DAITO TRUST CONSTRUCTION CO., LTD.

May. 15. 2024

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

About the net sales and the gross profit on completed construction work

Q1. The gross profit margin for completed construction projects in the fiscal year ending March 2025 is planned to be 25%, how includes the impact of the 2024 problem on the construction and transportation industries in this plan? And, tell us the possibility of further sales price revision. (Presentation slide P27)

A1. We expect labor and distribution costs to increase due to the 2024 problem and have factored this into our gross profit margin plan for this FY, by -0.5 percentage points. As a countermeasure, we would like to reduce cost increases by locating a new materials warehouse and shortening the transportation distance between the warehouse and a construction site. Regarding sales price revision, we are considering implementing the revision at an appropriate timing based on the situation of labor and distribution costs.

About real estate business

Q2. Please tell us why the operating income in the real estate business plan for this FY will decrease by 9 billion yen from previous FY. (Presentation slide P33)

A2. As the period from FY2022 to FY2023 the number of move-ins and move-outs decreased due to the outbreak of COVID-19, resulting in record-high occupancy and revenue levels. In this FY, we expect a decrease in rent income due to a gradual return to the occupancy rate level prior to COVID-19 outbreak. In addition, we expect expenses related to sales promotion, systems, invoices, etc., will increase.

Q3. Please tell us about the background behind the rise in rents across the country.

A3. Rents are on the rise nationwide due to Inflation and rising construction costs.

Others

Q4. Please tell us about the efforts to achieve ROE of 20% for this FY.

A4. We will seek to improve earnings in the construction and real estate businesses, in addition consider selling of our assets.

Q5. Please tell us about the considering retirement of treasury stock.

A5. We will consider retirement of treasury stock as well as its utilization (return to employees and M&A).

About Medium-Term Management Plan

Q6. Please tell us about a breakdown by segment of the 140-billion-yen operating income plan for the fiscal year ending March 31, 2027.
(Mid-Term Management Plan Presentation slide P21)

A6. Compared to previous FY, we expect an increase of +30.0 billion yen in the construction business and +5.0 billion yen in the real estate development business, for a total increase of +35.0 billion yen.

Q7. Please tell us about the outlook for SG&A expenses during the mid-term management plan period.

A7. The plan takes into account the increase in expenses due to inflation, the impact of the invoice system, and stock benefits to employees. The SG&A to sales ratio for each single fiscal year is expected to be around 10%.

Q8. Please tell us about shareholder returns in the mid-term management plan.
(Mid-Term Management Plan Presentation slide P21)

A8. We will set a dividend payout ratio of 50%, and consider acquiring our own shares while taking into account annual earnings and financial / investment status.

Q9. Please tell us about the anticipated scale of purchases-renovations-resales business in North America.

A9. We aim for sales of 10 billion yen in the fiscal year ending March 2027.

Q10. Please tell us about the impact on sales of regional development that is unique to Daito Group, and which local governments are specifically considering it.
(Mid-Term Management Plan Presentation slide P20)

A10. We are targeting sales of 20 billion yen for the fiscal year ending March 2027. We plan to specify the area of expansion in the future, focusing on nursing care facilities operated by our group company Care Partner, which has 82 facilities nationwide.

End