

Securities code: 1878

June 3, 2016

To Our Shareholders

Naomi Kumakiri
President and Representative Director,
Chief Executive Officer
Daito Trust Construction Co., Ltd.
16-1, Konan 2-chome, Minato-ku, Tokyo

Notice of Convocation of the 42nd Ordinary General Meeting of Shareholders

We would like to express our sympathy to those affected by the recent Kumamoto Earthquake and pray for a swift recovery in the region.

You are cordially invited to attend the 42nd Ordinary General Meeting of Shareholders of the Company. The meeting will be held as described below.

If you are unable to attend the meeting, you may exercise your voting rights via postal mail or the Internet. Please review the attached Reference Documents for the General Meeting of Shareholders and exercise your voting rights by 5:00 p.m. on June 27, 2016 (Monday).

1. **Date and Time:** June 28, 2016 (Tuesday) 10:00 a.m.
2. **Place:** 16-1, Konan 2-chome, Minato-ku, Tokyo
Shinagawa East One Tower 21F, Main Conference Room
3. **Agenda for the Meeting**
Matters to be reported:
 1. The Business Report, the Consolidated Financial Statements and the audit results of the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board for the 42nd Fiscal Term (April 1, 2015 to March 31, 2016)
 2. The Non-consolidated Financial Statements for the 42nd Fiscal Term (April 1, 2015 to March 31, 2016)**Matters to be resolved:**
 - Proposal No. 1:** Appropriation of Surplus for the 42nd Fiscal Term
 - Proposal No. 2:** Partial Amendment to the Articles of Incorporation
 - Proposal No. 3:** Election of One (1) Director
 - Proposal No. 4:** Election of One (1) Audit & Supervisory Board Member

Notes:

1. For those attending, please present the enclosed Voting Rights Exercise Form to the receptionist on arriving at the meeting. You are also requested to bring this document with you to the meeting for your reference.
2. If you vote by proxy, please make sure your proxy presents the Letter of Attorney along with the Voting Rights Exercise Form to the receptionist. In addition, pursuant to the provisions of the Articles of Incorporation of the Company, only one (1) shareholder holding the voting right of the Company is entitled to exercise a proxy voting right on your behalf.
3. If there are any amendments to the Business Report, the Consolidated Financial Statements and the Non-consolidated Financial Statements, and the Reference Documents for the General Meeting of Shareholders, the revised version will be posted on our website (<http://www.kentaku.co.jp/corporate/ir/kabunushi.html>).
4. As part of our electricity-saving efforts, the attending officers and the meeting staff of the Company will dress in a "cool biz" style (without jacket and tie). Please dress lightly upon attending the meeting.
5. Disclosure on the Company's website of the documents to be included in this Notice of Convocation
The following items are not included in the Reference Documents attached to this notice, but are posted in our website (<http://www.kentaku.co.jp/corporate/ir/kabunushi.html>) pursuant to the provisions of law and Article 16 of the Articles of Incorporation of the Company.
The Reference Documents attached to this notice are part of the information audited by the Accounting Auditor and Audit & Supervisory Board Members as part of their preparation of Accounting Auditor's Report and Audit & Supervisory Board Report, respectively.

- (1) Following matters in the Business Report:
 - Main business

- Employees
 - Main place of business
 - Main creditors and borrowing amounts
 - Other significant matters concerning shares
 - Matters concerning share options of the Company
- (2) Consolidated Statement of Changes in Net Assets and Notes to Consolidated Financial Statements
- (3) Non-consolidated Statement of Changes in Net Assets and Notes to Non-consolidated Financial Statements

Reference Documents for the General Meeting of Shareholders

Proposals and references:

Proposal No. 1: Appropriation of Surplus for the 42nd Fiscal Term

Appropriation of surplus for the 42nd Fiscal Term is reported as follows:

Year-End Dividend

The Company recognizes adequate profit return to shareholders as one of the most important management matters and practices it. For dividends, the Company, while taking the basic policy stance of providing stable dividends through ongoing reinforcement of our business foundation, aims to set the payout ratio at 50%, and includes a basic dividend of 100 yen and the profit return based on consolidated business performance. Based on these standards, the Company will set a dividend of 233 yen per share for the year-end dividend of the 42nd Fiscal Term.

The annual dividend to be paid would be 432 yen per share (up 57 yen per share from the previous fiscal year) including the interim dividend of 199 yen per share paid in November last year.

(1) Type of dividend property

Cash

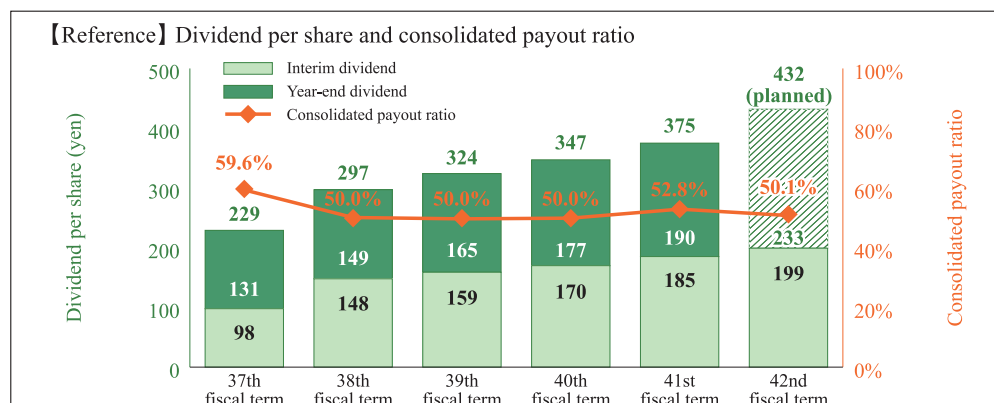
(2) Matters regarding dividend property's allocation to shareholders and total amount

Cash payment of dividend per share: 233 yen per common share of the Company

Total amount: 18,113,139,002 yen

(3) Effective date of dividend payment

June 29, 2016



Proposal No. 2: Partial Amendment to the Articles of Incorporation

1. Reasons for the Amendment

With the enactment of the Act for Partial Revisions to the Companies Act (Act No. 90 of 2014) on May 1, 2015, the scope of persons with whom companies can conclude agreements limiting liability as defined under Article 427 of the Companies Act has been revised, and companies can now conclude agreements limiting liability, in addition to Outside Directors, with non-executive Directors who are not Outside Directors.

In conjunction with this change, partial amendments shall be made to Paragraph 2 (Limitation of Directors’ Liability) of Article 27 of the Articles of Incorporation so that such Directors as well can fully perform their expected roles.

The Company has obtained the unanimous consent of the Audit & Supervisory Board Members for this proposal.

2. Description of the Amendment

The Company proposes that the Articles of Incorporation of the Company be amended as follows:

(Amendments shown by underlines)

Existing Articles of Incorporation	Proposed Amendments	Reason for change
(Exemption of Directors’ Liability)	(Exemption of Directors’ Liability)	
Article 27 (Omitted)	Article 27 (Same as at present)	
<p>2. In accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, the Company may enter into an agreement with <u>an Outside Director</u> to limit liability for damage in the event that he or she fails to perform his or her duties. However, this limit shall be the minimum liability amount stipulated by applicable laws and regulations.</p>	<p>2. In accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, the Company may enter into an agreement with <u>a Director (excluding an executive Director and the like)</u> to limit liability for damage in the event that he or she fails to perform his or her duties. However, this limit shall be the minimum liability amount stipulated by applicable laws and regulations.</p>	<p>In conjunction with the revision to the Companies Act, which changed to the scope of directors with whom companies may conclude agreements limiting liability, the Company shall partially revise its Articles of Incorporation so that it may conclude agreements limiting liability with non-executive directors who are not Outside Directors.</p>

Proposal No. 3: Election of One (1) Director

In order to achieve sustainable growth of the Daito Group and improve corporate value in the medium- to long-term, the Company, in addition to further reinforcing its core businesses of construction and real estate, will need to strengthen the related businesses peripheral to these core businesses and the management and supervision structures of the Daito Group companies, which are responsible for such businesses, as well as further improving the earnings power and competitiveness of the related businesses and the Daito Group companies. For this reason, the Company proposes that shareholders elect one (1) Director who will be responsible for the management and supervision of the related businesses and the Daito Group companies.

If the candidates are elected as originally proposed in this Proposal and Proposal No.4, seven (7) of the seventeen (17) members of the Board of Directors will qualify as independent outside officers who have satisfied the independence criteria established by the Company. Thus continue to enable discussions at the Board of Directors based on opinions expressed from an independent and neutral perspective.

The respective name, career summary, etc. of the candidate for Director are as follows.

Candidate for Director	Takeshi Nakagawa	(Born April 14, 1963)	[Number of the Company shares held] 1,213 shares	New candidate
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■ Career summary, position and responsibilities in the Company and significant concurrent positions held

- November 1989 Joined the Company
- November 2002 Director of Daito Building Management Co., Ltd.
- April 2006 Senior Managing Director of Gaspal Co., Ltd.
- April 2009 Representative Director and President of Gaspal Co., Ltd.
- April 2010 Executive Officer,
Representative Director and President of Gaspal Co., Ltd.
- April 2013 Managing Executive Officer,
Representative Director and President of Gaspal Co., Ltd.
- April 2014 Managing Executive Officer,
Representative Director and President of Gaspal Co., Ltd.
- April 2016 General Manager of Subsidiary Business Headquarters
Senior Executive Officer,
Representative Director and President of Gaspal Co., Ltd.
General Manager of Subsidiary Business Headquarters (current position)

<Reason for nomination as candidate for Director>
Mr. Nakagawa, as a Director, has long been involved in the management of a major Group company and has abundant experience and knowledge in related businesses. He has been nominated as a candidate for Director based on the judgment that by utilizing his extensive experience and knowledge, he will be most suited to reinforce the management/supervision framework over the related businesses and the Daito Group companies which are responsible for the related businesses.

<Candidate’s message to shareholders>
It has become essential that we strengthen not only our core businesses of construction and real estate but also the related businesses, in order to achieve the Daito Group’s sustainable growth for the medium- to long-term. Therefore, I will endeavor to reinforce the growth base of the related businesses and enhance the corporate value of the Daito Group as a whole, by further raising the synergy between the Daito Group companies, while taking into account market changes and social needs and proactively engaging in such areas as energy with the ongoing liberalization, which promise future growth.

(Note) There is no special interest between the candidate for Director and the Company

Proposal No. 4: Election of One (1) Audit & Supervisory Board Member

The term of office of Mr. Kazumitsu Futami, among the four (4) current Audit & Supervisory Board Members (all of them are Outside Audit & Supervisory Board Members), will expire at the conclusion of this Year's Ordinary General Meeting of Shareholders. Accordingly, the Company proposes that shareholders elect one (1) Audit & Supervisory Board Member.

The Company has obtained the unanimous consent of the Audit & Supervisory Board for this proposal.

The name, career summary, etc. of the candidate for Audit & Supervisory Board Member are as follows.

Candidate for Audit & Supervisory Board Member	Kazumitsu Futami	(Born August 5, 1945)	[Number of the Company shares held] —	Reappoint ment
				Outside
				Independent officer



■ Career summary, position and responsibilities in the Company and significant concurrent positions held

April 1964	Joined the Ministry of Construction (currently the Ministry of Land, Infrastructure, Transport and Tourism)
May 1998	General Manager, Land Department, Chugoku Region Construction Bureau, Ministry of Construction
June 1999	General Manager, Loan Guarantee Department 1, Incorporated Foundation of Housing Improvement Development Public Corporation (currently General Incorporated Foundation of Housing Improvement Development Public Corporation)
December 2003	Director, Incorporated Foundation of Housing Improvement Development Public Corporation
July 2009	Representative Director and President, Jei Kei Kikaku Co., Ltd. (current position)
June 2012	Audit & Supervisory Board Member (current position)
December 2012	Member of Evaluation Committee (Current Governance Committee) (current position)

■ Term of office: 4 years (as of the conclusion of this Ordinary General Meeting of Shareholders)

■ Attendance of Board of Directors meetings: 14 out 14 (Attendance rate: 100%)

■ Attendance of Audit & Supervisory Board meetings:
13 out 13 (Attendance rate: 100%)

<Reason for nomination as candidate for Outside Audit & Supervisory Board Member>

Mr. Futami has many years of experience in housing administration and loan guarantee business for construction loans for rental residential property development. He has conducted audits based on his wealth of experience and knowledge, as well as stated his opinions from an independent position as an Outside Audit & Supervisory Board Member, sufficiently fulfilling the function of audits over the Company's management.

Therefore, he has been nominated as a candidate for Outside Audit & Supervisory Board Member based on the judgment that it is our best interest that he continues to fulfill the audit function over the Company's management as an Outside Audit & Supervisory Board Member.

<Independence>

Mr. Futami is determined to be sufficiently independent as he satisfies the independence criteria established by the Company as well as standards for independent officers established by the Tokyo Stock Exchange and the Nagoya Stock Exchange.

<Candidate's message to shareholders>

I believe that the management issues that we must address going forward include responding in a timely manner to social changes such as the rapidly declining birth rate and aging population, the shrinking population and the problem of vacant homes.

As a leading company, our efforts to further evolve and enhance our mission of "Further explore opportunities in rental apartments" in both its tangible and intangible aspects will lead to social contribution including regional revitalization, as well as increasing customer satisfaction.

Drawing on my experience in housing administration and as Audit & Supervisory Board Member for the past four years, and working with the other officers, I will endeavor to enhance the sustainable growth and the corporate value of the Company in the medium- to long-term.

(Notes) 1. There is no special interest between the candidate for Audit & Supervisory Board Member and the Company.

2. Mr. Kazumitsu Futami is a candidate for Outside Audit & Supervisory Board Member.

The Company has designated Mr. Kazumitsu Futami as an independent officer under the provisions set forth by the Tokyo Stock Exchange and the Nagoya Stock Exchange and has notified said Exchanges accordingly.

3. Special notes regarding the candidate for Outside Audit & Supervisory Board Member are as follows:

The Company has entered into a Limited Liability Agreement with Mr. Kazumitsu Futami.

Outlines of this Limited Liability Agreement are described below:

- In the event that the Company bears liability for damages caused by neglect of the Outside Audit & Supervisory Board Member's duty, the liability amount shall be the minimum amount set forth in Article 425, Paragraph 1 of the Companies Act.
- The limited liability stated above shall be applicable only when the Outside Audit & Supervisory Board Member performs his duty in good faith and without material negligence.

[Reference] Guidelines for Selecting Outside Officers (Directors and Audit & Supervisory Board Members)

Outside Officers and Candidates as Outside Officers of the Company shall be selected from those who satisfy the following guidelines established by the Company.

1. Can directly supervise the discussions and decisions by the Board of Directors on, among others, management, corporate legal, and governance issues;
2. Can reflect their own knowledge and insights in the development of a growth strategy, the establishment of a management strategy, the achievement of a mid-term business plan, etc.; and
3. Can provide advice and guidance to other corporate management issues based on their own knowledge, expertise and experience.

[Reference] Independence Criteria for Outside Officers (Directors and Audit & Supervisory Board Members)

Outside Officers and Candidates as Outside Officers of the Company shall be selected from those who satisfy the following independence criteria established by the Company.

The following 1. applies to the present and for an indefinite past period and 2. through 5. apply to the present and for the period of past 10 years.

1. Persons related to the Daito Group

Not a director (excluding outside directors), audit & supervisory board member (excluding outside audit & supervisory board member), accounting advisor, executive officer, or employee (hereinafter “director, etc.”) of any subsidiary (Note 1) or affiliate (Note 2) of the Company (hereinafter the “the Daito Group”).

2. Persons with voting rights

- (1) Not a shareholder holding 10% or more of the voting rights in the Company or a director, etc. of such a shareholder; and
- (2) Not a director, etc. of a company in which the Daito Group holds 10% or more of the voting rights.

3. Persons with a trade relationship

- (1) Not a director, etc. of a company with which the Daito Group has carried out transactions in the total amount that is equivalent to 2% or more of the consolidated net sales of either party;
- (2) Not a director, etc. of a financial institution that is a major lender (with a lending balance equivalent to 2% or more of the consolidated total assets of the Company) to the Daito Group; and
- (3) Not a director, etc. of a lead underwriter of the Daito Group.

4. Providers of expert services (lawyers, certified public accountants, consultants, etc.)

- (1) Not a certified public accountant who is an accounting auditor of the Daito Group, or partner or employee of an audit firm; and
- (2) Not a person who receives a total annual fee of 10 million yen or more from the Daito Group as a lawyer, certified public accountant, tax accountant or any other consultant in addition to the remuneration he/she receives from the Daito Group as a Director or Audit & Supervisory Board Member.

5. Others

- (1) Not a relative within the second degree of kinship of any of the persons listed in 1 through 4 above (excluding those who are not significant);
- (2) Not a director, etc. of a company with which the Daito Group has a relationship in which officers are exchanged between the parties; and
- (3) Not a director, etc. of a company with which the Daito Group has a cross-holding of shares.

(Notes)

1. A “subsidiary” is a subsidiary prescribed in Article 8, Paragraph 3 of the Ordinance on Terminology, Forms and Preparation of Financial Statements.
2. An “affiliate” is an affiliate prescribed in Article 8, Paragraph 5 of the Ordinance on Terminology, Forms and Preparation of Financial Statements.

(Appendix)

Business Report

(From April 1, 2015 to March 31, 2016)

1. Current State of Enterprise Group

(1) Business Progress and Results

(i) Overview of Business Environment

In the fiscal year ended March 31, 2016, the domestic economy continued on its moderate recovery trend against the backdrop of flexible fiscal policies taken by the government, the bold monetary easing policy taken by the Bank of Japan and the improvement in corporate earnings resulting from the fall in crude oil prices, among others.

In the housing industry, housing starts in the fiscal year ended March 31, 2016 recovered from the negative reaction to the last minute surge in demand before the increase in the consumption tax rate in April 2014, rising for the 3rd consecutive month from the same month the year before since January 2016, and on a cumulative basis increased 4.6% to 920,000 from the previous fiscal year. (*)

In the field of leased housing on which the Daito Group is focused, housing starts of rental residential properties in the fiscal year 2015 increased for the 5th consecutive month from the same month the year before since November 2015, and on a cumulative basis increased from the previous fiscal year by 7.1% to 380,000. With such factors as the inheritance tax reform in January 2015 and the continuation of a low interest rate environment for apartment loans due to the bold monetary easing policy taken by the Bank of Japan, landowners' needs for effective asset utilization have been gaining greater momentum. Companies that propose a leased housing construction are required to provide a one-stop service to realize "amicable and smooth asset succession to the next generation" that goes beyond a simple tax saving proposal.

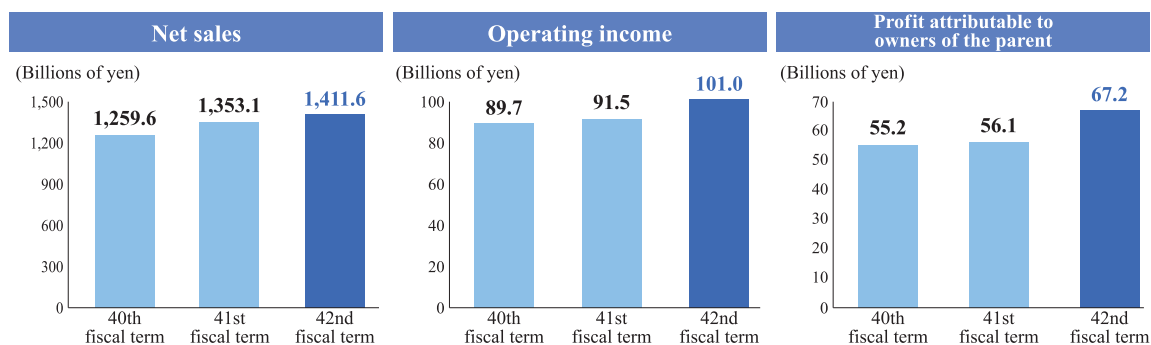
Meanwhile, the total number of households in Japan is forecasted to increase through 2020 as the number of single-person households is increasing due to the declining birthrate and aging population coupled with the increasing tendency to marry late. In light of these circumstances, tenants' demand for leased housing is thus expected to remain brisk in the future supported also by economic recovery. Additionally, the tenants are expressing increasingly diverse needs, as they become more discerning in their choice of housing. The tenants demand excellent hardware features of buildings, housing facilities, etc., as well as the needs for excellent services (software features) such as an arrangement in which no joint guarantor is required for entering into a tenancy agreement, credit card settlement of rent, and 24-hour living support, and companies supplying rental residences must make efforts to provide attractive buildings and residences.

Domestic construction demand continues to grow supported by the full realization of reconstruction demand following the Great East Japan Earthquake and the preparation for the hosting of the Olympics in Tokyo, including the construction of the facilities as well as improving the transportation infrastructures and expanding the airports. Under these circumstances, the Daito Group faces and will continue to face significant challenges in terms of restraining cost while construction cost is expected to rise, securing labor force, and enhancing construction capability.

* Source: Policy Bureau of Ministry of Land, Infrastructure, Transport and Tourism, "Data of the Current Survey on Construction Statistics"

(ii) Overview of Daito Group

Under these circumstances, the Daito Group posted increased sales and profits on a consolidated basis for the eight consecutive year, having recorded net sales in the amount of 1,411,643 million yen (up 4.3% year-on-year), and on the profit front, posted an operating income of 101,001 million yen (up 10.4% year-on-year), ordinary income of 105,558 million yen (up 10.1% year-on-year), and current term profit attributable to owners of the parent of 67,279 million yen (up 19.9% year-on-year). These sales and income amounts are all historic highs for the Daito Group.

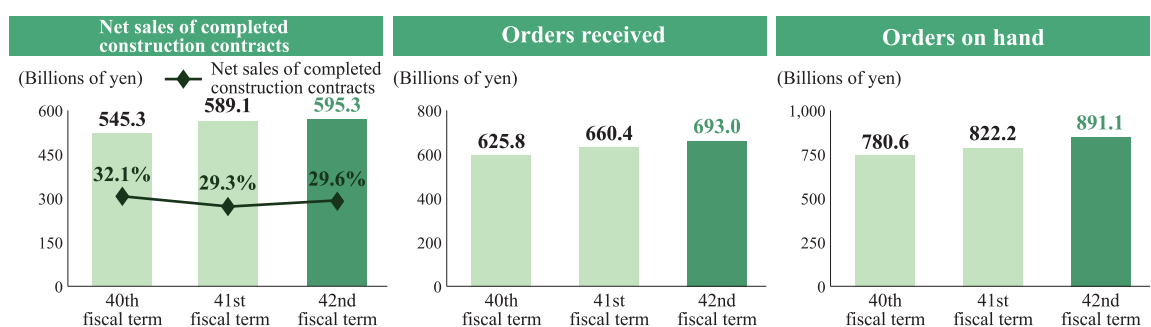


(iii) Progress and Results by Segment

■ Construction Business

In the Company's mainstay construction business, net sales of completed construction contracts increased 1.1% year-on-year to 595,364 million yen, due to the brisk progress made in construction works as well as the efforts made to reinforce our construction capabilities against the backdrop of the ample number of orders received. The gross profit margin for completed projects rose 0.3 points from the previous fiscal year to 29.6% due mainly to improved profitability as a result of price revisions, despite the continuing rise in labor costs.

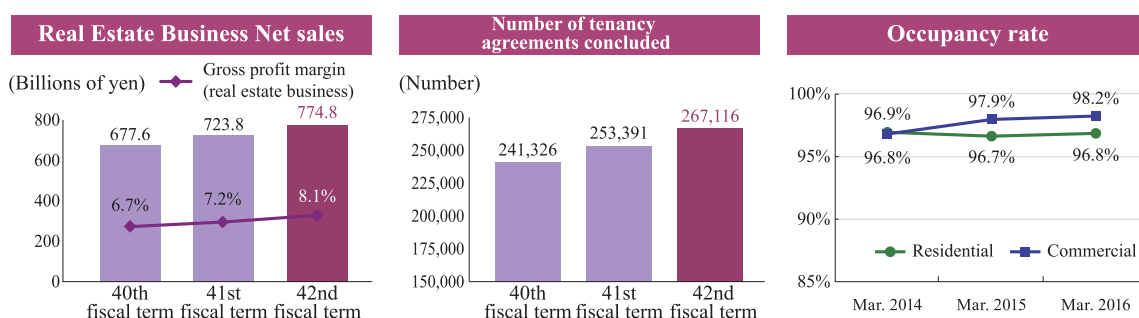
Orders received increased 4.9% year-on-year to a historic high of 693,044 million yen and construction orders on hand as of March 31, 2016 increased 8.4% year-on-year to 891,115 million yen.



■ Real Estate Business

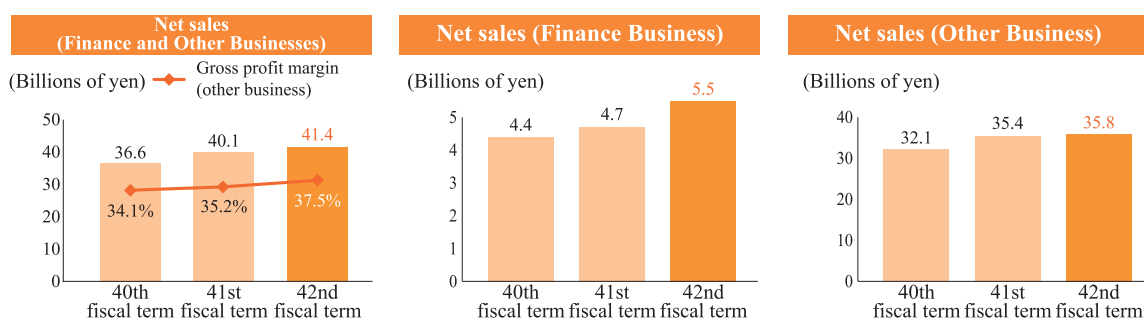
In the real estate business, an increase in whole-building lease agreements under our Lease Management Trust System allowed our leasing company, Daito Building Management Co., Ltd., to increase its rental income, resulting in a 7.0% rise in net sales of the real estate business year-on-year to 774,807 million yen.

In terms of tenant recruiting activities, we attracted the attention of customers looking for apartments and raised the Company's profile by airing new TV commercials of the lease brokerage brand, "e-Heya Net" and by focusing on our annual promotions. As a result of such efforts, the number of tenancy agreements concluded rose 5.4% year-on-year to 267,116. Consequently, the occupancy rate of our leased residential properties as of March 31, 2016 increased 0.1 points year-on-year to 96.8%, while the occupancy rate of our leased commercial properties rose 0.3 points year-on-year to 98.2%.

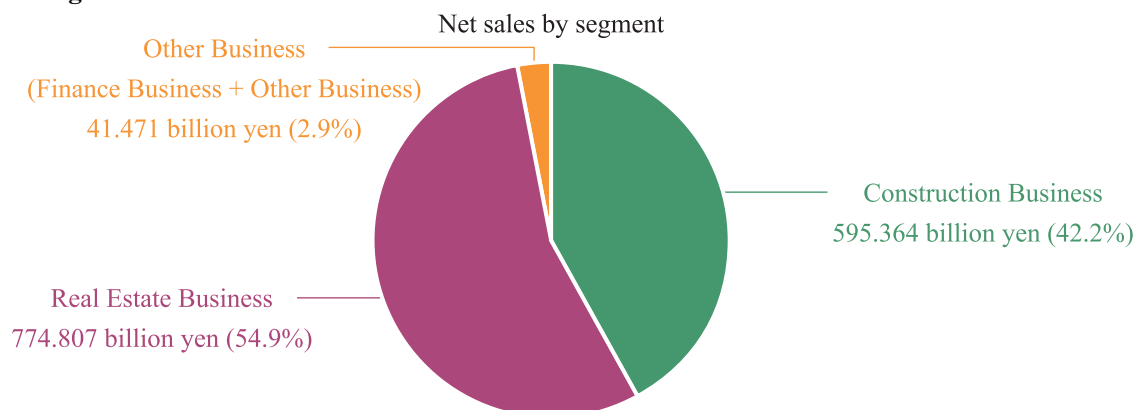


■ Finance Business and Other Business

Total of net sales of the finance business and other business increased 3.2% year-on-year to 41,471 million yen. This was attributable to, among others, the increase in sales in other business stemming from both the increase in the number of properties supplied with LP gas from Gaspal Co., Ltd., the increase in the number of customers using daytime care service facilities targeted at the elderly provided by Care Partner Co., Ltd., and the increase in the number of policy holders of HOUSEGUARD SSI, a small-amount, short-term insurance provider offering coverage of rent and household effects for tenants of leased building.



< Segment Sales >



Segment		(Reference) 41st Fiscal Term Sales (million yen)	42nd Fiscal Term Sales (million yen)	Year-on-year Change (%)
Construction business	Residential	584,541	589,275	0.8
	Commercial	918	2,757	200.3
	Other	3,710	3,332	(10.2)
	Total	589,170	595,364	1.1
Real estate business	Whole-building lease agreements	664,609	709,324	6.7
	Improvement/repair work	29,695	28,794	(3.0)
	Tenancy agreements	14,622	16,213	10.9
	Rent guarantee business	3,688	6,431	74.3
	Lease business	5,887	6,055	2.9
	Power generation business	2,301	4,288	86.3
	Other	3,010	3,700	22.9
	Total	723,817	774,807	7.0
Finance business	Total	4,755	5,579	17.3
Other business	Total	35,412	35,891	1.4
Sum total		1,353,155	1,411,643	4.3

(2) Business Strategies

With the enforcement of the inheritance tax reform in January 2015, the need for effective land utilization is ever-increasing among landowners, stemming from their requirements for asset succession and tax saving measures, and is expected to remain robust. Consequently, the Daito Group will need to reinforce its one-stop services for asset succession, in order for landowners to realize “amicable and smooth asset succession to the next generation.”

Meanwhile, given the increasing number of single-person households as a result of the declining birthrate and aging population coupled with the increasing tendency to marry late, and supported by economic recovery, tenants’ demand for leased housing is expected to remain brisk in the future. Under such circumstances, the tenants are expressing increasingly diverse needs, as they become more discerning in their choice of housing, and the Daito Group will be required to offer tenants attractive buildings, residences and services.

Additionally, the Daito Group will continue to focus its efforts on restraining construction costs and enhancing its construction capabilities, as disaster restoration gets into full swing and domestic construction demand increases due to the Tokyo Olympics going forward.

In such a market environment, while upholding the mid-term business slogan, “Further explore opportunities in rental apartments,” the Daito Group has developed a new 5-year medium-term business plan to commence in the fiscal year ending March 31, 2017.

Outline of the medium-term business plan and measures for the achievement of the plan by segment are as follows:

(1) Outline of the medium-term business plan

Under the medium-term business slogan “Further explore opportunities in rental apartments,” the Daito Group has set forth the following medium-term business policies:

- 1) Expansion of orders received: To provide one-stop services to realize asset succession from the effective utilization of assets of our customers (landowners);
- 2) Completed construction contracts: To put in place a construction capability to handle construction works of 800 billion yen and secure an adequate profit; and
- 3) Maintenance of healthy occupancy rates: To strengthen the tenant recruiting capability and enhance the value of products

The Daito Group aims to achieve net sales of 1,847.8 billion yen, operating income of 128.0 billion yen, net income (*) of 88.8 billion yen, and ROE (return on equity) of 26.2% and secure a 20% plus share in rental housing construction starts (assuming that the size of the leased residential properties market will be 385,000 units) in the fiscal year ending March 31, 2021 as medium-term business targets.

(*) Profit attributable to owners of the parent

Mid-term business plan [Fiscal Year Ending March 31, 2021 (47th Fiscal Term) Plan]			
Net sales 1,847.8 billion yen (AAGR +5.5%)		Operating income 128.0 billion yen (AAGR +4.8%)	
Ordinary income 132.0 billion yen (AAGR +4.5%)		Net income(※) 88.8 billion yen (AAGR +5.7%)	
Equity ratio 40.8%	ROE (Return on equity) 26.2%	Dividends per share 604 yen	Payout ratio/ total return ratio 50.0%/80.0%

(※) Profit attributable to owners of the parent

(2) Segment strategies

■ Construction Business

In the construction business, we will reinforce the sales force up to 3,900 sales staff (3,420 as of the end of the fiscal year ended March 31, 2016), and open stores and allocate sales staff by taking into account market potential based on the market scale and long-term demand for leased housing that reflect market research using a nationwide segmentation into approximately 4,600 marketing areas. Additionally, we will focus our efforts on consulting sales on an ongoing basis from the perspective of “effective asset utilization/asset succession,” while providing landowners with high-quality attentive services concerning asset utilization/asset succession in collaboration with our group trust company (Daito Mirai Trust Co., Ltd.).

In anticipation of a future increase in domestic construction demand due to the Tokyo Olympics, among others, the Daito Group will strengthen the alliance with contractors and collaborating manufacturers, in order to restrain construction cost, secure labor force, and enhance construction capability.

By implementing the measures mentioned above, the Daito Group aims to achieve orders received of 812.0 billion yen, net sales of completed construction contracts of 741.4 billion yen, and gross profit margin for completed projects of 30.0% for the fiscal year ending March 31, 2021.

■ Real Estate Business

In the real estate business, we will focus on improving services that will increase the security, convenience and increased living standard of the tenants, in order to maintain a high occupancy rate. The Daito Group will also make efforts for higher market recognition of “DK SELECT,” the comprehensive brand of leased housing which was launched in January 2016, while actively disseminating information using SNS (Facebook, twitter, LINE, etc.) and offering an LPGA tour “Daito Trust e-Heya Net Ladies” (with official permission by the Ladies Professional Golfers’ Association of Japan) thereby striving to expand its fan base and raising the profile of the lease brokerage brand, “e-Heya Net.”

By implementing the measures mentioned above, the Daito Group aims to achieve net sales on real estate business of 1,016.0 billion yen, the number of tenancy agreements concluded of 358,000, and the occupancy rate of leased residential units of 96.8% (end of March 2021) for the fiscal year ending March 31, 2021.

■ Finance Business and Other Business

In addition, we will further increase the number of homes supplied by LP gas by Gaspal Co., Ltd., and expand daycare service centers and the childcare business of Care Partner Co., Ltd. Furthermore, we will expand businesses that are expected to have high synergistic effects with our core businesses of construction and real estate, by expanding the insurance business intended for landowners and tenants and focusing on the energy field, while at the same time, cooperate in the nursing care and child care businesses with Solasto Corporation, with which the Daito Group entered into a capital partnership agreement in November 2015, and expand its real estate development business to the U.S. and other countries overseas. By implementing the measures mentioned above, the Daito Group aims to achieve combined net sales of 90.4 billion yen in the finance business and the other business for the fiscal year ending March 31, 2021.

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

[Reference] Basic Capital Policy of the Company

As its key performance indicators, the Company aims for an operating income margin of 7% or higher and a return on equity (ROE) of 20% or higher and seeks the optimal balance between financial soundness, capital efficiency and shareholder returns.

Additionally, the Company has disclosed in its shareholder return policy that it targets a payout ratio of 50% of its consolidated net income (Profit attributable to owners of the parent), and unless there is a major demand for funds, that it intends to spend 30% of its consolidated net income for the purchase and retirement of treasury stock to bring the total return ratio to 80%.

Key performance indicators	Targeted operating income margin: 7% or higher	Targeted return on equity (ROE): 20% or higher
Shareholder return policy	Total return ratio (Dividends + Purchase/retirement of treasury stock): 80%	Payout ratio: 50%
		Purchase / retirement of treasury stock: 30%

(3) Capital Investment, etc.

In the fiscal year ended March 31, 2016, total capital investment amounted to 26,415 million yen, which primarily consisted of the installation of photovoltaic power generation facilities by Daito Building Management Co., Ltd. and the development of the backbone system in the Company.

(4) Financing

In the fiscal year ended March 31, 2015, no significant financing activities requiring disclosure were conducted.

(5) Trends in Assets and Income

(i) Trends in Assets and Income of Enterprise Group

Category	39th fiscal term: Fiscal year ended March 31, 2013	40th fiscal term: Fiscal year ended March 31, 2014	41st fiscal term: Fiscal year ended March 31, 2015	42nd fiscal term: Fiscal year ended March 31, 2016 (under review)
Net sales (million yen)	1,152,413	1,259,673	1,353,155	1,411,643
Ordinary income (million yen)	85,539	93,335	95,887	105,558
Profit attributable to owners of the parent (million yen)	51,674	55,277	56,109	67,279
Earnings per share <EPS>(yen)	648.57	693.90	710.19	863.11
Total assets (million yen)	617,738	684,422	701,119	728,548
Net assets (million yen)	186,592	222,005	236,794	248,522

Note: From the fiscal year ended March 31, 2016, the Company has applied the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21 of September 13, 2013), and accordingly “Net income” has been changed to “Profit attributable to owners of the parent.”

(ii) Trends in Assets and Income of the Company

Category	39th fiscal term: Fiscal year ended March 31, 2013	40th fiscal term: Fiscal year ended March 31, 2014	41st fiscal term: Fiscal year ended March 31, 2015	42nd fiscal term: Fiscal year ended March 31, 2016 (under review)
Net sales (million yen)	508,404	563,343	608,973	617,377
Ordinary income (million yen)	57,029	56,825	58,990	80,646
Net income (million yen)	34,556	33,542	34,471	59,811
Earnings per share <EPS>(yen)	433.72	421.07	436.32	767.30
Total assets (million yen)	475,024	474,237	479,698	500,357
Net assets (million yen)	125,236	134,969	124,448	130,992

2. The Company's Stock

(1) **Number of shares authorized** 329,541,100 shares

(2) **Number of shares issued** 77,738,794 shares (excluding treasury stock: 355,585 shares)

(Note) Pursuant to the provisions of Article 178 of the Companies Act, the Company retired 1,230,000 treasury stocks effective March 31, 2016.

As a result, the number of shares issued including treasury stock decreased by 1,230,000 from the end of the previous fiscal year (March 31, 2015).

(3) **Number of shareholders** 15,230 shareholders

(4) **Principal shareholders**

Name of shareholder	Number of shares owned (thousand shares)	Shareholding ratio (%)
Japan Trustee Services Bank, Ltd. (held in trust)	4,584	5.90
The Master Trust Bank of Japan, Ltd. (held in trust)	3,417	4.40
State Street Bank and Trust Company 505225	2,084	2.68
Sumitomo Realty & Development Co., Ltd.	1,606	2.07
Co-op Suppliers' Stock Holding	1,573	2.02
Japan Trustee Services Bank, Ltd. (Sumitomo Mitsui Banking Corporation Retirement Benefit Trust Account re-entrusted by Sumitomo Mitsui Trust & Banking Co., Ltd.)	1,474	1.90
Mellon Bank NA as Agent for Its Client Mellon Omnibus US Pension	1,356	1.75
State Street Bank and Trust Company	1,252	1.61
CBNY – ORBIS SICAV	1,146	1.48
Daito Trust Construction Co., Ltd. Employee stock ownership	1,114	1.43

(Notes) 1. Shareholding ratio is calculated after deducting treasury stock (355,000 shares).

2. The Company holds 355,000 shares of treasury stock, excluding 622,000 shares held by the ESOP Trust and 429,000 shares held by the J-ESOP.

3. Corporate Officers

(1) Names, etc. of Directors and Audit & Supervisory Board Members

Position	Name	Responsibilities and Significant Concurrent Positions Held
Representative Director and President	Naomi Kumakiri	In charge of Construction Business Headquarters and Corporate Management Headquarters
Representative Director and Executive Vice President	Hitoshi Kadouchi	In charge of Real Estate Business Headquarters and Subsidiary Business Headquarters, Representative Director and President of Daito Building Management Co., Ltd.
Senior Managing Director	Katsuma Kobayashi	General Manager of Sales Management Department
Senior Managing Director	Shuji Kawai	General Manager of Corporate Management Headquarters, In charge of Corporate Planning Division and Total Quality Control Division
Director and Executive Officer	Kanitsu Uchida	General Manager of Design Management Department
Director and Executive Officer	Kei Takeuchi	General Manager of Central Japan Construction Business Headquarters
Director and Executive Officer	Yukio Daimon	General Manager of Construction Management Department and General Manager of Technological Development Department
Director and Executive Officer	Kazuhiko Saito	General Manager of East Japan Construction Business Headquarters, Officer in charge of Post-Disaster Restoration Business
Director and Executive Officer	Shinichi Marukawa	General Manager of Tenant Recruiting Management Department
Director	Yujiro Sasamoto	Chairman of Governance Committee (former Evaluation Committee) Director of Makoru Co., Ltd. Part-time lecturer of Department of Humanities and Social Sciences, Jissen Women's University Part-time lecturer of Graduate School of Law, Aoyama Gakuin University Director of Japan CSR Promotion Association
Director	Toshiaki Yamaguchi	Committee Member of Governance Committee (former Evaluation Committee) Representative Attorney, Yamaguchi-law-office Director, Japan Internal Control Association Director, Association of Certified Fraud Examiners Leader of Outside Director Guidelines Study Team, Judicial System Research Board, Japan Federation of Bar Associations Outside Director, Nissen Holdings Co., Ltd. Director of Japan Corporate Governance Network Outside Audit & Supervisory Board Member of Osaka University Venture Capital Co., Ltd. Audit & Supervisory Board Member of Osaka Municipal Transportation Bureau Committee Member of Committee on Whistleblower Protection System, Consumer Affairs Agency
Director	Mami Sasaki	Committee Member of Governance Committee (former Evaluation Committee)
Standing Audit & Supervisory Board Member	Masayasu Uno	Committee Member of Governance Committee (former Evaluation Committee)
Audit & Supervisory Board Member	Hideo Hachiya	Committee Member of Governance Committee (former Evaluation Committee) Representative Attorney, Hachiya Law Firm
Audit & Supervisory Board Member	Kazumitsu Futami	Committee Member of Governance Committee (former Evaluation Committee) Representative Director and President of Jei Kei Kikaku Co., Ltd.
Audit & Supervisory Board Member	Kazuo Fujimaki	Committee Member of Governance Committee (former Evaluation Committee) Representative, Fujimaki Sogo Consulting

- (Notes) 1. Mr. Yukio Daimon, Mr. Kazuhiko Saito, Mr. Shinichi Marukawa and Ms. Mami Sasaki were newly appointed as Directors and assumed office as resolved at the 41st Ordinary General Meeting of Shareholders held on June 25, 2015.
2. Mr. Akio Inada and Mr. Marcus Merner resigned as Directors at the close of the 41st Ordinary General Meeting of Shareholders held on June 25, 2015 because of the expiration of their terms of office.
3. Mr. Yujiro Sasamoto, Mr. Toshiaki Yamaguchi and Ms. Mami Sasaki are Outside Directors.

4. All Audit & Supervisory Board Members of the Company are Outside Audit & Supervisory Board Members.
5. Audit & Supervisory Board Member Mr. Masayasu Uno is qualified as a Certified Public Accountant, and has considerable financial and accounting knowledge.
6. Audit & Supervisory Board Member Mr. Kazuo Fujimaki is qualified as a U.S. Certified Public Accountant, and has considerable international financial and accounting knowledge.
7. The Company has designated Directors Mr. Yujiro Sasamoto, Mr. Toshiaki Yamaguchi and Ms. Mami Sasaki, and Audit & Supervisory Board Members Mr. Masayasu Uno, Mr. Hideo Hachiya, Mr. Kazumitsu Futami and Mr. Kazuo Fujimaki as independent officers under the provisions set forth by the Tokyo Stock Exchange and Nagoya Stock Exchange and has notified said Exchanges accordingly.
8. Names, responsibilities and significant concurrent positions held by Directors and Audit & Supervisory Board Member as of April 1, 2016 are as follows.

Position	Name	Responsibilities and Significant Concurrent Positions Held
President and Representative Director, Chief Executive Officer	Naomi Kumakiri	In charge of Construction Business Headquarters and Corporate Management Headquarters
Vice President and Representative Director	Hitoshi Kadouchi	In charge of Real Estate Business Headquarters and Related Business Headquarters, Representative Director and President of Daito Building Management Co., Ltd.
Managing Director	Katsuma Kobayashi	General Manager of Sales Management Department
Managing Director	Shuji Kawai	General Manager of Corporate Management Headquarters, In charge of Corporate Planning Division and Total Quality Control Division
Director	Kanitsu Uchida	General Manager of Design Management Department
Director	Kei Takeuchi	General Manager of Central Japan Construction Business Headquarters
Director	Yukio Daimon	General Manager of Construction Management Department
Director	Kazuhiko Saito	General Manager of East Japan Construction Business Headquarters, Officer in charge of Post-Disaster Restoration Business
Director	Shinichi Marukawa	General Manager of Tenant Recruiting Management Department

(Reference) Names and responsibilities of Executive Officers as of April 1, 2016 are as follows.

Position	Name	Responsibilities
Senior Executive Officer	Takeshi Nakagawa	Representative Director and President of Gaspal Co., Ltd., General Manager of Subsidiary Business Headquarters
Senior Executive Officer	Shuichi Ogawa	General Manager of West Japan Construction Business Headquarter
Senior Executive Officer	Takuya Ishii	General Manager of Chugoku Construction Business Department
Senior Executive Officer	Shoji Yamada	General Manger of North Metropolitan Area Construction Business Department
Executive Officer	Masayoshi Tanaka	General Manager of Information Technology Department
Executive Officer	Hiromichi Ono	General Manager of Asset Succession Consulting Department
Executive Officer	Sachio Washi	General Manager of Human Resources Department
Executive Officer	Takashi Suzuki	General Manager of Central Metropolitan Area Construction Business Department
Executive Officer	Eiji Okamoto	General Manager of Minami Kansai Construction Business Department
Executive Officer	Kazunori Fukuda	General Manager of Corporate Planning Division, General Manager of Subsidiary Business Headquarters
Executive Officer	Fumiaki Nakagami	General Manager of Safety and Quality Control Department
Executive Officer	Yoshihiro Mori	Managing Director of Daito Building Management Co., Ltd. General Manager of Screening Department
Executive Officer	Eiji Kawahara	General Manager of Tenant Recruiting Development Department
Executive Officer	Masafumi Tate	General Manager of Design Department
Executive Officer	Masayuki Koishikawa	General Manager of Construction Sales Management Department
Executive Officer	Kouichi Nakamura	General Manager of Technological Development Department In charge of Central Japan Region

(2) Outline of Limited Liability Agreements

The Company has entered into a Limited Liability Agreement with all three (3) Outside Directors and all four (4) Outside Audit & Supervisory Board Members, the outline of which is as described below:

A. Limited Liability Agreements with Outside Directors

- In the event that the Company bears liability for damages caused by neglect of the Outside Director's duty, the liability amount shall be the minimum amount set forth in Article 425, Paragraph 1 of the Companies Act.
- The limited liability stated above shall be applicable only when the Outside Director performs his duty in good faith and without material negligence.

B. Limited Liability Agreements with Outside Audit & Supervisory Board Members

- In the event that the Company bears liability for damages caused by neglect of the Outside Audit & Supervisory Board Member's duty, the liability amount shall be the minimum amount set forth in Article 425, Paragraph 1 of the Companies Act.
- The limited liability stated above shall be applicable only when the Outside Audit & Supervisory Board Member performs his duty in good faith and without material negligence.

(3) Amount of Remuneration, etc. of Directors and Audit & Supervisory Board Members

Category	Number of persons paid	Amount paid
Director	14 persons	1,267 million yen
Audit & Supervisory Board Member	4 persons	94 million yen
Total (Outside Directors/Audit & Supervisory Board Members)	18 persons (8 persons)	1,362 million yen (132 million yen)

- (Notes)
- The amount paid to Directors indicated in the above table does not include the employee salary portion of Directors concurrently serving as employees.
 - The amount paid to Directors indicated in the above table includes an expense of 135 million yen recognized for the fiscal year ended March 31, 2016 in relation to the subscription rights to shares granted as stock options.
 - The number of persons paid indicated in the above table includes the two (2) persons who resigned as Director upon expiration of the term of office at the close of the 41st Ordinary General Meeting of Shareholders held on June 25, 2015. As of March 31, 2015, the numbers of Directors and Audit & Supervisory Board Members are twelve (12) and four (4), respectively.
 - Directors' remuneration is the sum of the fixed portion which is capped at 1 billion yen per year (including the Outside Directors' remuneration capped at 50 million yen) and the variable portion which is capped at 1.5% of consolidated net income (Profit attributable to owners of the parent) for the fiscal year under review (not exceeding 1 billion yen, and not payable if consolidated net income [Profit attributable to owners of the parent] for the fiscal year under review falls short of 20 billion yen), not including the employee salary portion of Directors concurrently serving as an employee, as resolved at the 33rd Ordinary General Meeting of Shareholders of the Company held on June 27, 2007.
In addition to the aforementioned amount of remuneration, etc., the amount of remuneration relating to stock options as stock-linked compensation for Directors (excluding Outside Directors) is capped at 530 million yen per year, as resolved at the 37th Ordinary General Meeting of Shareholders of the Company held on June 28, 2011.
 - Audit & Supervisory Board Members' remuneration is capped at 100 million yen per year as resolved at the 33rd Ordinary General Meeting of Shareholders of the Company held on June 27, 2007.
 - In addition to the above, the total amount of remuneration, etc. received by outside officers from subsidiaries of the Company in the capacity of officers is 2 million yen.
 - In addition to the above, the Company paid retirement benefits of 22 million yen in total to one (1) Director whose retirement benefits was terminated pursuant to the resolution passed at the 37th Ordinary General Meeting of Shareholders held on June 28, 2011 concerning the abolition of retirement benefits system.
 - In addition to the above, the Company intends to pay retirement benefits of 25 million yen in total to two (2) incumbent Directors at the time of their resignation as Director pursuant to the resolution passed at the 37th Ordinary General Meeting of Shareholders held on June 28, 2011 concerning the payment of retirement benefits for termination resulting from the abolition of retirement benefits system.

(4) Policy for the determination of remuneration of Directors and Audit & Supervisory Board Members

(i) Policy

A. Fixed portion (Basic remuneration)

Basic remuneration shall be determined in consideration of quantitative factors such as corporate earnings, remuneration paid by other related companies, rate of increase in employees' salary, and years of employment as well as qualitative factors such as management capability, achievement, and contribution of each Director/Audit & Supervisory Board Member.

B. Variable portion (Bonuses)

Bonuses shall be determined in consideration of the achievement during the fiscal year, contribution, etc., of each Director and be paid from the total amount of bonuses which is determined by multiplying consolidated net income (Profit attributable to owners of the parent) by a certain ratio determined by the Board of Directors. However, Outside Directors are not entitled to receive any bonuses.

C. Stock options as stock-linked compensation

The Company has introduced the following two types of stock options as stock-linked compensation for Directors (excluding Outside Directors) since 2011 for the purpose of raising their willingness to contribute to the medium- to long-term improvement in the financial performance and enhancement of the enterprise value of the Company by clarifying the linkage between the financial performance and the value of shares of the Company and sharing a common value with shareholders.

- a. A Plan, which serves as a substitute for retirement benefit plans and aims to improve financial performance of the Company during the term of office of Directors.
- b. B Plan, which aims to improve medium-term financial performance of the Company

The B Plan is subject to separate performance achievement criteria.

The Company conducts mutual evaluations each year of the business execution and management supervision of its Directors mainly through the Governance Committee (former Evaluation Committee), which comprises all Outside Directors and all Audit & Supervisory Board Members. The results of these evaluations are reflected in the management structure and the basic remuneration, bonuses and stock options as stock-linked compensation of the Directors (excluding Outside Directors) for the following fiscal year.

(ii) Method of determining specific amounts of remuneration

The total amount of Directors' remuneration shall be limited to the aggregate amount of Directors' remuneration approved by the general meeting of shareholders and specific amounts of remuneration for each Director shall be determined by allocating the aggregate amount pursuant to the resolution of the Board of Directors.

The total amount of Audit & Supervisory Board Members' remuneration shall be limited to the aggregate amount of Audit & Supervisory Board Members' remuneration approved by the general meeting of shareholders and specific amounts of remuneration for each Audit & Supervisory Board Member shall be determined by allocating the aggregate amount based on consultation among Audit & Supervisory Board Members.

(5) Outside Officers

(i) Important concurrent positions and relationship with the Company

a. Outside Directors

Name	Parties with which important concurrent positions are held and details of positions held concurrently	Relationship between such parties and the Company
Yujiro Sasamoto	Director of Makoru Co., Ltd.	There is no business transaction relationship between these parties and the Company.
	Part-time lecturer of Department of Humanities and Social Sciences, Jissen Women's University	
	Part-time lecturer of Graduate School of Law, Aoyama Gakuin University	
	Director of Japan CSR Promotion Association	
Toshiaki Yamaguchi	Representative Attorney, Yamaguchi-law-office	There is no business transaction relationship between these parties and the Company.
	Director, Japan Internal Control Association	
	Director, Association of Certified Fraud Examiners	
	Leader of Outside Director Guidelines Study Team, Judicial System Research Board, Japan Federation of Bar Associations	
	Outside Director, Nissen Holdings Co., Ltd.	
	Director of Japan Corporate Governance Network	
	Outside Audit & Supervisory Board Member of Osaka University Venture Capital Co., Ltd.	
	Audit & Supervisory Board Member of Osaka Municipal Transportation Bureau	
Committee Member of Committee on Whistleblower Protection System, Consumer Affairs Agency		
Mami Sasaki	Not applicable	-

b. Outside Audit & Supervisory Board Members

Name	Parties with which important concurrent positions are held and details of positions held concurrently	Relationship between such parties and the Company
Masayasu Uno	Not applicable.	-
Hideo Hachiya	Representative Attorney, Hachiya Law Firm	There is no business transaction relationship between this party and the Company.
Kazumitsu Futami	Representative Director and President of Jei Kei Kikaku Co., Ltd.	There is no business transaction relationship between this party and the Company.
Kazuo Fujimaki	Representative, Fujimaki Sogo Consulting	There is no business transaction relationship between this party and the Company.

(ii) Main activities during the fiscal year under review

a. Outside Directors

Name	Attendance at Board of Directors meetings (Attendance ratio)	Main activities
Yujiro Sasamoto	14 times out of 14 meetings (100.0%)	He expressed his opinions as a professional by making the most of his extensive knowledge and experience of compliance, internal control and CSR. He also made useful recommendations regarding the Company's compliance system and compliance training and attended the Compliance Promotion Meeting to provide advice, as appropriate. Additionally, as a Chairman of the Governance Committee (former Evaluation Committee), he compiled the evaluation results of the mutual evaluations of executive Directors and conducted the individual interview, playing a central role in the mutual evaluations.
Toshiaki Yamaguchi	13 times out of 14 meetings (92.9%)	He expressed his opinions by making the most of his strong expertise and extensive experience as a lawyer with thorough knowledge of corporate legal affairs, compliance and internal control. Additionally, as a Committee Member of the Governance Committee (former Evaluation Committee), he confirmed the evaluation results of the mutual evaluations of executive Directors and the individual interview results.
Mami Sasaki	10 times out of 11 meetings (90.9%)	She expressed her opinions by making the most of her extensive knowledge and experience of organizational management in the global financial business. Additionally, as a Committee Member of the Governance Committee (former Evaluation Committee), she confirmed the evaluation results of the mutual evaluations of executive Directors and the individual interview results.

Note: The attendance at the Board of Directors meetings by Ms. Sasaki represent attendance at meetings held after her appointment on June 25, 2015.

b. Outside Audit & Supervisory Board Members

Name	Attendance at Board of Directors meetings (Attendance ratio)	Attendance at Audit & Supervisory Board meetings (Attendance ratio)	Main activities
Masayasu Uno	14 times out of 14 meetings (100.0%)	13 times out of 13 meetings (100.0%)	<p>In the Board of Directors meetings, he expressed his opinions on business execution by making the most of his strong specialized knowledge of financial and accounting as a certified public accountant and his extensive experience and insight as a business entrepreneur.</p> <p>In the Audit & Supervisory Board meetings, he reported the progress of execution of audits based on the audit plan and exchanged opinions on audit policies, etc.</p> <p>In addition, he attended important meetings on business execution and compliance promotion meetings and conducted audits targeted at major business establishments, etc.</p> <p>Additionally, as a Committee Member of the Governance Committee (former Evaluation Committee), he confirmed the evaluation results of the mutual evaluations of executive Directors and the individual interview results.</p>
Hideo Hachiya	13 times out of 14 meetings (92.9%)	13 times out of 13 meetings (100.0%)	<p>In the Board of Directors meetings, he expressed his opinions on business execution by making the most of his strong expertise and extensive experience as a lawyer.</p> <p>In the Audit & Supervisory Board meetings, he received reports on the progress of audits and exchanged opinions on audit policies, etc.</p> <p>Additionally, as a Committee Member of the Governance Committee (former Evaluation Committee), he confirmed the evaluation results of the mutual evaluations of executive Directors and the individual interview results.</p>
Kazumitsu Futami	14 times out of 14 meetings (100.0%)	13 times out of 13 meetings (100.0%)	<p>In the Board of Directors meetings, he expressed his opinions on business execution by making the most of his extensive experience and insight of housing administration and loan guarantee business for construction loans for rental residential property development.</p> <p>In the Audit & Supervisory Board meetings, he received reports on the progress of audits and exchanged opinions on audit policies, etc.</p> <p>Additionally, as a Committee Member of the Governance Committee (former Evaluation Committee), he confirmed the evaluation results of the mutual evaluations of executive Directors and the individual interview results.</p>

Name	Attendance at Board of Directors meetings (Attendance ratio)	Attendance at Audit & Supervisory Board meetings (Attendance ratio)	Main activities
Kazuo Fujimaki	14 times out of 14 meetings (100.0%)	13 times out of 13 meetings (100.0%)	<p>In the Board of Directors meetings, he expressed his opinions on business execution by making the most of his experience in serving as an Outside Audit & Supervisory Board Member at a business corporation, specialized knowledge as a U.S. certified public accountant, and his extensive experience and insight gained through his involvement in management. In the Audit & Supervisory Board meetings, he received reports on the progress of audits and exchanged opinions on audit policies.</p> <p>Additionally, as a Committee Member of the Governance Committee (former Evaluation Committee), he confirmed the evaluation results of the mutual evaluations of executive Directors and the individual interview results.</p>

- (iii) Family Relationships of Outside Directors and Outside Audit & Supervisory Board Members
None of the Outside Directors or Outside Audit & Supervisory Board Members is an executive person of a subsidiary, associate or major business partner of the Company, or a spouse, any family within the third degree of kinship of a Director or Audit & Supervisory Board Member of the Company or a similar person.

Consolidated Balance Sheet

(Millions of yen)

Assets			Liabilities		
Account item	(Reference) 41st Fiscal Term (As of March 31, 2015)	42nd Fiscal Term (As of March 31, 2016)	Account item	(Reference) 41st Fiscal Term (As of March 31, 2015)	42nd Fiscal Term (As of March 31, 2016)
Current assets:	494,393	479,621	Current liabilities:	267,432	281,883
Cash and deposits	255,551	233,631	Accounts payable for construction contracts	42,242	37,509
Money held in trust	32,505	26,505	Current portion of long-term loans payable	16,690	16,690
Notes receivable, accounts receivable from completed construction contracts and other	36,643	38,627	Lease obligations	271	241
Short-term investment securities	7,001	9,617	Income taxes payable	23,216	25,671
Costs on uncompleted construction contracts	13,420	13,328	Advances received on uncompleted construction contracts	49,411	47,274
Other inventories	4,893	4,768	Advances received	64,482	68,922
Prepaid expenses	57,197	59,688	Provision for bonuses	20,532	21,586
Deferred tax assets	19,235	19,955	Provision for warranties for completed construction	1,080	1,136
Operating loans	54,671	60,489	Deposits received	6,879	7,631
Other	13,577	13,262	Other	42,624	55,216
Allowance for doubtful accounts	(305)	(253)	Noncurrent liabilities:	196,892	198,143
Noncurrent assets:	206,726	248,927	Long-term loans payable	63,278	54,942
Property, plant and equipment	101,618	113,957	Lease liabilities	1,008	907
Buildings and structures	35,051	34,302	Deferred tax liabilities	-	84
Machinery and equipment	20,648	32,520	Provision for repairs on whole building lease	65,154	80,704
Tools, furniture and fixtures	1,535	1,772	Net defined benefit liability	9,518	10,698
Land	42,451	43,169	Long-term guarantee deposits	51,309	45,183
Lease assets	1,490	1,308	Other	6,622	5,620
Other	440	883	Total liabilities	464,325	480,026
Intangible assets	5,257	10,664	Net Assets		
Investments and other assets	99,851	124,304	Shareholders' equity:	234,777	253,254
Investment securities	27,311	45,509	Capital stock	29,060	29,060
Subordinated bonds and subordinated trust beneficiary rights	12,865	12,857	Capital surplus	34,540	34,540
Deferred tax assets	20,345	26,030	Retained earnings	184,661	206,509
Other	42,191	42,922	Treasury stock	(13,485)	(16,857)
Allowance for doubtful accounts	(2,862)	(3,014)	Accumulated other comprehensive income	(145)	(7,151)
			Valuation difference on available-for-sale securities	6,156	3,202
			Deferred gains or losses on hedges	603	(943)
			Revaluation reserve for land	(7,584)	(7,584)
			Foreign currency translation adjustment	1,278	(229)
			Remeasurements of defined benefit plans	(599)	(1,596)
			Subscription rights to shares	312	353
			Non-controlling interests	1,850	2,065
			Total net assets	236,794	248,522
Total assets	701,119	728,548	Total liabilities and net assets	701,119	728,548

Consolidated Statement of Income

(Millions of yen)

Account item	(Reference) 41st Fiscal Term (From April 1, 2014 to March 31, 2015)		42nd Fiscal Term (From April 1, 2015 to March 31, 2016)	
Net sales				
Net sales of completed construction contracts	589,170		595,364	
Sales on real estate business	723,817		774,807	
Other business revenue	40,167	1,353,155	41,471	1,411,643
Cost of sales				
Cost of sales of completed construction contracts	416,636		419,094	
Cost of sales on real estate business	671,531		712,196	
Cost of sales on other business	26,041	1,114,209	25,925	1,157,216
Gross profit				
Gross profit on completed construction contracts	172,533		176,269	
Gross profit-real estate business	52,286		62,611	
Gross profit-other business	14,126	238,946	15,545	254,427
Selling, general and administrative expenses		147,425		153,426
Operating income		91,520		101,001
Non-operating income				
Interest income	601		589	
Dividends income	176		192	
Commission fee	3,653		3,656	
Miscellaneous income	1,161	5,592	1,241	5,680
Non-operating expenses				
Interest expenses	709		573	
Provision of allowance for doubtful accounts	87		48	
Miscellaneous expenses	427	1,225	500	1,122
Ordinary income		95,887		105,558
Extraordinary income				
Gain on sales of noncurrent assets	5		3	
Gain on sales of investment securities	-	5	151	154
Extraordinary loss				
Loss on sales and retirement of noncurrent assets	199		354	
Impairment loss	145	345	92	447
Income before income taxes and minority interests		95,547		105,266
Income taxes – current	40,583		41,335	
Income taxes – deferred	(1,374)	39,208	(3,654)	37,680
Net income		56,339		67,585
Profit attributable to non-controlling interests		229		305
Profit attributable to owners of the parent		56,109		67,279

Non-consolidated Balance Sheet

(Millions of yen)

Assets			Liabilities		
Account item	(Reference) 41st Fiscal Term (As of March 31, 2015)	42nd Fiscal Term (As of March 31, 2016)	Account item	(Reference) 41st Fiscal Term (As of March 31, 2015)	42nd Fiscal Term (As of March 31, 2016)
Current assets:	343,005	336,056	Current liabilities:	276,826	300,251
Cash and deposits	221,385	199,986	Accounts payable for construction contracts	39,261	34,140
Accounts receivable from completed construction contracts	29,158	30,683	Current portion of long-term loans payable	16,690	16,690
Short-term investment securities	6,901	9,577	Lease liabilities	82	56
Costs on uncompleted construction contracts	13,246	13,206	Accounts payable - other	20,025	25,703
Raw materials and supplies	4,486	4,327	Income taxes payable	13,869	12,870
Short-term loans receivable from subsidiaries and affiliates	48,640	59,990	Accrued consumption taxes	1,720	6,755
Prepaid expenses	847	891	Advances received on uncompleted construction contracts	49,332	47,191
Deferred tax assets	9,964	9,806	Advances received	139	145
Accounts receivable - other	1,921	2,229	Deposits received	116,699	136,721
Advances paid	4,730	4,731	Provision for bonuses	16,536	16,394
Other	1,988	849	Provision for warranties for completed construction	1,076	1,072
Allowance for doubtful accounts	(265)	(221)	Other	1,392	2,510
Noncurrent assets:	136,692	164,301	Noncurrent liabilities:	78,423	69,113
Property, plant and equipment	58,576	59,601	Long-term loans payable	63,278	54,942
Buildings	17,082	16,789	Lease liabilities	84	31
Structures	563	541	Provision for retirement benefits	6,579	6,579
Machinery and equipment	416	529	Long-term guarantee deposits	3,753	3,916
Vehicles	0	0	Other	4,726	3,643
Tools, furniture and fixtures	936	1,111	Total liabilities	355,249	369,365
Land	39,420	40,547	Net Assets		
Lease assets	158	82	Shareholders' equity:	124,968	135,979
Intangible assets	3,939	8,487	Capital stock	29,060	29,060
Software	2,519	4,241	Capital surplus	34,540	34,540
Software in progress	1,250	4,076	Legal capital surplus	34,540	34,540
Other	169	168	Retained earnings	74,852	89,234
Investments and other assets	74,177	96,212	Legal retained earnings	7,265	7,265
Investment securities	27,069	25,615	Other retained earnings	67,587	81,969
Subordinated bonds and subordinated trust beneficiary rights	12,865	12,857	Retained earnings brought forward	67,587	81,969
Stocks of subsidiaries and affiliates	29,253	43,672	Treasury stock	(13,485)	(16,857)
Long-term loans receivable from subsidiaries and affiliates	717	657	Valuation and translation adjustments:	(824)	(5,324)
Deferred tax assets	993	2,458	Valuation difference on available-for-sale securities	6,156	3,202
Guarantee deposits	2,994	6,080	Deferred gains or losses on hedges	603	(943)
Other	1,857	6,244	Revaluation reserve for land	(7,584)	(7,584)
Allowance for doubtful accounts	(1,573)	(1,372)	Subscription rights to shares	303	337
Total assets	479,698	500,357	Total net assets	124,448	130,992
			Total liabilities and net assets	479,698	500,357

Non-consolidated Statement of Income

(Millions of yen)

Account item	(Reference) 41st Fiscal Term (From April 1, 2014 to March 31, 2015)		42nd Fiscal Term (From April 1, 2015 to March 31, 2016)	
Net sales				
Net sales of completed construction contracts	589,473		595,772	
Sales on real estate business, etc.	19,499	608,973	21,604	617,377
Cost of sales				
Cost of sales of completed construction contracts	417,190		420,208	
Cost of sales on real estate business, etc.	20,283	437,473	19,852	440,061
Gross profit				
Gross profit on completed construction contracts	172,283		175,564	
Gross profit (loss)-real estate business, etc.	(783)	171,499	1,752	177,316
Selling, general and administrative expenses		121,353		123,835
Operating income		50,146		53,481
Non-operating income				
Interest income	471		422	
Interest on securities	344		292	
Dividends income	4,659		22,925	
Commission fee	3,325		3,345	
Miscellaneous income	1,139	9,940	1,138	28,123
Non-operating expenses				
Interest expenses	684		551	
Provision of allowance for doubtful accounts	87		49	
Loss on valuation of investment securities	-		38	
Miscellaneous expenses	325	1,097	320	959
Ordinary income		58,990		80,646
Extraordinary income				
Gain on sales of investment securities	-	-	151	151
Extraordinary loss				
Loss on sales and retirement of noncurrent assets	47	47	96	96
Income before income taxes		58,942		80,701
Income taxes – current	21,702		19,948	
Income taxes – deferred	2,769	24,471	942	20,890
Net income		34,471		59,811