

3Q of FY ending March 31, 2019
Q&A Summary on disclosure of settlement of accounts

About Orders Received

Q1. Orders received increased in some regions and decreased in other regions. Can you inform the background? (Presentation slide p15)

A1. In this FY, the amount of orders decreased YoY mainly in eastern Japan, from Tohoku to Kanto region. The reason is that lending standards have been tightened for contracts containing land purchase. Furthermore, the amount decreased in Kinki region either because the negative media reports regarding the rental housing business had relatively larger impact on land owners in large cities.

Q2. Cancellation ratio(22.2%) remains high; can you tell me the background and outlook? (Presentation slide p18)

A2. There are three main reasons why construction due contracts are canceled. First is a lengthening of screening time and an increase of own money, due to the tightening of lending standard. Second, there tended to be tough negotiations with tenants upon vacation along with rebuilt ratio became higher. Third is affected by media coverage etc., more customers give second thought on signing after initial agreement. However, the ratio of contracts concluded under severe environment is assumed to increase, thus the cancellation ratio is expected to recover gently.

Q3. Although you have intended to acquire new customers as a sales strategy for about two years, the effect is not as good as your original assumption. Can you tell me about the policy of new client sales and expansion in the future? (Presentation slide p17, p19)

A3. Although the ratio of new customers has not improved significantly, as a result of concentration on new customers, rebuild ratio has increased. Currently there are almost no new customers who are not experienced land utilization, and there are many people who are running parking lots or old-lodgered houses built by other companies.

The number of units under management exceeds 1 million units, but our share in the rental apartment stock is only 6%. We will continue to strengthen rebuilding in the future as those existing apartments are well located continuous demand from the tenants is expected.

Q4. Can you tell me the impact of the rush demand before consumption tax increase on the orders received and Outlook from the following period? (Presentation slide p28)

A4. In the construction business, since the timing of switching the consumption tax will be at the end of March, we suppose that it is possible to expect a certain rush hour demand during the current term. However we suppose that the increase will be only about 10 billion yen. It is also assumed that the same level of reactionary decline will occur in the next fiscal year.

Since the owner's motive for constructing an apartment is succession of asset and asset utilization are different from that of individuals who are going to purchase of single-family houses or condominiums for self-use, we suppose that the consumption tax should have no significant impact on orders.

About construction business

Q5. Completion constructions will concentrate in the fourth quarter, do you ensure sufficient construction capacity? (Presentation slide P5)

A5. We believe that we can fully satisfy the construction volume in the fourth quarter because we have a prepared construction system for achieving our initial plan.

About full-year prospects

Q6. Despite a decline in the third quarter, there was no change in the full year plan. Please tell me the background and future prospects. (Presentation slide P5)

A6. There are three reasons why we do not change our full-year results.

The first point is that in the fourth quarter we can expect the construction and completion of properties that have been delayed so far.

Secondly, the completed gross profit margin has been rising against the plan.

The third point is that the real estate business is able to raise more than planned against the high occupancy rate. In addition, we will strive further to save expenses, and we expect to achieve higher sales and higher earnings.

About capital policy

Q7. You announced the acquisition and cancellation of new treasury stock, please tell me the background and future policy. (Presentation slide P31)

A7. We believe that our stock price level has been relatively low at the moment due to the influence of recent media coverage, and thus acquisition and cancellation of shares in this opportunity ahead of schedule are effective measure for rewarding shareholders.

On the other hand, after the completion of this acquisition of shares and cancellation, the acquisition and cancellation of treasury stock equivalent to 30% of net income will be temporarily suspended for the time being. In the future, we will keep investing for growth as necessary while maintaining stable shareholder returns.

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