

**1Q of FY ending March 31, 2020
Q&A Summary on disclosure of settlement of**

About Order received

Q1. Order received in this 1Q decreased by 19.6% year on year to 104.1bn JPY. Can you tell us the reason and initiatives for the improvement? (Presentation slide P14)

A1. There are four main reasons for the decrease in orders.

- (1) Decline in last-minute demand after the increase of consumption tax.
- (2) Reduction and cancellation of orders increased due to stricter financing.
- (3) Decline in the owner's mind by negative reports from mass media.
- (4) Insufficient time for obtaining new customers due to a decrease in the upper limit of overtime of working hours (revision of work style reform-related laws).

As for (1) and (3), the influence will decrease with time flows.

Regarding (2), we will make improve through order-taking activities tailored to the lending attitude of financial institutions.

Regarding (4), we are making efforts to increase sales hours such as by establishing a sales office, and the future improvements are expected.

Q2. 1Q (the FY ending March 31, 2020) Cancellation ratio was 30.5% (+7.4p YoY). Can you tell us the reason and outlook for the future? (Presentation slide P17)

A2. The main reason for the increase in the cancellation ratio is due to stricter loan standards; the owner are now required to increase their own funds or add collateral. This made increase cancellation which were ordered in previous term (fiscal year ended March 2019). On the other hand, for orders received in the current fiscal year (ending March 31, 2020), contracts will be made after the loan standards have been tightened, so if the lending attitude of the financial institution has not changed, the cancellation rate will be gradually declined.

Q3. Tightening financing is one of the reasons for the sluggish orders. Can you tell us outlook of the future?

A3. The lending attitudes of financial institutions have become increasingly severe since the issue of illegal financing by the other companies in August last year, and we believe that it will take some more time for convergence. We will continue to make steady efforts such as proposing in better locations with higher demand and strengthening communication with financial institutions.

About completed construction and gross profit margin for completed construction

Q4. The gross profit margin for completed construction in this 1Q (the 1Q of the FY ending March 31, 2020), was 28.1%, which means ▲3.3p from the previous fiscal year. What's the reason behind? (Presentation slide P6)

A4. There are four main reasons as follows:

- Increased labor cost due to increasing in outsourcing costs for electrical equipment and rebar processing assembly and decreasing in completed construction(▲1.6p),
- Increased material costs due to increasing in a unit price of rebar (▲0.3p),
- Increased Imported material costs due to currency fluctuations (▲1.0p),
- Increased deferred profit due to increasing in loans from Daito Finance (▲0.4p).

Q5. The gross profit margin for completed construction of this 1Q was below 30%. Do you have a plan to revise the selling price? (Presentation slide P6)

A5. Due to increasing the consumption tax and the abolition of low-priced products, the average unit price has been rising. Consequently, we believe that it is not the time to revise the selling price. As demand for the Tokyo Olympic and Paralympic Games calms down, we will consider based on the trends in labor costs and material costs.

About full-year prospects

Q6. Despite decline in sales and profit, there was no change in the full year plan. Please tell us the background and future prospects. (Presentation slide P25)

A6. There is no problem to achieve the full year plan. As for the net sales, the progress rate of 1Q was 47.1% compared to 47.6% of 1H of last FY. Also, as for the operating income, it was 45.8% in last FY and in this FY, it was 48.1%. Therefore, the plan is progressing as scheduled.

Others

Q7. The number of rental housing constructions during April 2019 to June 2019 was 86,320 units (▲14.9% YoY). Can you tell us the prospect? (Presentation slide P49)

A7. After the revision of the inheritance tax law in 2015, there was a slight excessive supply in the rental housing market due to an increase in the number of newly entering businesses. Accordingly, the number of rental housing started to exceed more than 400,000. However, due to the stricter loan standards, the number of rental housing in FY2018 dropped to 390,000. We forecast that the number of supply continues to decrease toward an appropriate level. We intend to expand our market share in this market environment.

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