



Integrated Report 2023

2023/8/30



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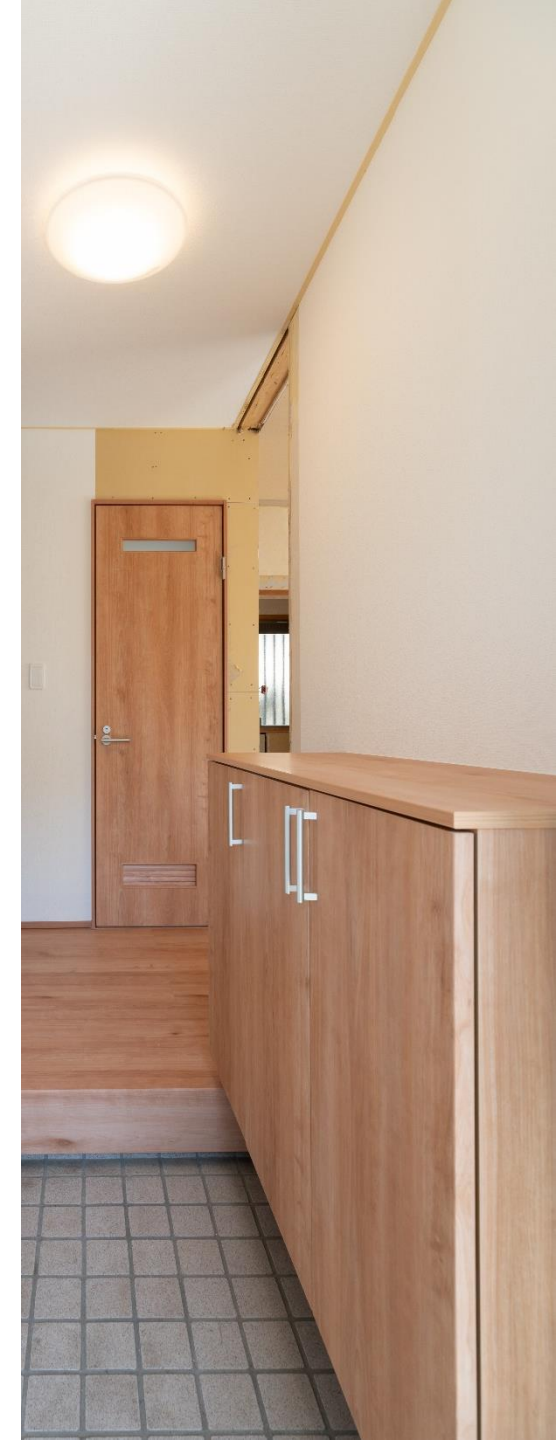
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01

About KATITAS



Corporate philosophy

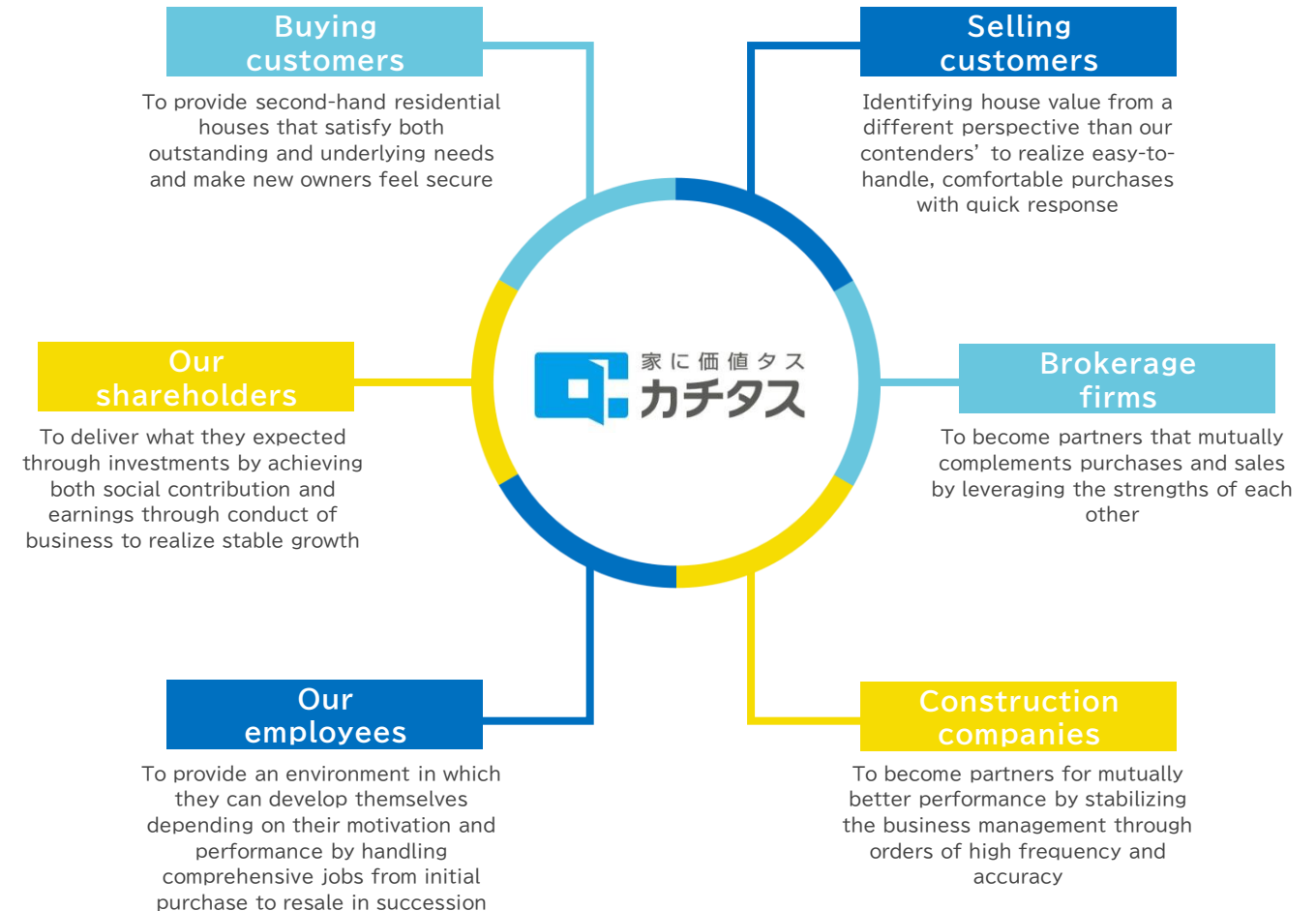
Opening the Doors to the Future

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 we provide to each of our stakeholders

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.



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 from stakeholders on the values we provide

We would like to introduce comments that our employees have received directly from stakeholders through their work.

We aim to provide maximum joy to our stakeholders.

Buying customers

“We didn’t consider non-KATITAS pre-owned homes since they were not renovated. KATITAS properties are appealing because even pre-owned homes are already ready to live in, so I decided that if I were going to buy a house, I would buy it from KATITAS.”

“Although the house was not completely renovated, it was sold at a low price without renovating areas that were not a concern for daily life. Thanks to that, we were able to purchase a home at a price that we could afford.”

“I was considering moving to a new home because the municipal housing where I currently live is set for a rent hike. I signed the contract on the spot because it would be closer to where I work.”

Selling customers

“The house I sold had been vacant for a long time, which was a constant source of worry. After I decided to have KATITAS buy it, the settlement was completed in two weeks, and I wish I had consulted with them sooner. I would definitely recommend them to anyone struggling with vacant properties.”

“My mother was going to enter a nursing care facility, and I thought about selling her house to use the money to pay for her care. Although the appraisal value was lower than the amount offered by a brokerage company, I received the money right away and they even took care of the things left in the house as well. Thank you for your help.”

“I was worried about what to do with my parents’ house that I inherited. I have fond memories of living in the house when I was young, so I wanted to keep it instead of tearing it down and selling the land. I’m looking forward to seeing how the renovation turns out.”

“Carpenters are getting older, so we need to train young people. We are grateful to KATITAS since they give us work regularly, which allows us to train young people.”

“I’m happy to receive a report from KATITAS representative every time a renovated property is sold. It’s very rewarding when I hear that the customer particularly liked the floor plan changes that we carefully planned together. I get excited thinking about working on the next renovation project.”

“KATITAS has a thorough internal check procedure, so we can rest assured when doing business with them. Complaints at the time of sale are dealt with promptly, which is also reassuring. I have never dealt with anyone more supportive of the things that really matter to real estate brokerage companies.”

“I had a request to sell a certain property, but I hesitated to take it on since it was in an area where we have little presence. When I consulted with KATITAS about purchasing it, we immediately proceeded with the appraisal and three-party inspection, and the sale went smoothly. I’m glad I took on the property as an intermediary, and I will continue to refer deals to you.”

Business model

A simple business model of purchasing, renovating, and selling

We buy pre-owned rural, detached, and old homes, renovate them to suit modern lifestyles, and sell them at about half the price of new homes.

Approximately 80% of the pre-owned homes we purchase are vacant, and through our business we create social value by “solving the problem of vacant houses” and “providing affordable housing.”

Purchase

We carefully purchase refurbishable properties using our skillful purchasing and discerning eye.

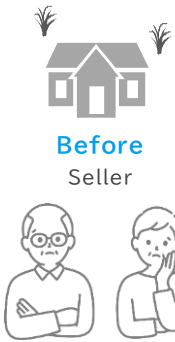
renovating & merchandizing

We plan and construct beautiful properties at low cost with our renovation planning and construction capabilities

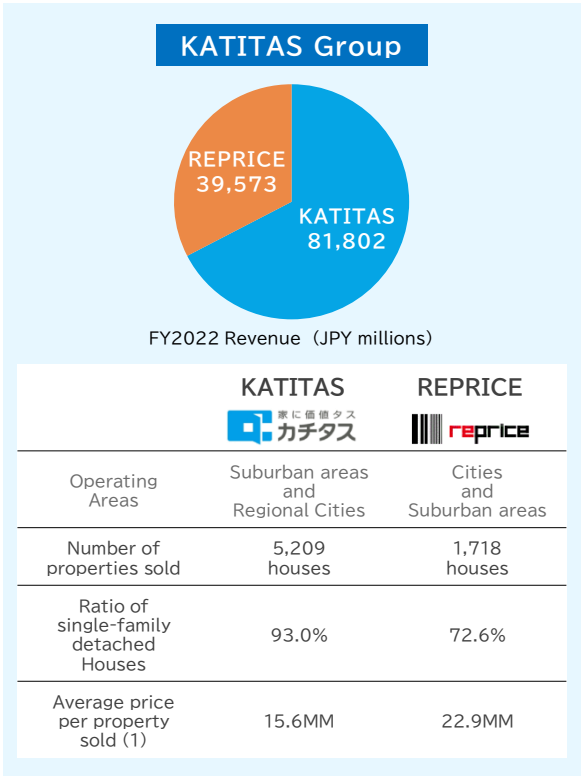
Sales

We sell homes for about half the price of a new home, and the customer's monthly mortgage payment is less than the rent on a rental property.

Procurement



Renovation



Sale



(1) Excluding tax

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

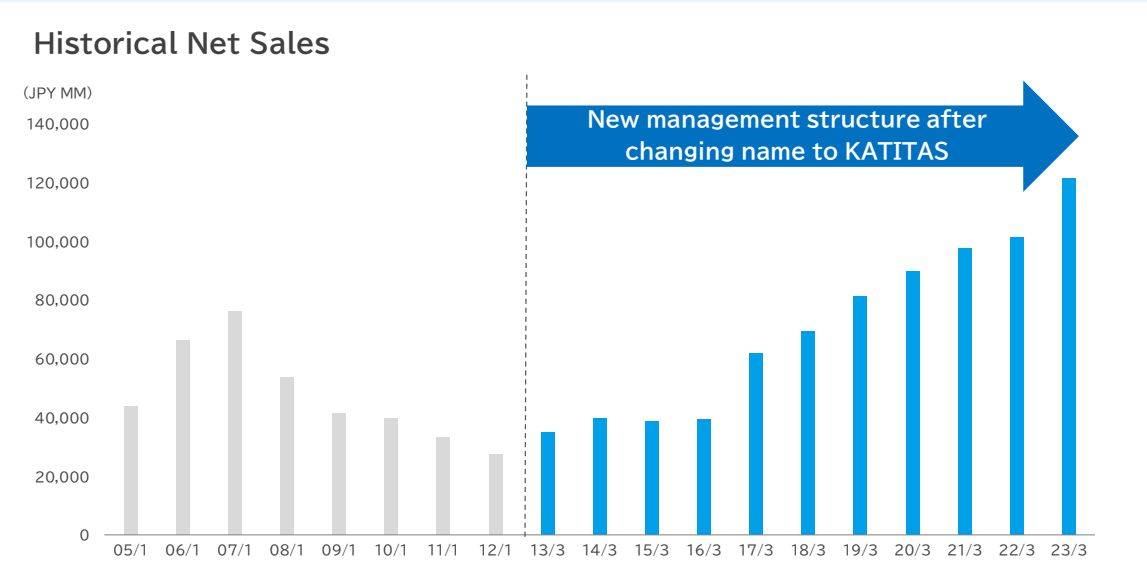
Formed a capital and business alliance with Nitori Holdings Co., Ltd.
- Dec. 2017

Listed on the First Section of the Tokyo Stock Exchange
- May. 2021

Cumulative number of homes sold by REPRICE surpasses 10,000
- Apr. 2022

Listed on the Prime Market of the Tokyo Stock Exchange
- May. 2022

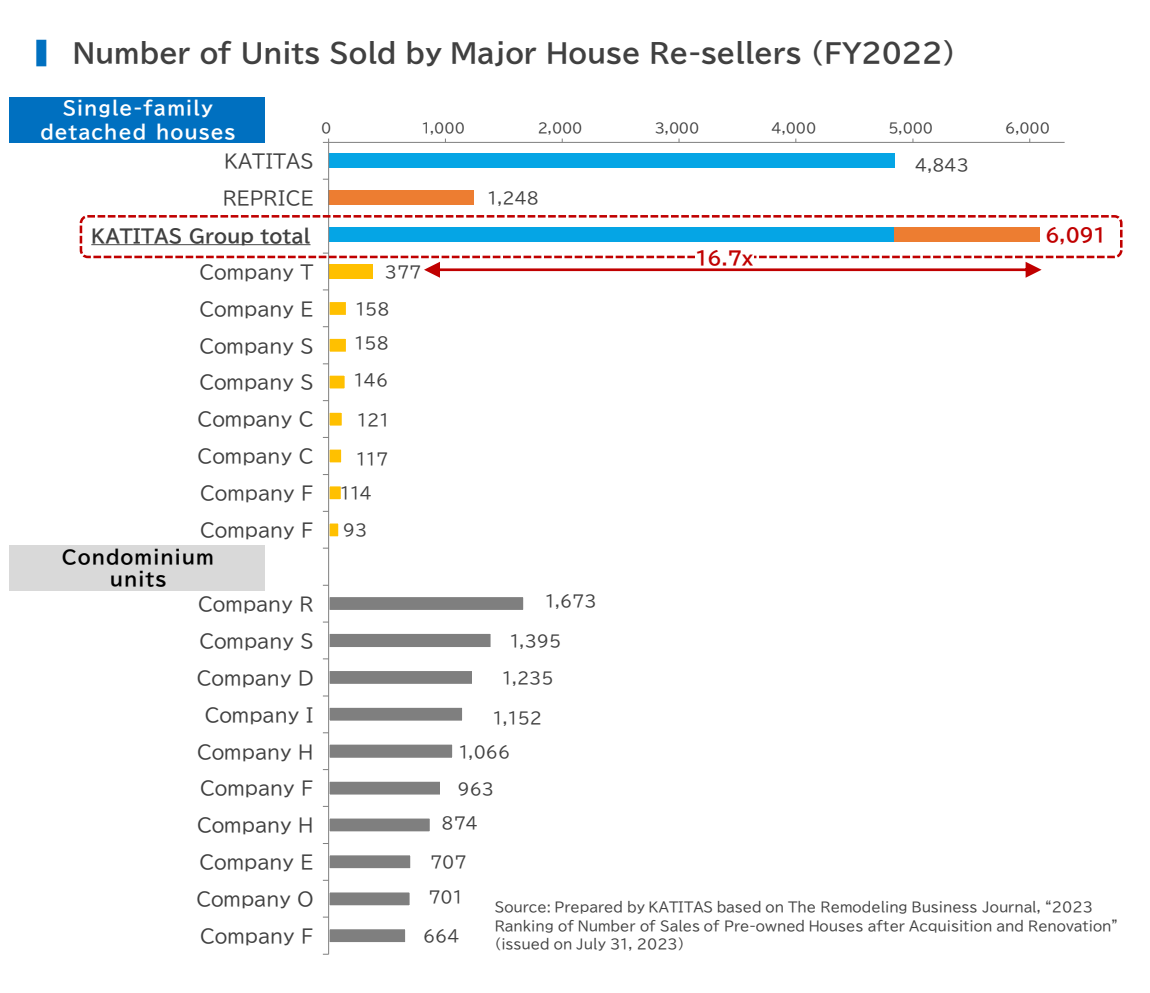
Cumulative number of homes sold by KATITAS surpasses 70,000



Our strengths

Positioning within the industry

In the detached home purchase and resale industry, KATITAS has ranked first for 10 consecutive years with annual sales of 5,209 units, and group company REPRICE Co., Ltd. ranks second, giving our group an overwhelming number-one position in the industry.



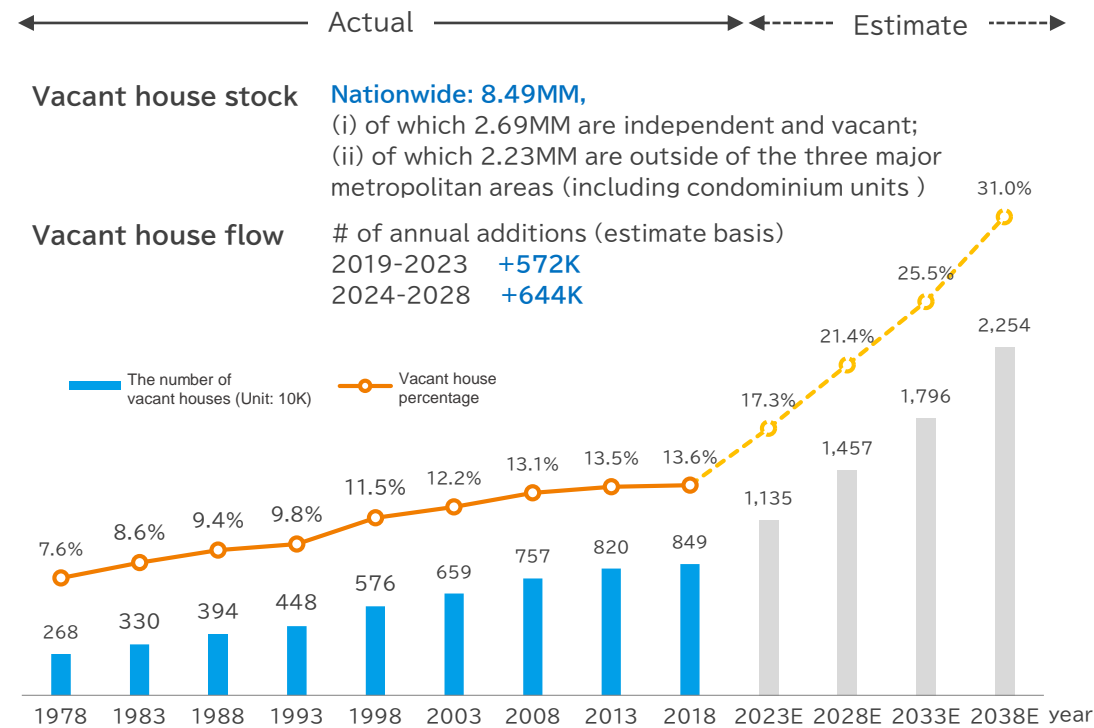
External environment

Ongoing increase in vacant houses

The number of vacant houses across Japan continues to increase every year, and as of 2018, there were 8.49 million such houses (the ratio of vacant houses to the total number of houses nationwide is 13.6%), making it a major social problem. Vacant houses left unattended not only degrade the landscape, but also pose dangers to the surrounding areas in the form of collapsing exterior walls or roofing and are also detrimental to public safety due to the potential for illegal trespassing and arson. Nevertheless, many vacant houses remain abandoned because since it is difficult to attract buyers to vacant homes.

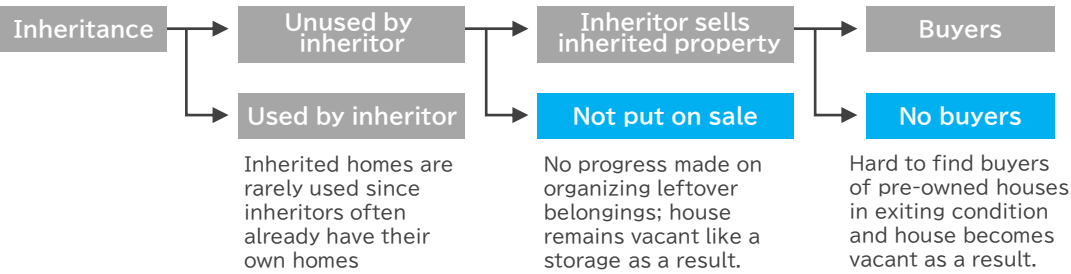
Homes go vacant when the owner passes away and the property is inherited and left unattended, or when elderly owners leave their homes and move into nursing care facilities.

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.

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% |



Interior of a property purchased by KATITAS. We reduce the burden on sellers by purchasing homes along with their chattels.

Supplementary Moving into a nursing home

There are many cases where houses become vacant not only due to inheritance, but also due to elderly people moving into nursing care facilities.

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

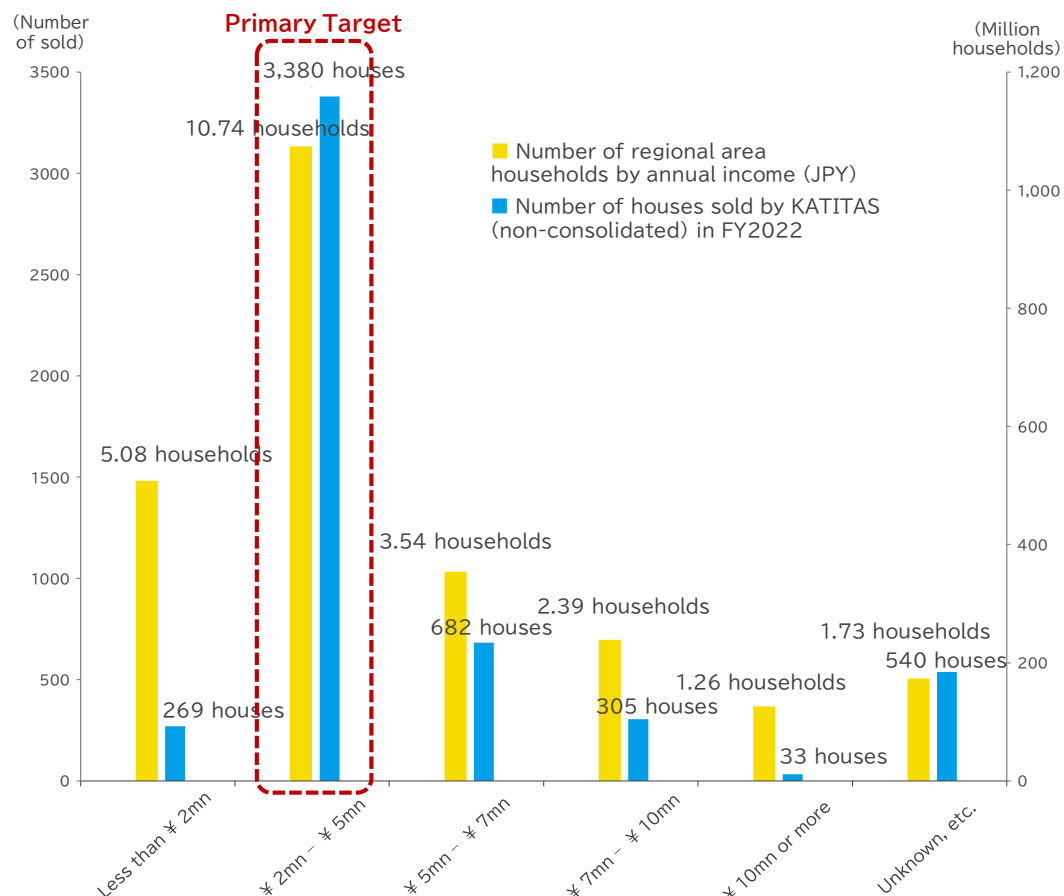


About KATITAS

Approaching a market with many potential customers

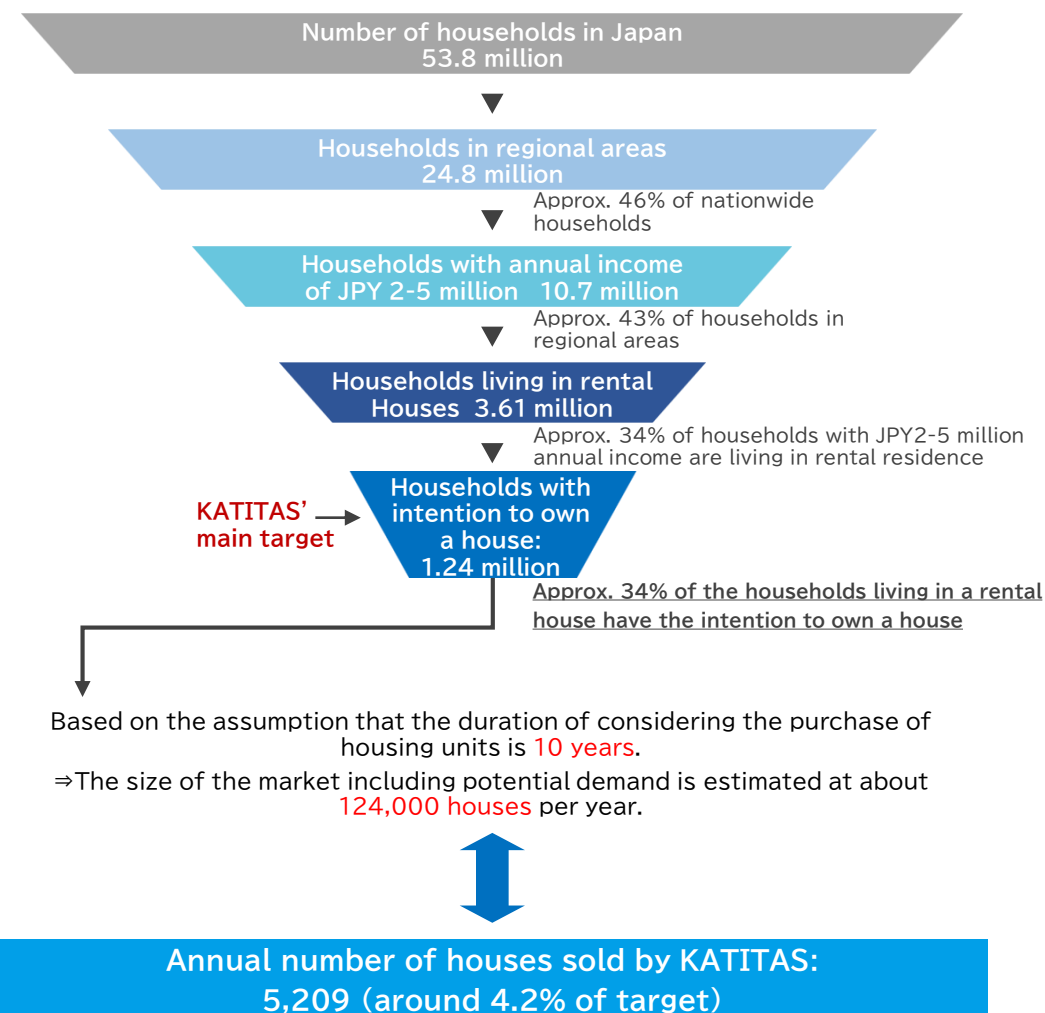
Many of KATITAS' buyers are in the annual household income range of 2 million to 5 million yen, and this is the most populous annual income demographic in rural areas. In an economic environment with poor prospects for income growth, many households find it difficult to afford newly built homes, so we believe there is substantial potential demand for the homes we offer. Our sales volume of 5,209 units in March 2023 represents an estimated market share of approximately 4%, and we believe that there are many more potential customers.

Customer Group by Annual Income and Macro Environment



Sources: Ministry of Internal Affairs and Communications "2018 Housing and Land Survey (Revised Report)", Ministry of Health, Labour and Welfare "2015 Comprehensive Survey of Living Conditions" and National Institute of Population and Social Security Research "2014 Household Projections for Japan by Prefectures"

Large Potential Customer Base



There are still many potential customers

Ministry of Land, Infrastructure, Transport and Tourism "Outline of 'FY2015 Survey of Public Consciousness about Land Issues'"

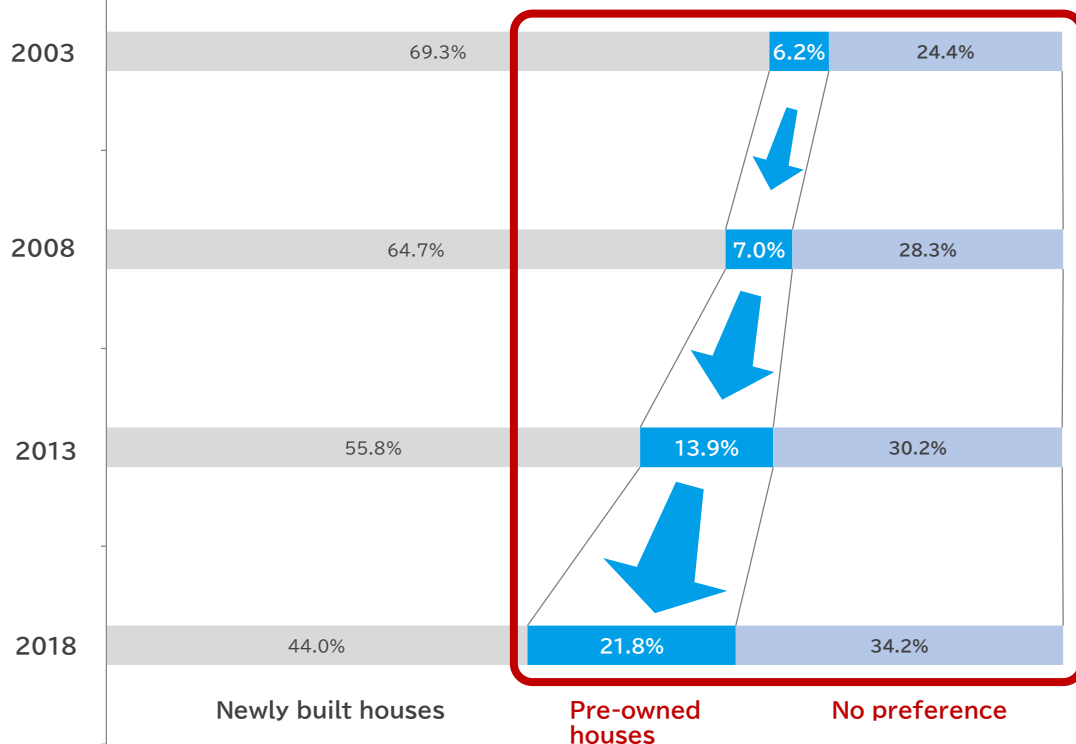
About KATITAS

Consumer preferences are warming to pre-owned homes

Traditionally, the consensus has been that the strong preference for new construction in the Japanese housing market prevented pre-owned homes from going into circulation. However, a survey conducted by the Ministry of Land, Infrastructure, Transport and Tourism on renting households' inclination toward relocation indicates more and more households hold no particular insistence on building a new house. In fact, the circulation of pre-owned properties in condominiums in the Tokyo metropolitan area has already exceeded the circulation of newly built properties, and we believe the reason for this is the prevalence of pre-owned condominiums in the metropolitan area, which are relatively easy to handle, and are considered "clean and inexpensive." For these reasons, we believe there is great potential for the quantity of homes in circulation to increase as we continue to supply "clean and inexpensive" properties in the rural pre-owned detached homes market.

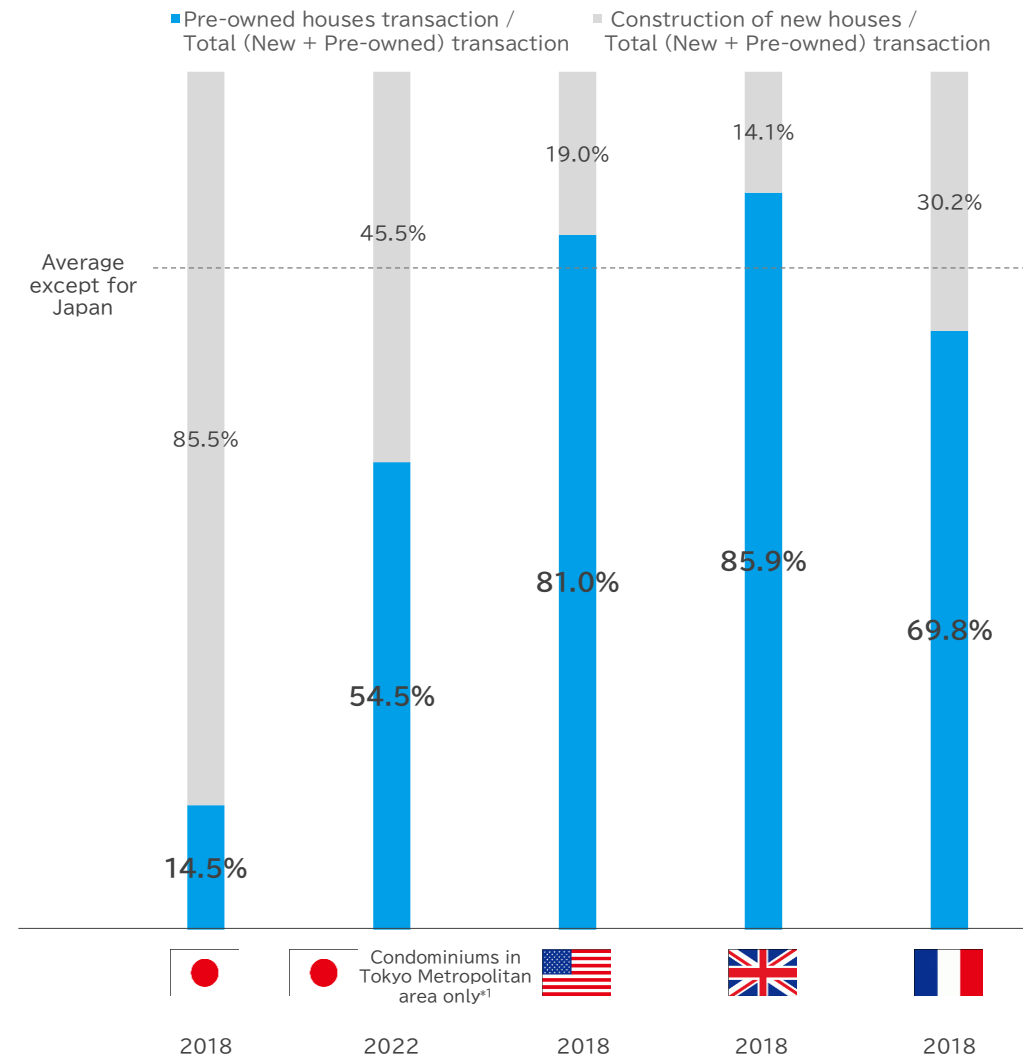
Mindset Change toward Ownership of Pre-owned Houses

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



Source: Housing Bureau of Ministry of Land, Infrastructure, Transport and Tourism, "Comprehensive Survey on Housing and Living Environments (2018)"

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



Source: Ministry of Land, Infrastructure, Transport and Tourism, "Revitalization of the Pre-owned Housing Market" (May 7, 2020) / Real Estate Economic Institute "Nationwide New Condominium for Sale Market Trends 2022 (Annual Summary)" / Real Estate Information Network for East Japan "Trends in the Metropolitan Real Estate Distribution Market (2022)"

*1 Ratio of pre-owned condominium units under contract to new condominium units on the market.

02

KATITAS'
value creation



KATITAS' value creation

Top Message

A year on since people's lives were jolted by the spike in the cost of living, we continue to provide high quality housing at affordable prices

KATITAS purchases vacant pre-owned homes in rural areas, renovates them, and then sells them. Through our business, we believe we can help solve the problem of growing number of vacant houses, provide affordable and high-quality housing, revitalize local economies in rural areas where the population is declining, and provide more environmental-friendly housing with lower CO2 emissions compared to new houses that are rebuilt after scrapping old ones.

We are confident that our growth will help solve social issues, and we will continue to deliver value that exceeds expectations to everyone.

President and CEO
Katsutoshi Arai

Looking back on the fiscal year ended March 31, 2023

The fiscal year ended March 31, 2023, is the first year of our Third Medium-Term Management Plan from FY2022 to FY2024, and we worked towards a CAGR of 10% for both net sales and operating profit. It was a year in which people's daily lives have been greatly affected, with the cost of living rising due to soaring energy and food prices. Also in the housing industry, selling prices, especially for newly built homes, have increased due to the weak yen and soaring material prices.

For its part, the KATITAS Group focused on providing high-quality housing at prices that our customers can easily afford. Specifically, we have taken steps such as cleaning and refinishing plumbing fixtures and flooring, which previously would have required full renovation, and changing plans to reduce costs while continuing to make diligent use of what we currently have. As a result, we sold 6,927 homes and achieved net sales of 121.3 billion yen and operating profit of 14 billion yen. These are all-time highs for all of these metrics.

Additionally, as part of our sustainability efforts, we pursued the installation of double-paned windows to improve insulation performance, especially in cold regions. Documents from various ministries and agencies have announced that window renovation of existing houses and partial insulation renovation will contribute to improved insulation performance. For this reason, we commenced trial initiatives in some areas from July 2022, such as installing double-paned windows and replacing insulation materials, and after about a year of trial and error, we are ready for a nationwide rollout. However, because the main reason why customers choose our homes is their low prices, rather than upgrading insulation in every room of the house, we worked on just the living rooms or just the bedrooms depending on individual customer needs, and thereby carried out well balanced price-to-benefit renovation plans.



Our mandate remains the same: Stick to the basics, continue to change and evolve, and achieve stable growth

Outlook and initiatives for the fiscal year ending March 31, 2024

We anticipate that the various increases in living costs caused by the COVID-19 pandemic will persist in the fiscal year ending March 31, 2024. In addition, the housing industry has had excess inventory since the second half of the fiscal year ended March 31, 2023, leading to significant price reductions mainly for newly built homes, and this is narrowing the price gap with pre-owned homes. We also expect that as people's lives begin to return to unrestricted normalcy, travel and leisure consumption will increase. Therefore, as people become more price conscious than ever on housing, we believe that this will be an important year for us to become more unique and attractive so that customers choose the homes we offer.

That said, in my view our mandate remains the same. The business environment surrounding our company remains unchanged: we purchase ever increasing vacant houses, and sell them to Japan's largest demographic, households with annual incomes of 2 million to 5 million yen. Therefore, in the fiscal year ending March 31, 2024, we will continue to focus on recruiting and training talented human resources, improving the productivity of our sales staff, and strengthening relationships with our partner contractors.

In April 2023, we carried out major reorganization of our sales force in relation to recruiting and training talented human resources. We have switched from our previous organization consisting of two sales departments in East Japan and West Japan to one consisting of 10 sales departments and offices. This project was conceived several years ago and was realized as a result of our efforts to cultivate human resources with the potential to become future executives. We believe that this will facilitate renovation planning that incorporates area characteristics as well as training tailored to individualized sales staff in charge of those plans.

In terms of improving the productivity of our sales force, we rolled out the "KATITAS Standard Renovation Plan" company-wide starting in April of this year. This plan, which was promoted and devised as a project by our ace sales staff over the 12 months of the fiscal year ended March 31, 2023, is a project that balances both standardization for ensured quality and individuality that can be leveraged in property renovation, and we believe it will contribute to improved productivity by reducing the amount of time sales staff spend on renovation planning.

To strengthen relationships with partner contractors, we appointed staff in charge of sourcing partner contractors as of the fiscal year ended March 31, 2023. Taking a future annual sales target of 10,000 units, working backward from there, and focusing on contractors in areas where there will be a shortage of contractors, we expect to reduce bottlenecking in the renovation process, contributing to improved inventory turnover.

KATITAS's growth will contribute to solving social issues.
We will achieve our materiality goals and add value to people's lives

Resetting materiality and what we hope to achieve by doing so

The KATITAS Group believes that through the growth of the pre-owned home purchase and resale business, we can contribute to the creation of a sustainable society while solving social issues. To more clearly and easily understand the role that the KATITAS Group should play, we have reviewed our materiality. In the process of examining materiality, it was important to us that materiality should not become a mere formality.

The five materialities we identified and their respective objectives are an extension of the numbers we constantly monitor as KPIs in our business operations. Therefore, since achieving our KPIs on a daily basis will translate through to achieving our materiality goals, far from being mere formalities, we believe these goals are something on which we can move forward toward actual accomplishment.

Expectations and mission of KATITAS as perceived by our stakeholders

As president of the KATITAS Group, I interact with many stakeholders on a daily basis, and I feel that their expectations are growing stronger each year. I personally interact with stakeholders through IR meetings with domestic and foreign investors, KATITAS renovation partner meetings, customer feedback and opinions, employee engagement surveys, and branch visits, and I try to get a direct feel for their expectations. We aim to provide "value that exceeds expectations for everyone involved," and I hope to see the entire group will work together to exceed expectations. Our goal of selling 10,000 units a year, which we set 10 years ago, is now within reach. With the number of new home sales on the decline, we believe that by 2030 Living in a renovated home won't be a niche choice anymore. As we continue to push forward with our business, we will aim to make it common sense to consider KATITAS when buying or selling a home.



KATITAS' value creation

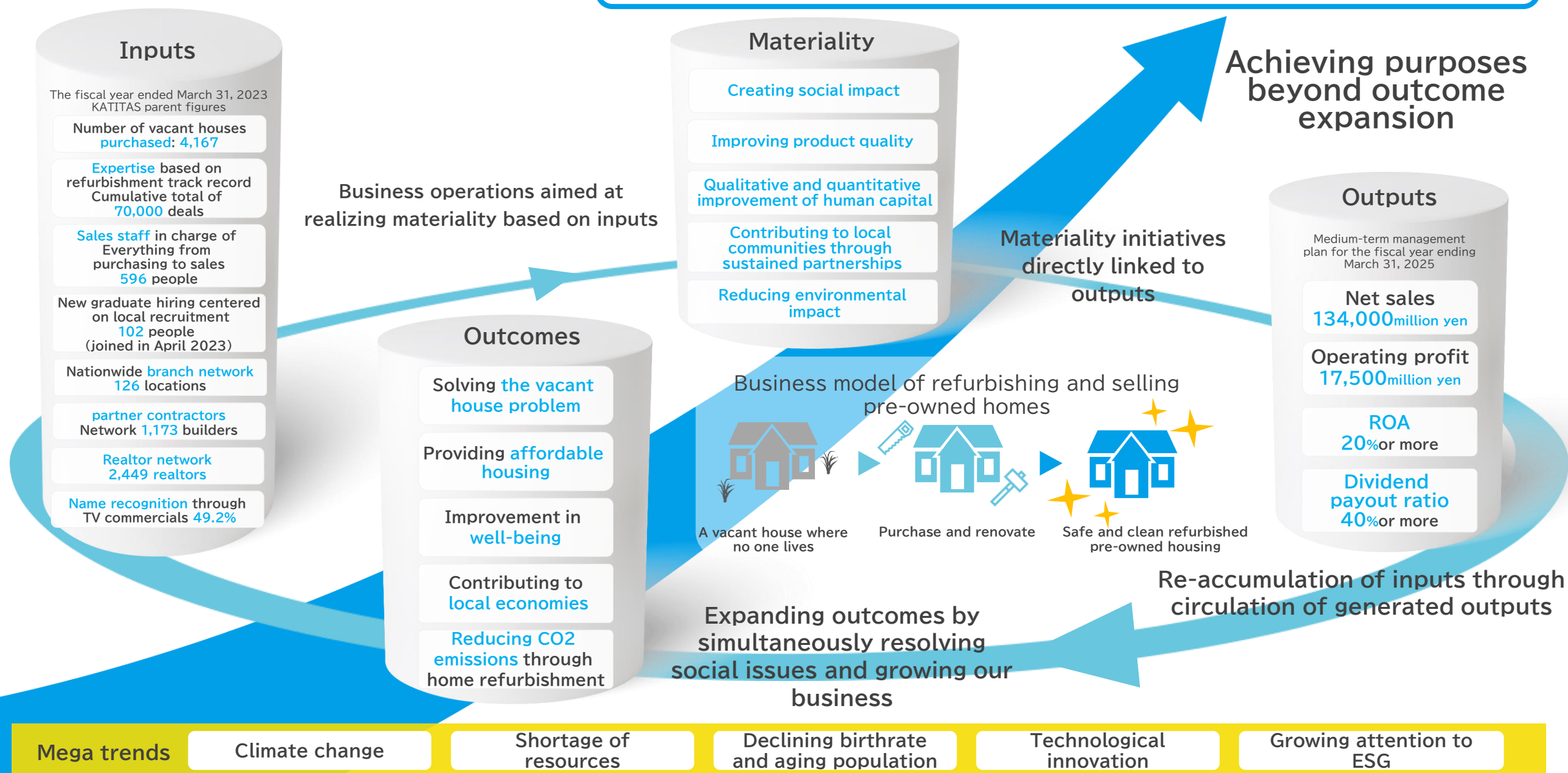
Value-creation Story

Purpose Bring as much joy as possible to towns and cities

Corporate philosophy Opening the Doors to the Future. For regions and customers through “adding [TAS] value [KATI] to houses”.

Value creation “Value that exceeds expectations for everyone involved”

Future aspiration “Consider KATITAS when buying or selling a home”



KATITAS' value creation

Sustainability action framework

The KATITAS Group believes that by contributing to the creation of a sustainable society by solving social issues through the pre-owned home purchase and resale business, we can also achieve sustainable growth.

Specifically, approximately 80% of the houses we purchase are vacant, and through our business we help solve Japan's growing problem of vacant houses. We also contribute to the realization of better lives for our customers by providing affordable housing at approximately half the price of newly built homes. In addition, the KATITAS Group generates local employment by operating businesses in the suburbs and regional cities.

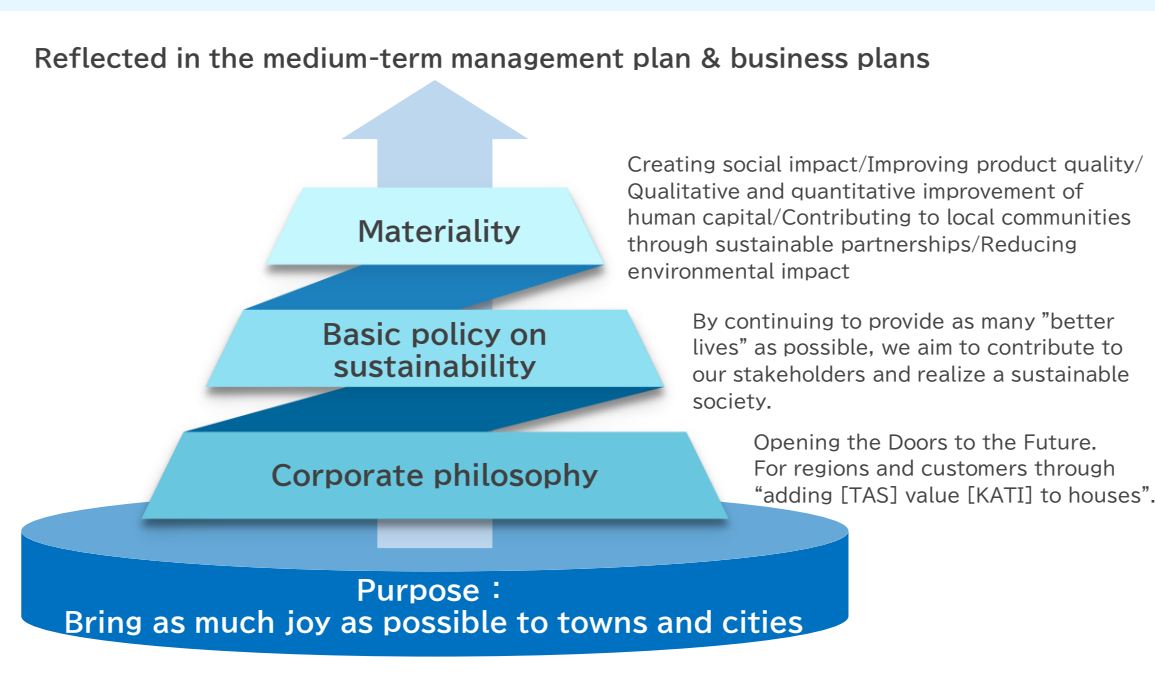
The KATITAS Group will continue to operate its business with the aim of solving social issues while achieving business growth.

Basic policy on sustainability

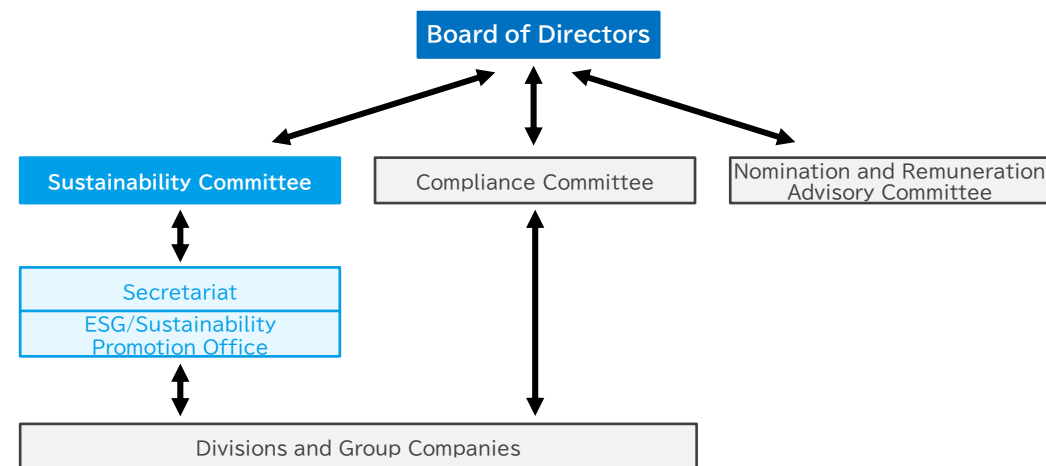
By continuing to provide as many "better lives" as possible, we aim to contribute to our stakeholders and realize a sustainable society.

Where this policy figures in our philosophy

The relationship between purpose, this policy, and other components is as follows.



Framework for promoting sustainability



Sustainability Committee

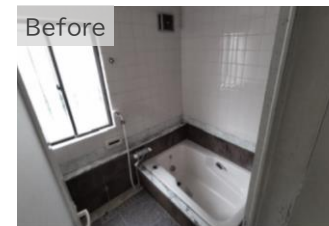
The KATITAS Group aims to establish and promote sustainable management in order to realize a sustainable society and improve corporate value through business activities, based on its purpose, management philosophy, and basic sustainability policy. To that end, we have established a Sustainability Committee for the purpose of determining and promoting sustainable management.

The Sustainability Committee formulates overall plans for the company's sustainability activities, monitors progress, evaluates achievements, and makes reports and recommendations to the Board of Directors.

Under the supervision of the Board of Directors, the Sustainability Committee is chaired by the President and CEO, and is comprised of directors and other officers. In principle, it meets once a quarter. The committee met four times in the fiscal year ended March 31, 2023.

Example of KATITAS renovation work (Takasaki branch)

By replacing the original kitchen and bathroom fixtures with equipment of higher water efficiency, we have reduced the environmental impact and the financial burden on customers' water bills.



Materiality

(1) Ascertaining social issues

Identifying international standards and ESG rating evaluation agency items

We have compiled a long list of 965 items with reference to international frameworks (SDGs, GRI, SASB), evaluation items of each rating agency (FTSE, S&P, MSCI), and issues recognized by the Japanese government and economic organizations. We have aggregated the items on this long list into 19 social issues, taking into account their similarities and relevance to the KATITAS Group's businesses.

(2) Considering social issues and extracting materiality

Classify each social issue based on two parameters: "Importance to stakeholders" and "Importance to the company."

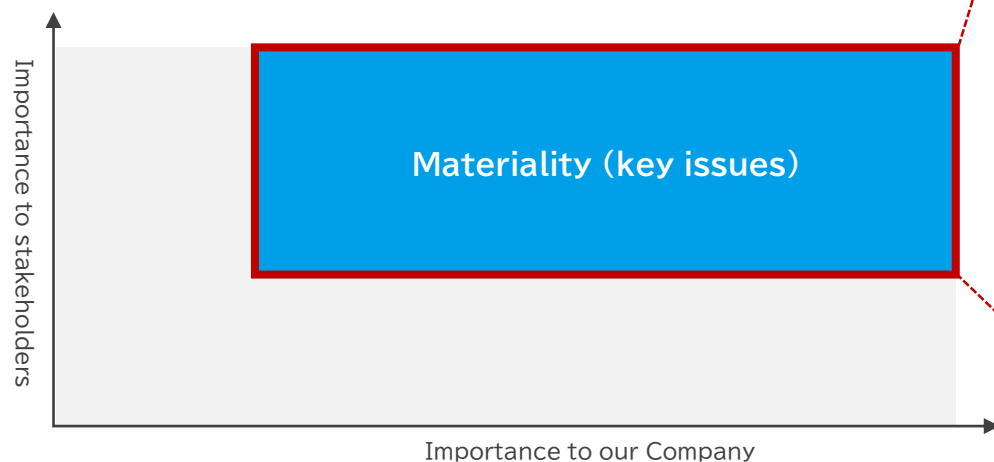
We examined the importance of the 19 aggregated social issues from two perspectives: "importance to stakeholders" and "importance to the company." We extracted these as materiality by taking into consideration consistency with our Company's vision and examples of value creation for stakeholders that we have accumulated internally, as well as continuity with previous sustainability-related initiatives.

(3) Discussion and identification at management level

Deliberation by the Sustainability Committee and Board of Directors

The extracted materiality was discussed by the Sustainability Committee (chaired by the President and Representative Director), and final deliberation was held by the Board of Directors to identify the materiality as KATITAS Group's materiality.

Concept of materiality



Materiality and KPI

As shown in the diagram below, we have classified our materiality into five categories and identified 13 specific issues.

We set metrics and goals that serve as KPIs for each task item, and monitor our degree of achievement.

| Materiality | Issue item | KPI | Objective |
|--|---|---|---|
| Creating social impact | Solving the vacant house problem | ①Ratio of vacant houses among purchased properties | ①80% or higher annually |
| | | ②Number of houses sold | ②10,000 by 2030 |
| | Providing affordable housing | ③Ratio of housing price to annual income | ③Under 5 times annually |
| Improving product quality | Controlling defects after delivery | ④Ratio of repair costs to sales | ④Around 0.3% annually |
| | Improving customer satisfaction | ⑤Phone survey response rate as a customer protection initiative (sales activity quality survey) | ⑤80% or higher annually |
| | Improving quake resistance of properties for sale | ⑥Rate of earthquake resistance work performed | ⑥Not disclosed |
| Qualitative and quantitative improvement of human capital | Improving productivity through company-wide initiatives | ⑦Number of purchases and sales per sales employee | ⑦20 by 2025 |
| | Creating a comfortable working environment | ⑧Employee engagement | ⑧Not disclosed |
| | Retention of talented human resources | ⑨Turnover rate for all employees | ⑨Under 10% annually |
| | Promoting diversity | ⑩Ratio of women among those promoted to managerial positions | ⑩30% or higher by 2030 |
| Contributing to local communities through sustainable partnerships | Returning economic benefits to partner contractors and other aspects of local communities | ⑪Number of orders placed with partner contractors = Number of purchases | ⑪10,000 by 2030 |
| | Business continuity support for partner contractors | ⑫Number of industrial accidents at partner contractors | ⑫Not disclosed |
| Reducing environmental impact | Reducing CO2 emissions associated with business activities | ⑬Scope 1 and 2 reduction | ⑬40% reduction by 2030 (compared to the fiscal year ended March 2021) |
| | Improving insulation | ⑭Number of insulation work carried out | ⑭Not disclosed |

KATITAS' value creation

Third Medium-Term Management Plan initiatives

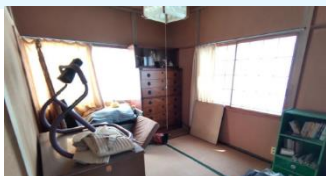
Quantitative targets

| | FY2024 | | ... | (JPY MM) |
|--|---------|------|-----|----------------|
| | Plan | CAGR | | FY2022 Results |
| Net sales | 134,000 | 10% | ... | 121,341 |
| Operating profit | 17,500 | 10% | ... | 14,060 |
| ROA | 20% | — | ... | 21.8% |
| Dividend payout ratio (based on adjusted net profit) | 40% | — | ... | 62.3% (40.2%) |

Sustainability initiatives and progress status

| At planning time | Progress status |
|---|--|
| Maintain ratio of housing price to annual income at below 5 times | In the fiscal year ended March 31, 2023, amid rising purchase prices and material costs, we implemented initiatives to reduce the housing price to annual income ratio (e.g. in order to provide lower-priced, higher-quality housing, we conducted partial renovation, rather than full-scale renovation that replaces all plumbing and flooring). |
| Solve the problem of vacant houses by increasing sales volume | 78.2% of the properties we purchased were vacant homes (as of the fiscal year ended March 31, 2023) |
| Consider renovation methods to improve insulation while keeping costs down. | In the fiscal year ended March 31, 2023, we gathered knowledge about the "installation of double-paned windows" on which we had run trials in certain areas and laid the groundwork for nationwide expansion. From the fiscal year ending March 31, 2024, we will continue to carry out insulation renovations tailored to customer needs outside of the northern regions. |

Double-paned window installation work



Insulation replacement work



Priority measures

| At planning time | Progress status |
|--|---|
| 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. | Number of new employees joining the company on April 1, 2022: 107 Number of new employees appointed to management positions as of the fiscal year ended March 31, 2023: 31 Transitioned from the previous 2 sales department organization to a 10 sales department/office organization |
| Achieve productivity improvements by optimizing overall operations through BPR and considering system implementation. | Standard renovation package was introduced company-wide in April 2023. Considering marketing automation tools and outsourcing property management |
| Expand capacity to manage contractors and carpenters, who are our important partners in supplying houses. | We do business with partner contractors 1,173 (+136 year on year). We have appointed staff in charge of sourcing contractors, and at branches where there is a shortage of contractors, we have made it a mission of branch managers to source more contractors. |
| Deliberate further on M&A possibilities to accelerate growth in existing businesses. | Still in consideration |

Change in sales reorganization

Ten years have passed since the change in management structure, and with the addition of general manager-level personnel capable of operating a wide range of areas, in April 2023 we transitioned from the previous two sales department organization to a 10 sales department/office organization. We believe that this will enable us to plan and strengthen the penetration of various sales measures, as well as to select properties and determine prices more precisely than before, and develop human resources.

Achieve productivity improvements by optimizing overall operations through BPR and studying potential system implementation.

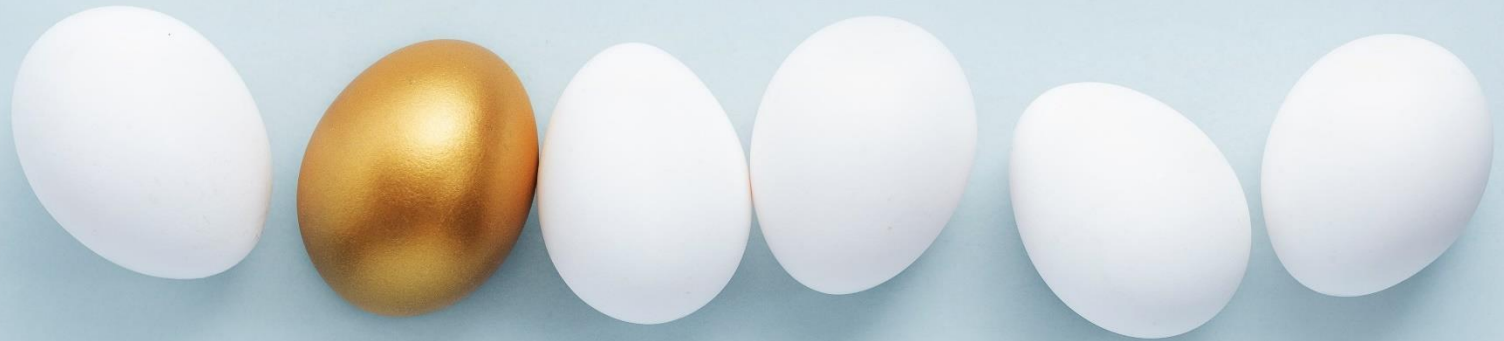
We have established a "BPR Project" directly under the President and CEO. Members of the Marketing and Sales Planning Headquarters take the lead, and together with the sales department managers, small teams are formed for individual themes, and they are responsible for planning, testing, and company-wide deployment of measures to improve operational efficiency and increase profits.

One of the efforts of the BPR project is standardization of renovation content. Our renovations require a separate renovation plan for each home, so considering renovation details and ordering materials was a heavy burden, especially for inexperienced sales staff. By standardizing the specifications of cloth, flooring, supplied items, etc., we have created multiple standard renovation packages so that even inexperienced sales staff can guarantee renovation projects of a certain level of quality. For other BPR projects, we are considering marketing automation tools and outsourcing property management.



03

Initiatives for
materiality



Initiatives for materiality

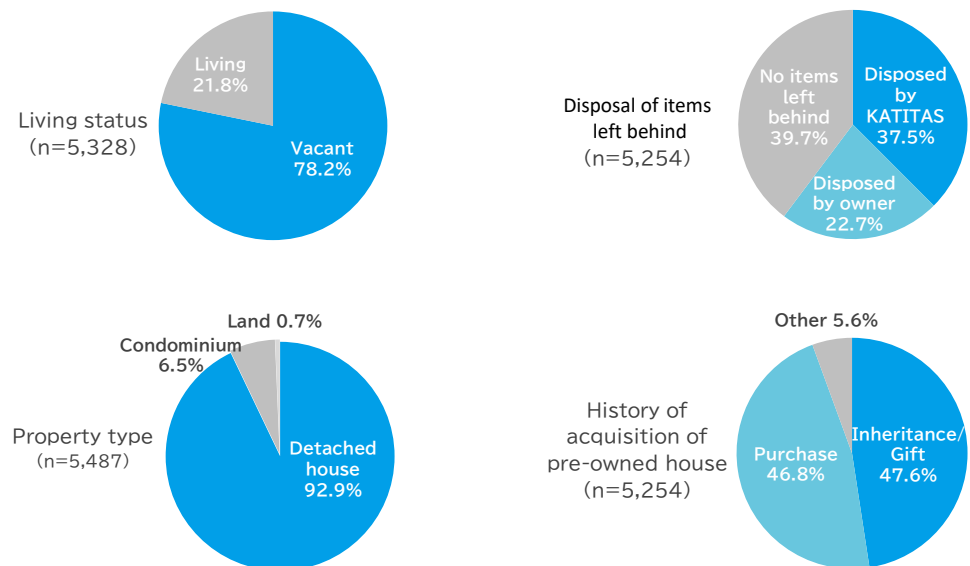
Creating social impact

Resolution of the “vacant house issue” by “adding value” to “rural x detached x old houses”

Ever increasing vacant houses has become a major social problem in Japan. The number of vacant houses across the country continues to increase every year, and as of 2018, there were 8.49 million such houses (the ratio of vacant houses to the total number of houses in Japan is 13.6%). The company mainly handles houses in rural areas, older buildings, and detached homes, many of which have been inherited and are no longer occupied. Most of the distribution of pre-owned homes is concentrated in urban x newer x condominium units, and we are solving the more challenging problem of vacant detached homes in rural areas. We are committed to resolving social issues through our business activities by renovating homes to create a sustainable cycle of community life.

We purchase vacant houses scattered all over Japan, and as of the fiscal year ended March 31, 2023, we have purchased, refurbished, and sold 4,167 vacant houses. In addition, many of the reasons why a house becomes vacant are because the seller's inheritors have taken up residence elsewhere, or because the seller has moved into a nursing care facility. We will continue to expand the volume of properties we handle to help solve the problem of vacant houses.

■ Status of vacant houses handled by KATITAS



Source: Results for the fiscal year ended March 31, 2023 (non-consolidated)

Inherited vacant houses are often left as they are since disposing of furniture, home appliances, and other chattels that were used by the inheritors (seller's parents) is mentally stressful for the inheritor (seller). By purchasing the property, including the remaining items, we are able to take the burden off the seller's shoulders.



■ “Cooperative agreement regarding vacant house countermeasures project” signed with local governments

On Friday, December 16, 2022, we signed a “cooperation agreement regarding the promotion of an ‘Akiya Bank’ (vacant house bank) system” with Hioki City, Kagoshima Prefecture. Although we have previously entered into partnership agreements with several local governments, this is the first time we have concluded a comprehensive partnership agreement.

Under this collaboration agreement, KATITAS will be given priority for referrals on sales consultation cases brought to the Akiya Bank in Hioki City. The vacant house rate in Kagoshima Prefecture, where Hioki City is located, is the highest in Kyushu, and there are approximately 4,300 vacant houses in Hioki City whose use has not been determined. 80% of the vacant houses we handle are vacant, and we have refurbished and sold over 1,500 pre-owned homes in Kagoshima Prefecture. Furthermore, when we renovate and sell vacant houses that we purchase through the Akiya Bank system, we also register the sales information with that Akiya Bank. We would like to provide new options for those considering an I-turn or U-turn to Hioki City, or for those considering purchasing a home in Hioki City, since not only vacant houses in their current condition but also renovated vacant houses will be registered with the Akiya Bank. Additionally, on Friday, April 14, 2023, we concluded a “collaboration agreement on vacant house countermeasures project” with Kawai Town, in Kitakatsuragi County, Nara Prefecture. We will continue to work with local governments to resolve the vacant house issue.



Signing ceremony at Hioki City Hall. Mayor Yoshitaka Nagayama (left) and Katsutoshi Arai (right)

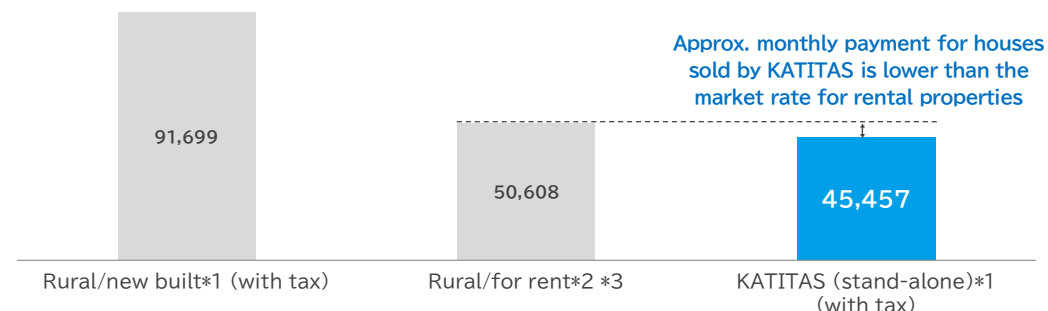
Initiatives for materiality

Affordable housing (reasonably priced houses) offers

The KATITAS Group supports people's lives in the area of "shelter," one of the three major elements of daily life (clothing, food, and shelter), by providing high-quality housing at affordable prices.

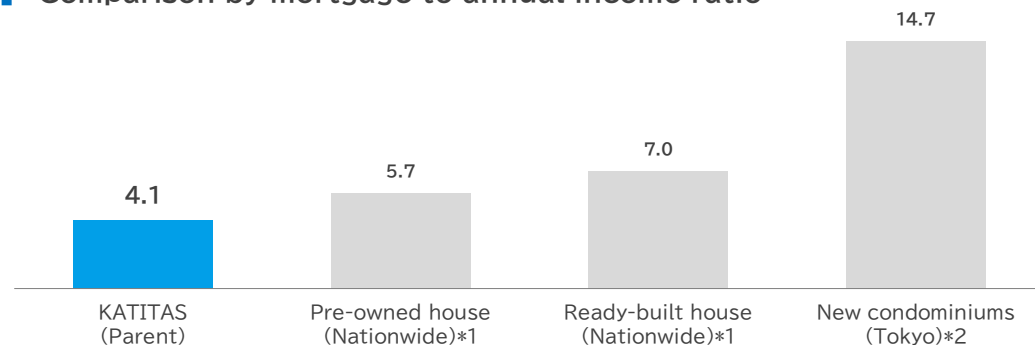
Additionally, the housing we provide is priced the same or lower than the rent on nearby rental housing, allowing buyers to purchase a home without heavily sacrificing their lifestyles. Our customers' housing price to annual income ratio is 4.1 on average, making it easy for them to use their budget for purposes other than housing costs.

Comparison with house rents



*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"

Comparison by mortgage to annual income ratio



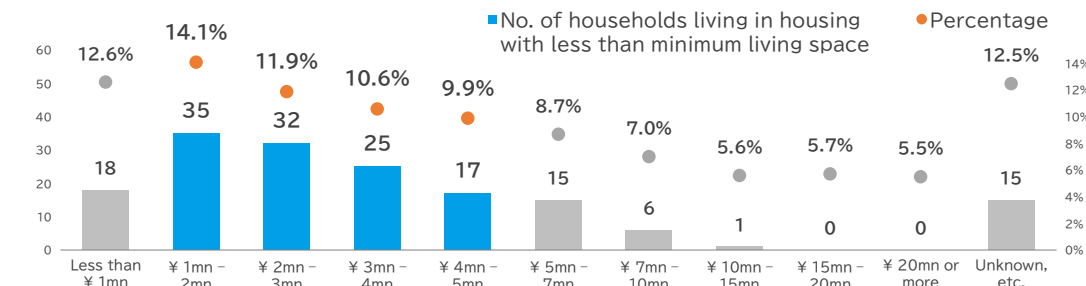
*1 Source: Japan Housing Finance Agency (FY2021 summary table)

*2 Source: Tokyo Kantai Co., Ltd. press release "Annual Income Ratio for New Condominiums" (October 31, 2022)

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.



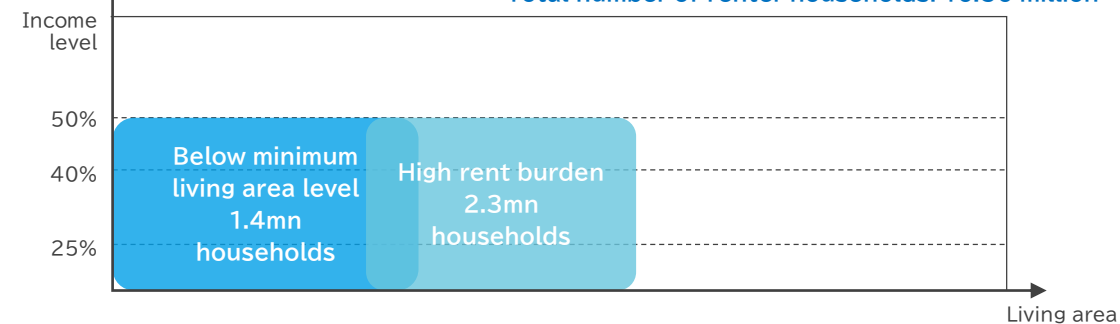
Source: Ministry of Land, Infrastructure, Transport and Tourism, Housing Bureau, "Council for Social Infrastructure Development, Housing and Residential Land Sectional Committee, New Housing Safety Net Study Subcommittee" (July 2016)

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.

Total number of renter households: 16.56 million

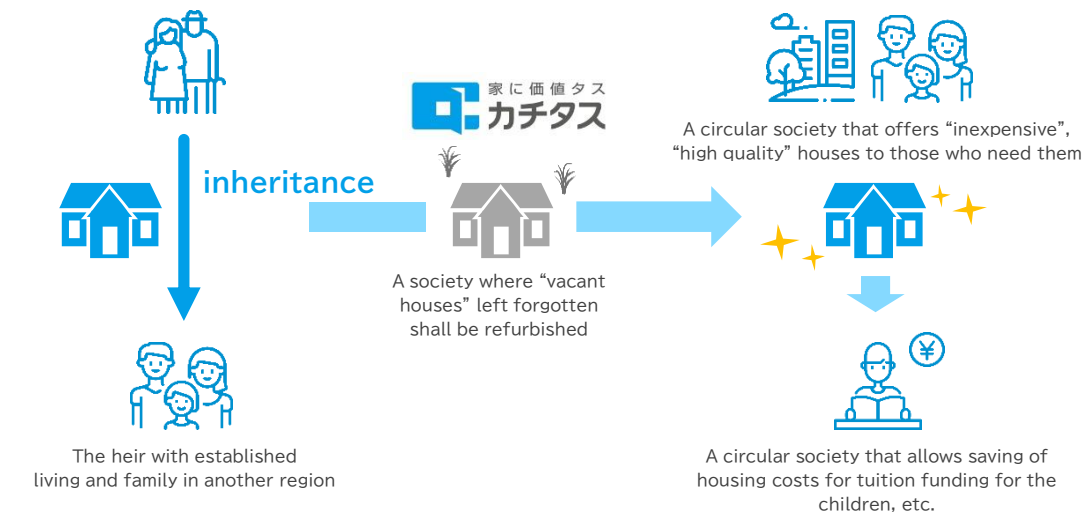


Source: Ministry of Land, Infrastructure, Transport and Tourism, Housing Bureau, "Council for Social Infrastructure Development, Housing and Residential Land Sectional Committee, New Housing Safety Net Study Subcommittee" (July 2016)

Initiatives for materiality

To achieve the circular economy

Circular economy through the circulation of existing resources and assets



| | | | | |
|---|--|------------------|---|---|
| ● To achieve the circular economy | Annual property tax (50,000 yen x 10 yrs.) | 0.5mn yen *1 | ▶ Total economic impact of rehabilitating one vacant house | 16.0 mn yen |
| | 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 | | |
| ● Number of beneficiaries per property | (Beneficiary at the time of purchase) | | ▶ Total number of beneficiaries | 6.0 people |
| | Number of heirs to one ancestor | 2.7 people *4 | | |
| | (Beneficiary at the time of sale) | | | |
| | Average number of people residing in the purchased house | 3.3 people *5 | | |
| ● Fiscal year ended March 2023: Basic information | Number of sales in one year | 6,927properties | ▶ Economic impact Total number of beneficiaries | 110,832 mn yen 41,562 people |
| ● Economic impact and number of beneficiaries when 10,000 properties are sold | Number of sales in one year | 10,000properties | ▶ Economic impact Total number of beneficiaries | 160,000 mn yen 60,000 people |

*1 MLIT: Our calculation based on "Survey on Owners of Vacant Homes" (2019)

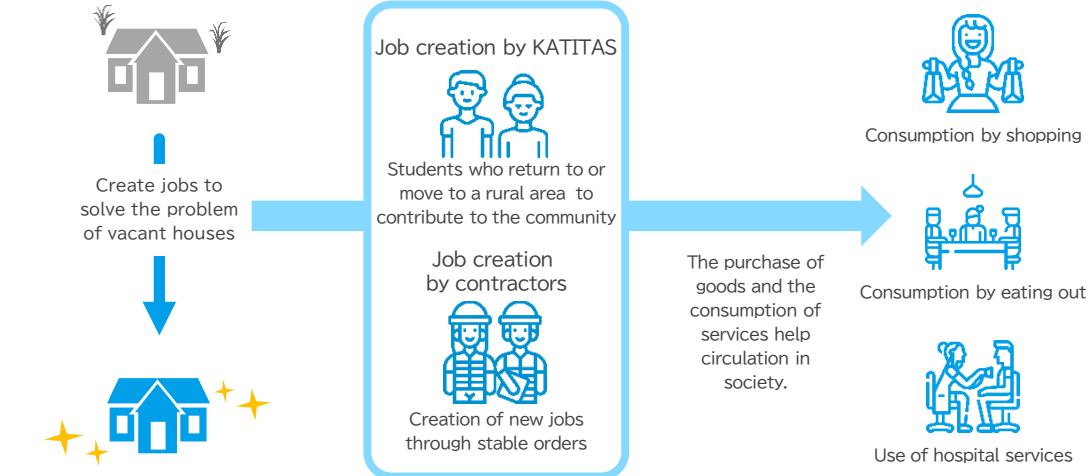
*2 MIC: Report on survey results regarding the current state of services to sort out the belongings of the deceased.

*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" (2022), pre-owned detached houses

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



| | | | | |
|-------------------------|---|----------------------|--------------------------------|----------------------|
| ● Direct job creation | Number of employees | 707 *1 | ▶ Total direct impact | ¥1,990mn/year |
| | Consumption expenditures of working households | ¥216,987/month *2 | | |
| | Impact on local economic revitalization | ¥1,840mn/year | | |
| | Number of new graduates joining KATITAS in April 2022 | 102 | | |
| | Consumption expenditures of people in their 20s | ¥122,918/month *3 | ▶ Total indirect impact | ¥9,162mn/year |
| | Impact on local economic revitalization | ¥150mn/year | | |
| ● Indirect job creation | Partner builders (incl. construction labor cost and housing equipment cost) | 1,173 *5 | | |
| | No. of employees per builder | 3 *6 | | |
| | Consumption expenditures of working households | ¥216,987/month *2 | | |

*1 As of March 31, 2023 (non-consolidated; actual)

*2 Calculated by KATITAS based on the Ministry of Internal Affairs and Communications' 2022 Family Income and Expenditure Survey Report 'Monthly income and expenditures per household'

*3 Calculated by KATITAS based on the Ministry of Internal Affairs and Communications' 2022 Family Income and Expenditure Survey Report 'Monthly income and expenditure per household by gender and age group'

*4 Notes 2 and 3 above are calculated by adjusting the amount that the Company judges to be consumed outside the area of residence, such as educational and recreational services (accommodation expenses, etc.) from the amount of expenditure.

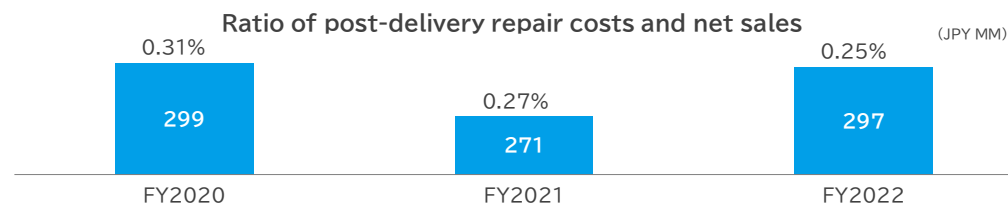
*5 Actual number in fiscal year ended March 31, 2023 (number of builders to which we placed at least one order or which performed at least one project in the year; excludes termite control)

*6 Based on the median number of builder employees from the 5th Nationwide Builder Survey Aggregation Results conducted once a year by KATITAS

Improving product quality

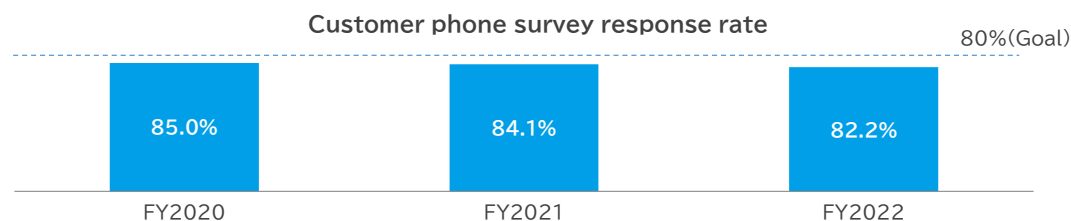
Post-delivery repairs

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.



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).



Improving customer satisfaction

Each family member purchased a home from KATITAS because they felt they were getting more than their money's worth in terms of the good-as-new quality of our renovated homes and the courteous service provided by our staff.



Mr. I., Kumagaya City, Saitama Prefecture (on the left in the photo)

Purchased home from KATITAS Kumagaya branch in August 2021

(In the photo on the right is Mr. I.'s mother who purchased a home from our Kumagaya branch in February 2023)
*His brothers also purchased properties from the Kumagaya branch in 2022 and 2023.

When my mother started looking for a house, I too became interested in buying a house and started looking. I contacted many real estate companies, but none of them gave me an adequate response. Some weren't reachable, were slow in replying, or wouldn't give me a viewing. As a result, I had a hard time finding a home that met my needs, and I had been looking for a home for over a year until I found the KATITAS home.

Newly built homes are expensive, on top of which there don't seem to be many in the area I was looking for. On the other hand, pre-owned homes were affordable and there were properties for sale in the area I wanted, so I narrowed my search to pre-owned homes. Meanwhile, I found a KATITAS home on a portal site. I was attracted because it felt special in that it was located in an ideal area, so I inquired about it. Unlike my previous experience with real estate companies, the KATITAS representative contacted me right away, and a viewing was scheduled very smoothly. The renovated house was so clean that it looked like it was newly built, and I was impressed by the staff's attentiveness. They answered all my detailed questions during the tour until I understood what I needed to know. My family (mother, older brother, and younger brother) were also impressed by the staff's genuine demeanor, and my mother, older brother, and younger brother all subsequently purchased homes through KATITAS. Buying a home is a big deal, but considering the courteous service I received, it was more than worth the price.

Example of KATITAS renovation work (Kofu branch)

By renovating to fit modern lifestyles, we endeavor to improve usability and cleanliness.



Initiatives for materiality

Qualitative and quantitative improvement of human capital

Interview with human resources officer



Kazuhito Yokota

Director and General Manager of
Administrative Division

Mr. Yokota joined the Company after the fund buyout in August 2012

Since joining the Company, he has been in charge of administration, primarily human resources.

Mr. Yokota joined us as one of our executives once the Company went private after Advantage Partners Co., Ltd. made a tender offer for Yasuragi Co., Ltd., the predecessor of KATITAS. He took the lead in expanding human capital through changes in hiring policies and changes in evaluation and compensation systems, achieving significant growth over the next 10 years.

Fiscal year ended March 31, 2013: Sales volume 2,467 houses · net sales 27.2 billion yen · operating profit 1.1 billion yen

Fiscal year ended March 31, 2023: Sales volume 6,927 houses · net sales 121.3 billion yen · operating profit 14 billion yen

What led up to your joining KATITAS?

I originally worked at Recruit Co., Ltd., and later worked in the recruitment business for many years as a founding member of Career Design Center Co., Ltd. When I was considering a career change from my previous job, I focused on finding a promising business in a field other than the recruitment business. When I learned about Yasuragi's business at the time, I was attracted to it because I realized that it was the complete opposite of the recruiting business, where you are constantly competing with other recruiters in the Tokyo metropolitan area. Yasuragi also had a unique business that faced a market consisting of vacant houses in rural areas and customers living in local areas. At that time, Yasuragi was dealing with issues in its organization, systems, and employee conditions, so I decided to join the company because I thought I could make use of my value.

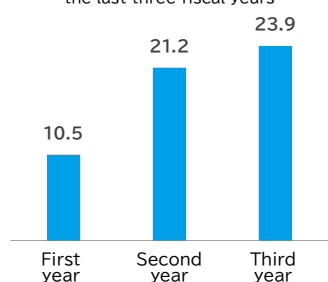
More than 60% of our current sales staff are new graduates. What led up to the start of new graduate hiring?

When I joined Yasuragi at the time, our policy was to focus on mid-career hires, not rejecting those who come to us, and not pursuing those who leave. Employees were individualistic and lacked a sense of teamwork. There was also no solid evaluation and reward system, which left room for only those who could hit the ground running. For this reason, there was persistent opposition to hiring new graduates, arguing that we had no time to train them. However, to reduce the turnover rate we believed it was necessary to foster a sense of camaraderie among employees, so we decided to start hiring new graduates. With that in mind, we started hiring them little by little after achieving our target number of mid-career hires.

In 2013, we hired our first nine new graduates, followed by 19 the following year, and 27 the year after that, and they achieved results comparable to mid-career employees. President Arai and I both originally worked at Recruit, and we shared the understanding that if we created an organization like Recruit, our business performance would definitely improve. So based on the speed and results of new graduate employees, we expanded the number of new graduate hires while persuading existing sales employees that this was the right thing to do.

Productivity of new graduate employees

Average calculated from the results of the last three fiscal years



What kind of employees work at KATITAS? How do you recruit truly productive talent?

Above all, the advantage of hiring new graduates is that you can perform "entry management." When hiring, we place emphasis on the personality traits of good, strong, and smart youngsters so as to foster KATITAS' organizational culture. Since our company has branches all over the country, many of our branches have minimal staff, and the atmosphere of one person has a large impact on the branch, so we think it's important to have people with good personality and solid core. Because they are in charge of the entire business process of purchasing, renovating, and selling pre-owned homes, sales staff need to have the ability to think backward through the business process. In addition, repetition is necessary in order to become familiar with the work content, but since we run a low-frequency business, doing about one purchase and one sale per month, it is difficult to raise up proficiency levels. Hence, our recruits have few opportunities to put their skills to the test, and they need to have the wisdom to learn from their failures on one deal and apply those lessons to the next one, and reflect the successes and failures of other people in the creation of their own products.

We have gone through a lot of trial and error in order to attract talented people. Initially, human resources hired in Tokyo were assigned to regional areas. Such staff would then complain, "I don't have any friends out here, the snowy roads are frightening, and I can't speak the local language. It's a triple hardship." This made it difficult to retain human resources. Based on that experience, I expanded my work area and hired people in Tokyo, Nagoya, and Osaka, but many requests for assignments to major cities did not take hold. Because of these failures, our recruiters went to local universities in Aomori Prefecture to conduct recruitment activities, such as hiring at a local university in Aomori Prefecture for assignments at a branch in Aomori Prefecture, and this led to the recruitment and retention of excellent human resources.

Another boost for recruitment was the fact that over the past five or six years, many national and public universities have established departments related to regional revitalization. Many students are very interested in the vacant house issue, and some are already running private lodging as part of their courses. We believe that this growing social interest is also a factor in our ability to attract talented human resources.

What was your goal in designing your employee evaluation and reward system?

When I joined Yasuragi, 80% of the sales staff were hourly contract employees, and sales staff incentives were individualistic rather than team-based. However, precisely because of this individualism, we accumulated past performance data linked to individuals, making it easy to see the productivity of sales employees at a glance, and creating a data environment that made it easy to predict the speed of growth from the time they joined the company.

We set convincing personal goals based on data analysis, and after setting them, we spent time repeatedly explaining and communicating with sales staff to make sure they were thoroughly understood. The goal was not to focus on the number of properties sold, but rather on the profits from the properties sold. By designing profit in management accounting to reflect indirect costs and time costs, we incorporated the concept of cost of capital without the sales staff even being aware of it.

We also designed our system to make sales employees more aware of their team's performance. Our business model tends to be individualistic, as one salesperson works on a property from end to end. However, as mentioned above, it is difficult to increase proficiency since only a small number of properties are handled in a year. We believe that we can double or triple the experience if we work as a team, so we have set incentives for team performance to foster team awareness and create an environment where people can follow up on each other.

These incentives are fine-tuned on a quarterly basis to match our business strategy at the time. Incorporating management's intentions into incentives enables sales employees and management to see things from a shared perspective, and we believe therein lies the basis of our steady growth.



Initiatives for materiality

— What efforts do you take to maintain high employee engagement?

Since employees enjoy their work in the first place, employee engagement is naturally high, and by gradually improving benefits and compensation systems, we aim to further improve satisfaction.

I believe that the unique traits in KATITAS' work are the significance of our business content since it helps solve social issues and the enjoyment of the type of work that we engage in every day. At the time, I had just joined Yasuragi and the company was not in very good condition. I heard many complaints from sales employees about the company, but at the same time, I also heard many opinions that the work itself is very enjoyable. I had a sense of the significance of the business before joining the company, but I realized that working at KATITAS is a very interesting job since sales employees takes responsibility and discretion for refurbishing the homes they handled themselves. Based on this awareness, when hiring, we emphasize the value-oriented aspects of rewarding and enjoyable work rather than the human-centered aspects of organizational culture and workers.

We believe that the attitude of the management team also contributes to high engagement. For example, during the recruitment process, President Arai interviews each employee individually during the final interview, and when a sales contract is closed after joining the company, he sends a congratulatory email to each sales employee. One of the characteristics of KATITAS is that the company president visits our branches about twice a month and directly calls the staff in charge if there is a good example. The proximity to management from each branch is another one of KATITAS' unique features.

We also conduct a semi-annual employee engagement survey, and management analyzes the reasons for the result of that survey while imagining the faces of our branch members. Thus, management spends a lot of time working on our organization and employees. Management has a very high level of understanding of employees, and I feel that this is also one of the reasons for our strong evaluation in terms of employee engagement.



— How much of the organizational structure you envisioned when you joined the company do you think you have achieved?

I think I have achieved about 80% of my initial ideal. From the beginning, I believed that the company culture would change if new graduates made up half of all employees and branch managers. Ever since we actually reached basically that level, I feel that employee engagement has increased and that there has been an increase in positive content on employee review sites. We also believe that one of the results of our efforts to create an ideal organization is that our employees have spontaneously started projects related to business improvement such as standardization of renovation.

I think we can achieve the remaining 20% when we become a company with momentum like Recruit. In particular, I hope that our employees will come up with ideas for new businesses in a company where they can embody the idea of creating opportunities for themselves and transforming themselves through opportunities, rather than from the top down. Recently, I feel that we are getting closer to this level of organization, such as creating better business tools to improve business at the branch level.

— Please tell us about the initiatives you will focus on going forward in the human resources field.

First of all, we will continue to work on recruitment, training, and retention of new employees. Another major component is increasing productivity per person. In terms of recruitment, we have accumulated data on personalities that are compatible with our company. Since we have been able to verify our hypothesis based on data and our track record, I feel that we will be able to continue to hire high-quality employees from now on. In terms of training and retention, I feel that there is a need to increase career options. As the number of new graduate hires increases, the number of employees who want to choose from a variety of career options is also increasing. Traditionally, the main career path for sales employees has been to become a manager, such as a branch manager or section manager. Going forward, we would like to consider expanding the range of career options for employees who want to be active as sales specialists or take on challenges other than sales.

In addition, approximately 40% of our sales staff are women, and approximately 40% of our newly appointed branch managers as of the fiscal year ended March 31, 2023 are women, so we are a company where women can thrive. Until now, we have been able to respond flexibly to life events unique to women, but I feel that we need to consider introducing a life event system that will provide even more care to more female employees than ever before.

In terms of productivity, we will raise the focus on sales. Up till now, we have set the standard number of transactions required of sales staff at 24 per year (one purchase and one sale per month), and we have given out an award called "Over24." In recent years, though, more and more sales employees have been achieving Over24 in their second year with the company, so we have raised the standard and changed it to Over32.

Since we do not have any production facilities, human capital accounts for a large portion of our management resources. Therefore, we believe that continuing to pay close attention to the details of employees, flexibly changing and evolving systems and benefits, and creating a company where people can work long term with high levels of satisfaction will be the source of sustainable growth.



Initiatives for materiality

Improving productivity through company-wide initiatives

We believe that increasing the number of employees and improving the productivity of sales employees (number of purchases and sales per employee) are important issues 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 overall picture of the training is shown on the right.

■ Morning teleconference

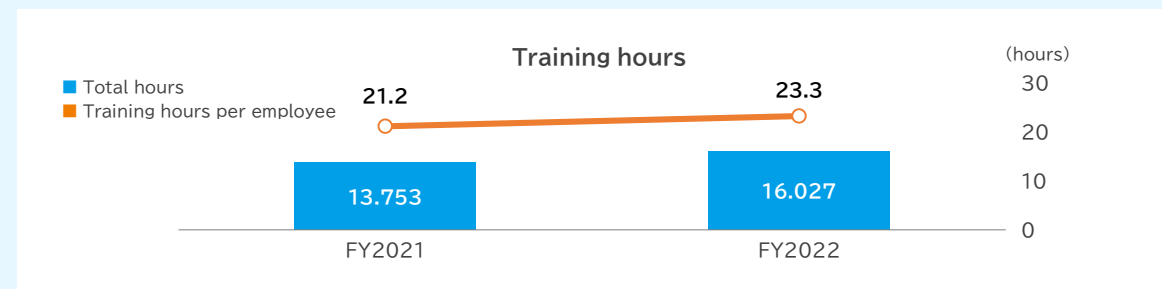
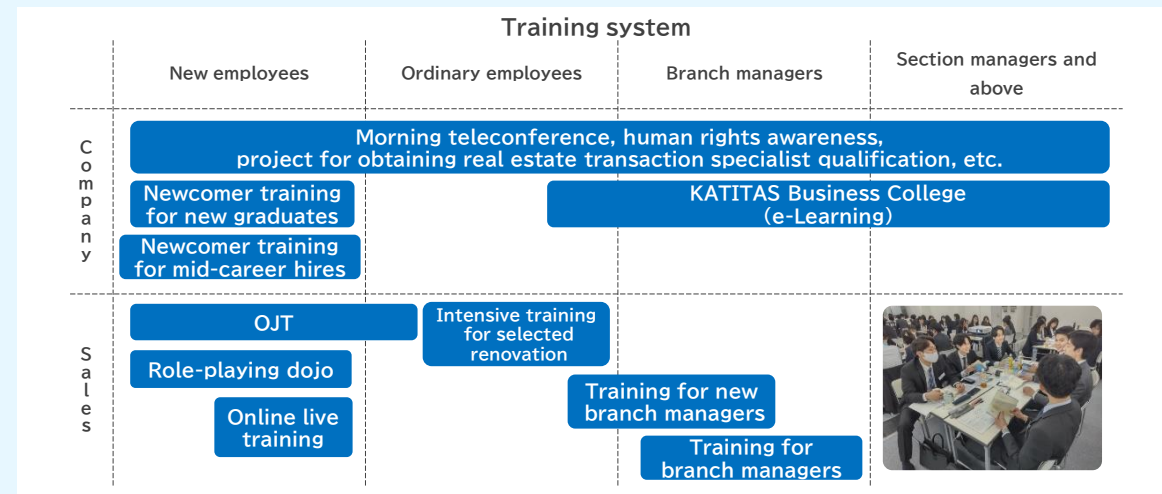
Every Thursday morning, we connect all offices nationwide in a teleconference where we have the president, department heads, and others share information on points to note related to performance trends, legal system revisions, and other topics. As part of our efforts to improve our renovation quality, 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. (All employees belonging to sales branches (including contract and part-time employees) answer surveys after teleconferences.)

In the fiscal year ended March 31, 2023, we held a total of 52 morning teleconferences.



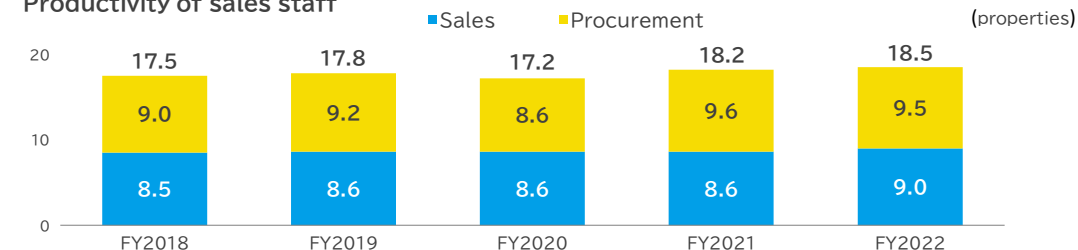
■ Intensive training for selected renovation

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 2023 (FY2022), we held this training six times and 29 people participated.



The number of transactions per employee is on the rise due to skill development through various training programs and productivity improvements through BPR. In addition, our standard productivity metric was set at 24 transactions per year, but with the aim of further improving productivity in the future, from April 2023, we have changed it to 32 transactions per year.

Productivity of sales staff



※Productivity= sum of the number of homes purchased and the number of homes sold by KATITAS over a period, divided by the average of the number of sales employees of KATITAS at the beginning and end of the period

Initiatives for materiality

Creating a comfortable working environment

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
- 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 where achievements are properly rewarded

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.



Initiatives for materiality

Retention of talented human resources

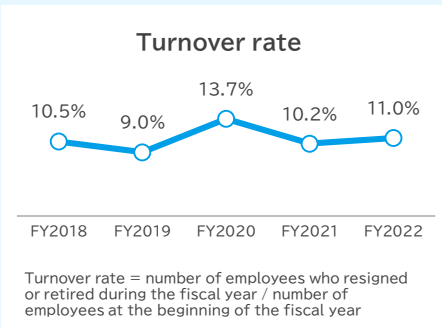
Our sales staff comprehensively handle the entire process of selecting, investigating, and purchasing properties, planning renovations, and sales activities. The ability to effectively select older homes and the ability to plan to create the kind of lifestyle sought by our customers cannot be acquired overnight. Therefore, it is important to keep talented employees highly motivated and retain them over the long term. For this reason, we are working on designing a system aimed at retaining sales employees, conducting engagement surveys for fixed-point observations of satisfaction levels, and monitoring our turnover rates, which serves as a metric of our results.

While we promote restructuring, we currently have a turnover rate of around 10%, which we believe is an appropriate level.

We recognize that creating an environment in which our employees (including contract and part-time employees) can perform their work in a safe and secure manner, both mentally and physically, will contribute to better employee retention rates. To this end, our company takes measures to reduce physical accidents and has established various welfare systems to maintain mental health.

With regard to reducing occupational accidents, we have set a target of reducing the rate of occupational accidents per employee (number of occupational accidents resulting in one or more days of absence from work/number of employees) to 0.60 or less, which is our average for the past. Many of these occupational accidents are traffic accidents. These traffic accidents are caused by the long distances traveled by sales employees to move between properties by car. As a specific measure to reduce traffic accidents, we regularly collect driving record certificates from employees to identify the number of traffic law violations on an individual basis, and publicize the trends within the company to raise awareness of safe driving while also preventing employees from driving with suspended or revoked licenses.

In addition to statutory systems such as regular health checkups and stress checks, the welfare system also includes a 24-hour consultation desk with external counselors and AskDoctors (an online doctor consultation service) provided by M3, Inc. We are also striving to support employees' mental and physical health by introducing a long-term leave system based on performance and years of service.



| | | FY2020 | FY2021 | FY2022 |
|---|--------|----------------------|----------------------|----------------------|
| No. of occupational accidents resulting in an employee taking a day or more of leave (incl. traffic accidents) *1 | | 5 cases (5 cases) | 2 cases (2 cases) | 2 cases (0 cases) |
| % of occupational accidents per employee | Target | — | — | 0.6% |
| | Result | — | — | 0.28% |
| No. of accidents resulting in death of an employee while on duty | | 0 cases | 0 cases | 0 cases |
| % of employees taking a medical checkup *2 | | 95.8% | 95.9% | 98.4% |
| % of employees taking a stress check *2 | | 49.6% | 51.0% | 88.1% |

*1 Accidents that have occurred during commute are excluded.

*2 The data reflects all employees (including contract and part-time employees).

Step-up leave (long-term leave system)

This system was introduced in October 2020, and employees are provided with five consecutive holidays (nine consecutive holidays when combined with regular holidays) and an incentive stipend of 100,000 yen, depending on their performance and years of service. This system was introduced with the management team's desire to reward the daily efforts of employees who work hard to achieve results, and to encourage them to continue working long term.

At the briefing session before the introduction of the system, some employees expressed their enthusiasm for the scheme, saying, "I want to do my best to take time off as soon as possible" and "I want to continue working hard because the environment is becoming easier to work in," while some expressed concerns, such as: "I'm not sure if I can really take time off," "With my current workload, I can't imagine being able to take consecutive holidays," and "Will I really be able to take consecutive holidays even at a small branch or even if I'm a branch manager?" Therefore, in order to create an environment where employees can take time off without undue stress, we have considered ways to deal with each type of job position and set aside a preparation period to ensure smooth organization management, including for superiors.

As a result, a total of 227 employees have used this system so far, and we have received positive comments from them, saying such things as "I want to work hard and look forward to the next one." In addition, the voices of step-up leave users are shared in the in-house newsletter "KATITAS News," which is published once a month. Through this newsletter, we are also working to encourage employees to take the step-up leave by making it easier for them to imagine taking the leave themselves.

Comment from an employee who took a leave :

Okayama/Kagawa/Tokushima Area Division Manager K (at the time of taking leave)

I went on a family trip to Yamaguchi and to Kyushu for 3 nights and 4 days. It was a place I had never been to before, so I went there to recharge my energy and find some relaxation and delicious food. Since my daughter was 10 months old, she was usually asleep when I got back from work, so by taking the leave I was able to spend some relaxing time with her, which is a precious memory. I was very nervous at first because I had never put my company cell phone down and left work-related matters behind, and on the first day in particular, I was so nervous that I wondered if I should stop by the office. But I actually took a break, and from the second day onwards I was properly enjoying my vacation. I felt that even though I was anxious, my superiors and juniors would work it out and the work progressed. After returning from vacation, there were no problems and my coworkers had secured a potential contract. They are so reliable! I'm sure there are times when you worry if your work will be okay, whether there will be any problems, whether progress will be delayed, whether you'll be able to achieve your personal goals, but to be honest, I don't think any problems will arise. Even if you take a week off, the branch and your superiors will cover you, so go for it and take a break!

Since I came back refreshed, I will continue to work for my family, and look forward to my next vacation. I plan to go to Hawaii next time.

Colleague comment

The manager usually accompanies me and instructs me on things like guidance, purchasing projects, and business operations, but while he was away, I was able to proceed with my work by consulting with senior staff members at our branch. He looked happy saying he was able to spend time with his family and it seemed to me like he came back really refreshed. I'm going to work hard every day so that I too can take leave as soon as possible.

The photo was taken at a bear park called Aso Cuddly Dominion in Kumamoto Prefecture. Mr. K's wife is holding a real bear and his child also looks happy. The place is also famous for its animal entertainer, Pan-kun.



Initiatives for materiality

Promoting diversity

Female employees account for 40.3% of sales representatives and female managers account for 20.4% of management positions at KATITAS (as of April 1, 2023). 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.

Track record of women in the workplace

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

Annual sales ranking of sales employees
(FY2022 results)

60%

Many women interested in renovations and housing

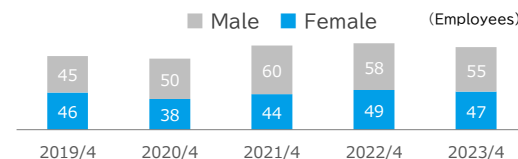
Female employee ratio
(As of April 1, 2023)

40.3%

(Ratio of full-time female employees: 37.5%)

A high percentage of the company's new-graduate recruits are women

Breakdown of new-graduate recruits
by gender



**Real estate industry average : 14.8%
High ratio of female managers**

Percentage of female managers
(As of April 1, 2023)

20.4%

※ Counted managers and supervisors in KATITAS' sales and administrative departments
※ Source: TEIKOKU DATABANK, LTD., "Survey of Corporate Attitudes Towards Promotion of Women (2022)"

**Average for large companies : 66%
The number of years of service for women exceeds the number of years of service for men.**

Comparison of the average years
of service, female to male

(As of March 31, 2023)

101%

※ Average years of service of female employees(6.6years) / Average years of service of male employees(6.5years)
※ Source: The Ministry of Health, Labour and Welfare "Basic Survey on Wage Structure (2022)"

The difference in managerial positions, which is small in general positions, is due to the number of years in the position and the number of people in the position.

Gender pay gap for
full-time employees

(As of March 31, 2023)

91.0% 97.2%

Managerial
positions

General
positions

**100% of female employees take childcare leave.
Some male employees including managers have taken it as well.**

Childcare leave usage rate
(As of March 31, 2023)

100% 35%

Female

Male

Inclusion in MSCI Japan Empowering Women Index for 4 consecutive years*

Addition to the MSCI Japan
Empowering Women Index*

**2023 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)**

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. Our company has set quantitative goals for hiring women and promoting them to management positions, as shown on the right.

Ratio of female
employees among
full-time employees

Objective

37%+



Progress

36.6% (As of March 31, 2023)

Ratio of female
employees appointed
to management
positions

Objective

30%+



35.5% (FY2022)



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Contributing to local communities through sustainable partnerships

Returning economic benefits to building companies and other aspects of local communities

At KATITAS, we request our local partner contractors 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, compared to the large-scale construction work listed on the left, the renovation work we request is safer with a low probability of accidents since it is conducted on low-rise detached homes with roofs, and with no use of large heavy machinery.

■ Hosting the KRP Meeting aimed at mutual growth with regional partner contractors

Once a month, we invite 10 to 20 partner contractors 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 contractors on construction knowledge and insights. Because of that, we believe that our relationship and partnership with the partner contractors 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 contractors 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. From April 2023, we have resumed face-to-face meetings.



Scene from a KATITAS Remodeling Partners Meeting



Awarding the Partner Contractors Recognition

Excerpts of questionnaire responses by partner contractors

About the President's Message

I got a good understanding of the growth of KATITAS over the 12 years since the transition to the new system, and the changes that have been made to improve relationships not only with us as a partner contractors but with stakeholders as well. As a partner, I'm glad I came here, and I want to do my best to reach the target of 10,000 buildings.

About the President's Message

Due to soaring prices, many people who want to build a new house are giving up because it's too expensive. I would like to work with KATITAS to boost the value of pre-owned homes and create homes that are good as new.

Explanation of points requiring caution in general construction

Of course we want to eliminate major defects, but more than that, we pay close attention to detail so that our customers can live with peace of mind. I would also like to proactively propose renovation projects from our side as well.

About the President's Message

It was my first time hearing President Arai's voice and hearing his vision, and I came away with renewed enthusiasm.

Explanation of points requiring caution in general construction

KATITAS shared examples of failures across the country, and thanks to that we came away with a clear understanding of the points to be wary of during construction. Since the building site foreman at my company also participated, I would like to hold another meeting at my company and share the information with all the craftsmen involved on the site.

Introduction of partner builders

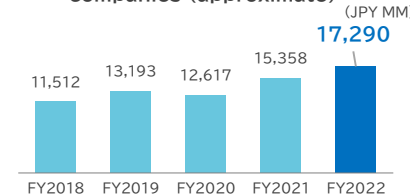
Since I don't have the opportunity to meet other partner construction companies, it was a good opportunity to hear their thoughts and ideas about their work. I will do my best to keep up with everyone.

■ Business continuity support for building companies

KATITAS placed orders worth approximately 17.2 billion yen with local builders in the fiscal year ended March 31, 2023.

Feedback received includes such comments as: “Because we have continuous work and have closing dates three times a month, we are able to operate throughout the year instead of relying on the profits of a single building,” and “The cost of components had soared and we were having a hard time with cash flow, but KATITAS also provided building materials, which was a big help.”

Value of orders placed with building companies (approximate)



Initiatives for materiality

Health and Safety

We recognize that ensuring that partner contractors related to our business carry out renovation work safely and securely is a crucial issue for the sustainable development of the Company. For this reason, we conduct a questionnaire survey of our partner contractors once a year to ascertain their workload, construction capacity, business continuity status, and whether there have been any accidents.

Our renovation sites are mainly two-story detached houses, and most renovation work is done indoors, so we believe serious accidents are unlikely to occur. The following table shows the number of accidents that have occurred in the last two fiscal years.

Number of fatal accidents at partner contractors

0 cases

FY2021

0 cases

FY2022

No. of occupational accidents resulting in at partner contractors taking a day or more of leave

In the fiscal year ended March 31, 2023, partner contractors reported a total of 6 occupational accidents resulting in one or more days of absence from work. 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 contractors.

11 cases

FY2021

6 cases

FY2022

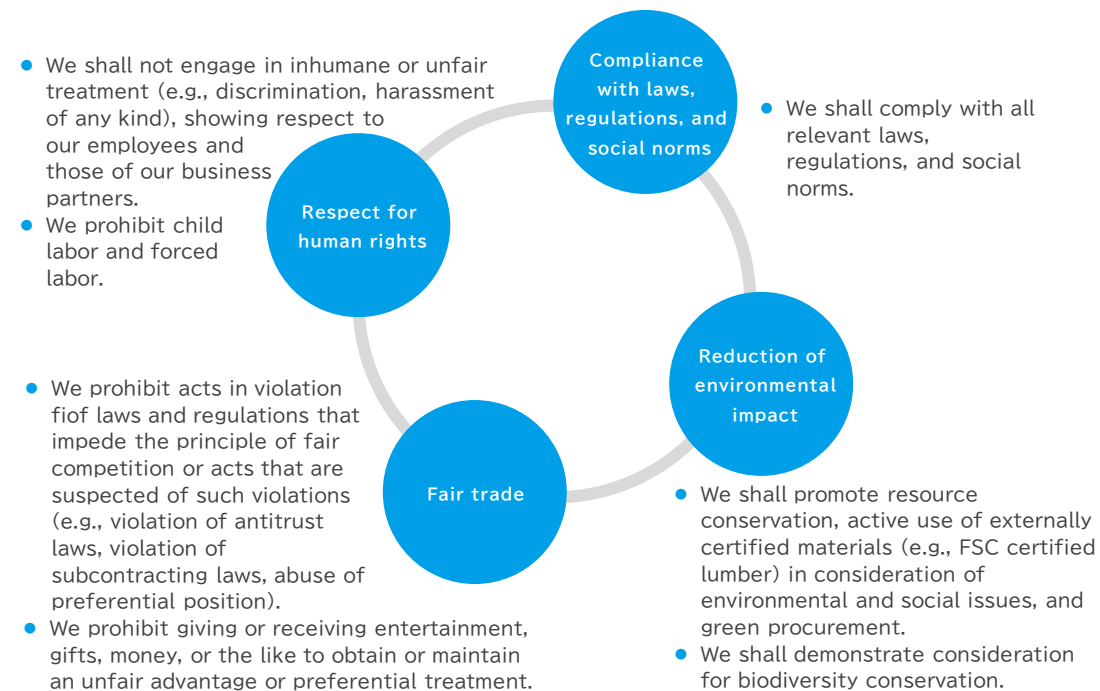
*1 FY2021: Number of targets for survey 575 companies, Number of valid responses 575 companies

FY2022: Number of targets for survey 659 companies, Number of valid responses 398 companies

*2 Questionnaire for FY2021: "Number of accidents involving injuries at partner contractors"

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. We will promote procurement based on this policy by disseminating it to our partner contractors and suppliers.



Reducing environmental impact

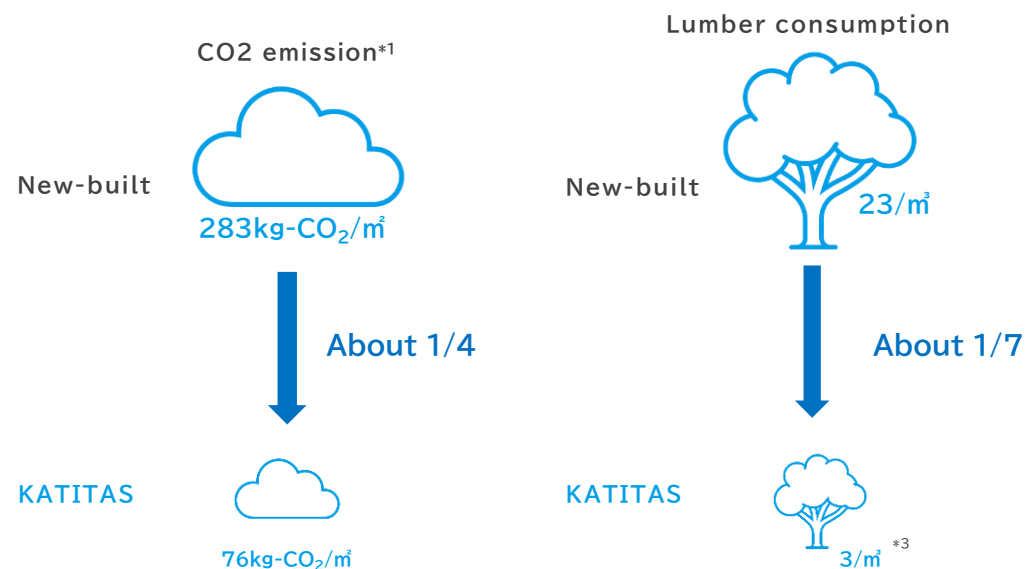
Reducing CO2 emissions associated with business activities

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.

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: Forestry Agency “Current status and challenges of forests, forestry, and timber industry (March 2021)” 3. Current status and challenges of the timber industry

*3 Source: Record of our standard remodeling performed in June 2023

KATITAS business of second-hand residential house renewals

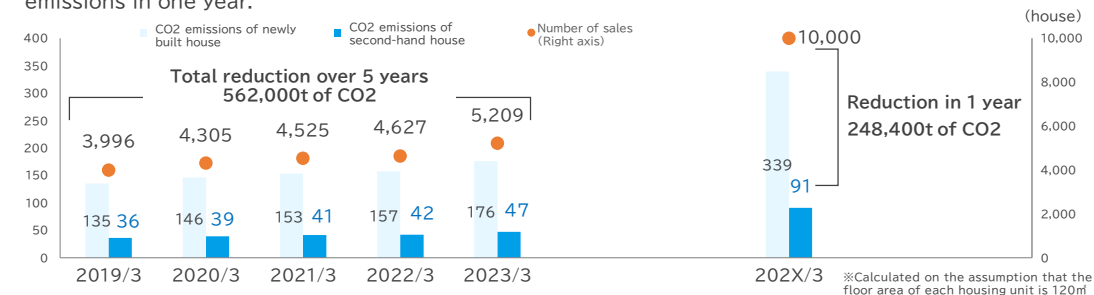


KATITAS business of second-hand residential house renewals



Comparison of CO2 emissions

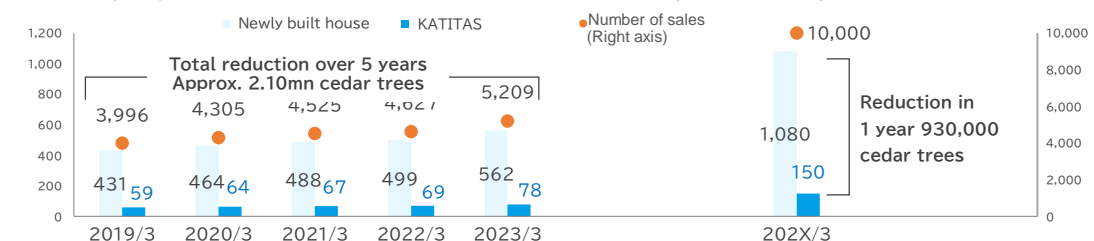
Over the past five years, KATITAS has reduced a cumulative total of approx. 562,000t of CO2 emissions by selling renovated houses compared to building new houses. If we sell 10,000 renovated houses in the future, that will mean we can reduce 248,400t of CO2 emissions in one year.



Comparison of lumber usage

Over the past five years, KATITAS has reduced a cumulative total of approx. 2.10 million cedar trees cut by selling renovated houses compared to building new houses (about 2,100 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.”

Initiatives for materiality

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 Sustainability Committee to continuously and systematically promote sustainability initiatives. The Committee is formulated the 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 Sustainability Committee is supervised by the Board of Directors, chaired by the president and CEO, and composed primarily of directors and executive officers, etc. 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.

| | | |
|------------------|---|--|
| (1) 2°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. |
| (2) 4°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. |

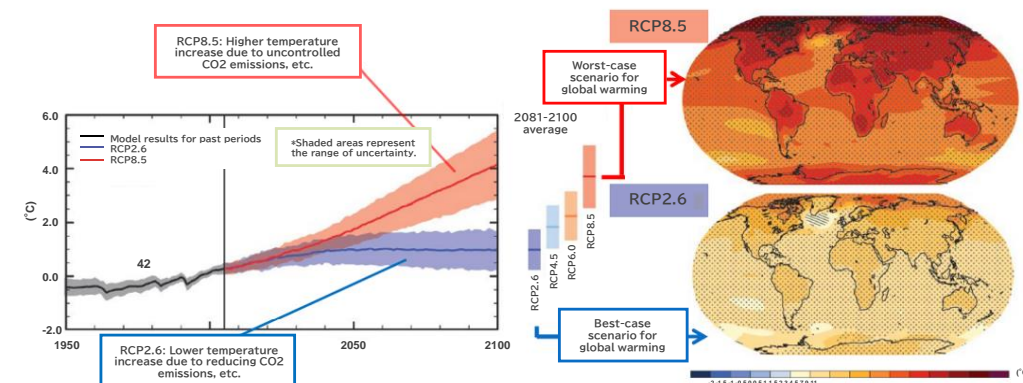


Figure: Simulated time series of change in global average surface temperature relative to the 1986-2005 average based on multiple CMIP5 models

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."

Initiatives for materiality

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 Medium-Term Management 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.



| | 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 Medium-Term Management 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 |
| Transition Opportunities | | 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 |
| | 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

Initiatives for materiality

Analysis Results

(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 We believe that highly durable housing that can 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 |

Note: In 2023, we reexamined the specific effects of climate change on our operations, the degree of financial impact stemming from climate change, and the period over which climate change-related effects will materialize. Based on our findings, we determined that the levels of significance associated with all individual risks and opportunities remained unchanged. Accordingly, no changes have been made to analytical data or information released on June 30, 2022 in association with the 2°C and 4°C scenarios described above.

Initiatives for materiality

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, are addressed on a company-wide basis as priority measures in the Third Medium-Term Management 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 (CO₂ emissions per unit of consolidated net sales) by 40% by FY2030.

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

CO₂ Emission Reduction Initiatives

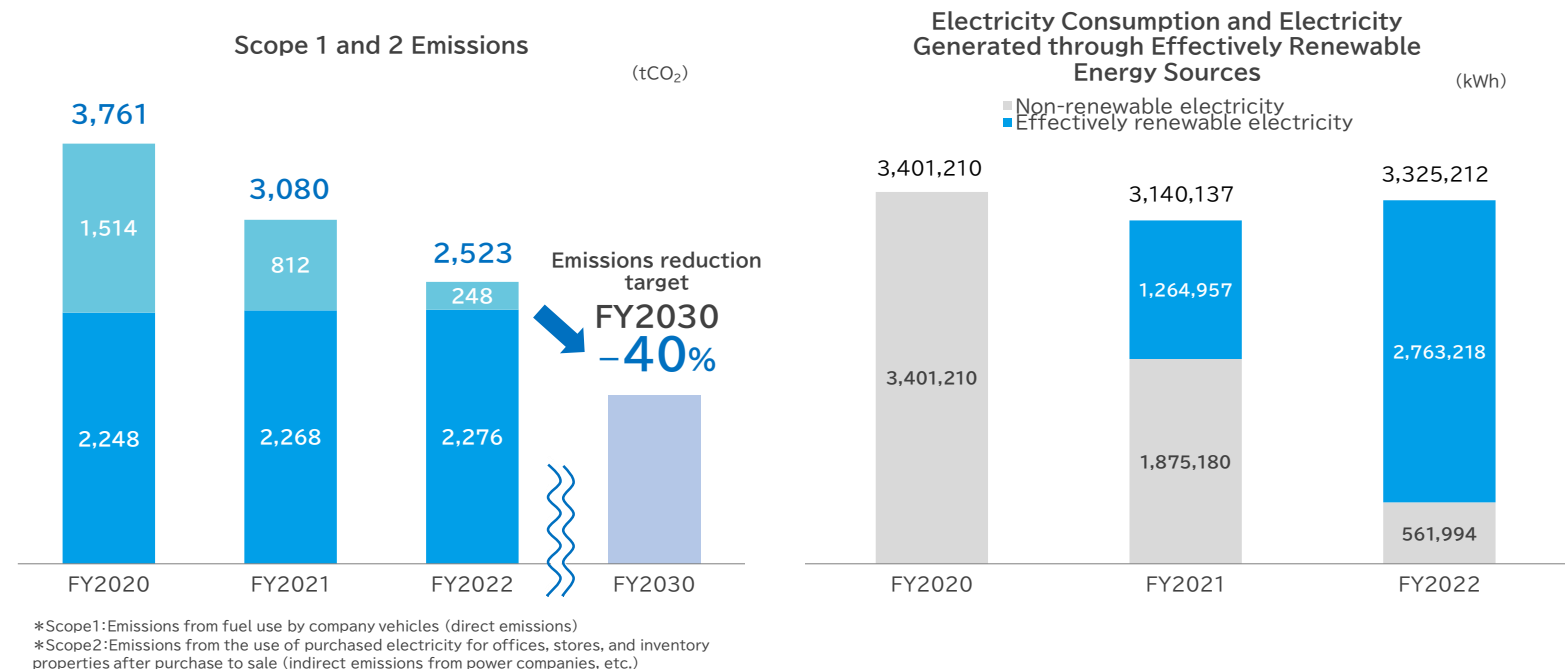
Based on analyses concerning the 2°C and 4°C scenarios described above, the Group is taking steps to reduce CO₂ emissions as a means of reducing risk and generating opportunities. Our two most recent initiatives have been described below.

①Energy conservation through improvements in the insulation efficiency of homes

Approximately 60% of the homes we sell are at least 30 years old. Homes built at least 30 years prior have poorer insulation efficiency than newer houses built in recent years. Accordingly, we are striving to improve the energy efficiency of homes by installing heat-insulating materials and interior windows to enhance their insulation performance.

②Switching to electrical power generated through effectively renewable energy sources

To reduce CO₂ emissions generated through our business activities, we are progressively transitioning to effectively renewable energy sources for the electricity used at our offices, stores, and inventory properties. The Group's energy consumption in FY2022 amounted to 3,325,212 kWh, which was not a significant increase from FY2021 or FY2020. Due to our gradual adoption of effectively renewable energy sources, which began in November 2021, the share of our consumed electricity generated through effectively renewable energy sources has been steadily increasing.



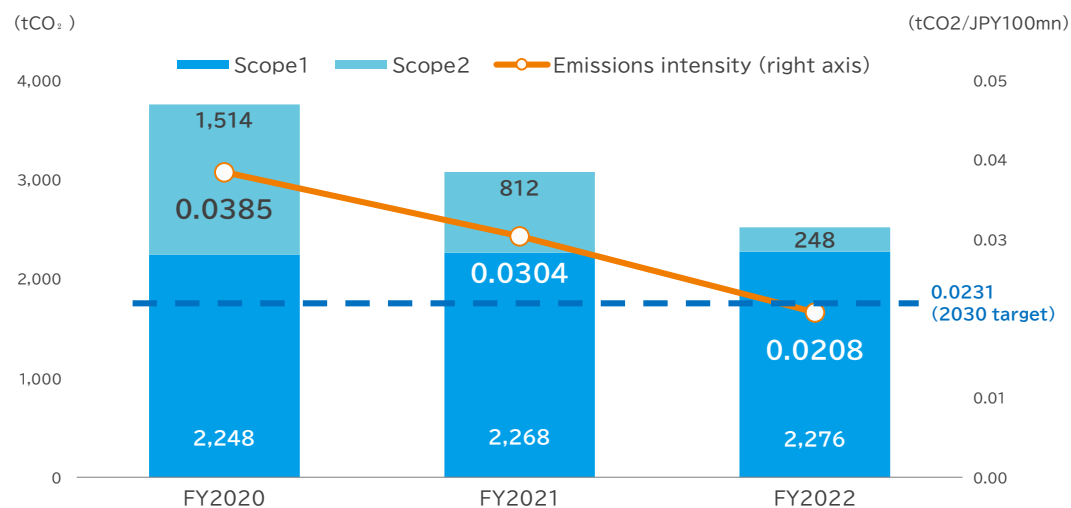
Results of CO2 Emission Reduction Initiatives

CO2 emissions generated by the Group have been provided below.

As shown below, CO2 emissions were reduced by 46.0% in FY2022, achieving our FY2030 target ahead of schedule.

$$1 - (\text{FY2020 emissions intensity of } 0.0208 \text{ tCO}_2) \div (\text{FY2022 emissions intensity of } 0.0385 \text{ tCO}_2) = 46.0\%$$

Scope 1 and 2 Emissions and Emissions Intensity



In FY2022, the Company observed a slight YoY increase in Scope 1 emissions, which are mainly generated from the use of fuel for company vehicles and other equipment, and a YoY decrease in Scope 2 emissions, which are primarily attributable to the use of electricity purchased through the Group's offices, stores, and inventory properties (from time of acquisition to time of sale).

Although Scope 1 emissions increased slightly, we were able to limit the rate of growth in emissions relative to the pace of business expansion. We were able to achieve this result in part because the use of environmentally friendly vehicles as company cars and for other transportation purposes rose thanks to our environmental vehicle allowance program and in part because we successfully reduced distances traveled to and from properties by improving operational efficiency.

The decline in Scope 2 emissions was due to significant reductions in electricity used through the Group's offices, stores, and inventory properties. We achieved these reductions by progressively adopting effectively renewable energy sources for the generation of our electric power.

Moving forward, KATITAS will continue striving to further reduce its CO2 emissions.

Other environmental initiatives

Water management

Water stress

We use Aqueduct, an assessment tool of the World Resources Institute (WRI), to identify water stress and water risk. The water-related risks in Japan, where we operate, are identified as "Low-Medium" and we recognize that the water stress is relatively low in this region.



Replacement of water facilities (bath, toilet, sink)

In the majority of the pre-owned properties we handle, we replace the water facilities (bath, toilet, and sink) during renovation. By replacing the water facilities installed at the time of construction with water-efficient equipment, we are able to reduce the environmental impact and water bill expenses of our customers. In particular, for toilets, which account for 21% (*4) of total household water usage, we actively install toilets that are 50% more water-efficient than conventional products.



*1 Tokyo Metropolitan Government Bureau of Waterworks FY2015 Survey of General Household Water Use by Purpose

Compliance with environmental laws and regulations

The Company has not violated any environmental laws and regulations such as the Waste Management and Public Cleansing Law, the Soil Contamination Countermeasures Act, and the Air Pollution Control Act from FY03/21 to FY03/23, and has not incurred any associated fines or penalties.

Approach to land use and site development

The Company renovates and sells existing homes to redistribute pre-owned homes. Accordingly, the Company does not develop new sites. Since our business model does not involve the development of new residential areas, there is no need to build new lifelines, which we believe helps in creating compact cities in regional areas.



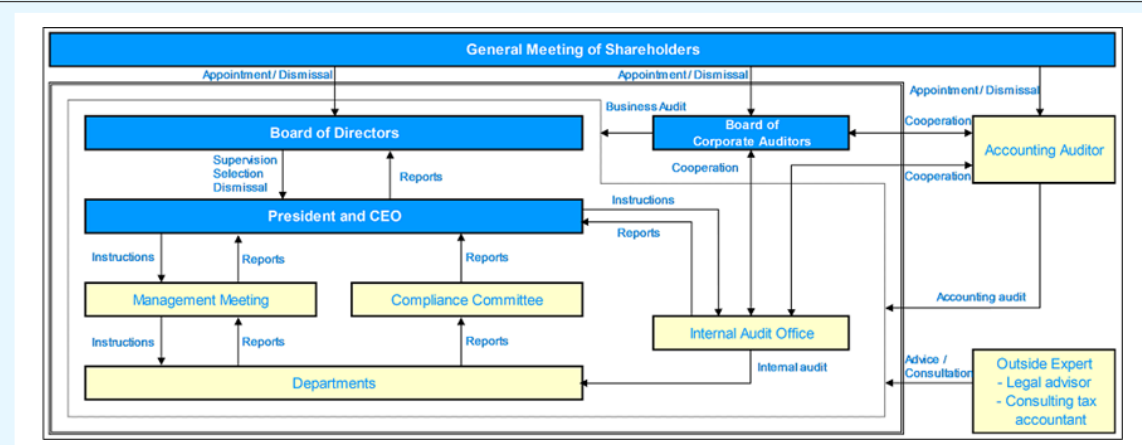
04

Corporate Governance



Structure of the Board of Directors and efforts to ensure effectiveness

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, Sachie inamura, Sumie Sakamoto, Noriyuki Nakanishi |
| Sustainability Committee | Chairperson: Katsutoshi Arai Committee Members: Katsutoshi Arai, Kazuhito Yokota, Akihisa Yokota |
| Executive Committee | Chairperson: Katsutoshi Arai Committee Members: Katsutoshi Arai, Kazuhito Yokota, Toshiki Hayase, Noriyuki Nakanishi, Toshiyuki Tanaka, Shoji Kudo, Yoshiya Akita, Hiroki Oka, Ryuji watanabe, Yasutomu Samaki, Masaya Matsumoto, Nobuyuki Tanaka, Youichi Ueda, Koutaro Nojima, Kouichiro Sakamoto, Tetsuo Takahashi, Kentaro Fujishima, Junsuke Kawashima, Akira Morikawa |

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 | - | - | - | - | 14 | 4 | 3 | - | 13 | - | 3 |
| | Gender | Male | Male | Male | Male | Male | Male | Female | Male | Male | Male | Female |
| | Age (As of June 30, 2023) | 54 | 55 | 39 | 67 | 71 | 59 | 59 | 50 | 52 | 46 | 52 |

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

Corporate Governance

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 2023: Distributed and collected questionnaires
- April 2023: 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: Broad of Directors meeting held in the fiscal year ended March 31, 2023
- Main evaluation items:
 - Management of the Board of Directors (examination period, length of meetings, frequency of meetings, status of improvement, etc.)
 - Content of discussions by the Board of Directors (status of the creation of documents on resolutions and reports, etc.)
 - Composition of the Board of Directors (number of people, expertise, diversity, etc.)
 - Communication between members of the Board of Directors (environment, atmosphere, status of discussions, efforts on issues and assignments, etc.)
 - Initiatives for ESG and SDGs (status of disclosure, evaluation of the effectiveness of the Board of Directors, etc.)

(3) Summary of evaluation results

The evaluation results showed generally positive responses in all categories, with few negative evaluations overall. Positive evaluations included comments such as "analysis of business performance is performed appropriately," "analysis of changes in business environment, including trends among markets and competitors, is conducted adequately," and "unresolved issues raised during Board of Directors meetings are addressed during the subsequent meeting held the following month." Meanwhile, critical evaluations included comments such as "sufficient time should be set aside for discussions regarding medium- and long-term corporate value enhancement and medium- and long-term growth strategies," "information should be closely scrutinized due to enormous volumes of material," and "materials should be provided sooner and meetings should be held at earlier dates."

An effectiveness evaluation of the Board of Directors performed for the fiscal year ended March 31, 2022 raised the following issues: "sufficient time should be set aside to discuss medium- to long-term growth strategies" and "information disclosure on ESG and SDGs should be enhanced, including the preparation of an integrated report and disclosure on the website." The effectiveness evaluation for the fiscal year ended March 31, 2023 resulted in positive feedback regarding improvements achieved with regard to these issues.

Favorable comments included, "medium- and long-term issues are being addressed and evaluated in turn by the Board of Directors" and "the Company has expanded its disclosure of ESG and SDG-related information." However, the evaluation also resulted in critical comments, such as "the Company should establish a separate forum for discussing medium- and long-term growth strategies" and "materials are too large in volume." These comments represent ongoing concerns, and the Company will continue striving for improvement with regard to these issues. The Company will continue to address issues raised through these evaluations as it strives to further improve the effectiveness of its Board of Directors.

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

★★★★★ Very satisfactory
★★★★ Satisfactory
★★★ Average
★★ Not very satisfactory
★ Not satisfactory
*5-tiered evaluation

<Agenda content> ★★★★★

Currently, the main reporting items are monthly performance reports and medium-term plan progress reports, but reports on the status of internal audits and accounting audits should be conducted at least once a year.

<Agenda consideration period> ★★★★★

We hope that the review period will be further accelerated. I am very satisfied with the materials that have been enhanced year by year, but I would like to see the advance materials provided about two days earlier.

<Meeting management> ★★★★★

Once every six months or once a quarter, I would like to see meeting times extended or discussions held on different days to cover medium- to long-term topics.

<Director composition> ★★★★★

We believe that in addition to female directors, KATITAS has also ensured diversity among outside directors. Although it does not have any foreign executives, it does have multiple executives with excellent global awareness, so we don't see the need to insist on foreigners.

<ESG/SDGs disclosure> ★★★★★

Considering the size of the company, we believe that it provides sufficient disclosure. The disclosure documents also have a handmade feel, giving a good impression that they are not simply left up to a consultant.

<Status of operational improvements since last year> ★★★★★

Improvements have been made in all aspects, including report materials and explanations, Q&A time, advance document submission, and the way things are handled on the day.

<Agenda content> ★★★★★

Capital policy itself should be reported and discussed at least once a year

<Content of prepared materials> ★★★★★

I would like regular reports on macro trends in the external environment. For example, how will the total number of households with an annual income of around 5 million yen, which are our major customers, change in the future, or will there be any changes in policy or financial trends? We would like to see you analyze and report on events that affect our growth strategy and the factors that inhibit growth.

<Meeting management> ★★★★★

Outside officers have a high degree of freedom in speaking, and are able to ask many questions about management from their own perspectives. The internal executive officers who answer the questions have a high level of understanding of the business, and the operation is favorable in that we can ask them questions directly and receive answers.

<Director composition> ★★★★★

I have high hopes for initiatives and systems that will facilitate the promotion of female executives from within the company.

<ESG/SDGs disclosure> ★★★★★

I hope that KATITAS will make a social statement by emphasizing the superiority of its business content over other companies in relation to ESG.

Interview with an Independent Outside Director (2023.1.18)



Miwa Suto

Independent
Outside Director

Appointed as an independent outside director of the Company in June 2021
Representative Director of Planet Plan, Co., Ltd.
Specially Appointed Professor, Graduate School of Media and Governance, Keio University

After engaging in accounting audits at an auditing firm as a certified public accountant, Miwa Sato worked as a management consultant at a multinational consulting firm. She has served as an outside director for a major sports manufacturer, a high growth venture company, a real estate company and publicly traded companies. She applies her extensive knowledge in accounting and marketing, as well as her experience as an outside director in various industries and growth phases, to improving the effectiveness of the Board of Directors of KATITAS.

— How have you worked to deepen your understanding of the business model since becoming an outside director?

Since KATITAS has an excellent business model, I am working to understand the key aspects of the business that are the source of its excellence, and since joining as an outside director of KATITAS, I have held meetings with the management team also outside of the Board of Directors meetings. Each member of the management team at KATITAS is strongly committed to the area they are in charge of, so I am working to deepen my understanding of the business by holding individual meetings with the person responsible for each area, such as human resources, marketing, and REPRICE.

Furthermore, since the materials prepared for the Board of Directors meetings of KATITAS include detailed performance analysis, I also separately interview the Corporate Planning Office, which is the secretariat of the Board of Directors, about the background of the analysis and how each KPI was set.

— How do you evaluate the operation of the Board of Directors of KATITAS compared to the Board of Directors of other companies?

The Board of Directors of KATITAS engages in lively discussions based on questions posed by outside directors from short- to medium- to long-term perspectives. One good point is that the discussions are not concluded on the spot, but instead there is a well-functioning feedback loop where the management team takes the discussions home, discusses them again internally, and reports back at the next meeting of the Board of Directors. For example, when the Board of Directors was asked to report on the direction of future M&A in the planning of the third medium-term management plan, I was impressed by the fact that the results of the discussion were reported after taking back questions and suggestions from outside directors and discussing them in an internal workshop.

While I feel that the company's strength lies in its thorough management of quantitative KPIs related to business performance, what I would like to see in the future is the strengthening of the collection and analysis of qualitative information. As the modern age is sometimes referred to as the VUCA era, it is necessary to respond flexibly to uncertain and ambiguous information that is difficult to quantify. For example, I look forward to seeing dynamic analysis of how consumers' price sensitivity to insulation features will change in response to changes in consumer preferences and regulations regarding environmental issues.

— How would you evaluate KATITAS' sustainability efforts?

First of all, the company's business model, which is directly linked to solving issues to create a sustainable society, is excellent. I also highly evaluate their "human resources" that embody this business model. When I participated in the quarterly kickoff meeting, I was impressed by their passion for achieving results and their willingness to take on challenges in order to solve daily business problems, which was evident in the speeches given by the employees who received awards. My

understanding is that management is focusing on recruitment and human resource training in order to attract more such motivated employees and to effectively link their efforts to business performance, and I appreciate management's proactive efforts to hone the company's strengths.

In terms of diversity, I feel that the company has a culture where competence leads to results and is valued regardless of age or gender. In fact, the majority of top salespeople are women, and more than 20% of managers are women. One of the challenges is that KATITAS' business is characterized by work that is centered on renovation sites and a sales schedule that requires working on weekends and holidays, which has some impact on the daily routines of individual employees. In promoting diversity and sustainability management, I look forward to the company making further efforts to provide support tools for organizational structures, human resource systems, and productivity improvement that enable flexible work styles so that excellent human resources can remain productive at the company for a long period of time.

— As a major shareholder, how does Nitori Holdings Co., Ltd. influence the Board of Directors and business operations?

I believe that there are no concerns that minority shareholder interests will be harmed in the actual business operations. The management of KATITAS makes sound and fair decisions regarding day-to-day business operations and I do not see the capital relationship with Nitori Holdings being a constraint on business operations.

Currently, the company has a very positive alliance relationship with Nitori Holdings. I would like to see KATITAS proactively incorporate what Nitori Holdings has to offer in terms of its thorough consumer-oriented approach and systems for ensuring high productivity in the workplace, both of which will be helpful to the growth of KATITAS. Currently, KATITAS has much to learn from Nitori Holdings, but going forward, I would like to see the company build its strengths to a point where Nitori Holdings looks to learn from KATITAS.

— What do you feel are some of the challenges that KATITAS faces?

I believe that expectations for sustainable growth for KATITAS are high, not only from shareholders but also from society at large. The significance of KATITAS' growth is substantial because it is directly related to solving social issues such as addressing the problem of vacant houses, stimulating the local economy, and providing affordable housing. I see potential for KATITAS to reach a sales volume of 10,000 houses in the future, and to grow even more substantially after that. One of the characteristics of a company larger than KATITAS that I was involved in is the depth of its organization and people.

Currently, KATITAS has been expanding its organization in line with its growth. However, I believe it is important for the company to envision its organizational structure from a medium- to long-term perspective and backcast to create a plan to boost its functions and human resources, which are expected to be in short supply, while also taking steps to further improve productivity in anticipation of organizational expansion.

Past interviews with independent outside directors

Hideaki Tsukuda (2021.1.13)

Seiichi Kumagai (2021.9.29)



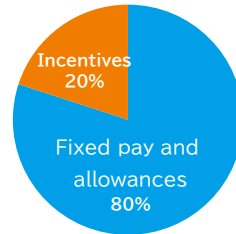
Enhanced governance through the reward system

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

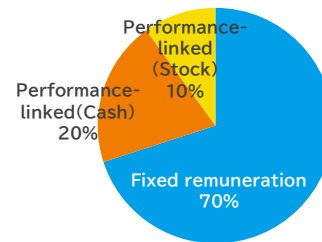


Policy for determining remuneration for directors

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).

Compensation package



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.

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.

Initiatives to strengthen internal governance

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

- Alerts on information leaks and handling of insider information
- Content and alerts regarding fraud and accidents occurring in the industry and the world at large
- Sharing examples of failures and rule violations that occurred in our business
- Compliance Committee Meeting report

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.

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.



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.

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, 2023: 0

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.

※ Total political contributions for the fiscal year ended March 31, 2023(FY2022): 0 million yen

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.

05

Financial Information



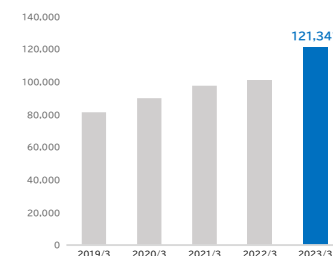
Financial Information

Financial Highlights

(Millions of yen)

| | 2019/3 | 2020/3 | 2021/3 | 2022/3 | 2023/3 |
|--|--------|--------|--------|---------|---------|
| Net sales | 81,356 | 89,978 | 97,735 | 101,269 | 121,341 |
| (YoY change) | +17.6% | +10.6% | +8.6% | +3.6% | +19.8% |
| Number of properties sold | 5,352 | 5,801 | 6,155 | 6,120 | 6,927 |
| Cost of sales | 62,802 | 69,962 | 75,545 | 76,621 | 94,485 |
| Gross profit | 18,553 | 20,016 | 22,189 | 24,647 | 26,855 |
| (Gross profit margin) | 22.8% | 22.2% | 22.7% | 24.3% | 22.1% |
| Selling, general and administrative expenses | 9,448 | 9,894 | 10,845 | 11,519 | 12,795 |
| Operating profit | 9,104 | 10,121 | 11,343 | 13,127 | 14,060 |
| (Operating profit margin) | 11.2% | 11.2% | 11.6% | 13.0% | 11.6% |
| Ordinary profit | 8,740 | 9,895 | 11,125 | 12,697 | 13,833 |
| (Ordinary profit margin) | 10.7% | 11.0% | 11.4% | 12.5% | 11.4% |
| Net income | 5,926 | 5,190 | 7,440 | 6,845 | 6,091 |
| (Net margin) | 7.3% | 5.8% | 7.6% | 6.8% | 5.0% |
| Adjusted net income | 5,926 | 6,671 | 7,464 | 8,584 | 9,441 |
| (Adjusted net income margin) | 7.3% | 7.4% | 7.6% | 8.5% | 7.8% |
| Basic earnings per share | 78.81 | 67.98 | 96.85 | 88.71 | 78.66 |
| Adjusted earnings per share (in exact yen) | 78.81 | 87.36 | 97.16 | 111.25 | 121.91 |
| Dividends per share (in exact yen) | 26.00 | 27.00 | 29.50 | 33.50 | 49.00 |
| (Dividend payout ratio) | 33.0% | 39.7% | 30.5% | 37.8% | 62.3% |
| (Adjusted dividend payout ratio) | 33.0% | 30.9% | 30.4% | 30.1% | 40.2% |
| Real estate for sale· Real estate for sale in process | 36,817 | 40,510 | 33,430 | 44,862 | 54,143 |
| (Inventory turnover) | 1.85 | 1.81 | 2.04 | 1.96 | 1.91 |
| Shareholders' equity | 19,273 | 22,623 | 28,091 | 32,562 | 35,655 |
| Net assets | 19,348 | 22,737 | 28,243 | 32,752 | 35,768 |
| Total assets | 47,406 | 53,435 | 55,520 | 62,644 | 66,304 |
| Equity-to-asset ratio | 40.7% | 42.3% | 50.6% | 52.0% | 53.8% |
| Interest-bearing liabilities | 20,750 | 22,000 | 19,250 | 18,500 | 18,500 |
| D/E ratio | 1.1 | 1.0 | 0.7 | 0.6 | 0.5 |
| ROA | 21.2% | 20.1% | 20.8% | 22.2% | 21.8% |
| ROE | 34.3% | 24.8% | 29.3% | 22.6% | 17.9% |
| Adjusted ROE | 34.3% | 31.8% | 29.4% | 28.3% | 27.7% |
| Number of employees (consolidated) | 715 | 778 | 808 | 866 | 920 |
| (Pre-owned house renovation business) | 635 | 693 | 735 | 784 | 830 |
| (Company-wide) | 80 | 85 | 73 | 82 | 90 |

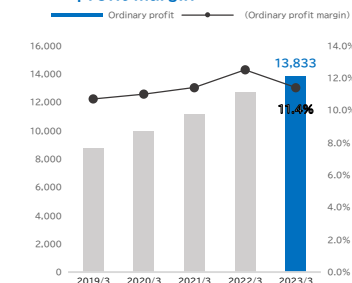
Net sales



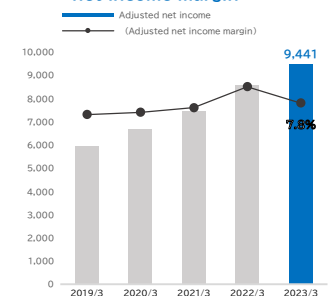
Operating profit/Operating profit margin



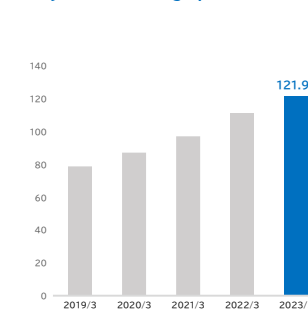
Ordinary profit / Ordinary profit margin



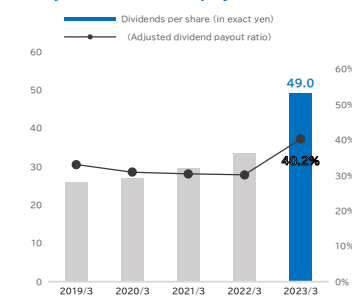
Adjusted net income/Adjusted net income margin



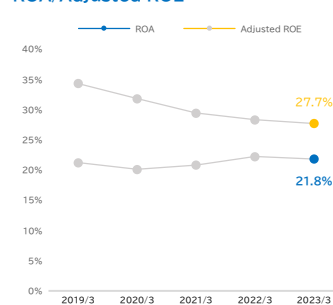
Adjusted earnings per share



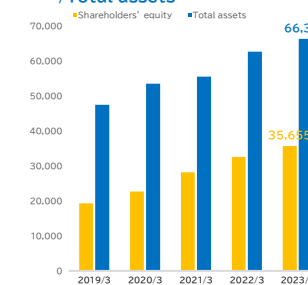
Dividends per share/ Adjusted dividend payout ratio



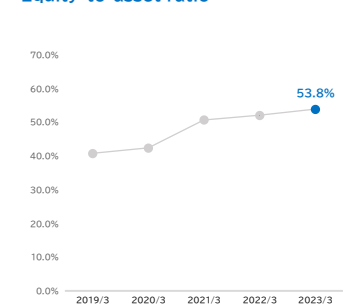
ROA/Adjusted ROE



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)

| | 2019/3 | 2020/3 | 2021/3 | 2022/3 | 2023/3 |
|--|--------|--------|--------|--------|--------|
| Assets | | | | | |
| Current assets | 45,058 | 51,346 | 53,467 | 60,773 | 64,505 |
| Cash and deposits | 7,395 | 9,137 | 19,109 | 13,409 | 8,728 |
| Real estate for sale | 25,652 | 28,659 | 19,656 | 25,440 | 34,064 |
| Real estate for sale in process | 11,164 | 11,851 | 13,774 | 19,422 | 20,079 |
| Income taxes refund receivable | - | 582 | 13 | 671 | 914 |
| Other | 846 | 1,117 | 916 | 1,833 | 723 |
| Allowance for doubtful accounts | -1 | -2 | -2 | -3 | -4 |
| Non-current assets | 2,348 | 2,089 | 2,053 | 1,870 | 1,798 |
| Property, plant and equipment | | | | | |
| Buildings and structures, net | 165 | 149 | 149 | 140 | 124 |
| Land | 524 | 516 | 528 | 527 | 579 |
| Other | 39 | 27 | 36 | 29 | 23 |
| Total property, plant and equipment | 729 | 693 | 714 | 697 | 726 |
| Intangible assets | | | | | |
| Goodwill | 793 | 595 | 396 | 198 | - |
| Other | 29 | 30 | 29 | 31 | 51 |
| Total intangible assets | 822 | 625 | 426 | 230 | 51 |
| Investments and other assets | | | | | |
| Deferred tax assets | 608 | 561 | 713 | 731 | 762 |
| Other | 201 | 221 | 207 | 217 | 261 |
| Allowance for doubtful accounts | -14 | -12 | -8 | -4 | -3 |
| Investments and other assets | 796 | 770 | 912 | 943 | 1,020 |
| Total assets | 47,406 | 53,435 | 55,520 | 62,644 | 66,304 |
| Liabilities | | | | | |
| Current liabilities | 7,964 | 11,336 | 8,615 | 11,252 | 11,944 |
| Accounts payable - trade | 3,105 | 2,909 | 3,051 | 3,769 | 4,340 |
| Short-term loans payable | - | 2,000 | - | - | - |
| Current portion of long-term borrowings | 750 | 750 | 730 | - | - |
| Contract liabilities | - | - | - | 453 | 370 |
| Income taxes payable | 1,995 | 1,779 | 2,441 | 2,330 | 1,817 |
| Accrued consumption taxes | - | 2,034 | 48 | 2,409 | 2,851 |
| Provision for bonuses | 262 | 113 | 329 | 390 | 429 |
| Construction warranty reserve | 255 | 256 | 287 | 305 | 348 |
| Provision for loss on litigation | 1 | 1 | 0 | 2 | 2 |
| Provision for loss on disaster | - | - | 9 | 5 | 53 |
| Other | 1,593 | 1,492 | 1,716 | 1,585 | 1,731 |
| Non-current liabilities | 20,093 | 19,361 | 18,662 | 18,639 | 18,590 |
| Long-term borrowings | 20,000 | 19,250 | 18,520 | 18,500 | 18,500 |
| Allowance for directors' retirement benefits | 62 | 80 | 94 | 98 | 71 |
| Other | 31 | 31 | 47 | 40 | 19 |
| Total liabilities | 28,057 | 30,698 | 27,277 | 29,891 | 30,535 |
| Net assets | | | | | |
| Shareholders' equity | 19,273 | 22,623 | 28,091 | 32,562 | 35,655 |
| Share capital | 3,778 | 3,778 | 3,778 | 3,778 | 3,778 |
| Capital surplus | 3,640 | 3,640 | 3,640 | 3,649 | 3,640 |
| Retained earnings | 13,088 | 16,154 | 21,435 | 25,813 | 28,685 |
| Treasury shares | -1,233 | -950 | -763 | -679 | -448 |
| Share acquisition rights | 74 | 113 | 152 | 190 | 112 |
| Total net assets | 19,348 | 22,737 | 28,243 | 32,752 | 35,768 |
| Total liabilities and net assets | 47,406 | 53,435 | 55,520 | 62,644 | 66,304 |

Consolidated statement of income

(Millions of yen)

| | 2019/3 | 2020/3 | 2021/3 | 2022/3 | 2023/3 |
|--|--------|--------|--------|---------|---------|
| Net sales | 81,356 | 89,978 | 97,735 | 101,269 | 121,341 |
| Cost of sales | 62,802 | 69,962 | 75,545 | 76,621 | 94,485 |
| Gross profit | 18,553 | 20,016 | 22,189 | 24,647 | 26,855 |
| Selling, general and administrative expenses | 9,448 | 9,894 | 10,845 | 11,519 | 12,795 |
| Operating profit | 9,104 | 10,121 | 11,343 | 13,127 | 14,060 |
| Non-operating income | 41 | 29 | 45 | 40 | 39 |
| Commission income | 10 | 9 | 7 | 6 | 5 |
| Insurance claim income | 12 | 2 | 3 | 15 | 8 |
| Discount revenue | - | - | 8 | 4 | 7 |
| Income of compensation | - | - | 13 | - | - |
| Other | 19 | 17 | 12 | 12 | 17 |
| Non-operating expenses | 406 | 256 | 262 | 470 | 265 |
| Interest expenses | 196 | 189 | 208 | 173 | 190 |
| Commission for syndicated loans | 187 | 39 | 34 | 278 | 58 |
| Other | 21 | 27 | 20 | 18 | 16 |
| Ordinary profit | 8,740 | 9,895 | 11,125 | 12,697 | 13,833 |
| Extraordinary income | 10 | 6 | - | 0 | 53 |
| Gain on sale of non-current assets | 10 | 6 | - | 0 | 1 |
| Insurance claim income | - | - | - | - | 52 |
| Extraordinary losses | 25 | 2,027 | 51 | 2,385 | 4,836 |
| Loss on retirement of non-current assets | 4 | 0 | 0 | 0 | 0 |
| Impairment losses | 5 | 7 | 3 | 0 | 4 |
| Loss due to disaster | 15 | 4 | - | - | 4 |
| Provision for loss on disaster | - | - | - | - | 49 |
| Differences in consumption taxes, etc. | - | 2,014 | 48 | 2,385 | 4,777 |
| Profit before income taxes | 8,725 | 7,874 | 11,073 | 10,311 | 9,051 |
| Income taxes - current | 3,016 | 3,198 | 3,786 | 4,129 | 3,789 |
| Income taxes - refund | - | -562 | - | -646 | -797 |
| Income taxes - deferred | -218 | 47 | -152 | -17 | -31 |
| Total income taxes | 2,798 | 2,683 | 3,633 | 3,466 | 2,959 |
| Profit | 5,926 | 5,190 | 7,440 | 6,845 | 6,091 |
| Profit attributable to owners of parent | 5,926 | 5,190 | 7,440 | 6,845 | 6,091 |

Consolidated statement of cash flows

(Millions of yen)

| | 2019/3 | 2020/3 | 2021/3 | 2022/3 | 2023/3 |
|---|--------|--------|--------|---------|--------|
| Cash flows from operating activities | 2,069 | 2,392 | 14,724 | -2,490 | -1,467 |
| Increase/decrease in inventories (- represents increase) | -5,762 | -3,696 | 7,065 | -11,432 | -9,294 |
| Cash flows from investing activities | -20 | -23 | -21 | -20 | -85 |
| Cash flows from financing activities | 1,283 | -625 | -4,731 | -3,189 | -3,128 |
| Net increase (decrease) in cash and cash equivalents | 3,331 | 1,742 | 9,971 | -5,700 | -4,681 |
| Cash and cash equivalents at beginning of period | 4,063 | 7,395 | 9,137 | 19,109 | 13,409 |
| Cash and cash equivalents at end of period | 7,395 | 9,137 | 19,109 | 13,409 | 8,728 |

Highly transparent accounting and active engagement in dialogue

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

Accounting process linked to cash and deposits

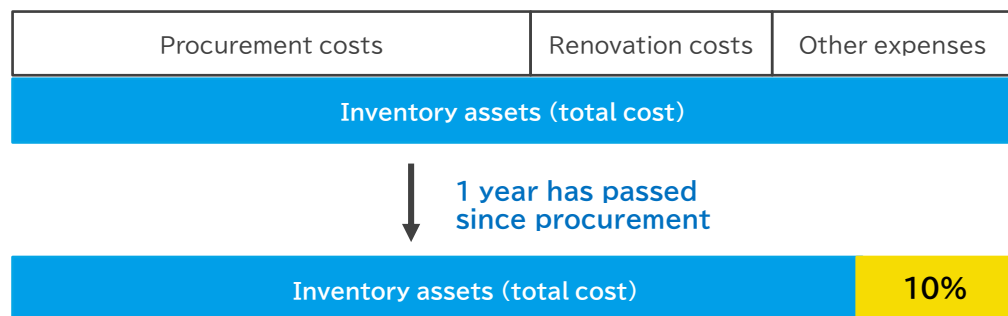
Revenue and inventory of KATITAS are recorded through an accounting process that links them to the cash and deposits account activities.

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.

Although there is only a low risk of value volatility, the Company works to implement conservative accounting treatment by accounting for long-term inventory such as real estate for sale. Specifically, if it has been more than one year since we purchased a piece of real estate for sale, we record 10% of the cost as a reserve for valuation losses.



- 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.
 - * Long-term inventory: inventory for which 1 year has passed since purchase settlement
- Provisioning
= Cost anticipation

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 analysts and institutional investors

- The Company holds a financial results briefing after each announcement of quarterly financial results.
- When announcing interim and full-year financial results, the president and CEO provides explanations and responds to relevant inquiries.

● Regular briefings held for investors from overseas

- 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).
- During the fiscal year ended March 31, 2023, the Company proactively held meetings with investors, including (other than financial results briefings) a total of more than 200 one-on-one meetings with fund managers and analysts in Japan and overseas and more than 20 large meetings and small meetings. The Company also held nine property tours for individual investors.

● Other

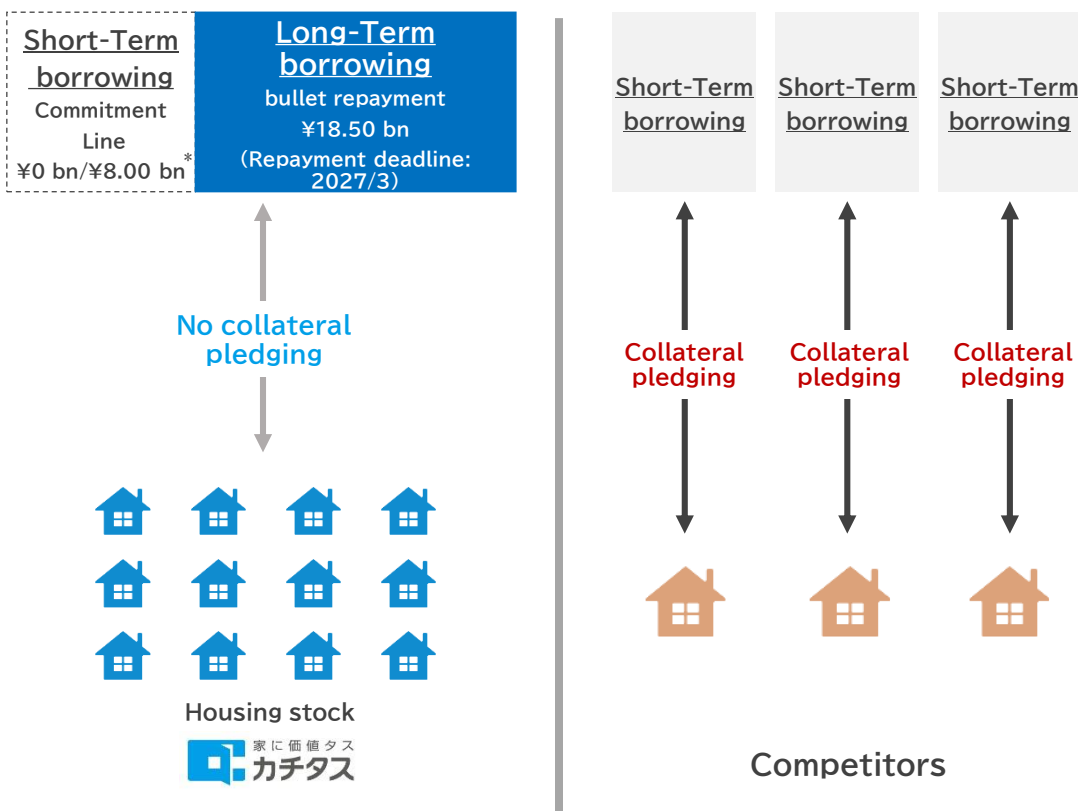
- The Company continued to hold shareholder relations meetings during the fiscal year ended March 31, 2023 as in the previous fiscal year and met with departments in charge of exercising voting rights, etc. at four institutional investors.
- For ESG-related information, please refer to the Company's website (<https://katitas.jp/en/information/sustainability/>).

Stable funding and decentralized inventory holding

Stable financing

By building good relationships with financial institutions, KATITAS is able to form syndicated loans and obtain stable funding through long-term debt.

In addition, when it comes to borrowing by purchase and resale businesses, common practice is to take out separate loans and set collateral for each individual property purchased. However, since our stable financial situation and business model have been acknowledged, we are raising working capital through long-term loans and borrowing without collateral. This allows us to eliminate the hassle and cost of putting up collateral.

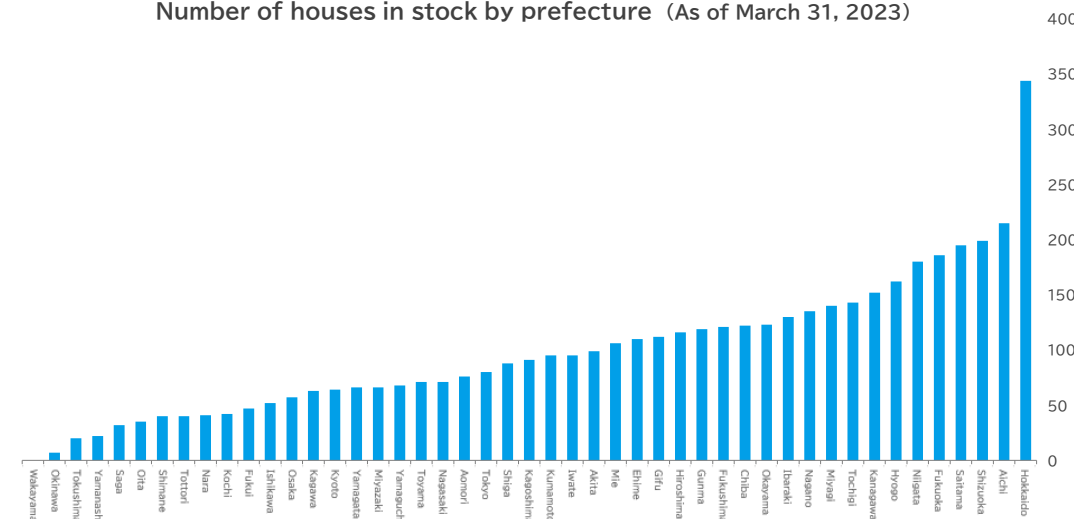


* The commitment line loan balance is as of the end of March 2023

Reduction of inventory risk through dispersed holding across the country

The houses we own are dispersed across the country. We are therefore less susceptible to natural disasters and land price fluctuations in specific areas and have a strong bulwark against disaster risks. Furthermore, since the cost per property is approximately 10 million yen, any impact will be limited even if we do incur damage due to a disaster.

Number of houses in stock by prefecture (As of March 31, 2023)



If a building is damaged in a disaster, we will carry out restoration work after surveying the damage. If the damage is severe, we will consider demolishing the building to ensure safety as well as take all other appropriate measures.



06

Reference
information



Highly acclaimed by an external rating agency



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



Winner of the Porter Prize (2017)



Speaking at Harvard Business School(2023)

KATITAS was selected as a case study for "Business at the Base of the Pyramid" in the Harvard Business School MBA program, and President Arai attended the first lecture on-site as a guest speaker.



Presentation at the Financial Services Agency Engagement Investment Study Group(2023)

In our presentation, we highlighted the evolution of KATITAS as an impact investment target and underscored the importance of mutual engagement between investors and issuers to drive future impact investing.

Financial Services Agency website: "Study Committee on Impact Investment, etc." (3rd meeting) Agenda (2022.11.25)

Raised funds through "social loans" to address social issues (2021)

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.

※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>)

Inclusion in the JPX Prime 150 Index (2024)

From the top market capitalization stocks listed on the Prime Market...

Stocks that are selected using two indicators of value creation:

- 1) Equity spread, which is the difference between ROE (return on equity) and cost of equity and
 - 2) P/B ratio, which is market evaluation based on stock price,
- will be positioned as "premier companies in Japan that are estimated to have value creation," and a new stock index was developed in August 2023 consisting of these stocks, and KATITAS has been chosen to be incorporated into that index.

(Source: Japan Exchange Group)

Reference information

Other reference information

Company Summary (As of March 31, 2023)

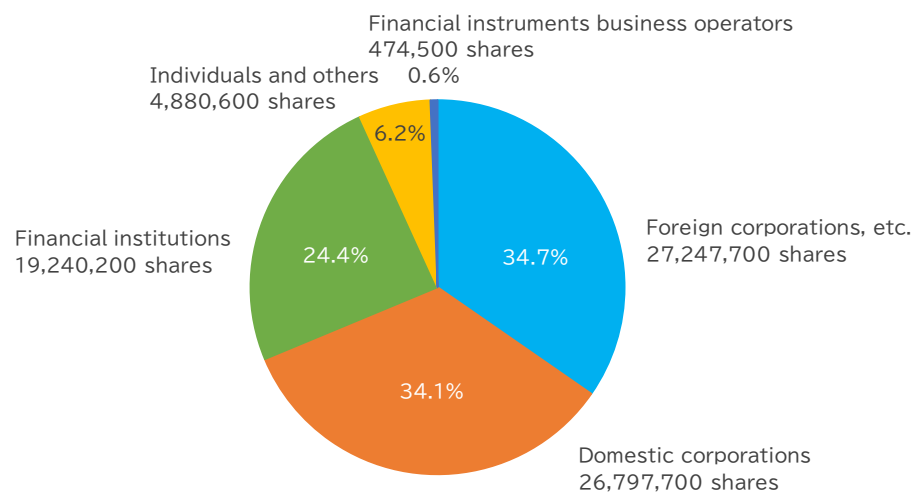
| | |
|------------------------------------|----------------------------------|
| Name | KATITAS Co., Ltd. |
| Headquarters | 4-2 Mihara-cho, Kiryu-shi, Gunma |
| Capitalization | 3,778,871,000 yen |
| Date of Establishment | September 1, 1978 |
| Number of employees (consolidated) | 920 |

Share Information (As of March 31, 2023)

| | |
|-----------------------------------|-----------------------------------|
| Total number of authorized shares | 160,000,000 shares |
| Total number of issued shares | 78,650,640 shares |
| Total number of shareholders | 6,388 |
| Stock code | 8919 |
| Listed stock exchange | Tokyo Stock Exchange Prime Market |

Distribution of shares by shareholder (As of March 31, 2023)

*Calculated excluding shares less than one unit



Editor's note

Thank you for reading the "KATITAS Integrated Report 2023".

We published our first ESG Report for the purpose of communicating our social impact in November 2020. Since then, we have continued to refine it every year, and in August 2023, the fourth year, we took the step of republishing it as an "Integrated Report." The primary purpose of this report is to gain a deeper understanding by all of our stakeholders of the value-added businesses that KATITAS carries out with respect to society, and to encourage our stakeholders to partner with us in promoting our business. We believe that this report should convey our true, as-is image, so this report was planned and produced by hand by members of the ESG/Sustainability Promotion Office, with minimal outsourcing. We want to convey our business model and social impact in an intuitive way, so we feature many of the homes we have refurbished and the employees we work with.

In publishing this report, we have substantially refined our "value creation story" and "materiality." We interviewed President Katsutoshi Arai about the background of these enhancements, a retrospective from both financial and non-financial perspectives, and the vision for our company. We also interviewed General Manager Kazuhito Yokota about human capital, which is a cornerstone of our business growth and is of growing social interest. I hope these features were of particular interest to you.

Our sustainability information disclosure and promotion framework has changed significantly since the publication of our ESG report in November 2020. We would like to express our gratitude to our stakeholders for viewing our ESG report and giving us feedback through dialogue. Our company established an ESG/Sustainability Promotion Office in October 2021 and a Sustainability Committee in April 2022. However, the system is such that there is only one full-time dedicated officer, and one person from the Corporate Planning Department wears two hats as a staff member. For this reason, we have been collaborating with each department to collect information across departments. I would like to take this opportunity to express our gratitude to everyone who took time out of their busy daily schedules to contribute to the publication of this report.

We will continue to engage in dialogue with our stakeholders to ensure appropriate information disclosure and further increase corporate value. We look forward to your continued support and encouragement.

Period covered by this report

The fiscal year ended March 31, 2023 (April 1, 2022 - March 31, 2023)

*Includes some activities from previous and subsequent periods.

Guidelines used as reference for disclosure

- IIRC "International Integrated Framework"
- Ministry of Economy, Trade and Industry "Integrated Disclosure and Dialogue Guidance for Collaborative Value Creation"
- Global Reporting Initiative (GRI) "GRI Standards"
- IFRS Foundation SASB "Industry Standards"
- "Task Force on Climate-related Financial Disclosures (TCFD) Final Report"

Disclaimer

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Although the information and opinions contained in this report are based on the economic, regulatory, market, etc. conditions at the time of production, the Company makes no representations or warranties as to their truthfulness, accuracy, or completeness, and may be subject to change without prior notice.

