

Results Briefing for the Six Months ended September 30, 2017
Q and A Session

(Leasing Business)

Q1. Is there a possibility of further improvement in occupancy rates?

A1. The target for this fiscal year's average occupancy rate is 89.5%. The average for the subject six months was 90.20% (yoy +1.84p), and the rate for October increased 2.23p yoy, showing steady improvement.

We are aiming for an average occupancy rate of 91% in the fiscal year ending March 2020, the final year of our midterm plan. However, since the number of vacant rooms is decreasing, we need to proactively match up the needs of our prospective tenants.

Q2. How many IoT devices are installed in your apartments?

A2. We are starting from installments on new apartments, and installments of "Leo Remocon" started from October of last year, reaching 10,000 rooms. "Leo Lock" will be installed in apartments contracted after April 2017, and we are starting installments in some apartments completed after October.

Q3. How is the increase in individual contracts?

A3. Since we reviewed the sales methods for obtaining individual contracts in the latter half of last year, new contracts have increased 10% yoy. However, some individual contracts have shifted to corporate contracts, due to corporations expanding their welfare programs and increasing company housing.

(Development Business)

Q4. Since orders seem to be struggling, do you plan to expand services for apartment owners, such as the sale of real estate specified joint enterprise products?

A4. In addition to “Life-stage Support,” we will expand services for apartment owners such as the sale of real estate specified joint enterprise products and the establishment of the “Stockholding Association for Leoplace21’s Owners.” We will secure profits for the business segment as a whole, including the real estate specified joint enterprise business, our subsidiary Morizou, and Life Living. However, improvements in orders may take some time, due to our strategic restriction in areas we take orders and the impact of certain media reports.

(Elderly Care Business)

Q5. What is the reason for losses in the subject six months? Also, when do you plan to be in the black?

A5. Personnel costs constitute a large portion of costs in the Elderly Care Business, followed by the rent we pay to facility owners. The ratio of our full time employees is higher than our competitors, which increases our personnel costs, and we are aiming to increase profitability by optimizing personnel distribution, diversifying workers, and installing nursing care robots. The Elderly Care Business is planned to be in the black by the fiscal year ending March 2020, as stated in our midterm plan, and in order to restrict initial expenses from facility openings, we will temporarily stop construction of new facilities in the next fiscal year.

(Others)

Q6. Why did you maintain the forecast for the full year?

A6. We do not expect any negative aspects in the latter half of the fiscal year. However, since earnings results could not be reasonably estimated, we decided to maintain our initial forecasts. We believe it may take some time to quantitatively review our forecasts.

Q7. Shareholder distribution has increased, but shouldn't you be increasing growth investments?

A7. As stated in our midterm plan, we plan to invest our proceedings from asset sales in growth strategies, specifically in investments in the ASEAN region, as well as merger and acquisitions. We are researching and reviewing the benefits of such investments, based on our investment criteria and synergies with our existing businesses.

Q8. Please tell me about your efforts on "minpaku" (Airbnb-style stays).

A8. We are getting ready for a trial run in three company-owned apartments in Ota Ward, Tokyo, which are under renovation. Our apartments are optimal for "minpaku" in terms of services and building structures, which are equipped with home appliances, but since trouble with nearby residents may arise, we are careful in the consideration of entry into the business. Year-round operation is possible in Ota Ward since it is a special zone, but other areas are restricted to 180 days of operation per year, and we will examine actions of local authorities and competitors in making our decision.