

# 45<sup>th</sup> Term DAITO REPORT

Three Months  
(1st quarter)  
ended

FY2018 (April 1, 2018 ▶ June 30, 2018)

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Daito Trust Construction Co., Ltd.

Securities code : 1878



## TO OUR SHAREHOLDERS



### Greeting

I would like to express my gratitude to our shareholders and investors for their continued support. I would also like to extend my sincere condolences to everyone who was harmed by the Heavy Rain Event of July 2018, and I am praying for recovery at the earliest possible time. The operating results and activities of the Daito Group for the three months ended June 30, 2018 (from April 1 to June 30, 2018) are reported as below.

In the housing industry, the number of new residential housing starts increased year-on-year for two consecutive months and in May 2018 was up 1.3% year-on-year. In the rental housing sector, the Daito Group's main area of focus, the number of housing starts declined year-on-year for 12 consecutive months and was down 5.7% year-on-year in May 2018. In the future, the rental housing market is likely to shift from a temporary boom to a market environment of normalization.

Under this market environment, the Daito Group continues to practice "customer first" while keeping in mind that "customer satisfaction is the sole indication of our business success" in order to be a company that is truly trusted by shareholders and other stakeholders. I look forward to your continued support in the future.

### Naomi Kumakiri

President and Representative Director, Chief Executive Officer  
Daito Trust Construction Co., Ltd.  
July 2018



**Q Please give a brief description of the business environment for the three months ended June 30, 2018.**

During the period under review, the domestic economy showed signs of ongoing improvement in corporate results and the employment situation and continued to recover at a moderate pace. In contrast, recent policy developments regarding trade between the United States and China, rising oil prices, and other factors have heightened uncertainty in overseas economies and geopolitical risks, and the future outlook remains uncertain. In the construction market, although there was some easing of the labor shortage due to effects from the Great East Japan Earthquake, the outlook remains uncertain regarding the supply and demand of construction workers as infrastructure development picks up prior to the Tokyo Olympic and Paralympic Games. Securing appropriate building construction profits, reinforcing implementation structures, and maintaining quality remain issues that need to be addressed.

**Q How were business results for this quarter against that backdrop of that business environment?**

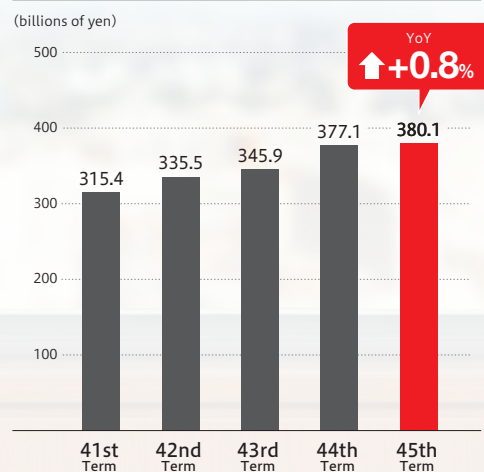
During the consolidated period under review, the Group reported net sales of 380.1 billion yen (up 0.8% year-on-year), operating income of 34.8 billion yen (down 6.1%), ordinary income of 36.3 billion yen (down 5.6%), and net income attributable to owners of the parent company of 26.1 billion yen (down 1.6%).

To meet the expectations of our stakeholders, the entire Daito Group with Daito Trust Construction Co., Ltd., Daito Kentaku Leasing Co., Ltd., and Daito Kentaku Partners Co., Ltd. at its core will work together to achieve our plan for the fiscal term.

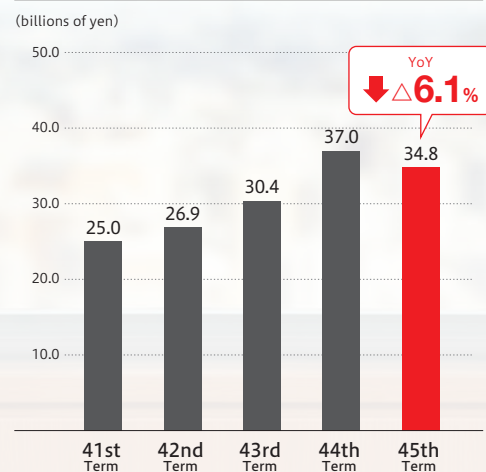
**1st quarter Financial Highlights (Consolidated)**

(April 1, 2018 to June 30, 2018)

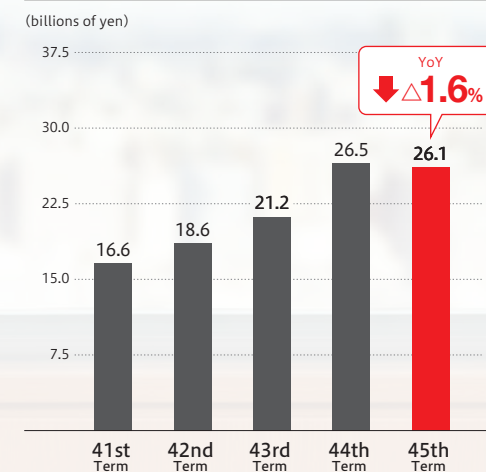
**Net sales 380.1 billion**



**Operating income 34.8 billion**



**Net income attributable to owners of the parent 26.1 billion**



# CONSOLIDATED FINANCIAL STATEMENTS

## Consolidated income statement

(Millions of yen)

Account item	Three months ended From April 1, 2017 to June 30, 2017	Three months ended From April 1, 2018 to June 30, 2018
<b>Net sales</b>	<b>377,193</b>	<b>380,107</b>
Cost of sales	302,586	307,590
<b>Gross profit</b>	<b>74,607</b>	<b>72,517</b>
Selling, general and administrative expenses	37,534	37,693 <sup>1</sup>
<b>Operating income</b>	<b>37,072</b>	<b>34,824</b>
Non-operating income	1,654	1,739
Non-operating expense	259	248
<b>Ordinary income</b>	<b>38,467</b>	<b>36,315</b>
Extraordinary income	44	1,066
Extraordinary loss	130	171
Before taxes and other adjustments quarter profit	38,381	37,210
Income taxes	11,818	11,043
Net income	26,562	26,166
Net income attributable to non-controlling interests	26	54
<b>Net income attributable to owners of the parent</b>	<b>26,535</b>	<b>26,112</b>

## Consolidated balance sheet

(Millions of yen)

Account item	Preceding fiscal year (March 31, 2018)	Fiscal year (June 30, 2018)
<b>Assets</b>		
Current assets	509,844	457,982
Noncurrent assets	333,133	332,404
<b>Total assets</b>	<b>842,978</b>	<b>790,387</b> <sup>2</sup>
<b>Liabilities</b>		
Current liabilities	296,238	249,692
Noncurrent liabilities	249,700	245,567
<b>Total liabilities</b>	<b>545,939</b>	<b>495,259</b> <sup>3</sup>
<b>Net assets</b>		
Shareholders' equity	299,507	298,350
Capital stock	29,060	29,060
Capital surplus	34,540	34,540
Retained earnings	253,108	256,308
Treasury stock	△17,203	△21,559
Accumulated other comprehensive income	△5,479	△6,265
Stock acquisition right	415	458
Non-controlling interests	2,596	2,584
<b>Total Net Assets</b>	<b>297,039</b>	<b>295,127</b> <sup>4</sup>
<b>Total liabilities and net assets</b>	<b>842,978</b>	<b>790,387</b>

## Consolidated Cash flow statement

(Millions of yen)

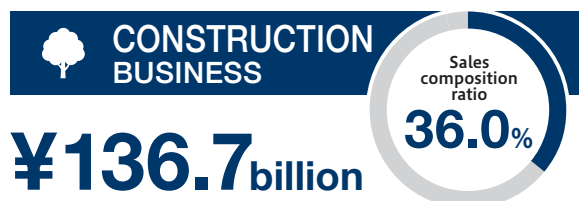
Account item	Three months ended From April 1, 2017 to June 30, 2017	Three months ended From April 1, 2018 to June 30, 2018
Cash flows from operating activities	△32,677	△20,260
Cash flows from investing activities	△11,335	△18,029
Cash flows from financing activities	△39,205	△48,285
Translation differences in accordance with the cash and cash equivalents	△806	△586
Increase or decrease in cash and cash equivalents	△84,025	△87,160
Cash and cash equivalents at beginning of year	200,180	213,714
<b>Quarter-end balance of cash and cash equivalents</b>	<b>116,155</b>	<b>126,553</b> <sup>5</sup>

### POINT

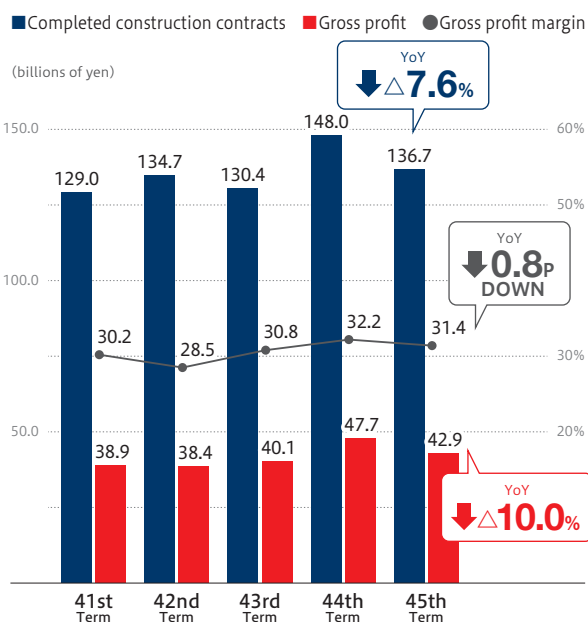
- Personnel expenses declined slightly, but advertising and publicity expenses, and new system development related expenses increased, resulting in an increase of approximately 100 million yen compared to the same quarter of the previous fiscal year.
- Other current assets and marketable securities increased, but cash and deposits decreased, and as a result the balance was down 52.5 billion yen compared to the end of the previous fiscal term.
- Deposits increased, but income taxes payable, provision for bonuses, and long-term borrowings decreased, resulting in a decrease of 50.6 billion yen compared to the end of the previous fiscal term.
- Net income attributable to owners of the parent company was up, but there was a decline of 1.9 billion yen compared to the end of the previous fiscal term because of the payment of dividends, acquisition of treasury stocks, and other factors.
- Payment of income taxes, payment of cash dividends, payment of bonuses, acquisition of treasury stocks, and other factors resulted in a decline of 87.2 billion yen compared to the beginning of the fiscal term.

## BUSINESS SEGMENT (CONSOLIDATED)

(April 1, 2018 to June 30, 2018)

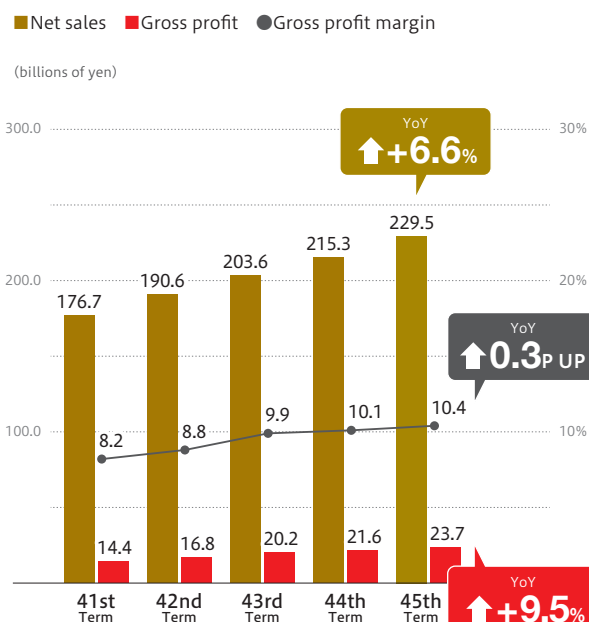


- Completed construction contracts decreased by 7.6% year-on-year to 136.7 billion yen.
- The gross profit margin of completed projects decreased by 0.8 points to 31.4% due to higher labor expenses in conjunction with Tokyo Olympic Games related construction, a tight balance of labor supply and demand, and other factors.
- Orders received decreased by 6.2% to 129.6 billion yen. The construction order balance remained flat at 878.9 billion yen.

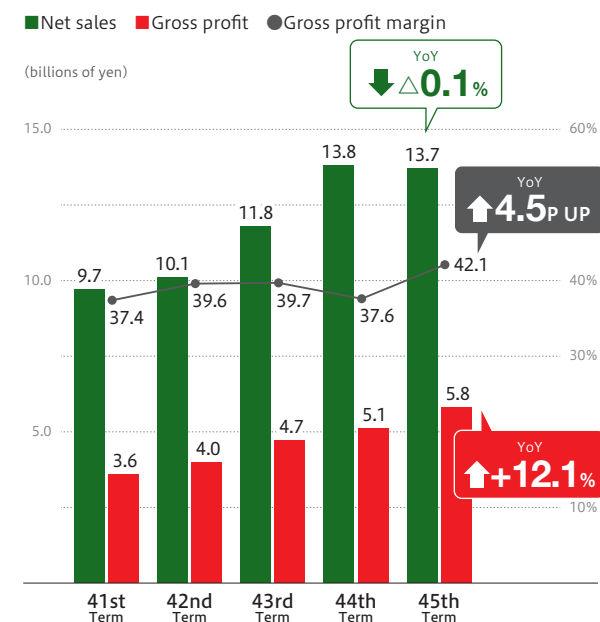


- Net sales increased by 6.6% year-on-year to 229.5 billion yen as a result of higher rental income in conjunction with an increase in integrated rental properties using the Lease Management Trust System.
- The number of tenants recruited by the three main companies\* was up 2.6% to 70,398.
- The occupancy rate for leased residential properties in June increased 0.2 points to 96.5%, and the occupancy rate of leased commercial properties increased by 0.2 points to 98.5%.

\* Daito Trust Construction Co., Ltd., Daito Kentaku Leasing Co., Ltd., and Daito Kentaku Partners Co., Ltd.



- Net sales decreased by 0.1% year-on-year to 13.7 billion yen, while gross profit increased by 12.1% to 5.8 billion yen. The main positive factors were growth in the number of households supplied LP gas by the Gaspal Group, which is in the LP gas supply business; an increase in the number of users of facilities operated by Care Partner Co., Ltd., which operates daycare facilities; and contributions to sales by Hilton Kuala Lumpur, a hotel in Malaysia that the Group acquired last year, and the main negative factor was a reduction in the scale of business of Daito Energy Co., Ltd.



## Damage Caused by the Heavy Rain Event of July 2018 and Support Measures

(as of July 26, 2018)

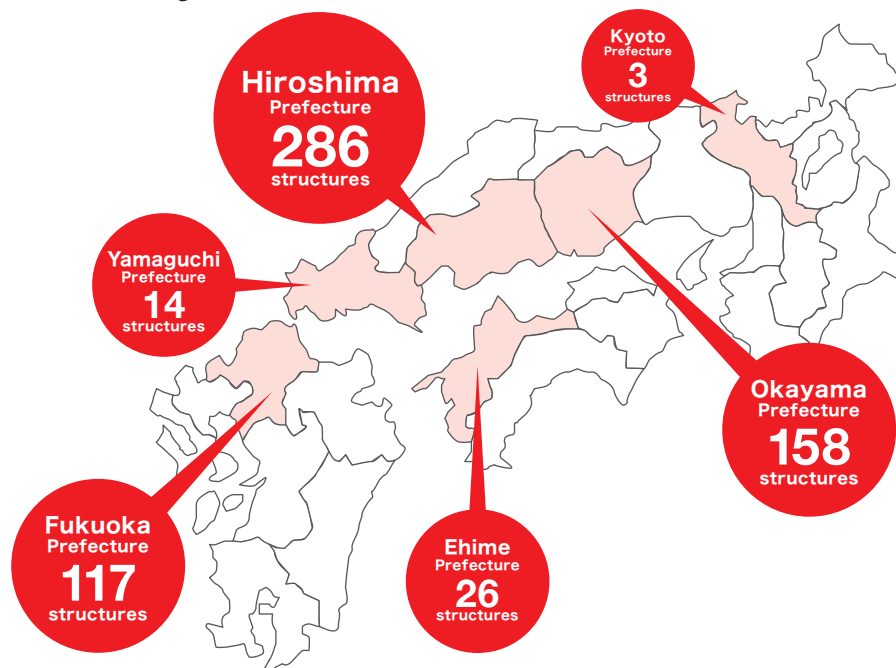
### Status of damage to properties under construction or managed by the Company

Torrential rains that occurred in July 2018 caused personal injury as well as extensive property damage including the destruction of homes in various regions, primarily in western Japan.

A total of eight residential rental properties in western Japan under construction by the Company were damaged (seven experienced submersion of the foundation and one experienced flooding above the floor) and a total of 604 residential rental properties entrusted to the Company sustained damage (351 buildings experienced flooding above the floor while 253 experienced other damage).

#### Status of Damage (as of July 26, 2018)

	Properties under construction	Managed properties
Submersion of foundation	7 structures	—
Flooding above the floor	1 structure	351 structures
Other damage	—	253 structures
<b>Total</b>	<b>8 structures</b>	<b>604 structures</b>



### Supporting Activities Conducted by the Company

The Company expresses its deepest condolences to the families of those who lost their lives as a result of the torrential rains in July 2018 and its sympathies to all who incurred harm.

In light of the status of damage, the Company is donating funds with the hope that they will be useful for recovery in the disaster areas and is providing the support described below. It is our hope that the affected regions will recover at the earliest possible time.

#### Kept Status of Support

① Monetary donation to disaster areas **30 million yen**

\* Ten million yen to local governments in Hiroshima, Okayama, and Ehime Prefectures.  
\* The Daito Group donated 25 million yen, and the Daito Group Mirai Fund donated five million yen.

② Rent-free provision of housing **668 units**  
(as of July 26, 2018)

\* Owners and tenants of properties managed by the Company who incurred damage are eligible.

③ Free loan of furniture and electronics (use of rental packs)

\* New tenants of properties managed by the Company are eligible.

④ Monetary grants to property owners

\* In accordance with Company regulations

⑤ Monetary grants to employees

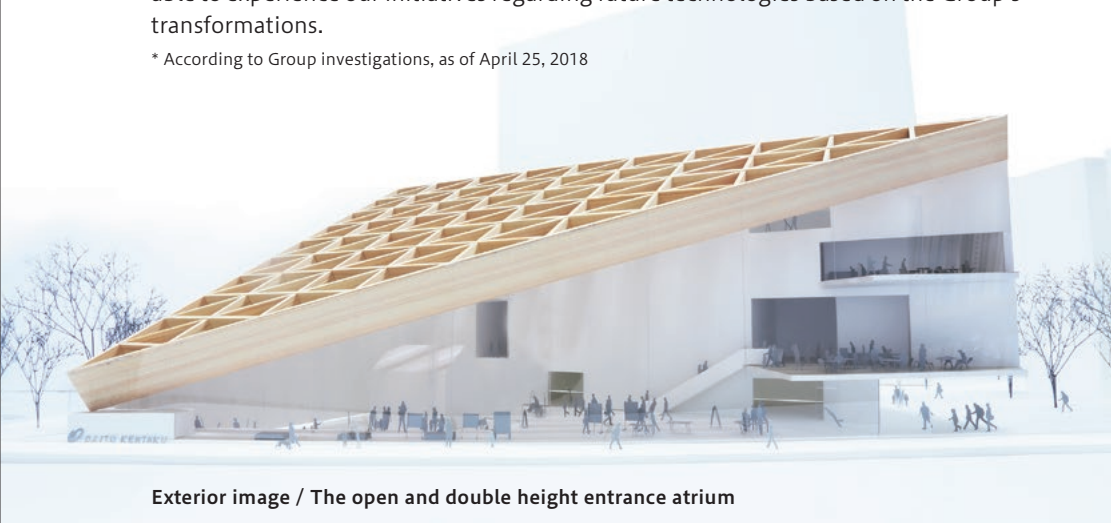
\* In accordance with Company regulations

## Industry's First Information Dissemination Site to be Constructed to Convey the Future of Rental Housing

The Group will construct the Future of Rental Housing Exhibition Space (provisional name) in Shinonome, Koto-ku, Tokyo as an information dissemination facility to convey future lifestyles through new surprises and discoveries in rental housing. It will be the first facility of its type dedicated to rental housing in Japan\* and is scheduled for completion in February 2020.

The facility will comprise a large and double height entrance atrium that will serve as an event space; an exhibition zone equipped with showroom functions to display the physical aspects (construction technologies and materials) and non-physical aspects (systems that support long-term stable business) of rental housing; a model apartment zone with actual-size rental units offered by the Group; and a research zone to provide information on the latest technologies. Since its establishment, the Group has been pursuing “what we can do for rental housing,” and visitors will be able to experience our initiatives regarding future technologies based on the Group’s transformations.

\* According to Group investigations, as of April 25, 2018



Exterior image / The open and double height entrance atrium



## New Group Television Commercial: “Connected Families. Connecting Families.” “Veranda” Version Begins Airing

The “Veranda” version of the new “Connected Families. Connecting Families.” series of corporate television commercials began airing on July 1, 2018. Sosuke Ikematsu, playing the son, reports that he has become engaged, to Yutaka Matsushige, playing his father, while they are on a sunny veranda. It is an awkward conversation, but the scene gradually becomes heartwarming.

The theme of this commercial is “family succession.” With the calming singing of Matt Cab, a singer-songwriter who lives in Japan, the commercial depicts the connections between parents and children, husbands and wives, and from one family to the next while spreading and generating a sense of identification with our brand message, “Life is Built on Trust,” to convey our hope that customers will entrust a portion of their family connections to us in their day-to-day lives.

You can view the new “Veranda” version of the commercial [here](http://www.kentaku.co.jp/corporate/brand_cm.html). >>>  
[http://www.kentaku.co.jp/corporate/brand\\_cm.html](http://www.kentaku.co.jp/corporate/brand_cm.html)



# SHAREHOLDER BENEFIT PLAN

The following benefits are available according to the number of shares held and the duration of holding.

Number of shares held as of end of September		All shareholders holding 100 or more shares					
All of ① through ⑤ (right) may be selected (twice a year)		① ¥300,000 rebate on a construction contract (Note 1)	② ¥300,000 rebate on the purchase of a condominium unit (Note 1)	③ 10% increase in referral awards When making referrals, please contact us at the following contact e-mail address. (Note 2)	④ Free option facilities granted in a construction contract (up to the value of ¥300,000) (Note 1)	⑤ One free ticket for lease brokerage commission (Note 3) * Shareholders who wish to receive their free ticket by postal mail: please contact us at the following contact e-mail address.	
Number of shares held and years of ownership as of end of March	All shareholders holding 100 or more shares	All of ① through ⑤ (right) may be selected (twice a year)	① ¥300,000 rebate on a construction contract (Note 1)	② ¥300,000 rebate on the purchase of a condominium unit (Note 1)	③ 10% increase in referral awards When making referrals, please contact us at the following contact e-mail address. (Note 2)	④ Free option facilities granted in a construction contract (up to the value of ¥300,000) (Note 1)	⑤ One free ticket for lease brokerage commission (Note 3) * Shareholders who wish to receive their free ticket by postal mail: please contact us at the following contact e-mail address.
		Either A or B (right) is available (once a year)	A Gift certificates  Gift certificates are granted in accordance with the number of shares held as follows 100 to 299 shares ..... ¥1,000 300 to 499 shares ..... ¥3,000 500 to 999 shares ..... ¥5,000 1,000 or more shares ... ¥10,000			B Donation to the Daito Group Mirai Fund*  * Support fund for activities geared toward areas recovering from disasters, and to regional revitalization Donations can be made in accordance with the number of shares held as follows 100 to 299 shares ..... ¥1,000 300 to 499 shares ..... ¥3,000 500 to 999 shares ..... ¥5,000 1,000 or more shares... ¥10,000	
	+ 100 or more shares, with shares held for 1 year or longer Plus	One of a, b, c or d is available (once a year)	a Tea (350 ml X 24 bottles) Barley tea manufactured by Care Partner Co., Ltd. 	b water (350 ml X 24 bottles) Natural spring water from Azumino in Shinshu 	c Gift certificates  ¥1,000 * Same amount regardless of number of shares held		d Donation to the Daito Group Mirai Fund  ¥1,000 * Same amount regardless of number of shares held
	+ 300 or more shares, with shares held for 3 years or longer Plus	One of 1, 2, 3 or 4 is available (once a year)	1 50% discount ticket for one-night stay at The Strings By InterContinental Tokyo (Note 4) 	2 50% discount ticket for three-night stay at Le Méridien Kuala Lumpur (Malaysia) (Note 4) 	3 Gift certificates  ¥10,000 * Same amount regardless of number of shares held		4 Donation to the Daito Group Mirai Fund  ¥10,000 * Same amount regardless of number of shares held

The benefit plan is available by submitting an application when using the Company services

The benefit plan is available by submitting an application using the postcard delivered at the end of June

For inquiries regarding the shareholder benefit plan

**Daito Trust Construction**  
Shareholder Benefit Support Center

E - MAIL

**keiki@kentak.co.jp**

\* Please provide us with your shareholder number, name, address, and telephone number when you contact us. Complimentary tickets will be sent to the registered address.  
\* If your address has changed, please perform the procedures specified by your securities company.

(Note 1) · Your name must be in the shareholders registry as of the contract date. · Shareholders as of March 31, 2018: Applicable to contracts concluded from April 1, 2018 to September 30, 2018  
· Shareholders as of September 30, 2018: Applicable to contracts concluded from October 1, 2018 to March 31, 2019  
(Note 2) · 1.1% of construction contract (compared with the normal rate of 1%) · ¥11,000 regardless of the amount of rent (compared with the normal rate of ¥10,000)  
(Note 3) · Valid period for shareholders as of March 31, 2018: July 1–December 31, 2018 · Valid period for shareholders as of September 30, 2018: January 1–June 30, 2019  
(Note 4) · Transport expenses to the hotel shall be borne by the shareholder · Room availability is subject to confirmation



# INFORMATION

## Corporate Data

(As of June 30, 2018)

Corporation Name	Daito Trust Construction Co., Ltd.
Established	June 20, 1974
Capital	29,060,991,263 yen
Head Office	2-16-1, Konan, Minato-ku, Tokyo 108-8211, Japan
Branch Offices	221
Employees	9,467
Business Activities	<p>①Design and construction of apartments, condominiums, rental retail buildings, factories, warehouses, and office buildings</p> <p>②Real estate brokerage such as tenant recruiting, building maintenance, and property management including contracting arrangements</p>

## Officers

### Directors

President and Representative Director, Chief Executive Officer	Naomi Kumakiri
Senior Managing Director	Katsuma Kobayashi
Managing Director	Shuji Kawai
Managing Director	Kei Takeuchi
Director	Kanitsu Uchida
Director	Kazuhiko Saito
Director	Takeshi Nakagawa
Director	Koji Sato
Director	Fumiaki Nakagami
Director (Outside)	Toshiaki Yamaguchi
Director (Outside)	Mami Sasaki
Director (Outside)	Takashi Shoda

### Audit & Supervisory Board Members

Standing Audit & Supervisory Board Member (Outside)	Masayasu Uno
Audit & Supervisory Board Member (Outside)	Hideo Hachiya
Audit & Supervisory Board Member (Outside)	Kazumitsu Futami
Audit & Supervisory Board Member (Outside)	Kazuo Fujimaki

### Executive Officers

Senior Executive Officer	Shuichi Ogawa
Senior Executive Officer	Takashi Suzuki
Executive Officer	Shouji Yamada
Executive Officer	Masayoshi Tanaka
Executive Officer	Hiromichi Ono
Executive Officer	Kazunori Fukuda
Executive Officer	Yoshihiro Mori
Executive Officer	Eiji Kawahara
Executive Officer	Masafumi Tate
Executive Officer	Masayuki Koishikawa
Executive Officer	Kouichi Nakamura
Executive Officer	Satoru Miyake
Executive Officer	Jun Matsufuji

(As of June 30, 2018)

## Information for Shareholders

Fiscal year	April 1 to March 31
General Meeting of Shareholders	June
Record date	Ex-rights Date: March 31 Year-end dividend: March 31 Interim dividend: September 30
Trading unit	100 shares
Stock exchange listing	Tokyo Stock Exchange (1st Section) Nagoya Stock Exchange (1st Section)
Securities code	1878
Transfer agent and special account management institution	1-4-5, Marunouchi, Chiyoda-ku, Tokyo, Japan Mitsubishi UFJ Trust and Banking Corporation

### Method of public notices

Public notices shall be electronically posted on the Company's website.  
<http://www.kentaku.co.jp/ir/koukoku.html>  
 However, in the case where electronic public notice is not available due to an accident or other unavoidable reasons, a notice shall be published in the Nihon Keizai Shimbun.

### Share transfer procedures

#### Shareholders who hold shares in a securities account

For more information, please contact the securities company where you maintain an account.

#### Shareholders who do not conduct transactions with a securities company

For more information, please contact Stock Transfer Agency Division, Mitsubishi UFJ Trust and Banking Corporation, Stock Transfer Agency Division  
 1-1 Nikkocho, Fuchu, Tokyo, Japan

**0120-232-711** Inquiries are accepted from 9:00 to 17:00 excluding Saturdays, Sundays and public holidays

## Have You Submitted Your Individual Number?

The Individual Number (My Number) for which you received notice from your municipality is necessary for performing share related tax procedures. As a result, shareholders are required to inform financial transaction brokers and so on of their Individual Numbers.

Shareholders who started transactions with a securities company in or after January 2016

➡ It is necessary for you to inform the securities company of your Individual Number.

Shareholders who started transactions with a securities company in or before December 2015

➡ You must inform the securities company of your Individual Number by the end of 2018.

### Use of Individual Numbers in Share-Related Operations

In accordance with laws and regulations, shareholder Individual Numbers are indicated in payment records and the information is provided to the tax office.

#### Main Payment Records

- Payment records relating to dividends
- Payment records relating to share transfer transactions such as requests for purchase of shares of less than one trading unit

### Contact Information for Inquiries Regarding Notice of Individual Numbers

Shareholders who hold shares in a securities account  
 Please inquire with your securities company.

Shareholders who do not conduct transactions with a securities company

Please inquire with Stock Transfer Agency Division, Mitsubishi UFJ Trust and Banking Corporation

**0120-232-711** Inquiries are accepted from 9:00 to 17:00 excluding Saturdays, Sundays and public holidays



**Daito Trust Construction Co., Ltd.**

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 TEL: +81-3-6718-9111

<http://www.kentaku.co.jp>

