DAITO TRUST CONSTRUCTION CO., LTD.

Feb. 9. 2024

3Q of FY ending March 31, 2024
Q&A Summary on disclosure of settlement of accounts

About forecasts for the current FY

Q1. Please tell us the reason that profit for the current FY is expected to be as planned due to an increase in performance bonuses, etc. (Presentation slide P26)

A1. Construction orders received are progressing faster than expected, and incentives such as performance bonuses and campaigns are expected to increase significantly. Sales and profit are expected to increase, but SG&A expenses will also increase, so results are expected to be in line with initial plan.

Q2. Please tell us about the progress toward achieving your ROE target of 20%.

A2. We are considering selling our assets, but with only two months left in this FY, it will be difficult to achieve this target. We will continue to consider this from next FY onwards.

About orders received

Q3. Please tell us about the proportion of ZEH rental housing in orders and your future target.

A3. Currently, approximately 90% of orders are for environmentally friendly housing such as ZEH rental housing. In order to achieve sustainable growth, we will continue to focus on sales of ZEH rental housings and other products.

Q4. Please tell us about the background that city banks are rapidly increasing their share of financing for clients.

A4. We believe that the long-term stability of our rental housing management has been highly evaluated, and the number of affiliated loans with city banks is increasing.

Q5. Please tell us about the progress of build and land set sales business*.

* A business in which rental housing is built on land the Company purchased and then sold as a set.

A5. The cumulative sales up to 3Q increased to 17.5 billion yen (130% YoY). We believe that this is a field that can grow to a scale of over 100 billion yen in the medium term, and we will continue to focus on this field.

Q6. Please tell us how the rise in interest rates will affect your business.

A6. The building rental business is made up of three interrelationships: construction costs, interest rates, and rent. If interest rates rise, this will have to be passed on to rent, and there is a risk that the occupancy rate will decline. In addition to making business proposals that take into account future interest rate increases and rent declines, we also have our own rent screening and tenant recruitment team, and then we believe that we can flexibly respond to increases in interest rates.

About net sales and gross profit on completed construction work

Q7. Please tell us about the forecast of the gross profit margin on completed construction work for the current FY and the next FY.

A7. Due to the effects of leveling off the construction schedules, etc., we expect the gross profit margin to be around 23% this FY. Going forward, due to the effects of price revisions, etc., we expect to be 25% next FY and 28% thereafter.

Q8. The gross profit margin for completed construction work is expected to rise in the future, but does this mean that you have been able to pass on the price revisions to rent? Also, please tell us if you are aware of any risk factors.

A8. Although we were most concerned about the increase in vacancies when we revised prices, we are currently able to maintain a low vacancy rate. We recognize that another risk factor is the rise in loan interest rates.

Q9. Labor costs are on the rise. Please tell us about the outlook for the future.

A9. The situation continues to be uncertain, including the 2024 problem in the logistics industry. We will try to reduce construction costs by building an efficient construction system based on our annual construction volume.

About real estate business

Q10. Although the number of units under management is increasing, the gross profit margin is flat. Please tell us about the outlook for the future.

A10. Due to the impact of the COVID-19, the number of moving out cooccur with job transfers has decreased, and the occupancy rate has temporarily reached an all-time high. The situations are now returning to normal, with occupancy rates declining slightly and gross profit margin returning to pre-COVID-19 levels.

Q11. Please tell us about the impact of the invoice reporting system.

A11. Rent for business buildings such as stores, parking lots, etc. rented by the Company is subject to consumption tax. Many of our customers are tax-exempt enterprise so that the Company is to be affected by the invoice reporting system. The impact is expected to be approximately 1 billion yen for the current FY and 2 billion yen for the next FY.

Q12. Please tell us about the outlook for the occupancy rate.

A12. The level before the outbreak of the COVID-19 was around 96% to 97%, and we believe that it will stabilize at that level over the medium term.

About Mid-Term Management Plan

Q13. Please tell us an overview of the next Mid-Term Management Plan.

A13. We are planning to announce our next three-year plan in April 2024. As a growth investment policy, we are considering expanding overseas business and developing products and services for the elderly. Regarding shareholder returns, we would like to consider returns each year depending on investment progress.

Others

Q14. The SG&A expense ratio is on the rise. Please tell us about the outlook for the future. (Presentation slide P11)

A14. As the pandemic is coming to an end, SG&A expenses have increased compared to last year as we have increased SG&A expenses for events and revitalized sales promotion activities.

Q15. Please tell us about the impact of the 2024 Noto Peninsula Earthquake on properties under construction. (Presentation slide P15)

A15. There was no damage to properties under construction, and there is no impact on business performance.

End