

1Q of FY ending March 31, 2017
Q&A Summary on disclosure of settlement of accounts

About gross profit margin ratio in construction for completion

Q1. Net Sales from completed construction in the first quarter fell 3.2% year on year to 130.4bn JPY. Does the descent have an effect to the plan of Net Sales from completed construction in the first half of this FY? (Presentation slide p5)

A1. We consider there is no effect to the plan for the first half of this FY of Net Sales from completed construction. The said sales fell by reason of the increase of the construction start in the first quarter, nevertheless most of the constructions which are scheduled to be completed in the first half of this FY have already started. Therefore we plan to control and perform the progresses of the constructions already started to achieve the said plan for the first half of this FY of Net Sales from completed construction.

Q2. Can you inform me of the breakdown of gross profit margin ratio in construction completed which has been increased to be 30.8% in the first quarter of this FY, with 2.3p improvement as compared with 28.5% in the previous first quarter? (Presentation slide p6)

A2. The breakdown of the improvement of gross profit margin ratio in construction completed is as follows. +0.9p improved due to an effect of price increase, and +0.9p improvement due to labor costs and +0.5p improvement due to material costs. These improvements are the result of decreasing ratio of the construction of RC structure of which the gross profit margin is low and increasing ratio of the construction of 2X4 structure of which the gross profit margin is high. We consider the gross profit margin ratio will converge to the gross profit margin ratio planned for the first half of this FY, i.e., 30.0% due to the progress of construction of RC structure.

About Other Businesses

Q3. Can you inform me of the impact of change of a settlement term of House Leave Co., Ltd. and Care Partner Co., Ltd. on business performance? (Presentation slides p7,p9,p34,p36)

A3. The amount equivalent to one-month sales and profits have stacked on financial results of the two companies due to change a settlement term, from the end of Feb. to the end of Mar. in this FY. The breakdown of the increment of sales and profits of the two companies are below.

House Leave Co., Ltd.	Care Partner Co., Ltd.
Net Sales: 0.66bn JPY	Net Sales: 0.80bn JPY
Gross profit: 0.62bn JPY	Gross profit: 0.10bn JPY
Operating profit: 0.56bn JPY	Operating Profit: 0.06bn JPY

Q4. House Leave Co., Ltd. achieved great increase in sales and earnings compared with previous First quarter. Does it continue to grow? (Presentation slides p34)

A4. We are expecting that it will continue to grow but the growth rate will become tempered. There are roughly two reasons:
The first reason is that the cycle of move-in and leave-out of House Leave users will complete. Utilization rate of the service is about 50% of the rental housing units under our management as of the end of June. However, 20% of the rental housing units under our management are rental units under corporate contracts including units rent for corporate employees, so the maximum rate of utilization is 80%. We expect it will increase gradually toward the said maximum rate of 80% in future. And as the second reason, increment of new housing units supplied will be just one factor of increases in sales after utilization rate of House Leave service reaching 80% of the rental housing units under our management.

Q5. I often hear the report that is concerned about vacancy rate of rental housing units lately. I would like to know your opinion.

A5. We recognize the existence of the report on vacancy rate, however, we think the impact on our business is small. The vacancy rate in Kanagawa prefecture was reported to reach 30% in a newspaper in May, however, we understand, based on the suggestion from the statistic data by research on house and land, etc., that the said rate includes not only the buildings which is under the management of professional companies specialized in lease and management like us but also the buildings under personal individual owner's management and the buildings classified as dead stock which lost commercial value. The vacancy rate of the rental units under our management in the Kanagawa Prefecture is 3.3% which is maintaining healthy level as of the end of June. However, we recognize that we and whole industry have to tackle on the proper supply with balance between demand and supply in consideration, effective use of dead stock, and promoting rebuilding.

Q6. A year and half has passed since the revision to the Inheritance Tax Law in January 2015. Please advise how has business environment changed?

A6. We consider that business environment has not changed and the demand for asset utilization among landowners has been continuously stimulated. There are two reasons:

The first reason is that the number of people subject to the said inheritance tax and inheritance tax revenue is projected to increase. The other reason is that aging of the Japanese Baby Boomers has been advancing, with an associated increase in demand towards measures to cope with inheritance tax, and asset succession including utilization of trust. We will continue provision of rental housing units while considering balance between demand and supply.

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