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Impact of new coronavirus infection

Casa would like to offer our sincere sympathy to all the people that are affected regardless of the direct and indirect by the spread of new coronavirus infection (COVID-19) and hope settle this situation as soon as possible.

The following is the current situation of the impact of the COVID-19 on the Group.

In the earnings forecast for the fiscal year ending January 31, 2021 (February 1, 2020-January 31, 2021), which was disclosed on March 10, 2020, the spread of the COVID-19 (hereinafter referred to as the “this case”) is not taken into account. However, at this time, no changes have been observed that would have a material effect on the Group's business performance, and the impact is considered to be minor.

1. Impact on Rent Guarantee business

① Impact on the number of new contract applications (Initial guarantee fee)

We believe that restrictions on entry by the Japanese government and postponement of personnel changes involving relocation of corporate customers could have the effect of reducing the number of new contracts, or postponing or canceling them.

The number of new contract applications from non-Japanese tenants of the Group in March 2020 (monthly) decreased by about 10% from the previous year, but the number of non-Japanese tenants is limited to just under 10%. At this time, there have been no cancellations of corporate customers who have already applied for new contracts. The number of new contract applications increased year-on-year in both February and March 2020, partly due to the amendment of the Civil Code which came into effect in April 2020, and has been firm against the initial budget.

The Group's rent guarantee service is a stock-type business that receives an annual guarantee fee in addition to the initial guarantee fee, and the accounting for the guarantee fee is equally distributed according to the contract period (usually one year). Therefore, adopting the method of such revenue recognition (prepayment at the time of deposit of guarantee fee, and evenly distribute from the contract start month to transfer to sales), the Group's sales are less susceptible to economic fluctuations.

② Impact on Right to Reimbursement

Right to Reimbursement is calculated by the subrogated payment amount to the lessor when the lessee who signed the Guarantee Contract is late with the rent. Due to the impact of this matter, consultations on rent payments are increasing from sole proprietors who run the food and beverage business and temporary workers, those who are likely to be relatively high with rent arrears. However, the composition ratio of such lessees is limited to about 9%, and Right to Reimbursement is not currently increasing.

In addition, we have the know-how to minimize the risk of non-payment by providing guidance to the government safety net and proposing employment support to lessees who are worried about rent payments. We will continue to collect information and take necessary actions promptly.

③ Impact on the allowance for doubtful accounts

The Group's strength lies in its unique credit management system that utilizes approximately 2.38 million (as of January 31, 2020) screening database of such lessees' attributes and rent payment situation. Even in the past negative situation, we have carefully examined the undertaking of guarantees and controlled them to reduce the occurrence of delinquencies. Regarding the impact of this matter, we will control the occurrence rate of delinquencies and bad debts to appropriate levels and minimize the impact.

The Group will take various measures to minimize the impact of this matter, but it is expected that the situation will be uncertain in the future, and there are many uncertainties regarding the timing of convergence and the response of governments of each country. Therefore, if there is any matter to be announced in the future, we will promptly disclose it.

2. Impact on financial situation

At present, cash on hand and other cash reserves are sufficient and we do not expect to have any immediate impact on our business activities.

In addition, we will take measures to financial risks resulting from the prolongation of this matter.

3. Response to the emergency declaration

Regarding the response to employees of the Group, prior to the issuance of the Declaration of Emergency based on the Revised Special Measures Law on New Influenza, we installed in-house disinfecting solutions and encourage employees to gargle, wear masks, stagger working hours and take days off in case of fever and cough, etc. In addition to this, in light of the recent request to refrain from going out, we have reduced the scale of operations, such as shortening business hours and reducing the number of employees at office, starting from today. We apologize for the inconvenience and concerns of those involved, but we ask for your understanding.

As of today, we have not received any reports that our employees have been infected with the new coronavirus infection.