

2Q of FY ending March 31, 2018
Q&A Summary on disclosure of settlement of accounts

About Orders received

Q 1 . We heard that you have intended to acquire new customers as a sales strategy. Can you inform me of current situation and policy? (Presentation slide p20)

A 1 . The ratio of orders from new customers against repeat customers was 34.5:65.5 in this 1H, new customers ratio decreased ▲4.2p YoY. We concentrate our energy on acquiring new customers from the second half of last FY, but it seems to take more time before the effect appears. We are going to acquire new customers by revising incentive system for acquiring new customers and dividing ‘tasks of sales assistance’ and ‘support of existing customer’ from ones of sales representative.

About the number of sales representatives

Q 2 . The number of sales representatives was 3,355 at the end of Sep. 2017. Can you inform me of the strategy to achieve the plan (3,500 at the end of Mar. 2018)? (Presentation slide p17)

A 2 . We aim to achieve the plan by adding one sales representative to each of all 221 branches. Furthermore, headquarters will also engage in recruitment activity with more clearly-defined targets.

About the gross profit margin for completed construction contract

Q 3 . Gross profit margin for completed construction outperformed the plan by ¥8.8 billion, and gross profit margin ratio did by 1.6p. Will you revise the plan? (Presentation slide p6-7)

A 3 . We will not revise the plan. There are 2 major reasons. First, the increase of net sales is due to the advancement of schedule of constructions which were originally scheduled in 2H. Moreover, recruitment is not only conducted by the branches, but also conducted by the headquarters with more clearly defined targets. Second, the prospects of personnel expenses are uncertain. The reason is that the construction work preparing for the Tokyo Olympic and Paralympic games shall speed up.

About real estate business

Q 4 . You are strengthening tenant recruitment services for foreigners, such as operating portal site for foreigners and multilingual support center. Can you inform me of situation of that? (Presentation slide p.35)

A 4 . We launched our portal for foreigners in September 2016, which can be used in five languages including English, Chinese, Korean, Portuguese, and Spanish. The site received 106,162 page views as of 1H of FY2018. It increased about 5 times YoY. Also, foreign households consist roughly estimated at 1% of the number of households under our management. We consistently focus on recruitment of foreign tenants.

About full FY plan

Q 5 . Can you inform me of the effect on the gross profit for the full FY?

A 5 . We sell our loans receivable from our customers to financial institution. We expected gross profit margin ratio will be about +0.6p YoY.

Q 6 . SG&A expenses in 1H was ▲¥4.4bn in comparison with plan. Can you inform me of the forecast in this FY? (Presentation slide p.5)

A 6 . The breakdown of the SG&A in 1H is as follows. Labor cost was ▲¥2.0bn due to unachieved plan of human personnel of sales representative, and ▲¥2.4bn was due to control of advertising and sales promotion expenses. We expect a certain amount of surplus of labor cost in 1H will be unused. On the other hand, we plan to spend other surplus in 2H. Accordingly, we expect we will spend SG&A expenses as planned for the full FY.

About Other matters

Q 7 . Can you inform me of current conditions and perspective about business environment?

A 7 . There are two major changes in macro environment. First, the number of housing starts, which were higher than YoY in 19 consecutive months after February 2016, began to decline in June 2017. Second, the increase of the amount of apartment loan has slowed down. They show that the overheated rental housing market is becoming normal. We welcome sound rental housing market which requires controlling volume of housing supply and screening construction companies.

Q 8 . I often hear reports on overheating of the market for apartment loans and the tightening of lending standards. Could you tell me your view on this matter?

A 8 . The tightening of lending standards is applied to rental housing business aiming at real estate investment, so attitude of financial institutions to us has not changed at all. Also, occupancy rates of units under management are far higher than sound level (residential use: 96.0% commercial use: 94.0%). We regard supplying rental houses in compliance with the rental housing supply plans that reflect actual demand as important. We recognize that the tightening of lending standards and adjustment of supplying rental houses are essential for sound market. We intend to expand our services and distinguish ourselves from competitors in order to keep being chosen by customers.

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