

December 18, 2018

Company name: Daito Trust Construction Co., Ltd

Representative: Naomi Kumakiri

President and Representative Director (CEO)

Securities code: 1878

Listed in the 1st section of Tokyo and Nagoya  
security exchange

Address: 2-16-1, Konan, Minato-ku, Tokyo

## **Notice regarding Partial Revision of Our Shareholder Return Policy and Decision on Share Buybacks**

We hereby inform you that the meeting of the Board of Directors held on December 18, 2018 resolved the matters regarding share buybacks pursuant to Article 156 of the Companies Act of Japan as applied pursuant to Article 165, Paragraph 3 of the Companies Act, and partially reviewed the existing shareholder return policy (acquisition and cancellation of shares of the common stock of the Company) to adopt another shareholder return policy, as detailed below.

As was informed in “Notice regarding Discontinuation of Share Buyback Program” dated December 17, 2018, the meeting of the Board of Directors also resolved to discontinue the program authorized by the meeting of the Board of Directors held on April 23, 2018.

### **1. Resolution on share buybacks**

Daito Kentaku Group aims for a firm that is entrusted for all kinds of affairs by customers, under the brand message “Life is Built on Trust”, endeavoring to enhance its business area beyond the core business based on Lease Management Trust System by exploring “new core business areas” including Nursing Care and Childcare, Energy, and Overseas Business, in addition to our mainstream construction and real estate business.

Our Medium-term Management Plan sets targets for the fiscal year ending March 2021 as net sales of 179.1 trillion yen, operating income of 138 billion yen, net income attributable to owners of the parent of 97 billion yen, and ROE of 30.0%, as well as a 17.5% or greater share of rental housing construction starts (assumes the market has 390 thousand rental housing).

Our management strategy and performance have been steady toward the achievement of the Plan, expecting consolidated earnings with net sales of 1.64 trillion yen, operating income of 128 billion yen, and net income attributable to owners of the parent of 90 billion yen for the fiscal year ending March 2019. Based on these, we believe that the current share price is weak.

Amid these circumstances, for implementing a flexible capital measure under due consideration of the stock market trends, the meeting of the Board of Directors held on December 18, 2018 resolved in accordance with a change in our business environment on matters regarding a share buyback program pursuant to Article 156 of the Companies Act of Japan as applied pursuant to Article 165, Paragraph 3 of the Companies Act (herein after referred to as “resolution on a new share buyback program”), as detailed below.

Note, as was informed in “Notice regarding Discontinuation of Share Buyback Program” dated December 18, 2018, the meeting of the Board of Directors held on December 18, 2018 resolved to discontinue the share buyback program on which the meeting of the Board of Directors held on April 23, 2018 resolved.

(1) Purpose of acquisition

The Company has resolved to purchase its own shares to implement a flexible capital measure under due consideration of stock market trends, in accordance with a change in our business environment.

An extraordinary settlement of accounts was made as of September 30, 2018, with the balance as of the settlement date included in the amount available for distribution.

(2) Details of acquisition

a. Class of shares to be repurchased	Common stock of the Company
b. Number of shares to be repurchased	Up to 7 million shares 《 9.4% of total issued shares outstanding, excluding treasury stock 》
c. Total cost of shares to be repurchased	Up to 86.8 billion yen ※Full self-financing
d. Period for share repurchase	From December 18, 2018 to December 17, 2019
e. Method of share repurchase	Market purchase on the Tokyo Stock Exchange

(Reference) The Company's treasury stock holdings as of September 30, 2018

Number of shares outstanding, excluding treasury stock	74,251,621 shares
Number of treasury stock	1,377,258 shares

**2. New shareholder return policy**

The Company implements profit distribution to the shareholders, recognizing it as a primary management issue. With a stable distribution underpinned by an enhanced management base, our target consolidated return ratio is 50% including a standard dividend of 100 yen added by profit distribution in line with the company's consolidated results. Under certain conditions, for example, consolidated net income (net income attributable to shareholders of the parent company) exceeds 10 billion yen and there is no substantial capital requirements and others, the Company shall acquire and cancel its own shares continuously up to 30% of consolidated net income (net income attributable to owners of the parent). Total return ratio is 80%, consisting of a payout ratio of 50% and share repurchase and cancellation of 30%.

In line with the above policy, the meeting of the Board of Directors held on October 30, 2018 resolved to distribute an interim dividend of 22.1 billion yen in total. The Company has repurchased 723,000 shares this year in an amount of 13.2 billion yen as of today. Along with the resolution on a new share buyback program, it was also resolved to partially revise the shareholder return policy as follows.

Going forward, with a stable distribution underpinned by an enhanced management base, the Company is eager to enhance shareholder distribution and make a growth investment for future growth at the same time, striving for a higher and sustainable corporate value and greater shareholder profits.

(1) Dividend policy

With a stable distribution underpinned by an enhanced management base, our target consolidated return ratio shall be 50% including a standard dividend of 100 yen added by profit distribution in line with the company's consolidated results.

The estimated dividend per share as of the end of March 2019 will be determined based on 50% of the estimated amount of consolidated net income for the fiscal year ending March 2019 subtracted by the interim dividend, divided by the total number of issued shares excluding the number of the Company's shares as of the end of the fiscal year.

(2) Acquisition and cancellation of the Company's shares

In accordance with the resolution of a new share buyback program, the Company plans to repurchase its own shares up to 7 million shares, or 9.4% of the total number of the issued shares, for a cost up to but not exceeding 86.8 billion yen. The Company expects the entire cost of repurchase and cancellation, including 13.2 billion yen for the already-repurchased shares during this year, will be about 100 billion yen. The above total amount is expected to exceed the 4 years of 1.43 million shares, the share buyback program on which the meeting of the Board of Directors held on April 23, 2018 resolved.

In exchange for the resolution to authorize a new share buyback program, purchase and cancellation of the Company's own shares under the above-mentioned existing standard shall be discontinued for the time being from the next fiscal year onward, and will be determined as needed after comprehensively considering our business environment, stock market trends, financial status, and growth investment, among other factors.