



DAITO TRUST CONSTRUCTION CO., LTD.

Report on Settlement of 1Q ending March 31, 2023

I . Inappropriate Accounting and Measures to Prevent Recurrence	• •	2
II . Results in 1Q of FY ending March 31, 2023	• • • • • • • • • •	5
III . Key Figures	• •	16
IV . Topics	• •	25
V . Appendix	• •	29

I . Inappropriate Accounting and Measures to Prevent Recurrence

Amount of Inappropriate Accounting and Impact on Profit and Loss

■ Major items and amounts

Items	Amounts
Overstatement of accounts payable and accrued expenses at consolidated subsidiaries	¥0.57bn
Inappropriate payment of advertising expenses, etc. at consolidated subsidiaries	¥0.21bn

■ Impact on consolidated P/L

	Before	(Amounts)	After
Operating income	¥25.29bn	-	¥25.29bn
Nonoperating proceeds	¥1.57bn	+¥0.78bn	¥2.35bn
Ordinary income	¥26.30bn	-	¥27.08bn

1. Restructuring of accounting department structure and control environment

- Separation of the person in charge of budget management from the person in charge of accounting
- Clarifying the criteria for estimating allowances and the assurances required for the approval process for payments
- Raising awareness of compliance of accounting employees

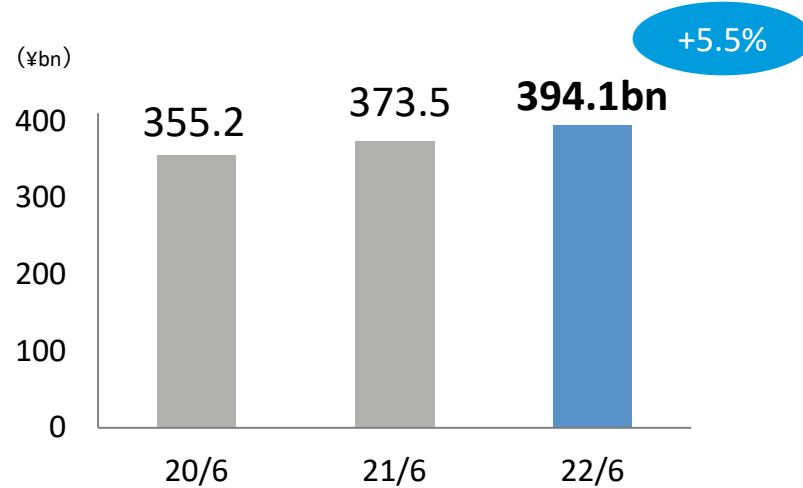
2. Restructuring of the system and control environment for officers and other management departments

- Enhancing officers' understanding of internal controls and accounting procedures
- Increasing the frequency of audits of head office departments to deter fraud and detect problems early
- Dissemination and promotion of use of the whistleblowing system

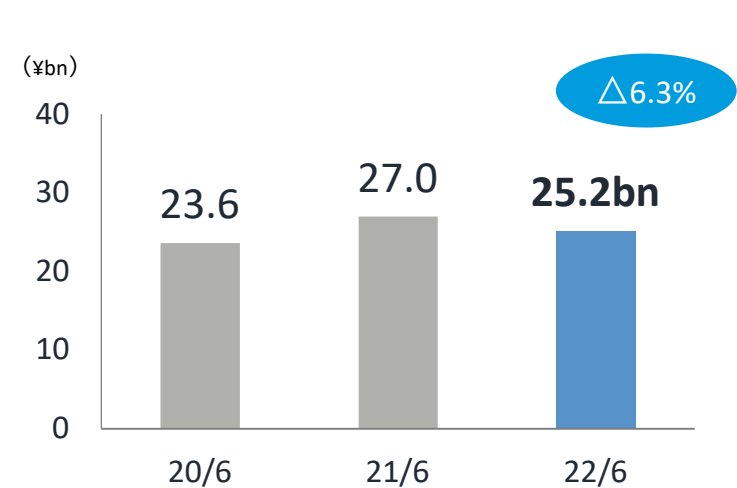
Ⅱ . Results in 1Q of FY ending March 31, 2023

PL (Consolidated PL)

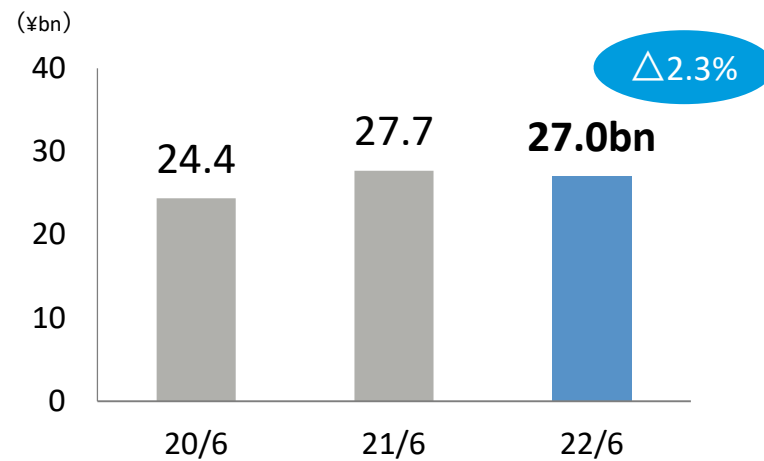
Net sales



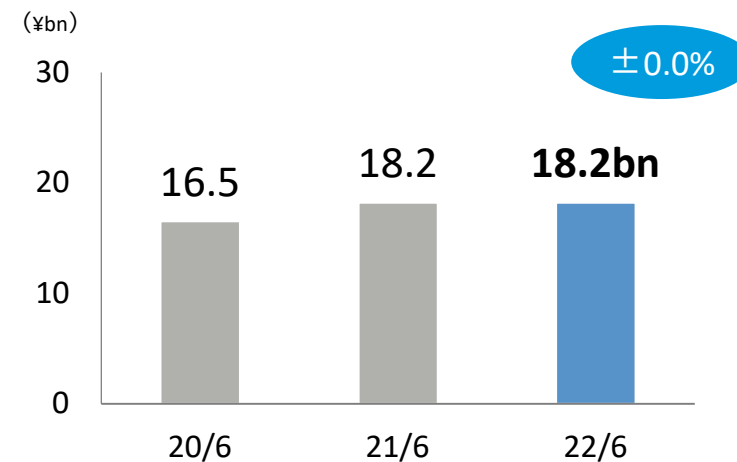
Operating income



Ordinary income



Net income attributable to owners of parent



PL (Factors of fluctuation in operating income) <YoY>

Major factors of fluctuation (Operating income Δ ¥1.7bn)

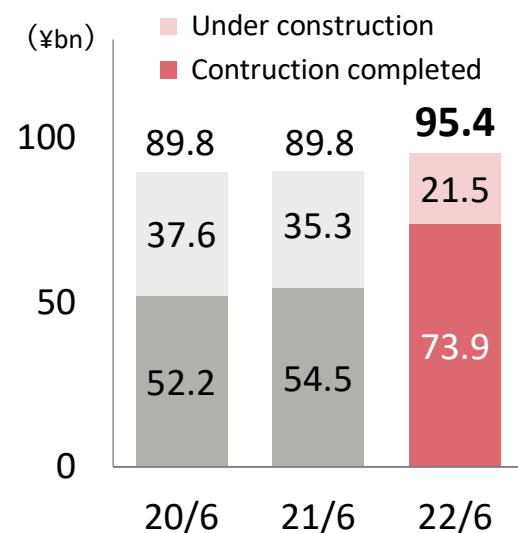
Gross profit on completed construction contracts < Δ ¥4.1bn >	<ul style="list-style-type: none"> • Increase in completed construction (¥89.8bn \rightarrow ¥95.4bn) +¥1.55bn • Decrease in gross profit margin (27.5%\rightarrow21.6%) Δ¥5.65bn
Gross profit on real estate business < +¥2.1bn >	<ul style="list-style-type: none"> • Increase in profit from whole-building lease business +¥1.43bn • Increase in profit from brokerage business +¥0.15bn • Increase in profit from guarantee business +¥0.32bn • Decrease in restoration to original condition or repairing construction Δ¥0.38bn • Decrease in profit from electricity business Δ¥0.05bn • Increase in profit from the other businesses +¥0.72bn
Gross profit on the other businesses < +¥0.5bn >	<ul style="list-style-type: none"> • Increase in profit from INVALANCE Ltd., +¥0.35bn • Increase in profit from flexible workspace business (JustCo) +¥0.08bn • Decrease in profit from gas business Δ¥0.12bn • Increase in profit from overseas hotel business +¥0.18bn
SG&A expenses < Δ ¥0.3bn >	<ul style="list-style-type: none"> • Decrease in personnel expenses +¥0.70bn • Advertising & general publicity expenses Δ¥0.10bn • Increase in recruitment fee / training fee Δ¥0.08bn • Decrease in the other expenses Δ¥0.85bn

Profit & Loss by segment (Construction business-1)

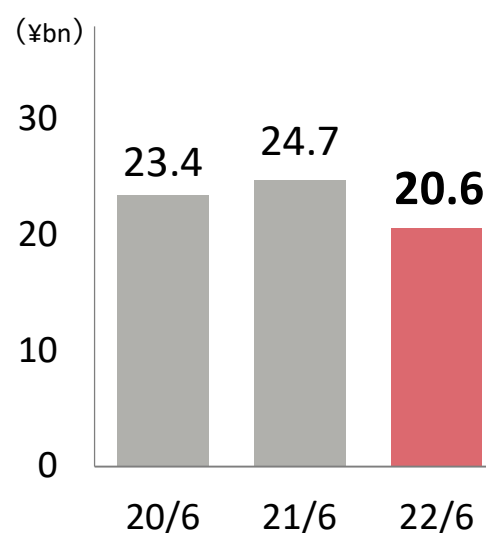
(¥bn)

	2021/6	2022/6	(YoY)
Net sales	89.8	95.4	(+6.3%)
Gross profit	24.7	20.6	(△16.6%)
Operating income	7.0	1.8	(△73.4%)

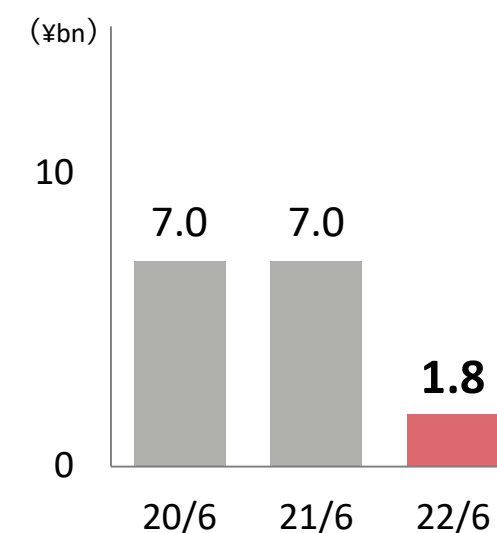
■ Net sales



■ Gross profit



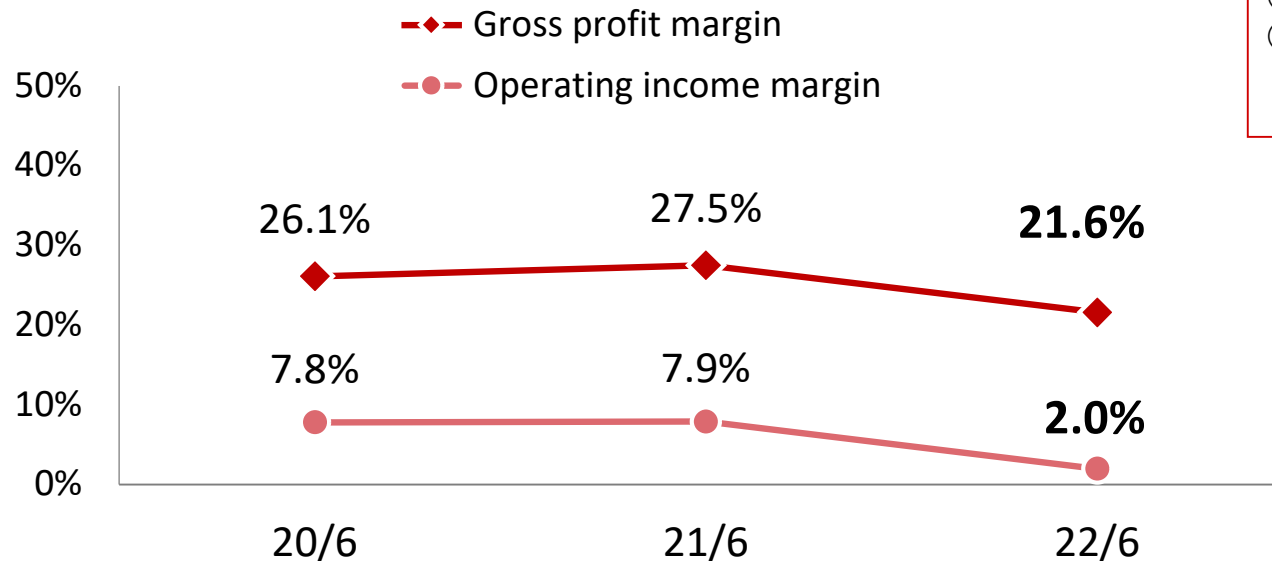
■ Operating income



Profit & Loss by segment (Construction business-2)

	2021/6	2022/6	(YoY)
Gross profit margin	27.5%	21.6%	(Δ 5.9p)
Operating income margin	7.9%	2.0%	(Δ 5.9p)

■ Gross profit margin / Operating income margin



Major breakdown of the variance (Δ 5.9p YoY)

① Labor cost	Δ 0.9p
② Material cost	Δ 1.0p
③ Exchange	Δ 4.0p
④ Recognition of deferred income	\pm 0.0p

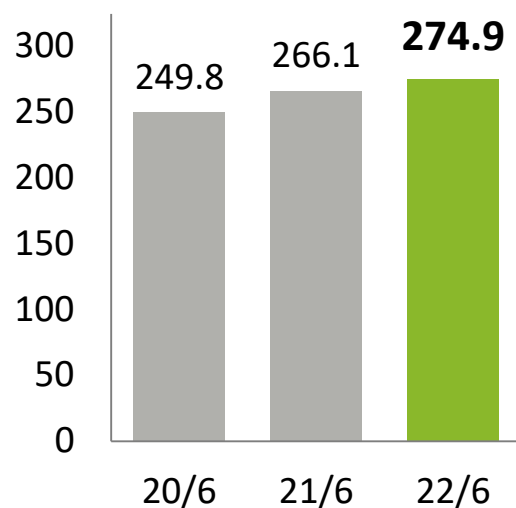
Profit & Loss by segment (Real estate business-1)

(¥bn)

	2021/6	2022/6	(YoY)
Gross profit margin	266.1	274.9	(+3.3%)
Gross profit	32.5	34.7	(+6.8%)
Operating income	22.4	24.5	(+9.4%)

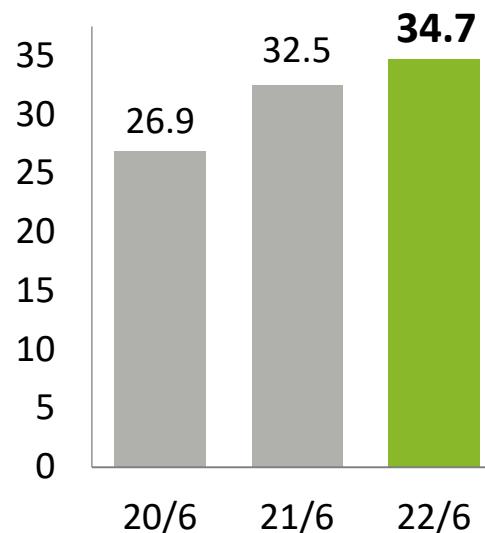
Net sales

(¥bn)



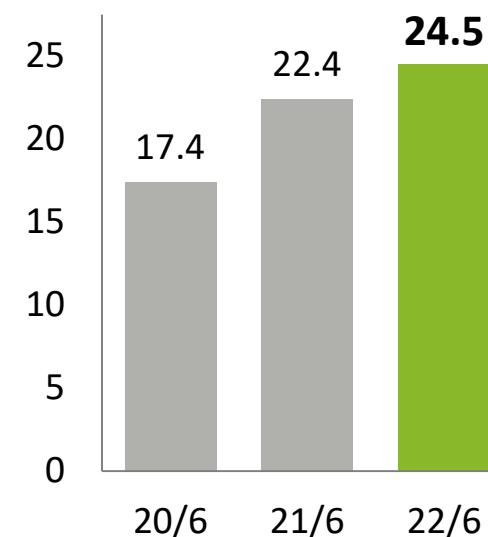
Gross profit

(¥bn)



Operating income

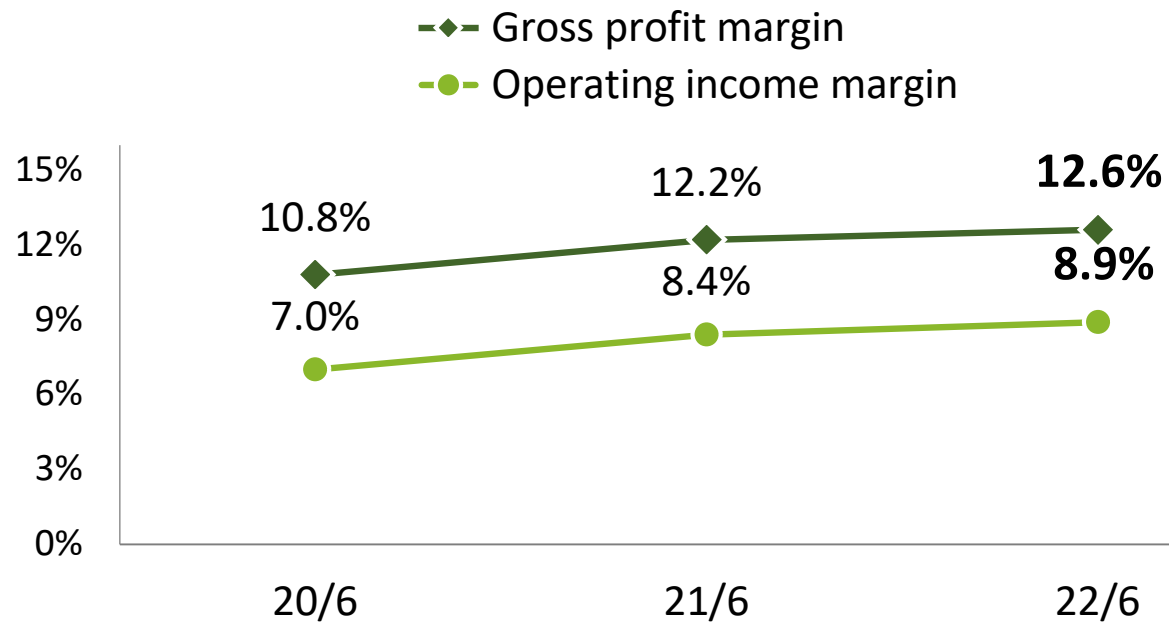
(¥bn)



Profit & Loss by segment (Real estate business-2)

	2021/6	2022/6	(YoY)
Gross profit margin	12.2%	12.6%	(+0.4p)
Operating income margin	8.4%	8.9%	(+0.5p)

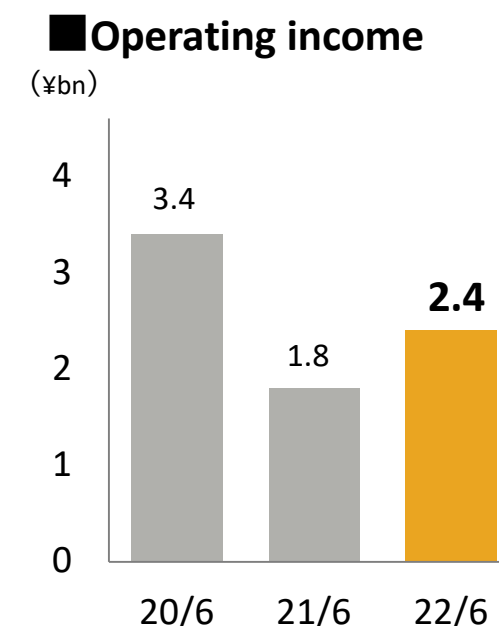
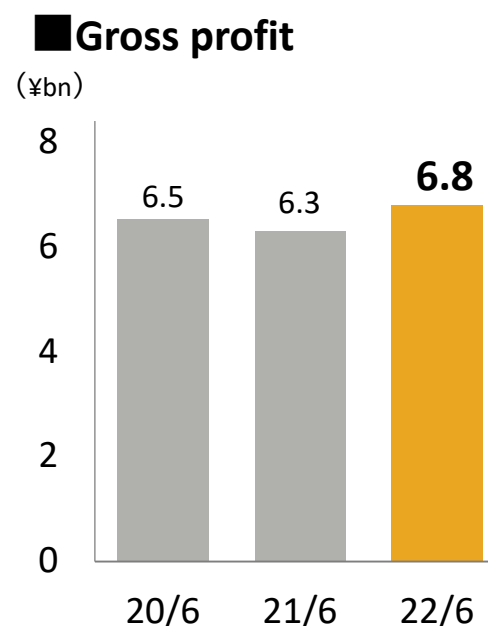
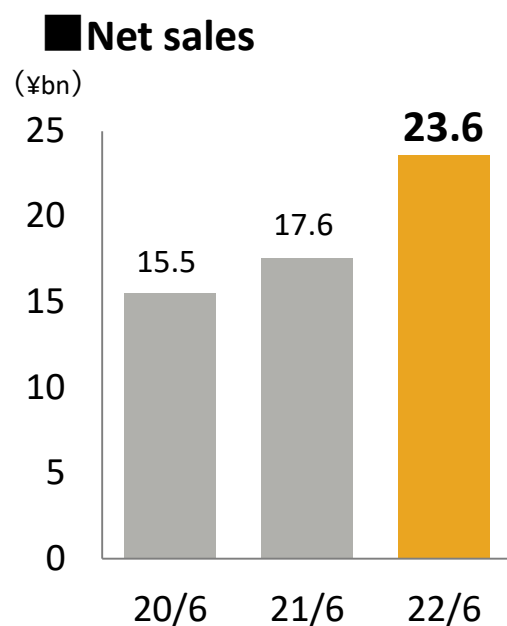
■ Gross profit margin / Operating income margin



Profit & Loss by segment (Other businesses)

(¥bn)

	2021/6	2022/6	(YoY)
Net sales	17.6	23.6	(+34.2%)
Gross profit	6.3	6.8	(+8.4%)
Operating income	1.8	2.4	(+34.7%)



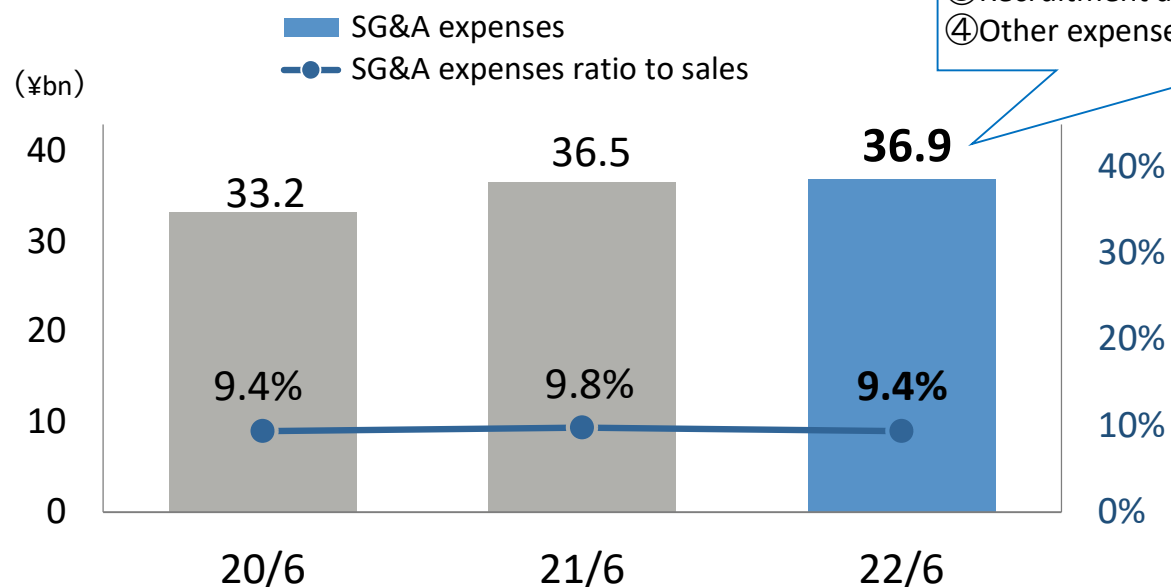
Profit & Loss (Selling, general and administrative expenses)

(¥bn)

	2021/6	2022/6	(YoY)
SG&A expenses	36.5	36.9	(+9.8%)
SG&A expenses ratio to sales	9.8%	9.4%	[Δ0.4p]

[] : Difference from same period in previous year

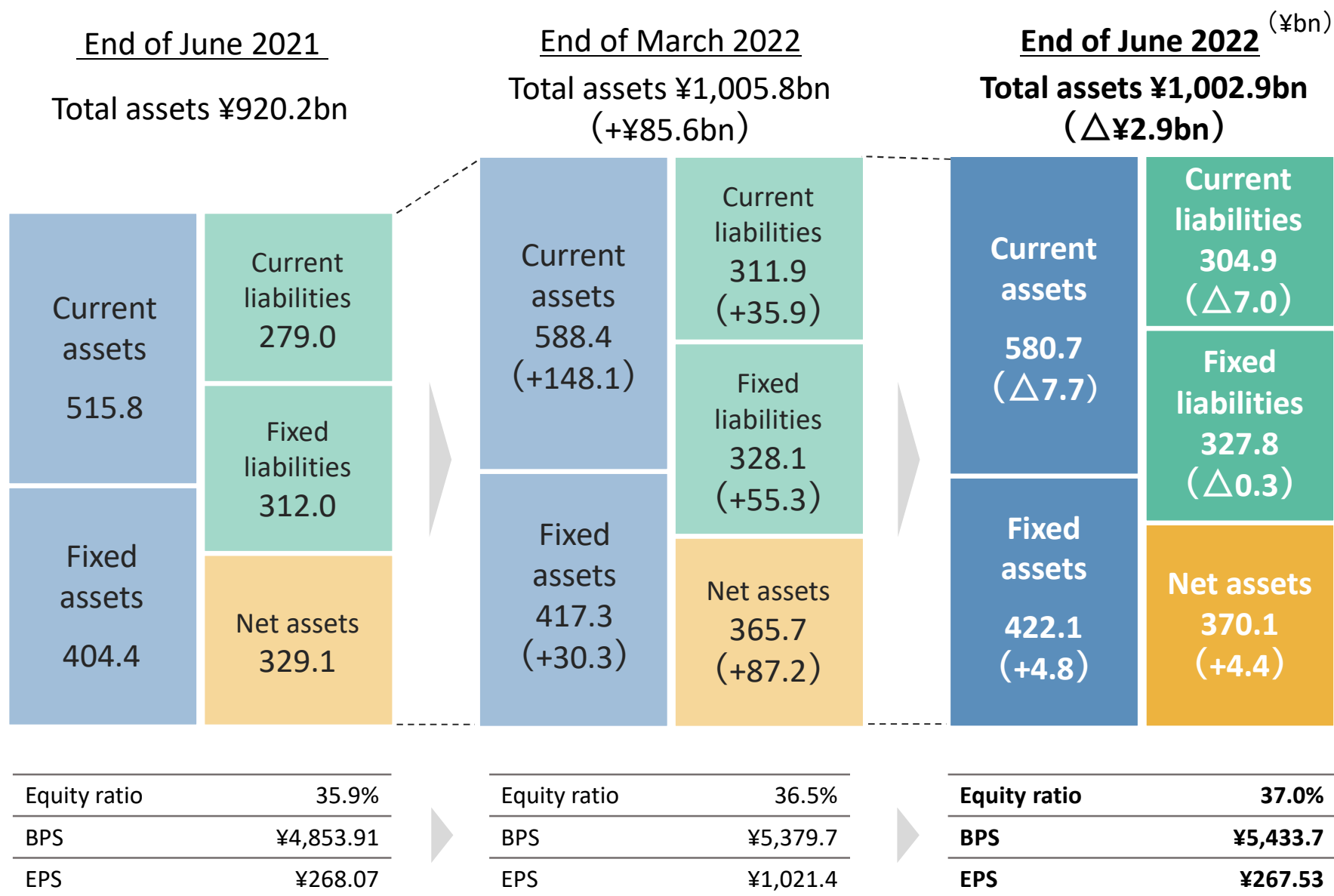
SG&A expenses / SG&A expenses ratio to sales



Major breakdown of the variance (+¥0.3bn YoY)

- ① Labor cost Δ¥0.70bn
- ② Advertising & general publicity expenses +¥0.10bn
- ③ Recruitment and training expenses +¥0.08bn
- ④ Other expenses +¥0.85bn

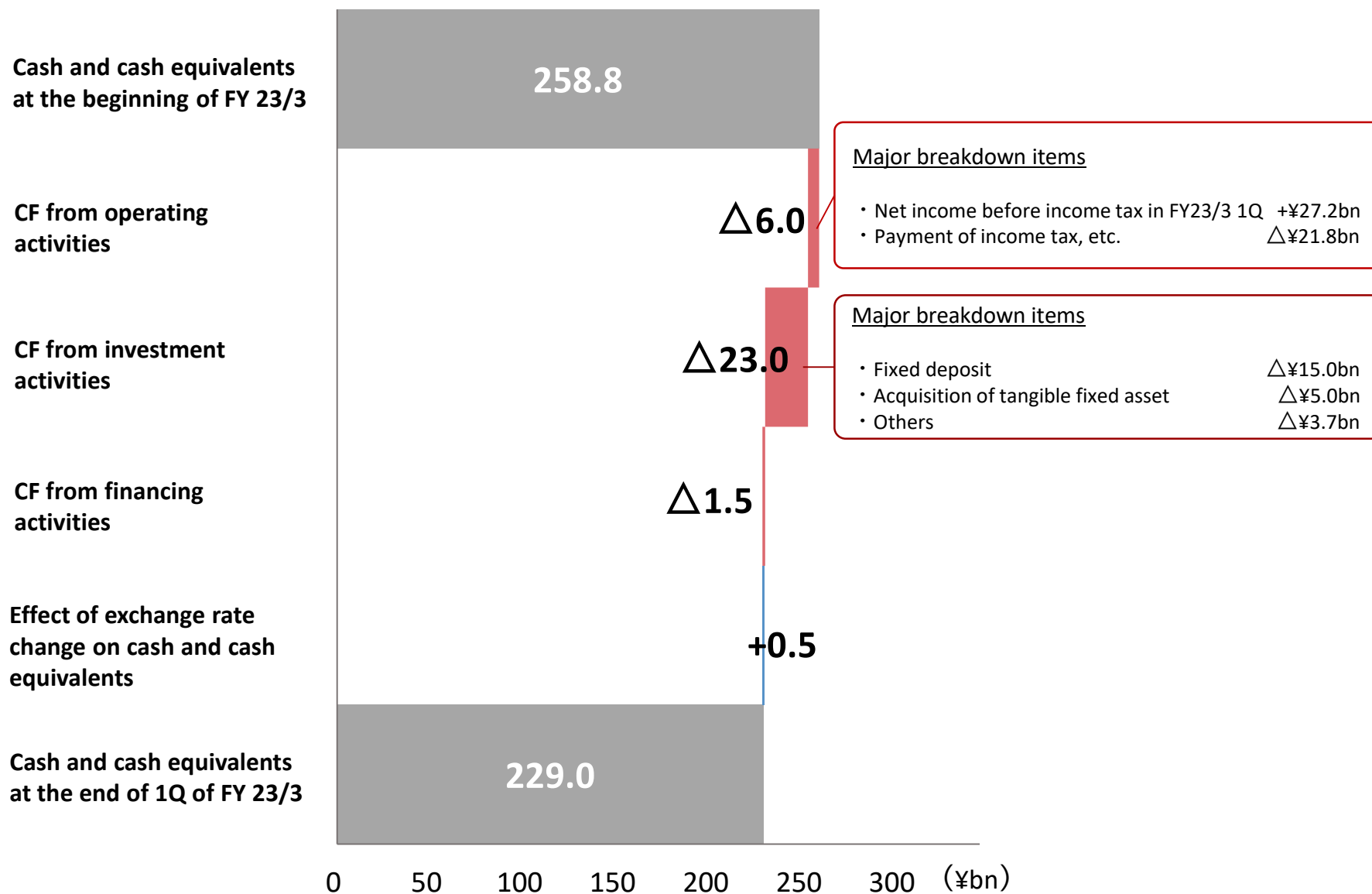
Financial review (Consolidated BS)



※BPS : Net assets per share

※EPS : Quarterly (current year) net income per share

Financial review (Consolidated CF)



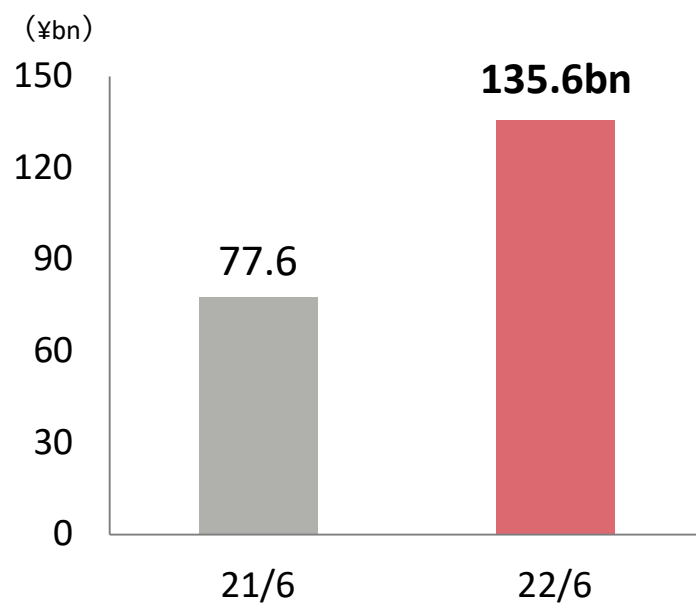
Ⅲ. Key Figures

Orders received

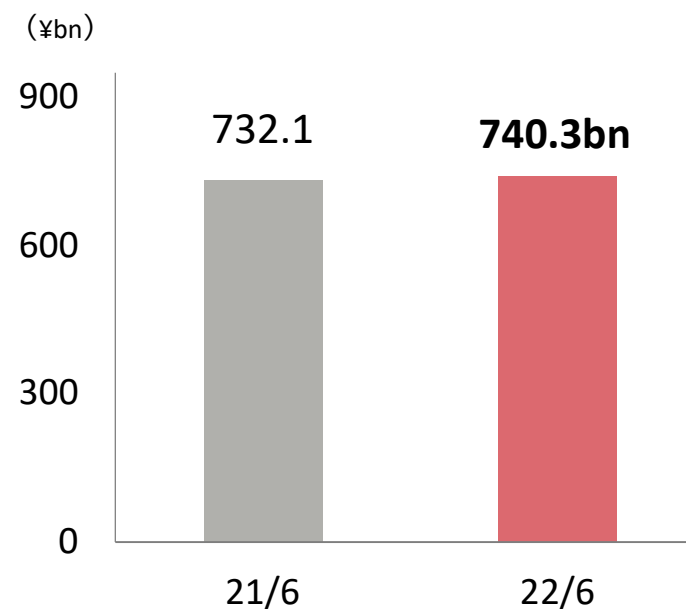
Orders received **¥135.6bn (+74.7% YoY)**

Orders in hand **¥740.3bn (+1.1% YoY)**

■ Orders received



■ Orders in hand

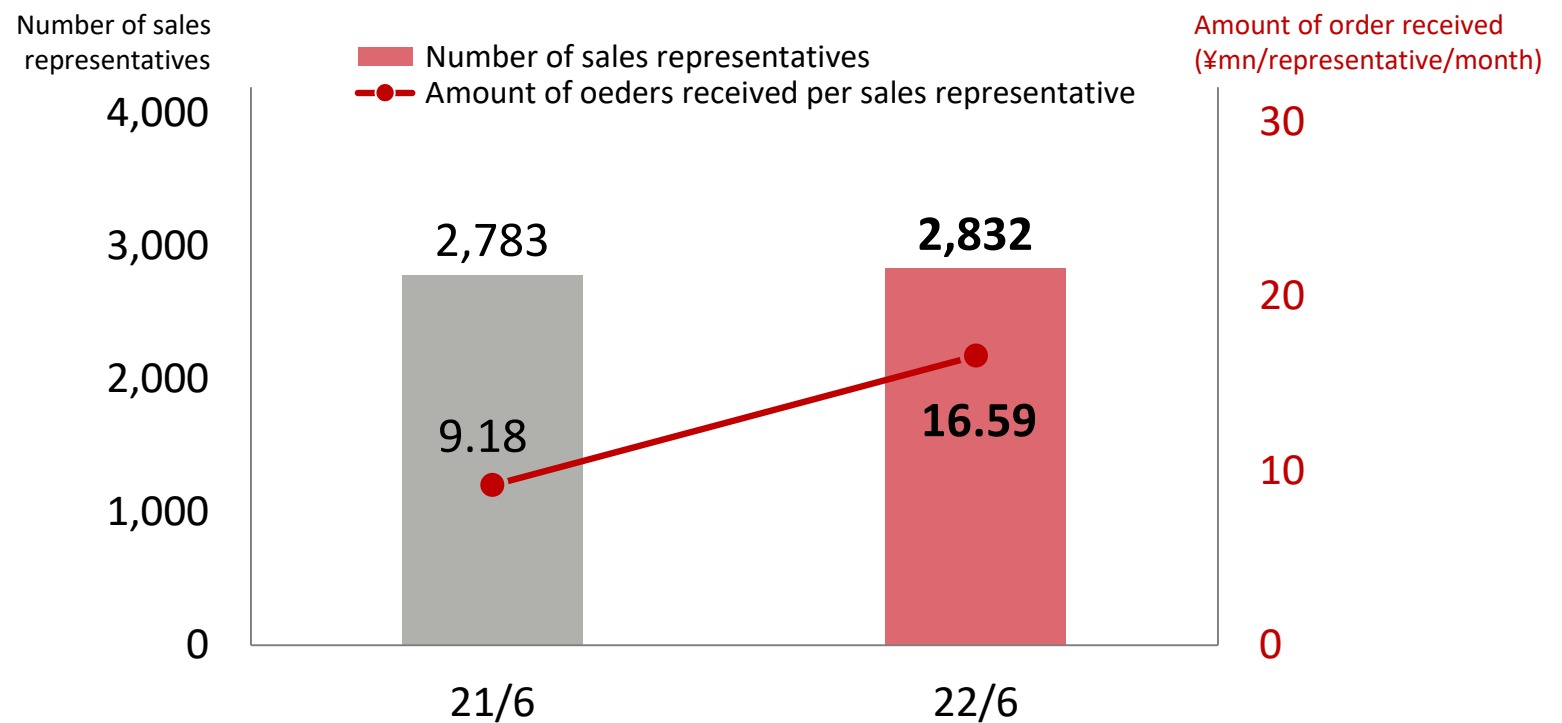


Orders received (Efficiency in receiving orders)

Number of sales representatives <as of end of June> 2,832 (+49 YoY)

Amount of order received per sales representative

¥16.59mn / month (+¥7.41mn YoY)



Orders received (Mid-rise ratio and rebuild ratio)

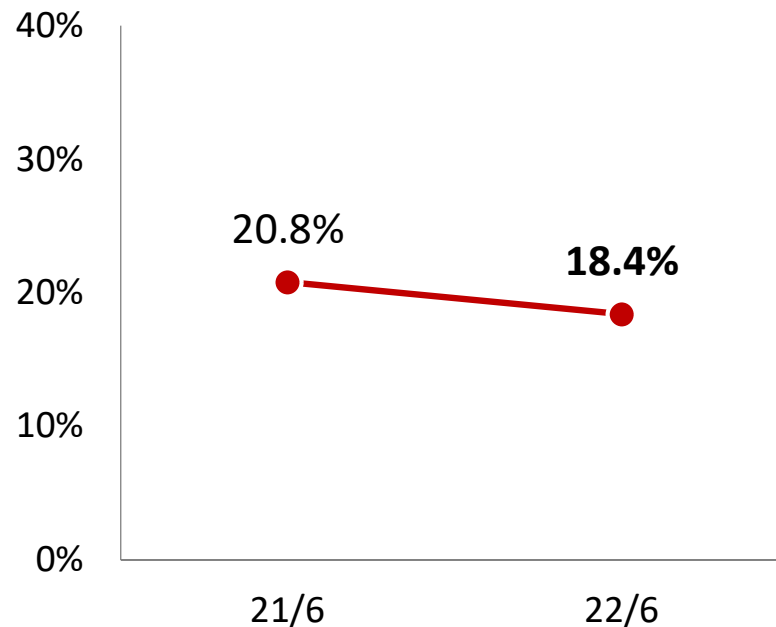
Mid-rise ratio

18.4% ($\Delta 2.4\text{p YoY}$)

Rebuild ratio

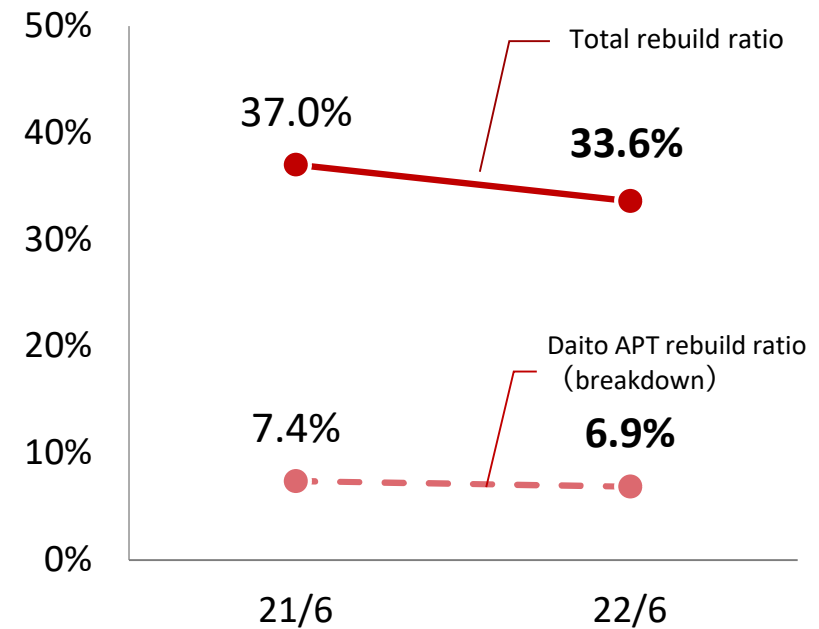
33.6% ($\Delta 3.4\text{p YoY}$)

■ **Mid-rise ratio**^{※1}



※1 Mid-rise ratio = Number of orders received for APT house with 3 or more stories / Total number of orders received

■ **Rebuild ratio**^{※2}



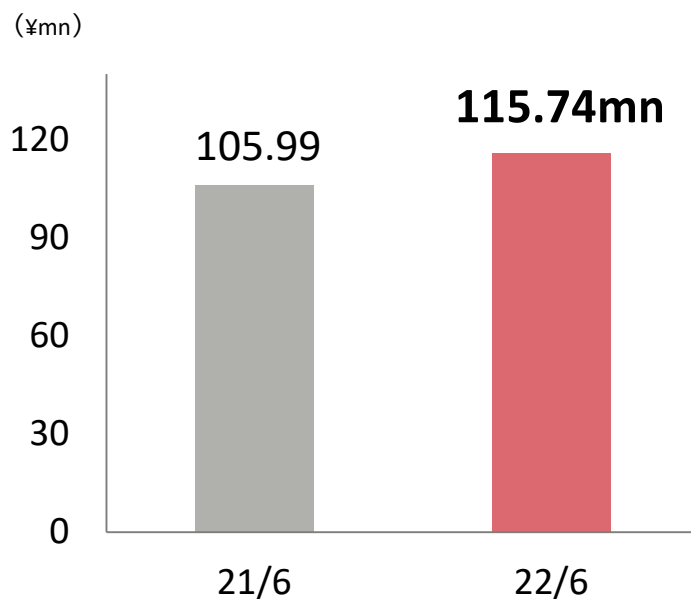
※2 Total rebuild ratio = Number of orders received for rebuilding APT / Total number of orders received
Daito APT rebuild ratio = Number of orders received for rebuilding APT built by Daito / Total number of orders received

Orders received (Average price of orders received and cancellation ratio)

Average price of order received ¥115.74mn (+¥9.75mn YoY)

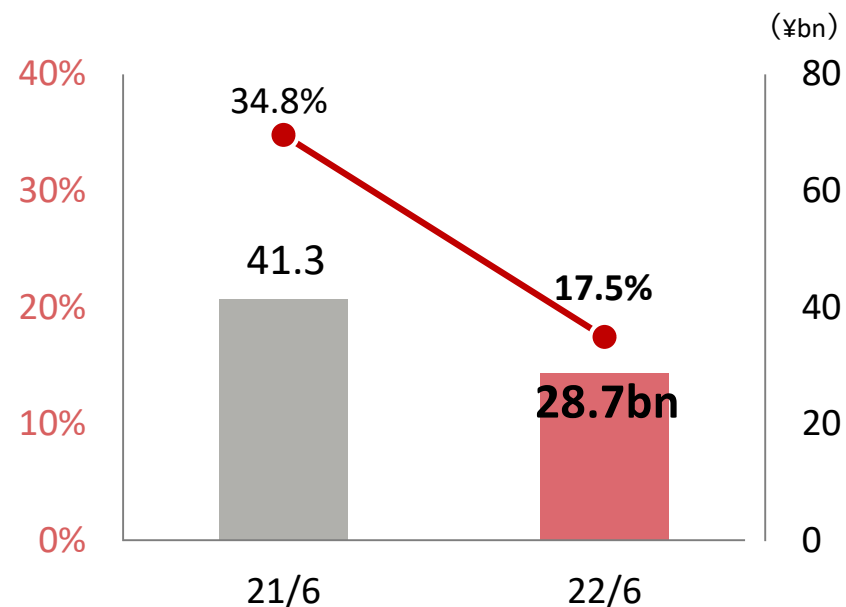
Cancellation ratio 17.5% (△17.3p YoY)

■ Average price of orders received^{※1}



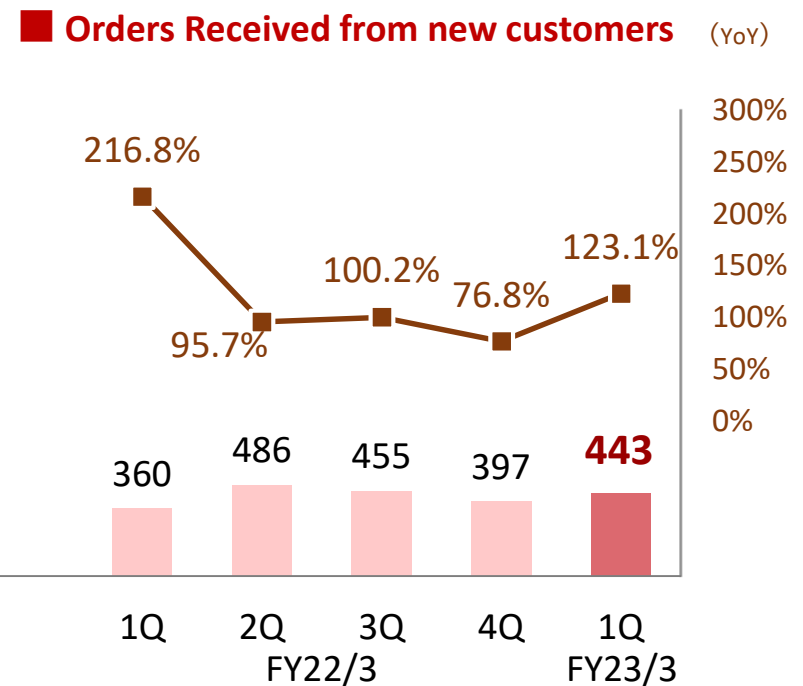
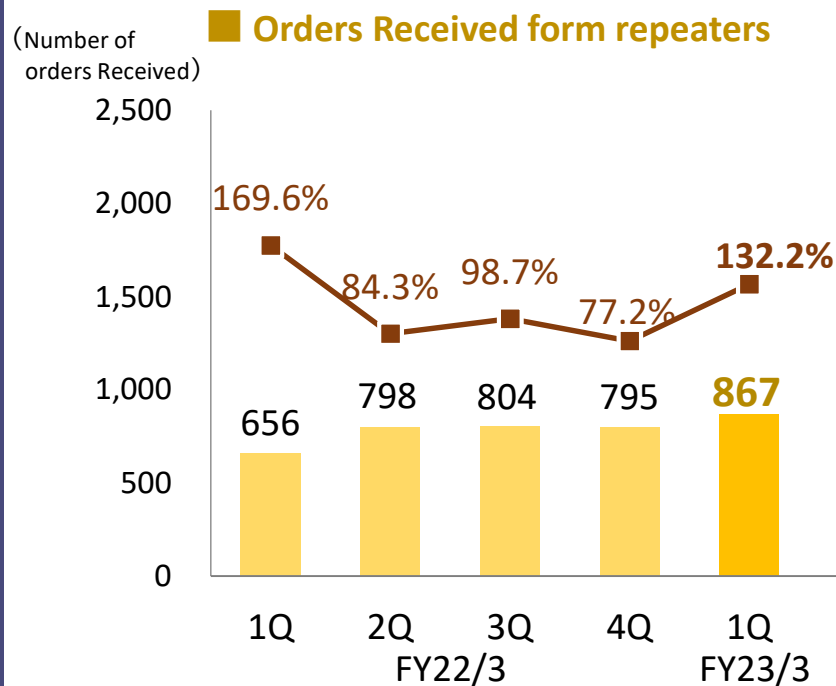
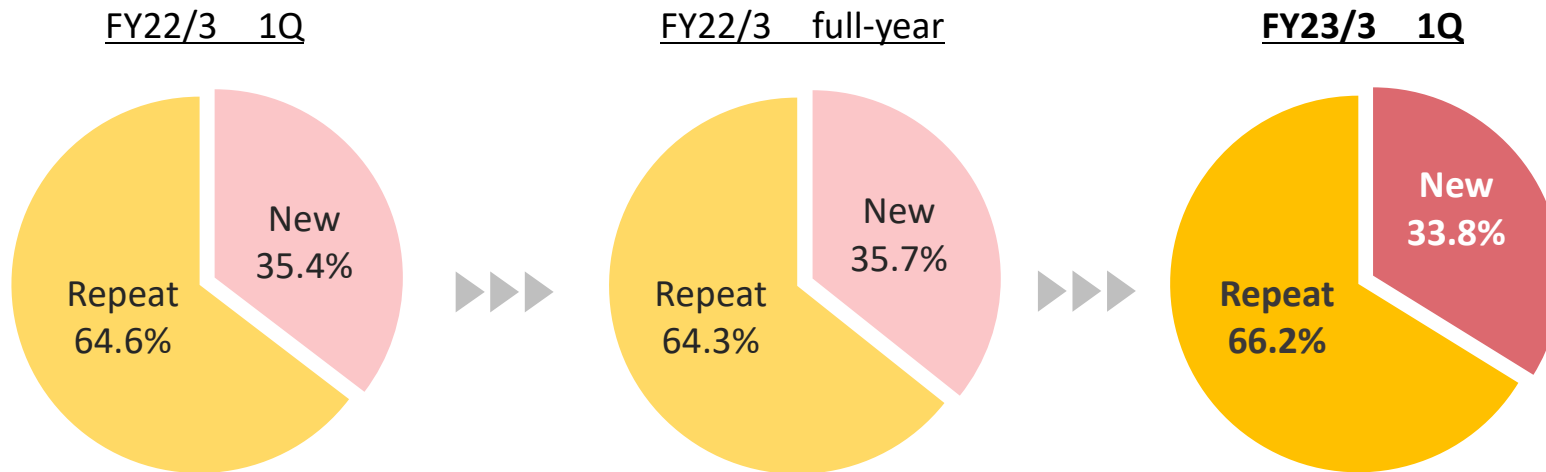
※1 Average price of order received = Amount of new orders received / Number of orders received

■ Cancellation ratio^{※2} / Amount of cancellation



※2 Cancellation ratio = Amount of cancellation / Amount of new orders received
 Orders received = Amount of new orders received – Amount of cancellation

Orders received (Number of orders received & their channels)

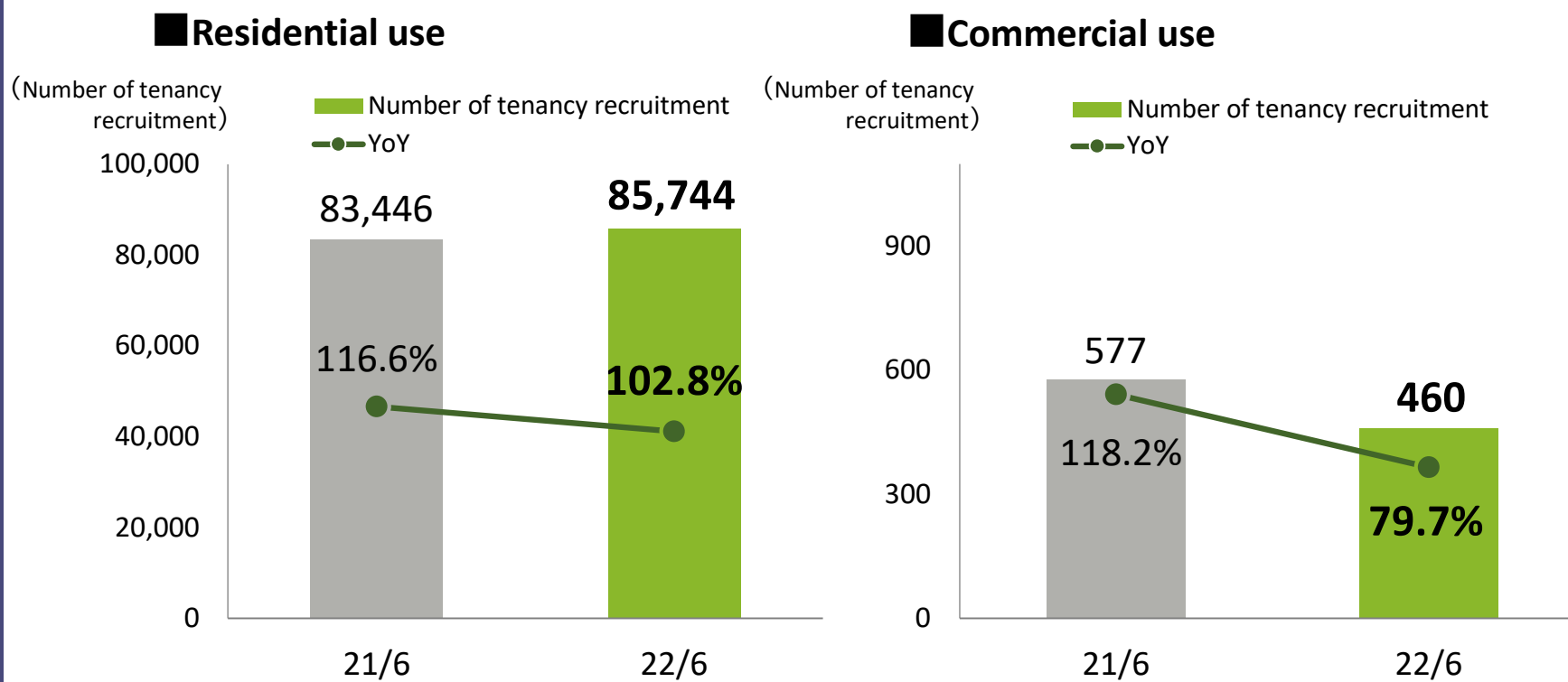


Tenancy recruitment (Number of recruitment)

Number of tenancy recruitment **86,204** (+2.6% YoY)

Residential use **85,744** (+2.8% YoY)

Commercial use **460** (△20.3% YoY)



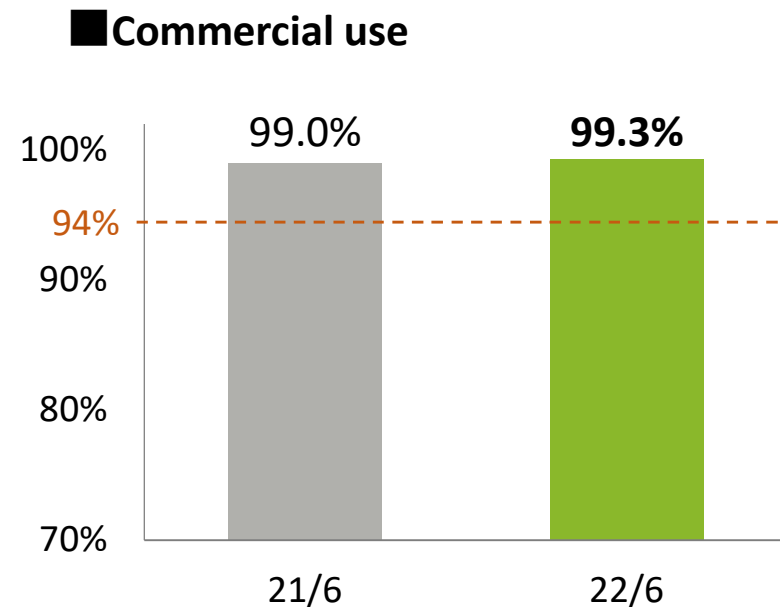
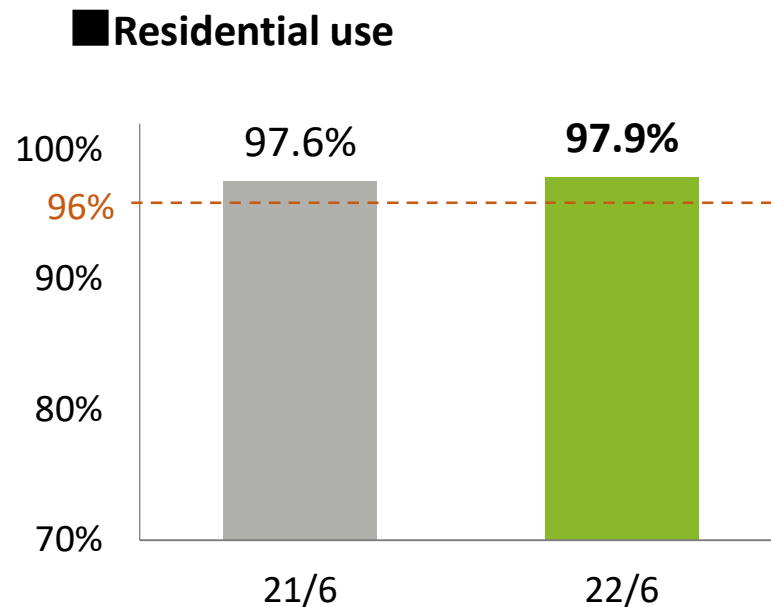
※Including the number of tenant recruitment for units managed by other companies

Tenancy recruitment (Rent-based occupancy rate※)

Continuously maintains sound level of occupancy
(residential use : 96% / commercial use : 94%)

Residential use **97.9% (+0.3p YoY)**

Commercial use **99.3% (+0.3p YoY)**



※Rent-based as occupancy rate = 100% - (Lease fee payment for vacant units / Aggregate amount of rent [%])

Tenancy recruitment (Number-based occupancy rate※)

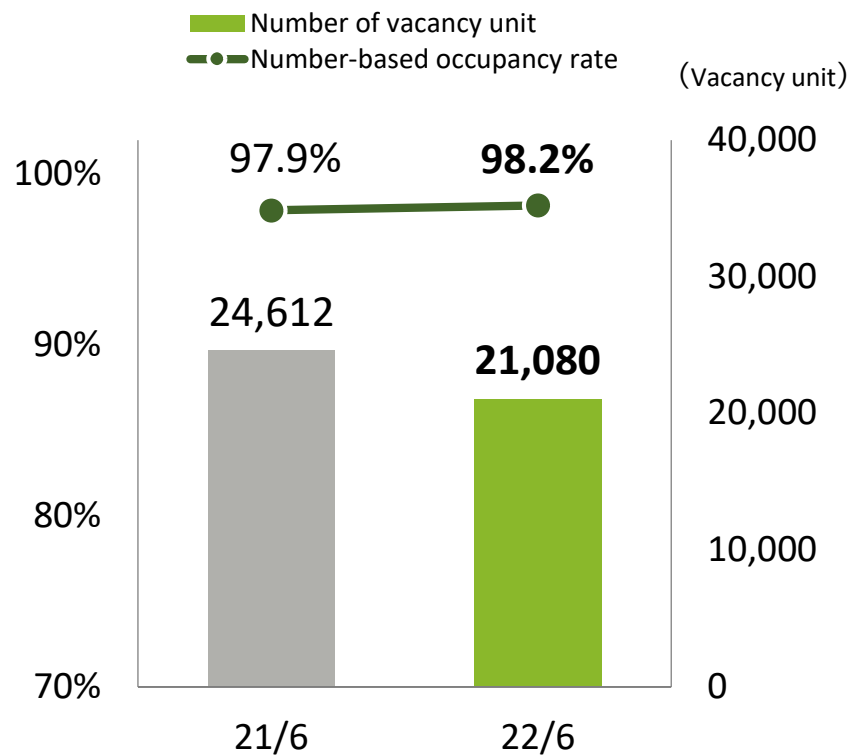
Residential use units

98.2% (+0.3p YoY)

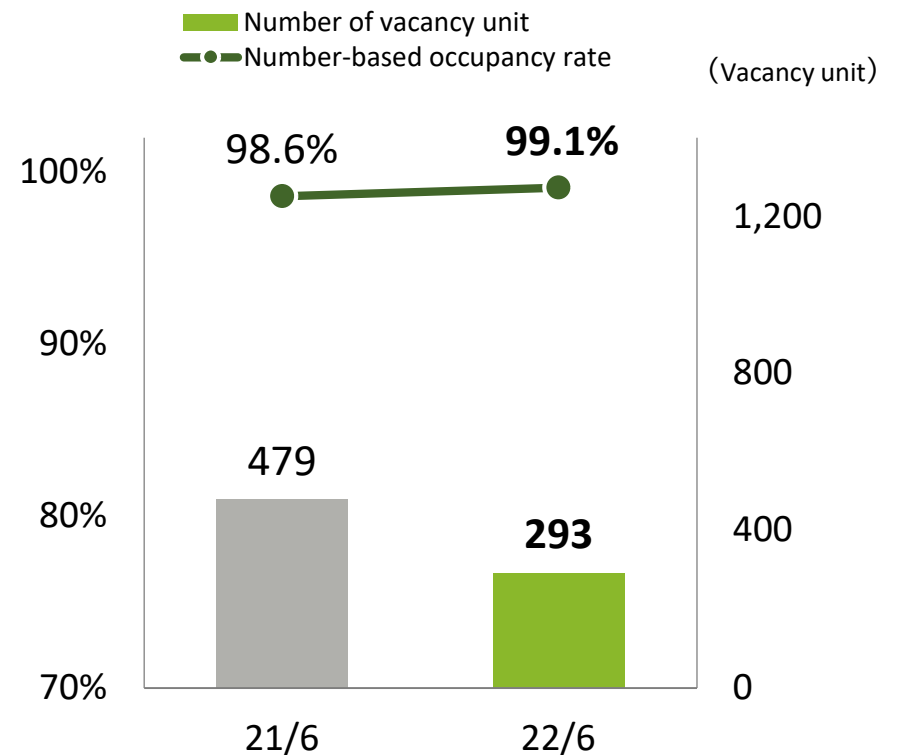
Commercial use units

99.1% (+0.5p YoY)

Residential use



Commercial use



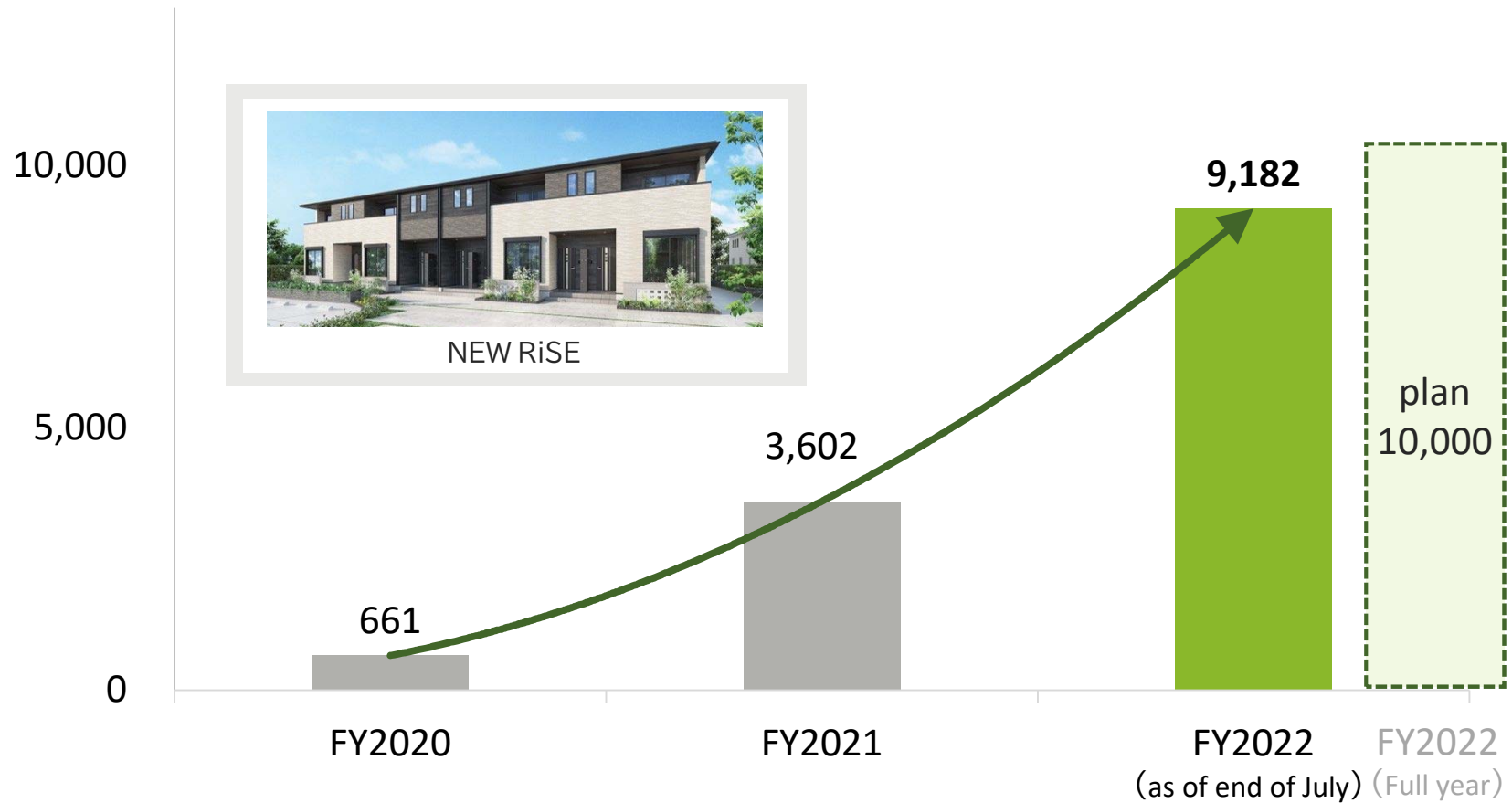
※Number-based occupancy rate = (Number of occupancy units) / (Number of units under management)

IV. Topics

Steady increase in sales of ZEH rental housing



Number of units sold per year



Achieving a decarbonized society through the sale of ZEH rental housing

JustCo, a flexible workspace provider in Asia, will open in the Shinjuku / Tokyo area in February 2023

Adopt a "hub and spoke" model to develop decentralized bases



Seven bases are scheduled to be in operation in Japan by February 2023.

Initiatives for Disaster Prevention

Conversion of the offices to also serve as disaster prevention facility

Number of offices

(as of end of March)

- ... which have function as BO-KU-LABO Station※ **36**
- ... with disaster-ready units and LP-gas bulk **33**
- ... to help people return home when disaster strikes **26**

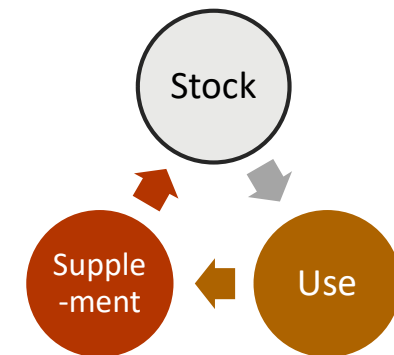
※ Base for Research on Disaster Prevention and Local Communities



Management of stockpiles through running stock operation

For stockpiles stored for 5 years, 20% of the total amounts is replaced annually.

	Total stockpile		
1 year later	Replace		
2 year later		Replace	
3 year later			Replace
4 year later			Replace
5 year later			Replace



VI. Appendix

Profit & Loss of each segment < FY23/3 >

(¥mn)

《 Construction business 》	22/3 1Q	23/3 1Q	YoY	23/3(plan)
Net sales	89,823	95,491	+6.3%	445,000
Gross profit	24,702	20,606	△16.6%	94,000
(Gross profit margin)	27.5%	21.6%	△5.9p	21.1%
Operating income	7,098	1,889	△73.4%	22,000
(Operating income margin)	7.9%	2.0%	△5,9p	4.9%

《 Real estate business 》	22/3 1Q	23/3 1Q	YoY	23/3(plan)
Net sales	266,145	274,981	+3.3%	1,105,000
Gross profit	32,556	34,755	+6.8%	133,000
(Gross profit margin)	12.2%	12,6%	+0.4p	12.0%
Operating income	22,431	24,543	+9.4%	83,000
(Operating income margin)	8.4%	8.9%	+0.5p	7.5%

《 Other businesses 》	22/3 1Q	23/3 1Q	YoY	23/3(plan)
Net sales	17,630	23,656	+34.2%	95,000
Gross Profit	6,312	6,839	+8.4%	32,000
(Gross profit margin)	35.8%	28,9%	△6.9p	33.7%
Operating income	1,800	2,424	+34.7%	17,000
(Operating income margin)	10.2%	10.2%	±0.0p	17.9%

Profit & Loss (Non-consolidated) < FY23/3 >

(¥mn)

	22/3 1Q	23/3 1Q	YoY	23/3(plan)
Net sales	90,704	96,959	+6.9%	458,000
Construction	90,189	96,305	+6.8%	450,000
Real estate & others	515	654	+27.1%	8,000
Gross profit	24,835	20,956	△15.6%	97,000
Construction	24,493	20,492	△16.3%	93,000
Real estate & others	342	464	+35.6%	4,000
SG&A expenses	23,939	23,750	△0.8%	96,000
Operating income	895	△2,794	—	1,000
Ordinary income	42,331	45,494	+7.5%	54,000
Net income	41,017	45,725	+11.5%	51,000

Sales structure of real estate business < FY22/3 >

(¥mn)

	21/3 1Q		22/3 1Q		23/3 1Q			23/3(plan)
	Amount	(Ratio)	Amount	(Ratio)	Amount	(Ratio)	YoY	
Lease up of rental housing units ^{※1}	226,773	(90.7%)	238,357	(89.6%)	246,095	(89.5%)	+3.2%	994,000
Building and repairs	9,115	(3.6%)	11,404	(4.3%)	10,685	(3.9%)	△6.3%	35,000
Brokerage of rental estate	4,014	(1.6%)	5,467	(2.0%)	5,695	(2.1%)	+4.2%	24,400
Rental guarantee business	3,645	(1.5%)	4,430	(1.7%)	4,693	(1.7%)	+5.9%	19,000
Electricity business	2,218	(0.9%)	2,109	(0.8%)	2,313	(0.8%)	+9.6%	7,900
Leasing business ^{※2}	1,650	(0.7%)	1,634	(0.6%)	1,701	(0.6%)	+4.1%	6,700
Others	2,444	(1.0%)	2,741	(1.0%)	3,796	(1.4%)	+38.5%	18,000
Total	249,862	(100.0%)	266,145	(100%)	274,981	(100%)	+3.3%	1,105,000

※1 Sub-lease contract in Lease Management Trust System by Daito Kentaku Partners.

※2 Mainly Shinagawa East One Tower

Profit & Loss of major subsidiaries (Construction business) < FY23/3 >

(¥mn)

Construction Business								
	Daito Construction				Daito Steel			
	22/3 1Q	23/3 1Q	YoY	23/3 plan	22/3 1Q	23/3 1Q	YoY	23/3 plan
Net sales	1,020	786	△22.9%	6,500	933	1,117	+19.8%	5,200
Gross profit	50	35	△30.4%	410	42	48	+11.9%	200
SG&A expenses	31	26	△16.1%	150	21	22	+4.9%	80
Operating income	19	9	△52.6%	260	21	25	+18.8%	120
Ordinary income	29	16	△44.8%	320	21	25	+22.0%	110
Net income	20	11	△45.0%	220	14	16	+19.1%	70

Profit & Loss of major subsidiaries (Real estate businesses-1) < FY23/3 >

(¥mn)

	Real estate business							
	Daito Kentaku Partners				Daito Kentaku Leasing			
	22/3 1Q	23/3 1Q	YoY	23/3 plan	22/3 1Q	23/3 1Q	YoY	23/3 plan
Net sales	254,749	262,861	+3.2%	1,053,000	6,795	7,630	+12.3%	28,500
Gross profit	25,255	26,453	+4.7%	96,000	2,928	3,412	+16.5%	13,000
SG&A expenses	5,257	5,570	+6.0%	28,500	1,977	2,140	+8.3%	10,000
Operating Income	19,998	20,883	+4.4%	67,500	950	1,271	+33.8%	3,000
Ordinary income	20,271	21,217	+4.7%	68,500	996	1,323	+32.8%	4,000
Net income	14,117	14,755	+4.5%	47,000	649	874	+34.6%	2,500

Profit & Loss of major subsidiaries (Real estate businesses-2) <FY23/3>

(¥mn)

	Real estate business							
	House Leave				Housecom Group			
	22/3 1Q	23/3 1Q	YoY	23/3 plan	22/3 1Q	23/3 1Q	YoY	23/3 plan
Net sales	4,430	4,693	+5.9%	18,900	3,473	3,649	+5.0%	14,700
Gross profit	4,236	4,555	+7.5%	18,200	3,215	3,329	+3.5%	13,600
SG&A expenses	1,139	1,135	△0.4%	4,900	3,211	3,234	+0.7%	13,160
Operating income	3,097	3,420	+10.4%	13,300	0	95	—	440
Ordinary income	3,099	3,422	+10.4%	13,300	5	96	—	640
Net income	2,155	2,373	+10.1%	9,200	27	91	+229.7%	390

Profit & Loss of major subsidiaries (Financial businesses) < FY23/3 >

(¥mn)

Other businesses (Financial business)												
	Daito Finance				House Guard				D.T.C			
	22/3 1Q	23/3 1Q	YoY	23/3 plan	22/3 1Q	23/3 1Q	YoY	23/3 plan	22/3 1Q	23/3 1Q	YoY	23/3 plan
Net sales	521	571	+9.6%	2,300	1,075	1,254	+16.6%	4,800	4,331	4,405	+1.7%	18,250
Gross profit	387	440	+13.6%	1,800	503	545	+8.3%	2,100	697	591	△15.2%	1,770
SG&A expenses	105	66	△37.1%	300	365	386	+5.8%	1,510	8	8	±0%	20
Operating income	281	373	+32.8%	1,500	137	158	+14.9%	590	689	583	△15.4%	1,750
Ordinary income	△197	382	—	1,500	137	158	+14.9%	590	690	584	△15.4%	1,750
Net income	△135	265	—	1,080	98	114	+16.1%	420	690	584	△15.4%	1,750

Profit & Loss of major subsidiaries (Other businesses-1) <FY23/3>

(¥mn)

Other businesses (Energy, Care, Investment condominium business)												
	Gaspal Group				Care Partner				INVALANCE			
	22/3 1Q	23/3 1Q	YoY	23/3 plan	22/3 1Q	23/3 1Q	YoY	23/3 plan	22/3 1Q	23/3 1Q	YoY	23/3 plan
Net sales	8,026	8,832	+10.0%	39,400	3,720	3,793	+2.0%	15,400	2,713	6,847	+152.3%	21,500
Gross profit	3,794	3,646	△3.9%	18,000	480	398	△17.0%	2,000	482	895	+185.2%	3,500
SG&A expenses	2,176	2,216	+1.8%	9,400	276	297	+7.6%	1,300	591	608	+2.8%	2,600
Operating income	1,617	1,430	△11.6%	8,600	204	101	△50.4%	700	△109	287	—	900
Ordinary income	1,461	1,221	△16.4%	7,800	194	94	△51.3%	660	△112	326	—	860
Net income	1,008	824	△18.3%	5,400	127	53	△58.2%	430	△104	222	—	600

Profit & Loss of major subsidiaries (Other businesses-2) <FY23/3>

(¥mn)

Other businesses (Overseas business)								
	DAITO ASIA DEVELOPMENT (MALAYSIA) SDN.BHD.				DAITO ASIA DEVELOPMENT (MALAYSIA) II SDN.BHD.			
	22/3 1Q	23/3 1Q	YoY	23/3 plan	22/3 1Q	23/3 1Q	YoY	23/3 plan
Net sales	96	233	+142.7%	1,500	163	442	+170.2%	2,000
Gross profit	△90	△21	—	360	△68	44	—	400
SG&A expenses	119	138	+15.9%	690	185	232	+25.2%	1,000
Operating Income	△210	△160	—	△310	△254	△187	—	△600
Ordinary income	△406	△208	—	△340	△466	△238	—	△620
Net income	△408	△209	—	△260	△470	△241	—	△470

Amount of orders received, and amount from construction completed

■ Amount of orders received

(¥mn)

	21/3 1Q	22/3 1Q	23/3 1Q	YoY	23/3(plan)
Residential use	8,149	66,254	123,608	+86.6%	461,200
Rental housing	7,710	66,062	122,719	+85.8%	459,200
Detached housing	439	191	888	+363.2%	2,000
Commercial use	△97	3,127	3,352	+7.2%	13,800
Building and repairs	5,823	8,232	8,662	+5.2%	45,000
Total	13,876	77,614	135,623	+74.7%	520,000

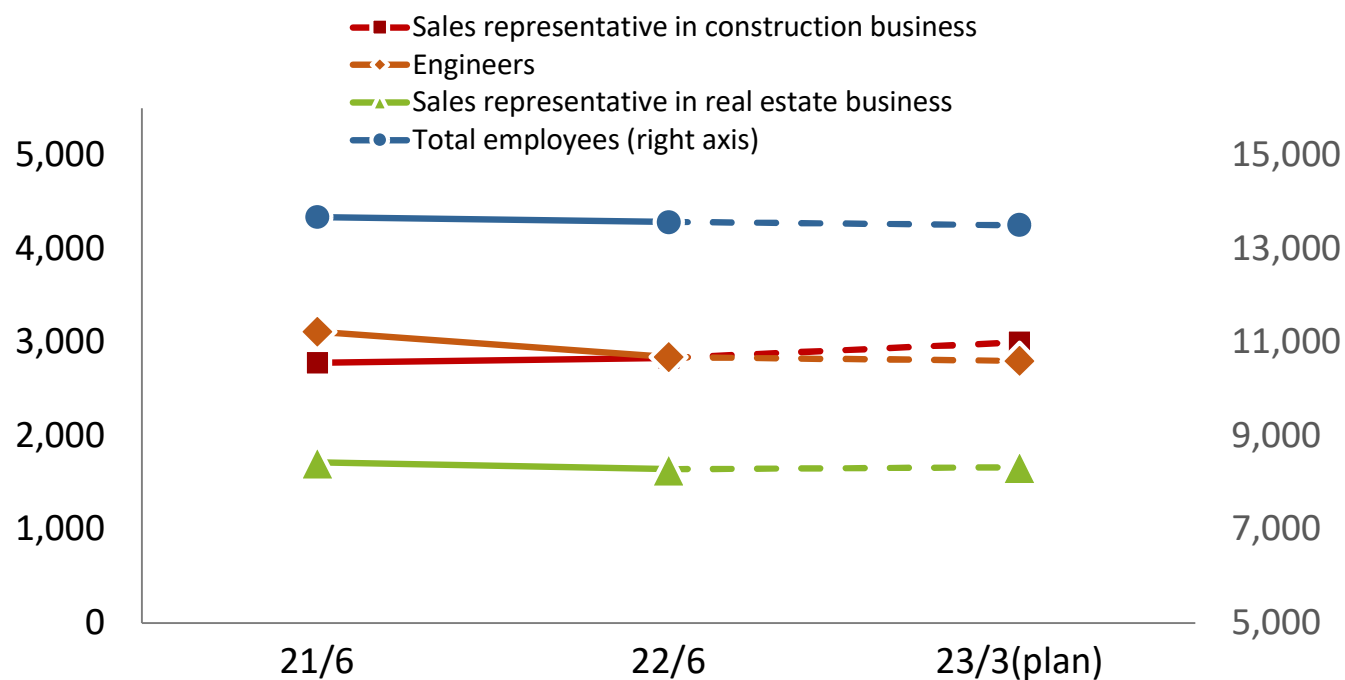
■ Net income from completed construction

(¥mn)

	21/3 1Q	22/3 1Q	23/3 1Q	YoY	23/3(plan)
Residential use	86,462	86,702	91,125	+5.1%	427,600
Rental housing	86,152	86,048	90,737	+5.4%	424,700
Detached housing	310	654	387	△40.8%	2,900
Commercial use	1,190	1,791	2,579	+44.0%	10,400
Building and repairs	11,343	12,734	12,472	△2.0%	42,000
Total	98,997	101,228	106,176	+4.9%	480,000

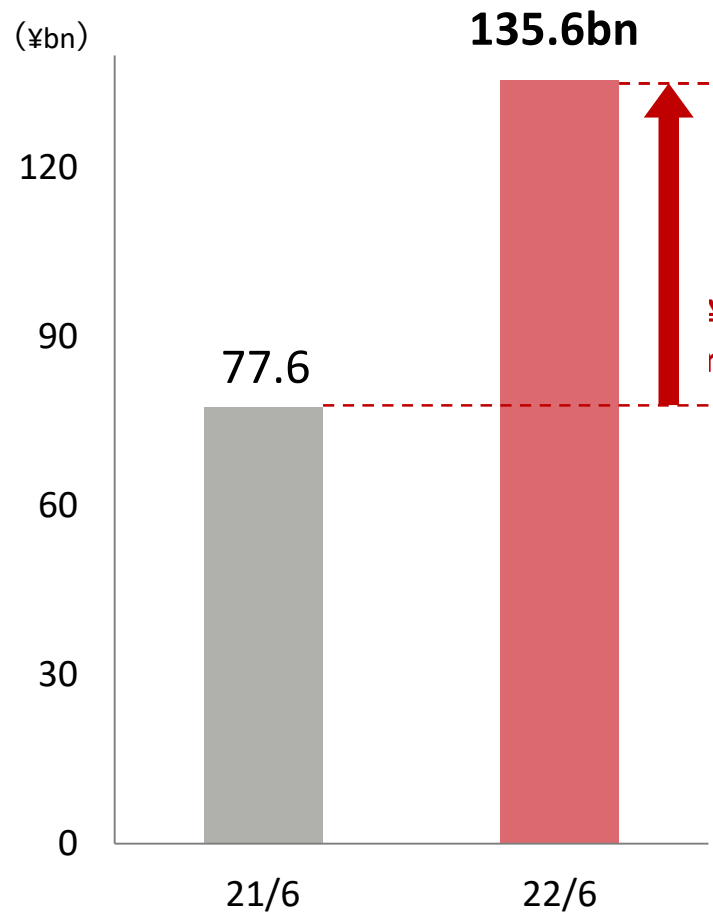
Transition of number of employees in each business section (Main 3 companies)

	21/6	22/6	YoY	23/3(plan)
Total employees	13,679	13,570	△109	13,500
Sales representative in construction business	2,783	2,832	+49	3,000
Engineers	3,114	2,843	△271	2,800
Sales representative In real estate business	1,717	1,645	△72	1,665



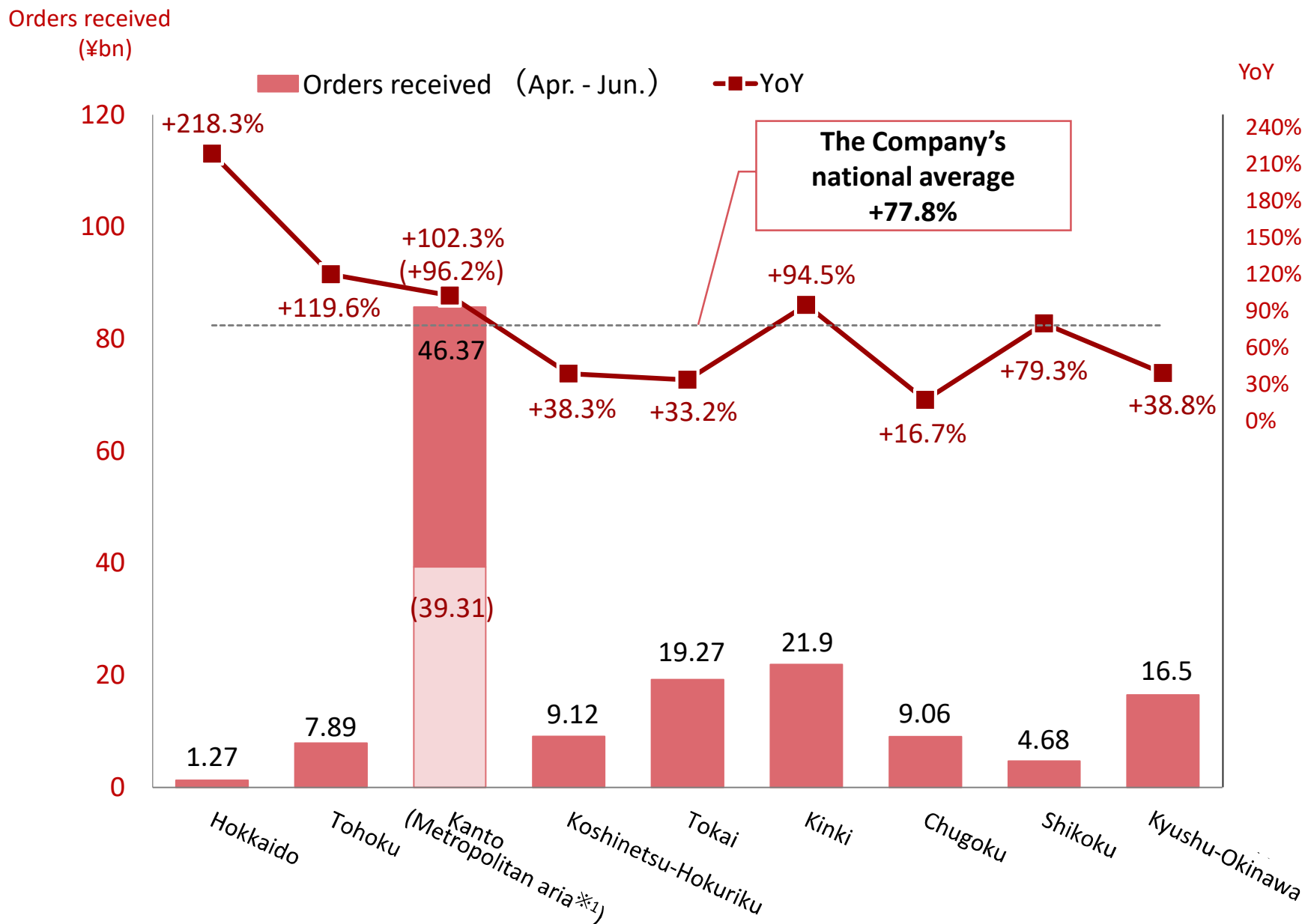
Orders received compared with FY23/3 1Q

■ 1Q comparison

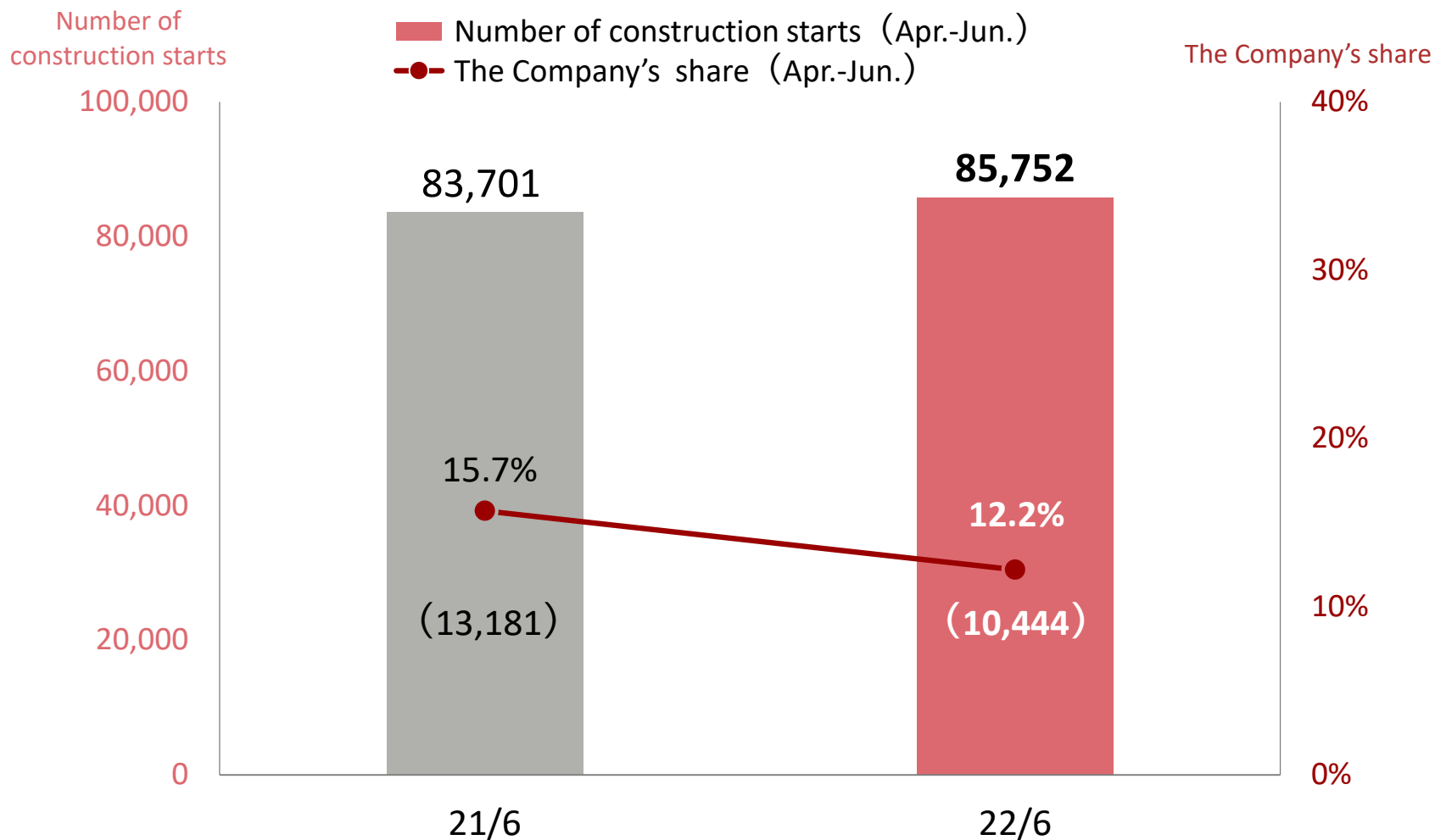


- ① **Number of orders (project)** +¥31.1bn
(1,017 orders → 1,310 orders)
- ② **Per project price** +¥12.8bn
(105.99mn / project → 115.74mn / project)
- ③ **Cancellation** +¥12.6bn
(Cancellation ratio 34.8% → 17.5%)
- ④ **Optional construction contracts** +¥1.5bn
(¥11.2bn → ¥12.7bn)

Amount of orders received in each region



Number of construction starts & Daito's share <YoY>



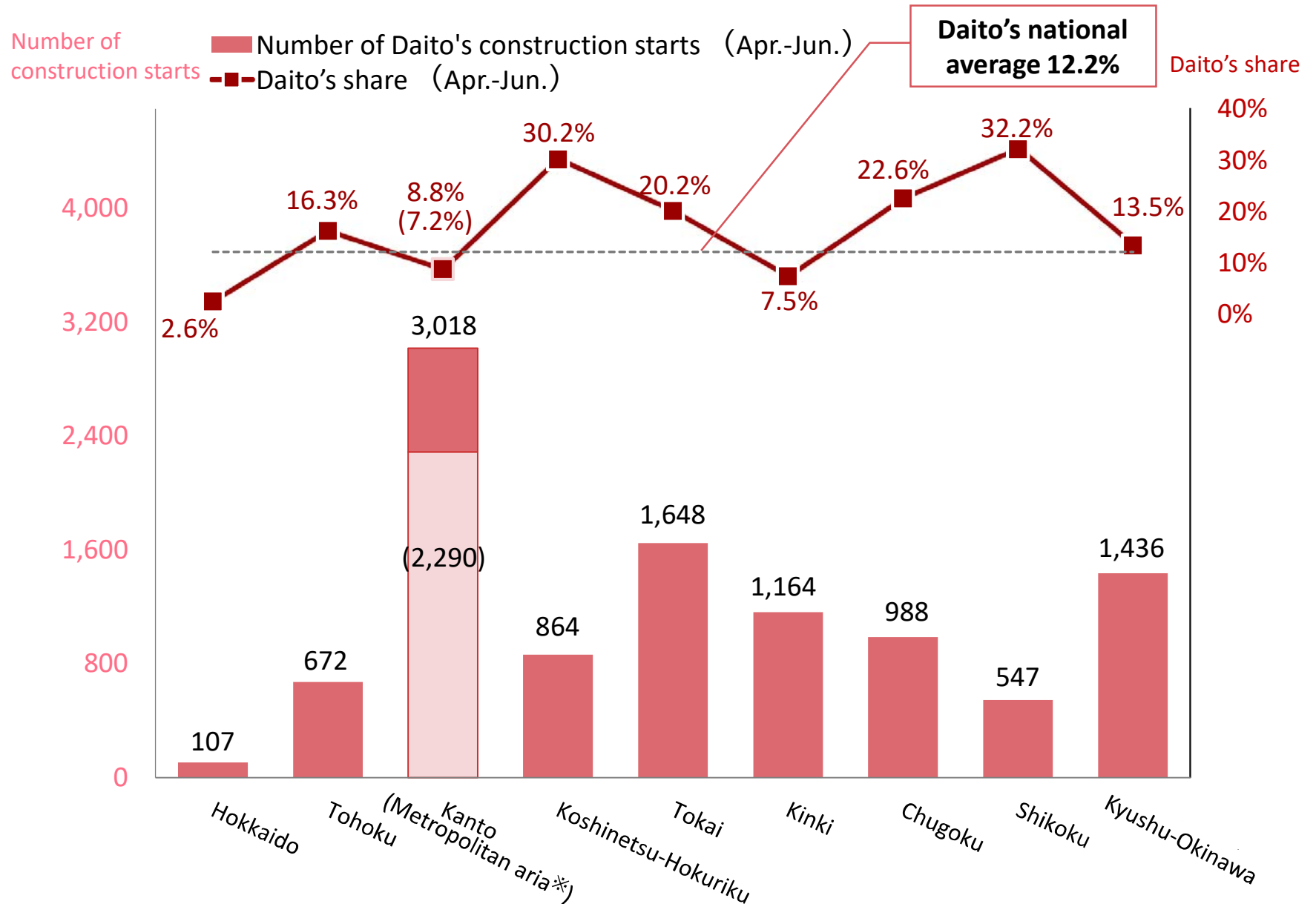
(13,181)

(10,444)

※ (Number of construction starts by Daito group)

(Ministry of Land, Infrastructure, Transport and Tourism : "Housing Starts Statistics")

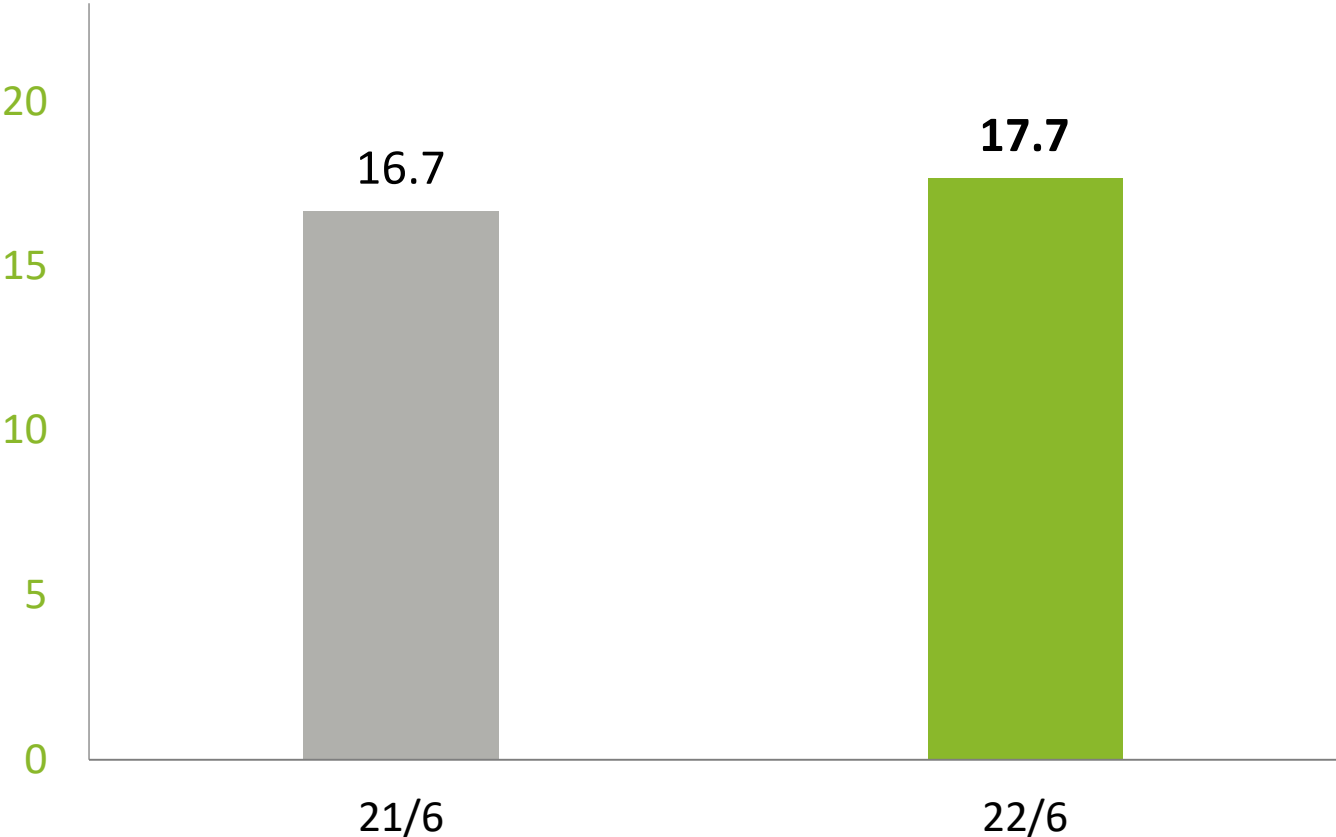
Number of Daito's construction starts in each region & Daito's share



* Metropolitan area ... Tokyo, Kanagawa, Chiba, Saitama Prefecture

Transition of the number of tenant recruitment per sales representatives <YoY>

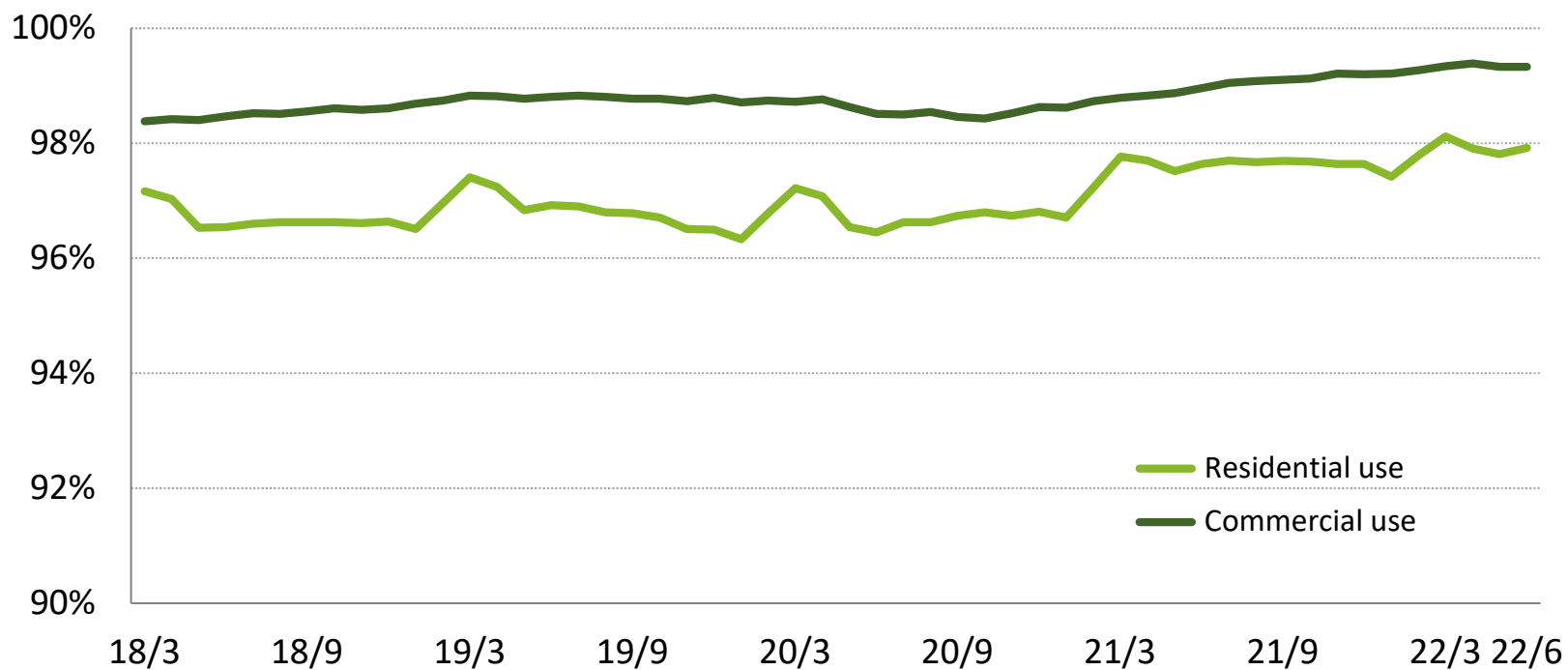
Number of tenant recruitment
/ representatives / month



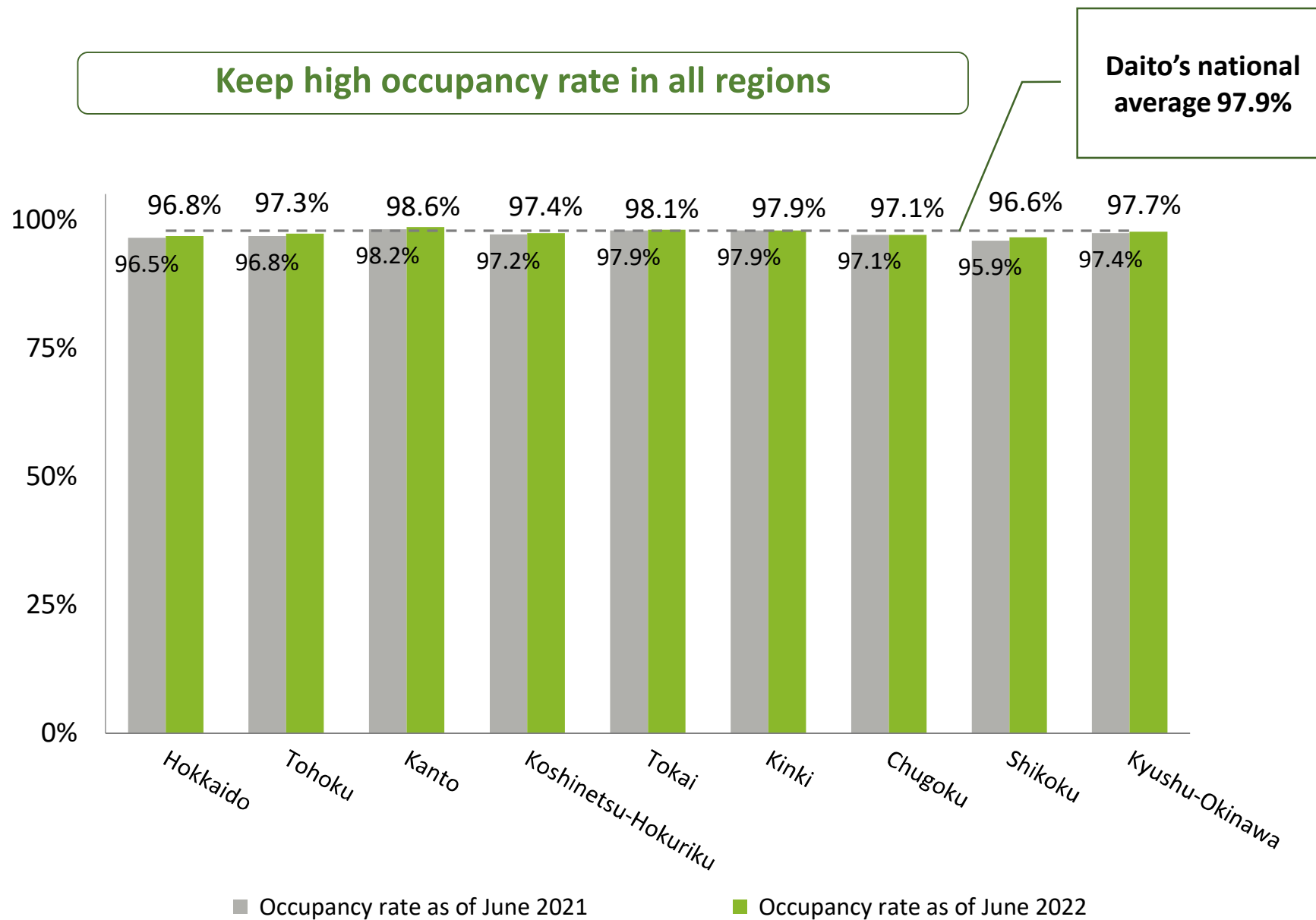
Transition of rent-based occupancy rate

Rent-based occupancy rate	18/6	19/6	20/6	21/6	22/6	YoY
Residential use (%)	96.5%	96.9%	96.5%	97.6%	97.9%	+0.3p
Commercial use (%)	98.5%	98.8%	98.5%	99.0%	99.3%	+0.3p

Rent-based occupancy rate

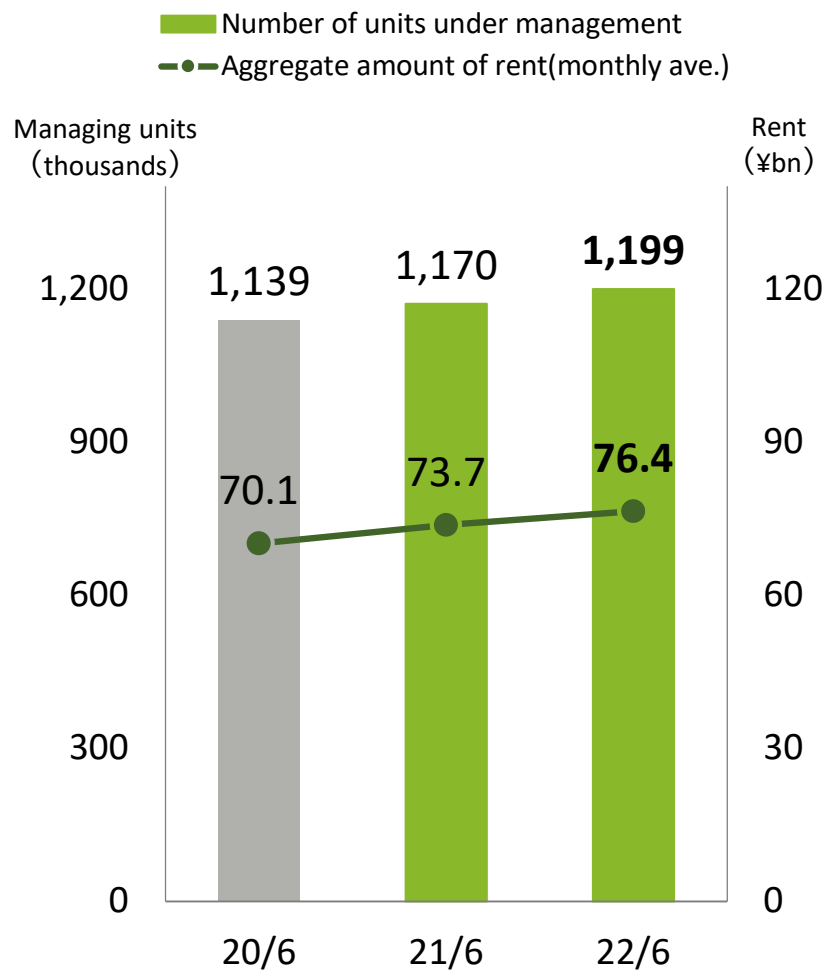


Rent-based occupancy rate in each region (as of June. : Residential use)

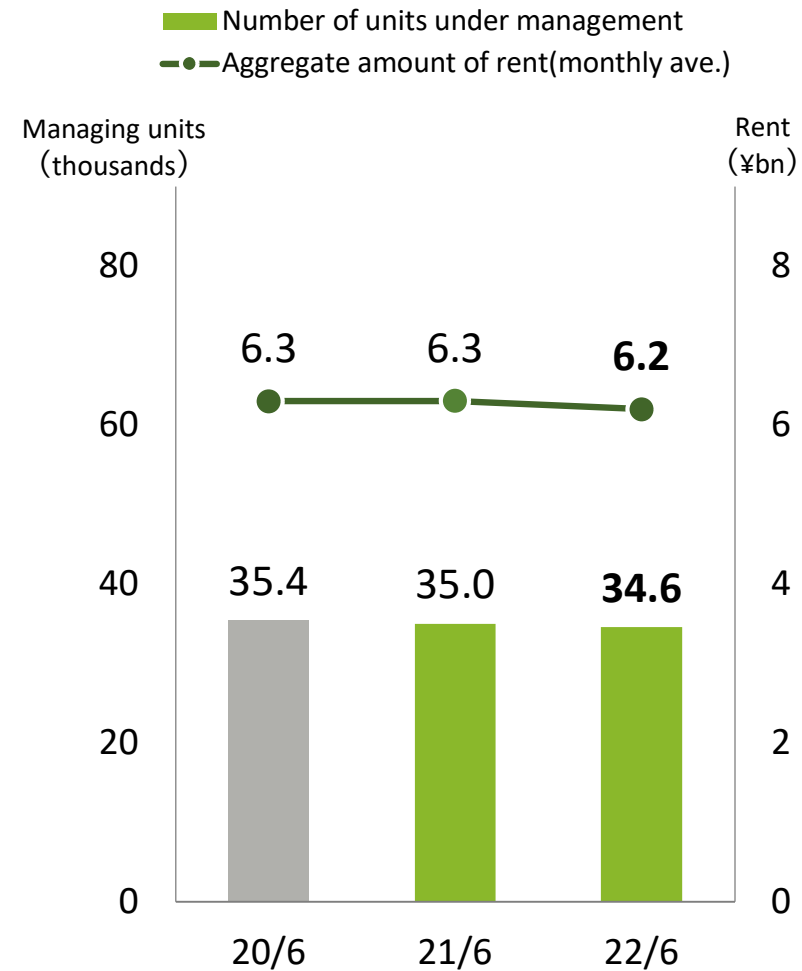


Number of units under management & aggregate amount of rent

Residential use

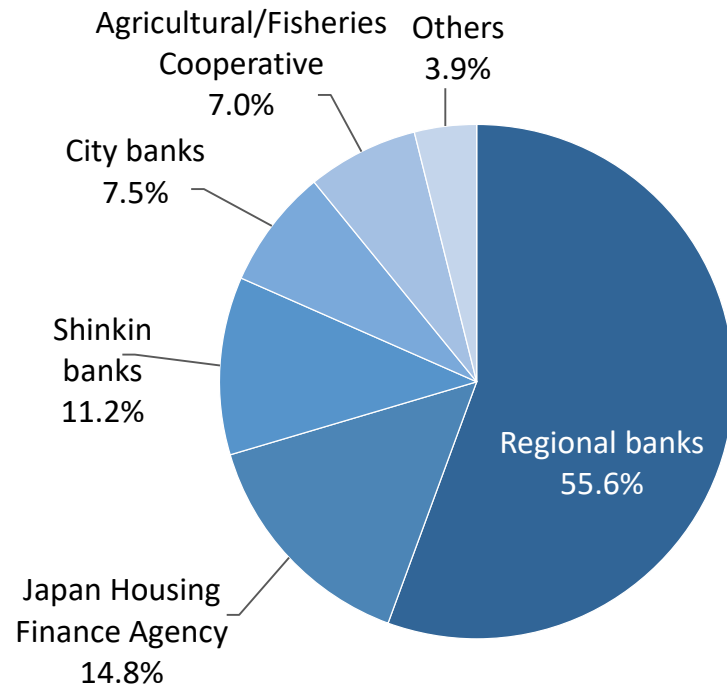


Commercial use

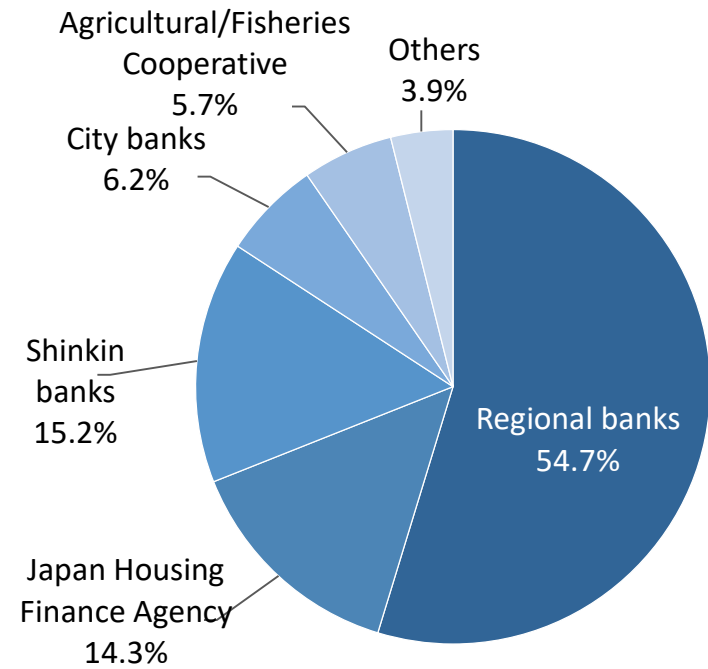


Customer's funds route

FY22/3 full-year



FY23/3 1Q



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