

2Q of FY ending March 31, 2017
Q&A Summary on disclosure of settlement of accounts

About Orders received

Q1. The breakdown of order received in the first half increased 10.5% year on year to 322.6bn JPY. Can you inform me the reason and forecast in this FY? (Presentation slide p.15)

A1. The reasons in increasing order received are summarized two parts as follows:

The first reason is that the number of sales representatives increased 119 year on year to 3,383. The other reason is that order received per sales rep increased 0.77mn year on year to 16.02 mn JPY. We plan to achieve business plan for order received, the targeted amount of which is 715bn JPY for throughout this FY.

About gross profit margin ratio in construction for completion

Q2. Can you inform me of the breakdown of gross profit margin ratio in construction for completion which is forecasted to be 31.4% in this FY ending March 31, 2017 with 0.3p deterioration as compared with 31.7% in the first half? (Presentation slide p.7)

A2. The reasons in setting plan for throughout this FY which is lower than result in the first half are summarized two parts as follows.

The first reason is that the ratio of completed construction of Reinforced Concrete with the gross profit margin ratio relatively lower has increased in the second half. The other reason is that the completion of building which was sold elastically in the second half of FY 2015 due to improvement of the gross profit margin ratio in construction for completion is to increase in the second half of this FY.

Q3. The problem regarding budget and the venue of competitions of Tokyo 2020 Olympic and Paralympic Game has revealed and the period of construction is forecasted to be delayed. Can you inform me of the effect of the said problem on the gross profit margin ratio in construction for completion for this FY as well as next and later FY?.

A3. We consider the said problem has no affect for the said ratio in this FY. On the other hand, for the next and later FY, we consider that there would be a concentration of the timing of completion of the facility and stadium which have seen postponed or delayed progress of construction as compared with original schedule and that such concentration might lower the said ratio. We would like to watch the trend of the construction regarding the said games and secure the capability of construction and system in order to maintain the said ratio.

About Real Estate Business

Q4. What is the aim of foundation of new company “Daito Kentaku Leasing Co., Ltd” to inherit existing real estate business announced on Oct.3?

Q4. The aim of the foundation of the new company and its inheritance of business is to increase in the effectiveness and profitability of the real-estate brokerage business. Tenant recruitment method applied to the buildings under our management is split into two types, the one by new company “Daito Kentaku Leasing Co., Ltd” and the other by Cooperating real estate companies. We think that we can reduce the overlapping work and cost of tenant recruitment and additionally reduce the tenant recruitment cost by dividing organization and personnel into each tenant recruitment type clearly.

About Other Businesses

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

A5. We recognize that vacancy rate in the whole market is about 10%. Housing and Land Survey reports the rate is about 18.9%. The rate is considered to include the buildings classified as dead stock which is not suitable for rental housing units. We think that we need to rebuild the rental buildings located in the areas which are expected to see appropriate maintenance and management and occupancy in order to maintain high occupancy rate.

Q6. Can you inform me of situation of “e-Heya electricity (Providing and sales service of electric power)” which is developed by Daito Energy Co., Ltd.? (Presentation slide p.36)

A6. The number of applications was 52,700 as of the end of September. We are planning on 530,000 at the end of This FY (FY2016).

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