
Financial Briefing for the Second Quarter of the Fiscal Year Ending March 2023

Progress towards Compliance with the Prime Market's Continued Listing Criteria

November 25, 2022



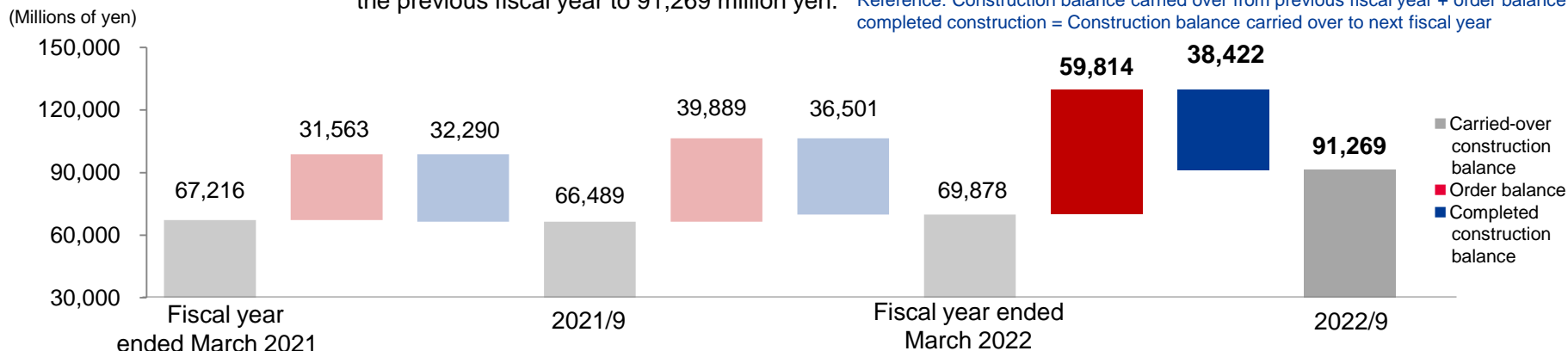
1. Summary of results

Consolidated order balance

59,814 million yen (+28,250 million yen year-on-year)

The order balance rose 28,250 million yen from the corresponding quarter of the previous fiscal year to 59,814 million yen thanks to the receipt of orders for multiple large projects.

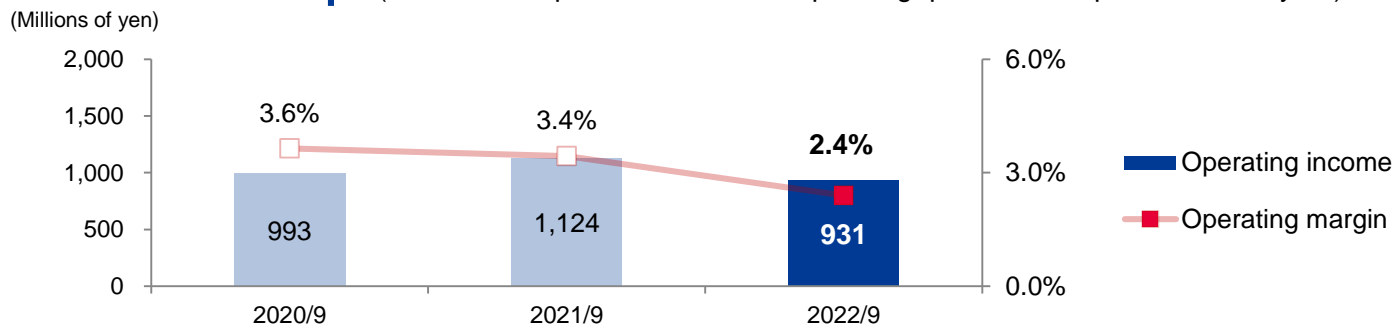
As a result, the construction balance carried over to the next fiscal year rose 21,391 million yen from the end of the previous fiscal year to 91,269 million yen. Reference: Construction balance carried over from previous fiscal year + order balance - completed construction = Construction balance carried over to next fiscal year



Consolidated operating income

931 million yen (consolidated operating margin: 2.4%)

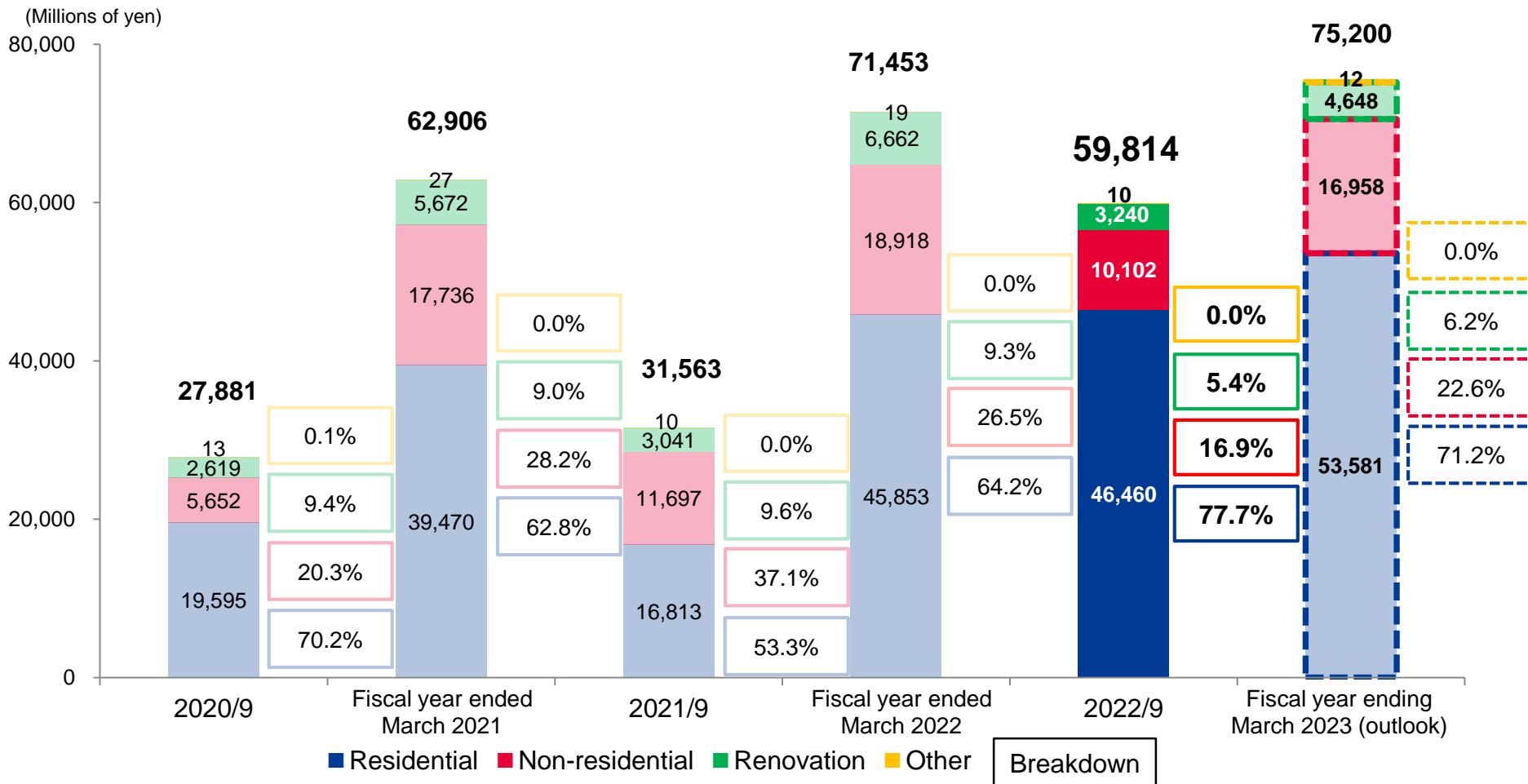
Operating income fell 17.1% from the corresponding quarter of the previous fiscal year to 931 million yen due to rising construction costs reflecting rapid and substantial increases in the cost of building materials. (-17.1% / -1.0 point from the corresponding quarter of the previous fiscal year)



*Figures in this document have been rounded down to the nearest million yen.

2-1. Trend in consolidated order balance

The order balance rose 28,250 million yen from the corresponding quarter of the previous fiscal year to 59,814 million yen thanks to the receipt of orders for large projects.

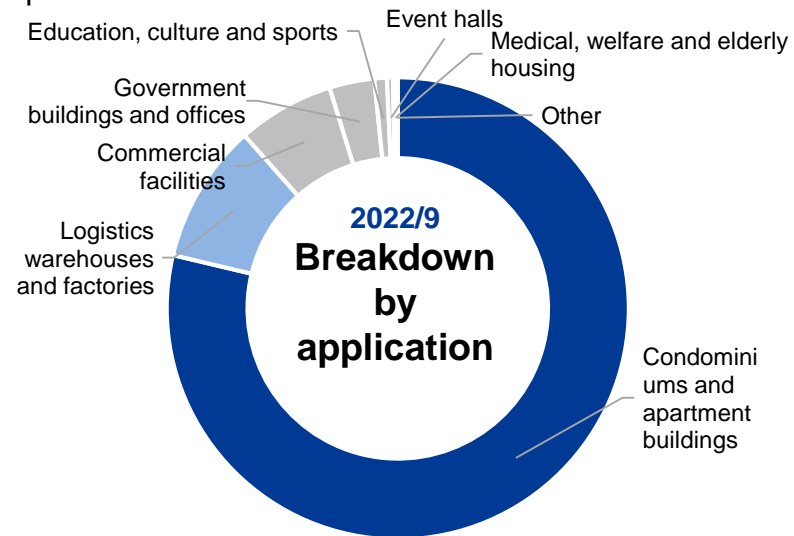


*The classification standards changed as of the second quarter of the fiscal year ending March 2023. Figures for previous fiscal years have been adjusted in line with the new classification standards.

2-2. Trend in consolidated order balance

By application*1 The order balance for the “Condominiums and apartment buildings” category rose. (Millions of yen)

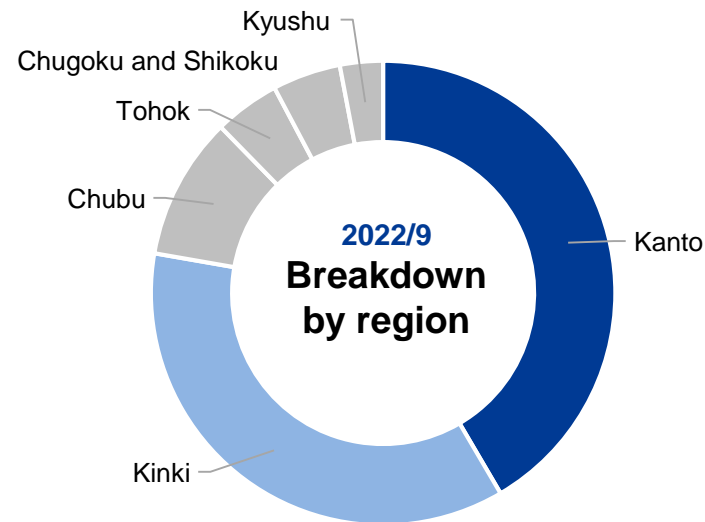
	2020/9		2021/9		2022/9	
		Breakdown		Breakdown		Breakdown
Condominiums and apartment buildings	20,484	73.5%	18,926	60.0%	47,121	78.8%
Logistics warehouses and factories	1,832	6.6%	5,712	18.1%	5,790	9.7%
Commercial facilities	848	3.0%	2,284	7.2%	4,049	6.8%
Government buildings and offices	1,570	5.6%	2,678	8.5%	1,877	3.1%
Education, culture and sports	781	2.8%	1,049	3.3%	525	0.9%
Event halls	2,197	7.9%	879	2.8%	248	0.4%
Medical, welfare and elderly housing	142	0.5%	21	0.1%	179	0.3%
Other	23	0.1%	10	0.0%	20	0.0%
Total	27,881	100.0%	31,563	100.0%	59,814	100.0%



*1 Renovation work is classified on the basis of building application.

By region Orders in the “Kinki” and “Chubu” categories rose. (Millions of yen)

	2020/9		2021/9		2022/9	
		Breakdown		Breakdown		Breakdown
Kanto	15,092	54.1%	14,533	46.1%	24,856	41.5%
Kinki	7,048	25.3%	8,277	26.2%	21,642	36.2%
Chubu	1,707	6.1%	2,346	7.4%	5,945	9.9%
Tohoku	375	1.3%	183	0.6%	2,734	4.6%
Chugoku and Shikoku	686	2.5%	3,399	10.8%	2,843	4.8%
Kyushu	2,972	10.7%	2,823	8.9%	1,791	3.0%
Total	27,881	100.0%	31,563	100.0%	59,814	100.0%

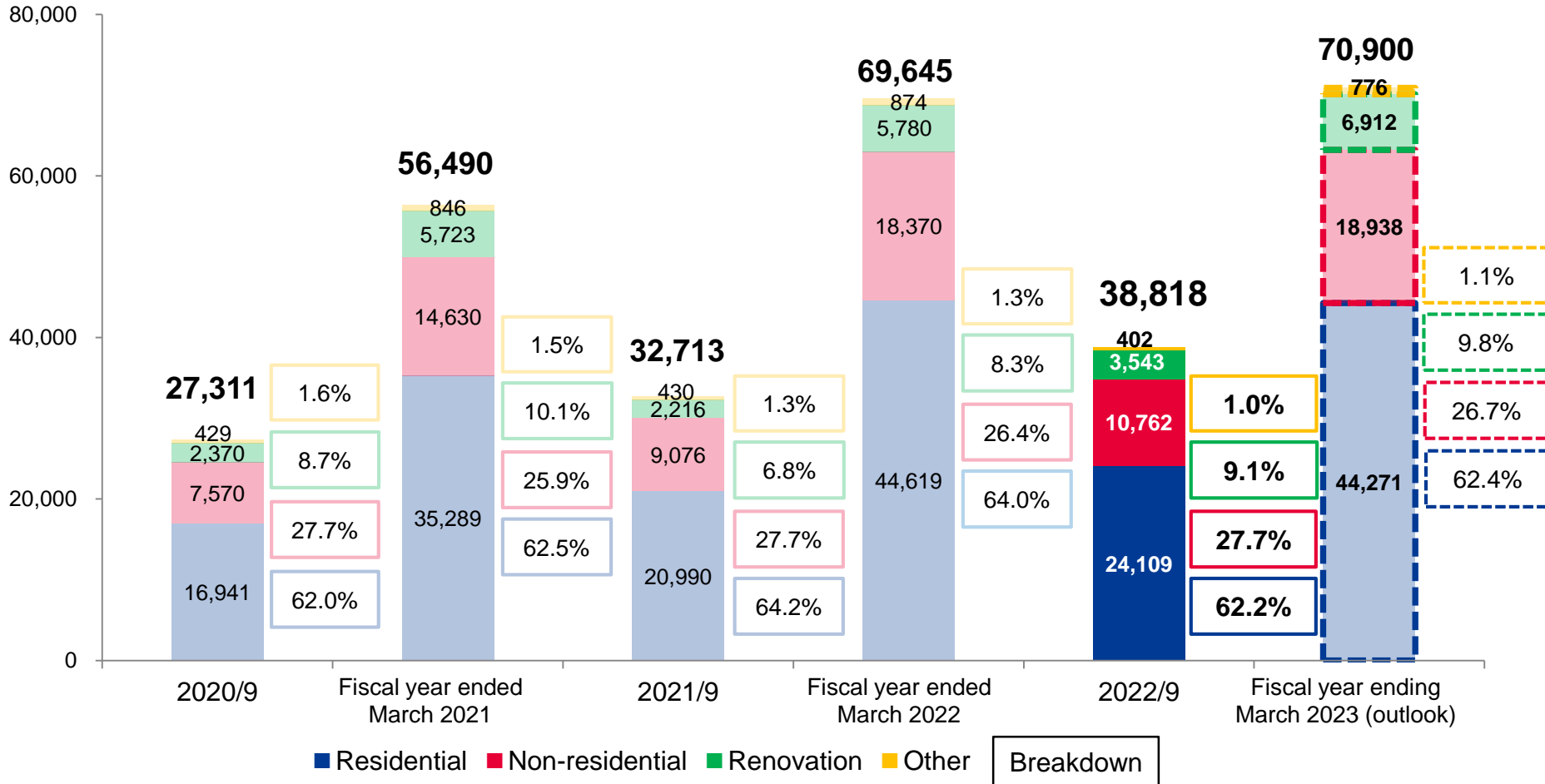


*The classification standards changed as of the second quarter of the fiscal year ending March 2023. Figures for previous fiscal years have been adjusted in line with the new classification standards.

3. Trend in consolidated sales

Sales rose 6,104 million yen from the corresponding quarter of the previous fiscal year to 38,818 million yen as a result of increases in the construction balance carried over from the previous year and in the order balance.

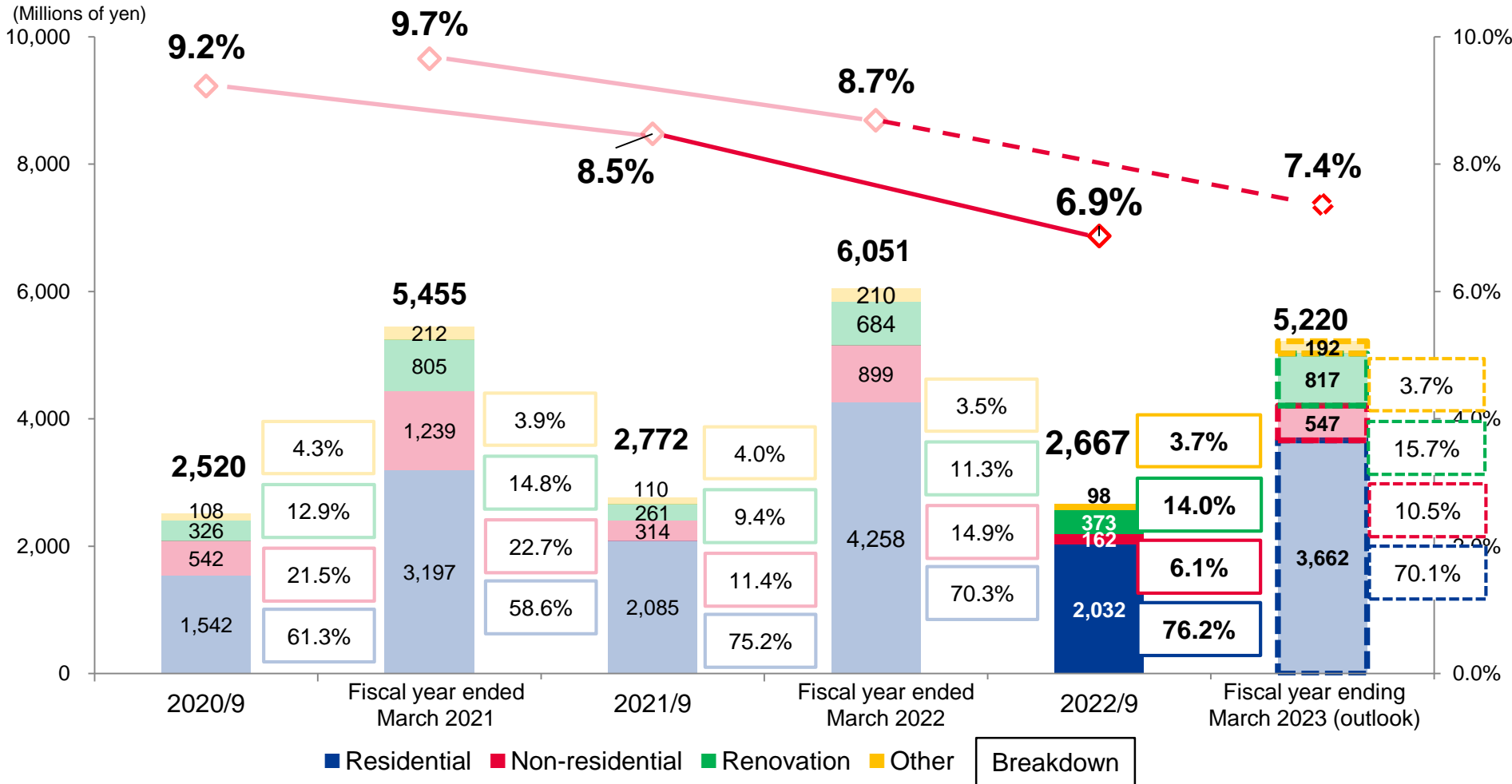
(Millions of yen)



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4. Trend in gross margin on consolidated sales

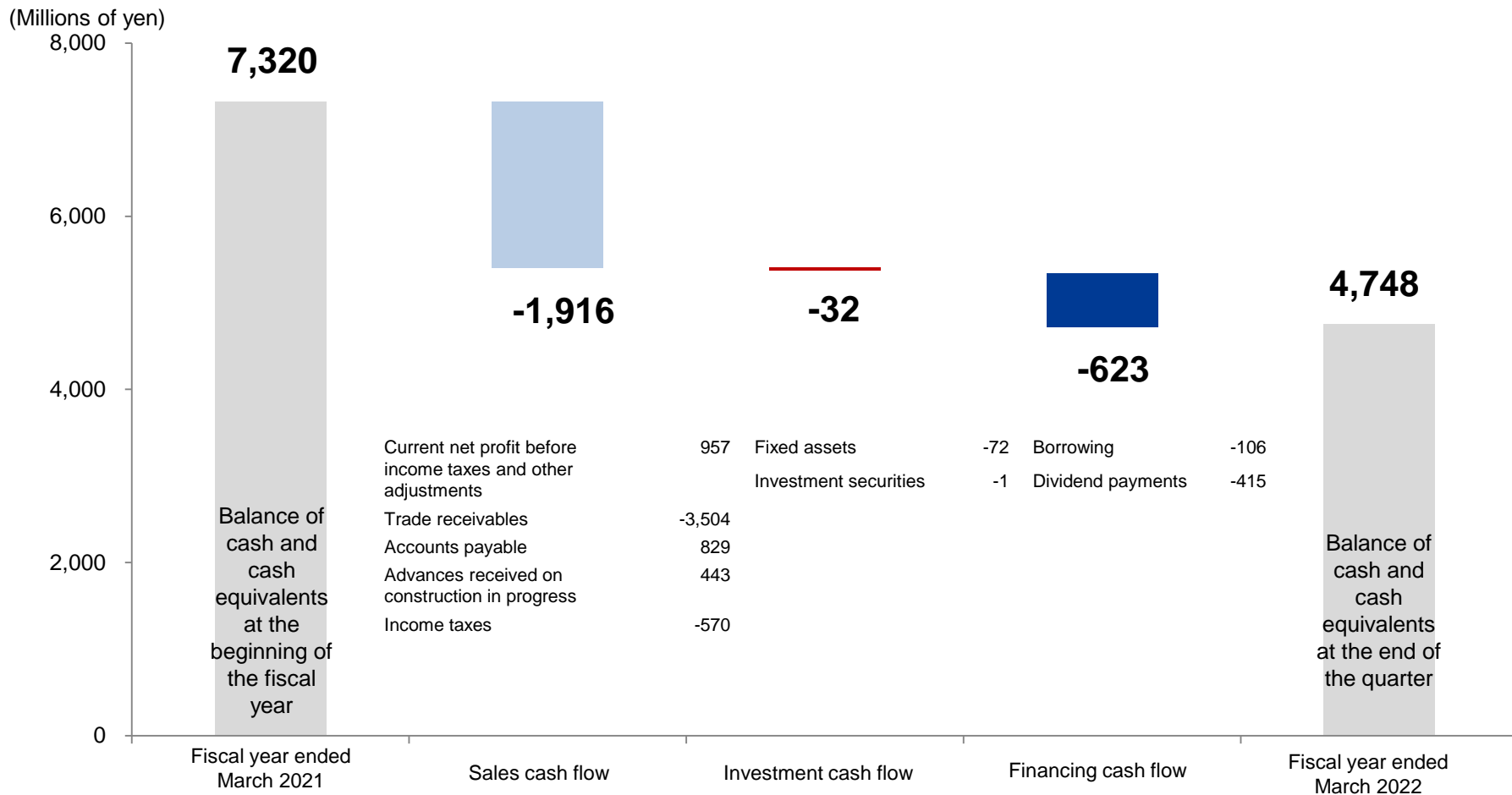
Gross margin on sales fell 1.6 points from the corresponding quarter of the previous fiscal year to 6.9% due to rising construction costs reflecting rapid and substantial increases in the cost of building materials.



*The classification standards changed as of the second quarter of the fiscal year ending March 2023. Figures for previous fiscal years have been adjusted in line with the new classification standards.

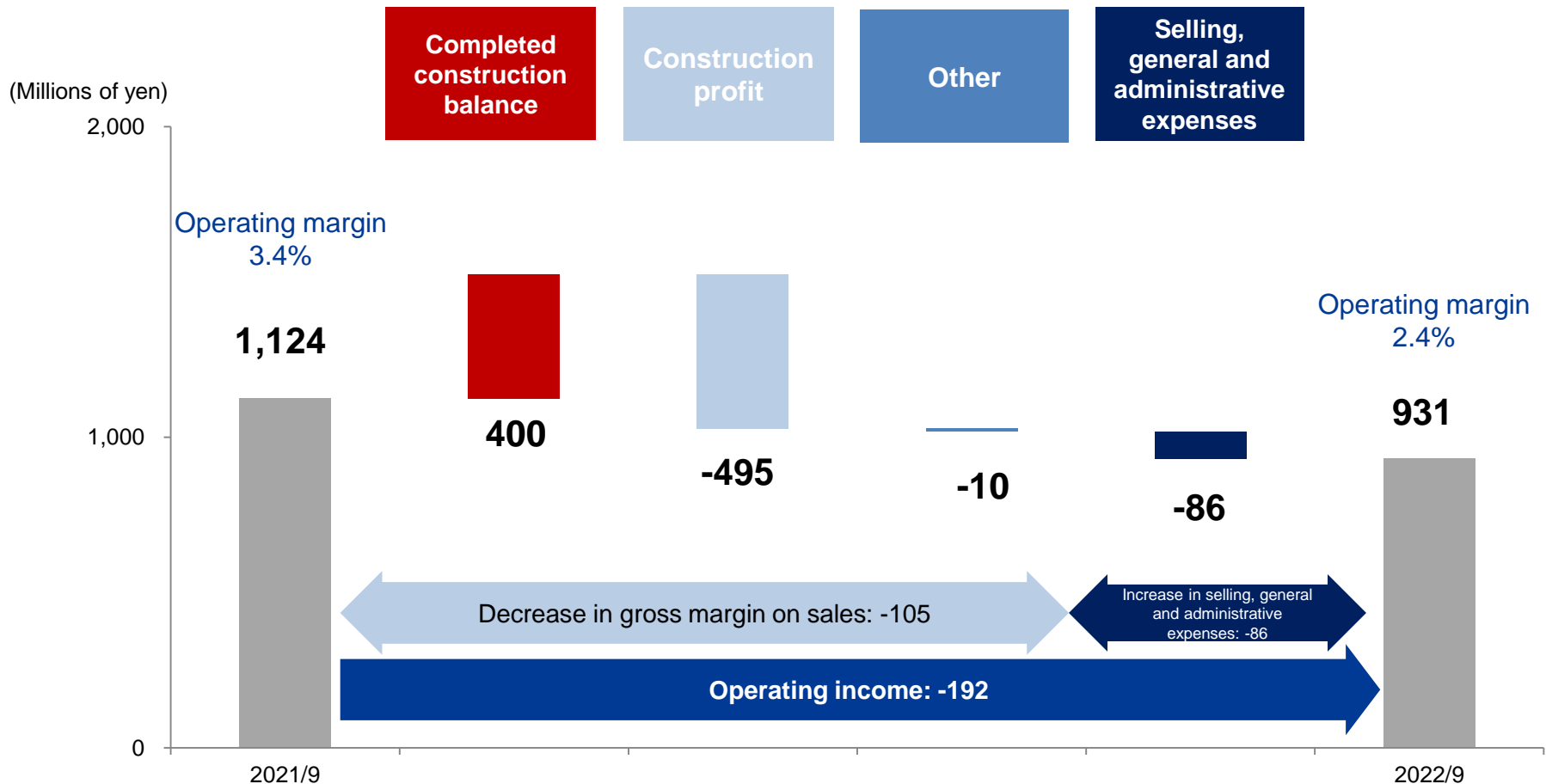
6. Consolidated cash flows

The balance of cash and cash equivalents at the end of the quarter fell 2,572 million yen to 4,748 million yen as a result of factors including growth in trade receivables (notes receivable, unpaid income from completed construction, and contract assets) and payments of income taxes and dividends. We expect the balance of cash and cash equivalents at the end of the fiscal year to be on par with the balance at the end of the previous fiscal year.



7. Factors affecting consolidated operating income

Consolidated operating income fell 192 million yen from the corresponding quarter of the previous fiscal year as a decline in construction profit; an increase in selling, general and administrative expenses; and other factors offset an increase of 400 million yen due to growth in the completed construction balance.



Reference: Soaring cost of building materials (September 2022)

Excerpted from “Soaring Cost of Building Materials,” published by the Japan Federation of Construction Contractors

The construction industry has been seeing unprecedented cost increases and delivery delays across a broad range of materials due to the impacts of worldwide raw material shortages and price hikes since last year. Daisue is particularly susceptible to the impact of this trend on deformed steel bars, fresh concrete, and formwork plywood, all of which we use in large quantities in condominium projects, and on H-shaped steel, which we use in large quantities in the steel structures of logistics warehouses and other buildings.

The cost of building supplies used in construction projects is soaring due to the effects of worldwide shortages and inflation affecting raw materials and energy sources such as crude oil.

- Production and supply constraints due to the COVID-19 pandemic
- Tightness and delays in distribution due to container shortages and other factors
- Rising demand for semiconductors as part of the transition to EVs
- Increased cost of capital investment due to CN compliance
- Disasters affecting production facilities
- Ukraine crisis

Deformed steel bars S2345 D19 2.25kg/m 規格 G 3112 <p>73% up</p>	H-shaped steel S340B 300x300x10x15 <p>68% up</p>	Steel sheet and plate (SPHC鋼板無熱処理) 16-25x1,524x6,096 <p>81% up</p>	Flat decking 630x75x12 規格 G 212 <p>41% up</p>
Steel sheet pile SY235 U型 <p>42% up</p>	U-shaped steel-reinforced concrete 1層 300B W300x30x160cm <p>20% up</p>	Plywood for concrete forms 敷設製品(輸入品) 12x900x1900 JAS規格品種別-C <p>85% up</p>	Cedar KD columns 3mx10,5cmx10,5cm 仕様品 3331 <p>77% up</p>
Stainless steel <p>84% up^{*1}</p> <p>Used in finishing materials as part of fittings and metalwork and in facility pipes</p>	Aluminum base metal <p>46% up^{*1}</p> <p>The cost of aluminum products used in shaped aluminum material, aluminum sheet, and other products (ashes, louvers, etc.) has risen 10%^{**}.</p>	Plate glass フロート板ガラス FLS 2x18mm以下 <p>20% up</p>	Straight asphalt 熱入り型60-80 □-U-新製品 <p>86% up</p> <p>Efforts to shift the cost to asphalt mixtures haven't gone as planned, and road paving companies have found their profits under extreme pressure^{**}.</p>
600 V vinyl insulated wire 径 1.6mm 線種 標準品 <p>34% up</p>	Carbon steel pipes 寸法種 (VP) JIS K 6741 外径100mm x 長さ11.6m <p>57% up</p>	Hardened PVC pipes 一般種 (VP) JIS K 6741 外径110mm x 長さ11.6m <p>15% up</p>	Diesel □-U-新製品 <p>38% up</p>

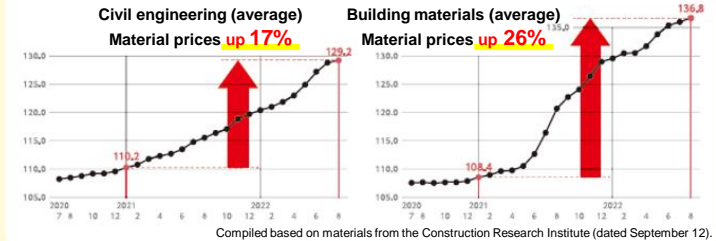
Cost increases for materials: Comparison of prices listed in the January 2021 (Tokyo) and October 2022 (Tokyo) editions of “Construction Prices,” published by the Construction Research Institute. ^{*1}: Comparison of the midpoint of high and low values for January 2021 from the Japan Metal Daily with values for September 16, 2022. ^{**}: Information from member companies.

The cost of construction materials has risen 23% compared to January 2021.

(Civil engineering materials have risen 17%, while building materials have risen 26%.) (As estimated by the Construction Research Institute)

Trend in the construction material price index from (Tokyo) January 2021 to August 2022 (2011 average = 100)

Overall (on average), material prices are up 23%.



Compiled based on materials from the Construction Research Institute (dated September 12).

If we assume that material costs account for 50% to 60% of the average project's cost, **overall construction costs (on average)**, including labor, temporary facilities, and other expenses, **have risen by 11% to 14% over the last 19 months^{*3}**.

^{*3}: For 6 billion yen of raw material costs in a 10 billion yen construction project has risen to 6.1 to 7.4 billion yen (on average), while **civil engineering costs have risen 9% to 10%**, and **building material costs have risen 13% to 16%**.

- Apart from price increases, delivery delays are affecting equipment and some building materials, impacting construction schedules. Supplies of some civil engineering materials (high-tensile bolts, etc.) are constrained as well.
- In addition to impacting construction schedules, delivery delays affecting materials and other supplies are driving increases in the cost of procuring alternative materials so that properties can be provisionally delivered.
- The Ukraine crisis may cause delivery delays and supply constraints for an even broader array of construction materials.

Materials and equipment which member companies recognize as being affected by delivery delays

Building frames << Iron shock, etc. <ul style="list-style-type: none"> ○ BCP (columns used in steel structures) ○ Truss-reinforced deck forms ○ Expansive concrete ○ Existing concrete piles 	Finishing <ul style="list-style-type: none"> ○ Wood fittings and wood flooring << Wood shock ○ Steel sheets with a baked fluororesin finish << Shortages of fluororesin materials due to rising semiconductor demand and environmental measures ○ Heat-insulating foamed urethane panels << Hurricanes damage sustained by an HFO and foaming agent manufacturer ○ Existing concrete piles
Equipment << Semiconductor shortages, resin raw material shortages, etc. <ul style="list-style-type: none"> ○ Electrical equipment <ul style="list-style-type: none"> • Incoming and transforming equipment • Automatic fire alarm systems • Uninterruptible power system (UPS) • High-voltage cables • Lighting fixtures • Telephones • Generators • Boards ○ Air-conditioning equipment <ul style="list-style-type: none"> • Refrigerators and freezers • Chillers (cooling water circulators) • Package air conditioners (PACs) • Automatic control boards ○ Elevators and related equipment <ul style="list-style-type: none"> • Passenger elevators • Freight elevators • Mechanical parking garages (tower-style parking facilities) 	<ul style="list-style-type: none"> ○ Automatic doors << Lockdowns in China ○ Sanitary and plumbing equipment <ul style="list-style-type: none"> • Bidet-style toilets • Kitchen equipment • Refrigeration and freezer equipment • Compressors • Sprinkler heads ○ Hot water heaters ○ Refrigeration and freezer equipment ○ Boilers ○ Air conditioners

Note: Items shown in red in the figure were previously subject to an order stoppage or similar disruption.

8-1. Principal completed and ordered construction

(April 2022 to September 2022)

Completed construction

Client	Building	Prefecture	Use
Tokyo Tatemono Co., Ltd.	T-LOGI Kazo	Saitama Prefecture	Logistics warehouses and factories
K's court Co., Ltd.	Chatelet Shinanomachi	Tokyo	Condominiums and apartment buildings (renovation)
Tokyu Land Corporation Sotetsu Real Estate Co., Ltd. Nippon Steel Kowa Real Estate Co., Ltd.	Branz City Shonandai	Kanagawa Prefecture	Condominiums and apartment buildings
Pressance Corporation	Pressance Legend Osaka-Shinmachi Tower	Osaka Prefecture	Condominiums and apartment buildings
FP Corporation	Pico House Building 5	Hyogo Prefecture	Dormitory and Company Housing
Anabuki Kosan Inc.	AlphaStates Imazatocho	Kagawa Prefecture	Condominiums and apartment buildings

Ordered projects

*Joint venture project

Client	Building (project)	Prefecture	Use
Miyamotocho District 2 Improvement Program for Select Structures Joint Contractor Conference	Miyamotocho District 2 Improvement Program for Select Structures*1	Gunma Prefecture	Condominiums, apartment buildings, and commercial facilities
Tokyu Land Corporation	2-chome Hamada Project (Mihama-ku, Chiba-shi, Chiba Prefecture)	Chiba Prefecture	Logistics warehouses and factories
Daikyo Incorporated	Lions Kakuozan	Aichi Prefecture	Condominiums and apartment buildings
Sekisui House, Ltd.	Grand Maison Kitahorie 2-chome Project	Osaka Prefecture	Condominiums and apartment buildings
Seino Transportation Co., Ltd.	Amagasaki Branch, Seino Transportation Co., Ltd.	Hyogo Prefecture	Logistics warehouses and factories (renovation)
Misawa Homes Chugoku Co., Ltd.	Albio Garden Shin-Kurashiki Ekimae	Okayama Prefecture	Condominiums and apartment buildings

*In order of prefectural code

8-2. Principal completed construction

(April 2022 to September 2022)



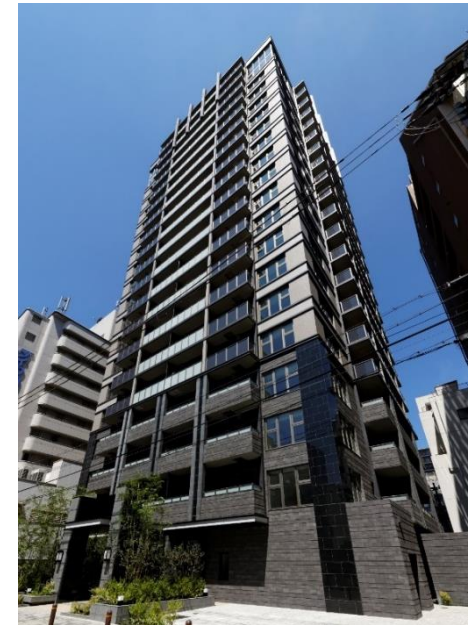
Chatelet Shinanomachi



Branz City Shonandai








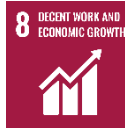






T-LOGI Kazo



Pressance Legend Osaka-Shinmachi Tower

9. SDG initiatives (from the Medium-term Business Plan)

Area	Example initiative	Target	SDG targets	2021/9 Performance	2022/9 Performance
Resolving environmental problems E nvironment	Extending the service life of existing buildings	Value of update and renovation orders	  	2.0 billion yen	2.8 billion yen
Resolving social issues S ocial	Making existing buildings more resilient	Number of earthquake resistance renovation orders received	 	1	2
	Conducting R&D into construction technologies	Number of new-technology development initiatives	 	0	1
	Improving productivity	Per capita sales improvement rate	  	—	—
Corporate governance G overnance	Raising compliance awareness	Number of educational sessions for officers and employees	 	7	7

10. Joint development of a snake-shaped robot for use in unmanned inspections of below-grade pits

Working with the University of Electro-Communications, *Daisue developed a snake-shaped robot for use in automatic inspections of below-grade pits at construction sites.*

Inspections of below-grade pits in which electric wiring and water and sewer equipment are located impose substantial physical and psychological burdens on inspectors due to low ceilings, the need to pass through narrow access ports as they move between areas, high humidity, and the designation of pits as asphyxiation hazards due to high concentrations of carbon dioxide.

The newly developed snake-shaped robot has functionality both for **performing two-dimensional patrols**, in which it moves under its own power to photograph conditions inside pits while avoiding obstacles, and for **passing through access ports by means of autonomous, three-dimensional movement** in line with an appropriate route planning and speed control.



Inspectors' work environment can be improved by eliminating the need for them to perform visual inspections inside buildings' below-grade pits. In addition, the robot's ability to operate autonomously eliminates the need for remote control, and it is expected to **streamline work** as a result.

We plan to start using the robot at our worksites in April 2023 and to offer it for general sale around 2025.






Going forward, we will continue to work to improve productivity while making it easier for employees to do their jobs.

Progress towards Compliance with the Prime Market's Continued Listing Criteria

Compliance with the Prime Market's Continued Listing Criteria

	2021/6 (Transition reference date) ^{*1}	Fiscal year ended March 2022 ^{*2}	September 2022 ^{*3}	Fiscal year ending March 2023 ^{*4}	Fiscal year ending March 2024	Fiscal year ending March 2025
Market capitalization	6.48 billion yen	8.63 billion yen	9.99 billion yen			At least 10 billion yen
Trading value	9 million yen per day	20 million yen per day	50 million yen per day			At least 20 million yen per day

Reference: Progress towards targets listed in our compliance plan

Dividend ratio	—	34.6%	—	At least 50%		
ROE	—	9.1%	—			At least 10%
ROIC	—	9.1%	—			At least 10%
Consolidated sales	—	69.6 billion yen	38.8 billion yen	70.9 billion yen		
Consolidated current net profit (Consolidated operating income)	—	1.81 billion yen (2.7 billion yen)	670 million yen (930 million yen)	1.02 billion yen (1.5 billion yen)		

*1 From "Primary Decision Results Concerning Compliance with New Market Section Continued Listing Criteria."

*2 Market capitalization has been calculated by multiplying the average final share price on the Tokyo Stock Exchange during the three months leading up to the last day of the business year by the number of outstanding shares; trading volume has been calculated as the average value from January through December 2021. The number of outstanding shares as of March 31, 2021, was used to calculate *1 and *2.

*3 Market capitalization has been calculated by multiplying the average final share price on the Tokyo Stock Exchange from July through September 2022 by the number of outstanding shares as of September 30, 2022, (as calculated by Daisue); trading volume has been calculated as the average value from July 2021 through June 2022.

*4 From "Notice Concerning Revisions to Daisue's Earnings Forecast and Surplus Dividend" as announced on October 25, 2022.

Specific initiative measures

Step 1: Fiscal year ended March 2021 to fiscal year ending March 2025

Issues	Priority investment topics	Amount of investment
<p>Lag in accommodating the DX</p> <p>Decline in operating margin (rising cost rate)</p> <p>Expanding the size of orders</p>	<ul style="list-style-type: none"> • DX focusing on construction sites (defensive DX) • Improving productivity through industrialization, BIM adoption, etc. • DX in sales-related operations in order to increase orders <p>(Aggressive DX)</p> <ul style="list-style-type: none"> • Entry into super-high-rise buildings and super-large projects worth at least 5.0 to 10.0 billion yen 	<p>5.0 billion yen</p>

Step 2: Fiscal year ending March 2026 to 2030

Issues	Priority investment topics	Amount of investment
<p>Expanding our business domain</p> <p>Securing sources of profit outside contracting</p> <p>Complying with ESG and SDGs; contributing to a low-carbon society</p>	<ul style="list-style-type: none"> • Developing and acquiring zero-energy technologies like ZEB, ZEH, and wood construction techniques in order to achieve carbon neutrality • Reentering the civil engineering business • Entering the real estate business • Entering the environmental business (renewable energy, etc.) 	<p>5.0 billion yen</p>

Quickly realizing DX plan formulation, system development, and companywide deployment

Giving efforts to increase corporate value top priority and establishing the DX Implementation Headquarters, which is chaired by the president, on April 1, 2022, in an effort to implement our Medium-term Business Plan and Vision 2030

Focusing investment on profit centers that yield orders and profits

Sales DX

- Building DX systems that dramatically boost quotation speed and estimation precision
- Contributing to customers' high-precision business planning and expanding opportunities to be involved from the business planning stage
- Deploying DX systems and increasing our ability to secure orders in new markets
- Reducing post-order profit fluctuation risk through use of the most recent data to secure reliable profits

Construction DX

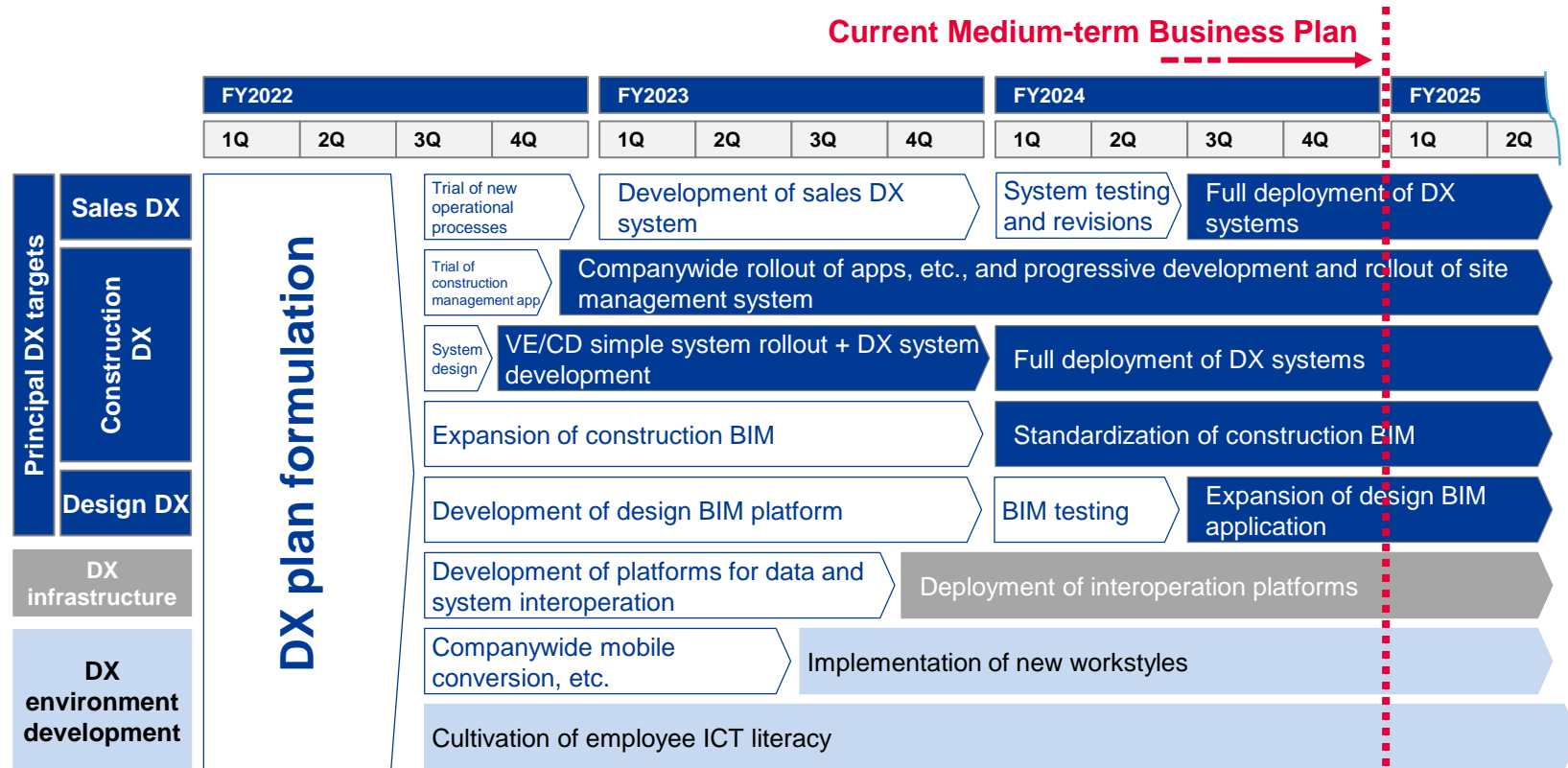
- Streamlining operations by putting in place mobile environments at construction sites and deploying ICT tools, construction BIM, and other resources
- Establishing structures for handling 100 billion yen projects by increasing per capita productivity, defined as construction value
- Further improving profitability during the construction stage by building VE and CD support systems

Design DX

- Increasing profit through front-loading by boosting the percentage of jobs for which we handle both design and construction by enhancing our BIM design capabilities
- Strengthening our ability to participate in large-scale construction projects by improving our ability to offer compelling proposals to customers through BIM
- Improving our ability to secure orders by strengthening our design capabilities in the non-residential segment through BIM

Strategic growth investment (2) (DX plan overview and roadmap)

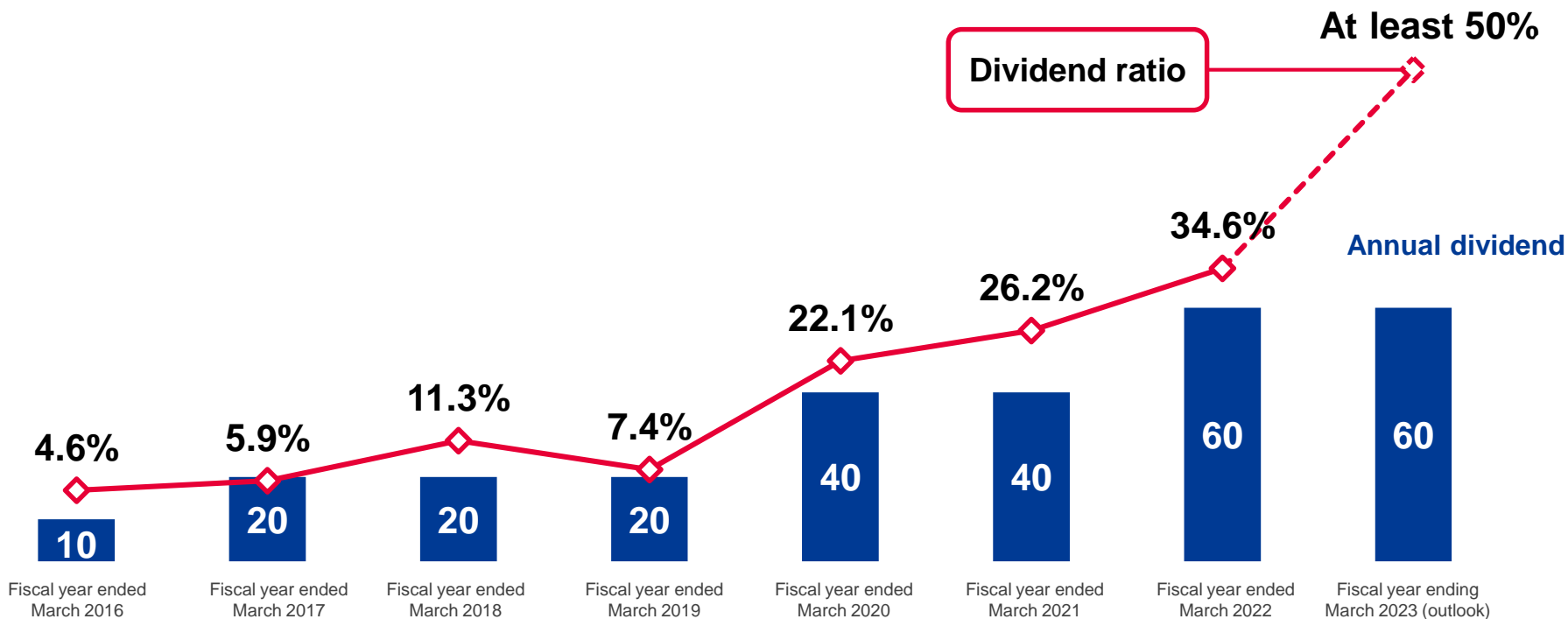
- Establish a roadmap expressing DX investment benefits for FY2024, the final year of the current Medium-term Business Plan.
- Formulate a DX plan for all domains by October 31, 2022, and determine our approach to new operational processes and data utilization.
- Put in place DX infrastructure and a DX environment in advance so that DX systems can operate in an effective manner.



Colored arrows indicate when the effects of measures will be felt.



Dividend policy

We will adopt a dividend ratio of **at least 50%** starting with the fiscal year ending in March 2023.



* The annual dividend during the fiscal year ending in March 2023 and beyond is determined in accordance with current quantitative plans. Actual dividend amounts will vary with the extent to which the plans are being achieved.

Strengthening governance

CG Code	Initiative	Fiscal year ended March 2016	Fiscal year ended March 2017	Fiscal year ended March 2022	Fiscal year ending March 2023	Fiscal year ending March 2024	Fiscal year ending March 2025
Already implemented							
4	Transitioning to a corporate structure with an Audit and Supervisory Committee		Complete				
4-10 (1)	Establishing a Nomination and Remuneration Committee and ensuring its independence	Complete					
4-6	Revising operating officer structures (to reflect officers' status as contractors rather than employees)			Complete			
4-2 (1)	Introducing a performance-linked compensation program		Complete		Introducing a performance-linked stock compensation program		
4-1 (3)	Formulating a succession plan			Complete			
1-2 (4)	Implementing a platform allowing voting rights to be exercised electronically			Complete			
3-1 (2)	Disclosing information and providing materials in English			Complete for earnings summaries	(Gradually increasing the scope of disclosure) 		
4-8	Ensuring independent outside directors comprise at least one-third of the Board of Directors (Formulating a skill matrix)				Complete		
4-11 (1)	Promoting female directors				Complete		
Future initiatives							
3-1 (3)	Implementing TCFD disclosures					Scheduled completion	
5-1	Revitalizing our IR activities	Disclosing supplemental end-of-year financial information		Hosting briefings for institutional and private investors	(Implementing as appropriate) 		

A company that creates spaces rich in
security and joy



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