

3Q of FY ending March 31, 2023
Q&A Summary on disclosure of settlement of accounts

About orders received

Q1. Please tell us the forecast of orders in this term. (Presentation slide P14)

A1. In order to achieve our initial plan of 520 billion yen in orders, we need to receive 160 billion yen in 4Q (+130% YoY), which is difficult, so we have revised our target to 500 billion yen and will work on sales activities.

Q2. Please tell us the forecast of orders in the next term.

A2. The forecast for orders in the next term will be planned based on the results of 4Q.

Q3. How many of your customers who use apartment loans choose variable interest rates? Also, how will rising interest rates affect your sales activities?

A3. We are aware that approximately 70% of our customers have variable interest rates on their apartment loans. Although there is no impact from rising interest rates at this time, we believe it will help stimulate demand when interest rates rise in the future.

Q4. Please tell us about efforts to recruit sales representatives.

A4. Although recruiting market is a tough seller's market, we will secure the number of sales representatives by improving compensation and reviewing the hiring process from interview to offer of employment. (Presentation slide P15)

Q5. Please tell us the impact of the COVID-19 pandemic on sales activities.

A5. Although there are delays in some projects due to customers or employees being infected with the COVID-19, the impact may be limited.

About the net sales and the gross profit on completed construction work

Q6. Please tell us the forecast of the gross profit on completed construction works for this term. (Presentation slide P31)

A6. The gross profit on completed construction work for 4Q is expected to be about 120 billion yen as planned.

Q7. Please tell us the forecast of the gross profit margin on completed construction works for this term. (Presentation slide P5)

A7. The gross profit margin on completed construction works declined to 20.3% due to soaring material and raw material prices and labor costs in this 3Q. The gross profit margin for 4Q is expected to improve by more than 1 ppt compared to 3Q due to the effect of the price increase implemented last January.

Q8. Please tell us the forecast of the gross profit margin on completed construction works for the next fiscal term.

A8. The gross profit margin on completed construction works for the next fiscal term expected to recover by around 3 ppt from the current fiscal term, as price increase will contribute to the gross profit margin, while material and raw material costs are on a rising trend.

Q9. Is there a difference in profitability between ZEH rental housings and other products?

A9. Although the price of ZEH rental housings will increase by 1-3% compared to standard products, the assessed rent will also increase by the same amount, so the profitability of the customer will remain the same. The profit margin for ZEH rental housings is also similar to that of other products.

Q10. Please tell us the possibility of further revision of the selling price.

A10. Further revision of selling prices is not under consideration at this time.

Q11. Please tell us the impact of foreign exchange on P/L and the concept of forward exchange contracts.

A11. A one yen change in the exchange rate results in a change in cost of approximately 250 million yen. We make forward exchange contracts for approximately 50% of our import procurement volume for the year.

Q12. Please tell us about the trends in lumber prices.

A12. It has now peaked out, but has not dropped to the level it was before the price spike and remains at about 1.2 to 1.5 times the previous level.

Others

Q13. You mentioned that you are going forward with the goal of achieving a record-high profit of 130 billion yen in the final year of the medium-term management plan. What is your forecast for whether the probability of achieving this goal is increasing?

A13. Although it will depend on order trends in 4Q and the extent of cost increases in the next fiscal term, given the current trends in orders and material prices, it is becoming somewhat difficult to achieve the 130 billion yen goal. Nevertheless, we will not lower our goal and will make every effort to get orders and take measures against rising costs in order to achieve them.

Q14. Please tell us about shareholder returns and the possibility of share buybacks.

A14. We will continue to consider investments for growth to strengthen our core business, and if we have a clear idea of how to use the funds for growth in the next fiscal year, and if we have surplus funds, we will consider shareholder returns including share buybacks, and we would like to announce such plans.

End