

Q&A at IR Teleconference for Analysts/Institutional Investors (Summary)
at Announcement of Financial Results for FY2016
(For the 12 months from April 1, 2016 to March 31, 2017)

Date & time: From 17:30 to 18:30, Thursday, May 11, 2017

Presenters: Takeshi Kosokabe, Representative Director, Senior Managing Executive Officer and CFO

Yuji Yamada, Senior Executive Officer and General Manager of Finance and IR Departments

●About the Medium-Term Management Plan

[Q1]

Can you tell us your forecast for net sales and gross margin for sales of development properties in FY2018, the final year of your 5th Medium-Term Management Plan? Also, can you tell us your sales forecast for the cumulative three-year period?

[A]

-Our plan for sales of development properties in FY2018 calls for net sales of 120 billion yen and a gross margin of 24 billion yen. The majority of net sales will be attributable to the sale of logistics facilities.

-We are planning for sales of 300 billion yen for the cumulative three-year period, and expect results to be largely on par with plans.

[Q2]

Can you tell us your forecast for gross profit ratio for the construction business moving forward? Do you think the cost-of-sales ratio will continue to improve on a level similar to this fiscal year?

[A]

-Taking into consideration that costs will rise as construction on projects related to the Tokyo Olympics and Paralympics picks up steam, and the projected decline in construction projects after 2020, we believe maintaining the level of improvements achieved this fiscal year will be difficult.

-As such, we are forecasting that the gross margin ratio will be largely unchanged in FYE March 2018 and FYE March 2019.

[Q3]

It appears that your investment plan is proceeding at a pace that is slightly ahead of plans. Moving forward, which businesses will see an increase in investments? Also, is there the possibility that investments will exceed the planned 900 billion yen? If investments will exceed plans, tell us about your plan to procure capital.

[A]

-Businesses expected to see increased investments moving forward are the logistics facility business and overseas businesses. Main overseas investments will be in the U.S.A. and ASEAN.

-It is possible that investments may exceed our initial plan of 900 billion yen. However, compared to our initial plan, we are projecting increased operating cash flows so we believe we have cash flows enough to invest.

●About the Rental Housing Business

[Q4]

The status of monthly orders received for April indicated that Rental Housing was down by 32%. What was the cause of this significant drop?

[A]

-Orders received were down because the performance hurdle from the previous year was so high. This still represents one-twelfth our fiscal year plan so we do not view there as being any causes for concern.

[Q5]

There has been some negative media coverage regarding rental housing, including regarding supervisory authorities clamping down on the monitoring of apartment loans conducted by financial institutions. Will this have any impact on your company?

[A]

-There appears to be talk of increased scrutiny during inspections concerning lending for certain apartment loans but there has been no significant change in our operating environment.

●About Overseas Business

[Q6]

In addition to your three growth drivers of Rental Housing, Commercial Facilities, and Logistics, Business & Corporate Facilities, do you have businesses that can be expected to driver growth?

[A]

-One of the basic policies of our 5th Medium-Term Management Plan is to develop Plus1 and Plus 2 businesses. Specifically, this means developing the used housing purchase and resale business and the accommodation business.

-We have long been engaged in the purchase and resale business for used condominiums

but moving forward we also will focus on the purchase and resale of single-family houses.
-In addition to the existing Daiwa Roynet Hotel and Daiwa Royal Hotel, we strengthen the Accommodation Business by establishing a business focused on family-friendly hotels near theme parks. We expect to achieve growth through these and other initiatives.

●About Shareholder Return Policy

[Q7]

Is there any change in your shareholder return policy?

[A]

-At present, there is no change in our basic policy of maintaining a dividend payout ratio of 30% and higher.

-Currently, we believe we are at a stage where we should inject capital into growth investments.

(End)