Daito Trust Construction Co., Ltd.

Q3 Financial Results Briefing for the Fiscal Year Ending March 2025

January 31, 2025

Event Summary

[Company Name]	Daito Trust Construction Co., Ltd.	
[Company ID]	1878-QCODE	
[Event Language]	JPN	
[Event Type]	Earnings Announcement	
[Event Name]	Q3 Financial Results Briefing for the Fiscal Year Ending March 2025	
[Fiscal Period]	FY2025 Q3	
[Date]	January 31, 2025	
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[Venue]	Webcast	
[Venue Size]		
[Participants]		
[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: We will now begin the financial results briefing for Q3 of the fiscal year ending March 31, 2025 of Daito Trust Construction Co., Ltd.

The status of today's earnings presentation is also available remotely. The content of today's briefing will be posted on our website at a later date.

Okamoto, CFO Director, Senior Executive Officer, CFO, General Manager of Corporate Management Headquarter, will provide an overview of the financial results for Q3 of the fiscal year ending March 31, 2025, and then Takeuchi, CEO President, Representative Director, will explain the results of key indicators and beyond.

A question-and-answer session will follow the presentation. Instructions on how to accept questions and answers will be provided when entering the Q&A session. The end time is scheduled to be 16:30.

Now, let us begin the presentation. Mr. Okamoto, please.

Okamoto: Thank you very much for joining us today. I am Okamoto. Thank you.

Let me start the explanation of our financial results. Unless otherwise noted, we will explain on a consolidated basis.

PL（Consolidated PL）

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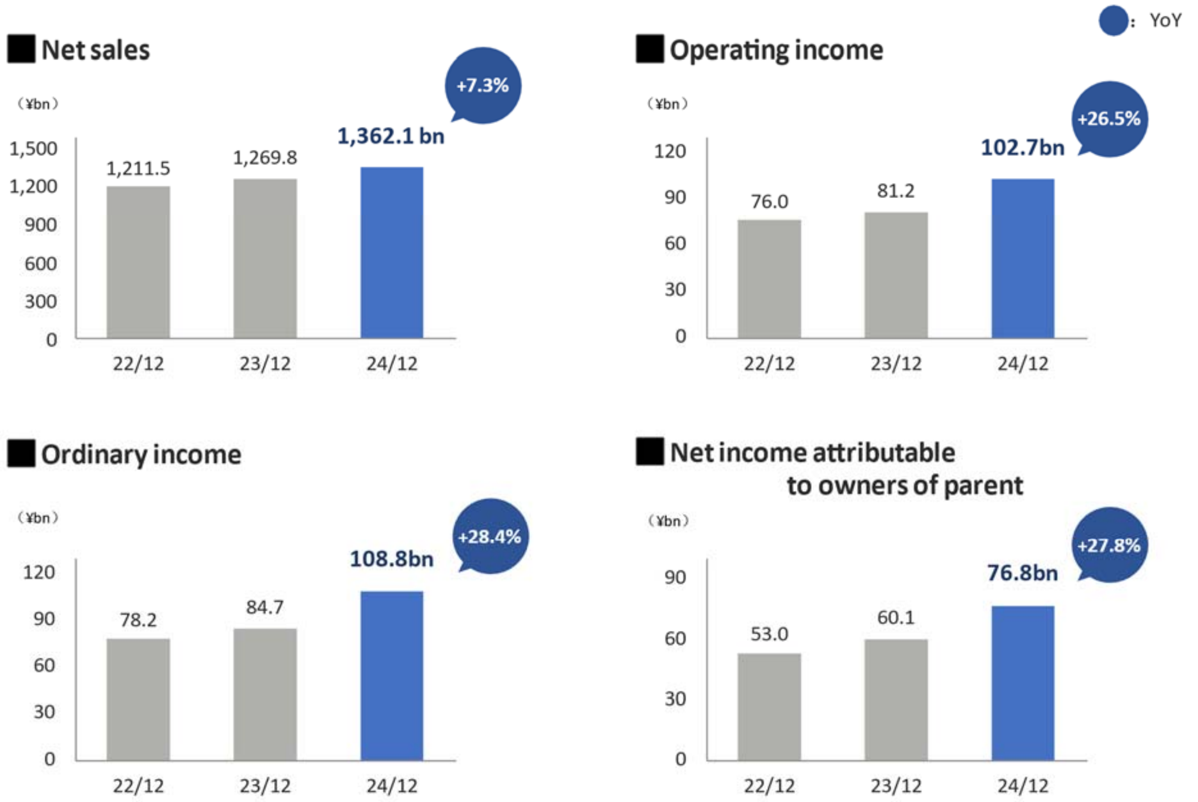

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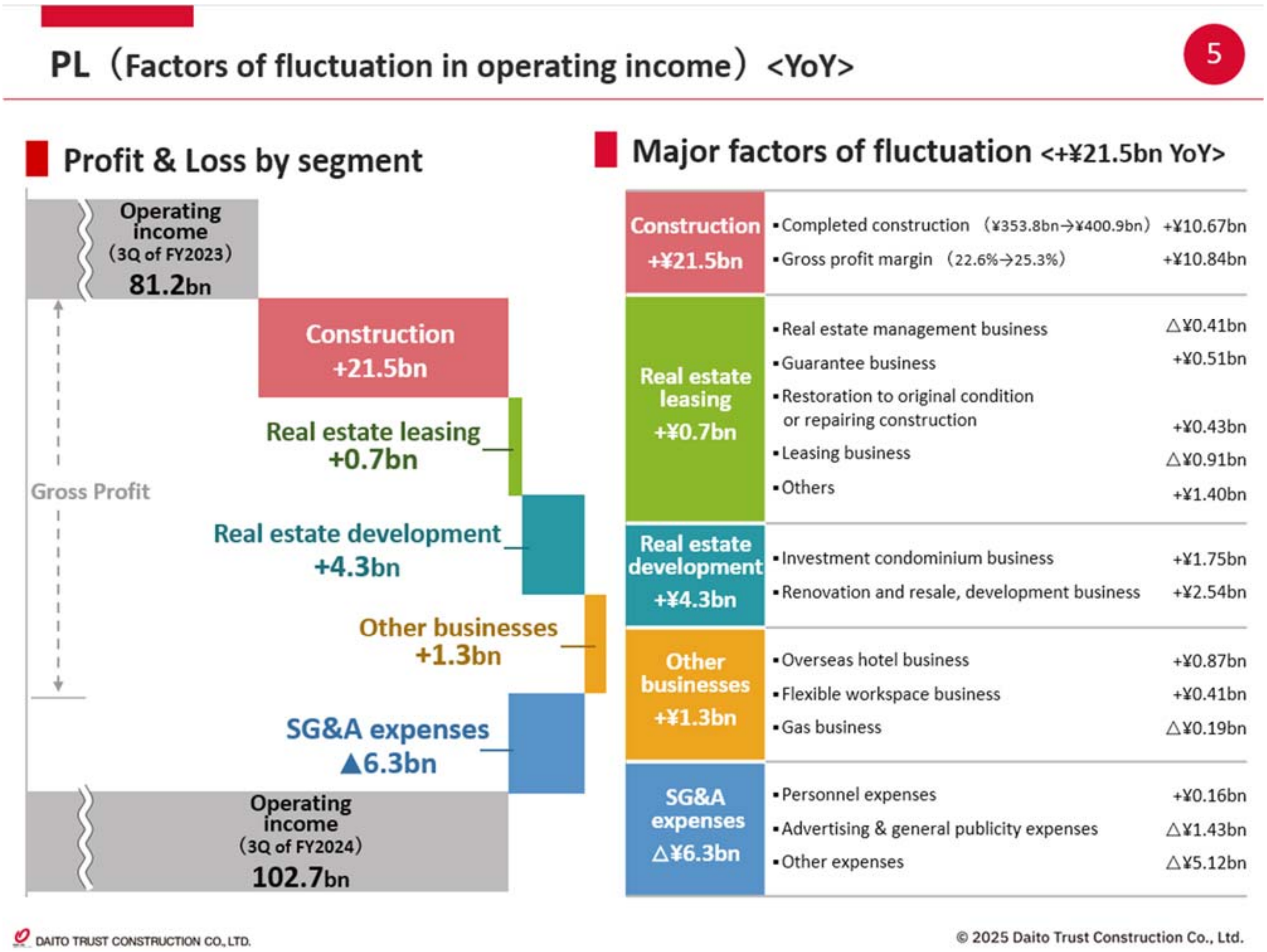
Please refer to page four. I will now explain the status of P&L for the period under review.

In Q3 of this fiscal year, net sales increased 7.3% from the previous year to JPY1,362.1 billion, operating income increased 26.5% to JPY102.7 billion, and net income increased 27.8% to JPY76.8 billion. The results were significantly higher than the previous term.

An extraordinary gain of JPY1.1 billion was recorded from the sale of marketable securities. Details will be explained later by segment.



Please refer to page five. Operating income for the period was JPY102.7 billion, up JPY21.5 billion from JPY81.2 billion in the previous period.

This includes a JPY21.5 billion increase in gross profit from completed construction, a JPY0.7 billion increase in gross profit from real estate rental operations, a JPY4.3 billion increase in gross profit from real estate development operations, a JPY1.3 billion increase in gross profit from other operations, and a JPY6.3 billion decrease due to higher SG&A expenses. The JPY21.5 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.

The JPY700 million increase in gross profit from the real estate leasing business was due to an increase in the number of rent guarantees resulting from an increase in the number of units under management, as well as an increase in repair work.

The JPY4.3 billion increase in gross profit from the real estate development business was due to continued strong sales of income-producing real estate such as investment condominiums, purchases, renovations, and resales.

As for other business gross profit, it increased by JPY1.3 billion. While profit margins in the gas supply business decreased due to higher LP gas purchase prices caused by high crude oil prices, this was mainly due to a steady recovery in hotel occupancy rates in Malaysia from COVID-19 disaster.

Finally, the JPY6.3 billion increase in SG&A expenses was due to sales promotion expenses for sales activities and events, and an increase in advertising expenses, as well as an increase in system-related maintenance expenses.

Profit & Loss by segment（Construction business - 1）

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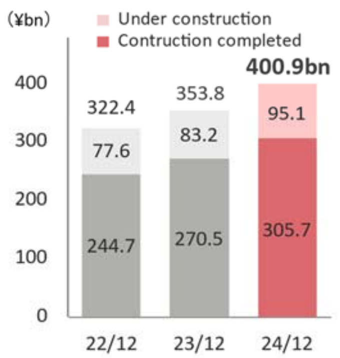
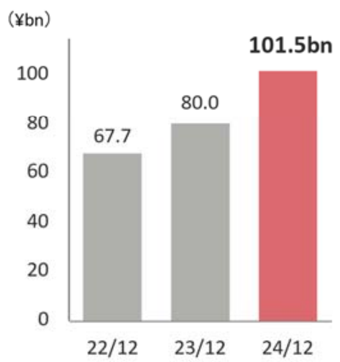
(¥bn)

	2023/12	2024/12	（YoY）
Net sales	353.8	**400.9**	（+13.3%）
Gross profit	80.0	**101.5**	（+26.9%）
Operating income	15.7	**36.5**	（+131.7%）

Net sales



Gross profit



Operating income

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Please refer to page six. In the construction segment, completed construction work increased 13.3% from the previous year to JPY400.9 billion, and operating income increased 131.7% to JPY36.5 billion.

Profit & Loss by segment（Construction business - 2）

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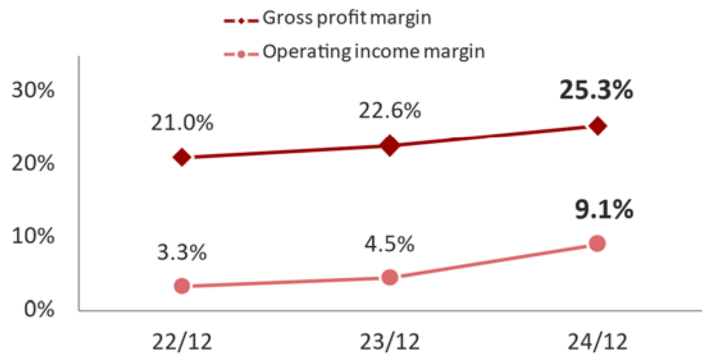
	2023/12	2024/12	（YoY）
Gross profit margin	22.6%	**25.3%**	（+2.7p）
Operating income margin	4.5%	**9.1%**	（+4.6p）

Major breakdown of the variance（+2.7p YoY）

① Price revision	+4.5p
② Labor cost	△0.7p
③ Material cost	△2.5p
④ Imported materials	+1.4p

Gross profit margin / Operating income margin



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Please refer to page seven. The gross margin ratio increased by 2.7 percentage points from the previous year to 25.3%. The breakdown of the increase in gross margin is as shown in the materials, but it is slightly lower than the 25.5% in the first half due to ongoing cost increases in construction materials and labor due to the year 2024 problem, as well as progress in the construction of RC properties.

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

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(¥bn)

	2023/12	2024/12	（YoY）
Net sales	841.4	**867.6**	（+3.1%）
Gross profit	98.9	**99.7**	（+0.8%）
Operating income	63.6	**62.4**	（△1.9%）

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Please refer to page eight. In the real estate leasing segment, net sales increased 3.1% from the previous period to JPY867.6 billion, and operating income decreased 1.9% to JPY62.4 billion.

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

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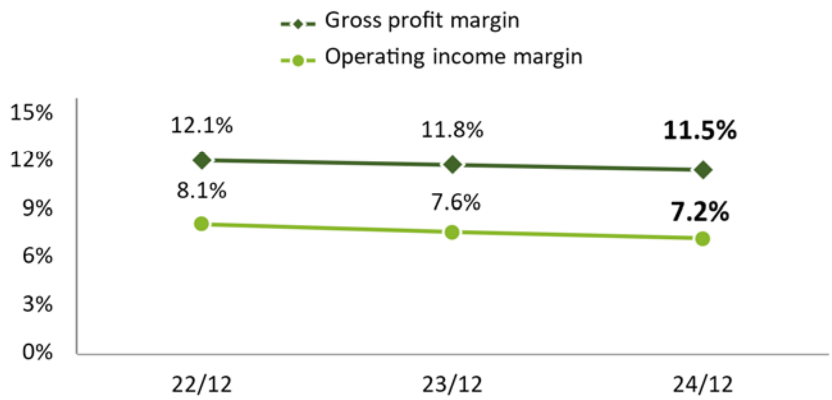
	2023/12	2024/12	（YoY）
Gross profit margin	11.8%	**11.5%**	（△0.3p）
Operating income margin	7.6%	**7.2%**	（△0.4p）

Gross profit margin / Operating income margin



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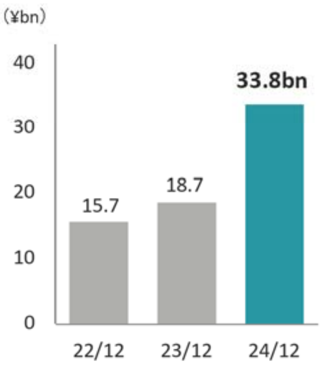
Please refer to page nine. Gross margin and operating margin declined 0.3 and 0.4 percentage points, respectively, from the previous period due to an increase in occupancy promotion expenses, but are still high compared to the gross margin of around 10% before COVID-19 outbreak.

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

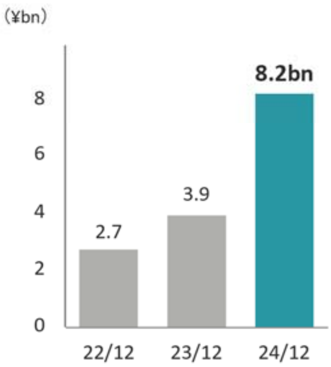
(¥bn)

	2023/12	2024/12	（YoY）
Net sales	18.7	**33.8**	（+80.1%）
Gross profit	3.9	**8.2**	（+108.9%）
Operating income	1.2	**3.6**	（+197.3%）

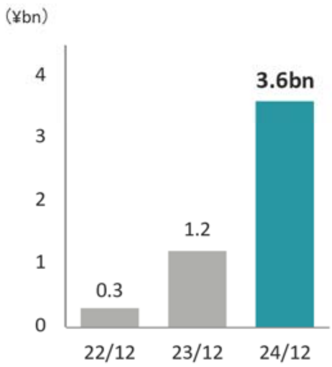
Net sales



Gross profit



Operating income

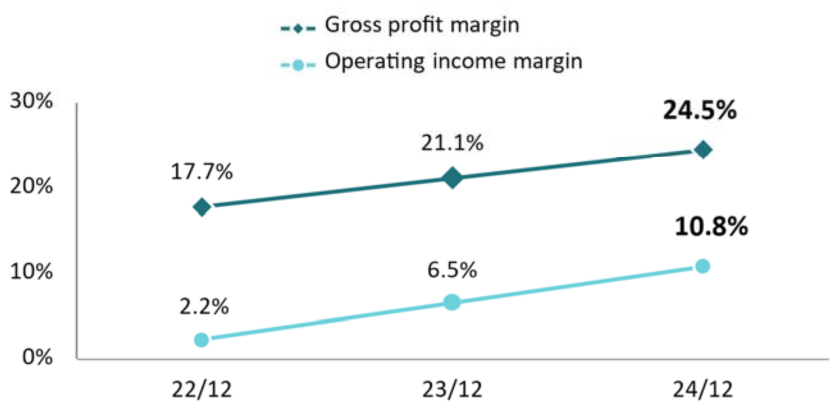


Please refer to page 10. The real estate development segment, a new focus area in the mid-term plan, saw a significant increase from the previous year due to steady sales of investment condominiums and development properties, with net sales up 80.1% from the previous year to JPY33.8 billion and operating income up 197.3% to JPY3.6 billion.

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

	2023/12	2024/12	（YoY）
Gross profit margin	21.1%	24.5%	（+3.4p）
Operating income margin	6.5%	10.8%	（+4.3p）

Gross profit margin / Operating income margin



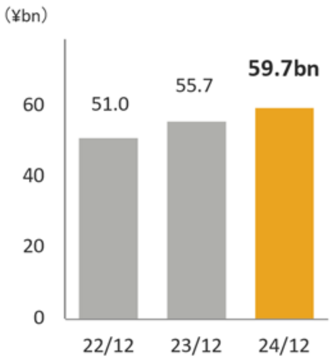
Please refer to page 11. The gross margin and operating margin of the real estate development segment improved to 24.5% and 10.8%, respectively.

Profit & Loss by segment（Other businesses）

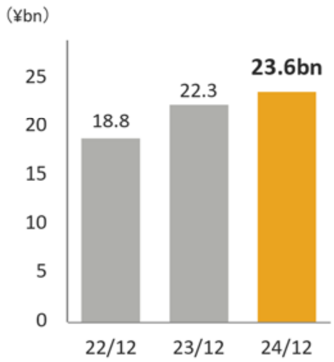
(¥bn)

	2023/12	2024/12	（YoY）
Net sales	55.7	**59.7**	（+7.2%）
Gross profit	22.3	**23.6**	（+5.8%）
Operating income	12.2	**12.8**	（+5.1%）

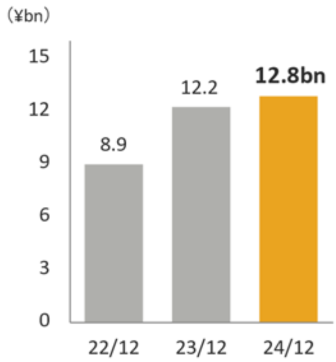
Net sales



Gross profit



Operating income



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Please refer to page 12. In other businesses, net sales increased 7.2% from the previous year to JPY59.7 billion, and operating income rose 5.1% to JPY12.8 billion.

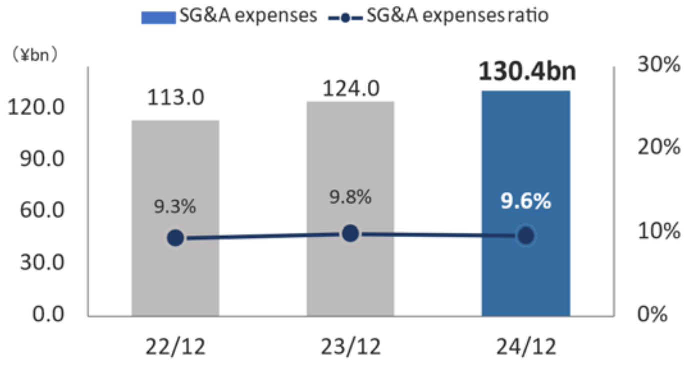
Profit & Loss（Selling, general and administrative expenses）

（¥bn）

	2023/12	2024/12	（YoY）
SG&A expenses	124.0	130.4	（+5.2%）
SG&A expenses ratio	9.8%	9.6%	[△0.2p]

[ ]：Difference from same period in previous year

SG&A expenses / SG&A expenses ratio



Major breakdown of the variance（+¥6.3bn YoY）

① Personnel expenses	△¥0.16bn
② Advertising expenses	+¥1.43bn
③ System maintenance fee	+¥0.83bn
④ Recruitment and training expense	+¥0.11bn
⑤ Other expenses	+¥4.18bn

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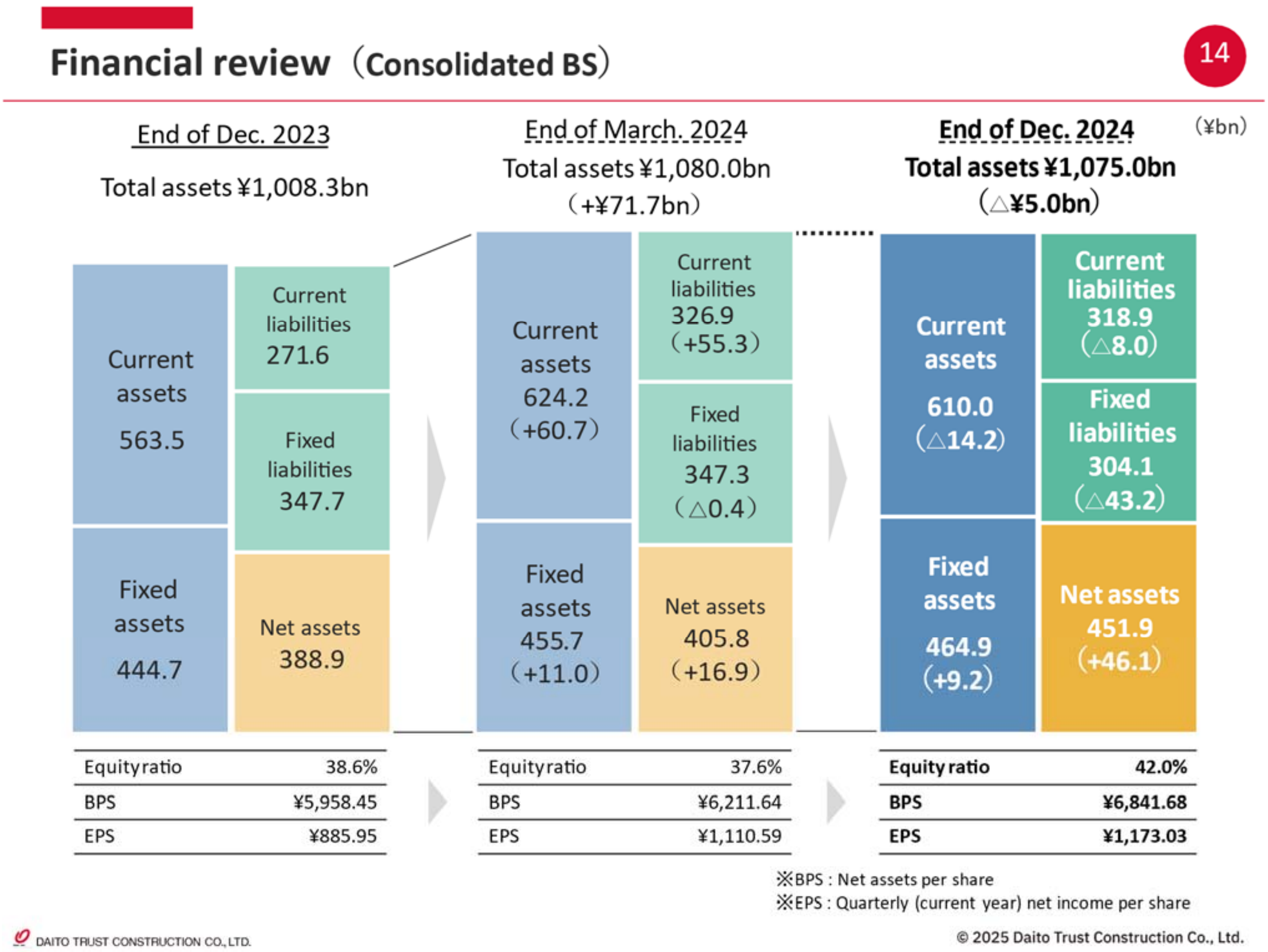
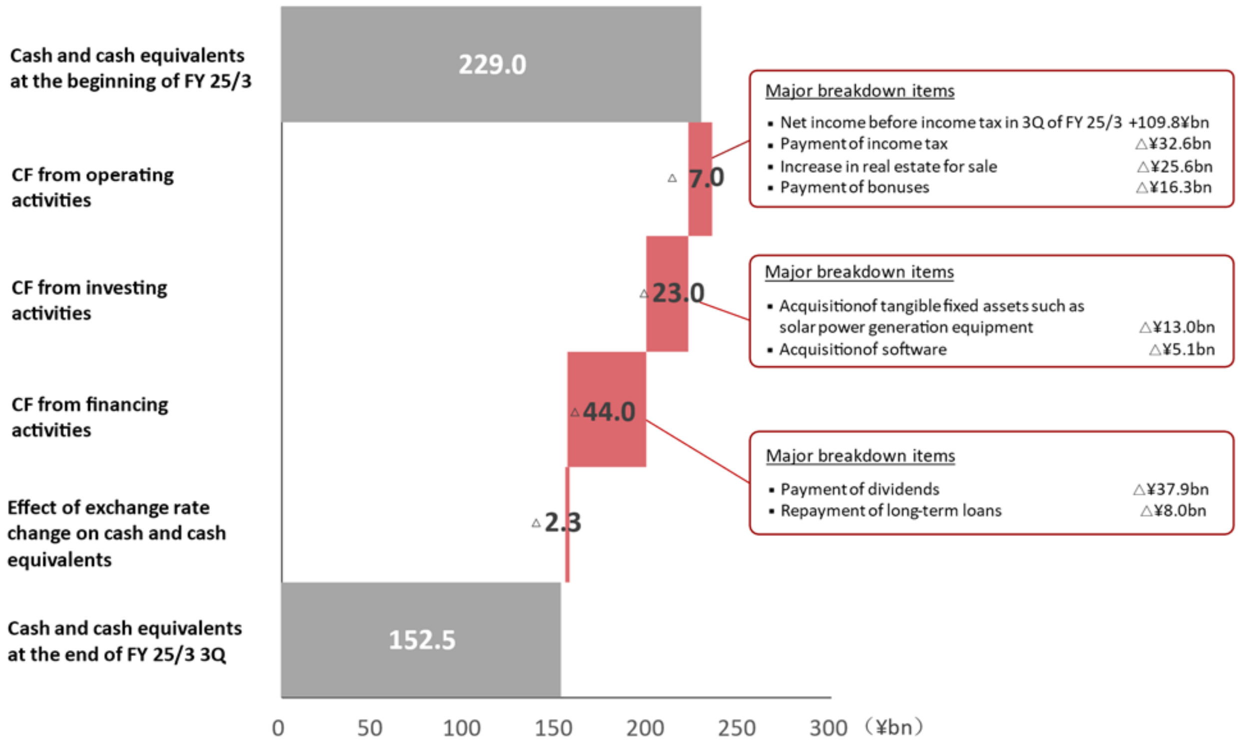
Please refer to page 13. SG&A expenses increased JPY6.3 billion from the previous period to JPY130.4 billion. As a result, the SG&A-to-sales ratio declined 0.2 percentage points from the previous period to 9.6%.



Please refer to page 14. As for the financial situation, there are no significant changes in the consolidated balance sheet, as described.

Financial review（Consolidated CF）

15



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Please refer to page 15. Next is the status of the consolidated cash flow. Please refer to the slide material here as well.

This is a summary of the Q3 financial results.

Then I will change to Takeuchi. Thank you.

Takeuchi: Thank you very much for taking time out of your busy schedule today to attend our financial results briefing. I, Takeuchi, will explain the main indicators.

Please refer to page 17 for key indicator results to date.

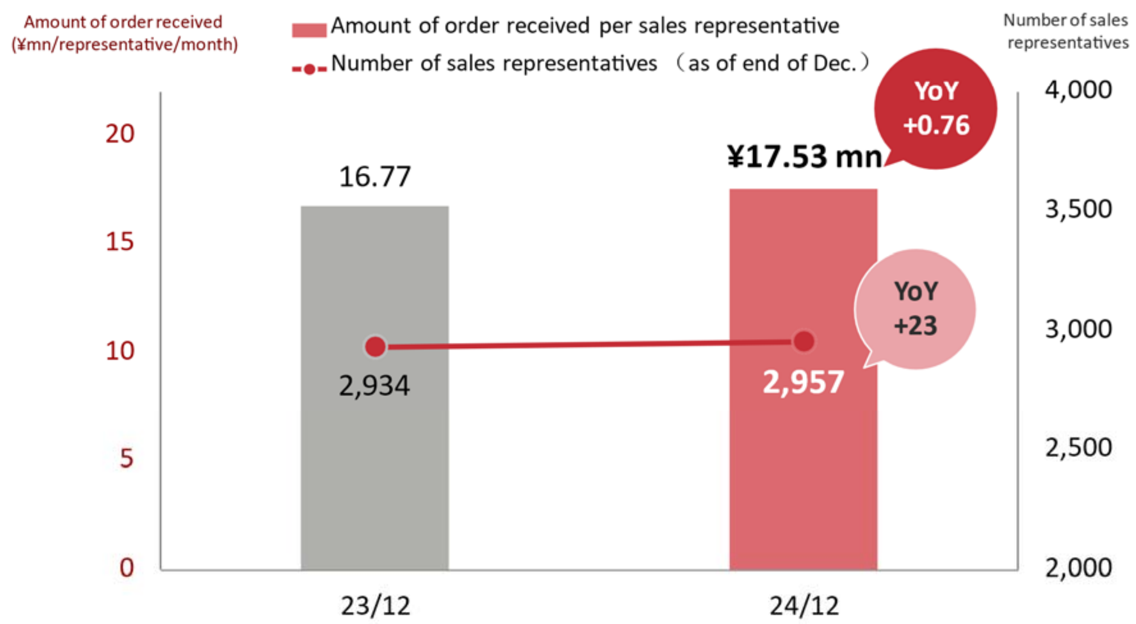
First, orders received during the period under review increased 4.5% from the previous fiscal year to JPY456.5 billion, as a result of effective sales promotion measures in a favorable financing environment.

Accordingly, the backlog of construction contracts received increased 3.8% from the previous fiscal year to JPY810.4 billion.

Orders received（Efficiency in receiving orders）

18

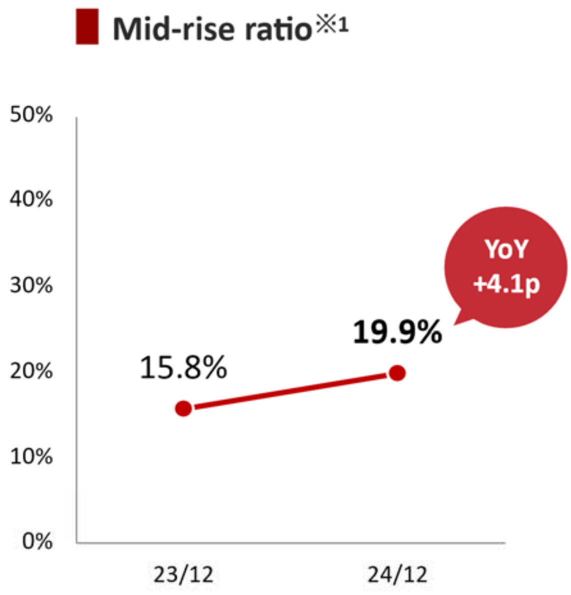
Amount of order received per sales representative
Number of sales representatives



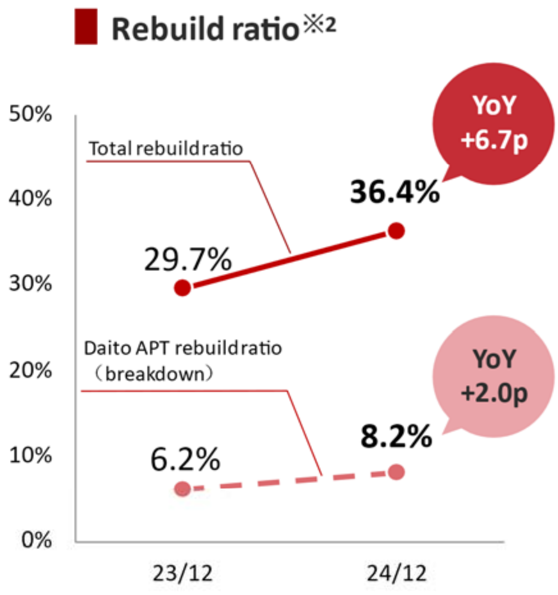
Next, please refer to page 18 The number of sales representatives at the end of December increased by 23 from the previous period to 2,957. In addition to curbing the number of retirements, we will continue to recruit toward our goal of 3,000 employees.

Orders received per sales representative increased by JPY760,000 to JPY17.53 million.

Orders received（Mid-rise ratio and rebuild ratio）



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



※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

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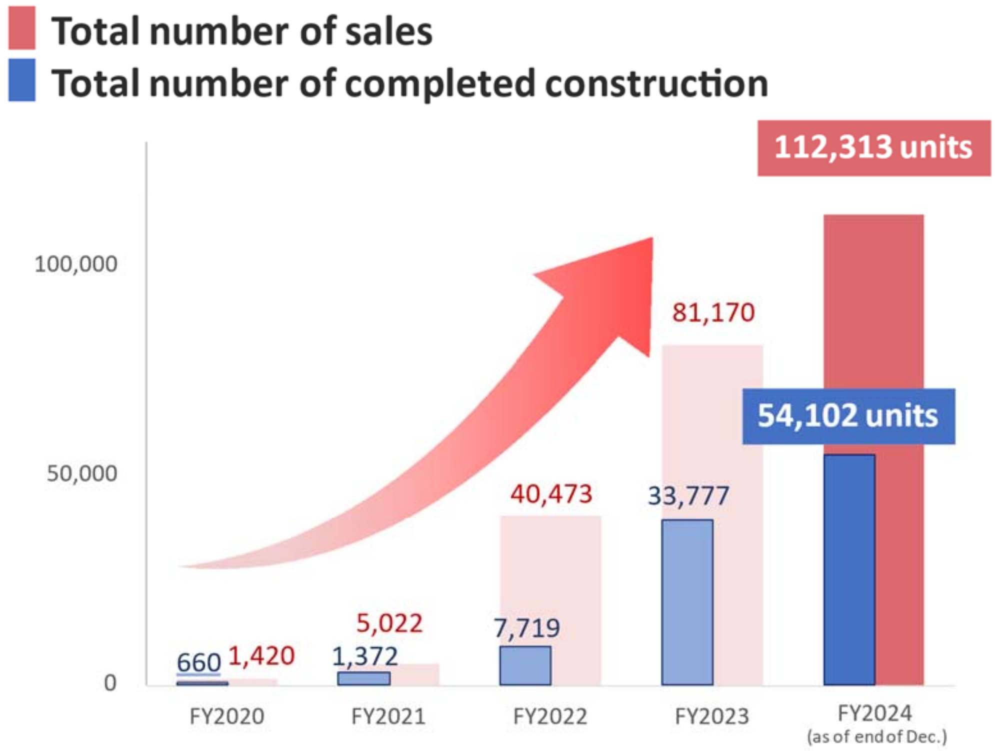
Next, please refer to page 19. Sales of three-story ZEH products are growing. The mid-tier ratio increased 4.1 percentage points from the previous quarter to 19.9%.

As stated in the mid-term management plan, the reconstruction ratio rose 6.7 percentage points from the previous fiscal year to 36.4% as a result of the promotion of acquiring projects to reconstruct older properties.

Orders received（ZEH rental housing）



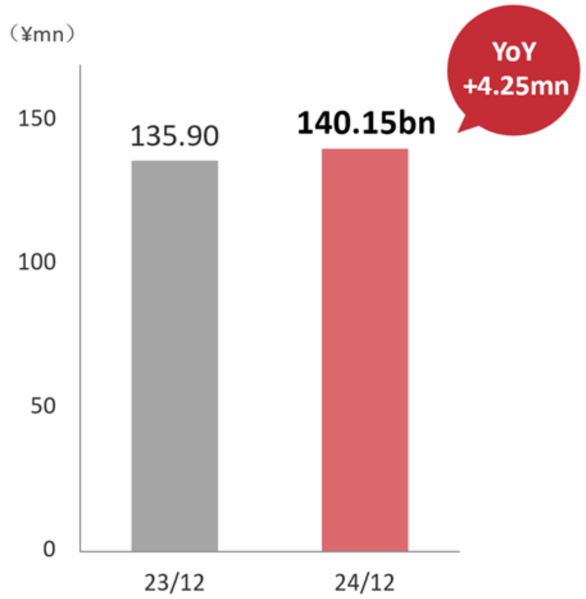
Next, please refer to page 20. Thanks to your support, as for the total number of ZEH rental housing units which we have been strengthening sales, the units sold has exceeded 100,000 as of the end of December. The cumulative number of units completed has also exceeded 50,000.

In the current fiscal year, ZEH rental housing accounted for more than 90% of contracts. We expect this number to increase steadily in the future.

We will make every effort to make a small contribution to the realization of a decarbonized society, and we would like to ask for your continued support.

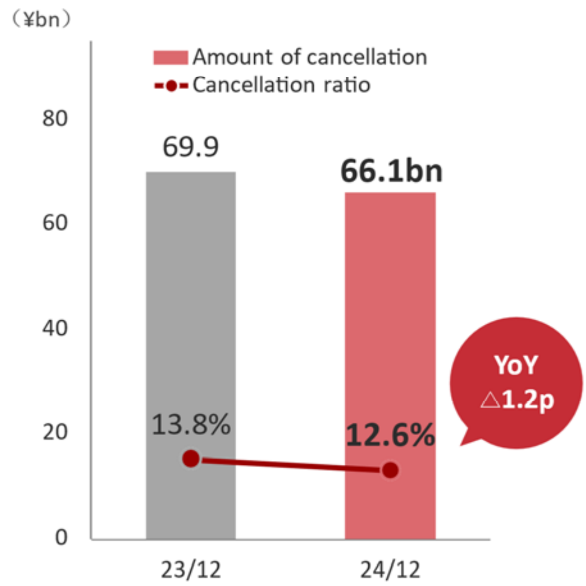
Orders received（Average price of orders received and cancellation ratio） 21

Average price of orders received※1



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

Amount of cancellation / Cancellation ratio※2



※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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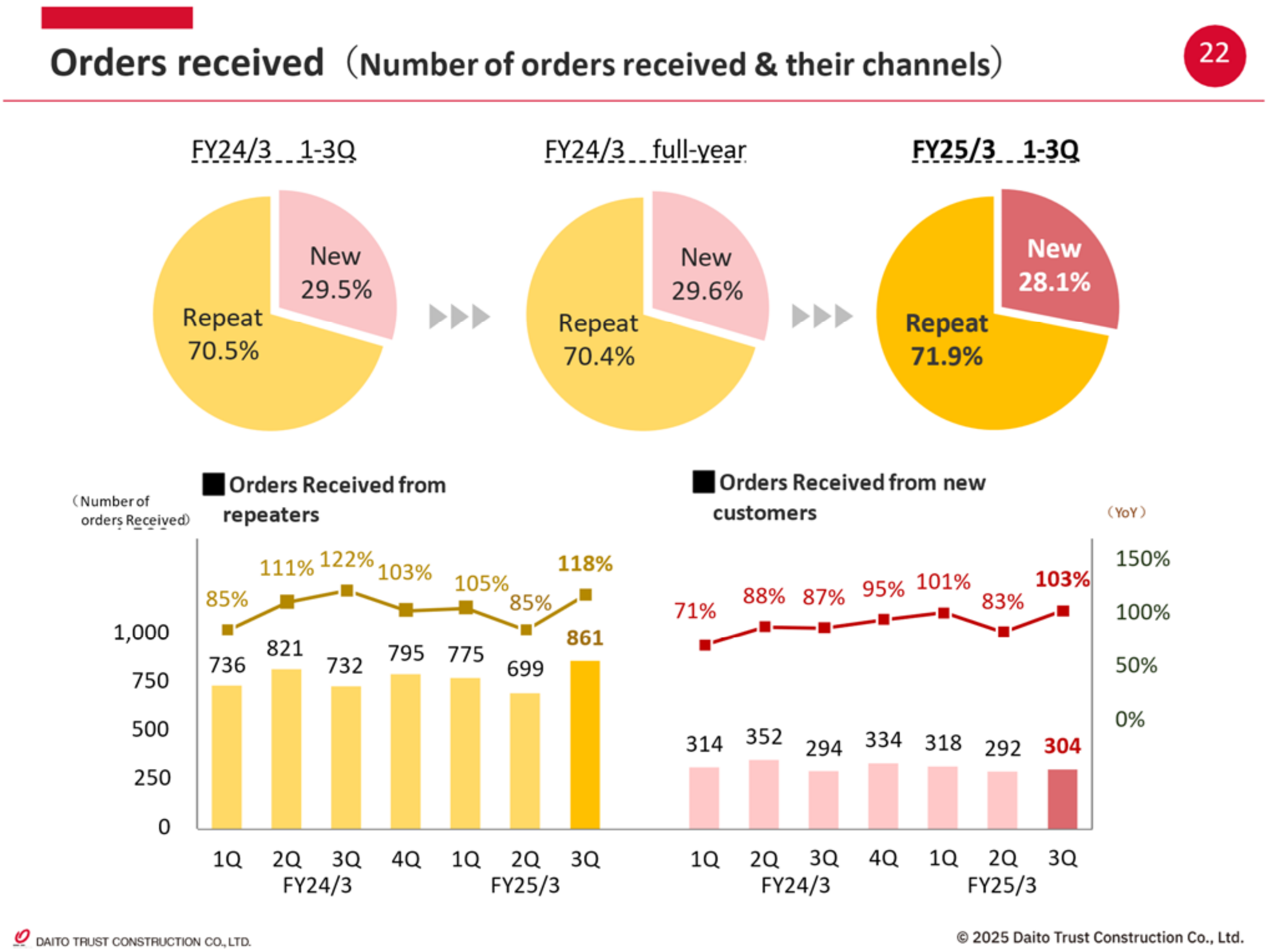
Next, please refer to page 21. This is the status of the order unit price and cancellation rate.

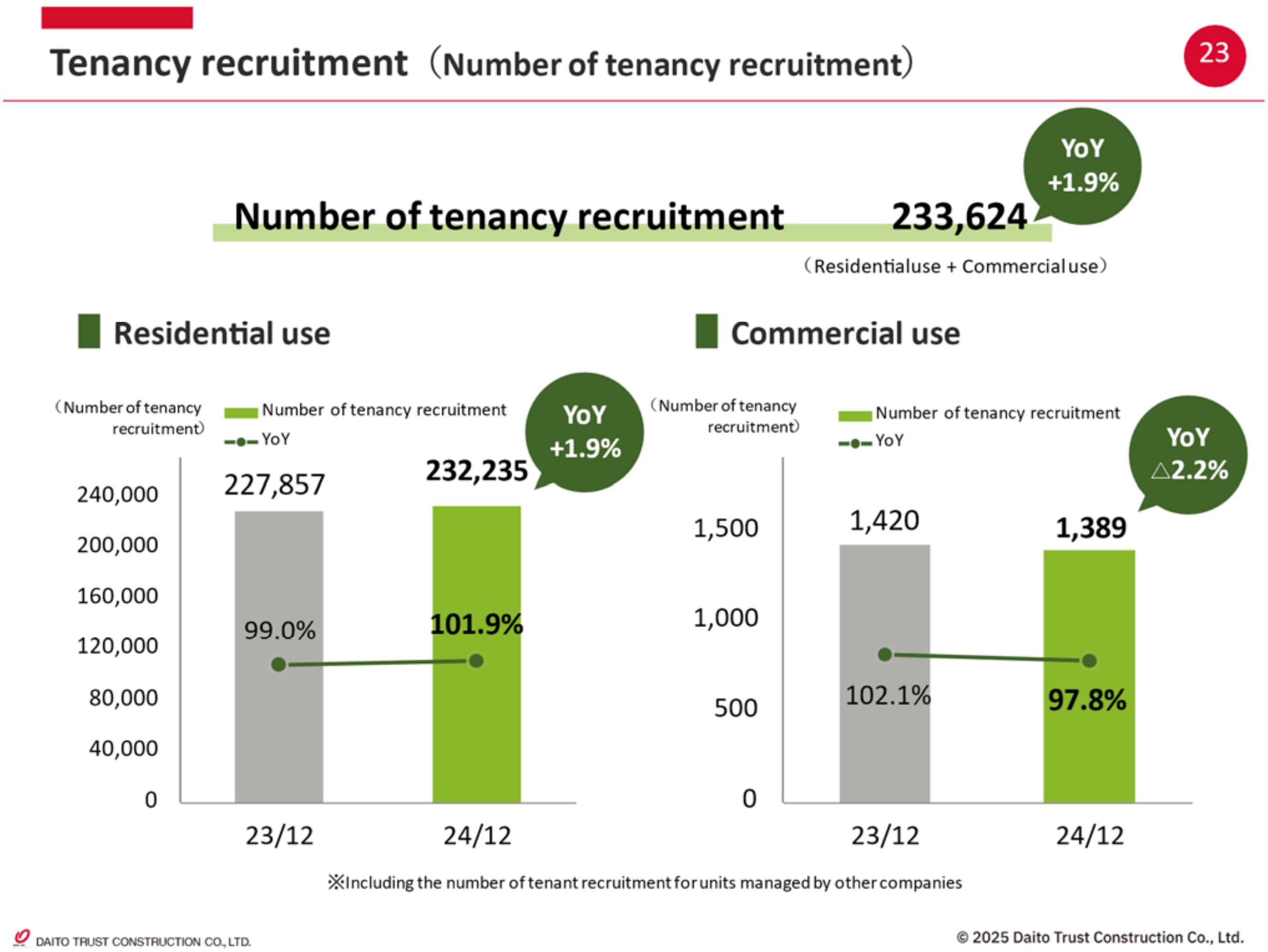
The graph on the left shows the change of unit price of orders received, which increased by JPY4.25 million from the previous period to JPY140.15 million due to price revisions.

The graph on the right shows the change of cancellation rate, which decreased 1.2 percentage points from the previous period to 12.6%. We will continue to work to reduce the number of cancellations by confirming financing when signing a contract.



Next, please refer to page 22. The percentage of repeat customers during the period under review increased 1.4 percentage points from the previous period to 71.9%.

In response to rising construction costs, we are stepping up visits to our cash-rich clients, which has led to an increase in repeat contracts.



Next, please refer to page 23. The number of tenant placements increased 1.9% from the previous fiscal year to 233,624. In particular, our focus on mediating new construction contributed to the increase.

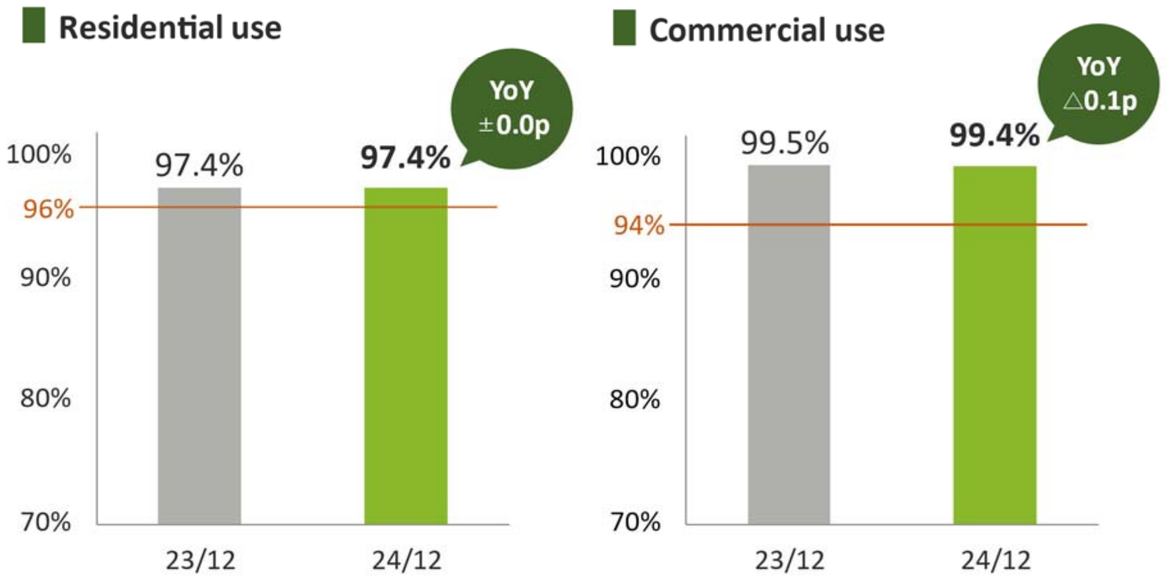
Incidentally, the number of new construction mediations was 19,980 in the previous fiscal year and 24,027 in the current fiscal year, an increase of approximately 20% from the previous fiscal year.

Tenancy recruitment（Rent-based occupancy rate※）

24

Continuously maintains sound level of occupancy

（Residential use：96% / Commercial use：94%）



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

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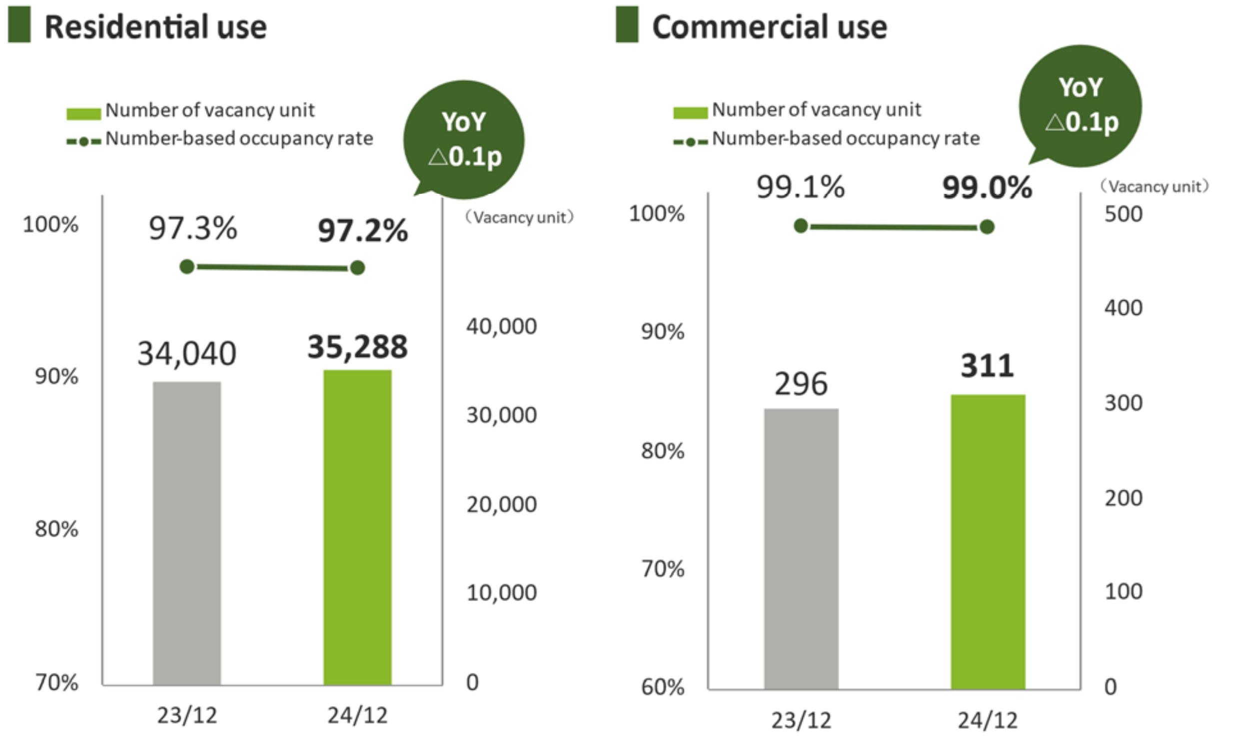
Please refer to page 24. The occupancy rate based on rent was 97.4%, the same level as the previous year. The occupancy rate before COVID-19 disaster in 2019 was 96.5%, so the occupancy rate is 97.4 points higher than that, an improvement of about one point. We are in a situation where we are maintaining a higher occupancy rate than before COVID-19.

Tenancy recruitment (Number-based occupancy rate※)

25



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

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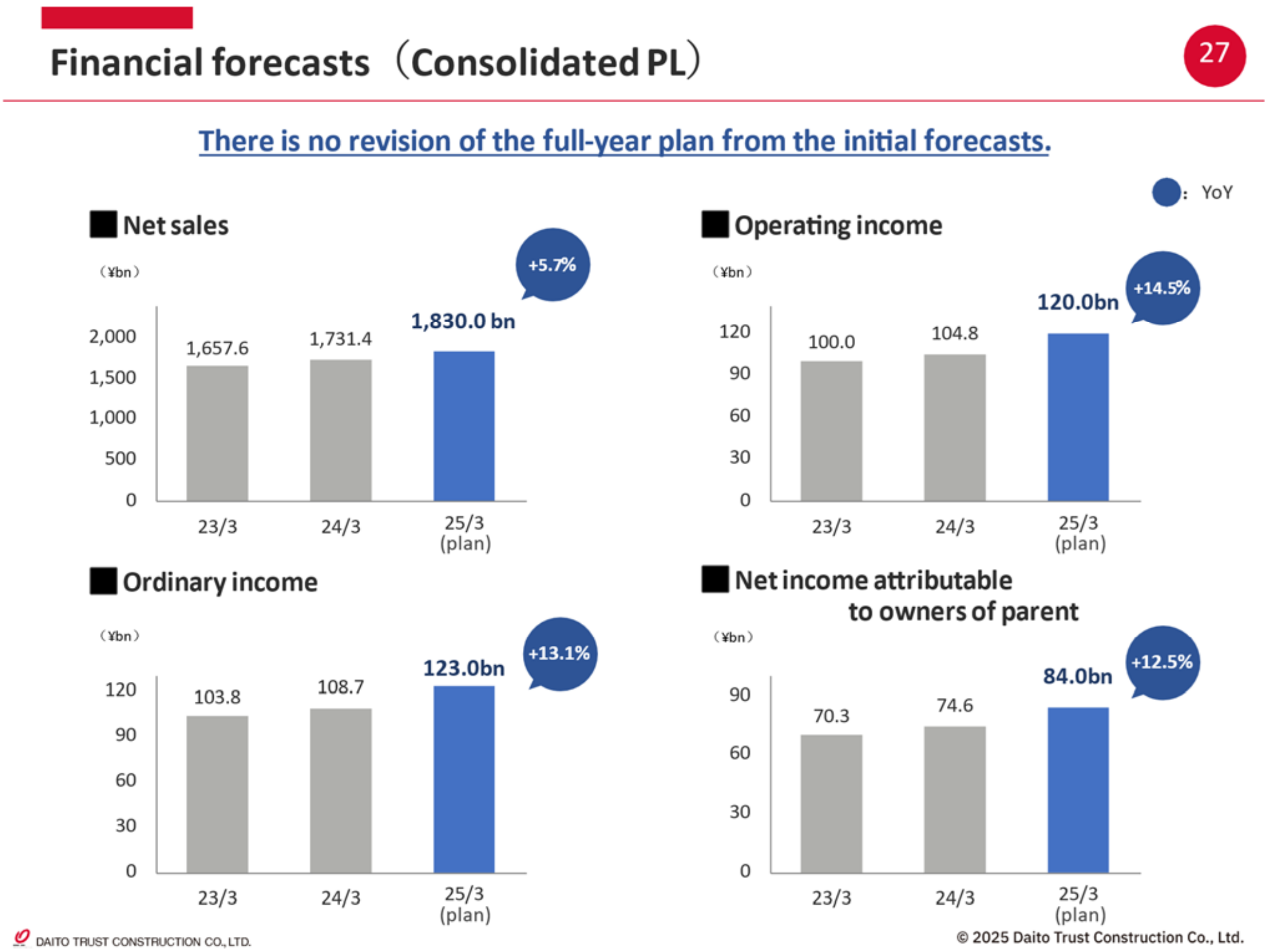
Please refer to page 25. The occupancy rate for residential units was 97.2%, the same level as the previous year.



I would like to continue by explaining our full-year earnings forecast.

Please refer to page 27. As for the outlook for the current fiscal year, consolidated operating income for Q3 was JPY102.7 billion, progressing as planned.

Let me explain P&L in Q4 compared to Q4 of the previous year. This is the time when RC properties are being completed before the price increase of the previous year, and the gross profit margin of construction is slightly lower.

In addition, we are also making great efforts to strengthen tenant placement in newly constructed properties, but the increase in sales promotion expenses will result in some decrease in the profit of the real estate leasing business.

We also expect operating income to be in line with the plan, including an increase in SG&A expenses due to base increases and stock grants to employees.

Continuing on, we have released the information earlier today at 15:30. As I have just distributed it to you, we will conduct a tender offer for shares of Ascot, a real estate development company.

The purchase period is from February 3 to March 18, and we plan to purchase JPY260 per share of common stock and JPY105 per stock acquisition right, for a total of JPY35.145 billion.

About Tender Offer for Ascot Corp.

The Company has decided to acquire shares of Ascot Corp. which is operating real estate development business through a tender offer to make Ascot Corp. a wholly-owned subsidiary.

Outline of the tender offer

Purchase Period	Feb. 3 to Mar. 18
Purchase Amount	260 yen per share of common stock / 105 yen per one Stock Acquisition Right **Total amount: Up to 35,145 million yen**
Purchase Funds	Cash on hand

Outline of Ascot Corp.

Company Name	Ascot Corp.（Listed on TSE Standard Market / 3264）
Established	April 1999
Capital	10,867 million yen
Sales / Operating Profit	36.7 billion yen / 5.8 billion yen (FY ended Sep. 2024)
Number of Employees	79（as of end of Sep. 2024）
Business Activities	Real estate development (apartments, offices, commercial facilities, logistics facilities, etc.), real estate leasing, investment in real estate, property management, brokerage, etc.

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This company, Ascot, is listed on the Tokyo Stock Exchange Standard. The Company was established in April 1999, with sales of approximately JPY36.7 billion and operating income of JPY5.8 billion. The Company is mainly engaged in real estate development and real estate leasing. We are particularly strong in the five central wards of Tokyo, developing residences, offices, and commercial facilities.

The medium-term management plan has identified the real estate development business as the most important area of focus, and we believe that this acquisition will further expand our business domain and accelerate our growth speed in the areas of renovation and resale, development and sales of rental housing, and development of logistics facilities.

Ascot will also benefit from the stabilization of its financial base and increased fund-raising capacity, which will contribute to the expansion of Ascot's business. We intend to proceed with the procedures for the tender offer and then the conversion of the Company into a wholly owned subsidiary.

That concludes my presentation.

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