



Daito Trust Construction Co., Ltd.

Financial Results Briefing for the Fiscal Year Ended March 2024

May 2, 2024

Event Summary

[Company Name]	Daito Trust Construction Co., Ltd.	
[Company ID]	1878-QCODE	
[Event Language]	JPN	
[Event Type]	Earnings Announcement	
[Event Name]	Financial Results Briefing for the Fiscal Year Ended March 2024	
[Fiscal Period]	FY2024 Annual	
[Date]	May 2, 2024	
[Time]	15:30 – 17:10	
[Venue]	Webcast	
[Participants]	80	
[Number of Speakers]	2	
	Kei Takeuchi	President, Representative Director, CEO
	Tsukasa Okamoto	Director, Senior Executive Officer, CFO General Manager of Corporate Management Headquarter

Presentation

Moderator: Now that the time has come, we will begin the financial results briefing for the fiscal year ended March 2024 of Daito Trust Construction Co., Ltd. Today's financial results briefing, which is being held at our conference center, is also being remotely broadcasted. The content of today's presentation will be posted on our website at a later date.

Today's schedule is as follows: Director, Senior Executive Officer, CFO of General Manager of Corporate Management Headquarters, Okamoto will provide an overview of the financial results for the fiscal year ended March 31, 2024, followed by an explanation by President & CEO, Takeuchi of the Medium-Term Business Plan for fiscal years 2024 to 2026, including the results of key indices.

Thereafter, the question-and-answer session will begin around 4:00 PM. We will explain later how to submit questions for the question-and-answer session. The session is scheduled to end around 4:30 PM.

We will now get started. Mr. Okamoto, if you would please.

Okamoto: Thank you very much for joining us today. As just introduced, I, Okamoto, will explain the results for the fiscal year ended March 31, 2024. Unless otherwise indicated, I will explain on a consolidated basis.

Highlights

Results for FY ended March 31, 2024	Achieved higher sales and profits (YoY) and landed on a higher-than-planned performance.
Key Figures	Orders received: 590.4bn (+17.2% YoY) Occupancy rate (rent basis) : 97.9% as of March (△0.1p YoY)
Management index	ROE: 18.4% (+0.2p YoY) Operating income margin: 6.1% (+0.1p YoY)
Shareholder return	Payout ratio: 50% Annual dividend: ¥555 (+¥39 YoY)

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Please refer to page four. I will explain four key points of the financial results for the fiscal year ended March 31, 2024.

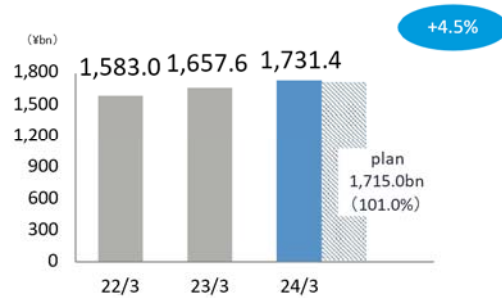
The first point is P&L. We increased both sales and profit and landed on an actual performance that exceeded our plan. The second point is about key figures. Orders received totaled JPY590.4 billion, up 17.2% YoY, meeting the plan of JPY570 billion. With respect to the occupancy rate based on rent in March, we were able to land at a continued high level of 97.9%, down 0.1 points YoY.

The third point is the management index. Our management indexes are an ROE of at least 20% and an operating income margin of at least 7%, and we achieved an ROE of 18.4% and an operating income margin of 6.1%.

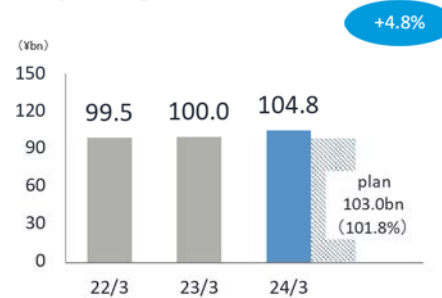
The fourth and final point is shareholder returns. Although the dividend is subject to the resolution of the general shareholders' meeting to be held on June 25, we plan to increase the dividend by JPY39 from the previous year's JPY516 to JPY555 for a dividend payout ratio of 50%.

PL (Consolidated PL)

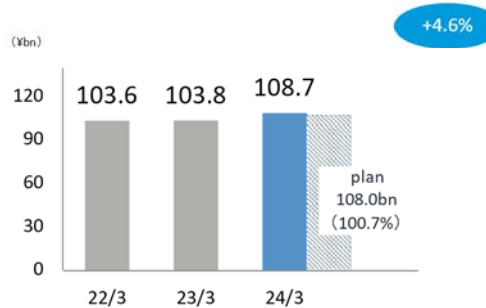
■ Net sales



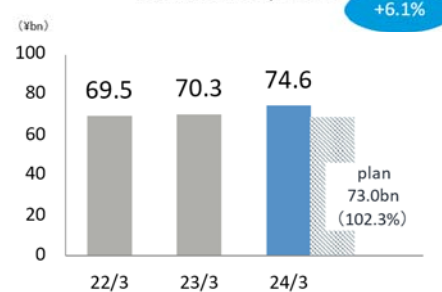
■ Operating income



■ Ordinary income



■ Net income attributable to owners of parent



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Next, please see page five. I will now explain the P&L status for the current fiscal year.

Net sales increased 4.5% to JPY1,731.4 billion, operating income increased 4.8% to JPY104.8 billion, and net income attributable to owners of parents increased 6.1% to JPY74.6 billion. I will explain the details by segment later.

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

■ Major factors of fluctuation (Operating income +¥4.8bn)

Gross profit on completed construction contracts < +¥17.4bn >	• Increase in completed construction (¥459.5bn → ¥492.4bn)	+¥7.01bn
	• Increase in gross profit margin (21.3% → 23.4%)	+¥10.40bn
Gross profit on real estate business < +¥3.2bn >	• Increase in profit from whole-building lease business	+¥3.85bn
	• Increase in profit from real estate brokerage business	+¥0.10bn
	• Increase in profit from guarantee business	+¥0.90bn
	• Decrease in restoration to original condition or repairing construction	△¥0.85bn
	• Decrease in profit from the other businesses	△¥0.82bn
Gross profit on the other businesses < +¥5.6bn >	• Increase in profit from overseas hotel business	+¥2.20bn
	• Increase in profit from gas business	+¥1.24bn
	• Increase in profit from investment condominium business (INVALANCE Ltd.,)	+¥0.89bn
	• Increase in building and land set sales and renovation and resale business	+¥0.99bn
	• Increase in profit from the other businesses	+¥0.47bn
SG&A expenses < △¥21.5bn >	• Increase in personnel expenses	△¥15.95bn
	• Increase in advertising & general publicity expenses	△¥1.95bn
	• Increase in recruitment fee / training fee	△¥0.32bn
	• Increase in the other expenses (Subsidiary expenses etc.)	△¥3.27bn

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Please see page six. Operating income for the current period was JPY104.8 billion, an increase of JPY4.8 billion from the previous period's JPY100 billion.

The breakdown is as follows: gross profit on completed construction contracts increased by JPY17.4 billion, gross profit on real estate business increased by JPY3.2 billion, gross profit on other businesses increased by JPY5.6 billion, and SG&A expenses decreased by JPY21.5 billion due to an increase in SG&A expenses.

The JPY17.4 billion increase in gross profit on completed construction contracts was due to an increase in the amount of completed construction contracts and an improvement in the gross profit margin on completed construction contracts. Gross profit on real estate business increased by JPY3.2 billion, mainly due to steady growth in the whole-building lease business, reflecting an increase in the number of properties under management and the maintenance of high occupancy rates, as well as an increase in revenues from House Leave, which provides services that do not require guarantors.

Gross profit on other businesses increased by JPY5.6 billion. This was due to an improvement in the occupancy rate of a hotel in Malaysia, an increase in the number of gas units supplied, and strong sales of investment condominiums by INVALANCE Ltd.

Finally, the increase in SG&A expenses of JPY21.5 billion was due to the provision of an inflation allowance, as well as increased sales promotion activities due to the convergence of the COVID-19 disaster and increased incentive payments due to construction orders far exceeding targets.

PL (Factors of fluctuation in operating income) (Difference from the initial plan)

■ Major factors of fluctuation (Operating income +¥1.8bn)

Gross profit on completed construction contracts < +¥10.4bn >	<ul style="list-style-type: none"> • Increase in completed construction (¥460.0bn → ¥492.4bn) +¥7.40bn • Increase in gross profit margin (22.8% → 23.4%) +¥3.05bn
Gross profit on real estate business < △¥2.2bn >	<ul style="list-style-type: none"> • Decrease in profit from whole-building lease business △¥2.96bn • Decrease in profit from real estate brokerage business △¥0.18bn • Increase in restoration to original condition or repairing construction +¥0.45bn • Increase in profit from guarantee business +¥0.40bn
Gross profit on the other businesses < +¥1.5bn >	<ul style="list-style-type: none"> • Increase in profit from overseas hotel business +¥0.59bn • Increase in profit from insurance business +¥0.13bn • Increase in profit from investment condominium business (INVALANCE Ltd.,) +¥0.40bn • Increase in building and land set sales and renovation and resale business +¥0.37bn
SG&A expenses < △¥7.9bn >	<ul style="list-style-type: none"> • Increase in personnel expenses △¥10.03bn • Decrease in the other expenses (Subsidiary expenses, etc.) +¥2.07bn

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Next, please see page seven. I will explain the comparison with the initial plan. Operating income was JPY104.8 billion, an increase of JPY1.8 billion against the initial plan of JPY103 billion.

The breakdown is as follows: gross profit on completed construction contracts increased by JPY10.4 billion, and gross profit on real estate business decreased by JPY2.2 billion. Gross profit on other businesses increased by JPY1.5 billion, and SG&A expenses decreased by JPY7.9 billion.

The JPY10.4 billion increase in gross profit on completed construction contracts was due to the fact that the amount of completed construction contracts and the gross profit margin exceeded the projected figures. The JPY2.2 billion decrease in gross profit in the real estate business was due to lower-than-projected occupancy rates despite the high level observed. The JPY1.5 billion increase in gross profit on other businesses was due to a recovery in the occupancy rate of the hotel in Malaysia, an increase in sales of investment condominiums by INVALANCE, and an increase in sales in the renovation and resale business.

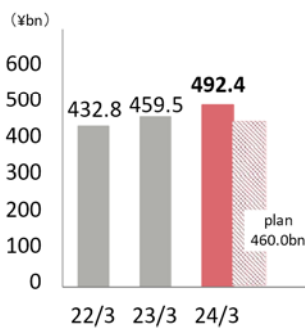
As for SG&A expenses, as explained earlier, they increased due to an increase in sales promotion activities and an increase in incentives associated with an increase in construction orders.

Profit & Loss by segment (Construction business-1)

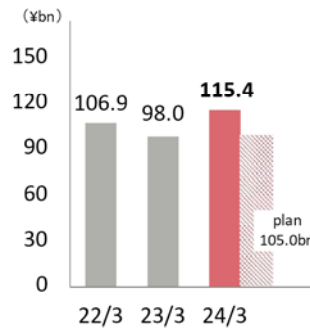
(¥bn)

	2023/3	2024/3	(YoY)
Net sales	459.5	492.4	(+7.2%)
Gross profit	98.0	115.4	(+17.8%)
Operating income	21.3	28.9	(+35.5%)

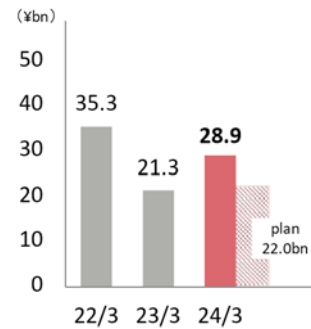
■ Net sales



■ Gross profit



■ Operating income



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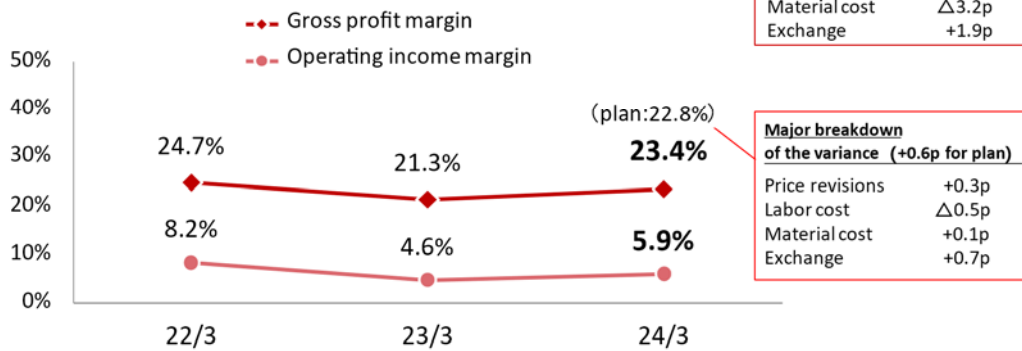
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Next, please see page eight. In the construction segment, the amount of completed construction contracts increased 7.2% YoY to JPY492.4 billion, and operating income increased 35.5% YoY to JPY28.9 billion.

Profit & Loss by segment (Construction business-2)

	2023/3	2024/3	(YoY)
Gross profit margin	21.3%	23.4%	(+2.1p)
Operating income margin	4.6%	5.9%	(+1.3p)

■ Gross profit margin / Operating income margin



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Please see page nine. The gross profit margin increased by 2.1 points to 23.4%.

The breakdown of the increase in gross profit margin is as follows: price revisions added 5.3 points, labor cost minus 1.9 points, material cost minus 3.2 points, and foreign exchange and imported materials plus 1.9 points.

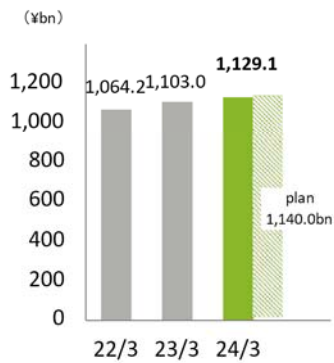
Compared to the plan, the difference is up 0.6 points. The breakdown is as follows: price revision effects are up 0.3 points, labor costs are down 0.5 points, material costs are up 0.1 points, and foreign exchange and imported materials are up 0.7 points. The ratio of operating income to completed construction contracts increased by 1.3 percentage points YoY to 5.9%.

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

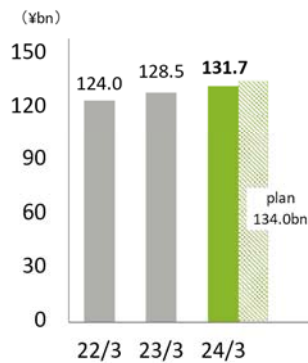
(¥bn)

	2023/3	2024/3	(YoY)
Gross profit margin	1,103.0	1,129.1	(+2.4%)
Gross profit	128.5	131.7	(+2.5%)
Operating income	81.5	82.0	(+0.6%)

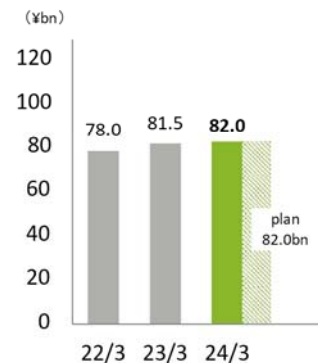
■ Net sales



■ Gross profit



■ Operating income



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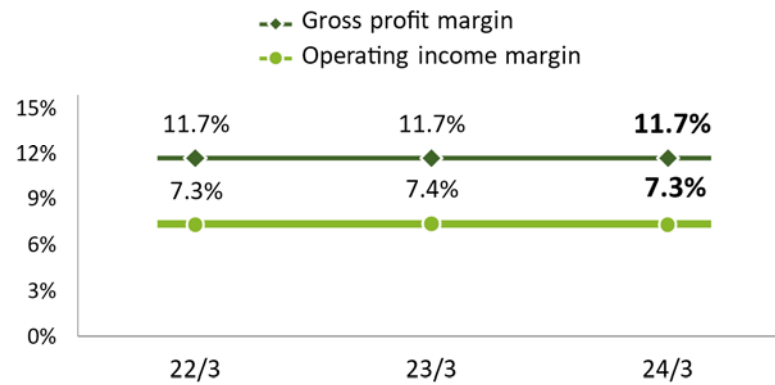
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Next, please see page 10. In the real estate business, net sales increased 2.4% YoY to JPY1,129.1 billion, and operating income increased 0.6% YoY to JPY82 billion.

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

	2023/3	2024/3	(YoY)
Gross profit margin	11.7%	11.7%	(±0.0p)
Operating income margin	7.4%	7.3%	(Δ0.1p)

■ Gross profit margin / Operating income margin



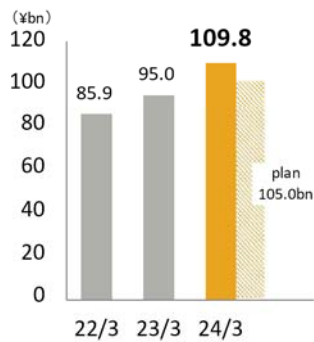
Please see page 11. The gross profit margin for the real estate segment was 11.7%, unchanged from the previous period. The operating margin declined 0.1 percentage point YoY to 7.3%.

Profit & Loss by segment (Other businesses)

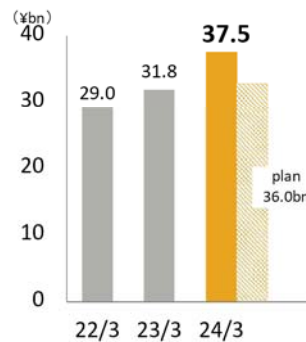
(¥bn)

	2023/3	2024/3	(YoY)
Net sales	95.0	109.8	(+15.6%)
Gross profit	31.8	37.5	(+17.9%)
Operating income	15.0	20.6	(+36.6%)

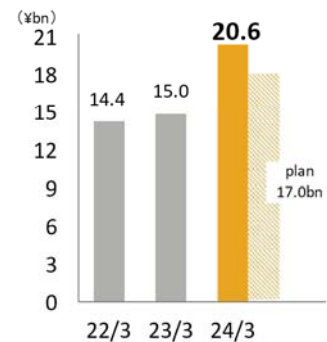
■ Net sales



■ Gross profit



■ Operating income



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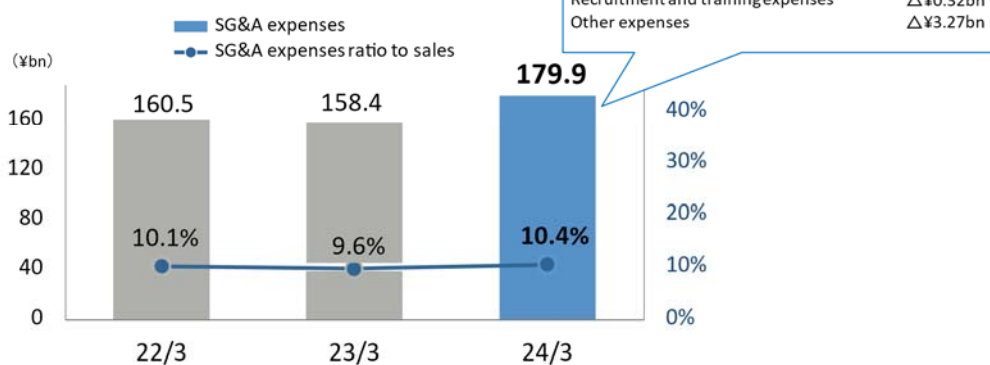
Next, please see page 12. In the other business segment, net sales increased 15.6% YoY to JPY109.8 billion, and operating income increased 36.6% YoY to JPY20.6 billion.

Profit & Loss (Selling, general and administrative expenses)

	2023/3	2024/3	(YoY)
SG&A expenses	158.4	179.9	(+13.6%)
SG&A expenses ratio to sales	9.6%	10.4%	[+0.8p]

[] : Difference from same period in previous year

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



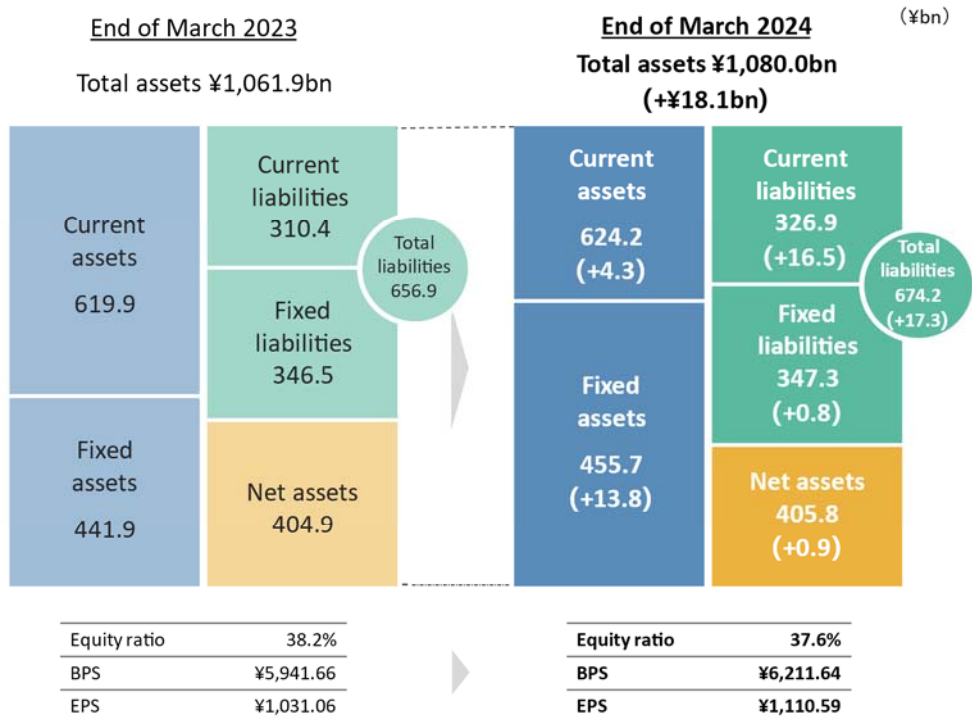
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Please see page 13. SG&A expenses increased by JPY21.5 billion YoY to JPY179.9 billion. As a result, the SG&A-to-sales ratio increased 0.8 percentage points YoY to 10.4%.

Financial review (Consolidated BS)



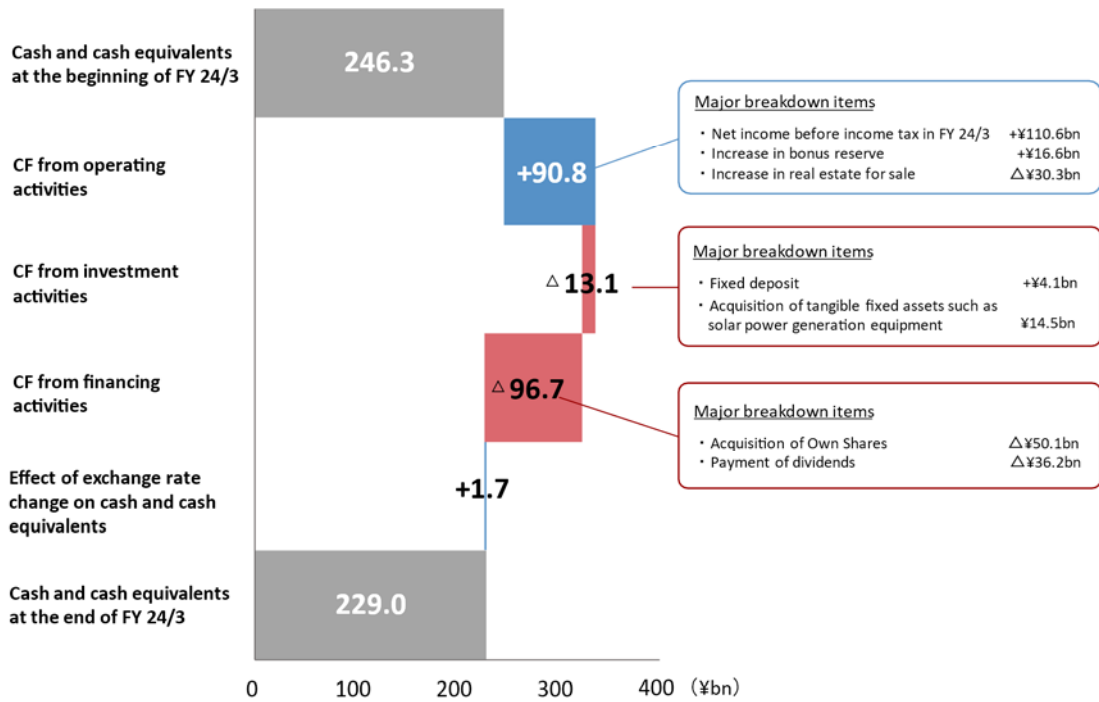
※BPS : Net assets per share
 ※EPS : Quarterly (current year) net income per share

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Please see page 14. Total assets at the end of March 2024 increased by JPY18.1 billion to JPY1,080 billion compared to the end of the previous period, mainly due to an increase in real estate for sale. Fixed liabilities increased by JPY17.3 billion to JPY674.2 billion, and net assets increased by JPY900 million to JPY405.8 billion.

Financial review (Consolidated CF)



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Please see page 15. Cash flow from operating activities was an inflow of JPY90.8 billion, cash flow from investing activities was an outflow of JPY13.1 billion, and cash flow from financing activities was an outflow of JPY96.7 billion.

As a result, cash and cash equivalents at the end of March 2024 totaled JPY229 billion, a decrease of JPY17.6 billion from the beginning of the period. The reasons for the fluctuation are as shown on the slide.

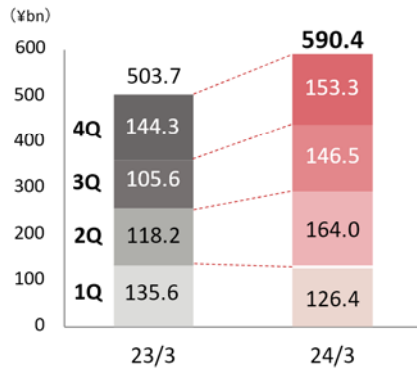
This concludes the overview of the financial results for the fiscal year ending March 31, 2024. I will now turn it over to Takeuchi.

Orders received

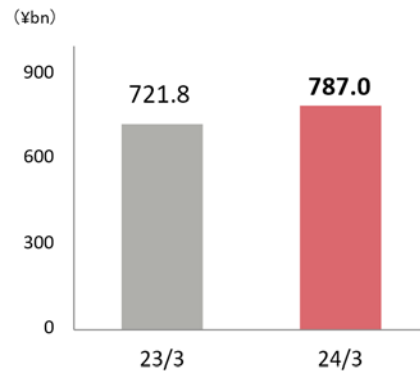
Orders received **¥590.4bn (+17.2% YoY)**

Orders in hand **¥787.0bn (+9.0% YoY)**

■ Orders received



■ Orders in hand



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Takeuchi: Thank you very much for your time today. My name is Takeuchi, President of the Company. I would now like to explain the results of key figures.

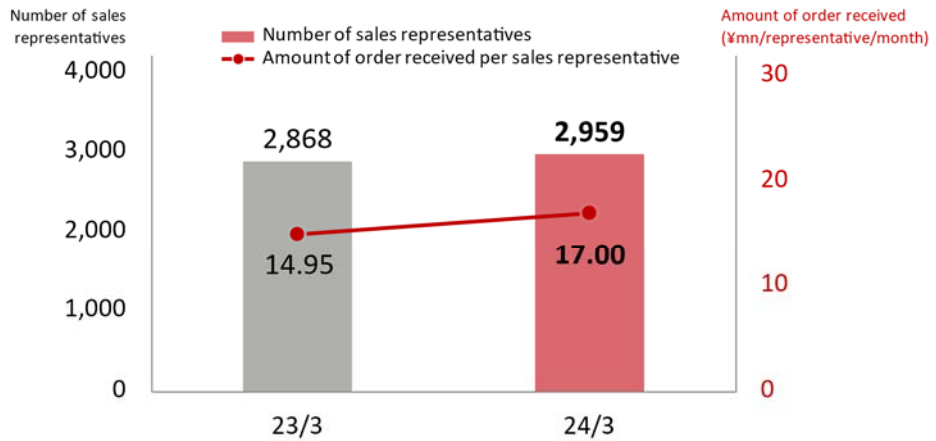
First of all, please refer to page 17. To begin with, orders received for the current fiscal year totaled JPY590.4 billion, an increase of 17.2% YoY. As a result, the orders in hand increased by 9% YoY to JPY787 billion.

Orders received (Efficiency in receiving orders)

Number of sales representatives <as of end of Mar.> 2,959 (+91 YoY)

Amount of order received per sales representative

¥17.00mn / month (¥2.05mn YoY)



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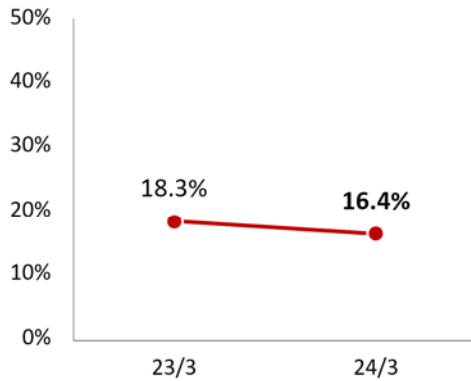
Please continue on page 18. The number of sales representatives at the end of March increased by 91 YoY to 2,959. The amount of orders received per sales representative increased by JPY2.05 million to JPY17 million.

Orders received (Mid-rise ratio and rebuild ratio)

Mid-rise ratio **16.4%** (△ 1.9p YoY)

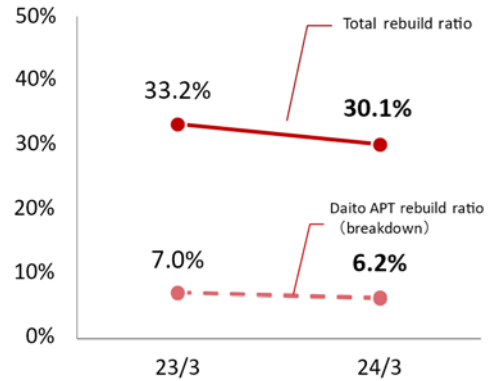
Rebuild ratio **30.1%** (△ 3.1p YoY)

■ 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

Next, please refer to page 19. The mid-rise ratio decreased 1.9 percentage points YoY to 16.4%. This was due to our continued focus on sales of low-rise wooden ZEH products.

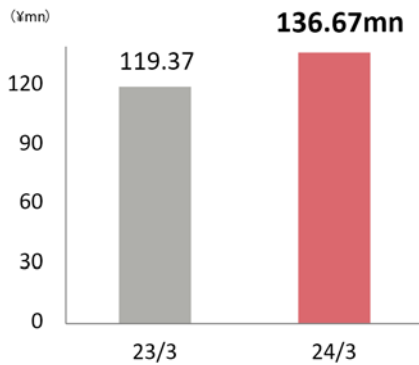
As for the rebuild ratio, it decreased by 3.1 percentage points YoY to 30.1%. This was due to the continued high occupancy rate and a decrease in the number of rebuilds due to tenants moving out of their properties.

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

Average price of order received **¥136.67mn (+¥17.29mn YoY)**

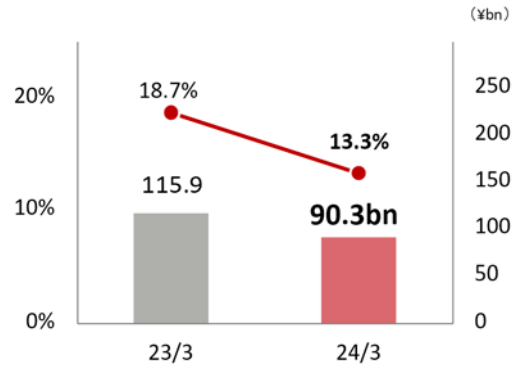
Cancellation ratio **13.3% (Δ 5.4p YoY)**

■ 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

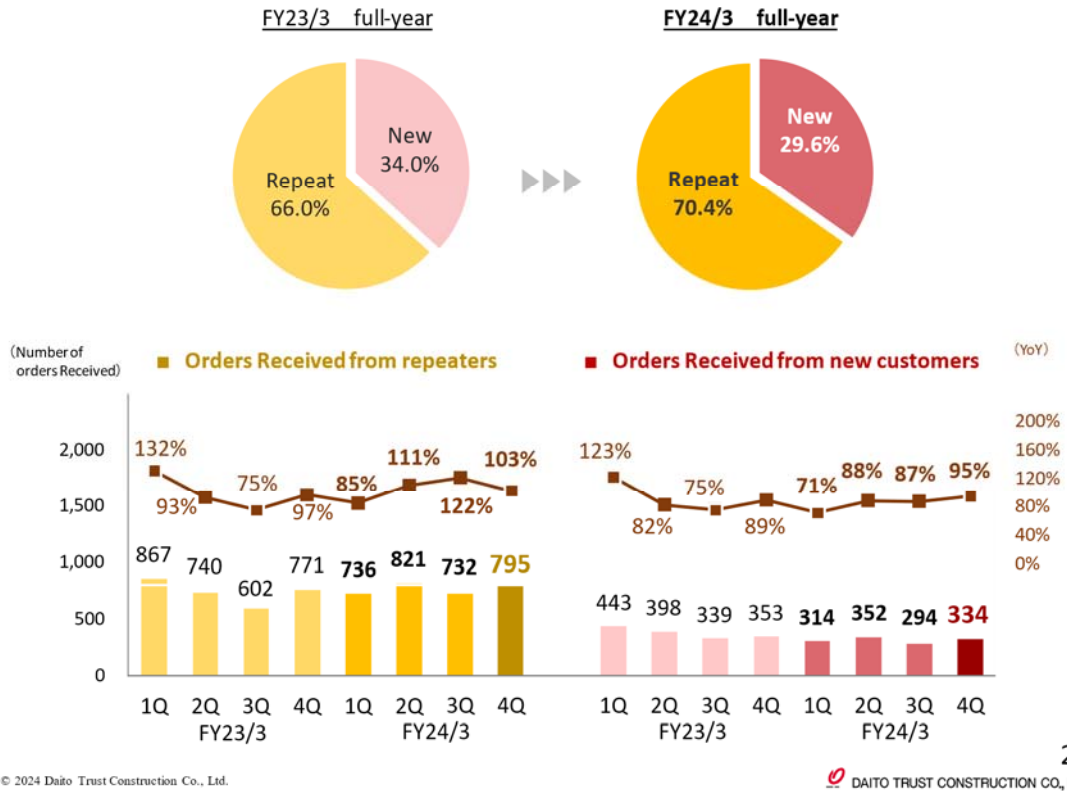
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Please continue to page 20. Next, I will explain the price of orders received and the cancellation ratio.

The graph on the left shows the price of orders received. Compared to the previous period, the price per order increased by JPY17.29 million to JPY136.67 million. On the right is the cancellation ratio. The cancellation ratio improved by 5.4 percentage points YoY to 13.3%.

Orders received (Number of orders received & their channels)

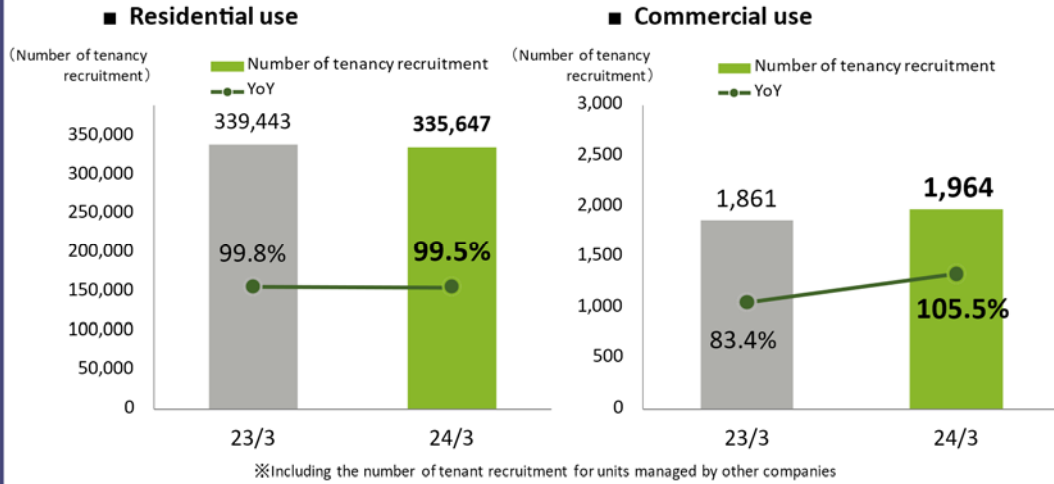


Next, please see page 21. The percentage of new customers during the period was 29.6%, down 4.4 points YoY. The percentage of repeating customers increased by 4.4 percentage points to 70.4%.

The increase in repeat contracts is the result of our efforts in H2 of the fiscal year to strengthen our grip on existing owners.

Tenancy recruitment (Number of recruitment)

Number of tenancy recruitment	337,611 (△ 1.0% YoY)
Residential use	335,647 (△ 1.1% YoY)
Commercial use	1,964 (+5.5% YoY)



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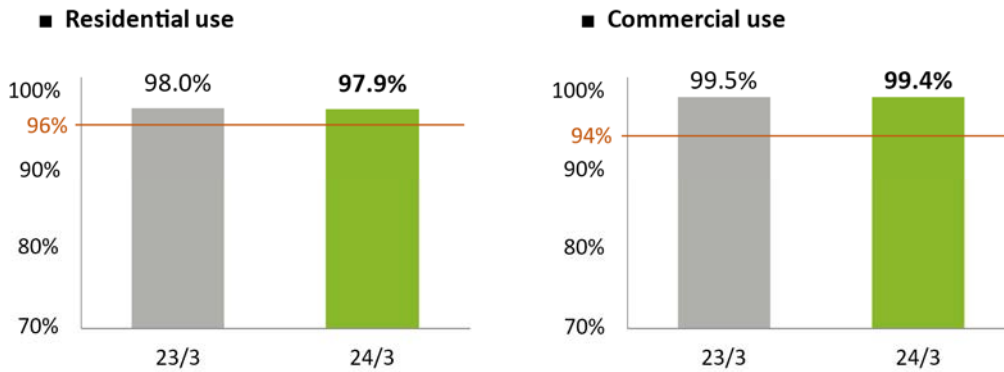
Please refer to page 22. Regarding tenancy recruitment. The number of tenancy recruitment decreased 1.1% YoY to 337,611.

Tenancy recruitment (Rent-based occupancy rate[※])

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

Residential use **97.9% (△ 0.1p YoY)**

Commercial use **99.4% (△ 0.1p YoY)**

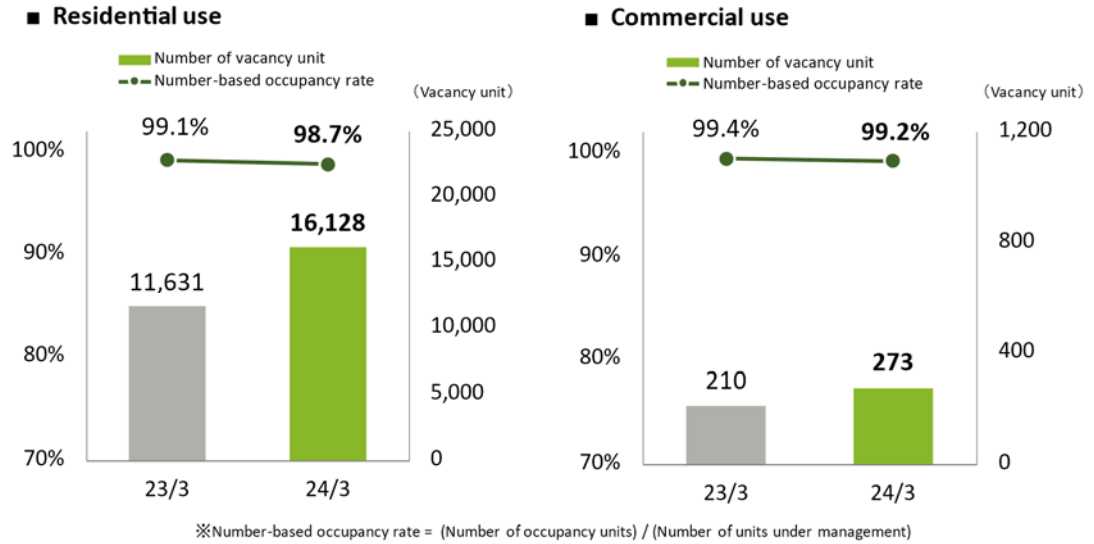


※Rent-based as occupancy rate = 100% - (Lease fee payment for vacant units / Aggregate amount of rent [%])

Continuing on page 23. The occupancy rate based on rent decreased 0.1 percentage points YoY to 97.9%. Although the occupancy rate decreased, we recognize that the occupancy rate remains high compared to past years.

Tenancy recruitment (Number-based occupancy rate[※])

Residential use units	98.7% (△0.4p YoY)
Commercial use units	99.2% (△0.2p YoY)



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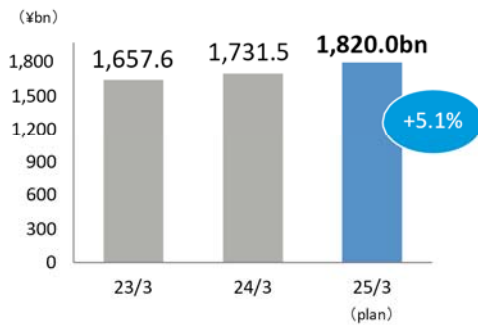
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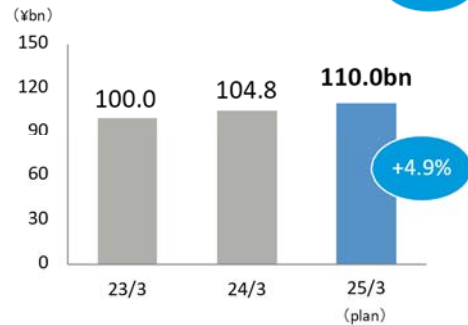
Please see page 24. Number-based occupancy rate decreased by 0.4 points YoY to 98.7%. As with the rent-based occupancy rate, we recognize that we are maintaining a high occupancy rate.

Forecasts for FY ending in March 2025 (Consolidated PL)

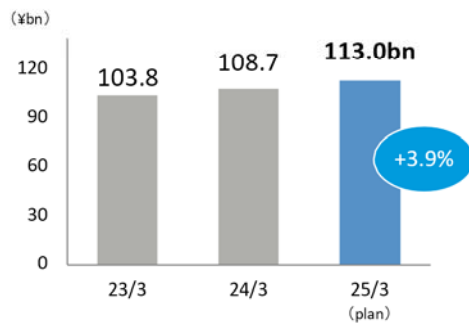
■ Net sales



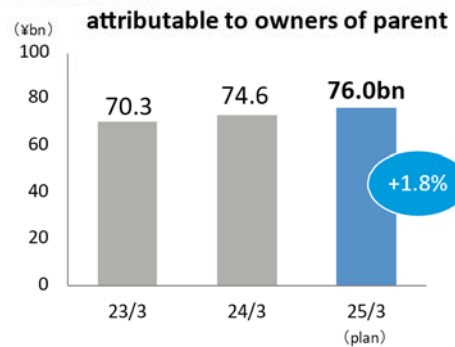
■ Operating income



■ Ordinary income



■ Net income



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I would like to continue by explaining our plans for the current fiscal year. Please refer to page 26.

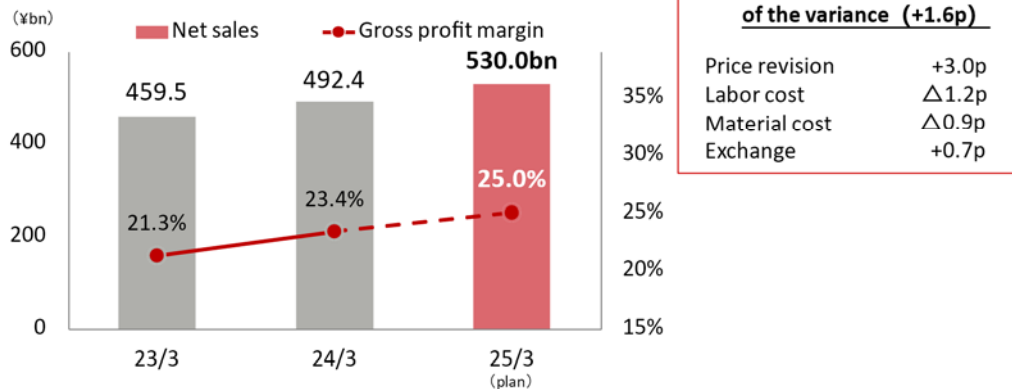
Regarding P&L, we are forecasting a 5.1% increase in net sales YoY to JPY1,820 billion, a 4.9% increase in operating income YoY to JPY110 billion, a 3.9% increase in ordinary income YoY to JPY113 billion, and a 1.8% increase in net income YoY to JPY76 billion.

Forecasts for FY ending in March 2025 (Forecast of completion)

	2024/3	2025/3(plan)	(YoY)
Net sales	492.4	530.0	(+7.6%)
Gross profit	115.5	132.5	(+14.8%)
Gross Profit margin ratio	23.4%	25.0%	[+1.6p]

[] : Difference from same period in previous year

■ Net sales / Gross Profit margin ratio



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Please refer to page 27. This is the forecast of completion. The forecast net sales are JPY530 billion, up 7.6% YoY. Regarding the gross profit margin, it is forecasted to be JPY132.5 billion, an increase of 14.8% YoY. The gross profit margin ratio is projected to be 25%, an improvement of 1.6 percentage points YoY.

The breakdown of this improvement is as follows: the price revision is expected to increase profits by 3 percentage points, and the increase in labor costs due to the rise in order prices is expected to decrease by 1.2 percentage points. The increase in material costs due to higher raw material prices is minus 0.9 points, and the decrease in the price of lumber from North America is minus 0.7 points.

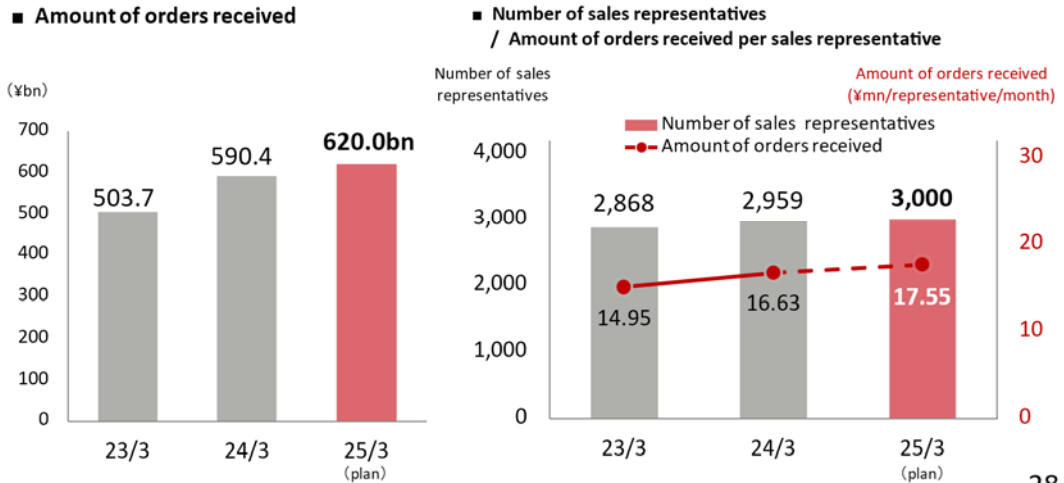
The price revision implemented in 2022 has had some positive effects, but the improvement in the gross profit margin has been smaller than originally projected due to the sharp rise in the cost of materials and raw materials. In addition, we expect that due to the 2024 problem, the cost of materials and transportation will be affected this year and that the cost of labor and materials will continue to rise.

Forecasts for FY ending in March 2025 (Forecast of orders received)

Forecast of amount of orders received **¥620.0bn (+5.0% YoY)**

Number of sales representatives < at the end of Mar. 2025 forecast >
3,000 (+41 YoY)

Amount of orders received per sales representative
¥17.55mn/month (+0.92mn YoY)



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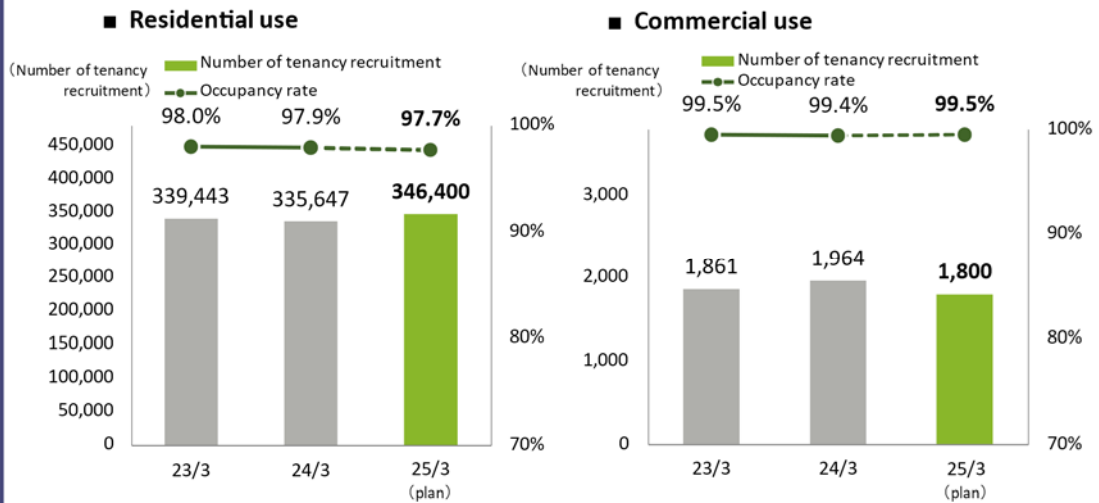
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Please turn to page 28. Next, regarding the amount of orders received is projected to be JPY620 billion, up 5% YoY, and the number of sales representatives is expected to increase by 41 to 3,000. We would like to somehow increase the number of sales representatives to 3,000. We are also planning to increase the amount of orders received per sales representative JPY by JPY0.92 million to JPY17.55 million.

Forecasts for FY ending in March 2025 (Forecast of tenancy recruitment)

Number of tenancy recruitment	348,200	(+3.1% YoY)
Residential use	346,400	(+3.2% YoY)
Commercial use	1,800	(△8.4% YoY)



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

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Next, please see page 29. Regarding tenancy recruitment. We plan to increase this number by 3.1% YoY to 348,200. We are forecasting 346,400 cases for residential use and for commercial use 1,800.

Shareholder Return (Annual dividend per share)

Annual dividend per share in FY24/3

for plan
+¥20

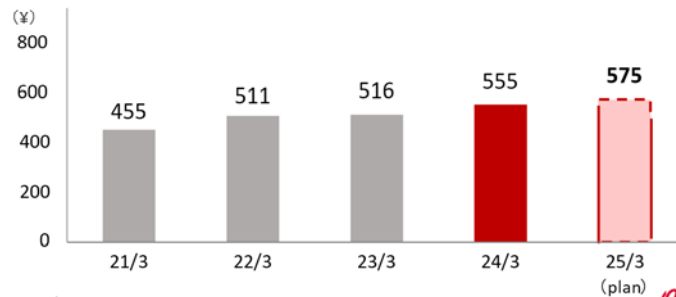
<plan> ¥535 ▶ <result> ¥555 (+ ¥39 YoY)
(mid ¥267 + end ¥288)

>> Payout ratio 50% continues

Plan in annual dividend per share in FY25/3

<plan> ¥575 (+ ¥20 YoY) >> Payout ratio 50%
(mid ¥267 + end ¥268)

Annual dividend



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Next, I would like to explain about shareholder returns. Please refer to page 31. The dividend for the fiscal year ended March 31, 2024, will be JPY555 per share, an increase of JPY20 per share over the plan.

For the fiscal year ending March 31, 2025, we plan to pay a dividend of JPY575, an increase of JPY20 YoY, with a payout ratio of 50%.

This concludes the explanation of our forecast.