Annual Report 2010

Year ended March 31, 2010



Creating New Land Value

through Specialized Expertise and Collective Strength





In its quest to match the needs of landowners and tenants, Daito Trust Construction has developed the unique Lease Management Trust System, through which the Company assumes responsibility for lease property management on behalf of landowners. From its commencement of operations in 1974, Daito Trust Construction has made an ongoing effort to reinforce and promote this proprietary model. As a result, we have built a solid business that made us the leading Japanese property manager, in terms of leased units under management.





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Although operating in a difficult environment, the Company boosted its sales and income. By reinforcing the strengths and trust from our customers that we have built over the years, we aim to move to a new stage of growth.

15 Special Feature

A unique business model that combines comprehensive strength with specialized expertise ensures that Daito Trust Construction remains the company of choice for its customers.

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Note Regarding Forward-Looking Statements

This annual report contains information about forward-looking statements related to such matters as the Company's plans, strategies and business results. These forward-looking statements represent judgments made by the Company based on information available at the time and are inherently subject to a variety of risks and uncertainties. Readers are advised that actual activities and business results may differ from the Company's forecasts. The reproduction or reprinting of this annual report, in part or in whole, is strictly forbidden without the expressed consent of Daito Trust Construction Co., Ltd.

A Look Inside Daito Trust Construction

Daito Trust Construction is leveraging its unique business model, a sales infrastructure that covers all of Japan, and an array of other attributes and strengths to solidify its position as a company preferentially chosen by its customers.

Business Overview

Daito is more than just a construction firm. Many companies in the industry offer constructionfocused plans to landowners while outsourcing tenant recruitment and building management. In contrast, Daito starts by providing plans from a land utilization perspective, and follows through with tenant recruitment and building management all handled in integrated fashion within the Daito Group. This business stance of supplying landowners with valuable land utilization options and providing tenants with safe and comfortable lifestyles is a major factor differentiating Daito from others in the industry.



Lease Management Trust System

Under its unique Lease Management Trust System, Daito assumes responsibility for all aspects of lease property management on behalf of landowners. We provide comprehensive lease support services, from initial proposals to building design and construction, tenant recruiting and property management—while taking on all the risks involved in the process. Earning plaudits from customers and steadily adding to our residential units under management, the System forms the backbone of Daito's competitive advantage.



Business Fields

Daito is effectively expanding its peripheral business fields to enhance comprehensive support services for its core building leasing business, and to augment the power of the Daito Group. Besides creating new profit opportunities, the growth of these business fields enables appropriate response to various risks entailed in lease management.



Operating Area

One of Daito's strengths is its sales network spanning all of Japan. As of July 2010, we operate 204 offices nationwide. With offices covering every area of the country, we undertake efficient sales activities tailored to the characteristics of each region, strengthen community-based trust relationships with landowners and introduce properties to people looking for rental units across Japan as a one-stop service.



Daito's Strengths

Daito has capitalized on its broad range of unique characteristics and strengths to establish a strong track record and a robust market position. Such features include our unique Lease Management Trust System—an integrated business system within the Daito Group that starts by providing plans that emphasize lease building management—peripheral businesses that enrich service offerings to customers, and a network of sales offices that spans all of Japan.

Leased units under management	+ Surpassed the 600,000 unit mark to reach $638,160$ units + No.1 in the 2009 ranking for leased units under management in Japan
Leased units brokered	+ $180,314$ leased units brokered, leading the industry in Japan
Leased housing starts and Daito's share	+ 50,375 housing starts, with Daito's share growing to 16.2%
Operating income	+ Operating income of $\$71,127$ million—No. 1 in the Japanese construction industry

*1: All figures shown above are Daito Trust Construction's results for the year ended March 31, 2010.

*2: Ranking for leased units under management in Japan is based on a survey by Zenkoku Chintai Jutaku Shimbunsha.

Market Environment Japan

Japan's Demographics

Number of households to increase until 2015 even as population declines

In Japan recently there is concern about substantial social changes arising from falling birthrates and population aging. One factor driving this trend is the country's declining population. Based on recent trends, Japan's population is projected to fall from 127.77 million in 2005 and 127.57 million in 2008 to 125.43 million in 2015.

Against this background, trends toward nuclear families and late marriages are proceeding alongside the falling birthrate and aging population as conspicuous social changes. The increase in nuclear families and late marriages is affecting the number of households. In contrast with the downtrend in total population, the number of households in Japan is predicted to grow from 49.06 million in 2005 and 49.87 million in 2008 to a peak of 50.6 million in 2015. The trend in the number of households has been stable and consistent for some time, and is not expected to decline sharply even after its peak in 2015.

Current State of Leased Housing in Japan

Existing leased housing is being reconstructed, demolished or culled from the market

Presently, deterioration of leased residential units in Japan is prompting reconstruction, demolition and removal from the market. Taking fiscal 2004 through fiscal 2008 as an example, in the brief span of five years approximately 1.83 million leased residential units were reconstructed, demolished or culled from the market, which averages to approximately 360,000 units per year.



A major factor in the enormous number of reconstructed and demolished leased residential units is the aging of existing leased housing. Within the existing leased housing stock of approximately 17.77 million units as of 2008, a breakdown by construction dates shows that some 28% (approximately 5.03 million units) are so-called "aging properties" built at least 20 years ago. In Japan, where the reconstruction cycle for residential units is considered to be 30 to 35 years, Daito believes that the demand for leased housing reconstruction will continue to grow in light of the above factors.

Trends in Households in Leased Housing in Japan

Number of households living in leased housing expected to remain stable at approximately 18 million

Unaffected by economic conditions or land prices, the percentage of Japanese households living in leased housing has stayed around the 36–38% mark (representing approximately 18 million households) for some time. This trend is expected to remain stable into the future. Recently, stagnant incomes, the risk of declining property prices, and changing lifestyles are prompting a growing number of people to spend their money enjoying their lives in rental housing rather than taking on huge loans to own a property.



Mid- to Long-term Outlook for the Leased Housing Market

Some 390,000 new leased housing units to be required each year until 2015

There were approximately 17.77 million leased housing units in Japan in 2008. Increasing deterioration of buildings is predicted to shrink the leased housing stock to approximately 15.68 million units in 2015. At the same time, the number of households living in leased housing is expected to reach 18.46 million in 2015 when the total number of households peaks. Consequently, in the brief span of seven years from 2008 to 2015, approximately 2.78 million new, quality leased residential units (390,000 per year) are estimated to be required to meet demand.

Despite a temporary dip due to the impact of Japan's revised Building Standards Law (enacted in June 2007), new lease housing starts in the country have maintained a yearly average of 400,000 to 500,000 units. In addition to the above projections, the demand for rental properties that do not involve changes to resident registration cards, such as for single persons living in company housing, is expected to create tens of thousands of additional households. Taking the full range of such factors into account, Daito believes that the demand for leased housing will remain firm in the near term.

Highlights for the Year Ended March 31, 2010

- The Company posted increases in sales and income for the second consecutive fiscal year. Ordinary income and net income reached historic highs.
- Daito Trust Construction raised its annual dividend per share ¥89, to ¥193, achieving a payout ratio of 49.9%.
- As one move to enhance shareholder value, during the year the Company spent the equivalent of 30% of consolidated net income to acquire 3,079,200 shares of its own stock, which it cancelled.

	Millions of Yen					Thousands of U.S. dollars	
	2006	2007	2008	2009	2010	2010	
OPERATING RESULTS For the years ended March 31	2000	2007	2000	2007	2010	2010	
Net sales	¥538,692	¥564,316	¥641,045	¥954,881	¥972,616	\$10,453,740	
Construction	419,868	441,286	439,955	469,603	465,580	5,004,084	
Real estate	89,874	93,872	171,343	464,779	483,547	5,197,194	
Other	28,949	29,156	29,746	20,497	23,488	252,450	
Gross profit	172,957	181,061	187,121	181,896	188,787	2,029,095	
Construction	130,103	135,457	141,889	150,304	166,461	1,789,133	
(Gross profit margin %)	(31.0)	(30.7)	(32.3)	(32.0)	(35.8)	(35.8)	
Real estate	23,322	25,069	28,054	25,351	14,476	155,588	
(Gross profit margin %) Other	(25.9) 19,531	(26.7)	(16.4) 17,177	(5.5)	(3.0) 7,849	(3.0) 84,361	
	,	20,534	,	6,240	,		
(Gross profit margin %)	(67.5)	(70.4)	(57.7)	(30.4)	(33.4)	(33.4)	
Operating income	63,767	72,648	66,295	70,389	71,127	764,477	
(Operating income margin %)	(11.8)	(12.9)	(10.3)	(7.4)	(7.3)	(7.3)	
Ordinary income	65,400	73,656	69,609	73,976	76,663	823,978	
(Ordinary income margin %)	(12.1)	(13.1)	(10.9)	(7.7)	(7.9)	(7.9)	
Net income	36,858	41,823	44,478	42,129	45,353	487,457	
(Net income margin %)	(6.8)	(7.4)	(6.9)	(4.4)	(4.7)	(4.7)	
FINANCIAL POSITION As of March 31							
Total assets	440,406	473,386	532,155	540,477	558,129	5,998,806	
Current assets	298,487	320,631	395,038	383,594	376,398	4,045,550	
Noncurrent assets	141,918	152,754	137,116	156,883	181,730	1,953,245	
Current liabilities	177,704	174,291	177,952	178,459	166,938	1,794,260	
Noncurrent liabilities	20,477	23,979	52,772	65,676	78,559	844,357	
Net assets	242,406	275,115	301,429	296,341	312,631	3,360,178	
CASH FLOWS							
Cash flows provided by operating activities	66,116	60,305	25,489	30,209	46,041	494,851	
Cash flows (used in) provided by investing activities	(20,000)	(13, 131)	12,426	(13, 480)	(26,838)	(288, 456)	
Cash flows (used in) provided by financing activities	(29,789)	(12,131)	(10,746)	(39,606)	(29,866)	(321,001)	
Cash and cash equivalents at end of year	146,100	181,234	208,247	181,569	170,738	1,835,103	
PER COMMON SHARE (Yen)						(U.S. dollars)	
Net income	299.29	345.59	367.29	349.25	386.41	4.15	
Net assets	2.013.65	2,275.75	2,482.56	2,496.99	2,700.97	29.03	
Cash dividends applicable to the year	87.00	94.00	232.00	104.00	193.00	2.07	
RATIOS (%)							
ROA	8.4	8.8	8.4	7.8	8.1		
ROE	15.6	16.2	15.5	14.1	14.9		
Equity ratio	55.0	58.0	56.5	54.7	55.8		
Payout ratio	30.1	30.4	75.0	31.5	49.9		

Notes: U.S. dollar amounts are translated from yen at the rate of ¥93.04=U.S.\$1, the approximate exchange rate at March 31, 2010.





Net Income and Net Income Margin (Millions of yen)



Net Cash*



*Net cash = Cash and deposits + short-term investment securities - interest-bearing debt

Purchase and Retirement of Treasury Stock

(Millions of yen)



*Figures in parentheses appears the transaction volume of stock (unit: thousands of stock).





Payout Ratio and Cash Dividends Per Share



*It's total amount of regular dividend ¥108 and special dividend ¥128.



To Our Shareholders and Investors



There were uncertainties in the leased housing field that is the focus of Daito Trust Construction's operations, with a fall in new leased housing starts due in part to changes in financial institutions' attitudes toward loans, and a temporary pullback in demand for company housing. However, the need for effective land utilization held steady because of the continuing heavy tax burdens on land ownership and inheritance. The percentage of rental housing occupied by households has also not changed substantially, and the nationwide trend of seeking to convert considerably superannuated leased housing into quality leased housing remains firm, with no significant impact from fluctuations in the economy.

Under these conditions, we at the Daito Group endeavor to provide asset management that is valuable to our customers through our unique Lease Management Trust System, under which we assume responsibility for all aspects of lease property management. As part of this mission, we will open new offices to expand our geographic coverage of quality markets, enhance our planning capabilities and our ability to capitalize on reconstruction demand, and otherwise actively address the diversifying array of land utilization needs. Moreover, as our competitors struggle to improve business performance, we are taking on new challenges to build customer trust and trust in the leasing industry, and to achieve healthy share growth.

Daito is committed to "contributing to society by ensuring the most efficient use of all available land and resources." The Company demonstrates this corporate philosophy by supplying quality leased housing that fully satisfies the needs of landowners and tenants alike, and by expanding our involvement in peripheral businesses. Through such activities, we aim to realize a mid- to long-term management target for orders received of approximately ¥600 billion per year (while maintaining at least 15% of the industry share of construction starts).

We look forward to the continued support and encouragement of all our shareholders and investors.

July 2010 President Isao Minabe

Interview with the President

Daito achieved the highest ordinary income and net income in its history.

We remain committed to enhancing corporate value by advancing all our management initiatives.



Isao Minabe

QUESTION

What is your reaction to the past year, said to be the worst recession in 100 years?

The recession has done nothing to change the needs of landowners and tenants.

Against a backdrop of harsh employment conditions and stagnant salaries, it is true that Japan's housing industry experienced a decline in consumer willingness to purchase housing, pushing new housing starts below the previous year's level. The leased housing market that is the focus of the Daito Group's operations also contained uncertainties, with a fall in new leased housing starts due in part to changes in financial institutions' attitudes toward loans, and a pullback in demand for company housing. However, the land utilization needs of landowners remain solid irrespective of fluctuations in the economy, given the strategies such landowners are pursuing to mitigate inheritance and other taxes and the shortage of successors to take over farms. The percentage of households living in leased housing has also not changed significantly, and needs of tenants looking for quality leased housing is increasing year by year.

Thanks to our shareholders, the Group succeeded in cutting costs by taking advantage of the deflationary environment, despite a slight deterioration in earnings in the whole-building lease business. Consequently, net sales climbed 1.9% to ¥972,616 million compared with the previous fiscal year, and operating income edged up 1.0% to ¥71,127 million—marking two consecutive years of increased revenues and profits.

What is your view on the operating environment in the year ahead?



Although Japan's economy overall likely still needs time to recover, we at Daito see the current situation as an ideal opportunity to expand orders received when viewed from four vantage points.

The first point is that the land utilization needs of landowners will remain steady. In the fiscal year under review, orders from repeat customers and referrals from existing customers recorded an increase of more than 15% compared with the preceding fiscal year. This increase veritably demonstrates that people who own land still need to put their land assets to use even amid a recession considered to be the worst in 100 years.

The second point is that we have fully accommodated the change in financial institutions' attitudes toward loans. After the Lehman Shock, certain screening criteria for construction financing for landowners were tightened. However, consistent disclosure of Daito's documents and business explanations to financial institutions has enabled the Company to continue trust-based transactions with many financial institutions.

The third point is that the temporary increase in tenant turnover has died down, and the demand of tenants looking for quality leased housing is stabilizing. In our view, the trends toward increasing turnover rates for both residential and commercial tenants due to changes in the social environment are cooling off.

The fourth point is the downsizing of competition from other firms in the same industry. We see this contraction as a golden business opportunity when considered in conjunction with the above three points, and are taking a variety of measures to expand our operations. In advancing such measures, we plan to make the year ahead the Group's third straight year of increased revenues and profits. We project that net sales will rise 5.3% to ¥1,023.9 billion, and that operating income will grow 1.2% to ¥72.0 billion.







Can you describe the challenges to focus on in the year ahead?

Orders received will be the driver of growth.

Although depressed by a decline in the unit price per order due to changes in financial institutions' lending standards, the total value of orders received is gradually recovering on a quarter-to-quarter basis. The number of orders received is also staging a steady comeback and growth trend. As a result, the total value of orders received edged down 0.5% to ¥435,219 million, and the number of orders received rose 3.7% to 6,783.

Considering orders by category, repeat orders and referrals from existing customers enjoyed strong support throughout the year—in particular recording a 20.2% increase in the fourth quarter compared with the same period in the preceding fiscal year. On the other hand, orders from new customers remained an issue because they failed to improve significantly, despite a rebound in the third and fourth quarters to the levels of the same period in the previous fiscal year.

The order cancellation rate, which had exceeded 25% in the second half of the preceding fiscal year, fell to 18.9% in the fourth quarter of the fiscal year under review, putting an end to the increase in cancellations that followed the Lehman Shock. Since we have also fully accommodated the change in financial institutions' attitudes toward loans, which was the main factor fueling the increase in cancellations, we expect the cancellation rate to continue its downtrend.

The unit price per order remained nearly unchanged compared with the fourth quarter of the prior fiscal year, at approximately 74 million. We consider raising the unit price per order to be a key challenge going forward.

What steps will you take as part of a concrete strategy to expand orders?



As I explained a moment ago, the current operating environment could be considered a major opportunity for Daito. To solidly embrace this opportunity to grow orders and boost market share, we will dynamically implement a variety of measures centered on forays into quality property markets and accommodation of diversifying land utilization needs.

Although we had been holding off on opening new offices as we ascertained conditions in the leased housing market, we resumed opening of offices in the fiscal year under review—opening seven new offices. In each of the areas where we opened new offices, we will capitalize on the additional geographic coverage to effect deeper penetration into quality residential markets where Daito's presence had been lagging.

We take pride in our initiatives to accommodate diversifying land utilization needs, which play to Daito's unique strengths and positioning. Whereas other firms in the industry are focused merely on constructing apartments, Daito emphasizes the utilization and succession of customers' assets, finding landowners who need to utilize their land and treating the resolution of the difficulties landowners face as its primary objective.

Under this unwavering policy, we will build on the broad-ranging track record and expertise we have cultivated thus far as we strive to grow our customer base by actively implementing a number of new initiatives. Such initiatives include augmenting our capabilities for medium-rise buildings, promoting orders to take advantage of demand for reconstruction, launching a whole-building lease trust service for buildings constructed by other companies, a complete land utilization service package that provides reinvestment solutions for cash assets earned from rental income, and a life-plan assessment service that assists in asset formation and succession for customers and their families.

Through these and other initiatives, we plan to raise the total value of orders received in the year ahead 11.4% year on year, to \\$485,000 million.





What about the other important challenge of tenancy agreement? Occupancy rates are on an uptrend thanks to the winding down of the temporary increase in tenant turnover rates, and our tenant recruitment initiatives.

The number of tenancy agreement rose 4.9% to 180,314. The occupancy rate for residential units at fiscal year-end was 94.6%, down 1.0 percentage point year on year. Although the number of vacant units had risen by approximately 10,400 as of September 30, 2009 compared with March 31, 2009, a successful tenant recruitment initiative (costing some ¥2.6 billion) started in October 2009 blunted the increase in vacancies as of March 31, 2010 to 6,000 compared with March 31, 2009. The occupancy rate for commercial-use properties fell 2.8 points to 91.3%. This represents approximately 1,100 additional vacant units.

Despite these results for the occupancy and vacancy rates in the fiscal year under review, the trend in the tenant turnover rate that caused the increase in vacancies makes it clear that tenant placement conditions are improving. The residential tenant turnover rate in the first half of the fiscal year under review was 12.4%, which was 0.8 point higher than the average rate of 11.6% for first halves of the prior three fiscal years. However, the trend eased in the second half with a turnover rate of 12.5%—a 0.1 point improvement compared with the average rate of 12.6% for the second halves of the previous three fiscal years. As a result, the residential tenant turnover rate for the full year was limited to 24.9% (the full-year average for the preceding three years was 24.3%).

To further improve occupancy rates, we will employ a supplementary budget allocation of approximately 4.5 billion to implement reinforcement measures in the year ahead. We intend for these reinforcement measures to eliminate some 8,400 vacancies in one year.

What is your policy on profit return to shareholders?

QUESTION

Are you pursuing any other important strategies to elevate the Company to its next stage of growth?

We are targeting a payout ratio of 50% and treasury stock purchases amounting to 30% of net income.

Daito's basic commitment is to provide a stable dividend by ensuring a strong business base; specifically we have set a target payout ratio of 50%, to consist of a standard dividend of \$100 and a profit return component reflecting consolidated business performance. On this basis, we paid an annual dividend per share of \$193—an increase of \$89 compared with the previous fiscal year.

Daito applies a policy of ongoing purchase and retirement of treasury stock as part of its efforts to increase shareholder value. The upper limit for purchase of treasury stock is set at a target of 30% of consolidated net income. In the fiscal year under review, 3,079,200 shares (acquisition cost ¥12,599 million) were purchased and retired.

For the year ahead, we plan to increase the dividend per share 4 to 197, and to purchase 2,720,000 shares of treasury stock for 13.6 billion.

We are proactively considering research and commercialization strategies for businesses stemming from our core operations, as well as ways to boost the scale of existing businesses.

To create and advance new growth strategies, we are developing synergies with existing subsidiaries, formulating proposals for our core business and working aggressively to expand future business domains.

Initiatives that include our whole-building lease trust service for buildings constructed by other companies and our complete land utilization service package explained a moment ago constitute an important growth strategy, which we intend to focus on expanding and developing going forward. We also plan to consider research and commercialization of all manner of businesses branching off from our mainstay business, including areas such as vegetable plants and real estate development in Japan and overseas. You can continue to expect great things from the Daito Group.

aito's Comprehensive and Specialized Capabilities as Customers' "Company of Choice"

Daito Trust Construction's major strengths in terms of land utilization are its comprehensive and specialized service capabilities. Ceaselessly enhancing our unique business model and highly professional team, we will remain our customers' company of choice as we continue to boost corporate value.



High rate of orders through exclusive relationships and repeat orders, with a solid business plan

Daito's sales activities are based on direct sales and consulting. Through personal visits to landowners, sales personnel tap into hidden demand and present business proposals covering taxation, finance and construction plans tailored to the circumstances of individual landowners.

Sales activities using this direct approach make it possible to identify potential customers and build strong customer networks. The result is that the majority of the orders we receive arise from a direct approach, not subject to competition. Furthermore, Daito receives approximately 50% of its orders each year through repeat business and referrals, demonstrating customer satisfaction and understanding of our services. To propose such solid business plans supporting a stable inflow of orders, Daito conducts its own surveys on each leasing market and the movements in rental market values covering all of Japan in a finely segmented fashion.

Accommodating all risks and achieving high profitability

Lease management entails various risks, including rental market fluctuations, repair costs and tenant complaints. Maintaining and enhancing functions to accommodate such risks enables Daito's Lease Management Trust System to provide owners with 30 years of secure, stable and safe leasing operations.

DAITO'S COMPREHENSIVE CAPABILITIES

ease Management Trust System Brings out the Value in Land and Provides Security, Stability and Safety



Rents could be called the most significant risk in lease management. To secure stable rental income for owners, Daito pays a predetermined monthly rental fee, even in times of vacancy or default of payment. Moreover, even if there are fluctuations in market rates, our rents stay fixed for a 10-year period—the longest in the industry—and are revised every five years thereafter. The Daito Group also bears the costs of restoring a property to its original state when a tenant moves out and of maintaining and repairing buildings that have deteriorated over time*—both costs traditionally borne by owners.

One of Daito's advantages in supporting these risk management functions is its technical capabilities. We take advantage of economies of scale in the execution of planned building refurbishments and in our unique series of high-durability materials and lowmaintenance materials and equipment. Such capabilities enable Daito to limit depreciation of leased buildings due the aging and in other ways pursue more efficient rental business management.

*In the case of our residential building full package plan

Maintaining a comprehensive management and operation structure

Management and operation of leased properties is a very important aspect of the Daito's operations because of the importance the Company places on plan proposals and business development that emphasize land utilization. We provide quality management and operation services through our dedicated management and operations subsidiary, Daito Building Management Co., Ltd.

Daito Building Management undertakes the full range of laborious management and operation procedures, from building maintenance and operations to all manner of negotiation with tenants. The subsidiary also maintains a comprehensive management and operations system that includes building inspections by specialist staff once every two months and 24-hour access to the Daito Customer Center, even on public holidays. A 0.13% rate of rent delinquency (compared with the national average of 4.0%*) is testament to the quality of the subsidiary's management services.

*According to research by the Japan Property Management Association

Lease Management Trust System enables most effective land utilization

The Lease Management Trust System can be succinctly characterized by its ability to enable the most effective land utilization. Landowners face a variety of individual situations in which they may worry about utilization or taxation of their land or farmland, or wonder whether it really makes financial sense to undertake apartment management. Daito has assembled an extensive variety of products designed to unique and consistent standards to ensure stable business efficiency and lifestyle function tailored to all manner of customer needs and site conditions across Japan

We will continue enhancing our precision planning and solution capabilities, our ability to develop and provide products flexibly adapted to the characteristics of each region, our response to all manner of risks and our superior management system. In pursuing these initiatives, the Daito Group remains committed to providing solution plans valued by landowners all across Japan.



Sales personnel rooted in each area / Market research team specializing in whole-market trends

Daito's 2,830 sales personnel (as of March 31, 2010) visit landowners nationwide personally to build uniquely favorable relationships with them. The sales personnel then formulate and propose business plans optimally suited to the circumstances of individual landowners.

Supporting the design of these optimized business plans is Daito's dedicated market research team—324 employees strong (as of March 31, 2010)—which surveys lease markets and rental market value trends across Japan. Our market research team maintains a broad grasp of rental markets and property supply trends covering the entire market, including the properties of our competitors. The team determines room layouts and rental prices suited to each property site from an impartial position independent from sales personnel, thereby achieving business plans with a high rate of success and stable operation of leased properties.

DAITO'S SPECIALIZED CAPABILITIES uilding trust relationships with customers and providing satisfaction through the capabilities of distinguished professionals





Development and implementation of physical functionality is indispensible for buildings that are to support long-term lease business management. As of March 31, 2010, Daito employed a multitude of qualified personnel, including 1,312 registered first-class architects, 1,642 registered first-class building site managers and 261 first-class civil engineering construction managers. The efforts of these distinguished engineers enable Daito to construct high-quality buildings. Moreover, upon completion, inspection data and images covering the construction process from beginning to end are compiled into a "report of completed construction" and given to the client to ensure the transparency of our construction quality.

Industry-leading tenant sales and management team

In the leased housing business, ensuring tenancy agreement (securing a high occupancy rate) and providing safe and comfortable living conditions for tenants are vital to maintaining a stable rental income. Daito employs 1,169 dedicated tenant recruitment personnel (as of March 31, 2010) in house, and with its subsidiary, Housecom Co., Ltd. (http://www. housecom.jp/), provides a stable supply of tenants to almost 60% of properties managed by the two companies. These personnel are complemented by a network of around 4,000 affiliated real estate agents, giving Daito strong capabilities in tenancy agreement..

The power of Daito's people brings out the best in its Lease Management Trust System

With the Lease Management Trust System as its core, Daito's business model has created an array of successes and cultivated the Company's strengths in its sales, design, construction, tenant recruitment and management activities.

Other companies in the industry focus on construction and are swayed by the business and economic conditions of the moment. In contrast, Daito continually and comprehensively maintains a business stance of providing valuable land utilization to landowners and safe and comfortable lifestyles to tenants. This difference is what has enabled Daito to build its dominant market position. We at Daito believe that these achievements are the fruits of our highly specialized team that has steadily implemented the Company's business stance day by day to forged trust relationships with customer all over Japan.

We remain committed to effecting synergies in our Lease Management Trust System, while treasuring the capabilities of Daito's people.



Board of Directors, Corporate Auditors and Executive Officers

(As of June 25, 2010)

Directors

Representative Director and Chairman Katsumi Tada

Representative Director and President Isao Minabe

Managing Director

Naomi Kumakiri Akio Inada Hideki Asano Takashi Igawa

Director

Hisaharu Jin Hideyuki Nakaita Tetsuzo Nakasato Hitoshi Kadouchi Shuji Nakada Hiroshi Kawaguchi Tetsuo Takeda

Auditor

Standing Corporate Auditor Masayasu Uno

Corporate Auditor Hideo Hachiya Sakumichi Yamada Koji Murata

Executive Officers

Masami Fujiyoshi Hitoshi Murayama Norio Mizuno Minoru Osawa Koichi Ebihara Tomoyuki Nishimura Kazuhiko Saito Takeshi Nakagawa Sachio Washi Hiroshi Sugiyama



Katsumi Tada



Managing Director Naomi Kumakiri



Director Hisaharu Jin



Director Shuji Nakada



Standing Corporate Auditor Masayasu Uno



Isao Minabe



Managing Director Akio Inada



Hideyuki Nakaita



Hiroshi Kawaguchi



Managing Director Hideki Asano



Tetsuzo Nakasato

Director



Tetsuo Takeda



Takashi Igawa



Hitoshi Kadouchi



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Organization

(As of April 1, 2010)



Corporate Governance

Market Interaction Built on Sound Practices and Legal Compliance

Information Disclosure

Daito regards the disclosure of information as one of its most important corporate responsibilities. By complying with relevant laws and regulations, we endeavor to disclose new information promptly, whether it is positive or negative. To ensure management transparency and objectivity, we are commit-



ted to appropriate and timely disclosure of information through a full range of channels. These include news releases, financial results briefing sessions, and publication on the investor relations website of various materials, such as monthly performance data, a range of financial results data from the quarterly and annual accounts, and the annual securities report. As the proportion of Daito stock held by overseas investors is high, we also engage in overseas investor relations activity and take other action to encourage the use of voting rights; for instance, we provide the invitation to the annual shareholders' meeting and the information on the voting resolutions in English.

Corporate Governance and Compliance

Daito's corporate governance policy focuses on maximizing corporate value and enhancing management efficiency and transparency for all its shareholders. To this end, our major tasks are to assure strict adherence to corporate ethics and legal regulations, establish and strengthen internal control systems, and ensure objectivity and timely decision-making by management.



Corporate Governance Structure

Board of Directors

The Board of Directors consists of thirteen directors, including one outside director. Every month, the Board meets to make decisions on matters stipulated in laws and the Company's Articles of Incorporation, as well as important matters affecting the Company and its affiliates. The outside director has no business interests in the Company.

Board of Corporate Auditors

Daito has adopted an auditor system. In April 2000, an executive officer system was introduced; at the same time, the number of corporate directors was reduced in order to facilitate speedy business decision-making. The number of auditors is four, all of whom are external auditors. One of the auditors is employed full-time as a standing corporate auditor. This auditor regularly attends Board of Directors' Meetings and checks the execution of duties as necessary in collaboration with the Internal Audit Division. The system also allows the auditor to monitor the work of the corporate directors and the implementation of decisions made by the Board of Directors and Department Managers' Meetings. All auditors and a financial auditor attend meetings of the Board of Corporate Auditors, at which the financial auditor explains the auditing system, auditing plans, and the implementation of auditing to the four corporate auditors. With the exception of the disposal of treasury stock associated with the exercising of new share subscription rights (offered following approval at the Ordinary General Meeting of Shareholders), the external corporate auditor has no business interests in the Company.

Management Meeting

Management Meeting is attended by the President and Representative Director, as well as by the department managers and general managers (directors or executive officers) in charge of the departments that control the Company's core businesses. In accordance with basic policy decided by the Board of Directors, this body formulates specific operational policies and plans and discusses and makes decisions on other important operational matters.

Executive Management Meeting

The Executive Management Meeting is made up of the senior staff (executive officers or department managers) responsible for the major corporate departments. Meetings are held twice a month to discuss action in response to specific operational issues and problems. The meetings are presided over by a corporate director selected by the Board of Directors, who reports back to the Board of Directors on the items discussed. This arrangement ensures that management is kept promptly informed of concrete issues and problems at the front line of corporate operations.

Compliance Promotion Division and J-SOX Promotion Division

Daito has set up two offices under the direct control of the company President, the Compliance Promotion Division and the J-SOX Promotion Division, which are engaged in the prevention and management of the risk. The Compliance Promotion Division manages risk related to the legal compliance of business activities in collaboration with the Internal Audit Division, which is responsible for checking compatibility with in-house standards. The Compliance Promotion Division is also responsible for formulating the Daito Group Code of Behavior and ensuring that all employees are familiar with it.

Through its section in charge of disclosing information in the public interest, the Division endeavors to identify improper behavior as early as possible and take corrective measures.

The J-SOX Promotion Division, which began full operation on May 5, 2009, was established to meet the requirements of the Financial Instruments and Exchange Law, in accordance with the provisions of which it takes action to enhance and strengthen internal control. Daito Trust Construction conducts its business activities in accordance with its corporate philosophy of "contributing to society by ensuring the most efficient use of all available land and resources." We advance all our business activities not only in an effort to supply quality leased properties, but also to fulfill the obligations of the entire Group as a corporate citizen and continue growing with the local community as one of its members.

Development of Elderly Care Services

Care Partner Co., Ltd

Day Service Centers Spanning Major Cities across Japan

With the aging of Japan's population, Daito has been quick to turns its attention to day service, which is a type of home nursing care service. The year before the introduction of Japan's public nursing care insurance system (June 1999), we established Care Partner Co., Ltd., as a day service provider. As of July 31, 2010, Care Partner operates day service centers in 63 locations in major cities throughout Japan.

Deploying the New Brand "Q-UP Studio"

The day service centers operated by Care Partner are positioned between full-time care facilities and home care services. Each day service center creates sensible programs tailored to the needs of individual senior citizens who live at home, offering physical training, recreation, meals, bathing and other services. Care Partner also offers food delivery services as a peripheral business in an effort to lighten the mental and physical burden on care-giving family members.

As a new initiative, in November 2009 Care Partner launched Q-UP Studio as a new brand of day service, and opened Q-UP Studio Moriai (Fukushima City, Fukushima Prefecture) as the first service center for the new brand. Q-UP Studio is a brand of day service center specializing in physical training to obviate the need for nursing care, with focus on machine-based training.

Working with Landowners to Contribute to Communities and Society

In response to society's tremendous demand for home care support services, Daito is deploying home care facilities throughout Japan in cooperation with landowners. As our first day service center, Care Partner Kawaguchi was truly born out of cooperation with landowners. Although at the time there were no medical or nursing care facilities in the area at all, shortly after Care Partner Kawaguchi appeared a clinic was opened next door to the great delight of local residents.

The Daito Group remains committed to contributing broadly to society through the implementation of nursing care for senior citizens and by providing living spaces suited to the elderly as care recipients and families as their care providers.



Day service center



Q-UP Studio

Promoting Employment of People with Disabilities

Daito Corporate Service Co., Ltd.

Employed as a Valuable Force

Special subsidiary Daito Corporate Service Co., Ltd. was established to promote employment of the disabled. The company had 63 employees as of April 30, 2010. These employees are engaged in clerical work that the parent company had previously outsourced or that had been performed by temporary staff. They also create paper craft models of apartments, which Daito's salespeople use when proposing services to customers, and other tasks that make these employees a valuable element of our workforce.

Workplace Environment Earns Acclaim

Daito Corporate Service attaches great importance to harmony between individuals, society and corporations, and provides workplace environments that enable individuals to overcome their disabilities and be independent, and thus to work with a sense of responsibility and independence. In the process, Daito Corporate Service aims to be a company that helps people enjoy their work and achieve their dreams.

These policies and efforts have earned accolades from society. In fact, Daito Corporate Service won the Minister of Health, Labour and Welfare Prize—the grand prize—in the Excellent Workplace Improvements for Employment of Persons with Disabilities contest in the year ended March 31, 2008, and won first prize in the year ended March 31, 2010. Moreover, the company was selected as a business operating general employment facilities in a public call for facilities to support employment of persons with disabilities by Urayasu City in Chiba Prefecture. The project is scheduled to start in October 2010.

Actively Hired throughout the Group

As of May 1, 2010, the Daito Trust Construction Group employed 247 persons with disabilities, constituting 2.22% of all employees. Daito Trust Construction is also setting up a disabled persons consultation window and taking other measures to promote employment of persons with disabilities. Through Daito Corporate Service and the entire Group, Daito is working to create comfortable workplaces for such employees. The Group will continue implementing a variety of initiatives and improvements to actively employ persons with disabilities.



Won the Minister of Health, Labour and Welfare Prizethe grand prize—in the Excellent Workplace Improvements for Employment of Persons with Disabilities contest



Head office of Daito Corporate Service

Initiatives to Protect the Global Environment

Global Environment = A Place to Live

Based on its unique approach, Daito has sought out its proper role as a corporation in terms of the environment, and has taken measures consistent with that role. As we continue advancing such measures going forward, we endeavor to undertake environmental management that is even more balanced and effective relative to all environmental issues.

Basic Environmental Policy

We at the Daito Group will work actively to protect the global environment by conserving energy and resources and promoting recycling. As an innovative leader in land utilization, we will continue to offer comfortable living environments while focusing on harmony with local communities and the natural environment.

Environmental Guidelines

1. Legal Regulations:

We will conduct our business activities in compliance with laws and regulations related to the environment.

2. Education:

Through ongoing educational activities, all employees shall initiate activities that are environmentally friendly.

3. Conservation of Resources:

We will strive to reduce environmental impact by extending the life of buildings and by conserving resources.

4. Reuse of Resources:

We will strive to reduce environmental impact through the reuse of materials.

5. Recycling:

We will strive to reduce environmental impact by promoting the recycling of resources.

6. Creativity:

We will provide services that lead to a reduction in environmental impact by proposing people-friendly living environments

Environmental Awareness Policy

Daito formulated its Basic Environmental Policy in September 2007. Based on this policy, as a leading land utilization company Daito not only works to lessen the environmental impact resulting from its business activities, from the standpoint of effectively utilizing limited resources it also offers more durable structures and buildings less likely to require repairs, and proactively employs recycled resources and construction materials. We also take steps to reduce CO² and industrial wastes produced during construction, prevent environmental contamination and furthermore provide good places to live by endeavoring to propose environmentally friendly buildings.

Daito's Environmental Management

Daito implemented its approach to environmental management systems in the year ended March 31, 2009 on a trial basis. Based on the results, in the year ended March 31, 2010 we introduced Eco-Challenge "D" at the consolidated Group companies in Japan as our proprietary method for taking on environmental issues in line with our approach to environmental management, which embodies a common set of societal criteria. Going forward, we will incorporate approaches compatible with Daito's business environment and strive to create an environmental management structure that reflects the Company's business environment, based on its approach to environmental management systems. Furthermore, through systematic education on the environment, we will upgrade the Companywide environmental improvement cycle and work toward continual enhancement.



Environmental Management Project

Basic Environmental Policy

Mid-term Goals (Targets for the Year Ending March 31, 2011)



emitted at offices and new construction sites (including distribution activities) per unit of sales by at least 7% by March 31, 2011 compared with the amount emitted in the year ended March 31, 2006



and mitigate environmental impact

We will mitigate environmental impact by promoting development of highly durable products and specifications and working to conserve resources.



Increase purchasing rate of green office supplies

We will formulate green purchasing guidelines for office supplies to raise the purchasing rate of green office supplies to at least 80% by March 31, 2011.

Major Results for the Year Ended March 31, 2010 in Terms of Our Mid-term Goals

01 Reduced amount of waste generated

We have been promoting recycling of waste paper and wood debris, and upgrading our efforts on sorted collection of recyclables. These initiatives have been successful, surpassing our target figures.



02 Reduced amount of CO² emitted

We have been promoting cool summer dress codes, eco-driving and teleconferencing systems. In addition to these initiatives, the amount of waste produced also declined, yielding results substantially better than our targets.



(%) &Reducing rate of property maintenance costs

`06

40

30 20 10

`05

03 Conserved resources and mitigated environmental impact

We have introduced replaceable ceiling panels for kitchens, and are rolling out partially replaceable floor materials. These initiatives are steadily bearing fruit, keeping nearly in line with our targets.

04 Increased purchasing rate of green office supplies

We have been promoting the purchase of environmentally friendly office supplies. The results of this effort have steadily surpassed our targets.



`07

`08

🔶 Target 🛛 🖶 Resul

10

38.0%

<u>`09</u>

History

1974

• Daito Sangyo Co., Ltd. is established in Nagoya, Japan, to construct lease buildings for effective land utilization.

1978

• The name of Daito Sangyo Co., Ltd. is changed to Daito Construction Co., Ltd.

1980

• Daito Kyosaikai Co., Ltd. is established and commences business.

1985

• Daito Construction is merged with Daito Kosan Co., Ltd. (Nagoya, Osaka), Daito Sekkei Co., Ltd. (Nagoya, Osaka), and Daito Construction Co., Ltd. (Osaka).

1988

• The name of Daito Construction is changed to Daito Trust Construction Co., Ltd. ("Daito").

1989

• Daito is listed on the Second Section of the Nagoya Stock Exchange.

1990

• Head Office is relocated to Shinagawaku, Tokyo.

1991

• Daito is listed on the First Section of the Nagoya Stock Exchange.

1992

• Daito is listed on the First Section of the Tokyo Stock Exchange.

1993

• Daito Finance Co., Ltd. is established.

1994

• Housecom Co., Ltd. is established.

1995

• Shanghai Daito Trust Construction Co., Ltd. is established in Shanghai.

1996

• Head Office is relocated to Shiba-Koen Minato-ku, Tokyo.

1997

- Daito Steel Co., Ltd. is established.
- Daito Construction Co., Ltd. is established.

1999

- Care Partner Co., Ltd. is established.
- Daito Building Management Co., Ltd. is established.

2001

• Gaspal Kanto Co., Ltd. and Gaspal Chubu Co., Ltd. are established.

2002

• Shin-Nihon Denken Co., Ltd. (now Daito Construction Co., Ltd.) is established.

2003

• Head Office is relocated to Konan, Minato-ku, Tokyo (Shinagawa East One Tower).

2004

- Katsumi Tada appointed Chairman; Moritaka Asada appointed President
- Le Meridien Kuala Lumpur is opened for business.

2005

• Daito Corporate Service Co., Ltd. is established.

2006

- Lease Manegement Trust System launched.
- Chairman Tada appointed concurrently as President.

2007

- Isao Minabe appointed as President.
- House Leave Co., Ltd. established.
- Shanghai Garden Plaza go on sale.

2008

- Daito Kyosaikai Co., Ltd. is merged in Daito Building Management Co., Ltd.
- Branch office network expands to 200 outlets.

2009

• Started '24 hours Room-finding Service'



Head office



Daito Trust Construction: Facts & Figures















Number of Construction Started Units by Area and Daito's Share



Orders

Employees







Units under Management/Aggregate Amount of Rent



Commercial Use



Tenancy Agreements



Occupancy Rate



Rent Basis Occupancy Rate by Area (Residential use)



Number of Branches and Units under Management by Sales Department



Shares of Financial Institutions







Population and Total Households (Figures from 2010 are forecasts) (Thousands)

Households Living in Leased Housing



(Figures from 2015 are forecasts) (Thousands)

Trends of Leased Housing Demand/Supply

(Figures from 2015 are forecasts) (Thousands)

Loss of Leased Housing by Year of Construction (Thousands)



Leased Housing Required Supply of New Leased Housing Units Households in Leased Housing



Households Living in Leased Housing (Figures from 2015 are forecasts)

(rightes from 2010 are forecase)					
	08	15	20	25	30
Households in Leased Housing	17,770	18,460	18,410	18,190	17,810
Total Households	49,870	50,600	50,440	49,830	48,800
Percentage of Households in Leased Housing	35.6	36.5	36.5	36.5	36.5

Loss of Leased Housing by Year of Construction

(Figures from 2015 are forecasts)					
	08	15	20	25	30
Less than 5 years	1,230	1,160	1,120	1,080	1,050
5-10 years	2,460	2,290	2,210	2,130	2,060
11-20 years	4,940	4,540	4,370	4,210	4,040
21-30 years	4,120	3,770	3,480	3,190	2,900
Over 30 years	5,030	3,930	3,140	1,570	0
Loss of Leased Housing	0	2,090	3,450	5,590	7,730

Trends of Leased Housing Demand/Supply (Figures from 2015 are forecasts)

(Figures from 2015 are forecass)					
	08	15	20	25	30
Leased Housing	17,770	15,680	14,320	12,180	10,040
Required Supply of New Leased Housing Units	0	2,780	4,090	6,010	7,770
Households in Leased Housing	17,770	18,460	18,410	18,190	17,810

Product Lineup

Daito Trust Construction maintains an extensive product line to accurately respond to the diversification of the lease building business environment and tenant needs. The Company also continually works to enhance construction techniques, as exemplified by the development of its original "Neo-Frame method" that superlatively addresses construction efficiency and environmental impact—two areas for which industry standards will continue to rise.

The First Neo-Frame Method Product

ModessaNF Solage

As the first in our original Neo-Frame method product line, ModessaNF Solage is a two-story apartment complex with superior earthquake resistance, wind resistance and durability. The duplex style we have adopted is popular with tenants because it has the feel of a singlefamily house. As family gathering areas, we placed the living room, dining room and kitchen upstairs, and employed a three-meter-high sloped ceiling to achieve good sun exposure and an airy feel. The entranceway on

the first floor leaves plenty of space for interior decorating, and the open stairway lends a free and bright feel to the space.





New Environmentally Friendly Construction Method with Superior Durability

Daito's Original Neo-Frame Method (Patent Pending)

The Neo-Frame method is Daito's original construction method, advancing beyond the conventional 2x4 method. The method sports an array of unique attributes, and will be successively extended to our new products.

Overview

The Neo-Frame method fits the weight-bearing panels that are characteristic of the 2x4 method into a frame of structural laminated wood joined with specialized metal fittings. Joining high-strength laminated wood with metal fittings results in outstanding earthquake resistance, wind resistance and durability.

High Quality in Shorter Construction Time

We have incorporated several ideas to ensure accurate and simple assembly at construction sites, including cutting and processing all materials at the plant and printing the nailing points on the wall panels in advance. Such measures increase the precision of construction and shorten construction times.

Lower Environmental Impact

Cutting and processing all materials at the plant reduces the waste generated at construction sites to approximately onetenth the usual amount. We also source certain structural materials from within Japan. Utilizing Japanese lumber encourages the forest cycle in Japan and helps prevent warming because the newly planted trees absorb CO₂.


Two-story Apartment Complex Built via the 2x4 Method Vasa MIDDY

Vasa MIDDY is a multi-family housing complex designed for couples and young families, distinguished by its natural, warm, softly modern design. All the residential units on both the first and second floors have a first-floor entrance, with access for second-floor tenants to their main unit spaces via private stairways. Incorporating elements reminiscent a single-family house, this style is proving very popular with tenants for its remarkable privacy.





L'ill is a "module product" that enables the proposal of plans optimally suited to all manner of and site conditions by combining room layouts, unit arrangements and building layouts. In addition, the stylish living spaces and modern urban exterior design allow for the product to be flexibly tailored for relatively highrent downtown areas.

Principal Low-rise Apartments/Medium-rise Condominiums



Lemur24 (Low-rise Apartment)



Modessa NK LEGINAS (Low-rise Apartment)



BRAIA•S (Medium-rise Condominium)



MODEST (Medium-rise Condominium)

(As of March 31, 2010)

Share Data

Number of Shares Authorized Number of Shares Issued Number of shareholders Trading Unit 329,541,000 shares 117,525,132 shares 17,971 shareholders 100 shares

Composition of Shareholders



Principal Shareholders

Name	Number of shares owned	Ratio of shareholding (%)
Daisho Co., Ltd.	34,234,272	29.12
Japan Trustee Services Bank, Ltd. (held in trust)	4,122,200	3.50
The Master Trust Bank of Japan, Ltd. (held in trust)	3,562,300	3.03
Mellon Bank NA as Agent for Its Client Mellon Omnibus US Pension	2,449,647	2.08
State Street Bank and Trust Company 505225	2,365,121	2.01
Daito Trust Construction Co., Ltd.	2,190,418	1.86
Katsumi Tada	2,104,774	1.79
Trust & Custody Services Bank, Ltd. (held in trust)	1,781,900	1.51
Co-op Suppliers' Stock Holding	1,695,405	1.44
Sumitomo Realty & Development Co., Ltd.	1,606,700	1.36



Share Price Trends and Trading Volume

Corporate Data

(As of March 31, 2010)

Corporate Name Daito Trust Construction CO., LTD.

Head Office 2-16-1, Konan, Minato-ku, Tokyo 108-8211, Japan Tel: +81-3-6718-9111

Established June 20, 1974

Capital ¥29,060 million (Common Stock)

Number of Employees 8,653 (Non-consolidated)

Fiscal Year-end March 31

Annual Meeting of Shareholders June

Ex-rights Date March 31 For Interim Dividend: September 30

Independent Auditors Deloitte Touche Tohmatsu

Transfer Agent Mitsubishi UFJ Trust Bank Limited Corporate Agency Department 7-10-11, Higashisuna, Koto-ku, Tokyo 137-8081, Japan

Stock Exchange Listing Tokyo Stock Exchange (1st Section) Nagoya Stock Exchange (1st Section)

Code 1878

Corporate Directory

Construction Business

Daito Construction Co., Ltd. Design and construction of rental property

Daito Steel Co., Ltd. Supply of construction parts and materials, etc.

Real Estate Business

Daito Building Management Co., Ltd. Management of rental property

Housecom Co., Ltd. Rental housing agency

Other Business

Daito Finance Co., Ltd. Financing operations (construction financing loans)

Care Partner Co., Ltd. Operation of day service centers

Gaspal Co., Ltd. Sales of fuel (LP gas)

Ju-See Publishing Co., Ltd. Operation of e-Heya Net website, production of listing magazines

Daito Corporate Service Co., Ltd. Printing of documents, administrative support, etc.

House Leave Co., Ltd. Operation of tenant guarantor services for rental housing

Daito Asia Development PTE. LTD. Financing to overseas subsidiaries

Daito Asia Investment PTE. LTD. Loans to overseas subsidiaries

Daito Asia Development (Malaysia) Sdn. Bhd. Overseas hotel operations

DTC REINSURANCE LIMITED Reinsurance company for fire insurance



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Consolidated Financial Section 2010

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Notes:

Financial statements in this report are translated the ones audited in Japanese GAAP into English and are not subject to auditing.

Consolidated Financial Review

Analysis of operating results

In the year ended March 31, 2010, the Lehman Shock that originated from the subprime loan issue in the United States began to show signs of mitigating its impact on the Japanese economy, with real GDP in the quarter from April to June 2009 staging its first quarter-on-quarter rise since the recession started. However, the ongoing high unemployment rate and unrelenting fall in prices indicate that the Japanese economy still needs time to recover.

Against a backdrop of harsh employment conditions and stagnant salaries, Japan's housing industry experienced a decline in consumer willingness to purchase housing, pushing new housing starts below the previous year's level. The leased housing market that is the focus of the Daito Group's operations also contained uncertainties, with a fall in new leased housing starts due in part to changes in financial institutions' attitudes toward loans, and a pullback in demand for company housing. However, the land utilization needs of landowners remain robust irrespective of fluctuations in the economy, given the strategies such landowners are pursuing to mitigate inheritance and other taxes and the shortage of successors to take over farms. The percentage of rental housing occupied by households has also not changed significantly, and needs of tenants looking for quality rental housing is increasing year by year.

Under these conditions, the Daito Group recorded net sales of \$972,616 million, up 1.9% compared with the preceding fiscal year. On the profits front, operating income edged up 1.0% to \$71,127 million, ordinary income climbed 3.6% to \$71,127 million, and net income rose 7.7% to \$45,353 million—marking two consecutive years of increased revenues and profits.

			(¥ millions)
	Results for year ended March 2010	Forecast for year ending March 2011	Change
Net sales	972,616	1,023,900	5.3%
Net sales of completed construction contracts	465,580	449,000	(3.6) %
Sales on real estate business	483,547	549,600	13.7%
Other business revenues	23,488	25,300	7.7%
Gross profit	188,787	190,600	1.0%
Gross profit on completed construction contracts	166,461	161,600	(2.9) %
Gross profit real estate business	14,476	20,100	38.8%
Gross profit other business	7,849	8,900	13.4%
Operating income	71,127	72,000	1.2%
Ordinary income	76,663	77,000	0.4%
Net income	45,353	45,400	0.1%

The forecast for consolidated business performance in the fiscal year ending March 31, 2011 is shown in the following table.

Performance by segment

(1) Construction

Sales in our core construction business edged down 0.9%, to \$465,580 million, of which \$27,694 million accrued from the application of the percentage of completion basis for calculating completed project sales starting in fiscal year under review. The gross profit margin for completed projects gained 3.8 percentage points to reach 35.8\%, thanks to cost reductions from lower material procurement costs, improved construction methods and specifications, and utilization of replacement products.

Concerning orders received, we pursued more effective customer orientation through a flatter organization by integrating our sales divisions, which had been divided into three regional divisions covering all of Japan, and strove to reinforce already-strong trust relationships with owners for which Daito has constructed leased buildings. We also made efforts to encourage orders indirectly by seeking more active interactions with the financial institutions that provide loans to landowners for construction, such as by publicizing Daito's projects and holding apartment loan seminars. Consequently, orders received inched down 0.4% to \$435,219 million as the lag in the first half-year due to the residual effect of the prior fiscal year nearly dissipated in the second half-year.

Going forward, we will open seven new branches at the start of the fiscal year as part of our efforts to expand into quality property markets. We will also respond to diversifying land utilization needs by aggressively releasing new products, by enhancing our planning capabilities and capitalizing on reconstruction demand through stronger partnerships with lawyers, tax accountants and architectural firms, and by providing life-plan assessment services. Our forecast for orders received for the fiscal year ending March 31, 2011 is \$485,000 million.

(2) Real estate

In the real estate business, an increase in whole-building lease agreements under our Lease Management Trust System allowed our leasing company, Daito Building Management Co., Ltd., to increase its rental income, resulting in a 4.0% rise in sales, to \$483,547 million.

Regarding the occupancy rate of leased properties, despite a decline in some regions because of depressed corporate demand due to the economic downturn, and a temporary increase in tenant turnover, our aggressive initiatives to attract new tenants were successfully inducing a turnaround in the occupancy rate at the end of the fiscal year. The occupancy rate for residential units dipped 1.0 percentage point to 94.6%, and the occupancy rate for commercial property slid 2.8 points to 91.3%. Meanwhile, the number of tenancy agreements concluded on a non-consolidated basis rose 4.9% to 180,314.

Moving forward, we aim to boost occupancy rates even further, by augmenting our sales personnel, reinforcing our organizational structure, increasing the number of business property specialists handling tenant recruitment for warehouses and offices, expanding and enhancing 24-hour reception services at our customer service centers, maintaining alliances with real estate businesses through a variety of incentives and employing "total" renovation that covers fixtures and room layout. We will also strive to make leased housing more attractive to tenants through rental agreement options that do not require a guarantor, 24-hour emergency response services and other measures to enhance convenience, and by adopting new construction methods and upgrading all manner of equipment.

(3) Other business

Sales from other operations grew thanks to an increase in the number of households supplied with LP gas by Gaspal Co., Ltd., which is qualified as an company with an advanced safety system by Japan's Ministry of Economy, Trade and Industry. Care Partner Co., Ltd., which provides daytime care to the elderly, benefited from sales growth owing to an increase in the number of users and the expansion of its food delivery service. Consequently, sales from other operations totaled \$23,488 million—a 14.6% increase.

The number of households supplied with LP gas by Gaspal Co., Ltd. was more than 80,000 as of March 31, 2010. The target is to reach 100,000 households by March 31, 2011. Care Partner Co., Ltd. opened five new facilities—including one Q-UP Studio, a day service center specializing in physical training to obviate the need for nursing care—bringing the total number of facilities operated nationwide to 63 as of March 31, 2010.

Starting in the fiscal year ending March 31, 2011, the Management Strategy Division is conducting multifaceted research into business fields that show promise of synergies with our main business, and possible forays into different industries.

The forecast for consolidated business performance by business segment in the fiscal year ending March 31, 2011 is shown in the following table.

Assets and liabilities

Total assets at fiscal year-end amounted to \$558,129 million, up \$17,652 million from a year earlier. The main factors boosting assets were \$4,419 million in property and equipment, \$9,535 million in investment securities and \$3,401 million in prepaid rents and other prepaid expenses.

By contrast, total liabilities grew \$1,362 million year on year, to \$245,498 million. The principal increase was \$5,323 million in provision for repairs on whole building lease. The primary factor decreasing total liabilities was \$4,316 million in income taxes payable.

Net assets reached \$312,631 million, up \$16,289 million. The main driver was \$45,353 million in net income, set against \$17,053 million in dividends from retained earnings and \$12,733 million in acquisition of treasury stock.

As a result, the equity ratio rose 1.1 percentage points, to 55.8%.

Cash flows

Cash and cash equivalents at fiscal year-end stood at \$170,738 million, down \$10,830 million from a year earlier.

(1) Cash flows from operating activities

Net cash provided by operating activities amounted to \$46,041 million, compared with \$30,209 million provided in the preceding fiscal year. The main revenue sources were income before income taxes and minority interests, which came to \$76,886 million, and an increase of \$6,396 million in deposits received for guarantee. The primary expenditure was \$38,194 in income taxes paid.

(2) Cash flows from investing activities

Net cash used in investing activities totaled \$26,838 million, compared with \$13,480 million used in the previous fiscal year. The main constituents were a net figure of \$12,540 million used in the purchase and sale of short-term investment securities and investment securities, and \$7,027 million in expenditures to acquire property and equipment.

(3) Cash flows from financing activities

Net cash used in financing activities was \$29,866 million, compared with \$39,606 million used in the prior fiscal year. Uses consisted principally of \$17,053 million in dividends paid and \$12,733 million in acquisition costs, mainly for purchase of treasury stock to be retired.

Cash flow indicators for the Daito Group are shown below.

	Year ended				
	March 2006	March 2007	March 2008	March 2009	March 2010
Shareholders' equity ratio (%)	55.0	58.0	56.5	54.7	55.8
Shareholders' equity ratio on a market value basis (%)	167.2	141.5	117.1	72.3	93.2
Ratio of interest-bearing debt to cash flow (years)	0.0	0.0	0.0	0.0	0.0
Interest coverage ratio (times)	14,418.3	11,681.0	7,678.9	4,969.0	6,802.9

Notes: shareholders' equity ratio: shareholders' equity divided by total assets

The equity ratio on a market value basis is the total market value of shares issued and outstanding divided by total assets.

Ratio of interest-bearing debt: to cash flow: interest-bearing debt divided by cash flow

Interest coverage ratio: cash flow divided by interest payments

*1. All figures are calculated on a consolidated basis.

*2. The total market value of shares is calculated by multiplying the closing share prices at the end of the fiscal year by the total number of shares issued and outstanding at the fiscal year end (exclusive of treasury stock).

*3. Cash flow is based on cash flow from operating activities in the consolidated statements of cash flows. Interest-bearing debt covers all of those liabilities recorded in the consolidated balance sheets for which interest is paid. Interest payment is based on interest paid as shown in the consolidated statements of cash flows.

Basic policy on appropriation of earnings and dividends for the fiscal years for March 2010 and March 2011

(1) Dividend policy

Daito's dividend policy has consistently reflected the recognition of shareholder return as an important issue. Our basic commitment is to provide a stable dividend by ensuring a strong business base; specifically, we have set a target payout ratio of 50%, to consist of a standard dividend of \$100 and a profit return component reflecting consolidated business performance. On this basis, in the fiscal year ended March 31, 2010 we paid an annual dividend per share of \$193 (\$92 of which was paid as an interim dividend).

(2) Purchase and retirement of treasury stock

When certain conditions are met, including consolidated net income exceeding \$10,000 million and the absence of large-scale funding requirements, Daito applies a policy of ongoing purchase and retirement of treasury stock in the interest of increasing shareholder value. The upper limit for purchase of treasury stock is set at a target figure of 30% of consolidated net income. In the fiscal year ended March 2010, 3,079,200 shares (acquisition cost \$12,599 million) were purchased, which were retired on March 31, 2010.

(3) Application of internal reserve funds

The future deployment of internal reserve funds will be explored with the focus on effective investment strategies for business expansion and increase of corporate value.

<u>Business risks</u>

The leased housing sector which is the core business of the Daito Group is subject to the risks described below. In connection with the operating results, financial position, cash flow, and other aspects of the business performance of the Daito Group, items which may have a significant influence on the decisions made by investors are listed below. References to the future in the text are based on assessments made by the Daito Group as of the fiscal year-end.

(1) Increase in cost of sales and decline in profitability due to sharp rise in material costs

Daito assumes the role of principal contractor in all its lease building construction projects, while its on-site construction supervisors (construction engineers) place separate orders for each stage of construction directly with subcontractors, with the aim of curtailing costs for completed work. In the event that an increase in various material prices leads to an upward revision of subcontractor invoices payable by the Company, gross profit margins may be negatively impacted.

(2) Performance decline due to changes in inheritance and property taxes

Daito obtains building construction orders based on its consulting sales activities, which include making proposals to landowners for the effective utilization of land for residential lease buildings. Within Japan's current tax system, building lease operations are deemed to be effective means of land utilization. Furthermore, the most common reason for landowners to begin residential lease operations is as a strategy to alleviate the burden of inheritance and property taxes. Accordingly, in the case that changes to the law or liberalization measures are applied to land inheritance and property taxes, the Company's procurement of orders may be affected, and its performance may decline.

(3) Order cancellations due to sudden interest rate hikes

When first engaging in building lease operations, landowners generally borrow money from banks and other financial institutions to cover the cost of building construction. Overall long-term interest rates have remained low, providing stable yield from property leasing activities, even if the market weakens. This is a key factor for landowners commencing real estate leasing. In the event that interest rates rise sharply, landowners may cancel their orders for projects in the planning stage or review plans for work in progress due to the deterioration in profitability. Under these circumstances, the Company may not meet its targets for total orders received or for total projects completed.

(4) Increase in overheads due to legislative changes

Daito requires a number of approvals and licenses in order to conduct its business. These include building industry approvals, registration as architects, a real estate agency license. The Company's corporate activities are also subject to related laws and various other legal regulations. To ensure that such regulations are properly observed, the Company is reinforcing its corporate governance and compliance systems. However, the Company's business performance may be impacted in the event of failure to observe laws and other regulations, or the enactment of new laws that restrict its business activities.

(5) Risk of personal information leaks

Daito assumes custody of various personal information about landowners and tenants. While the Company is particularly careful about protecting personal information, any leakage of such information to outside parties could lead to a significant loss of trust, which could affect its business performance.

Consolidated balance sheets

		Millions of yen	Thousands of U.S. Dollar
	2009	2010	2010
Assets			
Current assets			
Cash and deposits	\$139,569	¥122,438	\$1,315,971
Notes receivable, accounts receivable from completed construction contracts and other	33,523	39,510	424,656
Short-term investment securities	62,172	74,499	800,720
Costs on uncompleted construction contracts	17,816	5,882	63,220
Other inventories	6,126	3,813	40,982
Prepaid expenses	35,401	38,802	417,046
Deferred tax assets	12,056	12,688	136,371
Operating loans	70,637	71,046	763,607
Other	6,789	8,055	86,575
Allowance for doubtful accounts	(498)	(338)	(3,632)
Total current assets	383,594	376,398	4,045,550
Noncurrent assets			
Property, plant and equipment			
Buildings and structures, net	28,334	32,557	349,924
Tools, furniture and fixtures, net	901	861	9,254
Land	41,984	41,999	451,407
Lease assets, net	299	562	6,040
Other, net	242	201	2,160
Total property, plant and equipment	71,763	76,182	818,809
Intangible assets	501	521	5,599
Investments and other assets			
Investment securities	26,783	36,319	390,358
Subordinated bonds	10,928	10,928	117,454
Deferred tax assets	9,929	11,487	123,463
Deferred tax assets for land revaluation	3,164	3,164	34,006
Insurance fund	368	368	3,955
Other	35,901	$45,\!691$	491,089
Allowance for doubtful accounts	(2,456)	(2,931)	(31,502)
Total investments and other assets	84,618	105,027	1,128,837
Total noncurrent assets	156,883	181,730	1,953,245
'otal assets	540,477	558,129	5,998,806
			\$=93.04yer

	r	Millions of yen	
	2009	2010	2010
Liabilities			
Current liabilities			
Accounts payable for construction contracts	¥30,442	¥31,849	\$342,315
Lease obligations	65	142	1,526
Income taxes payable	25,376	21,060	226,354
Advances received on uncompleted construction contracts	39,794	23,095	248,226
Advances received	37,579	39,172	421,023
Provision for bonuses	8,349	9,137	98,205
Provision for warranties for completed construction	1,153	1,364	14,660
Deposits received	5,764	5,854	62,919
Other	29,932	35,262	378,998
Total current liabilities	178,459	166,938	1,794,260
Noncurrent liabilities			
Lease obligations	251	487	5,234
Provision for retirement benefits	7,663	8,257	88,746
Provision for directors' retirement benefits	2,074	2,146	23,065
Provision for repairs on whole building lease	4,603	9,927	106,696
Long-term guarantee deposits	$48,\!247$	$54,\!643$	587,306
Other	2,837	3,098	33,297
Total noncurrent liabilities	65,676	78,559	844,357
Total liabilities	244,135	245,498	2,638,628
Net assets			
Shareholders' equity			
Capital stock	29,060	29,060	312,338
Capital surplus	34,540	34,540	371,238
Retained earnings	250,495	266,773	2,867,293
Treasury stock	(7,870)	(8,553)	(91,928)
Total shareholders' equity	306,226	321,822	3,458,963
Valuation and translation adjustments			
Valuation difference on available-for-sale securities	(318)	557	5,986
Deferred gains or losses on hedges	(236)	(249)	(2,676)
Revaluation reserve for land	(4,610)	(4,610)	(49,548)
Foreign currency translation adjustment	(5, 322)	(6,005)	(64,542)
Total valuation and translation adjustments	(10,487)	(10,306)	(110,769)
Subscription rights to shares		401	4,309
Minority interest	603	714	7,674
Total net assets	296,341	312,631	3,360,178
Total liabilities and net assets	540,477	558,129	5,998,806
			\$=93.04yer
			(Manah 91 10)

Consolidated statements of income

		Millions of yen	
	2009	2010	2010
Net sales			
Net sales of completed construction contracts	¥469,603	\$465,580	\$5,004,084
Sales on real estate business	464,779	483,547	5,197,194
Other business revenue	20,497	23,488	252,450
Total net sales	954,881	972,616	10,453,740
Cost of sales			
Cost of sales of completed construction contracts	319,298	299,118	3,214,939
Cost of sales on real estate business	439,428	469,070	5,041,595
Cost of sales on other business	$14,\!257$	$15,\!639$	168,088
Total cost of sales	772,984	783,828	8,424,634
Gross profit			
Gross profit on completed construction contracts	150,304	166,461	1,789,133
Gross profit-real estate business	25,351	14,476	155,588
Gross profit-other business	6,240	7,849	84,361
Total gross profit	181,896	188,787	2,029,095
Selling, general and administrative expenses			
Directors' compensations	731	721	7,749
Employees' salaries and allowances	57,948	65,211	700,892
Provision for bonuses	3,913	4,551	48,914
Retirement benefit expenses	1,843	1,821	19,572
Provision for directors' retirement benefits	102	72	773
Legal welfare expenses	5,143	5,257	56,502
Advertising expenses	4,514	4,776	51,332
Provision of allowance for doubtful accounts	463	170	1,827
Rents	6,838	7,255	77,977
Other	30,006	27,826	299,075
Total selling, general and administrative expenses	111,506	117,660	1,264,617
Operating income	70,389	71,127	764,477
			\$=93.04yen
			<u> </u>

	Millions of yen		Thousands of U.S. Dollar
	2009	2010	2010
Non-operating income			
Interest income	¥1,782	¥2,618	\$28,138
Dividends income	163	81	870
Commission fee	1,719	2,421	26,021
Foreign exchange gains	_	_	
Miscellaneous income	1,124	1,263	13,574
Total non-operating income	4,789	6,384	68,615
Non-operating expenses	<u>·</u>	<u> </u>	
Loss on valuation of securities	150	98	1,053
Provision of allowance for doubtful accounts	_	94	1,010
Miscellaneous expenses	1,052	654	7,029
Total non-operating expenses	1,203	848	9,114
Ordinary income	73,976	76,663	823,978
Extraordinary income	<u> </u>	<u> </u>	
Reversal of allowance for doubtful accounts	115	298	3,202
Gain on sales of noncurrent assets	0	1	10
Gain on sales of investment securities	1,757	25	268
Total extraordinary income	1,872	325	3,493
Extraordinary loss	i		
Loss on sales of noncurrent assets	213	_	_
Loss on retirement of noncurrent assets	75	_	_
Loss on sales and retirement of noncurrent assets	_	59	634
Loss on sales of investment securities	_	29	311
Loss on valuation of investment securities	2,620	_	_
Impairment loss	38	13	139
Total extraordinary loss	2,947	102	1,096
Income before income taxes and minority interests	72,902	76,886	826,375
Income taxes-current	32,696	34,204	367,626
Income taxes-deferred	(1,983)	(2,782)	(29,901)
Total income taxes	30,713	31,421	337,714
Minority interests in income	59	110	1,182
•	49 190	45.050	400 450
Net income	42,129	45,353	487,457

Consolidated statements of changes in net assets

	Ν	Aillions of yen	Thousands U.S. Dol
areholders' equity	2009	2010	20
Capital stock			
Balance at the end of previous period	¥29,060	¥29,060	\$312,33
Balance at the end of current period	29,060	29,060	312,33
Capital surplus		<u> </u>	
Balance at the end of previous period	36,070	34,540	371,23
Changes of items during the period			
Disposal of treasury stock	15	2	2
Retirement of treasury stock	(1,545)	(2)	()
Total changes of items during the period	(1,529)	_	
Balance at the end of current period	34,540	34,540	371,23
Retained earnings			
Balance at the end of previous period	$249,\!273$	250,495	2,692,3
Changes of items during the period			
Dividends from surplus	(28,118)	(17,053)	(183, 23)
Net income	42,129	45,353	487,4
Retirement of treasury stock	(10, 225)	(12,021)	(129,2
Reversal of revaluation reserve for land	(2,563)	_	
Total changes of items during the period	1,221	16,278	174,9
Balance at the end of current period	250,495	266,773	2,867,2
Treasury stock			
Balance at the end of previous period	(8, 172)	(7,870)	(84,5)
Changes of items during the period			
Purchase of treasury stock	(11,504)	(12,733)	(136, 8)
Disposal of treasury stock	34	26	2
Retirement of treasury stock	11,771	12,024	129,23
Total changes of items during the period	302	(683)	(7,34
Balance at the end of current period	(7,870)	(8,553)	(91,92
Total shareholders' equity			· · · · · · · · · · · · · · · · · · ·
Balance at the end of previous period	306,232	306,226	3,291,3
Changes of items during the period			
Dividends from surplus	(28,118)	(17,053)	(183, 2)
Net income	42,129	45,353	487,4
Purchase of treasury stock	(11,504)	(12,733)	(136,8
Disposal of treasury stock	50	29	3
Retirement of treasury stock	_	—	
Reversal of revaluation reserve for land	(2,563)	_	
Total changes of items during the period	(5)	15,595	167,63
Balance at the end of current period	306,226	321,822	3,458,90
•	•	<u> </u>	\$=93.04
Datance at the end of current period	300,220	041,022	<u> </u>

	Ν	Millions of yen	
uation and translation adjustments	2009	2010	201
aluation difference on available-for-sale securities			
Balance at the end of previous period	¥1,814	(¥318)	(\$3,41
Changes of items during the period			
Net changes of items other than shareholders' equity	(2,132)	876	9,41
Total changes of items during the period	(2,132)	876	9,41
Balance at the end of current period	(318)	557	5,98
eferred gains or losses on hedges			
Balance at the end of previous period	(425)	(236)	(2,53)
Changes of items during the period			
Net changes of items other than shareholders' equity	189	(12)	(12
Total changes of items during the period	189	(12)	(12
Balance at the end of current period	(236)	(249)	(2,67
levaluation reserve for land			
Balance at the end of previous period	(7, 173)	(4,610)	(49,54
Changes of items during the period			
Net changes of items other than shareholders' equity	2,563		
Total changes of items during the period	2,563		
Balance at the end of current period	(4,610)	(4,610)	(49,54
oreign currency translation adjustment			
Balance at the end of previous period	438	(5, 322)	(57, 20)
Changes of items during the period			
Net changes of items other than shareholders' equity	(5,760)	(682)	(7,33
Total changes of items during the period	(5,760)	(682)	(7,33
Balance at the end of current period	(5,322)	(6,005)	(64,54
otal valuation and translation adjustments			
Balance at the end of previous period	(5,346)	(10, 487)	(112,7)
Changes of items during the period			
Net changes of items other than shareholders' equity	(5,141)	180	1,93
Total changes of items during the period	(5,141)	180	1,93
Balance at the end of current period	(10,487)	(10,306)	(110,76
ubscription rights to shares			
Balance at the end of previous period			
Changes of items during the period			
Net changes of items other than shareholders' equity		401	4,30
Total changes of items during the period		401	4,30
Balance at the end of current period		401	4,30
linority interests			
Balance at the end of previous period	544	603	6,48
Changes of items during the period			
Net changes of items other than shareholders' equity	59	110	1,18
Total changes of items during the period	59	110	1,18
Balance at the end of current period	603	714	7,6′
'otal net assets			
Balance at the end of previous period	301,429	296,341	3,185,09
Changes of items during the period			
Dividends from surplus	(28,118)	(17,053)	(183, 28)
Net income	42,129	45,353	487,48
Purchase of treasury stock	(11, 504)	(12,733)	(136, 83)
Disposal of treasury stock	50	29	31
Reversal of revaluation reserve for land	(2,563)	—	
Net changes of items other than shareholders' equity	(5,082)	693	7,44
Total changes of items during the period	(5,087)	16,289	175,07
Balance at the end of current period	296,341	312,631	3,360,17
			\$=93.04

⁽March 31,10)

Consolidated statements of cash flows

	I	Aillions of yen	Thousands of U.S. Dollar
-	2009	2010	2010
Net cash provided by (used in) operating activities			
Income before income taxes and minority interests	¥72,902	¥76,886	\$826,375
Depreciation and amortization	2,527	2,574	27,665
Impairment loss	38	13	139
Increase (decrease) in allowance for doubtful accounts	445	314	3,374
Increase (decrease) in provision for bonuses	(4,081)	787	8,458
Increase (decrease) in provision for retirement benefits	673	594	6,384
Increase (decrease) in provision for repairs on whole building lease	3,303	5,323	57,211
Interest and dividends income	(1,945)	(2,699)	(29,009)
Interest expenses	5	6	64
Loss (gain) on valuation of investment securities	2,620	(220)	(2, 364)
Decrease (increase) in notes and account receivable-trade	(7,234)	(5,994)	(64, 423)
Decrease (increase) in costs on uncompleted construction contracts	(1, 179)	11,946	128,396
Decrease (increase) in other inventories	(1,371)	2,319	24,924
Decrease (increase) in prepaid expenses	(5,552)	(7,049)	(75, 763)
Decrease (increase) in operating loans	(11,600)	(408)	(4, 385)
Increase (decrease) in notes and accounts payable-trade	3,155	1,411	15,165
Increase (decrease) in accounts payable-other	1,950	4,643	49,903
Increase (decrease) in advances received	907	1,593	17,121
Increase (decrease) in advances received on uncompleted construction contract	(2,571)	(16,698)	(179,471)
Increase (decrease) in long-term guarantee deposits	8,501	6,396	68,744
Other, net	739	726	7,803
Subtotal	62,234	82,466	886,349
Interest and dividends income received	2,191	1,775	19,077
Interest expenses paid	(6)	(6)	(64)
Income taxes paid	(34, 209)	(38,194)	(410,511)
Net cash provided by (used in) operating activities	30,209	46,041	494,851
			\$=93.04yen

	Millions of yen		Thousands of U.S. Dollar
	2009	2010	2010
Net cash provided by (used in) investing activities			
Payments into time deposits	(¥27,506 $)$	(¥200)	(\$2,149)
Proceeds from withdrawal of time deposits	26,914	1,000	10,748
Purchase of property, plant and equipment	(468)	(7,027)	(75, 526)
Purchase of short-term investment securities	(17, 262)	(77, 767)	(835,844)
Proceeds from redemption of short-term investment securities	25,600	81,380	874,677
Purchase of investment securities	(20, 563)	(19,713)	(211,876)
Proceeds from sales of investment securities	4,167	3,560	38,263
Proceeds from cancellation of insurance funds	159	146	1,569
Payments for guarantee deposits	(7,497)	(6,858)	(73,710)
Other, net	2,976	(1,358)	(14, 595)
Net cash provided by (used in) investing activities	(13,480)	(26,838)	(288,456)
Net cash provided by (used in) financing activities			
Repayments of lease obligations	(34)	(109)	(1,171)
Proceeds from disposal of treasury stock	50	29	311
Purchase of treasury stock	(11,504)	(12,733)	(136, 855)
Cash dividends paid	(28,118)	(17,053)	(183,286)
Net cash provided by (used in) financing activities	(39,606)	(29,866)	(321,001)
Effect of exchange rate change on cash and cash equivalents	(3,801)	(167)	(1,794)
Net increase (decrease) in cash and cash equivalents	(26,677)	(10,830)	(116,401)
Cash and cash equivalents at beginning of period	208,247	181,569	1,951,515
Cash and cash equivalents at end of period	181,569	170,738	1,835,103
			¢-02.04

\$=93.04yen

Financial Summaries of Subsidiaries

Construction business	\$=93.04 yen (March 31,10)	Net Sales	Gross Profit	SG&A Expenses	
	2009	Millions of yen	3,891	11	184
Daito Construction Co., Ltd.	2010	Millions of yen	644	55	305
	2010	Thousands of U.S. dollars	6,922	591	3,278
	2009	Millions of yen	3,532	220	83
Daito Steel Co., Ltd.	2010	Millions of yen	3,430	210	79
	2010	Thousands of U.S. dollars	36,866	2,257	849

Real estate business		\$=93.04 yen (March 31,10)	Net Sales	Gross Profit	SG&A Expenses
Daito Building Management Co., Ltd.	2009	Millions of yen	431,126	16,296	9,293
	2010	Millions of yen	475,971	14,060	9,493
	2010	Thousands of U.S. dollars	5,115,767	151,118	102,031
Housecom Co., Ltd.	2009	Millions of yen	7,107	7,107	6,820
	2010	Millions of yen	7,455	7,455	6,970
	2010	Thousands of U.S. dollars	80,127	80,127	74,914
	2009	Millions of yen	0	0	0
Shanghai Daito Trust Construction Co., Ltd.	2010	Millions of yen	_	_	
	2010	Thousands of U.S. dollars	_	—	—

Other business		\$=93.04 yen (March 31,10)	Net Sales	Gross Profit	SG&A Expenses
	2009	Millions of yen	1,847	1,210	173
Daito Finance Co., Ltd.	2010	Millions of yen	1,815	1,149	168
	2010	Thousands of U.S. dollars	19,508	12,350	1,806
	2009	Millions of yen	4,519	99	999
Care Partner Co., Ltd.	2010	Millions of yen	5,485	956	989
	2010	Thousands of U.S. dollars	58,953	10,275	10,630
	2009	Millions of yen	14,233	2,039	2,016
Gaspal Co., Ltd.	2010	Millions of yen	14,951	2,946	2,260
	2010	Thousands of U.S. dollars	160,694	31,664	24,291
	2009	Millions of yen	3,769	190	453
Ju-See Publishing Co., Ltd.	2010	Millions of yen	3,826	156	173
	2010	Thousands of U.S. dollars	41,122	1,677	1,859
	2009	Millions of yen	258	258	249
Daito Corporate Service Co., Ltd.	2010	Millions of yen	294	294	288
	2010	Thousands of U.S. dollars	3,160	3,160	3,095
	2009	Millions of yen	218	125	59
House Leave Co., Ltd.	2010	Millions of yen	741	323	66
	2010	Thousands of U.S. dollars	7,964	3,472	709
	2009	Millions of yen	0	0	1
Daito Asia Development PTE. LTD.	2010	Millions of yen	0	0	2
	2010	Thousands of U.S. dollars	0	0	21
	2009	Millions of yen	78	78	0
Daito Asia Investment PTE. LTD.	2010	Millions of yen	72	72	2
	2010	Thousands of U.S. dollars	774	774	21
	2009	Millions of yen	2,356	1,017	824
Daito Asia Development (Malaysia) Sdn. Bhd.	2010	Millions of yen	1,763	698	658
	2010	Thousands of U.S. dollars	18,949	7,502	7,072
	2009	Millions of yen	1,857	621	10
DTC REINSURANCE LIMITED	2010	Millions of yen	2,172	775	10
	2010	Thousands of U.S. dollars	23,345	8,330	107

Income				
(173)	(326)	3,086	2,699	
(249)	(219)	2,819	2,480	Design and construction of rental property
(2,676)	(2,354)	30,299	$26,\!655$	
137	80	876	(48)	
130	75	832	26	Supply of construction parts and materials, etc.
1,397	806	8,942	279	

Operating Income Total Assets Net Assets Business Activities

Operating Income	Net Income	Total Assets	Net Assets	Business Activities	
7,002	4,461	115,509	25,442		
4,567	2,864	137,053	28,306	Management of rental property	
49,086	30,782	1,473,055	304,235		
287	166	3,710	1,708		
484	319	4,256	2,027	Rental housing agency	
5,202	3,429	45,744	21,786		
0	169	-	_	On another of commissed an anterior to in Shan aboi	
_	_	_	_	Operation of serviced apartments in Shanghai (Closed in September, 2008)	
_	_	-	_	(Closed in September, 2008)	

Operating Income	Net Income	Total Assets	Net Assets	Business Activities
1,037	614	74,468	3,918	
980	574	$74,\!253$	4,492	Financing operations (construction financing loans)
10,533	6,169	798,076	48,280	
(899)	(900)	1,417	(1,564)	
(32)	1,785	1,671	221	Operation of day service centers
(344)	19,185	17,960	2,375	
22	1,074	3,760	(1, 365)	
686	977	4,455	(388)	Sales of fuel (LP gas)
7,373	10,501	47,883	(4,170)	
(263)	116	1,247	(141)	Operation of e-Heya Net website, production of listing
(16)	(15)	1,044	(157)	magazines
(172)	(161)	11,221	(1,687)	magazines
9	11	311	240	
6	14	337	254	Printing of documents, administrative support, etc.
64	150	3,622	2,730	
65	37	251	77	
256	143	1,008	221	Operation of tenant guarantor services for rental housing
2,752	1,537	10,834	2,375	
(1)	6,841	12,321	12,295	
(2)	368	5,902	5,901	Financing to overseas subsidiaries
(21)	3,955	63,435	63,424	
77	265	12,456	12,447	
70	258	12,852	12,852	Loans to overseas subsidiaries
752	2,773	138,134	138,134	
192	(259)	7,498	(703)	
39	52	6,458	(596)	Overseas hotel operations
419	559	69,411	(6,406)	
611	658	2,473	1,349	
765	778	2,951	1,575	Reinsurance company for fire insurance
8,222	8,362	31,718	16,928	