

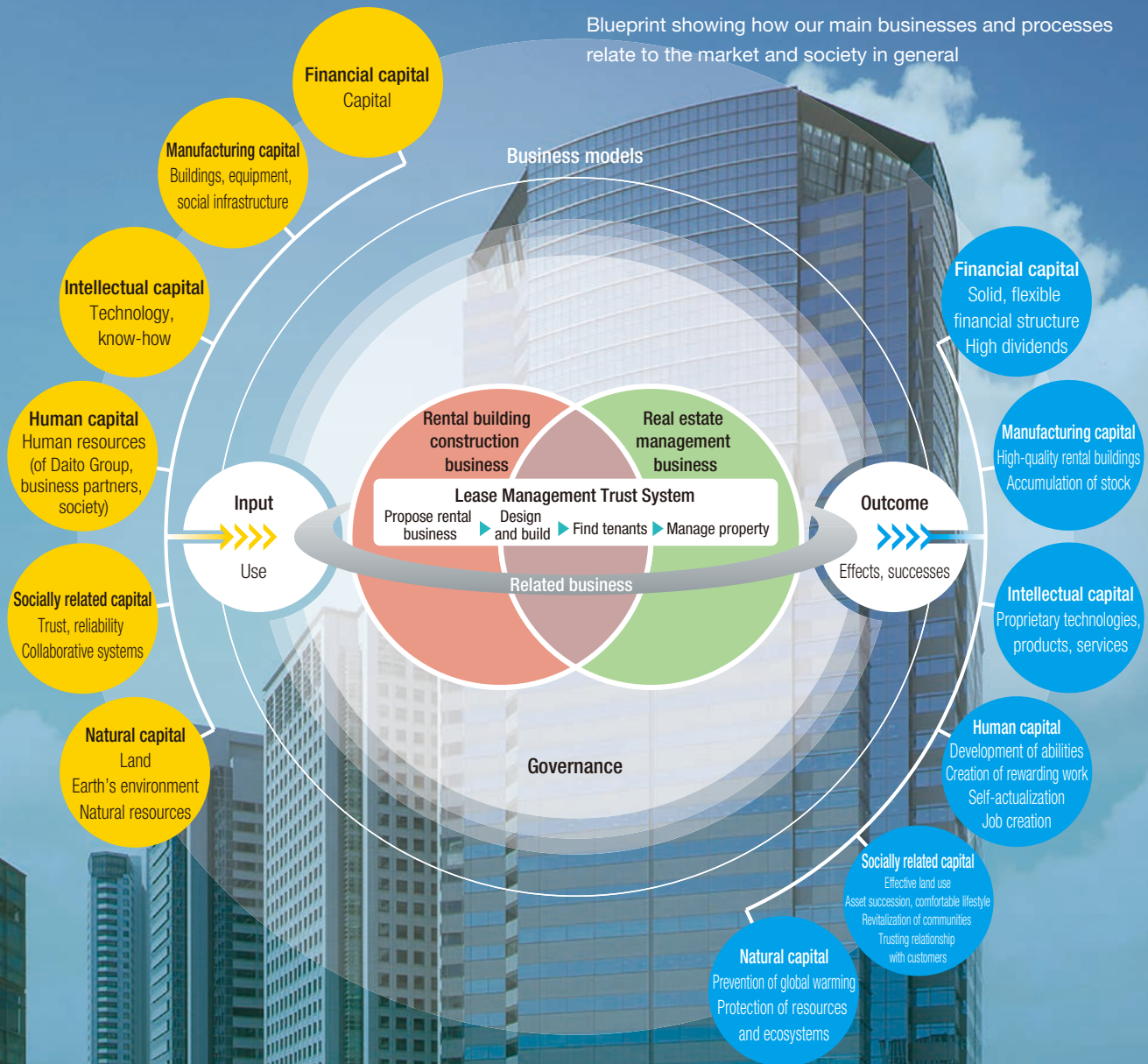


DAITO TRUST
CONSTRUCTION CO., LTD.

DAITO GROUP Financial & CSR Report 2014

Daito Group Value Creating Process

Blueprint showing how our main businesses and processes relate to the market and society in general



The Daito Group considers its business to represent "value creating activities." The Group makes use of a range of capital (resources) through business based on a proprietary model in which we allow owners to make the best use of their land and pass on assets to their successors. We ensure that this capital is not lost or diminished and continues to hold its value. As well, through the growth of the Daito Group, we aim to provide a wealth of social value.

Topics related to the main elements of the integrated report (in line with the International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC))

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DAITO GROUP Financial & CSR Report 2014

About this Report

■ Editorial Policy

This is the first integrated report published by the Daito Group. For everyone interested in the Group's short-, medium-, and long-term value-creating activities, this report covers a range of useful information, including our history, business overview, business environment and strategy, and financial and non-financial performance data. The report's editorial policy is in line with the International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC), published in December 2013.

■ Target Readers

Shareholders, investors, financial institutions, Daito Group employees and their families, and all other stakeholders to whom we have a close connection.

■ Indicators

Unless otherwise indicated, the figures in this report are for FY2013, or are true as of the end of FY2013.

■ Report Period

FY2013 (year ended March 31, 2014)

■ Published

July 2014

For convenience, corporate names are abbreviated as follows in this document.

- Daito Trust Construction Group
→ Daito Group
- Daito Trust Construction Co., Ltd.
→ Daito Trust
- Daito Building Management Co., Ltd.
→ Daito Building

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DAITO GROUP Financial & CSR Report

Summary

1. The Daito Group's Major Business (Business Model)

The Daito Group constructs rental buildings for landowners, rents these buildings, and then subleases them over the long term. Leases are typically set at 30 years initially and renewed every two years. This business is designed to meet landowners' needs to generate profits, qualify for preferential inheritance tax treatment, and secure funds to pay taxes—all while maintaining land ownership and facilitating inheritance of the property by their heirs.

→ p. 09: Business Activities; p. 23: Making the Most Effective Use of Land

As Japan's leading expert in the rental building business, the Daito Group has constructed 148,000 rental buildings since its foundation in 1974, and it currently manages 843,000 housing units. Annually over the past five years, we have supplied on average 53,104 rental housing units in 7,570 buildings. And in FY2013, we recruited 237,000 tenants.

→ p. 12: Market Position

The keys to success in the rental housing business are a solid and flexible financial structure, trust-based relationships with landowners, and an ample stock of high-quality rental housing.

Our robust, flexible financial structure is supported by high earnings and a high payout ratio. We reported robust financial performance (consolidated) for the fiscal year ended March 31, 2014 (FY2013), with return on assets (ROA) standing at 8.1%, return on equity (ROE) at 26.6%, and earnings per share (EPS) at ¥693. This allowed us to maintain dividend payments at a payout ratio of 50%. In addition, we resumed buy-back of our own shares and retirement of shares—both of which had been suspended due to a takeover bid (TOB)—and set the upper limit to ¥16.6 billion, or 30% of net income.

→ p. 13: Financial Highlights; p. 51: Summary of Consolidated Financial Statements

The foundation of our relationship of trust with owners is the solid, steady operation of our rental housing business through an integrated system of construction, tenant recruiting, and property management. This system is supported by tenants' property selection, high levels of tenant satisfaction—reflected in an occupancy rate of more than 96%—30-year whole building leases, long-term fixed lease fees (initially 10 years and renewed every subsequent five years), and the Daito Group's payment of restoration and repair costs.

As of the end of March 2014, we have approximately 805,000 high-quality rental housing units in stock—the largest number in Japan's housing management sector.

→ p. 12: Market Position; p. 52: Key Performance Indicators

Under our medium-term management plan (target year: FY2017), our revised figures are for net sales of ¥1,608 billion (an average growth rate of 6.9%), operating income of ¥112 billion (an average growth rate of 6.4%), value of construction orders received of ¥735 billion, and a 22.6% share of rental housing starts.

→ pp. 17-18: Strategies (Medium-Term Management Plan)

2. External Environment, Opportunity and Risk

Despite Japan's shrinking population, public statistics indicate that up to around the year 2020 the country will see an increase in the number of households—the source of housing demand—as more unmarried people form separate households and as more senior citizens live alone. Thereafter, the number of households is predicted to decline relatively slowly.

The number of 30-year-old or older rental housing units that require rebuilding will remain at the current annual level of 360,000. We predict that we will be able to maintain or expand levels of regional demand for rental housing not only in the Tokyo metropolitan area but also nationwide. We will do this by identifying locations suited to the characteristics and needs of each local market and creating and providing new value.

→ p. 18: Strategy (Daito Trust's Number and Share of Rental Housing Starts by Region)

3. Governance

With our future founded on the goal of expanding existing businesses and increasing the speed of creating new businesses, the Daito Group launched a dual management structure in 2013. Under this new structure, the construction business and the real estate business came to be led by two different representative directors. We also emphasize transparency for shareholders and investors, as demonstrated by the introduction of the mutual assessment system for directors and the fact that half of the members of the Board of Directors and the Audit and Supervisory Board are appointed from outside the company, in order to encourage a better deliberative process.

→ pp. 45-48: Corporate Foundation (Governance/Introduction of Officers)

4. Organizational Overview

The Daito Group consists of Daito Trust Construction Co., Ltd. (which includes a head office and 223 branch offices*) and 17 group companies. The Group employs 14,597 people, of whom 9,767 work at Daito Trust. Employees are allocated to the areas of construction sales (3,325 people), design and construction (2,753), real estate brokerage (1,166), and property management (1,147). Selling, general, and administrative expenses (SGA) account for 11.4% of income from sales.

*As of April 1, 2014

The challenges we need to tackle for future business expansion include securing and developing key human resources and enhancing collaboration between different business units.

→ p. 10: Business Activities; p. 54: Company Information

5. Strategies and Resource Allocation

1) Main Short-Term Strategies

- (i) Strengthen the ability to increase earnings and profit through increased numbers of—and training for—construction sales personnel.
- (ii) Turn existing landowners and tenants into loyal customers through expanded services and improved communication.
- (iii) In the Tokyo metropolitan market, strengthen the sales system and product offerings in order to more effectively present solutions to customers.
- (iv) Improve the flexibility of the financial structure through a focus on ROE and by speeding up the payback of TOB loans.

→ pp. 15-16: Strategy (Short-Term)

2) Major Strategies to Fulfill the Medium-Term Business Plan

- (i) Pursue profitable businesses, such as the provision of fee-based services, with the goal of increasing the number of units we manage to 1 million.
- (ii) Enhance our expertise in asset utilization and succession so that we can improve our trust services and better serve corporate customers.
- (iii) Raise funds for investment by consolidating business divisions and thereby decreasing overhead costs.

→ pp. 17–18: Strategy (Medium-Term)

3) Core of the Long-Term Strategy

(1) Continue to boost our ability to respond to asset inheritance needs.

- (i) Strengthen the direct sales and marketing divisions so that we can continue to uncover untapped demand for land utilization across Japan.
- (ii) Continue to provide buildings that will not depreciate over time by using more durable construction materials and strengthening building management services; also, continue to provide lifestyle services.
- (iii) Expand into the comprehensive asset management business that leverages land and buildings.

(2) Improve our capacity to offer business solutions associated with land utilization.

- (i) Use our expertise to support utilization of small- and medium-sized properties owned by corporations mainly in urban areas.
- (ii) Secure sublease revenue and win reconstruction orders by undertaking the renting and maintenance of properties under other companies' management.
- (iii) Increase the number of orders we receive to construct commercial buildings for renting (distribution and commercial facilities).

→ pp. 19–20: Strategy (Long-Term)

4) Allocating Resources with Emphasis on ESG (Environmental, Social, and Governance) Factors

We believe the Daito Group can meet society's future needs in a number of ways: through the provision of technologies and products that match the smart societies of the future; through the commercialization of new energy systems; and through value creation in the health, social welfare, and community spheres. We have positioned the next three years as a period during which we will prepare to create new value for society, and we are readying ourselves for this by strengthening the foundation of our competitiveness. This new value includes the following:

- (i) The use of renewable resources wherever possible in our business; for example, using lumber from sustainably grown forests and solar power.
- (ii) Systematic expansion of regional social welfare services such as day-care services for the elderly and nursery services for children.
- (iii) The strengthening of health maintenance and skills training programs for employees, who are the bedrock of the Daito Group, and the diversification of employment systems.

→ pp. 19–20: Strategy (ESG); pp. 21–50: Value Creating Activities

6. Major Results

The government's recent economic measures—including the consumption tax hike in April 2014 and the revision of the inheritance tax law expected in January 2015—have driven up the number of rental housing construction starts, resulting in year-on-year increases for 15 consecutive months. FY2013 saw the total number grow by 15.3% from the previous term.

Amid robust demand for asset utilization and succession services among landowners, the Daito Group reported an increase in both sales and profit for the sixth consecutive term in the fiscal year ended March 31, 2014 (FY2013). The Group also posted record figures in sales and various profits and has been selected by the Tokyo Stock Exchange for inclusion in the JPX-Nikkei Index 400, a new index comprising stocks considered especially appealing to investors.

→ p. 52: Key Performance Indicators

The results of our short- to medium-term strategies include an increased number of construction sales personnel, the launch of brand-new products (such as three-floor wooden rental houses that provide better business efficiency), the development of an original foundation construction method, and the introduction of a building keeper system, which enhances and facilitates building inspection by experts. We also launched a full range of trust business services—something that many landowners had been calling for. This enables us to provide comprehensive asset succession services centered on land utilization.

In the area of ESG-oriented resource allocation, the Daito Group will expand procurement of lumber from certified Canadian forests while also supporting the use of Japanese domestic lumber. We remain focused on value creation for communities through key efforts that include enhancing our elderly-care and nursery service businesses and expanding the coverage of our Live-UP lifestyle services, which connect our tenants with services available in their local communities.

As part of our efforts to consolidate our business foundations, the Daito Group will continuously expand activities to maintain employees' health and safety through such initiatives as periodic health check-ups, hands-on safety training, and educational programs to improve staff skills and customer service.

→ pp. 21–50: Value Creating Activities

7. Business Prospects

Through the year 2035, until which time the housing market is expected to maintain its current size, we foresee the Daito Group being able to respond to market demand by continually implementing new strategies that we will constantly improve in order to meet society's changing needs.

In particular, to meet the expected increase in demand for reconstruction of buildings, including those under our management, we will foster closer relationships of trust with existing landowners and create a favorable cycle regarding building stock—for which we will supply management services—and subsequent construction. These efforts will provide us with a steady stream of new construction orders.

Building leasing is a long-term, locally rooted business. It could be called a "social infrastructure business," since it encompasses all aspects of people's lives, including the bonds between landowners, tenants, and local communities. We will remain steadfastly committed to creating corporate value based on land utilization, while also expanding into prospective growth areas such as energy and lifestyle support services.



Delivering new value by aggressively pursuing the potential of rental housing.

The Daito Trust Construction Co., Ltd. celebrated its 40th anniversary in June 2014. With this occasion in mind, I would like to express our deep gratitude to all who have supported and helped us over the years. I would also like to announce our renewed commitment to further develop our comprehensive support services in the rental building business.

The Daito Group has been consistently committed to stably managing the rental building business for landowners and helping tenants live enriched lives with peace of mind. In 2006, at the request of landowners, we launched the “Lease Management Trust System,” which is designed to protect landowners from a wide range of risks and burdens associated with the long-term management of a rental business. This system has played a central role in the development and delivery of valued services to landowners and tenants. In April 2013, we introduced a landmark initiative—a zero-security deposit and fixed-cleaning-cost plan that lightens the financial burden on both landowners and tenants by employing construction materials with higher durability. The Daito Group continues to take on new challenges, for example, by introducing Live-UP lifestyle services that connect our tenants with local shops, business owners, and communities, and by accepting credit cards for initial rent payments.

Through these ceaseless efforts, the Daito Group came, by the end of March 2014, to manage more than 800,000 rental buildings in Japan, making it the country’s largest rental housing management company. While we construct rental housing units, recruit tenants, manage the properties, and interact with tenants and local people, we affect various spheres of society. Recognizing the significance of our impact and the associated social responsibility, we strive to contribute more to the lifestyles of tenants, to local communities, to regional economies, and even to the global environment.

The Daito Group has maintained a solid financial standing, so that landowners will entrust us with their precious assets. Using cash settlements instead of promissory notes—a practice we have pursued since the company’s foundation—is a good example. For shareholders and investors, we have disclosed financial and business performance information in a timely manner and we have maintained a shareholder return policy that sets the payout ratio at 50%, the pay back and retirement of treasury stock at 30%, and the total return ratio at 80%.

There are two questions we always ask ourselves: “What is the potential of rental housing ?” and “What more can we do ?” The Daito Group will listen to customers and other stakeholders to find answers and deliver new value to them.

熊切直美

Naomi Kumakiri
President, Chief Executive Officer
and Representative Director

The history of the Daito Group began when its forerunner, Daito Sangyo Co., Ltd., was established in 1974. Since then, the Group has developed steadily. Coping with major changes in the business environment, the Daito Group has achieved continued growth, with net sales of more than ¥1 trillion reported in the fiscal year ended March 31, 2012 (FY2011). Having celebrated our 40th anniversary, we are ready to take the Group to the next level of growth.

From Establishment to Nationwide Expansion (1974 to 1983)

Daito Sangyo Co., Ltd. was established in Chikusa-ku, Nagoya, to specialize in land utilization. The company focused on constructing commercial rental buildings on idle land in semi-industrial suburban areas. These buildings, which were used as factories, warehouses, and stores, allowed landowners to earn rent. Since commercial buildings could be constructed quickly and at relatively low costs, they promised a high level of profitability that met the needs of landowners.

In 1980, Daito Kyosai-kai was set up at the request of landowners of the time in order to provide a mechanism that would ensure stable rental incomes for landowners even when their properties had vacancies. Landowners who paid fixed membership fees were guaranteed against the loss of rent from properties vacated earlier than contracted. This unique system developed by Daito Trust was well received by many landowners and it laid the foundations for business growth.

Daito Trust began to build branch offices in other parts of Japan in the late 1970s. Its area of service gradually expanded as sales offices were established in Osaka in 1976, Fukuoka in 1981, Yokohama in 1982, Sendai in 1983, and Shizuoka in 1983.



Shift to Rental Housing Business (1984 to 1997)

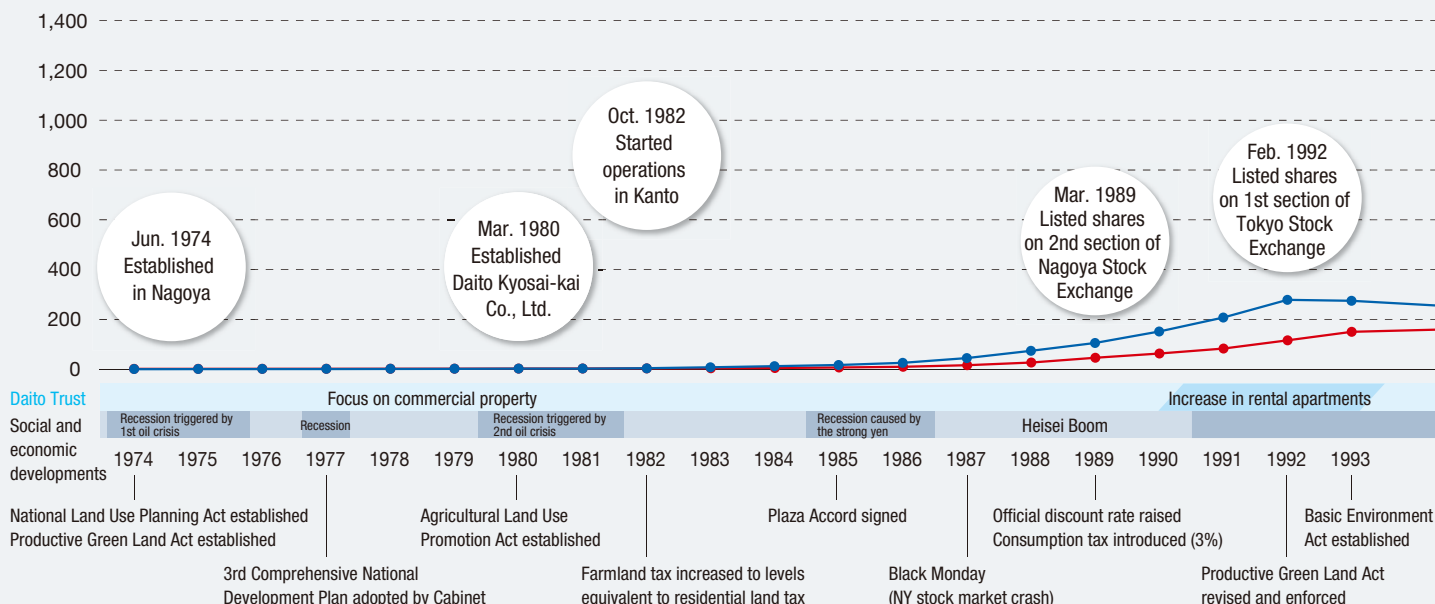
As its scale expanded, Daito Trust reshaped its management structure to make it appropriate for a "corporate citizen." Part of this effort involved a plan to list itself on the stock market. Daito Trust's stock was listed on the second section of the Nagoya Stock Exchange in 1989 and was then promoted to its first section in 1991. Daito Trust relocated its head office to Tokyo in 1990 and listed its stock on the first section of the Tokyo Stock Exchange in 1992.

During these years, demand for commercial rental buildings declined as more manufacturers moved production overseas. Meanwhile, the Productive Green Land Act was revised, opening the way for the construction of rental housing in urban areas. To meet these changes in the business environment, Daito Trust shifted its focus in the proposal of rental buildings from commercial to residential property.

Being a latecomer to the rental housing market, Daito Trust aimed to differentiate itself from its competitors by developing New Crestall 24, an Early American style apartment building design that was rarely seen in Japan at the time. Once launched in 1995, the product attracted many customers and served to drive an expansion of business in the new market.



Net sales (¥ billions)



Birth of the Lease Management Trust System (1998 to 2008)

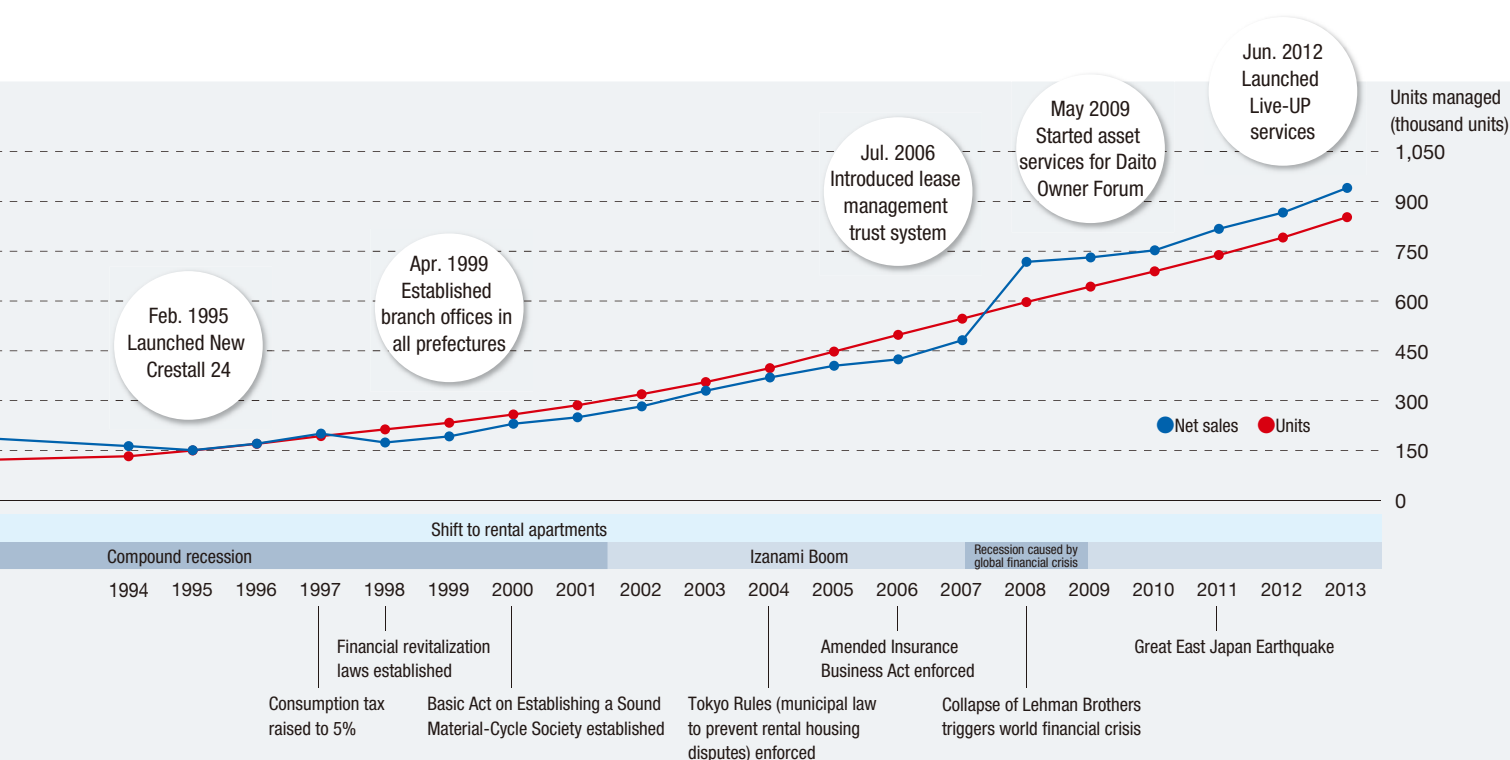
In view of the government's effort to revise the Insurance Business Act, Daito Trust decided to transform the rent guarantee system that protects landlords from vacancy-related risks by shifting from the conventional mutual aid association scheme to a whole-building lease scheme. Following the coming into effect of the so-called "Tokyo Rules," under which landlords are expected to pay a greater part of the restoration costs for their properties, Daito Trust introduced the Lease Management Trust System in 2006. This is a unique scheme in which the Daito Group covers the expenses of restoring and repairing a property and leases the whole building for 30 years. This is how the Daito Group has come to act on behalf of landowners and manage their properties. Since then, we have been striving to enhance services for tenants as well—for example, by establishing the Daito Customer Center in 2007, by introducing a program in 2007 that exempts tenants from having a co-signer for contracting, and by launching a zero deposit plan in 2008.



Expansion into the Asset Management Business (2009 to Present)

The financial crisis triggered by the collapse of Lehman Brothers in 2008 hit Daito Trust as well, but we overcame its impact by tireless sales efforts and the steady enhancement of our services. Since the recovery, the Daito Group has reported increases in both revenue and profit for six consecutive terms until the fiscal year ended March 31, 2014 (FY2013).

In recent years, growing attention has been paid in Japan to the benefits of running a rental property business as a means of diversifying asset management and as a strategy to reduce inheritance tax. This trend is intensifying as the inheritance tax law undergoes an expected revision in 2015. The Daito Group is expanding its business into the field of asset management—an area that covers issues related to asset utilization and succession and that takes into consideration a client's children and grandchildren—while exploring ways to make the most of earnings from rental property.



Following the corporate philosophy of contributing to society by creating and implementing ways to ensure the most effective use of all available land, the Daito Group works in concert with its group companies to expand the rental building construction and real estate management businesses, along with other associated operations, based on the Lease Management Trust System.

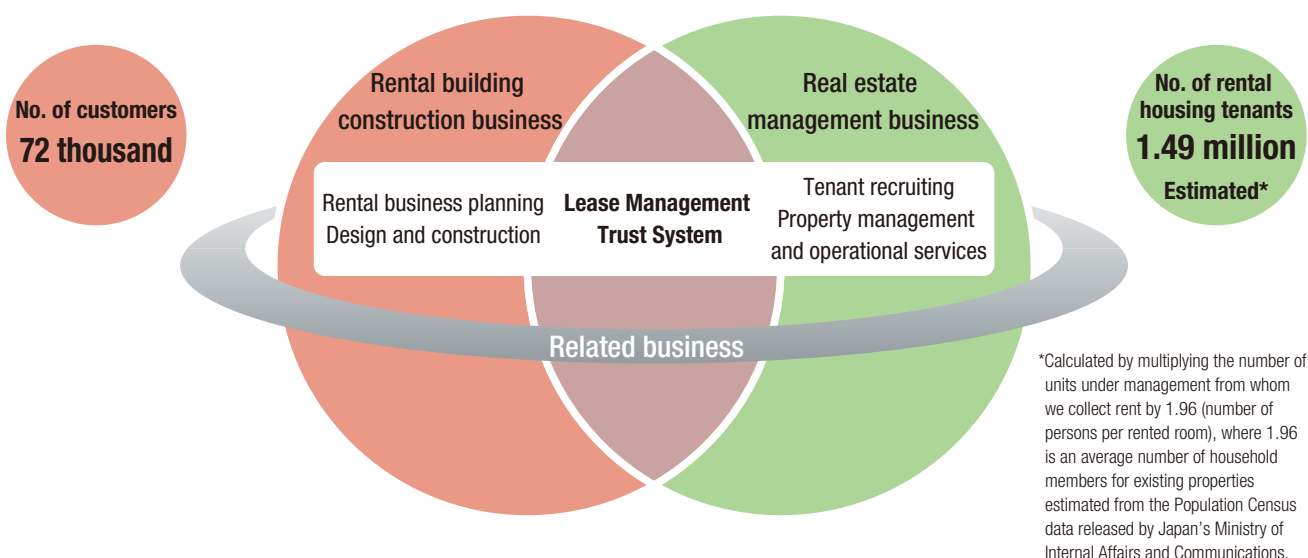
The customers of the Daito Group are owners, who trust us with their property, and tenants, who use our rental buildings. Based on our unique Lease Management Trust System, the Daito Group assumes responsibility for all aspects of rental housing management on behalf of our customers. For rental housing tenants, we find homes meeting their needs and provide services that bring convenience and peace of mind.

The key to success in our business lies in building a relationship of trust with customers by duly fulfilling our

proposals. The profitability of customers' rental housing businesses is currently ensured by two factors: a basic cash flow interest rate of 6.5%, which is essential, given the interest payable on loans made by customers when they start a business; and continuously high occupancy rates (96.9% for rental housing, as of the end of March 2014).

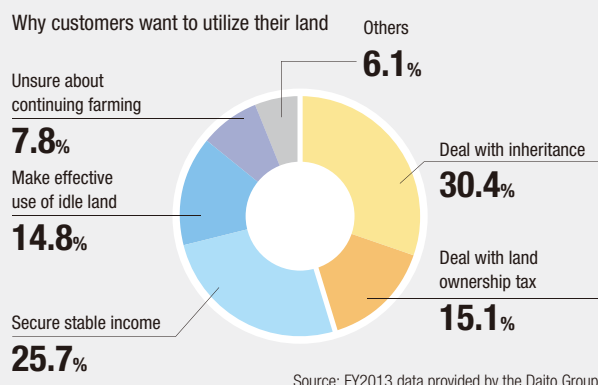
This integrated business model is the Daito Group's engine of growth, and we need to enhance its effectiveness to drive further growth.

Daito Group's Business Model



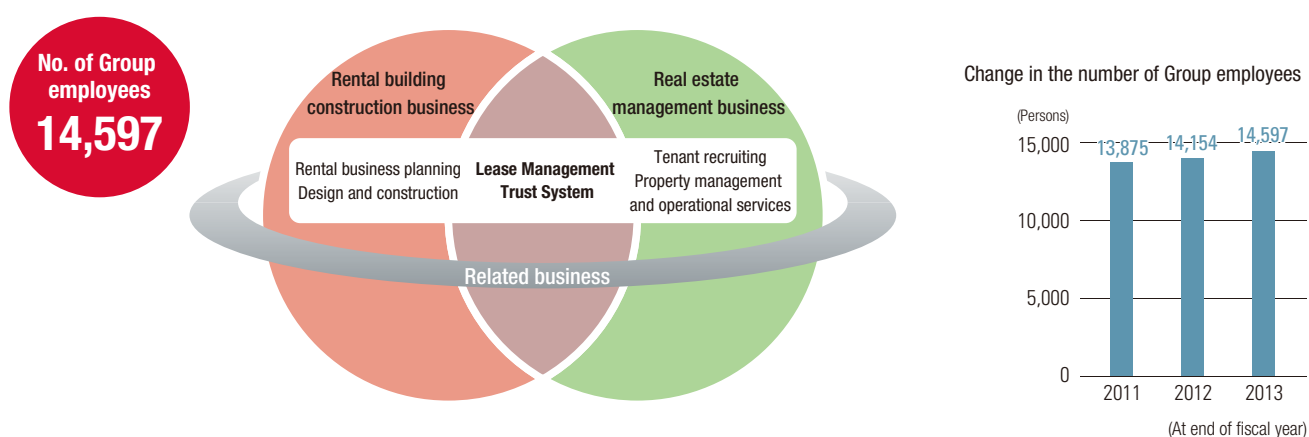
Land Inheritance and the Social Role of Rental Housing in Japan

In Japan, a majority of people still strongly believe in the traditional idea that land is an important hereditary asset that should be passed on to succeeding generations. This is why effective land utilization and inheritance is a major issue for many customers. The new inheritance tax system coming into effect in 2015 will increase the inheritance tax rate and expand the scope of taxable property, making the succession of land assets more difficult. The rental property business is widely recognized in society as an effective means of land utilization. By constructing a building on vacant land, customers can significantly reduce both the inheritance tax and fixed asset tax. The Daito Group's business model is designed to meet these needs in Japanese society.



The Daito Group is formed around Daito Trust Construction Co., Ltd. and Daito Building Management Co., Ltd. Working with other group companies playing key roles, they operate the Group's businesses in an integrated manner.

Daito Group's business and affiliated companies



Major Group Companies

Construction and Real Estate Management Business

Daito Trust Construction Co., Ltd.	Planning, design, and construction of rental property businesses and brokerage services for rental housing
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Construction Business

Daito Construction Co., Ltd.	Design and construction of mid- to high-rise rental housing
Daito Steel Co., Ltd.	Production and construction of steel frames and sale of exterior products

Real Estate Management Business

Daito Building Management Co., Ltd.	Total management of rental buildings and provision of customer services
Housecom Co., Ltd.	Rental building real estate agent
Ju-See Publishing Co., Ltd.	Production and publication of rental building information magazines and operation of rental building search websites
House Leave Co., Ltd.	Debt guarantee services for rent liabilities

Related Business

Daito Finance Co., Ltd.	Financing services (for funding construction)
Care Partner Co., Ltd.	Operation of nurseries and elderly day-care centers (visiting care)
Gaspal Co., Ltd.	Contracted LP gas equipment work and supply
Daito Farm Co., Ltd.	Production, processing, and sale of agricultural products
Daito Corporate Service Co., Ltd.	Document printing, sending, and related services (a special subsidiary to employ people with disabilities)
Daito Asia Development (Malaysia) Sdn. Bhd.	Hotel operation in Malaysia
Daito Business Center Co., Ltd.	Business support services for the Daito Group

Under the Lease Management Trust System, the Daito Group assumes responsibility for all aspects of rental housing management on behalf of customers and continues to develop and maintain strengths to safeguard the system. Through these consistent efforts, we have secured a leading position in the rental housing market.

The Daito Group's Strengths

Rental Building Construction Business

Direct Sales Support

- To reach untapped demand, the Daito Group mobilizes a direct sales force that leverages the Daito Group's accumulated experience and know-how to propose a rental business that suits each customer's situation and life plan.

Data Analysis

- Detailed predictions of demand in each area are made from a database of about 790,000 buildings, including those constructed by other companies, to ensure an adequate supply of rental housing.

Attractive Products

- The Daito Group's constant search for ideal rental housing for the future enables us to propose pioneering concepts and products to society.

Technology

- The Daito Group's unique technologies are developed to meet the needs of customers and society. As well as playing a key role in building rental housing that is safe and that provides peace of mind, these technologies promote comfortable living with a lower environmental impact and lower maintenance costs.

One-Stop Service

- High quality rental buildings are provided through a one-stop system that covers everything from materials procurement to design and construction to inspection after completion.

Partnerships with Customers

- At regular meetings of the Daito Owner Forum*, the Daito Group exchanges information and views with customers as part of the process of operating businesses in tandem with them.

**A nationwide organization that provides rental housing management support for landowners.*

Lease Management Trust System

Real Estate Management Business

Rental Housing Brokerage Network

- Excellent rental housing stock
- Industry-leading tenant-recruiting results, driven by teams exclusively assigned to broker rental housing under the Daito Group's management

Customer-Oriented Services

- Plans to please both landlords and tenants are developed and provided, including the Zero Deposit and Fixed Cleaning Cost plan.

Customer Support

- 24-hour e-Heya Support Center instantly provides property search services and responds to customer inquiries about housing around the clock, seven days a week.

Detailed Management

- Properties are carefully maintained by expert personnel, using a specially developed inspection system on a regular basis.
- The Daito Group's unique management structure helps achieve low delinquent rent rates.

Lifestyle-Related Services

- Daito's Live-UP services benefit tenants' lifestyles and local communities alike.
- Energy creation and conservation activities that are also beneficial to customers are promoted.

Cooperation with Local Communities

- We make continuous efforts to work closely with various local partners in areas such as tenant recruiting, building management, and provision of services.

(FY2013)

Orders received for rental housing

¥588.6 billion

Rate of repeat contracts

54.7%

Rental buildings in the database for supply analysis

790 thousand* (approx.)

Rental housing supply

59 thousand*
units per year

Number of rental housing units under management

805 thousand*

Rental housing occupancy rate

96.9%*

Delinquent rent rate

0.12%*

Live-UP service partners

3,176 stores (in 24 areas)*

*As of the end of March 2014

Market Position

■ FY2012 Housing Supplier Ranking *As of the end of March 2014

Rank	Company	Units supplied
1	Daito Trust Construction Co., Ltd.	55,332
2	Sekisui House, Ltd.	44,060
3	Daiwa House Industry Co., Ltd.	40,395
4	Asahi Kasei Homes Corporation	15,376
5	Sekisui Chemical Co., Ltd.	13,860

Source: Japan Real Estate Institute, August 2013

No. 1
for
5 Consecutive
Years

■ 2014 Rental Brokerage Ranking (Oct. 2012 to Sept. 2013)

Rank	Company	Contracts
1	Daito Trust Construction Co., Ltd.	231,007
2	MiniMini Corporation	155,045
3	Able Inc.	151,695
4	Token Corporation	60,300
5	Housemate Partners Co., Ltd.	58,294

Source: Zenkoku Chintai Jutaku Shimben newspaper company, January 2014

No. 1
for
4 Consecutive
Years

■ 2013 Rental Housing Management Ranking

Rank	Company	Units managed
1	Daito Group	747,163
2	Leopalace21 Corporation	546,204
3	Sekisui House Group	506,353
4	Starts Group	361,163
5	Daiwa Living Co., Ltd.	340,609

Source: Zenkoku Chintai Jutaku Shimben newspaper company, July 2013

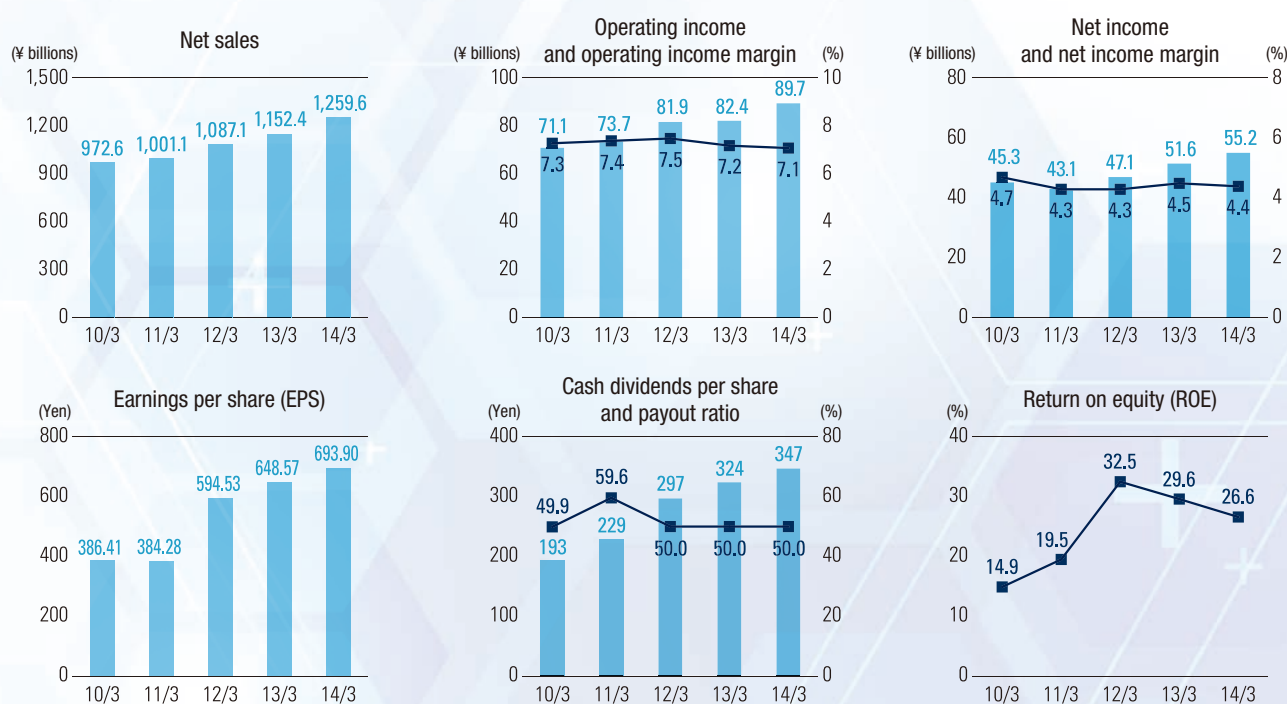
No. 1
for
17 Consecutive
Years

Financial Highlights

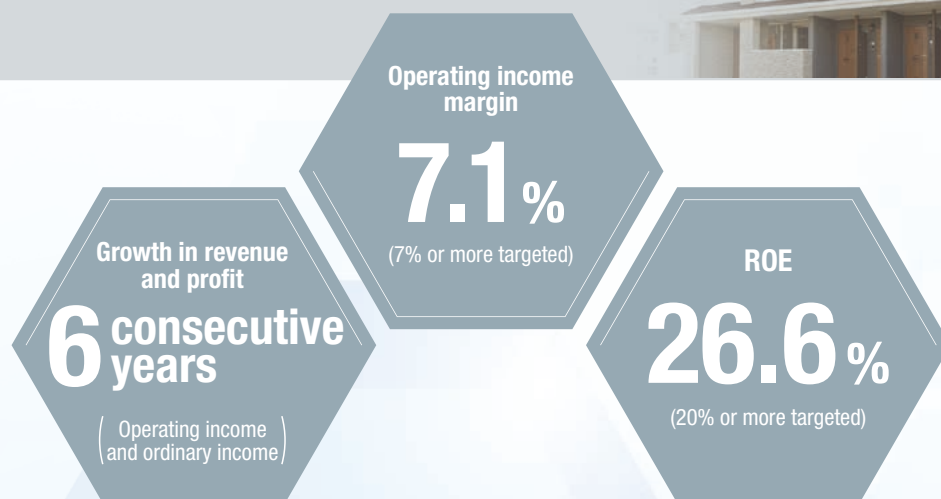
For the fiscal year ended March 31, 2014 (FY2013), the Daito Group posted an increase in both consolidated revenue and profit (operating income and ordinary income) for the sixth consecutive year, with net sales and income figures reaching all-time highs. Net sales grew 9.3% year-on-year to ¥1,259,673 million; in terms of profit, operating income increased 8.9% to ¥89,780 million, ordinary income climbed 9.1% to ¥93,335

million, and net income grew 7.0% to ¥55,277 million. Among the key performance indicator targets the Daito Group has set are an operating income margin of 7% or more and a return on equity (ROE) of 20% or more, the latter being a new indicator added for this fiscal year. We successfully achieved both targets during this term, posting a 7.1% operating income margin and a 26.6% ROE.

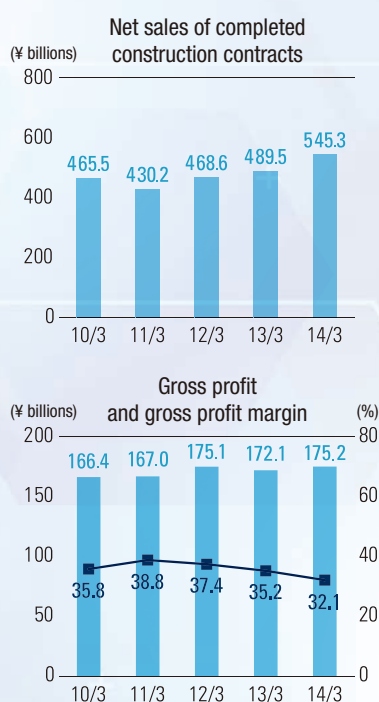
Daito Group's Financial Highlights



Unit		10/3	11/3	12/3	13/3	14/3
Operating results						
Net sales	Billions of yen	972.6	1,001.1	1,087.1	1,152.4	1,259.6
Gross profit	Billions of yen	188.7	195.3	214.1	218.4	233.0
Operating income	Billions of yen	71.1	73.7	81.9	82.4	89.7
Operating income margin	%	7.3	7.4	7.5	7.2	7.1
Ordinary income	Billions of yen	76.6	78.0	84.2	85.5	93.3
Net income	Billions of yen	45.3	43.1	47.1	51.6	55.2
Net income margin	%	4.7	4.3	4.3	4.5	4.4
Financial position						
Total assets	Billions of yen	558.1	532.9	569.0	617.7	684.4
Shareholders' equity	Billions of yen	311.5	131.1	158.3	191.2	224.8
Equity ratio	%	55.8	24.6	27.8	31.0	32.9
Return on equity (ROE)	%	14.9	19.5	32.5	29.6	26.6
Per common share						
Earnings per share (EPS)	Yen	386.41	384.28	594.53	648.57	693.90
Cash dividends per share	Yen	193	229	297	324	347
Payout ratio	%	49.9	59.6	50.0	50.0	50.0
Total return ratio ratio	%	79.8	526.0	50.0	50.0	80.0



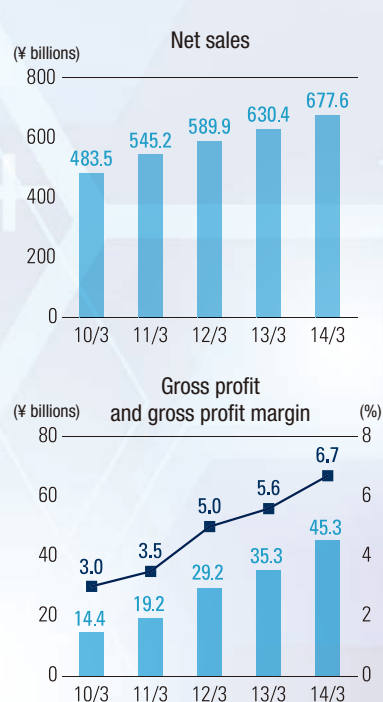
Construction Business



The Daito Group's net sales of completed construction contracts increased 11.4% year-on-year to ¥545,366 million. This was mainly attributable to significant numbers of undelivered orders carried over from the previous fiscal year and efforts to expedite construction starts from the beginning of the fiscal year.

The gross profit margin for completed projects declined 3.1 percentage points from the previous fiscal year to 32.1%, owing mainly to increased material and labor costs. Meanwhile, gross profit grew by ¥3.1 billion to reach ¥175.2 billion.

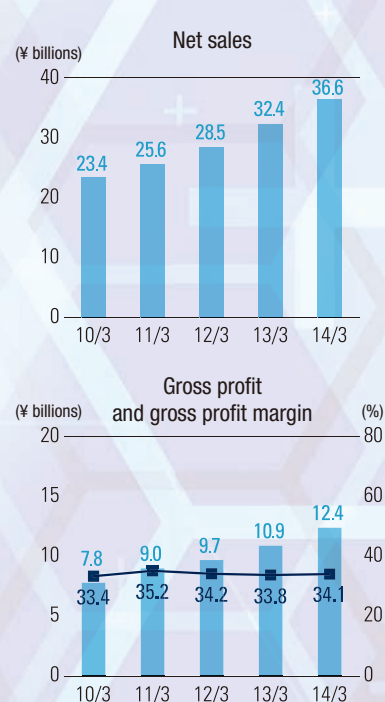
Real Estate Business



Net sales in the real estate business increased 7.5% compared with the previous fiscal year to ¥677,696 million. This growth was driven mainly by an increase in whole building lease contracts under the Lease Management Trust System, which boosted the rental income of Daito Building Management Co., Ltd., the Daito Group's leasing company.

The gross profit margin rose 1.1 percentage points year-on-year to 6.7%, and gross profit grew by ¥10 billion to ¥45.3 billion.

Other Businesses



Net sales of other businesses climbed 12.9% compared with the previous fiscal year to ¥36,610 million, primarily due to an increase in the number of LP gas customers for Gaspal Co., Ltd. and growth in the number of elderly people using the day-care services offered by Care Partner Co., Ltd.

The gross profit margin rose 0.3 percentage points year-on-year to 34.1%, and gross profit increased by ¥1.5 billion to ¥12.4 billion.



Naomi Kumakiri

President, Chief Executive Officer and Representative Director
In charge of Construction Business Headquarters and
Corporate Management Headquarters

Moving towards Further Growth

Business at the Daito Trust Construction Group remained firm during the fiscal year that ended in March 2014 (FY2013). To ensure stable growth into the future, we need to pursue business strategies based on medium- and long-term perspectives, while also addressing short-term issues. The following discussion between President Kumakiri and Vice President Kadouchi covers the company's current circumstances and its vision for the future.

Q: How was the business performance of the Daito Group for FY2013?

A: The Group attained its management goal by achieving increases in both revenue and profit for six consecutive periods.

Kumakiri: On a consolidated basis, we were able to achieve increases in both sales and profit for six periods in a row. The operating income margin was 7.1% and ROE (return on equity) was 26.6%—both exceeding our target values. In the building construction segment, sales for completed construction contracts showed a significant increase of 11.4% from the previous year to ¥545.3 billion. On the other hand, the operating income margin for completed construction contracts was down 3.1% year on year to 32.1%. This result reflects continued increases in the costs of labor and materials brought on by the Great East Japan Earthquake and the upcoming Tokyo Olympics. I think we need to work out a medium-term plan to address this problem.

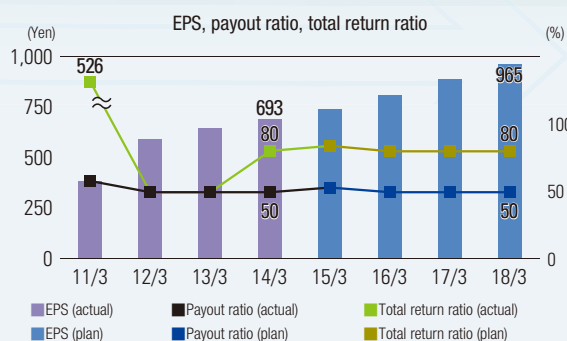
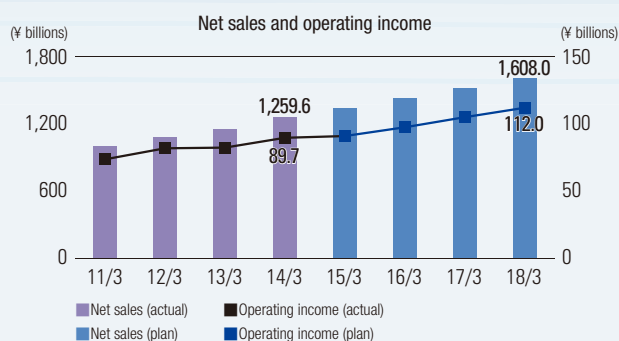
Kadouchi: In the real estate segment, sales increased 7.5%

year on year to ¥677.6 billion, due mainly to an increase in income from rental housing. The gross profit margin in this segment was also up by 1.1% to 6.7%. In the segment of related businesses, sales grew by 12.9% to ¥36.6 billion, owing to an expansion of the LPG (liquefied petroleum gas) supply business and the nursing care business. The gross profit margin in this segment was 34.1%, maintaining the same level from the last five years.

Q: How do you plan to pay out the profit increase to the shareholders?

A: We will maintain a dividend payout ratio of 50%, and we will also resume stock buy-backs.

Kumakiri: Our basic policy is to maintain stable dividend payments. In specific terms, we have set a target payout ratio of 50%, which we aim to achieve by adding to a standard dividend of ¥100 a profit return component that reflects our business performance. Along with that, we aim to spend 30% of our consolidated annual net profit for the acquisition and extinguishment of treasury stock in order to bring the total return ratio to 80%. In accordance with this policy, we have issued an annual cash dividend payment of ¥347.00 per share for the fiscal year ended March 31, 2014. For the next fiscal year, we plan to issue an annual cash dividend of ¥391.00. This is the sum of the regular dividend (¥371.00), calculated based on a consolidated business performance forecast, and an extra dividend (¥20.00) that will be issued in commemoration of our 40th anniversary. The Tokyo Stock Exchange included Daito Trust in the JPX-Nikkei Index 400, a new index comprising



Hitoshi Kadouchi

Executive Vice President, Executive Officer and Representative Director
In charge of Real Estate Business Headquarters and
Related Business Headquarters

stocks considered especially appealing to investors.

Kadouchi: Along with the payment of cash dividends, our means to return profit to shareholders also include the acquisition and extinguishment of treasury stock. It is our policy to use 30% of our consolidated annual net profit to acquire and extinguish treasury stock on condition that our consolidated net profit exceeds ¥10 billion and that no major funding demands are expected. We have not been conducting stock buy-backs for a while due to capital demand for implementing TOB. However, as our equity ratio has reached 32.9% and is already close to the 35.0% level that we set as a condition for resuming stock buy-backs, we have decided to acquire and extinguish, by the end of March 2015, 1.71 million treasury stocks (worth ¥16.6 billion), which is equivalent to 30% of our consolidated net profit.

Q: What are the challenges that you face in maintaining and improving your business performance and how are you going to address them?

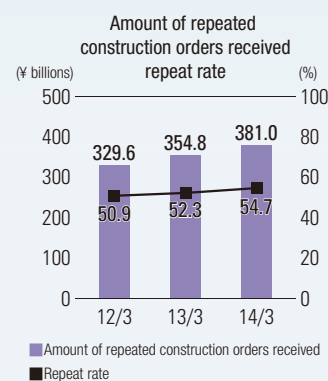
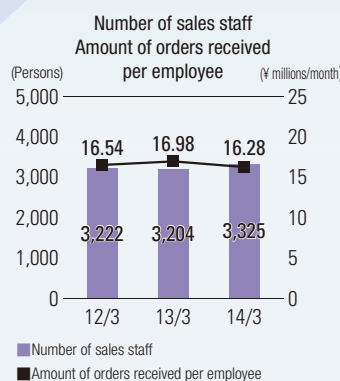
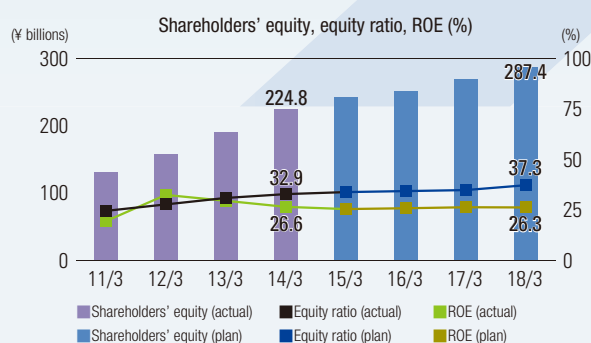
A: Our short-term strategy centers on enhancing sales operations, increasing our number of loyal customers, and expanding the range of services we provide on a group-wide basis.

Kumakiri: In order to ensure continued increases in revenue and profit, it is imperative that we should further strengthen our sales operations. In the construction segment, the main driving forces of our sales operations are our area-specific performance accountability system and our highly commission-oriented, merit-based payment system. At present, each of our employees receives an average of ¥16.28 million in orders per month. In order to raise this figure through improved work efficiency, we are placing an

emphasis on personnel training. At the same time, we plan to reinforce our sales base by increasing the number of sales personnel from 3,300 to 3,500 by the end of FY2014. Another key point of our growth strategy lies in expanding our operational base in the Tokyo metropolitan area. To this end, we expanded our sales group dedicated exclusively to this area during the organizational changes that took place in April 2014. We are also developing solutions designed to be more appealing to landowners. Currently, we are focusing on developing ways to enhance the value of two- to four-floor rental housing—including those constructed of wood—while also promoting the use of new technologies such as the DK-pile construction method.

Kadouchi: While we are working to acquire new customers, we believe it is equally important to ensure that landowners and tenants will stay with us. The repeat rate of our customers and tenants provides a clear indication of their satisfaction level. With this in mind, we are striving to enhance communication with our customers. For landowners, we are focusing on improving the functionality of the My Page feature on our website so that they can check the occupancy status of their buildings at any time. For tenants and prospective tenants, we are expanding and improving our 24-hour support center services, which include responding to their inquiries and helping them to check rental rates, renew lease contracts, and find apartments.

Kumakiri: In response to numerous requests from landowners, we will start providing substantial land trust services during the second half of FY2014. We plan to expand this service to provide a more comprehensive asset succession service centered on land utilization.



Q: Can you tell us about your strategy for achieving the medium-term management plan?

A: We are taking a diverse approach towards achieving our targets. This involves enhancing the systems for conducting sales, construction, and management, as well as reducing costs.

Kumakiri: We are implementing multifaceted measures in order to achieve, by the end of FY2017, the target figures announced in our medium-term management plan. These measures include increasing the number of orders for reconstructing buildings we have previously built and improving our management services to achieve such an increase. At the same time, we are reinforcing our sales group—which is dedicated exclusively to providing highly specialized support services for both individual and corporate customers—in order to help them with their utilization and succession of assets. So that we can

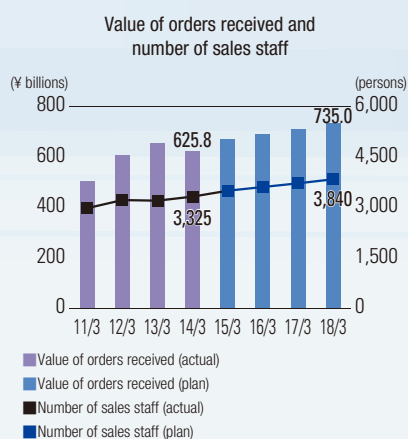


Main activities being undertaken by the Daito Group to achieve the medium-term management plan:

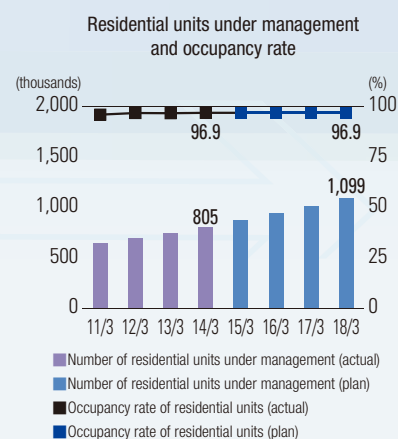
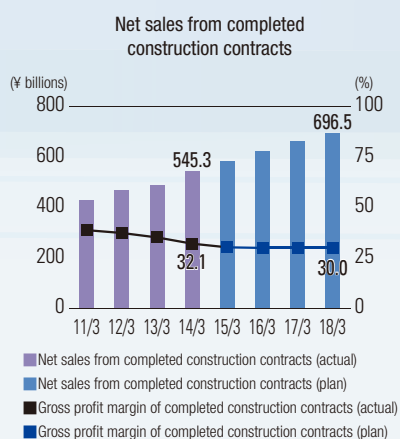
- 1) Enhancing existing businesses
- 2) Promoting high-profit business by utilizing existing buildings
- 3) Providing highly specialized support for the utilization and succession of assets
- 4) Improving business efficiency and reducing overhead costs

respond to the growing demand for construction services, we are cooperating with our affiliated companies to enhance our construction capacity. While setting up an order-management division, negotiating procurement prices based on annual purchase volume, and improving work efficiency, we are also working to implement a variety of construction methods and expand supply routes for materials.

Kadouchi: Another factor essential to achieving the targets in our medium-term plan is the maintenance of a high occupancy rate for the rental housing that we manage. As well as making these buildings more appealing to customers, we are striving to improve our “soft” services from the perspective of our customers. For instance, with the number of buildings we manage expected to reach one million due to the expansion of our operational base, we are implementing profit-making business models that include providing community-based information and services for tenants. At the same time, we are also working to secure leasing contracts with tenants more efficiently and at lower costs.



*12/3, 13/3: excludes sales orders received for temporary housing.



Kumakiri: To implement these strategies, we must secure sufficient investment capital. We are therefore expanding the scope of back-office operations handled by Daito Business Center Co., Ltd.—a subsidiary we established to promote shared services—to achieve higher efficiency in our business operations. We expect that this will enable us to reduce administrative costs, which accounted for 11.4% (down 0.4% year on year) of our sales in FY2013.

Many of our building management contracts with landowners have a fairly long duration—some as long as 30 years. It is therefore the responsibility of current management to ensure that contracted duties will be properly taken over by successive management. With the objective of rejuvenating management, internal regulations of the Daito Group stipulate that board members should retire at the age of 60.

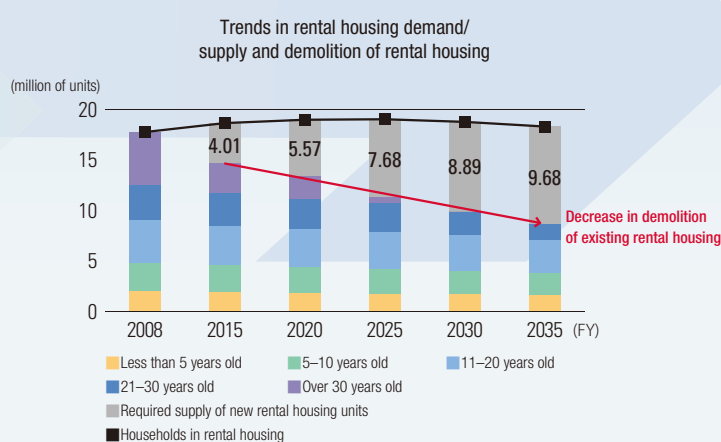
Q: How do you foresee your business environment from a medium- to long-term perspective?

A: We believe that demand for rental housing will remain firm.

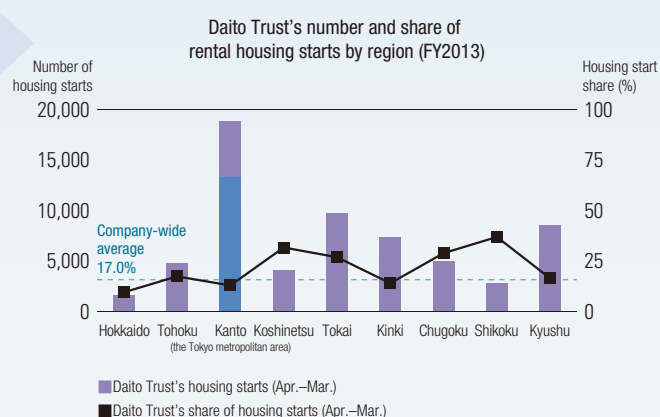
Kumakiri: The population in Japan has been in decline since 2010. However, when estimating future demand for rental housing, you need to focus on the number of households, rather than individuals. According to research conducted by a state institute, the number of households will continue to grow until around 2020, due to an expected increase in the number of single people and elderly people living alone. The numbers are expected to drop after that, but the trend is likely to be slow and gradual. At the same time, we predict that the number of buildings that are aged more than 30 years and that require renovation will remain at around 360,000 per year until around 2035. This is more or less the same as the number of rental housing that are currently being built every year in Japan (about 370,000). As such, we do not

foresee much change in the size of the domestic market for the next 20 years.

Kadouchi: It is generally understood that both economy and population are being increasingly concentrated in the Tokyo metropolitan area, with the opposite happening in other areas of the country. Of course, there is a huge demand for rental housing in Tokyo, but we also see a firm demand in regional cities. Therefore, whether it is Tokyo or other cities, we believe we can expand our business if we succeed in offering customers new value based on each city's particular needs and characteristics. Our FY2013 share in the rental housing construction market is 17.0% in Japan and 10.3% in the Tokyo metropolitan area. We thus have ample room for expansion, which is why we have been emphasizing area-specific marketing.



Source of base data: MIC 2008 Housing and Land Survey, National Institute of Population and Social Security Research
Note: Forecasts are our estimates formulated based on available data. They are not data published by government ministries.



Q: Can you tell us about your long-term strategies?

A: We will continue to explore business potential focusing on land utilization.

Kumakiri: As we believe that the market environment will remain favorable for some time to come, our basic strategy is to further explore business potential in regard to land utilization. Our long-term strategy consists mainly of two parts. One is to continually strengthen our system for supporting customers' asset succession needs. This would include training our sales personnel with a view to enhancing direct sales, responding to land utilization needs across the country, and providing buildings and services that are resistant to age-related depreciation. Furthermore, by proposing land and building utilization plans to owners, we also aim to provide comprehensive asset management services for them, including building reconstruction.

Kadouchi: The other part is to actively propose business solutions that are related to land utilization. In the case

of small and medium-sized companies, especially those based in large cities, we can expect high demand for building renovation and conversion. By taking full advantage of our expertise in real estate management, we strive to take on the management of unused detached houses and also buildings that are managed by other companies. We believe that providing high-quality management services for these buildings will provide us with a better chance of obtaining construction contracts from owners at the time of building reconstruction. At the same time, we are working to increase the number of orders related to buildings that are subleased for business use. Based on our experience in the solar power generation business, we are also planning to launch into the energy market.

Q: What is your policy on ESG (environment, society, governance) activities?

A: We believe that these activities are essential to maintaining our competitive edge over a long period of time.



Kumakiri: In response to social demands, we are striving to develop technologies and products that can accommodate the needs of a smart society, propose business plans for new energy systems, and create value in the form of health, welfare, and community services. We believe that maintaining a competitive edge in these areas plays an integral role in ensuring our business continuity in the long run. In the next three years, we will be focusing on creating new value in order to consolidate our competitive advantage. In specific terms, we are allocating our resources by giving a high priority to ESG. For instance, while we continue to procure lumber from certified forests in Canada, we will also be increasing the purchase of domestic wood.

Kadouchi: We also plan to increase our investment in the solar power generation business. At the same time, we will expand our operations in nursing care and childcare services in order to contribute to community-based social welfare.

Kumakiri: We are actively contributing to local communities through everyday efforts such as carrying out cleanup activities and improving workplace practices at construction sites, as we believe that maintaining strong ties with local communities is an essential part of our business. As part of these efforts, we continue to provide support in areas that were affected by the Great East Japan Earthquake. To further consolidate our corporate base, we are currently working on such issues as properly managing employees' work hours, providing support for employees' health care, enhancing education programs, utilizing elderly human resources, and providing skills training for construction workers.

Kumakiri: Establishing clear priorities is part of our management philosophy. Instead of overly diversifying our business, we will continue to focus on land utilization as the cornerstone of our business as we strive to further explore and enhance our competitive advantages.

Responding to asset succession needs:

1) Attracting potential customers through direct sales

- Assigning sales personnel with diverse talents and helping them improve their solution-proposal skills (Actively recruiting and training female sales staff)
- Monitoring the performance of sales staff and revising recruitment plans accordingly

2) Exploring potential land utilization needs across the country

- Predicting the demand for rental housing with higher accuracy (on a nationwide, prefectural, and city basis)
- Maintaining an independent rent-checking system and upgrading the associated database
- Expanding the rental housing lineup for each region

3) Providing buildings and services that are resistant to age-related depreciation for subleasing

- Expanding the use of maintenance-free construction materials
- Enhancing preventive maintenance (Improving Building Keeper, Clean Keeper, and Front Keeper systems)

4) Launching a comprehensive asset management business based on land and building utilization

- Implementing trust services

Providing business solutions related to land utilization:

1) Providing utilization support for real estate owned by small and medium-sized companies

- Enhancing and expanding renovation and conversion business mainly in urban areas

2) Implementing entrusted real estate management

- Taking on the management of unused detached houses with a view to obtaining reconstruction contracts in the future
- Renting buildings managed by other companies, providing management services, generating profit through subleasing, and obtaining reconstruction contracts in the future

3) Increasing orders related to subleased buildings for business use

- Increasing orders related to commercial buildings, distribution systems, and commercial facilities to attract prospective tenants

4) Launching energy-related businesses

- Taking on energy-related businesses centered on solar power generation

Seek Greater Potential for Rental Housing

The Daito Trust Construction Group is committed to pursuing what rental housing can do for people and society and what we can do for rental housing. We are pushing forward with business activities to bring vibrancy to the lifestyles of our customers, to the local community, and to the local economy.

Strengthening and Invigorating the Regional Economy and Community

- We handle all aspects of the rental housing business from planning, design, and construction to management and operation, while also providing support on a long-term basis.
- Along with a full range of lifestyle-support services, we provide customers with rental housing that optimally fits their needs.

Responding to Needs in Land Inheritance

Lease business: rate of repeat contracts

54.7% (up 2.4 points)

Improving Lifestyle Value

Rental housing: number of tenant brokerages

237,605 units (up 10.0%)

Growing Together with Our Customers

Number of owners of buildings for lease

72,722 persons (up 4.2%)

Making the Most Effective Use of Land and Enabling Comfortable Lifestyles



Daito Group

Corporate Foundation

- We have in place a work environment in which every employee can work in a positive manner.
- We are strengthening our capabilities in corporate governance, compliance, risk management, and information disclosure.

Creating Diverse Employment Opportunities

Disabled persons employment rate

2.68%* (up 0.02 points)

*For the Daito Group, as of June 1, 2014

Enhancing Employees' Physical and Mental Health

Rate of employees taking regular health checks

100% (±0 points)

Note: Figures in brackets are year-on-year comparisons.

Preserving the Local and Global Natural Environment

- We are developing a stock of high-quality rental housing as superior social capital.
- We are expanding our business by making the most use of local human resources and businesses.
- We provide services that encourage the revitalization of local communities.

Revitalizing the Local Economy

Number of Live-UP partner stores

3,176 stores (up 910.0%)

Collaborating with Local Residents

Number of Clean Keeper

3,285 persons (up 10.1%)

Growing with Support from the Local Community

Number of cleanup activities held around construction sites

101,176 times (up 23.9%)

Growing Together with Our Employees

Rate of employees having membership in the employee shareholding association

99.05% (up 0.19 points)

- We work together with building owners and tenants in saving energy and reducing CO₂ emissions.
- We pursue a high level of durability in our buildings.
- We make use of wood materials—a sustainable resource—as much as possible.

Contributing to a Low-Carbon Society

GHG emissions per unit of net sales

1.99 t-CO₂e/billion yen (down 3.1%)

Contributing to a Recycling-Oriented Society

Waste sent to landfill per unit of net sales

2.25 tons/billion yen (down 10.8%)

Contributing to a Society in Harmony with Nature

Amount of wood used

136,546 tons (down 4.5%)

Supporting Reconstruction of Areas Affected by the Great East Japan Earthquake

- We provide housing and lend tools and equipment to employees from construction companies undertaking reconstruction work.
- We are contributing to the revival of local industry.
- We gather donations for funds providing support to those affected by the disaster.

Number of rental housing units provided free of charge

876 residential units*

*Cumulative total as of March 2014

Amount of locally sourced Kesen cedar from Kesen District in Iwate Prefecture

829.3 m³

Monetary amount donated via our Ashinaga Fund for children orphaned by the disaster

210 million yen*

(Total accumulated via our Matching Gift system involving employees and the company)

*Cumulative total as of May 2014

Achieving Stable Rental Housing Management through Total Support for Land Utilization Needs and a Thorough Understanding of Market Demand

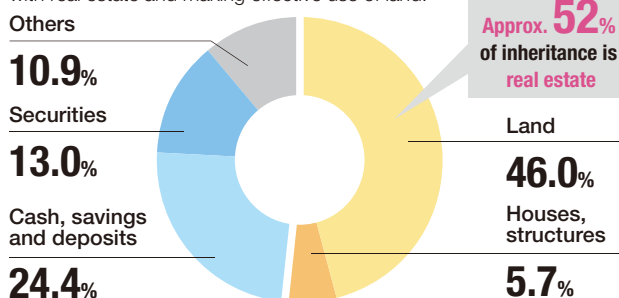
Legal amendments, including revisions to the inheritance tax rate, have led to a further increase in expectations concerning the use of land. Through our 30-year whole building leases, the Daito Group is proposing a safe and stable rental business run in line with the landowner's needs.

Increased Burden of Inheritance Tax Due to Legal Amendments

The issue of land utilization is more important now than ever before. One of the major reasons for this is the revision of the inheritance tax rate specified in a new legal amendment. An increase in the maximum tax rate and a review of the basic exemptions has resulted in a major increase in the individual inheritance tax burden. Following the tax revisions, it is estimated that the number of cases in which inheritance tax must be paid will increase by approximately 1.5 to 2 times.

Classification of Inheritance

In Japan, a large bulk of inheritance comes in the form of real estate—mostly land. Dealing with inherited property therefore involves dealing with real estate and making effective use of land.



Source: FY2011 Annual Statistics Report, National Tax Agency

Rental Housing Management Support with Our Original 30-Year Whole Building Lease

The rental housing business proposed by our company as the optimal solution for the utilization of land is effective as a measure for reducing not only inheritance tax, but also fixed asset tax. Further, through the use of our 30-year whole building lease—in which the Daito Group directly leases the entire building—we provide full support, from building management and operations to the handling of risks related to fluctuations in tenants' income.

*There are two types of plans for the 30-year whole building lease: the standard plan, under which the building owner assumes no expenses for restoring the building to its original state when the tenant moves out (those expenses are borne by Daito Group for 30 years); and the full-package plan, under which even ongoing building repair costs due to deterioration over time are taken care of.

Four Support Features

S Standard plan* F Full Package plan*

Vacancy, Rent Delinquency S F

30-year whole building lease
No reduction in income even when the rental housing has vacancies or there is rent delinquency

Restoration to Original State S F

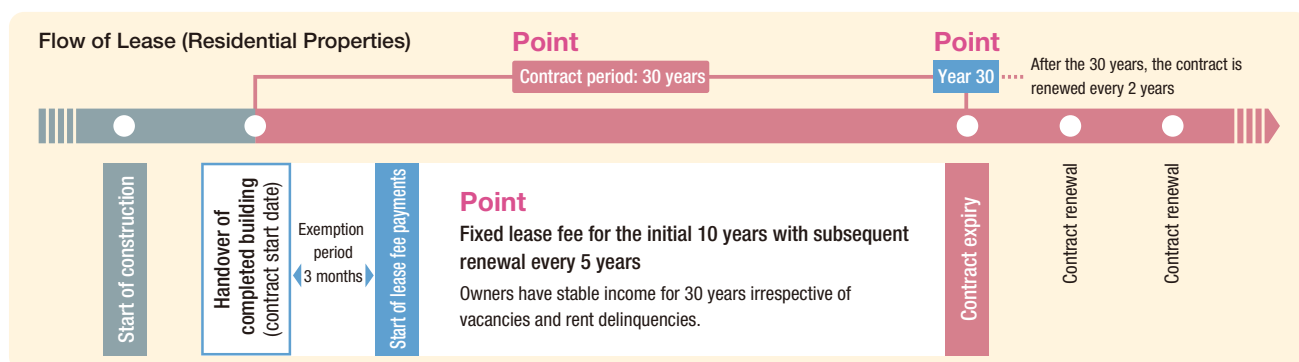
No expense for restoration to original state
The owner assumes no expenses for the 30 years

Rent Fluctuation S F

Long-term fixed lease fee
Long-term fixed income, even if rents fall

Deterioration over Time F

No burden of repair expenses
The owner assumes no burden for the 30 years (as a result of deterioration over time)



Detailed Check on the State of Nationwide Demand

The occupancy rate of the rental housing for which management has been outsourced to the Daito Group has been maintained at the high level of 96.9% (as of the end of March 2014). The foundation for this high occupancy rate is our meticulous area marketing. By classifying the 1,718 municipalities nationwide into approximately 4,600 smaller areas, our 384 market survey staff can investigate demand trends and rent fluctuations for each region. This gives us a better long-term perspective when we propose the construction and operation of rental housing.

The original mapping system, which is the core of our area marketing system, stores a rich array of data comprising details of approximately 790,000 rental housing, along with house plans belonging to our company and other companies. This market analysis gives us a mechanism through which we can provide rental housing in line with demand.



Our original mapping system

No. of market survey sales offices

179 sales offices*

Market survey staff

384 people*

Data on own rental housing

Approximately
136 thousand units

Data on other companies' rental housing

Approximately
654 thousand units

*As of April 1, 2014

Formulation and Implementation of Supply Plan Based on Daito Trust's Proprietary Appraisal System

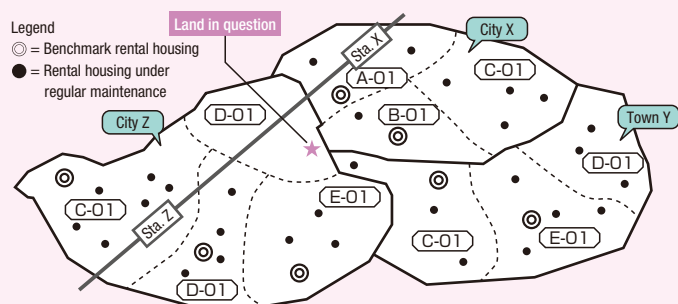
Country is divided into about 4,600 areas

Area-based supply plan meeting

Reviewed every six months

Implementation of supply plan

Appraisal of individual rental housing units



Estimate of vacancies to occur in the future (annual)

Current vacancies

Number of units vacated by tenants moving away

Number of new units to be completed

Number of annual brokerage cases

Estimate the vacancy rate for one year later

Area where construction is promoted

High occupancy rate, strong tenant recruiting

Area where construction is promoted with certain conditions

High occupancy rate and strong tenant recruiting for certain room layouts and grades

Area where construction is temporarily suspended

Suspending new supply until occupancy rate exceeds a certain level

Rent appraisal and selection of room layouts

- Utilize benchmark rental housing*
- Compare and analyze based on more than 60 criteria including room layout, area, and housing amenities

Site location evaluation
Diagnose suitability for rental housing

Rent appraisal
Establish appropriate rent

Setting of conditions
Parking lot, building plan, etc.

*Benchmark rental housing: Rental housing constructed by other companies that act as a benchmark for setting rent.

Pursuing Durability and Comfort in Buildings, and Providing Rental Housing with Value over Long Periods of Time

What the Daito Group is aiming for is value that can be passed on to the next generation.

We are pursuing the creation of residences with high value in a variety of areas, such as earthquake resistance, fire resistance, durability, comfort, design, and consideration of the environment.

Building Attractive Rental Housing

In the Daito Trust, we take a variety of approaches to maintaining the value of buildings and creating high-quality residential stock. Our proactive approach to the basic structural elements of buildings can be seen in the development and adoption of the Eco Pre Cut construction method, which combines earthquake resistance, fire resistance, durability, and environmental performance; in our original DK-S Pile method of constructing foundations; and in our Noiseless System, which has reduced the shock noise on stairs and floors by up to one third.

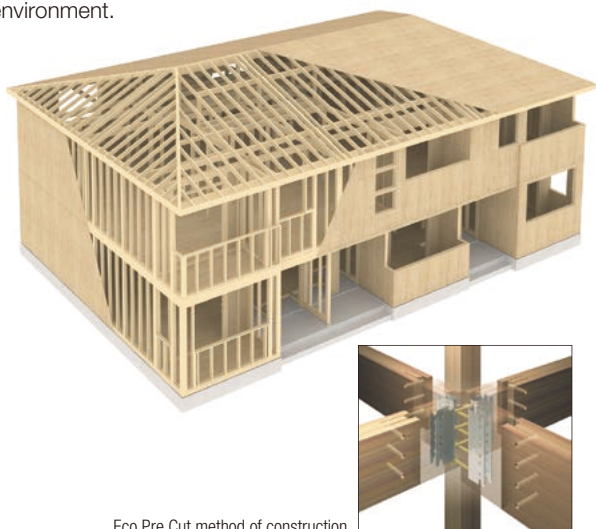
When it comes to interior spaces, we are harnessing the perspectives of women to make innovations in kitchen and dining areas as well as in the area of security. Our newly developed thin LED e-lights are one fifth thinner than conventional LEDs, achieving a two thirds reduction in power consumption, a fourfold increase in service life, and resultant cost reductions.



Modessa III Chocola (released May 2014)
3-floor rental housing adopting a 2 × 4 method of construction and a noiseless system

Eco Pre Cut Method of Construction for Durability and Environmental Performance

Supported by a high-precision and high-strength frame, a structural face bar is attached to the full surface of the exterior wall. This creates a durable wall that offers high levels of earthquake resistance and wind resistance. Further, by connecting materials on site that were pre cut in the factory, it is possible to reduce the amount of structural waste materials produced at the site to approximately one tenth of previous levels. This method thus greatly reduces the burden on the environment.



Eco Pre Cut method of construction

Noiseless System

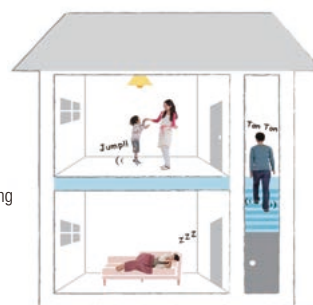
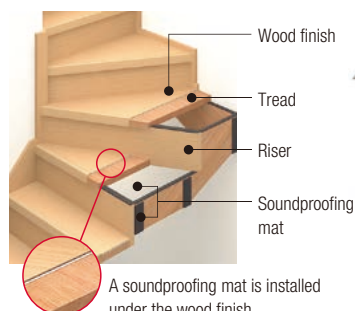
Noiseless Floor

Soundproofing, absorption, and anti-vibration technologies reduce thumping and rapping sounds on the floor to one third the level of those in conventional wood-construction rental housing.



Noiseless Stairs

Indoor wooden staircases have a soundproofing mat under the wood finish to reduce the sound of people going up and down the stairs.



Rental Housing That Blends in with the Cityscape and Meets the Different Needs of Regions throughout the Country

Kyoto

Building that blends in with local scenery



Karuizawa

Building that goes well with a beautiful forest



Metropolitan Tokyo

Buildings that place a greater focus on design



e-lights*

- Flat roofs with a thin design (**even**)
- Maintenance is simple (**easy**)
- Low power consumption and friendly to the environment (**eco**)



The thin design reduces the burden of changing light bulbs, which leads to energy savings. The name "e-lights" represents three "e" benefits: **even** (level) surface, **easy** maintenance, and **eco** friendly.

*The Daito Trust is in the process of applying for a registered trademark for **e-lights**.

Ministry-Certified DK-S Pile*

Compared to standard steel pipe pile methods of construction, this method employs foundational friction to enable the construction of high-quality buildings under a wide range of foundation conditions.

*Patent pending

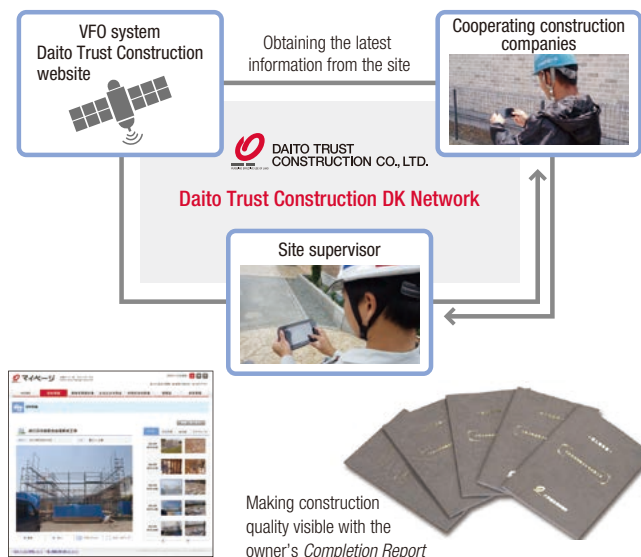


Operational Management with Original DK Network

The DK Network supports our construction quality by functioning as an operational management support system that uses mobile computing. From 400 to 500 inspection items are managed in real-time. Management processes are more visible, and this contributes to securing operational quality, improved operational standards, and increased work efficiency.

The DK Network image data is shown on the owner's My Page section of the website and a document called a Completion Report is passed to the owner upon completion of construction. By recording images that cannot be seen after completion, such as the internal structures of buildings, we make it possible for owners to verify construction quality.

Construction progress can be confirmed via the owner's My Page section of the website



Rental Housing Competition and the Future of Rental Housing

On February 1, 2014, we held the 2nd Daito Trust Construction Rental Housing Competition. This led to the collection of a vast array of ideas from a large number of people, such as students and people in the housing industry. This competition has been held since 2013 with the objective of pursuing new possibilities in rental housing and fulfilling our social responsibility. It provides a valuable opportunity for reviewing the ideal state of construction, cities, and society through rental housing.



Committee members and award winners



Mr. Kato and Mr. Sato, winners of the top prizes

Multi-Faceted Approach Allows a Large Number of People to Use Rental Housing

In Japan, more than one-third of households live in rental housing. As a specialized company equipped to respond to this demand, the Daito Group is strengthening its approach in order to meet various customer needs—for example, by providing services and information from the tenants' perspective.

For the Comfort and Peace of Mind of Our Tenants

Moving can be very expensive. We provide various services to alleviate the burden on the tenant in any way possible. Our Zero Deposit and Fixed Cleaning Costs plan, introduced in April 2013, eliminates the need for tenants to pay a deposit. And by using our original, highly durable interior materials, we have been able to greatly reduce restoration costs—which are paid by tenants when they leave a rental property—to the level of cleaning costs. Tenants can thus rent the property with peace of mind, since they know in advance exactly how much it will cost.

Furthermore, in October 2013 we introduced credit card settlement for the initial costs of a rental agreement, which include the deposit and key money. These can be paid from a PC or smartphone at any time, thus greatly increasing convenience.



Continuously Expanding Information Channels

We offer a variety of useful information through our e-Heya Net website, our specialist broker stores around the country, and our e-Heya Station terminals. These channels are complemented by information journals, social media, and the e-Heya Support Center—a call center that provides property search consultations round the clock and on holidays. We are promoting the expansion of information channels so that people can obtain information rapidly and accurately anytime, anywhere.

In addition, we are pursuing ways of deepening our relationships with tenants—for example, by holding the tenant-targeted My e-Heya Contest.

Channels Providing Information for Tenants



e-Heya Net website

e-Heya Station terminal

My e-Heya Contest Invites People to Create Comfortable Rooms



We held a contest in which we invited tenants living in rooms managed by the Daito Group to devise methods to create more comfortable rooms—for example, by suggesting new ways of using and living in the rooms.



facebook



LINE

No. of properties listed on e-Heya Net

2.12 million

No. of specialist broker stores

367 shops

(including Housecom Co., Ltd., an affiliated company)

Listening to Our Customers Has Led to a Higher Level of Service

The Real Estate Business Education Promotion Center was established in April 2014, with the aim of improving the skills of Daito Group personnel working in the real estate business. The center aims to provide comprehensive training on communication methods with owners throughout the real estate business division.

A tenant questionnaire launched in 2004 garnered around 43,000 responses during FY2013. Customer feedback from these questionnaires is shared at Daito Group meetings in order to improve company services going forward. If

customers rate our services highly in the questionnaire, sales staff can earn points on their CS Point Cards. Feedback is shared among all employees, in the pursuit of high-quality customer service.

In 2007, Daito Group established the 24-hour e-Heya Support Center, which accepts inquiries from customers at all hours, including at night and on holidays. In FY2013, we responded to 98,000 cases, delivering peace of mind to customers even in the event of emergencies.



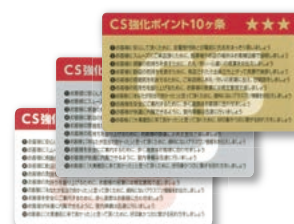
New staff training in real estate business



A tenant recruitment questionnaire

No. of questionnaire results

43,786



Employees' CS Point Cards are upgradable to gold, silver, or white based on customer feedback

The Ikumama Project Makes Improvements from a Mother's Perspective

Some of the opinions we received in customer questionnaires were requests from young mothers who visit our shops with small children. Based on this feedback, a project was inaugurated in May 2014 in which head office female employees with small children gave suggestions for improvements in our kids' play areas, in order to increase customer satisfaction.

Improvement measures were reviewed based on the actual experiences of our female employees, including issues such as obstacles they face and things they are concerned about when traveling with their children. We aim to provide services in which customers with small children can easily visit our shops and look for rooms in a relaxed environment.



Live-UP Service Strengthens Bonds between Owners, Tenants, and the Community and Promotes Comfortable Lifestyles

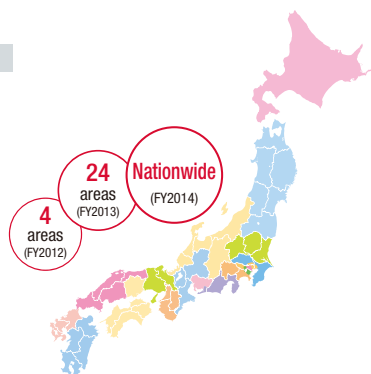
In the Daito Group, we are striving to provide finely tuned services based on our rich human resources network so that we can bring comfort and fulfillment to the lives of the people living in our rental housing. We also offer a wide range of support aimed at strengthening relationships with the local community.

Live-UP Service Builds Ties with Tenants and the Community

The Daito Group's Live-UP service aims to give tenants a pleasing lifestyle and stimulate the community through collaboration with local merchants. The goal of this service is to build dynamic communities by linking the approximately 3,200 partner stores nationwide with nearby residents, local information, the Daito Group, and tenants.

No. of Live-UP partner stores

3,176 shops



Service to be expanded to all 47 prefectures in Japan in FY2014



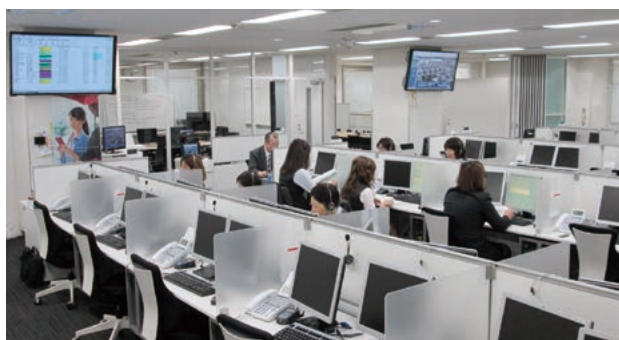
Live-UP lifestyle service website

Further Expansion of Our 24/365 Customer Support Structure

The Daito Group has been operating its proprietary 24/365 customer call center since 2007 in order to improve convenience for our tenants. This enables us to handle a wide range of problems, such as defects in the residential facilities and loss of door keys.

In February 2014, we established a call center in Kitakyushu City that can act as a back up to our existing Tokyo call center. Considering the possibility of an earthquake centered on the Tokyo metropolitan area, we created the new call center with the aim of ensuring continuity in the running of our tenant support network in the event of a major disaster.

Going forward, we plan to expand to a more comprehensive 24-hour call center that will deal not only with emergency response issues, but also with work processes. The latter would include handling rent checks, renewing leases, and helping prospective tenants look for an apartment.



24-hour e-Heya Support Center
Fukuoka Center

Average time for emergency
response after call in

48 minutes

Finely Tuned Administrative Services

With our administrative structure, we are looking to provide services that deliver value to owners and tenants alike. One approach is the Building Keeper System, which we introduced in June 2013. We assigned 385 personnel—including local engineers with architectural qualifications and construction operation management technicians—to 195 administrative offices nationwide. They visit their assigned buildings once every two months in order to perform detailed inspections on more than 30 criteria, including the external appearance of buildings, their facilities, and the surroundings. They perform regular maintenance, making it possible to both maintain a comfortable living space and detect areas that need repair at an early stage so that we can maintain the long-term value of rental housing.

In March 2014, personnel carrying out rental building management duties were equipped with tablet devices and compact mobile printers, with a view to increasing work efficiency. As images and data are saved in cloud storage, the most up-to-date information can be shared with everyone in the organization. This is useful for the further improvement of management services.

A small crack has appeared in the exterior masonry

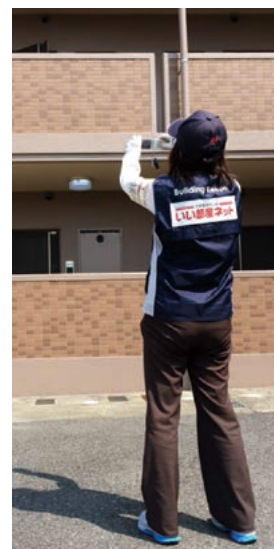
Early discovery

Carry out light repairs

A small crack has appeared in the exterior masonry

Delayed discovery

Rainwater has infiltrated, increasing repair costs



A Building Keeper

Benefits of Deploying Tablet Devices

- Damaged areas in buildings discovered during patrols can be repaired at an early stage, thus maintaining the soundness of the building.
- Necessary information and images are input, captured, saved, and updated on-site, thus improving work efficiency.
- The most up-to-date information can be checked while out of the office, enabling a smooth management structure.
- Images taken on-site make for easier, clearer explanations of rooms and buildings for tenants.
- With the compact mobile printer, various reports can be printed out and given to customers right then and there.



Building inspection using tablet PC

Building Keepers

385 people

No. of deployed tablet devices

1,500 units

Services Delivering New Value

We have undertaken an approach to supply green energy to society, using power obtained from solar panels attached to the roofs of the rental housing. Under this joint effort at tackling the energy problem, rent is paid to owners for the

use of their roofs, while the benefits of energy saving are passed on to the tenants.



Solar panels installed on apartment roofs



Consent form for participating in our energy-saving eco-friendly project

Participants in the energy-saving eco-friendly project

8,091 people*

*Total participants, as of March 2014

Supporting Tenants and Owners through the Group's Comprehensive Strengths

The Daito Group is a collection of specialists that share their accumulated know-how and strengthen ties among themselves in order to offer tenants comfort and peace of mind in every aspect of their lives and, through a range of services, fulfil owner's land utilization needs.

Pursuing Safety and Peace of Mind for Occupants

Gaspal Co., Ltd. handles the Daito Group's LP gas business. It carries out everything from design and installation of gas equipment to delivery of gas supplies through a high-quality provision system that satisfies strict in-house standards. One example is a centralized monitoring

system covering all rental housing built by the Daito Group. For its achievements in providing consumers with safe LP gas, Gaspal was given the Ministry of Economy, Trade, and Industry Deputy Director-General for Commerce and Distribution's Award by the LP Gas Security Committee.



Gaspal was one of just 36 LP gas providers chosen from among approximately 21,000 nationwide

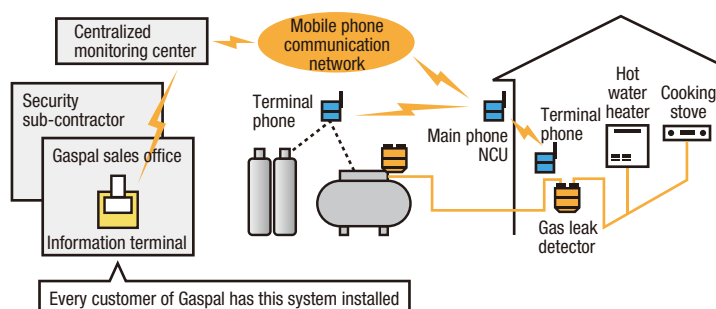
Households served by Gaspal

Approx. **188** thousand



▶ Gas Safety System Installed in All Housing Boasts Industry's Highest Standard

Gaspal's remote monitoring system operates 24 hours a day, 365 days a year, to prevent dangers before they occur by, for example, immediately signalling irregularities. Gaspal is the only company to have such a system installed in all of the housing that it services nationwide. Gaspal leads the LP gas industry in safety and security for its customers.



Making Rental Housing Available to Everyone

House Leave Co., Ltd. is the Daito Group's housing rent assurance company. People in Japan require a guarantor when they rent lodgings, but many cannot find one for various reasons: their family may live far away, and they may be reluctant to ask distant relatives or acquaintances to act as a guarantor. With House Leave, the occupant pays the guarantor fee and House Leave assumes responsibility for the tenant on the rental contract.

House Leave offers a range of services, such as the Full Support Plan, which includes fixed cleaning costs; the Easy Rental Plan, which serves to minimize restoration costs when the occupant vacates the residence; and the Kizuna Discount, which is designed for families with university students.

Units served by House Leave

129,421*

*In March 2014



Full Support Plan

No guarantor needed

Contract plan	Fixed cleaning costs and minimal restoration costs	Guarantor fee	
		Upon contract	Monthly
Fixed cleaning costs	No deposit Fixed cleaning costs	10,000 yen	2% of rent, etc. 1% Kizuna Discount for university students
Restoration costs Paid when vacating	No deposit Settled when vacating	10,000 yen	2.5% of rent, etc. 1% Kizuna Discount for university students

Easy Rental Plan

No guarantor needed

Contract plan	Deposit and Restoration costs	Guarantor fee	
		Upon contract	Monthly
Restoration costs Paid when vacating	Paid when vacating	10,000 yen	2% of rent, etc. 1% Kizuna Discount for university students

No Guarantor Needed Plan

1% Kizuna Discount for university students	Discount for university (college, graduate school) students when one of their parents signs the contract
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Group-Wide Strengths Facilitate Lease Management Trust System

The Daito Group uses its comprehensive strengths to offer higher-quality services to customers.

- Daito Finance Co., Ltd. helps customers get their business started smoothly through short-term financing; for example, by providing the necessary funding for companies contracting Daito Trust to construct a building.
- Daito Construction Co., Ltd. designs and builds medium- and high-rise condominiums, mainly in Tokyo, using steel-framed reinforced concrete, reinforced concrete, and steel construction. Daito Construction is currently building Xixe, Daito Trust's first condominiums built for sale.
- Daito Steel Co., Ltd. is responsible for procurement of the building materials used in steel buildings constructed by Daito Trust, in parts construction and installation, and in structural exteriors (parking lots, garbage sheds, etc.).
- Ju-See Publishing Co., Ltd. and Housecom Co., Ltd. provide useful information to help people find a satisfactory rental dwelling.

The Daito Group is constantly preparing new businesses through which it can meet the market's evolving needs.

We are currently preparing to launch a company that offers short-term insurance, such as household effects insurance, in order to give occupants greater peace of mind. And we will soon be offering owners services that allow smooth and harmonious succession processes; for example, services covering succession taxes and asset inheritance, an issue of growing importance as the population ages.



Xixe Shonan Hiratsuka

A new type of shared housing, the Adjust Mansion allows the owner to rent out a portion of the unit to a third party



Artist's conception of the Adjust Mansion

Main structural pillar and brace turned to 45° angle and welded

K-shaped brace prevents bending

Earthquake force applied

Steel frame thickness: 4.5 mm

Brace

Main structural pillar

Daito Trust's proprietary brace construction system improves earthquake resistance and reduces environmental impact. Daito Steel manufactures and installs this system

Kids Partner Okurayama Gives a Hand to Working Mothers

The Daito Group company Care Partner Co., Ltd.—a provider of child day-care services—launched Kids Partner Okurayama in April 2014 in response to a request from the Yokohama city government for a model project for small-scale nursery schools. The demand for such schools in Yokoyama stems from the large number of children aged up to two years old who are wait-listed for entry into nursery schools.

There are high hopes that such small-scale nursery schools will help eliminate the waiting time that children's parents face in urban areas where it is difficult to build large-scale nursery schools. Kids Partner Okurayama follows the opening of Kids Partner Tsunashima, also in Yokohama and already a highly praised venture. We will continue striving to build high-quality nursery schools that offer a nurturing environment for children and convenience and peace of mind for working mothers.



Kids Partner Okurayama



Entrance ceremony

Revitalizing Towns by Boosting Local Employment and Invigorating the Economy

Comfortable living cannot be achieved by simply providing a space in which to reside. For people to lead a comfortable life, they need not only their building but also their local town to be vibrant and attractive. The Daito Group is adopting a wide variety of approaches as it works with people in regional areas.

Strengthening Administrative Services through Cooperation with Everyone in the Region

When it comes to operating and managing rental housing, a vital role is played by local residents, including housewives and senior citizens. Clean Keeper, who work to clean our buildings, are mainly local housewives. An attentive management approach that involves cooperating with people in regional areas is beneficial to owners and occupants and it leads to the creation of employment in the region.

In addition, we have recently introduced the Front Keeper system, in which cooperating companies handling the restoration of buildings are responsible for cleaning vacant rooms. Our employees and the Clean Keeper join together with cooperating companies involved in restoration to provide hospitality for occupants and others in the vicinity. Efforts to improve services to occupants and local residents have been recognized with in-house commendations for outstanding *Omotenashi* (hospitality) Meisters and Clean Keeper.

Clean Keeper

3,285 people



A Clean Keeper at work



A Clean Keeper commendation



Omotenashi Meister commendation

Developing Grassroots Interactions with Regional Communities

When constructing rental housing, it is vital to secure the understanding and cooperation of all those who live in the area. While conducting detailed discussions with local cooperating companies, we are putting significant efforts into our activities to clean and beautify the regional environment. Further, the flowers that adorn the Daito Group-sponsored events to which customers are invited are donated to nearby facilities, such as homes for the elderly, elementary schools, and kindergartens.

Local Daito Trust branches are actively involved in these local grassroots activities. As members of the community, employees of these branches participate in a wide range of activities. Examples include participation in blood donor clinics by employees of the Okinawa and Okinawa Nambu branches; a welcome-to-our-branch event during the Iwakuni Festival in Iwakuni City, Yamaguchi Prefecture; and participation in summer *bon* dance festivals in communities around Japan.



Flowers used during events are donated to nearby facilities



Blood donation activities



Iwakuni festival

No. of people participating in cleaning and beautification around construction sites

303,660 people

Continuous Support for Disaster-Stricken Areas

Since 2011, we have continued to provide housing and equipment free of charge to cooperating companies involved in the reconstruction of areas hit by the Great East Japan Earthquake and tsunami of March 2011.

In Kesen County, Iwate Prefecture, we are using as much local lumber as possible in a joint operation with the Kesen Pre Cut Business Association. In FY2013, approximately 830 m³, or 105 thousand boards, of 2X4 framing lumber



was used for the studs in 68 new buildings.

Through the Ashinaga Scholarship Association, we are also involved in a fundraising effort aimed at building Tohoku Rainbow House, a nurturing facility that gives children in the disaster-stricken area a place to play. And in March 2013, we completed Sendai Rainbow House and Ishimaki Rainbow House. In addition, the Rikuzen Takata Rainbow House was completed in June 2014.

Housing and equipment are provided free of charge to the cooperating companies involved in reconstruction

		Aid details (cumulative)
		November 2011 – March 2014
Free housing	Housing offered No. of workers using housing	876 2,476
Free construction tools	No. of construction companies No. of workers offered tools	166 583
Financial support	Allowance (expenses related to dispatch to affected area) Lease of furniture when housing rental begins	106 730



Purpose	Donation to Ashinaga Scholarship Association Construction, maintenance, and operation of Rainbow House			
			Sendai Rainbow House	Ishimaki Rainbow House
Funds	Employees	<ul style="list-style-type: none"> Established: May 2012 Target: Employees of Daito Group (14,597 as of March 31, 2014) Donations: 1 unit (200 yen) to 5 units (1,000 yen) monthly 		
	Company	<ul style="list-style-type: none"> Matching Gift system (same amount as the employees fund is donated every month) 		

Note: As of May 31, 2014, approximately 215.54 million yen has been collected.

After building owners from around the country expressed their desire to help children in the disaster-stricken areas, we established the Daito Owners Ashinaga Fund in May 2012.

Support of NPO Activities in Onagawa Town

In concert with the Katariba non-profit organization, Daito Trust provided comprehensive cooperation for Onagawa Kogakukan boarding house. Onagawa Kogakukan is an after-school study building run by Katariba that provides a place to study for students who lost their school buildings in the Great East Japan Earthquake. The Daito Group was in charge of the design, materials procurement, and construction of a boarding house that would provide stable living conditions for the teachers and volunteers at Onagawa Kogakukan. Completed in August 2013, it ensures that staff enjoy an environment conducive to their work and peace of mind.



Completed boarding house



Teachers and children

Continuing to Develop and Grow with Communities on the Foundation of Strong Partnerships

Growth in communities and regions means continued growth for the Daito Group. This is our stance as we carry out our business working with a range of local cooperating companies in a variety of ways.

Meeting Diverse Tenant Needs through Collaboration with Real Estate Agencies

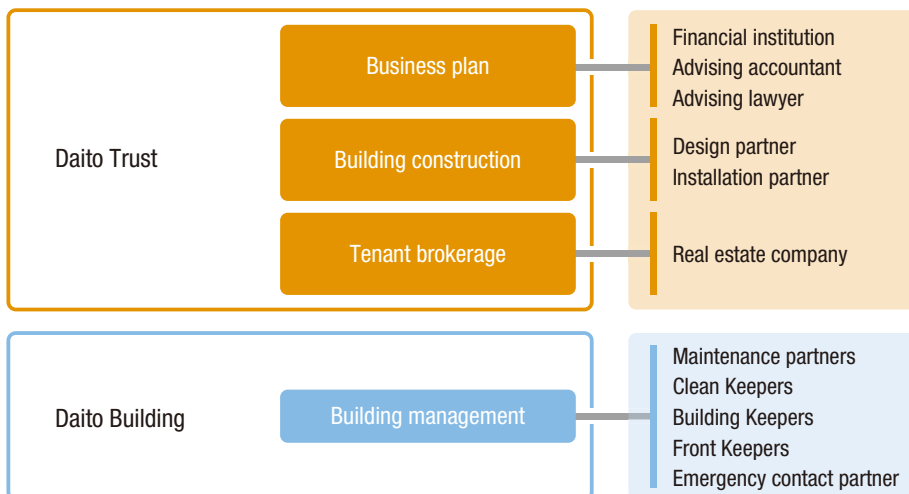
Under our partnership shop system, collaborating local real estate agencies introduce tenants to our rental housing and join us in providing a range of information, resulting in strong relationships that allow us to effectively meet the public's housing needs.

For example, in local real estate shops we use sales tools such as billboards, POPs, and free magazines and provide special offers through our e-Heya Net service.

The partnership helps the business of local real estate agencies by giving them nationwide information and support, along with access to the Daito Group's know-how. By cooperating with real estate agencies around the country, the Daito Group is able to more effectively take root in communities and bring our e-Heya Net service to more people.



▶ Boosting Local Capabilities



Financial institutions handling apartment loans

492 organizations

Companies registered in partner program

1,395 companies

No. of partner shops

3,617 stores

Working with Cooperating Companies to Stimulate Local Industry and Foster Human Resources

In the partner program, we work with various partner construction companies that have a wide range of skills and experience to plan monthly and yearly construction volume schedules. This enables us to ensure greater stability and efficiency in our system for carrying out construction. Once the Daito Group has finalized an order to construct a building—at which point all parties have the assurance of guaranteed work—participating companies work to boost their skills and improve their awareness of safety and environmental issues. We are currently strengthening relations with the 1,395

companies registered in the partner program—a number we plan to increase. In disaster-stricken areas and other places with a shortage of tradesmen, we work with cooperating companies to conduct efficient work-order management.

Our internship program is aimed at advancing the construction industry. In 2013, 33 students from construction-related universities, graduate schools, and trade schools took part in the program, which forms part of our plan to foster the engineers who will be the future of the construction industry.



Interns practice surveying



Interns visit a plant

10-Day Internship Course

Day 1:	Company briefing at Head Office
Days 2–5:	Experiencing work at a branch
Day 6:	Observing pre-cutting of lumber at a plant
Days 7–9:	Training in engineering division at Head Office
Day 10:	Group discussions and project presentations at Head Office

Daito Group Welcomes Skill Trainees from Vietnam

Every year, the Daito Group and its cooperating companies accept 120 trainees from Vietnam. After five months of training, the trainees receive on-the-job experience for about three years at a cooperating company. The Daito Group provides tools and lodgings for trainees on the program, which turns out valuable human resources.



Government-run training school in Hanoi, Vietnam



Meeting with government officials from Vietnam

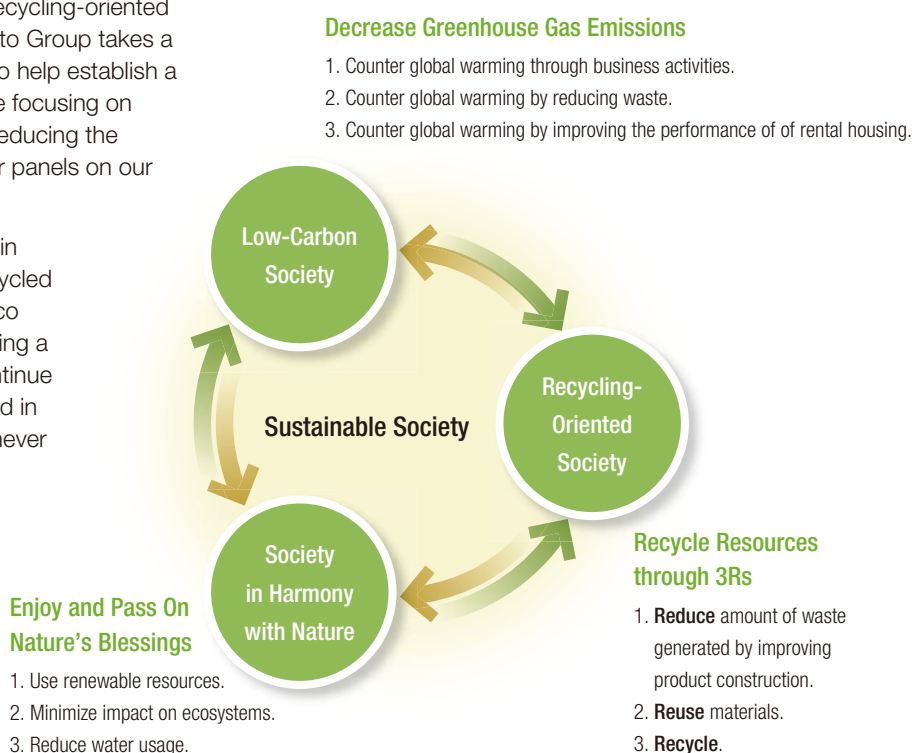
Environmental Management in Support of a Sustainable Society

Dealing with problems related to energy and the environment is a global issue. The Daito Group is creating a structure to promote management of the environment, while at the same time raising environmental awareness across the entire company.

Continuing to Leverage the Characteristics of the Business

Based on the pillars of a low-carbon, recycling-oriented society in harmony with nature, the Daito Group takes a comprehensive approach as it strives to help establish a sustainable society. To this end, we are focusing on energy-saving activities in our offices, reducing the volume of final waste, and utilizing solar panels on our rental housing.

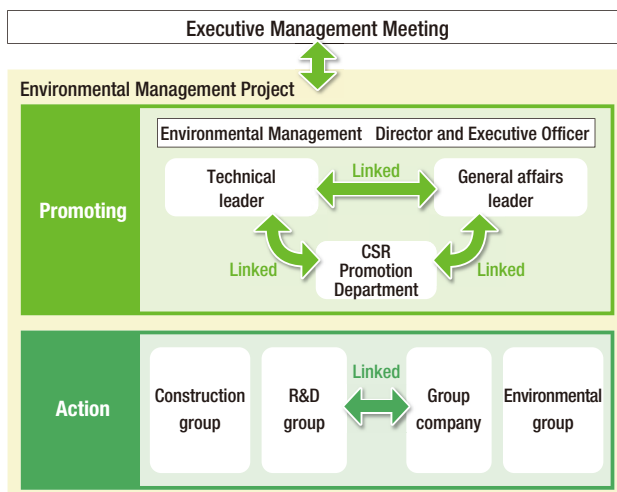
One example of recycling can be seen in our use of lumber. As well as using recycled wood materials, we employ our new Eco Pre Cut method of construction. Pursuing a society in harmony with nature, we continue to use domestic (Japanese) cedar wood in addition to imported lumber. And whenever possible, we procure lumber from businesses that practice responsible forestry management and protection.



Group-Wide Cooperation on Environmental Management

With consideration towards environmental issues, we have strengthened our organizational structure by adding a director and executive officer. To be better able to formulate strategic targets and implement measures to achieve these in a way that is linked to company management, we are making environmental efforts an integral part of company operations. We also monitor the progress of measures at periodic management meetings attended by all company directors.

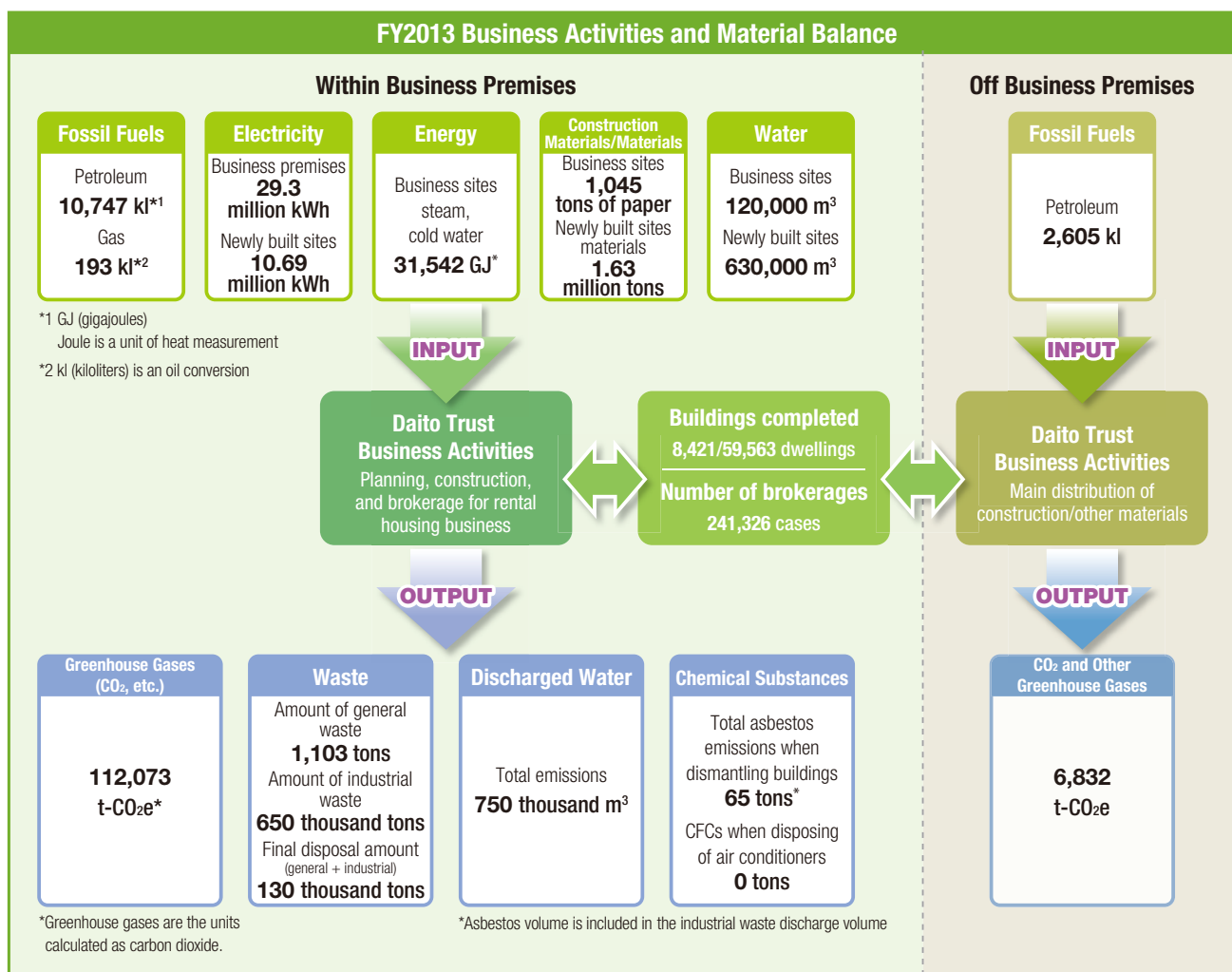
The environmental impact of Daito Group company activities is classified into three levels. These provide the basis for setting targets and taking measures aimed at reducing such environmental impact.



Material Balance of Load on the Environment

During the course of a year, Daito Trust ascertains the energy and resources expended (input) and the amount of emissions (output) in its business activities and uses these to provide basic numerical values for environmental

management. Known as material balance, this overall picture is set out in the accompanying chart. The material balance (overall image) in 2013 was as shown in the following diagram.



Let's Plant More Trees and Enjoy a Clear View of the Night Sky!

Since FY2014, we have been turning off unnecessary lights in an environmental effort conducted as part of the CO₂ Reduction/Light Down Campaign run by Japan's Ministry of the Environment (MOE) from 2003. We also called on our group company offices, employees, owners, tenants, and clients to join us in this campaign by turning off their lights for a designated period. As we are a company that uses large amounts of wood, it is only fitting that we also turn our attention to trees, which absorb large quantities of CO₂. We therefore support cedar-tree-planting activities in Tohoku, Japan.



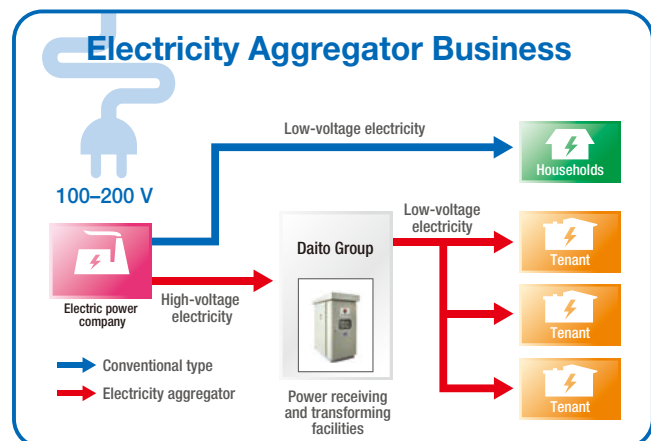
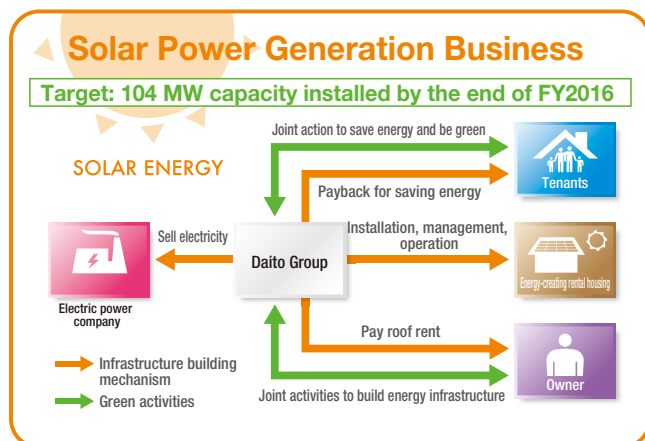
Taking on New Challenges in Making Effective Use of Green Energy and Trees

The Daito Group contributes to a sustainable society by saving energy and practicing the 3Rs at its sites. It also uses new technologies and highly durable materials in building its rental housing, and as much as possible uses sustainable wood that boasts an ideal balance of performance and economy.

Creating Energy and Protecting the Environment with Our Customers

Under our green energy infrastructure business, we install solar panels and generate energy in cooperation with building owners and tenants. Roof space is rented from owners for the purpose of installing solar panels, with electricity savings being passed on to tenants.

We also operate an electricity aggregator business that entails purchasing large amounts of high-voltage electricity and converting it to low voltage for building tenants. This approach allows us to make efficient use of electricity.



*A 1-megawatt power station operating for one year can provide the electricity used by 300 average households in a year.
(Source: Federation of Electric Power Companies of Japan)

Total power generated nationwide and for one year, this electricity can power

27.6 megawatts **8,280** households

Households in electricity aggregator program

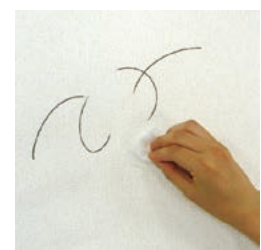
1,694 households

Highly Durable, Environmentally Friendly Materials Help Reduce Carbon Emissions

The Daito Group is providing housing that meets the highest level of standards for next-generation energy saving as stipulated by the Japanese government. In this housing, we use methods such as a wall-type structure that provides a tight seal for the surfaces of floors, walls, and ceilings. The highly weatherproof exterior walls, roofing, and interior finishing are resistant to deterioration over time. Other features that help our housing reduce CO₂ emissions over its lifecycle include heat-proof insulated sashes and LED lighting.



Scratch-resistant flooring allows boards to be replaced one at a time



Eco-barrier cloth wallpaper allows stains to be easily removed

Proprietary Technology Allows for Effective Use and Recycling of Wood

Because the Daito Trust uses so much wood, we make sure we use it efficiently. In the Eco Pre Cut method, structural materials cut at the factory are assembled on the building site. This reduces structural waste material generated at the site to approximately one-tenth of previous levels.

We also reduce generated waste by reusing the siding palettes used for transporting exterior wall materials. Lumber from dismantled buildings is also recycled, and

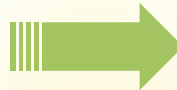
whenever possible we source building materials made from recycled material.

We use an electronic manifest* to manage industrial waste at our offices. Our efforts at properly disposing of waste extend as far as sending employees to the waste disposal or processing site to make sure final disposal is conducted properly.

* Electronic manifest: Used in place of a paper manifest for industrial waste, our electronic manifest system allows us to track the flow of industrial waste subcontracted to a waste disposal contractor.

► Creating and Assembling Construction Material with the Eco Pre Cut Method

Pre cut at the factory



Structural materials pre cut at the factory are assembled on site, dramatically reducing waste material generated.

Assembled at the construction site



Protect Forests and Reduce Burden on Ecosystems

Many of Japan's native forests have been depleted through logging and other local industries. These forests have not been regenerated and as a result they cannot sufficiently perform their function of absorbing CO₂. Companies in the Daito Group are working together to use domestic cedar wood, including that derived from thinned trees. This is helping to revitalize local industry and protect the forests. For our efforts in spreading the use of housing specifications that meet Japan's fireproof specification standard of wood, we were honored in 2013 as an outstanding company by the Japan Wooden Housing Industry Association.

To help revitalize the forestry industry, we have joined the Reforestation Project Committee of JAPIC (Japan Product-Industry Council). This group is conducting research into areas including raising wood self-sufficiency, creating jobs, revitalizing regions, and taking global warming measures. The project aims to boost the use of Japanese-made lumber.

Japanese lumber used per year

937 tons

Two kinds of lumber used in FY2013

- (1) Made-in-Japan cedar studs (in Tohoku, Kyushu)
Amount used: 234,327 trees (in 160 buildings)
- (2) Laminated wood
Amount used: Used in 32 buildings (0.92 m² per building)



Certificate honoring the Daito Group as an outstanding company, from the Japan Wooden Housing Industry Association



Creating a Workplace Environment Supporting the Provision of High-Quality Services

Employees are the most important element in the foundation of our corporate activities. In the Daito Group, we promote improvement in the skills of our employees through various training and certification systems, and through the creation of a vibrant workplace in which employees can realize their potential.

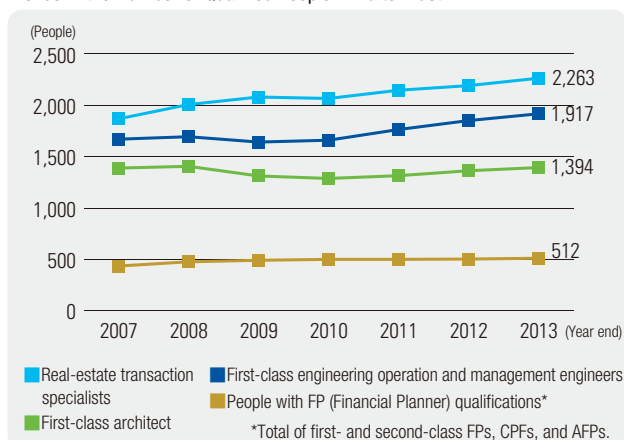
Creating Rewarding Workplaces for Each Employee

Daito Trust established the Nurturing Program, in which follow-up training is provided for new employees one year, three years, and eight years after they enter the company. This is complemented by a mentor system, in which dedicated senior employees in the company provide support to new employees. We also place an emphasis on continuing education, as we encourage employees to gain specialist qualifications such as those designating first-class architects, first-class engineering operation and management engineers, and real-estate transaction specialists.

Based on our policy of fostering rewarding careers and enhancing employee motivation, the Daito Trust holds competitions in which tenant-recruiting sales employees and administrative and operational staff compete in customer response skills. As well, we run site hands-on training events at actual construction sites.

In the group companies as well, Daito Building is awarding employees with its *Omotenashi* Meister Commendation and Clean Keeper Commendation. Meanwhile, Care Partner Co., Ltd., our day-care service provider, carries out contests in which staff present their original recipes.

Trends in the Number of Qualified People in Daito Trust



Hands-on training



Recipe contest

Courtesy competition



Creating a Positive Workplace Atmosphere

While promoting a positive workplace atmosphere in which there is a free and open exchange of ideas, we pursue an approach in which the opinions of customers and feedback from employees are carefully considered.

Typical activities include the Management Plan Presentation Briefings, which have been carried out every year since 1985. These meetings entail the president and directors of each division traveling around the country at the start of each term to explain the company's management plans directly to all Daito Group employees.

In addition, there are TQC* activities which are held for the purpose of improving operations and providing employees with the opportunity to make proposals. At the 15th TQC Best Practice Presentations held in FY2013, a wide variety of cases were presented, including the Daito Corporate Service Co., Ltd. improvement case, which expressed print terminology in an original form of sign language.



Management Plan Presentation Briefing

*TQC (Total Quality Control) activities are aimed at identifying issues at sites, analyzing factors that caused such issues, and improving operations for the purpose of performing comprehensive quality controls.



The 15th TQC Best Practice Presentations

Overview of the Daito Group's 15th TQC Presentation

- 9 participating companies: Daito Trust Construction Co., Ltd., Daito Building Management Co., Ltd., Gaspal Co., Ltd., Daito Steel Co., Ltd., Care Partner Co., Ltd., Daito Construction Co., Ltd. The following companies participated for the first time: Daito Corporate Services Co., Ltd., House Leave Co., Ltd., Daito Farm Co., Ltd.
- No. of registered circles for the various companies: 733 circles (approximately 5,000 people)
- Presentation: Regional events 137 circles → Invitational events 28 circles → Nationwide events 14 circles (1.9% of total circles)

Cases That Received Awards at the 15th TQC Best Practice Presentations



Original sign language book

President's award

Daito Corporate Service Co., Ltd.
(A special subsidiary company for promoting employment of the disabled)
Urayasu Office

An original form of sign language was devised and used for internal operations such as the creation of signboards. The sign language was organized as a book. This initiative has served to reduce the generation of waste resulting from operational errors.

Gold award

Gaspal Co., Ltd.
Narita Sales Office

Keisoku-kun, a simple measurement tool used in the construction of gas equipment was developed to reduce display and construction errors.

Keisoku-kun, a measurement tool

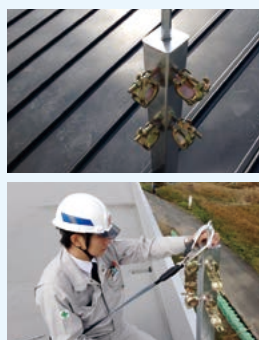


Silver award

Daito Trust Construction Co., Ltd.
Kyoto West Branch

Original safety equipment installed on the roofs of medium-rise buildings serves to enhance the safety of those buildings not only during construction but also when they undergo repair work after completion.

DK Stanchion temporary handrails



A Vibrant Workplace and Sound Corporate Activities

With a view to providing valuable services to customers and society while also increasing employees' job satisfaction, the Daito Group conducts ongoing activities aimed at protecting the safety and health of its workers.

Activities to Maintain the Safety and Health of Workers

In addition to thoroughly conducting construction site management and improving construction quality, the Daito Group is continuing to request the cooperation of affiliated companies in eliminating worker accidents. In particular, hands-on training at construction sites helps to improve safety awareness by increasing sensitivity to potential dangers.

Every year, the Daito Group designates a safety slogan aimed at increasing safety awareness. This slogan is chosen from entries submitted not only by Group employees but also by employees of affiliated companies. In 2014, a total of 595 slogans were submitted.

As a measure aimed at preventing accidents involving sales vehicles, selected Daito Trust branches are trialing vehicle telematics—a web-based system that allows real-time monitoring of driving data such as instances of excessive speed or sudden braking or acceleration. This system helps to identify driving trends, so that accurate safety guidance can be suggested.

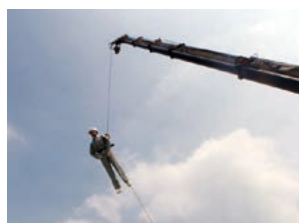
Further, there has been a 100% company-wide rate of undergoing regular health checkups, including secondary inspections. A continuous approach is being carried out to maintain the physical and mental health of workers.



PC screen running stress checks



On-Site Hands-On Training



A dummy is dropped from a height of 8 m in order to show workers the impact when it lands in a net



Slogans Receiving the Safety Slogan Award (FY2014)

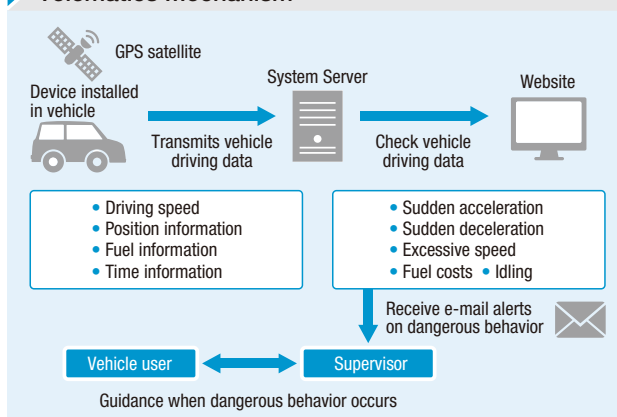
Best Slogan

Bright smiles and greetings create bonds that serve to increase safety

Excellent Slogan

Safety is achieved in the mindset of each worker
Creating a workplace with smiles and greetings

Telematics Mechanism



Percentage receiving health checkups

100%

Percentage receiving stress checks

96.2%

Medical Examinations and Training

- Regular health checkups
- Specific health guidance
- Specific medical examinations, gynecological examinations, free dental examinations
- Influenza inoculation support
- Stress checks
- Mental health training

Prevention of Sickness and Consultation

- Walking campaign
- Workplace patrol by industrial physicians, branch visits by public health nurses
- Call center that can provide 24-hour support
- Direct consulting via interviews

Aiming to Be a Company Where All Enjoy Working

To enable employees to work in a way that suits their individual lifestyles and life plans, the Daito Group has introduced various systems.

In addition to establishing childbirth, child rearing, and nursing care leave systems and an area-specific employment system, we are also promoting no overtime days. Aiming to become an attractive company where it is easy for women to work, the Daito Group carries out special training sessions for female employees, while also actively promoting the use of maternity leave and a reduced work hour.

The Daito Group is also putting efforts into employment for the disabled; Group companies such as Daito Corporate Service Co., Ltd. and Daito Farm Co., Ltd. employ a total of 380* disabled people. In recognition of our success in promoting employment for the disabled, Daito Corporate Service received an Award of Excellence from Japan's Ministry of Health, Labor, and Welfare under the ministry's system for honoring outstanding establishments employing the disabled. This was the sixth such honor. In January 2014, in recognition of contributions to an internship program at public special needs schools in Tokyo, Daito Corporate Service was named as a company contributing to projects by the Tokyo Metropolitan Board of Education.



Receiving an Award of Excellence for honoring outstanding establishments employing the disabled



Female sales employee training

Disabled person employee rate (Group)

2.68%*

*As of June 1, 2014

Compliance

In 2002, the Daito Group set up a Compliance Monitoring Committee under the direct control of the president. A Compliance Promotion Department was later established to check conformance with laws and internal standards, while also working with the Internal Audit Division on risk management issues as they pertain to observance of laws during management activities.

The Compliance Promotion Department is also responsible for formulating the Daito Group Code of Behavior, which is to be followed by all of our employees. It promotes compliance through case studies and other training sessions using original image materials.

Risk Management and BCP

As part of its ongoing risk management measures, the Daito Group created another information center in Kitakyushu City in February 2014.

We will continue to conduct risk management based on BCP (business continuity planning).

Initiatives include creating initial response manuals for disasters, conducting drills and tests confirming the safety of all employees, and creating and distributing a disaster-preparedness guidebook for households.



Items inside an emergency preparation kit (Tokyo, Chiba, Kanagawa only)

Disclosure of Information

The Daito Group is making efforts to disclose information such as news releases and various financial results in a fair, just, and timely fashion in order to ensure the transparency and objectivity of management activities.

In its ranking of top-rated companies in terms of investor relations, US-based economics journal *Institutional Investor** placed Daito Trust 27th out of 1,774 companies listed in the first section of the Tokyo Stock Exchange. Daito Trust achieved prestigious first- to third-placed ratings in the categories of Chief Executive Officer, IR Representative, and General IR Activities. Moving forward, we plan to continue working on IR activities aimed at benefitting investors.

*The stock analyst ranking and top-rated IR company rankings are collected and published worldwide.



In stock analysts' selection of top-rated domestic companies, Daito Trust was ranked first for the fourth consecutive time (and fifth overall)

Striving to Remain a Company That Delivers Value

We strive to maximize corporate value for all our stakeholders through management efficiency and transparency.

Basic Policy and Management System for Governance Activities

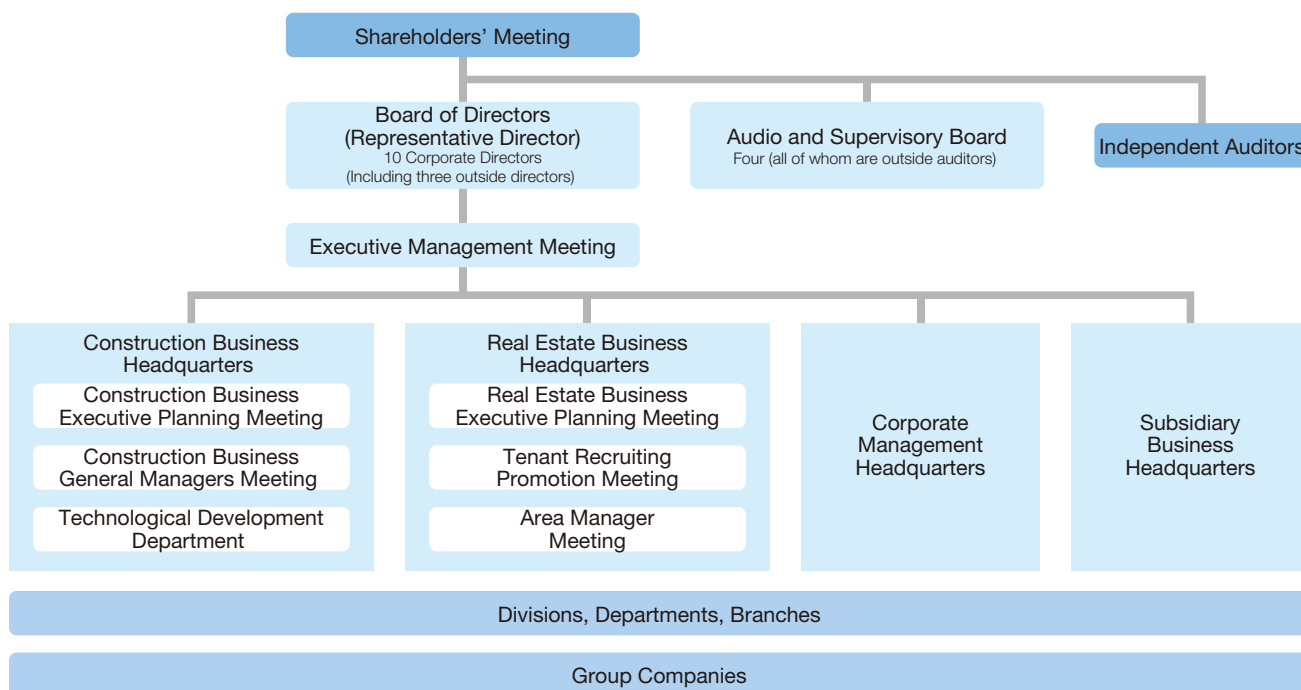
To maximize the corporate value of the Daito Group and make our management efficient and transparent, we boost our capacity for growth while at the same time building a management system that functions to effectively manage risk.

Through an internal control system and a system of checks and controls pertaining to the actions of our Board of Directors, we carry out objective, prompt, and accurate decision-making. As well, we operate an executive officer system that facilitates speedy decision-making by the Board of Directors. Under our internal control, effectiveness is raised

by having the Internal Auditing Office carry out audits while also giving directives on ways to improve.

Outside directors have been appointed since 2005. They are selected based on their ability to offer advice during deliberation on key issues considered by the Board of Directors—for example, issues related to management, corporate law, and governance. Selection of outside directors also reflects their ability to offer knowledge, expertise, and experience in making proposals regarding strategy, in creating measures related to medium-term plans, and in handling other issues related to company management.

System of Corporate Governance*



*Governance: The mechanisms for decision-making of corporate activities.

Board of Directors

The board has seven regular directors and three outside directors, who observe management from an unbiased standpoint. In April 2013, we adopted a dual management structure to achieve flexible management that matches our operations and types of business.

Audio and Supervisory Board

The Daito Group uses an audio and supervisory board system in which a group of outside auditors is tasked with ensuring that the Board of Directors executes its business decisions appropriately. Well versed in corporate law, these corporate auditors regularly attend meetings on business execution in order to understand the company's overall business execution from a standpoint that is close to that of customers and users.

Independent Auditors

The Daito Group hires accounting auditors in accordance with Japan's Companies Act; it also hires Deloitte Touche Tohmatsu Limited under Japan's Financial Instruments and Exchange Law. There are no vested interests between the Daito Group and either the accounting auditors or the audit-conducting employees of Deloitte Touche Tohmatsu.

Business Risks

The following are factors that could have a major impact on the decisions that investors make with regard to the Daito Group's performance in terms of its management results, financial situation, and cash flow. (As of March 31, 2014)

■ Rise in Unit Cost and Drop in Profit Ratio Due to Sharp Rise in Raw Material Costs

When constructing rental buildings, the Daito Trust is the prime contractor. Our site managers (construction and installation engineers) allot work directly to partner construction companies in an effort to limit the unit cost of the finished construction. However, a rise in prices for construction materials and for labor would increase the cost of work ordered from these construction subcontractors. As a result, unit costs would rise and net sales and net earnings decline.

■ Effect on Performance Due to Tax Law Amendment

The Daito Trust carries out consulting work in which we propose that landowners build rental condominiums or housing for effective use of limited land, and we take building construction orders from these landowners. However, tax law amendments could result in fluctuating tax burdens in the rental housing business. This would affect the amount we receive from construction orders and thus alter our business performance.

■ Sudden Cancellations Due to Sharp Rises in Interest Rates

When landowners conduct a rental housing business, they usually borrow money from a financial institution to pay for building construction. On occasion, however, landowners cancel their building construction orders because of a sudden rise in interest rates, owing to a fear of lower earnings from the building they intended to construct. At times landowners may also need to revise their construction plans. In such cases, the Daito Group may not be able to achieve the targeted sales from the initial order and the finished construction.

■ Increased Expenses Due to New Laws and Law Amendment

To conduct its business, the Daito Group needs to acquire approvals and licenses from construction industry organizations, registration through architectural offices, and approval from the relevant governmental building and land department. In doing so, we must abide by the laws under which these organizations operate. We constantly update our systems for corporate governance and compliance to ensure we are abiding by all applicable laws, but there may be times when new laws are enacted that involve added expenses that may affect our financial performance.

■ Risk of Personal Information Leaks

The Daito Group is in possession of personal information on landowners and building tenants. Measures are in place to protect personal information, but there is a risk that information leaks may occur. Such leaks would harm our reputation and negatively impact our performance.

■ Risk of Natural Disasters

In the event of a natural disaster such as an earthquake or typhoon, the Daito Group could incur a range of expenses for repair of damaged buildings, offices, and information facilities; for inspections of affected customers' buildings; and for financial support to help affected customers. Moreover, social infrastructure in stricken areas could incur large-scale damage; manufacturing and distribution could be interrupted for an extended period, resulting in the temporary unavailability of construction materials and parts; many disaster-stricken employees might have to stop working; there could be cancellations of contract signings; construction could be suspended or delayed; and customer recruiting activities might have to be put on hold. All of these would affect management performance and our financial situation.

Members of the Board



Board of Directors

① Naomi Kumakiri

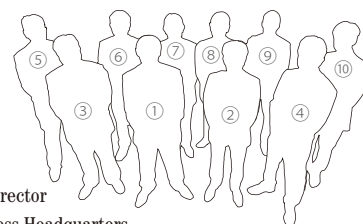
President, Chief Executive Officer
and Representative Director
Construction Business Headquarters
Corporate Management Headquarters

② Hitoshi Kadouchi

Executive Vice President, Executive
Officer and Representative Director
Real Estate Business Headquarters
Related Business Headquarters

③ Akio Inada

Senior Executive Officer and Director
East Japan Construction Business Headquarters
Also in charge of post-disaster reconstruction
business



④ Katsuma Kobayashi

Managing Executive Officer and
Director
Sales Planning Department

⑤ Shuji Kawai

Managing Executive Officer and
Director
Corporate Management Headquarters

⑥ Kanitsu Uchida

Executive Officer and Director
Design Management Department

⑦ Kei Takeuchi

Executive Officer and Director
Tenant Recruiting Management Department

⑧ Yujiro Sasamoto

Outside Director
Mr. Sasamoto is an expert in
corporate legal affairs, compliance,
and internal control.

⑨ Marcus Merner

Outside Director
Mr. Merner is an expert in real
estate investment and asset
management.

⑩ Toshiaki Yamaguchi

Outside Director
Mr. Yamaguchi is a lawyer with expertise
in corporate legal affairs, compliance, and
internal control.

Executive Officers

Koichi Ebihara Senior Executive Officer Higashi Kanto Construction Division	Hironichi Ono Executive Officer Lease Business Network Department
Hirosuke Tanimichi Managing Executive Officer West Japan Construction Business Headquarters	Sachio Washi Executive Officer Human Resources and General Affairs Department
Takeshi Nakagawa Managing Executive Officer President, Gaspal Co., Ltd.	Kazuhiko Saito Executive Officer Tohoku Construction Division On-site manager of post-disaster reconstruction
Takuya Ishii Managing Executive Officer Metropolitan Business Headquarters	Takashi Suzuki Executive Officer Nishi Tokyo Metropolitan Area Construction Division
Hideyuki Nakaita Executive Officer Legal Service Department	Eiji Okamoto Executive Officer Minami Kyushu Construction Division
Hiroshi Sugiyama Executive Officer Kita Kanto Construction Division	Yoshito Ikemoto Executive Officer Technological Development Department
Masayoshi Tanaka Executive Officer Information Technology Department	Kazunori Fukuda Executive Officer General Accounting Department
Yukio Daimon Executive Officer Construction Management Department	Shuichi Ogawa Executive Officer Kita Kyushu/Okinawa Construction Division
Shoji Yamada Executive Officer Chukyo Construction Division	Shinichi Marukawa Executive Officer Tenant Recruiting Planning and Management Department



Audit and Supervisory Board



- ① Masayasu Uno**
 Standing Corporate Auditor (outside)
 Mr. Uno is an expert in finance and accounting through his work as a certified accountant. He also has experience in running his own business.
- ② Hideo Hachiya**
 Corporate Auditor (outside)
 Mr. Hachiya has a wealth of experience as a lawyer and he is also an expert in corporate legal affairs.
- ③ Kazumitsu Futami**
 Corporate Auditor (outside)
 Mr. Futami has a wealth of knowledge and experience in rental housing management and in the loan guarantee business.
- ④ Kazuo Fujimaki**
 Corporate Auditor (outside)
 Mr. Fujimaki is an expert in international accounting through his work as a U.S.C.P.A., and he has a wealth of experience in advising on M&A and business restructuring.

Executive Compensation

Basic compensation of the directors, auditors, and other executives of Daito Trust Construction takes into consideration company performance, the compensation of executives in other companies in the industry, employee pay raises, and years worked, as well as the executives' management skills, successes, and level of contribution to the company. In order to boost executives' desire to contribute to medium- and long-term performance and corporate value, and to promote a sense of shared value with shareholders, in FY2011 we introduced stock options for executives. A lump sum for the bonuses of all executives is

calculated based on a fixed rate—which is decided at the Board of Directors' meeting—and paid out of the company's consolidated net income for the current fiscal term. How much each executive receives in bonuses takes into consideration factors like an executive's level of contribution to the company. (Note: Does not apply to outside directors.)

A lump sum for the compensation of all directors, auditors, and other executives is approved at the general shareholders' meeting, and distribution of this compensation among executives is decided based on discussions at the respective directors' and audit and supervisory board meetings.

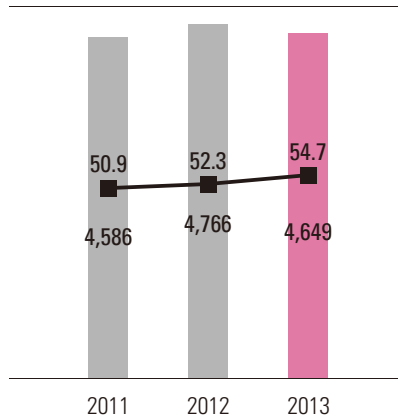
Breakdown of Executive Compensation

(For FY2013, the fiscal year from April 1, 2013 to March 31, 2014)

Category	Number of persons	Total amount of compensation by type (in million yen)			Total amount of compensation (in million yen)
		Basic compensation	Stock options	Bonus	
Directors (not including outside directors)	11	284	167	357	809
Outside directors	7	71	-	39	110
Total	18	355	167	397	920

Making the Most Effective Use of Land and Enabling Comfortable Lifestyles

Responding to Needs in Land Inheritance



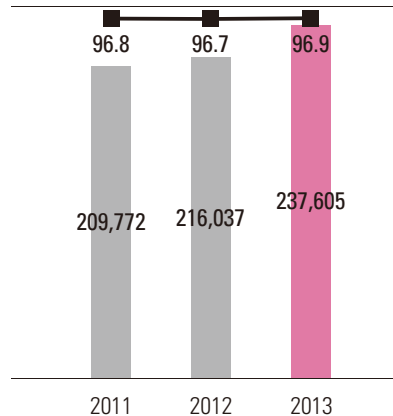
■ Lease business: number of repeat contracts*

■ Lease business: rate of repeat contracts (%)**

*1 Number of cases where contracts have been signed more than once
*2 Among all contracts

An index of the "level of satisfaction," as determined by the number of cases of customers doing repeat business with us for building lease, and what percentage of our building lease business these repeat customers account for.

Improving Lifestyle Value



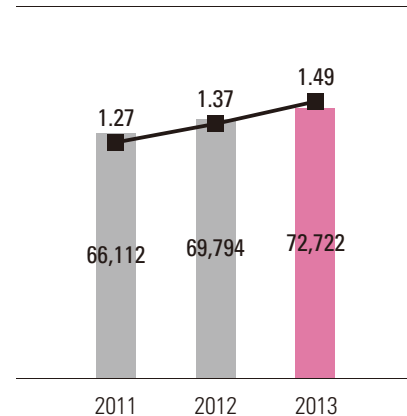
■ Rental housing: number of tenant brokerages

■ Rental housing: occupancy rate (%)*

*Occupancy rate based on rent

An index of the "lifestyle value" we provide, as determined by the number of tenant brokerage cases and the occupancy rate for the rental housing that we offer.

Growing Together with Our Customers



■ Number of owners of buildings for lease

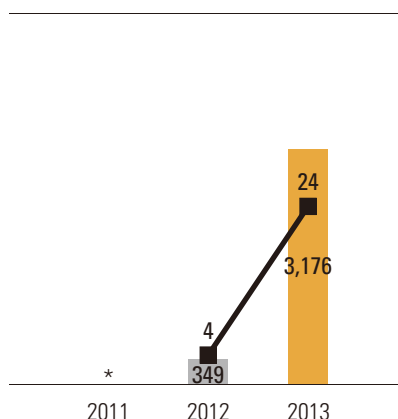
■ Estimated number of persons living in rental housing (millions)*

*Number of units under our management × 1.96 (persons) ÷ residential units (1.96 is the number of persons per residential unit estimated from a census by the Japanese Ministry of Internal Affairs and Communications)

An index of the "hand-in-hand growth with customers," as determined by the number of customers who have contracted us to build leased buildings, and the number of tenants.

Strengthening and Invigorating the Regional Economy and Community

Revitalizing the Local Economy



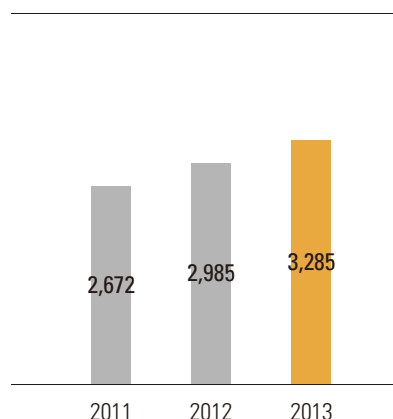
■ Number of Live-UP partner stores

■ Number of areas with Live-UP service

*Live-UP began in April 2012

An index of the contribution to the local economy as tenants become rooted in the community.

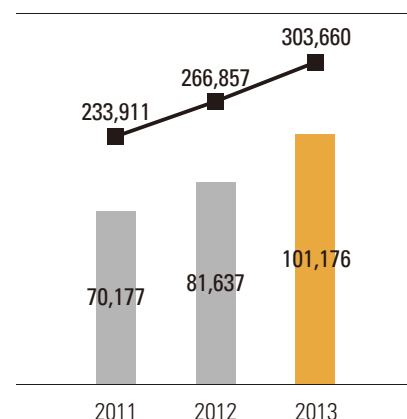
Collaborating with Local Residents



■ Number of Clean Keeper

An index of collaboration with local residents.

Growing with Support from the Local Community



■ Number of cleanup activities held around construction sites

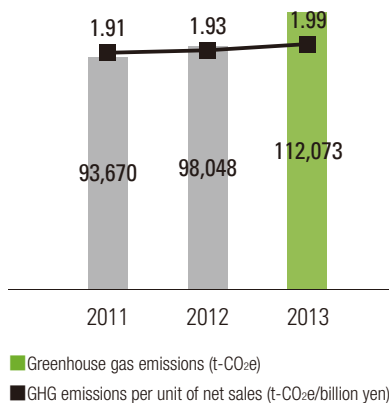
■ Number of persons participating in such activities*

*Includes persons from construction subcontractor companies

An index of the success of carrying out building construction with the consent of people living nearby.

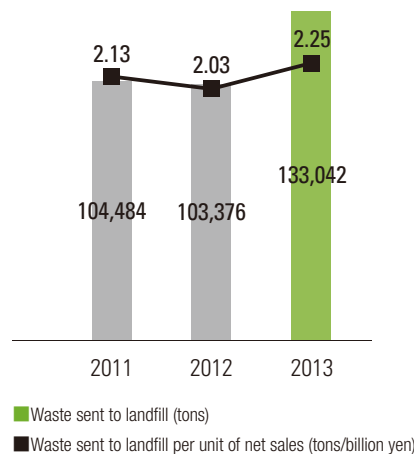
Preserving the Local and Global Natural Environment

Contributing to a Low-Carbon Society



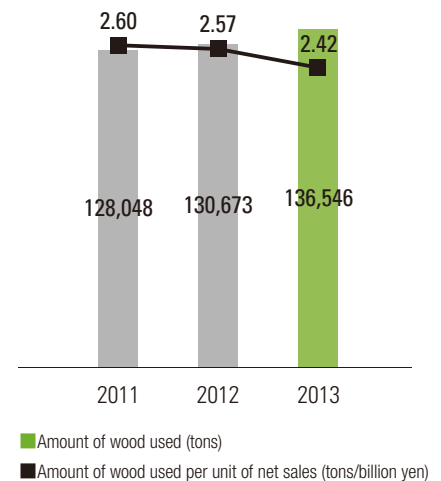
This shows the total amount of greenhouse gases from business activities, and greenhouse gas emissions per unit of net sales.

Contributing to a Recycling-Oriented Society



This shows the total amount of waste to landfill (building materials and other waste that could not be recycled), and waste to landfill per unit of net sales.

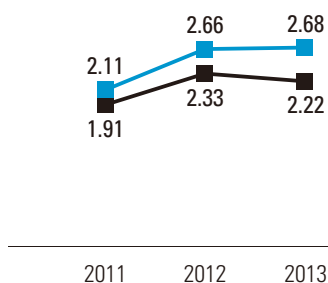
Contributing to Society in Harmony with Nature



This shows the amount of sustainably grown wood used; the aim is to achieve sustainable growth while protecting the environment.

Corporate Foundation

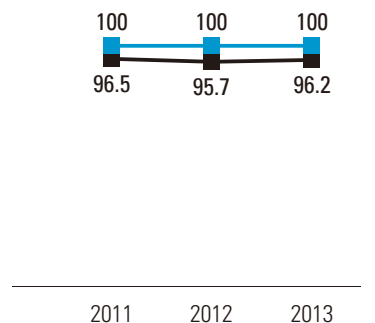
Creating Diverse Employment Opportunities



Note: As of June 1 for each year

An index showing the level of success in promoting diverse working styles through the provision of employment opportunities for those with special needs.

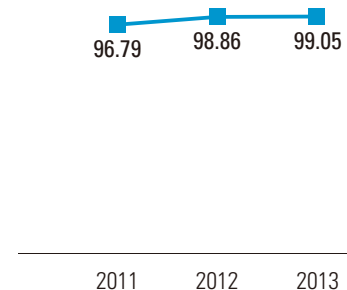
Enhancing Employees' Physical and Mental Health



*Including secondary checks

We believe that employees can only provide high-quality service and create value for society if they are in good mental and physical health.

Growing Together with Our Employees



An index showing levels of mutual trust between labor and management, a prerequisite for sustainable growth; it takes into account, for example, whether employees feel they have a say in company management.

Summary of Consolidated Financial Statements

Operating Results

	Unit	10/3	11/3	12/3	13/3	14/3
Net sales	Millions of yen	972,616	1,001,169	1,087,128	1,152,413	1,259,673
Construction	Millions of yen	465,580	430,226	468,636	489,545	545,366
Real estate	Millions of yen	483,547	545,296	589,924	630,428	677,696
Other	Millions of yen	23,488	25,646	28,568	32,439	36,610
Gross profit	Millions of yen	188,787	195,312	214,145	218,425	233,098
Construction	Millions of yen	166,461	167,029	175,107	172,107	175,265
(Gross profit margin)	%	(35.8)	(38.8)	(37.4)	(35.2)	(32.1)
Real estate	Millions of yen	14,476	19,243	29,261	35,356	45,353
(Gross profit margin)	%	(3.0)	(3.5)	(5.0)	(5.6)	(6.7)
Other	Millions of yen	7,849	9,039	9,776	10,961	12,479
(Gross profit margin)	%	(33.4)	(35.2)	(34.2)	(33.8)	(34.1)
Operating income	Millions of yen	71,127	73,767	81,975	82,411	89,780
(Operating income margin)	%	(7.3)	(7.4)	(7.5)	(7.2)	(7.1)
Ordinary income	Millions of yen	76,663	78,005	84,239	85,539	93,335
(Ordinary income margin)	%	(7.9)	(7.8)	(7.7)	(7.4)	(7.4)
Net income	Millions of yen	45,353	43,151	47,103	51,674	55,277
Net income margin	%	(4.7)	(4.3)	(4.3)	(4.5)	(4.4)

Financial Position

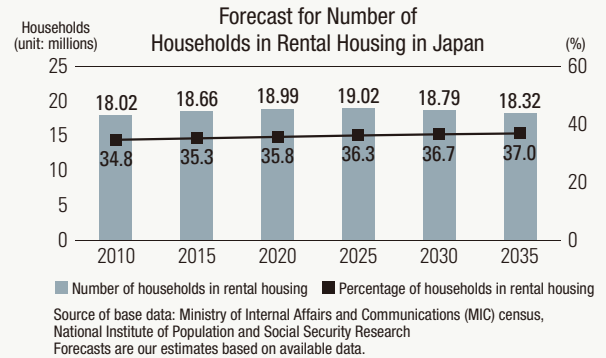
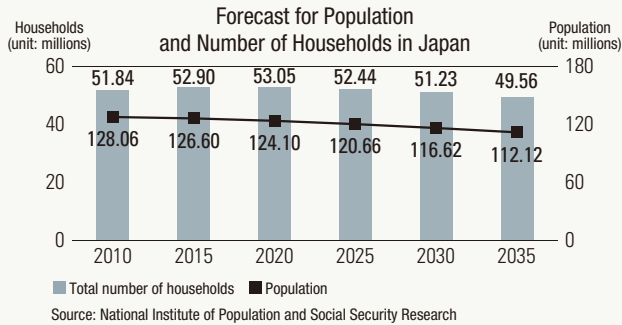
	Unit	10/3	11/3	12/3	13/3	14/3
Total assets	Millions of yen	558,129	532,957	569,079	617,738	684,422
Total current assets	Millions of yen	376,398	369,153	397,766	435,777	482,959
Total noncurrent assets	Millions of yen	181,730	163,803	171,313	181,960	201,463
Total current liabilities	Millions of yen	166,938	193,227	201,170	213,166	255,465
Total noncurrent liabilities	Millions of yen	78,559	207,477	215,899	217,978	206,951
Total net assets	Millions of yen	312,631	132,252	152,009	186,592	222,005

Cash Flows

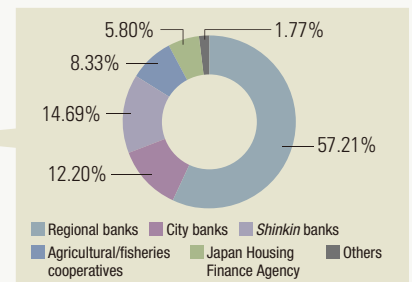
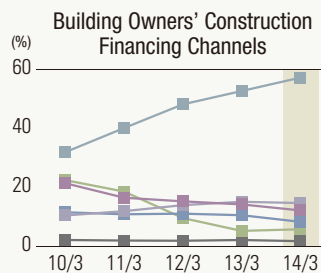
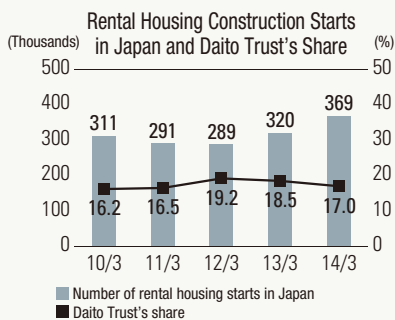
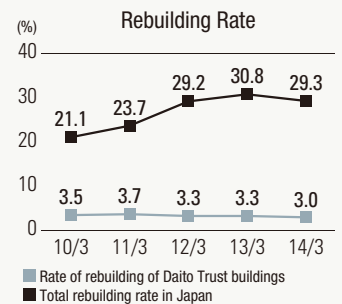
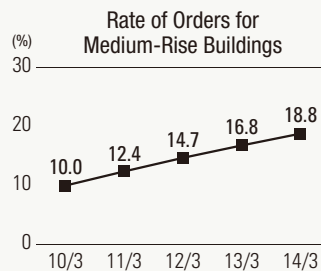
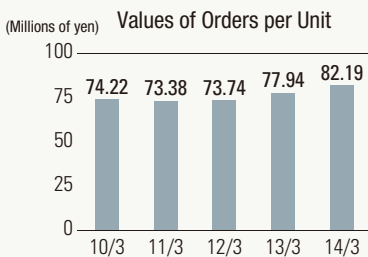
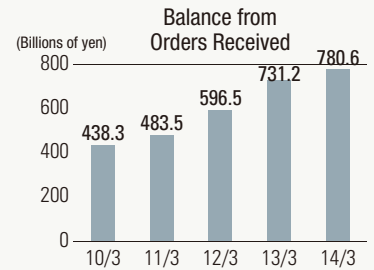
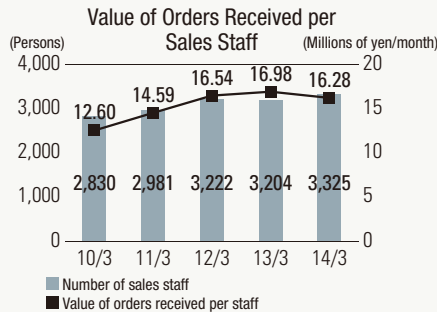
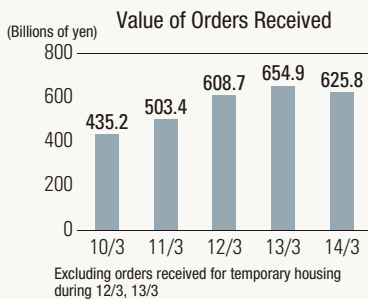
	Unit	10/3	11/3	12/3	13/3	14/3
Cash flows provided by operating activities	Millions of yen	46,041	60,778	77,845	87,839	83,833
Cash flows (used in) provided by investing activities	Millions of yen	(26,838)	49,997	(11,372)	(10,363)	(59,435)
Cash flows used in financing activities	Millions of yen	(29,866)	(94,914)	(29,491)	(36,205)	(39,127)
Cash and cash equivalents at end of period	Millions of yen	170,738	184,814	221,093	264,191	253,236
Earnings per share (EPS)	Yen	386.41	384.28	594.53	648.57	693.90
Net assets per share	Yen	2,700.97	1,662.65	1,991.37	2,400.55	2,823.23
Cash dividends per share	Yen	193.00	229.00	297.00	324.00	347.00
Return on assets (ROA)	%	8.1	8.1	8.3	8.4	8.1
Return on equity (ROE)	%	14.9	19.5	32.5	29.6	26.6
Shareholders' equity ratio	%	55.8	24.6	27.8	31.0	32.9
Payout ratio	%	49.9	59.6	50.0	50.0	50.0

Key Performance Indicators

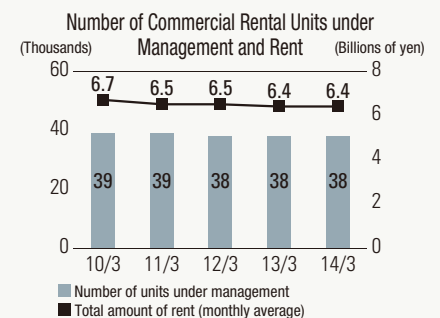
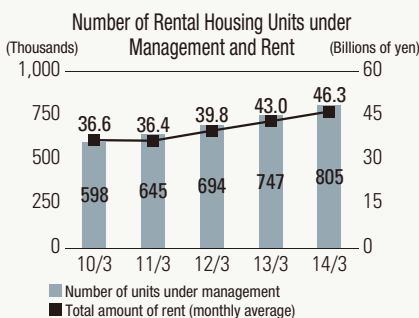
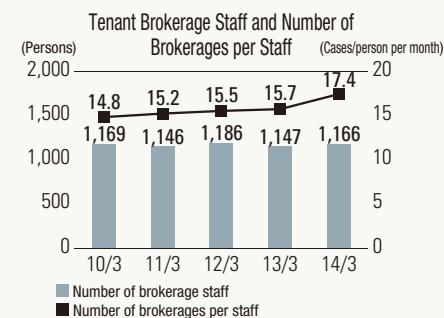
Market



Construction Business



Real Estate Business



Stock Information

Stock Data

Number of shares

Number of shares authorized	329,541,100 shares
Number of shares outstanding	80,610,279 shares

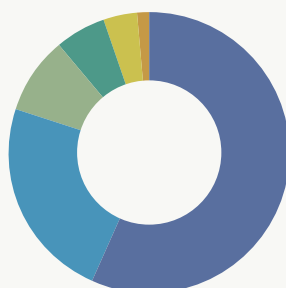
Information for shareholders

Share unit	100 shares	
Fiscal year	April 1 to March 31	
Record dates	Voting at general shareholders' meeting	March 31
	Year-end dividend	March 31
	Interim dividend	September 30
Transfer agent	Mitsubishi UFJ Trust and Banking Corporation 1-4-5 Marunouchi, Chiyoda-ku, Tokyo, Japan	
Transfer agent contact information	Stock Transfer Agency Division, Mitsubishi UFJ Trust and Banking Corporation 7-10-11 Higashisuna, Koto-ku, Tokyo 137-8081, Japan Tel: 0120-232-711 (toll-free number in Japan only)	
Method of public notice	Public notices shall be posted on the company's website. http://www.kentaku.co.jp/e/ir/index.html However, in the event that an electronic public notice is impracticable as a result of an accident or for other unavoidable reasons, the company shall post its public notices in the <i>Nihon Keizai Shimbun</i> newspaper.	
Stock exchange listing	Tokyo Stock Exchange (1st section), Nagoya Stock Exchange (1st section) Code: 1878	

Shareholder Composition

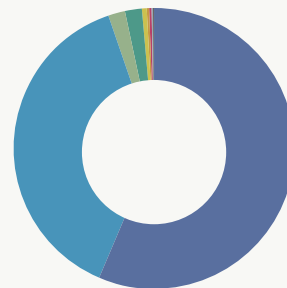
Number of shareholders 15,521

Breakdown of shareholders



Foreign corporations	45,766,391 shares (56.77%)
Financial institutions	18,935,867 shares (23.49%)
Individuals and others	7,156,998 shares (8.88%)
Domestic corporations	4,632,409 shares (5.75%)
Financial instrument firms	3,168,390 shares (3.93%)
Daito Trust Construction	950,224 shares (1.18%)

Breakdown of shareholders by region



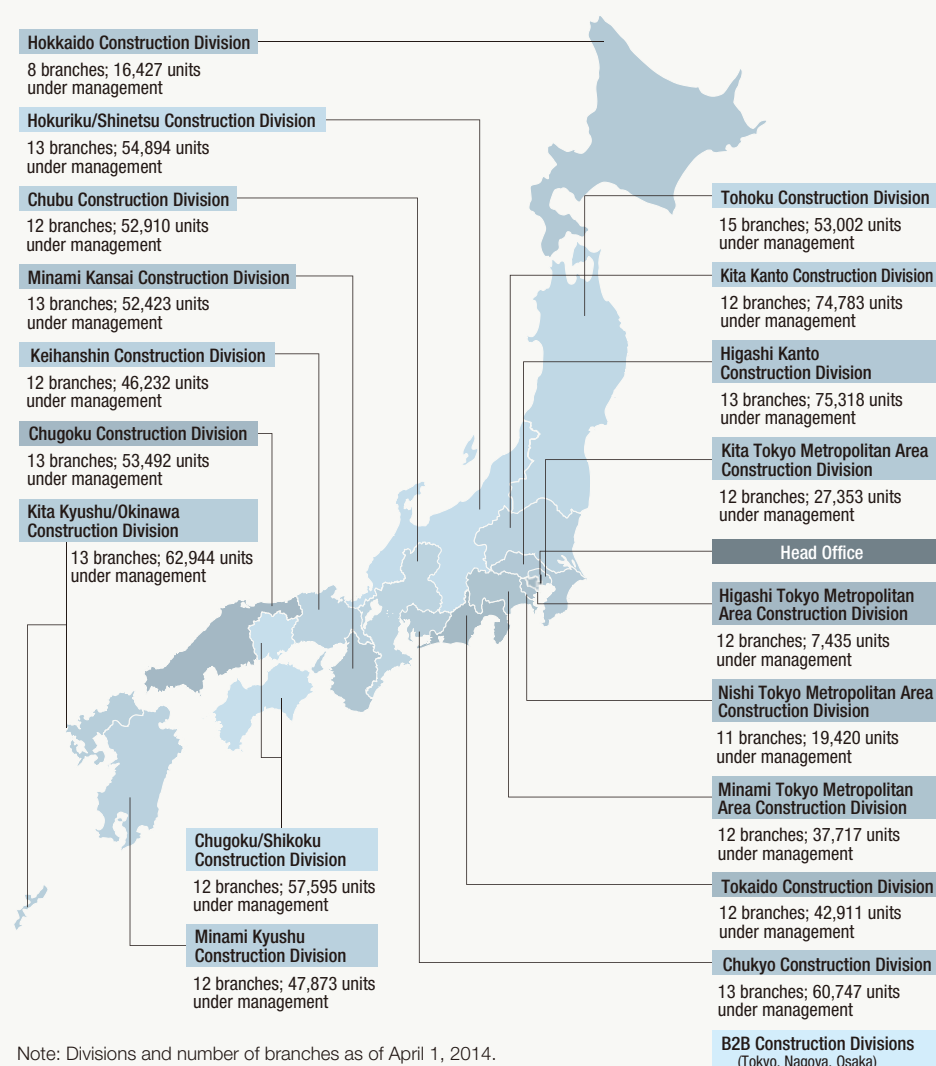
Overseas	45,680,260 shares (56.67%)
Kanto region	30,746,406 shares (38.14%)
Kinki region	1,716,955 shares (2.13%)
Chubu region	1,410,753 shares (1.75%)
Kyushu region	396,646 shares (0.49%)
Chugoku region	274,253 shares (0.34%)
Tohoku region	164,397 shares (0.20%)
Shikoku region	132,361 shares (0.16%)
Hokkaido region	88,248 shares (0.11%)

Company Information

Corporate Profile

Company 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
Fiscal year-end	March 31
Number of employees	9,767 (as of March 31, 2014)
Business activities	1) Construction of apartments, condominiums, and rental retail outlets, factories, warehouses, and offices 2) Real estate brokerage including tenant recruitment, building maintenance, and real estate management including lease contract management
Industry registration	Construction: Authorized by the Ministry of Land, Infrastructure, Transport, and Tourism of Japan Real estate transactions: Authorized by the Ministry of Land, Infrastructure, Transport, and Tourism of Japan
Main banks	Sumitomo Mitsui Banking Corporation, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Mizuho Bank, Ltd., others

Branches and Units under Management



Note: Divisions and number of branches as of April 1, 2014.



Daito Trust Construction Co., Ltd.

2-16-1, Konan, Minato-ku, Tokyo 108-8211, Japan

<http://kentak.co.jp>

Capital: ¥29,060 million

Stock exchange listing : Tokyo Stock Exchange and Nagoya Stock Exchange (1st section) (Code: 1878)

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Consolidated Financial Section 2014

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Consolidated Statement of Comprehensive Income	P. 4
Consolidated Statement of Changes in Equity	P. 5
Consolidated Statement of Cash Flows	P. 6
Notes to Consolidated Financial Statements	P. 7

Note:

Consolidated Financial Section contains audited English-language financial statements in which certain items have been changed for the convenience of overseas readers.

Consolidated Balance Sheet

March 31, 2014

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
CURRENT ASSETS:			
Cash and cash equivalents (Note 17)	¥ 253,237	¥ 264,192	\$ 2,460,523
Money held in Trust (Note 17)	41,007	-	398,436
Marketable securities (Notes 3, 5 and 17)	10,509	10,325	102,108
Notes and accounts receivable (Note 17):			
Construction contracts	24,295	23,825	236,057
Other	10,182	9,279	98,931
Total receivables	34,477	33,104	334,988
Short-term loans (Note 17)	45,161	42,591	438,797
Inventories (Note 6)	16,948	11,890	164,672
Prepaid expenses—whole-building lease and other	53,840	50,387	523,125
Deferred tax assets (Note 12)	17,423	15,138	169,287
Other current assets	10,675	8,464	103,721
Allowance for doubtful accounts	(318)	(314)	(3,090)
Total current assets	482,959	435,777	4,692,567
PROPERTY, PLANT AND EQUIPMENT (Notes 7 and 16):			
Land	42,340	42,110	411,387
Buildings and structures	58,868	57,608	571,978
Machinery and equipment	11,114	662	107,987
Furniture and fixture	6,216	5,439	60,397
Lease assets (Note 16)	2,190	1,972	21,279
Total	120,728	107,791	1,173,028
Accumulated depreciation	(29,647)	(26,269)	(288,059)
Net property, plant and equipment	91,081	81,522	884,969
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3, 5 and 17)	26,359	17,972	256,112
Subordinated bonds and subordinated trust beneficiary right (Notes 4 and 17)	12,873	12,881	125,078
Guarantee deposit (Note 5)	24,704	25,024	240,031
Investment in an associated company	113	113	1,098
Deferred tax assets (Note 12)	21,284	19,404	206,801
Deferred tax assets on revaluation of land	2,703	2,703	26,263
Other assets	25,108	25,199	243,956
Allowance for doubtful accounts (Note 4)	(2,762)	(2,857)	(26,836)
Total investment and other assets	110,382	100,439	1,072,503
TOTAL	¥ 684,422	¥ 617,738	\$ 6,650,039

LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
CURRENT LIABILITIES:			
Short-term bank loans (Note 8)	¥ 300	¥ 300	\$ 2,915
Current portion of long-term lease obligations (Note 16)	274	298	2,662
Current portion of long-term bank loans (Notes 8 and 17)	16,691	14,975	162,175
Accounts payable (Note 17)	43,996	44,230	427,478
Advances received—construction contracts	44,205	40,973	429,508
Income taxes payable (Notes 12 and 17)	26,931	25,975	261,669
Advances received—whole-building lease and other	57,171	29,263	555,490
Accrued employees' bonuses	20,221	16,224	196,473
Deposits received (Note 17)	7,023	6,920	68,237
Other current liabilities	38,652	34,008	375,554
Total current liabilities	255,464	213,166	2,482,161
LONG-TERM LIABILITIES:			
Long-term bank loans (Notes 8 and 17)	79,970	95,524	777,011
Long-term lease obligations (Note 16)	1,047	1,030	10,173
Liability for retirement benefit (Note 9)	9,954	9,296	96,716
Provision for repair of whole-building lease system	49,706	36,995	482,958
Deposits received for guarantee (Note 17)	59,653	69,199	579,606
Other long-term liabilities	6,621	5,935	64,331
Total long-term liabilities	206,951	217,979	2,010,795
COMMITMENTS AND CONTINGENT LIABILITIES (Note 18)			
EQUITY (Note 10):			
Common stock-authorized: 329,541 thousand shares; issued, 80,610 thousand shares in 2014 and 2013	29,061	29,061	282,365
Capital surplus	34,550	34,541	335,698
Stock acquisition rights (Note 11)	187	73	1,817
Retained earnings	169,294	140,703	1,644,909
Treasury stock—at cost, 952 thousand shares in 2014 and 1,117 thousand shares in 2013	(10,124)	(11,560)	(98,368)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	4,689	3,420	45,558
Deferred gain (loss) on derivatives under hedge accounting	50	-	486
Land revaluation surplus	(4,881)	(4,881)	(47,425)
Foreign currency translation adjustments	(1,966)	(6,315)	(19,102)
Defined retirement benefit plans	(577)	-	(5,606)
Total	220,283	185,042	2,140,332
Minority interest	1,724	1,551	16,751
Total equity	222,007	186,593	2,157,083
TOTAL	¥ 684,422	¥ 617,738	\$ 6,650,039

See notes to consolidated financial statements.

Consolidated Statement of Income

Year ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
NET SALES:			
Construction contracts (Notes 13 and 22)	¥ 545,366	¥ 489,545	\$ 5,298,931
Real estate	677,697	630,429	6,584,697
Other	36,611	32,439	355,723
Total net sales	1,259,674	1,152,413	12,239,351
COST OF SALES:			
Construction contracts	370,101	317,438	3,596,007
Real estate	632,343	595,072	6,144,024
Other	24,132	21,477	234,474
Total cost of sales	1,026,576	933,987	9,974,505
Gross profit	233,098	218,426	2,264,846
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 14)	143,318	136,014	1,392,518
Operating income	89,780	82,412	872,328
OTHER INCOME (EXPENSES):			
Interest and dividend income	873	908	8,482
Interest expense (Note 8)	(916)	(1,176)	(8,900)
Other—net (Notes 15)	3,494	3,214	33,949
Other income—net	3,451	2,946	33,531
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	93,231	85,358	905,859
INCOME TAXES (Note 12):			
Current	42,349	38,396	411,475
Deferred	(4,588)	(4,839)	(44,578)
Total income taxes	37,761	33,557	366,897
NET INCOME BEFORE MINORITY INTERESTS	55,470	51,801	538,962
MINORITY INTERESTS IN NET INCOME	193	127	1,875
NET INCOME	¥ 55,277	¥ 51,674	\$ 537,087
	Yen	Yen	U.S. dollars
PER SHARE OF COMMON STOCK (Note 20):			
Basic net income	¥ 693.90	¥ 648.57	\$ 6.74
Diluted net income	693.60	648.28	6.74
Cash dividends applicable to the year	347.00	324.00	3.37

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Year ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
NET INCOME BEFORE MINORITY INTERESTS	¥ 55,470	¥ 51,801	\$ 538,962
OTHER COMPREHENSIVE INCOME (LOSS) (Note 19):			
Unrealized gain on available-for-sale securities	1,269	2,707	12,330
Deferred gain on derivatives under hedge accounting	50		486
Foreign currency translation adjustments	4,349	2,447	42,256
Total other comprehensive income (loss)	5,668	5,154	55,072
COMPREHENSIVE INCOME	¥ 61,138	¥ 56,955	\$ 594,034
TOTAL COMPREHENSIVE INCOME			
ATTRIBUTABLE TO:			
Owners of the parent	60,945	56,828	592,159
Minority interests	¥ 193	¥ 127	\$ 1,875

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Year ended March 31, 2014

	Millions of Yen														
		Accumulated other comprehensive income													
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain on Available- for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Land Revaluation Surplus	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity	
BALANCE, APRIL 1, 2012	80,610,279	¥ 29,061	¥ 34,541	¥ 70	¥ 113,762	¥ (13,873)	¥ 713	-	¥ (5,004)	¥ (8,762)	-	¥ 150,508	¥ 1,501	¥ 152,009	
Net income					51,674							51,674		51,674	
Cash dividends, ¥308 per share					(24,519)							(24,519)		(24,519)	
Purchase of treasury stock						(516)						(516)		(516)	
Disposal of treasury stock					(92)	2,829						2,737		2,737	
Reversal of land revaluation surplus					(122)							(122)		(122)	
Net change in the year				3			2,707		123	2,447		5,280	50	5,330	
BALANCE, MARCH 31, 2013	80,610,279	29,061	34,541	73	140,703	(11,560)	3,420	-	(4,881)	(6,315)	-	185,042	1,551	186,593	
Net income					55,277							55,277		55,277	
Cash dividends, ¥335 per share					(26,686)							(26,686)		(26,686)	
Purchase of treasury stock						(61)						(61)		(61)	
Disposal of treasury stock			9			1,497						1,506		1,506	
Net change in the year				114			1,269	50		4,349	(577)	5,205	173	5,378	
BALANCE, MARCH 31, 2014	80,610,279	¥ 29,061	¥ 34,550	¥ 187	¥ 169,294	¥ (10,124)	¥ 4,689	¥ 50	¥ (4,881)	¥ (1,966)	¥ (577)	¥ 220,283	¥ 1,724	¥ 222,007	

	Thousands of U.S. Dollars (Note 1)													
	Accumulated other comprehensive income													
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain on Available- for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Land Revaluation Surplus	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity	
BALANCE, MARCH 31, 2013	\$ 282,365	\$ 335,610	\$ 710	\$1,367,111	\$ (112,320)	\$ 33,228	-	\$ (47,425)	\$ (61,358)	-	\$1,797,921	\$ 15,070	\$1,812,991	
Net income				537,087							537,087		537,087	
Cash dividends, \$3.25 per share				(259,289)							(259,289)		(259,289)	
Purchase of treasury stock					(593)						(593)		(593)	
Disposal of treasury stock		88			14,545						14,633		14,633	
Net change in the year			1,107			12,330	486		42,256	(5,606)	50,573	1,681	52,254	
BALANCE, MARCH 31, 2014	\$ 282,365	\$ 335,698	\$ 1,817	\$1,644,909	\$ (98,368)	\$ 45,558	\$ 486	\$ (47,425)	\$ (19,102)	\$ (5,606)	\$2,140,332	\$ 16,751	\$2,157,083	

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 93,231	¥ 85,358	\$ 905,859
Adjustments for:			
Income taxes—paid	(41,396)	(39,603)	(402,215)
Depreciation and amortization	3,822	3,161	37,136
Impairment loss	20	231	194
Gain (loss) on devaluation of investment securities	63	(197)	612
Changes in operating assets and liabilities:			
Decrease (increase) in notes and accounts receivable	(1,360)	5,445	(13,214)
Decrease (increase) in inventories	(5,055)	2,110	(49,116)
Increase in prepaid expenses—			
whole-building lease and other	(2,294)	(3,296)	(22,289)
Decrease (increase) in short-term loans	(2,571)	7,097	(24,981)
Increase (decrease) in accounts payables	(238)	2,008	(2,312)
Increase in advances received—			
whole-building lease and other	27,907	635	271,152
Increase in advances received—			
construction contracts	3,232	9,904	31,403
Increase (decrease) in deposits received for guarantee	(9,547)	3,458	(92,761)
Increase in deposits received	102	297	991
Decrease in allowance for doubtful accounts	(91)	(37)	(884)
Increase in accrued employees' bonuses	3,997	830	38,836
Increase (decrease) in liability for retirement benefits	658	(86)	6,393
Increase in provision for repair of			
whole-building lease system	12,710	11,048	123,494
Other—net	643	(523)	6,247
Total adjustments	(9,398)	2,482	(91,314)
Net cash provided by operating activities	83,833	87,840	814,545
INVESTING ACTIVITIES:			
Payments for money held in trust	(43,000)		(417,800)
Proceeds from money held in trust	2,000		19,433
Purchases of marketable and investment securities	(18,903)	(11,993)	(183,667)
Proceeds from sales and redemption of marketable and investment securities	12,295	9,915	119,462
Payments for purchase of property, plant and equipment	(10,623)	(3,671)	(103,216)
Other—net	(1,205)	(4,615)	(11,709)
Net cash used in investing activities	(59,436)	(10,364)	(577,497)
FINANCING ACTIVITIES:			
Proceeds from long-term bank loan	30,000	1,000	291,489
Repayment of long-term bank loan	(43,839)	(14,759)	(425,952)
Dividends paid	(26,686)	(24,519)	(259,289)
Repurchase of treasury stock	(61)	(309)	(593)
Proceeds from disposal of treasury stock	1,795	2,754	17,441
Cash dividends paid to minority shareholders	(42)	(78)	(408)
Other—net	(294)	(295)	(2,857)
Net cash used in financing activities	(39,127)	(36,206)	(380,169)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	3,775	1,828	36,679
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(10,955)	43,098	(106,442)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	264,192	221,094	2,566,965
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 253,237	¥ 264,192	\$ 2,460,523

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Year Ended March 31, 2014

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2013 consolidated financial statements to conform them to the classifications used in 2014.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Daito Trust Construction Co., Ltd. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥102.92 to \$1, the approximate rate of exchange at March 31, 2014. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Certain reclassification have been made in the 2013 financial statements to conform to the classifications used in 2014. Prior to April 1, 2013, machinery and equipment were included in the furniture and equipment among the property, plant and equipment section of the balance sheet. Since during this fiscal year ended March 31, 2014, the amount increased significantly due to the increase of installing solar panels, such amount is disclosed separately in the Property, Plant and Equipment section of the balance sheet as of March 31, 2014. The amount included in the furniture and equipment as of March 31, 2013, was ¥ 662 million.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. *Consolidation*—The consolidated financial statements as of March 31, 2014, include the accounts of the Company and its 17 significant (17 in 2013) subsidiaries (together, the "Group"). Under the control concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated.

Investment in an associated company is stated at cost. If the equity method of accounting had been applied to the investment in this company, the effect on the accompanying consolidated financial statements would not be material.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

- b. *Cash Equivalents*—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits and certificate of deposits, both of which mature within three months of the date of acquisition.

- c. *Inventories*—Construction projects in progress are stated at cost determined on the specific project basis. Materials and other inventories are mainly stated at the lower of cost determined by the moving-average method, or net selling value.
- d. *Marketable and Investment Securities*—Marketable and investment securities are classified and accounted for, depending on management's intent, as follows:
 - (1) held-to-maturity debt securities, for which there is the positive intent and ability to hold to maturity are reported at amortized cost; and (2) available-for-sale securities, which are not classified as the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Nonmarketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

- e. *Property, Plant and Equipment*—Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment of the Company and its consolidated domestic subsidiaries is computed substantially by the declining-balance method based on the estimated useful lives of the assets, while the straight-line method is applied to buildings acquired after April 1, 1998, and all property and equipment of consolidated foreign subsidiaries. The range of useful lives is principally from 10 to 60 years for buildings and structures, from 7 to 22 years for machinery and equipment, and from 2 to 20 years for furniture and fixture. Lease assets are depreciated using the straight-line method over the estimated useful lives of assets which are the term of the respective leases.
- f. *Long-Lived Assets*—The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.
- g. *Land Revaluation*—Under the “Law of Land Revaluation,” the Company elected a one-time revaluation of its own-use land to a value based on real estate appraisal information as of March 31, 2002. The resulting land revaluation difference represents the unrealized decline in value of land and is stated, net of income taxes, as a component of equity. There was no effect on the consolidated statement of income. Continuous readjustment is not permitted unless the land value subsequently declines significantly. The amount of the decline in value would be added to the land revaluation difference account and related deferred tax assets.
- h. *Allowance for Doubtful Accounts*—The allowance for doubtful accounts is stated at amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding. The allowance for doubtful accounts related to the subordinated bonds and subordinated trust beneficiary right issued by special-purpose entities (SPEs) is stated based on an evaluation of potential losses due to the worsening fiscal condition of the SPEs.

- i. *Accrued Employees' Bonuses*—The Company and certain consolidated subsidiaries have provided for employees' bonuses to state the liability at the estimated amount payable to employees.
- j. *Retirement and Pension Plans*—The Company and certain consolidated subsidiaries have contributory funded defined benefit pension plans and unfunded retirement benefit plans for employees. Other consolidated domestic subsidiaries have unfunded retirement benefit plans for their employees.

Unrecognized prior service liabilities are amortized over a certain period (mainly 8 years) using the straight-line method within the average remaining service period, commencing from the date on which they are incurred.

Unrecognized actuarial net gains or losses are amortized over a certain period (mainly 6 years and 8 years) using the declining-balance method within the average remaining service period, commencing from the date on which they are incurred. Certain consolidated subsidiaries are amortized from the following year in which they arise.

In May 2012, the Accounting Standards Board of Japan (the ASBJ) issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

- (a) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).
- (b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments (see Note 9).
- (c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective March 31, 2014. As a result, liability for retirement benefits of ¥ 9,954 million (\$ 96,716 thousand) was recorded as of March 31, 2014, and accumulated other comprehensive income for the year ended March 31, 2014, decreased by ¥ 577 million (\$ 5,606 thousand).

- k. *Provision for Repair of Whole-Building Lease System*— Certain consolidated subsidiaries have provided for a provision for repair of whole-building lease systems to cover probable costs of restoration and repairs being borne in the future based on the whole-building lease contracts.
- l. *Stock Options*—In December 2005, the ASBJ issued ASBJ Statement No. 8, “Accounting Standard for Stock Options” and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006. This standard requires companies to measure the cost of employee stock options based on the fair value at the date of grant and recognize compensation expense over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.
- m. *Research and Development Costs*—Research and development costs are charged to income as incurred.
- n. *Construction Contracts*— In December 2007, the ASBJ issued ASBJ Statement No. 15, “Accounting Standard for Construction Contracts” and ASBJ Guidance No. 18, “Guidance on Accounting Standard for Construction Contracts.” Under these accounting standards, construction revenue and construction costs should be recognized by the percentage-of-completion method, if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract is deemed to be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method should be applied. When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on construction contracts.
- o. *Income Taxes*—The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.
- p. *Foreign Currency Transactions*—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.
- q. *Foreign Currency Financial Statements*—The balance sheet accounts, and revenue and expense accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as “Foreign currency translation adjustments” under accumulated other comprehensive income in a separate component of equity.

- r. *Derivatives and Hedging Activities*—The Group uses derivative financial instruments to manage its exposure to fluctuations in foreign exchange. Foreign exchange forward contracts, currency options, and currency swaps are utilized by the Group to reduce foreign currency exchange risk. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (1) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income and (2) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign currency forward contracts, currency options, and currency swaps employed to hedge foreign exchange exposure for imports are measured at fair value and the unrealized gains/losses are recognized in income. Forward contracts applied for forecasted (or committed) transactions are also measured at fair value but the unrealized gains/losses are deferred until the underlying transactions are completed.

Accounts payable denominated in foreign currencies for which foreign exchange forward contracts are used to hedge the foreign currency fluctuations are translated at the contracted rate if the forward contracts, currency option, and currency swaps qualify for hedge accounting.

- s. *Consumption Tax*—Consumption tax is accounted for by the tax exclusion method.
- t. *Per Share Information*—Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding warrants at the beginning of the year (or at the time of issuance).

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

- u. *Accounting Changes and Error Corrections*—In December 2009, the ASBJ issued ASBJ Statement No. 24, “Accounting Standard for Accounting Changes and Error Corrections” and ASBJ Guidance No. 24, “Guidance on Accounting Standard for Accounting Changes and Error Corrections.” Accounting treatments under this standard and guidance are as follows: (1) *Changes in Accounting Policies*—When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions. (2) *Changes in Presentation*—When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) *Changes in Accounting Estimates*—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only and is accounted for prospectively if the change affects both the period of the change and future periods. (4) *Corrections of Prior-Period Errors*—When an error in prior-period financial statements is discovered, those statements are restated.

v. New Accounting Pronouncements

Accounting Standard for Retirement Benefits—On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, “Accounting Standard for Retirement Benefits” and ASBJ Guidance No. 25, “Guidance on Accounting Standard for Retirement Benefits,” which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

Major changes are as follows:

(a) Treatment in the balance sheet

Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, “deficit or surplus”), adjusted by such unrecognized amounts, is recognized as a liability or asset.

Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) Treatment in the statement of income and the statement of comprehensive income

The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

(c) Amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases

The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company applied the revised accounting standard for (a) and (b) above effective March 31, 2014, and expects to apply (c) above from April 1, 2014.

As a result of the accounting standard applied, operating income and income before income taxes and minority interests for the year ended March, 2015, will increase by ¥ 473 million (\$ 4,596 thousand).

Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts—On December 25, 2013, the ASBJ issued ASBJ Practical Issues Task Force (PITF) No. 30, “Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts”. This PITF is effective for the beginning of annual periods beginning on or after April 1, 2014, with earlier application permitted from the beginning of annual periods first ending after the date of issuance of this PITF, and applied retrospectively.

In accordance with the PITF, upon transfer of treasury stock to the employee stockownership trust (the rough Trusts”. This PITF is effective for the beginning of annual periods beginning on or after April 1, 2014, with earlier application permitted from the entity shall record 1) the entity stock held by the Trust as treasury stock in equity, 2) all other assets and liabilities of the Trust on a line-by-line basis, and 3) a liability/asset for the net of i) any gain or loss on delivery of the stock by the Trust to the employee shareholding association, ii) dividends received from the entity for the stock held by the Trust, and iii) any expenses relating to the Trust.

The Company expects to apply PITF No. 30, “Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts” from the beginning of the annual period beginning on April 1, 2014. As for the trusts contracts concluded before March 31, 2014, the Company will apply transitional accounting (as stipulated in PITF No. 30) and will continue the previous accounting treatment, thus, no effect will be recognized as a result of the application of this accounting standard.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Current:			
Government and corporate bonds	¥ 7,521	¥ 7,825	\$ 73,076
Other	2,988	2,500	29,032
Total	¥ 10,509	¥ 10,325	\$ 102,108
Non-current:			
Marketable equity securities	¥ 20,511	¥ 11,892	\$ 199,291
Government and corporate bonds	5,817	6,050	56,520
Trust fund investments and other	31	30	301
Total	¥ 26,359	¥ 17,972	\$ 256,112

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2014 and 2013, were as follows:

March 31, 2014	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 13,199	¥ 7,316	¥ 4	¥ 20,511
Government and corporate bonds	13,086	8	16	13,078
Other	3,000	-	12	2,988
Held-to-maturity	261	8	-	269

March 31, 2013				
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 6,583	¥ 5,478	¥ 169	¥ 11,892
Government and corporate bonds	13,068	205	4	13,269
Other	2,500	-	-	2,500
Held-to-maturity	606	13	-	619

March 31, 2014	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	\$ 128,245	\$ 71,084	\$ 38	\$ 199,291
Government and corporate bonds	127,147	78	155	127,070
Other	29,149	-	117	29,032
Held-to-maturity	2,536	78	-	2,614

4. SUBORDINATED BONDS AND SUBORDINATED TRUST BENEFICIARY RIGHT

The Company mediates the extension of apartment loans to customers who order construction of rental housing.

As for this loan, financial institutions establish SPEs and the loans are securitized by SPEs.

When the customer uses this loan, the Company needs to buy the subordinated bonds or subordinated trust beneficiary right issued by the SPEs according to the agreement with certain financial institutions.

Details of the subordinated bonds and subordinated trust beneficiary right were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Subordinated bonds and subordinated trust beneficiary right	¥ 12,873	¥ 12,881	\$ 125,078
Allowance for doubtful accounts	¥ 943	¥ 1,168	\$ 9,162
Possession ratio of subordinated bonds and subordinated trust beneficiary right	6.17%	6.17%	6.17%
Date of maturity	November 2034 – February 2043	November 2034 – February 2043	November 2034 – February 2043
Loan balance of SPEs	¥ 93,801	¥ 114,958	\$ 911,397
Outstanding bonds of SPEs	¥ 98,497	¥ 119,030	\$ 957,025
Number of SPEs	10	10	10

The possession ratio of the subordinated bonds and subordinated trust beneficiary right is the ratio of the subordinated bonds and subordinated trust beneficiary right balance of the Company to the total amount of bonds when issued.

5. PLEDGED ASSETS

The carrying amounts of assets pledged as collateral required by the Building Lots and Buildings Transaction Business Law, the Act for Secure Execution of Defect Warranty Liability and for the purpose of extending payment due dates for customs and consumption tax at March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Investment securities	¥ 3,512	¥ 4,204	\$ 34,124
Other	2,770	2,245	26,914
Total	¥ 6,282	¥ 6,449	\$ 61,038

6. INVENTORIES

Inventories at March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Construction projects in progress	¥ 10,816	¥ 7,315	\$ 105,091
Materials	5,123	3,668	49,777
Real estate held for sale	784	727	7,618
Merchandise	225	180	2,186
Total	¥ 16,948	¥ 11,890	\$ 164,672

7. INVESTMENT PROPERTY

In November 2008, the ASBJ issued ASBJ Statement No. 20, “Accounting Standard for Investment Property and Related Disclosures” and issued ASBJ Guidance No.23, “Guidance on Accounting Standard for Investment Property and Related Disclosures.”

The Group owns certain rental properties such as office buildings, apartments and car parking spaces. The net of rental income and operating expenses for those rental properties was ¥3,254 million (\$31,617 thousand) and ¥3,413 million for the fiscal years ended March 31, 2014 and 2013, respectively.

In addition, the carrying amounts, changes in such balances and market prices of such properties are as follows:

Millions of Yen			
Carrying Amount			Fair Value
April 1, 2013	Decrease	March 31, 2014	March 31, 2014
¥ 58,492	¥ 788	¥ 57,704	¥ 115,789

Millions of Yen			
Carrying Amount			Fair Value
April 1, 2012	Decrease	March 31, 2013	March 31, 2013
¥ 59,386	¥ 894	¥ 58,492	¥ 117,835

Thousands of U.S. Dollars			
Carrying Amount			Fair Value
April 1, 2013	Decrease	March 31, 2014	March 31, 2014
\$ 568,325	\$ 7,657	\$ 560,668	\$ 1,125,039

Notes:

1. Carrying amount recognized in the consolidated balance sheet is net of accumulated depreciation and accumulated impairment losses, if any.
2. Increase during the fiscal year ended March 31, 2014, primarily represents the acquisition of certain properties of ¥48 million (\$466 thousand), and decrease primarily represents the recognition of depreciation of ¥830 million (\$8,065 thousand).
3. Increase during the fiscal year ended March 31, 2013, primarily represents the acquisition of certain properties of ¥5 million, and decrease primarily represents the recognition of depreciation of ¥890 million.
4. Fair value of properties is measured by the Group in accordance with its Real-Estate Appraisal Standard.

8. SHORT-TERM BANK LOANS AND LONG-TERM BANK LOANS

Short-term bank loans at March 31, 2014 and 2013, consisted of bank overdrafts. The annual interest rate applicable to the short-term bank loan is 0.61% and 0.65% at March 31, 2014 and 2013, respectively.

Long-term bank loans at March 31, 2014 and 2013 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Loans from banks due on various dates through 2020 with interest rates ranging from 0.41% to 0.91% (2014) and from 0.51% to 1.05% (2013)	¥ 96,661	¥ 110,499	\$ 939,186
Total	96,661	110,499	939,186
Less current portion	(16,691)	(14,975)	(162,175)
Long-term bank loan, less current portion	¥ 79,970	¥ 95,524	\$ 777,011

Annual maturities of long-term bank loan, excluding finance leases (see Note 16), at March 31, 2014, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2015	¥ 16,691	\$ 162,175
2016	16,691	162,175
2017	16,076	156,199
2018	42,395	411,922
2019	4,672	45,394
2020 and thereafter	136	1,321
Total	¥ 96,661	\$ 939,186

As is customary in Japan, the Company maintains substantial deposit balances with banks with which it has borrowings. Such deposit balances are not legally or contractually restricted as to withdrawal.

General agreements with respective banks provide, as is customary in Japan, that additional collateral must be provided under certain circumstances if requested by such banks and that certain banks have the right to offset cash deposited with them against any long-term or short-term debt or obligation that becomes due and, in case of default and certain other specified events, against all other debt payable to the banks. The Company has never been requested to provide any additional collateral.

In addition, the Company entered into committed loan facility agreements aggregating ¥39,006 million (\$378,993 thousand) with seven Japanese banks. There was ¥300 million (\$2,915 thousand) balance under the committed loan facility agreements as of March 31, 2014.

9. RETIREMENT AND PENSION PLANS

The Company and certain consolidated subsidiaries have severance payment plans for employees. Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Company or from certain consolidated subsidiaries and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

The liability for employees' retirement benefits at March 31, 2014 and 2013, consisted of the following:

Year Ended March 31, 2014

1. The changes in defined benefit obligation for the year ended March 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	¥ 24,667	\$ 239,672
Current service cost	2,168	21,065
Interest cost	335	3,255
Actuarial gains and losses	982	9,541
Benefits paid	(1,383)	(13,438)
Past service cost	(70)	(680)
Balance at end of year	¥ 26,699	\$ 259,415

2. The changes in plan assets for the year ended March 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	¥ 14,590	\$ 141,761
Expected return on plan assets	219	2,128
Actuarial gains and losses	270	2,623
Contributions from the employer	2,533	24,611
Benefits paid	(867)	(8,424)
Balance at end of year	¥ 16,745	\$ 162,699

3. Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets

	Millions of Yen	Thousands of U.S. Dollars
Funded defined benefit obligation	¥ 18,867	\$ 183,317
Plan assets	16,745	162,699
	2,122	20,618
Unfunded defined benefit obligation	7,832	76,098
Net liability arising from defined benefit obligation	9,954	96,716

	Millions of Yen	Thousands of U.S. Dollars
Liability for retirement benefits	¥ 9,954	\$ 96,716
Asset for retirement benefits	-	-
Net liability arising from defined benefit obligation	¥ 9,954	\$ 96,716

4. The components of net periodic benefit costs for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Service cost	¥ 2,168	\$ 21,065
Interest cost	335	3,255
Expected return on plan assets	(219)	(2,128)
Amortization of prior service cost	38	369
Recognized actuarial gains and losses	526	5,111
Net periodic benefit costs	¥ 2,848	\$ 27,672

5. Accumulated other comprehensive income on defined retirement benefit plans as of March 31, 2014

	Millions of Yen	Thousands of U.S. Dollars
Unrecognized prior service cost	¥ (89)	\$ (865)
Unrecognized actuarial gains and losses	(773)	(7,510)
Total	¥ (862)	\$ (8,375)

6. Plan assets

(1) Components of plan assets

Plan assets consisted of the following:

Debt investments	16.9 %
Equity investments	17.6 %
Cash and cash equivalents	1.9 %
General accounts	62.3 %
Others	1.3 %
Total	100 %

(2) Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

7. Assumptions used for the year ended March 31, 2014, were set forth as follows:

Discount rate	1.4 %
Expected rate of return on plan assets	1.5 %

Year Ended March 31, 2013

The liability for retirement benefits at March 31, 2013, consisted of the following:

	Millions of Yen
Projected benefit obligation	¥ 24,667
Fair value of plan assets	(14,502)
Unrecognized prior service cost	(196)
Unrecognized actuarial loss	(673)
Net liability	¥ 9,296

The components of net periodic benefit costs for the years ended March 31, 2013, are as follows:

	Millions of Yen	
Service cost	¥	2,147
Interest cost		313
Expected return on plan assets		(183)
Amortization of prior service cost		90
Recognized actuarial loss		282
Net periodic benefit costs	¥	2,649

Assumptions used for the year ended March 31, 2013, are set forth as follows

Discount rate	1.4%
Expected rate of return on plan assets	1.5%
Amortization period of prior service cost	Mainly 8 years
Recognition period of actuarial gain/loss	Mainly 6 years and 8 years

10. EQUITY

Japanese companies are subject to the Companies Act of Japan (the “Companies Act”). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders’ meeting. For companies that meet certain criteria such as (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

The Company has set up a “Trust under Employee Stock Ownership Plan” and “Trust for employees receiving in-kind benefit by stock” to improve employees’ benefit program, increase the corporate value by enhancing awareness of the Company’s results and stock price, and enhance employees’ motivation and morale.

The Company identified these trusts as a part of the Company by emphasizing economic substance from the accounting point of view.

The Company’s stock held by the trusts is therefore presented as “Treasury Stock” and a deduction to shareholders’ equity in the consolidated balance sheet and consolidated shareholders’ equity (or statement of changes in equity).

However, such Company’s stock is excluded from treasury stock in calculating net income per share of common stock and fully diluted net income per share of common stock.

The Company’s stock held by the above trusts also has the same rights as normal stock, e.g., voting and dividend claim rights, because the stock does not meet the definition of treasury stock under the Companies Act. To calculate the available amounts of dividends as stipulated under Clause 2 of Article 461 of the Companies Act, the Company’s stock held by the trusts is not deducted because of the same reason. The Company’s stock held by the above trusts is as follows.

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Trust under Employee Stock Ownership Plan	¥ 1,909	¥ 3,281	\$ 18,548
Trust for employees received as in kind benefit by stock	2,895	2,974	28,129
Total	¥ 4,804	¥ 6,255	\$ 46,677

	Thousands of Shares	
	2014	2013
Trust under Employee Stock Ownership Plan	¥ 267	¥ 459
Trust for employees received as in kind benefit by stock	403	414
Total	¥ 670	¥ 873

11. STOCK OPTIONS

The stock options outstanding as of March 31, 2014, are as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2012 Stock Option (A)	10 directors	7,600 shares	2012.6.14	¥ 1 (\$0.01)	From June 15, 2012 to June 14, 2042
2012 Stock Option (B)	10 directors	17,500 shares	2012.6.14	¥ 1 (\$0.01)	From June 15, 2015 to June 14, 2020
2013 Stock Option (A)	11 directors	7,900 shares	2013.6.17	¥ 1 (\$0.01)	From June 18, 2013 to June 17, 2043
2013 Stock Option (B)	11 directors	14,300 shares	2013.6.17	¥ 1 (\$0.01)	From June 18, 2016 to June 17, 2021

The stock option activity is as follows:

	2004 Stock Option	2012 Stock Option (A)	2012 Stock Option (B)
Year Ended March 31, 2013		(Shares)	
Non-vested			
April 1, 2012—Outstanding	-	-	-
Granted	-	7,600	17,500
Canceled	-	-	-
Vested	-	(7,600)	-
March 31, 2013—Outstanding	-	-	17,500
Vested			
April 1, 2012—Outstanding	229,400	-	-
Vested	-	7,600	-
Exercised	(224,400)	(1,000)	-
Canceled	(5,000)	-	-
March 31, 2013—Outstanding	-	6,600	-

	2012 Stock Option (A)	2012 Stock Option (B)	2013 Stock Option (A)	2013 Stock Option (B)
Year Ended March 31, 2014	(Shares)		(Shares)	
Non-vested				
March 31, 2013—Outstanding	-	17,500	-	-
Granted	-	-	7,900	14,300
Canceled	-	-	-	-
Vested	-	-	(7,900)	-
March 31, 2014—Outstanding	-	17,500	-	14,300
Vested				
March 31, 2013—Outstanding	6,600	-	-	-
Vested	-	-	7,900	-
Exercised	(4,000)	-	(4,100)	-
Canceled	-	-	-	-
March 31, 2014—Outstanding	2,600	-	3,800	-
Exercise price	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)	¥ 1 (\$ 0.01)
Average stock price at exercise	¥ 9,073 (\$ 88.156)	¥ - (\$ -)	¥ 9,135 (\$ 88.758)	¥ - (\$ -)
Fair value price at grant date	¥ 5,821 (\$ 56.558)	¥ 5,474 (\$ 53.187)	¥ 7,444 (\$ 72.328)	¥ 7,304 (\$ 70.968)

The Assumptions Used to Measure the Fair Value of the 2012 Stock Option (A)

Estimate method: Black-Scholes option pricing model

Volatility of stock price: 34.59%

Estimated remaining outstanding period: 4.07 years

Estimated dividend: ¥297 per share

Risk free interest rate: 0.152%

The Assumptions Used to Measure the Fair Value of the 2012 Stock Option (B)

Estimate method: Black-Scholes option pricing model

Volatility of stock price: 33.85%

Estimated remaining outstanding period: 5.50 years

Estimated dividend: ¥297 per share

Risk free interest rate: 0.274%

The Assumptions Used to Measure the Fair Value of the 2013 Stock Option (A)

Estimate method: Black-Scholes option pricing model

Volatility of stock price: 33.73%

Estimated remaining outstanding period: 4.98 years

Estimated dividend: ¥324 per share

Risk free interest rate: 0.331%

The Assumptions Used to Measure the Fair Value of the 2013 Stock Option (B)

Estimate method: Black-Scholes option pricing model

Volatility of stock price: 33.44%

Estimated remaining outstanding period: 5.50 years

Estimated dividend: ¥324 per share

Risk free interest rate: 0.364%

12. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 38.0% for the years ended March 31, 2014 and 2013.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2014 and 2013, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Deferred tax assets:			
Loss on devaluation of investment securities	¥ 278	¥ 274	\$ 2,701
Allowance for doubtful accounts	1,076	1,129	10,455
Software	757	1,252	7,355
Unrealized profit of assets	3,741	3,329	36,349
Accrued expenses	2,029	1,974	19,714
Accrued enterprise taxes	1,891	2,004	18,373
Accrued employees' bonuses	7,218	6,168	70,132
Provision for warranties for completed construction	379	414	3,682
Retirement benefit for employees	3,522	3,291	34,221
Provision for repair of whole-building lease system	17,715	13,285	172,124
Deferred cleaning revenue	2,259	-	21,949
Tax loss carryforwards	177	173	1,720
Others	3,911	3,926	38,001
Less valuation allowance	(560)	(690)	(5,441)
Total	44,393	36,529	431,335
Deferred tax liabilities:			
Reserve for special depreciation	3,062	94	29,751
Unrealized gain on available-for-sale securities	2,597	1,894	25,233
Other	27	-	263
Total	5,686	1,988	55,247
Net deferred tax assets	¥ 38,707	¥ 34,541	\$ 376,088

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2014, with the corresponding figures for 2013 is as follows:

	2014	2013
Normal effective statutory tax rate	38.0%	38.0%
Expenses not deductible for income tax purposes	1.3	1.4
Inhabitant tax on per capita basis	0.1	0.1
Valuation allowance	0.1	0.1
Decrease in deferred tax assets by change of tax rate	1.3	0.5
Others—net	(0.3)	(0.8)
Actual effective tax rate	40.5%	39.3%

New tax reform laws enacted in 2014 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2014 from approximately 38.0% to 35.6%. The effect of this change was to decrease deferred tax assets in the consolidated balance sheet as of March 31, 2014 by ¥917 million (\$8,910 thousand) and to increase income taxes-deferred in the consolidated statement of income for the year then ended by ¥919 million (\$8,929 thousand) and deferred gain (loss) on derivatives under hedge accounting by ¥2 million (\$19 thousand).

At March 31, 2014, certain subsidiaries have tax loss carryforwards aggregating to approximately ¥496 million (\$4,819 thousand), which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2015	¥ -	\$ -
2016	-	-
2017	-	-
2018	25	243
2019	166	1,613
2020	113	1,098
2021	85	826
2022	107	1,039
Total	¥ 496	\$ 4,819

13. CONSTRUCTION CONTRACTS

Revenue recognized with respect to construction contracts, which is accounted for by the percentage-of-completion method at March 31, 2014 and 2013, is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Revenue	¥ 537,980	¥ 481,948	\$ 5,227,167

14. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥1,308 million (\$12,709 thousand) and ¥1,063 million for the years ended March 31, 2014 and 2013, respectively.

15. OTHER INCOME—NET

Other income—net for the years ended March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Commission fee	¥ 3,258	¥ 2,792	\$ 31,656
Gain on reversal of provision for loss on disaster	-	340	-
Other	236	82	2,293
Other income—net	¥ 3,494	¥ 3,214	\$ 33,949

16. LEASES

Lessee

The minimum rental commitments under noncancelable operating leases at March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Due within one year	¥ 319,105	¥ 282,517	\$ 3,100,515
Due after one year	1,479,934	1,401,319	14,379,460
Total	¥ 1,799,039	¥ 1,683,836	\$ 17,479,975

Lease payments fixed by contract with regard to the whole-building lease system are included in the above-mentioned minimum rental commitments as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Due within one year	¥ 312,259	¥ 275,251	\$ 3,033,998
Due after one year	1,457,071	1,375,879	14,157,316
Total	¥ 1,769,330	¥ 1,651,130	\$ 17,191,314

Lessor

The minimum rental commitments under noncancelable operating leases at March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Due within one year	¥ 621	¥ 621	\$ 6,034
Due after one year	4,970	5,591	48,290
Total	¥ 5,591	¥ 6,212	\$ 54,324

17. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

The Group uses financial instruments, mainly loan from bank, based on its capital financing plan for construction business. As a matter of policy, the Group only uses derivatives for actual operating requirements, not for speculative purposes.

(2) Nature and Extent of Risks Arising from Financial Instruments and the Risk Management for Financial Instruments

Money held in trust has been set up to separately manage tenancy deposits. The Group manages such trust assets as short-term deposit and highly secured securities. These are exposed to variable risks, including issuers' credit risk, interest rate risk, and market risk. However, the Group periodically monitors the financial condition of issuers and the market value of debt securities.

Receivables such as trade notes and accounts receivable are exposed to customer credit risk. The Group decreases the risk by starting construction after customer financing is fixed.

Marketable and investment securities, mainly held-to-maturity securities and equity instruments, are exposed to variable risks, including issuers' credit risk, interest rate risk, and market risk. The Group periodically monitors the financial condition of the issuers for marketable investment securities. An ongoing review of securities being held, other than held-to-maturity securities, is performed by taking into consideration the market as well as the relationship with the trading counterparties.

Short-term loans, mainly loans for customers' construction finance (bridge loan until financial institution executes a long-term loan) are exposed to customer credit risk. The Group thoroughly enforces credit risk management, which includes periodic monitoring of the financial condition of customers to mitigate the risk of uncollectible loans.

Subordinated bonds and subordinated trust beneficiary rights are financial instruments issued by an SPE established by a financial institution in a way similar to how apartment loans are financed by a customer, who orders the Company to construct an apartment building for rent, are securitized. They are exposed to credit risk of the debtor of the apartment loan. The Group grasps the credit situation by monitoring repayments of the loan.

Payment terms of payables, such as accounts payable, income taxes payable, and deposits received, are generally less than one year.

Loans from banks are exposed to market risk from changes in interest rates. The Group performs continuous monitoring of market fluctuations.

Long-term deposits received for guarantee are received from tenants in the real estate rental business by the whole-building lease system.

Derivatives are forward foreign currency contracts, which are used to manage exposure to market risks from changes in foreign currency exchange rate payables.

(3) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, another rational valuation technique is used instead.

(a) Fair value of financial instruments

March 31, 2014	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 253,237	¥ 253,237	¥ -
Money held in trust	41,007	41,007	-
Notes and accounts receivable	34,477		
Allowance for doubtful accounts	(37)		
	34,440	34,440	-
Marketable and investment securities:			
Held-to-maturity securities	261	269	8
Available-for-sale securities	36,577	36,577	-
Short-term loans:	45,161		
Allowance for doubtful accounts	(77)		
	45,084	45,202	118
Total	¥ 410,606	¥ 410,732	¥ 126
Accounts payable	43,996	43,996	-
Income taxes payable	26,931	26,931	-
Deposit received	7,023	7,023	-
Current portion of long-term bank loans and long-term bank loans	96,661	96,661	-
Deposits received for guarantee	59,653	59,311	(342)
Total	¥ 234,264	¥ 233,922	¥ (342)

March 31, 2013

Cash and cash equivalents	¥ 264,192	¥ 264,192	¥ -
Notes and accounts receivable	33,104		
Allowance for doubtful accounts	(41)		
	33,063	33,063	-
Marketable and investment securities:			
Held-to-maturity securities	606	619	13
Available-for-sale securities	27,661	27,661	-
Short-term loans:	42,591		
Allowance for doubtful accounts	(85)		
	42,506	42,905	399
Total	¥ 368,028	¥ 368,440	¥ 412
Accounts payable	¥ 44,230	¥ 44,230	¥ -
Income taxes payable	25,975	25,975	-
Deposits received	6,920	6,920	-
Current portion of long-term bank loans and long-term bank loans	110,499	110,499	-
Deposits received for guarantee	69,199	68,679	(520)
Total	¥ 256,823	¥ 256,303	¥ (520)

Thousands of U.S. Dollars

March 31, 2014	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	\$ 2,460,523	\$ 2,460,523	\$ -
Money held in trust	398,436	398,436	
Notes and accounts receivable	334,988		
Allowance for doubtful accounts	(360)		
	334,628	334,628	-
Marketable and investment securities:			
Held-to-maturity securities	2,536	2,614	78
Available-for-sale securities	355,393	355,393	-
Short-term loans:	438,797		
Allowance for doubtful accounts	(748)		
	438,049	439,195	1,146
Total	\$ 3,989,565	\$ 3,990,789	\$ 1,224
Accounts payable	\$ 427,478	\$ 427,478	\$ -
Income taxes payable	261,669	261,669	-
Deposits received	68,237	68,237	-
Current portion of long-term bank loans and long-term bank loans	939,186	939,186	-
Deposits received for guarantee	579,606	576,283	(3,323)
Total	\$ 2,276,176	\$ 2,272,853	\$ (3,323)

Cash and Cash Equivalents Notes and Accounts Receivable

The carrying amount of accounts mentioned above approximate fair value because of their short maturities.

Money Held in Trust

The fair value of money held in trust are measured based on financial instruments composing the money held in trust. At the end of the fiscal year ended March 31, 2014, the financial instruments comprised of money held in trust were all deposits and since the carrying amount of such account approximates its fair value, the carrying amount is treated as its fair value.

Marketable and Investment Securities

The fair values of marketable and investment securities are measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. Fair value information for marketable and investment securities by classification is included in Note 3.

Short-Term Loans

The fair value of short-term loan with floating-rate approximates carrying amount because the rate reflects market interest rates within a short time except for significant changes in credit conditions of debtors.

Loans with fixed rates consist of short-term bridge loans and long-term loans. The fair value of short-term loans approximates carrying amount because the rate reflects market interest rates. The fair value of long-term loans is determined based on the present value calculated by using discount rates corresponding to the remaining period of the loan and credit risk.

Accounts Payable, Income Taxes Payable, and Deposits Received

The carrying amount of accounts mentioned above approximate fair value because of their short maturities.

Current Portion of Long-Term Bank Loan and Long-Term Bank Loan

For the current portion of long-term bank loans and for long-term bank loans that have floating interest rates, the fair values approximate the carrying amount because the rates reflect market interest rates within a short time period.

Deposits Received for Guarantee

The fair value of deposits received for guarantee is determined based on the present value calculated by using discount rates corresponding to credit risk and the remaining period of deposits received for guarantee.

(b) Carrying amount of financial instruments whose fair value cannot be reliably determined

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Subordinated bonds and subordinated trust beneficiary right	¥ 12,873	¥ 12,881	\$ 125,078

(4) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

Millions of Yen						
At March 31, 2014	Due in 1 Year or Less	Due after 1 Years through 2 Years	Due after 2 Years through 3 Years	Due after 3 Years through 4 Years	Due after 4 Years through 5 Years	Due after 5 Years
Cash and cash equivalents	¥ 253,237	¥ -	¥ -	¥ -	¥ -	¥ -
Money held in trust	41,007	-	-	-	-	-
Notes and accounts receivable	34,477	-	-	-	-	-
Investment securities:						
Held-to-maturity securities	30	100	40	45	5	40
Available-for-sales securities						
with contractual maturities	10,500	2,700	2,870	-	-	-
Short-term loans	17,655	4,327	3,675	3,093	2,584	13,827
Subordinated bonds and subordinated trust beneficiary right	-	-	-	-	-	13,113
Total	¥ 356,906	¥ 7,127	¥ 6,585	¥ 3,138	¥ 2,589	¥ 26,980

Thousands of U.S. Dollars						
At March 31, 2014	Due in 1 Year or Less	Due after 1 Years through 2 Years	Due after 2 Years through 3 Years	Due after 3 Years through 4 Years	Due after 4 Years through 5 Years	Due after 5 Years
Cash and cash equivalents	\$2,460,523	\$ -	\$ -	\$ -	\$ -	\$ -
Money held in trust	398,436	-	-	-	-	-
Notes and accounts receivable	334,998	-	-	-	-	-
Investment securities:						
Held-to-maturity securities	291	972	389	437	49	389
Available-for-sales securities						
with contractual maturities	102,021	26,234	27,886	-	-	-
Short-term loans	171,542	42,042	35,707	30,052	25,107	134,347
Subordinated bonds and subordinated trust beneficiary right	-	-	-	-	-	127,410
Total	\$3,467,811	\$ 69,248	\$ 63,982	\$ 30,489	\$ 25,156	\$ 262,146

Please see Note 8 for annual maturities of long-term bank loan.

Derivative transactions to which hedge accounting is applied at March 31, 2014.

Millions of Yen					
At March 31, 2014	Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value	
Foreign Currency forward contract:					
Buying U.S.\$	Payables	¥ 4,649	¥ -	¥	77

Thousands of U.S. Dollars					
At March 31, 2014	Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value	
Foreign Currency forward contract:					
Buying U.S.\$	Payables	¥ 45,171	¥ -	¥	748

The fair value of derivative transaction is measured at the quoted price obtained from the financial institution.

18. CONTINGENT LIABILITIES

The Company was contingently liable as guarantor to finance companies for housing loans totaling ¥71 million (\$690 thousand) and ¥74 million as of March 31, 2014 and 2013, respectively.

19. COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Unrealized gain on available-for-sale securities:			
Gains arising during the year	¥ 1,972	¥ 4,205	\$ 19,161
Reclassification adjustments to profit or loss	-	-	-
Amount before income tax effect	1,972	4,205	19,161
Income tax effect	(703)	(1,498)	(6,831)
Total	¥ 1,269	¥ 2,707	\$ 12,330
Deferred gain (loss) on derivatives under hedge accounting:			
Gains (losses) arising during the year	¥ 77	¥ (4)	\$ 748
Reclassification adjustments to profit or loss	-	4	-
Amount before income tax effect	77	-	748
Income tax effect	(27)	-	(262)
Total	¥ 50	¥ -	\$ 486
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ 4,349	¥ 2,447	\$ 42,256
Reclassification adjustments to profit or loss	-	-	-
Amount before income tax effect	4,349	2,447	42,256
Income tax effect	-	-	-
Total	¥ 4,349	¥ 2,447	\$ 42,256
Total other comprehensive income	¥ 5,668	¥ 5,154	\$ 55,072

20. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2014 and 2013, is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income	Weighted-Average Shares	EPS	
Year Ended March 31, 2014				
Basic EPS—Net income available to common shareholders	¥ 55,277	79,661	¥ 693.90	\$ 6.74
Effect of dilutive securities—Warrants		36		
Diluted EPS—Net income for computation	¥ 55,277	79,697	¥ 693.60	\$ 6.74
	Net Income	Weighted-Average Shares	EPS	
Year Ended March 31, 2013				
Basic EPS—Net income available to common shareholders	¥ 51,674	79,674	¥ 648.57	\$ 6.30
Effect of dilutive securities—Warrants		36		
Diluted EPS—Net income for computation	¥ 51,674	79,710	¥ 648.28	\$ 6.30

21. SUBSEQUENT EVENTS

(1) Purchase of Treasury Stock

At the board meeting held on April 30, 2014, a plan was approved to repurchase up to 1,710,000 shares of the Company's common stock and retire the shares (aggregated amount of ¥16,600 million (\$161,290 thousand) as treasury stock) during May 1, 2014 through March 30, 2015 on the Tokyo Stock Exchange.

(2) Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2014, as approved at the Company's shareholders' meeting held on June 26, 2014 was as follows:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥177 (\$1.72) per share	¥ 14,100	\$ 137,000

22. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No.20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Description of Reportable Segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group.

The Company is engaged in the construction of apartments with the proposal of effective utilization of land. Daito Building Management Co., Ltd., a consolidated subsidiary, is engaged in whole-building leases as a "Lease management trust system" so that the subsidiary rents all apartments and subleases them to tenants. The Company plans strategies mainly for the business and develops business activities.

Therefore, the Group consists of three reportable segments as follows:

Construction: civil engineering, construction, and other related business

Real estate: whole-building lease, rent, agency, guarantee of tenant and management business

Finance: construction finance business for owner until financial institution executes long-term loan

(2) Methods of Measurement for the Amounts of Sales, Profit (Loss), Assets, Liabilities and Other Items for Each Reportable Segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

(3) Information about Sales, Profit (Loss), Assets, Liabilities and Other Items

Millions of Yen								
2014								
	Reportable Segment				Other	Total	Reconciliations	Consolidated
	Construction	Real Estate	Finance	Total				
Sales:								
Sales to external customers	¥ 545,366	¥ 677,697	¥ 4,425	¥ 1,227,488	¥ 32,186	¥ 1,259,674	¥ -	¥ 1,259,674
Intersegment sales or transfers	12	1,245	2	1,259	6,020	7,279	(7,279)	-
Total	¥ 545,378	¥ 678,942	¥ 4,427	¥ 1,228,747	¥ 38,206	¥ 1,266,953	¥ (7,279)	¥ 1,259,674
Segment profit (loss)	¥ 86,918	¥ 12,579	¥ 1,934	¥ 101,431	¥ 5,591	¥ 107,022	¥ (17,242)	¥ 89,780
Segment assets	94,904	251,151	48,782	394,837	37,053	431,890	252,532	684,422
Other:								
Depreciation	886	2,422	10	3,318	502	3,820	2	3,822
Impairment losses of assets	-	20	-	20	-	20	-	20
Increase in property, plant and equipment and intangible assets	1,856	11,876	-	13,732	475	14,207	1	14,208

Millions of Yen								
2013								
	Reportable Segment				Other	Total	Reconciliations	Consolidated
	Construction	Real Estate	Finance	Total				
Sales:								
Sales to external customers	¥ 489,545	¥ 630,429	¥ 4,156	¥ 1,124,130	¥ 28,283	¥ 1,152,413	¥ -	¥ 1,152,413
Intersegment sales or transfers	51	1,047	2	1,100	6,012	7,112	(7,112)	-
Total	¥ 489,596	¥ 631,476	¥ 4,158	¥ 1,125,230	¥ 34,295	¥ 1,159,525	¥ (7,112)	¥ 1,152,413
Segment profit (loss)	¥ 83,373	¥ 5,385	¥ 1,779	¥ 90,537	¥ 4,876	¥ 95,413	¥ (13,001)	¥ 82,412
Segment assets	80,872	189,998	45,860	316,730	30,466	347,196	270,542	617,738
Other:								
Depreciation	570	2,072	8	2,650	485	3,135	26	3,161
Impairment losses of assets	-	43	-	43	11	54	177	231
Increase in property, plant and equipment and intangible assets	2,127	2,822	3	4,952	965	5,917	-	5,917

Thousands of U.S. Dollars								
2014								
	Reportable Segment				Other	Total	Reconciliations	Consolidated
	Construction	Real Estate	Finance	Total				
Sales:								
Sales to external customers	\$ 5,298,931	\$ 6,584,697	\$ 42,995	\$ 11,926,623	\$ 312,728	\$ 12,239,351	\$ -	\$ 12,239,351
Intersegment sales or transfers	117	12,097	19	12,233	58,492	70,725	(70,725)	-
Total	\$ 5,299,048	\$ 6,596,794	\$ 43,014	\$ 11,938,856	\$ 371,220	\$ 12,310,076	\$ (70,725)	\$ 12,239,351
Segment profit (loss)	\$ 844,520	\$ 122,221	\$ 18,791	\$ 985,532	\$ 54,324	\$ 1,039,856	\$ (167,528)	\$ 872,328
Segment assets	922,114	2,440,255	473,980	3,836,349	360,017	4,196,366	2,453,673	6,650,039
Other:								
Depreciation	8,609	23,533	97	32,239	4,877	37,116	20	37,136
Impairment losses of assets	-	194	-	194	-	194	-	194
Increase in property, plant and equipment and intangible assets	18,033	115,391	-	133,424	4,615	138,039	10	138,049

Notes for the year ended March 31, 2014

- (1) The reconciliations in segment profit include elimination of intersegment trades of ¥423 million (\$4,110 thousand) and corporate expenses not allocated to a reportable segment of ¥17,665 million (\$171,638 thousand). Corporate expenses are mainly the Company's general administration expenses.
- (2) The reconciliations in segment assets include elimination of intersegment trades of ¥1,403 million (\$13,632 thousand) and corporate assets not allocated to a reportable segment of ¥253,935 million (\$2,467,305 thousand). Corporate assets are mainly short-term investments and investment securities held by the Company and other assets of administrative departments.
- (3) Consolidated segment profit is equal to operating income in the consolidated statement of income.

Notes for the year ended March 31, 2013

- (4) The reconciliations in segment profit include elimination of intersegment trades of ¥471 million and corporate expenses not allocated to a reportable segment of ¥13,472 million. Corporate expenses are mainly the Company's general administration expenses.
- (5) The reconciliations in segment assets include elimination of intersegment trades of ¥1,601 million and corporate assets not allocated to a reportable segment of ¥272,143 million. Corporate assets are mainly short-term investments and investment securities held by the Company and other assets of administrative departments.
- (6) Consolidated segment profit is equal to operating income in the consolidated statement of income.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Daito Trust Construction Co., Ltd.:

We have audited the accompanying consolidated balance sheet of Daito Trust Construction Co., Ltd. and its consolidated subsidiaries as of March 31, 2014, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Daito Trust Construction Co., Ltd. and its consolidated subsidiaries as of March 31, 2014, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 26, 2014