

**1Q of FY ending March 31, 2022**  
**Q&A Summary on disclosure of settlement of accounts**

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**About orders received**

**Q1. The number of infected people is on the rise especially in urban areas. Has there been some kind of negative or positive impact on their investment mindset?**

A1. In the area where COVID-19 infection has spread, we have been engaged in sales activities such as direct mailing and telephone sales. This situation has not changed significantly since previous year.

**Q2. The number of sales representatives has been reduced. Please tell us about the status of recruitment and retention. (Presentation slide P17)**

A2. We are strengthening recruitment activities such as reviewing treatment such as allowances and shortening the period from recruitment to informal appointment, and we will also focus on training to secure 2,850 people for the full year.

**Q3. Please tell us the background behind the increase in the ratio of orders from new customers compared to the previous FY. (Presentation slide P20)**

A3. Last year, we were not able to do much in the way of door-to-door sales throughout Japan, so our sales activities were more focused on repeat customers. That is the reason why, in this 1Q, the ratio of orders received from new customers increased relatively.

**Q4. Please tell us the reason why customers borrowing from the Japan Housing Finance Agency is decreasing recently. (Presentation slide P49)**

A4. As the share of loans from regional banks has increased, the proportion of loans from the Japan Housing Finance Agency has decreased relatively.

**Q5. Please tell us your thought for the recovery of monthly orders for the current FY.**

A5. Since the full-year orders received in the FY before last and the ordering plan for the current FY are similar, We think that a comparison with the FY before last will be a guide for monthly orders.

**About the gross profit margin on completed construction work**

**Q6. Please tell us about the full-year forecast for gross profit on completed construction works for the current FY, and the impact of "foreign exchange / imported materials" and "deferred profit".**

A6. As a composition of gross profit margin on completed construction works, "Foreign exchange / imported materials" is planned to decrease by 1.5 percentage points (YoY) due to the rise in timber prices in North America, and "Deferred profit" is planned to increase by 1.1 percentage points (YoY) due to the application of "Accounting Standards for Revenue Recognition" and the decrease in loans from Daito Finance. Since the impact of rising timber prices in North America is slightly higher than initially expected, the gross profit on completed construction for the full year is expected to be slightly below the initial plan of 26.0%.

**Q7. Please tell us about the factors behind the 0.2 percentage points decrease (YoY) in material costs in the breakdown of the gross profit margin of completed construction work. (Presentation slide P7)**

A7. The main reason is that the price of sashes has risen.

**Q8. In addition to imported lumber, the price of domestic lumber is also rising in the market. Please tell us about the impact of that.**

A8. We rely mostly on imports from North America, so procurement of domestic lumber does not have a significant impact on our business.

**Q9. Please tell us about the impact of declining futures price of timber on the gross profit of completed construction works from the next FY onward.**

A9. Although futures prices are declining, the local price, which is the basis of our purchase price remains high. It is unclear at this point as we will start purchasing timber that will affect the construction work in the next FY around September of the current FY.

**Q10. Will an increase in the supply ratio of ZEH rental housings affect profitability? (Presentation slide P28)**

A10. The supply of ZEH rental housings will not significantly impair profitability. We will continue to expand the supply of sustainable rental housing.

**About real estate business**

**Q11. The real estate business has a large profit in the 1Q and tends to decrease in the 2Q and 3Q. Is there a factor such as seasonality?**

A11. Due to the high occupancy rate at the end of March, the profit level will be relatively high in 1Q. After that, we recognize that profits will decrease due to the occurrence of moving out and the increase in sales promotion expenses.

## Others

**Q12. Why are labor costs rising while the number of sales representatives is declining? Also, please tell us the forecast for labor costs from 2Q onward. (Presentation slide P12)**

A12. The increase in labor costs in 1Q was mainly due to the favorable progress of construction works, which provided incentives to sales staff. In the full year, it is expected to be within the range of the initial plan.

**Q13. Please tell us concretely about the impact of applying the “Accounting Standards for Revenue Recognition”. Also, will the impact occur in the next FY and beyond?**

A13. Operating income is expected to increase by about ¥1 billion due to a decrease in deferred income due to Daito Finance's loan and a change in the sales recording of Gaspal from the end of the 25th to the end of the month. The impact will not occur from the next FY onward.

**Q14. Please tell us the reason why the operating income of other businesses decreased by ¥1.6 billion from the same period of the previous year.**

A14. The major breakdown is ▲¥600 million for Gaspal, which had special demand due to the influence of COVID-19 in the previous FY, ▲¥240 million for Malaysia hotels, where the occupancy rate continues to be low, ▲¥200 million for Daito Finance, where loans decreased, and ▲¥100 million in Invalance influenced by COVID-19.

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