

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

About Orders received

Q1. The ratio of orders from new customers in this FY is 32.5%. Can you inform me of background of not improving? (Presentation slide p20)

A1. Due to reports regarding rental housing sector, landowners mind who do not deal with us have lowered and the orders from new customers have been sluggish. We will appeal soundness of Lease Management System and our robust financial constitution, receive the ratio of orders from new customers to 40% early.

Q2. Can you inform me of the impact of price revisions on business results? (Presentation slide p29)

A2. As a result of adapting high sound insulation floor and upgrading housing equipment, we carry out price revision of 4% average. We presume impact on profit stays less than 1% because construction cost increase with this revising.

About sales and gross profit for completed construction contract

Q3. Your plan of gross profit margin for completed construction contract in current FY is 29.8% (▲1.7p YoY). Can you inform me of the breakdown and background of the plan? (Presentation slide p28)

A3. The main reasons of the decrease of gross profit margin are as follows:

- labor cost and material cost (▲1.0p),
- the impact of exchange (▲0.1p),
- the recognition of deferred income by selling our loans receivable from our customers to financial institution (▲0.6%).

We are forecasting construction cost increase due to lack of engineers with the first half of 2020, when is the peak of construction work preparing for the Tokyo Olympic and Paralympic Games.

About real estate business

Q4. I often hear reports on specific leasing company. Can you inform me of situation of that?

A4. We think it is regrettable that the reports equally treat the company and us as providing sub leasing business. The company concentrate management resources on share house could not pay rent to owners. A specific bank executed excessive loan. We differ greatly from the company in terms of target of customer and tenant.

Sub leasing companies are requested area selection based on precise supply plan, setting rent fitted to the demand and the market trend, and offering proper business balance plan including future rent fluctuation and rise in interest rates. Management of rental buildings do not work in terms of sub leasing company.

We think that we will be required to explain carefully effectiveness and soundness of rental housing business to customers more than ever so that they entrust the business at ease.

**Q5. Occupancy rate continuously maintains high level. Is there potential for rent rise?
(Presentation slide p25)**

A5. There is potential for rent rise. We anticipate active demand for tenancy in urban areas with good access. Therefore we plan to review rent as much as possible in view of location and occupancy demand at the timing of replacing tenant or revising lease contracts.

About others

**Q6. Can you inform me of the background of increase the ratio of financing by Japan Housing Finance Agency?
(Presentation slide p51)**

A6. There are two reasons for the increase. First, number of customers who select fixed interest rate based on stabling low interest rate situation has increased. Second, regional banks offered positively apartment loans after revising of inheritance tax in January, 2015 currently offer the loan normally.

Q7. Can you inform me your view on “problem in 2022” regarding to delisted productive green?

A7. Subject to farming, lands listed productive green apply tax rate equivalent to farmland. The land owners who do not have intention of farming will sell the lands in 2022, and it is considered lands will be supplied as residential lands. However the response of administration such as the regulations of construction and area or extension of purchase time is drawing attention. It is the stage of gathering information and considering wide options for us.

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