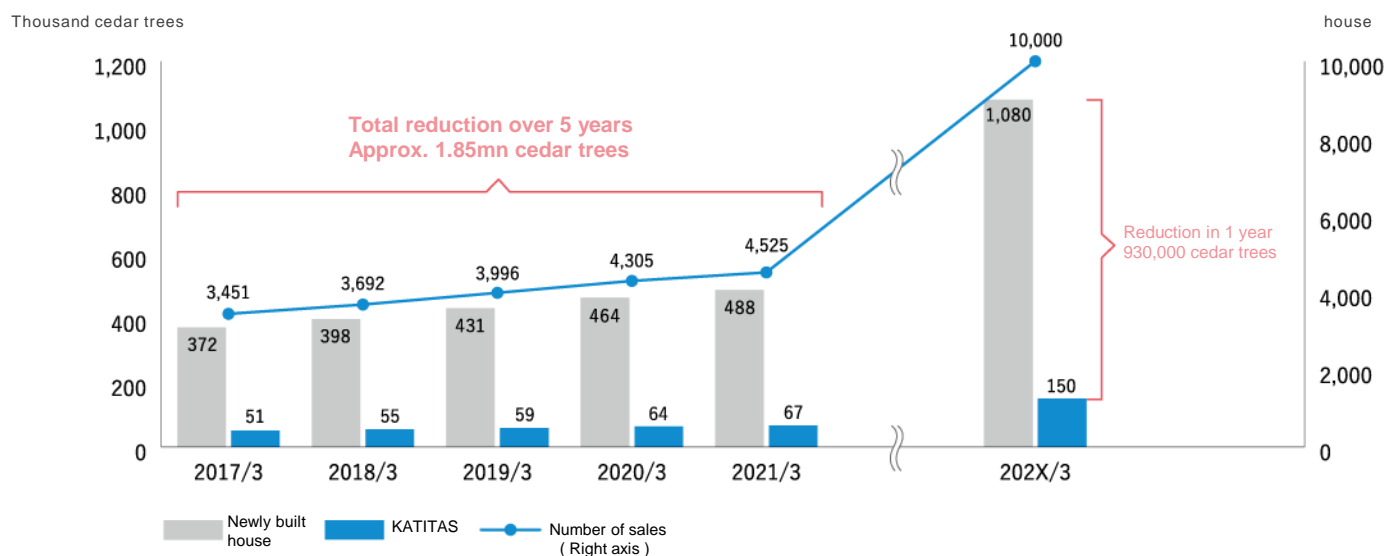
*Calculated on the assumption that the floor area of each housing unit is 100m²

Comparison of lumber usage NEW

Over the past five years, KATITAS has reduced a cumulative total of approx. 1.85 million cedar trees cut by selling renovated houses compared to building new houses (about 1,850 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."

1. Impact and response to the physical risks of climate change

Risks from climate change



- Heavy rain, storms, damage, flooding, and house leaks caused by flooding
- Damage to houses due to landslides
- Stricter mortgage screening to reflect disaster risk

Risk reduction through pre-purchase surveys



- Old residential areas tend to be locations with few disasters chosen by predecessors
- Review of disaster history and hazard maps
- Risk may increase depending on future climate change

Damages caused by natural disasters in the past

Year/ Month	Details	No. of damaged properties (KATITAS)	Damage amount	No. of damaged properties (Total)
Feb. 2014	Heavy snowfall in Kanto-Koshin district	26	¥23mn	679
Aug. 2014	Hiroshima landslide disaster	0 (1 store)	¥0mn	4,769
Apr. 2016	Kumamoto earthquake	14	¥14mn	206,886
Jul. 2018	Heavy rainfall in western Japan	6	¥9mn	50,470
Sep. 2018	Typhoons No. 21 and 24	7	¥3mn	51,367
Oct. 2019	Typhoon No. 19	3	¥4mn	101,673



- Ownership of properties distributed throughout the country
- Small unit price per property
- ➔ Large losses are unlikely even in the event of a disaster

2. Impact and response to political or legal transitions

In the past, policies and laws to promote home purchase were implemented with a particular focus on supporting newly built houses with the aim of increasing housing supply and buoying the economy. Therefore, there is a risk that the government may enforce policies and law in the future that consist of content that make it difficult to distribute second-hand housing. For example, if the government were to obligate second-hand housing to have the same performance to that of a new house for earthquake resistance or energy-saving, then a large amount of cost may be required to improve performance.

KATITAS conducts sales activities and renovation planning tailored to the needs of customers. We are working to improve seismic performance of housing in regions where there is a strong need for earthquake resistance. We will continue to work to provide high-quality housing while assessing policy trends and customer needs.

3. Opportunities due to shifts in customer orientation toward home purchases

Japanese people have long had a strong tendency to purchase newly built homes. But consumer preferences are changing with the times, and the cohort of consumers who say they are “fine with either newly built or second-hand home” has exceeded the cohort saying they only want a “newly built home.”^(*) We believe this indicates that the consumer focus has shifted to the cleanliness of a house rather than if it is newly built. Further, home-buying households have generally seen stagnant salaries, and they are likely placing their hopes on affordable housing.

We believe a further recognition among consumers that renovated homes emit less CO₂ and use less lumber compared to newly built homes could further prompt consumers to select second-hand housing in the future.

^{*1} MLIT, Guidance for responding to Task Force on Climate-related Financial Disclosures (TCFD) recommendations in real estate (March 2021)

^{*2} Cabinet Office website, Disaster Prevention Information page, total number of damaged properties (completely destroyed, half-destroyed, partially damaged, flooding above floor level, flooding under the floor)

^{*3} MHLW, “Comprehensive Survey of Living Conditions” (2018)

Although we do not yet take on initiatives or make disclosures based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, we prepared this report based on the recommendations to explain that our business model is resilient against risks of climate change.

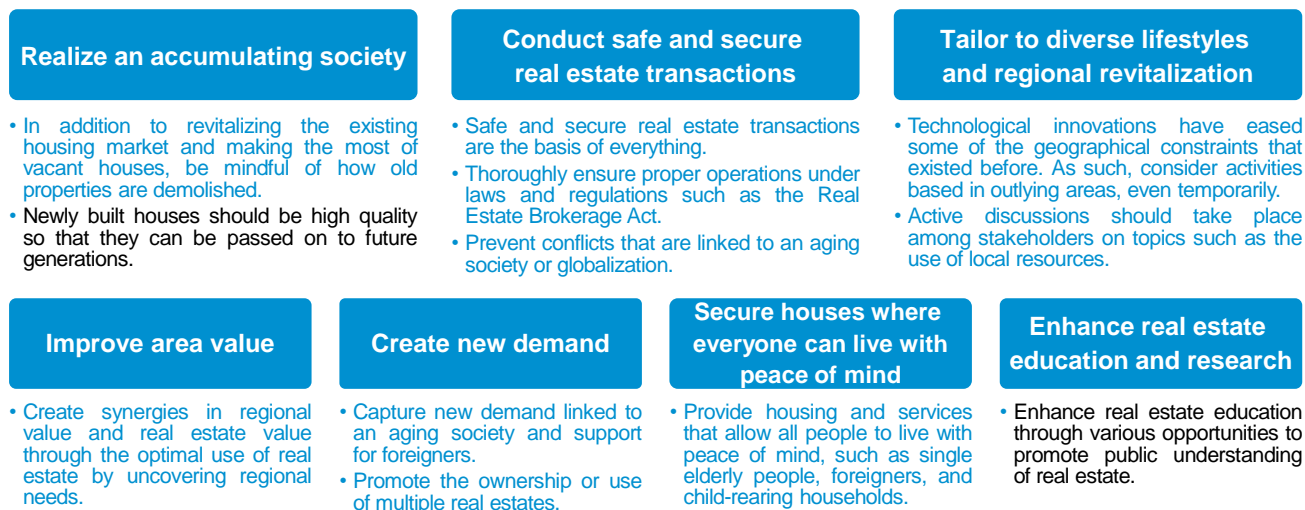
The impact that KATITAS has on the real estate issues in Japan set out by the Ministry of Land, Infrastructure, Transport and Tourism

The Ministry of Land, Infrastructure, Transport and Tourism (MLIT) discloses the following figures as Real Estate Vision 2030 and “Impact on social fields (S) expected in Japanese real estate.”

The issues that KATITAS solves through its business are marked in blue.

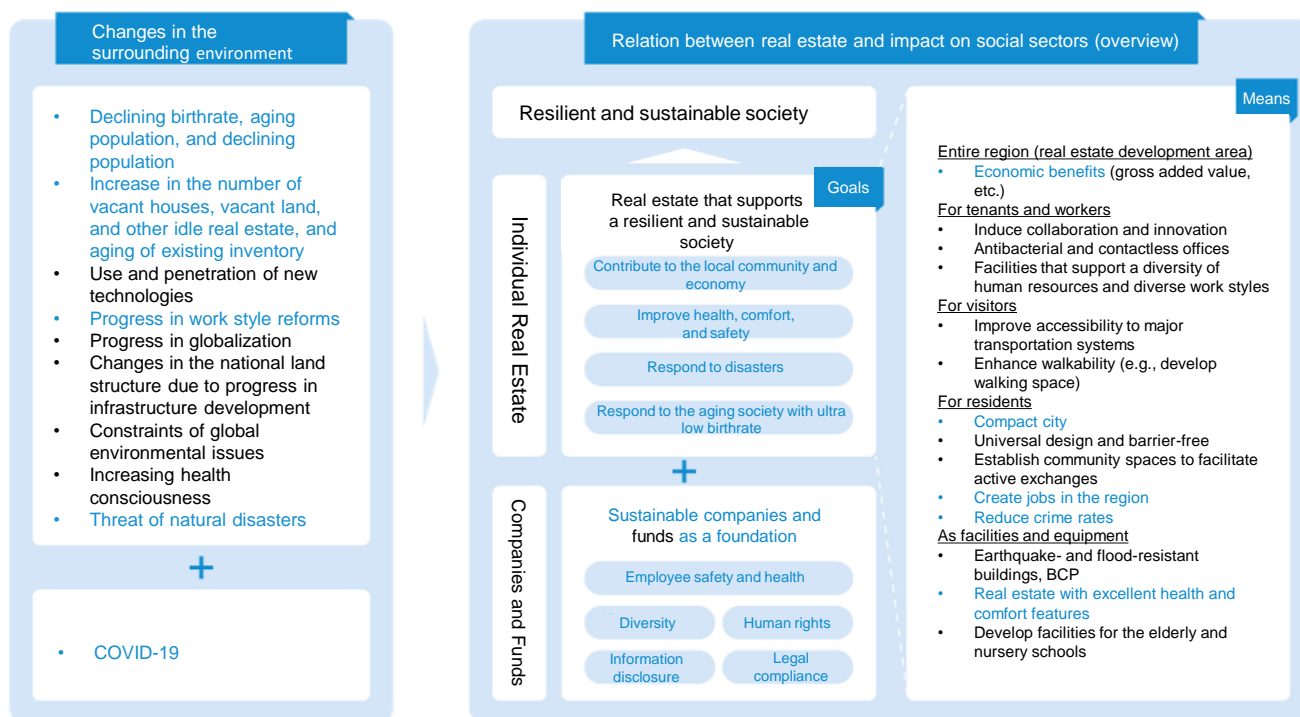
We take pride that KATITAS' business is one that can solve many social issues in Japanese real estate.

Common goals of the public and private sectors



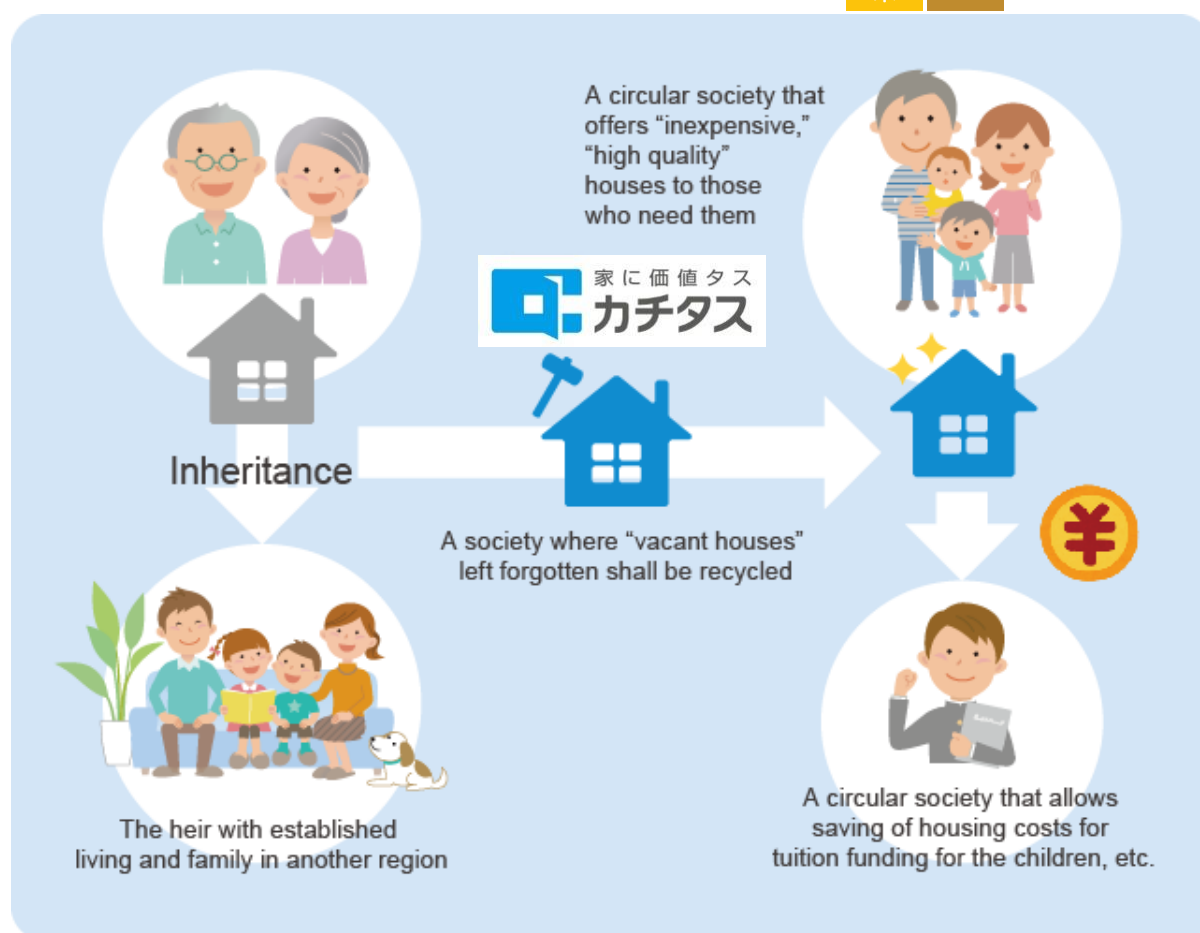
Source: Real Estate Vision 2030: Toward the “Optimal Utilization of Real Estate” in the Reiwa Era.

Impact on social fields (S) expected in Japanese real estate



Source: MLIT, ESG-TCFD Practitioner Working in the Real Estate Sector, “Document 4-1 Impact on social fields (s) expected in Japanese real estate”

I-2. To achieve the circular economy



The magnitude of value KATITAS creates by revitalizing vacant houses

NEW

We revitalize "vacant houses" that are usually not distributed on the market as-is (i.e., don't create value). By doing so, we create new value from vacant houses, which are considered to be a social issue. In addition to the number of beneficiaries listed below, we provide better modes of living to customers and provide a "new, circular value to society" by creating more jobs and other means.

Economic impact per property

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 million yen

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

Fiscal year ended March 2021: Basic information

Number of sales in one year	6,155 properties
Economic impact	98,480mn yen
Total number of beneficiaries	37,545 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), second-hand detached houses

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 “rural x detached x old houses”



Under the corporate credo of “Providing the Doors to the Future. For regions and customers through ‘adding values to houses.’,” we are researching and purchasing second-hand residential houses as inventory for ourselves, remodeling them, and reselling them in succession to provide “secure, clean and practical” second-hand residential houses utilizing 100+, locally routed operation bases.

There are under-utilized houses that are left forgotten in the regions as well as those going to be vacant because of the difficulty to sell in a regular second-hand residential housing market. Even with such houses, through the initiatives to “add values to houses,” we provide 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 newly built houses are preferred.

Provision of the fourth option substituting new-built, second-hand residential or for rent

The average unit price of the houses we sell is as inexpensive as 14.5 million yen. Being inexpensive indeed, since we undertake the bargainer responsibility by once purchasing the second-hand residential, unlike regular real-estate brokerage transactions, we offer them as high quality “KATTITAS Properties” after our own research and remodeling as inventory in a responsible manner.

We are offering and advocating the “fourth option for housing choice,” that is, “a remodeled and renewed second-hand residential house”, not “new-built,” not “second-hand residential and as is,” and not “for rent.”



Social significance: Resolution of Japan’s societal challenges

- In the Japanese society facing a shrinking population, leveraging existing real estate stock is our societal challenge.
- We will contribute to development of local distribution economics through utilization of the continually increasing vacant houses.

Resolution to the vacant
house issues

Regional
revitalization

Ecology

Resolution to the vacant house issues

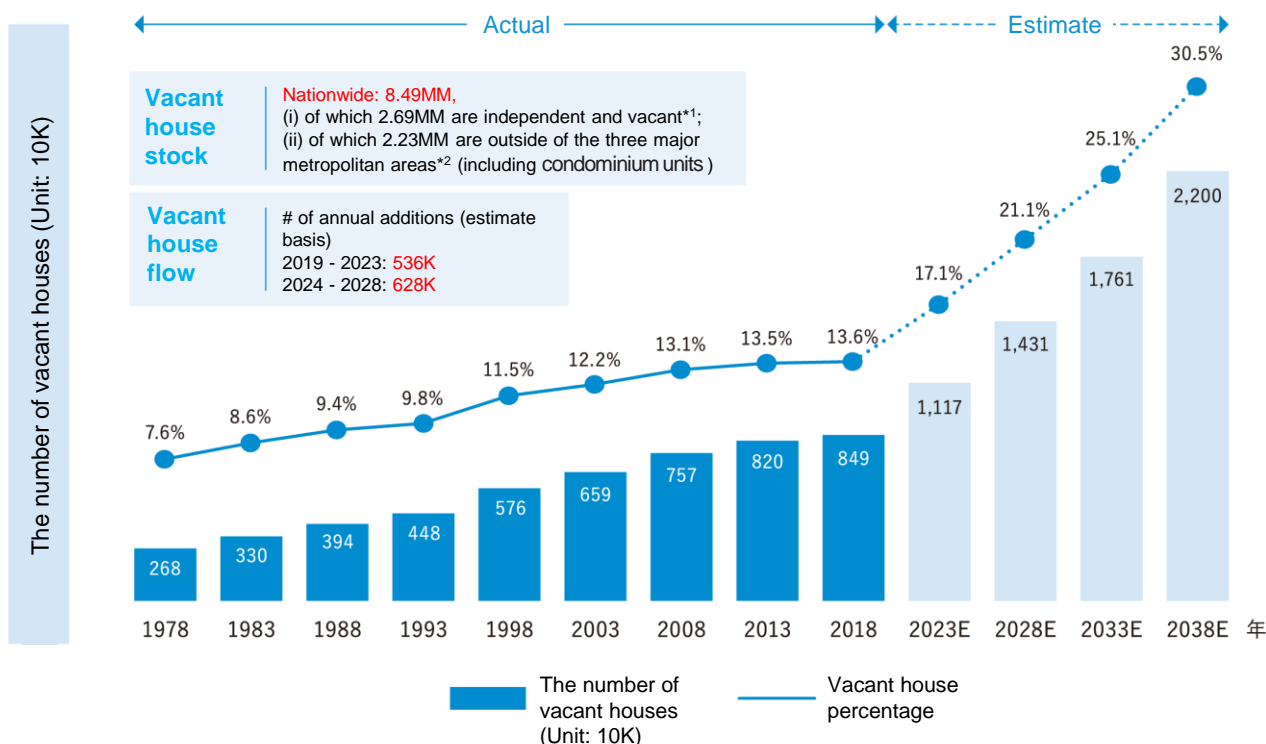
Vacant houses are increasing nationwide in Japan every year and the number as of 2018 stood at 8.49MM (with a vacant ratio of 13.6% of the total houses in Japan), which has become a societal challenge.

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 second-hand 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 remodels houses for another cycle of living to care for the regions.”



Forecast of the number/percentage of the vacant houses



*1: Vacant houses include houses for secondary use and for rent.

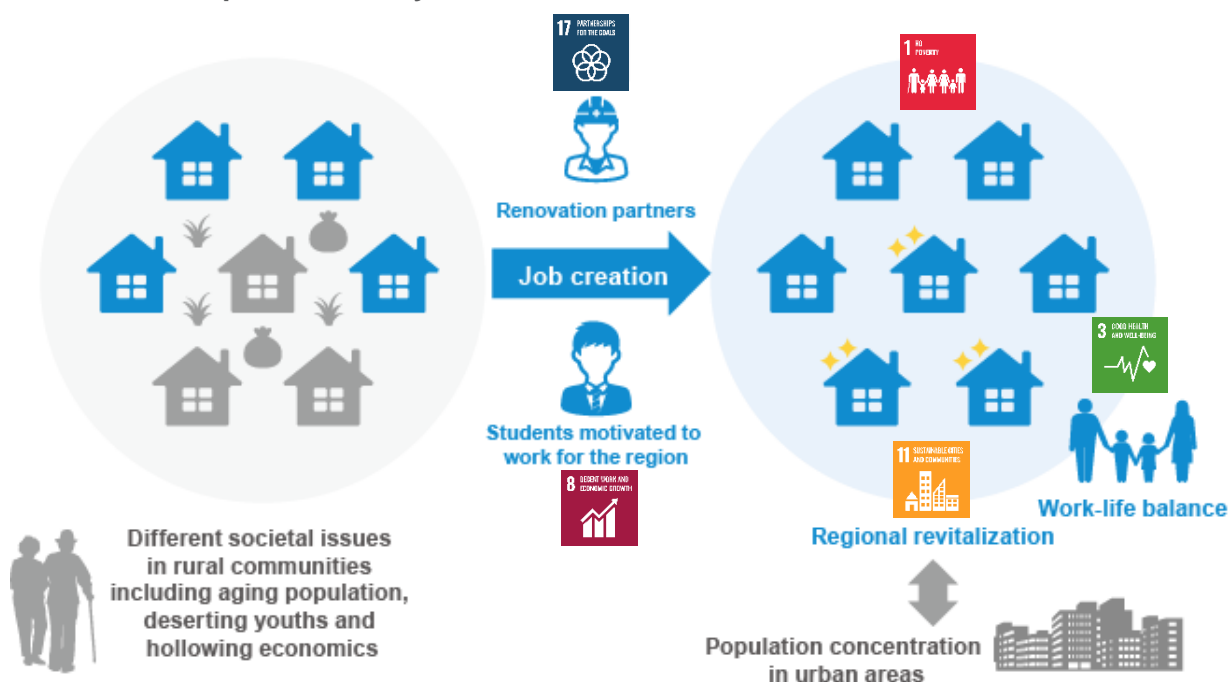
*2: Three major metropolitan areas (by definition of the Ministry of Internal Affairs and Communications (MIIC)): Tokyo area refers to Saitama, Chiba, Tokyo and Kanagawa. Nagoya area refers to Gifu, Aichi and Mie. Osaka area refers to Kyoto, Osaka, Hyogo and Nara.

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.

III. To promote “regional revitalization” through life of local living and working

8.49MM vacant houses nationwide, a significant societal issue

Vacant houses compromising scenic view and public security



With the excess concentration in the Tokyo Metropolitan area, issues such as declining birthrate and aging population or vacant houses are accelerating in rural communities versus urban areas. One of the major causes is the “less job opportunity” issue in rural communities.

To resolve this issue, KATITAS is conducting local recruitment of students “motivated to work to help the regions” from the local universities, and hiring and assigning them locally.

Meanwhile, we place our remodeling orders with local partner builders, from which additional jobs are being created among them.

Through the jobs that go around rural communities in a circle, the “regional revitalization” is being secured.

Because houses we offer are inexpensive compared with the new-built houses in urban areas, the buyers can save the housing costs for more “tuition funding,” “dining” or “entertainment” expenditures, which can help fulfill their work-life balance.

With “vacant houses” being recognized as a societal issue, we are not just resolving that, but also contributing to promotion of the regional revitalization by running the business of “adding” “value” to second-hand residential houses.

III-1. Affordable housing (reasonably priced houses) offers



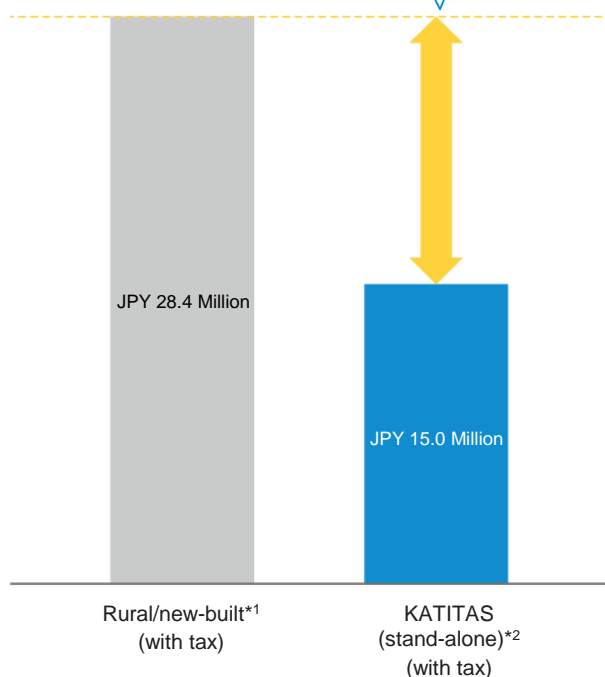
UPDATE

Annual household incomes of about 70% of the buyers of KATITAS homes are between 2 and 5 million yen.

A household concerned about the future due to stagnant average wage growth in Japan can afford to live in a secure, clean and practical detached house through purchase of a KATITAS home at a comparable payment to the amount paid as monthly rent.

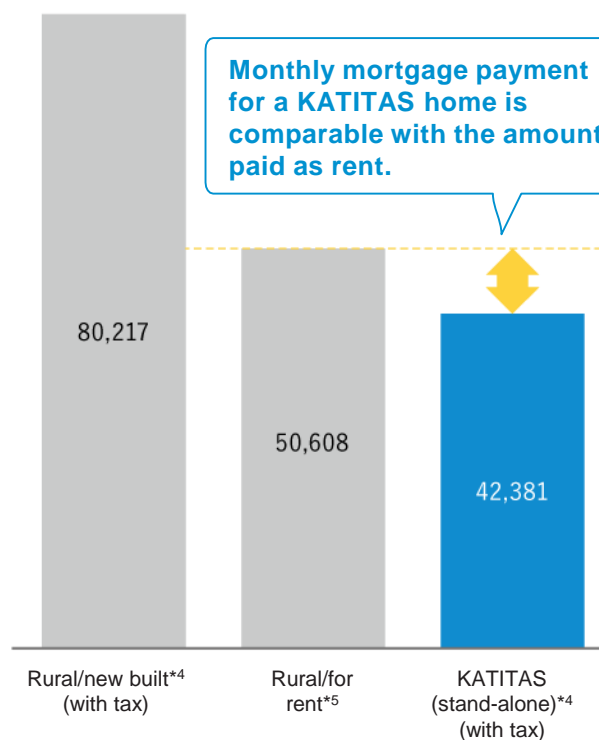
Comparison with the average transaction price of new-built single-family detached houses

KATITAS homes priced almost half of the market price of the new-built properties



Comparison with house rents*3

Monthly mortgage payment for a KATITAS home is comparable with the amount paid as rent.



Transactions: April 2016 to March 2017

Constructions: 2016 and on

Real estate type: Residential land (land and building)

Total floor area: Between 50 sq. m and 200 sq. m

House usage: Home

*1: Properties were retrieved from the Land General Information System by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) using the filtering available. The numbers are average unit price of them (with tax).

*2: KATITAS numbers are the average transaction prices of the properties completed between April 2019 and March 2020.

*3: Rents are the amount paid monthly. Single-person households are excluded.

*4: 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.

*5: Source: MIIC documentation "Latest Estimate, Land and House Survey 2018"

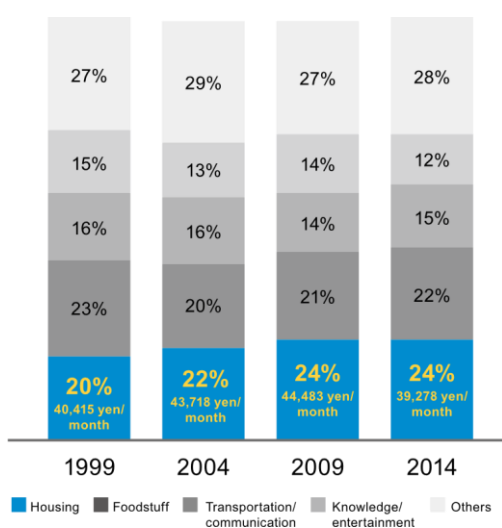
Side benefit that can be expected:

May work for the declining birthrate through reduced financial strain

We believe that KATITAS homes, if they become “ubiquitous,” may have a side benefit to the declining birthrate issue, helping reduce the housing cost burden on the household budgets.

Behind the situation in 2019 with the number of births being the lowest ever at 865 thousand with a fertility rate of 1.36, there is a reason that the housing cost burden is outstanding in the young adult generations up to 39 years old. Women up to 39 years old gave “financial situations” as a reason for less planned number of children than their ideal. We believe that affordable housing offers made available by KATITAS may have a side benefit to the declining birthrate issue.

Breakdown of monthly expenditures of single-person households under 39 years old



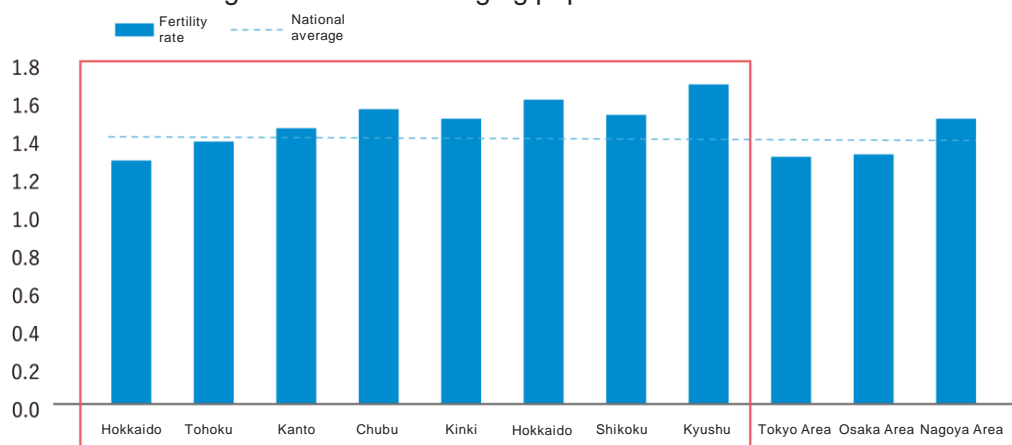
Source: MIIC's "National Survey of Family Income and Expenditure" with recalculation at KATITAS Single-person household/under 30 and 30 through 39 averaged/simple average of male/female amount of consumption

The number of planned children being fewer than ideal			Ideal: One Planned: None	Ideal: Two Planned: One	Ideal: Three Planned: Two
Reasons for not having the ideal number of children	Financial	Significant rearing/education costs	15.6	43.8	69.8
		Affects my current job and career.	6.5	11.8	18.7
		Our home is not big enough.	1.3	6.1	16.1
	Age/ physical	Old enough to be reluctant.	39.0	42.4	38.1
		Trying, but just not coming.	74.0	34.8	9.8
		Health concerns	24.7	17.5	14.7
	Child-rearing burden	Cannot bear more burden.	9.1	14.1	21.0
	Attributable to husbands	Attributable to husbands	2.6	11.6	9.6
		Hoping the youngest to reach adulthood before retirement	2.6	6.5	8.3
		My husband doesn't want more.	3.9	9.4	7.7
Others	Social environment	6.5	5.7	6.1	
	Caring more about their marital life	9.1	4.9	6.3	

Source: MLIT's "Situations concerning residents in Japan" The National Fertility Survey (2015) by National Institute of Population and Social Security Research

In the regions we run our business, the fertility rates are transitioning at higher levels than the three major metropolitan areas.

Assuming lower share of housing expenses in the total cost of living than in the three major metropolitan areas as a contributor, we believe higher fertility rates coming from rural communities should resolve the declining birthrate and the aging population.



Source: MHLW's "Vital Statistics (2018)" with recalculation at KATITAS

*1 Tohoku refers to Aomori, Iwate, Miyagi, Akita, Yamagata and Fukushima. Kanto refers to Ibaraki, Tochigi and Gunma. Chubu refers to Niigata, Toyama, Ishikawa, Fukui, Yamanashi, Nagano and Shizuoka. Kinki refers to Shiga and Wakayama. Chugoku refers to Tottori, Shimane, Okayama, Hiroshima and Yamaguchi. Shikoku refers to Tokushima, Kagawa, Ehime and Kochi. Kyushu refers to Fukuoka, Saga, Nagasaki, Kumamoto, Oita, Miyazaki, Kagoshima and Okinawa.

*2: Three major metropolitan areas (by definition of the Ministry of Internal Affairs and Communications (MIIC)): Tokyo area refers to Saitama, Chiba, Tokyo and Kanagawa. Nagoya area refers to Gifu, Aichi and Mie. Osaka area refers to Kyoto, Osaka, Hyogo and Nara.

III-2. 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 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.

III-3. Promotion of female participation and career advancement



UPDATE

Female employees account for 39.2% of sales representatives and female managers account for 16.7% of management positions at KATITAS (as of April 1, 2021).

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 remodeling, keeping the housekeeper's perspective and traffic patterns in mind.

Annual purchase/selling ranking of sales personnel (FY2020 Results)



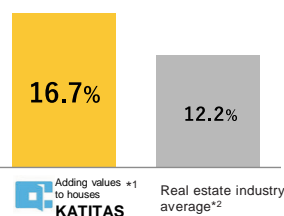
65% (13 reps) of our 20 top sales reps are women.



Ratio of female managers (As of April 2021)



High ratio of female managers



Ratio of female employees (As of April 1, 2021)



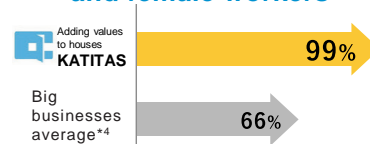
Female employees interested in remodeling/housing enrolled (39.2%)



Comparison of the average years of service, female to male (As of March 31, 2021)*3



Less average service year difference between male and female workers

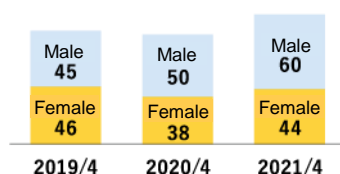


Male/female ration of new graduate employees



High female ratio in our new graduate employees.

(Unit: headcount)



Addition to the MSCI Japan Empowering Women Index

2020 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

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*1 Source: Stats of the KATITAS Area Managers and Store Managers

*2 Source: TEIKOKU DATABANK, LTD., "Survey of Corporate Attitudes Towards Promotion of Women (2019)"

*3 Average service years of female employees divided by that of male employees (in percentage)

*4 Source: MHLW, "2019 Basic Survey on Wage Structure"

III-4. 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



Slide explaining the purpose of the KRP Meeting

Purpose of the Meeting	
1. Express appreciation toward everyone's continued hard work	Thanks to your efforts, we can bring good properties on the market. We deeply appreciate your contributions.
2. Understand the current state of KATITAS and the level of construction quality that we seek	It's important for everyone to be on the same page in terms of quality standards so that we can provide houses that satisfy customers.
3. Strengthen relationships	Let's strengthen the relationship not only between KATITAS and partners, but also between partners, by sharing expertise and consulting each other to build better houses.

Excerpts of questionnaire responses by partner builders

NEW

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.

IV. “Enhanced governance” for sustainable growth

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



Proactive appointment of outside board members UPDATE

The Company invites independent outside directors, each with specialized knowledge, so that three out of nine directors (1/3) 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.

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.

Meanwhile, we are conducting assessment of the corporate board's effectiveness for the purpose of its enhancement. Honest opinions are provided, on which we will base our continuous improvement for better corporate board quality.

Details about the assessment of the corporate board effectiveness are available [here](#).

Excerpt of comments from assessment of the corporate board effectiveness UPDATE

Questionnaire	5-level rating	Open-ended responses
Content of agenda	Satisfied	I think it would also be good to set up time for members of the Board of Directors to discuss only the important topics in the short and medium- to long-term.
Period until resolution	Satisfied	I am satisfied that resolution materials are being distributed in advance. However, depending on the content, it may be better to explain in advance in person or by phone.
Status of preparing reporting materials	Very satisfied	Over the past year, I have been very satisfied with the truly detailed briefing on industry trends and competitor information.
Knowledge, experience, and abilities of officers	Very satisfied	Each officer is giving advice to improve knowledge sharing or business operations based on an understanding of governance, enabling the Board to function effectively.
Knowledge, experience, and abilities of officers	Satisfied	I am a little concerned that there are not many members who rose up the ranks starting from an on-site worker.
Knowledge, experience, and abilities of officers	Satisfied	I think it is sufficient. I understand there is a call for more outside directors and promotion of female officers in the present era. But appointed officers should be down to earth. I basically think it is important to “make constructive proposals based on an understanding of the Company’s business model.” I hope the Company will be careful not to focus too much on appointments merely based on the number of people or the composition ratio.
Composition of officers (diversity)	Satisfied	I think it is satisfactory as it is now, but I also look forward to the participation of female officers, which the Company plans to appoint in the future.
Status of response to assignments	Very satisfied	Highly appropriate. There is always a report at a later date about the statements made at the Board of Directors meeting, even the ones I’ve forgotten. It’s wonderful.
Disclosure of ESG and SDGs	Very satisfied	The disclosure is sufficient. It is impressive that the Company prepares the disclosures on its own without relying on third parties like consultants.
Disclosure of ESG and SDGs	Normal	More efforts should be made to disclose information, including the preparation of an Integrated Report.

Excerpts from open-ended responses to the effectiveness evaluation conducted in March 2021

Interview with an Independent Outside Director



NEW

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.



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 Sloan 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: 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 management 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.

(Interviewed on January 13, 2021)

IV-2. Supervision of business execution by the Board of Directors



NEW

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, three out of the nine directors are independent outside directors and two out of the 14 officers are female directors who are appointed from the perspective of diversity.

Skill matrix of the board of directors

		Katsutoshi Arai	Shinichi Onizawa	Kazuhito Yokota	Harutoshi Oe	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	-	-	-	-	-	-	12	2	New	-	11	-	New
	Gender	Male	Male	Male	Male	Male	Male	Male	Male	Female	Male	Male	Male	Female
	Age (As of June 30, 2021)	52	61	53	52	37	65	69	57	57	48	50	44	50

IV-3. 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 NEW

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 NEW

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.

IV-3. 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.

Compensation package

Fixed pay and allowances
80%

Incentives
20%

Policy for determining remuneration for directors

NEW

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).

Remuneration system

Fixed remuneration
70%

Performance-linked (Cash)
20%

Performance-linked (Stock)
10%

Clarification of the process of deciding the remuneration of officers

UPDATE

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.

IV-4. Development of intra-company compliance awareness



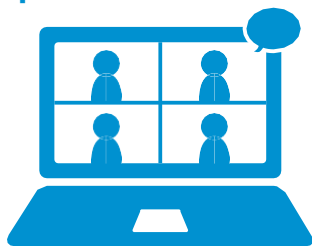
Enhanced compliance awareness through the Morning Video Sessions

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

UPDATE

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.

V. Highly transparent accounting process and attitude for proactive dialogs

V-1. 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 as well, we work for better visibility of our accounting process.

V-2. Attitude for proactive dialogs with investors through the IR activities



UPDATE

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.

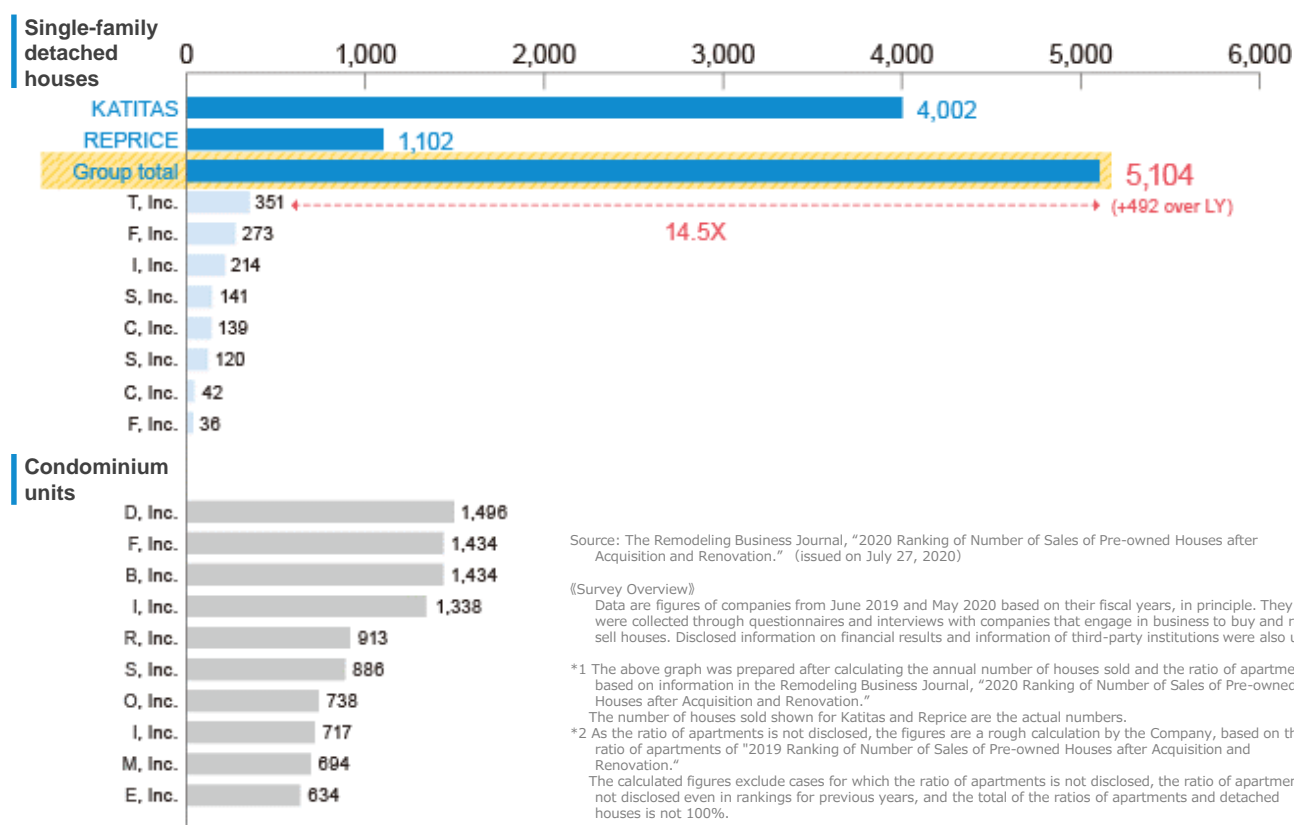
Additionally, by providing regular opportunities for feedback of the investors' voices through the IR activities from the IR personnel to the leadership team, we work to leverage our business operations on the voices from investors.

Regular briefings for overseas investors	<ul style="list-style-type: none"> Normally, the President travels to North America, Europe, and Asia to conduct local overseas IR to explain the financial results and business strategy. However, due to the spread of COVID-19, he has been conducting one-on-one meetings or small meetings, mainly via web conference. When we announced our financial results in May and November, 2020, we created opportunities to explain our financial results to investors in North America, Europe, and Asia (Hong Kong, Singapore) via conference call.
Posting of IR materials on website	<ul style="list-style-type: none"> We post notices of convocation and resolutions of general meeting of shareholders, financial statements, explanatory materials, securities reports, and press releases on our corporate website in a timely manner. We translate financial statements, explanatory materials, notices of convocation of general meetings of shareholders (in a narrow sense), corporate governance reports, and important timely disclosures into English and make the information available to overseas investors.
Setting up IR-related department (representative)	<ul style="list-style-type: none"> The Corporate Planning Division has appointed an IR representative and established a dedicated contact point (e-mail). We have conducted 180 one-on-one meetings with domestic and overseas institutional investors. (Results for the fiscal year ended March 31, 2021) We have held 16 small meetings, which were attended by 196 institutional investors, in cooperation with analysts from securities companies. (Results for the fiscal year ended March 31, 2021)
Other	<ul style="list-style-type: none"> To promote a better understanding of the Group's business, we have been holding property tours on a regular basis, mainly for institutional investors. However, due to the spread of COVID-19, we only held one tour for the fiscal year ended March 31, 2021. In April 2021, we held a web-based property tour, where we recorded a tour of local properties and explained the contents of the tour, in cooperation with analysts from securities companies. This tour was attended by 71 investors. We also participated in conferences for investors hosted by securities companies. (Achievements in the fiscal year ended March 31, 2021: 13 conferences, 121 interviews (including participation in small meeting format)) Since the fiscal year ended March 2021, we have held shareholder relations (SR) meetings and met with the departments in charge of exercising voting rights of nine institutional investment firms.

Other Non-financial Information of KATITAS

No. 1 in the single-family detached house purchase and resale ranking

Ranking by the number of houses sold in the second-hand residential house purchase and resale business



"Second-hand residential house purchase and resale" can be segmented into two sectors, "detached houses" and "condominium units."

In the second-hand resale distribution of "detached houses," KATITAS and REPRICE together comprise a dominant No. 1. With a 14.5-times gap with the follower T, Inc. in 2019 growing from 12.8-times and 11.9-times respectively in 2018 and 2017, we are expanding the lead year by year.

On the other hand, in the second-hand resale distribution of "condominium units," there is a sea of companies trading as many as 1,000 units annually, constituting a heavily intense competition.

In "detached houses", risks unique to themselves such as "termites", "leaning," "right issues" and "assessment of highly individual properties" exist. Accommodating these particular risks, we perform initial purchases and remodeling, exploiting all available expertise built on track record transactions of an accumulated total of over 60,000 houses.

With our efforts of running our business as community-based and by setting "secure, clean and practical" as our corporate credo, we are committed to reselling our properties, resolving those concerns about second-hand residential houses.

“Ecosystem” that is organically connected

UPDATE

Value-creation
Story of KATITAS

Materiality
(Critical Challenges)

Initiatives for
ESG Materiality

Other Non-financial
Information of KATITAS

Reference in the KATITAS disclosure
corresponding to ESG-related items



We conduct business in local cities of 50 to 300 thousand population as the primary areas of business. With less scalability of the house trades on our own, relationship with outside stakeholders has become a critical growth factor.

We began the initiatives of renewal business of second-hand residential houses in 1998 and implemented speedy, nationwide expansion from then on. Establishment of the store network and relationship with outside stakeholders as well as numerous failure cases have become the first-mover advantages and are shaping the entry barriers to our contenders.

Not built overnight, the organically tied “ecosystem” formed around KATITAS has helped us secure the sweeping leader positioning in the “resale business of second-hand residential houses.”

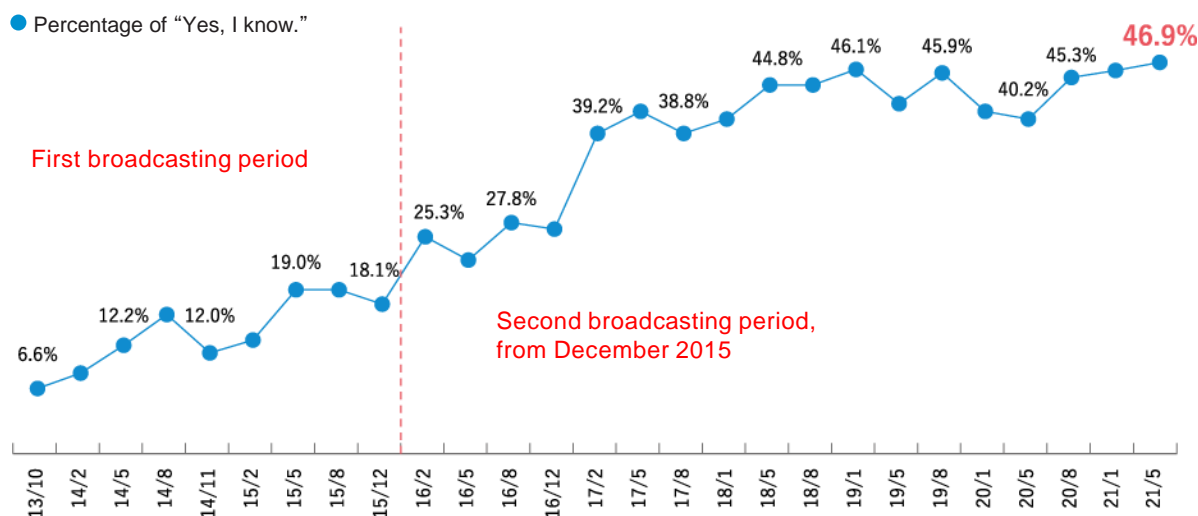
Recognition of KATITAS in “rural communities”

UPDATE

Our TV commercials are broadcast in areas other than the three major metropolitan areas.

Through implementation of the TV commercials in a comical rhythm with ear-friendly sounds, we have been successful in continuously gaining high-level recognition in the TV commercials reach areas for the “Choose KATITAS when you buy a house in rural communities” branding. (Watch the TV commercials here: “There goes Kaitori birdy (15 sec.)” and “But why? (15 sec.)”)

Q. Do you know a company called KATITAS? (Stats of the TV commercials reach areas)



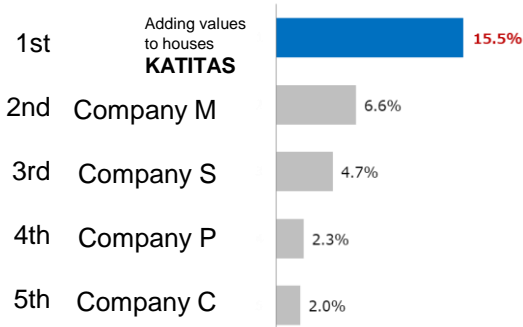
Using the “Kaitori (purchasing), Kaitori, Kaitori, Kaitori KATITAS” phrase in the TV commercials, we have implemented a purchase-focused branding. As a result, we have gained as strong recognition as getting KATITAS recalled first as the “company you would sell your house to” through an unaided recall survey.

Recognition survey results *4

Q. Which company does “A company you would sell your house to” remind you?

(Conducted in May 2021. Stats from the KATITAS TV commercials reach areas.

Responses to a no-choice, unaided recall question.)



“There goes Kaitori birdy (15 sec.)”



“But why? (15 sec.)”

Source: Web survey outsourced to Search Light K.K. (Out of the 1,100-parameter each time in 10 prefectures as rotational target. Above chart represents stats in the TV commercial reach areas.)

Highly acclaimed by an external rating agency

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



- 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)



Check the reason for awarding by double-clicking on the URL below or the icons above.
<https://www.porterprize.org/english/pastwinner/2017/12/05174615.html>



- “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.



Ms. M., Hitoyoshi City, Kumamoto Prefecture
(Purchased house from KATTAS Yatsushiro branch in Feb. 2020)

We were first looking for a house to rent but instead came across a house by KATTAS. We decided to buy the house in no time. The three of us are very happy with the house.

We lived in a village housing, where the rent was set to go up the next year. In addition, my daughter had gotten a job in the local area and was planning to move back in with the family starting in April. So, from around November, I started looking for a more spacious rental house. But it was hard to find a rental house that met my requirements to have private rooms for my two daughters and three parking spaces. Thus, I decided to buy a second-hand house. After searching on the Internet, I found a house on sale by KATTAS.

There was a tour of the house the following weekend. I made an appointment the day before and looked around. The location suited my needs, the floor plan was more than adequate, and most importantly, I was surprised to see how beautifully the house had been renovated. It didn't look like it was built 26 years ago. I was a little worried if I would be able to get a mortgage, but the loan was approved, and the monthly payment was almost the same as a rental house. So, I decided to take the plunge and buy the house.

There was nothing to say even after we started living in the house. The kitchen, bathroom, toilet, and sink are all brand new, and the living room has trendy downlights. Our dog, who had been staying at my parents' house, is now living with us. My two daughters, the dog, and I are very happy now.

Moving to a new place while I'm still healthy—a decision that was prompted by the pandemic.

I sold my house—which was built in Hitachi City, Ibaraki Prefecture 40 years ago—to KATTAS Hitachi branch. My husband passed away 13 years ago. Since then, I have been living alone in the house and did not feel any inconvenience. But when I started traveling back and forth between Hitachi and Tokyo to take care of my brother who lived in Tokyo in the fall of 2020, I started to worry about how my neighbors thought about me, because of the concerns about COVID-19. In November 2020, when my brother's care was over for the time being, I decided to move to Nagano Prefecture, where my son lived. I announced to my son that I was getting rid of the house and asked him to look for a place to sell it.

My son knew about KATTAS, so he asked for an appraisal to KATTAS Hitachi branch, and we made the decision to sell the house in no time. It turned out that some of the water pipes in my house ran through other people's land. I needed to get a memorandum of understanding from these neighbors before selling the house. The manager of the Hitachi branch took care of that and was very helpful. When I went to visit the builder that built our house 40 years ago to say hello, they said, "KATTAS is a fine company," and this reassured me once again. Relocating at my age required a lot of energy, but I am glad I was able to organize my belongings while I am still healthy.



Ms. Y., Ueda City, Nagano Prefecture (70s)
(Sold house to KATTAS Hitachi branch in Jan. 2021)

From the Business Reports (Shareholders' Newsletter) for the fiscal years ending March 2020 and March 2021

Reference for the KATITAS disclosure on respective ESG posting items

SASB

UPDATE

Social	Social Capital	Human Rights & Community Relations	P. 21
		Customer Privacy	KATITAS website
		Data Security	KATITAS website
		Access & Affordability	P. 13
		Product Quality & Safety	KATITAS website
		Customer Welfare	P. 13
		Selling Practices & Product Labeling	P. 25
	Human Capital	Labor Practices	P. 15
		Employee Health & Safety	P. 15
		Employee Engagement, Diversity & Inclusion	P. 15, 16
	Business Model & Innovation	Product Design & Lifecycle Management	P. 5 – 7
		Business Model Resilience	P. 7, 10
		Supply Chain Management	P. 17
		Materials Sourcing & Efficiency	P. 24
		Physical Impacts of Climate Change	P. 5 – 7
Environmental	Climate Change	GHG Emissions	P. 5 – 7
		Air Quality	P. 5 – 7
		Energy Management	P. 5 – 7
		Water and Wastewater Management	N/A
		Waste and Hazardous Materials Management	P. 5 – 7
		Ecological Impacts	P. 5 – 7
Corporate governance	Leadership & Governance	Business Ethics	P. 2, 3, 18 – 22
		Competitive Behavior	P. 17, 23, 24
		Management of the Legal and Regulatory Environment	P. 18 – 22
		Critical Incident Risk Management	P. 18 – 22
		Systemic Risk Management	P. 18 – 22

Value-creation
Story of KATITAS

Materiality
(Critical Challenges)

Initiatives for
ESG Materiality

Other Non-financial
Information of KATITAS

Reference in the KATITAS disclosure
corresponding to ESG-related items

Value-creation Story of KATITAS	Materiality (Critical Challenges)	Initiatives for ESG Materiality	Other Non-financial Information of KATITAS	Reference in the KATITAS disclosure corresponding to ESG-related items	Social	Human capital	Labor Management	P. 15
							Health and Safety	P. 15
							Human Capital Development	P. 15, 16
							Supply Chain Labor Standards	P. 15 - 17, 24
						Product liability	Product Safety and Quality	KATITAS website
							Chemical Safety	N/A
							Financial Product Safety	N/A
							Privacy and Data Security	KATITAS website
							Responsible Investment	P. 10, 11
						Stakeholder opposition	Health and Demographic Risk	P. 14
Controversial Sourcing	N/A							
Social opportunities	Access to Communications	P. 13						
	Access to Finance	N/A						
	Access to Healthcare	N/A						
	Opportunities in Health and Nutrition	P. 8, 12, 14						
Environmental	Climate Change	Carbon Emissions	P. 5 – 7					
		Product Carbon Footprint	P. 5 – 7					
		Financing Environmental Impact	N/A					
		Climate Change Vulnerability	P. 5 – 7					
	Natural resources	Water Stress	N/A					
		Biodiversity and Land Use	P. 5 – 7					
		Raw Material Sourcing	P. 24					
	Pollution and waste	Toxic Emissions and Waste	P. 5 – 7					
		Packaging Material & Waste	N/A					
		Electronic Waste	N/A					
	Environmental opportunities	Opportunities in Clean Tech	N/A					
		Opportunities in Green Building	P. 5 – 7					
		Opportunities in Renewable Energy	P. 9					
	Corporate governance	Corporate governance	Board Diversity and Executive Pay	P. 18 – 21				
			Ownership and Control	P. 18 – 21				
Accounting			P. 22					
Corporate behavior		Business Ethics	P. 2, 3, 18 – 22					
		Anti Competitive Practices	P. 17, 23, 24					
		Corruption and Instability	KATITAS website					
		Financial System Instability	P. 22					
		Tax Transparency	P. 22					

33 themes from the GRI Standards

UPDATE

Social	Employment	P. 15, 16
	Labor/Management Relations	P. 15, 16, 20, 21
	Occupational Health and Safety	P. 15, 16
	Training and Education	P. 15, 21
	Diversity and Equal Opportunity	P. 15, 16
	Non-discrimination	P. 21
	Freedom of Association and Collective Bargaining	N/A
	Child Labor	N/A
	Forced or Compulsory Labor	N/A
	Security Practices	N/A
	Rights of Indigenous Peoples	N/A
	Human Rights Assessment	P. 21
	Local Communities	P. 8, 12, 17, 24, 25
	Supplier Social Assessment	P. 17, 23
	Public Policy	P. 8, 11, 12, 26
	Customer Health and Safety	P. 12, 13
	Marketing and Labeling	P. 25
	Customer Privacy	KATITAS website
	Socioeconomic Compliance	P. 8 – 12, 18 – 21
Environmental	Materials	P. 24
	Energy	P. 5 – 7
	Water and Effluents	N/A
	Biodiversity	P. 5 – 7
	Emissions	P. 5 – 7
	Effluents and Waste	P. 5 – 7
	Environmental Compliance	P. 5 – 7
	Supplier Environmental Assessment	N/A
Corporate governance	Economic Performance	P. 18, 23
	Market Presence	P. 23
	Indirect Economic Impacts	P. 8 – 9, 13, 14
	Procurement Practices	P. 17, 24
	Anti-corruption	KATITAS website
	Anti-competitive Behavior	P. 17, 23, 24

Value-creation
Story of KATITAS

Materiality
(Critical Challenges)

Initiatives for
ESG Materiality

Other Non-financial
Information of KATITAS

Reference in the KATITAS disclosure
corresponding to ESG-related items

GRESB Real Estate Valuation

NEW

Value-creation Story of KATTITAS	Management	Management's commitment to ESG issues	P. 2-4
		Decision-making process for ESG issues	P. 18-20
		Internal regulations related to ESG	P. 18-24
		ESG reporting and disclosure	This report
		ESG-related risk management	P. 7, 20, 21
		Stakeholder engagement / Employees	P. 15-16
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Materiality (Critical Challenges)	Performance	Risk assessment	P. 7, 20, 21
		Efficiency measurement	P. 5-7
		(Environment) Target indicators	P. 6
		Tenants and local communities / Tenants	P. 26
		Tenants and local communities / Local communities	P. 8-13
		Energy	P. 5-7
		Greenhouse gas	P. 5-7
		Water usage	N/A
		Waste	P. 5-7
		Data monitoring and review	This report
		Certification from third-party organizations of buildings and other facilities	P. 28
Initiatives for ESG Materiality	Development	ESG requirements	P. 5-7
		Building materials	P. 6
		Certification from third-party organizations of buildings and other facilities	P. 28
		Energy	P. 5-7
		Water usage	N/A
		Waste	P. 5-7
		Stakeholder engagement / Health, safety, welfare	P. 13, 15, 16
		Stakeholder engagement / Supply chains	P. 17, 26
		Stakeholder engagement / Impact on local communities	P. 8-13

Source: GRESB "2020 Real Estate Reference Guide"
MLIT, ESG-TCFD Practitioner Working in the Real Estate Sector, Document 4-1 Secretariat's Material (September 9, 2020)



GRESB (Global Real Estate Sustainability Benchmark)

GRESB measures environmental, social, and governance (ESG) considerations on a company/fund basis in the real estate sector. It is used as a tool in investment selection and dialogue with investees. Established in 2009, mainly by European pension funds such as APG and PGGM.

Reference information (improvement initiatives after November 2020)

NEW

November 2020	Published ESG report
February 2021	Joined as an endorsing member of the GSG National Advisory Board , the Japanese national advisory board of The Global Steering Group for Impact Investment (GSG)
March 2021	Held shareholder relations (SR) meetings (interviews with a total of nine institutional investors)
March 2021	Translated into English and disclosed the Corporate Governance Report
March 2021	Translated into English and disclosed the Personal Information Protection Policy
April 2021	Revised and disclosed the anti-corruption provisions
May 2021	Introduced an electronic voting platform
June 2021	Brushed up and published the ESG Report based on feedback comments from institutional investors

Value-creation
Story of KAITIAS

Materiality
(Critical Challenges)

Initiatives for
ESG Materiality

Other Non-financial
Information of KAITIAS

Reference in the KAITIAS disclosure
corresponding to ESG-related items



Version information

First proof : 2020.11.10

Update : 2021.06.25