

3Q of FY ending March 31, 2018
Q&A Summary on disclosure of settlement of accounts

About Orders received

Q1. Can you inform me of background of the increased cancellation ratio? (Presentation slide p17)

A1. The amount of cancellation has not increased significantly. The reason of the increased cancellation ratio is that the amount of orders received in this FY has decreased compared to the previous FY. For your information, a formula of the cancellation ratio is as follows.

【Formula】

$$\text{Cancellation ratio} = \frac{\text{Amount of cancellation of existing orders received}}{\text{Amount of orders received in this FY}}$$

Q2. Your plan for orders received in this FY is ¥683bn. Can you inform me of your company's policies to achieve this plan? (Presentation slide p27)

A2. The policies in achieving the business plan for orders received are summarized into two parts as follows:

As the first policy, we make our sales representatives focus on acquiring new customers continuously. We are going to find latent customers more earnestly through walk-in sales driven by the strengthened incentives for contract with new customers and management led by headquarters. Secondly, as a trial, we have placed personnel engaging in sales assistance and support of existing customers so that sales representatives are relieved from those tasks and able to concentrate their energy on acquiring new customers.

About the number of sales representatives

Q3. Can you explain the reason of the decrease in number of sales representatives which was 3,273(▲ 82 YoY) at the end of the 3Q?

A3. Major reason is that, though we have secured the number of new employees, the number of the retiree has increased. It is important for us to increase sales representatives. So we intend to have managers in charge of the sales education support the new employees and assign sales assistants and customer supports. By improving working environment of sales representatives, we will be able to recruit them more.

About sales and gross profit for completed construction contract

Q4. Your plan for net income of completed construction contract in this FY is ¥650bn. Can you inform me of the forecast in this FY?

A4. Our plan for completed construction contract in this FY is ¥650bn. We carried over order receipt building which was planned to be completed in next FY to current FY formerly. Thus, we secure current FY sales for completed construction contract. However, considering progress of gross profit of completed construction contract and so on, we decide to focus on completion and handover on schedule in this FY. Such being the case, we cannot be optimistic about achieving our plan.

Q5. Gross profit margin for completed construction contract was 32.2% in the first half, whereas it was 32.0% in the 3Q. Why did it decrease? (Presentation Slide p6)

A5. Labor cost and material cost are increasing. In particular, labor cost such as electrical and plumbing work and Material cost such as ready-mixed concrete and rebar are increasing.

About others

Q6. The number of new rental housing construction starts has decreased for the sixth consecutive months. Can you tell me your view on this matter?

A6. It is estimated that the decrease in the number of housing starts aiming at investment is affecting. We suppose it was caused by the tightening of lending standards for buyers of lands who do not have sufficient assets. We expect that overheated housing market should be normalized and screening of construction companies should progress.

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