



Daito Trust Construction Co., Ltd.

Securities code : 1878

45th Term

Nine Months
(3rd quarter)
ended

DAITO REPORT

FY2018 (April 1, 2018 ▶ December 31, 2018)

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Greeting

I would like to express my gratitude to our shareholders and investors for their continued support.

The consolidated operating results and activities of the Daito Group for the nine months ended December 31, 2018 (from April 1 to December 31, 2018) are reported as below.

In the housing industry, the number of new residential housing starts decreased by 0.5% year-on-year during the period under review. In the rental housing sector, the Daito Group's main area of focus, the number of housing starts declined 4.3% year-on-year, in part because of tighter financing by financial institutions. The rental housing market is shifting 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 indicator of our business success" so that we can be a corporate group capable of development long into the future.

I look forward to your continued support in the future.

Naomi Kumakiri

President and Representative Director, Chief Executive Officer
Daito Trust Construction Co., Ltd.
January 2019

Q Please give a brief description of the business environment for the nine months ended December 31, 2018.

During the period under review, the domestic economy continued to show signs of improvement in corporate results and employment and maintained a moderate recovery. On the other hand, uncertainty in overseas economies and geopolitical risks are rising including recent developments regarding trade policy and higher long-term interest rates in the United States, so 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 to need to be addressed.

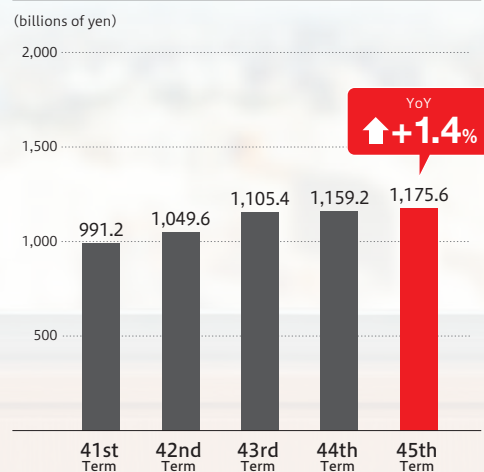
Q How were business results for this quarter against that backdrop of that business environment?

During the consolidated period under review, the Group reported net sales of 1,175.6 billion yen (up 1.4% year-on-year), operating income of 105.0 billion yen (down 5.9%), and net income attributable to owners of the parent company of 75.0 billion yen (down 4.4%). 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 plans for the fiscal term.

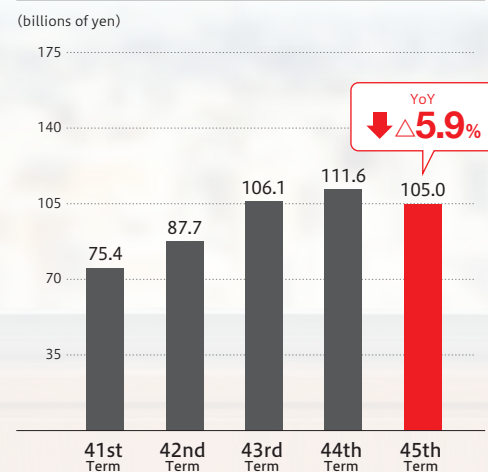
3rd quarter Financial Highlights (Consolidated)

(April 1, 2018 to December 31, 2018)

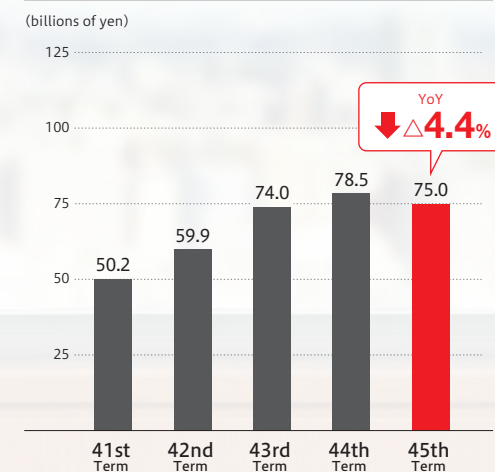
Net sales **¥1,175.6 billion**



Operating income **¥105.0 billion**



Net income attributable to owners of the parent **¥75.0 billion**



CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement

(Millions of yen)

Account item	Nine months ended From April 1, 2017 to December 31, 2017	Nine months ended From April 1, 2018 to December 31, 2018	
Net sales	1,159,298	1,175,656	1
Cost of sales	936,168	954,475	
Gross profit	223,129	221,180	1
Selling, general and administrative expenses	111,518	116,114	2
Operating income	111,611	105,065	1
Non-operating income	4,622	4,401	
Non-operating expense	883	709	
Ordinary income	115,350	108,757	1
Extraordinary income	57	1,120	
Extraordinary loss	330	676	
Before taxes and other adjustments quarter profit	115,078	109,201	
Income taxes	36,396	34,015	
Net income	78,681	75,185	
Net income attributable to non-controlling interests	120	104	
Net income attributable to owners of the parent	78,561	75,081	1

Consolidated balance sheet

(Millions of yen)

Account item	Preceding fiscal year (March 31, 2018)	First nine months of the fiscal year (As of December 31, 2018)	
Assets			
Current assets	509,844	456,444	
Noncurrent assets	333,133	361,548	
Total assets	842,978	817,993	3
Liabilities			
Current liabilities	296,238	240,716	
Noncurrent liabilities	249,700	261,676	
Total liabilities	545,939	502,393	4
Net assets			
Shareholders' equity	299,507	318,601	
Capital stock	29,060	29,060	
Capital surplus	34,540	34,540	
Retained earnings	253,108	283,103	
Treasury stock	△17,203	△28,103	
Accumulated other comprehensive income	△5,479	△6,031	
Stock acquisition right	415	473	
Non-controlling interests	2,596	2,557	
Total Net Assets	297,039	315,600	5
Total liabilities and net assets	842,978	817,993	

Cash flow statement

(Millions of yen)

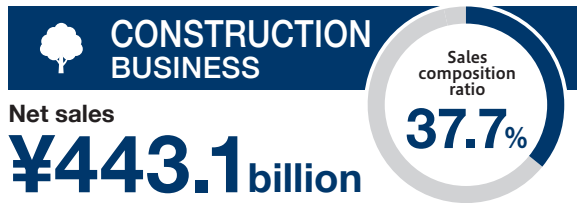
Account item	Nine months ended From April 1, 2017 to December 31, 2017	Nine months ended From April 1, 2018 to December 31, 2018	
Cash flows from operating activities	△14,448	6,219	
Cash flows from investing activities	△7,458	△32,274	
Cash flows from financing activities	△83,248	△65,364	
Translation differences in accordance with the cash and cash equivalents	△683	△78	
Increase or decrease in cash and cash equivalents	△105,839	△91,497	
Cash and cash equivalents at beginning of year	200,180	213,714	
Quarter-end balance of cash and cash equivalents	94,341	122,217	6

POINT

- During the cumulative three quarters of the consolidated fiscal year, net sales hit a new record high, but each measure of income was down for the first time in ten terms.
- Advertising and publicity expenses were flat, but higher system development, in addition to personnel and expenses relating to the Hilton Kuala Lumpur in Malaysia resulted in a 4.6 billion yen increase.
- Completed construction receivables and tangible fixed assets increased while deposits decreased, resulting in a year-on-year decrease of 25.0 billion yen.
- Down 43.6 billion yen year-on-year as a result of decreases in income taxes payable and provision for bonuses.
- Dividends were paid and treasury stock was purchased, while quarterly net income attributable to owners of the parent company was recorded, resulting in an increase of 18.6 billion yen compared to the end of the previous term.
- Down 91.5 billion yen compared to the start of the fiscal year as a result of payment of income taxes, payment of dividends, acquisition of treasury stock, and other factors.

BUSINESS SEGMENT (CONSOLIDATED)

(April 1, 2018 to December 31, 2018)



- Completed construction contracts decreased by 5.1% year-on-year to 443.1 billion yen.
- The gross profit margin of completed projects decreased by 1.0 points to 31.0% 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 1.9% to 442.4 billion yen. The construction order balance increased 1.3% year-on-year to 870.6 billion yen.



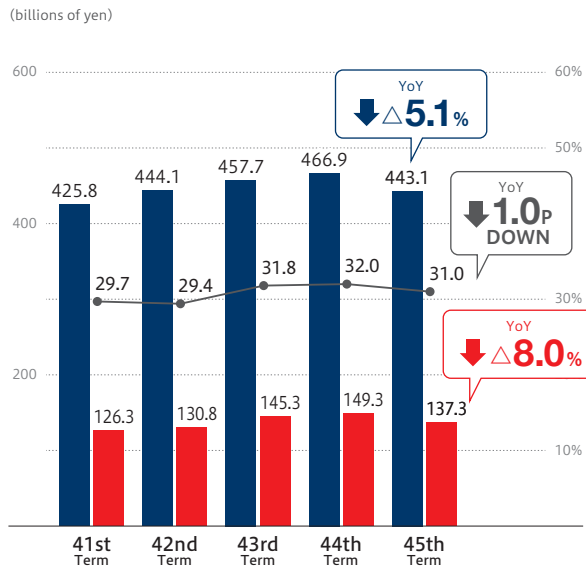
- Net sales increased by 6.3% year-on-year to 691.8 billion yen as a result of higher rental income in conjunction with an increase in integrated rental properties using the Lease Management Trust System.
- The number of tenants recruited by the three core companies* was up 8.5% to 214,698.
- The occupancy rate for leased residential properties in December increased 0.2 points to 96.6%, and the occupancy rate of leased commercial properties increased by 0.3 points to 98.6%.

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

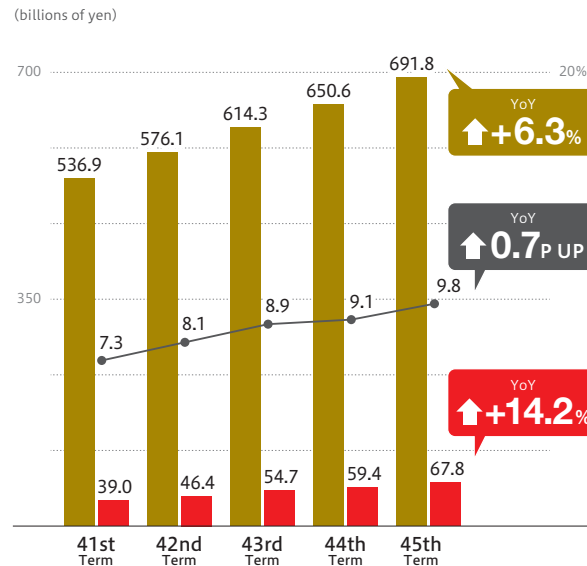


- Net sales decreased by 2.7% year-on-year to 40.6 billion yen, while gross profit rose 10.6% year-on-year to 15.9 billion yen. The main positive factors were growth in the number of households supplied LP gas by the Gaspal Group, which is in the LP gas supply business; an increase in the number of users 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.

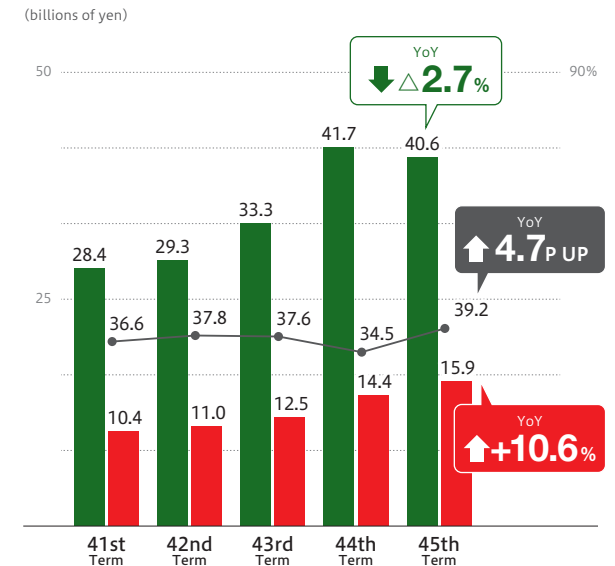
Completed construction contracts Gross profit Gross profit margin



Net sales Gross profit Gross profit margin



Net sales Gross profit Gross profit margin

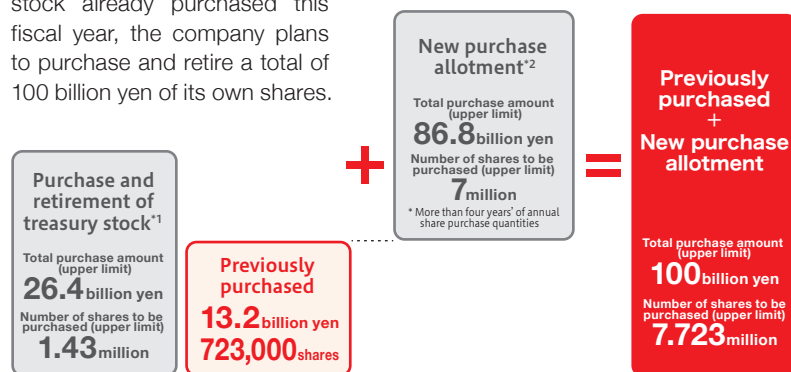


TOPICS 01

Stock Purchase and Shareholder Return Policy Revised

Purchase and Retirement of Treasury Stock

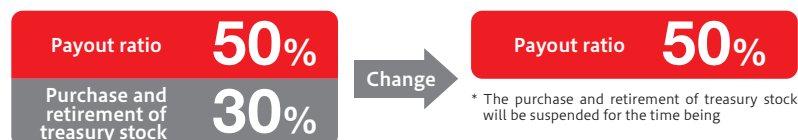
Pursuant to a new resolution for the purchase of treasury stock, Daito Trust Construction Co., Ltd. plans to purchase treasury stock up to a maximum of seven million shares, equal to 9.4% of issued shares (excluding treasury stock) at a maximum cost of 86.8 billion yen. Together with the 13.2 billion yen worth of stock already purchased this fiscal year, the company plans to purchase and retire a total of 100 billion yen of its own shares.



*1 April 23, 2018 Board of Directors resolution *2 December 17, 2018 Board of Directors resolution

Shareholder Return Policy for the Future

With reinforcing management foundations and paying stable dividends as its fundamental stance, Daito Trust Construction Co., Ltd. achieves both active reinforcement of shareholder returns and investment for future growth in order to continuously raise corporate value and increase shareholder returns.



TOPICS 02

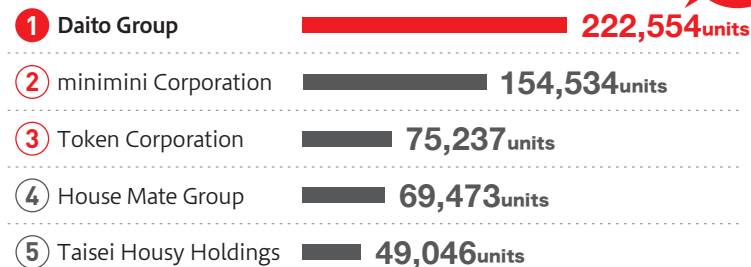
Rankings Cover 327 Real Estate Companies Nationwide 2019 Rental Housing Brokerage Ranking by Number of Units



The Daito Group was number one in the “2019 Rental Housing Brokerage Ranking by Number of Units of 327 Companies” announced by the Zenkoku Chintai Jutaku Shimibun, a weekly newspaper company. This is the ninth consecutive year that the Daito Group has been in the number one position. As of the end of September 2018, the Daito Group had brokered 222,554 units of rental housing,* an increase of 11,980 from the previous year. With the aim of enhancing tenant convenience, the Daito Group is developing new products, increasing the number of brokerage sites, and introducing virtual reality previews that enable potential tenants to view and experience rental units from the broker office as well as a multi-lingual smartphone application. We will continue to provide high-quality rental housing and high added-value services to ensure that tenants continue to select the Daito Group in the future.

* The total number of units brokered includes those brokered by Housecom Corporation and Daito Kentaku Leasing Co., Ltd., which are Group companies.

2019 Rental Housing Unit Brokerage Ranking (number of units brokered, top five)



Source: Zenkoku Chintai Jutaku Shimibun (issued by Zenkoku Chintai Jutaku Shimibun Co., Ltd.), January 7, 2019

 TOPICS 03

First Rental Housing Building with Pet Specification Option Completed Under the Supervision of a Vet!



In conjunction with deployment of “Nyan Room Wan Room,” the DK SELECT pet brand, the Company is offering a “pet specification option” under the supervision of a veterinarian. The first rental housing building with the pet specification option was completed in Shizuoka City on December 27, 2018. The option provides facilities designed under the supervision of a veterinarian for the benefit of tenants and their pets such as a customizable “pet closet” and a “cat wall” where cats can play. The Company will continue to provide comfortable lifestyles to tenants and pets by offering rental housing suitable for pets.

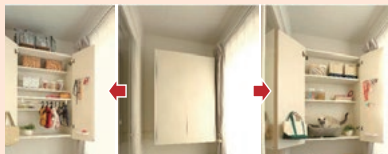
Cat wall

The movable shelves installed on the wall make it possible to change the positions of the steps so that cats remain interested



Pet closet

The pet closet can be used for storing pet supplies and can be arranged in various configurations suitable for trimming nails and hair, playing with a cat, and more



 TOPICS 04



New Commercials for e-Heya Net “Kodawari Talk” version, Currently Airing

Hinako Sakurai appears with the popular comedy duo Harisenbon, made up of Haruna Kondo and Haruka Minowa, in a comical setting in this new and well-received television commercial, currently being broadcast, for e-Heya Net. Following the “Family” version and “Pet” version of commercials, this commercial introduces a function for searching with specific conditions in order to find apartments that have features such as a walk-in closet and an auto-lock.

While walking on a college campus, Sakurai mentions that she would like to live in an apartment where she can keep a pet and that an auto-lock is important for security. Shuhen-Kiki-chan (Minowa) mishears “auto-lock” as “Otoro” (fatty tuna), and Sakurai and e-Heya Nekko-chan (Kondo) respond. The three sing “search using e-Heya Net” together and adopt suitable poses.

You can watch the television commercial with Kondo as the comedy straight woman here! >> <http://www.eheya.net/cm/>



TOPICS 05

Sakura Care, a Home Visit Assistance Provider, and Ume Care, a Home Visit Nursing Care Provider, Become Wholly-Owned Subsidiaries

All shares of Sakura Care Co., Ltd. and Ume Care Co., Ltd., which are based in Setagaya-ku, Tokyo and provide home visit assistance and home visit nursing care, were acquired and they became wholly-owned subsidiaries in December 2018.

Under its mid-term business plan, which concludes in the fiscal year ending March 2021, the Daito Group will pursue sustainable growth in construction and real estate, which are its core businesses, as well as in the aged care and childcare, energy, and overseas businesses, which are positioned as new core businesses.

Sakura Care and Ume Care engage in the business of home visit assistance, home visit nursing care, in-home assistance, comprehensive support for disabled persons, fee-based job referrals, and other services, and have established reputations for maintaining the high quality of service and recruiting personnel amidst intensifying competition. By acquiring the two companies as Daito Group subsidiaries, it will be possible to integrate their expertise with that of Care Partner, a Group company, and reinforce the aged care business even further.



Right: Nobuo Arai, former president of Sakura Care and Ume Care
Left: Kanitsu Uchida, director of Daito Trust Construction

Sakura Care Co., Ltd.
Location
1-22-12 Setagaya, Setagaya-ku, Tokyo

Ume Care Co., Ltd.
Location
6-3-10 Matsubara, Setagaya-ku, Tokyo

TOPICS 06

Four Gaspal Group Companies Receive Technology Oversight and Safety Council Chairman's Award



Four Gaspal Corporation Group gas supply companies (Gaspal Shikoku Corporation, Gaspal Chugoku Corporation, Gaspal Kyushu Corporation, and Daito Gas Partner Corporation) received the 2018 Technology Oversight and Safety Council Chairman's Award, the highest commendation of the LP Gas Consumer Safety Award.



From the left: President Hideaki Yugi of Gaspal Shikoku and Gaspal Chugoku, President Masaki Ikeda of Gaspal Kyushu, and President Michihito Takahashi of Daito Gas Partner

The award recognizes companies from among the 18,500 gas sellers nationwide that actively undertake voluntary safety measures and achieve noteworthy results. The winners are selected through deliberations by the Ministry of Economy, Trade and Industry and industry groups. This year, a total of 12 gas sellers including the four Gaspal Group companies was selected.

Gaspal Enters City Gas Business in Osaka Gas Territory



Gaspal Corporation began providing e-Heya Gas services for city gas supply in the supply territory of Osaka Gas Co., Ltd. (Osaka and surrounding areas) on November 12, 2018. New tenants of properties managed by the Daito Group in the expanded business territory will be eligible for the service.

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 Optional equipment service for building construction (equipment specified by the Company, maximum 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 Optional equipment service for building construction (equipment specified by the Company, maximum 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.
	+ 100 or more shares, with shares held for 1 year or longer (Plus)	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* 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 * Support fund for activities geared toward areas recovering from disasters, and to regional revitalization		
		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

E - MAIL
keiki@kentaku.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 December 31, 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	227
Employees	9,211
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

(As of December 31, 2018)

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

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.
 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



Daito Trust Construction Co., Ltd.

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

TEL: +81-3-6718-9111

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

