

FY ending March 31, 2024
Q&A Summary on disclosure of settlement of accounts

About orders received

Q1. Orders received in July are expected to be 93% higher than the previous year. Please tell us about the order environment. (Presentation slide P15)

A1. Thanks to relaxation of restrictions due to COVID-19, face-to-face meetings are now possible, and sales activities have been revitalized. We will continue our activities to win orders to achieve our full-year target of 540 billion yen.

Q2. Do price revisions have any impact on winning orders?

A2. We secured yields in rental housing business by setting appropriate rents based on high occupancy rates, which absorbed the impact of price revisions.

Q3. By region, the market share is declining in so-called "metropolitan areas" such as the Tokyo metropolitan area and the Kinki metropolitan area. Please tell us about measures to strengthen sales in metropolitan areas? (Presentation slide P39, P41)

A3. In metropolitan areas, business yields on RC construction have been affected by soaring prices of materials such as reinforcing steel and ready-mixed concrete. We will secure orders by changing sales methods such as Building and land set sales.

Q4. Please tell us about background behind the growth of shinkin banks and city banks in terms of share of customers' construction financing? (Presentation slide P46)

A4. We understand that the stability of our rental housing business has been evaluated and that they are positive about financing for the business.

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

Q5. Please tell us about the impact of exchange rate fluctuations on your business performance for the current fiscal year, and about the impact on profit and loss if the exchange rate changes by 1 yen.

A5. There is no effect on profit and loss for the current fiscal year because we currently have a forward exchange contract at 130 yen to the dollar for the procurement of imported materials for the current fiscal year. A 1 yen change in the exchange rate causes the cost of lumber to fluctuate by approximately 200 million yen.

**Q6. The gross profit margin of the construction business was 21.4%. Please tell us the transition against the plan and the forecasts in future.
(Presentation slide P7)**

A6. The gross profit margin in the construction business in 1Q was in line with plans. Going forward, we expect the following recovery due to the effect of sales price revisions.

FY202 2Q:22.1% 3Q:22.4% 4Q:22.8%

For the next fiscal year and beyond, depending on material prices, we will proceed with the target of 25% for the FY2024 and 28% for the FY2025.

About real estate business

**Q7. Please tell us about the decline in the gross profit margin of the real estate business.
(Presentation slide P9)**

A7. Although the occupancy rate remains high, it is due to a slight decrease compared to last year and a decrease in repair work.

**Q8. Please tell us about the factors behind the declining occupancy rate in residential use.
(Presentation slide P21)**

A8. It takes time to arrange tenants in some areas, but we will resolve this in the future.

Others

Q9. Please tell us about the status of your consideration of measures to achieve ROE of 20%.

A9. We are considering various methods such as share buybacks, sale of holding shares and holding assets. It is scheduled to be announced at the financial results announcement for the 2Q of FY2023.

Q10. Please tell us about the progress of your investment plan.

A10. We will continue to consider capital investment and M&A in businesses and companies that can complement our group in the construction business and real estate business.

Q11. Long-term interest rates are trending upward. Please tell us about the impact of interest rate trends.

A11. The impact of interest rate hikes on our profit and loss is negligible. Many customers procure construction funds with variable interest rates or short fixed periods, so there is no significant impact.

End