

**2Q of FY ending March 31, 2020**  
**Q&A Summary on disclosure of settlement of accounts**

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**About Orders Received**

**Q1. What were the reasons for the increase in the average unit price (¥115.39mn, +¥11.06mn YoY) in this 2Q (the FY ending March 31, 2020)? (Presentation slide P18)**

A1. The first reason is change in product lineup. We introduced new products with higher added value. The second reason is increase in orders of multiple buildings construction.

**Q2. The cancellation ratio in this 2Q (the FY ending March 31, 2020) was 27.9% (+7.0p YoY). Can you tell us the outlook for the future? (Presentation slide P18)**

A2. As for orders received in the current FY (ending March 31, 2020), contracts were made under already tightened loan standards. So provided that the lending attitude of the financial institutions do not change, the cancellation rate will be gradually declined.

**About completed construction and gross profit margin for completed construction**

**Q3. The gross profit margin for completed construction in this 2Q (the FY ending March 31, 2020) was 29.2%, surpassing 28.8% stipulated in the original plan 28.8%. Can you tell us the outlook for the future? (Presentation slide P27)**

A3. Labor costs and material costs were expected to increase due to the impact of construction related to the Olympic and Paralympic Games, but not as much as expected. That makes speculate that there will be no significant decline in those costs after the Olympic and Paralympic games, therefore labor costs and material costs will remain at current levels in the future.

**Q4. Construction amount increases in 2Q and 4Q every year. Is there any effort on leveling construction starts?**

A4. Construction amount increases in 2Q and 4Q, because we often adjust completion of constructions to March and September, the busiest period of tenant demand. We recognize that leveling construction starts will contribute to the reduction of labor and material costs and the efficiency of our staffing, and is an issue to be addressed. We work on leveling construction starts by creating new construction methods and optimization of processes.

## **About Real Estate Businesses**

**Q5. The gross profit of whole-building leases business in this 2Q (the FY ending March 31, 2020) was ¥1.28bn which is lower than the original plan. Can you tell us what the reason is, and whether that is transient matter or not? (Presentation slide P5)**

A5. Decrease in the gross profit of whole-building leases business is transient matter. The main factor is the provision of reserves (¥3.0bn) for costs of whole-building leases business, complying with recommendations\* from the Fair Trade Commission.

※Recommendations based on consumption tax laws

## **Others**

**Q6. What were the reasons for the significant decrease in SG & A expenses? (Presentation slide P11)**

A6. Major factors are decrease in personnel expenses and advertising & general publicity expenses. Personnel expenses decreased due to decrease in provision for bonus to construction sales representatives, accompanied with orders or construction starts. Advertising & general publicity expenses decreased due to reduction of ad input such as “E-Heya Net”, backed by strong occupancy rate.

**Q7. Can you inform us the progress of medium-term management plan (The New Five-year Plan)?**

A7. We opened service office “Dot-Base (.BASE) Toranomom” in June, and are continuously planning to open the offices to meet demand mainly in the city center. We have also started trial of renovation service “DK SELECT Reform” in some parts of the Tokyo metropolitan areas in June, planning to expand sales area in the future. In addition, we have launched incubation programs aiming at create new business. We are in effort to achieve the New Five-year Plan, and will let you know when it’s time to release.

**Q8. The mezzanine loans by Daito Finance Co., Ltd. to loans by Japan Housing Finance Agency are increasing. Is it possible to sell or securitize Daito Finance’s receivables in the future?**

A8. Daito Finance’s receivables can be sold or securitized. We will consider sales and securitization, taking into account the balance of receivables, etc.