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カチタス

Integrated Report 2024

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01

About KATITAS

Corporate philosophy

Opening the Doors to the Future

For regional areas and customers through adding value to lifestyle

Through our activities to add value to lifestyle, we will provide a door to the future to as many areas and people living there as possible, propose new styles of life to bring about house revitalization from the new house-centric Japanese way of living, and continue to support the revitalization and development of local regions.

Value we provide to each of our stakeholders



Value exceeding expectations for everyone involved

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.

Buying customers

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

Selling customers

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

Brokerage firms

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

Construction companies

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

Our employees

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

Our shareholders

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

Purpose

Bring as much joy as possible to towns and cities

We take responsibility and pride in our work as a pioneer in used housing renovation, lead the used housing industry, help people live without wasting money while valuing local areas, and change the housing market.

We are greeted by the wonderful smiling faces of our customers who say, "I'm glad I sold my house to KATITAS" and "I'm glad I bought a house from KATITAS." We cherish the bonds between our trading partners who say, "We'd like to form long-term relationship with KATITAS," and aspire to become a company that each of our employees can take pride in as a member of KATITAS.

In order to do so, we will acquire even better properties, plan as many good residential building products as possible, and sell as many residential buildings as we can than last year, last month, and yesterday, to bring as many happy lifestyles to as many people as possible.

Comments 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

"A colleague recommended that I check out homes by KATITAS, saying, 'Their renovated homes are so clean you can't even tell how old they are. You should take a look before making a decision on purchasing a home.' After the viewing, I was impressed by how clean and well-maintained the house was. Since the monthly payments were similar to what I was paying in rent, I decided to go ahead with the purchase."

"We bought a home that hadn't been renovated yet. With small children, it's nice not having to stress over messes, letting them enjoy their space freely. Plus, with education expenses ahead, we really appreciate the affordable price."

"I was initially worried about purchasing a pre-owned home because of potential unseen issues. However, after they shared photos of under the floor and the seismic reinforcement work, and explained everything clearly, I felt much more reassured."

Brokerage firms

"I appreciate that KATITAS not only renovates homes but also thoroughly investigates details like property boundaries and legal restrictions. As a broker, it gives me peace of mind, and they add value beyond just the renovation. Very impressive."

"I've mostly been involved in brokering new homes, but with rising costs, more clients are finding new builds out of reach. The renovated, affordable homes from KATITAS in the same area help expand the range of properties I can introduce to clients, which is a big help."

Selling customers

"I had a hard time committing to selling my family home. The thought of organizing belongings and managing the vacant house was always in the back of my mind. Now that I've let it go, I finally feel a weight lifted off my shoulders and a sense of relief. It may sound exaggerated, but this experience has truly changed my life."

"I inherited a house far away from my current home in another prefecture. I think the service KATITAS offers—where they take the property as-is, without requiring you to clean or clear out belongings—is something other companies don't provide. I never thought it would be this easy to let go. I'm so glad I had the courage to call them when I did."

"Seeing the house filled with memories of my parents beautifully renovated, instead of being torn down, made me want to live there again. But knowing that a new family has already chosen to move in reassures me that selling it to KATITAS was the right decision. In a way, it feels like I've given something back to the community."

Construction companies

"With fewer new construction projects and less work available, KATITAS has consistently provided us with renovation jobs without interruption. There's always another project lined up, which helps keep our craftsmen employed and prevents them from leaving."

"I've been a carpenter for nearly 30 years, but I still often find myself challenged by how to approach renovation projects. That's why working with KATITAS is so enjoyable—collaborating with their team to come up with creative solutions. Even at over 50, I still feel like I'm improving my skills and finding fulfillment in my work."

Source: KATITAS employee survey accompanying company-wide kickoff (July 2024)



Business model

A simple business model of purchasing, renovating, and selling

Our group buys pre-owned, older detached homes in rural areas, renovates them to fit modern lifestyles, and resells them at around half the price of a new home.

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.

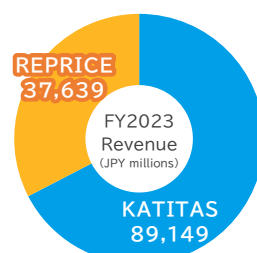
Sales

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.



Renovation

KATITAS Group



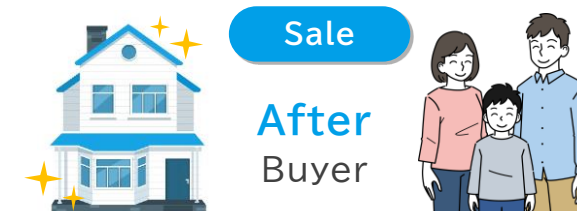
	カチタス KACHITAS	reprice
Operating Areas	Suburban areas and Regional Cities	Cities and Suburban areas
Number of properties sold	5,535 houses	1,634 houses
Ratio of single-family detached Houses	94.4%	69.8%
Average price per property sold (1)	15.9MM	22.9MM

Large-volume orders ↓ ↑ Price discounts

Building materials manufacturers

Regular orders ↓ ↑ Price discounts

Contractors

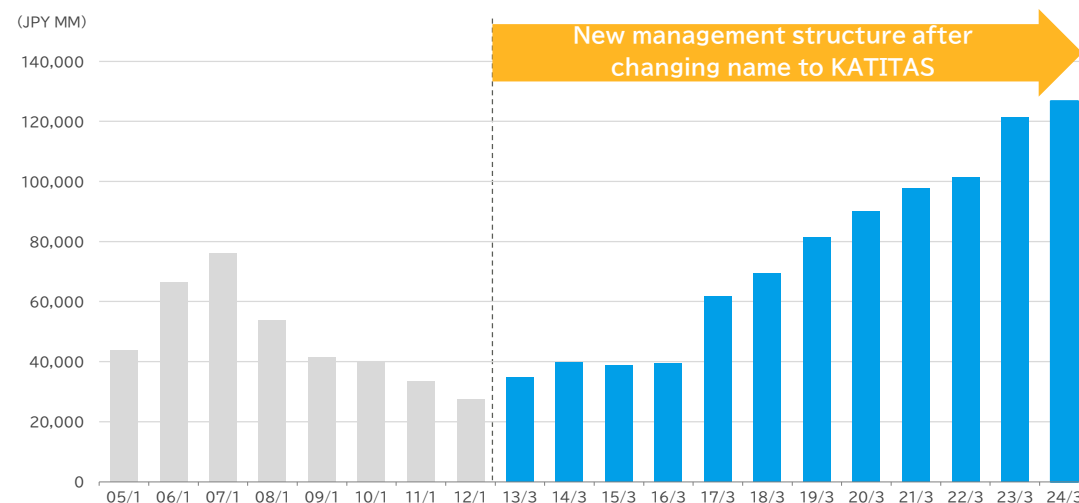


History

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

Historical Net Sales



Business revitalization during fund ownership: Transition from auction procurement to purchase procurement

The Company embarked on the pre-owned home renovation business by acting on the 1998 revision of the Civil Execution Law. Initially, there was little competition in acquiring auctioned properties, allowing us to capitalize on our first-mover advantage and successfully expand the business. In 2004, we were listed on the Nagoya Stock Exchange Centrex market.

However, due to the low barriers to entry and the ease of obtaining information on auctioned properties with the spread of the Internet, the number of bidders increased, creating conditions that tended to drive up winning bid prices. Subsequently, the Financial Facilitation Act, which was enacted in response to the global financial crisis, imposed an obligation on financial institutions to make efforts to revise repayment schedules at the request of mortgage borrowers, leading to a decrease in the number of properties being auctioned. Purchasing prices consequently rose. Due to these circumstances, the profitability of our business deteriorated, and the Company was delisted in 2012 after accepting a TOB from Advantage Partners, who bet on our revitalization potential.

After that, we changed our company name to KATITAS and stabilized our purchasing by changing our procurement channel from auctions to purchases. Several factors contributed to this stabilization: a steady supply of properties through purchase of inherited homes, the ability to thoroughly inspect properties before purchase, which improved the accuracy of renovation cost estimates, and amid the rising need for strong sales skills to propose offers and negotiate with sellers, we were able to secure and develop talented individuals who could excel in these areas. Furthermore, we accumulated substantial construction expertise and know-how since the period when auction procurement was our primary focus.

	Residential properties procured mainly through auction	Residential properties procured mainly through direct purchase
Targeted portfolios	- Properties sold through court in auction format - Many are properties for which the homeowners became unable to repay their mortgages or other loans	- Properties purchased directly from homeowners or through an intermediary - Many are old houses that became vacant due to inheritance, etc.
Difficulty in procurement	- Numerous buyers because bidding is open to all - No need to negotiate with homeowners (no sales skills required)	- Few buyers for rural and old vacant homes - Need for networks with brokers and brand power to appeal to sellers - Need to make proposals and negotiate with homeowners regarding sales (requires sales skills)
Price competition	- Supply of properties is unstable since it is dependent on the state of the economy - Preponderance of bidders exacerbates price competition	- Stable supply due to inheritance etc. - One-on-one dealings, as in negotiated transactions, typically minimize price rivalry.
Quality risk	Originally anticipated renovation budgets are susceptible to overruns since it is not possible to inspect properties prior to bidding	Properties may be inspected prior to purchasing, which helps discourage overruns on initially anticipated renovation budgets

Winner of the Porter Prize (2017)



The "Porter Prize" focuses on "implementation of outstanding competitive strategies." For more details, scan the QR code on the right.

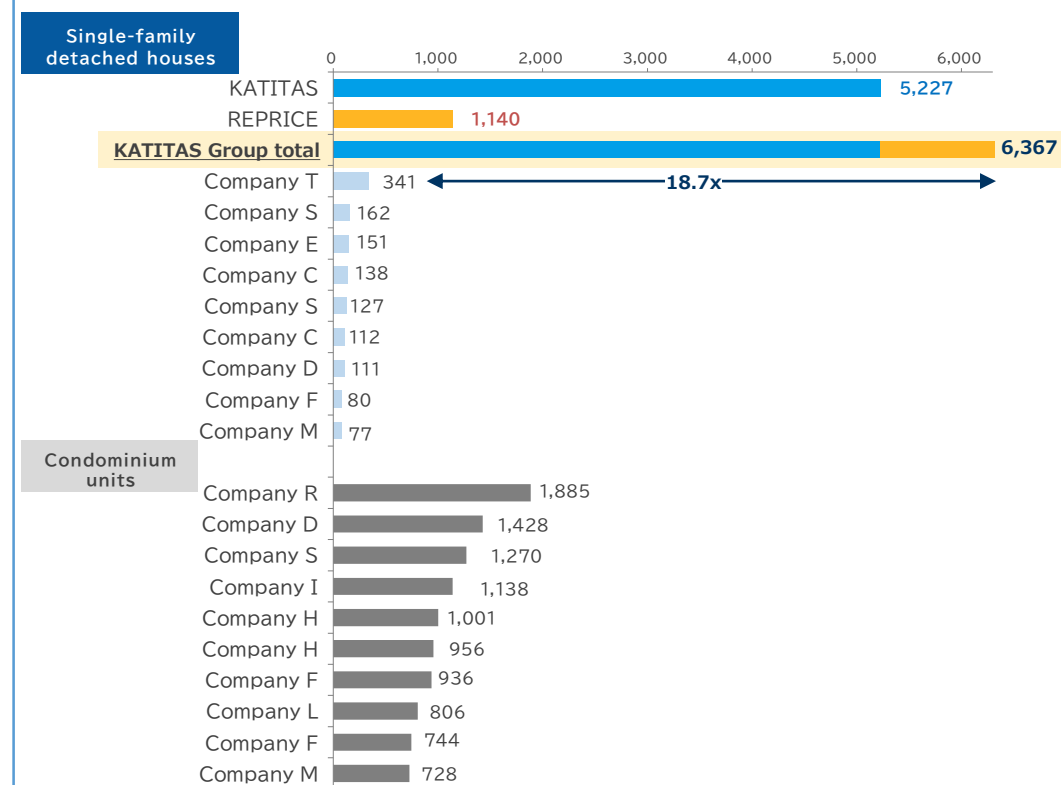


Our strengths

► Positioning within the industry

In the detached home purchase and resale industry, KATITAS has ranked first for 11 consecutive years with annual sales of 5,227 units, and group company REPRICE Co., Ltd. ranks second, giving our group an overwhelming number-one position in the industry.

Number of Units Sold by Major House Re-sellers (FY2024)



Source: Prepared by KATITAS based on The Remodeling Business Journal, "2024 Ranking of Number of Sales of Pre-owned Houses after Acquisition and Renovation" (issued on July 29, 2024)

► Barriers to entry into the detached homes purchase and resale industry and our competitive advantage

Termite infestations, water leaks, and issues related to property rights are significant risks commonly associated with pre-owned detached homes. The seller is responsible for repairing any defects such as leaks for two years after sale and delivery, so the most important point when purchasing is to not overlook signs of these risks. At KATITAS, we work to minimize these risks based on the know-how we have accumulated through over 70,000 sales.

Risk management through three-party inspection at the time of purchase

At the time of purchase, we conduct property inspections by three parties: a termite control company, a renovation partner company, and our company.



●Termite risk

The photo on the left shows an underfloor investigation by a termite control company. We have determined that detached homes are at risk of termites after around 10 years. In particular, the detached homes that we handle, which are around 30 years old, are at a high risk, so we carefully investigate them for termite damage. By conducting preliminary investigations before purchasing, we prevent unexpected renovation costs and reduce the risk of purchasing properties that are beyond repair.



●Risk of rain leaks

At the time of purchase, renovation partners conduct structural surveys, including the attics. We have determined that detached homes are at risk of leaking when they are around 20 years old. We have also determined that, with detached homes, owners essentially need to paint the exterior walls once every 10 years and repair the roof once every 20 years. In Japan, however, the practice of renovation has not taken root, so many houses have never had their exterior walls painted or their roofs repaired in the 30 years since they were built.

Therefore, make renovation costs estimations more accurate by checking the status of rain leaks and damage caused by pests and vermin.



●Rights-related risks

We also clarify boundaries with neighboring property, something unique to pre-owned detached houses and not necessary for pre-owned condominiums. In rural areas, re-zoning is often not done like it is in urban areas. As a result, the boundaries between neighboring property may be blurred. Problems with neighboring property due to boundary incursion may be reported when the property changes hands.

We therefore sort out rights issues before conducting sales activities so that the purchaser may live comfortably after the sale.

External environment

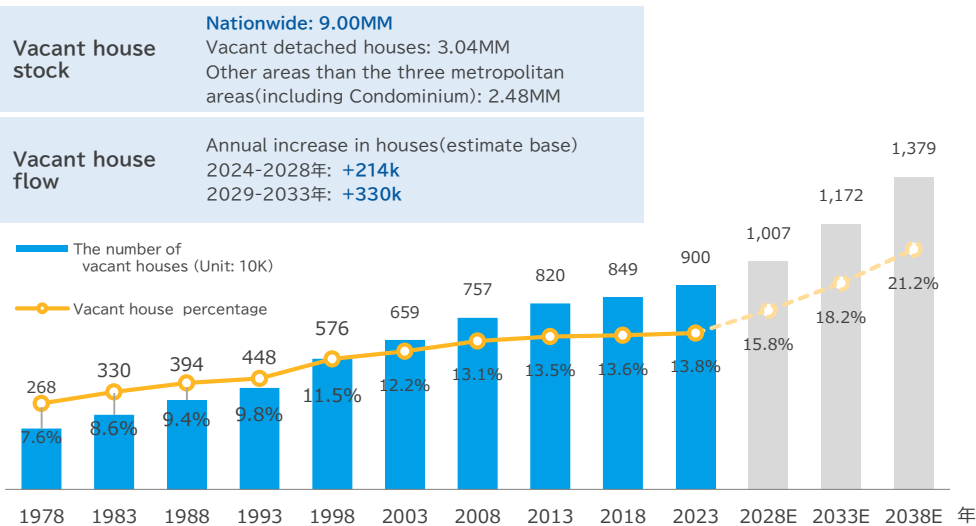
▶ Ongoing increase in vacant houses

The number of vacant houses across Japan continues to increase every year, and as of 2023, there were 9.00 million such houses (the ratio of vacant houses to the total number of houses nationwide is 13.8%), 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.

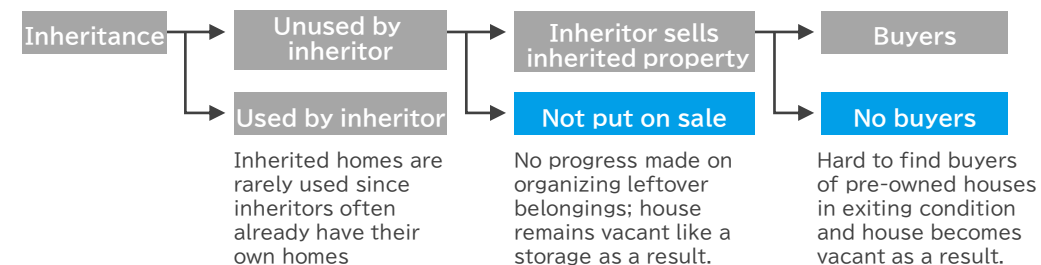
Forecast of the number/percentage of the vacant houses

← Actual → ← Estimate →



Source: Ministry of Internal Affairs and Communications, "2023 Housing and Land Survey Approximate Tabulation of Dwellings (preliminary data)", Estimates are prepared by KATITAS based on "Housing Market and Related Challenges in 2040—No Time for Delay in Addressing Labor Shortages; Implement Efforts Targeting More than Improvement in On-Site Productivity" <Scenario 2: Levels will continue to be the same as after the Special Measures Law comes into effect> from 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%

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



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.



External environment

► Negative Impacts of Vacant Homes

Vacant homes are increasing year by year, leading to numerous issues such as the deterioration of the surrounding living environment and a decline in property values. This problem is especially severe in suburban and rural areas where our group operates, as the pace of vacant home growth is faster than in urban centers, making it a serious social issue. Specific negative impacts of the rise and increase in vacant homes include the following:



● Collapse due to deterioration

Houses deteriorate rapidly if not properly maintained. As a result, during natural disasters such as typhoons or earthquakes, they can collapse, posing a danger to nearby residents or passersby, with the owner potentially being held accountable for negligence. When a house has significantly deteriorated or is near collapse, renovation becomes difficult, and demolition often becomes the only viable option.

● Degradation of landscape and sanitation

In addition to houses, poor maintenance of the surrounding land, such as overgrown trees and unkempt lawns, can harm the landscape. This can also lead to pest infestations or small animals taking up residence, worsening sanitary conditions. Managing or cutting trees on a vacant property is complicated because anyone other than the owner risks being accused of trespassing or property damage, making it difficult for neighbors to address the issue, further complicating the problem.

● Decline in public safety

Vacant homes often become breeding grounds for crime, including trespassing, illegal dumping, and even arson. Arson, in particular, tends to go unnoticed for longer, resulting in more extensive damage. The rise in vacant homes can lead to a decline in public safety, causing anxiety among nearby residents and negatively impacting their quality of life.

● Decrease in property values

Vacant and deteriorating homes lose their value as structures. When such homes are put on the market, the property is often sold at a price that accounts for the cost of demolishing the house, which means it will likely sell for less than the land's inherent value. Additionally, land with a vacant home may lose its designation as residential property, potentially disqualifying it from property tax reductions. Beyond the devaluation of individual properties, areas with many vacant homes tend to experience a general decline in real estate prices.

● Economic burden on the local community

As the population declines, homes that are no longer inhabited fall into disrepair due to lack of maintenance, leading to deterioration. This, in turn, worsens the surrounding landscape and negatively impacts the quality of life for nearby residents. Additionally, managing or demolishing vacant homes requires significant financial resources. While local governments now have the authority to demolish dangerous vacant homes at risk of collapse, these costs often fall on the municipalities. The rise in vacant homes increases the financial burden on local governments, potentially forcing them to reduce budgets for other public services such as education and welfare, ultimately affecting the lives of local residents.

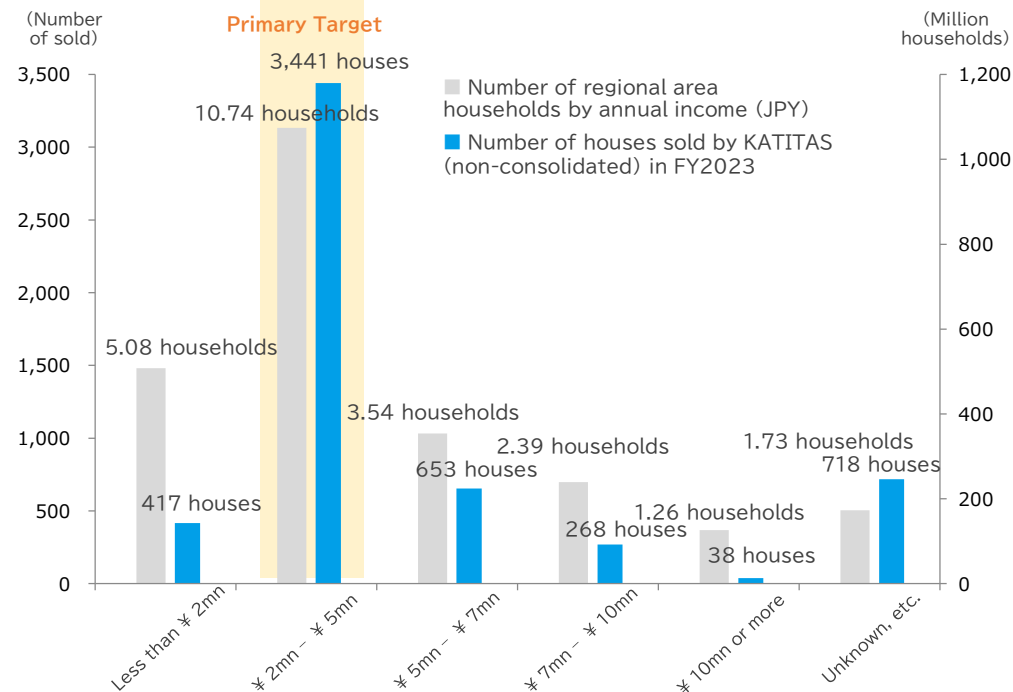
Our group is committed to addressing and preventing the issues mentioned above by purchasing as many vacant homes or homes at risk of becoming vacant as possible, renovating and restoring them, and subsequently selling them. Through this process, we contribute to the revitalization of local economies.

External environment

Approaching a market with many potential customers

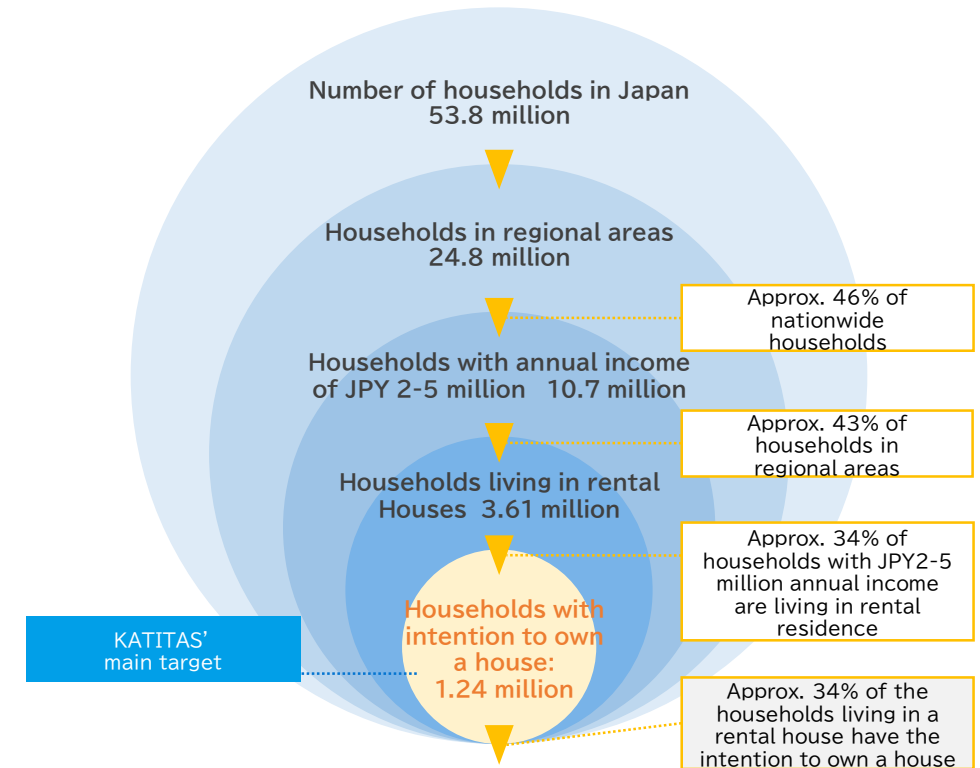
Many of KATITAS' buyers are in the annual household income range of 2 million to 5 million yen, and this is the most populous annual income demographic in rural areas. In an economic environment with poor prospects for income growth, many households find it difficult to afford newly built homes, so we 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



Based on the assumption that the duration of considering the purchase of housing units is 10 years.
 ⇒ The size of the market including potential demand is estimated at about 124,000 houses per year.

Annual number of houses sold by KATITAS:
5,535 (around 4.5% of target)

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"

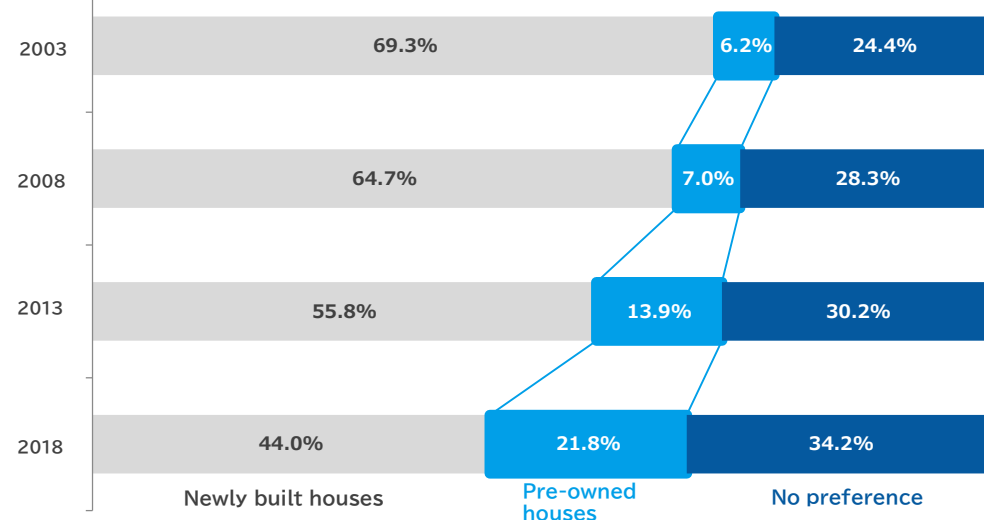
External environment

▶ 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." Given these factors, we believe that by continuing to supply "clean and inexpensive" properties in the rural pre-owned home market, there is significant potential to increase the overall volume of transactions for pre-owned detached homes.

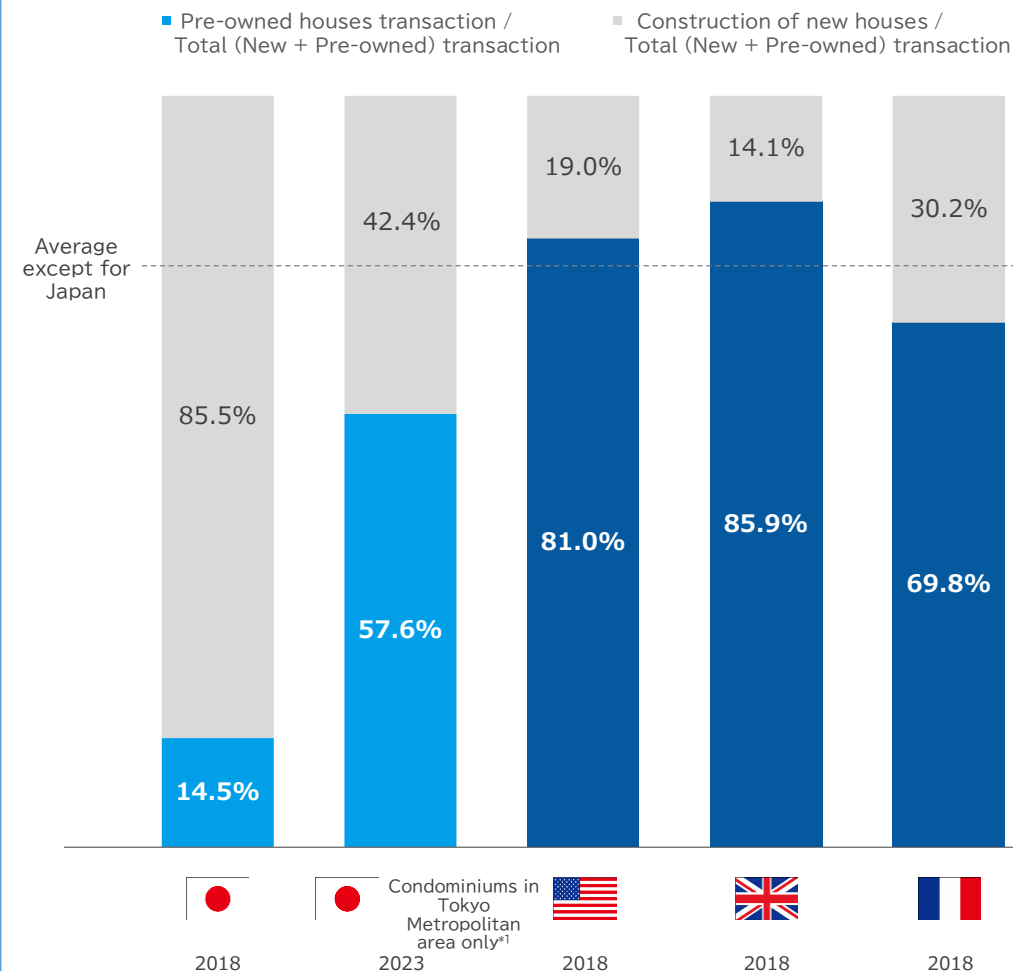
Mindset Change toward Ownership of Pre-owned Houses

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 2023 (Annual Summary)" / Real Estate Information Network for East Japan "Trends in the Metropolitan Real Estate Distribution Market (2023)"

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



02

KATITAS'
value creation

Top Message

In a year where rising costs of everyday goods have increased living expenses, we focused on meeting the demand for affordable, high-quality housing.



KATITAS purchases vacant pre-owned homes in rural areas, renovates them, and then sells them. Through our business, we believe we can contribute to solving the growing vacant home problem, providing affordable and well-maintained housing, revitalizing local economies in regions facing population decline, and offering environmentally friendly homes with lower CO2 emissions compared to newly built, scrap-and-build homes.

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

Third Medium-Term Management Plan

The fiscal year ending in March 2025 will be the final year of our Third Medium-Term Management Plan. Despite the challenges posed by the consumption tax litigation, we will strive to achieve our target of double-digit growth in both net sales and operating profit. We plan to accelerate two key initiatives during this period.

The first initiative is increasing the number of new graduate hires. Over the past four years, KATITAS has recruited approximately 100 new graduates annually. As the employees we have hired have grown and developed, we now have a stronger organizational structure that can support the training of even more new recruits. In addition, the number of capable branch managers has increased. As a result, we aim to further expand new graduate recruitment, which serves as the foundation for the company's growth.

The second initiative focuses on increasing productivity through digitalization. In July 2023, we implemented a marketing tool across the entire company. This has improved the visibility of data on both purchases and sales, enabling us to devise more accurate strategies. By enhancing system proficiency within stores and improving transparency between headquarters and branches, we aim to boost sales efficiency.

Looking back on the fiscal year ended March 31, 2024

The past year was challenging compared to the period when the detached housing market thrived due to the impact of COVID-19. Demand has declined, and we have noticed a shift in customer preferences, with more clients prioritizing affordability in light of rising everyday costs. In response, we focused on offering lower-priced products that align with these changing needs. Specifically, we implemented strategies such as selling homes "as-is" after thoroughly inspecting the structural components, and offering partial renovations—addressing only the areas of concern for customers, such as water fixtures or damaged flooring—to keep prices down. This approach allowed us to offer sales plans tailored to customers' budgets and needs, addressing not only the price concerns of those unable to afford new homes but also meeting the needs of customers who might have otherwise given up on purchasing due to the cost of a fully renovated property. Additionally, we catered to customers interested in homes they can renovate themselves (DIY), thereby responding to a broader range of customer needs.

We also worked on improving the profitability of our business. This was necessary due to the significant financial impact following the loss of the first trial in the consumption tax litigation we initiated in May 2023, which resulted in a per-property profit reduction of approximately 300,000 yen and an annual loss of 2 billion yen. Anticipating a potential loss, we had already prepared by shifting to an incentive structure and management accounting system that would encourage sales staff to focus more on profitability. Thanks to these changes, we believe the financial impact was minimized.

Within our group, we achieved net sales of 126.7 billion yen and operating profit of 12.6 billion yen, though unfortunately, both net sales and operating profit fell short of our full-year targets. However, in the second half of the year, the positive effects of our initiatives mentioned above began to show, allowing us to increase operating profit by 3% YoY in the last six months. We are confident that these efforts will continue to drive results into the fiscal year ending in March 2025 and beyond.

Outlook for the Fiscal Year Ending March 2025

For the fiscal year ending in March 2025, we expect the external environment to continue being affected by price hikes and the depreciation of the yen. With the increasing burden of living costs, we remain committed to offering affordable housing that enables customers to reduce housing expenses and allocate more funds to areas such as their children's education or personal hobbies. We will continue to strengthen our low-priced product offerings to meet this need. Additionally, we have heard that new home builders are curbing their land acquisitions, and the number of new housing starts has consistently fallen below last year's figures each month for the past year. As a result, we expect significant discount sales from new home builders, driven by inventory adjustments, to decrease. We view this reduction in new home builders' acquisitions as an opportunity for us to secure quality properties. By maintaining our careful selection process and expanding our inventory, we aim to increase our sales volume while also improving profitability.

Top Message

Creating Positive Social Impact Through Our Business and Realizing Our Purpose

▶ Our Five Key Material Issues and Progress

Our five material issues and goals are closely aligned with the KPIs we continuously monitor in our business operations. We are working every day toward achieving these objectives.

Regarding "creating social impact," the revised Special Measures Act on Promotion of Measures on Vacant Houses, which took effect in December 2023, has raised public awareness and concern about the vacant house issue. To address this problem through our business activities, we have set a target for vacant homes to make up 80% of the houses we acquire. In the fiscal year ended March 2024, we achieved a ratio close to this goal, with 76% of our purchases being vacant homes.

One of our initiatives related to "improving product quality" is strengthening the earthquake resistance of older homes built before modern seismic standards. Seismic retrofitting, which requires removing wall materials, is done in conjunction with interior renovations to reduce costs. We believe the minimal damage to homes during the January 2024 Noto Peninsula earthquake demonstrates the effectiveness of this initiative.

The "qualitative and quantitative improvement of human capital" is the area we have been focusing on the most in recent times. For nearly a decade, we have made new graduate recruitment the cornerstone of our hiring strategy. Back then, we believed that if more than half of our branch managers came from our pool of new graduates, it would not only make it easier to implement company-wide initiatives but also lead to significant improvements in both the quality and speed of our operations. Now, that vision has become a reality—over half of our branch managers are graduates from our new hire program, and we have seen how this has strengthened the implementation of management strategies, particularly with the profitability recovery in the second half of the fiscal year ended March 2024. The goal we have set for increasing new graduate hires in April 2025 would have been difficult to target without this growth of the organization, and we believe this is a testament to the success of the efforts we started years ago.

Additionally, we previously managed our nationwide operations by dividing the country into two regions, each overseen by a senior manager. In anticipation of the retirement of these veteran managers, we worked on developing new managerial candidates. Today, we operate under a nine-region structure, led by nine regional sales managers. This allows us to manage over 130 stores across Japan with more detailed oversight and to tailor renovation plans and employee training to each region's unique characteristics. In April 2024, we also established the Career Design Office under my direct supervision. Since our business model relies heavily on the independence of each branch in terms of purchasing, planning, and sales, branch managers play a critical role in our operations. We believe there is still significant growth potential for these managers, and we will continue to focus on their development.

As for "contributing to local communities through sustainable partnerships," building strong relationships with partner contractors is crucial for adding value to society. To achieve our goal of selling 10,000 homes annually, it is essential to onboard new partner contractors. However, we must carefully evaluate whether these new partners can maintain high construction quality. Our focus is on fostering long-term partnerships where both sides can grow together through continued collaboration.

Regarding "reducing environmental impact," we take pride in the fact that our business model is inherently eco-friendly compared to new home construction, which has a much larger environmental footprint. However, one challenge with pre-owned homes is improving their insulation performance. Balancing this with affordability, which is a key concern for our customers, we have been trialing solutions such as installing secondary windows and using spray foam insulation under floors. We will continue to explore what constitutes the best environmental performance for pre-owned homes as we move forward.

▶ From "Adding Value to Houses" to "Adding Value to Lifestyle"

It has been 13 years since I became CEO in 2012 and began driving our business reforms. During this time, we have sold over 70,000 homes, and through each individual sale, I have observed significant changes in our environment and our role within it.

For example, more people are choosing to buy renovated pre-owned homes, not just because they cannot afford new ones, but because they prefer them. Additionally, we have seen an increase in customers who come to us through word-of-mouth from previous buyers. Some customers even sell their homes back to us when their lifestyles change. This has helped establish our reputation as "the company to buy or sell your home with." In the near future, we expect to exceed 10,000 sales annually, a figure comparable to major homebuilders. When this happens, I believe pre-owned homes will become a mainstream option for many homebuyers.

In May 2024, we updated our brand tagline from "Adding Value to Houses" to "Adding Value to Lifestyle." Over time, we have realized that we are not just providing houses but improving the overall lifestyle of our customers. This new tagline reflects our commitment to further focusing on adding value to the lifestyle of our customers.

Rather than simply being "Japan's top home seller," we aim to become "Japan's leading provider of enriched lifestyles." Through this vision, we seek to fulfill our purpose: "Bring as much joy as possible to towns and cities."

Change of brand tagline

家に価値タス
カチタス

くらしに価値タス
カチタス



Value-creation story

Mega trends

Declining birthrate and aging population

Addressing environmental crises

Enhancing disaster preparedness

Technological innovation

Well-being

Strengthening ESG regulations

Social issues

Vacant house problem



Depopulation and hollowing out of local economy



Soaring housing prices



Increased environmental impact from scrap & build



Business model

A vacant house where no one lives



Purchase and renovate



Safe and clean refurbished pre-owned housing



Materiality

Creating social impact

Improving product quality

Qualitative and quantitative improvement of human capital

Contributing to local communities through sustained partnerships

Reducing environmental impact



Inputs

Expertise based on refurbishment track record
Cumulative total of **70,000** deals

Sales staff in charge of Everything from purchasing to sales
622 people

Nationwide **branch network**
134 locations

Realtor network
2,355 realtors

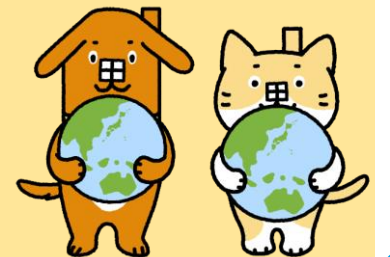
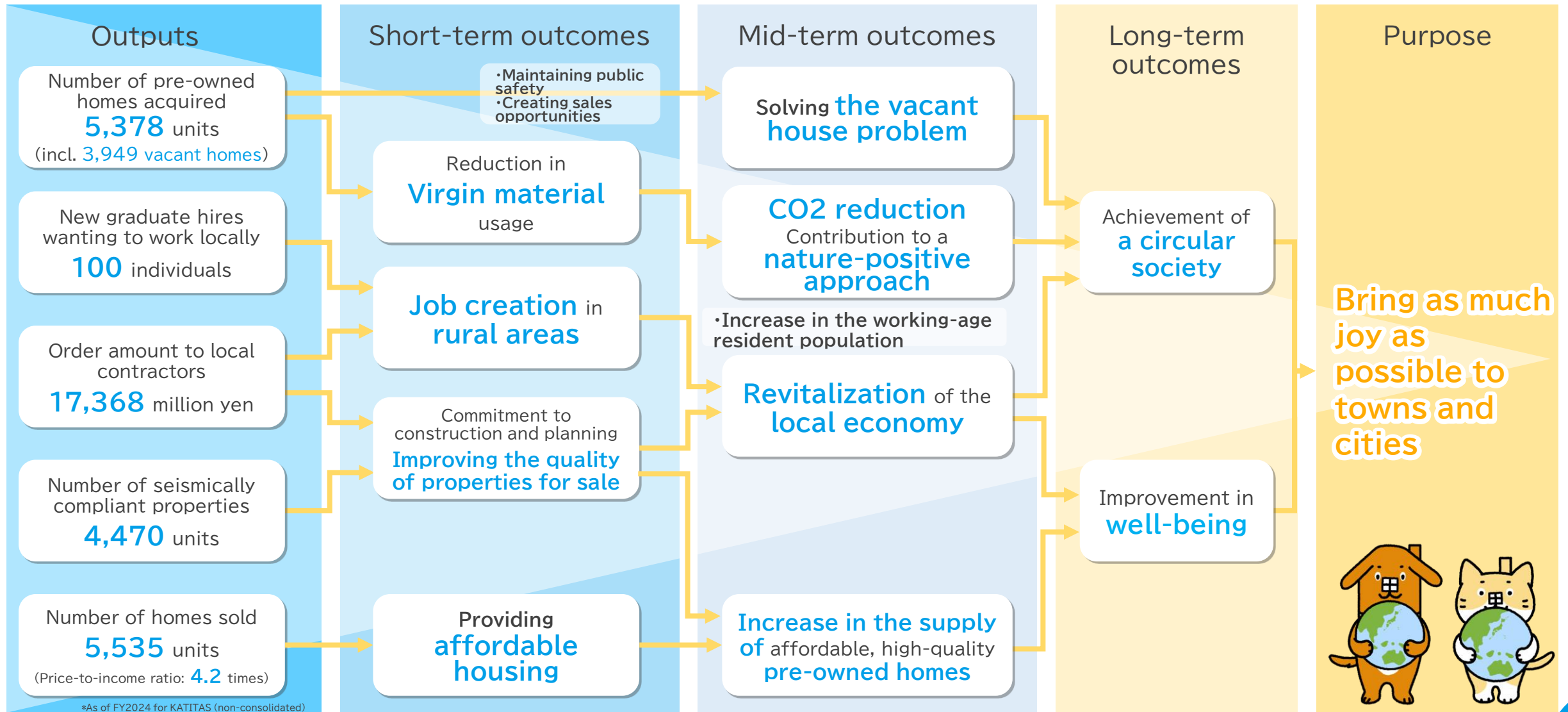
Partner contractors
Network **1,289** builders

Unsecured **borrowing limit** of
34.5 billion yen



*As of FY2024 for KATITAS (non-consolidated)

Impact logic model



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.

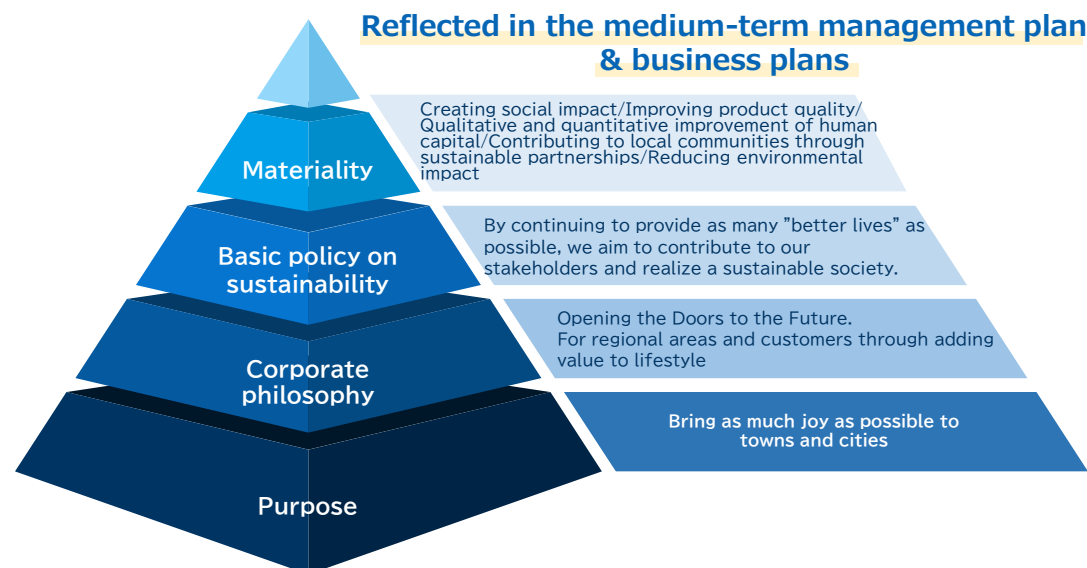
The KATITAS Group will continue to operate its business with the aim of solving social issues while achieving business growth.

Basic policy on sustainability

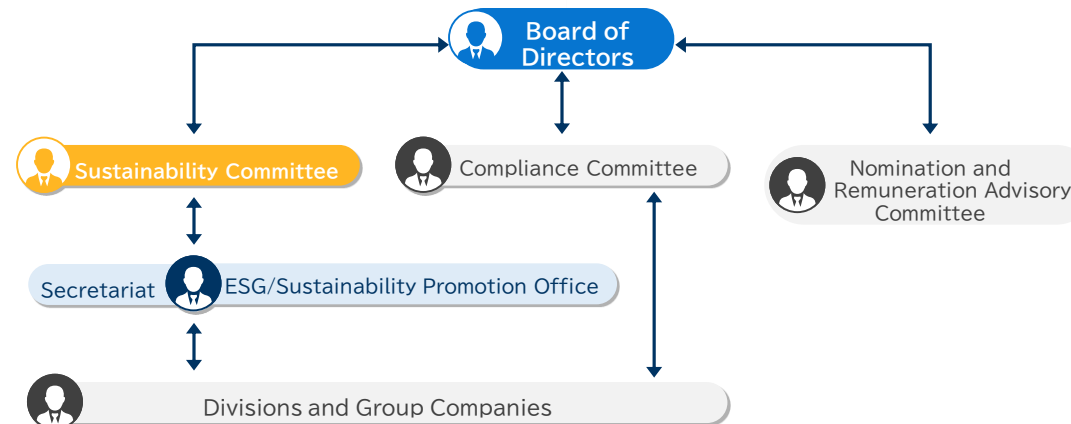
By continuing to provide as many "better lives" as possible, we aim to contribute to our stakeholders and realize a sustainable society.

Where this policy figures in our philosophy

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



Framework for promoting sustainability



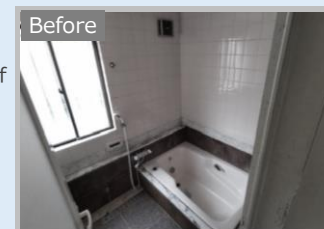
Sustainability Committee

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.

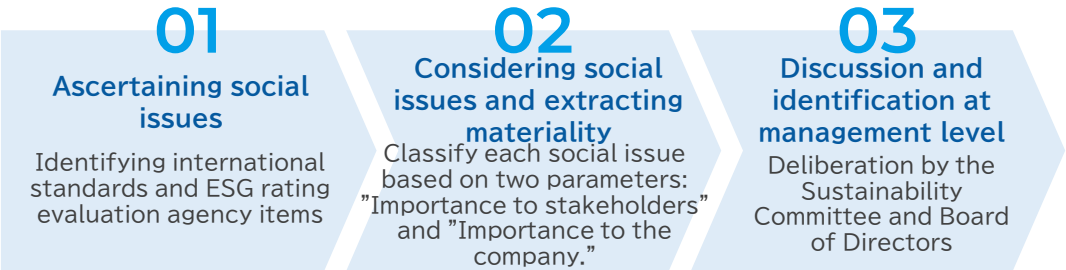
The Sustainability Committee is supervised by the Board of Directors, chaired by the president and CEO, and composed primarily of executives and other officers. Meetings will be held at least once a quarter, and the results of deliberations will be reported to the Board of Directors. The committee met four times in the fiscal year ended March 31, 2024.

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



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.

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.

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

Third Medium-Term Management Plan initiatives

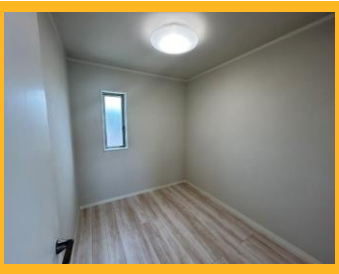
Quantitative targets

	FY2024			FY2023
	Plan	CAGR		Results
Net sales	134,000	10%	...	126,718
Adjusted operating profit	17,500	10%	...	14,757
Adjusted ROA	20%	—	...	20.5%
Dividend payout ratio (based on adjusted net profit)	40%	—	...	49.4%(42.6%)

Sustainability initiatives and progress status

At planning time	Progress status
Maintain ratio of housing price to annual income at below 5 times	We implemented an initiative to control prices by selling pre-renovation homes after conducting risk assessments for structural issues, such as termite damage and water leaks. This allowed us to discover new customer segments, including those who prefer to renovate homes themselves, families with young children prone to messes, and retirees looking to keep their purchase costs low.
Solve the problem of vacant houses by increasing sales volume	- Percentage of vacant homes in our purchases: 75.8% - Number of units sold: 5,535 (Fiscal year ended March 2024)
Consider renovation methods to improve insulation while keeping costs down.	In the fiscal year ended March 2024, the number of areas where interior window installation and insulation filling work can be carried out has increased (from 3 areas to 7 areas). Additionally, we are now able to perform underfloor insulation spraying and air conditioning/humidity control installation nationwide.

Insulation installation 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: 102 Number of new employees appointed to management positions as of the fiscal year ended March 31, 2024: 25 Strengthened the "Personnel Development Promotion Section" by upgrading it to the "Personnel Development Promotion Office"; Established the new "Career Design Office"
Achieve productivity improvements by optimizing overall operations through BPR and considering system implementation.	Implemented standardized renovation packages company-wide; Introduced marketing automation tools Adopted outsourcing for property management
Expand capacity to manage contractors and carpenters, who are our important partners in supplying houses.	We do business with partner contractors 1,289 (+116 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

Organizational changes

In April 2024, the Personnel Development Promotion Section was reorganized into the Personnel Development Promotion Office. In this office, the responsible sales managers are conducting training for new graduate employees. Additionally, a Career Design Office was newly established to provide training for young chief-level employees and chief candidates in their 3rd to 5th years, with the aim of fostering their career advancement to branch managers or developing them as specialists in sales.

Initiatives for productivity improvement

As part of our BPR (Business Process Re-engineering) project, we standardized the content of our renovation work. Previously, each renovation required a custom plan, which made tasks like planning and material ordering a heavy burden, especially for less experienced sales employees. By standardizing combinations of flooring and fixtures, including water fixtures, we created multiple renovation packages, enabling even less experienced staff to handle renovation planning without difficulty.

Additionally, we rolled out Salesforce company-wide in July 2023, following a successful trial in select areas. This allowed us to centralize data previously scattered across various databases, leading to improved operational efficiency and better analysis of customer feedback. This initiative strengthened our ability to design homes that meet customer needs.

Notably, our subsidiary, Reprice, which had earlier adopted Salesforce, won the "SFUG CUP 2023" in the small business category. We aim to share knowledge between both teams to further drive these initiatives forward.



Third Medium-Term Management Plan initiatives

▶ Business Development Executive Interview



Akira Morikawa

Executive Officer, General Manager
of Business Strategy Headquarters

Joined KATITAS in April 2022.
Since joining, he has overseen marketing and
business planning.

Previously at Recruit Holdings Co., Ltd., Mr. Morikawa was involved in creative development and the planning and execution of marketing strategies in the HR and housing sectors. At KATITAS, as Chief Marketing Officer (CMO), his mission is to improve productivity (number of purchases and sales per employee) by increasing customer response and streamlining operations.

▶ What led you to join KATITAS in 2022, and what were your impressions at the time?

I was already familiar with KATITAS due to my work at Recruit, where I was responsible for the SUUMO Counter in the housing division. Additionally, before joining KATITAS, I supported companies aiming for IPOs and had even highlighted KATITAS as a successful example of an IPO.

During my time living in the US after leaving Recruit, I noticed that pre-owned homes were more common than new homes when it came to buying a property. This made me question whether Japan's preference for new homes would continue in the future. I believed that Japan's pre-owned housing market had significant growth potential. KATITAS was already the market leader, yet there was still ample room for expansion, which I found very appealing. Personally, I was also interested in regional revitalization. With aging populations becoming a global issue, especially in advanced nations, Japan's rural areas are at the forefront of this challenge. I saw tremendous social value in addressing the vacant home problem and revitalizing these regions through KATITAS' business. Furthermore, seeing former Recruit colleagues, including President Arai, thrive at KATITAS inspired me to join the team and contribute to its growth.

▶ Can you explain your approach to improving productivity at KATITAS?

At KATITAS, we drive productivity improvements through a project team called the "BPR Project". Typically, BPR initiatives focus on optimizing business processes top-down with the goal of improving operational efficiency. However, at KATITAS, we make it a priority not to reduce processes just for the sake of efficiency. Our ultimate goal is to provide "better quality products to our customers". With this in mind, we carefully reassess the value of each task, ensuring that process improvements align with enhancing customer satisfaction. To achieve this, we involve many sales employees in the project team, ensuring that we examine the processes from the perspective of frontline employees and always keep customer satisfaction at the forefront of our efficiency improvements.

For example, at KATITAS, each employee manages the entire process, from purchasing properties to planning renovations and selling. In the short term, breaking these tasks into specialized roles—such as having one person focus on purchasing and another on renovation planning—might improve efficiency. However, dividing the process in this way could shift the focus to individual or departmental goals, potentially causing communication breakdowns between stages and increasing the risk of delivering lower-quality homes to customers. Even if some processes seem inefficient at first glance, we prioritize customer satisfaction as our primary objective. Only then do we seek opportunities to streamline tasks without compromising on the quality of the homes we provide. This is the guiding principle behind our approach to BPR at KATITAS.

▶ Can you share details about the BPR Project during the Third Medium-Term Management Plan, its initiatives, and progress?

The last major overhaul of our business processes before this BPR Project occurred in 2012, when we revamped our management system. At that time, we shifted our sourcing channels from auctions to direct purchases and moved from a push-style sales model where we used paper flyers and held weekend sales events, to a more responsive model based on web advertisements. On the administrative side, we transitioned from paper-based inventory and customer information management to centralized management via an integrated system. We also switched our communication methods from phone and fax to email, chat, and web conferencing. These changes were the best possible solutions given the resources we had back then, but our current processes, which have not changed much since, are starting to feel somewhat outdated.

The current BPR project is one of the key initiatives of the Third Medium-Term Management Plan. One of the major efforts includes revamping our website to increase customer inquiries and recycling opportunities, along with implementing an online reservation system and introducing Salesforce as a tool for marketing automation (MA) and sales force automation (SFA). In particular, we have seen results from the MA system as expected. We have also made strides in improving operational efficiency, such as standardizing our renovation planning process—which used to be overly customized and inefficient—through the introduction of the Katitas Standard Plan. Additionally, we have outsourced regular home maintenance tasks, previously handled by our sales employees, to gig workers.

Another notable result is the progress we have made in getting our sales team to adopt digital tools and strengthening the personnel in our digital department. With sales managers joining the project team from April 2024, we are also starting to see bottlenecks in the sales operations come to light, which I view as a positive indication of progress.

The initiatives under this medium-term plan are not only designed to bring us in line with modern digital standards but also to establish the foundation for the future IT infrastructure we aim to build. We now have a clearer understanding of the costs and workload required to achieve this infrastructure, and we remain committed to continuing these efforts to drive even greater results in the future.

▶ What are your upcoming initiatives for future growth?

In the area of business planning, our long-term goal is to make a major transformation, similar to the shift made in 2012 when we changed our sourcing strategy, which is a core aspect of our business, from auctions to direct purchases. As we aim to scale to 10,000 properties or more, our focus is on increasing the number of leads for properties we can acquire and improving our ability to evaluate and assess those opportunities.

At the same time, we want to cultivate a culture where, like at Recruit, ideas for operational improvements and new revenue opportunities come from the bottom up, rather than relying on a top-down approach. We are already starting to see signs of this shift, and to support it further, we believe it is essential for headquarters to strengthen employee education and enhance project management skills to lay the groundwork for these changes.





03

Initiatives
for materiality

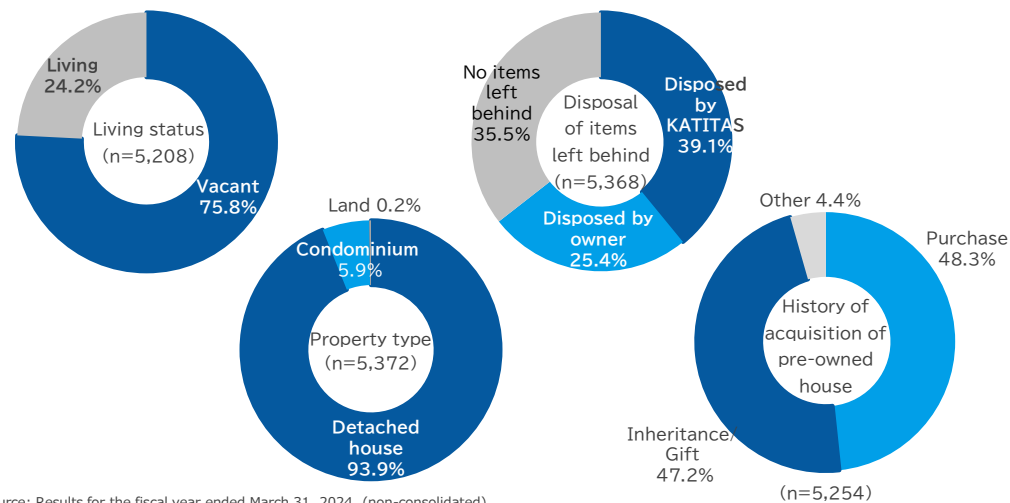
Creating social impact

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, 2024, we have purchased, refurbished, and sold 3,949 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, 2024 (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 (in many cases, the owners are the parents of the inheritors) 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.

Through this partnership agreement, property sale consultations submitted to Hioki City's vacant house bank are shared with KATITAS, and our flyers are enclosed with the city's property tax notices. Kagoshima Prefecture, where Hioki City is located, has the highest vacancy rate in Kyushu. Additionally, there are around 4,300 vacant houses in Hioki City that have yet to be designated for any specific use. 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.

Since the signing of the partnership agreement, we have received numerous property appraisal requests from residents in Hioki City, resulting in the successful acquisition of several properties.

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)

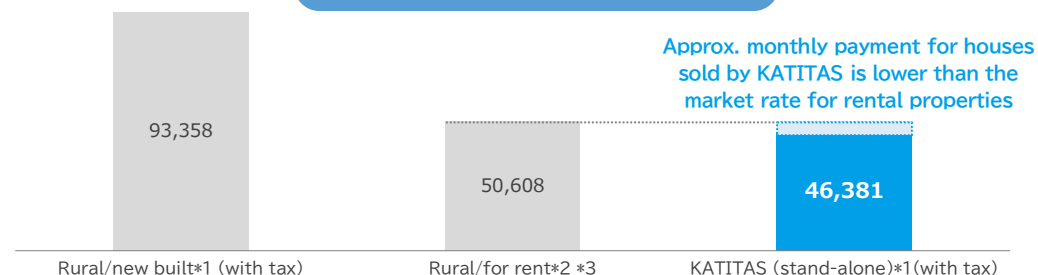
Creating social impact

Affordable housing (providing homes at reasonable prices) 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.

Our homes are offered at prices where the monthly mortgage payments are comparable to or even lower than the rent of nearby rental properties, allowing buyers to purchase without placing a significant burden on their finances. The average mortgage-to-annual income ratio for our customers is 4.2x, making it easier for them to allocate their budget to expenses beyond housing costs.

Comparison with house rents

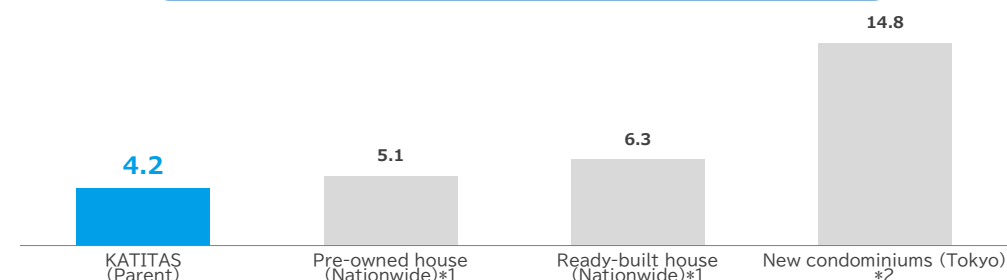


*1 The amounts of rural/new-built and KATITAS (stand-alone) are calculated assuming a full mortgage with no down payment, 30-year term, at 1.0%-fixed interest rate, and no additional bonus repayment.

*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



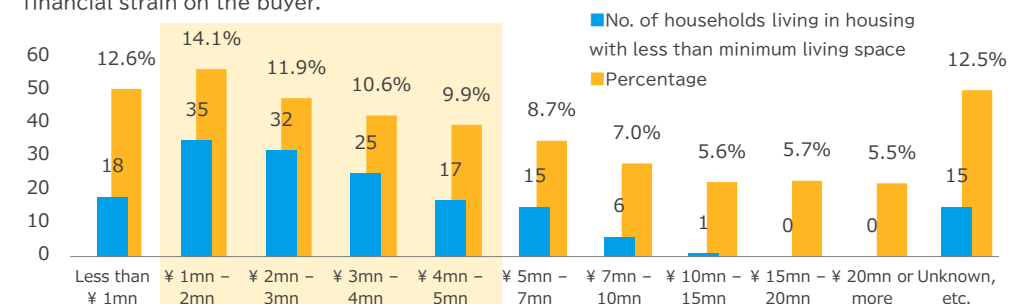
*1 Source: Japan Housing Finance Agency (FY2022 summary table)

*2 Source: Tokyo Kantei Co., Ltd. press release "Annual Income Ratio for New Condominiums" (October 31, 2023)

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.

The primary household income range of customers purchasing our renovated homes is between 2 million and 5 million yen, which represents the most common income bracket in rural areas. In many cases, our renovated homes are larger than the rental properties where our customers currently reside, and they often feature updated water fixtures and household amenities. This enables us to offer improved living conditions without imposing additional financial strain on the buyer.

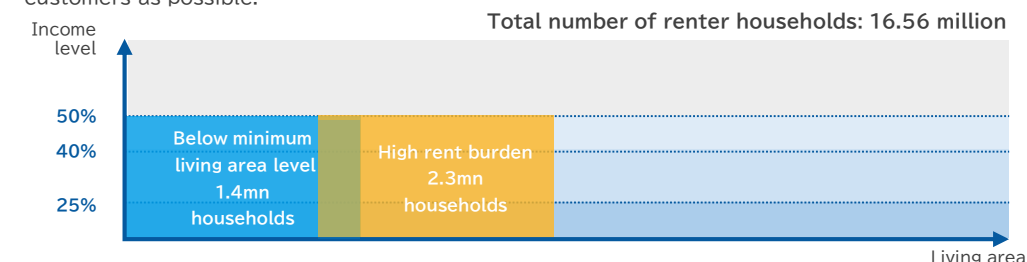


Source: Ministry of Land, Infrastructure, Transport and Tourism, Housing Bureau, "Council for Social Infrastructure Development, Housing and Residential Land Sectional Committee, New Housing Safety Net Study Subcommittee" (July 2016)

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

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

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

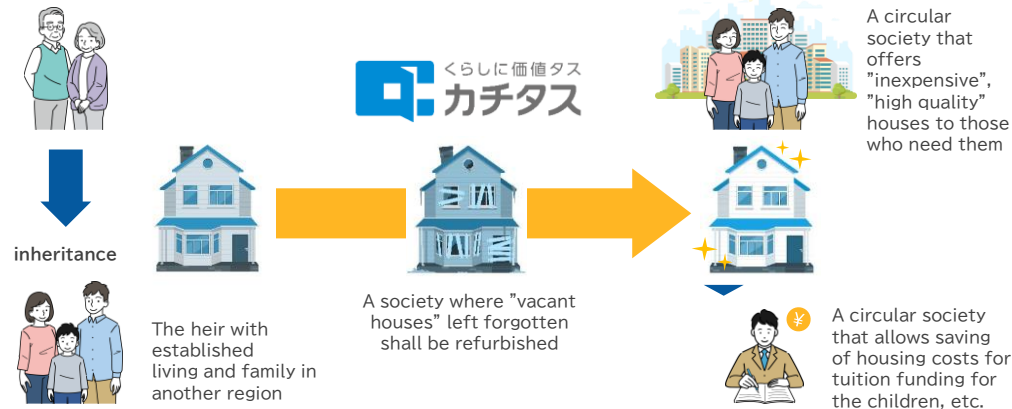


Source: Ministry of Land, Infrastructure, Transport and Tourism, Housing Bureau, "Council for Social Infrastructure Development, Housing and Residential Land Sectional Committee, New Housing Safety Net Study Subcommittee" (July 2016)

Creating social impact

▶ To achieve the circular economy

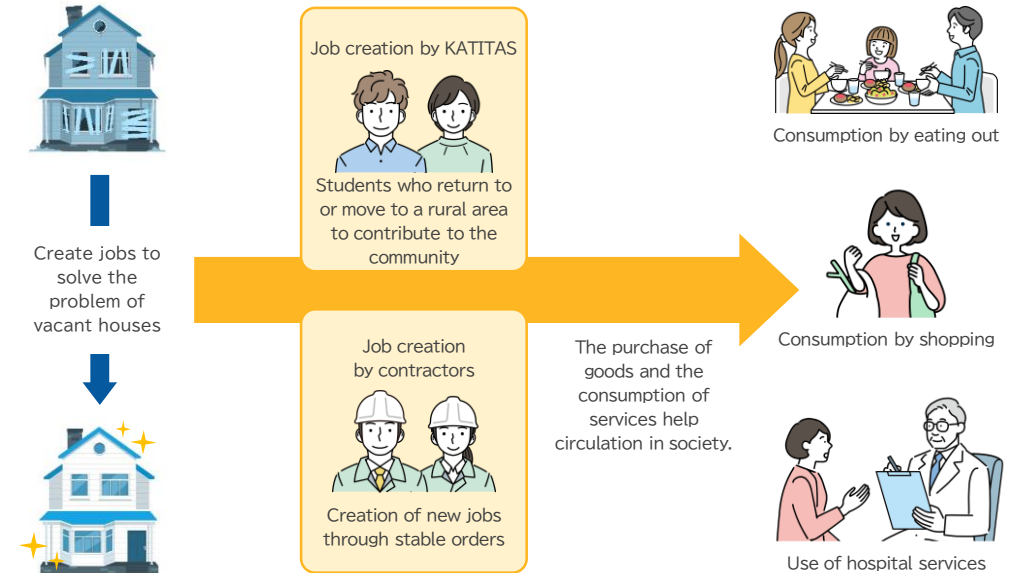
Circular economy through the circulation of existing resources and assets



To achieve the circular economy	Annual property tax (50,000 yen x 10 years.)	0.5mn yen *1	
	Cost of disposing household goods:	0.3mn yen *2	
	Future demolition costs:	1.2mn yen *3	
	Lower price than newly built house	14.0mn yen	
	Total economic impact of rehabilitating one vacant house	16.0 mn yen	
Number of beneficiaries per property	(Beneficiary at the time of purchase)		
	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	
	Total number of beneficiaries	5.8 people	
Fiscal year ended March 2024: Basic information			
	Number of sales in one year	6,927 properties	
	Economic impact	114,704 mn yen	
	Total number of beneficiaries	41,580 people	
Economic impact and number of beneficiaries when 10,000 properties are sold			
	Number of sales in one year	10,000 properties	
	Economic impact	160,000 mn yen	
	Total number of beneficiaries	58,000 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" (2023), pre-owned detached houses

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



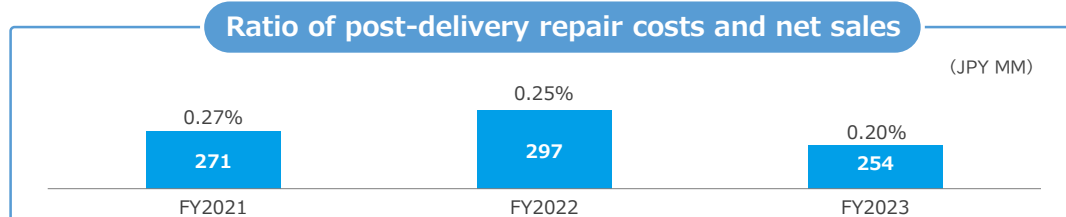
Direct job creation	Number of employees	737 *1	
	Consumption expenditures of working households	¥214,721/month *2	
	Impact on local economic revitalization	1,898mn/year	
	Number of new graduates joining KATITAS in April 2024	100	
	Consumption expenditures of people in their 20s	¥111,223/month *3	
	Impact on local economic revitalization	¥133mn/year	
	Total direct impact	¥2,031mn/year	
Indirect job creation	Partner builders (incl. construction labor cost and housing equipment cost)	1,289 *4	
	No. of employees per builder	3 *5	
	Consumption expenditures of working households	¥214,721/month *2	
	Total indirect impact	¥9,963mn/year	

*1 As of March 31, 2024 (non-consolidated; actual) *2 Calculated by KATITAS based on the Ministry of Internal Affairs and Communications' 2023 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' 2023 Family Income and Expenditure Survey Report 'Monthly income and expenditure per household by gender and age group' *4 Actual number in fiscal year ended March 31, 2024 (number of builders to which we placed at least one order or which performed at least one project in the year; excludes termite control) *5 Based on the median number of builder employees from the 6th Nationwide Builder Survey Aggregation Results conducted once a year by KATITAS

Improving product quality

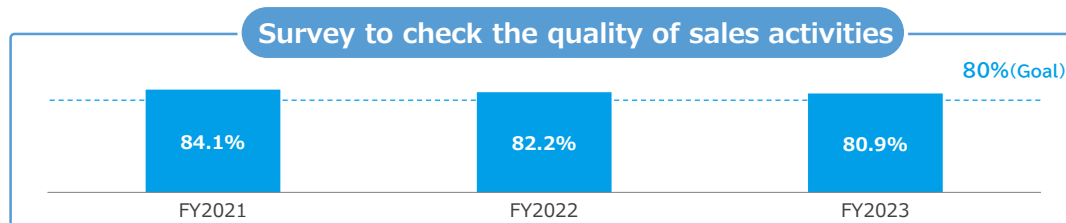
▶ Post-delivery repairs

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).



▶ Responsible Advertising and Public Relations Activities

[Basic Policy]

We at KATITAS Co., Ltd. conduct responsible advertising and public relations activities in compliance with relevant laws and regulations, such as the Act against Unjustifiable Premiums and Misleading Representations, the Building Lots and Buildings Transaction Business Law, and the Fair Competition Code Concerning the Representation of Real Estate. Out of consideration for various stakeholders, we strive to engage in appropriate and moderate advertising activities that do not cause misunderstanding or discomfort, while aiming to be receptive to expectations and demands of society and adequately reflect them in our business endeavors.

[Measures to Ensure Appropriate Advertising Activities]

Led primarily by the Marketing, we inform and educate sales personnel so that they engage in appropriate advertising and public relations activities. As a major initiative, we have established a manual for posting online advertisements to ensure appropriate dissemination of information and prevent violation of laws and regulations when posting online ads. The manual is designed to help sales personnel comply with relevant laws and regulations when posting online ads, and provides a framework for preventing violation of such laws and regulations. Moreover, the manual is intended to help employees create and post online ads that appropriately and effectively convey the appeal of properties for sale. KATITAS Standard refers to the quality of text and photographs that can adequately convey the appeal of the properties. In addition, we hold the "Net Dojo" study sessions, primarily for new graduate hires. In these study sessions, we share concrete, actual examples of good online ads (texts, including property description and ad copy) and ways to take photographs for effectively conveying the appeal of properties in line with KATITAS Standard, and demonstrate how to create and post an actual property ad online. We hire more than 100 new graduates annually and assign them to each of our offices, and to maintain quality befitting of KATITAS Standard, we require them to attend the study sessions. Further, by having sales personnel and managers attend these sessions as well, we aim to have all our offices to have a thorough understanding of and strictly abide by the rules for posting online ads. In the case of an event that may affect our stakeholders, we immediately share information on such an event and announce our intended course of action at a morning video conference attended by all employees.

[Management Structure]

In order to ensure compliance with laws and regulations, we have established an advertising management structure led by the Marketing and Information Systems Department. In particular, a dedicated staff from the Marketing and Sales Planning Headquarters evaluates property information posted on the webpage customers view when searching for a property. The staff evaluates the property information in the three categories of legal compliance, photographs, and texts. In addition to evaluating the online ads, the staff provides suggestions for revisions and follow-up confirmation of revisions made thereafter. All offices undergo such an evaluation process at least once every six months. Through these efforts, we manage to avoid disseminating information that may mislead customers. There was no violation of laws and regulations in our advertising and public relations activities that resulted in administrative penalties in fiscal 2023.

KATITAS Renovation Planning Award Recognition

To improve the quality of our renovation planning, we select outstanding renovation projects and recognize them twice a year with the "KATITAS Renovation Planning Award."

In July 2023, we updated the award. Specifically, we established quantitative standards for selection, identified candidate properties through recommendations from regional sales employees, and had the final candidates evaluated by a selection committee. As a result, more exceptional renovation projects are now being recognized. The employees responsible for these projects, along with the contractors, are acknowledged in front of the entire company during the company-wide kickoff event.



Improving product quality

▶ Customer Interview

I was attracted by the unique charm of the home and the value it offered beyond its price. I also felt reassured by a friend's recommendation, which gave me confidence in the purchase.

We started considering buying a home when we found out we were expecting a child. Previously, we lived in an apartment, where we struggled with the limited number of rooms and lack of space. The fact that renting doesn't build equity was another key reason we decided to pursue homeownership. Since custom-built homes were too expensive, we eliminated them from consideration early on and focused on browsing new developments through online portals and visiting open houses. However, we couldn't find any new homes with enough land to accommodate the large yard we wanted for our child to play in.

One day, on the way back from an outing, I noticed a KATITAS flag. A close friend had purchased a home from KATITAS a few years earlier, and I had stayed at their place several times, so I was familiar with the company. When I peeked at the property, I saw a spacious yard and a clean exterior, which made me think it might meet our needs. I immediately contacted KATITAS and arranged a viewing.

The home had originally been built as a custom house, and unlike many new developments, it had a practical layout and ample space. I was also drawn to the fact that it had already been renovated and was available at a lower price than a new home.

Though buying a home is a major decision, I felt I couldn't pass up this unique property. I submitted a purchase application that very night after the viewing.

Thanks to finding a home that suited our needs, my family of three is now enjoying a happy life together.



Mr. U and Family,
Niigata City, Niigata Prefecture

Purchased from Niigata (Higashi Area) Branch
in June 2023

With the added reassurance of a friend's recommendation, they were able to purchase their desired detached home with a yard.

Tagline Change from "Adding Value to Houses" to "Adding Value to Lifestyle"

In 2013, when we changed our company name to KATITAS Co., Ltd., we introduced the tagline "Adding Value to Houses" to reflect our business model of purchasing, renovating, and reselling unused homes.

For over a decade, we have been committed to enriching the lives of families who pass down or move into pre-owned homes. Having completed over 70,000 property transactions, we have received feedback from sellers expressing relief and gratitude that their cherished family homes were not demolished but instead lived in by new owners. Buyers have also shared that by opting for a renovated home instead of a new-build, they could save money and invest more in their family's well-being. This feedback deepened our desire to not only "add value to houses" but also to "add value to everyday life." As a result, we updated our tagline to "Adding Value to Lifestyle."



Launch of the Web Magazine "Igokochi" Showcasing Life in KATITAS Homes

With the update to our tagline, we have launched a web magazine called Igokochi, where readers can get a glimpse into the lives of those who chose to live in renovated pre-owned homes.

The magazine features stories from individuals who sold homes filled with memories, as well as insights into the new lives and lifestyles of those who purchased a KATITAS home.

Please visit our website to explore more.



Qualitative and quantitative improvement of human capital

Interview with human resources officer



Kazuhito Yokota

Director and General Manager of
Administrative Division

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, 2024: Sales volume 7,169 houses · net sales 126.7 billion yen · operating profit 14 billion yen

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.

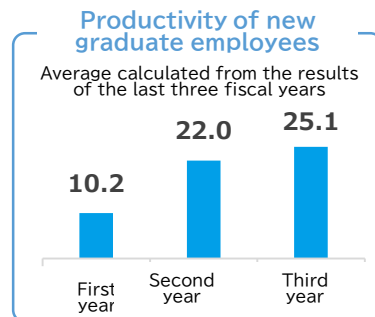
What led up to your joining KATITAS?

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.



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.



Qualitative and quantitative improvement of human capital

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 25% of our newly appointed branch managers as of the fiscal year ended March 31, 2024 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.



Qualitative and quantitative improvement of human capital

▶ 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, 2024, we held a total of 54 morning teleconferences.

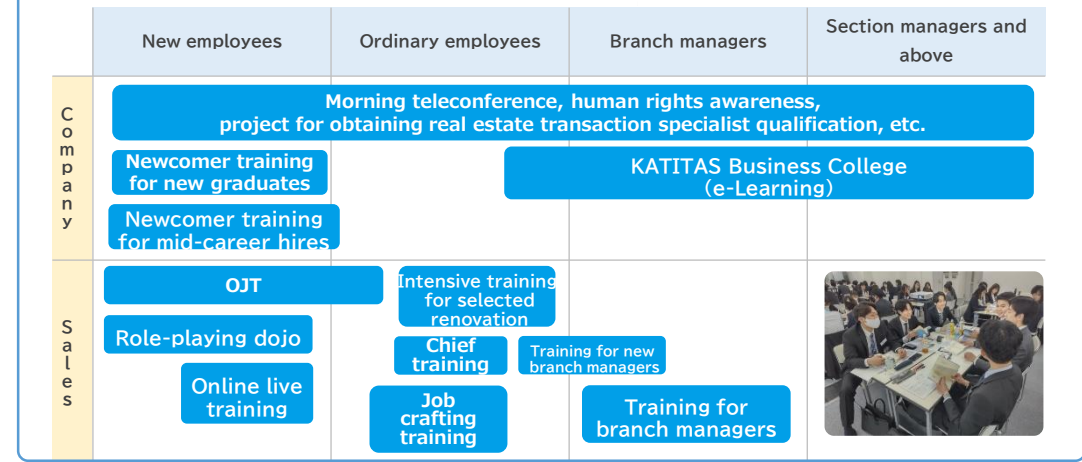


Intensive training for selected renovation

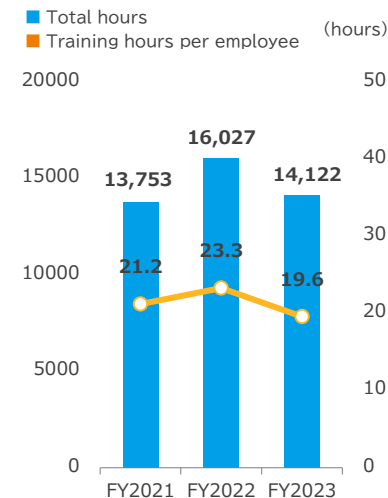
We ask section managers to recommend branch manager candidates and provide these candidates with small-group training, which are aimed at enhancing their renovation planning skills. Serving as their instructor is a full-time staff member (registered first-class architect) from our Product Planning Department. 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 2024 (FY2023), we held this training four times and 22 people participated.



Training system

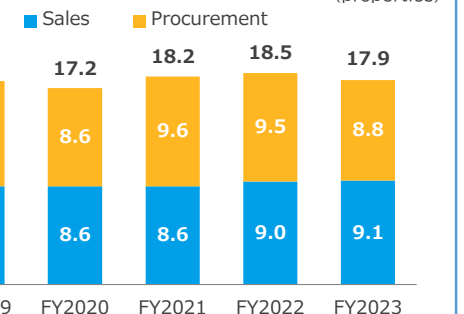


Training hours



Productivity of sales staff

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.



Qualitative and quantitative improvement of human capital

▶ 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 branch 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.

Employee Engagement Survey Implementation

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.

During the fiscal year ended March 2024, we conducted two employee engagement surveys. The results exceeded the target of BBB or higher for both KATITAS and REPRICE.

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.



Qualitative and quantitative improvement of human capital

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.

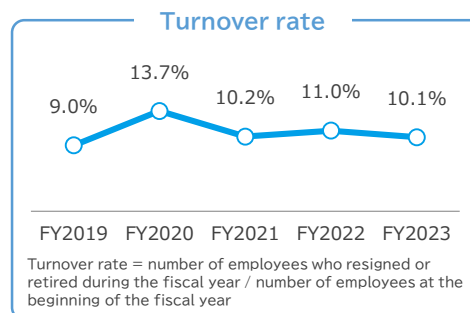
We recognize that creating an environment in which our employees (including contract and part-time employees) can perform their work in a safe and secure manner, both mentally and physically, will contribute to better employee retention rates. To this end, our company takes measures to reduce physical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

	FY2021	FY2022	FY2023
No. of occupational accidents resulting in an employee taking a day or more of leave (incl. traffic accidents) *1	2cases (2 cases)	2cases (0 cases)	2cases (1 cases)
% of occupational accidents per employee	Target	—	0.6%
	Result	—	0.29%
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	95.9%	98.4%	98.9%
% of employees taking a stress check *2	51.0%	88.1%	93.1%

*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 312 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.

Ranked 2nd in the "Top Companies for Growth Opportunities" Chosen by People in Their 20s

Ranking	Company Name	Increase from 2019 to 2023	2019	2023
1	EY Strategy and Consulting Co., Ltd.	1.06	3.04	4.10
2	KATITAS Co., Ltd.	1.03	3.57	4.60
3	Dentsu Inc.	0.89	3.61	4.50
4	Sumitomo Mitsui Finance and Leasing Co., Ltd.	0.88	3.00	3.88
5	Mitsubishi Corporation	0.73	3.05	3.78

Based on the "Top Companies for Growth Opportunities Chosen by People in Their 20s" (Vol. 115) by OpenWork Inc.

Selected as a Constituent of the MSCI Japan ESG Select Leaders Index

2024 CONSTITUENT MSCI Japan Equity ESG Select Leaders Index

We have been chosen as a constituent of the MSCI Japan ESG Select Leaders Index, one of the ESG investment benchmarks adopted by Japan's Government Pension Investment Fund (GPIF).

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Qualitative and quantitative improvement of human capital

Promoting diversity

At our group, we prioritize hiring and promoting based on ability and performance, regardless of gender. This has enabled women to thrive even in the traditionally male-dominated real estate industry. Additionally, due to the relatively short period since the launch of our full-scale new graduate hiring program, a majority of area managers and department heads have come from mid-career hires.

Track record of women in the workplace

Female employee ratio

(As of April 1, 2024)

Many women interested in renovations and housing



39.9%

(Ratio of full-time female employees: 37.4%.)

49.1%

(Ratio of full-time female employees: 41.9%.)

Annual sales ranking of sales employees

(FY03/24 Results)

Nearly half of the top 20 salespeople at our group are women.



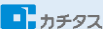
50.0%

45.0%

Percentage of female managers

(As of April 1, 2024)

A higher ratio compared to the real estate industry average of 16.2%.



18.2%

25.3%

※Counted managers and supervisors in KATITAS' sales and administrative departments
※Source: TEIKOKU DATABANK, LTD., "Survey of Corporate Attitudes Towards Promotion of Women (2023)"

Addition to the MSCI Japan Empowering Women Index*

Inclusion in MSCI Japan Empowering Women Index for 5 consecutive years*

2023 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

		KATITAS	REPRICE
Breakdown of new-graduate recruits by gender (2024年4月入社)	Male Employees (Number of People)	50	10
	Female Employees (Number of People)	50	11
Gender Ratio of Mid-Career Hires (FY2023)	Male Employees (Number of People)	10	8
	Female Employees (Number of People)	0	6
Comparison of the average years of service, female to male (FY2023)	Average years of service of female employees / Average years of service of male employees	102%	76%
Gender pay gap for full-time employees (FY2023)	Managerial positions	94.9%	89.8%
	General positions	98.0%	96.8%
Childcare leave usage rate (FY2023)	Male	50%	33%
	Female	100%	75%

Ranked 3rd in the "Top Companies Where Female Employees in Their 20s Feel Career Growth"

Ranking	Company Name	Score
1	P&G Japan LLC	12.41
2	Microsoft Japan Co., Ltd.	12.32
3	KATITAS Co., Ltd.	11.88
4	Recruit Co., Ltd.	11.80
5	PwC Consulting LLC	11.75

Based on the "Top Companies Where Female Employees in Their 20s Feel Career Growth" (Work Motivation Research Institute Report Vol. 121) by OpenWork Inc.

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.

	Goals	Progress status	
Ratio of female employees among full-time employees	37% or higher ▶	35.7%	40.2% (As of March 31, 2024)
	30% or higher ▶	24.0%	38.5% (FY2023)
Ratio of female employees appointed to management positions			



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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 rely on local partner contractors for all our renovation projects.

In rural areas, compared to cities, the demand for new detached houses, condos, large buildings, and public construction has declined, leading to fewer jobs for contractors. In such an environment, we are creating jobs of house renovation in those local areas.

Additionally, our renovations, focused on low-rise detached houses and carried out indoors without the use of heavy machinery, are safer and have a lower risk of accidents compared to large-scale construction projects.

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 had already felt the decline in new home construction, but hearing more about the challenges facing the housing industry reaffirmed it. I'm now convinced that more people will choose renovated homes over new builds in the future. I feel proud to be part of this work.

About the President's Message

I was surprised that President Arai came all the way to visit us in Kurume. It really showed his commitment to growing together with us. I'm eager to work with KATITAS to help reach the goal of 10,000 homes a year. I look forward to our continued partnership.

Explanation of points requiring caution in general construction

This reminder to carefully and thoughtfully complete each project brought me back to the basics of making customers happy. Moving forward, I want to continue working closely with KATITAS to build homes with the same attention to detail, one project at a time.

About the President's Message

This was my first time attending a KRP meeting, and I was deeply impressed by KATITAS' philosophy. Not only is the company helping to solve social issues, but it's also been included in impact investment portfolios and even featured at Harvard Business School. I think the business model is truly remarkable.

Explanation of points requiring caution in general construction

The examples of mistakes collected from sites nationwide were all things that could easily be overlooked on any project. This reminded me to reassess the "obvious" and to push for inspection and construction quality that exceeds expectations.

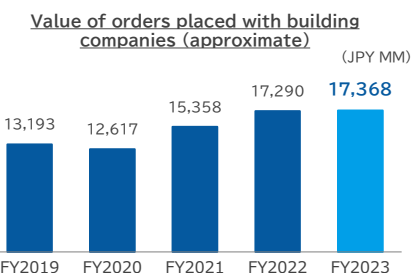
Introduction of partner builders

Thank you very much for the recognition. Hearing that other contractors share the same dedication to the work made me feel like we're all part of the same team. I'll continue to work hard so I don't fall behind.

Business continuity support for building companies

KATITAS placed orders worth approximately 17.3 billion yen with local builders in the fiscal year ended March 31, 2024.

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."



Contributing to local communities through sustainable partnerships

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 three fiscal years.

In the fiscal year ended March 31, 2024, partner contractors reported a total of 16 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.

	FY2021	FY2022	FY2023
Number of fatal accidents at partner contractors	0 cases	0 cases	0 cases
No. of occupational accidents resulting in at partner contractors taking a day or more of leave	11 cases※	6 cases	16 cases
Number of targets for survey	575 companies	659 companies	717 companies
Number of valid responses	575 companies	398 companies	717 companies

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

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

We were recognized for building a system that enhances customer satisfaction by minimizing renovation costs for pre-owned homes, as well as for expanding our purchase and resale business, focusing primarily on detached homes in rural areas.



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.

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



Respect for human rights



Compliance with laws, regulations, and social norms

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



Reduction of environmental impact

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



Fair trade

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



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.

KATITAS business of second-hand residential house renewals



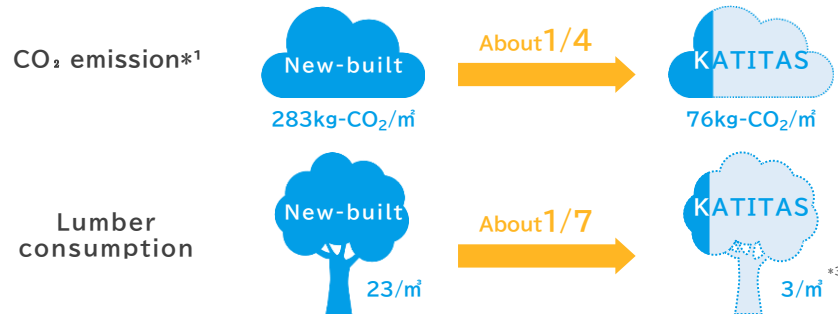
KATITAS business of second-hand residential house renewals



CO2 emission and lumber consumption versus the new-built

Compared to the new-built, second-hand residential houses emit about 1/4 of CO2 with about 1/7 use of lumber.

While area of the world's forested land shrinks and global warming from the CO2 emission progresses, people can live in an earth-conscious property just by choosing a KATITAS property instead of a new-built one.



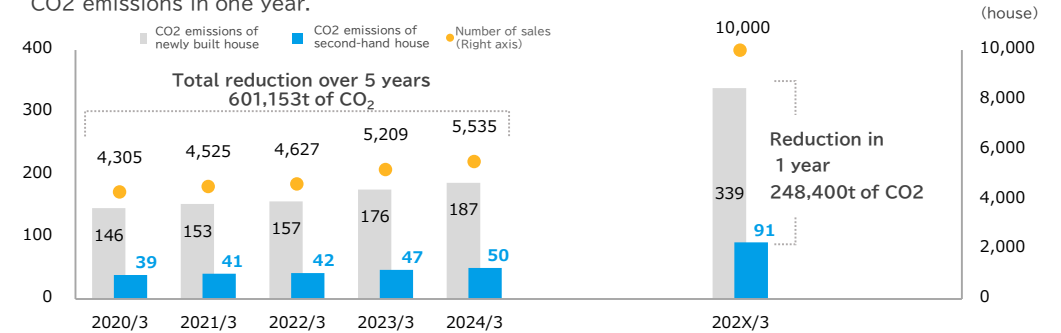
*1 Source: "Estimation of CO2 Emission from Construction, Renovation and Demolition of Residential Buildings up to 2050" Chart 4 CO2 Emissions Volume by Floor Space "Housing Construction/Wooden Construction"

*2 Source: 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 2024

Comparison of CO2 emissions

Over the past five years, KATITAS has reduced a cumulative total of approx. 601,153t 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.

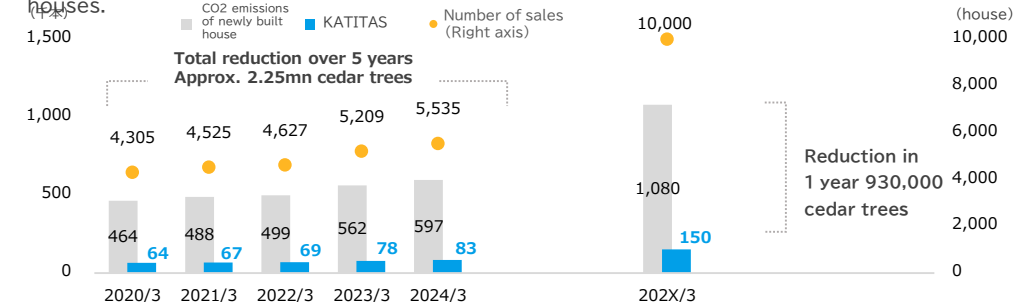


※Calculated on the assumption that the floor area of each housing unit is 120m²

Comparison of lumber usage

Over the past five years, KATITAS has reduced a cumulative total of approx. 2.25 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."

Reducing environmental impact

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.

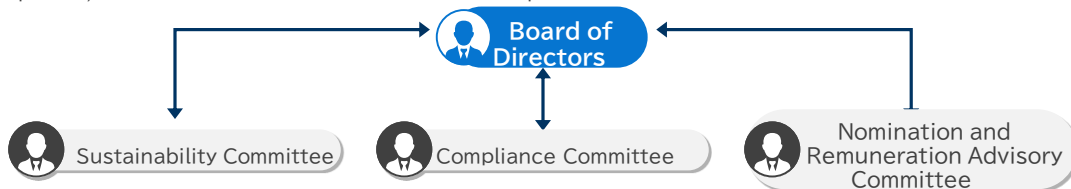
In this report, we will disclose information on governance, strategy, risk management, and metrics and targets, which are items encouraged for disclosure in the TCFD recommendations.

- 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

01. 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 executives and other officers. Meetings will be held at least once a quarter, and the results of deliberations will be reported to the Board of Directors.



02. 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.

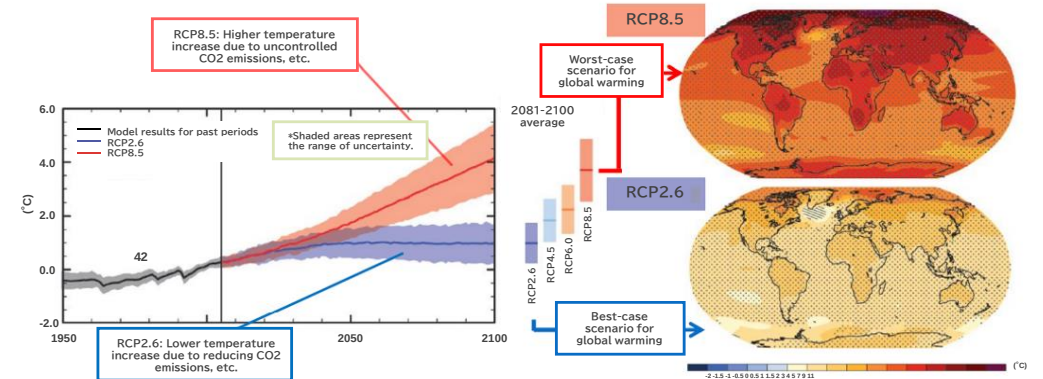


Figure: Simulated time series of change in global average surface temperature relative to the 1986-2005 average based on multiple CMIP5 models

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."

Reducing environmental impact

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

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

Reducing environmental impact

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

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 2024, 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.

Reducing environmental impact

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

03. Risk Management

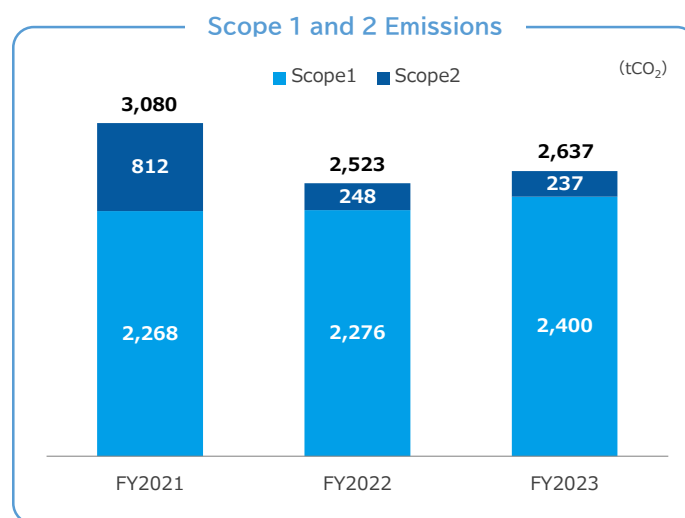
Recognizing the risks and opportunities associated with climate change as principal issues for sustainability management, we discuss these issues at the Sustainability Committee meetings held at least once a quarter. The Sustainability Promotion Office acts as the secretariat to collect necessary information, 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.

04. Metrics and Targets

We have calculated Scope 1, 2, and 3 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 emission intensities (emissions per unit of consolidated net sales) for Scope 1 and 2 CO₂ emissions by 40% by FY2030. Moving forward, we will review the reduction targets, including Scope 3 emissions.



*Scope 1: Emissions from fuel use by company vehicles (direct emissions)

*Scope 2: Emissions from the use of purchased electricity for offices, stores, and inventory properties after purchase to sale (indirect emissions from power companies, etc.)

Emissions Generated through Our Supply Chain, etc.

Scope 1, 2, 3

			FY2022 Total emissions (t-CO ₂)	FY2023 Total emissions (t-CO ₂)
Scope 1, 2, 3			810,945	813,794
Scope 1, 2			2,523	2,637
Scope 3			808,422	811,157
1	Purchased products and services	Costs related to renovation orders, renovation material costs, water supply costs, equipment and fixture purchasing costs, etc.	132,392	109,099
2	Capital goods	Increase in property, plant, and equipment and software (an intangible asset)	160	703
3	Fuel and energy-related activities not included under Scope 1 or 2	Gasoline, diesel, and electricity consumption	759	804
4	Transport, delivery (upstream activities)	Procurement and shipping transport	322	338
5	Waste generated through business operations	Waste from renovation sites, stores, and offices	1,507	1,486
6	Business travel	Employee business travel (accommodations and travel by air, rail, or taxi)	314	321
7	Employee commuting	Employee commuting (by car or train)	362	352
8	Leased assets (upstream)	Recorded under Scope 1 and 2	-	-
9	Transport, delivery (downstream activities)		-	-
10	Processing of products sold		-	-
11	Use of products sold	Electricity, propane gas, or city gas expected to be used when the sold properties (detached houses, apartment buildings) are in use	659,501	684,358
12	Disposal of products sold	Estimated volume of waste generated when demolishing sold properties (detached houses, apartment buildings)	13,105	13,695
13	Leasing (downstream activities)		-	-
14	Franchise operations		-	-
15	Investing		-	-

Note: Data reflects impact from both KATITAS and REPRICE

Reducing environmental impact

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

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.

① Energy conservation through improvements in the insulation efficiency of homes

Approximately 60% of the homes we sell are at least 30 years old. The insulation efficiency of homes constructed 30 or more years ago is inferior when compared to homes constructed in recent years. Accordingly, we are striving to improve this insulation efficiency by installing underfloor insulation, general insulation materials, and interior windows to enhance energy-saving performance.

• Spraying of underfloor insulation



• Installation of wall insulation



• Installation of interior windows

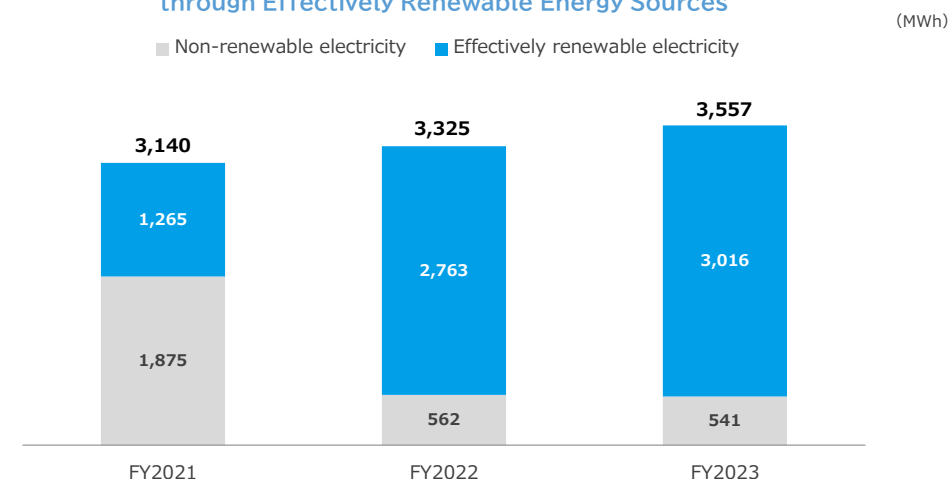


② Switching to electrical power generated through effectively renewable energy sources

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 total energy consumption of our Group in FY2023 was 3,557 MWh and did not increase significantly compared to FY2022 or FY2021. 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.

Electricity Consumption and Electricity Generated through Effectively Renewable Energy Sources



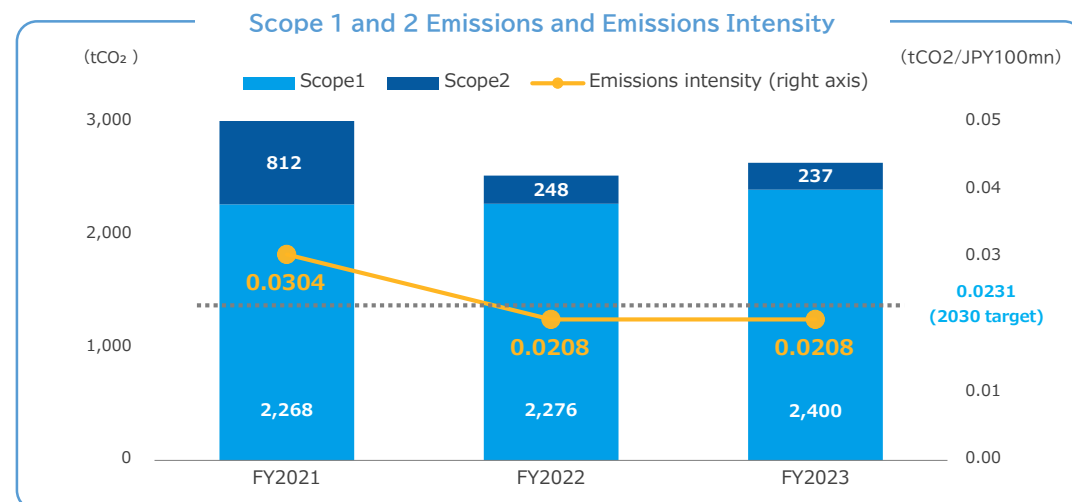
Reducing environmental impact

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

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-(FY2023 emissions intensity of 0.0208 tCO2)
÷ (FY2020 emissions intensity of 0.0385 tCO2) = 46.0%



In FY2023, 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 slight 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). Growth in Scope 1 emissions was commensurate with the pace of our business growth and sales staff expansion. We will continue our efforts to reduce Scope 1 emissions by increasing the ratio of environmentally friendly vehicles, including company cars, through the environmental vehicle allowance program.

Additionally, we reduced Scope 2 emissions by gradually switching the electricity supply for our offices, stores, and inventory properties to sources of effectively renewable energy.

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

Other environmental initiatives

Water management

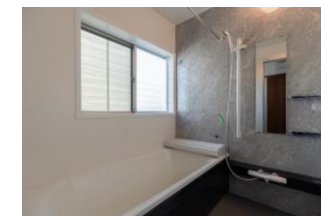
Water stress

We use Aqeduct, 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 20% (*1) 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 FY2021 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 FY03/22 to FY03/24, 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

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 2024: Distributed and collected questionnaires
- April 2024: 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, 2024
- Main evaluation items:
 - i. Management of the Board of Directors (examination period, length of meetings, frequency of meetings, status of improvement, etc.)
 - ii. Content of discussions by the Board of Directors (status of the creation of documents on resolutions and reports, etc.)
 - iii. Composition of the Board of Directors (number of people, expertise, diversity, etc.)
 - iv. Communication between members of the Board of Directors (environment, atmosphere, status of discussions, efforts on issues and assignments, etc.)
 - v. 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 show that all items received high overall ratings, with few negative responses, leading to a generally positive assessment.

Comments of praise included: "Performance analysis is thorough," "Analysis of changes in business conditions, including market trends and competitor activities, is well-executed," and "Issues raised at board meetings are addressed by the following month." However, there were also suggestions such as, "More time should be allocated for discussing longer-term growth strategies and enhancing corporate value," "Sales department heads should participate in discussions," "The volume of reporting materials is too large, and the information should be more selectively refined," and "Analyses should be customized to specific regions and business strategies." In particular, the repeated suggestion to "create a separate forum for discussing longer-term growth strategies" remains an ongoing point of improvement.

In the executive department, after each board meeting, we hold review sessions to reflect on the discussions and action items from the meeting, ensuring effective follow-up. This process is aimed at improving the overall effectiveness of board operations.

Moving forward, we will continue to address the issues highlighted in the evaluation and strive to further enhance the effectiveness of our board meetings.

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

Agenda content ★★★★★

It would be beneficial to consider perspectives that could make the company more appealing in the longer-term plan. As the vacant house problem becomes increasingly severe, efforts to explore opportunities beyond the buy-renovate-resell model are also necessary.

Agenda content ★★★

The content of the monthly agendas is good, but perhaps more time should be dedicated to critical matters like the medium-term management plan and annual budget. This could be done by shortening the monthly performance reports or, at times, extending the duration of the board meetings.

Agenda consideration period ★★★★★

There is sufficient time to review the annual budget, with materials being shared at the board meeting one month prior to approval, and direction being explained in earlier board meetings.

Content of prepared materials ★★★★★

It would be helpful to have more detailed materials explaining future external environments. I would like to see a deeper analysis of the customer base in various regions, their economic conditions, and how these might evolve.

Meeting management ★★★★★

It would be even better if internal directors and executive officers actively shared their thoughts, rather than only responding to questions.

Meeting management ★★★★★

There is open and free dialogue, without hesitation. Communication has increased, and there is better mutual understanding than before.

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

Director composition ★★★★★

Although there are no foreign directors, KATITAS focuses on domestic demand, so diversity is already sufficient. The challenge ahead is to promote more women within the board, but I am hopeful as the company's ratio of female employees is higher than in most other companies.

Director composition ★★★★★

Most of the internal directors come from management and planning departments, with few from the sales department. This is an area that may warrant further consideration.

ESG/SDGs disclosure ★★★★★

The current initiatives are excellent, and I believe the level of disclosure is sufficient. However, I wonder if the leadership team is communicating these efforts clearly enough to the employees. I hope for clearer explanations and better integration of the company's mission and values across the workforce.

ESG/SDGs disclosure ★★★★★

While other companies may need to implement ESG as a new initiative, the nature of KATITAS' core business is inherently aligned with ESG principles. The company has been engaged in this business for over 20 years, and we expect it to highlight this advantage more prominently in its messaging.

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

I am very satisfied, but I look forward to seeing further improvements based on this year's board effectiveness evaluation results.

Structure of the Board of Directors and efforts to ensure effectiveness

Interview with an Independent Outside Director (2024.4.2)



Hideaki Tsukuda

Independent
Outside Director

Appointed as an independent outside director of the Company in June 2019
Representative Director and President, Board Advisors Inc.
MBA from Sloan School of Management, Massachusetts Institute of Technology

A leading expert in corporate governance in Japan. Mr. Tsukuda works with boards of directors and top management of Japanese companies to help them improve corporate value through corporate governance and management reforms. He is a member of several government expert panels, including the Financial Services Agency's "The Council of Experts Concerning the Follow-up of Japan's Stewardship Code and Japan's Corporate Governance Code." He was president of Egon Zehnder (an executive search firm headquartered in Switzerland's Japan office and a member of the Global Executive Committee of the Swiss Headquarters).

As a director of KATITAS, what are some things you are mindful of?

There are three things I'm particularly mindful of. The first is fulfilling fiduciary duty for the common interest of shareholders; the second is protecting the interest of minority shareholders; and the third is providing a major direction for corporate strategies to propel longer-term growth in corporate value. I purchased shares in KATITAS so that I can consider the common interest of shareholders as my own. Regrettably, I am currently dealing with significant unrealized losses. As a shareholder, I, too, share the pain and frustration of shareholders for bearing the unrealized loss, and I attend the Board meetings thinking what we can do to recover the stock price and improve corporate value.

I purchased KATITAS shares without paying much attention to the share price, although it might have been ideal to purchase them when the share price was low, against a backdrop of an ever-changing investment environment. This was because I believe, in essence, that irrespective of the timing of share purchase, earnings per share will continue to increase, and with it, the stock price will also rise. At KATITAS, questions and comments fielded from investors during quarterly IR briefing sessions are reported to the Board of Directors, and I believe these are valuable in understanding investors' view of KATITAS.

At the Financial Services Agency's follow-up council meeting (the Council of Experts Concerning the Follow-up of Japan's Stewardship Code and Japan's Corporate Governance Code), of which I'm a member, I have stated my theory that independent outside directors should engage in dialogue with investors. Independent outside directors must be more willing to listen than to talk, i.e., be the ears for the company they serve, and as an independent outside director, if I get a chance to talk with investors, I would like to know what they expect from us independent outside directors and what kind of feedback they would like us to give KATITAS. I would also like to ask them to strictly evaluate my own qualifications as a director.

Do you have any concerns about the relationship between Nitro, a major shareholder, and KATITAS?

What Nitro wants to see from KATITAS is constant business growth. This is also what minority shareholders demand of KATITAS, and so I believe, at least for now, there is no conflict of interest between Nitro and minority shareholders. At Board meetings, directors from Nitro, without being overbearing, ask specific and targeted questions on important matters. Their comments are often very thought-provoking, not only for management but also for myself, providing me an opportunity to gain insight.

One of the comments that left an impression on me during a meeting of the Nominating and Compensation Committee, whose members also include directors from Nitro, was that what drove Nitro's growth was its long-term orientation. Nitro has firmly advocated and adopted a backcasting approach, working backward from its goals for 30 years in the future. Nitro's insatiable growth mindset and long-term perspective are something I would like KATITAS to adopt as well.

What is your assessment of the capital policy discussions regularly held by the Board of Directors?

The Board's discussion of capital policy, particularly share buybacks, is commendable in that management is mindful of the cost of capital and is trying to respond to demand from the stock market. However, share buybacks must be considered from various perspectives, and the Board must be convinced that share buybacks are indeed the best course of action for KATITAS, which is capable of achieving fast-paced, double-digit growth, before implementing them.

The key to discussing capital policy is having a holistic view; in other words, growth strategy and capital policy must be discussed as one. The Board of Directors of KATITAS looks to receive proposals from management on concrete measures for implementing longer-term growth strategies and discuss them.

How would you rate the operation of the Board of Directors?

Overall, I would like to give the Board high marks in about 80%, and for the remaining 20%, I have requests for improvements.

I appreciate that management has consistently provided detailed materials since I took office five years ago, and that these materials are analyzed in depth. Also, the Board holds thorough and well-attended Q&A sessions and discussions, and the meetings have a good atmosphere. In terms of areas needing improvement, I would like to request that the Board expand its discussions of longer-term growth strategies.

Compared with five years ago when I was appointed director, the macro environment has changed drastically, as has the environment surrounding KATITAS. In response to these external changes, the Board must be flexible in changing its operations.

Tracking monthly financial figures is an important task for independent outside directors such as I. However, what is more crucial is monitoring the progress of the medium-term management plan and progress in achieving KPI targets. I recommend that the Board consider drastically cutting down the time it spends on reporting and assessing monthly financial figures, and focus instead on discussing longer-term growth strategies and monitoring the progress of the medium-term management plan. Without exception, Japanese companies that have succeeded in reforming their board of directors and increasing corporate value have bolstered their discussions of longer-term growth strategies at board meetings and closely monitored the progress of key initiatives.

How would you evaluate the reporting and progress in initiatives of the medium-term management plan?

I commend that the Board receives monthly reports on the progress of medium-term management plan initiatives by theme.

However, since investors have high expectations for KATITAS as a growth company and KATITAS operates in high-growth-potential business domains, I hope the company will present an ambitious growth strategy and boldly challenge itself to achieve its goals. When doing so, I also hope KATITAS will be mindful not only of the top line but also of the bottom line, and challenge itself to find ways to maximize profitability.

Past interviews with independent outside directors

Hideaki Tsukuda (2021.1.13)

[Interview with an Independent \(Hideaki Tsukuda\)](#)

Seiichi Kumagai (2021.9.29)

[Interview with an Independent \(Seiichi Kumagai\)](#)



Structure of the Board of Directors and efforts to ensure effectiveness

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.

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.

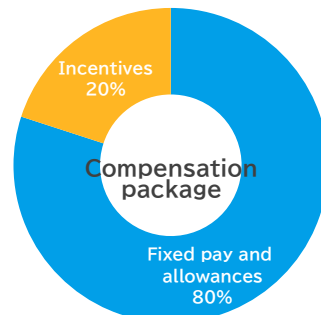


Enhanced governance through the reward system

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

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

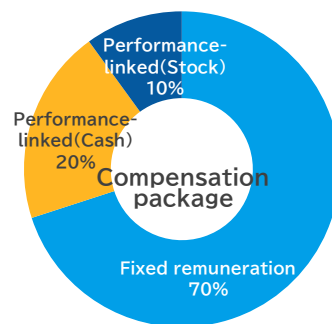
On the other hand, the rural communities we work for constitute a market in which individual sales reps would have a tough time delivering stable monthly results. Understanding that excessive incentives in such environment could lead to inducing irregular sales activities and promotions, we implement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



▶ Policy for determining remuneration for directors

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

Executive director compensation includes three main components: fixed compensation, performance-based cash compensation (tied to financial KPIs such as sales and operating profit, as well as individual KPIs set for each director, evaluations related to establishing a foundation for stable growth, and sustainability KPIs), and performance-based compensation (in the form of restricted stock awards). The approximate ratio of each component, assuming 100% achievement of performance targets, is shown on the right, though the actual ratio may vary by director.



▶ Clarification of the process of deciding the remuneration of officers

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

▶ 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 70,000 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 for strengthening compliance

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.

Furthermore, in the fiscal year ended March 2024, there were no cases in which our group received any legal sanctions or paid any fines or financial penalties due to violations of corruption or bribery.

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.



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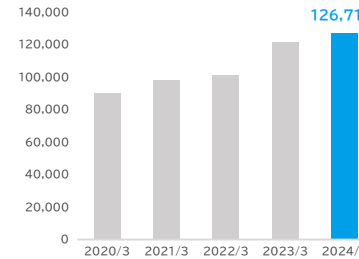
Financial
Information

Financial Highlights

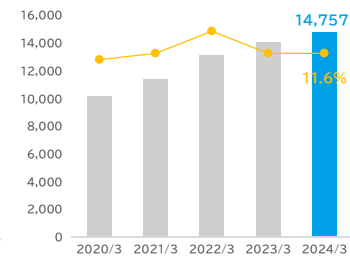
(Millions of yen)

	2020/3	2021/3	2022/3	2023/3	2024/3
Net sales	89,978	97,735	101,269	121,341	126,718
(YoY change)	+10.6%	+8.6%	+3.6%	+19.8%	+4.4%
Number of properties sold	5,801	6,155	6,120	6,927	7,169
Cost of sales	69,962	75,545	76,621	94,485	98,904
Gross profit	20,016	22,189	24,647	26,855	27,814
(Gross profit margin)	22.2%	22.7%	24.3%	22.1%	21.9%
Selling, general and administrative expenses	9,894	10,845	11,519	12,795	15,141
Operating profit	10,121	11,343	13,127	14,060	12,672
(Operating profit margin)	11.2%	11.6%	13.0%	11.6%	10.0%
Adjusted operating profit	10,121	11,343	13,127	14,060	14,757
(Adjusted operating profit margin)	11.2%	11.6%	13.0%	11.6%	11.6%
Ordinary profit	9,895	11,125	12,697	13,833	12,321
(Ordinary profit margin)	11.0%	11.4%	12.5%	11.4%	9.7%
Adjusted ordinary profit	9,895	11,125	12,697	13,833	14,406
(Adjusted ordinary profit margin)	11.0%	11.4%	12.5%	11.4%	11.4%
Net income	5,190	7,440	6,845	6,091	8,497
(Net income margin)	5.8%	7.6%	6.8%	5.0%	6.7%
Adjusted net income	6,671	7,464	8,584	9,441	9,872
(Adjusted net income margin)	7.4%	7.6%	8.5%	7.8%	7.8%
Basic earnings per share	67.98	96.85	88.71	78.66	109.23
Adjusted earnings per share	87.36	97.16	111.25	121.91	126.90
Dividends per share (in exact yen)	27.00	29.50	33.50	49.00	54.00
(Dividend payout ratio)	39.7%	30.5%	37.8%	62.3%	49.4%
(Adjusted dividend payout ratio)	30.9%	30.4%	30.1%	40.2%	42.6%
Real estate for sale*	40,510	33,430	44,862	54,143	52,252
Real estate for sale in process					
(Inventory turnover)	1.81	2.04	1.96	1.91	1.86
Shareholders' equity	22,623	28,091	32,562	35,655	40,289
Net assets	22,737	28,243	32,752	35,768	40,341
Total assets	53,435	55,520	62,644	66,304	77,366
Equity-to-asset ratio	42.3%	50.6%	52.0%	53.8%	52.1%
Interest-bearing liabilities	22,000	19,250	18,500	18,500	26,500
D/E ratio	1.0	0.7	0.6	0.5	0.7
ROA	20.1%	20.8%	22.2%	21.8%	17.6%
Adjusted ROA	20.1%	20.8%	22.2%	21.8%	20.5%
ROE	24.8%	29.3%	22.6%	17.9%	22.4%
Adjusted ROE	31.8%	29.4%	28.3%	27.7%	26.0%
Number of employees (consolidated)	778	808	866	920	961
(Pre-owned house renovation business)	693	735	784	830	860
(Company-wide)	85	73	82	90	101

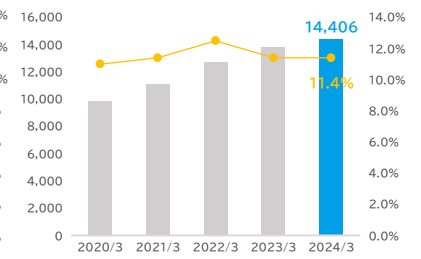
● Net sales



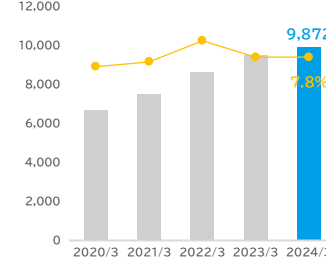
● Adjusted operating profit/Adjusted operating profit margin



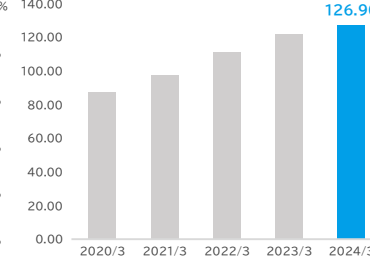
● Adjusted ordinary profit/Adjusted ordinary profit margin



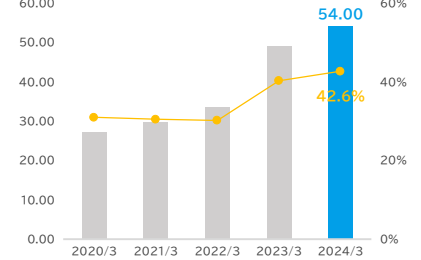
● Adjusted net income/Adjusted net income margin



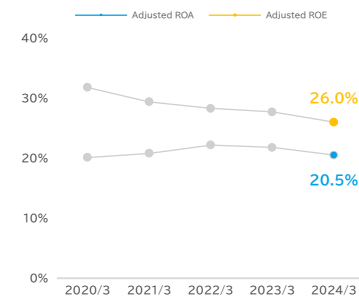
● Adjusted earnings per share (in exact yen)



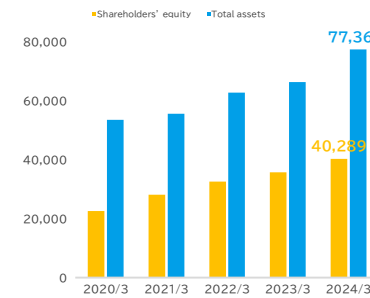
● Dividends per share/Adjusted dividend payout ratio



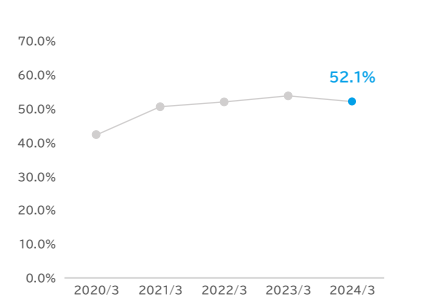
● Adjusted ROA/Adjusted ROE



● 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, Adjusted ROA = Adjusted 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, Adjusted ROE = Adjusted net income / average of balances of shareholders' equity at beginning and end of period

*4 Adjusted operating profit (margin), Adjusted ordinary profit (margin), Adjusted net income (margin), adjusted net income per share, adjusted dividend payout ratio, adjusted ROA, 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).

(Millions of yen)

Consolidated balance sheet	2020/3	2021/3	2022/3	2023/3	2024/3
Assets					
Current assets	51,346	53,467	60,773	64,505	75,334
Cash and deposits	9,137	19,109	13,409	8,728	22,027
Real estate for sale	28,659	19,656	25,440	34,064	37,454
Real estate for sale in process	11,851	13,774	19,422	20,079	14,798
Income taxes refund receivable	582	13	671	914	448
Other	1,117	916	1,833	723	609
Allowance for doubtful accounts	-2	-2	-3	-4	-4
Non-current assets	2,089	2,053	1,870	1,798	2,031
Property, plant and equipment					
Buildings and structures, net	149	149	140	124	154
Land	516	528	527	579	579
Other	27	36	29	23	24
Total property, plant and equipment	693	714	697	726	758
Intangible assets					
Goodwill	595	396	198	-	-
Other	30	29	31	51	-
Total intangible assets	625	426	230	51	151
Investments and other assets					
Deferred tax assets	561	713	731	762	814
Other	221	207	217	261	310
Allowance for doubtful accounts	-12	-8	-4	-3	-2
Investments and other assets	770	912	943	1,020	1,122
Total assets	53,435	55,520	62,644	66,304	77,366
Liabilities					
Current liabilities	11,336	8,615	11,252	11,944	10,441
Accounts payable - trade	2,909	3,051	3,769	4,340	4,723
Short-term loans payable	2,000	-	-	-	-
Current portion of long-term borrowings	750	730	-	-	-
Contract liabilities	-	-	453	370	327
Income taxes payable	1,779	2,441	2,330	1,817	2,123
Accrued consumption taxes	2,034	48	2,409	2,851	581
Provision for bonuses	113	329	390	429	355
Construction warranty reserve	256	287	305	348	344
Provision for loss on litigation	1	0	2	2	6
Provision for loss on disaster	-	9	5	53	66
Other	1,492	1,716	1,585	1,731	1,912
Non-current liabilities	19,361	18,662	18,639	18,590	26,583
Long-term borrowings	19,250	18,520	18,500	18,500	26,500
Allowance for directors' retirement benefits	80	94	98	71	71
Other	31	47	40	19	11
Total liabilities	30,698	27,277	29,891	30,535	37,025
Net assets					
Shareholders' equity	22,623	28,091	32,562	35,655	40,289
Share capital	3,778	3,778	3,778	3,778	3,778
Capital surplus	3,640	3,640	3,649	3,640	3,703
Retained earnings	16,154	21,435	25,813	28,685	33,139
Treasury shares	-950	-763	-679	-448	-332
Share acquisition rights	113	152	190	112	52
Total net assets	22,737	28,243	32,752	35,768	40,341
Total liabilities and net assets	53,435	55,520	62,644	66,304	77,366

(Millions of yen)

Consolidated statement of income	2020/3	2021/3	2022/3	2023/3	2024/3
Net sales	89,978	97,735	101,269	121,341	126,718
Cost of sales	69,962	75,545	76,621	94,485	98,904
Gross profit	20,016	22,189	24,647	26,855	27,814
Selling, general and administrative expenses	9,894	10,845	11,519	12,795	15,141
Operating profit	10,121	11,343	13,127	14,060	12,672
Non-operating income	29	45	40	39	41
Commission income	9	7	6	5	5
Insurance claim income	2	3	15	8	2
Discount revenue	-	8	4	7	9
Income of compensation	-	13	-	-	6
Other	17	12	12	17	17
Non-operating expenses	256	262	470	265	392
Interest expenses	189	208	173	190	228
Commission for syndicated loans	39	34	278	58	98
Other	27	20	18	16	65
Ordinary profit	9,895	11,125	12,697	13,833	12,321
Extraordinary income	6	-	0	53	12
Gain on sale of non-current assets	6	-	0	1	-
Insurance claim income	-	-	-	52	-
Differences in consumption taxes, etc.	-	-	-	-	12
Extraordinary losses	2,027	51	2,385	4,836	28
Loss on retirement of non-current assets	0	0	0	0	8
Impairment losses	7	3	0	4	-
Loss due to disaster	4	-	-	4	7
Provision for loss on disaster	-	-	-	49	13
Differences in consumption taxes, etc.	2,014	48	2,385	4,777	-
Profit before income taxes	7,874	11,073	10,311	9,051	12,305
Income taxes - current	3,198	3,786	4,129	3,789	3,911
Income taxes - refund	-562	-	-646	-797	-52
Income taxes - deferred	47	-152	-17	-31	-51
Total income taxes	2,683	3,633	3,466	2,959	3,808
Profit	5,190	7,440	6,845	6,091	8,497
Profit attributable to owners of parent	5,190	7,440	6,845	6,091	8,497

(Millions of yen)

Consolidated statement of cash flows	2020/3	2021/3	2022/3	2023/3	2024/3
Cash flows from operating activities	2,392	14,724	-2,490	-1,467	9,502
Increase/decrease in inventories (- represents increase)	-3,696	7,065	-11,432	-9,294	1,891
Cash flows from investing activities	-23	-21	-20	-85	-192
Cash flows from financing activities	-625	-4,731	-3,189	-3,128	3,989
Net increase (decrease) in cash and cash equivalents (- represents decrease)	1,742	9,971	-5,700	-4,681	13,299
Cash and cash equivalents at beginning of period	7,395	9,137	19,109	13,409	8,728
Cash and cash equivalents at end of period	9,137	19,109	13,409	8,728	22,027

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

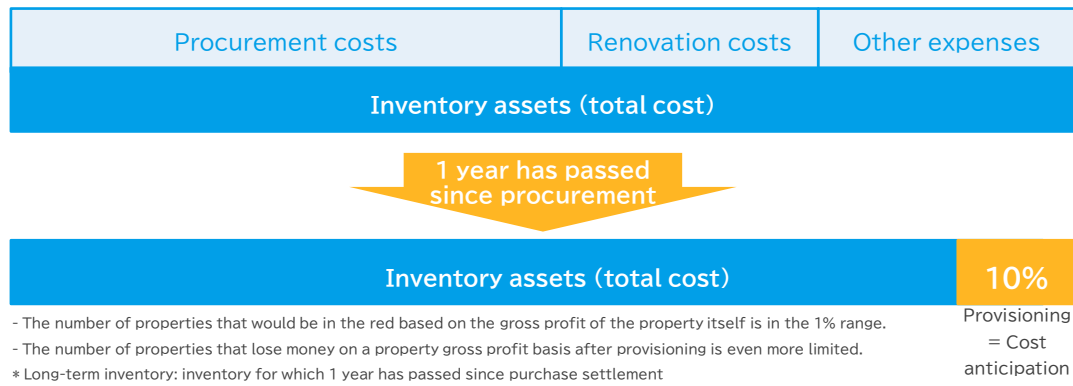
Revenue and inventory of KATITAS are recorded through an accounting process that links them to the cash and deposits account activities.

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.



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

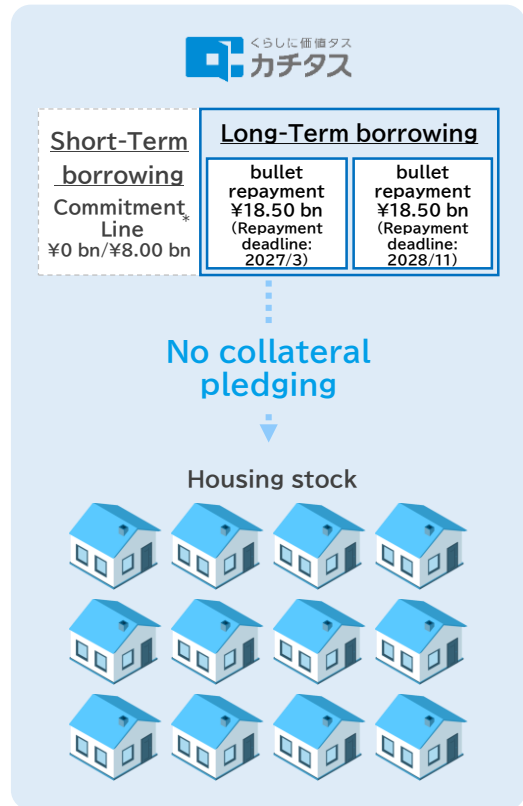
- The Company continued to hold shareholder relations meetings during the fiscal year ended March 31, 2023 as in the previous fiscal year and met with departments in charge of exercising voting rights, etc. at four institutional investors.
- For ESG-related information, please refer to the Company's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

Stable funding and decentralized inventory holding

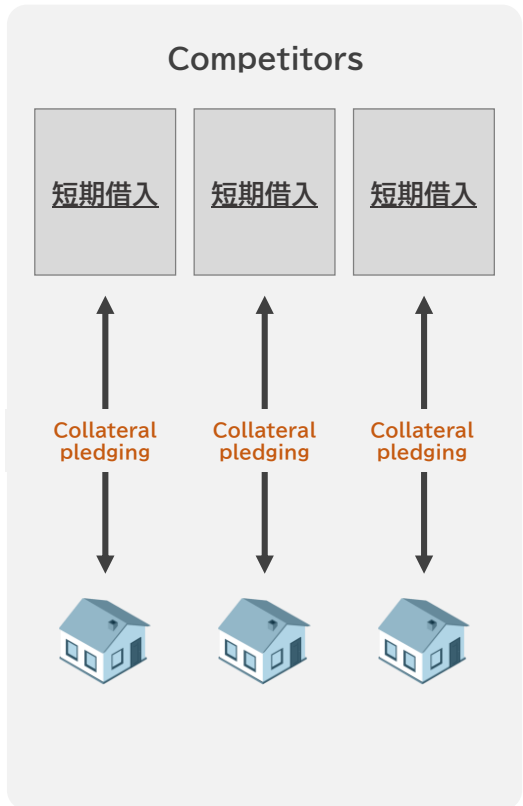
Stable financing

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.



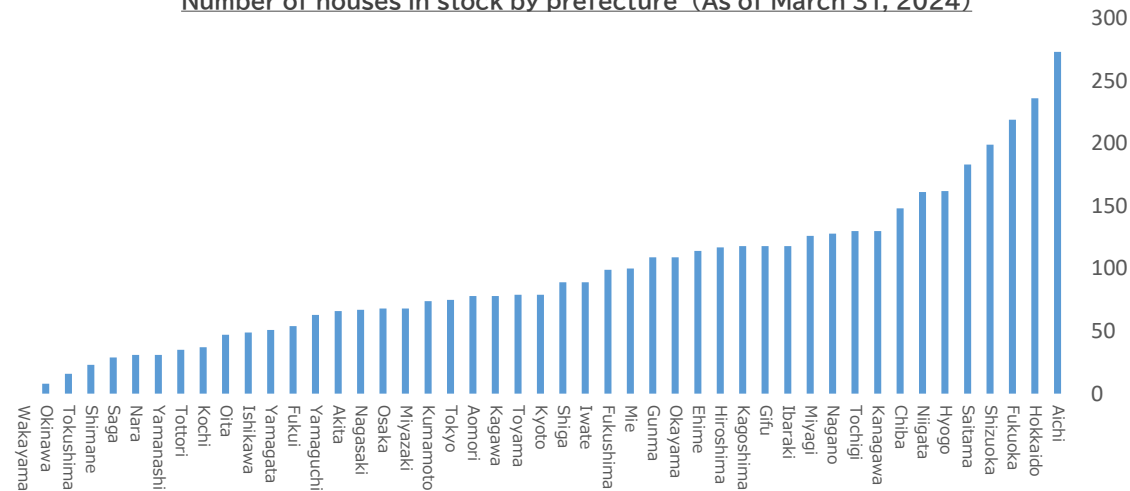
* The commitment line loan balance is as of the end of March 2024



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, 2024)



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.



Progress on KPIs for positive impact finance

Positive Impact Finance uses an impact assessment framework independently developed by Mizuho Research & Technologies, Ltd., based on the Principles for Positive Impact Finance. When an entity is confirmed to have the intention of generating positive impacts, financing is provided to offer continuous support for its business.

Impact	KPI	Goals & Policies	Progress (FY2023)	SDGs	
				Goals	ターゲット
Housing [Negative]	Annual sales volume (consolidated)	10,000 units by FY2030	7,169 units		11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
	Vacant house ratio of acquired properties (direct purchase, non-consolidated)	Each FY: 80% or more	75.8%		11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries
	Employee workplace accident rate (non-consolidated)	Each FY: 0.6% or less	0.28%		17.17 Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships
Employment [Negative]	Employee turnover rate (Non-consolidated)	Each FY: 10% or less	10.1%		8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value
	Efforts to improve insulation efficiency (non-consolidated)	Each FY: Promote initiatives	Expansion of interior window trial areas (from 3 to 7 areas) Nationwide availability of spray insulation for underfloor spaces		8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment
Resource Efficiency & Safety [Negative]	Calculation of greenhouse gas emissions (scope 3; consolidated)	Complete by FY2024	Disclosure based on TCFD recommendations released in June 2024		7.3 By 2030, double the global rate of improvement in energy efficiency
					12.2 By 2030, achieve the sustainable management and efficient use of natural resources
Climate [Negative]	Setting greenhouse gas reduction targets & plans (scope 1, 2, 3; consolidated)	Complete by FY2025	Newly disclosed scope 3 emissions		13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
	Efforts in line with greenhouse gas reduction targets and plans (scope 1, 2, 3; consolidated)	Promote initiatives through FY2028	Newly disclosed scope 3 emissions		11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums 11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries
Waste [Negative]	Monitoring of paper usage (non-consolidated)	Complete by FY2024	Measuring usage		12.2 By 2030, achieve the sustainable management and efficient use of natural resources 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
	Exploration and promotion of paper usage reduction initiatives	Promote initiatives each year from FY2025 onward	Measuring usage		15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally
Employment & Inclusive, Healthy Economies [Positive]	Ratio of women among those promoted to managerial positions (non-consolidated)	30% or higher by FY2030	24.0%		5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life
Housing & Inclusive, Healthy Economies [Positive]	Ratio of housing price to annual income (Non-consolidated)	Each FY: Less than 5x	4.2x		11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
Economic Convergence [Positive]	Number of orders placed with local contractors (consolidated)	FY2030: 10,000 units	7,169 units		10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status

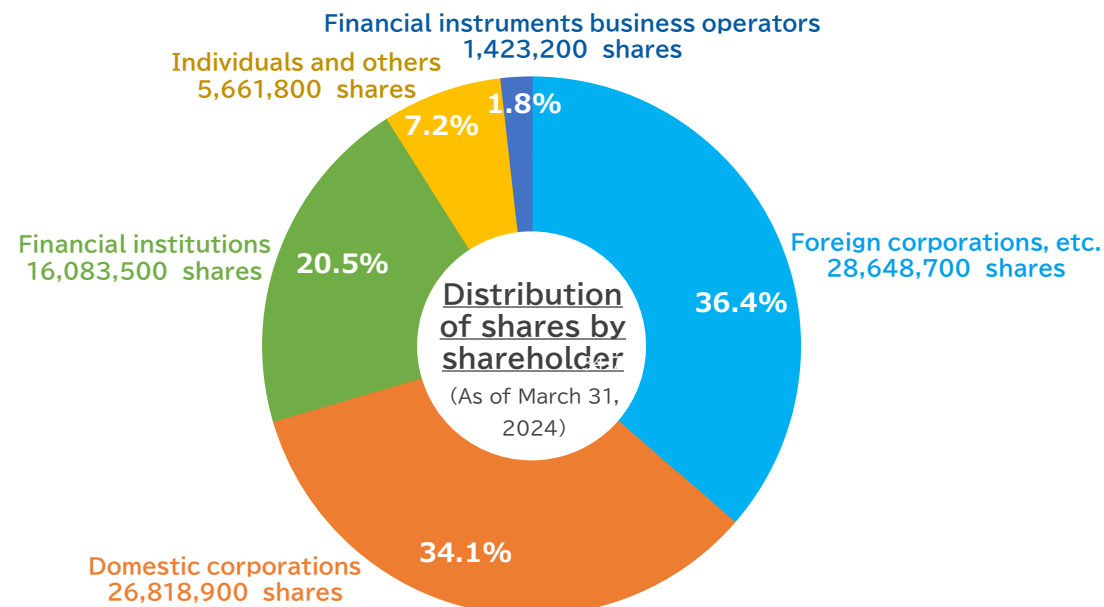
Other reference information

Company Summary (As of March 31, 2024)

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)	961

Distribution of shares by shareholder (As of March 31, 2024)

Total number of authorized shares	160,000,000 shares
Total number of issued shares	78,650,640 shares
Total number of shareholders	7,576
Stock code	8919
Listed stock exchange	Tokyo Stock Exchange Prime Market



*Calculated excluding shares less than one unit

Editor's note

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

The primary purpose of this report is to deepen our stakeholders' understanding of how our group contributes to society through our "value-adding" business—embodied in our name "KATITAS" (a combination of "value" and "add" in Japanese)—and to walk alongside you as partners in advancing our business.

Since the release of our first integrated report in August 2023, we have received valuable feedback from a wide range of stakeholders, including not only shareholders and investors but also job seekers, partner contractors, and employees. Based on this feedback, we have made improvements to the report.

In particular, we engaged in multiple discussions with shareholders and investors to refine our "Value Creation Process" and added an Impact Logic Model to better visualize the social impact our group generates. We also conducted an interview with the General Manager of the Business Strategy Headquarters, who is spearheading efforts to improve productivity. Additionally, in response to the pressing issue of climate change, we calculated our Scope 3 CO2 emissions resulting from our business activities. We hope you will focus on these improvements as you read the report.

This report was planned and produced by the ESG/Sustainability Promotion Office with the aim of conveying an honest and transparent portrayal of our group. Despite being a small team, we collaborated with various departments to gather information across divisions. We would like to take this opportunity to express our sincere gratitude to all our colleagues who supported the publication of this report alongside their daily responsibilities.

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 2024
(April 1, 2023 – March 31, 2024)
*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"

IR website information

You can find the latest investor information, including financial results and sustainability initiatives, on our company's website.



Disclaimer

This presentation was prepared solely for the purpose of presenting general background information regarding KATITAS CO., LTD ("KATITAS") as of the date of this presentation. This presentation does not constitute an offer to sell or the solicitation of an offer to buy any security in the United States, Japan or any other jurisdiction and should not be treated as giving investment advice to any recipients.

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.

