DAITO TRUST CONSTRUCTION CO., LTD.

Feb.4.2021

3Q of FY ending March 31, 2021
Q&A Summary on disclosure of settlement of accounts

About orders received

Q1. I guess that your order environment remains challenging. Please tell us your outlook for orders in the future and the timing of recovery of orders.

A1. Indeed, financial institutions' lending attitudes continue to be severe. In December 2020, however, we were able to secure the year-before level of orders on a basis before cancellations. In addition, cancellations due to the COVID-19 crisis, or cancellations due to financing, are also on a downward trend. Against this backdrop, we are trying to reverse orders to exceed the year-before levels during this 4Q.

Q2. The number of sales representatives for the construction business is declining. Please tell us the status of recruitment

A2. The decline in the number of sales representatives is mainly due to our stricter recruitment standards and partly having suspended recruiting activities due to the impact of COVID-19. By strengthening our recruitment activities and curbing the retirement of construction sales representatives, we intend to recover the number to the level of 3,000 people as soon as possible.

Q3. Now we are under the second State of Emergency Declaration. Do you have any improvement in sales methods or some other thing, by making use of your experience in the situation under the first Declaration?

A3. We have gradually been accumulating sales methods and expertise amid the COVID-19 pandemic. Our employees have improved the usage levels of IT and tools, including meetings and business negotiations not only with our customers but also with their families and tax accountants on a remote basis. We are also working to strengthen inside sales, such as DM and telephone appointments. Furthermore, from this fiscal year we have been stepping up our introduction sales efforts through corporations, such as real estate companies and financial institutions, and we intend to use this initiative as a basis for future orders.

About the gross profit margin on completed construction work

Q4. The gross profit margin for the construction business was 26.9%. Do you consider raising prices to secure the gross profit margin?

A4. Currently, we don’t consider raising prices under the severe financial environment and concerns about the accumulation of customers' own funds. First, we will prioritize securing order volumes and increase the amount of completed construction contracts to improve the gross profit margin.

About real estate business

Q5. The high levels of occupancy rates continue. What are the reasons behind the achievement of the high occupancy rates, such as the unit rent for leasing and the preference of residents? Please also tell us about the downward risks, such as the impact of the economic downturn and the shift of preference to home ownership due to the increase in staying hours at home.

A5. We were concerned about the impact of the spread of COVID-19, but there has been no major change in occupancy demand at our properties. In addition, according to a questionnaire with residents who left rental rooms, the percentage of people who relocated as they bought their own houses remained unchanged from the previous year, and there was no noticeable trend by area.

About forecasts

Q6. Operating income for Q3 reached 97% of the full-year plan, but the full-year forecasts were left unchanged. Please tell us the reasons and your outlook for this.

A6. There are three reasons we have left our forecasts unchanged.
The first point is that the amount of completed construction contracts is small in this 4Q.
The second point is the implementation of incentive measures aimed at recovering orders.
The third factor is the situation where outlook for construction work and profits of affiliated companies are unstable affected by COVID-19.
Based on the above, we have left our full-year forecasts unchanged.

Others

Q7. What were sales and profits in Q3 at INVALANCE, which became a subsidiary in the quarter? In addition, its goodwill is expected to be 500 ~ 600 million yen per year, and there is no significant contribution from INVALANCE to the Group's profits. Can you tell us what kind of profits you expect for the medium-term?

A7. Net sales of INVALANCE Ltd., were 3.5 billion yen and gross profit was 700 million yen on a non-consolidated basis in 3Q FY2020. Over the medium-to-long-term, for FY2023, we are aiming for sales of 50 billion yen and operating income of 5 billion yen those include expected sales increase of over 10 billion yen as a result of synergy.

Q8. What are the reasons why the business loan balance dropped from 122.3 billion yen at the end of September to 117.0 yen billion at the end of December, and what is your outlook for the future? Please also tell us how you are considering the securitization of receivables.

A8. The reason for the decline in the outstanding balance of operating loans is that the amount of completed construction contracts was lower than in the previous year, and the number of new loans, such as bridge loans, did not increase. Furthermore, borrowers increasingly used regional banks, which do not require bridge loans, as the sources of funds.
In addition, we will continue to consider securitization of receivables.

Q9. There are growing expectations for decarbonization and other issues. Please tell us about your medium-term initiatives.

A9. Our Group has installed solar power generation units at about 15,000 managed buildings. After the end of the FIT scheme, we aim to achieve our RE100 targets by self-consuming this electricity at our business sites and other locations.
In addition, we intend to work to significantly reduce CO2 through the use of new timber called CLT, or cross laminated timber, instead of reinforced concrete construction.
Furthermore, we intend to start considering such initiatives as LCCM (life cycle carbon minus) housing, in which the total balance of CO2 emission from construction to demolition will be zero.

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