

DAITO KENTAKU GROUP Strategy Report 2015



Strongly Pursuing the Potential of Rental Housing

Since its founding in 1974, the Daito Group has been proposing to landowners how to make the most effective use of their land or engage in leasing, and has been supporting tenants' activities from looking for places to live to enabling comfortable lifestyles.

Looking ahead, the Group will strive for further growth by pursuing and actualizing the value that rental housing can provide.



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Business Philosophy

“Contributing to society by realizing extensive and effective use of limited land.”



About this Report

■ Editorial Policy

This report is for everyone interested in the Daito Group's short-, medium-, and long-term strategies and value-creating activities. It is an integrated report that covers a range of important information, including our business overview, market environment and strategies, financial and non-financial performance data, and activities in the fiscal year ended March 31, 2015 (FY2014).

■ Target Readers

Our target readers are shareholders and investors, along with financial institutions, Daito Group employees and their families, and all other stakeholders with whom we have a close connection.

■ The Group's Communication Tools



■ Indicators

Unless otherwise indicated, the figures in this report are for FY2014, or are true as of the end of FY2014

■ Report Period

FY2014 (the fiscal year ended March 31, 2015)

■ Published

July 2015

For convenience, the corporate name is abbreviated as follows in this document.

Daito Trust Construction Group
→ Daito Group

Business Model

Positioning our own unique Lease Management Trust System in the center of our businesses, the Daito Group engages in the construction, real estate, and other businesses together with Group companies, and provides owners with the stable operation of our building rental business, and tenants with safe and secure dwellings and comfortable lifestyles.



Construction Business

We plan and propose building rental businesses to landowners who are thinking of ways to utilize their inherited assets, and then design and construct the contracted rental buildings.

Lease Management Trust System

Plans and proposals

Number of owners
75 thousand
As of April 1, 2015

Design and construction

Cumulative number of units constructed
157 thousand units
As of March 31, 2015

Other Businesses

Group Companies [FY2014: Net sales and operating income (¥ billion)]

Construction Business

- Daito Construction Co., Ltd. [5.39 / 0.03]
Constructs mid- to high-rise rental condominiums in urban centers
- Daito Steel Co., Ltd. [4.79 / 0.12]
Produces and constructs of steel frames and sale of exterior products

Real Estate Business

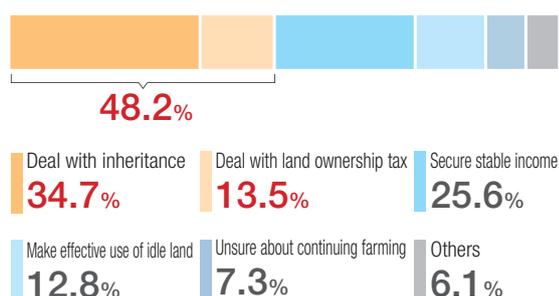
- Daito Building Management Co., Ltd. [701.15 / 32.61]
Total management of rental buildings and provision of customer services
- Housecom Co., Ltd. [8.66 / 0.53]
Rental building real estate agent in Kanto and Tokai regions
- Ju-See Publishing Co., Ltd. [4.60 / 0.16]
Produces and publishes rental building information magazines and operation of their websites
- House Leave Co., Ltd. [3.68, 2.75]
Provides agency guarantee services mainly for tenants' rent liabilities

Land Inheritance and the Social Role of Rental Housing in Japan

In Japan, a majority of people believe that land is an important hereditary asset that should be passed on to succeeding generations. At the same, our customers face the issue of finding measures for dealing with inheritance and landholding taxes.

The building rental business is recognized as one of the most effective means of land utilization to solve these issues. By constructing a building on vacant land, our customers can reduce both the inheritance tax and the fixed asset tax. The Daito Group's business model is designed to meet these needs of landowners.

The main reason our customers want to utilize land



Source: FY2014 data provided by the Daito Group

Real Estate Business

We recruit tenants for constructed rental buildings, and provide property management and operation service for the buildings.

The Lease Management System is the Daito Group's unique total system that replaces the various risks associated with lease management with a sense of security.

35-year whole-building leases

Tenant recruitment

Number of actual tenants
Approx. 1.6 million*
 As of March 31, 2015
 *Estimated

Management and operation

Number of rental housing units under management
864 thousand units
 As of March 31, 2015

Our Group companies possess a variety of specialized customer capabilities, including providing a wide range of responses to land utilization needs, and lifestyle support that delivers security and comfort.

Other Businesses

- **Gaspal Co., Ltd.** [25.53 / 3.41]
Constructs LPG gas facilities and supplies LPG gas to rental buildings
- **Care Partner Co., Ltd.** [9.27 / 0.55]
Operation of elderly day-care centers (visiting care) and nurseries
- **D.T.C. Reinsurance Ltd.** [3.66 / 1.55]
A reinsurance company for tenants' fire insurance
- **Daito Asia Development (Malaysia) Sdn. Bhd.** [3.02 / 0.56]
Conducts overseas hotel business (Malaysia)
- **Daito Finance Co., Ltd.** [1.07 / 0.52]
Handles financing such as construction funds (for a contract fee)
- **Daito Corporate Service Co., Ltd.** [0.91 / 0.01]
A special subsidiary to employ people with disabilities: document printing, sending, and related services
- **Daito Business Center Co., Ltd.** [0.64 / 0.04]
Provides support services for the Daito Group in the areas of workforce labor, janitorial services and general office services
- **Daito Mirai Trust Co., Ltd.** [Started business in October 2014]
Provides services related to real estate management trusts and to asset succession consulting
- **HOUSE GUARD S.S. Insurance Co., Ltd.** [Started business in December 2014]
Sells comprehensive insurance to rental housing tenants
- **Daito Energy Co., Ltd.** [Started business in March 2015]
Supplies and sells energy such as electric power to rental buildings

Market Position

The Daito Group continues to supply added value in line with the needs of the age to the Lease Management Trust System, the Group's unique business model, and is building a strong position in the rental housing market.

■ Housing Supplier Ranking *Excluding condominiums

Rank	Company	Units supplied
1	Daito Trust Construction Co., Ltd.	59,525
2	Sekisui House, Ltd.	47,831
3	Daiwa House Industry Co., Ltd.	42,945
4	Asahi Kasei Homes Corporation	16,374
5	Sekisui Chemical Co., Ltd.	14,510

Source: Japan Real Estate Institute, August 2014

For 6
Consecutive
Years

No.1

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

Rank	Company	Units supplied
1	Daito Trust Construction Co., Ltd.	153,720
2	MiniMini Corporation	148,262
3	Able Inc.	144,517
4	Housecom Co., Ltd.*	64,305
5	Token Corporation	62,999

Source: Zenkoku Chintai Jutaku Shimbun newspaper, January 2015

*Daito's Group company

For 5
Consecutive
Years

No.1

■ Rental Housing Management Ranking

Rank	Company	Units supplied
1	Daito Group	805,911
2	Leopalace21 Corporation	548,912
3	Sekisui House Group	526,276
4	Daiwa Living Co., Ltd.	385,537
5	Starts Group	381,553

Source: Zenkoku Chintai Jutaku Shimbun newspaper, August 2014

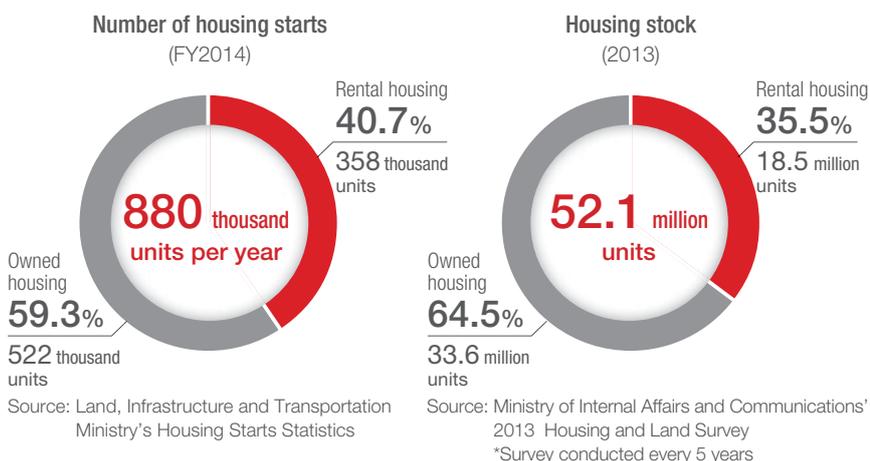
For 18
Consecutive
Years

No.1

Market Environment

In Japan, approximately 356 thousand new rental housing units are being built every year. Furthermore, the demand for rental housing units is forecast to stay the same going forward.

Rental housing holds an approximate 40% share of the number of domestic housing units.



Of the 880 thousand housing units that were constructed in Japan in FY2014, some 358 thousand units (40.7%) were rental housing construction units. Moreover, the number of domestic housing stock in 2013 was 52.1 million units, of which 18.5 million units (35.5%) were the stock of rental housing.

In the domestic housing market, the number of rental housing units holds an approximate 40% share.

Despite the tendency of a declining Japanese population, the number of households is projected to remain approximately the same.

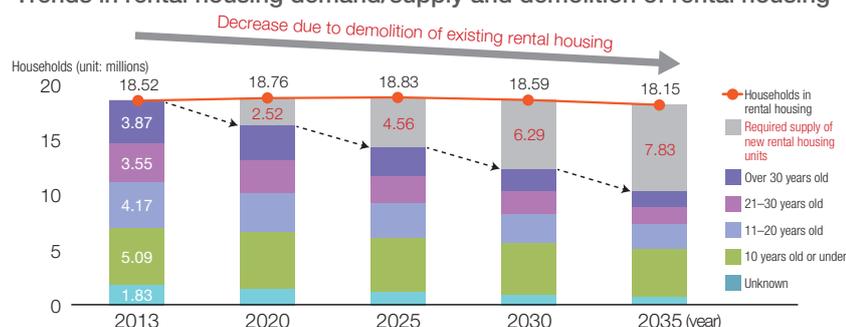
Forecast for population and number of households in Japan



The population of Japan has been in decline since 2010, and this trend is expected to continue. At the same time, the number of households is expected to continue to grow until around 2020, due to an expected increase in the number of single people and elderly living alone, and subsequently level off. In the longer term, the trend of the number of households is predicted to experience a gentle decline.

Looking ahead, the required supply of new rental housing units is anticipated to be approximately 356 thousand units every year.

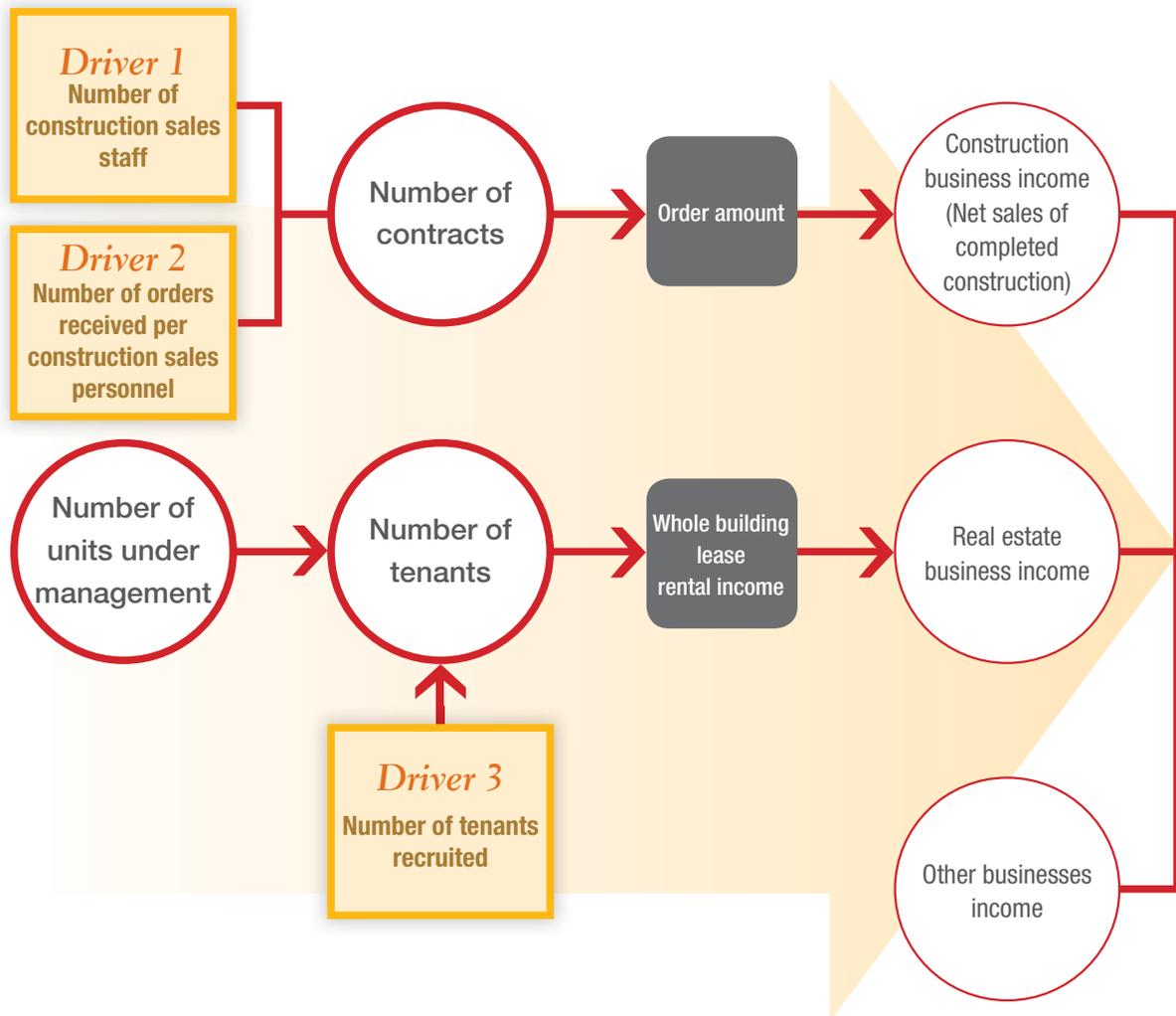
Trends in rental housing demand/supply and demolition of rental housing



Estimating using various statistical materials, the number of domestic households in rental housing in 2035 is forecast to be 18.15 million units. By 2035, approximately 7.83 million housing units are expected to be lost due to the demolition of existing rental housing mainly because of aging, and to replenish these lost units it is anticipated that a supply of approximately 356 thousand new units is needed every year.

Business Growth Drivers

Aiming to create corporate value and achieve sustained growth, the Daito Group has set an operating income margin of 7% or more and a return on equity (ROE) of 20% or more as key performance indicator targets. Moreover, we have set growth drivers to achieve these indicator targets, and are pushing forward with each of our businesses.



The Daito Group has formulated key performance indicator targets to improve corporate value and achieve sustained growth, and then allocated growth drivers for each of these.

These growth drivers help improve the earnings performance of our businesses that are directly linked to attaining key performance targets, and are selected based on the time framework (short-term and medium- to long-term) for achievement of the targets.

In the short-term, we set growth drivers that contribute to improving corporate value in terms of the earnings of each business: 1) the number of construction sales staff, 2) the number of orders received per construction sales personnel, and 3) the number of tenants recruited. By managing these growth drivers appropriately, we can preserve the earnings capabilities of our core businesses.

We will strengthen these three growth drivers with the aim of achieving sustained growth in the medium- to long-term. At the same time, we will strive for business growth by building new businesses that we have not been targeting at the current time, and by implementing initiatives to create new business fields.

Driver 1

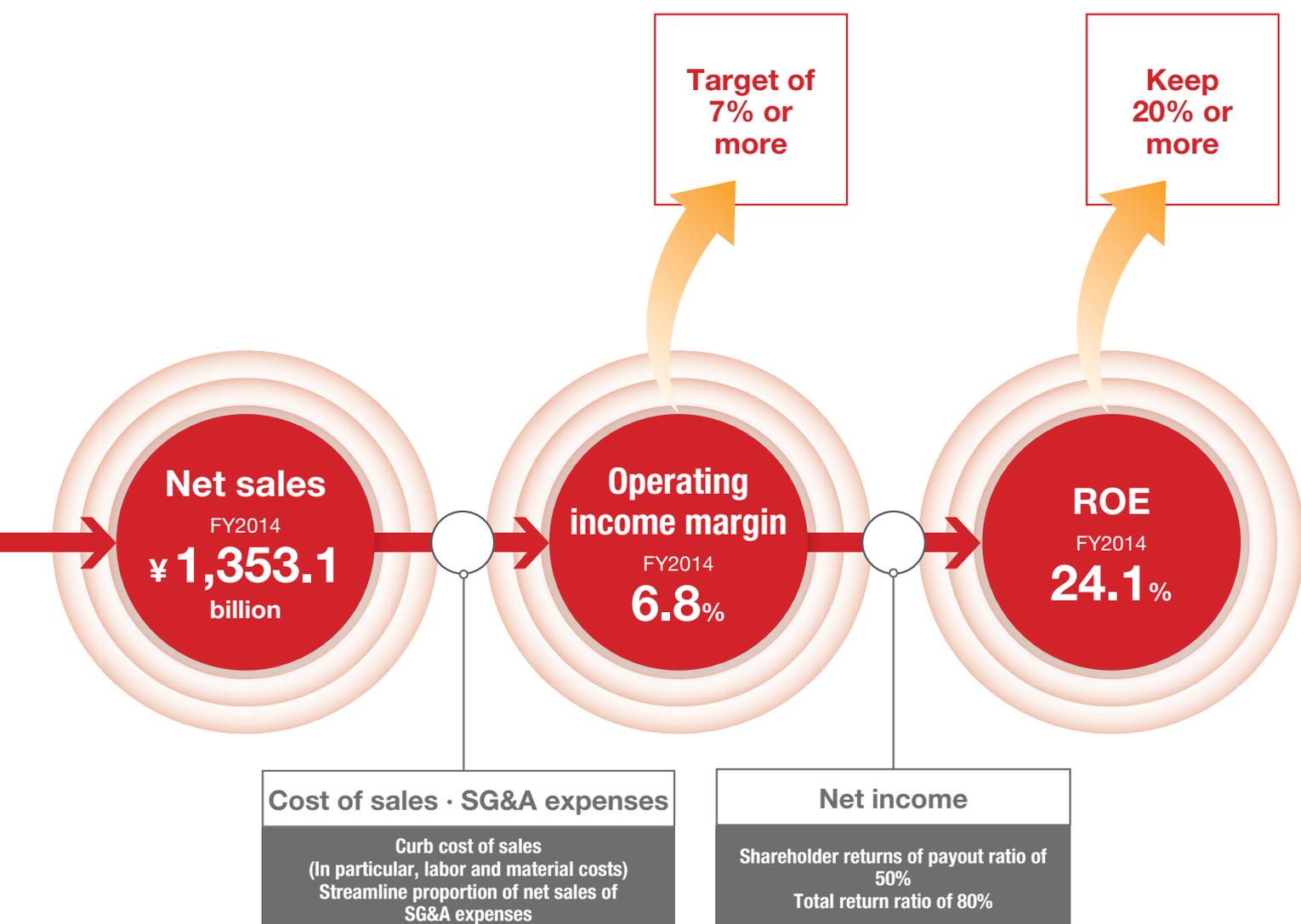
Number of construction sales staff

Strengthen training recruitment activities

— Aim to form construction business sales groups that are the strongest in the industry

The Daito Group will further strengthen its construction sales staff in order to enhance the number of contracts obtained. In detail, we will increase the number of construction sales staff and instigate an appropriate training program that utilizes our direct sales strengths to make proposals about rental housing management that suits the owner's circumstances and life plan.

The number of construction sales staff will be boosted to 3,450 in this fiscal year. In addition, we are establishing an appropriate PDCA cycle for the training that will give these staff a competitive edge.



Driver 2

Number of orders received per construction sales personnel

Design and devise a highly efficient construction sales organization

— Enhance our competitive edge through sales support

To drive forward sales in the construction business, we work to ensure a system is in place that provides high remuneration in proportion to the construction sales staff's responsibility for achieving results in each area. Moreover, we also resolutely execute sales support, including developing products and services and strengthening presentation tools for making proposals to landowners.

We are focusing on enhancing our service system so that it outperforms competing companies by reexamining our competitive capabilities in construction sales from both the soft and hard aspects in order to when initiating naming the trust of landowners.

Driver 3

Number of tenant recruited

Maintain high levels of occupancy rates in rental buildings under management

— Pursue this value by making comprehensive lifestyle proposals

We set targets for the number of tenants recruited to maintain high occupancy rates in the rental housing that we manage.

To succeed in meeting these targets, it is vital to improve the attractiveness of our rental buildings. In addition, to strengthen our connections with tenants and local communities, we also endeavor to continually expand our information-providing channels and expand our collaborations to respond to diverse tenant needs. We listen to tenants and use what we learn to provide higher quality services that offer tenants safety and security in their daily lives.

Performance Highlights

'11/3 '12/3 '13/3 '14/3 **'15/3**

Operating results

	Unit					
Net sales	billions of yen	1,001.1	1,087.1	1,152.4	1,259.6	1,353.1
Gross profit	billions of yen	195.3	214.1	218.4	233.0	238.9
Operating income	billions of yen	73.7	81.9	82.4	89.7	91.5
Operating income margin	%	7.4	7.5	7.2	7.1	6.8
Net income	billions of yen	43.1	47.1	51.6	55.2	56.1

Financial position

Total assets	billions of yen	532.9	569.0	617.7	684.4	701.1
Shareholders' equity	billions of yen	131.1	158.3	191.2	224.8	240.5
Equity ratio	%	24.6	27.8	31.0	32.9	34.3
ROE	%	19.5	32.5	29.6	26.6	24.1

Shareholder return

EPS	yen	384	594	648	693	710
Cash dividends per share	yen	229	297	324	347	375
Payout ratio	%	59.6	50.0	50.0	50.0	52.8
Total return ratio (including treasury stock acquisition)	%	526.0	50.0	50.0	80.0	82.8

Indicators related to the construction business

Value of orders received	billions of yen	503.4	608.7	655.1	625.8	660.4
Number of construction sales staff	persons	2,981	3,222	3,204	3,325	3,247
Net sales from completed construction	billions of yen	430.2	468.6	489.5	545.3	589.1
Gross profit margin for completed projects	%	38.8	37.4	35.2	32.1	29.3

Indicators related to the real estate business

Number of tenant recruitment	thousands	204	214	220	241	253
Rental housing units under management	thousands	645	694	747	805	864
Rent-based occupancy rate on revenue from rent basis (March)	%	96.0	96.8	96.7	96.9	96.7

Cash flows

Cash flows provided by operating activities	billions of yen	60.7	77.8	87.8	83.8	59.4
Cash flows (used in) provided by investing activities	billions of yen	49.9	(11.3)	(10.3)	(59.4)	0.9
Cash flows used in financing activities	billions of yen	(94.9)	(29.4)	(36.2)	(39.1)	(60.8)
Cash and cash equivalents at end of period	billions of yen	184.8	221.0	264.1	253.2	255.5

Mid-Term Management Plan

	'16/3	'17/3	'18/3
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	'16/3	'17/3	'18/3
	1,431.3	1,511.2	1,601.7
	247.3	261.9	277.6
	93.0	98.0	105.0
	6.5	6.5	6.6
	63.3	67.3	72.6

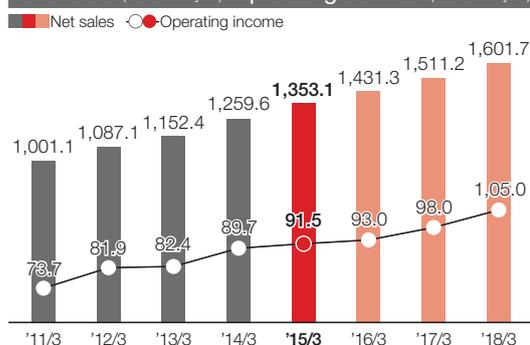
	'16/3	'17/3	'18/3
	734.6	784.3	744.7
	254.3	269.9	287.8
	34.6	34.4	38.6
	25.6	25.7	26.0

	'16/3	'17/3	'18/3
	798	865	952
	399	432	476
	50.0	50.0	50.0
	80.0	80.0	80.0

	'16/3	'17/3	'18/3
	683.0	712.0	740.0
	3,450	3,600	3,750
	616.2	651.2	691.2
	28.0	28.1	28.1

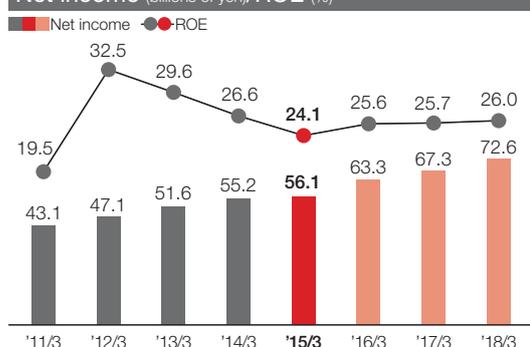
	'16/3	'17/3	'18/3
	271	290	310
	928	992	1,060
	96.7	96.7	96.7

Net sales (billions of yen)/Operating income (billions of yen)



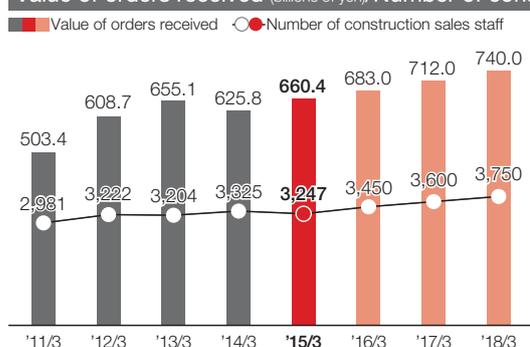
Net sales grew in each business. Operating income dropped 1.9% year on year in the construction business due to rises in labor and materials costs, but the contributions of the earnings in the real estate business and other businesses mean that our sales and profits have now grown for seven successive years.

Net income (billions of yen)/ROE (%)



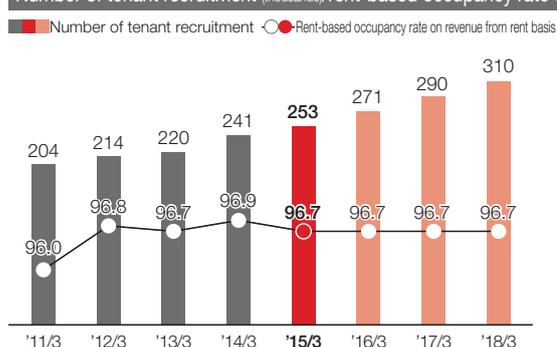
Net sales, operating income and ordinary income all exceeded planned targets to set records, and net income increased 1.5% year on year. ROE exceeded its set target of 20% and amounted to 24.1%.

Value of orders received (billions of yen)/Number of construction sales staff (persons)



The amount of construction orders increased 5.5% year on year against the backdrop of low interest rates and asset utilization needs. The number of construction sales staff dropped slightly to 3,247, but we are working toward building a sales force of 3,450 in response to customer needs.

Number of tenant recruitment (thousands)/rent-based occupancy rate on revenue from rent basis (%)



We enhanced our e-Heya Net website brand, strengthened our sales system, and improved our services that increase convenience to tenants. Due to these and other factors, the number of tenant recruitment increased 5.0% overall.

Strategy — Top Message

In the fiscal year ended March 2015 (FY2014), the Daito Group's net sales and earnings increased for the seventh straight year, leading to record-high profits. To drive further growth in the future, it is vital for the Daito Group to develop and execute the correct strategies based on an accurate understanding of the business environment. The following discussion between President Kumakiri and Vice President Kadouchi covers the Group's current circumstances and its vision for the future.



Naomi Kumakiri

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

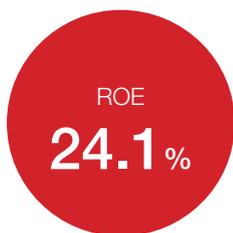


Hitoshi Kadouchi

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

Driving Further Growth

How did the Daito Group perform in FY2014?



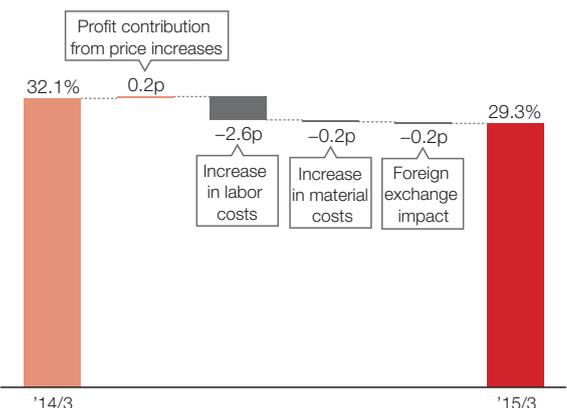
The Group delivered record-high profits by achieving increases in net sales and earnings for the seventh straight year.

Kumakiri: On a consolidated basis, we achieved increases in net sales and earnings for the seventh straight year.

ROE stood at 24.1%, surpassing our target of 20%. However, the operating income margin was 6.8%, 0.2 of a percentage point below our target value of 7%. This shortfall was attributable to a decline in earnings in the construction business segment on a stand-alone basis, due to the impact of greater-than-anticipated increases in labor and other costs.

In the construction business segment, sales for completed construction contracts rose 8.0% from the previous fiscal year to ¥589.1 billion, reaching an all-time high. Although sales prices were increased in April 2014 in

Gross profit margin for completed construction contracts



response to the rising cost of labor and materials, the margin for completed construction contracts was down 2.8 percentage points year on year to 29.3%.

Kadouchi: In the real estate business segment, the rent-based occupancy rate on revenue from rent basis was 96.7%. Following on from the previous year, we were able to maintain this occupancy rate at a sound level. As a result, the real estate business segment achieved steady growth. Sales in this segment increased 6.8% to ¥723.8 billion and the gross profit margin in this segment was also up by 0.5 of a percentage point to 7.2%.

In the other businesses segment, sales increased 9.7% from the previous fiscal year to ¥40.1 billion and the gross profit margin was 35.2%, up 1.1 percentage points. The main contributing factors were an increase in the number of LPG customers for Gaspal Co., Ltd., an LPG supplier, and growth in the number of elderly people using the day-care services offered by Care Partner Co., Ltd., a day-care service provider.

Kumakiri: Selling, general and administrative (SG&A) expenses improved 2.9% year on year to ¥147.4 billion. However, the SG&A expense ratio stood at 10.9%, down 0.5 of a percentage point, due to earnings contributions from the real estate business segment and the Group's related businesses (House Leave Co., Ltd., Gaspal Co., Ltd., and Care Partner Co., Ltd.).

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



Shareholder Return Policy	
EPS	50%
Acquisition and extinguishment of treasury stock	30%
Total return ratio	80%

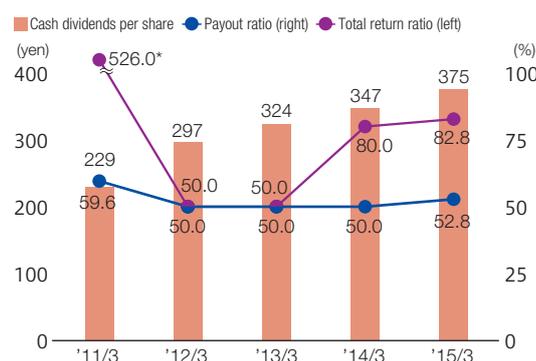
We will maintain a total return ratio of 80% to pay out profits to shareholders.

Kumakiri: Our basic policy is to maintain stable dividend payments. In specific terms, our dividend payments consist of a base dividend and an additional profit return component that reflects our business performance.

In accordance with this policy, we have issued an annual cash dividend payment of ¥375 per share for the fiscal year ended March 31, 2015 (FY2014). This is the sum of a regular dividend of ¥355 and a commemorative dividend of ¥20 issued to mark our 40th anniversary. In addition, we plan to spend ¥16.8 billion, or 30% of our consolidated annual net income in the fiscal year under review, for the acquisition of up to 1.23 million shares of treasury stock and to extinguish these shares in the fiscal year ending March 2016 (FY2015). As a result, the dividend payout ratio will be 52.8%. Combined with the acquisition and extinguishment of treasury stock worth 30% of annual net income, the total return ratio will be 82.8%.

For FY2015, we plan to issue an annual cash dividend of ¥399 per share, an increase of ¥24 year on year. We also plan to continue to acquire and extinguish treasury stock.

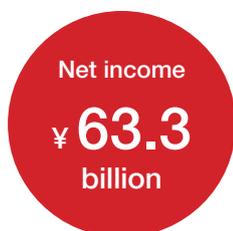
Cash dividends



* The total return ratio rose significantly due to the public offering of treasury stock and the accompanying acquisition and extinguishment of treasury stock.

In light of changes in the business environment, what are your plans for FY2015?

FY2015 Plans



We are targeting record-high net sales and profit as we strive to attain increases in net sales and earnings for the eighth consecutive year.

Kumakiri: We recognize that the business environment continues to offer strong prospects for the future.

In January 2015, the Inheritance Tax Act was amended to raise the top tax rate and reduce tax credits, along with increasing the number of taxpayers. Consequently, there has been growing interest among landowners in inheritance tax and land ownership tax planning strategies. The Bank of Japan's ongoing ultra-low interest rate policy has reduced the cost burden of procuring construction funds, and there is firm demand among landowners to make effective use of their assets.

However, rival housing manufacturers and others have also strengthened their order-winning capabilities in the rental housing market in the wake of the consumption tax hike in April 2014. In response, the Daito Group will need to develop and execute appropriate marketing activities, rental building supply plans and sales strategies in each region.

Kadouchi: We recognize that tenant demand for rental housing will also remain firm. Japan's population has been in decline since peaking out in 2010. However, the number of households is projected to continue increasing until 2020, primarily due to the formation of separate households, and is expected to remain mostly unchanged thereafter. Furthermore, Japanese companies have recently seen an improvement in business performance and employment conditions owing to economic policies taken by the government. Therefore, we believe that Japan's economic recovery will support firm demand.

At the same time, we believe that our ability to respond to the lifestyles and the needs of increasingly diverse tenants will be in stronger demand than ever before.

What are the challenges that you face in maintaining and improving your business performance in FY2015 and how will you surmount them?

FY2015 Construction Business Plans



In the construction business segment, we will strengthen our construction system and reduce costs.

Kumakiri: In FY2014, the Company's orders increased 5.5% from the previous fiscal year to a record-high of ¥660.4 billion. Orders grew in the Kanto region, particularly in the Tokyo metropolitan area. The balance of orders received increased by ¥41.5 billion year on year to ¥822.2 billion. Therefore, the volume of construction starts and completed construction offer prospects for further growth.

We will strengthen our construction system by increasing the number of our cooperating companies, installing additional mainstay 2x4 panel lines using of our own capital investment, and utilizing international technical intern training programs. To secure human resources, we will increase the number of cooperating companies by 100 from the previous fiscal year to 1,713 in FY2015. We will also set up a nationwide support system to assist regions that have insufficient construction systems.

Meanwhile, looking at the cost of construction, labor costs have been pushed up sharply by reconstruction demand related to the Great East Japan Earthquake, demand related to the upcoming Tokyo Olympics and other factors. Unit labor costs have increased across all major prefectures in the past three years.

As a cost-reduction initiative to address the rising construction costs, we have introduced a construction department framework. Under this framework, we will intensively manage ordering out in regions experiencing large volumes of construction work, to facilitate the selection of order sources and control of unit ordering prices.



We will upgrade and expand services that increase customer satisfaction and help to solve social issues.

Kumakiri: We must upgrade and expand services that answer the needs of our customers. Aiming to further distinguish ourselves from competing companies and to reduce the risk to our customers in the management of rental properties, we have increased the whole building lease contract period from 30 years to 35 years. We will strive to increase customer satisfaction by further strengthening our Lease Management Trust System.

We will also start providing asset succession services utilizing trust arrangements in earnest. Aging landowners are seeking comprehensive asset utilization and management support services that achieve satisfactory and efficient asset succession. To satisfy

the landowners' wide range of aspirations, in October 2014 the Daito Group established the managed trust company Daito Mirai Trust Co., Ltd. and commenced related business operations. Looking ahead, Daito Mirai Trust will strengthen comprehensive services related to asset succession by conducting consulting activities in close partnership with other Group companies.

FY2015 Other
Business Plans

Net sales

¥ **41.8**
billion

Kadouchi: Another crucial management priority is to address Japan's aging population with fewer children. Responding to the increasing number of elderly, we established Group company Care Partner Co. Ltd. to operate 69 nursing care facilities nationwide. In doing so, our goal is to help reduce the emotional and physical burden of those caring for elderly family members. In April 2013, Care Partner launched the operation of Kids Partner certified nursery schools with the aim of helping to reduce the number of children who are wait-listed for entry to nursery schools, caused by the lack of nursery schools available for the increasing number of working mothers and others. By FY2016, Care Partner plans to expand its network to 10 nursery schools.

Moreover, in October 2014 we commenced sales of Elder Garden serviced rental housing units for the elderly. Looking ahead, we will continue to identify market needs stemming from social issues at an early stage, and provide new products and services that address those needs.

Construction Business and Other Business

Strengthen the construction system	➔	<ul style="list-style-type: none"> • Increase cooperating companies by 100 from the previous fiscal year to 1,713 • Support for install additional construction-use 2x4 panel lines → by 2 factories from the previous year to contribute to over 10% of production nationwide at all construction • Utilize international technical intern training programs → 120 individuals to commence work annually
Reduce costs	➔	<ul style="list-style-type: none"> • Introduce a construction department framework eyeing to improve construction efficiency • Control contractors and unit ordering prices at the local level
Strengthen sales operations	➔	<ul style="list-style-type: none"> • Increase the number of construction sales staff by 203 to 3,450 • Improve monthly orders received per construction sales staff → increase by ¥0.5 million to ¥16.75 million
Enhance customer satisfaction	➔	<ul style="list-style-type: none"> • Increase the whole building lease contract period → by 5 years to 35 years • Provide asset succession services utilizing trust arrangements
Address Japan's aging society with fewer children	➔	<ul style="list-style-type: none"> • Operate Group company Care Partner Co., Ltd. • Increase the Kids Partner certified nursery schools by one to seven schools • Sell Elder Garden serviced rental housing units for the elderly

FY2015 Real Estate Business Plans



In the real estate business, we will strive to enhance and increase brand recognition, along with improving customer convenience.

Kadouchi: To achieve our targets, it is also vital that we maintain our occupancy rates for rental housing at a high level.

Our first step to attain targets in the real estate business will be to enhance and increase the recognition of our tenant recruitment brand e-Heya Net. We will strive to increase brand penetration by effectively combining advertising via TV commercials, social media such as Facebook, and holding events such as LPGA (Ladies Professional Golfers' Association of Japan) golf tournaments. Efforts will be focused on enhancing and increasing the brand recognition of e-Heya Net as a specialized housing search website.

We will also steadily implement measures to enhance customer convenience. These measures include accepting credit card settlements for tenants' monthly rent payments and move-out costs. We provide our Zero Deposit and Fixed Cleaning Costs plans, and the Live-UP Services that provide information useful for living, the No Guarantor Needed Plan offered by Group company House Leave Co., Ltd., and other differentiated services.

During FY2016, the number of rental housing under management by the Group is projected to exceed the 1 million mark. We will continue to enhance services that

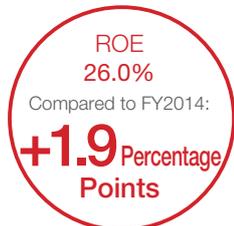
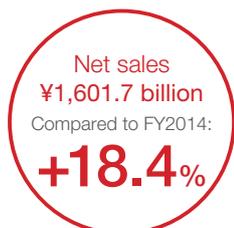
incorporate the perspectives of both landowners and tenants. In this process, the key lies in building cooperative relationships with local communities and areas. Besides real estate agencies that introduce and recruit tenants for our properties, we will further strengthen our relationships with various local partners across a wide range of fields, from construction work to building management and service delivery.



Real Estate Business	
Enhance and increase the recognition of the e-Heya Net brand	<ul style="list-style-type: none"> • Increase brand penetration through an optimal mix of advertising media
Enhance customer convenience	<ul style="list-style-type: none"> • Provide the Zero Deposit and Fixed Cleaning Cost plans • Expand the No Guarantor Needed Plan offered by Group company House Leave Co., Ltd. • Accept credit card settlements for monthly rental payments • Expand menu of Live-UP Services • Cooperating real estate agencies: 12 thousand offices

What is your medium-to-long-term strategy for driving further growth?

Plan for FY2017
(Final fiscal year of medium-term management plan)



We will further develop our business fields related to land utilization as we build a competitive edge based on high levels of customer satisfaction.

Kumakiri: The Daito Group has embraced “Strongly pursuing the potential of rental housing” as its medium-term management slogan. Guided by this slogan, we will build a competitive edge in two priority areas designed to energize local economies, in order to better serve residents’ daily lives and their communities, and to ensure sustainable management.

The first priority area is to enhance our ability to respond to the asset succession needs of landowners, with a view to providing comprehensive asset management services centered on land utilization. To fulfill a variety of needs, we will develop professionals who are able to make land utilization proposals within three years of joining the Company, while rigorously providing guidance and training focused on fostering people and motivating each individual employee. Our goal is to develop construction sales personnel who can be wholeheartedly entrusted with the assets of landowners and the industry’s strongest salesforce.

In addition, we will work to develop products and services by exploring unmet needs through various types of feedback obtained from the Daito Owner Forum, customer questionnaires and other channels.

Furthermore, we will provide information about asset succession and the rental housing market through the Rental Management Network (CK-NET), which was formed in 2013.

Kadouchi: The second priority area is to reinforce our ability to provide business solutions linked to land utilization. By taking full advantage of the management service technologies and expertise we have developed, we will prepare to meet demand for renovations and conversions of properties under management. We will also provide outsourced management services for buildings managed by third parties, with a view to winning increased orders to rebuild properties in the future. At the same time, we will closely coordinate our tenant recruitment, internal screening and management departments, and prepare the capability to smoothly revise rents in the 10th year of whole building leases from FY2015.

Kumakiri: We will also proactively work to reduce the amount of waste generated through the use of highly durable materials and to address energy policies that target the deregulation of electricity and gas by conducting a solar power generation business by renting out rooftop space. In doing so, we will enhance both the appeal of the buildings themselves and their social and environmental value.

We will continue to pursue initiatives that attach great importance to the customer’s viewpoint, requests and standards. We promise landowners that we will ceaselessly pursue the provision of value that surpasses the expectations of their generation. Also, we promise tenants that we will endeavor to provide the utmost satisfaction across every aspect of our services, from housing searches to support for comfortable living.

Value-Creating Activities to Achieve Strategies and Sustained Growth

The Daito Group is pushing ahead with business activities to reach the goals it has set to further enhance its corporate value. Furthermore, in a quest for sustained growth, we are pursuing the full potential of what rental housing can do for people. For this, we are implementing activities to energize the lives of rental housing residents and local economies—activities that will ultimately help to preserve the regional and global environment.

The Daito Group's Value-Creating Activities

Making the Most Effective Use of Land and Enabling Comfortable Lifestyles

[Social background and needs]

- Increased land asset succession needs
- Pursuit of diversified lifestyles
- Housing suited to the ultra-aging society

[Activities]

- Strengthen traction by delivering comprehensive services ranging from rental housing management to asset succession
- Maintain high occupancy rates by improving both the intangible (“soft”) and tangible (“hard”) aspects of rental housing
- Capture new demand by commencing sales of rental housing units and rolling out day-care services for the elderly

Please see ▶ pages 19 to 22 for details.

Strengthening and Invigorating the Regional Economy and Community

[Social background and needs]

- Invigorate the regional economy
- Create regional employment
- Participation by private companies in regional activities

[Activities]

- Maintain business stability by strengthening the construction system and cooperating with local talent
- Enhance service capabilities by building trusting relationships with cooperating companies
- Help to invigorate local communities, promote increased understanding of the Daito Group, and build a loyal customer base

Please see ▶ pages 23 to 24 for details.

Strategy

(Short-term, medium-term, and long-term)

Please see the “Top Message” ▶ pages 11 to 16 for details.

FY2014
Net sales

¥1,353.1 billion

Strongly Pursuing the Potential of Rental Housing

We provide rental housing residents with comfortable lifestyles, while pushing ahead with business activities that contribute to communities and the regions

FACT

STRATEGY

ACTIVITIES

FY2017 Plans
Net sales
¥ 1,601.7 billion
Operating income
¥ 105.0 billion

Preserving the Regional and Global Environment

[Social background and needs]

- Prevent global warming
- Ensure the stable provision of energy
- Use sustainable resources

[Activities]

- Efficiently promote environmental management
- Promote the energy infrastructure business
- Procure sustainable wood materials

Please see ▶ pages 25 to 26 for details.

Corporate Foundation

[Social background and needs]

- Promotion of diversity in Japan
- Focus on management transparency
- Enforce of Japan's Corporate Governance Code

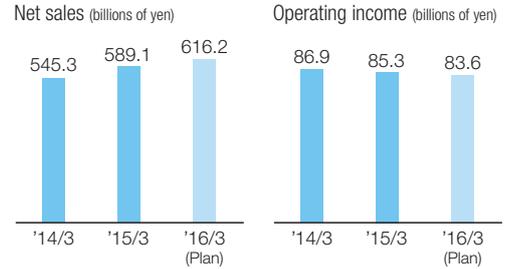
[Activities]

- Increase work positions for women and their recruitment
- Appointed seven independent outside directors and corporate auditors
- Disclosed all 73 corporate governance code items

Please see ▶ pages 27 to 34 for details.

Construction Business

The amendment of the Inheritance Tax Act and ultra-low interest rates have spurred increased asset utilization needs. In this environment, the Daito Group is upgrading and expanding asset succession support services. In addition, the Group will continue to foster professional salespeople who can be “entrusted with land that was built on or with land to build on.”



Strategic Measures

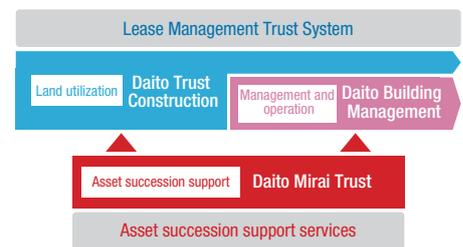
[Tackling Issues Faced by Succession for Landowners]

Management support services that achieve satisfactory and efficient asset succession for landowners

With the increasing number of aging landowners, there is a growing need for management support services that achieve satisfactory and efficient asset succession.

Hitherto, the Rental Management Network (CK-NET) has been providing information through seminars and publications. In October 2014, the Daito Group started operations at Daito Mirai Trust Co., Ltd. to facilitate the easy use of supply of asset succession support services and property management services by landowners nationwide using the Group's real estate management trust framework.

The Group will further improve customer satisfaction through asset succession support services that solve the problems and uncertainties faced by landowners or their next generation as regards various aspects of asset succession.

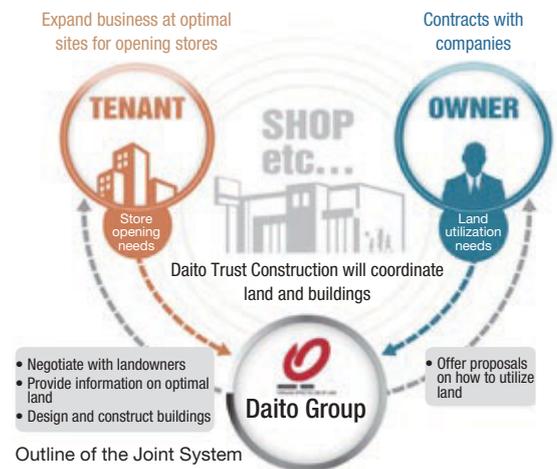


Outline of asset succession support services

[Upgrading and Enhancing Services for Store-Opening Corporate Customers]

Strengthen business solutions related to land utilization

The Daito Group has initiated the Joint System, which links store-opening companies seeking to develop distribution businesses in various areas across Japan and landowners. Under this system, the Group fulfils the role of matching the needs of both of these parties. For store-opening companies, the Group provides information about optimal land, design and construction of buildings, and consulting services such as planning related to store openings. For landowners, the Group offers proposals on how to utilize land. Apart from this, the Group is responding to emerging needs by leveraging its broad range of solutions, including services focused on real estate renovation and conversion.

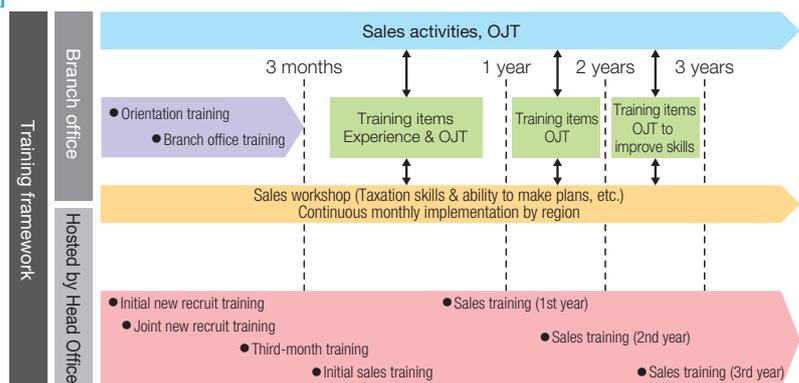


Outline of the Joint System

[Nurture and Strengthen Construction Sales]

Create the education framework

The main components of nurturing construction sales staff are the implementation of sales activities and on-the-job-training (OJT) at corporate branches. We intensively train employees in the first three months after they join the Company, and then nurture and develop their experience through OJT, based on the 83 items that we consider comprise the skills needed to perform sales activities. Every month, their managers confirm the skills they have mastered, and use reeducation and other forms of the PDCA cycle to teach them new skills and improve existing skills. We are focused on nurturing sales professionals who possess the ability to make proposals that prevail against the competition.



Flow diagram of nurturing construction sales staff

Rental Housing Development

The Daito Group is focusing on developing new types of rental housing that fulfill the needs of owners and tenants by fully leveraging the knowledge and technology it has developed over the years.

The Future Research Institute of Rental Housing: exploring and proposing new value in rental housing

Today, Japan is becoming increasingly diverse as a result of the ultra-aging of society, coupled with increases in the number of unmarried households and a low birthrate. Against this backdrop, in July 2014 the Daito Group set up The Future Research Institute of Rental Housing as an initiative to explore and offer proposals on the potential of housing.

Measures to develop housing going forward

- Conduct research on the intangible and tangible aspects of residences and lifestyles based on feedback from owners, tenants and society at large
- Provide information via website
- Execute various tie-up plans spanning different industries



Website for the Future Research Institute of Rental Housing

SOYOKA: Living together with nature's blessings

The Group is taking steps to develop rental housing that addresses social issues. One such step was the launch of SOYOKA in October 2014. SOYOKA seamlessly incorporates a passive design into the building and site area. This design creates eco-friendly and comfortable living spaces that harnesses the natural power of light, wind, and greenery.

SOYOKA features

- Direct light and air flow into the unit using the ecovoid courtyard and the eco-shaft ventilating tower
- Within the premises, introduction of heat-insulating pavements to curb heat islands, and a luxuriant feelings of nature by effectively deploying greenery
- An energy-saving feature with the top rating for a system displaying housing capabilities*, and the attainment of certification standards for low-carbon buildings

* Based on the law for securing and promoting the quality of residences.



SOYOKA exterior



Ecovoid

Bellet enables floor plans to be arranged according to family makeup

In October 2014, the Group launched the Bellet series of rental housing to fulfill the needs of customers seeking to change floor plans in step with the growth of their families without having to move. This new series helps to enhance the product appeal of rental housing by enabling tenants to live in familiar areas for a long time. It also caters to tenants seeking to choose housing with their future lifestyle needs in mind.

Bellet features

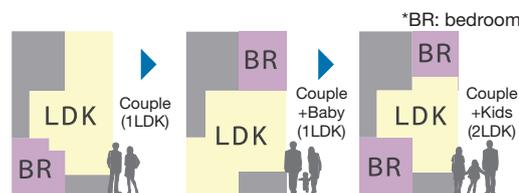
- Room partitions can be changed using "Art Panel" movable fixtures
- Lineup comprising three grades (designs) for different tastes



Bellet exterior



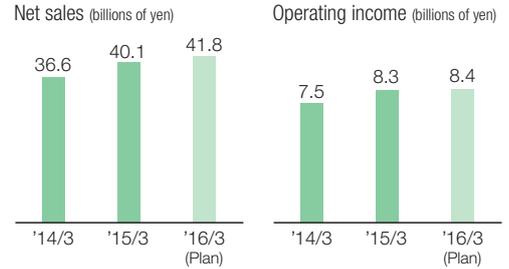
Art Panel movable fixture



Enables the shape of the rooms to be changed in line with the family's growth

Other Businesses

In other businesses, the Daito Group is upgrading and expanding specialized services in the financial services business, LP gas business and other operations in partnership with the construction business and the real estate business. To address issues posed by Japan's ultra-aging society, the Group is also developing rental housing.



Strategic Measures

[Adding Value to the Lease Management Trust System]

Inheritance Tax Payment Loan service

The Group has started offering the Inheritance Tax Payment Loan service to help temporarily reduce the financial burden of owners when they make inheritance tax payments from December 2014.

Through Daito Finance Co., Ltd., this service is designed to provide financial support to the heirs (business successors) of buildings managed by the Group.

By upgrading and expanding a variety of services peripheral to the construction business, the Group intends to fortify its business model.

- Preserve retirement funds**: Owners can plan for life in retirement without having to allocate retirement funds to tax payments.
- Preserve deposits and savings**: Owners have less need to draw from deposits and savings to pay taxes.
- Maintain land ownership**: Owners will no longer need to sell their land or rush to sell it at undervalued prices.
- Meet tax payment deadlines**: Owners are able to meet tax payment deadlines and avoid paying disadvantageous interest tax payments.

Advantages of the Inheritance Tax Payment Loan service

[Addressing Living in Safety and Peace of Mind]

Strengthening the LP gas business

Safe and high-quality services must be provided in the field of LP gas supply. Gaspal Co., Ltd. handles the Daito Group's LP gas business. It carries out everything from the design and installation of gas equipment to delivery of gas supplies. Gaspal has established in-house standards that exceed statutory requirements. Notably, it has introduced a centralized monitoring system for monitoring gas facilities 24 hours a day, 365 days a year.

In October 2014, Gaspal was given the Ministry of Economy, Trade and Industry's Commerce and Distribution Award by the LP Gas Security Committee for the second consecutive year.



METI's Commerce and Distribution Award

[Addressing the Needs of an Ultra-aging Society]

Serviced housing units for the elderly

In October 2014, the Daito Group commenced sales of Elder Garden serviced rental housing units for the elderly, which feature lifestyle support and various other services. By identifying needs for residential environments where the elderly can live safely and comfortably, we seek to develop housing for the elderly as a new business that leverages the Group's strengths.

- Group-wide collaboration to provide high-quality services
- Design and construction: Daito Trust Construction Co., Ltd.
- Lifestyle support: Care Partner Co., Ltd.
- Management and operation: Daito Building Management Co., Ltd.



Artist's image of Elder Garden exterior

Strengthening and Invigorating the Regional Economy and Community

The Daito Group's business activities are conducted as part of a deep relationship with regional partner companies. Working together with regional communities and aiming to develop together enables stable business activities and sustainable growth.

Strategic Measures

[Initiatives Related to the Construction Business]

Extend 2x4 framing lumber panel production yards to improve productivity and strengthen systems

Strengthening our system for carrying out construction is one of our important initiatives for supporting an increase in building construction.

In FY2014, we supported extensions to 2x4 framing lumber panel production lines at affiliated yards in Numazu City, Shizuoka Prefecture, and Sanda City, Hyogo Prefecture. This led to a 10% increase in annual productivity at Daito's affiliated panel production yards.

We are strengthening our system for carrying out construction to enable stable and speedy development of the rental housing business for landowners.

Effects of Expanding 2x4 Framing Lumber Panel Production Lines

Annual productivity increased **10%**



A panel production line in Numazu City, Shizuoka Prefecture

New initiative to foster tradespeople supporting and welcoming trainees from Vietnam

We plan to accept 120 trainees from Vietnam.

Under this program, training staff are dispatched to Vietnam to provide trainees with training on subjects such as basic construction awareness before they come to Japan, after which the trainees receive on-the-job experience for about three years at a cooperating company. During that time, we provide support on technical and mental levels, as well as lend tools at no charge and subsidize housing.

Welcoming trainees from Vietnam strengthens our relationship with partner companies and supports the training of human resources who will lead the economic development and industrial promotion of emerging markets.

Welcoming Trainees from Vietnam

Plan to accept **360** trainees over 3 years



Training in Vietnam

[Initiatives Related to the Real Estate Business]

Fusing service differentiation and revitalizing regions Clean Keeper system

When it comes to operating and managing rental housing, a vital role is played by local residents, mainly housewives and senior citizens, who act as Clean Keepers to clean our buildings.

As an employment opportunity deeply rooted in the local community, it is also one aid toward revitalizing regions and the detailed response ensures operation and management of rental housing is highly evaluated.

This connects to service improvements and differentiation and at the same time enhances service efficiency.

No. of Clean Keepers

3,424



A Clean Keeper at work

Working to build firm partnerships with real estate agents

By building a firm collaborative system with regional real estate agents, we aim to strengthen our tenant mediation capabilities.

In 2014, we held private functions for real estate agents at 10 locations across Japan. At each location, we set up exhibit booths for Live-UP GUARD, a small amount and short term insurance service, and the Live-UP Services. We are working to deepen deepening real estate agents' understanding of Daito Group and focusing on strengthening systems that lead to providing services to more customers.

No. of Private Functions for
Real Estate Agents

5,569



Private functions for real estate agents

[Other Initiatives]

Participate in Revitalizing Towns as a Member of the Community

Tenants have enriched and comfortable lifestyles because of the charming and invigorating towns and communities. Based on the belief that stable growth in the rental housing business arises from town and community development that makes residents want to live there for the long-term, we actively engage in various activities as a member of the community.

Participated in Community Events

48 events



Koshigaya Branch at the Daito Kentaku Cup baseball game



Omuta Branch at the Omuta Daijyama Festival

Initiatives with the Community and Support for Disaster-Stricken Areas

To support reconstruction of areas hit by the Great East Japan Earthquake and tsunami of March 2011, we collected donations through the Ashinaga Fund that were used to build Rainbow House, a facility built by the Ashinaga Scholarship Association for children orphaned in the disaster. Since April 2015 we have been operating the Mirai Fund, a fund to connect to vitalizing local communities. Moreover, to mark the 40th anniversary of our foundation, we have prepared about 90 thousand original commemorative gift sets that will use only cedar and cypress from the Tohoku region. Material procurement through to processing will all take place in yards in Miyagi Prefecture and Iwate Prefecture, supporting the generation of employment in areas hit by the disasters.

After the landslides that occurred in Hiroshima City in August 2014 employees from branches in the vicinity helped with relief work and we lent rental housing that we manage rent-free for three months to those affected by the disaster who were struggling to find housing, particularly homes with elderly residents and families raising children.

Accumulated Donations for the
Ashinaga Scholarship Association

¥ **341.91** million



Rikuzen Takata Rainbow House

Total Contributions Collected for
the Hiroshima landslides

¥ **28.63** million



Relief work in Hiroshima

Preserving the Regional and Global Environment

Japan's government has a policy of reducing GHG emissions by 3.8% from the 2005 level by 2020, which means that companies have a social responsibility that requires them to reduce the load on the environment in their business activities. The Daito Kentaku Group's Environmental Management reduces the environmental load at the same time as raising management efficiency to move forward with the Group acting in unity.

Strategic Measures

Basic Environmental Policy

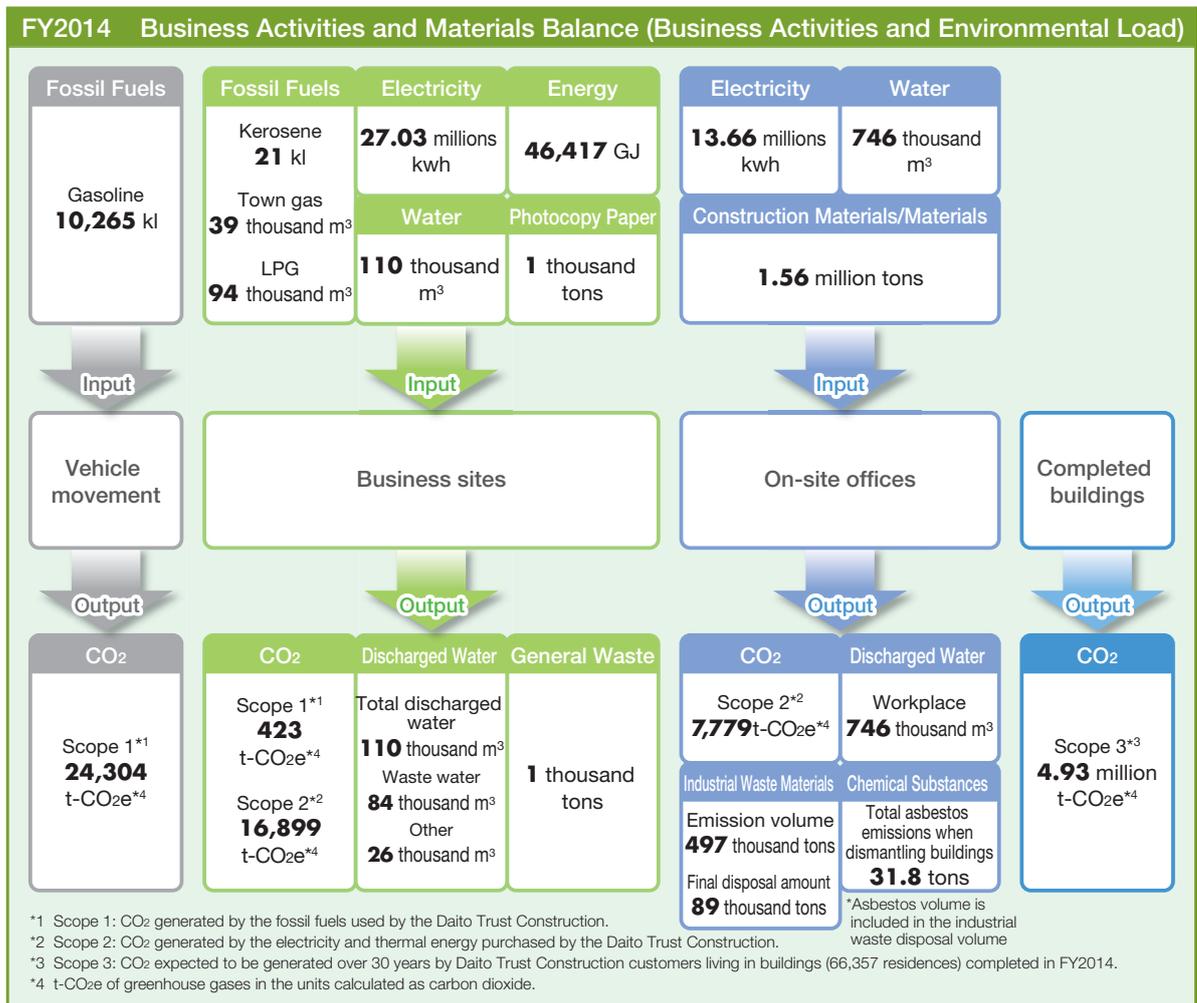
The following activities seek the materialization of a Low-Carbon Society, a Recycling-Oriented Society and a Society in Harmony with Nature based on our Basic Environmental Policy.

All our business activities strive to maintain the 3Rs of Reduce, Reuse and Recycle as we actively engage in environmental preservation. In addition, as a company advanced in land use, we place importance on harmony between regional societies and nature and continue making proposals for good living environments.

[Initiatives to Promote Steady Environmental Management]

We are building a framework to promote steady and efficient Environmental Management. The promotion section, including an executive officer and director, formulates strategic targets and implements measures to achieve these in a way that is linked to company management. Our implementation sections carry out their meticulous duties to reduce the environmental load.

Moreover, input and output of energy and resources across all business activities are measured and monitored throughout the year and the data produced is used as base data for Environmental Management. Emissions of GHG such as CO₂e are categorized in three groups (Scope 1, 2 and 3) and their volumes are calculated to a new range.

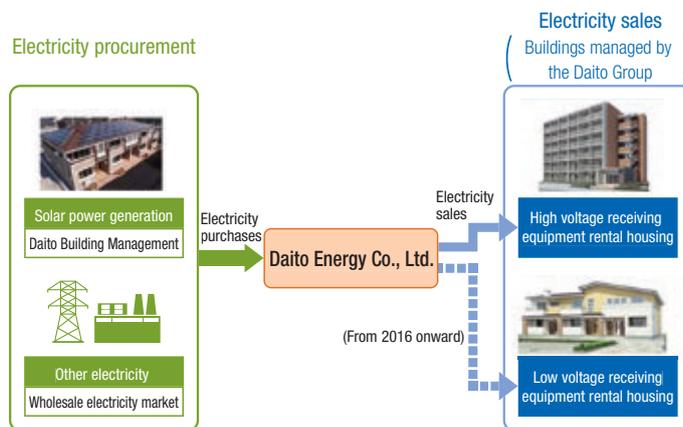


Promoting a sustainable energy infrastructure business

The solar power generation business run by Daito Building Management Co., Ltd. uses power obtained from solar panels attached to the roofs of rental housing, and the scale of equipment has expanded about five-fold since the end of fiscal 2013.

In anticipation of the April 2016 liberalization of the electricity retail market, the Daito Group formed a new company, Daito Energy Co., Ltd., in August 2014. Going forward, plans are to develop advanced electricity services to provide added value to tenants.

Introducing an original energy service system will enhance the attraction of Daito Kentaku rental housing and differentiate it from competitors, and aims to secure new tenants and improve the tenant retention rate.



Total Solar Power Generation Capacity
75.5 Megawatts
 (Equivalent to 22,650 households)

Procuring lumber with an awareness of the need to preserve the ecosystem

Canada, whose area is almost half occupied by forests, has positioned lumber as one of its important export industries, and so has made nearly all its woodland into state forests. It manages these forests giving consideration to conducting sustainable forestry. Daito's construction business procures lumber materials, the main structural material used in 2x4 buildings, from managed forests in North America, principally Canada, thereby ensuring a stable supply.

At the same time, we also systematically make use of and promote Japanese forests and are contributing to forest maintenance within Japan. This will vitalize local industry through encouraging local production and local consumption. It will also nurture healthy forests that act as absorbers of CO₂ and contribute to the preservation of ecosystems. Moreover, it disperses risk by diversifying and increasing procurement sources.

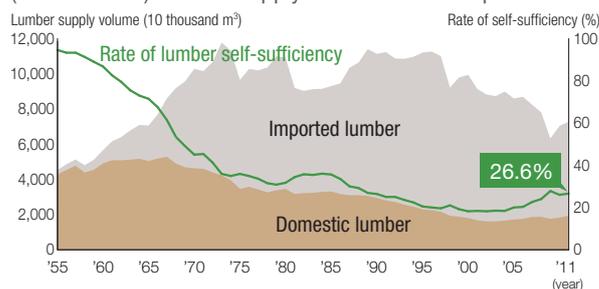
Japanese Lumber Used per Year

682 tons

Cedar studs grown in Japan
 (Tohoku and Kyushu)

Amount used: 198,943 trees (in 1571.7 m³)

(For reference) Lumber Supply and Demand in Japan



Source: Lumber Supply and Demand Chart, Forestry Agency

Enriching Environmental Reports and Enhancing Reliability

Daito introduced environmental accounting from FY2008 to quantitatively assess our environmental preservation activities, reduce the environmental load and improve business efficiency, as well as to calculate things such as the cost of environmental preservation.

To inform stakeholders of Daito's environmental initiatives, we issue an annual CSR Report in addition to disclosing information on our website about detailed issues, objectives, and plan-based activities, as well as numerical data.

For more information about our initiatives for the environment, please refer to our website (Only in Japanese).

<http://www.kentaku.co.jp/corporate/csr/environment/>



Our employees are an important component that underpins the growth of the Daito Group. Regardless of aspects like gender or age, if there is friendly competition among our human resources with their diverse sets of values and different strengths, then we can realize and provide high value-added services to society and our customers. We are striving to create a vibrant work environment where all employees take on the challenge of meeting their goals.

Strategic Measures

[Creating Workplaces Where Diverse Human Resources Can Thrive in a Sustained Manner]

We have put in place systems and workplaces incorporating an awareness of the work-life balance that enable our employees to have both a career and a home life, as well as enabling them to maximize each of their capabilities.

Paid Leave System Maximum 60 days	Childcare Leave System Maximum up until the child reaches 3 years of age
Anniversary Holiday System A system where employees can take a holiday to celebrate a commemorative occasion of their own or for someone such as a family member	Reduced Working Hours System Offered until a child reaches the third grade of elementary school

Enhance creativity and productivity through the assignment of optimal personnel to the most suitable positions

The Daito Group is working to enhance productivity and improve efficiency by flexibly assigning the optimal human resources for moving ahead on tasks without categorizing by gender or age. The number of work positions for women and the number of women recruited are increasing year by year. Moreover, we are actively employing women and aiming for 5.0% of all managers to be women by 2020.

In April 2015, we newly established the Diversity Promotion Section. We proactively encourage making full use of diverse human resources with the aim of achieving sustainable business growth.



Promoting Success for Women

<Active Appointments> · Branch managers · High-ranking managers · Outside directors	<Expanding Work Areas and Recruitment> · Actively recruited people in construction sales (Employment at year ended March 31, 2015, was 51 people more than the previous fiscal year) · Started recruiting new graduates to become construction managers
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Yonago Branch Manager Hisamatsu (Female) and branch employees

Initiative to Take Advantage of Mothers' Perspectives

The *Ikumama* Project comprises initiatives for improvements from a mother's perspective. In detail, female employees engaged in childcare create stores that enable customers with young children to search with assurance for a room. Currently, the project has started the *Ikumama Funtoki* blog diary, where working mothers share information on work, home life and childcare in the expectation of unearthing new ideas.



The *Ikumama* Project

Awarded by the Japan Property Management Association Working Women 2014 for Top Sales

Japan Property Management Association Working Women 2014, which commends women working in the real estate industry, singled out Daito Group female employees for awards from among those at 1,190 registered companies. Daito Group female employees were assessed as having advanced communication skills, and this included being awarded the outstanding prize for being the best of 284 competitors in a telephone reception contest.



Ms. Kaori Takeda from the Nagoya Higashi Sales Office of Daito Building Management Co., Ltd.

[Human Resources Supporting Growth]

Professional human resources

Daito maintains high standards for our training programs for the training divisions for each job type and for the acquisition of various qualifications. Going forward, we will strengthen our human resources training and strive to provide assured high-quality services.

No. of First-Class Architects

1,477

People with FP (Financial Planner) Qualifications (Total of first- and second-class FPs, AFPs and CFPs)

524

First-Class Engineering Operation and Management Engineers

2,037

Real Estate Transaction Specialists

2,720

Utilization and succession of accumulated expertise and skills

We introduced a post-retirement employment system in 2006 to secure a diversity of human resources with the aim of appointing effective human resources to enhance work quality. This has created an environment and system that enables skills and expertise acquired through work to be utilized following retirement. We promote the securing of stable employment and making increased active use of talented human resources.

No. of people employed under post-retirement re-employment system

Of 104 retirees,
86 were re-employed

Promotion of employment for the disabled

The Daito Group promotes the proactive employment of people with disabilities at all workplaces, and there are 401 people with disabilities actively working in the Group (as of June 2015). Daito Corporate Service Co., Ltd, a special subsidiary to employ people with disabilities, has established a consultation service for people with disabilities to provide a timely response to their consultations. The entire Daito Group aims to have stable employment and a work environment in which every employee can work in a positive manner.

Disabled Person Employee Rate (Group)

2.67 %

*As of June, 1, 2015



A person with a disability receives work-experience training

[Enhancing Corporate Value]

Our Promise

On the occasion of the 40th anniversary of our foundation in 2014, Daito formulated "Our Promise" for each stakeholder. "Our Promise" is the name of a set of specific action guidelines that elaborate on our medium-term management plan slogan, "Strongly Pursuing the Potential of Rental Housing." Going forward, each employee will think and act on what values to provide and how these should be put into practice for all our stakeholders.



Employees wear an "Our Promise" credo card

Our Promise

- For landowners..... The Daito Group will ceaselessly pursue value that surpasses the expectations of the generation that was entrusted with land that was built on, or with land to build on.
- For tenants..... We will provide the utmost satisfaction across every aspect of our services, from housing searches to support for comfortable living.
- For shareholders..... We will make sustained shareholder returns, through the steady realization of our management plans.
- For business partners..... We will build partnerships that can enhance coexistence and co-prosperity, placing importance on the connections between regions and people.
- For community..... We will anticipate societal changes, and contribute to the vitalization of regional economies and regional communities.
- As employees..... We will create workplace environments brimming with energy, in which employees can feel motivated and rise to take on challenges.



Board of Directors

① **Naomi Kumakiri**
 President, Chief Executive Officer
 and Representative Director
 Construction Business Headquarters
 Corporate Management Headquarters

④ **Shuji Kawai**
 Managing Executive Officer and
 Director
 Corporate Management Headquarters

⑦ **Yukio Daimon**
 Executive Officer and Director
 Construction Management
 Department

⑩ **Yujiro Sasamoto**
 Outside Director

⑫ **Mami Sasaki**
 Outside Director

② **Hitoshi Kadouchi**
 Executive Vice President, Executive
 Officer and Representative Director
 Real Estate Business Headquarters
 Related Business Headquarters

⑤ **Kanitsu Uchida**
 Executive Officer and Director
 Design Management Department

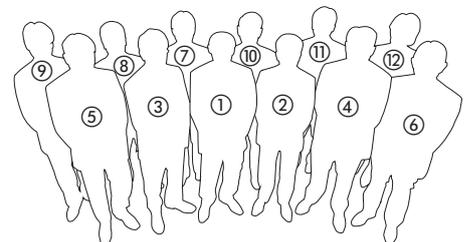
⑧ **Kazuhiko Saito**
 Executive Officer and Director
 East Japan Construction Business
 Headquarters
 Also in charge of Post-Disaster
 Reconstruction Business

⑪ **Toshiaki Yamaguchi**
 Outside Director

③ **Katsuma Kobayashi**
 Managing Executive Officer and
 Director
 Sales Planning Department

⑥ **Kei Takeuchi**
 Executive Officer and Director
 Central Japan Construction Business
 Headquarters

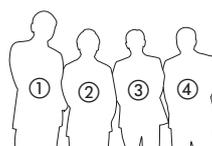
⑨ **Shinichi Marukawa**
 Executive Officer and Director
 Leasing and Sales Department





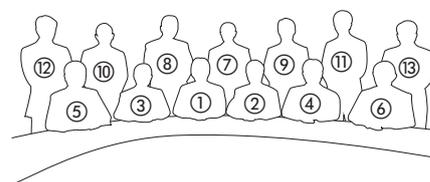
Audit and Supervisory Board

- ① **Masayasu Uno**
Standing Corporate Auditor (outside)
- ② **Hideo Hachiya**
Corporate Auditor (outside)
- ③ **Kazumitsu Futami**
Corporate Auditor (outside)
- ④ **Kazuo Fujimaki**
Corporate Auditor (outside)



Executive Officers and General Manager

- ① **Takeshi Nakagawa**
Managing Executive Officer and General Manager
President, Gaspal Co., Ltd.
- ② **Takuya Ishii**
Managing Executive Officer and General Manager
East Kanto Construction Division
- ③ **Hiroshi Sugiyama**
Executive Officer and General Manager
Kita Kanto Construction Division
- ④ **Masayoshi Tanaka**
Executive Officer and General Manager
Information Technology Department
- ⑤ **Shoji Yamada**
Executive Officer and General Manager
Tokai Construction Division
- ⑥ **Hiromichi Ono**
Executive Officer and General Manager
Assets Succession Consulting Department
- ⑦ **Sachio Washi**
Executive Officer and General Manager
Human Resources and General Affairs Department
- ⑧ **Takashi Suzuki**
Executive Officer and General Manager
Chukyo Construction Division
- ⑨ **Eiji Okamoto**
Executive Officer and General Manager
Minami Kyushu Construction Division
- ⑩ **Yoshito Ikemoto**
Executive Officer and General Manager
Technological Development Department
- ⑪ **Kazunori Fukuda**
Executive Officer and General Manager
Corporate Planning Division
- ⑫ **Shuichi Ogawa**
Executive Officer and General Manager
West Japan Construction Business Headquarters
- ⑬ **Fumiaki Nakagami**
Executive Officer and General Manager
Safety and Quality Control Department



To maximize the corporate value of the Daito Group and for our shareholders and all other stakeholders, we focus on making our management more efficient and transparent, which is one of our most important challenges.

In particular, we have separated management's decision-making from work execution, and established a framework that enables rapid and efficient management and execution. We also work to achieve highly transparent management through the participation of outside directors.

■ Features of the Daito Group's Corporate Governance

High transparency

》》》 Appointment of three independent outside directors and four outside corporate auditors

The Board of Directors has three independent outside directors who express their opinions from the viewpoints of shareholders and other stakeholders. This ensures a highly effective framework for the supervision of management. Moreover, all four of our corporate auditors are outside corporate auditors, and they audit the appropriateness of the directors' work execution from an independent viewpoint.

Select independent outside directors and corporate auditors of good caliber

》》》 Formulation of appointment guidelines and independence criteria

We have formulated the appointment guidelines to clarify the qualities specified for outside directors and corporate auditors, and the independence criteria to clarify the criteria for selecting independent directors and corporate auditors. The appointment criteria identify individuals who have the ability to directly supervise the deliberations and decision-making of Board of Directors meetings, for example, as regards issues related to management, corporate law, and governance. Selection of outside directors and corporate auditors 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.

Appointment and assessment of directors by fair and highly transparent procedures

》》》 Introduction of mutual assessment system for directors and an assessment panel made up of outside directors and corporate auditors

Once a year, directors mutually and quantitatively assess the directors' contributions to business performance and to management and administration. Based on the results, the assessment panel composed of seven outside directors and corporate auditors and two representative directors determines the final assessment and proposal for candidates for director for next fiscal year.

Compensation framework aimed at improving medium- and long-term business performance

》》》 Results-linked incentive compensation

The basic compensation of the directors, auditors, and other executives of the Daito Group 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 year. 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.)

Breakdown of Executive Compensation

(For FY2014, the fiscal year from April 1, 2014 to March 31, 2015)

Category	Number of persons	Total amount of compensation by type (millions of yen)			Total amount of compensation (million of yen)
		Basic compensation	Stock options	Bonus	
Directors (not including outside directors)	8	321	128	416	866
Outside directors and corporate auditors	7	81	—	44	126
Total	15	403	128	461	993

Nurturing next-generation successors and rejuvenating management

》》》 System that directors should retire at the age of 60

Directors give up the execution of their work duties at the end of March of the fiscal year in which they become 60 years old. At the end of the Annual Shareholders' Meeting held in the following June, they retire or resign. After retirement, they may not remain connected with the Daito Group as an advisor or assume similar roles, through a framework designed to encourage the rejuvenation of management.

Quick response to the corporate governance code, including disclosure of all 73 items on the first day of enactment

The Daito Group responded quickly to the enactment of the corporate governance code, and submitted a corporate governance report to the Tokyo Stock Exchange on June 1, 2015, the first day of the enactment. Moreover, on the same day, we disclosed all 73 items on our website, including the 11 compulsory-disclosure items. With the aim of maximizing corporate value for all our stakeholders, we are proactively using the corporate governance code and implementing initiatives to achieve a highly transparent and efficient management.

Appointment Guidelines for Outside Directors and Corporate Auditors

Daito's outside directors and corporate auditors and candidates for outside directors and corporate auditors should satisfy the following criteria.

1. Be able to directly supervise the deliberations and decision-making of Board of Directors meetings on key issues—for example, issues related to management, corporate law, and governance.
2. Be able to reflect their own knowledge, and expertise to formulate growth strategies, determine management strategy, and achieve medium-term management plans.
3. Be able to offer advice and leadership based on their own knowledge, expertise and experience as regards other issues related to corporate management.

Standards for the Independence of Outside Directors

To ensure the independence of outside directors and members of the audit and supervisory board (or candidates for those positions), those persons must not fall under one of the following categories. The periods for which these criteria apply are: 1) from the unlimited past to the present for Category 1; and 2) from the past 10 years to the present for Categories 2 to 5.

1 Daito Trust Construction Group affiliate

The individual is not a director (unless an outside director), a member of the audit and supervisory board (unless an outside board member), an accounting advisor, an executive officer, or an employee of Daito Trust Construction, one of its subsidiaries (Note 1), or an affiliated company (Note 2).

2 Holder of voting shares

- 1) The individual is not a major shareholder (holding a 10% or greater share) of Daito Trust or an executive or employee of any of its major shareholders.
- 2) The individual is not an executive or employee of a company for which the Daito Group is a major shareholder (holding a 10% or greater share).

3 Business partner affiliate

- 1) The individual is not an executive or employee of a business partner whose transactions with the Daito Group account for 2% or more of consolidated net sales.
- 2) The individual is not an executive or employee of a financial institution from which the Daito Group borrows capital amounting to 2% or more of Daito Trust's consolidated gross assets.
- 3) The individual is not an executive or employee of the Daito Group's main securities company.

4 Provider of specialized services (lawyer, certified public accountant, consultant, etc.)

- 1) The individual is not an employee or a partner of the Daito Group's certified public accountant's firm or of an auditing firm that acts as independent auditor.
- 2) The individual does not receive 10 million yen or more a year from the Daito Group (apart from director or board member compensation) for his/her services as a lawyer, certified public accountant, tax accountant, or consultant.

5 Others

- 1) The individual is not a relative within two degrees of kinship of persons falling under the above categories of 1 to 4.
- 2) The individual is not an executive or employee of a company that has one or more directors holding a post in the Daito Group.
- 3) The individual is not an executive or employee of a company that holds shares in the Daito Group.

Outside Directors

Name	Expected role	Activities (fiscal year ended March 2015)
Yujiro Sasamoto	Mr. Sasamoto is expected to offer opinions and supervise from the standpoint of an expert in compliance, internal control, and CSR.	Board of Directors meetings: 100% (Attended 13 times/13 meetings)
Toshiaki Yamaguchi	Mr. Yamaguchi is expected to offer opinions and supervise from the standpoint of a lawyer with expertise in corporate legal affairs, compliance, and internal control.	Board of Directors meetings: 100% (Attended 13 times/13 meetings)
Mami Sasaki	Ms. Sasaki is expected to supervise management from the standpoint of a globally experienced woman, and offer opinions and supervise the promotion of diversity management.	Appointed from June 25, 2015

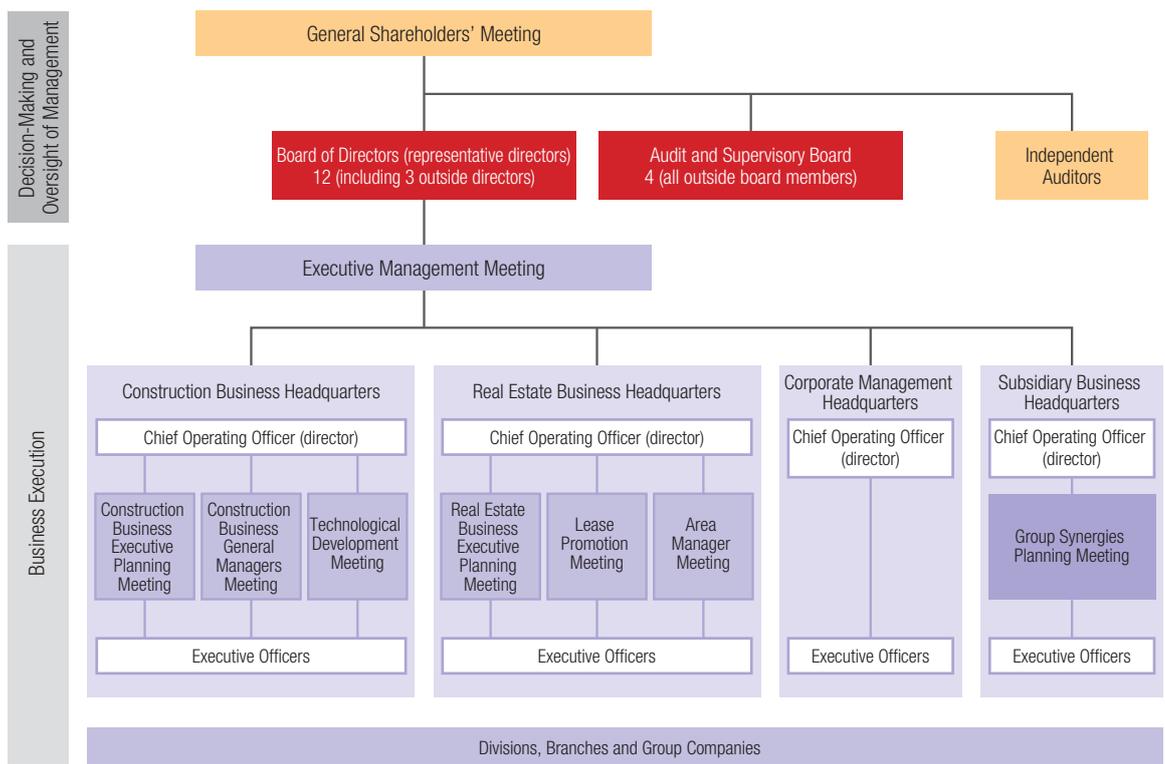
Outside Corporate Auditors

Name	Expected role	Activities (fiscal year ended March 2015)
Masayasu Uno	Mr. Uno is expected to audit Daito's management from the standpoint as an expert in finance and accounting through his work as a certified public accountant, together with his experience in running his own business.	Board of Directors meetings: 100% (Attended 13 times/13 meetings) Audit Board meetings: 100% (Attended 12 times/12 meetings)
Hideo Hachiya	Mr. Hachiya is expected to audit Daito's management from the standpoint as an expert who has a wealth of experience as a lawyer together with being an expert in corporate legal affairs.	Board of Directors meetings: 100% (Attended 13 times/13 meetings) Audit Board meetings: 100% (Attended 12 times/12 meetings)
Kazumitsu Futami	Mr. Futami is expected to audit Daito's management from the standpoint of having a wealth of knowledge and experience in rental housing management and in the loan guarantee business.	Board of Directors meetings: 100% (Attended 13 times/13 meetings) Audit Board meetings: 100% (Attended 12 times/12 meetings)
Kazuo Fujimaki	Mr. Fujimaki is expected to audit Daito's management from the standpoint as an expert in specialized knowledge of international accounting through his work as an U.S.C.P.A. together with his experience in management.	Board of Directors meetings: 100% (Attended 13 times/13 meetings) Audit Board meetings: 100% (Attended 12 times/12 meetings)

Management System

With the aim of improving management efficiency and ensuring transparency by means of a system for rapid business execution, the Daito Group harnesses its outside director system and internal control system to function as the twin wheels of a system of checks and controls. In this manner, the Daito Group carries out objective, prompt, and accurate decision-making.

Furthermore, the Daito Group has established execution manager meetings and enabled dynamic decision-making by delegating decision-making authority for business execution as necessary, thereby enabling the Board of Directors to concentrate on deciding important matters regarding management.



As of July 2015

Monitoring Effectiveness and Efficiency of Internal Controls

As regards the execution of work operations, the Internal Auditing Office conduct work audits, and report the audit results to top management. At the same time, in addition to providing guidance and instruction, they interview employees of the departments audited, and through such interviews, they confirm the details of work execution and achieve understanding of any problems, and conduct highly effective audits.

Furthermore, we have established the Compliance Promotion Department to conduct compliance-related risk management of our business activities, and the J-SOX Promotion Office to help ensure the reliability of our financial reporting of organizations.

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, 2015)

- ◆ Rise in unit cost and drop in profit ratio due to sharp rise in raw material costs
- ◆ Effect on performance due to tax law amendment
- ◆ Sudden cancellations due to sharp rises in interest rates
- ◆ Increased expenses due to new laws and law amendment
- ◆ Risk of personal information leaks
- ◆ Risk of natural disasters

Stock Data

Number of shares

Number of shares authorized	329,541,100 shares
Number of shares outstanding	79,324,379 shares

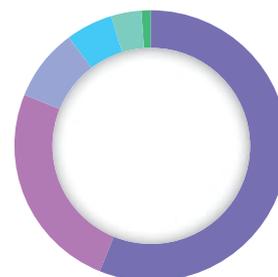
Information for shareholders

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 Nihon Keizai Shimbun newspaper.
Stock exchange listing	Tokyo Stock Exchange (1st section), Nagoya Stock Exchange (1st section) Code: 1878

Shareholder Composition

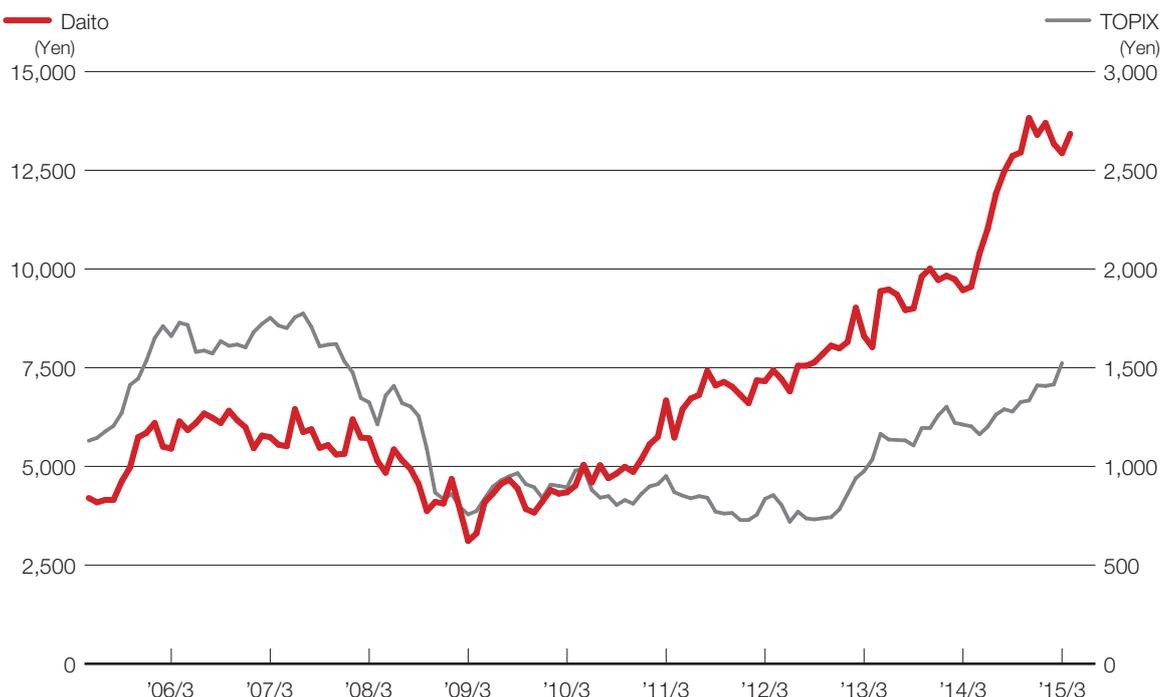
Number of shareholders 15,508

Breakdown of shareholders



Foreign corporations	44,583,067 shares (56.20%)
Financial institutions	19,936,559 shares (25.13%)
Individuals and others	6,826,587 shares (8.61%)
Domestic corporations	4,232,732 shares (5.34%)
Financial instrument firms	3,005,680 shares (3.79%)
Daito Trust Construction	739,754 shares (0.93%)

Stock Price Trend





PURSUING EFFECTIVE USE OF LAND



Daito Trust Construction Co., Ltd.
2-16-1, Konan, Minato-ku, Tokyo 108-8211 Japan
<http://www.kentaku.co.jp/e/index.html>



Capital: ¥29,060 million
Stock: Listed on the First Sections of the Tokyo Stock Exchange and Nagoya Stock Exchange (Code: 1878)
[Editing] Public Information & CSR Division

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Consolidated Financial Section 2015

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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

Daito Trust Construction Co., Ltd. and Consolidated Subsidiaries
March 31, 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents (Note 17)	¥255,552	¥253,237	\$2,126,587
Money held in Trust (Note 17)	32,505	41,007	270,492
Marketable securities (Notes 3, 5 and 17)	7,002	10,509	58,267
Notes and accounts receivable (Note 17):			
Construction contracts	25,774	24,295	214,479
Other	10,870	10,182	90,455
Total receivables	36,644	34,477	304,934
Short-term loans (Note 17)	54,672	45,161	454,955
Inventories (Note 6)	18,314	16,948	152,401
Prepaid expenses—whole-building lease and other	57,197	53,840	475,967
Deferred tax assets (Note 12)	19,235	17,423	160,065
Other current assets	13,577	10,675	112,983
Allowance for doubtful accounts	(305)	(318)	(2,538)
Total current assets	494,393	482,959	4,114,113
PROPERTY, PLANT AND EQUIPMENT (Notes 7 and 16):			
Land	42,452	42,340	353,266
Buildings and structures	61,594	58,868	512,557
Machinery and equipment	21,885	11,114	182,117
Furniture and fixture	6,795	6,216	56,545
Lease assets (Note 16)	3,744	2,190	31,156
Total	136,470	120,728	1,135,641
Accumulated depreciation	(34,851)	(29,647)	(290,014)
Net property, plant and equipment	101,619	91,081	845,627
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3, 5 and 17)	27,199	26,359	226,338
Subordinated bonds and subordinated trust beneficiary right (Notes 4 and 17)	12,865	12,873	107,057
Guarantee deposit (Note 5)	21,537	24,704	179,221
Investment in an associated company	113	113	940
Deferred tax assets (Note 12)	20,345	21,284	169,302
Deferred tax assets on revaluation of land	—	2,703	—
Other assets	25,912	25,108	215,628
Allowance for doubtful accounts (Note 4)	(2,863)	(2,762)	(23,825)
Total investment and other assets	105,108	110,382	874,661
Total	¥701,120	¥684,422	\$5,834,401

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans (Note 8)	¥ —	¥ 300	\$ —
Current portion of long-term lease obligations (Note 16)	271	274	2,255
Current portion of long-term bank loans (Notes 8 and 17)	16,691	16,691	138,895
Accounts payable (Note 17)	42,242	43,996	351,519
Advances received—construction contracts	49,411	44,205	411,176
Income taxes payable (Notes 12 and 17)	23,217	26,931	193,201
Advances received—whole-building lease and other	64,482	57,171	536,590
Accrued employees' bonuses	20,532	20,221	170,858
Deposits received (Note 17)	6,880	7,023	57,252
Other current liabilities	43,706	38,652	363,701
Total current liabilities	267,432	255,464	2,225,447
LONG-TERM LIABILITIES:			
Long-term bank loans (Notes 8 and 17)	63,279	79,970	526,579
Long-term lease obligations (Note 16)	1,009	1,047	8,396
Liability for retirement benefit (Note 9)	9,519	9,954	79,213
Provision for repair of whole-building lease system	65,154	49,706	542,182
Deposits received for guarantee (Note 17)	51,309	59,653	426,970
Other long-term liabilities	6,623	6,621	55,114
Total long-term liabilities	196,893	206,951	1,638,454
COMMITMENTS AND CONTINGENT LIABILITIES (Note 19)			
EQUITY (Note 10):			
Common stock-authorized: 329,541 thousand shares; issued, 79,324 thousand shares in 2015 and 80,610 thousand shares in 2014	29,061	29,061	241,832
Capital surplus	34,541	34,550	287,434
Stock acquisition rights (Note 11)	312	187	2,596
Retained earnings	184,662	169,294	1,536,673
Treasury stock—at cost, 740 thousand shares in 2015 and 950 thousand shares in 2014	(13,486)	(10,124)	(112,224)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	6,157	4,689	51,237
Deferred gain (loss) on derivatives under hedge accounting	603	50	5,018
Land revaluation surplus	(7,584)	(4,881)	(63,111)
Foreign currency translation adjustments	1,278	(1,966)	10,635
Defined retirement benefit plans	(599)	(577)	(4,985)
Total	234,945	220,283	1,955,105
Minority interest	1,850	1,724	15,395
Total equity	236,795	222,007	1,970,500
Total	¥701,120	¥684,422	\$5,834,401

See notes to consolidated financial statements.

Consolidated Statement of Income

Daito Trust Construction Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
NET SALES:			
Construction contracts (Notes 13 and 23)	¥ 589,171	¥ 545,366	\$ 4,902,813
Real estate	723,817	677,697	6,023,275
Other	40,168	36,611	334,260
Total net sales	1,353,156	1,259,674	11,260,348
COST OF SALES:			
Construction contracts	416,637	370,101	3,467,063
Real estate	671,531	632,343	5,588,175
Other	26,042	24,132	216,710
Total cost of sales	1,114,210	1,026,576	9,271,948
Gross profit	238,946	233,098	1,988,400
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 14)	147,426	143,318	1,226,812
Operating income	91,520	89,780	761,588
OTHER INCOME (EXPENSES):			
Interest and dividend income	777	873	6,466
Interest expense (Note 8)	(710)	(916)	(5,908)
Other—net (Note 15)	3,961	3,494	32,961
Other income—net	4,028	3,451	33,519
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	95,548	93,231	795,107
INCOME TAXES (Note 12):			
Current	40,583	42,349	337,713
Deferred	(1,374)	(4,588)	(11,434)
Total income taxes	39,209	37,761	326,279
NET INCOME BEFORE MINORITY INTERESTS	56,339	55,470	468,828
MINORITY INTERESTS IN NET INCOME	230	193	1,914
NET INCOME	¥ 56,109	¥ 55,277	\$ 466,914

	Yen		U.S. dollars
PER SHARE OF COMMON STOCK (Note 21):			
Basic net income	¥ 710.19	¥ 693.90	\$ 5.91
Diluted net income	709.73	693.60	5.91
Cash dividends applicable to the year	375.00	347.00	3.12

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Daito Trust Construction Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
NET INCOME BEFORE MINORITY INTERESTS	¥56,339	¥55,470	\$468,828
OTHER COMPREHENSIVE INCOME (LOSS) (Note 20):			
Unrealized gain on available-for-sale securities	1,468	1,269	12,216
Deferred gain (loss) on derivatives under hedge accounting	553	50	4,602
Land Revaluation Surplus	(2,703)		(22,493)
Foreign currency translation adjustments	3,244	4,349	26,995
Defined Retirement Benefit Plans	(42)		(350)
Total other comprehensive income	2,520	5,668	20,970
COMPREHENSIVE INCOME	¥58,859	¥61,138	\$489,798
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥58,650	¥60,945	\$488,059
Minority interests	209	193	1,739

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Daito Trust Construction Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2015

	Millions of yen													Total	Minority Interests	Total Equity	
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Accumulated other comprehensive income					Total	Minority Interests				Total Equity
							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						
BALANCE, APRIL 1, 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 (April 1, 2014, as previously reported)	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			
Cumulative effect of accounting change					(247)							(247)	(3)	(250)			
BALANCE, APRIL 1, 2014 (as restated)	80,610,279	29,061	34,550	187	169,047	(10,124)	4,689	50	(4,881)	(1,966)	(577)	220,036	1,721	221,757			
Net income					56,109							56,109		56,109			
Cash dividends, ¥362 per share					(28,638)							(28,638)		(28,638)			
Purchase of treasury stock						(19,146)						(19,146)		(19,146)			
Disposal of treasury stock	(1,285,900)		1,316			2,603						3,919		3,919			
Retirement of treasury stock			(1,325)		(11,856)	13,181						–		–			
Net change in the year				125			1,468	553	(2,703)	3,244	(22)	2,665	129	2,794			
BALANCE, MARCH 31, 2015	79,324,379	¥29,061	¥34,541	¥312	¥184,662	¥(13,486)	¥6,157	¥603	¥(7,584)	¥ 1,278	¥(599)	¥234,945	¥1,850	¥236,795			

	Thousands of U.S. dollars (Note 1)													Total	Minority Interests	Total Equity
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Accumulated other comprehensive income					Total	Minority Interests	Total Equity			
						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						
BALANCE, MARCH 31, 2014 (April 1, 2014, as previously reported)	\$241,832	\$287,509	\$1,556	\$1,408,786	\$ (84,247)	\$39,021	\$ 416	\$ (40,618)	\$ (16,360)	\$ (4,802)	\$1,833,093	\$14,347	\$1,847,440			
Cumulative effect of accounting change				(2,055)							(2,055)	(25)	(2,080)			
BALANCE, APRIL 1, 2014 (as restated)	241,832	287,509	1,556	1,406,731	(84,247)	39,021	416	(40,618)	(16,360)	(4,802)	1,831,038	14,322	1,845,360			
Net income				466,914							466,914		466,914			
Cash dividends, \$3.01 per share				(238,312)							(238,312)		(238,312)			
Purchase of treasury stock					(159,324)						(159,324)		(159,324)			
Disposal of treasury stock			10,951		21,661						32,612		32,612			
Retirement of treasury stock			(11,026)	(98,660)	109,686						–		–			
Net change in the year			1,040			12,216	4,602	(22,493)	26,995	(183)	22,177	1,073	23,250			
BALANCE, MARCH 31, 2015	\$241,832	\$287,434	\$2,596	\$1,536,673	\$(112,224)	\$51,237	\$5,018	\$(63,111)	\$10,635	\$(4,985)	\$1,955,106	\$15,395	\$1,970,500			

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Daito Trust Construction Co., Ltd. and Consolidated Subsidiaries
Year ended March 31, 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 95,548	¥ 93,231	\$ 795,107
Adjustments for:			
Income taxes—paid	(44,317)	(41,396)	(368,786)
Depreciation and amortization	4,851	3,822	40,368
Impairment loss	145	20	1,207
Loss on devaluation of investment securities	—	63	—
Changes in operating assets and liabilities:			
Decrease (increase) in notes and accounts receivable	(2,158)	(1,360)	(17,958)
Decrease (increase) in inventories	(1,363)	(5,055)	(11,342)
Decrease (increase) in prepaid expenses— whole-building lease and other	(3,106)	(2,294)	(25,847)
Decrease (increase) in short-term loans	(9,510)	(2,571)	(79,138)
Increase (decrease) in accounts payables	(1,756)	(238)	(14,613)
Increase (decrease) in advances received— whole-building lease and other	7,312	27,907	60,847
Increase (decrease) in advances received— construction contracts	5,206	3,232	43,322
Increase (decrease) in deposits received for guarantee	(8,343)	(9,547)	(69,427)
Increase (decrease) in deposits received	(145)	102	(1,207)
Increase (decrease) in allowance for doubtful accounts	87	(91)	724
Increase (decrease) in accrued employees' bonuses	312	3,997	2,596
Increase (decrease) in liability for retirement benefits	(843)	658	(7,015)
Increase (decrease) in provision for repair of whole-building lease system	15,449	12,710	128,560
Other—net	2,032	643	16,910
Total adjustments	(36,147)	(9,398)	(300,799)
Net cash provided by operating activities	59,401	83,833	494,308
INVESTING ACTIVITIES:			
Payments for money held in trust	—	(43,000)	—
Proceeds from money held in trust	8,500	2,000	70,733
Purchases of marketable and investment securities	(6,062)	(18,903)	(50,445)
Proceeds from sales and redemption of marketable and investment securities	10,530	12,295	87,626
Payments for purchase of property, plant and equipment	(14,691)	(10,623)	(122,252)
Other—net	2,654	(1,205)	22,085
Net cash provided by (used in) investing activities	931	(59,436)	7,747
FINANCING ACTIVITIES:			
Repayment of short-term bank loan	(300)	—	(2,496)
Proceeds from long-term bank loan	—	30,000	—
Repayment of long-term bank loan	(16,691)	(43,839)	(138,895)
Dividends paid	(28,638)	(26,686)	(238,312)
Repurchase of treasury stock	(19,146)	(61)	(159,324)
Proceeds from disposal of treasury stock	4,330	1,795	36,032
Cash dividends paid to minority shareholders	(66)	(42)	(549)
Other—net	(298)	(294)	(2,481)
Net cash operated by financing activities	(60,809)	(39,127)	(506,025)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS			
	2,792	3,775	23,234
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,315	(10,955)	19,264
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	253,237	264,192	2,107,323
CASH AND CASH EQUIVALENTS, END OF YEAR	¥255,552	¥253,237	\$2,126,587

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Daito Trust Construction Co., Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2015

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 2014 consolidated financial statements to conform them to the classifications used in 2015.

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 ¥120.17 to \$1, the approximate rate of exchange at March 31, 2015. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements as of March 31, 2015, include the accounts of the Company and its 21 significant (17 in 2014) 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 3 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 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.

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, 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, and for (c) above, effective April 1, 2014.

With respect to (c) above, the Company changed the method of attributing the expected benefit to periods from a straight-line basis to a benefit formula basis, the method of determining the discount rate from using the period which approximates the expected average remaining service period to using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment, and recorded the effect of (c) above as of April 1, 2014, in retained earnings. As a result, liability for retirement benefits as of April 1, 2014, increased by ¥388 million (\$3,229 thousand), and retained earnings and minority interests as of April 1, 2014 decreased by ¥247 million (\$2,055 thousand) and ¥3 million (\$25 thousand), respectively, and operating income and income before income taxes and minority interests for the year ended March 31, 2015, increased by ¥424 million (\$3,528 thousand). In addition, basic net income per share and diluted net income per share for the year ended March 31, 2015 increased by ¥5.36 (\$0.04), respectively.

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—The accounting standard for stock options 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. Employee Stockownership Plan—In December 2013, the ASBJ issued 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 the transfer of treasury stock to the employee stockownership trust (the “Trust”) by the entity, any difference between the book value and fair value of the treasury stock shall be recorded in capital surplus. At year end, 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 applied this PITF effective April 1, 2014. As for the trust contracts concluded before March 31, 2014, the Company applied transitional accounting (as stipulated in this PITF) and continued the previous accounting treatment, and thus no effect was recognized as a result of the application of this accounting standard.

n. Research and Development Costs—Research and development costs are charged to income as incurred.

o. Construction Contracts—Under the accounting standard for construction contracts, 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.

p. 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.

q. 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.

r. 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.

s. 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.

t. Consumption Tax—Consumption tax is accounted for by the tax exclusion method.

u. 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.

v. Accounting Changes and Error Corrections—The accounting standard for changes and error corrections requires the following: (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.

3. MARKETABLE AND INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2015 and 2014, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Current:			
Government and corporate bonds	¥ 5,803	¥ 7,521	\$ 48,290
Other	1,199	2,988	9,977
Total	¥ 7,002	¥10,509	\$ 58,267
Non-current:			
Marketable equity securities	¥22,303	¥20,511	\$185,595
Government and corporate bonds	4,866	5,817	40,493
Trust fund investments and other	30	31	250
Total	¥27,199	¥26,359	\$226,338

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2015 and 2014, were as follows:

March 31, 2015	Millions of yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥13,199	¥9,104	¥—	¥22,303
Government and corporate bonds	10,443	6	11	10,438
Other	1,200	—	1	1,199
Held-to-maturity	230	6	—	236

March 31, 2014

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, 2015	Thousands of U.S. dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	\$109,836	\$75,759	\$—	\$185,595
Government and corporate bonds	86,902	50	92	86,860
Other	9,985	—	8	9,977
Held-to-maturity	1,914	50	—	1,964

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 these loans, financial institutions establish SPEs and the loans are securitized by SPEs.

When the customers use these loans, the Company is required to buy the subordinated bonds or subordinated trust beneficiary rights issued by the SPEs according to the agreement with certain financial institutions.

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Subordinated bonds and subordinated trust beneficiary rights	¥12,865	¥12,873	\$107,057
Allowance for doubtful accounts	¥ 650	¥ 943	\$ 5,409
Possession ratio of subordinated bonds and subordinated trust beneficiary rights	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	¥81,083	¥93,801	\$674,736
Outstanding bonds of SPEs	¥81,723	¥98,497	\$680,062
Number of SPEs	10	10	10

The possession ratio of the subordinated bonds and subordinated trust beneficiary rights is the ratio of the subordinated bonds and subordinated trust beneficiary rights 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 and 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, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Investment securities	¥6,553	¥3,512	\$54,531
Other	530	2,770	4,410
Total	¥7,083	¥6,282	\$58,941

6. INVENTORIES

Inventories at March 31, 2015 and 2014, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Construction projects in progress	¥12,148	¥10,816	\$101,090
Materials	4,699	5,123	39,103
Real estate held for sale	1,273	784	10,593
Merchandise	194	225	1,615
Total	¥18,314	¥16,948	\$152,401

7. INVESTMENT PROPERTY

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 ¥3,270 million (\$27,211 thousand) and ¥3,254 million for the fiscal years ended March 31, 2015 and 2014, 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, 2014	Decrease	March 31, 2015	March 31, 2015
¥57,704	¥707	¥56,997	¥116,775

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

Thousands of U.S. dollars			
	Carrying Amount		Fair Value
April 1, 2014	Decrease	March 31, 2015	March 31, 2015
\$480,186	\$5,883	\$474,303	\$ 971,748

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, 2015, primarily represents the acquisition of certain properties of ¥84 million (\$699 thousand), and decrease primarily represents the recognition of depreciation of ¥796 million (\$6,624 thousand).
3. Increase during the fiscal year ended March 31, 2014, primarily represents the acquisition of certain properties of ¥48 million, and decrease primarily represents the recognition of depreciation of ¥830 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, consisted of bank overdrafts. The annual interest rate applicable to the short-term bank loan is 0.61% at March 31, 2014.

Long-term bank loans at March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Loans from banks due on various dates through 2020 with interest rates ranging from 0.38% to 0.87% (2015) and from 0.41% to 0.91% (2014)	¥ 79,970	¥ 96,661	\$ 665,474
Total	79,970	96,661	665,474
Less current portion	(16,691)	(16,691)	(138,895)
Long-term bank loans, less current portion	¥ 63,279	¥ 79,970	\$ 526,579

Annual maturities of long-term bank loans, excluding finance leases (see Note 16), at March 31, 2015, were as follows:

Year Ending March 31	Millions of yen	Thousands of U.S. dollars
2016	¥16,691	\$138,895
2017	16,076	133,777
2018	42,395	352,792
2019	4,672	38,878
2020	136	1,132
Total	¥79,970	\$665,474

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 ¥39,040 million (\$324,873 thousand) with six Japanese banks. There was no balance under the committed loan facility agreements as of March 31, 2015.

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, 2015 and 2014, consisted of the following:

1. The changes in defined benefit obligation for the years ended March 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at beginning of year (as previously reported)	¥26,699	¥24,667	\$222,177
Cumulative effect of accounting change	388	—	3,229
Balance at beginning of year (as restated)	27,087	24,667	225,406
Current service cost	2,218	2,168	18,458
Interest cost	69	335	574
Actuarial gains and losses	1,127	982	9,378
Benefits paid	(1,330)	(1,383)	(11,068)
Past service cost	—	(70)	—
Balance at end of year	¥29,171	¥26,699	\$242,748

2. The changes in plan assets for the years ended March 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at beginning of year	¥16,745	¥14,590	\$139,344
Expected return on plan assets	251	219	2,089
Actuarial gains and losses	767	270	6,383
Contributions from the employer	2,747	2,533	22,859
Benefits paid	(858)	(867)	(7,140)
Balance at end of year	¥19,652	¥16,745	\$163,535

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
	2015	2014	2015
Funded defined benefit obligation	¥21,138	¥18,867	\$175,901
Plan assets	19,652	16,745	163,535
Unfunded defined benefit obligation	8,033	7,832	66,847
Net liability arising from benefit obligation	¥ 9,519	¥ 9,954	\$ 79,213

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Liability for retirement benefits	¥9,519	¥9,954	\$79,213
Asset for retirement benefits	—	—	—
Net liability arising from benefit obligation	¥9,519	¥9,954	\$79,213

4. The components of net periodic benefit costs for the years ended March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Service cost	¥2,218	¥2,168	\$18,458
Interest cost	69	335	574
Expected return on plan assets	(251)	(219)	(2,089)
Amortization of prior service cost	7	38	58
Recognized actuarial gains and losses	335	526	2,788
Net periodic benefit costs	¥2,378	¥2,848	\$19,789

5. Other comprehensive income on defined retirement benefit plans for the years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Prior service cost	¥ 7	¥—	\$ 58
Actuarial gains and losses	(27)	—	(225)
Total	¥(20)	¥—	\$(167)

6. Accumulated other comprehensive income on defined retirement benefit plans as of March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unrecognized prior service cost	¥ (82)	¥ (89)	\$ (682)
Unrecognized actuarial gains and losses	(800)	(773)	(6,658)
Total	¥(882)	¥(862)	\$(7,340)

7. Plan assets

(1) Components of plan assets

Plan assets as of March 31, 2015 and 2014, consisted of the following:

	2015	2014
Debt investments	17.3%	16.9%
Equity investments	18.6%	17.6%
Cash and cash equivalents	2.0%	1.9%
General accounts	61.3%	62.3%
Others	0.8%	1.3%
Total	100%	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.

8. Assumptions used for the years ended March 31, 2015 and 2014, were set forth as follows:

	2015	2014
Discount rate	0.2%	1.4%
Expected rate of return on plan assets	1.5%	1.5%
Expected rate of future salary increases	2.1%	2.1%

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 a 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” (the “ESOP trust”) and “Trust for employees receiving in-kind benefit by stock” (the “J-ESOP”) 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.

ESOP trust

The implementation of an employee incentive plan ESOP trust was resolved at the board of directors’ meeting held on June 17, 2011, aiming to increase the Company’s corporate value over the medium- to long-term. The

Company has set up a trust for employees that are members of “Daito Trust Construction Co., Ltd. Employee Stock Ownership” who are eligible under certain requirements to be beneficiaries. The ESOP trust acquired the number of shares of the Company’s stock expected to be acquired by the Daito Trust Construction Co., Ltd. Employee Stock Ownership Plan over five years after its establishment during the designated acquisition period, July 1, 2011 to September 22, 2011. Since the acquisition, the ESOP trust has sold shares of the Company’s stock to Daito Trust Construction Co., Ltd. Employee Stock Ownership on a certain day every month. As of termination of the ESOP trust, where an increase in the stock price will have generated trust earnings, money held in trust will be distributed to the Employees as beneficiaries based on their contribution ratio. When a decrease in the stock price will have caused losses on transfer and obligations related to trust assets remain, the Employees will not be obligated to make additional contributions because the Company will settle those obligations in a lump sum with the bank in accordance with a guarantee clause in the loan agreement.

J-ESOP

The implementation of a new employee incentive plan J-ESOP was resolved at the board of directors’ meeting held on July 4, 2011. Under the J-ESOP, employees are granted shares of the Company’s stock when they become vested in accordance with the Share-based Benefits Regulations, established by the Company. The Company grants points to selected employees based on their performance and achievement. Employees who have met certain requirements will receive the number of shares of the Company’ stock corresponding to their points obtained (one share to one point). Shares to be granted to employees are acquired for both current and future benefits with the money held in trust and separately managed as trust assets.

With the J-ESOP, the Company expects to enhance employees’ morale and motivation to dedicate themselves to improving the Company’s business performance and corporate value over the medium-term.

The Company’s stock held by the above trusts is as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
ESOP trust	¥ 839	¥1,909	\$ 6,982
J-ESOP	5,064	2,895	42,140
Total	¥5,903	¥4,804	\$49,122

	Thousands of Shares	
	2015	2014
ESOP trust	117	267
J-ESOP	570	403
Total	687	670

The Company’s stock held by the trusts is therefore presented as “Treasury Stock” and as 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.

11. STOCK OPTIONS

The Company

The stock options outstanding as of March 31, 2015, 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
2014 Stock Option (A)	6 directors	5,200 shares	2014.6.17	¥ 1 (\$0.01)	From June 18, 2014 to June 17, 2044
2014 Stock Option (B)	6 directors	11,600 shares	2014.6.17	¥ 1 (\$0.01)	From June 18, 2017 to June 17, 2022

The stock option activity is as follows:

	2012 Stock Option (A)	2012 Stock Option (B)	2013 Stock Option (A)	2013 Stock Option (B)
Year Ended March 31, 2014	(Shares)			
Non-vested				
April 1, 2013—Outstanding	—	17,500	—	—
Granted	—	—	7,900	14,300
Canceled	—	—	—	—
Vested	—	—	(7,900)	—
March 31, 2014—Outstanding	—	17,500	—	14,300
Vested				
April 1, 2013—Outstanding	6,600	—	—	—
Vested	—	—	7,900	—
Exercised	(4,000)	—	(4,100)	—
Canceled	—	—	—	—
March 31, 2014—Outstanding	2,600	—	3,800	—

	2012 Stock Option (A)	2012 Stock Option (B)	2013 Stock Option (A)	2013 Stock Option (B)	2014 Stock Option (A)	2014 Stock Option (B)
Year Ended March 31, 2015						
	(Shares)					
Non-vested						
March 31, 2014—Outstanding	—	17,500	—	14,300	—	—
Granted	—	—	—	—	5,200	11,600
Canceled	—	—	—	—	—	—
Vested	—	—	—	—	(5,200)	—
March 31, 2015—Outstanding	—	17,500	—	14,300	—	11,600
Vested						
March 31, 2014—Outstanding	2,600	—	3,800	—	—	—
Vested	—	—	—	—	5,200	—
Exercised	(300)	—	(600)	—	(600)	—
Canceled	—	—	—	—	—	—
March 31, 2015—Outstanding	2,300	—	3,200	—	4,600	—
Exercise price	¥ 1 (\$ 0.01)					
Average stock price at exercise	¥10,719 (\$ 89.12)	¥ — (\$ —)	¥10,719 (\$ 89.12)	¥ — (\$ —)	¥11,705 (\$ 97.40)	¥ — (\$ —)
Fair value price at grant date	¥ 5,821 (\$ 48.44)	¥5,474 (\$45.55)	¥ 7,444 (\$ 61.95)	¥7,304 (\$60.78)	¥ 9,361 (\$ 77.90)	¥9,741 (\$81.06)

The Assumptions Used to Measure the Fair Value of the 2014 Stock Option (A)

Estimate method: Black-Scholes option pricing model

Volatility of stock price: 31.98%

Estimated remaining outstanding period: 6.82 years

Estimated dividend: ¥347 per share

Risk free interest rate: 0.306%

The Assumptions Used to Measure the Fair Value of the 2014 Stock Option (B)

Estimate method: Black-Scholes option pricing model

Volatility of stock price: 27.43%

Estimated remaining outstanding period: 5.50 years

Estimated dividend: ¥347 per share

Risk free interest rate: 0.206%

Consolidated subsidiary

The Housecom Corporation

The stock options outstanding as of March 31, 2015, are as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2014 Stock Option	1 director	15,500 shares	2014.5.30	¥ 1 (\$0.01)	From May 31, 2014 to May 30, 2044

The stock option activity is as follows:

	2014 Stock Option
<u>Year Ended March 31, 2015</u>	
Non-vested	
March 31, 2014—Outstanding	—
Granted	15,500
Canceled	—
Vested	(15,500)
March 31, 2015—Outstanding	—
Vested	
March 31, 2014—Outstanding	—
Vested	15,500
Exercised	—
Canceled	—
March 31, 2015—Outstanding	15,500
Exercise price	¥ 1 (\$0.01)
Average stock price at exercise	¥ — (\$ —)
Fair value price at grant date	¥ 540 (\$4.49)

The Assumptions Used to Measure the Fair Value of the 2014 Stock Option

Estimate method: Black-Scholes option pricing model

Volatility of stock price: 30.55%

Estimated remaining outstanding period: 12.13 years

Estimated dividend: ¥33 per share

Risk free interest rate: 0.75%

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 35.6% and 38.0% for the years ended March 31, 2015 and 2014, respectively.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2015 and 2014, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred tax assets:			
Loss on devaluation of investment securities	¥ 254	¥ 278	\$ 2,114
Allowance for doubtful accounts	1,007	1,076	8,380
Unrealized profit of assets	4,169	3,741	34,693
Accrued expenses	2,318	2,029	19,289
Accrued enterprise taxes	1,743	1,891	14,504
Accrued employees' bonuses	6,798	7,218	56,570
Provision for warranties for completed construction	358	379	2,979
Retirement benefit for employees	3,050	3,522	25,381
Provision for repair of whole-building lease system	21,141	17,715	175,926
Deferred cleaning revenue	3,185	2,259	26,504
Tax loss carryforwards	202	177	1,681
Others	5,179	4,668	43,097
Less valuation allowance	(1,119)	(560)	(9,312)
Total	48,285	44,393	401,806
Deferred tax liabilities:			
Reserve for special depreciation	5,464	3,062	45,469
Unrealized gain on available-for-sale securities	2,943	2,597	24,490
Deferred gain (loss) on derivatives under accounting	298	27	2,480
Total	8,705	5,686	72,439
Net deferred tax assets	¥39,580	¥38,707	\$329,367

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, 2015, with the corresponding figures for 2014, is as follows:

	2015	2014
Normal effective statutory tax rate	35.6%	38.0%
Expenses not deductible for income tax purposes	1.4	1.3
Inhabitant tax on per capita basis	0.1	0.1
Valuation allowance	0.6	0.1
Decrease in deferred tax assets by change of tax rate	3.7	1.3
Others—net	(0.4)	(0.3)
Actual effective tax rate	41.0%	40.5%

New tax reform laws enacted in 2015 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2015, to approximately 33.1% and for the fiscal year beginning on or after April 1, 2016, to approximately 32.3%. The effect of these changes was to decrease deferred tax assets, net of deferred tax liabilities, by ¥3,225 million (\$26,837 thousand) and increase accumulated other comprehensive income for unrealized gain on available-for-sale securities by ¥300 million (\$2,496 thousand), deferred gain (loss) on derivatives under hedge accounting by ¥24 million (\$200 thousand), and defined retirement benefit plan by ¥29 million (\$241 thousand), in the consolidated balance sheet as of March 31, 2015, and to increase income taxes-deferred in the consolidated statement of income for the year then ended by ¥3,578 million (\$29,774 thousand).

At March 31, 2015, certain subsidiaries have tax loss carryforwards aggregating to approximately ¥544 million (\$4,527 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
2016	¥ —	\$ —
2017	—	—
2018	—	—
2019	25	208
2020	166	1,381
2021	87	724
2022	85	707
2023	101	840
2024	80	667
Total	¥544	\$4,527

13. CONSTRUCTION CONTRACTS

Revenue recognized with respect to construction contracts, which is accounted for by the percentage-of-completion method at March 31, 2015 and 2014, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Revenue	¥582,596	¥537,980	\$4,848,099

14. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥1,448 million (\$12,050 thousand) and ¥1,308 million for the years ended March 31, 2015 and 2014, respectively.

15. OTHER INCOME—NET

Other income—net for the years ended March 31, 2015 and 2014, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Commission fee	¥3,653	¥3,258	\$30,398
Other	308	236	2,563
Other income—net	¥3,961	¥3,494	\$32,961

16. LEASES

Lessee

The minimum rental commitments under noncancelable operating leases at March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Due within one year	¥ 357,314	¥ 319,105	\$ 2,973,404
Due after one year	1,576,542	1,479,934	13,119,264
Total	¥1,933,856	¥1,799,039	\$16,092,668

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
	2015	2014	2015
Due within one year	¥ 351,018	¥ 312,259	\$ 2,921,012
Due after one year	1,553,388	1,457,071	12,926,587
Total	¥1,904,406	¥1,769,330	\$15,847,599

Lessor

The minimum rental commitments under noncancelable operating leases at March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Due within one year	¥ 621	¥ 621	\$ 5,168
Due after one year	4,349	4,970	36,190
Total	¥4,970	¥5,591	\$41,358

17. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

The Group uses financial instruments, mainly loans from banks, 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 deposits 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 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 (i.e., bridge loans until financial institutions execute 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. The financial institution securitized the apartment loans of customers who orders the Company to construct an apartment building for rent using the SPE. Subordinated bonds and subordinated trust beneficiary rights are exposed to credit risk of the debtor of the apartment loan. The Group manages the credit risk 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, 2015	Millions of yen		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥255,552	¥255,552	¥ —
Money held in trust	32,505	32,505	—
Notes and accounts receivable	36,644		
Allowance for doubtful accounts	(43)		
	36,601	36,601	—
Marketable and investment securities:			
Held-to-maturity securities	230	236	6
Available-for-sale securities	33,941	33,941	—
Short-term loans	54,672		
Allowance for doubtful accounts	(145)		
	54,527	54,756	229
Total	¥413,356	¥413,591	¥ 235
Accounts payable	¥ 42,242	¥ 42,242	¥ —
Income taxes payable	23,217	23,217	—
Deposit received	6,880	6,880	—
Current portion of long-term bank loans and long-term bank loans	79,970	79,970	—
Deposits received for guarantee	51,309	51,057	(252)
Total	¥203,618	¥203,366	¥(252)

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, 2015	Thousands of U.S. dollars		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	\$2,126,587	\$2,126,587	\$ —
Money held in trust	270,492	270,492	—
Notes and accounts receivable	304,934		
Allowance for doubtful accounts	(357)		
	304,577	304,577	—
Marketable and investment securities:			
Held-to-maturity securities	1,914	1,964	50
Available-for-sale securities	282,441	282,441	—
Short-term loans	454,955		
Allowance for doubtful accounts	(1,206)		
	453,749	455,655	1,906
Total	\$3,439,760	\$3,441,716	\$ 1,956
Accounts payable	\$ 351,519	\$ 351,519	\$ —
Income taxes payable	193,201	193,201	—
Deposit received	57,252	57,252	—
Current portion of long-term bank loans and long-term bank loans	665,474	665,474	—
Deposits received for guarantee	426,970	424,873	(2,097)
Total	\$1,694,416	\$1,692,319	\$(2,097)

Cash and Cash Equivalents Notes and Accounts Receivable

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

Money Held in Trust

The fair value of money held in trust is measured based on financial instruments comprising the money held in trust. At the end of the fiscal year ended March 31, 2015, 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 loans with floating-rates 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 the 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
	2015	2014	2015
Subordinated bonds and subordinated trust beneficiary right	¥12,865	¥12,873	\$107,057

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

At March 31, 2015	Millions of yen					
	Due in 1 Year or Less	Due after 1 Year 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	¥255,552	¥ —	¥ —	¥ —	¥ —	¥ —
Money held in trust	32,505	—	—	—	—	—
Notes and accounts receivable	36,644	—	—	—	—	—
Investment securities:						
Held-to-maturity securities	100	40	45	5	10	30
Available-for-sales securities with contractual maturities	6,900	3,870	860	—	—	—
Short-term loans	25,800	3,998	3,427	2,925	2,417	16,101
Subordinated bonds and subordinated trust beneficiary right	—	—	—	—	—	13,104
Total	¥357,501	¥7,908	¥4,332	¥2,930	¥2,427	¥29,235

At March 31, 2015	Thousands of U.S. dollars					
	Due in 1 Year or Less	Due after 1 Year 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	\$2,126,587	\$ —	\$ —	\$ —	\$ —	\$ —
Money held in trust	270,492	—	—	—	—	—
Notes and accounts receivable	304,934	—	—	—	—	—
Investment securities:						
Held-to-maturity securities	832	333	374	42	83	250
Available-for-sales securities with contractual maturities	57,419	32,204	7,157	—	—	—
Short-term loans	214,696	33,270	28,518	24,340	20,113	133,985
Subordinated bonds and subordinated trust beneficiary right	—	—	—	—	—	109,045
Total	\$2,974,960	\$65,807	\$36,049	\$24,382	\$20,196	\$243,280

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

18. DERIVATIVES

Derivative transactions to which hedge accounting is applied

		Millions of yen		
March 31, 2015	Hedged Item	Contract Amount	Contract Amount due after 1 Year	Fair Value
Foreign currency forward contract:				
Buying U.S.\$	Forecasted transactions	¥17,231	¥3,110	¥901
At March 31, 2014				
Foreign currency forward contract:				
Buying U.S.\$	Forecasted transactions	¥ 4,649	¥ —	¥ 77
		Thousands of U.S. dollars		
March 31, 2015	Hedged Item	Contract Amount	Contract Amount due after 1 Year	Fair Value
Foreign currency forward contract:				
Buying U.S.\$	Forecasted transactions	\$143,389	\$25,880	\$7,498

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

19. CONTINGENT LIABILITIES

The Company was contingently liable as guarantor to finance companies for housing loans totaling ¥68 million (\$566 thousand) and ¥71 million as of March 31, 2015 and 2014, respectively.

20. COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unrealized gain on available-for-sale securities:			
Gains arising during the year	¥ 1,814	¥1,972	\$ 15,095
Reclassification adjustments to profit or loss	—	—	—
Amount before income tax effect	1,814	1,972	15,095
Income tax effect	(346)	(703)	(2,879)
Total	¥ 1,468	¥1,269	\$ 12,216
Deferred gain (loss) on derivatives under hedge accounting:			
Gains (losses) arising during the year	¥ 824	¥ 77	\$ 6,857
Reclassification adjustments to profit or loss	—	—	—
Amount before income tax effect	824	77	6,857
Income tax effect	(271)	(27)	(2,255)
Total	¥ 553	¥ 50	\$ 4,602
Land revaluation surplus:			
Reclassification adjustments to profit or loss	¥ —	¥ —	\$ —
Amount before income tax effect	—	—	—
Income tax effect	(2,703)	—	(22,493)
Total	¥(2,703)	¥ —	\$(22,493)
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ 3,244	¥4,349	\$ 26,995
Reclassification adjustments to profit or loss	—	—	—
Amount before income tax effect	3,244	4,349	26,995
Income tax effect	—	—	—
Total	¥ 3,244	¥4,349	\$ 26,995
Remeasurements of defined benefit plans:			
Adjustments arising during the year	¥ (362)	¥ —	\$ (3,013)
Reclassification adjustments to profit or loss	342	—	2,846
Amount before income tax effect	(20)	—	(167)
Income tax effect	(22)	—	(183)
Total	¥ (42)	¥ —	\$ (350)
Total other comprehensive income	¥ 2,520	¥5,668	\$ 20,970

21. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2015 and 2014, is as follows:

	Millions of yen	Thousands of Shares	Yen	U.S. dollars
Year Ended March 31, 2015	Net Income	Weighted-Average Shares	EPS	
Basic EPS—Net income available to common shareholders	¥56,109	79,006	¥710.19	\$5.91
Effect of dilutive securities—Warrants		50		
Diluted EPS—Net income for computation	¥56,109	79,056	¥709.73	\$5.91

	Millions of yen	Thousands of Shares	Yen	U.S. dollars
Year Ended March 31, 2014	Net Income	Weighted-Average Shares	EPS	
Basic EPS—Net income available to common shareholders	¥55,277	79,661	¥693.90	\$5.77
Effect of dilutive securities—Warrants		36		
Diluted EPS—Net income for computation	¥55,277	79,697	¥693.60	\$5.77

22. SUBSEQUENT EVENTS

(1) Purchase of Treasury Stock

At the board meeting held on April 28, 2015, a plan was approved to repurchase up to 1,230,000 shares of the Company's common stock (aggregated amount up to a ceiling of ¥16,800 million (\$139,802 thousand)) during May 1, 2015 through March 30, 2016 on the Tokyo Stock Exchange and retire the shares.

(2) Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2015, was approved at the Company's shareholders' meeting held on June 25, 2015:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥190 (\$1.58) per share	¥14,931	\$124,249

23. SEGMENT INFORMATION

Under the 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 to customers. Daito Building Management Co., Ltd., a consolidated subsidiary, enters into whole-building leases as a "Lease management trust system" whereby it 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							
	2015							
	Reportable Segment				Other	Total	Reconciliations	Consolidated
Construction	Real Estate	Finance	Total					
Sales:								
Sales to external customers	¥589,171	¥723,817	¥ 4,755	¥1,317,743	¥35,413	¥1,353,156	¥ —	¥1,353,156
Intersegment sales or transfers	1,484	1,069	13	2,566	6,360	8,926	(8,926)	—
Total	¥590,655	¥724,886	¥ 4,768	¥1,320,309	¥41,773	¥1,362,082	¥ (8,926)	¥1,353,156
Segment profit (loss)	¥ 85,305	¥ 15,552	¥ 1,957	¥ 102,814	¥ 6,389	¥ 109,203	¥ (17,683)	¥ 91,520
Segment assets	103,611	253,903	59,080	416,594	40,683	457,277	243,843	701,120
Other:								
Depreciation	1,053	3,244	12	4,309	540	4,849	2	4,851
Impairment losses of assets	—	145	—	145	—	145	—	145
Increase in property, plant and equipment and intangible assets	3,160	13,815	128	17,103	734	17,837	9	17,846

	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:	886	2,422	10	3,318	502	3,820	2	3,822
Depreciation								
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

Thousands of U.S. dollars								
2015								
	Reportable Segment				Other	Total	Reconciliations	Consolidated
	Construction	Real Estate	Finance	Total				
Sales:								
Sales to external customers	\$4,902,813	\$6,023,275	\$ 39,569	\$10,965,657	\$294,691	\$11,260,348	\$ —	\$11,260,348
Intersegment sales or transfers	12,349	8,896	108	21,353	52,925	74,278	(74,278)	—
Total	\$4,915,162	\$6,032,171	\$ 39,677	\$10,987,010	\$347,616	\$11,334,626	\$ (74,278)	\$11,260,348
Segment profit (loss)	\$ 709,869	\$ 129,417	\$ 16,285	\$ 855,571	\$ 53,166	\$ 908,737	\$ (147,149)	\$ 761,588
Segment assets	862,204	2,112,865	491,637	3,466,706	338,545	3,805,251	2,029,150	5,834,401
Other:								
Depreciation	8,763	26,995	100	35,858	4,493	40,351	17	40,368
Impairment losses of assets	—	1,207	—	1,207	—	1,207	—	1,207
Increase in property, plant and equipment and intangible assets	26,296	114,962	1,065	142,323	6,108	148,431	75	148,506

Notes for the year ended March 31, 2015

- (1) The reconciliations in segment profit include elimination of intersegment trades of ¥402 million (\$3,345 thousand) and corporate expenses not allocated to a reportable segment of ¥18,085 million (\$150,494 thousand). Corporate expenses are mainly the Company's general administration expenses.
- (2) The reconciliations in segment assets include elimination of intersegment trades of ¥1,281 million (\$10,660 thousand) and corporate assets not allocated to a reportable segment of ¥245,124 million (\$2,039,810 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, 2014

- (4) The reconciliations in segment profit include elimination of intersegment trades of ¥423 million and corporate expenses not allocated to a reportable segment of ¥17,665 million. Corporate expenses are mainly the Company's general administration expenses.
- (5) The reconciliations in segment assets include elimination of intersegment trades of ¥1,403 million and corporate assets not allocated to a reportable segment of ¥253,935 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.



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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, 2015, 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, 2015, 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 25, 2015

Member of
Deloitte Touche Tohmatsu Limited

