

2-16-1, Konan, Minato-ku, Tokyo  
Daito Trust Construction Co., Ltd.  
Naomi Kumakiri, President and Representative Director  
(First section Tokyo Stock Exchange/Nagoya Stock Exchange Code 1878)

**Notice regarding establishment of wholly owned subsidiary**  
**(split preparatory company) for company split (simple absorption-type split)**

Daito Trust Construction Company Ltd. (hereinafter the “Company”) would like to announce that it was resolved at the Board of Directors’ meeting held on October 3, 2016 to establish a wholly owned subsidiary (hereinafter “said subsidiary”) as a preparatory company for a company split in late October 2016 (TBD).

We expect that the Company will make an absorption-type split, and through a company split (simple absorption-type split) where the Company will become the splitting company and the said subsidiary will become the split succeeding company (hereinafter, “the Company Split (new company)”), all of the leasing business of buildings owned by the Company and part of the business related to shareholdings in overseas subsidiaries will be inherited by the said subsidiary. At the same time, the Company will make an absorption-type split, where the Company will become the splitting company and our wholly owned subsidiary Daito Building Management Co., Ltd. (hereinafter, “Daito Building Management”) will become the split succeeding company (simple absorption-type split) (hereinafter the “Company Split (Daito Building),” giving the collective name the “Company Splits” to the Company Split (new company) and the Company Split (Daito Building)), part of the real-estate brokerage business will be inherited by Daito Building Management. Further, the said subsidiary will newly conduct a real-estate brokerage business.

1. Reason for the establishment of a subsidiary and the business succession

The Company expects to establish a subsidiary whose main business will be real-estate brokerage, with this new company to inherit all of the building leasing business and part of the business related to shareholdings of our overseas subsidiaries, and with Daito Building Management also to inherit part of the real-estate brokerage business. The reasons are as follows.

- (1) Through the establishment of a subsidiary specialized in the real-estate brokerage business, increase the mobility and soundness of our real-estate brokerage business.
- (2) Further increase the profitability of the real-estate brokerage business by inheriting the building leasing business and the business concerned with overseas subsidiary shareholdings, which are closely tied to the real-estate brokerage business.
- (3) Increase organizational efficiency by consolidating duplicate management work in the real-estate brokerage business.

2. Outline of the subsidiary to be established

Trading name: Daito Kentaku Leasing Co., Ltd. (hereinafter “Daito Leasing”)  
Head office location: 2-16-1, Konan, Minato-ku, Tokyo  
Representative: Hitoshi Kadouchi, President and Representative Director  
Type of business: Real-estate brokerage including real-estate leasing and tenant recruitment  
Capital: 100 million yen  
Date of establishment: Late October 2016 (TBD)  
Shareholder: Daito Trust Construction Co., Ltd. 100%

### 3. Summary of the Company Split

#### (1) Schedule

Date of subsidiary establishment	Late October 2016 (TBD)
Date of resolution of Board of Directors to approve the absorption-type split agreement (Daito Building Management)	November 17, 2016 (TBD)
Date of resolution of Board of Directors to approve the absorption-type split agreement (Daito Leasing)	November 17, 2016 (TBD)
Date of resolution of Board of Directors to approve the absorption-type split agreement (the Company)	November 25, 2016 (TBD)
Execution date of the absorption-type split agreement	November 25, 2016 (TBD)
Effective date of the absorption-type split	May 1, 2017 (TBD)

(Note) Both of the Company Splits are scheduled to be conducted without obtaining the approval of a General Meeting of Shareholders of the Company, in accordance with the rules on simple absorption-type splits stipulated in Article 784, Paragraph 2 of the Companies Act.

#### (2) Method of the Company Splits

##### 1. The Company Split (new company)

The Company will be the splitting company, making Daito Leasing the succeeding company to the split (simple absorption-type split).

##### 2. The Company Split (Daito Building)

The Company will be the splitting company, making Daito Building Management the succeeding company to the split (simple absorption-type split).

#### (3) Details of share allotments related to the Company Splits

##### 1. The Company Split (new company)

On the occasion of the Company Split (new company), Daito Leasing will issue common shares, all of which are scheduled to be allotted to the Company.

##### 2. The Company Split (Daito Building)

Daito Building Management is not expected to allot any shares on the occasion of the Company Split (Daito Building).

#### (4) Treatment of stock acquisition rights and corporate bonds with stock acquisition rights in relation to the Company Split

Not applicable.

#### (5) Change in capital due to the Company Splits

There will be no change in capital.

#### (6) Rights and obligations to be inherited by the succeeding company

##### 1. The Company Split (new company)

On the effective date of the Company Split, Daito Leasing is expected to inherit those assets, liabilities and other rights and obligations held by the Company regarding the building leasing business and part of the business related to shareholdings of our overseas subsidiaries that are stipulated in the absorption-type split agreement.

##### 2. The Company Split (Daito Building)

On the effective date of the Company Split, Daito Building Management is expected to inherit those assets, liabilities and other rights and obligations held by the Company regarding the real-estate brokerage business that are stipulated in the absorption-type split agreement.

(7) Fulfillment of obligations

1. The Company Split (new company)

The Company determines that there will be no problem regarding Daito Leasing's fulfillment of obligations after the Company Split.

2. The Company Split (Daito Building)

The Company determines that there will be no problem regarding Daito Building Management's fulfillment of obligations after the Company Split.

4. Outline of the splitting company (as of March 31, 2016)

Trading name:	Daito Trust Construction Co., Ltd.
Head office location:	2-16-1, Konan, Minato-ku, Tokyo
Representative officer:	Naomi Kumakiri, President and Representative Director (CEO)
Business activities:	Construction of apartments, condominiums, rental retail outlets, rental factories, rental warehouses, and rental offices, etc. Real estate brokerage including tenant recruitment, and real estate management including building management and lease contract management, etc.
Capital:	29.06 billion yen
Date of establishment:	June 20, 1974
Issued common stock:	78,094,379 shares
Fiscal year end:	March 31
Shareholders:	Japan Trustee Services Bank, Ltd. (trust account) 5.87% The Master Trust Bank of Japan, Ltd. (trust account) 4.37% State Street Bank and Trust Company 505225 2.66% Sumitomo Realty & Development Co., Ltd. 2.05% Co-op Suppliers' Stock Holding 2.01%

Financial position and operating results of most recent fiscal year

	Fiscal year ended March 31, 2016 (consolidated)
Net assets	248,522 million yen
Total assets	728,548 million yen
Net assets per share	3,243.97 yen
Net sales	1,411,643 million yen
Operating income	101,001 million yen
Ordinary income	105,558 million yen
Profit attributable to owners of the parent	67,279 million yen
Net income per share	863.11 yen

## 5. Outline of succeeding companies

	Succeeding company	Succeeding company
(1) Name	Daito Building Management Co., Ltd. (as of March 31, 2016)	Daito Kentaku Leasing Co., Ltd.
(2) Location	2-16-1, Konan, Minato-ku, Tokyo	2-16-1, Konan, Minato-ku, Tokyo
(3) Name and position of executive officers	Hitoshi Kadouchi, President and Representative Director	Hitoshi Kadouchi, President and Representative Director
(4) Business activities	Management of apartments and condominiums, comprehensive building facilities management	Real estate leasing Brokerage work such as tenant recruitment
(5) Capital	1,000 million yen	100 million yen
(6) Date of establishment	July 1 1994	Late October 2016 (TBD)
(7) Issued common stock	10,400 shares	1,000 shares
(8) Fiscal year close	March 31	March 31
(9) Major shareholders and holdings ratio	Daito Trust Construction Co., Ltd. 100%	Daito Trust Construction Co., Ltd. 100%

### (10) Financial position and operating results of most recent fiscal year

	Daito Building Management Co., Ltd.	Daito Kentaku Leasing Co., Ltd.
Net assets	104,952 million yen	(Note)
Total assets	321,777 million yen	—
Net assets per share	10,091,551.13 yen	—
Net sales	747,268 million yen	—
Operating income	34,604 million yen	—
Ordinary income	35,526 million yen	—
Net income	22,400 million yen	—
Net profit per share	2,153,846.62 yen	—

(Note) Daito Leasing has no financial position or operational results recorded for the most recent business year because the company will be established in late October 2016.

## 6. Outline of the operating divisions to be split

### (1) Details of business of the divisions to be split

#### 1. The Company Split (new company)

The Company's building leasing business, and the business relating to overseas subsidiary shareholdings

#### 2. The Company Split (Daito Building)

Part of the Company's real-estate brokerage business

### (2) Operating results of the divisions to be split (for the fiscal year ended March 31, 2016)

#### 1. The Company Split (new company)

	Business to be split (a)	Overall (consolidated) (b)	Ratio (a/b)
Net sales	6,212 million yen	1,411,643 million yen	0.4%

#### 2. The Company Split (Daito Building)

	Business to be split (a)	Overall (consolidated) (b)	Ratio (a/b)
Net sales	2,380 million yen	1,411,643 million yen	0.1%

(3) Asset and liability items and amounts to be split (as of March 31, 2016)

1. The Company Split (new company)

Assets		Liabilities	
Item	Book value	Item	Book value
Current assets	6,317 million yen	Current liabilities	0 yen
Non-current assets	55,141 million yen	Non-current liabilities	3,832 million yen
Total	61,458 million yen	Total	3,832 million yen

(Note) The amount of assets and liabilities to be inherited will be determined by adding or deducting the changes up to the day prior to the scheduled split date.

2. The Company Split (Daito Building)

No assets or liabilities are involved.

7. Status after the Company Splits

There will be no changes to trading name, head office location, position and names of officers, business activities, capital or fiscal year closing date of the Company, Daito Leasing or Daito Building Management, after the Company Splits.

8. Future outlook

Because the Company Splits are occurring between the Company and our wholly owned consolidated subsidiaries, we predict that the impact of the Company Splits on our consolidated results will be minor.

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