

3Q of FY ending March 31, 2017
Q&A Summary on disclosure of settlement of accounts

About Orders received

Q1. Though the accumulated amount of orders received was steady till the first half (+ 10.5% YoY), it turned negative YoY at the end of the Q3 (▲2.6%). Please show the reason and countermeasure you will take. (Presentation slide p15, p40)

A1. The reason of the YoY decrease in the amount of orders received in Q3 compared with the steady first half is that we make our sales representatives focus on acquiring new customers along with corporate strategy and it requires longer time for acquiring orders.
Though the amount of the first half was steady, the ratio of orders from repeat customer rose to 60%. In order to constant acquirement of orders, we assume the ratio of orders from new customers against repeat customers should be around 6 : 4.
We are adjusting our strategy in order to shift the ratio to 5 : 5 within next FY and to 6 : 4 in medium-term. Under direct management of the CEO, we concentrate on acquiring new customers, using walk-on sales as a main tactic.

About media reports on apartment loans and vacancy rate

Q2. There are media articles on excessive growth of apartment loans and high vacancy rate particularly in rural region caused by oversupply of rental housing units. Will these matters affect your sales and other business activities? (Presentation slide p49)

A2. We see no change in lending policy of financial institutions. They keep providing apartment loans as willingly as usual, thus there is no undesirable influence on our sales activity.
Besides, regarding vacancy rate by region, our occupancy rate largely keeps more than 96% as written in Presentation slide p47, which is benign level.
We set up sales plan and build properties after elaborate marketing research. Thus we think we cannot oversupply our buildings.

About gross profit margin for completed construction contract

Q3. Your plan of gross profit margin for completed construction contract in this FY is 31.4% (+ 1.8p YoY). Could you provide forecast of it in next and later FY? (Presentation slide p23)

A3. We suppose gross profit margin for completed construction contract in next and later FY would be similar to one in FY17/3 3Q. Because completion of buildings for which we are offering more flexible price will increase also in next and later FY, the margin will decrease around 1.0% YoY.

About full FY plan

Q4. Progress rate of operating income in 3Q against FY plan is 90%. Please inform me of preconditions of the plan. (Presentation slide p22)

A4. Since SG&A expenses tend to increase significantly in 4Q, we suppose operating income for the FY would match the plan.

There are two reasons for the increase. First, advertising & general publicity expenses increase compared with the other quarters, as January to March is the busiest season in tenant recruiting activity.

Second, provision for result-linked bonus should be made at the end of the FY after settlement of the profit.

About Other Businesses

Q5. Please explain the situation of “e-Heya Electricity” (provision and sales service of electricity) advanced by Daito Energy Co., Ltd. (Presentation slide p38)

A5. The number of application has reached 99,755 at the end of the December. We plan to make it reach 184,000 at the end of the FY in consideration of new tenants.

Q6. “Work-style reform” including improvement of long working hours is now drawing attention. Please inform me of your activity, if any.

A6. We are developing various kind of activities, let me introduce three among them.

The first is concerning labor management. HR department of the headquarter is monitoring working situation of whole personnel, in case there is personnel whose overtime hours are outstanding, the department notifies him and his superior, thus prevents overwork.

The second is mental support. We developed system for finding out mental disorder of our personnel early, which consists of regular stress checking and interview and instruction by Public Health Nurse to personnel whose working hours have been long in successive months.

The third is systematic measures to shorten working hours. Sales representatives who go outside for sales activity and start extra hours can leave work without going back to office, they can complete the procedure by reporting using mobile. The system that PCs in offices are automatically shut down at 22:00 is also introduced.

END