

**FY ended March 31, 2019**  
**Q&A Summary on disclosure of settlement of accounts**

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**About orders received**

**Q 1 . Cancellation ratio in previous FY is 21.5%(+3.8p YoY). Can you inform me of the background and outlook in this FY? (Presentation slide p19)**

A 1 . In the previous FY, cancellations increased due to stricter lending and media reports on the sublease industry. With regard to orders from the second half of previous FY, when the lending environment became severe, cancellations due to loans are expected to decrease, so we believe that the cancellation ratio will decline from the second half of this FY.

**Q 2 . The environment surrounding the rental housing market is becoming increasingly severe, including the tightening of loans and the construction defects of other companies. Can you inform me of your outlook for the future business environment?**

A 2 . New players who entered the market on the occasion of a change in the inheritance tax law in 2015 are leaving the market due to stricter financing etc. and the rental housing market is getting better. We believe that in the future, operators will return to the original market environment where competitors compete for quality of products and services.

**About sales and gross profit for completed construction contract**

**Q 3 . Your plan of gross profit margin for completed construction contract in this FY is 29.4% (▲0.7p YoY). Can you inform me of the breakdown and background of the plan? (Presentation slide p27)**

A 3 . The main reasons of the decrease of gross profit margin are as follows:

- labor cost (▲0.3p),
- material cost (▲0.2p).

We are forecasting labor cost will 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. Material costs are expected to rise as a result of switching imported materials to domestic materials.

## **About New Five-year Plan**

**Q 4. Can you inform me of specific efforts to strengthen the construction business?  
(New Five-year Plan slide p15)**

A 4. It is strengthening the metropolitan area and strengthening the rebuilding of other companies' properties. Reinforcing the metropolitan area is an ongoing issue, and we will work on business alliances with other businesses and M & A in order to strengthen planning and construction capabilities. In order to strengthen the rebuilding of other companies' properties, we will organize the unit dedicated to rebuilding proposal and thoroughly manage the schedule for rebuilding after contract to shorten the construction period and improve efficiency.

**Q 5. There are reports of on-balancing operating leases. Can you inform me of your opinion?**

A 5. If operating leases are on-balance, the equity ratio will decline, but there is no change in financial security as a matter of fact, so we are not considering revising our business strategy or financial strategy.

**Q 6. Can you inform me of your specific efforts to strengthen the real estate business?  
(New Five-year Plan slide p16)**

A 6. Major initiatives include expanding consignment sales from other companies and reducing leasing costs. We aim to expand revenue and market share by managing not only our properties but also properties from other companies.  
In addition, after moving to a three-company structure, we have been able to reduce leasing costs annually. We intend to reduce costs and improve profitability by using IT technology and more effectively using advertising expenses.

**Q 7. Domestic and overseas real estate investment is listed as a pillar of growth of comprehensive leasing business. Can you inform me of the investment destination and the scale of investment?  
(New Five-year Plan slide p17)**

A 7. We will focus on profitable properties in the US and Japan as investment destinations. We suppose the investment scale is around 50 billion yen.

**Q 8. After the large-scale acquisition of treasury stocks which is currently underway, regular treasury stock acquisition will be suspended for a while. Please let us know if the conditions and timing of the resumption are considered in the New Five-year Plan.**

A 8. Currently, we do not discuss resumption or conditions of treasury stock acquisition. We will focus on growth investment to achieve the New Five-year Plan.

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