



Daiwa House®
Group

Where The Heart is

2014 Group Guide



A scenic view of a city at dawn, with lights reflecting on the water and a bridge visible in the foreground. The sky is a mix of blue and orange, suggesting the sun is just below the horizon. The city lights are concentrated in the valley, with a bridge spanning a body of water in the foreground. The overall mood is peaceful and serene.

Morning breaks

At early dawn, the windows light up — one by one



Good morning new day

Good morning my love

The sound of running shoes is heard

Birds ruffle their feathers

We bid yesterday goodbye

Little children smile as they dream

And today, somewhere...

A better tomorrow is waking

You can find happiness
in everyday life

I found a little flower

I learned to ride a bike

And we laughed together

Let's go where life is good

I was scolded and then hugged

Where
The

... where the heart is!

Heart is

I can see...

This little world is everything you know, but...

One morning

You'll open the door and set off on your own journey...

Acting as if you'd grown up without any help at all

Until that day...

Each minute, each second we spend together is precious

Laughing and crying while we quarrel

On the day you fly the nest...

I'll give thanks that you grew up strong





I can see...

When I see those girls, I remember

Back in those days

I lived every day for all I was worth

Life was filled with laughter

These days...

Do I have the passion?

Do I have room to breathe?

I'll swing my arms and sing — I'll set off, on foot

High up in the sky, the sun is shining





I can see...

You now, smiling as you do what you'd longed to do

In this moment...

You are full of vibrant youth

Dancing in your own world

People's hearts don't grow old

They just grow up

One more time, I want to try a new way of life

Twilight heralds the coming of a new morning



You can see...

Heart comes from out of the life we live together

Heart is in you, as you pray that your family will be happy

Heart is in your father's broad back

Heart is in the palm of the hand that gently enfolds your dream

If you have the kind of heart that believes

More in today than yesterday...

More in tomorrow than today...

You will live to see the future you hope for

You can spread your wings and fly wherever you want



***Your heart
is where
the future begins***







We can see... everywhere







Daiwa House®
Group

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Note to graphs

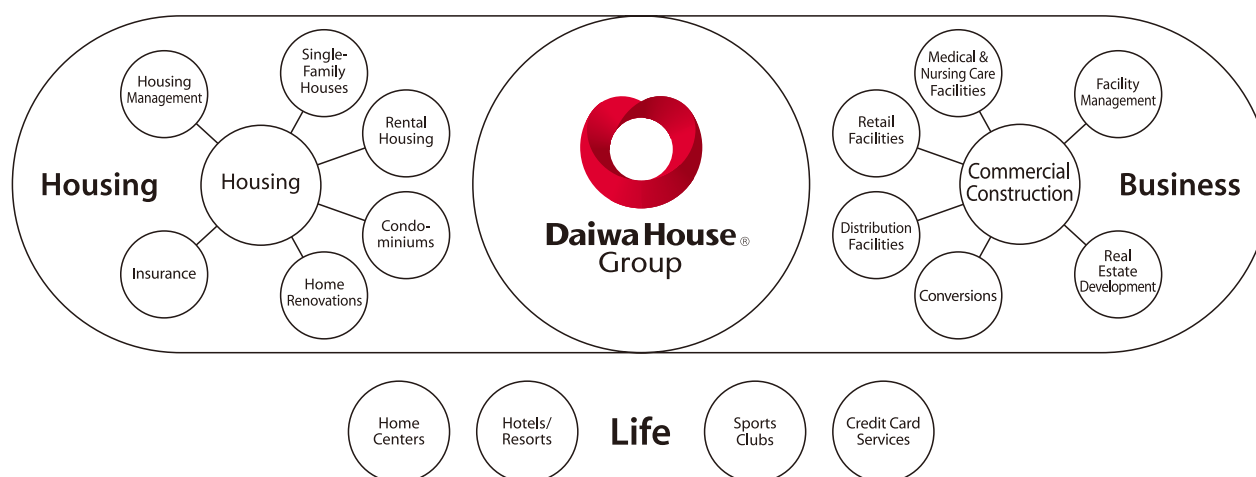
Unless otherwise specified, annual figures in the graphs are for years ending March 31.

Forward-looking statements

This Annual Report contains future estimates, targets, plans and strategies of the Daiwa House Group. These are based on judgments made using information available at the time of writing. For various reasons, actual results may differ substantially from these estimates.

So Many Hearts!

Daiwa House Group —
working to co-create value for individuals, communities and people's lifestyles



As a group that co-creates value for individuals, communities, and people's lifestyles, since its establishment the Daiwa House Group has built strong heart-to-heart ties with many people. From its beginnings in the construction business, Daiwa House has grown to become a complex business entity operating in the three overarching business areas that we call Housing, Business, and Life. We operate not just in Japan but across the globe, and aim to make a valuable contribution to the society of each country where we do business. We will continue working together with all our stakeholders to create new and lasting value.

1,586,855 Hearts

The number of customers who have shown their trust in us



Units completed by the Residential Business

Approx. **1,540,000** units

Total of single-family houses, rental housing and condominiums built by the Daiwa House Group.

Figures for condominiums refer to the total of subdivisions

Number of structures completed by the Commercial Construction Business

Approx. **45,600** buildings

Total of commercial facilities, medical and nursing care facilities, and logistics facilities completed by the Daiwa House Group

Number of facilities operated by the Daiwa House Group

1,255 facilities

Total of fee-based homes for the elderly, resort hotels, golf courses, fitness clubs, aesthetic salons, city hotels, home centers, carsharing stations and parking spaces operated by the Daiwa House Group

5,616,000 Hearts

The number of customers we have had the pleasure of meeting



Number of households that have moved into our homes

Approx. **1,271,000** households

Total of customers living in single-family houses, rental housing and condominiums built by the Daiwa House Group

Annual total of guests at our resort hotels

Approx. **4,195,000** guests

Total number of guests at resort hotels operated by the Daiwa House Group, including non-stay customers (meetings, weddings, etc.)

Members of fitness clubs

Approx. **150,000**

Total number of members of Daiwa House Group fitness clubs

37,328 Hearts

The number of employees and business partners who have made it their mission to contribute to society



Number of employees

32,628

Regular employees only

Number of business partners

Approx. **4,700**

Total number of partners in manufacture and construction, materials supply, and equipment



Daiwa House®
Daiwa House Group

Daiwa House Industry
Co., Ltd.



Daiwa Lease®
Daiwa House Group

Daiwa Lease Co., Ltd.



Daiwa Logistics®
Daiwa House Group

Daiwa Logistics Co., Ltd.



Daiwa Living Mgt.®
Daiwa House Group

Daiwa Living COMPANIES

Daiwa Living Management
Co., Ltd.



Daiwa Living®
Daiwa House Group

Daiwa Living COMPANIES

Daiwa Living Co., Ltd.



Daiwa Info.Service®
Daiwa House Group

Daiwa Information Service
Co., Ltd.



Nihon Jyutaku Ryutu®
Daiwa House Group

Nihon Jyutaku Ryutu Co., Ltd.



Daiwa Royal®
Daiwa House Group

Daiwa Royal Co., Ltd.



Daiwa Reform®
Daiwa House Group

Daiwa House Reform Co., Ltd.



Daiwa Energy®
Daiwa House Group

Daiwa Energy Co., Ltd.



Daiwa Insurance®
Daiwa House Group

Daiwa House Insurance
Co., Ltd.



Daiwa Homes Online®
Daiwa House Group

Daiwa Homes Online Co., Ltd.



Daiyoshi Trust®
Daiwa House Group

Daiyoshi Trust Co., Ltd.



Daiwa House®
Dalian

DH (Dalian) Administrative
Management Consulting
Center Co., Ltd.



Daiwa House®
Suzhou

Daiwa House (Suzhou) Real
Estate Development Co., Ltd.



Daiwa House®
USA

Daiwa House
USA Inc.



Daiwa House®
California

Daiwa House
California



Daiwa House®
Guam

Daiwa House
Guam Co., Ltd.



Daiwa House®
Australia

Daiwa House
Australia Pty Ltd



Daiwa House®
Vietnam

Daiwa House
Vietnam Co., Ltd.

**Global
Community**

 Daiwa House Group®

Global Community
Co., Ltd.

ロイヤルホームセンター

 Daiwa House Group®

Royal Home Center Co., Ltd.




DAIWA ROYAL HOTELS

 Daiwa House Group®

Daiwa Resort Co., Ltd.
(Daiwa Royal Hotels)

ダイワロイヤルゴルフ

 Daiwa House Group®

Daiwa Royal Golf Co., Ltd.

大和コアファクトリー

 Daiwa House Group®

Daiwa CoreFactory
Co., Ltd.

伸和エージェンシー

 Daiwa House Group®

Shinwa Agency Co., Ltd.



MEDIA TECH INC.

 Daiwa House Group®

Media Tech Inc.

eneServe

 Daiwa House Group®

Eneserve Corporation


D.U-NET

 Daiwa House Group®

Daiwa Living COMPANIES

D.U-NET Co., Ltd.

FUJITA

 Daiwa House Group®

Fujita Corporation



コスモスイニシア

 Daiwa House Group®

Cosmos Initia Co., Ltd.

TOMO

 Daiwa House Group®

TOMO Co., Ltd.



Daiwa Estate®

Daiwa House Group

Daiwa Living COMPANIES

Daiwa Estate Co., Ltd.



Daiwa Living Utils.®

Daiwa House Group

Daiwa Living COMPANIES

Daiwa Living Utilities Co., Ltd.



Daiwa Service®

Daiwa House Group

Daiwa Service Co., Ltd.



Daiwa LifeNext®

Daiwa House Group

Daiwa LifeNext Co., Ltd.



Daiwa Lantec®

Daiwa House Group

Daiwa Lantec Co., Ltd.



Daiwa Life Support®

Daiwa House Group

Daiwa House Life Support
Co., Ltd.



Daiwa REIT®

Daiwa House Group

Daiwa House REIT
Management Co., Ltd.



Daiwa House Asset Mgt.®

Daiwa House Group

Daiwa House Asset
Management Co., Ltd.



Daiwa House®
China-INVESTMENT

Daiwa House (China)
Investment Co., Ltd.



Daiwa House®
Wuxi

Daiwa House (Wuxi) Real
Estate Development Co., Ltd.



Daiwa House®
Changzhou

Daiwa House (Changzhou) Real
Estate Development Co., Ltd.



Daiwa LifeNext™
Korea

Daiwa LifeNext
Korea Co., Ltd.



Daiwa House®
Property Mgt.


Daiwa Baoye (Wuxi) Property
Management Co., Ltd.



Daiwa House®
大和房屋集团

Baoye Daiwa Industrialized House
Manufacturing Co., Ltd.

DesignArc

 Daiwa House Group®


DesignArc Co., Ltd.

西脇ロイヤルホテル

 Daiwa House Group®

Nishiaki Royal Hotel
Co., Ltd.

大阪マルビル

 Daiwa House Group®

Osaka Marubiru Co., Ltd.

大和ハウスフィナンシャル

 Daiwa House Group®

Daiwa House Financial
Co., Ltd.

東富士

 Daiwa House Group®

Higashi-Fuji Co., Ltd.

SPORTS CLUB NAS

 Daiwa House Group®

Sports Club NAS Co., Ltd.

Frameworkx

 Daiwa House Group®

Frameworkx, Inc.

大和小田急建設

 Daiwa House Group®

Daiwa Odakyu Construction
Co., Ltd.

FUJITA

 Daiwa House Group®

Fujita (China) Construction
Co., Ltd.

 **COSMOS AUSTRALIA**

 Daiwa House Group®

Cosmos Australia Pty Ltd



The late Nobuo Ishibashi,
founder of Daiwa House Industry

Takeo Higuchi
Chairman and CEO



Naotake Ono
President and COO



Tetsuji Ogawa
Executive Vice President and CFO

Dreaming Heart

Good morning.

Another new day dawns. What does your heart tell you about this new day in 2014? Here in Japan, we are finally seeing the end of a 20-year blank — the “lost two decades” when the sky was figuratively covered with clouds every day. A new age of blue skies has now opened up before us. Despite the many problems that beset the world, we continue to search for a happy future. In their hearts, people long for things to get better, little by little. They long for a today that is brighter than yesterday, for a tomorrow fuller with happiness than today. I respect these feelings that everyone has in his or her heart, and I want to make this the source of all our activities. That is, I want to take a broad overview of society and lay bare the problems that lie heavy on people’s hearts. I want to use the whole strength of the Daiwa House Group to solve those problems. As long as we treat each everyday task as important, and do every job to the best of our abilities, every day, these efforts will eventually yield uncommon fruit. My hope is that today we can communicate sincerely, heart to heart, with all those people who are beset with problems, and that we can walk together towards a future society filled with hope. It is all the members of society — all those who dream in their hearts of a better future — who will lead us into that brighter tomorrow.



To keep people's dreams alive

In April 2014 the consumption tax in Japan was raised for the first time in 17 years. Considering background factors such as a declining total population and a steep rise in the percentage of elderly people, it appears that the consumption tax hike was unavoidable in view of the nation's growing social security cost burden. However, in my capacity both as chairman of the Japan Federation of Housing Organizations and as the CEO of a corporate group involved through its construction operations in every aspect of peoples' daily lives, I have strongly pushed for measures to be taken following the consumption tax hike to lower the taxation rate applied to housing to the same extent as is done in Europe and North America, so that people's dreams of owning a new home will not be destroyed by this additional burden.

Housing is a form of social infrastructure that serves to protect both the lives of those who live in it and their assets: it is the foundation of all human life. In spite of this, the Japanese taxation system still classifies housing as a type of consumer product, and as a result, the growth of the used housing market is impeded so much that the number of used housing units changing hands per year in Japan is a mere one-sixth that in Europe and North America. If the Japanese taxation system were to mature to the point where the nation's stock of existing housing was correctly recognized as a form of asset, the used home resale market and the home renovation market would both be revitalized, and the asset position of the whole of society would be improved. In the past, Daiwa House Industry has played a pioneering role by becoming the first private-sector company to develop a large-scale housing project, by devising and popularizing the nation's first home mortgage loans — something taken for granted today — and otherwise by introducing to society new methods of home acquisition. What we must do now is to keep alive the dreams that many people hold in their hearts for a better way of life. I believe we can achieve this both through our proposals to the government and through our business operations.



Harnessing the changes in our business structure to drive future growth

The Daiwa House Group has grown steadily and constantly amid a rapidly changing world, and the motive force behind this growth has been our innovative spirit, which impels us to create new value for each generation. It is this mindset that makes us constantly ask ourselves “what would be of use to people here and now — what would they appreciate?” In 1955, immediately after its founding, Daiwa House Industry developed the Pipe House, which laid the foundation stone of today’s industrialized construction methods. Then, in 1959 we set off firmly down the path of the mass-production of housing with the Midget House, which became the starting point for Japan’s prefabricated housing industry. In these ways, we used our manufacturing skills — what is today known as *monozukuri* — to respond to the demands of society.

In recent years the population of Japan has begun to decline and the domestic economic growth rate remains low. Against this backdrop, Japanese society has unavoidably been undergoing major changes. We have seen a growing diversification in people’s consumption preferences and their value judgments with respect to lifestyle choices, and it has become clear that there is no single, simple answer to the problems facing society. The Group has reacted to these changes by transforming its operational system from one centered on construction under contract to a complex business entity whose business scope — while still centered on construction — ranges from land development to the post-completion management of buildings. We have met the needs of the times by developing a combination of *monozukuri* skills and service skills.

Total sales by the Group have more than doubled over the past 10 years, and the breakdown of sales by business area changed considerably over that decade. In fiscal 2003 our Housing area (comprising mainly single-family houses, rental housing, and condominiums) accounted for 65.1% of total sales, followed by the Business area (commercial, logistics, and medical & nursing facilities) at 22.0%, and the Life area (resort hotels, home centers and so on) at 12.9%. By fiscal 2013, however, Housing accounted for 52.0%, Business for 36.9%, and Life for 11.1%. It is only those who are flexible enough to change themselves first, without waiting for the world around them to change, who can be truly innovative. The changes we have made to the structural makeup of the Daiwa House Group constitute a crucial preparatory step in creating a future society.



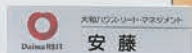
Working to change the course of society's trends

Looking at the market in our Housing business area, the number of new housing construction starts has already fallen below one million units per year, and is forecast to decline to around 500,000 in the not too distant future. We intend to strengthen the linkage between our operations in the fields of new home construction and existing home renovation to realize the healthy resale and reuse of the stock of existing housing. In our rental housing business, we have made optimum use of the existing stock of rental housing by growing our building management operations to account for 45% of total segment sales by fiscal 2013. In this way, we are creating a system that provides long-term support for both land owners and tenants.

In our Business area, we make proposals to prospective customers for a wide variety of development projects, leveraging our extensive experience and know-how in the sphere of consulting services to help client companies grow. Notably, in the subleasing of commercial facilities managed by the Group, we have built up a track record of more than 4.5 million square meters of subleased property, with an occupancy rate of over 99%. Our commercial facilities play an important part in revitalizing the economies of local communities throughout Japan. And by actively developing logistics centers boasting advanced, high-performance equipment, we are helping companies reform their logistics systems. Meanwhile, in the field of real estate investment trusts (REIT) we are constructing an asset management business structure utilizing the comprehensive strengths of the Daiwa House Group.

In the Life business area, in anticipation of the youngest of the Baby Boomers passing the age of 65 in 2015, we are working to improve the quality of life of all members of society through activities on various fronts. These include the operation of fee-based homes for the elderly, financial support for the development of robots to lighten the burden of nursing care duties, and the expansion of our chains of health and leisure facilities.

At the Daiwa House Group we believe that every company is a public organ of society, and that it is our mission to respond to the newly emergent needs of each generation through the natural evolution of our business operations. This does not mean we should just go with the flow of the society around us in our conduct of business; it means that we should seek to actively develop new business operations that will change the course of social trends. We believe that only such a course of action can truly be called “contributing to society.”



Dreams can be sustainable

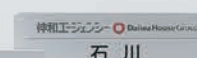
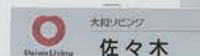
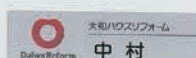
Throughout his life, the personal mission of Nobuo Ishibashi, the founder of Daiwa House Industry, was to do something to help realize people's hopes and solve their problems. In fiscal 1955, the year Daiwa House Industry was founded, annual sales were ¥27 million. By fiscal 2013 the annual sales of the Daiwa House Group had reached ¥2.7 trillion, a 100,000-fold increase. But this does not mean we have reached our goal. Considered in terms of our social contribution, the Group is still a lightweight presence in society as a whole. Perhaps it was because of such considerations that Nobuo Ishibashi bequeathed to us — his successors — the dream of growing to become a corporate group with annual sales of ¥10 trillion by the year 2055, the 100th anniversary of the founding of Daiwa House. Under my leadership, the Group will further speed up its efforts with the aim of making this dream a reality as soon as possible. We will take advantage of the changes that are occurring in the relative proportions of our operating fields — Housing, Business, and Life — and I believe that the holding of the Tokyo 2020 Summer Olympics and Paralympics will give us further impetus towards our goal.

We have adopted our founder's dream of making a truly significant contribution to society as our own dream. To make this a reality, we must hire and train a very large number of personnel, and must carefully nurture each of these employees to fully bring out his or her full individual potential. And if these employees go out into the world with high aspirations and armed with a strong belief both in their own capabilities and in the company they represent, I am convinced that they will succeed in bringing about sustainable growth for the whole of society. When that day dawns, for us at Daiwa House there will be no greater satisfaction possible than to know that wherever our Group symbol — the Endless Heart — is to be found, people will find happiness.

At the Daiwa House Group, we will continue evolving proactively, and will put into practice our basic stance — as symbolized by the Endless Heart — of “co-creating a brighter future.” Whenever people see the Endless Heart, they will know that here is a place where people's hearts come together. In this way, we at Daiwa House will walk hand in hand with our stakeholders into that brighter future.

Takeo Higuchi

Takeo Higuchi
Chairman and CEO



Achieving Heart

The first year of the Daiwa House Group's Fourth Medium-Term Management Plan has come to an end. The overarching theme of this plan is "further acceleration of the pace of growth," and over the past year the management and employees of the Group have worked as one to put this strategy into practice. As a result, in the Group's settlement of accounts for fiscal 2013 we recorded net sales of ¥2,700.3 billion (up 34.5% year on year), operating income of ¥163.5 billion (up 27.8%), and net income of ¥102.0 billion (up 54.1%), all well in excess of our initial projections for the first year under the plan. This marks the second straight year that the Group has posted record-high business results, and I would like to take this opportunity to thank all our stakeholders for their unstinting support.

One of the foundations on which this good business performance rests is the trust in which the Group is held by society. At the same time, we recognize that this is an extremely critical moment which demands that we exercise strong self-discipline. We must work to ensure management transparency and soundness to the maximum extent possible, and must foster a high level of awareness of the crucial role that compliance and risk management play in corporate management. The society around us is changing with every passing day, and we must therefore attempt to anticipate future developments and work with all our might to achieve our targets.

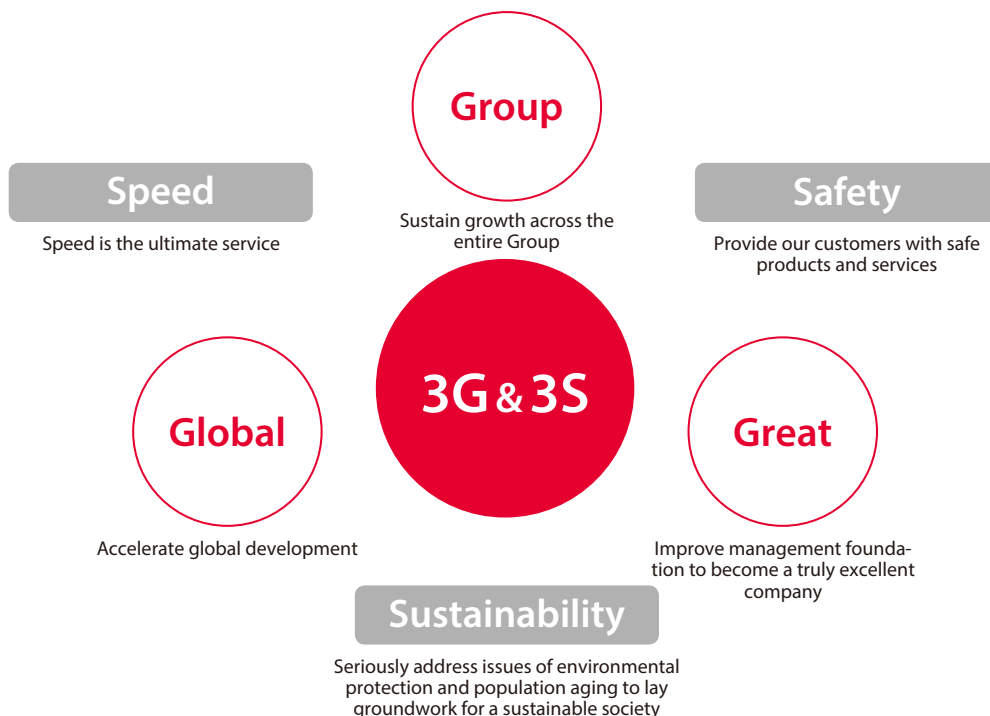


Fourth Medium-Term Management Plan

"3G & 3S" for the Next Step

Ahead of the 60th anniversary in 2015 of the founding of Daiwa House Industry, the Group has drawn up and adopted the Fourth Medium-Term Management Plan, entitled "3G & 3S" for the Next Step. The overarching theme of this plan is "further acceleration of the pace of growth." The "3G" in the name of the plan refers to our three-pronged management policy of "Group" (increasing market share through growth of the entire Group), "Global" (accelerating global development), and "Great" (improving our management foundation to become a truly excellent company). This is combined with our basic "3S" approach — which we have pursued ever since the establishment of Daiwa House in 1955 — of "Speed" (quick decision-making), "Safety" (offering the public safe products and services), and "Sustainability" (laying the groundwork for a sustainable society). This "3G & 3S" is the basic concept under whose banner we are working to achieve our new targets.

In the Japanese market there are good prospects for an economic recovery against the background of the series of measures taken by the present administration as part of its growth strategy, in addition to the anticipated increase in demand for the construction of buildings and infrastructure in preparation for the Tokyo 2020 Summer Olympics and Paralympics to be held in Tokyo, as well as the economic ripple effect from the upcoming games. On the more immediate front, in April 2014 the consumption tax rate was raised for the first time in 17 years, and a further series of tax increases is on the drawing board for the near future. As it is extremely difficult to forecast the impact of these moves, the outlook for the economy remains unclear. Turning to the social environment in which we operate, the declining population trend in Japan is gathering pace, and at the same time the percentage of elderly people, the number of people living alone, and the total population of the Tokyo area are all projected to increase. In overseas markets, the operating environment of the Daiwa House Group is being transformed in numerous ways. For example, the economies of certain emerging countries are becoming borderless due to growing economic integration within ASEAN. The Group is a complex business entity with a diverse range of earnings drivers, and we intend to steadily follow our basic policies under our current medium-term management plan so as to respond effectively to the ongoing changes in the market and in consumer behavior. The main measures we will be taking under our growth strategy can be summed up in the following five headings.



1 Increase profits by augmenting value chains of core business domains

We plan to expand our operations to realize a total-coverage business encompassing the whole business cycle (value chain) from real estate development through the construction, sale, and management of properties. We will do this by leveraging our extensive land information and planning capability, and our strong relationships with customers, all developed in the proposal-based contracting construction business, which is the Group's special area of strength. Regarding investment in real estate development, we plan to focus our investment on rental housing, commercial facilities, and business and corporate facilities, at a record-high amount of ¥400 billion over the three years of the current medium-term management plan.

2 Introduce stronger product and service lineups that meet the needs of a changing society against the backdrop of population aging and growing concern over environmental and safety issues

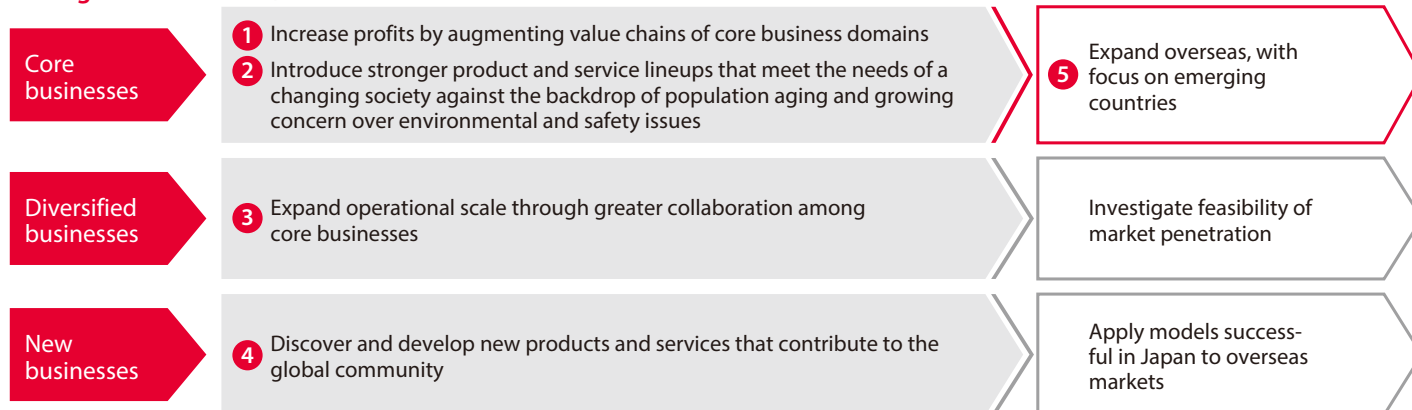
The population aging phenomenon in Japan is becoming more and more acute, as the youngest of the so-called Baby Boomer generation will pass the age of 65 in 2015. Amid this situation, the Group is being called upon to play an increasingly critical role in society. In response, we intend to leverage the know-how we have accumulated in the construction of medical and nursing care facilities as well as housing for senior citizens (as of March 31, 2014 we had built a total of 5,788 such facilities) to expand our operations into peripheral businesses, including facility management and a wide range of proposals to make life easier for facility residents, such as the use of lifestyle assistance robotic equipment. In this way, we hope to grow total Group sales of businesses involving products and services for elderly people to ¥180 billion by fiscal 2015.

3 Expand operational scale through greater collaboration among core businesses

We will optimally leverage the differing management resources and business know-how possessed by each of our core businesses and strengthen collaboration among all Group companies so as to diversify and expand our operations. With respect to renewable energy sources — demand for which has grown particularly steeply since the Great East Japan Earthquake of March 2011 — we will mobilize the entire Group to become a “one-stop source” for all kinds of energy-related products and services, from the construction of “mega-solar” large-scale photovoltaic power generation facilities, to the purchase and retail sale of electric power, and retrofitting for energy conservation. We will also actively pursue the development and operation of power generation facilities constructed on Group-owned property, with the target of growing net annual sales by our energy business to ¥60 billion by the final year of the current medium-term management plan, and thence to ¥100 billion further down the road.

Basic policies under the Fourth Medium-Term Management Plan

Growth strategies



Management foundations

● Promote efficiency by redeveloping monozukuri (manufacturing) capabilities

● Strengthen systems and human resources in line with business expansion

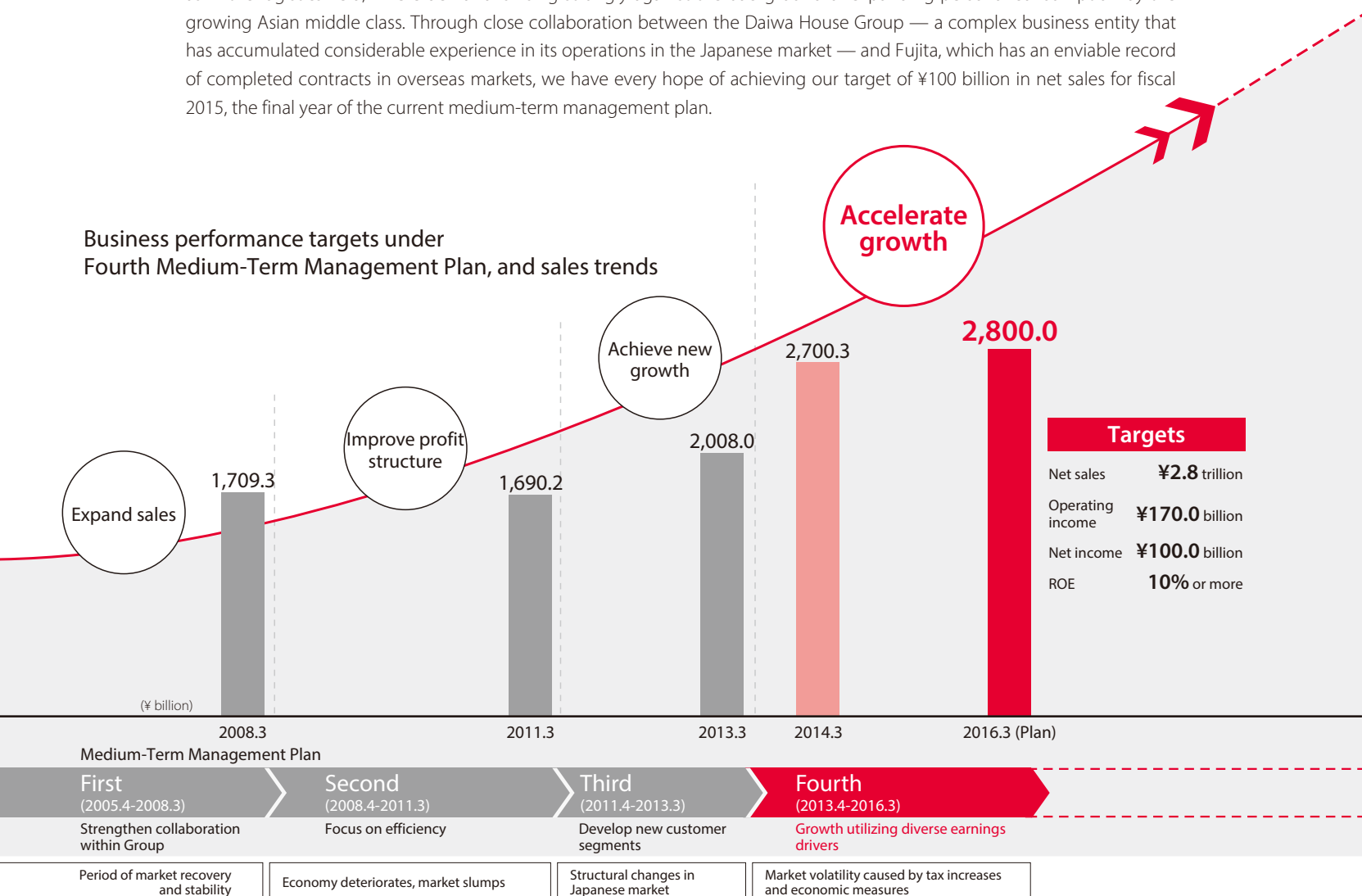
4 Discover and develop new products and services that contribute to the global community

We are directing our efforts into nurturing new businesses whose initial concept was sparked by the attempt to address social problems. Especially in our overseas operations, we are expanding our business sphere from our traditional fields of construction and real estate development to encompass solutions to issues involving: population aging; the environment and energy; and the safety of foodstuffs, water supplies, and the air we breathe. We are working actively to develop new products based on these themes. We also plan to contribute to the global community by developing and marketing products and services that improve people's daily lives. These include robots for use in nursing care, urban greening services, and vegetable-grower units.

5 Expand overseas, with focus on emerging countries

We have created a network of business bases located in 31 cities in 14 overseas markets (as of July 1, 2014), and we are thus poised to begin a fully fledged expansion of our overseas operations. We are also widening the range of businesses we undertake overseas. Recent new ventures include the establishment of a rental housing business in Texas, development of industrial parks in Vietnam and Indonesia, and the development and sale of condominiums in China. We are currently examining promising options in the field of management of serviced apartments and city hotels. We are also considering entry into businesses that are crucial for the provision of a fully functioning lifestyle infrastructure — an area of major social significance — such as in the logistics field, where demand is rising strongly against the background of expanding personal consumption by the growing Asian middle class. Through close collaboration between the Daiwa House Group — a complex business entity that has accumulated considerable experience in its operations in the Japanese market — and Fujita, which has an enviable record of completed contracts in overseas markets, we have every hope of achieving our target of ¥100 billion in net sales for fiscal 2015, the final year of the current medium-term management plan.

Business performance targets under Fourth Medium-Term Management Plan, and sales trends



What we need now are ideas for one or two new business developments

Daiwa House Industry began life as a home builder, but the Group has long since expanded beyond that narrow circle of activities to become a complex business entity comprising more than 130 subsidiaries operating in close collaboration in a variety of fields in Japan and overseas. Now is the time to invest effort in developing new businesses and new products, and to strengthen the Group's management in readiness for further growth. To do this, Daiwa House Industry and all the corporate members of its group must make full use of their own particular strengths and increase their level of collaboration. In addition, staff working on the front line at our existing businesses must come up with one or two creative ideas for new businesses.

Our diverse range of earnings drivers, which go far beyond the construction field, constitute a solid business base that makes the Group relatively immune to the impact of economic downturns. The reason the Group has hitherto been able to maintain continuous growth lies in our "pioneer spirit" that has been passed on from generation to generation of management and staff of the Group right from the early days of Daiwa House Industry. It is thanks to this spirit that we have not been afraid to start up and develop unique new business formats. Representative examples of such new business ventures include our proposal-based development of roadside sites for retail outlets, and our proprietary logistics business projects. But what remains unchanging in each new generation is that our earnings drivers do not start out from the question "what will make a profit?" Instead, we at the Daiwa House Group ask ourselves: "How can we contribute to society?" It is our firm belief that we will realize sustainable growth only if the new products and services that we develop and launch on the market meet with approval, and consequently that the trust in which we are held by society continues to grow.

Change is a constant in this world. We must not be swept along by the tide of change, but must proactively follow a path of evolution that leads from the past to a different future. To make a reality of our dreams of a better way of life and a better society, there are innumerable issues that we must boldly tackle. Many social issues are sure to remain like a huge wall blocking our way to a brighter future. But we must scale that wall, no matter how high it may be. Now is the moment for us to realize a dramatic leap forward, powered by our one or two new business ideas. It is my sincere hope that the Daiwa House Group will continue to boldly take on all challenges so that our Group symbol – the "Endless Heart" – will become even more widely known. When this happens, it will be proof of the trust in which Daiwa House is held throughout society.

In conclusion, I look forward to the further support and encouragement of all our stakeholders.



Naotake Ono
President and COO

Message from the CFO



Leading Heart

Increased investment in growth, centered on logistics facilities

We are now in the midst of pursuing the Fourth Medium-Term Management Plan of the Daiwa House Group, whose principal theme is “further acceleration of the pace of growth.” In fiscal 2013, the first year under this plan, we actively invested management resources in real estate development at a pace fully appropriate to our keynote concept of acceleration.

This investment was focused on our business and corporate facilities, notably logistics facilities. In recent years, demand for large-scale logistics centers has been growing rapidly – particularly in the Tokyo area and the Kansai region – due to the expansion of the online sales market, moves toward higher value-added services such as same-day and next-day delivery, and the need to cut costs. Against the backdrop of the monetary easing policies implemented by the government and the Bank of Japan, and the revitalization of the real estate market, developers – particularly the industry’s leading players – are aggressively pursuing new orders, and the view is rapidly gaining currency that real estate prices will go still higher in the near future.

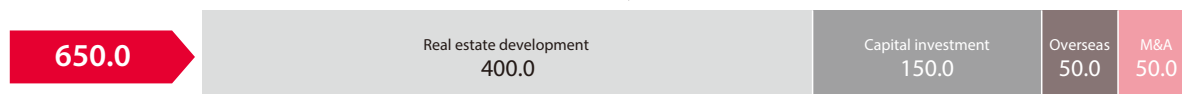
Against this background, the Daiwa House Group takes the view that the expansion of investment, focused on business facilities, will both strengthen the Group’s business base and enhance its enterprise value. Consequently, in July 2013 we carried out a capital increase through public stock offering, the first such in 37 years. Total funds raised by the issue of new shares through third-party allotment and the retirement of treasury stock amounted to ¥138,228 million. As a result, we are now able to bring forward our schedule for investments under the current medium-term management plan, allowing us the leeway for needed investments in growth.

Investment result and plan (¥ billion)

The Third Medium-Term Management Plan FY2011–2012 (2-year period)



The Fourth Medium-Term Management Plan FY2013–2015 (3-year period)

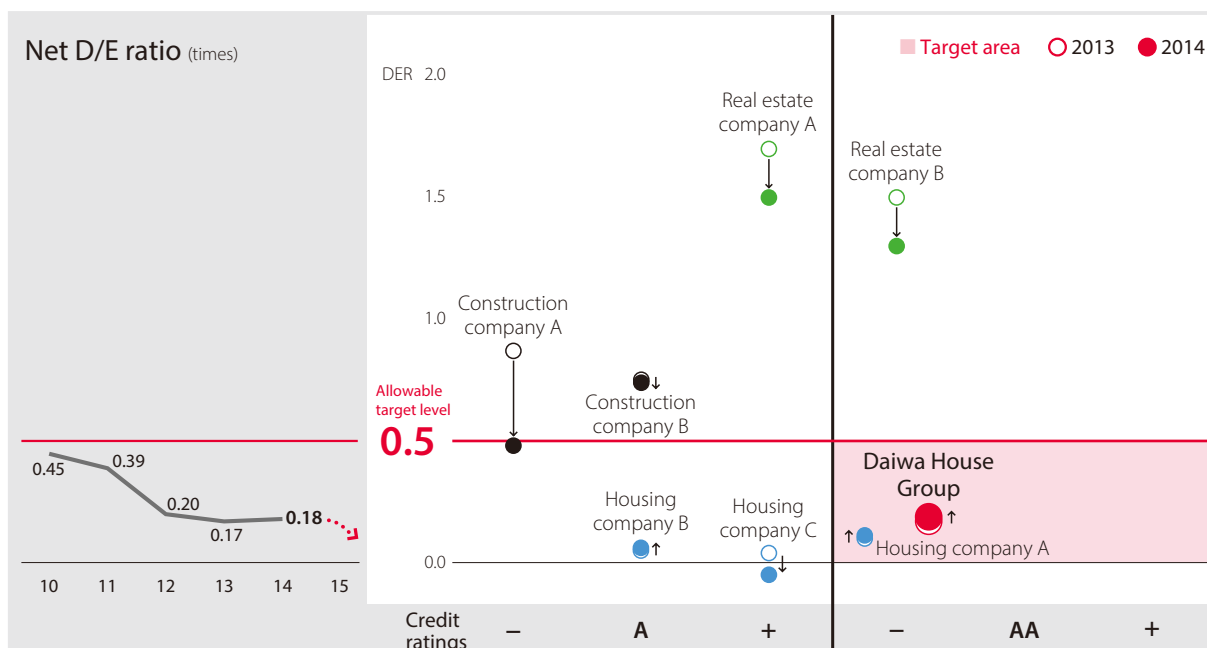


Aiming to create new earnings drivers over the long term through development, holding, and sale of superior real estate properties

Investments implemented by the Group in the two-year period of our Third Medium-Term Management Plan totaled ¥358.5 billion, and were part of a strategy of efficient investment in real estate development projects and M&As to enable the Group to cope with the ongoing structural changes in the domestic market. Thanks to the success of this strategy, we were able to develop new customers and reach our sales and profit targets one year ahead of schedule, and this prompted us to close out the third plan one year early and commence the fourth plan. This good business performance led to healthy growth in income before income taxes and minority interests, which is the source of funding for our investments, and our net assets also grew steadily. Additionally, in response to an improvement in the market's investment climate, we have been carrying out aggressive investments under our current medium-term plan to accelerate the pace of growth, while keeping a close eye on market movements, with the goal of maximizing the Group's enterprise value.

The Group maintains strict fiscal discipline by keeping to a benchmark net D/E ratio of 0.5. Within the constraints imposed by this policy, we aim to increase income gains and capital gains by aggressively pursuing the development of high-quality real estate properties and by holding a stock of properties with high investment yield. The Group's traditional strengths have been our extensive data on land prices and site availability, our ability to ascertain the needs of potential customers and draw up attractive plans, and our longstanding relationships of trust with customers. To these we have more recently added our know-how in the management of real estate properties. As a result, the net operating income (NOI) yield* of properties currently under management by the Group is roughly 10%. We will follow a policy of maintaining profitability above a pre-defined level, and to that end will conduct rigorous appraisals of each candidate property.

* NOI is net operating revenue obtained by subtracting the costs of real estate property management from income derived from real estate, such as rental income.
NOI = total rental revenues from properties minus total rental expenses relating to properties
NOI yield is calculated by dividing NOI by book value



Taking the investor's perspective to enhance property value

The role played by real estate investment trusts (REITs) is sure to become even more important. I believe that the key to continuous growth in enterprise value is to enhance property value for both the developer and the buyer. To do this, we must go beyond the business model in which funds are recovered by first developing a property and then selling it to a REIT: we must draw up a detailed plan for post-development sale to a REIT right from the acquisition and/or early development stage, with the collaboration of the REIT itself. We can assure ourselves of an exit strategy by selecting only properties attractive to investors.

On the basis of this operation, we are working to further the development of the J-REIT market through the continued supply of high-quality, competitive properties to Daiwa House Residential Investment Corporation (investment in rental housing properties) and Daiwa House REIT Investment Corporation (investment in logistics facilities and commercial facilities).

Boosting our earning power still further

We are utilizing the management resources through our operations in core businesses to raise the competitiveness of our existing businesses, and to expand our products and services offered in fields where we can demonstrate our strengths.

We are also taking steps to improve profitability. In our business and corporate facilities business domain, we have set up the Daiwa House & Fujita Committee to direct the promotion of collaboration in operations and cost control. And in our condominium operations, we are taking advantage of the entry into the Group of Cosmos Initia to strengthen our marketing in the Tokyo area. By means of these moves, we plan to boost the profitability of the Group as a whole.

Toward further growth

At the Daiwa House Group, we are tackling the development of new business fields under our "Asu Fukaketsuno" (Indispensable for Tomorrow) concept. In overseas operations, we have plans on the drawing board for new investments in both the ASEAN countries and the United States. While conducting such long-term investments, we will maintain our target dividend payout ratio at 30%. In this connection, with effect from August 1, 2014 we have reduced the size of the trading unit of shares of Daiwa House Industry from 1,000 to 100 to facilitate investments in the Company and improve the market liquidity of its shares.

Regarding the hiring and training of the Group's personnel, it goes without saying that we will continue to focus efforts on nurturing future top management staff, and we will also be promoting workforce diversity through promotion to management posts of female employees and proactive hiring of local staff at our overseas business bases. In addition, we have raised the mandatory retirement age from 60 to 65 to allow us to employ a larger number of older staff. This is part of our wider policy of developing a corporate culture capable of making the best use of the talents of a diverse workforce.

At the Daiwa House Group, we will ensure that management and employees alike are fully aware of the importance of raising the value of shareholders' equity. I hope that we can work together to achieve even faster growth and enhance our enterprise value, so that the Group's Endless Heart symbol may become widely known and respected throughout the world.



Tetsuji Ogawa
Executive Vice President and CFO



Daiwa House® Group

Under the banner of the Endless Heart, our Group symbol, which expresses our basic policy of “Creating Dreams, Building Hearts,” the management and employees of the Daiwa House Group are united in their determination to solve social issues by expanding the Group’s business activities not only in the Japanese market, but also throughout the entire world.

Board of Directors and Executive Officers

As of October 1, 2014

* Representative Director



Takeo Higuchi*

Age 76

Chairman and CEO



Naotake Ono*

Age 65

President and COO



Tetsuji Ogawa*

Age 72

Executive Vice President and CFO

Head of Management Administration



Tamio Ishibashi*

Age 58

Executive Vice President

Head of Information Systems
Head of CSR Office
Joint Head of
Marketing Support Department
Head of TKC Promotion Department



Tatsushi Nishimura*

Age 64

**Director and
Senior Managing Executive Officer**

Head of Technology
Deputy Head of Information Systems
Head of Urban and
Residential Area Development Businesses



Katsutomo Kawai*

Age 65

**Director and
Senior Managing Executive Officer**

Head of Strategic Division,
Management Administration
Deputy Head of CSR Office



Takashi Hama

Age 60

**Director and
Managing Executive Officer**

Head of Central Research Laboratory,
Technology
Head of Environment and Energy Business



Kazuto Tsuchida

Age 61

**Director and
Managing Executive Officer**

Deputy Head of Technology
Head of Safety
Head of Technology, Overseas Business



Makoto Yamamoto

Age 60

**Director and
Managing Executive Officer**

Head of Corporate Communications Division
(Head of Advertising, Head of External
Relations, Head of Public Relations),
Management Administration
Joint Head of
Marketing Support Department



Takuya Ishibashi

Age 60

**Director and
Senior Managing Executive Officer**

Head of Production and Procurement



Shigeru Numata

Age 64

**Director and
Senior Managing Executive Officer**

Head of Marketing Division

Head of General Housing Operations



Osamu Fujitani

Age 63

**Director and
Senior Managing Executive Officer**

General Manager, Retail and Wholesale
Facilities Operations (East Japan, Chugoku
and Shikoku area)

Head of Retail and
Wholesale Facilities Division



Fukujiro Hori

Age 63

**Director and
Managing Executive Officer**

General Manager, Rental Apartment
Building Operations (East Japan)

Head of
Rental Apartment Building Operations



Takeshi Kousokabe

Age 57

**Director and
Managing Executive Officer**

Head of Administration Department,
Management Administration



Keiichi Yoshii

Age 56

**Director and
Managing Executive Officer**

Head of Tokyo Honten Branch
Deputy Head of Marketing Division

Head of Kanto Block
Deputy Head of Marketing Support
Department

Head of Overseas Business



Masahiro Kiguchi

Age 64

Director and Senior Executive Officer

General Manager, Rental Apartment
Building Operations (West Japan)



Koichi Kamikawa

Age 59

Director and Senior Executive Officer

Head of Housing Operations (West Japan)
Deputy Head of Hosing Operations



Kazuyoshi Kimura

Age 70

Outside Director

Independent Officer



Yutaka Shigemori

Age 65

Outside Director

Independent Officer

Managing Executive Officers

Keigo Okada
Tatsuya Urakawa
Yoshiaki Tanabe
Izumi Nakamura
Mikio Sasaki
Mototsugu Takai

Senior Executive Officers

Masaru Tsuchiya
Toshikage Itakura
Shinichi Hirose
Hirotsugu Otomo
Eiichi Shibata
Kohei Yamasaki
Kazuhito Dekura
Masaharu Chiba

Executive Officers

Kazumi Akiyama
Nobuhito Ishibashi
Kyoji Kato
Shoji Tanaka
Koji Harano
Naoki Hayashi
Kenji Kinoshita
Tetsuya Tamura
Takaki Hiromori
Yasuo Nakamura
Naoki Nishioka
Keisuke Shimonishi
Yukikazu Kataoka
Kazuhiro Kotaka
Shigeki Ochiai
Kazuhiro Tada
Isao Mizutani
Yoshin Minagawa
Yoshinobu Shimotai
Hiroshi Kono
Yuji Yamada
Yoshinori Ariyoshi
Katsuyuki Murai
Takashi Miyatake
Yoshito Iki
Takafumi Nakao
Moritaka Noumura
Hirofumi Hama

Audit & Supervisory Board

As of June 27, 2014

Board of Directors and Executive Officers
Audit & Supervisory Board



Kenji Hirata

Age 63

Audit and Supervisory Board Member



Kuniaki Matsumoto

Age 63

Audit and Supervisory Board Member



Kazuhiro Iida

Age 54

Outside Audit and Supervisory Board Member



Kiichiro Iwasaki

Age 76

Outside Audit and Supervisory Board Member



Yukinori Kuwano

Age 73

Outside Audit and Supervisory Board Member

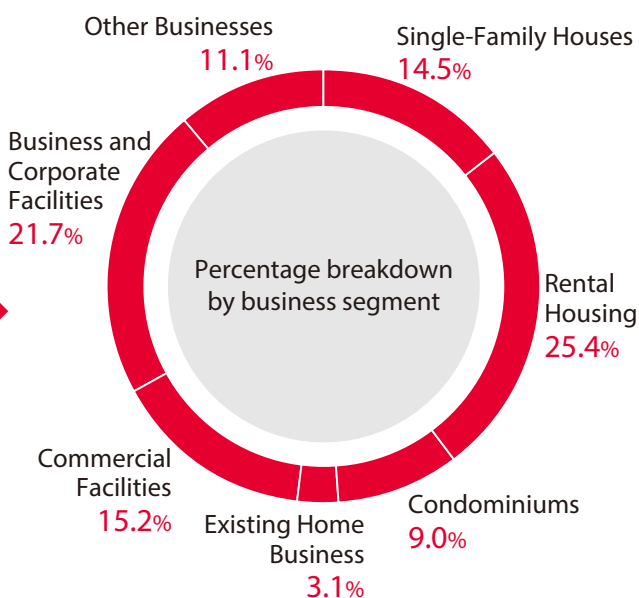
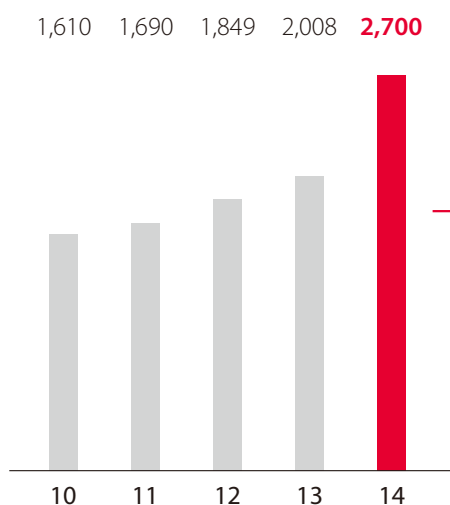
Independent Officer

Group Highlights

Year ended March 31, 2014

Net sales

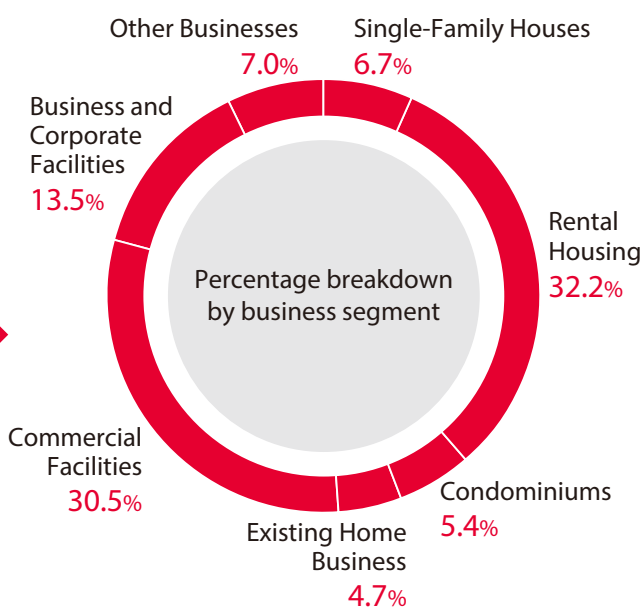
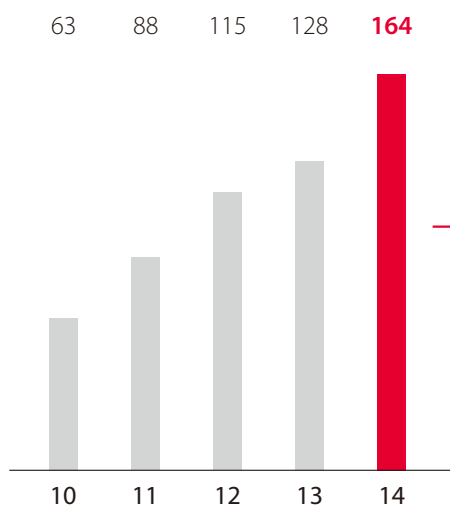
¥2,700.3 billion



Note: The percentage figures for breakdown of net sales by segment are exclusive of internal transactions.
The Health & Leisure Business is included in the Other Business segment beginning from FY2013.

Operating income

¥163.6 billion



Note: The percentage figures for breakdown of operating income by segment are calculated for seven segments inclusive of internal transactions.

Daiwa House Industry Co., Ltd. and consolidated subsidiaries
Years ended March 31

	2014	2013	2012	Change 2014/2013
Net sales	2,700,318	2,007,989	1,848,797	+34.5%
Operating income	163,577	128,024	114,956	+27.8%
Net income	102,096	66,274	33,200	+54.1%
Total assets	2,665,947	2,371,238	2,086,097	+12.4%
Equity	992,687	734,884	657,891	+35.1%
Net income per share (in yen)	161.08	114.52	57.36	+46.56
Equity per share (in yen)	1,496.72	1,267.77	1,135.46	+228.95
Cash dividend per share (in yen)	50.00	35.00	25.00	+15.00
Payout ratio (%)	31.0	30.6	43.6	+0.4 point
Return on equity (ROE) (%)	11.9	9.5	5.1	+2.4 points
Return on assets (ROA) (%)	4.1	3.0	1.7	+1.1 points
Equity to total assets (%)	37.0	30.9	31.5	+6.1 points
Net D/E ratio (%)	18.4	17.2	20.2	+1.2 points
Units completed by the residential business*1	46,018	43,203	39,486	+2,815
Number of employees*2	32,628	30,361	27,130	+2,267
Number of consolidated subsidiaries*3	105	92	74	+13
Proportion of single-family houses fitted with photovoltaic power generation (%)	64.1	64.3	56.3	-0.2 point
Proportion of low-rise rental housing fitted with photovoltaic power generation (%)	43.5	36.9	14.1	+6.6 points
CO ₂ savings from delivery of products & services (thousand t-CO ₂)	3,007	2,062	1,751	+945
CO ₂ emissions from business operations (thousand t-CO ₂)	351	334	332	+17

*1 Total of single-family houses, condominiums and rental housing. Daiwa House Industry, non-consolidated

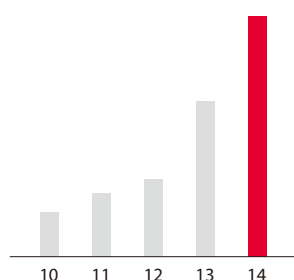
*2 Regular employees only

*3 As of March 31 each year

Net income

¥102.1 billion

19 27 33 66 **102**



ROE

11.9 %

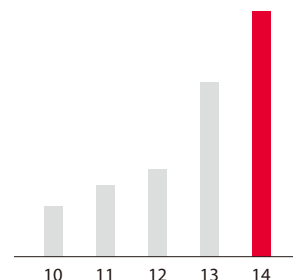
3.1 4.4 5.1 9.5 **11.9**



Net income per share

¥161.08

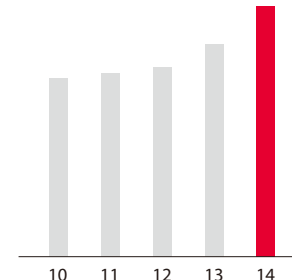
33.00 47.09 57.36 114.52 **161.08**



Equity per share

¥1,496.72

1,065.2 1,095.6 1,135.5 1,267.8 **1,496.7**



Share Information

As of March 31, 2014

Common stock

¥161,699 million
(US\$ 1,569,893 thousand)

Shares

Authorized	1,900,000,000
Issued	660,421,851
Number of shareholders	36,610

Term-end March 31 every year

Ordinary general meeting of shareholders

Held in Osaka by the end of June, which is within 3 months from the balance sheet date for each year

Shareholder registry administrator

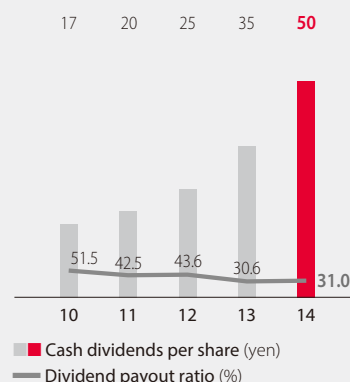
Sumitomo Mitsui Trust Bank, Limited
1-4-1, Marunouchi, Chiyoda-ku, Tokyo

Securities traded

Tokyo

Securities code 1925

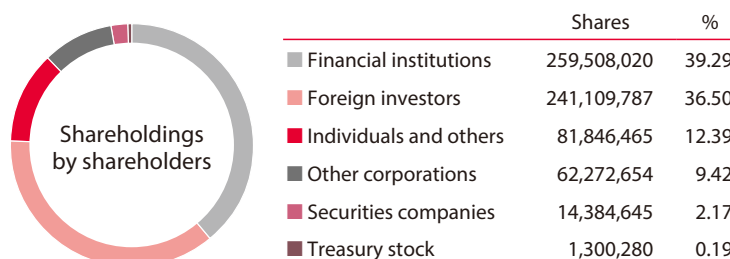
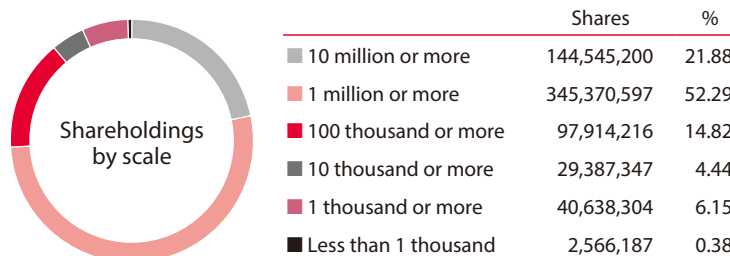
Cash dividends per share and dividend payout ratio



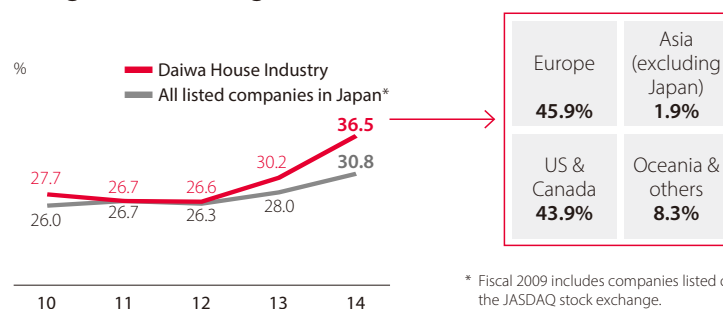
Principal shareholders

	Thousands of shares	Equity stake (%)
The Master Trust Bank of Japan, Ltd. (trust account)	34,690	5.26
Japan Trustee Services Bank, Ltd. (trust account)	29,563	4.49
Sumitomo Mitsui Banking Corporation	16,117	2.45
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	15,470	2.35
Nippon Life Insurance Company	13,437	2.04
Daiwa House Industry Employee Shareholders Association	12,734	1.93
STATE STREET BANK AND TRUST COMPANY 505225	11,831	1.80
Sumitomo Mitsui Trust Bank, Limited	10,701	1.62
The Dai-ichi Life Insurance Company, Limited	8,626	1.31
National Mutual Insurance Federation of Agricultural Cooperatives	8,134	1.23

Notes: 1. Number of shares held is rounded down to the nearest thousand.
2. Shareholding computations exclude 1,300 thousand shares of treasury stock.

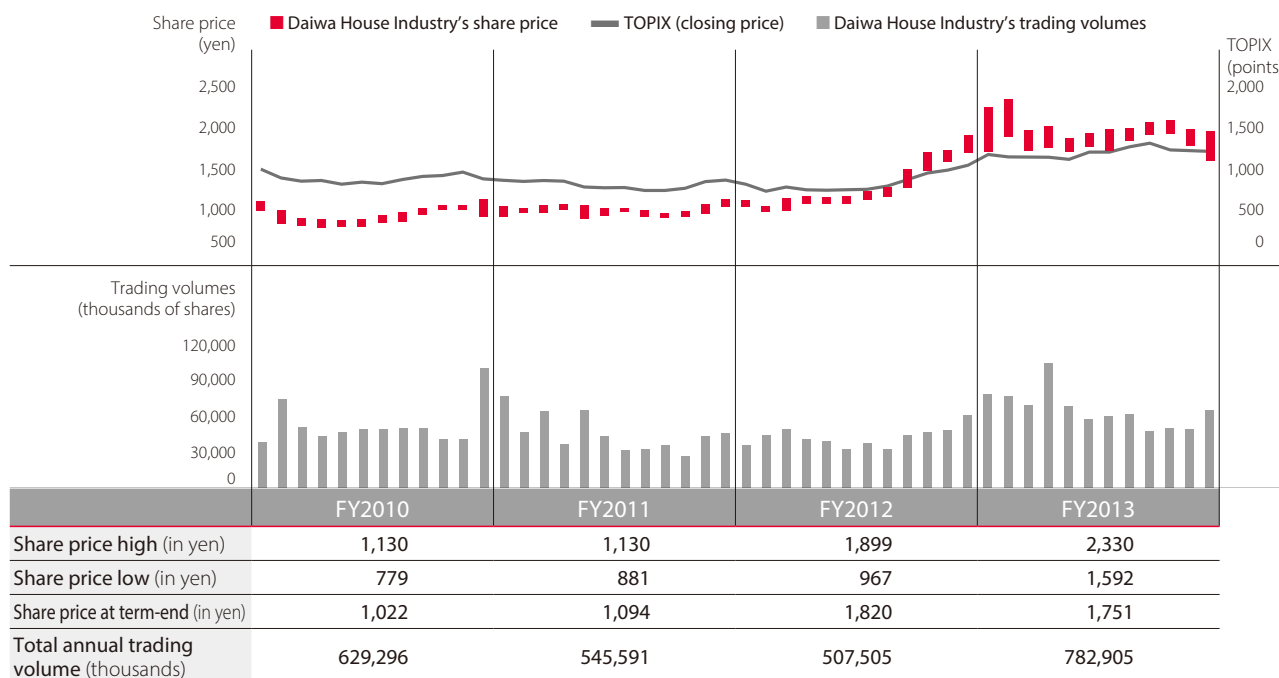


Foreign shareholdings



* Fiscal 2009 includes companies listed on the JASDAQ stock exchange.

Daiwa House Industry's share price and trading volumes and TOPIX on the Tokyo Stock Exchange



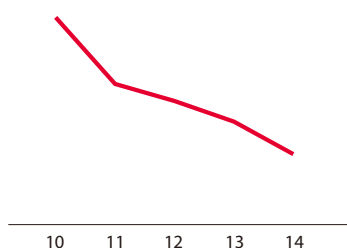
Stock price movements in fiscal 2013

The Japanese stock markets followed an upward trend during FY2013, with the Nikkei Average breaking through the ¥16,000 mark in December. This strong performance came against the backdrop of government economic stimulus measures, the stability of the yen's exchange rate, and rush buying ahead of the consumption tax hike in April 2014, as well as the positive impact on the real economy following the announcement that Tokyo would host the 2020 Summer Olympics. From January 2014, however, the market trend turned downward amid fears of a slump in emerging nations' economies.

Amid these circumstances, the price of Daiwa House stock moved largely in tandem with the wider market, rising from ¥1,820 at fiscal 2012 year-end to a fiscal 2013 high of ¥2,330 in May. The stock held level for a short period during the summer, subsequently weakening to hover in the ¥1,800-¥1,900 range and then recovering along with the market as a whole to reach ¥2,080 in January. Since then, the stock price has tracked the downward trend in the wider market.

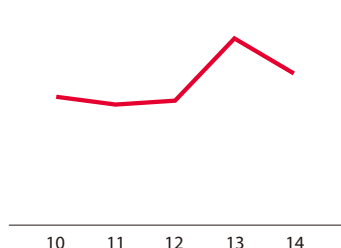
Price earnings ratio

times 31.97 21.70 19.07 15.89 **10.87**



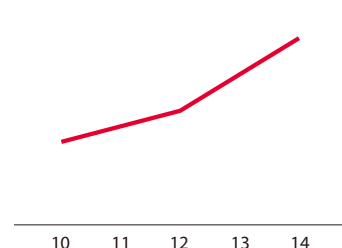
Price to book value ratio

times 0.99 0.93 0.96 1.44 **1.17**



Dividend on equity ratio

% 1.6 1.9 2.2 2.9 **3.6**



The Year in Review

2013



5

● EMISUI spring water home delivery service commenced

Daiwa Service began offering a service featuring EMISUI natural spring water servers*¹, which are fitted with an emergency light that automatically comes on at night in the event of a power outage, and storage space for emergency goods for use in the event of a major earthquake or other natural disasters. The servers are leased free of charge, while customers purchase the water packs used by the servers, which are delivered to their homes.

*¹ Storage space available in long-type only

7

● Senior Support Service (comprehensive assistance for elderly people) started

Daiwa Service commenced offering its Senior Support Service for elderly people living in condominium buildings covered by the company's condominium management service*². The service lets such senior citizens continue living in the home they are used to without having to worry about daily necessities or security.

*² The service is offered to persons of 65 years of age or over who own condominium units in buildings covered by Daiwa Service's management service. The service is limited to persons living alone who do not fall under the definition of persons requiring nursing care or persons requiring support under Article 7 of the Long-Term Care Insurance Act.

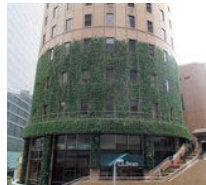
6

● Daiyoshi Trust made into consolidated subsidiary in preparation for full-scale entry into parking business



● "Mighty Urban Tree" greening project started at Osaka Marubiru, a landmark circular building in Osaka

The "Mighty Urban Tree" project, a collaboration between the Daiwa House Group and noted architect Tadao Ando, has been started. This project involves the greening of the exterior walls of Osaka Marubiru, a landmark circular tower in Osaka, over a period of ten years, so that the building will look like a massive living entity and will become a new symbol of the city of Osaka.



● Cosmos Initia made into consolidated subsidiary to reinforce Group's condominium business



7

● Daiwa House acquires No.1 position in overall category for construction of housing certified as environmentally friendly

In fiscal 2012, Daiwa House Industry took first place in the Japanese home building industry (in all housing categories) for the sixth consecutive year with the construction of 1,125 housing units certified as environmentally friendly, marking the eighth time the Company has led the industry.

9

● Daiwa House selected for inclusion in DJSI Asia Pacific sustainability index

In consideration of its wide-ranging environment-friendly business activities, the Company received high marks for environmental and social sustainability, and was included in the Dow Jones Sustainability Asian Pacific Index.

10

● D's SMART SILVER eco-friendly nursing care facility trials started

We commenced trials of the D's SMART SILVER next-generation eco-friendly nursing care facility, whose hot-water heating system offers a 70% reduction*³ in CO₂ emissions. Following the completion of the trials, we plan to incorporate this eco-friendly technology into all new nursing care facilities designed and constructed by Daiwa House Industry.

³ Percentage reduction by comparison with the building's performance when constructed by Daiwa House Industry in 1990 (calculated by Daiwa House Industry).^{} If this looks okay, we'd better reuse it for consistency.

● Daiwa House begins first local manufacture overseas of materials for industrialized production of low-rise housing

At a dedicated plant in China, Baoye Daiwa Industrialized House Manufacturing (a joint venture between the Group and the Chinese company Baoye Group Co., Ltd.) began manufacturing materials such as columns, beams, trusses, exterior wall panels, and roof panels for light-weight steel-frame structures used in low-rise housing produced using industrialized methods.





Daiwa House
Group

2014

10



● **D-room Plaza Hall Yume opened in Tochigi Ninomiya Factory**

The D-room Plaza Hall Yume lets visitors experience the features of the Group's rental housing, and also contains a diorama (three-dimensional model) showcasing and explaining the Group's wide-ranging business activities, as well as a theater providing a description of the life and achievements of Nobuo Ishibashi, the founder of Daiwa House Industry.

11

● **Daiwa House receives MLIT Minister's Eco-Products Awards**

At the 10th Eco-Products Awards, organized by the Council for the Promotion of Eco-Products Awards, the Group's SMAxECO PROJECT, which aims to realize energy-self-sufficient communities, received the Minister's Prize, Ministry of Land, Infrastructure, Transport and Tourism, in the Eco-Products Category.

● **Inheritance Tax Payment Support Service commenced**

Taking advantage of the Real Estate Purchase Guarantee System^{*5}, Nihon Jyutaku Ryutu and Daiwa House Financial have commenced an inheritance tax advance reimbursement loan service (under the name of "Inheritance Tax Payment Support Service") in the parts of the Greater Tokyo Area^{*6} and the Kansai Region^{*7}.

^{*5} This system allows for the purchase of real estate at a price previously agreed between a company (in this case, Nihon Jyutaku Ryutu and Daiwa House Financial) and the owner in the event that no purchase agreement with a third party is concluded within a specified time period.

^{*6} Service currently offered in Tokyo and the prefectures of Kanagawa, Chiba, Saitama, and certain areas of Shizuoka.

^{*7} Service currently offered in the prefectures of Osaka, Hyogo, Kyoto, Nara, and Shiga.



12

● **D's SMART LOGISTICS trials commenced**

We commenced trials of D's SMART LOGISTICS, a next-generation eco-friendly logistics facility that offers users a roughly 25% reduction (compared with previous Daiwa House facilities) in CO₂ emissions. Following completion of the trials we plan to incorporate this eco-friendly technology into all new logistics facilities designed, constructed and managed by Daiwa House Industry.



1

● **xevo Σ high-end single-family home model goes on sale, featuring advanced earthquake-resistant technologies**

We put on sale our xevo Σ single-family home model. This house, our most expensive and high-quality model, incorporates energy-absorbing load-bearing walls that can withstand repeated exposure to large earthquakes without deterioration to any of the features boasted by a newly constructed house.

● **Daiwa House receives METI Prize at energy conservation award**

At the Fiscal 2013 Energy Conservation Awards, organized by the Energy Conservation Center, Japan (a general incorporated association), for the second consecutive year Daiwa House Industry received the top prize — the Minister of Economy, Trade and Industry's Award in the CGO^{*8} Category. The prize was given for efforts to minimize energy use at the Company's factories in preparation for commercialization of a "next-generation energy-conservation factory."

^{*8} CGO stands for Chief Green Officer (i.e., Chief Environmental Commitment Officer), who is responsible for taking an overview of the environmental impact of a company's operations, including energy conservation measures and environmental management.

● **Daiwa House ranks top among Japanese companies in Global 100 Most Sustainable Corporations list for 2nd straight year**

In the Global 100 Most Sustainable Corporations list, Daiwa House Industry has made the top-100 list for four years in a row, coming in at 65th. The Company's environment-related activities across a wide range of business operations, as well as its innovation capacity, were highly appreciated.

2

● **Daiwa House wins Fujisankei Group Prize at "The Grand Prize for The Global Environment Award"**

At the 23rd Global Environment Award, Daiwa House Industry was awarded a Fujisankei Group Prize in recognition of its efforts in the development of "net zero energy" housing, construction methods, and urban development projects, and its overall contribution to environmental protection through proprietary eco-friendly technology.

Our Business

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Single-Family Houses

Contracting Business/Subdivisions

Aiming for the top share in the housing market through development of high value-added products



Daiwa House®
Daiwa House Group

Daiwa House Industry Co., Ltd.



Aggregate of houses and number of houses sold

10,521

(FY2013)

Domestic share of single-family housing starts*

2.3%

(FY2013)

* Contracting business only

In the single-family houses business we have succeeded in selling over 570,000 units since the Company's founding. This has been made possible by our community-based business approach and product development. Leveraging our technological know-how acquired over many years of experience, combined with expertise in the construction of medium- to high-rise buildings, we developed our first five-story single-family home product — the *skye* — which makes maximum effective use of the small land plots available for houses. We also developed the *xevo Σ* — the latest model in our popular *xevo* series. The *xevo Σ* offers both strength — it features load-bearing walls that use a newly developed construction method to absorb the energy of repeated massive earthquakes and maintain their initial performance — and spaciousness,

thanks to wide window-openings that give an airy feel.

In the housing subdivisions, we supply the market with eco-friendly residential developments, including such “smart towns” as the *SMAxECO TOWN Harumidai* (Sakai City) and the *SMAxECO CITY Tsukuba Kenkyu-Gakuen* (Ibaraki Pref.).

In fiscal 2013 the number of new housing construction starts rose over the previous year, due to the raising of the consumption tax rate. But with Japan's population in decline, the market is forecast to contract over the long term. In our marketing, we utilize the *Machinaka-xevo* — a community-based open house that lets potential buyers imagine living in a *xevo* house — as well as the *Living Salon*, a consultation service staffed by our “*Team-xevo*” specialists. In these ways, we are aiming at the top market share through customer relationships.

Rental Housing

Strengthening product development capabilities to differentiate the Group from its competitors



Daiwa House®
Daiwa House Group

Daiwa House Industry Co., Ltd.



Number of rental housing units sold

32,424

(FY2013)

ダイワハウスの賃貸住宅

D-room

In the rental housing business we conduct marketing activities based in local communities, and we opened 10 new sales offices in fiscal 2013, mostly in the Tokyo area. Since their market launch in 2010, our mainline products — rental housing featuring home security as standard — are popular with land owners seeking to make the most of their assets. In June 2013 we announced the development of the housing industry's first rental model fitted with air shower rooms, which can decontaminate residents and visitors by clearing off pollen (the cause of hay fever), dust, and fine particles (diameter of 2.5 micrometers or less), as well as enhanced anti-burglary features. We are thus able to offer residents both health and security in one comfortable-living package. We also opened the D-room Plaza Hall Yume at the Tochigi-Ninomiya Factory. At this facility,

land owners can experience for themselves product features we offer, including security, earthquake resistance, sound insulation and fire-resistance.

Rental housing construction starts in fiscal 2013 recorded growth of 15.3%, for the second consecutive year-on-year increase. In the next few years, further growth is forecast in demand for rental housing, as well as in assisted-living housing for senior citizens in urban areas. Amid this operating environment we will work to further improve our product development capabilities. The occupancy rate of our rental housing is one of the highest in the industry, but we are aiming higher, and will provide property owners with the support they need to ensure a stable income.

Rental Housing Management

Growing the business through proposals that leverage the Group's unique strengths



Daiwa Living Management Co., Ltd.



Daiwa Living Co., Ltd.



Daiwa Estate Co., Ltd.



D.U-NET Co., Ltd.



Total rental housing units managed by the Group*¹

391,778

(as of March 31, 2014)

Total units under management ranking*²

5th

(2013)

借りるダイワハウス
D-room

*¹ Total of two companies: Daiwa Living and Nihon Jyutaku Ryutu

*² Zenkoku Chintai Jyutaku Shimbun

Our rental housing management business is conducted by four companies — Daiwa Living Management (engaged in subleasing), Daiwa Living (management and operation of rental housing), Daiwa Estate (real estate agency), and D.U-NET (Internet service provider). These four are members of the Daiwa Living Companies, a sub-group within the Daiwa House Group that provides total support in the rental housing field. The Group ranks 5th in the industry.

As the aging of Japan's population proceeds at an ever-growing pace, we are faced by a number of urgent issues, such as the need for changes in the way facilities for the elderly are organized, and the need to meet the requirements of the growing number of single persons living alone. In view of this situation, beyond room layouts and housing equipment,

the rental housing market will be asked to meet new, more finely customized, more sophisticated needs, centered on day-to-day management and a varied menu of services.

We were the first in the industry to offer users a new menu of services covering rental housing plans encompassing Internet access and other online services, home contents insurance, and many other services. Rental housing tenants can also take advantage of plans that help hold down initial costs and that do away with the burdensome necessity for a cosigner when applying for a tenancy. The Daiwa Living Companies are also moving into the energy field as a way of expanding their sphere of operations, and hope to harness this toward the goal of providing more comfortable daily lives for rental housing tenants.

Condominiums

Aiming to increase sales through enhanced brand strength nationwide



Daiwa House Industry Co., Ltd.



Cosmos Initia Co., Ltd.



Number of condominium units sold*1

3,073

(FY2013)

Number of condominium units sold ranking*2

6th

(2013)

*1 Daiwa House Industry, non-consolidated

*2 Condominium Market Trends in Japan: Real Estate Economic Institute Co., Ltd.

The condominium business maintains asset value as a kind of social capital by building and selling high value-added condominiums across the length and breadth of Japan.

The number of new condominium unit construction starts in fiscal 2013 recorded a decline of 0.2% from the previous year. Our PREMIST Kita-Senri Classy (Osaka Pref.) project*3, on which construction started in April 2013, was certified by the Ministry of Economy, Trade and Industry (METI) in fiscal 2012 as a “project promoting the speedy adoption of condominium buildings fitted with smart energy management systems”*4. We are involved in a number of urban redevelopment projects in major cities, with the goal of revitalizing regional economic activity and helping kick-start the expansion of demand.

*3 A joint project with Sumitomo Corporation

*4 This is a METI definition of a “smart condominium building” that helps promote the adoption of realistic electricity saving through the installation of CEMS (condominium energy management systems) that enable efficient energy utilization and electric power conservation.

Over the near future, this market is expected to suffer a falloff in reaction to the raising of the consumption tax rate, and we will be forced to adjust our business operations flexibly in response to fluctuating market conditions. We gather data on land prices and availability from all over Japan, subject it to methodical analysis, and use it to strengthen our marketing capabilities. This system enables us to sell all condominium units on offer in a very short time. Cosmos Initia — which boasts strength in the Tokyo area — is working to expand sales by developing services that meet the needs of singles, DINKs, and senior citizens. We secure an adequate supply of high-quality land all over the country, with all chosen sites featuring convenient location, and work to raise our brand value by developing condominium properties that make the most of local characteristics.

Condominium Management

Leveraging extensive consulting capabilities to boost number of new management contracts



Daiwa Service Co., Ltd.



Daiwa LifeNext Co., Ltd.



Global Community Co., Ltd.



Units under management
(Total number of individual home units managed)

309,330

Daiwa Service

84,819

Daiwa LifeNext

147,487

Global Community

77,024

(as of March 31, 2014)

We have decided to merge Group companies Daiwa LifeNext and Daiwa Service on April 1, 2015. This will allow the integration of the two companies' management resources, leading to greater operational efficiency and allowing the newly formed entity to leverage its expanded business base to enter new promising growth fields and create added value.

Daiwa Service, Daiwa LifeNext, and Global Community offer a comprehensive range of condominium management services to support owners. In addition to the basic range of services — concierge service, cleaning, and conduct of regular maintenance inspections of the buildings and facilities — they also handle building renovation and major repair work, helping to maintain and improve the owners' property asset values. As of March 31, 2014, the Group's operations were the fourth-largest in Japan.

As of the end of fiscal 2012 there were approximately 5.9 million condominium units nationwide, of which roughly 1.29 million units were in buildings constructed 30 years ago or more. And as a high proportion of residents are elderly, demand is expected to continue growing for such services as building

renovation and total support.

Daiwa Service has begun offering a total support service for elderly people living alone, while Daiwa LifeNext has commenced a service in which it places qualified concierge staff at condominium properties in central Tokyo. These concierges are all graduates of Daiwa LifeNext's unique in-house training course. Meanwhile, Global Community has entered the field of the management of medical and nursing care facilities, housing for the elderly, and public facilities such as museums and cultural centers.

We are making optimum use of the Group's experience and consulting capabilities to seek out new contracts in the fields of management and operation of condominium buildings and other properties.

Renovation

Building a trusted brand amid a growing market



Daiwa House Reform Co., Ltd.



Royal Home Center Co., Ltd.



Number of renovations

45,700

(FY2013)

Number of staff in sales

944

(as of March 31, 2014)



Daiwa House Reform is a new company established in April 2013 through integration of our home renovation business with Daiwa House Renew to efficiently allocate the Daiwa House Group's management resources and expand business operations into the home renovation market. Daiwa House Reform optimally leverages the know-how we have developed, and offers potential customers a menu of renovation proposals, including earthquake-resistance checks and retrofitting. It has built up the No.4 track record in this industrial niche.

In the single-family house market, we focus marketing efforts particularly on older houses. We are working to expand sales by supplementing conventional home inspection and diagnosis services with proposals for installation of new housing equipment. For apartment buildings, we are working to build

a highly trusted brand through a diagnosis service in which our staff identify the causes of persistent vacancies and make improvement proposals, and also by proposing the installation of photovoltaic power generation systems.

According to a domestic think tank, the combined housing resale and renovation market will be worth some ¥7.6 trillion by 2020, compared with ¥6.3 trillion in fiscal 2013. In our home renovation business we aim to take advantage of this expanding market. We plan to increase productivity and secure more orders by bolstering our sales workforce, particularly by hiring more female staff, and by strengthening our technology system. We will reinforce collaboration between Daiwa House Reform and other Group companies to expand our operations in the previously owned home resale business.

Real Estate Agency Services

Creating new added value in the real estate market



Nihon Jyutaku Ryutu®
Daiwa House Group

Nihon Jyutaku Ryutu Co., Ltd.



Daiwa Homes Online®
Daiwa House Group

Daiwa Homes Online Co., Ltd.



Nihon Jyutaku Ryutu's agency
commission*¹

¥3,054 million
(FY2013)

Real estate agency ranking
(agency commissions)*¹

16th
(FY2013)

*¹ JUTAKU SHIMPO-SHA, INC. "Property Sales and Purchases in FY2013 (25 major real estate agencies)"

Nihon Jyutaku Ryutu is a real estate agency that assesses property values and assures customers of real estate properties guaranteed to be safe. It also engages in rental property management and the purchase and sale of previously owned real estate properties. We are working to expand our operations in the real estate market, which has been revitalized by the impact of Abenomics. To do this, we are hiring additional staff and opening new offices — focusing on the Tokyo area, where customers for our services are concentrated — and are gathering and analyzing real estate information from all over the Daiwa House Group. In anticipation of an amendment to Japan's inheritance tax law, possibly as early as 2015, we have begun offering consultations on inheritance matters in collaboration with tax accountant offices, as well as assistance in the

payment of inheritance taxes.

Daiwa Homes Online, which offers real estate agency services over the Internet for customers in the Tokyo area, has launched a redesigned website to cater to customers seeking to buy or sell pre-owned condominiums. This website offers a wealth of data, such as property assessments by real estate appraisers from third-party institutions, and information on some 9,400 properties*² including not only data on market rates and so on, but also matters relating to daily life. In this way, we are able to allay customers' concerns about real estate transactions and encourage home relocations. We have started handling investment properties as a solution to inheritance issues.

*² As of May 31, 2014. This number is planned to increase by about 1,000 properties per month over the near future.

Continued post-disaster recovery support through construction of housing

Recovery support of disaster-hit areas

Three years have now passed since the Great East Japan Earthquake of 2011, but many people are still living in temporary housing and the work of rebuilding the devastated region is far from finished. So that the residents of the disaster-hit communities can resume their normal lives as quickly as possible, we are working to provide support through our construction business, including the building of public housing for the victims. In this, we are making full use of the advantages of housing units mass-produced by industrialized methods.

During the period when confusion still reigned following the earthquake and its accompanying massive tsunami but before the erection of temporary housing was completed, Daiwa House Industry made a reconstruction proposal to the government of Higashi Matsushima in Miyagi Prefecture. This proposal was the start of the Komatsuyachi District Post-Disaster Public Housing Project. The site chosen had been selected for construction of a large-scale commercial facility prior to the disaster, and the land preparation work had already been completed. To make the most of the site for the recovery of the community, all parties involved — the central and local governments, the intended operator of the planned large-scale commercial facility, and the land owner — came to an agreement under which the construction of housing utilizing our lightweight steel structure method (which facilitates quick construction without sacrificing high performance) was approved with unprecedented speed. The project was subsequently carried out by a total of 20,619 professional staff from all over Japan, and construction was completed in only

10 months. This compares with the 18 months that had been regarded as the fastest time possible up to then. In March 2014 Daiwa House Industry handed over the completed housing development — 12 three-story apartment blocks containing a total of 156 dwelling units — to the city of Higashi Matsushima. The subsequent move into this housing by residents of the local temporary housing facility was a source of great joy to those residents, one of whom told us: “It’s been wonderful to move into such spacious and well-lighted accommodations after three years in temporary housing. My elderly mother likes it so much she gets up early these days!”

Following this project, the concept of private companies acquiring land and constructing buildings, which are then purchased by the government, has played an important part in the construction of public housing for victims of the March 2011 disaster, and has greatly helped speed up the process of supplying adequate housing to the disaster-hit communities.





From temporary housing to the foundations of a future community

Starting immediately after the earthquake and tsunami, the Group built a total of 11,041 temporary housing units, which have proved one of the first stepping stones toward the recovery of the region, and we have otherwise engaged in reconstruction of the foundations of day-to-day life. We are now focusing on the next-stage foundations of community life, and are exerting our full efforts in this project, which we believe to be our corporate mission.



Ongoing construction of public housing in many communities

Many people living in the region devastated by the earthquake and tsunami of March 2011 eagerly await the day when they can move out of their current temporary housing and into publicly owned permanent housing. We are working with public authorities in Iwate, Miyagi, and Fukushima prefectures to construct public housing developments for victims of the disaster, and we aim to complete these projects as speedily as possible.



Making our building site part of the local community

At a building site in Ishinomaki, where we are constructing public housing for people who have lost their homes in the 2011 disaster, we persuaded students at a nearby elementary school to paint a mural on curing sheet, which we then displayed at the site perimeter. This mural serves as a symbol of the hopes of local people for recovery, and is part of wide-ranging activities undertaken by the Group together with local people, aimed at brightening up the local scene.



Stronger proposal-based marketing thanks to new product development



DesignArc Co., Ltd.



Number of interior coordinators

195

(as of March 31, 2014)

Percentage of main interior furnishings sold

Curtains (product and installation cost)

19.3%

Furniture

16.3%

Made-to-order furniture

4.3%

Lighting (product and installation cost)

8.0%

Air conditioners (product and installation cost)

28.3%

Condominium options

10.5%

Other

13.3%

(FY2013)

* Changed name on October 1, 2014 to DesignArc Co., Ltd.

Daiwa Rakuda Industry* is in charge of the Group's interior business, where it offers a full range of proposals for the ideal home life — from interior coordination for single-family houses and condominiums to product sales and installation.

The market for interior goods followed a favorable trend throughout fiscal 2013, thanks to increased demand for high-end products for condominiums and fee-based homes for the elderly as a result of last-minute demand ahead of the raising of the consumption tax rate on April 1, 2014, as well as the stimulative effects of Abenomics. Against this backdrop, in the interior business we focused our efforts on the sale of original goods such as our "dia scenes" series of wooden furniture and our G Space garbage collection unit for condominiums and apartment houses, which received the fiscal 2013 Good

Design Award.

Sales in fiscal 2014 are expected to contract on a year-on-year comparison in reaction to the rush-buying at the end of fiscal 2013, but consumers' need for interior goods should hold firm in view of the robust demand for home renovations. Major upcoming moves on this business front will include a sales focus on high-quality, cost-competitive original curtain products developed by our own sewing plant, which started operations this June. We have also developed — jointly with amadana corp. — a line of next-generation furniture units for mounting electric and electronic appliances as part of a suite of innovative proposals for fashionable new lifestyles. In our overseas business, we plan to begin selling products under licensing agreements and to speed up new product development.

Retail and Wholesale Facilities

Developing retail and wholesale facilities
that meet the needs of each local community



Daiwa House®

Daiwa House Group

Daiwa House Industry Co., Ltd.



Daiwa Lease®

Daiwa House Group

Daiwa Lease Co., Ltd.



Retail and wholesale facilities
constructed*¹

Approx. 36,000
(as of March 31, 2014)

Membership of the Owners Club*²

6,610 members
(as of March 31, 2014)

*¹ Total of retail and wholesale facilities constructed
by Daiwa House Industry

*² The Owners Club is a nationwide organization that
provides continuous support to land owners.

Through its retail and wholesale facilities business, the Group operates a comprehensive service ranging from planning to facility management and operation. We optimally leverage our extensive data on land use nationwide, as well as carefully customized marketing approaches, to offer ideal business proposals to prospective tenants. To date, we have developed over 36,000 facilities throughout Japan. We are also focusing efforts on the development of advanced technologies in the field of facility construction. These include the conversion business, where we propose the conversion of existing structures for reuse to help conserve natural resources in keeping with our resource recycling policy, as well as the development of next-generation eco-friendly facilities.

Despite some fallout from the raising of the consumption tax

in April this year, the major retailers are enjoying firm business results against the background of rising employment and a recovery trend in consumer spending.

Moving forward, we intend to closely monitor consumer trends in every part of Japan, enabling us to propose and develop retail outlets that best meet the particular needs of consumers in each region. We will also expand our retail and wholesale facility development operations by reinforcing our relationships with land owners. For instance, in addition to drawing up projects for the efficient utilization of land assets and proposing them to the land owners, we will also provide continuous long-term asset management support services. We are also enhancing our abilities in the proposal of new uses for facilities where tenants' contracts are close to expiration.

Commercial Facilities

Developing and operating commercial facilities that serve as the core of their local communities



Daiwa House®
Daiwa House Group

Daiwa House Industry Co., Ltd.



Daiwa Lease®
Daiwa House Group

Daiwa Lease Co., Ltd.



Daiwa Info.Service®
Daiwa House Group

Daiwa Information Service Co., Ltd.



Daiwa Royal®
Daiwa House Group

Daiwa Royal Co., Ltd.



Leasing floor space of buildings subleased*¹

4,533,849_m²

(as of March 31, 2014)

Number of tenants/occupancy rate at buildings subleased*²

7,818/99.4%

(as of March 31, 2014)

*¹ Total of buildings subleased by Daiwa Lease, Daiwa Information Service, and Daiwa Royal

*² Ratio of tenanted floor space to total leasing floor space

In our commercial facilities business, various Group-member companies are engaged in the planning, construction, leasing, management and operation of facilities. The total leasing floor space now exceeds 4.5 million square meters. In fiscal 2013 we undertook two initiatives to increase sales: we carried out renovation work on two large-scale shopping centers, and arranged tenant replacements to reflect changes in consumer preferences. In Kobe, Daiwa Lease opened the BRANCH Kobe Gakuen-Toshi commercial complex, which revolves around the theme of creating and nurturing a sense of local community, and the Group as a whole opened 14 new commercial facilities during the reporting term.

The online shopping market continues to grow, and at the same time, with the expansion of the senior market and the

rising need for focal points in each community, it is becoming increasingly important to operate commercial facilities that are rooted in their local communities, in view of the vital role that they play as part of each region's social infrastructure.

In addition to the know-how we have amassed in the development and management of commercial facilities, this business segment also boasts unique strengths due to the synergy created by a synthesis of the Daiwa House Group's diverse areas of expertise, including condominiums, fitness clubs, and business hotels, among others. In the near future we plan to pursue large-scale development projects, and will actively harness the capabilities of the entire Group in developing and operating commercial facilities, each of which will play the role of a core for the local community.



Logistics Facilities

Distancing the Group from its rivals with unique business format and more advanced features



Daiwa House Industry Co., Ltd.



Daiwa Logistics Co., Ltd.



Frameworkx, Inc.



Development site area of
main logistics projects*

Japan total

3,433,146_m²

Hokkaido/Tohoku area

270,428_m²

Kanto area

1,576,290_m²

Chubu area

539,030_m²

Kinki area

743,032_m²

Chugoku/Shikoku/Kyushu area

304,366_m²

(as of March 31, 2014)

* Includes projects at the planning stage and under development

We employ a proprietary business format called D-Project, under which we engage in the whole range of logistics-related operations, from acquisition of prime-location sites in every part of Japan through project planning, design and construction of facilities, building management, and real estate securitization. Under this format we have built or are currently constructing 144 logistics facilities, involving a total site area of approximately 3.43 million square meters.

In fiscal 2013, in addition to BTS (build-to-suit) facilities customized for particular corporate customers, we also constructed three multi-tenant-type facilities in the Kanto region. We have also rolled out the new DPL (D-Project Logistics) brand of logistics facility development services to raise the Company's brand-name profile in this business field.

User needs in the logistics industry are becoming ever-more diversified and sophisticated with the expansion of online shopping. In line with this, demand is growing for super-efficient large-scale facilities boasting advanced features. In response to these user needs we have introduced the D-LEMS smart management system, and have commenced trials of a new type of next-generation eco-friendly facility — the DPL Sagami-hara multi-tenant logistics facility in Sagami-hara — which enables a reduction in CO₂ emissions of roughly 25% compared with our existing facilities. We plan to incorporate technologies that prove their worth in these trials into our future logistics facility development, with the goal of expanding orders by distancing our facilities from those of our competitors in terms of functions and performance.

Medical and Nursing Care Facilities

Strategic development that awakens latent medical and nursing care needs



Daiwa House Industry Co., Ltd.



Medical and nursing care facilities constructed*1

3,770

(of which, Silver Age Research Center projects = 2,705)

Group homes, day care and day service facilities, small-scale multifunctional facilities

41.1%

Hospitals and clinics

24.9%

Healthcare facilities for senior citizens, special nursing homes, nursing homes for the elderly

3.9%

Fee-based homes for the elderly, assisted-living housing for senior citizens

17.6%

Others

12.5%

(as of March 31, 2014)

*1 Daiwa House Industry, non-consolidated

In 1989 we set up the Silver Age Research Center to engage in surveys and analysis on issues involving medical and nursing care. As part of its objective of expanding its operational scale, our medical and nursing care facilities business uses the findings of the Center in developing facilities, and also selects suitable land sites, draws up business projects, consults with governmental bodies, and provides a wide range of other specialist support services for corporate customers seeking to build and operate such facilities. According to a survey by the Ministry of Health, Labour and Welfare*2, only 61.4% of the nation's 8,531 hospital buildings are adequately earthquake-resistant, which means that more than 3,000 buildings either require seismic retrofitting or need to be completely rebuilt.

Against this background, we have designed advanced medical

facilities to meet the needs of the next generation under the name of "D's SMART MEDICAL," and have begun marketing solutions to medical facility needs based on this concept. Our staff work to devise and propose unique business projects such as seismic retrofitting and BCP (business continuity planning) measures and the construction of eco-friendly facilities, as well as the use of a medical fund in which the Group invests to provide support for the establishment of businesses. We also aim to expand orders through strategic business developments that will serve to identify and awaken latent user needs in the medical and nursing care market. For example, we have started trials of eco-friendly nursing care facilities.

*2 "Survey of State of Seismic Retrofitting Work at Hospitals" (Ministry of Health, Labour and Welfare; published March 29, 2013)

Offices, factories, and industrial parks

Targeting increased orders through stronger customer relations



Daiwa House Industry Co., Ltd.



Higashi-Fuji Co., Ltd.



Offices constructed

111 buildings

Approx. **132,000**m²
(FY2013)

Factories constructed

87 buildings

Approx. **256,000**m²
(FY2013)

In our offices and factories business we help corporate customers build networks of business bases throughout Japan. Thanks to our extensive land-use database, we can offer prospective customers optimal locations. Our services coordinate all the processes involved, from initial surveys through planning, design, and construction to post-completion maintenance and other services. We have already built up an impressive track record all across Japan in the supply of buildings and equipment for many different applications. In fiscal 2013 we focused especially on seeking orders for the construction of eco-friendly office buildings and factories. Our environmentally conscious proposals were accepted in roughly 80 percent of orders.

Corporate capital spending is on an uptrend thanks to the government's economic stimulus measures and an improvement

in business confidence.

Amid this environment, we are working to strengthen our relationships with customers that possess business bases on a nationwide scale. We are focusing efforts on gathering land-use data to serve as material for aggressive proposal-based marketing to corporate customers who are seeking to expand their network of offices or factories. In addition, we are drawing up proposals for the effective utilization of unutilized land owned by business corporations or the central and local governments. We are also acquiring new orders by renovating and redesigning Company-owned factories for use as showrooms, employing cutting-edge eco-friendly equipment and so-called passive design methods that realize energy-efficient buildings through the effective use of natural energy such as solar power.

General Construction

Generating intra-Group synergy to enhance capability across the board



Fujita Corporation



Daiwa Odakyu Construction Co., Ltd.



Total area of main projects developed by Fujita in Japan
 Land readjustment projects (outsourced services provision)*¹
Approx. 11,695,000m²
 Statutory urban redevelopment projects*²
Approx. 1,261,000m²
 In-house development projects
 Industrial parks*¹
Approx. 6,418,000m²
 Housing developments*¹
Approx. 6,922,000m²
 Condominium and office building development projects*²
Approx. 2,692,000m²
 (as of March 31, 2014)
 *¹ Site area
 *² Total floor area

Fujita boasts a history of over 100 years as a general construction company, and possesses extensive know-how and an impressive track record in urban development and renovation. In fiscal 2013 Fujita commenced work on Japan's first 60-story condominium building as part of a disaster-prevention urban redevelopment project in the Nishi-Shinjuku area of Tokyo, which was crowded with wooden houses and apartments and thus presented a major fire risk. The company is also involved in large-scale land readjustment projects in parts of Japan that suffered damage from the Great East Japan Earthquake.

In the Japanese market, although construction orders show a recovery trend in private-sector investment, the earnings environment remains difficult due to rising materials prices and high labor costs amid a workforce shortage.

Fujita is working to generate Group synergy, not only through its construction projects but also through materials procurement and other purchasing, as well as R&D. Particularly in urban development operations, Fujita leverages its extensive experience in obtaining official permits and licenses, as well as its know-how in determining and reconciling the rights of land owners and leaseholders, to raise the Group's capabilities across the board. In construction operations, Fujita is pushing ahead with technology development and restructuring to take advantage of the government's public works spending plans aimed at preventing or mitigating natural disasters. With regard to the company's organizational aspect, the management is actively promoting organizational diversity to facilitate the hiring and training of the required personnel.

Discovering the latent possibilities of land plots, and making them reality

Urban development/Redevelopment/Land consolidation

Our involvement in the development of new towns and the redevelopment of existing urban sites began in 1962 with the development of the Habikino Neopolis housing complex. The Group offers local communities a one-stop-source service in which we consult with interested parties to devise an optimum way of making use of each particular site, followed by everything from planning through land preparation, construction, and maintenance.

The land consolidation project now underway at 2-Chome, Muraoka Higashi, Fujisawa City (Kanagawa Pref.) –involving the creation of a residential district from a hilly, wooded area that has become surrounded by a built-up area — is just one example of the Group’s land consolidation business.

The lead-up to this project began when the owners of plots in a hilly, wooded area sought our advice on developing the land in some way so as to lighten the burden of inheritance taxes. We surveyed the area and carried out a market analysis, on the basis of which we recommended the development of the plot into a residential district, in view of the fact that it was already surrounded by a built-up area. We drew up a plan for the construction of a pleasant and attractive housing project, and presented the owners with this proposal. Following their agreement to the proposal, we helped them form a land consolidation association, which then placed the order with Daiwa House Industry. After carrying out land preparation work and dividing

up the site into 127 individual housing plots, these plots were then handed back to the land owners as “allocated land.” Daiwa House Industry then purchased the remaining land (legally classified as “reserved land”), built the housing units, and sold them. We provided parks and pedestrian-only paths within the subdivision area to realize enhanced safety and enjoyment for the residents, and we have secured a living environment rich in greenery through green space conservation agreements with local land owners. In this way, we completed the creation of a housing development that suited the needs of the owners of the land and was warmly welcomed by members of the wider community.

We will continue to leverage the Group’s wide-ranging one-stop-source services to discover and exploit the possibilities for effective and profitable use of land, and will deploy its development operations to help create healthy and vigorous communities.





Habikino Neopolis (Osaka Pref.)

Development area: 968,000 square meters

Habikino Neopolis was a large-scale (3,100 dwellings) housing development completed in 1962 — the first such development by a private-sector company in Japan. With this, we introduced a new means of acquiring a home with the Housing Service Plan, a forerunner of today's home mortgages.



Hokusetsu Sanda 2nd Techno Park (Hyogo Pref.)

Development area: roughly 97.1 hectares

Development work was begun in 2011 on this project — the largest industrial park ever undertaken by Daiwa House Industry. An eco-friendly industrial park, the Hokusetsu Sanda 2nd Techno Park plays an important role in the area's high-tech industrial sector. Currently, we are working together with the government of Hyogo Prefecture as well as Sanda City and other municipalities to attract corporate tenants.



District G in Marugame-machi shopping area, Takamatsu City (Kagawa Pref.)

Development area: roughly 1.2 hectares

This project — undertaken from 2001 to 2012 — involved the central shopping area of Takamatsu, which is the Kagawa prefectural capital. By constructing commercial facilities for use by types of shops that were in short supply in that part of the city, as well as apartment buildings to boost the area's population, we were able to bolster the local economy and revitalize the community.



Asset Management

Aiming to maximize investor value through expansion of assets under management



Daiwa House Asset Mgt.®
Daiwa House Group

Daiwa House Asset Management Co., Ltd.



Daiwa REIT®
Daiwa House Group

Daiwa House REIT Management Co., Ltd.



Daiwa House Residential Investment Corporation

Properties/Asset value

133 / ¥234.3 billion

Occupancy ratio

96.11%

(as of May 31, 2014)



Daiwa House REIT Investment Corporation

Properties/Asset value

32 / ¥144.1 billion

Occupancy ratio

99.97%

(as of May 31, 2014)

In its asset management business, the Group leverages its comprehensive strength to pursue operations in the Japanese real estate investment trust (J-REIT) market.

The Group's rental housing, commercial facilities, and logistics facilities businesses aggressively pursue business operations, taking advantage of the many years of experience and know-how possessed by the Group across the whole spectrum of related activities, from facility planning to management, operation, and tenant leasing, as well as the strong bonds of trust that we have forged with a wide range of tenants. In collaboration with these business operations, Daiwa House Asset Management engages in asset management on behalf of Daiwa House Residential Investment Corporation, a company that invests in rental housing properties, mainly in the Tokyo area.

Additionally, Daiwa House REIT Management engages in asset management on behalf of Daiwa House REIT Investment Corporation, which invests in logistics facilities and commercial facilities. In fiscal 2013 Daiwa House Residential Investment Corporation made its first investment in housing for senior citizens with the acquisition of a fee-based nursing care facility for the elderly.

In our asset management business, the companies will continue working to secure high occupancy rates and stable rental income, as well as to gain adequate earnings and maximize investor value by steadily expanding the total value of assets under management.

Environment and Energy

Working to popularize renewable energy generation



Daiwa House Industry Co., Ltd.



Daiwa Lease Co., Ltd.



Daiwa Energy Co., Ltd.



Eneserve Corporation



Total output of mega solar large-scale industrial-use photovoltaic facilities constructed

95.9_{MW}
(FY2013)

Number of large-scale power generation facilities operated in-house*

Mega solar
73/152.3_{MW}

Wind power
2/29.0_{MW}
(as of June 30, 2014)

大和ハウスグループの太陽光発電事業
DREAMSolar

* Including those in planning stage

Interest in renewable energy and energy conservation is growing in Japan against the background of global warming as well as rising electric power charges stemming from the shutdown of the nation's nuclear power plants. We are working to expand its environmental energy business through comprehensive proposals encompassing new energy sources, energy conservation measures, and energy storage technologies.

In recent years, the number of local governments and corporations in Japan constructing large-scale photovoltaic (mega solar) power generation facilities has been increasing rapidly amid growing interest in renewable energy. Against this background, we have been aggressively seeking contracts for such facilities, and the total output of mega solar facilities constructed by the Group reached 95.9 megawatts as of the

end of fiscal 2013.

We are also installing power generation facilities on idle land and facilities owned by the Group, and are tackling renewable energy power generation projects in collaboration with local governments. Current plans call for a total output of 200 megawatts from such generation facilities by fiscal 2018.

Since the Great East Japan Earthquake of March 2011, Japan's power generation system has been undergoing a full-scale restructuring, and the electric power retail sales market is scheduled to be fully liberalized by 2016, while the electric utilities' power generation and power transmission operations will be completely separated by 2018. At the Daiwa House Group, we intend to effectively leverage our broad customer base to expand our power retailing operations.

Agriculture

Pursuing agricultural business to offer society a stable supply of safe food



Daiwa House®
Daiwa House Group

Daiwa House Industry Co., Ltd.



"agri-cube" vegetable-grower unit
Number of inquiries

834

(as of March 31, 2014)

We sell the "agri-cube" hydroponic vegetable-grower unit as a front-runner product in our search for ways of industrializing agriculture to realize higher production efficiency and meet society's need for food self-sufficiency and a stable supply of safe food products. The agri-cube combines the advantages of the modular system of building with all the equipment required for efficient hydroponic vegetable growing, including special lighting and air conditioning. We sell the agri-cube to private-sector corporations that see it as a foothold toward moving into agriculture as a new business area, to research institutions such as universities that view it as an ideal-sized research facility, and to social welfare foundations and others.

Since August 2013 we have been displaying our new "agri-cube ID Type," suitable for use indoors, and have received inquiries

from companies interested in using this model in unused warehouses or idle factories. We have also been fielding inquiries regarding the development of large-scale vegetable-grower factories to put underutilized real estate to profitable use. With the goal of developing both indoor-type vegetable growers and large-scale vegetable "factories," our Central Research Laboratory is conducting research into technologies for the conversion of existing buildings into vegetable-growing factories, and also into the perfection of "universal design" systems to enable senior citizens and people with disabilities to work in such factories with complete safety. Over the next few years, we plan to expand our activities into the construction under contract of large-scale vegetable-growing factories.

Environmental Greening

Improving urban environments through greening services with higher added value



Daiwa Lease®
Daiwa House Group

Daiwa Lease Co., Ltd.



Area of greened building space

117,545^{m²}

Green roofs

106,981^{m²}

Green walls

10,564^{m²}

(as of March 31, 2014)

緑が、街を変えていく。
ECOLOGREEN
大和リースの環境緑化事業

In its operations under the ECOLOGREEN brand, Daiwa Lease seeks to improve urban environments and raise the value of real estate through comprehensive greening solutions for roofs, walls, exterior structures, and interiors.

In fiscal 2013 Daiwa House Industry, Fujita, and Daiwa lease jointly developed a “greening unit” capable of removing NOx and particulates (diameter of 2.5 micrometers or less) from the atmosphere. A wall greening system employing this unit was installed on a trial basis on the green wall at the LAWSON Tsurumi-Ryokuchi Ekimae Store in Osaka, at the BRANCH Kobe Gakuen-Toshi commercial complex, and at Daiwa House Industry’s Nara Factory. We also carried out greening free of charge on a wall of the ward office of Osaka’s Kita-ku.

The market for greening work is expected to post steady growth over the near future, as both the central government and local authorities have enacted legislation making greening mandatory. Demand for wall greening, in particular, is forecast to take off, as an increasing number of local governments have adopted as a barometer of the extent of greening the percentage of coverage as seen from the roads, in addition to the older indicator of green coverage as seen from above. In our greening operations, we will offer value-added products and reinforce our marketing activities to companies that put a focus on CSR, with the aim of making a valuable contribution to the creation of an environmentally responsible society.

Parking and Carsharing

Supporting urban transport infrastructure through enhanced Group competitiveness



Daiwa Lease®
Daiwa House Group

Daiwa Lease Co., Ltd.



Daiyoshi Trust®
Daiwa House Group

Daiyoshi Trust Co., Ltd.



Daiwa House Group®

TOMO Co., Ltd.



Number of metered parking spaces operated*1

27,098

(as of June 30, 2014)

Number of carsharing stations*2

72

(as of June 30, 2014)



*1 Including parking lots operated under subcontract

*2 Daiwa Lease, non-consolidated

The Group's parking lot business (hitherto operated by Daiwa Lease and Daiyoshi Trust) was joined in June 2014 by Tomo, which operates metered parking lots, mainly in the Kanto and Kinki regions. In fiscal 2013 we established D-Parking as our brand name for metered parking operations, and commenced a Groupwide program of strengthening competitiveness and raising our name recognition. Daiwa Lease also leverages its know-how and experience in the parking lot business — from planning through installation and management — to develop and construct drive-in-type multilevel car parking facilities, and in February 2014 it signed an agreement with JFE Engineering Corporation to collaborate in the operation of mechanical bicycle parking facilities. These moves are part of our overall plan to expand the scope of our parking business.

In the carsharing business, Daiwa Lease operates a membership-based service, with 72 carsharing stations located in urban areas of the Kanto, Kinki, and Kyushu regions.

The stricter regulations on illegal parking introduced with the recent amendment to the Road Traffic Act are expected to result in a shortage of parking lots in urban areas. And with the superannuation of mechanical parking systems in public facilities, condominium buildings and so on, there is a growing demand for a switchover to metered parking systems. A significant amount of demand is seen in the metered parking market thanks to these factors. From here on, we will work to improve our capabilities in new product development to make the most of our ample book of existing customers. In this way, we aim to expand our operations in the parking solutions market.

PPPs and PFIs

Building a new business model on the concept of creating shared value



Daiwa Lease®

Daiwa House Group

Daiwa Lease Co., Ltd.



Ranking for PFI project orders
received in Japan*¹

6th

(as of April 1, 2013)

Number of orders received

13

(as of April 1, 2013)

*¹ Rankings compiled by Japan PFI/PPP Association,
issued in PFI Yearbook (FY2013 edition)

Public-private partnerships (PPPs) and private finance initiatives (PFIs) are being used nationwide to create new communities and revitalize whole districts by harnessing the capabilities of the public and private sectors. At Daiwa Lease, we believe that the CSV*² approach, in which we create new business projects as a way of simultaneously addressing local issues and enhancing our own business competitiveness, is the most fruitful avenue for the future, and we are therefore pushing ahead with forward-looking business projects.

At the Frespo Hida Takayama (Gifu Pref.) commercial facility, which we opened in 2012, we established an NPO and essayed a new approach in which we threw open the facility to the residents of the local community for use as a forum where they could get together and interact. This project was widely

acclaimed as an example of a new business model in which local residents, local communities, governmental bodies, and private corporations have worked together to make it a success. Daiwa Lease was also chosen as an area management partner in the reconstruction project being undertaken in the district around the railway station in Ofunato City (Iwate Pref.), where an urban renovation project is proceeding through public-private collaboration. The central government is also enthusiastically embracing the PPP/PFI concept, and has announced a target of ¥12 trillion for 2022. The Group will continue to develop new business models as a way of addressing social issues.

*² "Creating shared value" (CSV). This is the concept that the competitiveness of a company and the health of the wider community of which it is a part are mutually dependent, and that a company should therefore help to solve social problems through its business operations. The management and employees of the Daiwa House Group share this concept as a common vision for the pursuit of our business operations, based on the "public spirit" strongly advocated by Nobuo Ishibashi, the founder of Daiwa House Industry.



Resort Hotels and Golf Courses

A resort operation strategy that takes advantage of changes in the market



Daiwa Resort Co., Ltd.



Daiwa Royal Golf Co., Ltd.



Nishiwaki Royal Hotel Co., Ltd.



Daiwa Royal Hotels is a chain of resort hotels stretching from Hokkaido Prefecture to Okinawa Prefecture that offer superior service and a relaxing experience that incorporate the unique attractions of each region's natural environment and local culture. Daiwa Royal Golf operates golf clubs featuring beautiful courses that make the most of the features of the local landscape, and clubhouses with a relaxing atmosphere.

Encouraging signs are being seen for consumer behavior in Japan's hotel and travel industries, against the background of rising hopes for an economic recovery, as well as the positive effects of higher stock prices and a weak yen. The number of tourists — both Japanese and foreign — is on the rise, and the market as a whole is moving in a positive direction, with high-end travel packages proving popular. Against the backdrop of

the addition of Mount Fuji to the world heritage list of cultural sites, and of washoku (traditional Japanese cuisine) to the UNESCO intangible cultural heritage list, Japan is forecast to become an even more high-profile tourist destination.

In our resort hotel business in fiscal 2013 we carried out renovation work on eight hotels — Kashihara, Hamanako, Shinshu-Matsushiro, Miyagi-Zao, Yatsugatake, Minami Awaji, Miyazu, and Shikabe — to improve safety and security as well as more fully incorporate local cultural elements and unique regional features into the design of the facilities. We will pursue marketing efforts aimed at raising the percentage of community members in each center locality who use our facilities. In our golf course operations, we will work to attract new golf club members and raise the percentage of repeat users.

Fitness Clubs and Aesthetic Salons

Operating attractive clubs and salons that offer visitors new types of added value



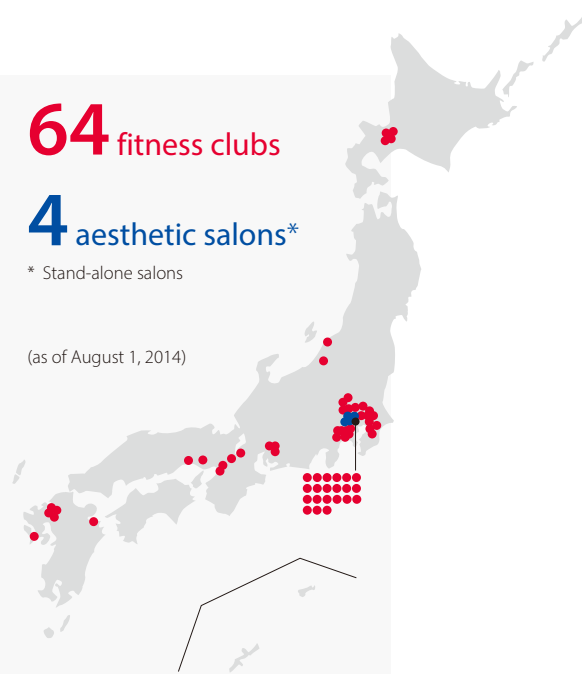
Sports Club NAS Co., Ltd.



64 fitness clubs
4 aesthetic salons*

* Stand-alone salons

(as of August 1, 2014)



Our Sports Club NAS operates a range of unique fitness clubs catering to the needs of all ages from children to seniors. As healthy, live-longer lifestyles become more prevalent, more and more senior citizens are joining fitness clubs. In response, we have established the NAS Royal Supporters' Clubs for members 60 years of age or over at 10 of our fitness clubs. Club members enjoy priority in attending seminars as well as participation in special events, and the clubs serve as forums where our members can get together. This is just one of the many ways in which our fitness clubs offer a vibrant, active experience. For children, we have started up a popular comprehensive childcare business called the NAS Kids' University, where pre-schoolers and elementary school students can learn such things as English conversation and swimming.

For female customers in their 20s and 30s, we have opened the Bijin Studio in Tokyo, a dedicated facility for hot yoga, which we have hitherto offered only within our fitness club facilities. We hope that such facilities will attract young women on their way home from work, and will serve as a "gateway" to membership in our fitness clubs by stimulating their interest in physical fitness.

We have also launched a new initiative to attract more customers through a strengthened link-up with Daiwa Resort, which operates the Daiwa Royal Hotels, in which their customers are introduced to the other's products and services. As the market matures, fitness centers will have to offer more value-added activities rather than just the basic package. We will continue developing and opening attractive new types of facilities.

Fee-Based Homes for the Elderly

Enhancing resident satisfaction to ensure our facilities are trusted in their local communities



Daiwa House Life Support Co., Ltd.



Number of fee-based homes for the elderly

5

Mominoki —
Nerima, Suginami and Yokohama Tsurumi
Neo Summit —
Yugawara and Chigasaki

Number of rooms

Mominoki: **213**
Neo Summit: **325**

(as of March 31, 2014)

Percentage of residents satisfied with our facilities*

Fee-based nursing care facilities for the elderly **90.5%**
Residential-type facilities for the elderly **87.1%**

* As of FY2013, based on Daiwa House Life Support survey

Our fee-based nursing care facilities are places where elderly people can live in comfort and safety and in good hands. In fiscal 2013, Daiwa House Life Support, which operates the Mominoki chain, absorbed Jukeikai, which had operated Neo Summit. The Neo Summit facilities combined nursing care with assisted-living residential features. With this amalgamation, we offer a comprehensive service ranging from minimal assistance for older people who can still manage for themselves, through the phase when they need more assistance or nursing care, to the final end-of-life-care stage.

As part of our overall policy of improving residents' quality of life across the board, our facilities offer individually customized care for elderly people who need nursing care. We provide soft foods for residents who have trouble chewing or swallowing.

For active seniors, we offer a growing list of club and circle activities aimed at injecting meaning into everyday life while supporting a healthy lifestyle. We also invest in improving the physical facilities needed to ensure residents' safety, including installation of guardrails and streetlights around our facilities.

In Japan the number of households consisting of elderly couples or elderly people living alone is predicted to increase. There is a growing demand for assisted-living facilities that enable elderly people to continue residing in the local communities they are used to while receiving medical and nursing care services. We raise residents' satisfaction levels by enhancing our staff training and providing services that help make life truly worth living. We plan to operate facilities for the elderly that will serve as integral and valued parts of their respective communities.

Business and City Hotels

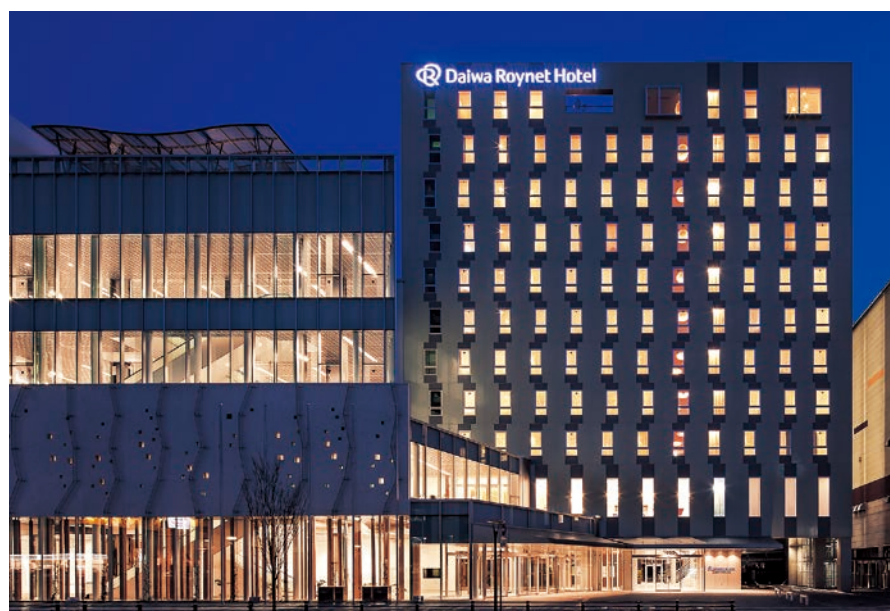
Expanding services with the customer's viewpoint in mind



Daiwa Royal Co., Ltd.



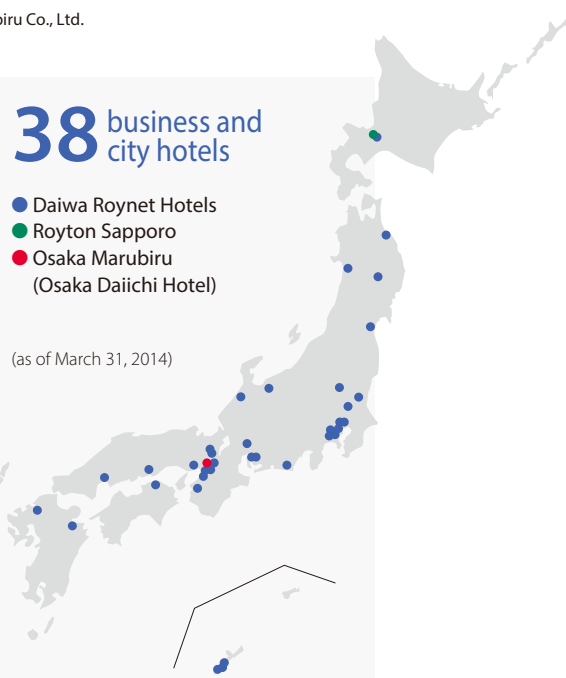
Osaka Marubiru Co., Ltd.



38 business and city hotels

- Daiwa Roynet Hotels
- Royton Sapporo
- Osaka Marubiru (Osaka Daiichi Hotel)

(as of March 31, 2014)



In our business and city hotel operations we offer our guests pleasant and practical accommodation facilities, whether they are on business trips or vacation. As of March 31, 2014 we operated a nationwide network of 38 hotels with a total of 8,605 guest rooms.

In the domestic hotel market, the government's economic measures have combined with higher stock prices and the weaker yen to discourage people from vacationing overseas, and the focus of trips is shifting to the domestic market. Demand for hotel rooms is also becoming stronger against the backdrop of the growing number of foreign tourists visiting Japan, and with the holding of the 2020 Summer Olympics and Paralympics scheduled for Tokyo, prospects look bright for the hotel industry. In fiscal 2013 we achieved a room occupancy

rate of 84.1%, a year-on-year increase of 3.7 points.

At our Daiwa Roynet Hotels we have learned a lesson from the Great East Japan Earthquake by taking steps to ensure greater guest safety. For example, we have installed escape equipment in each hotel so that guests with physical disabilities can evacuate safely and speedily in an emergency when the elevators cannot be used. We will continue to improve our services and refine the cuisine and will put efforts into staff training with the goal of opening further hotels, principally in highly convenient locations in Japan's major cities. In April 2014 the Osaka Daiichi Hotel, situated in front of Osaka Station, became an associated hotel of Universal Studios Japan®, and we aim to optimally leverage this ideal location to offer a varied menu of services that will attract even more guests.

Home Centers

Aiming for larger market share through community-based approach



Royal Home Center Co., Ltd.



Nationwide sales ranking*

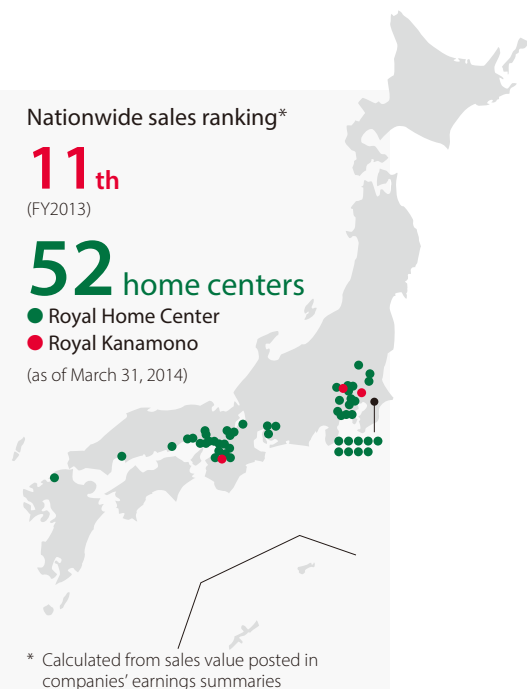
11th
(FY2013)

52 home centers

● Royal Home Center

● Royal Kanamono

(as of March 31, 2014)



* Calculated from sales value posted in companies' earnings summaries

At our Royal Home Centers — which provide goods and services closely tailored to the individual requirements of each region — we offer everything people need for the home, from DIY products to interior goods, materials and tools for gardening, pet supplies, and renovation-related materials. We opened three new home centers in fiscal 2013, all carefully designed with the needs of the environment in mind. They are also community-based home centers that cater to our customers' everyday needs with a full lineup of products and services, including free home delivery of purchased goods and a "home installation" service in which our staff install and/or replace products for the purchaser. This brings the total number of home centers in operation to 52.

The home center market continues to grow against the

background of reconstruction demand in the wake of the Great East Japan Earthquake of March 2011. While the number of outlets is also increasing, the market is coming to be dominated by a few large companies, and stiff competition is being seen with the entry of companies from other industrial sectors. Royal Home Centers will continue to strengthen its market position through renovation of existing outlets as well as by opening new home centers in the suburbs of Japan's major cities and through Internet retailing. We will continue to differentiate our services from those of our rivals, and will also maximally leverage our many years of experience in the home-related service field to offer customers in every community the "home solution centers" they need.

Popularizing robotic products that broaden lifestyle possibilities



Daiwa House®
Daiwa House Group

Daiwa House Industry Co., Ltd.



Our robotics products

Self-support assistive robotic suit
Robot Suit HAL® (welfare-type)
Mentally committing robot® PARO®
Minelet® Sawayaka automatic bedpan
equipment for bedridden patients
POPO® weight reduction-type walking
assistance unit
Senior Pose old age physical problems
simulation system
Underfloor inspection robot “moogle”

Robot Suit HAL® is a registered trademark of
CYBERDYNE Inc.

Mentally committing robot is a registered trademark
of the National Institute of Advanced Industrial
Science and Technology.

PARO is a registered trademark of
Intelligent System Co., Ltd.

Minelet is a registered trademark of NWIC Co., Ltd.

POPO is a registered trademark of
Moritoh Corporation.

moogle is a registered trademark of
Daiwa House Industry Co., Ltd.

We sell or lease and rent out robotics products — principally those designed to help people live normal everyday lives — to medical institutions, nursing care facilities, and individuals. In fiscal 2013, sales of our self-support assistive robotic suit Robot Suit HAL® (welfare-type) — designed for use by senior citizens and others who have difficulty walking — took off thanks to the product’s certification of conformity with international safety standards. During the reporting term we continued working to expand sales of our Minelet Sawayaka automatic bedpan equipment for bedridden patients, our POPO weight reduction-type walking assistance unit (which does away with worries about falling out of bed, and greatly alleviates joint pain), and the “mentally committing robot” PARO, which is a valuable therapy tool for patients with dementia or autism.

To reinforce our sales operations, we are hiring staff qualified in nursing care and rehabilitation therapy. We are also taking steps to raise the profile of these products, and are training staff to be instructors capable of demonstrating the products.

Japan faces the prospect of a labor shortage due to a decrease in the workforce, and the nursing care sector is already suffering a shortage of skilled staff. Robotics technology promises to be of great assistance not only in nursing care facilities, but also in lightening the housework burden, and in all aspects of life where safety is a prime concern. We plan to develop and market robotics products that will help women and senior citizens more easily enter the workforce, enhance security in the home, and help people manage their health.

Other Businesses

Advertising/Information Technology/Manufacture of housing parts/Credit Cards/Insurance Agency

Diverse business category covering wide spectrum of lifestyle choices



Shinwa Agency Co., Ltd.



Media Tech Inc.



Daiwa CoreFactory Co., Ltd.



Daiwa House Financial Co., Ltd.



Daiwa House Insurance Co., Ltd.



Shinwa Agency

Shinwa Agency operates as an advertising agency and a travel agency, under its motto of "Productions that Realize Customer Satisfaction." As specialists in communicating ideas, the staff of Shinwa Agency are pursuing communication possibilities in various new fields.

Media Tech

Media Tech operates in the field of information technology, employing leading-edge IT developed by Group companies to provide our customers with highly reliable data systems and services.

Daiwa CoreFactory

Daiwa CoreFactory manufactures housing parts and materials under its motto of "Excellent Products, Speedy Delivery,

Low Prices." The staff take pride in their manufacturing skills, and aim to make the company the leading factory in Daiwa House Industry.

Daiwa House Financial

Daiwa House Financial is the Group's financial arm, engaging in credit card operations and other financial services. The HeartOne card issued by this company helps forge strong bonds between the Group and its customers, and enables the Group to develop hand in hand with society.

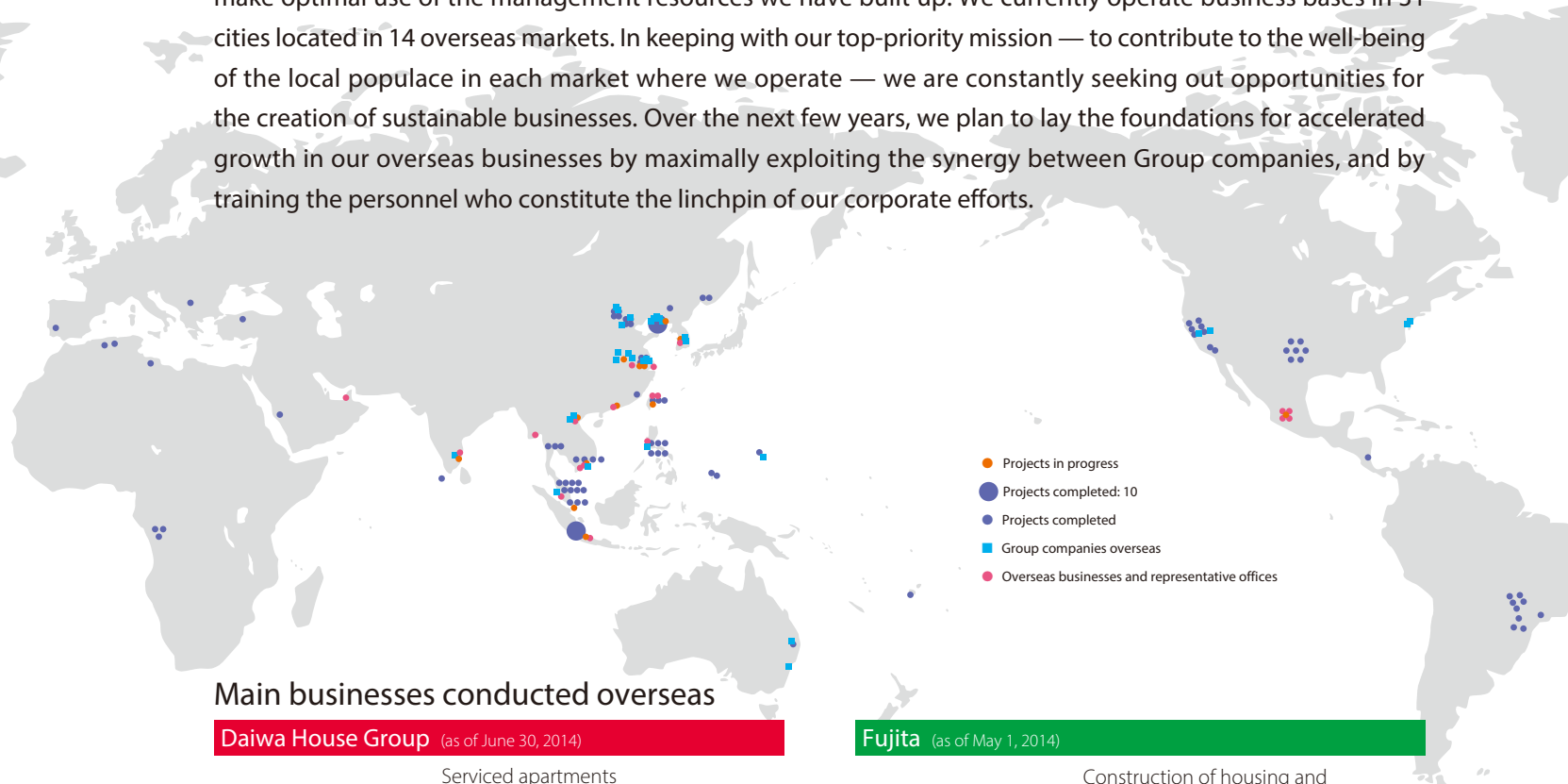
Daiwa House Insurance

Daiwa House Insurance offers products that perfectly match the insurance requirements not only of the Group, but also of all its customers. It aims to be a superior insurance agency that plays an invaluable role in the community at large.



Across the Globe

At the Daiwa House Group we believe that our overseas operations will serve as an important growth engine well into the future, and to make this a reality we are investing our efforts in the development of businesses that make optimal use of the management resources we have built up. We currently operate business bases in 31 cities located in 14 overseas markets. In keeping with our top-priority mission — to contribute to the well-being of the local populace in each market where we operate — we are constantly seeking out opportunities for the creation of sustainable businesses. Over the next few years, we plan to lay the foundations for accelerated growth in our overseas businesses by maximally exploiting the synergy between Group companies, and by training the personnel who constitute the linchpin of our corporate efforts.



Main businesses conducted overseas

Daiwa House Group (as of June 30, 2014)

	Serviced apartments Hotels Outsourced services Real estate development R&D, manufacture, and sale of housing materials produced by industrialized methods
China	
South Korea	Real estate management Rental housing
Taiwan	Commercial facilities Rental housing
Vietnam	Construction Industrial park development Outsourced services Factory rental business
Indonesia	Construction Industrial park development
Malaysia	Single-family house market research, R&D into production of housing by industrialized methods
Singapore	HEMS
USA	Real estate development Rental housing
Australia	Real estate development

Fujita (as of May 1, 2014)

	Construction of housing and commercial facilities Industrial park development Construction of production facilities
China	
Hong Kong	Airport construction
South Korea	Construction of production facilities
Taiwan	Construction of production facilities
Vietnam	Construction of production facilities
Myanmar	Construction
Indonesia	Construction
India	Construction of production facilities
Mexico	Construction of production facilities
UAE	Construction of traffic/ transportation-related facilities

China

Development and sale of real estate/ Construction contracting/BPO business/others

Leveraging extensive track record to aggressively pursue business expansion



Daiwa House (Suzhou) Real Estate Development Co., Ltd.



Daiwa House (Wuxi) Real Estate Development Co., Ltd.



Daiwa House (Changzhou) Real Estate Development Co., Ltd.



Baoye Daiwa Industrialized House Manufacturing Co., Ltd.



Overview of Development Projects^{*1}

Total floor area

1,100,460_{m²}

Total site area

452,793_{m²}

Total units for sale^{*2}

5,602

(as of May 31, 2014)

^{*1} Includes Yihe Champs-Elysees (Dalian), Yihe Xinghai (Dalian), The Grace Residence (Suzhou), Moonlit Garden (Wuxi), and The Grace Residence (Changzhou)

^{*2} Plans may be subject to revision as a result of the application of Chinese national or local regulations or legislation relating to real estate development.

The Daiwa House Group has been involved in the development and sale of condominiums at five housing projects in the cities of Dalian, Suzhou, Wuxi, and Changzhou. We have fully leveraged our know-how and technological expertise — accumulated during our many years of experience in the Japanese housing market — to offer our Chinese customers high-quality homes featuring safety, security, and unparalleled comfort.

We plan to continue development and marketing activities while also offering support services for the creation of healthy local community life, including after-sales services to individual home-unit owners and the condominium building management business. In such ways, we aim to provide services that will generate continuous improvement in asset values.

In production of housing by industrialized methods for sale on

the Chinese market, in September 2013 Group member Daiwa House (China) Investment and the Chinese enterprise Baoye Group Co., Ltd. — which engages in a range of businesses including general construction and real estate development — established a joint venture under the name Baoye Daiwa Industrialized House Manufacturing. In October 2013, at a dedicated production plant, the joint venture began manufacturing materials such as columns, beams, and exterior wall panels for lightweight steel-frame structures used in low-rise housing, and also commenced shipments of these products to project sites under development by the Baoye Group. In the near future, the company plans to grow its operations by expanding the marketing of its products to the Chinese government as well as to private-sector developers.



Fujita (China) Construction Co., Ltd.



Daiwa Baoye (Wuxi) Property
Management Co., Ltd.



DH (Dalian) Administrative Management
Consulting Center Co., Ltd.



Principal construction contracts
completed by Fujita

Shanghai area

90

Zhejiang Province

32

Jiangsu Province

88

Southern China

159

Other areas

47

(as of December 2013)

Fujita operates in five areas of China — in northern China, Jiangsu, Shanghai, Zhejiang, and southern China — principally through Fujita (China) Construction. These operations are carried out principally by Fujita (China) Construction, and mainly involve construction of production plants for Japanese-owned companies in the automotive and electronic appliance industries.

Fujita (China) Construction leveraged its excellent customer relations to secure roughly the same amount of orders in fiscal 2013 as in the previous year, centered on additional investment in existing facilities and the construction of new plants for customers in the materials sector. As a result, the Company expanded its share of the construction market slice acquired by Japanese-owned enterprises as a whole, and has raised its profile in the Chinese market.

Over the near future, Fujita (China) Construction plans to make optimal use of its track record — one of the best among Japanese-owned construction companies — to focus its marketing on proposals for the construction of plants manufacturing products for the Chinese market — particularly with middle-class buyers in mind — as this is a sector where continued investment is foreseen. In addition, the company hopes to secure stable business growth by attracting increased orders for the construction of logistics facilities and housing projects. As yet another means toward growing the scale of its business operations, the Company will also be expanding its operational area for the maintenance and management service for factory buildings and equipment that it started up in Southern China in 2012, and will be offering additional service features.

Vietnam and Indonesia

Creating new businesses that will become long-term, stable income sources



Daiwa House Industry Co., Ltd.



Daiwa House Vietnam Co., Ltd.



Fujita Corporation



Total development area

Vietnam

270hectares

Indonesia*

1,350hectares

(as of May 31, 2014)

* Including scheduled sites

Daiwa House industry and its local subsidiary Daiwa House Vietnam, in collaboration with other Japanese-owned enterprises as well as Vietnamese companies, are currently engaged in the development of the Long Duc Industrial Park near Ho Chi Minh City. Amid increasingly severe competition, in fiscal 2013 we made good use of the excellent customer relationships we have built up in Japan to attract a number of corporate tenants to the park. We also worked to conclude additional tenancy contracts with small- to medium-sized companies looking to set up operations for the first time overseas by offering support for their overseas ventures, including advice on business plans and a follow-up system to help them operate in Vietnam. From here onward, we plan to begin a new rental factory operation business, which will yield a continuous steady income over a

long period. We also plan to grow our business by making use of the installation system that we have set up in the Long Duc Industrial Park to expand our orders for facility construction at other nearby industrial parks.

In Indonesia, in collaboration with local companies we have commenced development of the Daiwa Manunggal Industrial Park at a site near Jakarta, and in the near future will be conducting an aggressive campaign to attract Japanese automakers and related suppliers, as such companies are now targeting demand in the Indonesian market. We also plan to start up a local warehouse rental business in the belief that logistics-related businesses will constitute one of the major engines of our overseas growth, and are examining our options for development of such businesses in other nearby Asian nations.

Mexico and other countries

Ramping up operations in all overseas markets



Fujita Corporation



Daiwa House California



Daiwa House
Guam Co., Ltd.



Daiwa House Australia
Pty Ltd



Cosmos Australia
Pty Ltd



Daiwa LifeNext Korea
Co., Ltd.



Fujita engages in construction work in various markets, including Mexico, South Korea, Taiwan, and India. It enjoys particularly favorable orders in Mexico, where Japanese manufacturing companies — notably automotive suppliers — continue to set up operations, lured by an abundant labor force and attractive trade agreement conditions. In a new development, Fujita has set up a company to engage in the water treatment business as a first step toward deploying a wider range of services in the field of environmental engineering, where demand is expected to grow. In India, meanwhile, Fujita is working to train adequate numbers of local staff and to bolster its system for handling business related to Japanese-owned enterprises, which are projected to set up operations in India. Fujita also opened an office in Myanmar in December 2013, and the staff there are



working to set up a construction system as quickly as possible to prepare the necessary infrastructure.

In May 2014 Daiwa House Industry commenced a rental housing development project (the Berkeley Project) in Texas in collaboration with the major real estate developer Lincoln Property Company. We will continue to develop real estate for rental purposes in the United States via Daiwa House California, and also plan to gradually move into the fields of logistics center and condominium development. We are also expanding our sphere of operations in other parts of the world. For example, we are conducting feasibility studies with the idea of involvement in logistics-related operations in the countries of mainland Southeast Asia covered by the Asian Development Bank's "Economic Corridor" development program.

Presidents of Principal Group Companies



Daiwa Lease Co., Ltd.
Shunsaku Morita



DesignArc Co., Ltd.
Masato Shima



Daiwa Logistics Co., Ltd.
Isamu Ogata



Daiwa Living Management Co., Ltd.
Masaru Akashi



Daiwa Service Co., Ltd.
Tomoyuki Kido



Daiwa LifeNext Co., Ltd.
Yoshinori Watanabe



Global Community Co., Ltd.
Hiroyuki Kaneko



Daiwa Information Service Co., Ltd.
Katsuyuki Fujita



Nihon Jyutaku Ryutu Co., Ltd.
Minoru Fujita



Daiwa Royal Co., Ltd.
Ken Harada



Royal Home Center Co., Ltd.
Masaaki Nakayama



Daiwa House Reform Co., Ltd.
Junichi Sugiura



Daiwa Resort Co., Ltd.
(Daiwa Royal Hotels)
Sports Club NAS Co., Ltd.
Yoshinari Shibayama



Daiwa Royal Golf Co., Ltd.
Seishu Umaoka



Daiwa Energy Co., Ltd.
Hidekazu Matsushima



Eneserve Corporation
Yoshio Kinoshita



Daiwa Lantec Co., Ltd.
Kazuo Shimoe



Daiwa House Life Support Co., Ltd.
Takao Takayama



Osaka Marubiru Co., Ltd.
Haruyuki Yoshimoto



Nishiwaki Royal Hotel Co., Ltd.
Hideaki Tomiyama



Daiwa House REIT Management Co., Ltd.
Hirotaka Najima



Daiwa House Asset Management Co., Ltd.
Koichi Tsuchida



Daiwa House Financial Co., Ltd.
Hiroshi Osada



Daiwa House Insurance Co., Ltd.
Shigeru Sasashita



Daiwa CoreFactory Co., Ltd.
Kazutoshi Nikaido



Shinwa Agency Co., Ltd.
Nobuyuki Otsuji



Media Tech Inc.
Mitsuo Adachi



Higashi-Fuji Co., Ltd.
Masamichi Yagita



Daiwa Homes Online Co., Ltd.
Norio Togashi



Framework, Inc.
Junichi Akiba



Fujita Corporation
Takuji Ueda



Cosmos Initia Co., Ltd.
Cosmos Australia Pty Ltd
Yoshiyuki Takagi



Daiyoshi Trust Co., Ltd.
Yoshihiro Oho



TOMO Co., Ltd.
Kazuto Iida



Daiwa Odakyu Construction Co., Ltd.
Atsushi Kanakubo



DH (Dalian) Administrative Management
Consulting Center Co., Ltd.
In-Gyong Lee



Daiwa House (Suzhou) Real Estate Development Co., Ltd.
Daiwa House (Wuxi) Real Estate Development Co., Ltd.

Hiroaki Okuno



Daiwa House (Changzhou) Real Estate Development Co., Ltd.

Wei Li



Daiwa House California

Takeshi Wakita



Daiwa House Guam Co., Ltd.

Masao Doi



Daiwa House Australia Pty Ltd

Masaomi Yamada



Daiwa House Vietnam Co., Ltd.

Takaki Hiromori



Fujita (China) Construction Co., Ltd.

Seiji Kimijima



Daiwa LifeNext Korea Co., Ltd.

Takahiro Kubo



Daiwa Baoye (Wuxi) Property Management Co., Ltd.

Yoshiyuki Morimoto



Baoye Daiwa Industrialized House Manufacturing Co., Ltd.

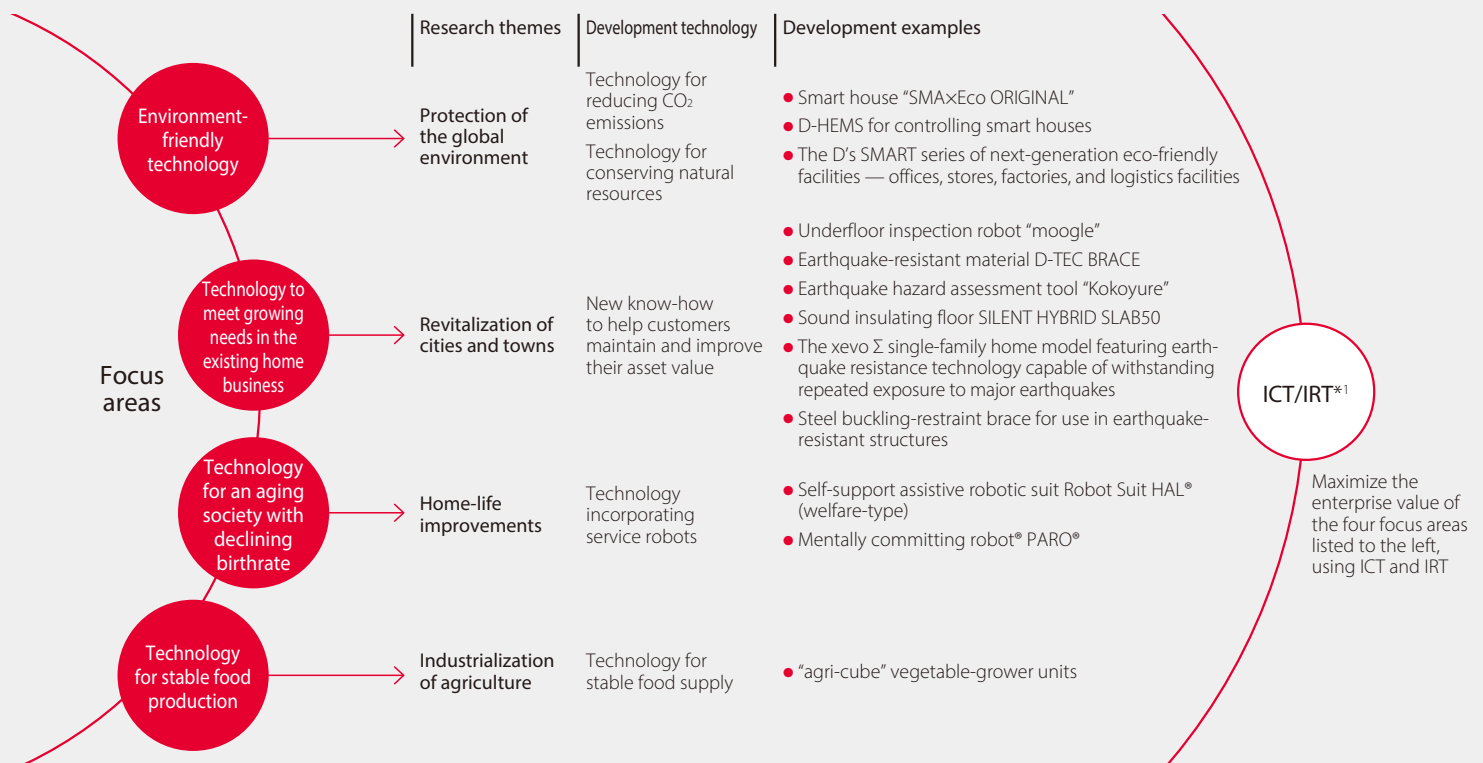
Wang Rong Biao

Our Management Foundation

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Research & Development

The focus areas of technology research, and related initiatives



*1 ICT: Information and Communication Technology
IRT: Information Robot Technology

Developing technologies and products that let people live without worries about safety

The staff of our Central Research Laboratory discover and develop solutions to many of the issues faced by Japanese society — including global warming, shortages of energy and other resources, natural disasters, population aging, and the need to realize food self-sufficiency — with the goal of enabling people to live in safety and peace of mind.

We have developed a number of successful technologies to meet the needs of a society in which the focus of interest is shifting to maintaining the value of the existing stock of buildings and other infrastructure. Examples include our quake-resistant load-bearing wall structures, which can absorb the energy of repeated major earthquakes. These structures, which enable houses to maintain the same earthquake resistance over many years as they did when first built, are installed in our xevo Σ single-family home models. In other developments, last year we launched the Séjour OTT's α, a three-story rental housing product fitted with our newly developed SILENT HYBRID SLAB 50 high-performance acoustic insulation floor panels. By reinforcing the structure with double load-bearing walls and other features, we were able to realize the highest level*² of impact noise isolation (LH-50, LL-40), while simultaneously allowing considerable freedom and flexibility in the design of the room layout and other floor plan elements. In these ways, our developers have produced a housing unit that offers enhanced resident comfort.

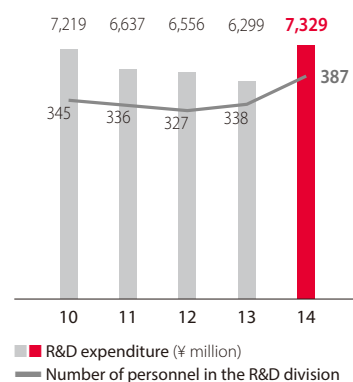
Leveraging Group power to generate new value in our business operations

Daiwa House Industry and Fujita have jointly developed steel buckling-restraint braces for use in earthquake-resistant structures for medium-rise buildings (three to four stories). Such buildings can be used for a wide variety of applications, such as assisted-living housing for senior citizens. The use of these braces, which do not buckle even when subjected to strong compressive force during an earthquake, enables buildings to avoid quake-induced damage. Additionally, jointly with Shigeru Ban Architects, Daiwa Lease is working to develop a system for the mass-production of housing using lightweight fiber-reinforced plastic sandwich-type panels that enable the easy assembly of structures. Such housing units would be manufactured to provide housing for low-income residents in developing countries, and could also be used as emergency temporary housing for the victims of major natural disasters in Japan.

We will make continued efforts to further raise the capabilities of all Group companies engaged in R&D, and aim to optimally leverage the Group's comprehensive power to generate new value in our business operations.

*² This refers to the highest level in the performance indication system for housing elements under the Law Regarding the Maintenance of Good Housing Quality.

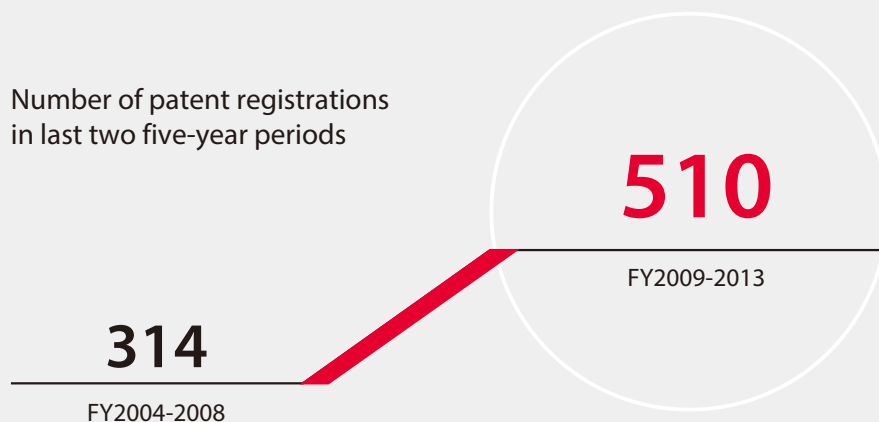
R&D expenditure, and number of personnel in the R&D division



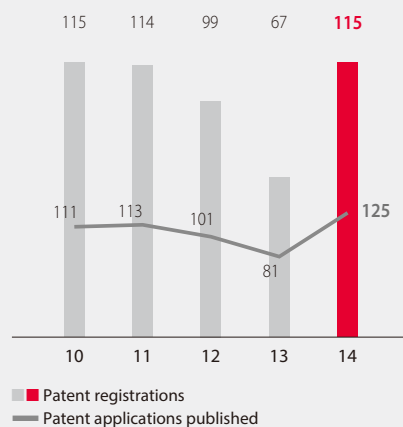
The Central Research Laboratory

Intellectual Property

Number of patent registrations
in last two five-year periods



Patent registrations and patent
applications published



Intellectual property management system

Intellectual Property Office

The Intellectual Property Office, which is attached to the Legal Department, oversees the acquisition and establishment of rights in regard to intellectual property and the management of such rights, including their defense in courts of law when necessary, matters which have assumed increasing importance for Japanese companies in recent years. The Office responds promptly to lawsuits and out-of-court disputes relating to infringements of intellectual property rights in liaison with the business departments directly concerned. In view of the need for close collaboration to enable quick resolution of urgent issues, staff from this office are permanently stationed at the Company's Central Research Laboratory.

Inventions Committee

The Inventions Committee is responsible for making decisions on matters involving the establishment and maintenance of rights relating to all intellectual property possessed by the Company, as well as licensing with respect to the said rights. The committee is composed of the heads of the Company's technology, research and development, product development, and production divisions, as well as of the Intellectual Property Office. The head of the Technology Division serves as chairman of the committee, which holds regular meetings once a month and ad hoc meetings when an urgent decision is deemed necessary, and works to strengthen the Group's intellectual property management.

Measures relating to intellectual property

At the Daiwa House Group we operate on the principle that intellectual property is a vital factor in corporate management, and our activities are directed toward securing the Group's competitive superiority, maintaining competitive order, and making full use of intellectual property.

The development of new technologies is an essential means of ensuring business continuity and growth, and the fruits of such development efforts must be secured as legal rights, via patents and so on, to ensure the degree of freedom of action that a company requires to succeed. To realize well-timed and effective patent application and registration of patent rights, we appoint specialist intellectual property staff in every division of the Company, notably in units engaged in research and development. These specialist staff members establish and maintain strong ties between the research and development units and the Intellectual Property Office by attending regular meetings and debriefing sessions, and by holding patent consultations in order to keep constantly abreast of the development themes being pursued and the extent of progress achieved. Moreover, as it is crucial that inquiries into existing trade names and trademarks be carried out speedily, we have a system in place that enables all such procedures to be performed in-house.

We operate a system in which employees responsible for valuable inventions are rewarded, and we also hold annual presentations at which employees receive awards for excellence, as well as invention contests. The aim of these events is to raise employee awareness of the importance of intellectual property and to motivate employees to seek ways of improving our products and processes.

At the same time, from the standpoint of legal compliance it is vital to keep ourselves informed about the rights held by other companies, and to respect those rights. Therefore, as part of our risk management relating to intellectual property, we conduct investigations into such rights to avoid infringing other companies' patent or trademark rights.

From here onward, against the backdrop of the Group's expansion into overseas markets, we will put effort into constructing systems for the acquisition of technical rights in the various countries where we operate, and will conduct investigations into the pertinent aspects of these countries' legal systems, patent screening and review practices, and so on. We also plan to construct a system to strengthen the intellectual property management of the Group as a whole through close liaison

and collaboration among all Group companies, by providing support with intellectual property management procedures, and through information-sharing.

Information-sharing and training

We regularly circulate information relating to new patent applications (such as official bulletin notices of patent applications and patent registrations) to units of the Company engaged in development, to ensure the sharing of information on patents, including important patents taken out by other companies.

We also actively license our technological discoveries to other companies so that the fruits of our development work may be enjoyed as widely as possible, and since fiscal 2013 we have been taking part in an "intellectual property business matching market (patent freeing-up project)" hosted by the Ministry of Economy, Trade and Industry's Kinki Bureau of Economy and Industry, and have made certain unused Daiwa House Industry patents available to other companies.

In the field of staff training, we hold training courses at each division, as well as invention contests, to educate our personnel in intellectual property matters and raise awareness of the importance of acquiring intellectual property rights and of avoiding infringement of other companies' patent rights and so on.

Results of intellectual property activities

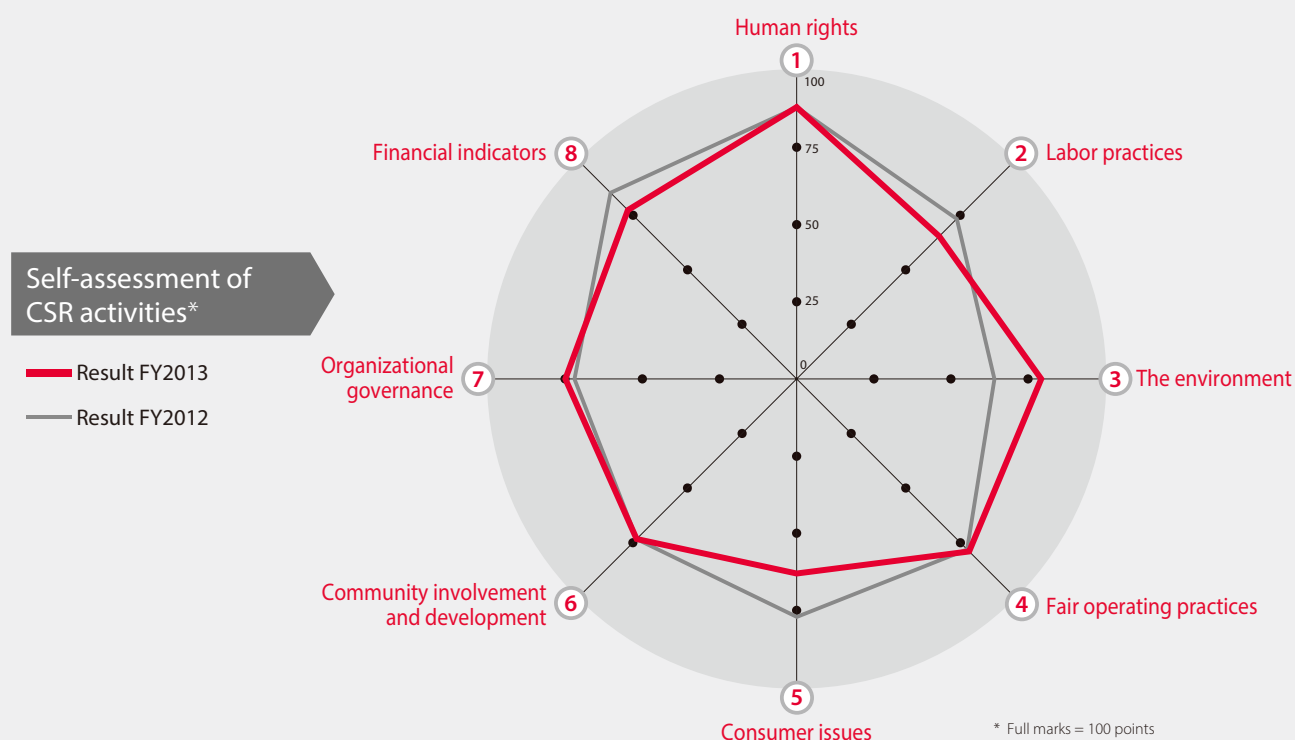
Patent registrations by the Daiwa House Industry in fiscal 2013 numbered 115, for an increase of 71.6% over the 67 registrations in the previous year. If we compare the number of patents in the past two five-year periods, we see that registrations in all technological fields in fiscal 2004-2008 numbered 314, while the same figure for the fiscal 2009-2013 period increased by 62.4% to 510. In the Company's core technology, involving fixed structures in the construction industry (Section E of the International Patent Classification), 378 of our patent applications were accepted during the fiscal 2009-2013 five-year period.

The number of patent applications published by the Company in fiscal 2013 was 125, up 54.3% over the 81 for the previous year. Over the last five years (fiscal 2009-2013), 531 applications were published in all technical fields, and 336 in the field of fixed structures (Section E of the International Patent Classification).

CSR Overview

Indicators for self-assessment of CSR activities: 8 themes and 18 issues

1 Human rights <ul style="list-style-type: none"> • Successfully handle human rights complaints • Eliminate discrimination and offer equal opportunities 	2 Labor practices <ul style="list-style-type: none"> • Provide safe and healthy working environment • Nurture human resources 	3 The environment <ul style="list-style-type: none"> • Reduce CO₂ emissions and help reduce global warming • Prevent environmental pollution 	4 Fair operating practices <ul style="list-style-type: none"> • Ensure fair competition • Act responsibly toward business partners and users
5 Consumer issues <ul style="list-style-type: none"> • Guarantee product safety • Provide adequate after-sales service, and respond appropriately to complaints 	6 Community involvement and development <ul style="list-style-type: none"> • Active involvement and cooperation in development of local communities • Investment in the development of local communities 	7 Organizational governance <ul style="list-style-type: none"> • Realize management transparency • Ethical behavior • Engagement with stakeholders • Respect for the rule of law • Awareness of social responsibility 	8 Financial indicators <ul style="list-style-type: none"> • Financial profitability/Financial growth/Financial soundness



Basic policies

At the Daiwa House Group we believe it is of the utmost importance for us to display sincerity in our dealings with the community as a whole. We have long maintained a basic stance of “co-creating a brighter future” — with society at large through our business operations, and with individual citizens through our products and services. On the basis of this stance, the Group works to achieve sustainable growth as a by-product of solving social problems through its business operations. We view our business activities and our CSR activities as part of the same whole, and are always conscious of the need to maintain a good balance among the Group’s positive role as a business enterprise in society, its role as a good corporate citizen in helping to protect the natural environment, and its economic imperatives as a going concern. At the same time, through regular meetings and dialog we remain constantly aware of what our stakeholders require of us. To promote corporate social responsibility, the Group appoints officers responsible for oversight of CSR activities at every office, factory, or other place of business, with the aim of further raising the level of CSR throughout the Group.

CSR-focused corporate management

In accordance with its corporate philosophy, the Daiwa House Group strives to harmonize its management of business operations with the requirements of corporate social responsibility. Since fiscal 2006 we have been operating our proprietary management system Indicators for Self-Assessment of CSR Activities as a means of improving our management style. In fiscal 2011, adopting the recommendations of the ISO 26000 social responsibility standard, we held a stakeholder meeting at which priority issues were identified and classified into eight themes, 18 issues, and 40 indicators. For fiscal 2013, the Indicators for Self-Assessment scored 748 out of a possible 1,000 points for the 40 indicators, a percentage score of 74.8%. On the basis of these results, we will recalculate our targets for fiscal 2014 and will continue pursuing CSR-focused management. Additionally, since fiscal 2004 the Group has been conducting CSR awareness surveys to ascertain the extent to which our Principles of Corporate Ethics and Code of Conduct are being put into practice at the workplace, and we use the results of these surveys to draw up plans for further improvement.

Stakeholder meetings

In fiscal 2013, ahead of our planned program within the Group’s Fourth Medium-Term Management Plan to train an increased number of female management-level staff, which is part of our overall commitment to nurturing skilled human resources — one of our top-priority issues — we invited 18 stakeholders including members of the general public, students, and company representatives to our 10th stakeholder meeting, to discuss the theme of becoming a company in which women can play an important part. We were rewarded with a number of frank opinions from our stakeholders.

Summary of 10th stakeholder meeting

Date held: November 25, 2013

Facilitator: Yoshinari Koyama

(Professor, College of Economics, Kanto Gakuin University)

Participating stakeholders: 18

(4 company/organization representatives, 5 students, 5 employees of Daiwa House Industry, 4 others)

Theme

Becoming a company in which women can play an important part



Indicators for self-assessment of CSR activities: Results and targets by priority issues

1

Human rights

Social issues	Specific indicators	FY2013		FY2014
		Target	Result	Target
Successfully handle human rights complaints	Operation of corporate ethics and human rights helpline (resolution rate)	20	20	20
	Rate of familiarity with corporate ethics and human rights helpline	25	15	25
Eliminate discrimination and offer equal opportunities	Human rights education	25	25	25
	Disabled persons hiring rate	25	25	25
	Percentage of female managers (% of target level)*	—	25	—

* This figure shows the percentage attainment of the 1.5% target level set for FY2015 on April 1 of the year following the setting of the target.

2

Labor practices

Social issues	Specific indicators	FY2013		FY2014
		Target	Result	Target
Provide safe and healthy working environment	Number of industrial accidents at building sites (yoy % change)	25	0	25
	Rate of taking paid leave	20	15	20
	Employee satisfaction surveys*1	25	25	—
Nurture human resources	Rate of acquisition of qualifications among young staff	25	18	25
	Companywide training, number of courses per employee	25	25	25
	External assessment of candidates for management positions (number of candidates assessed above a certain level)*2	—	15	—

*1 Survey method to be changed from FY2014

*2 As a result of a change in the system in FY2013, the target figure was/will not be disclosed, and the specific indicators will be revised.

3

The environment

Social issues	Specific indicators	FY2013		FY2014
		Target	Result	Target
Reduce CO ₂ emissions and help retard global warming	Contributed amount of CO ₂ reduction*	25	25	—
	Percentage reduction in CO ₂ emissions compared with FY2010*	25	0	—
	In-house biodiversity standards applied (product development, urban redevelopment; %)*	25	24	—
Prevent environmental pollution	Percentage reduction in construction-related waste per unit of sales compared with FY2010*	25	25	—
	Percentage reduction in release & transfer of PRTR-listed toxic chemicals compared with FY2010*	25	25	—

* Starting in FY2014, the specific indicators will be revised on the basis of the Group's Environmental Action Plan 2015.

4

Fair operating practices

Social issues	Specific indicators	FY2013		FY2014
		Target	Result	Target
Ensure fair competition	Response to reports from business partners on subcontracting issues (resolution rate)	25	25	25
	Survey of business partners on performance of Company employees	17	16	17
Act responsibly toward business partners and users	Control of actions (incl. remedial steps) with respect to business partners and in purchasing operations, based on in-house standards	23	21	23
	Appropriateness of contractual work with respect to business partners, based on in-house standards	18	17	18

The targets and actual results for each indicator are expressed as a number of points, the points for actual results being determined via Daiwa House Industry's own assessment method. For items that cannot be calculated, the results for fiscal 2013 have been recorded as 15 points (i.e. 60% of the maximum possible).

5

Consumer issues

Social issues	Specific indicators	FY2013		FY2014
		Target	Result	Target
Guarantee product safety	Earthquake resistance of single-family homes (achieved top rating)	23	23	23
	Rate of implementation of inspections of product performance and specifications*	25	0	25
Provide adequate after-sales service, and respond appropriately to complaints	Satisfaction rate among single-family house owners	25	24	25
	Satisfaction rate among rental housing owners	25	16	25

* In the event that the rate of implementation of inspections (number of inspections as a percentage of the number of properties covered by the system) fails to reach 80%, this is marked down as zero.

6

Community involvement and development

Social issues	Specific indicators	FY2013		FY2014
		Target	Result	Target
Active involvement and cooperation in development of local communities	Social contribution activities	25	25	25
	Opportunities for collaboration with NPOs & NGOs	25	20	25
	Opportunities for cooperation with local organizations	25	25	25
Investment in the development of local communities	Cost of social contribution activities	25	25	25
	Donations & fund-raising activities (% of employees participating)	25	5	25
	Percentage of paid leave taken for volunteer activities	25	10	25

7

Organizational governance

Social issues	Specific indicators	FY2013		FY2014
		Target	Result	Target
Realize management transparency	External evaluation of Company's Annual Report	25	25	25
	External evaluation of Company's CSR Report* ¹	—	15	—
	External evaluation of IR website	15	10	15
Ethical behavior	In-house survey of CSR awareness* ²	20	19	—
Engagement with stakeholders	Stakeholder meeting (attendee satisfaction)	20	21	20
Respect for the rule of law	Companywide ethics and compliance training; average number of courses attended per employee	25	25	25
Awareness of social responsibility	Degree of compliance of CSR reporting with GRI (Global Reporting Initiative) guidelines	19	16	19

*¹ In line with the termination of usage of the external evaluation system used from FY2012, we will revise the specific indicators and change the evaluation method.

*² Details of survey to be changed from FY2014

8

Financial indicators

Social issues	Specific indicators	FY2013		FY2014
		Target	Result	Target
	Financial profitability* ¹	19	18	19
	Financial growth* ²	23	15	18
	Financial soundness* ³	25	25	25

*¹ Score determined on basis of average return on assets (ROA) and operating income margin (OPM) over past three years, expressed as points out of 100

*² Average growth of sales and cash flow from operating activities over past three years, expressed as points out of 100

*³ Score determined on basis of interest coverage ratio

Interest coverage ratio = (earnings before tax + interest expenses) ÷ interest expenses, expressed as points out of 100

People

At the Daiwa House Group, in accordance with our Company Philosophy, “the cultivation of people through our businesses,” we believe that a company’s human resources are its greatest asset. We therefore aim to create a sophisticated personnel system that encourages strong individuality, and that develops and makes full use of employees’ skills, and at the same time is flexible enough to accommodate a variety of lifestyles, values, and work-style preferences.



Nurturing our employees

Our goal is to nurture self-reliant employees who can make a contribution to society, and to achieve this we utilize a wide range of training methods. All our curriculums go beyond classroom-based learning to incorporate a hands-on focus to help all employees at every job level acquire practical skills that will serve them well in the workplace.

Immediately on entering the Company, the first year’s training curriculum for all new hires is determined — from basic training to on-site practical training — to give them the knowledge and skills they will need on the job. For mid-level and general employees who are directly involved at the work-site level, we provide training courses tailored to their specific job category, to enhance their specialized knowledge and technological expertise. In addition, as part of initial training, candidates for leadership positions are required to provide guidance to new hires in work-site situations. We also run a Groupwide management skills development course for the next generation of business leaders, known as the Daiwa House Juku, which provides training in drawing up strategies to address actual management issues.

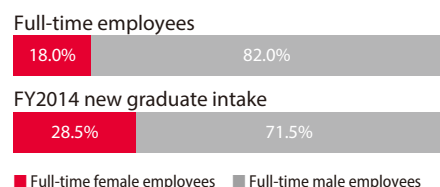
Promoting workforce diversity

To better reflect in our business operations the broad spectrum of values and viewpoints in society at large and enable us bring new insights to bear on the search for solutions to social issues, it is vital to create a business entity that allows a wide variety of people to work to the best of their abilities. We have therefore positioned the promotion of workforce diversity as a top-priority task under our Fourth Medium-Term Management Plan. In particular, to expand opportunities for female employees, we will be working to raise the percentage of women in managerial-level positions and to produce a succession of female directors and other executives. In fiscal 2013 we distributed to all Daiwa House Industry employees the Handbook of Positive Action for Workforce Diversity, whose purpose is to develop a corporate culture that will let all personnel fully understand the importance of pursuing diversity in hiring and promotion, thereby enabling the active participation of a diverse workforce, most notably of a higher proportion of female employees. We have begun making use of this handbook in study sessions at the level of individual offices and divisions. In a Groupwide move, we held the first of a planned series of D’s Women’s Forum to promote a higher workplace profile for female employees.

Employee nurturing system

Eligible staff	Educational programs for each employee level		Cultivation of successors to current management	Educational programs tailored to each division and job specialty	Separate training for each place of business	Support for personal development
	Primary staff training	Courses for management staff and future leaders				
Executives			External course for management leaders			
Management-level staff		Training for newly promoted branch office managers Training for newly promoted managers	Daiwa House Juku Branch manager application and training system			
Mid-career staff / general staff		Cultivating ability to anticipate problems OJT Veteran-Guidance System Training for team leaders		Specialist training for separate divisions/ job descriptions	Training in “putting full efforts into everything, every day,” as well as manners	Support for language learning, acquisition of qualifications, distance learning courses, etc.
Junior staff	Follow-up training					
	OJT Training in basics					

Employee breakdown (As of April 1, 2014)



Achieving a better work-life balance

Through the creation of a personnel system that flexibly accommodates a variety of lifestyles, values, and work-style preferences, the Company aims to raise the motivation of all employees and help them rise to the various challenges they will encounter in their careers. For example, by lengthening the period*2 allowed for leave for child care, and by introducing a new system of short-term leave covering the period from just before the birth of a child into early baby care, we are promoting greater use of our child care leave program, whose purpose is to encourage male employees to play more of a role in child-raising and home life. In this and other ways we are enhancing our complex of systems aimed at helping both female and male staff to balance their work and home life. To accurately monitor the number of hours being worked by our employees, we have introduced a system of attendance management at all our places of business to prevent employees working excessively long hours. The system records times of entering and leaving Company premises, as well as directives relating to overtime — from initial directives to approval by the competent superior.

*2 The Company has extended the period of child care leave to the child's 3rd birthday from the legally mandated minimum (the period up to the child's 1st birthday).

Utilization of work-life balance programs (Number of users)

Program	FY2013
Child-care leave program	430
Female	275
Male	155
Reduced work hours for childbirth/child care program	304
Nursing care leave program	786
Child-care support service (cases)	491
Home Holiday program*3	11,749

*3 This program allows an employee to take a planned paid leave of one day each quarter to spend with family or in community activities.

Percentage of female management-level staff (As of April 1, 2014)



Human rights education

We position respect for human rights as a key concept in the Group's Principles of Corporate Ethics, and in line with our policy on this issue, we have created a system for the promotion of human rights education among our employees. This system is headed by the COO of Daiwa House Industry and is participated in by the presidents of all Group companies as well as all staff. In addition, all Company employees are required to attend human rights training sessions twice each year. To enable us to accurately assess the level of awareness and understanding of human rights issues among our employees, surveys are conducted covering employees of Daiwa House Industry once every four years and of the Daiwa House Group once every five years. Such a survey was carried out in fiscal 2013 on 28 Group companies and 14,814 personnel responded. The results were analyzed and the problems or issues raised were translated into a system of points scored. This allowed our staff to fill out "feedback sheets" that showed the themes in need of greater focus in further training, based on the tendencies shown by each company. In another of our proactive measures, we publish articles once every two months on the Group's intranet concerning human rights issues currently in the spotlight.

Status of human rights education in Fiscal 2013 (Daiwa House Industry)

Education program	Candidates	Number of times	Total number of participants
Education at each business location	All employees	276	29,468
Education by rank/objective	Managers/Senior staff/ Assistant managers/ New hires	32	1,975

Clients

At the Daiwa House Industry we aim to incorporate our customers' opinions into every aspect of our business activities as part of our ongoing efforts to enhance customer satisfaction. We aim to go beyond a mere focus on the preferences of our customers in general to realize the concepts of treating each customer as an individual and attempting to look at things from each customer's unique perspective. We place great importance on each customer's opinions and hope to respond to their expectations.



Continuous improvement activities and quality assurance system

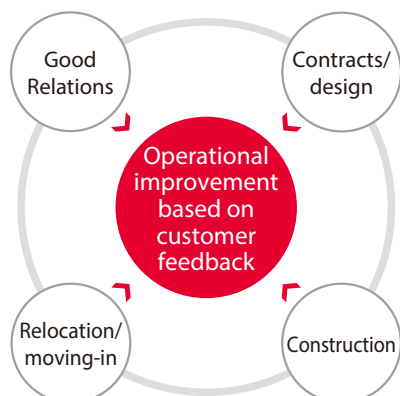
To further raise the satisfaction levels of our customers, we have established a Customer Satisfaction Division at head office and customer satisfaction committees at head office and all other places of business. Feedback from questionnaires filled out by purchasers of our homes or collected by our call centers is shared throughout the Company, enabling us to implement Companywide improvements and make continuous efforts to tailor our products and services to our customers' particular needs. On top of this, in 2007 we integrated the Quality Assurance Department into the Customer Satisfaction Division to further ensure that our products and services meet the safety levels our customers require. The Quality Assurance Department's mission is to further enhance customer satisfaction, and to do this it controls product and service quality across all business processes from development and design through production and construction to after-sales service. In addition, by promoting the adoption of automated systems, labor-saving equipment, and process robotization at the Company's ten factories in Japan, the department aims to rigorously enforce uniform quality levels and provide our customers with high-quality products and services.

Good Relations system

We employ a number of measures to maintain a relationship of trust with each customer after the home or building they have purchased has been handed over. For home owners — both of single-family houses and condominium units — we operate the Daiwa Family Club, a website that offers a variety of useful information for home owners and answers questions they may have regarding maintenance of their home's asset value, moving house at some point in the future, and so on.

In our rental housing and commercial construction operations, we support the business development of building and facility owners through owners clubs. Also in our commercial construction business, we regularly hold business talk sessions in each marketing area around the country to provide prospective tenants in the categories of retail outlets, restaurants, and service industries with more information about sites in which they may be interested. In this way, we assist our customers in opening new stores and other outlets beside major roads or in town-center shopping districts.

System of putting customer feedback to work



Main elements of Good Relations system (as of March 31, 2014)

Organization	Business field	Membership
Daiwa Family Club	Single-family houses Condominiums	135,000
Daiwa House Owners' Club	Rental housing	18,357
Owners' Club	Retail and wholesale facilities Commercial facilities	6,610

Partners

With the aim of maintaining superior product quality through mutual benefit and prosperity, Daiwa House Industry has built up a supply chain network consisting of partner companies engaged in construction and installation, and suppliers of materials and equipment. We also provide support for three organizations independently operated by these separate groups of companies.

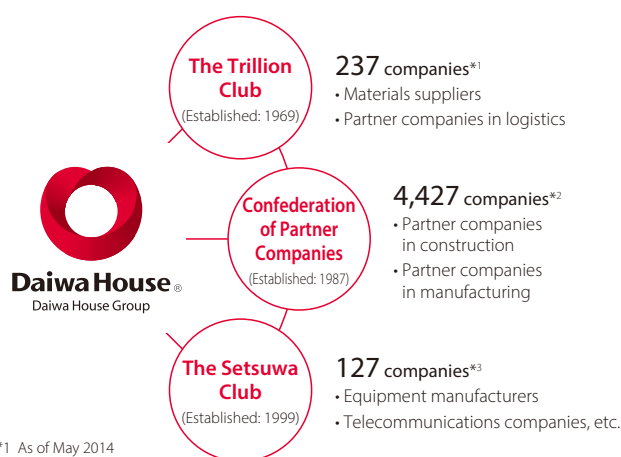


Relationships with suppliers and partner companies

At Daiwa House Industry we have created a system in which companies with which we do business as partners are selected after assessment according to strict criteria for their ability to offer a stable supply of materials of the requisite quality at fair prices. In 1987 we established the Confederation of Partner Companies to help raise the levels of technological know-how of the companies with which we collaborate, as well as to facilitate mutual study and maintain friendly relations. As of March 2014 the confederation comprised 4,427 member companies. It conducts its activities through 83 branches scattered across Japan, and via seven working groups. The confederation also conducts surveys of its member companies via questionnaires to highlight possible problems — including illegal or unethical conduct — in the relationships between its members and the employees of the Daiwa House Industry. In fiscal 2013, 6,507 replies were received (a response rate of 69.2%). We are utilizing this feedback in the drafting and implementation of improvement plans so as to maintain our strong relationship of mutual benefit with our partner companies.

Workplace safety

In line with the Company's basic policy on workplace safety, in which our goal is always to eliminate serious industrial accidents as part of our pledge to society, we take various measures to ensure the safety and health of workers. Each year we draw up plans for the prevention of accidents at our construction sites, and for the maintenance of a healthy working environment. As part of these plans, employees of our partner companies together with Company employees conduct safety patrols at construction sites and other work areas once a month to confirm the safety of work processes and equipment. Following each safety patrol, a health & safety meeting is held, where the results of the patrol are studied and examples of unsafe conditions or practices are made known to all parties concerned. In this way, we aim to utilize continuous improvement (kaizen) activities to realize increased safety at all our construction sites. Regarding employee training in safety matters, separate training courses are conducted for each job level, and we also conduct continuous safety improvement activities with respect to the employees of our partner companies, including training to eliminate scaffolding-related accidents.



*1 As of May 2014

*2 As of March 2014

*3 As of April 2014



Safety training

Shareholders

The executive management of Daiwa House personally leads and promotes the Company's IR activities, through which we work to build and maintain a long-term relationship of trust with our shareholders and market investors in general. We value proactive two-way communication with our shareholders, take their opinions very seriously, and constantly work to raise the Company's enterprise value.



Proactive investor relations

The management of Daiwa House proactively engages in investor relations to fulfill its responsibility for appropriate and timely disclosure of corporate information, as well as accountability.

To ensure that our shareholders as well as general investors possess sufficient information on which to make informed investment decisions regarding the Company — including with reference to such issues as management policies, financial data, and operational strategies pursued, as well as the factors and business environment that form the backdrop to these — we take great care to present such information clearly and in an easy-to-understand format. To do this we employ such IR tools as our website (which is updated regularly), and we provide all essential information including our financial highlights, annual reports, and financial factbooks. For overseas institutional investors, we make available news releases as well as data on monthly orders and account settlement information, in English. For analysts and institutional investors, we offer conference calls following our earnings announcements, as well as management briefing sessions. For example, following our fiscal 2013 earnings announcements, we held four conference calls in which a total of 254 persons participated, while at

a management briefing session held after the announcement of our financial results for the second quarter of the same year, President and COO Naotake Ono announced the Daiwa House Group's Fourth Medium-Term Management Plan to 185 attendees. We also arrange meetings with individual investors and give results briefings over the telephone, while our staff pay visits to the offices of investors located in Japan. In overseas IR activities, our staff visited the offices of many investors, principally in the United Kingdom and elsewhere in Europe, the United States, and many Asian countries. In Japan, we actively attended conferences organized by securities companies and other financial institutions. In this way, we enthusiastically cultivate two-way communications with the investment community, making efforts to provide regular opportunities for direct meetings with investors.

In response to the introduction of Japan's Stewardship Code for institutional investors, Daiwa House will continue to employ dialog with the investment community as a way of enhancing its enterprise value and achieving sustained growth.

The Group's investor relations calendar

Events	2014										2015				
	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	
Announcement of accounts settlement for FY2013		●													
Annual General Meeting of Shareholders			●												
Business report and special benefit plan sent to shareholders			●												
Announcement of accounts settlement for FY2014 Q1					●										
Publication of Annual Report						●									
Announcement of accounts settlement for FY2014 Q2 and management policy briefing								●							
Announcement of accounts settlement for FY2014 Q3											●				
Announcement of accounts settlement for FY2014 and management policy briefing														●	

Note: The schedule is subject to change without notice.

Number of institutional investors (companies) attending our IR activities



Cultivating better communications

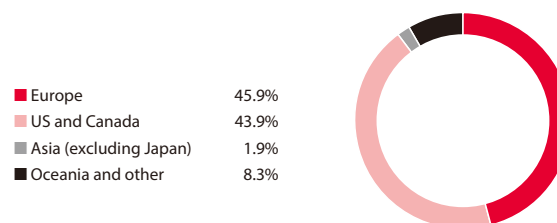
In fiscal 2013, Executive Vice President and CFO Tetsuji Ogawa held an online corporate briefing for individual investors at which he gave a clear explanation of the Group's business operations, management strategies and so on. Even though the briefing was held at the late hour of 8:00 p.m. it attracted about 350 viewers, and concluded with a lively question-and-answer session during which CFO Ogawa fielded a large number of queries. In response to requests by analysts and institutional investors, we also conducted tours of housing showrooms, condominium model units, and the building sites of logistics and other commercial facilities.

We will continue making efforts to multiply opportunities to increase understanding of the Group's activities among our shareholders and other investors. We welcome your opinions and requests, and will utilize such feedback to realize still more effective investor relations activities.

Dividend policy

In determining its dividend payments, Daiwa House Industry takes into account the need to maintain a good balance between the appropriation of profits to shareholders on the

Percentage of investors abroad by region (As of March 31, 2014)



one hand, and the necessity of securing sufficient retained earnings for future business expansion and the reinforcement of the Group's business base on the other. In addition, we endeavor to strengthen our financial soundness in order to broaden our base of operations by enhancing our competitiveness and improving profitability through investment in research and development and production facilities, as well as by expanding the number of our business premises. Taking these factors into account, we have set a dividend payout ratio target of 30%, and will adopt a flexible stance on shareholder returns by pursuing acquisition of our own shares for inclusion in treasury stock as appropriate. To enhance our opportunities for returning profits to our shareholders, we have decided to make two dividend payments each year, consisting of an interim dividend as well as the term-end dividend. In addition, we have reduced the trading unit of shares of Daiwa House Industry from 1,000 to 100 in order to increase the market liquidity of the Company's shares and thereby attract a wider shareholder base by facilitating investment.

We will continue working to meet the expectations of our shareholders and market investors in general through efforts to raise the Company's enterprise value and achieve sustained growth in shareholder returns.

Inclusion of Daiwa House Industry stock in SRI (As of March 2014)

Social responsibility indexes (SRIs) are stock price indicators that assign evaluation criteria to a company's efforts to protect the natural environment and to its social contributions, in addition to conventional financial considerations. The stock of Daiwa House Industry has been included in the following SRIs.



Community

The construction industry is the core operating area of the Daiwa House Group, and in this respect we have ties with various regional communities in Japan going a long way back. For this reason, it is vital for us to help regional communities achieve continuous development to enable our own businesses to realize similar development. Through dialog with members of local communities, we are able to more clearly understand the issues that they face and to find solutions based on close cooperation with local groups.



Overview of regional social contributions

Daiwa House Industry conducts business operations in every part of Japan, and we regard collaboration with local communities for mutual benefit as one of our most important management tasks. To generate a virtuous cycle driven by sustainable growth on the part of both the communities and the Group, we have given the name of “regional social contributions” to activities that contribute to the healthy development of local communities, and are actively pursuing such initiatives in every part of Japan where we do business. Our aim is to win the trust of local communities by identifying local problems and seeking solutions to them in collaboration with local organizations, nationwide NPOs, and other groups. We engage in such activities in three areas: environmental protection, assistance for welfare facilities, and nurturing the next generation. The most representative examples of the spirit of our regional social contributions are the Daiwa Sakura Aid, in which we have been helping preserve the famous cherry trees on the slopes of Mount Yoshino in Nara Prefecture — close to the birthplace of Company founder Nobuo Ishibashi — and the Daiwa Sakura Project, which combines the planting of cherry trees in the grounds of elementary schools with concerts of traditional Japanese music for the students.

Environmental protection

After it was discovered that freshwater mussels of an endangered species (*Unio douglasiae*) were living in the flood regulation pond on the grounds of our Mie Factory, in line with our policy of supporting biodiversity, in August 2012 we temporarily drained the pond and allowed the bottom to dry out, to improve the water quality, transferring the mussels and other pond life to a safe environment for the interim. In a similar initiative to promote biodiversity, in collaboration with the Central Japan Bitterling Research Association and staff from partner companies, in June 2013 we carried out cleaning operations at the pond, and constructed simple fishways on the stream that drains the pond to allow fish to reach their spawning grounds. Recent observations have revealed that a larger number of species of fish and water birds have their habitat in the vicinity of the pond compared with other areas, and that the area is also fairly free of invasive species. Meanwhile, at the Daiwa House Hayama-no-Mori, a 3.3-million square meter company-owned forest in the town of Hayama in Kanagawa Prefecture, we are taking forest management and other environmental improvement measures in collaboration with various stakeholders, including members of the local community, colleges, and the local government.

Regional social contribution programs (Daiwa House Industry)

Program	Started
Special paid leave for volunteer activities	April 2005
Employee fund-raising program	Oct. 2005
Appointment to Committee for Promotion of Social Contributions*1	April 2006
President's Award Program	Sep. 2007
Social contribution cost-bearing program	Oct. 2008

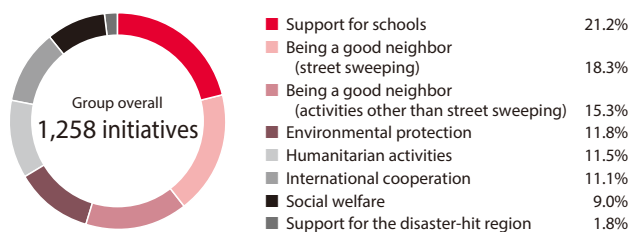
*1 Name changed in April 2014 to “Committee for Regional Social Contributions”

Regional Social Contributions in Fiscal 2013 (Daiwa House Industry)

Activities	Result
Regional social contribution initiatives	780
Paid leave taken for volunteer activities (days)	991
Percentage of paid leave taken for volunteer activities*2	7.3
Endless Fund total amount	¥10,651,754

*2 The rate of utilization = number of days off work divided by number of days off to be taken by all personnel at term-end

Breakdown of Regional Social Contributions (FY2013)



Assistance for welfare facilities

The Tsuta Children's Home is an orphanage in Hatsukaichi, Hiroshima Prefecture that was founded 61 years ago. Currently, about 30 children aged from three to 15 live at the home and attend local elementary and junior high schools. It is the custom in Japan, at the time of the Bon Festival during the school summer vacation, for most children to accompany their parents on a trip to their grandparents' home, which is usually in a small town or village in the countryside. For these children, however, this is impossible, so in place of this the staff of our Hiroshima Branch arrange events such as paper crafting classes and fireworks events, to give the children something on which to base illustrated diaries as their summer vacation assignment. Next to our Kyushu Factory is the Kurate Infants Home, where many babies and infants live. The factory has set aside a space on the second floor of the factory canteen as an emergency refuge area for the use of the infants home in the event of a natural disaster such a major earthquake or landslides. In fiscal 2013 joint emergency drills were held by the staff of the infants home and the factory employees, involving training in the use of fire extinguishers and confirmation of evacuation routes for the children as well as the stockpiles of food, water and other essentials for use in an emergency.



Environmental protection
(Temporary draining of a pond on the grounds of our Mie Factory)



Assistance for welfare facilities
(Support activities at an orphanage)



Fostering the next generation
(Quest Education Program)

Fostering the next generation

Since fiscal 2007 we have been collaborating in the Quest Education Program conducted by Educa & Quest, Inc., which seeks to provide support for career-oriented education for students at junior and senior high school. In this program, participated in by some 60 schools nationwide, the students become interns at business enterprises. Each student is assigned a "mission," such as developing a new product, which must be accomplished in one year. This system enables the students to acquaint themselves with the organization and corporate culture of the companies they choose to participate in, and also to be part of a team that searches for their own answers and eventually comes up with a well-thought-out proposal. This process teaches them that there is no absolute right answer to problems in the real world. In fiscal 2013 Daiwa House received proposals from 132 teams. Also, our Kyoto Branch participated in the "Dorikamu" work-experience educational program jointly conducted by the non-profit organization JAE and the Shimogamo Junior High School (run by Kyoto City). These days there is an increasing call for a broad spectrum of educational formats involving collaboration between schools and business corporations, and against this backdrop Daiwa House will continue supporting such career-focused educational programs.

Environment

The entire Daiwa House Group works as one to realize a society in which people can live rich and truly fulfilling lives in harmony with the natural environment. We do this through environmental protection activities under four headings: prevention of global warming, conservation of natural resources, maintaining harmony with the natural environment (including the preservation of biodiversity), and prevention of chemical pollution.



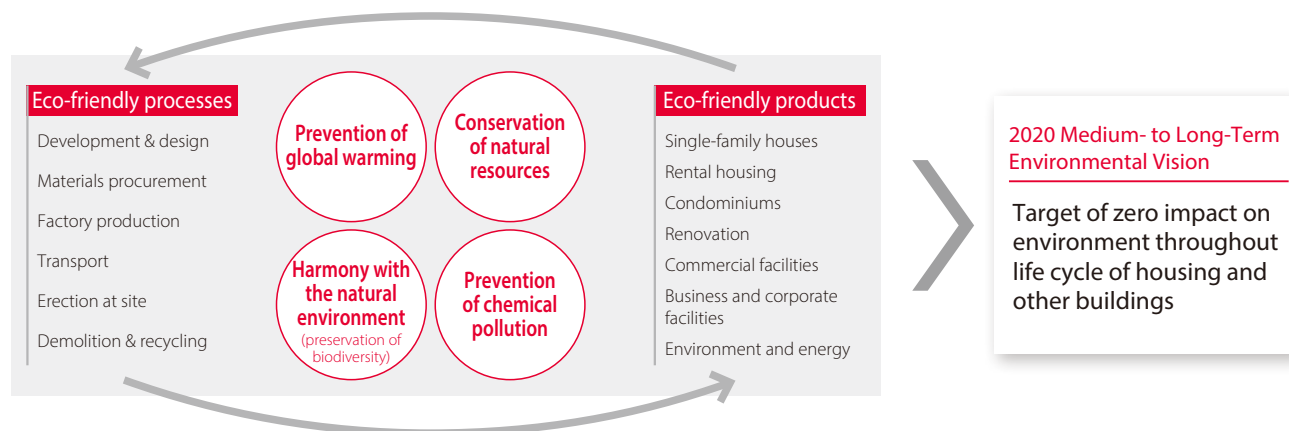
Environmental Vision

In 2005 the Daiwa House Group drew up its Environmental Vision, encompassing its environmental principles, priority environmental activity themes, and environmental behavioral guidelines. Then, in 2011, to speed up our achievement of concrete targets in the environmental protection field, we drew up the 2020 Medium- to Long-Term Environmental Vision. In the Vision, we set more specific medium-term targets for both our operational processes and our products and services, with the goal of reducing to zero the environmental impact of our housing units and other structures throughout their life cycle. Regarding measures to mitigate global warming, which we have positioned as a theme with the highest priority, we laid down targets for reduction of CO₂ emissions resulting from the Group's business processes, and set a time frame for the achievement of zero CO₂ emissions throughout the residential/operational life cycle of housing units and other buildings built by Daiwa House Industry.

The Endless Green Program

Under our Endless Green Program 2013 (covering the period FY2011-2013), we have sought to go further down the road of environment-focused management, by pursuing closer integration of our environmental preservation activities with our business operations, and to this end, we have drawn up new environment-focused management policies. We aim to make environmental issues one of the driving forces behind the expansion of our business operations through expanded sales of eco-friendly products. We also intend to make the Group into a leading corporate presence in the environment field by taking the lead in the housing industry with the development and marketing of a large number of pioneering examples of products that help reduce CO₂ emissions. These include our net zero energy houses (ZEHs) and net zero energy buildings (ZEBs). Under our current Endless Green Program 2015 (which covers the two-year period of FY2014-2015), we have laid down a principal action theme of effectively balancing the preservation of the environment with the achievement of an adequate level of corporate earnings. In line with this, we plan to pursue strategic environmental activities that seamlessly combine our environmental protection work and our business operations.

2020 Medium- to Long-Term Environmental Vision





Daiwa House Industry's Nara Factory

Energy conservation measures are being taken to turn this factory into a model for next-generation eco-friendly manufacturing plants, in preparation for eventual commercial rollout.



Premist Kanazawa

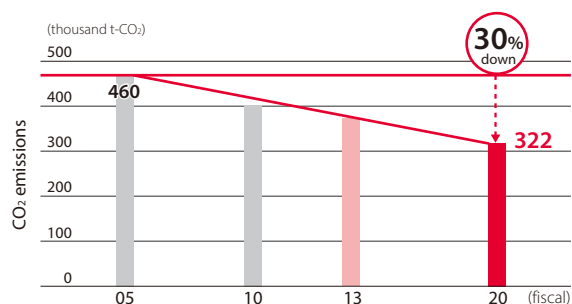
This eco-friendly condominium building makes maximum use of natural energy such as sunlight for both lighting and heating, and breezes for ventilation.

Environmental management

The Group adopts a preventive approach to environmental issues, and in line with this we have constructed a proprietary environmental management system based on the ISO 14001 environmental management standards. In concrete terms, environmental action plans are drawn up at the divisional level once every six months, and data on the results of implementation of each plan, together with a self-assessment report, are presented to the management. Following a review of these reports, continuous improvement activities are undertaken. Promotion of environmental management improvement is overseen by the Environmental Management Promotion Committee, chaired by the officer in charge of the environment at Daiwa House Industry, which meets twice a year. This committee, whose sphere of responsibility stretches across the whole Group, makes decisions regarding the directional focus of the Group's environmental activities as well as priority strategies, and examines outstanding issues. Ten specialized subcommittees have also been set up under the main committee, each chaired by a director with specific responsibility for the field that is the subcommittee's purview. Subcommittee review meetings are held every three months, at which discussions are held on the degree to which targets have been achieved. In this way,

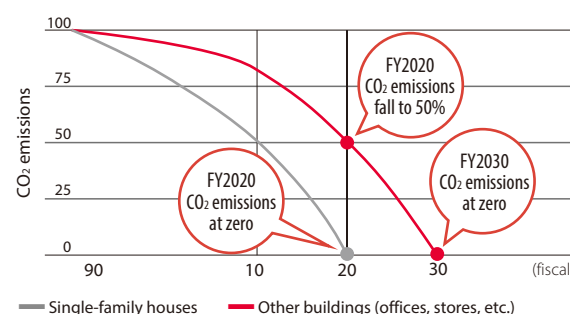
a precisely-calibrated PDCA cycle is employed to direct the environmental management process. In accordance with the Groupwide priority issue management policy, quantitative evaluations are made of the state of improvement of environmental management for each management category at each office, factory, or other place of business. In addition, to further promote improvement activities, from fiscal 2014 onward we will be creating a system to allow the results of these evaluations to be reflected in the overall performance evaluation of each place of business. Daiwa House Industry has also extended the scope of its environmental management to its principal consolidated subsidiaries, with which it has close capital ties. Numerical targets have been laid down for 33 subsidiaries, and work is proceeding in pursuit of those targets. For 17 of the Daiwa House Group's main corporate members, whose business operations have a particularly major impact on the environment, "environmental management" has been included as a business performance assessment category. We have also begun preparations for future environmental management activities at overseas Group companies and are working to further enhance these, so that all employees can feel they have a stake in these activities right from the planning stage.

CO₂ emissions from business operations (total for Group)*¹



*¹ In the event of an increase or decrease in the number of Group companies, we recalculate the emissions for the base year (2005).

CO₂ emissions during the period of residency in housing built by the Group or operation of commercial buildings built by the Group*²



*² Calculations assume specifications as of 1990 = 100

Priority environmental activity themes: Fiscal 2013 results, and self-assessment

Prevention of global warming

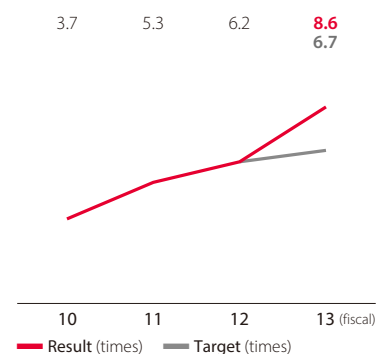
Since fiscal 2008 the Daiwa House Group has positioned efforts to prevent global warming as its top-priority environmental activity theme. We aim to more than offset the negative impact on the global environment of our business operations, i.e. the CO₂ emissions resulting from these operations, with a positive contribution in the form of reductions in CO₂ emissions, and we have introduced the CO₂ Reduction Indicator to serve as a gauge of the extent of our contribution to the fight against global warming. Not only are we working to increase energy conservation and renewable energy generation at facilities operated by Daiwa House Industry and other Group companies, in addition, all our business divisions are aggressively marketing eco-friendly housing and commercial building products.

CO₂ Reduction Indicator

The CO₂ Reduction Indicator is a unique indicator developed by Daiwa House Industry to express the volume of reductions in CO₂ emissions made possible by the Daiwa House Group's products and services as a multiple of the volume of CO₂ emissions resulting from the Group's business activities. In fiscal 2007, the Group's contribution to CO₂ emissions reduction exceeded its CO₂ emissions, thereby achieving what we call a positive CO₂ balance. Encouraged by this achievement, we adopted the CO₂ Reduction Indicator as one of our environmental management indicators, and have subsequently been working to increase the Group's contribution.

$$\text{CO}_2 \text{ Reduction Indicator} = \frac{\text{CO}_2 \text{ savings from delivery of products and services}}{\text{CO}_2 \text{ emissions from business operations}}$$

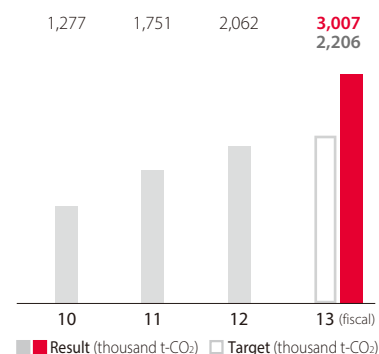
CO₂ Reduction Indicator



FY2013 result 8.6 times

The target was more than achieved, with a result well in excess of projections. As our goal for FY2015, we aim both to restrain the total increase in CO₂ emissions through improvement of the CO₂ emissions volume per unit of sales, and to increase sales of eco-friendly products, thereby pushing up the indicator to 10 times.

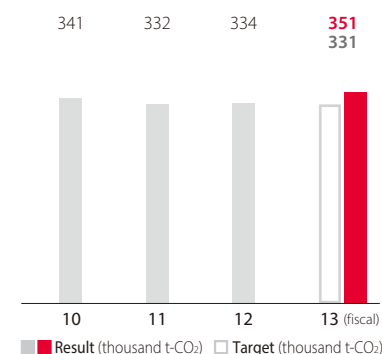
CO₂ reduction (volume)



Comparison with FY2010 up 135%

Target achieved thanks to installation of photovoltaic power generation equipment, among other measures. Efforts were focused on "net zero energy" housing and other buildings, as well as urban development projects. Our goal for FY2015 is to raise the CO₂ reduction volume above 1.4 times by comparison with FY2012.

CO₂ emissions (volume)



Comparison with FY2010 up 2.9%

Total emissions increased in line with an expansion in business performance. Our goal for FY2015 is to achieve an improvement of 40% or better in the CO₂ emissions per unit of sales compared with FY2005, through greater use of renewable energy sources and increased investment in energy conservation.

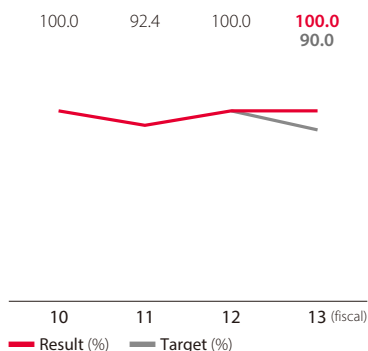
< Self-assessment standards >

● Achieved FY2013 target ● Short of FY2013 target (improvement from FY2010 result)

○ Short of FY2013 target (deterioration from FY2010 result)

Harmony with the natural environment (preservation of biodiversity)

Rates of conformity with voluntary biodiversity standards (product development)*¹



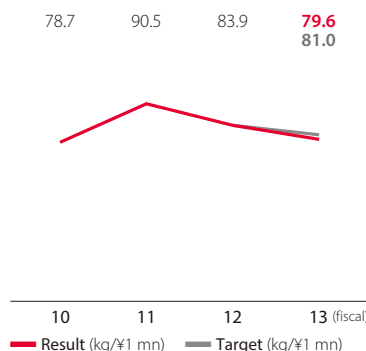
● FY2013 result **100%**

We applied our voluntary standards to all large-scale development projects. We will continue to make use of our biodiversity checklist in pursuing development processes that take biodiversity issues fully into consideration.

*¹ Result in FY2010 is based on biodiversity sampling conducted

Conservation of natural resources

Volume of waste from construction work — total volume, and amount per ¥1 million in sales

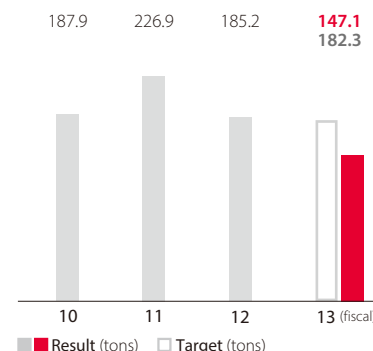


● Comparison with FY2010 up **1.2%**

We succeeded in achieving the target through efforts to reduce leftover materials at our building sites by means of more precise calculations at the design stage. From this point onward we will be increasing the percentage of materials reused, and aim for a 3% reduction in construction waste by the end of FY2015 by comparison with FY2012.

Prevention of chemical pollution

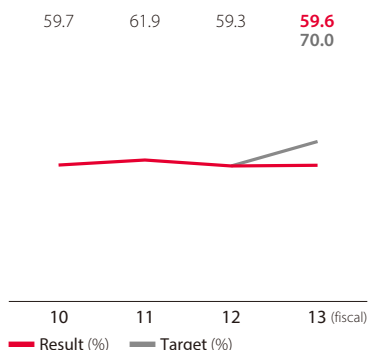
Pollutant release and transfer register (PRTR) figures



● Comparison with FY2010 down **21.7%**

We achieved the target by switching over to paints with lower levels of organic solvents and lead-free paints for all applications. We will continue to review the types of paints used with the aim of reducing emissions of VOCs below the present level as a percentage of sales.

Rates of conformity with voluntary biodiversity standards (urban development)*²

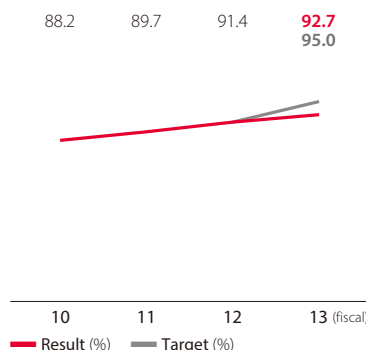


○ FY2013 Result **59.6%**

Our FY2013 result fell short of the target due to our failure to present adequate proposals relating to low-rise rental housing and commercial facilities. For future projects, we will lay down separate green space target ratios according to the type of usage of each building.

*² Result in FY2010 is based on biodiversity sampling conducted

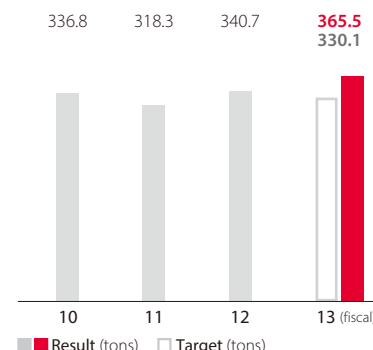
Percentage of construction waste recycled



● FY2013 Result **92.7%**

The percentage increased only slightly during FY2013, falling short of target. We plan to take continuous steps to realize zero waste generation at our factories and building sites, and will also set targets for civil engineering projects, renovation and repair work, and demolition work.

VOC (volatile organic compound) emission volume

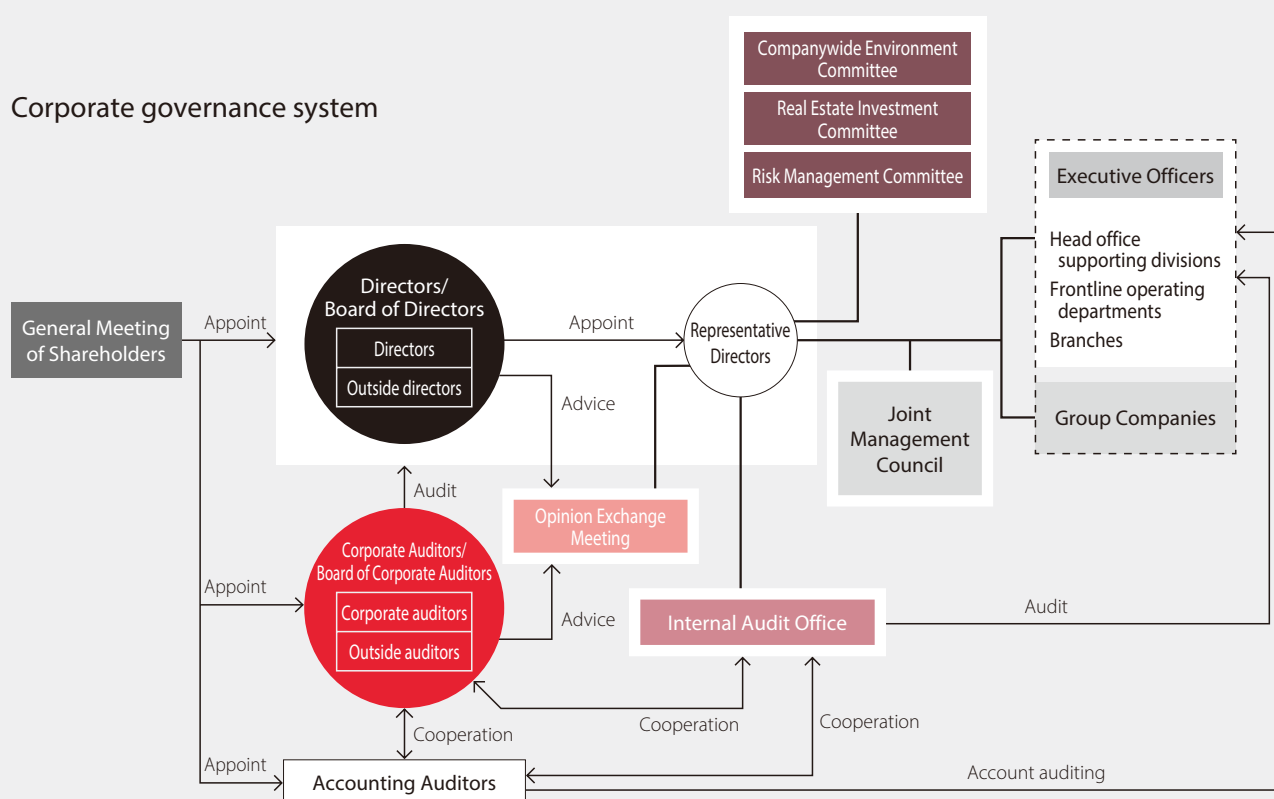


○ Comparison with FY2010 up **8.5%**

Despite efforts to improve the coating efficiency of our paints, total volume of VOCs increased in parallel with higher production volume, and we failed to reach the target. We will continue working to improve coating efficiency, among other measures, with the aim of bringing the emissions volume down below the present level as a percentage of sales.

Corporate Governance

Corporate governance system



Initiatives to strengthen corporate governance

Year

1999 Establishment of the Risk Management Committee

2001 The term of office of directors shortened to one year in order to clarify the management responsibilities of the directors

2006 J-SOX Law Project Department (currently the J-SOX Law Department) launched

2007 The new executive officer system adopted to clarify the responsibilities, roles and specific duties of directors and executive officers

2008 Establishment of the Real Estate Investment Committee

2010 Establishment of the Companywide Environment Committee

Appointment of outside directors to improve the effectiveness of management supervision and the transparency of decision-making

2012 Establishment of Opinion Exchange Meeting between Outside Directors and Representative Directors

Basic policies and system

The Daiwa House Group positions corporate governance as a high-priority management issue. The Group's basic policy is to firmly establish a corporate governance system based on long-term objectives and perspectives that is capable of securing management soundness and transparency and ensuring that the Group continues to enjoy the trust of society as a whole. To this end, it is vital that we construct and maintain a system of speedy and accurate decision-making and execution of operations, as well as an appropriate system of supervision and monitoring.

At Daiwa House Industry, outside directors who are independent of the Company's top management are appointed to the Board of Directors with the aim of further enhancing the effectiveness of the management supervision functions exercised by the board, as well as the transparency of its decision-making. Additionally, to ensure the objectivity and neutrality of the management supervision exercised by the board, we appoint corporate auditors with extensive specialist knowledge in the fields of corporate management, legal matters, finance, and accounting. We also secure an adequate staff of personnel to assist these corporate auditors. In this way, we strengthen the performance of the Board of Corporate Auditors, which includes outside auditors.

Within this organizational framework, Daiwa House Industry clearly lays down the roles, functions, and duties of its directors and executive officers, and an executive officer system has been adopted to reinforce the directors' supervisory function.

We also ensure that the rich experience in corporate management and the independent viewpoints of outside directors are put to good use in the management of the Company. As a specific means of realizing continuous growth in enterprise value, in fiscal 2012 we set up a special body that meets regularly to exchange opinions, composed of outside directors, outside auditors, and the Company's representative directors and auditors. The purpose of this meeting is to allow a free exchange of opinions regarding corporate governance issues and the management of the Company in general that is unconstrained by specific considerations relating to the operational performance of the Board of Directors and the Joint Management Council.

Independence of outside officers

The Company considers the supervision functions of sound management to be an important element of company management, and we have therefore have developed a system under which both the Board of Directors and the Board of

Corporate Auditors include outside officers and each body can fulfill its supervision functions. Furthermore, the Company is aware of the fact that reflecting in management judgments various views and insights from perspectives that have no risk of leading to conflicts of interest with general shareholders is important for increasing the transparency of management, and we consequently ensure that the outside officers consist of several officers in positions that are independent from the management. For the standards of independence we referred to the standards of the independent officer system designated by the Financial Instruments Exchange, and as of June 27, 2014 three of our five outside officers (two outside directors and one outside auditor) are designated independent officers.

Relationship between the company and independent officers

Our three independent officers have no special interests in the Company.

Functions and roles of outside officers

Outside directors

Kazuyoshi Kimura (Appointed June 2012)

The Company appointed Mr. Kimura because we expect that he will utilize his strong knowledge of business management cultivated over his many years of experience as a business manager in securities companies and other companies and will supervise the management of the Company from an independent perspective.

Yutaka Shigemori (Appointed June 2012)

The Company appointed Mr. Shigemori because we expect that he will utilize his strong knowledge of business management cultivated over his many years of experience as a business manager in life insurance companies and non-life insurance companies and will supervise the management of the Company from an independent perspective.

Outside auditors

Kazuhiro Iida (Appointed June 2005)

The Company appointed Mr. Iida because we expect that he will utilize his specialized knowledge, many years of experience, and wide-ranging insights related to corporate legal affairs as a lawyer in audits of the Company.

Kiichiro Iwasaki (Appointed June 2005)

The Company appointed Mr. Iwasaki because we expect that he will utilize his strong knowledge of business management cultivated over his many years of experience as a business manager in securities companies and consulting companies to perform audits of the Company.

Yukinori Kuwano (Appointed June 2008)

The Company appointed Mr. Kuwano because we expect that he will utilize his strong knowledge of business management cultivated over his many years of experience as a business manager in leading electrical appliance manufacturers and other companies, and will perform audits of the Company from an independent perspective.

Accounting auditors

Our appointed accounting auditor is the limited liability auditing firm Tohmatsu, which conducts accounting audits as and when necessary in accordance with the law and other regulations. Financial audits of the Company by Tohmatsu are conducted via three designated executive staff members, along with a team of 14 assistants (nine certified public accountants and five others). Details of executive staff are as follows.

Seiichiro Azuma (continuous auditing experience: one year)

Akihisa Watanabe (continuous auditing experience: seven years)

Hideyuki Hirata (continuous auditing experience: two years)

Breakdown of compensation for auditing services

Compensation for services in the preparation of the audit report:

¥276 million (¥192 million for fiscal 2012)

Compensation for non-auditing services:

¥33 million (¥10 million for fiscal 2012)

Disclosure

The Daiwa House Group is committed to disclosing information quickly, appropriately and fairly to all stakeholders, in Japan and overseas, and to promoting improved management transparency. We actively engage in the voluntary disclosure of information, beyond statutory disclosure requirements, and make every effort to improve the information that we disclose to give people a better understanding of the Group's business activities and ensure that the Company is appropriately evaluated.

Facilitating the general meeting of shareholders

To make it easier for shareholders to exercise their voting rights, we have introduced a system that enables shareholders to vote electronically as well as using a conventional paper ballot system. In order to give investors sufficient time to consider matters before exercising their voting rights, we post shareholder convocation notices as early as possible and provide a voting platform for institutional investors to exercise their voting rights. We also post shareholder convocation notices in Japanese (in full) and English (abridged) on our website, and we employ video technology at our general shareholder meetings.

Takeover defense measures

We do not have any takeover defense measures in place. Instead, we aim to enhance further corporate value through measures such as establishing management practices with a

greater emphasis on shareholders and fulfilling our corporate social responsibilities.

Compensation for directors and corporate auditors and remuneration for auditing services

Compensation for directors and corporate auditors of the Company is divided into two categories — basic compensation and lump-sum payments (bonuses). Directors and corporate auditors are paid up to a maximum limit agreed by the General Meeting of Shareholders. Our policy for the determination of basic compensation and lump-sum payments for directors and corporate auditors, as well as compensation paid for fiscal 2013, is described below.

Basic compensation

A fixed salary shall be paid to directors and corporate auditors, which shall be decided on the basis of the size of the role and the scope of responsibilities of each job title, taking into account the Company's business and financial condition and the salary levels of the Company's employees. No retirement benefits are paid to executives.

Lump-sum payments (bonuses)

The Company shall decide on whether or not to pay a bonus to a particular director or corporate auditor, and shall determine the amount of bonus, if any, to be paid, after considering all relevant matters, employing certain high-priority items (such as quantitative elements including sales and earnings, and qualitative elements including the strengthening of the Company's business base) as guidelines.

Payments made to directors and corporate auditors

(Millions of Yen)

Post held	Basic compensation		Bonus		Total compensation
	Number of persons	Amount paid	Number of persons	Amount paid	
Directors (excl. outside directors)	19	738	17	537	1,275
Corporate auditors (excl. outside auditors)	3	82	3	37	120
Outside directors and corporate auditors (outside auditors)	5	60	—	—	60

Notes: 1. The above figures for the number of persons receiving basic compensation and the amounts paid include two directors who retired as of the conclusion of the Company's 74th Ordinary General Meeting of Shareholders, held on June 27, 2013, as well as one auditor who sadly passed away on March 9, 2014. As of the end of March 2014, the Company had 19 directors and five corporate auditors.

2. Maximum compensation amounts (not including bonuses paid to directors and corporate auditors, and salaries paid to directors simultaneously serving as employees for their services as employees)
Directors: Total monthly amount = ¥70 million
Corporate Auditors: Total monthly amount = ¥12 million

3. Salaries paid to directors simultaneously serving as employees for their services as employees
Salaries paid to factory and office managers, etc. and heads of departments at the Company's head office: ¥72 million (two persons)

Organizations and committees: their roles and members

(As of June 27, 2014)

Directors/Board of Directors	Members
<p>In line with the law, the articles of incorporation and the Board of Directors Regulations, and other company rules, the Board of Directors makes decisions on matters of importance, and also supervises the execution of duties by the directors. To increase the mobility and flexibility of management and clarify the management responsibilities of the directors for each business year, in June 2001 the term of office of directors was set at one year. Furthermore, we adopted a new executive officer system to clarify the responsibilities, roles and specific duties of directors and executive officers within a framework of a Board of Directors that includes outside directors and a Board of Corporate Auditors. The Board of Directors met 14 times during fiscal 2013, with an average rate of attendance at board meetings of 96% amongst directors and 99% amongst corporate auditors.</p> <p>Supervision by Outside Directors, Interconnections with Other Audits, and the Relationship to the Internal Control Division</p> <p>The Company is working to strengthen its management supervisor functions by creating a system under which the outside directors can receive reports on internal audits, audits by corporate auditors, accounting audits and internal control, and can state their opinions as and when appropriate, mainly through attendance at the meetings of the Board of Directors and the Joint Management Council. Additionally, to enable the outside directors to participate in full-fledged discussions at meetings of the Board of Directors, prior to each scheduled board meeting, the Management Planning Department issues a written explanation of the background to proposals on the agenda, their objectives, and all relevant detailed information.</p>	<p>Directors: 17 Outside directors: 2 Corporate auditors (internal): 2 Corporate auditors (outside): 3</p>
Corporate Auditors/Board of Corporate Auditors	Members
<p>In line with the Board of Corporate Auditors Regulations and the Auditing Standards for the Corporate Auditors, corporate auditors attend meetings of the Board of Directors and other important management meetings as deemed necessary, receive business reports from the directors, peruse documents relating to significant Board decisions, and investigate the administrative processes and properties and other assets under the management of the Company's head office divisions and other major branches and offices. They also receive business reports from the management of Company subsidiaries as deemed necessary. Furthermore, the auditors check that directors do not engage in any competitive work or possess conflicts of interest. They also audit the gratis provision of warrants and other rights to directors, request reports on the said matters from the directors, and investigate all details of the matter at hand when deemed necessary. Through these activities, they perform audits of the correctness of the execution of duties by the directors. Furthermore, the auditors work to strengthen the overall auditing system through close liaison with the Internal Audit Office and the Accounting Auditors. The Board of Corporate Auditors met 14 times during fiscal 2013, with an average rate of attendance of 97%.</p> <p>Audits by the Outside Auditors, Interconnections with Other Audits, and the Relationship to the Internal Control Division</p> <p>The outside auditors cooperate with the corporate auditors (internal) at all times and share the information necessary for the monitoring and supervision of management, including the content of reports from the Internal Control Division and the accounting auditors. Furthermore, the Corporate Auditors' Office reports the results of major audits to the outside auditors. Through these kinds of information and attendance at meetings of the Board of Directors, the Joint Management Council, and other bodies, the outside auditors receive reports on internal audits, audits by corporate auditors, accounting audits and internal control, and state the necessary views.</p>	<p>Corporate auditors (internal): 2 Corporate auditors (outside): 3</p>
Joint Management Council	Members
<p>The members of the Joint Management Council are the directors, executive officers and corporate auditors. The council discusses and gives reports on major matters related to implementing the business of the Company, and performs assessments of internal control, risk management, and other aspects. In fiscal 2013 the Joint Management Council met 10 times.</p>	<p>Directors: 17 Outside directors: 2 Executive officers: 36 Corporate auditors (internal): 2 Corporate auditors (outside): 3</p>

Opinion Exchange Meeting between Outside Directors and Representative Directors	Members
These meetings, which are held twice a year with the attendance of the outside directors, outside auditors, corporate auditors, and CEO of Daiwa House Industry, enable an exchange of opinions concerning corporate governance and general management issues from a variety of perspectives, and from a long-term standpoint that is clearly demarcated from the points at issue in the execution of their duties by the Board of Directors and the Joint Management Council. The meetings allow us to make use of the extensive experience of the Company's outside directors in the field of corporate management and to incorporate their independent insights into the management of the Company with the goal of achieving a continuous improvement in enterprise value.	Outside directors: 2 Corporate auditors (outside): 3 Representative directors: 6 Corporate auditors (internal): 2
Risk Management Committee	Members
With the head of Management Administration as chair, and as committee members the heads of the other principal divisions of the Head Office, this committee meets once a month to discuss creation, maintenance, and management of a risk management system covering all the Company's business operations. In April and October, all Risk Management Committee members attend meetings, and at other times, Standing Committee members and other Risk Management Committee members attend. The Risk Management Committee met 12 times in fiscal 2013.	Risk Management Committee members: 62 (Standing Committee members: 39)
Real Estate Investment Committee	Members
Comprising representative directors, directors and corporate auditors, as well as expert observers from administrative departments such as the Legal Department and from the Environment Department, this committee discusses and examines real estate investment projects above a certain value based on assessments of business viability and risk. The committee met 19 times in fiscal 2013 to assess 32 projects.	Representative directors: 6 Directors: 2 Corporate auditor: 1 Regular employees: 17
Companywide Environment Committee	Members
Chaired by the head of the Technology Department, this committee, whose members comprise the representative directors, the directors in charge of operational divisions, and the heads of all divisions at head office, meets twice yearly to discuss and determine the strategic direction, priority strategies and issues of the Group's environmental activities. Under the committee are ten specialist subcommittees, each chaired by the director with responsibility for the respective field of the subcommittee. These subcommittees convene every three months for review meetings to discuss the extent to which targets have been reached, methods of environmental activity management, the state of implementation of priority tasks, and other matters, and to pursue environmental measures based on precisely calibrated PDCA cycles.	Officer in charge of the environment: 1 Standing Committee members: 27 Non-standing Committee members: 10
Internal Audit Office	Members
The Company has set up an Internal Audit Office under the direct control of the President, with the responsibility of checking whether the Company's administrative processes and systems are working correctly, and proposing remedial action when deemed necessary. The office gives instructions to audited divisions or departments for improvements on the basis of the audit results, and requests status reports on measures taken after the audit to ensure that the auditing process is conducted correctly and efficiently. Furthermore, the Internal Audit Office and the accounting auditors cooperate closely, by providing each other with information about scope, results, present conditions, and other matters as necessary.	Regular employees: 17
Corporate Auditors' Office	Members
We have set up a Corporate Auditors' Office with specialist staff to support the corporate auditors in their work. Such staff are responsible for gathering and organizing company information as needed and giving support in tasks such as explaining draft resolutions for meetings of the Board of Auditors and Board of Directors.	Regular employees: 4

Message from the Corporate Auditor

Our Management Foundation
Corporate Governance
Message from the Corporate Auditor

Kenji Hirata

Kenji Hirata
Corporate Auditor



An enterprise that people can continue trusting to play its role as a “public organ of society”

The Daiwa House Group is currently pursuing operations in the Japanese and overseas markets under its Fourth Medium-Term Management Plan, focusing on “further acceleration of the pace of growth.” During the fiscal 2013 performance audit of Daiwa House Industry, I and the other corporate auditors focused efforts on the auditing of all individual places of business as well as model home showrooms and lot-subdivision projects. We assigned great importance to personal interviews with the heads of our branch offices and factories, as well as other employees, to gain firsthand knowledge of the situation at the front line with regard to such matters as the prevailing corporate culture and potential for risk materialization. As well as reports on compliance and risk management from the Legal Department and the Internal Audit Office, with effect from fiscal 2013 we began holding interviews twice yearly with the staff of the IR Department and the General Affairs Department, which both act as contact points for the direct receipt of inquiries, opinions and suggestions from our shareholders. Based on the information we obtain in these ways, we are now able to benefit from an increased number of searching questions and deeply thought-out opinions from our outside auditors. At the opinion exchange meetings between outside directors and representative directors that we began holding in 2012, we also enjoy the benefit of opinions, questions, and proposals made from the independent perspective that only outside directors can supply.

The Daiwa House Group faces growing expectations from society at large, based on the business track record and fund of trust among the community that all our executives and employees have worked so hard to build. Amid the current climate, in which companies are coming increasingly under the spotlight regarding fulfillment of their social responsibilities, the Group will continue to contribute to the wider community in its role as a public organ of society. It is my belief that the Group must without fail continue to be a business entity that people can rely on to carry out its duties. Moreover, as companies are groups of people working together, each executive and employee of the Group must possess a strong awareness of himself or herself as a member of a responsible organization that society as a whole is counting on to fulfill a range of vital functions. Even while going about our day-to-day business, we must constantly ask ourselves crucial questions — Is this illegal? What would our customers think if they could see this? Could I take pride in telling my family about this? Will my conscience let me live with this? Such questions should be second nature for us. We must deal with people fair and square in accordance with generally accepted social norms, and at the same time we must cultivate the habit of always doing the little, everyday things right.

Internal Control

We have systems in place to ensure that directors perform their duties in accordance with the law, as stipulated under the Japanese Companies Act and the Financial Instruments and Exchange Act (J-SOX Act), as well as the Company's articles of incorporation, and to ensure the legitimacy of other corporate operations. Our Basic Policies with Regard to the Creation of an Internal Control System and Management Guidelines for Internal Controls in Relation to Financial Reporting are both approved by the Board of Directors as part of our ongoing efforts to further reinforce corporate governance and ensure compliance.

Basic policies and developmental status of internal control system

1

System to ensure that the performance of their duties by the directors and employees of the Company conforms to laws and regulations as well as the Company's own articles of incorporation

We have established the Code of Ethics of the Daiwa House Group as part of our resolve to ensure that all aspects of our corporate activities comply with laws and regulations. Representative directors convey this resolve to Daiwa House Group management and lead by example. The following system has been established.

- (1) From among the directors, one director is assigned responsibility for overall compliance (the Risk Management Committee Chairperson) to orchestrate the compliance system across the Daiwa House Group and identify problem areas.
- (2) One person from each division is assigned responsibility for the analysis of risk issues particular to that division. Specific response measures are devised, and the necessary compliance education and training related to enacted and revised laws and regulations is conducted.
- (3) In the event that directors, corporate auditors or those responsible for compliance discover compliance-related problems, the problems are immediately reported to the Risk Management Committee Chairperson.
- (4) In order to gather information related to compliance, a Corporate Ethics and Human Rights Hotline has been set up in the CSR Department. The CSR Department investigates the details of reports, and discusses and decides on recurrence prevention measures in conjunction with the respective division. If it is determined that a director or directors are intimately involved or if there is a serious violation of laws or regulations, the problem is reported to the Risk Management Committee, the Board of Directors or the Board of Auditors, depending on the situation.
- (5) The Internal Audit Office has been established to audit various process- and work-related matters, identify as well as prevent misconduct, and improve work-related processes.
- (6) The Company's corporate auditors, CSR Department, Internal Audit Office, Consolidated Management Administration Department, and Legal Department routinely collaborate to identify any problems in the compliance system of the Daiwa House Group.
- (7) Disciplinary Guidelines are established to deal with conduct that violates laws and regulations or our Articles of Incorporation. These matters are handled fairly, based on the respective guidelines.

2

System to store and manage information related to the performance of their duties by the directors of the Company

From among its directors, one director is assigned responsibility for the storage and management of information related to the performance of their duties by directors and employees. The following system has been established.

- (1) Document Management Guidelines have been drawn up and published. Information that relates to director or employee performance of duties is appropriately recorded and stored in written documents or electronic media (hereafter, "documents, etc.").
- (2) Directors and corporate auditors may view these documents, etc. at any time.
- (3) Management of information is handled in accordance with guidelines related to information security and the Company's basic policy on the protection of personal information.

3

Crisis management system (for minimization of losses)

From among the Daiwa House Group directors, one director is assigned responsibility for risk management (the Risk Management Committee Chairperson) to orchestrate the risk management organization across the Daiwa House Group, defined as follows, and to take preventive measures against the materialization of risks.

- (1) Risk management for the Daiwa House Group is systematically prescribed in the Risk Management Guidelines.
- (2) Based on the Daiwa House Group Risk Management Guidelines, the Risk Management Committee Chairperson promptly relays the appropriate information in the event of a contingency corresponding to an assumed risk and organizes the emergency setup. (This includes the establishment of an emergency task force in the event of a large-scale accident, natural disaster or scandal.)
- (3) In addition, the Risk Management Committee has been established: the committee regularly checks the status of system development in (2) as well as makes improvements to the overall system by investigating specific cases.
- (4) The Risk Management Committee Administration Office has been set up within the Legal Department as the administrative division of the Risk Management Committee.

- (5) One staff member responsible for risk management is designated in each division, with the responsibility for continuously monitoring risks in his or her division. In addition, serious scandals or accidents occurring within the Daiwa House Group or at other companies are quickly made public, and the necessary education and training conducted.
- (6) In conjunction with the corporate auditors, the Internal Audit Office routinely monitors the status of risk management in each division.
- (7) Items related to risk management in (3) and (6) are regularly reported to the Board of Directors and Board of Auditors.
- (8) The Risk Information Hotline has been set up to enable employees who discover risks or potential risks at the Company to directly contact the Risk Management Committee.

4 System to ensure efficient performance of duties by directors

Through implementation of the following management system, the Daiwa House Group ensures the efficient performance of their duties by the Company's directors.

- (1) Companywide objectives shared among directors and employees are set out and made well known, and a medium-term management plan is formulated based on these objectives.
- (2) To execute the medium-term management plan, the Board of Directors establishes performance objectives and budgets for each business division each term, based on the plan. In principle, the respective priority levels of R&D, investment in facilities and new businesses are determined on the basis of the estimated degree of contribution to achieving the objectives of the medium-term management plan. At the same time, human resources are efficiently allocated to each business division.
- (3) Directors determine the organization to realize efficient performance of duties, including specific measures to be implemented by respective divisions and the division of authority.
- (4) Actively utilizing IT, performance is quickly turned into management accounting data on a monthly basis and reported to the respective director as well as the Board of Directors.
- (5) The Board of Directors assesses results on a monthly basis. The respective director analyzes the factors that resulted in objectives not being attained, and must report on improvement measures designed to reduce and/or eliminate these factors, revising the objectives as necessary.
- (6) On the basis of the results of the analysis carried out in (5), the director makes improvements to the system or procedures to facilitate the efficient performance of duties, including specific measures to be implemented by the respective division and the division of authority.

5 System to ensure fair business practices by the corporate group (Group companies)

From among the directors, one director is assigned responsibility for ensuring that the business practices of the Daiwa House Group are fair. The following system has been established.

- (1) In conjunction with Group companies, related divisions of the Company implement measures to enhance the effectiveness of internal controls at Group companies as well as to give instructions and assistance to Group companies as necessary.
- (2) In conjunction with Group companies, related divisions of the Company ascertain the status of internal controls at Group companies and give instructions to make improvements as necessary.
- (3) The Internal Audit Office conducts internal audits of Group companies.
- (4) The staff member holding overall responsibility reports to the Board of Directors on the status of internal controls at the respective Group company on an as-needed basis.

6 System for the management of employees requested to assist the corporate auditors, and items related to the independence of the said employees from the Company's directors

We have put in place the following systems for employees assigned to assist corporate auditors.

- (1) The Auditors Office has been set up to serve as a department to assist the corporate auditors. Employees are exclusively assigned to it at the request of corporate auditors.
- (2) The Board of Auditors receives a report in advance from the director in charge of human resources regarding transfers of personnel to the Auditors Office. Accompanied by appropriate reasons, the Board of Auditors can also make requests to the director in charge of human resources for personnel changes on an as-needed basis.
- (3) In the case of disciplinary action against an employee or employees assigned to assist the auditors, the director in charge of human resources must obtain the approval of the Board of Auditors in advance.

7

System for the Board of Directors and employees to report to the Board of Auditors and other related systems

1) The Board of Directors reports the following prescribed items to the Board of Auditors.

- (1) Items that may result in significant losses to the Company
- (2) Important items related to monthly management status
- (3) Important items related to status of internal audits and risk management
- (4) Serious violations of laws, regulations and the Articles of Incorporation
- (5) Status and details of Corporate Ethics and Human Rights Hotline and Risk Information Hotline reports
- (6) Other important items related to compliance

2) In the event that an employee discovers incidents related to the aforementioned (1) and (4), the employee may report directly to the corporate auditors.

8

Additional system to ensure effective audits by corporate auditors

The Company has established the following system to ensure that the corporate auditors can conduct audits effectively.

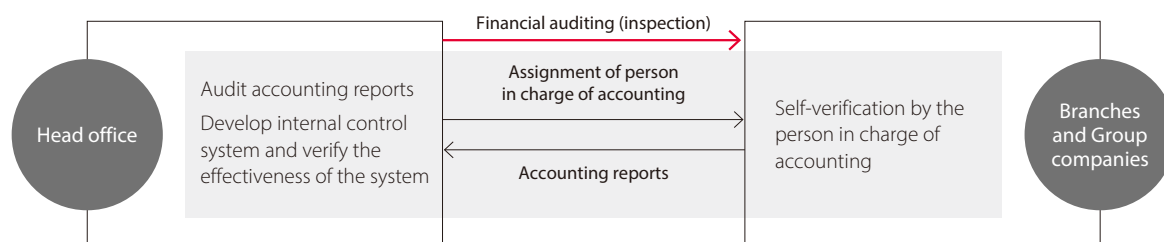
- (1) In the case of a request for an interview by a corporate auditor, directors and employees must comply.
- (2) Corporate auditors receive reports on the status of implementation of internal audits, and may request additional audits, formulation of improvement measures or other matters as necessary.
- (3) Corporate auditors attend important meetings, including those of the Board of Directors, the Risk Management Committee and other management meetings, and may request explanations and the presentation of relevant materials as necessary.
- (4) The Board of Auditors and corporate auditors may exchange views with representative directors and auditing firms at any time.
- (5) The Board of Auditors may hire specialist lawyers and accountants as necessary to receive advice related to auditing duties.

Internal controls in relation to financial reporting

To conform to the standards relating to the evaluation and auditing of internal controls on financial reporting as laid down in the Financial Instruments and Exchange Law (J-SOX), we have set up and are operating an internal control system, centered on the J-SOX Department, employing generally accepted evaluation standards. Regarding the evaluation of internal controls, the Companywide internal control system and its operation are evaluated, and after analyzing particular relevant business processes, key points in the control system are identified that could exert a significant effect on the reliability of financial reporting, and the functioning of these key points is evaluated with respect to the basic elements of internal control. The scope of evaluation covers important items that may affect the reliability of financial reporting at the parent company, consolidated subsidiaries, and affiliates accounted for by the equity method. Regarding the scope of evaluation of business processes, evaluation is conducted on business processes relating to such account titles as Sales, Accounts receivable from complete construction contracts, and Inventory assets, all of which are closely tied to the achievement of the Group's business objectives, at important business premises. As an indicator, this method covers two-thirds of consolidated sales.

In fiscal 2013 we carried out an internal control inspection of 17 Group companies, and extended the use of the DG-CORE computer system, which had been used since 2011 at the parent company for personnel and accounting functions, to other Group members. This computer system will be introduced at the remaining Group members in a phased manner over the next few years, so as to unify and centralize the Group's accounting processes and thereby leverage information technology to help establish Groupwide internal control more firmly. We also plan to appoint and assign computer system auditors to all Group companies, both to further consolidate the Group's organizational system and to allow the possible online auditing of Group companies by the J-SOX Department, thus enabling more effective monitoring.

Accounting process (summary)



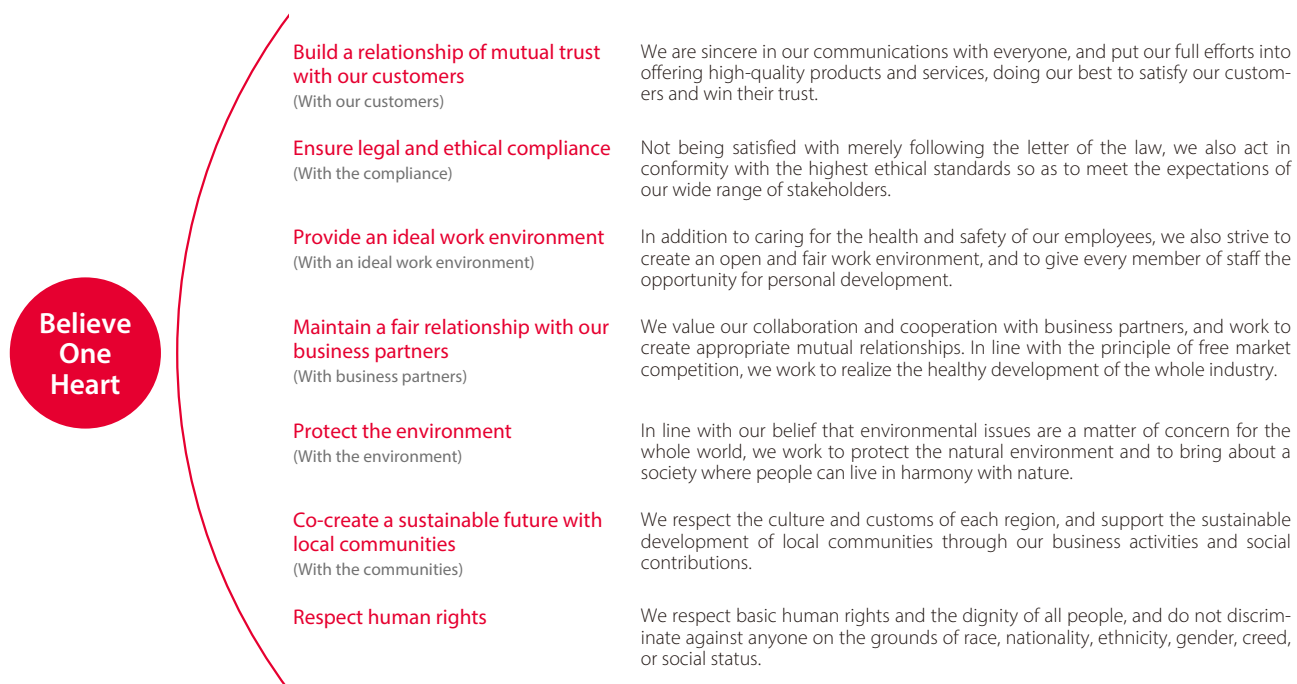
Principles of Corporate Ethics and Code of Conduct

In April 2004 the Daiwa House Group formulated its Code of Ethics and Behavioral Guidelines, which formed the basis for realization of the Group's corporate philosophy and principles. In the same year we created the Daiwa House Group Casebook, an educational booklet that contained details about our Code of Ethics, Behavioral Guidelines, Case Studies, and Corporate Ethics Hotline, and distributed it to all Group employees. This booklet is revised every two years, and with the second edition in 2006 we began to include a pledge that all employees are required to sign, to the effect that they will carry out their duties in accordance with the Code of Ethics. In 2014 we changed the name of the Code of Ethics and Behavioral Guidelines to "Principles of Corporate Ethics and Code of Conduct" in order to clarify our message to all employees that they are required to adhere to our corporate philosophy and act in accordance with our motto: "co-creating a brighter future." And so that all employees may share a common understanding with regard to such matters and be able to act on a day-to-day basis in line with this understanding, we issued a revised sixth edition of the Casebook. Employees read through selected sections of the Casebook at morning meetings in the workplace, and on other suitable occasions.

Internal reporting system

The Daiwa House Group operates the Corporate Ethics and Human Rights Helpline, an internal reporting system accessible to all employees, including part-time and temporary staff, and we have devised and promulgated a set of regulations to protect those who use the system. In fiscal 2013 we received a total of 181 inquiries and reports, mainly related to working environment problems. We also operate the Partners' Hotline, which allows business partners of the Group to report any issues regarding their dealings with us. This helps us rapidly identify and resolve any potential violations of the law in relationships between our employees and our business partners, and enhances our ability to eradicate issues internally before they become more serious. In fiscal 2013 we received 15 inquiries over this hotline, including with regard to possible violations of our Code of Conduct. We conduct continuous improvement activities in response to the reports received over this hotline. We not only use the system to solve problems, but also conduct ongoing employees education aimed at helping us maintain an appropriate relationship with all our business partners and at making the existence and significance of the Partners' Hotline more widely known.

Daiwa House Group Principles of Corporate Ethics



Risk Management

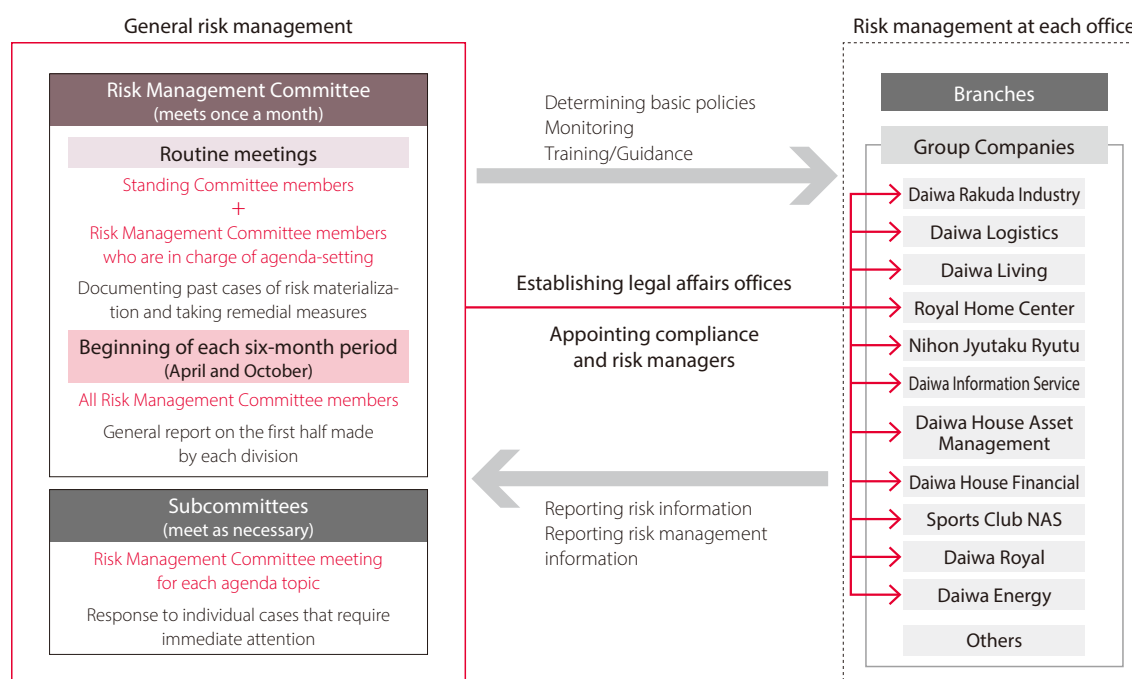
Risk management

On the basis of the Daiwa House Group Risk Management Guidelines, the Risk Management Committee, chaired by the head of Management Administration, is positioned as the controlling body for risk management activities across the entire Group. The Committee works to maintain and enhance the Group's risk management system, prevent the materialization of risks, document past cases of risk materialization, devise specific countermeasures, and improve the risk situation in problem areas during operations. The Risk Management Committee meets once a month. Lively discussion at Committee meetings is ensured by limiting members to standing members, comprising core members who participate in 10 out of 12 meetings per year, as well as members in charge of agenda-setting. Risk management is being reinforced to meet whatever needs may arise through measures such as establishing subcommittees as necessary for individual cases that require immediate attention. We have also reinforced risk management activities at Group companies by positioning risk management evaluation as a performance evaluation category. Items evaluated include measures implemented by each company's risk management

committee, operation of a risk management system including progress management of individual risk cases and preventive risk management measures, implementation of staff training courses in compliance, and real-time reporting of cases of risk materialization.

In fiscal 2011 we partially revised the operational procedures of our Risk Management Committee to reinforce its role as the controlling body for risk management issues. Specifically, the Risk Management Committee Secretariat is responsible for handling reports into risk incidents. It now requests reports on investigations and responses for each incident and then submits details to the committee at the next monthly meeting. In fiscal 2012 we commenced risk management activities at each of the operating divisions of the Company. Specifically, every year, each operating division selects the top-priority candidate case for risk mitigation action and focuses efforts on that issue. From here onward, we intend to strengthen our risk management by carefully examining the results of such risk-mitigation initiatives and incorporating our findings in concrete form in the list of tasks for the following year.

An overview of the system linking risk management departments (As of April 1, 2014)



Collecting and responding to risk information

Risk information relating to accidents, incidents and major problems arising at the Group is reported to the Risk Management Committee Secretariat (within the Legal Department) by each department and Group company. In fiscal 2009 we introduced a standardized format for such reports: this has increased the number of reports and improved their immediacy. Based on the results of appraisal of the collected risk information, the Secretariat sets risk management targets for the Group, gives its support in risk management activities and monitors progress. When major risk incidents occur, the Secretariat minimizes the extent of losses and prevents secondary losses by reporting promptly to the Risk Management Committee chairman and providing appraisals and instructions, and by deciding on emergency measures after analyzing incident causes and notifying departments and Group companies. In addition, we have established a system whereby all risk-related information from departments and Group companies involved in business operations overseas is reported to the Risk Management Committee Secretariat, which serves as the central body for management and collation of such information.

Employee training and development

At the Daiwa House Group, we organize training programs for all members of the Group to ensure that all employees, from new hires through middle-management positions to executives, are fully aware of the importance and significance of risk management and compliance. Separate courses are conducted for each employee rank, as well as dedicated training courses for different employee specializations and divisions. In fiscal 2013 we held 170 training sessions attended by a total of 8,468 employees. Subjects covered included cases of risk materialization and violations of the law or industry regulations, etc., taken both from inside and outside the Group. In this way, we make clear to our employees the seriousness of the implications to a company of non-compliance and of failure to prevent or mitigate the materialization of risks, and also the potential impact on society as a whole. The Daiwa House Group will continue working to raise awareness of risk management and compliance issues among its executives and all other employees.

Risk information trends

In fiscal 2013, there were a total of 338 risk incidents at the Company's business bases and Group companies (209 cases at the Company and 129 at Group companies). As a result of analysis and appraisal of each case, we were able to identify as primary risk areas facing the Company compliance risk, product risk, risk of natural disasters and accidents, procurement risk, and environmental risk.

We seek to build a more effective risk management system through the establishment of risk management policies and other measures.

Category*	Some major cases of risk
Compliance risk	Deviation from working standards, violation of law, employee misconduct, etc.
Product risk	Product defects, defective work/design, etc.
Risk of natural disasters and accidents	Natural disasters (earthquakes, flooding), criminal cases such as theft and violence
Procurement risk	Defective parts, raw material flaws (resulting from supplier errors)
Environmental risk	Environmental pollution, soil contamination, health impairment, etc.

* Major risk categories.

Quality assurance initiatives

We created a Quality Assurance Department in the Customer Satisfaction (CS) Division in 2007 to pass on customer feedback to all departments and places of business and step up improvements to quality and operation procedures. The Quality Assurance Department is responsible for quality control management at all stages of the product lifecycle — from design and development right through production and construction to after-sale services — as part of our overall efforts to enhance customer satisfaction. Below is a list of our main quality assurance initiatives:

1. Design and development inspections

Our Central Research Laboratory looks at quality assurance issues from a number of angles during the product development phase. To further ensure evaluation of issues from an objective standpoint, the Quality Assurance Department also screens the laboratory's findings and examines product design and development processes.

2. Procurement specification inspections

Standard parts and materials procured from suppliers are used in our products only after undergoing performance and specification checks. Quality management systems at suppliers are also verified.

3. Technician training

We place priority on education and training in worksite operations. Only employees who have passed our technical training courses are allowed to carry out particularly important work.

4. Inspections and building work supervision

Members of the Quality Assurance Department supervise building work, supplementing self-inspections carried out by technical staff employed by construction contractors, and by construction project managers.

5. Quality Improvement Committee meetings

Individual departments and places of business such as factories hold quality management meetings, and the head office convenes meetings of the Quality Improvement Committee to rapidly resolve any quality issues that owners may have and implement improvements.

6. Compliance and risk assessments

The Quality Assurance Department provides guidance to individual departments and places of business regarding safety, quality, cost, processes, ethical issues, and industrial waste disposal during the design and construction phases.

Preventing accidents at worksites

We formulate health and safety plans for all our places of business throughout Japan in accordance with our basic health and safety promotion policy, which we update each year. These plans include targets aimed at reducing worksite health and safety risks, and continuous steps are taken to improve worksite health and safety in line with monthly action plans. In spite of our efforts, however, a number of serious accidents occurred at our worksites in fiscal 2013, including accidents involving heavy machinery or workers falling from scaffolding. After examination and serious reflection, we have concluded that our efforts to ensure that all the essential little things are done properly at all times have been insufficient, and on this basis we have drawn up new safety targets for fiscal 2014.

Priority tasks to be implemented as early as possible in fiscal 2014 include: further training to prevent heavy machinery accidents and the institution of patrols at building sites where such machinery is operated; and, further training for staff responsible for checking the safety of scaffolding as well training in ways of preventing heat stroke. We will also conduct a PDCA improvement process based on our Safety & Health Management Plan, will focus on thoroughly investigating the cause of each accident, and will conduct continuous improvement activity to prevent any recurrence.

Fiscal 2014 Safety Targets

1. Zero deaths
2. Zero injuries or fatalities involving third parties
3. Zero accidents involving heavy machinery
4. 50% reduction in falls from scaffolding at worksites requiring recuperation for 4 or more days
5. Zero cases of heat stroke requiring recuperation for 4 or more days

Business Continuity Management (BCM)*

To fulfill its corporate social responsibility to all its stakeholders, as part of its risk management activities the Daiwa House Group has developed a business continuity plan (BCP) to minimize damage to the Group in the event of a major disaster or other emergency leading to significant damage. In fiscal 2008 we established the Group BCM Committee, comprising members from 14 Group companies, to act as the central body the direction of business continuity management activities throughout the Group. Then, in the wake of the Great East Japan Earthquake in March 2011, we conducted inspections at all ten of our factories in Japan to confirm that all reasonable measures had been taken to minimize damage from such natural disasters. As a result of these inspections, work is currently proceeding on rebuilding work where required. From fiscal 2014 onward we will be strengthening our intra-Group liaison system to ensure that we can cope effectively with major emergencies.

* BCM (Business Continuity Management): A management system that drafts, operates and reviews the plan (Business Continuity Plan) that stipulates what actions need to be taken in the event of an emergency in order to sustain core operations or allow early recovery while minimizing damage to business assets when the Company faces an emergency situation such as a natural disaster, major fire or a terrorist attack.

Major activities (Daiwa House Industry)

Fiscal 2012 and 2013

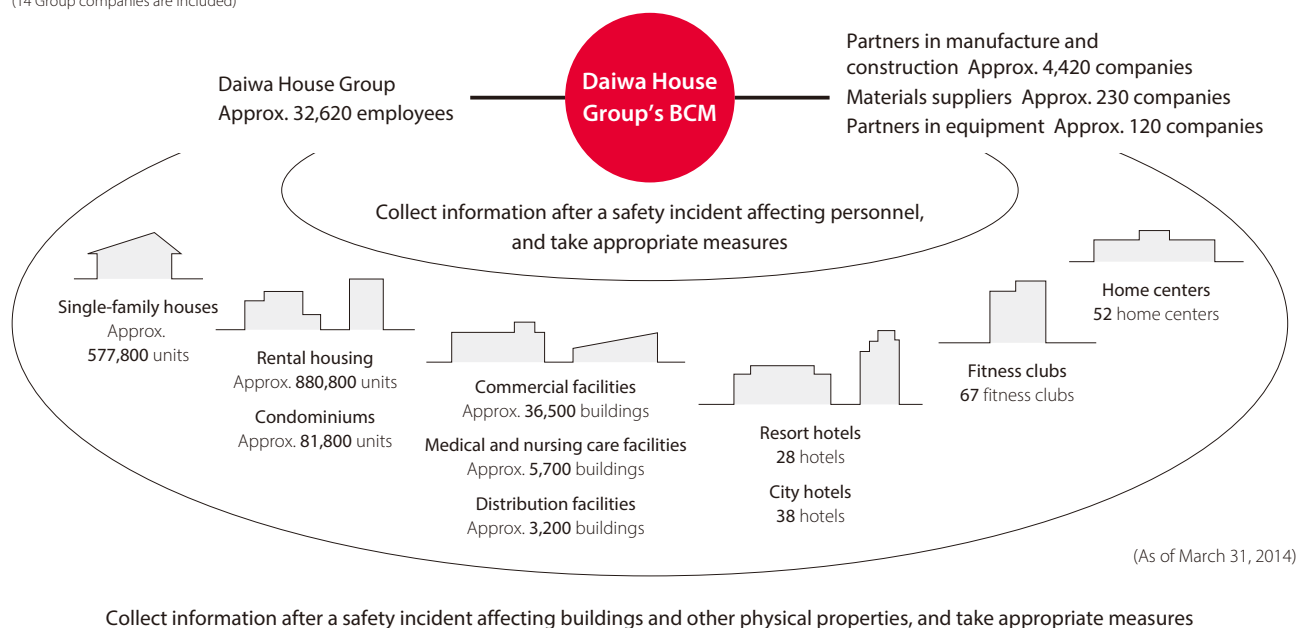
- Concentrated stock piling of disaster-response equipment at Okayama Factory
- Rebuilt factory buildings for improved resistance to earthquakes, floods and other natural disasters (work ongoing)

Fiscal 2014 and beyond

- Developed response plans for disasters that cause secondary and wide-area damage
- Increased stockpiling of disaster-response equipment (concentrate stockpiling at factories, increase items useful for members of the public struggling to return home and for customers)
- Conducted disaster-response training (initial disaster-response drill, etc.)
- Established satellite phone emergency-contact system for use in event of a disaster
- Strengthened disaster response and mitigation measures in the Kanto area
- Created a BCP system based on closer cooperation with Group companies

Outline of Daiwa House Group's BCM

(14 Group companies are included)



Business risks

There are risks associated with the businesses of the Daiwa House Group that may possibly have a material impact on the decisions of investors as indicated below. The future risks described herein are those that had been identified as of March 31, 2014.

1. Risks associated with legal regulations

The Daiwa House Group pursues a wide range of business operations in the Japanese and overseas markets, principally in construction and the real estate business, and the Group's operations are consequently subject to numerous laws and regulations. In Japan they are subject to the application of the Companies Act, the Financial Instruments and Exchange Law, and various laws relating to the construction and real estate sectors as well as protection of the natural environment, and laws specifically regulating particular industries. Overseas, the Group is subject to the application of the laws and regulations of the countries and regions in which it operates. We conduct thorough training to ensure compliance with respect to such laws and regulations on the part of our executives and other employees. However, in the event that these efforts prove insufficient, such that a violation of an applicable law occurs, there is a possibility that the Group may be subject to penalties or other sanctions and may suffer damage to its credibility or image among society at large, thereby exerting a negative impact on its business performance. Regarding cases in which it is mandatory to appoint and/or assign persons licensed to practice — in particular under the Construction Industry Act, and the Building Lots and Building Transaction Business Act — while the Group is directing its efforts toward the hiring and training of such persons to enable the conduct of business operations in full compliance with the law, in the event that it proves impossible to secure the employment of sufficient numbers of such personnel, the Group's business performance may suffer a negative impact. In addition, the enactment of new legislation or the amendment and/or abolition of existing laws or regulations, whether in Japan or in overseas markets, could change the Group's business situation such that its business performance suffers a negative impact.

2. Risks associated with the leakage of confidential personal information and other sensitive information

The Group is not only in possession of personal information relating to a large number of individuals who are our customers, it is also in possession of a large amount of confidential corporate information relating to the Group itself. Each member company in the Group has laid down its own policies and specific procedures for the management of such information, and the Group is constantly working to upgrade its information security level through training courses for executives and other employees, and by ensuring that all staff are fully aware of the importance of properly managing information. Despite these efforts, there is a possibility that important information may be leaked to persons outside the Group. In such an event, the Group would suffer damage to its reputation for trustworthiness among the general public, may suffer considerable financial losses in the form of the costs of remedial action, and may suffer damage to its business performance as a result of the tarnishing of its brand image.

3. Risks associated with competitive activities

The Daiwa House Group engages in business operations in a variety of fields, notably construction and real estate, and is in competition with other companies in all these fields. Consequently, there is a possibility that the Group may fail to demonstrate an advantage over such competitors in respect of product or service quality, or the effectiveness of its marketing activities, and that its business performance may thereby be negatively impacted.

4. Risks associated with operational strategies and internal reorganizations

In pursuit of its business strategies, the Daiwa House Group engages when deemed necessary in the acquisition of other companies or the purchase of specific business operations from other companies, and carries out reorganizations of its own internal business structure. There is, however, the possibility that such acquisitions of companies or business operations, and such internal reorganizations, may not proceed as projected, and that the synergy between Group companies may not lead to the hoped-for business results. In such an event, the Group may fail to achieve the level of profits envisaged in its business strategy, and its business performance may consequently be negatively impacted.

5. Risks associated with overseas business operations

The Daiwa House Group is engaged in overseas business operations, primarily in China, and its business is therefore subject to risks arising from a variety of possible events, including: a sudden upturn in inflation or a sharp change in the exchange rate of the yen; the occurrence of riots, civil insurrection, war, or litigation risk resulting from uncertainty arising from political and economic circumstances; delay or suspension in the execution of business, the collection of proceeds, or restrictions on money transfers due to a deterioration in diplomatic relations between Japan and other countries or legal constraints; or the risk of a sharp decline in demand for the purchase of real estate as a result of changes in the legal framework, such as the passage of legislation to restrain transactions in the real estate market. In the event of the materialization of any of these risks, the business performance of the Group may be adversely affected.

6. Risks associated with dependence on subcontractors or outsourced service providers

In addition to those products manufactured, buildings constructed, and services provided directly by the Group's executives and other employees, the Group also places orders for the provision to its customers of such products and services with subcontractors or outsourced service providers that possess particular technological expertise. Consequently, in the contingent event that such subcontractors or service providers should be unable to continue in operation owing to unforeseeable downturns in business performance or the occurrence of an accident or accidents, this may lead to delays in the Group's ability to provide certain products or services, and it may be faced with claims from customers for compensation for loss or damage. Such an eventuality could adversely affect the Group's business performance.

7. Risks associated with workplace safety and environmental protection

The Group places a high priority on both safety and consideration for the natural environment in the course of conduct of business operations in its manufacturing plants, as well as at construction sites, and therefore takes appropriate measures to realize workplace safety and environmental protection. In spite of these measures, however, there is a possibility that accidents at construction sites and/or incidents of pollution may occur. Such accidents or incidents could have an adverse effect on the business performance of the Group, as a result of harm to personnel and/or material damage, such as in the form of pollution of the environment.

8. Risks associated with natural disasters

The Daiwa House Group owns and operates offices, factories, research and development centers and other facilities, both in Japan and overseas. In the event of a large-scale natural disaster such as an earthquake, typhoon, tsunami, or volcanic eruption, employees of the Group may suffer injury or loss of life, while material damage may be directly caused to the Group's facilities and equipment. In addition, indirect financial damage may be suffered as a result of the disruption or severing of information systems and telecommunications networks, as well as distribution lines and supply chains. Such an event would lead to expenses for the repair and reconstruction of damaged facilities and the posting of losses due to the suspension of business activities, as well as expenses involved in inspecting the damage to customers' properties and effecting emergency repairs, and expenditures on activities in support of the community. Such expenses could negatively impact the Group's business performance.

9. Risks associated with a rise in interest rates

A rise in interest rates, either as a result of an across-the-board rise in market interest rates or of the downgrading of the Group's credit rating, would lead to higher material procurement costs, which could have an adverse effect on the Group's business performance. Moreover, a rise in market interest rates would make it more expensive for prospective buyers to purchase land or buildings by taking out loans, which could lead to a decline in demand and thus have an adverse effect on the Group's business performance.

10. Risks associated with declines in the value of assets, including real estate

The Daiwa House Group is engaged in the acquisition, development, and sale of real estate assets in the Japanese and overseas markets, and consequently, a deterioration in the real estate market, leading to a fall in land prices and lower rent values, could adversely affect the Group's business performance. Moreover, in such an event, the Group may be forced to write down the value of its real estate holdings. The Group may also be forced to write down the value of assets other than its real estate holdings, such as inventories other than real estate, property, plant and equipment, goodwill and other forms of intangible assets, and investments and other assets such as investment securities. This could adversely affect the Group's business performance.

11. Risks associated with rises in the prices of raw materials, construction materials, labor costs, etc.

Rises in the market prices of raw materials, construction materials, labor costs and so on would cause increases in the Group's purchase prices and construction costs, and in the event that the Group is unable to pass on the said increases to its customers by raising its selling prices, this could exert a negative impact on the Group's business performance.

12. Risks associated with vacancies in real estate properties for rent, and with declines in rent levels

Increased competition for the acquisition of tenants could make it impossible to acquire tenants or to set rent levels as planned. Thus, in the event that existing tenants leave, the premises for rent could remain unoccupied for a considerable period of time before new tenants move in, causing a sharp deterioration in the utilization rate of the Group's real estate assets. Such a situation could oblige the Group to lower its rent levels in order to attract new tenants, and this could have an adverse effect on the Group's business performance.

13. Risks associated with retirement allowance expenses

In the event of a future downturn in the stock market or other financial markets, the value of the Group's pension plan assets may decline, leading to actuarial differences resulting from a revision of the Group's retirement benefit obligations, and thus causing a rise in pension-related expenses. This may also necessitate an additional accumulation of pension assets, which could have an adverse effect on the Group's business performance.

14. Risks associated with real estate development operations

The Group engages in real estate development operations that involve considerable expense and require long time-frames for completion of individual projects. There is, consequently, a risk that, for various reasons, expenses may arise during the course of a project that push total costs beyond the original estimates, resulting in delays to the project or forcing its abandonment. Such an eventuality may have an adverse effect on the Group's business performance.

15. Risks associated with changes in government policies and taxation systems relating to housing

There is a risk that demand for housing may decline due to termination of or changes in government programs designed to stimulate housing demand, such as preferential interest rates on mortgage loans or subsidies for the installation of photovoltaic power generation systems. Such a decline would adversely impact the Group's housing-related businesses. In addition, increases in the rates of various taxes, such as the consumption tax, leading to higher tax payment burdens for potential customers, would be likely to cause a decrease in demand for single-family houses and other forms of housing, thereby adversely impacting the Group's business performance.

16. Risks associated with product quality guarantees

In its residential businesses, the Daiwa House Group is committed to offering a long-term guarantee system to ensure a higher level of customer satisfaction, and to maintaining effective quality management. During a long period of support, however, an unforeseeable major issue relating to quality may arise, adversely impacting the business performance of the Group.

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Financial Overview

Consolidated Seven-Year Summary

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2008 to 2014

(Millions of Yen)

	2014	2013	2012	2011	2010	2009	2008
Net sales	¥2,700,318	¥2,007,989	¥1,848,797	¥1,690,151	¥1,609,884	¥1,690,956	¥1,709,254
Cost of sales	2,192,415	1,592,218	1,468,844	1,352,937	1,303,881	1,357,821	1,360,348
Selling, general and administrative expenses	344,326	287,747	264,997	249,516	243,289	259,555	259,785
Operating income	163,577	128,024	114,956	87,698	62,714	73,580	89,121
Operating income margin (%)	6.1	6.4	6.2	5.2	3.9	4.4	5.2
Income before income taxes and minority interests	168,510	113,263	93,022	40,713	38,069	13,721	24,862
Net income	102,096	66,274	33,200	27,268	19,113	4,170	13,080
Total assets	2,665,947	2,371,238	2,086,097	1,934,236	1,916,928	1,810,573	1,791,052
Equity	992,687	734,884	657,891	635,186	617,770	607,428	649,441
Property, plant and equipment	943,887	802,634	748,549	760,124	778,610	728,953	642,816
Capital investments	217,359	121,384	103,605	93,875	99,786	160,601	103,856
Depreciation	48,534	45,837	43,791	44,614	43,917	39,318	35,622
Net cash provided by (used in) operating activities	78,452	164,247	248,772	127,957	133,315	109,811	(15,738)
Net cash used in investing activities	(240,439)	(140,737)	(117,226)	(83,595)	(138,237)	(199,679)	(123,297)
Net cash provided by (used in) financing activities	110,132	(28,634)	(28,767)	(77,834)	79,269	96,503	135,797
Issued and outstanding shares (thousands of shares)	660,421	599,921	578,716	578,807	579,092	579,171	579,256
Stock prices at the end of term (in yen)	1,751	1,820	1,094	1,022	1,055	792	987
Per share of common stock (in yen):							
Basic net income	161.08	114.52	57.36	47.09	33.00	7.20	22.46
Equity	1,496.72	1,267.77	1,135.46	1,095.62	1,065.15	1,047.50	1,092.04
Price earnings ratio (PER) (times)	10.87	15.89	19.07	21.70	31.97	110.01	43.94
Price to book value ratio (PBR) (times)	1.17	1.44	0.96	0.93	0.99	0.76	0.90
Return on equity (ROE) (%)	11.9	9.5	5.1	4.4	3.1	0.7	2.0
Equity to total assets (%)	37.0	30.9	31.5	32.8	32.2	33.5	35.3
Current ratio (%)	127.2	136.8	133.7	174.8	197.0	177.4	157.3
Fixed ratio (%)	161.2	189.4	188.9	197.3	200.4	189.2	158.5
Number of employees*	32,628	30,361	27,130	26,310	26,542	23,985	23,421
Consolidated to non-consolidated net sales ratio (times)	1.89	1.62	1.66	1.60	1.56	1.47	1.48
Consolidated to non-consolidated net income ratio (times)	1.26	1.35	1.84	2.14	1.47	0.75	1.76

* Regular employees only.

Performance Indicators of Major Companies

(Millions of Yen)

Company name (Voting rights)	Capital		Net sales	Operating income	Net income	Total assets	Equity	Interest- bearing debt ^{*4}
Daiwa House Industry	¥161,699	2013	¥1,238,811	¥ 80,274	¥48,951	¥1,634,125	¥609,017	¥298,000
		2014	1,429,886	104,030	80,881	1,798,798	820,684	298,000
Daiwa Living ^{*1} (100%)	¥100	2013	55,068	8,550	5,156	63,236	17,595	—
		2014	63,475	10,672	6,653	71,377	22,700	—
Daiwa Living Management (100%)	¥100	2013	225,365	2,450	1,491	54,777	11,625	1,133
		2014	269,459	763	1,989	48,652	11,602	—
Nihon Jyutaku Ryutu (100%)	¥730	2013	25,110	852	160	14,725	3,599	1,591
		2014	28,940	1,386	524	15,095	4,076	200
Daiwa LifeNext (100%)	¥520	2013	35,864	2,776	1,711	15,760	9,552	—
		2014	38,517	2,909	1,751	18,039	10,767	—
Daiwa Service (100%)	¥130	2013	23,258	1,194	841	14,122	7,527	450
		2014	25,585	1,054	1,079	14,313	8,247	—
Daiwa House Reform ^{*2} (100%)	¥30	2014	71,658	7,343	4,278	24,059	4,678	—
		2013	154,987	11,304	6,037	328,103	117,856	34,000
Daiwa Lease (100%)	¥21,768	2014	162,695	10,308	6,111	334,597	122,184	34,500
		2013	39,974	3,813	2,022	81,658	11,126	—
Daiwa Information Service (100%)	¥200	2014	43,766	4,303	2,353	100,149	12,872	4,760
		2013	51,435	5,164	2,818	109,526	12,957	15,270
Daiwa Royal (100%)	¥500	2014	56,503	6,634	3,643	125,045	15,755	19,770
		2013	51,435	5,164	2,818	109,526	12,957	15,270
Fujita ^{*3} (100%)	¥14,002	2014	264,522	3,710	2,501	164,014	21,967	—
		2013	44,547	1,264	818	38,869	21,833	—
Daiwa Rakuda Industry (100%)	¥450	2014	50,555	1,756	1,328	41,781	22,930	—
		2013	45,372	1,976	877	42,609	18,329	7,137
Daiwa Logistics (100%)	¥3,764	2014	51,115	2,000	1,266	47,894	19,313	7,490
		2013	67,984	1,033	509	55,046	34,419	10,000
Royal Home Center (100%)	¥100	2014	73,527	1,488	480	56,853	34,746	10,000
		2013	44,727	85	(1,761)	48,807	1,463	—
Daiwa Resort (100%)	¥10,084	2014	45,594	437	794	48,250	2,259	—
		2013	44,727	85	(1,761)	48,807	1,463	—

*1 In April 2012, the subleasing business of Daiwa Living was transferred to Daiwa Living Management under an absorption-type split arrangement.

*2 In April 2013, the renovation business of Daiwa House Industry was transferred to Daiwa House Reform.

*3 Fujita became a consolidated subsidiary in January 2013.

*4 Excluding lease obligations.

Management's Discussion and Analysis

Results 2014

Group outline

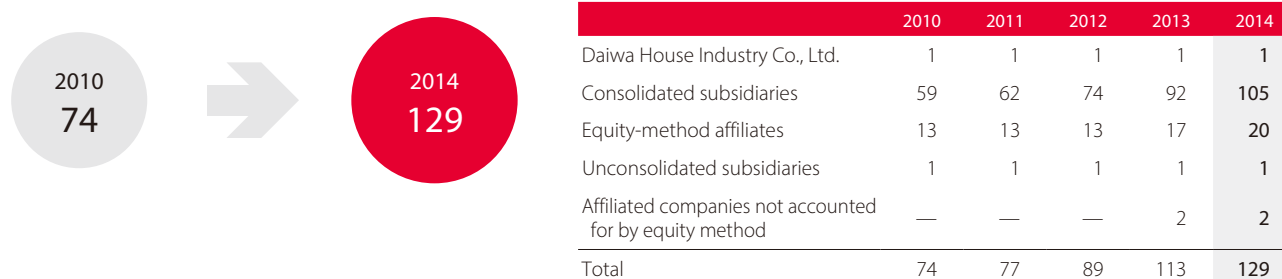
As of the fiscal 2013 year-end (March 31, 2014), the Daiwa House Group comprised Daiwa House Industry, 105 consolidated subsidiaries (a net increase of 13 from the previous fiscal year-end), 20 equity-method affiliates (a net increase of 3), and one unconsolidated subsidiary (unchanged), 2 affiliated companies not accounted for by equity method (unchanged), for a total of 129 companies.

Summary of business operations

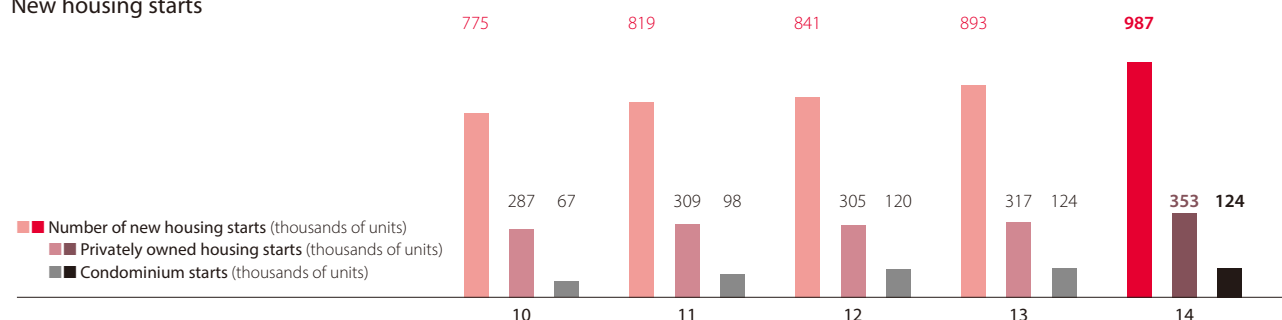
Looking back at the Japanese economy during fiscal 2013, the most notable development was a continued gradual recovery trend. This trend centered on domestic demand and was driven mainly by the success of the Abe government's stimulus measures — the so-called Abenomics — as well as demand related to the reconstruction of the regions devastated by the Great East Japan Earthquake of 2011, in addition to rush demand ahead of the raising of the consumption tax rate on April 1. On the other hand, the economy's prospects remain unclear in view of such causes for concern as the dampening effect on exports of increasing production by Japanese enterprises overseas, and the reactionary fallback in consumer spending following the consumption tax rate hike.

Turning to the housing and real estate sectors, new housing construction starts maintained an overall increase on a year-on-year basis for 18 consecutive months from September 2012 to February 2014, as a result of a recovery in consumer sentiment on the back of improving business confidence, as well as anticipated future increases in interest rates and the rush to spend ahead of the scheduled raising of the consumption tax rate on April 1. Now, however, the effects of the fallback in

Group companies



New housing starts



consumer spending in reaction to the pre-tax-hike rush buying are gradually making themselves felt, and the outlook remains highly uncertain.

Against this background, to lay the groundwork for further growth and development in the future, the Daiwa House Group drew up a growth strategy covering the three-year period starting in fiscal 2013, and on the basis of this commenced its Fourth Medium-Term Management Plan under the name "3G & 3S" for the Next Step. Under the previous plan — the Third Medium-Term Management Plan: "3Gs For New Growth" — the "3Gs" in question referred to the initial letters in the words Group (increasing market share through growth of the entire Group), Global (accelerating global development), and Great (improving our management foundation to become a truly excellent company), and our challenges were focused on these goals. Under the Fourth Medium-Term Management Plan, we have added to these 3Gs the 3Ss — Speed, Safety, and Sustainability, which we believe will form the basis for implementation of the 3G strategy. By this means, we are confident that we can ensure the Group's future growth.

Total planned investments by the Group over the three-year plan period will amount to ¥650.0 billion, which breaks down to investments of ¥400.0 billion in real estate development, ¥50.0 billion on overseas operations, ¥50.0 billion on M&As, and ¥150.0 billion on plant and equipment. Our policy will be to focus investment funds on the real estate development field, particularly the three areas of rental housing, commercial facilities, and business and corporate facilities. To construct a stable financial platform, we have raised a total of ¥138,228 million through new share issuance by public subscription, disposal of treasury shares, and the issuance of new shares through private placement (third-party allotment).

Additionally, in June 2013 two new companies were made into consolidated subsidiaries — Cosmos Initia to strengthen the Group's condominium business, and Daiyoshi Trust to pave the way for full-scale entry into the parking business.

As a result, we recorded net sales for fiscal 2013 of ¥2,700.3 billion (US\$26,217 million), a year-on-year increase of 34.5%, and operating income of ¥163.6 billion (US\$1,588 million), up 27.8% year on year.

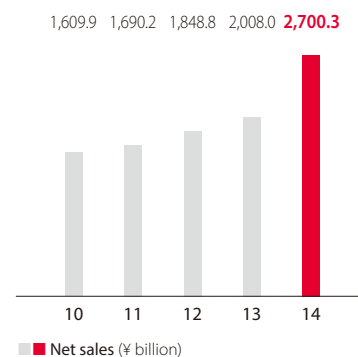
Summary of income statement

	(Billions of Yen)		
	2013	2014	YoY change
Net sales	2,008.0	2,700.3	692.3
Cost of sales	1,592.2	2,192.4	600.2
Gross profit	415.8	507.9	92.1
Selling, general and administrative expenses	287.7	344.3	56.6
Operating income	128.0	163.6	35.6
Income before income taxes and minority interests	113.3	168.5	55.2
Net income	66.3	102.1	35.8

Net sales

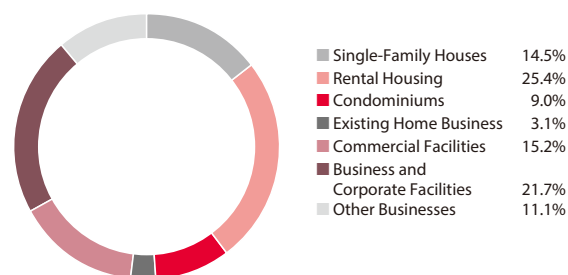
Net sales for the fiscal year under review rose by 34.5% compared with the previous fiscal year, to ¥2,700.3 billion (US\$26,217 million). This is mainly attributable to the contribution made by increased sales of Fujita's business facility operations, increased sales of Daiwa Living's rental housing business, and the addition to the Group's accounts of sales of the condominium business operated by Cosmos Initia.

Net sales



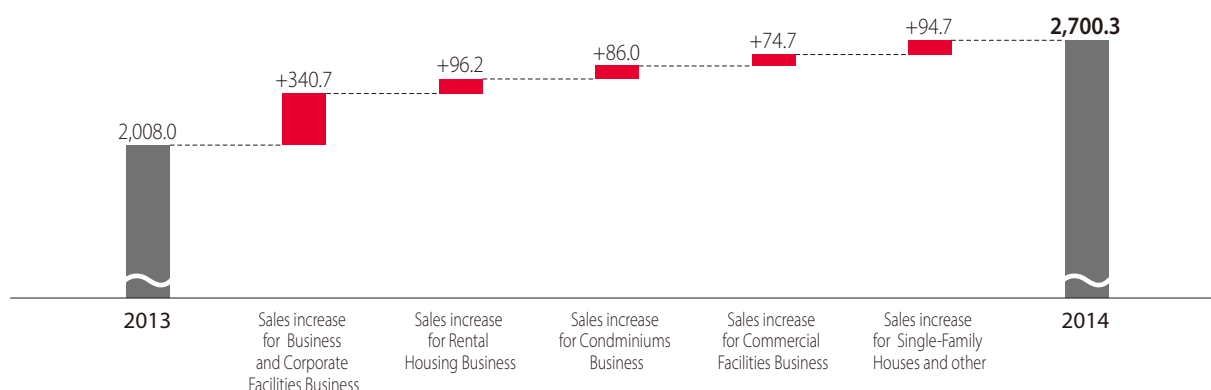
Net sales by segment

	(Billions of Yen)		
	2013	2014	YoY change
Net sales	2,008.0	2,700.3	692.3
Single-Family Houses	351.2	394.5	43.3
Rental Housing	592.6	688.8	96.2
Condominiums	156.8	242.8	86.0
Existing Home Business	76.5	86.7	10.2
Commercial Facilities	347.2	422.0	74.7
Business and Corporate Facilities	251.5	592.2	340.7
Other Businesses	335.4	393.9	58.6
(Adjustments)	(103.2)	(120.6)	(17.4)



Notes: 1. The percentage figures for breakdown of net sales by segment are exclusive of internal transactions.
2. The Health & Leisure Business is included in the Other Business segment beginning from FY2013.

Changes in net sales (¥ billion)



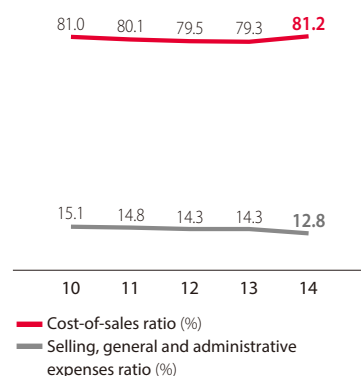
Cost of sales, and selling, general and administrative expenses

Cost of sales for the term under review increased by 37.7% from the previous fiscal year, to ¥2,192.4 billion (US\$21,286 million). The cost-of-sales ratio rose by 1.9 percentage points to 81.2%, and gross profit rose by 22.2%, to ¥507.9 billion (US\$4,931 million). Selling, general and administrative (SG&A) expenses posted a year-on-year increase of 19.7%, to ¥344.3 billion (US\$3,343 million). This is mainly an effect of new consolidated subsidiaries. As a result, the ratio of SG&A expenses to sales declined by 1.5 percentage points, to 12.8%.

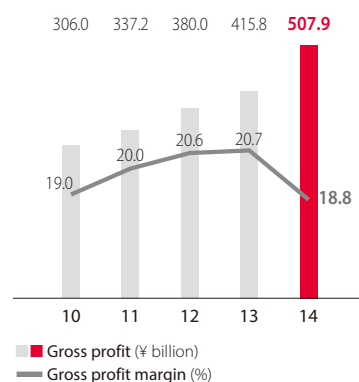
Operating income

Operating income for the fiscal year under review rose 27.8% year on year, to ¥163.6 billion (US\$1,588 million). Principal factors behind this performance included a ¥74.8 billion increase in net sales, and a contribution of ¥5.9 billion from the addition of new subsidiaries to the consolidated accounts. In a breakdown by segment, operating income increased by ¥12.0 billion for the Rental Housing Business, ¥14.8 billion for the Commercial Facilities Business, and ¥6.2 billion for the Business and Corporate Facilities Business. Despite these efforts, the operating income margin declined by 0.3 of a percentage point, to 6.1%.

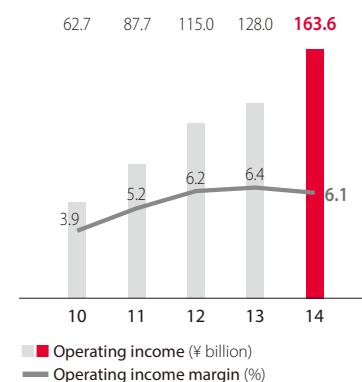
Cost-of-sales, and selling, general and administrative expenses ratios



Gross profit and gross profit margin



Operating income and operating income margin



Other income and expenses

Net other income came to ¥4.9 billion (US\$48 million), an improvement of ¥19.7 billion from the previous term. This is principally attributable to the posting of ¥1.8 billion (US\$17 million) in write-down of investment securities, a reduction of ¥5.3 billion from the previous term. Other contributory factors included the recognition of an impairment loss on property, plant and equipment of ¥5.6 billion (US\$54 million), a reduction of ¥5.1 billion from the previous term.

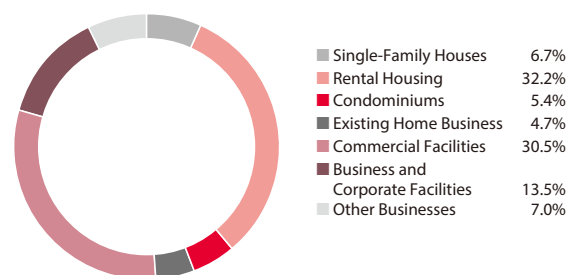
Income before income taxes and minority interests

Income before income taxes and minority interests posted a year-on-year increase of 48.8%, to ¥168.5 billion (US\$1,636 million). This was mainly due to the sharp increase in operating income, as well as a significant decline in the value of extraordinary losses posted.

Operating income by segment

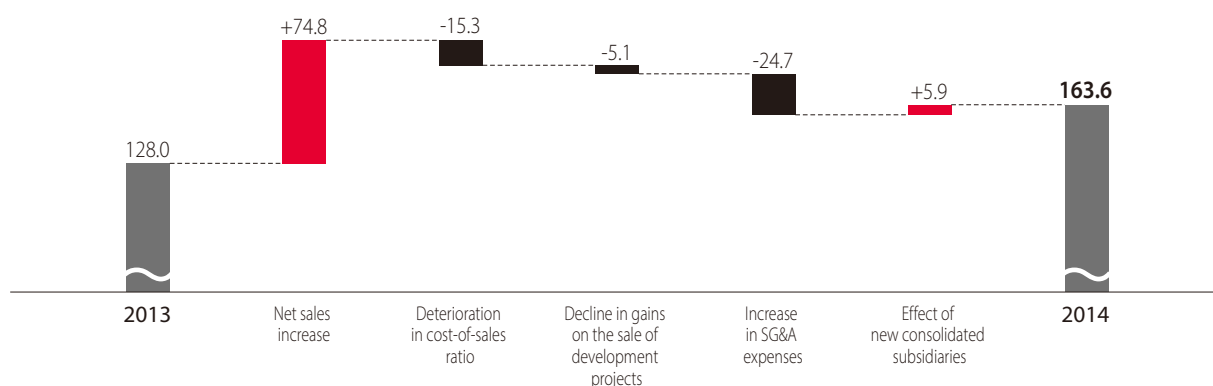
	2013	2014	YoY change
Operating income	128.0	163.6	35.6
Single-Family Houses	12.6	13.4	0.8
Rental Housing	52.3	64.3	12.0
Condominiums	10.0	10.7	0.7
Existing Home Business	6.1	9.3	3.2
Commercial Facilities	45.9	60.8	14.9
Business and Corporate Facilities	20.7	26.9	6.2
Other Businesses	9.6	14.1	4.5
(Adjustments)	(29.2)	(35.9)	(6.7)

(Billions of Yen)



Note: The percentage figures for breakdown of operating income by segment are calculated for seven segments inclusive of internal transactions.

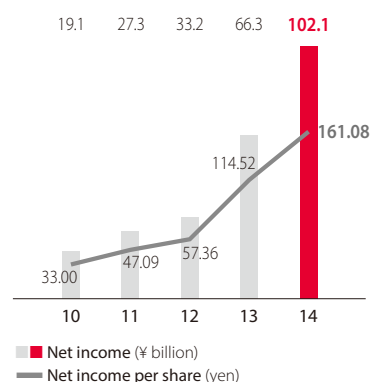
Changes in operating income (¥ billion)



Net income

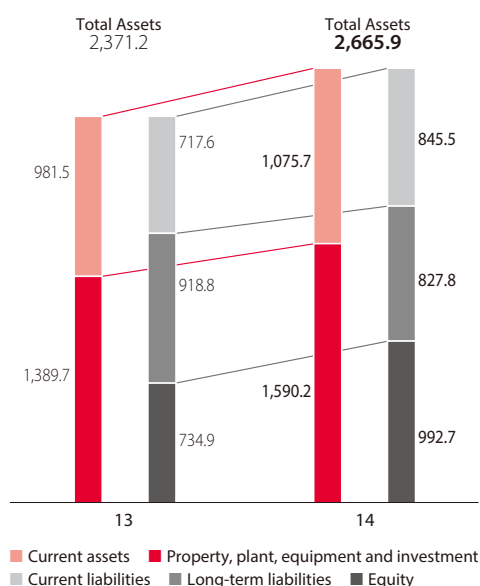
Net income posted an increase of 54.1% over the previous fiscal year, to ¥102.1 billion (US\$991 million), while the ratio of net income to sales rose 0.5 of a percentage point, to 3.8%. Net income per share rose 40.7% to ¥161.08 (US\$1.56).

Net income and net income per share



Summary of consolidated balance sheets (2013/2014)

(¥ billion)



Assets

Total assets at the end of the fiscal year under review amounted to ¥2,665.9 billion (US\$25,883 million), for an increase of 12.4% over the previous fiscal year-end. The principal factors behind this were an increase in inventories due to the inclusion of Cosmos Initia as a consolidated subsidiary, and increased acquisition of property, plant and equipment, mainly in the business and corporate facilities business. Current assets at the fiscal year-end amounted to ¥1,075.7 billion (US\$10,444 million), up 9.6% year on year, while net property, plant and equipment and total investments and other assets rose 14.4% to ¥1,590.2 billion (US\$15,439 million).

Inventories

	2013	2014	YoY change
Real estate for sale	29.6	35.2	5.6
Construction projects in progress	21.7	23.8	2.1
Real estate for sale in process	47.1	56.8	9.7
Land held:			
For resale	273.1	287.1	14.0
Under development	6.1	31.7	25.6
Undeveloped	1.3	0.6	(0.7)
Merchandise, construction materials and others	19.7	20.4	0.7
Total	398.6	455.6	57.0

Property, plant and equipment

	2013	2014	YoY change
Land	396.4	485.8	89.4
Buildings and structures — net	345.0	384.5	39.5
Other — net	61.2	73.6	12.4
Total	802.6	943.9	141.3

Liabilities

Total liabilities at the end of the fiscal year under review amounted to ¥1,673.3 billion (US\$16,245 million), for an increase of 2.3% over the previous fiscal year-end. Principal factors behind this included an increase in interest-bearing debt and lease deposits received, which more than offset the repayment of trade payables. Current liabilities increased by 17.8% to ¥845.5 billion (US\$8,208 million), while long-term liabilities decreased by 9.9% to ¥827.8 billion (US\$8,037 million). In current liabilities, the current portion of long-term debt increased by 55.0% to ¥60.4 billion (US\$587 million), while in long-term liabilities, long-term debt declined by 8.8% from the previous fiscal year-end. As a result, total interest-bearing debt (excluding lease obligations) rose 5.0% year on year to ¥393.6 billion (US\$3,821 million). The D/E ratio declined by 0.11 of a percentage point, to 0.40 times, while the net D/E ratio rose by 0.01 of a percentage point, to 0.18 times.

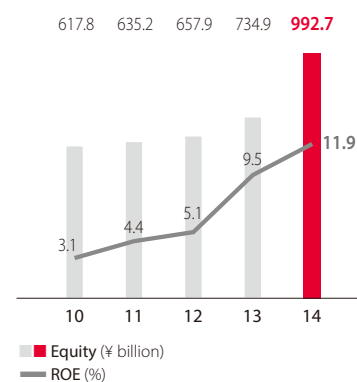
Equity

Equity at the end of the fiscal year under review rose 35.1% over the previous fiscal year-end, to ¥992.7 billion (US\$9,638 million). This was due to the posting of net income in the amount of ¥102.1 billion (US\$991 million), in addition to the raising of funds through new share issuance and the disposal of treasury stock. As a result, the equity ratio at the fiscal year-end was 37.0%, owing to the issuance of new shares, for an increase of 6.1 percentage points over the previous fiscal year-end. Due to the increase in net income, the return on equity (ROE) rose by 2.4 percentage points, to 11.9%

Interest-bearing debt

	(Billions of Yen)		
	2013	2014	YoY change
Short-term bank loans	7.5	22.3	14.8
Current portion of bonds	0.1	100.1	100.0
Current portion of long-term debt	38.9	60.4	21.5
Bonds	130.7	30.6	(100.1)
Long-term debt	197.6	180.2	(17.4)
Total interest-bearing debt	374.8	393.6	18.8
Debt/Equity ratio	0.51	0.40	(0.11)
Net Debt/Equity ratio	0.17	0.18	0.01

Equity and ROE



Working capital

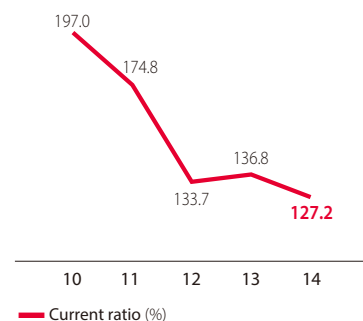
Working capital (current assets minus current liabilities) recorded a year-on-year decline of 12.8%, to ¥230.3 billion (US\$2,236 million), mainly due to an increase in the current portion of long-term debt. Although the ratio of current assets to current liabilities declined to 127.2% from 136.8% at the previous fiscal year-end, an adequate level of financial liquidity was nonetheless secured.

Capital investments

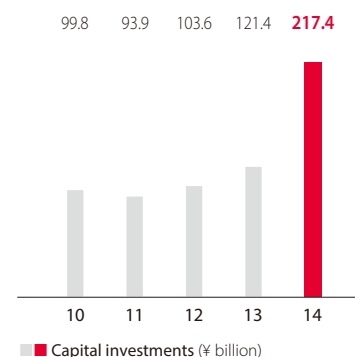
Capital investments in the fiscal year under review rose 79.1%, to ¥217.4 billion. In a breakdown by business segment, capital investment came to ¥6.4 billion for the Single-Family Houses segment, ¥13.5 billion for the Rental Housing segment, ¥5.4 billion for the Condominium segment, ¥0.4 billion for the Existing Home Business segment, ¥44.0 billion for the Commercial Facilities segment, ¥113.2 billion for the Business and Corporate Facilities segment, and ¥34.2 billion for the Other Businesses segment.

In fiscal 2014, we plan to make capital investments in the amount of ¥220.0 billion, for a year-on-year increase of 1.2%. By business segment, capital investments are planned in the amounts of ¥3.5 billion for the Single-Family Houses segment, ¥20.0 billion for the Rental Housing segment, ¥4.0 billion for the Condominium segment, ¥0.5 billion for the Existing Home Business segment, ¥77.0 billion for the Commercial Facilities segment, ¥86.0 billion for the Business and Corporate Facilities segment, and ¥30.0 billion for the Other Businesses segment.

Current ratio



Capital investments



Cash flows

Cash and cash equivalents at the end of the fiscal year under review amounted to ¥198.7 billion (US\$1,929 million), for a year-on-year decrease of 18.9%.

Net cash provided by operating activities decreased by 52.2% year on year, to ¥78.5 billion (US\$762 million). This was principally due to the fact that, as the last day of the previous fiscal year was a bank closing day, a decrease was recorded in notes and accounts payable-trade for construction contracts, and this more than offset the ¥168.5 billion (US\$1,636 million) posted under income before income taxes and minority interests.

Net cash used in investing activities amounted to ¥240.4 billion (US\$2,334 million), compared with ¥140.7 billion in net cash used for the previous fiscal year. This is attributable to the acquisition of property, plant and equipment, mainly in the form of real estate for rental.

Net cash provided by financing activities amounted to ¥110.1 billion (US\$1,069 million), compared with ¥28.6 billion in net cash used for the previous fiscal year. This was mainly the result of cash raised through new share issuance and the disposal of treasury stock.

As a result of the above, free cash flow, which is the sum of cash flows from operating and investing activities, amounted to a net cash outflow of ¥162.0 billion (US\$1,573 million).

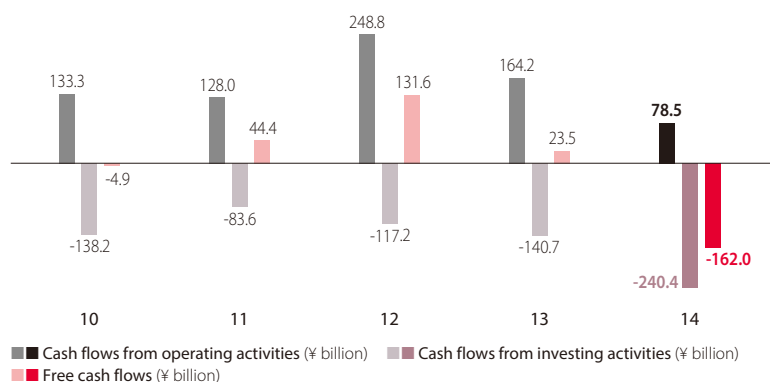
Basic policies regarding profit distribution

In determining its dividend payments, the Daiwa House Group follows a basic policy of taking into account the need to maintain a good balance between the appropriation of profits to shareholders on the one hand, and the necessity of securing sufficient retained earnings for future business expansion and the reinforcement of the Group's business base on the other.

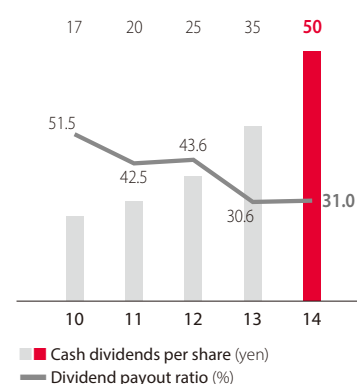
We have set a dividend payout ratio target of 30% and endeavor to maintain stable dividend payments as part of our policy of linking profit appropriation with business performance. To enhance our opportunities for returning profits to our shareholders, for the fiscal year under review we have made the decision to pay semiannual dividend of ¥20 per share as well as a year-end dividend of ¥30 per share, giving a total annual dividend of ¥50 per share (US\$0.49). This represents an increase of ¥15 over the previous fiscal year. The total dividend value will be ¥32.9 billion.

In addition, to facilitate investment in the Company, at a meeting of the Board of Directors of Daiwa House Industry held on May 27, 2014, a decision was taken to change the trading unit of the Company's shares from 1,000 to 100 shares with effect from August 1, 2014.

Free cash flows



Cash dividends per share and dividend payout ratio



Outlook 2015

Management policy and outlook for fiscal 2014

A number of positive factors are likely to buoy up the Japanese economy over the near future, including stimulus measures by the government including a probable increase in public works, and steps to shore up domestic demand through tax breaks for business corporations and support for household expenditure. Despite these factors, however, it is feared that the downturn in overseas economies will depress the domestic economy, on top of which it is thought that consumer spending will inevitably decline in reaction to the rush buying prior to the consumption tax hike on April 1.

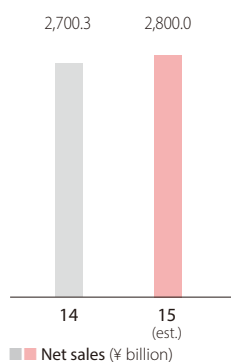
The housing and real estate industries will also unavoidably be affected by this fall in demand in reaction to the surge preceding the tax hike, and the situation is likely to remain unpredictable. Amid this operating environment, as the growth strategy under its Fourth Medium-Term Management Plan, which has just commenced, with respect to its core business areas — single-family houses, rental housing, condominiums, the existing home business, commercial facilities, and business & corporate facilities — the Daiwa House Group will work to enhance earning capacity by reinforcing value chains in the field of the development, construction, sale and management of real estate properties, and by improving and expanding its menu of products and services that meet

society's changing needs, particularly with regard to growing social concern with the issues of population aging, safety, and environmental protection.

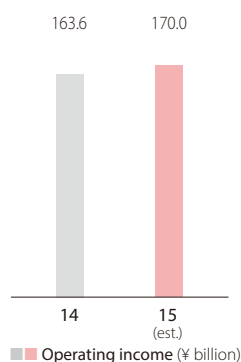
With regard to other business areas into which the Group has diversified its operations, such as Health & Leisure and Environment & Energy, we will also seek to expand our overall operational scale through increased collaboration with our core businesses. And in overseas markets we will seek to optimally leverage synergy with Fujita (which became a consolidated subsidiary in fiscal 2012) and to expand our operations at a faster pace to encompass not only the Chinese market, but also a number of emerging countries, centered on the members of ASEAN. At the same time, we plan to push ahead with real estate development projects in the United States.

In line with the above-described policies, we intend to respond promptly and effectively to changes in society as a whole and in individual markets, and to make the best possible use of our diversified earnings drivers across a wide range of business fields to accelerate the pace of growth of the Daiwa House Group. Through these activities, for fiscal 2014 we hope to register net sales of ¥2,800.0 billion, operating income of ¥170.0 billion and net income of ¥105.0 billion.

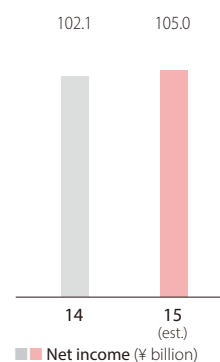
Net sales



Operating income



Net income



Financial Statements

Consolidated Balance Sheet

Daiwa House Industry Co., Ltd. and its Consolidated Subsidiaries
March 31, 2014

Assets		Millions of Yen		Thousands of U.S. Dollars ¹
		2014	2013	2014
Current assets:				
⁸ ¹⁸	Cash and cash equivalents	¥ 198,734	¥ 245,038	\$ 1,929,456
³ ¹⁸	Marketable securities	18	9	175
¹⁷ ¹⁸	Lease receivables and investment assets	23,726	18,657	230,350
¹⁸	Short-term investments	13,380	3,762	129,903
⁸ ¹⁸	Receivables:			
	Trade notes	11,564	10,612	112,272
	Trade accounts	215,472	179,008	2,091,961
	Unconsolidated subsidiaries and associated companies	241	150	2,340
	Allowance for doubtful receivables	(3,383)	(2,950)	(32,845)
⁴ ⁸	Inventories	455,579	398,585	4,423,097
¹⁴	Deferred tax assets	32,743	29,109	317,893
⁸	Prepaid expenses and other current assets	127,658	99,566	1,239,398
	Total current assets	1,075,732	981,546	10,444,000
Property, plant and equipment:				
⁵ ⁶ ⁸	Land	485,813	396,353	4,716,631
⁶ ⁸	Buildings and structures	728,101	671,508	7,068,942
⁶ ⁸	Machinery and equipment	99,742	95,240	968,369
⁶	Furniture and fixtures	46,205	43,282	448,592
⁶ ¹⁷	Lease assets	19,568	18,484	189,981
	Construction in progress	18,010	14,735	174,854
	Total	1,397,439	1,239,602	13,567,369
	Accumulated depreciation	(453,552)	(436,968)	(4,403,417)
	Net property, plant and equipment	943,887	802,634	9,163,952
Investments and other assets:				
³ ¹⁸	Investment securities	182,247	139,026	1,769,389
¹⁸	Investments in unconsolidated subsidiaries and associated companies	69,507	55,308	674,825
	Advances to unconsolidated subsidiaries and associated companies	266	658	2,583
	Long-term loans receivable	13,449	4,426	130,573
⁸ ¹⁸	Lease deposits	198,995	190,543	1,931,990
¹⁴	Deferred tax assets	84,785	101,028	823,155
	Goodwill	49,911	49,653	484,573
⁶	Other assets	51,008	50,251	495,223
	Allowance for doubtful accounts	(3,840)	(3,835)	(37,282)
	Total investments and other assets	646,328	587,058	6,275,029
	Total	¥2,665,947	¥2,371,238	\$25,882,981

See notes to consolidated financial statements.

Liabilities and equity		Millions of Yen		Thousands of U.S. Dollars ¹
		2014	2013	2014
Current liabilities:				
8 18	Short-term bank loans	¥ 22,303	¥ 7,496	\$ 216,534
8 18	Current portion of bonds	100,053	53	971,388
8 18	Current portion of long-term debt	60,442	38,987	586,816
18	Payables:			
	Trade notes	82,905	60,888	804,903
	Trade accounts	190,070	273,972	1,845,340
	Unconsolidated subsidiaries and associated companies	1,801	2,907	17,485
	Other accounts	100,896	90,126	979,573
17	Current portion of long-term lease obligations	2,959	2,592	28,728
	Deposits received from customers	70,238	60,166	681,922
18	Income taxes payable	46,797	33,051	454,340
	Accrued bonuses	36,525	30,039	354,612
	Provision for product warranties	7,420	6,695	72,039
10	Asset retirement obligations	1,582	1,586	15,359
	Advances received	39,934	37,582	387,709
	Accrued expenses and other current liabilities	81,549	71,411	791,738
	Total current liabilities	845,474	717,551	8,208,486
Long-term liabilities:				
8 18	Bonds	30,614	130,667	297,223
8 18	Long-term debt	180,156	197,586	1,749,087
17	Long-term lease obligations	26,041	22,010	252,825
9	Liability for employees' retirement benefits	204,802	210,342	1,988,369
5	Deferred tax liabilities on land revaluation	23,910	24,056	232,136
	Long-term deposits received from the Company's club members	34,174	35,105	331,786
18	Lease deposits received	241,897	226,683	2,348,515
10	Asset retirement obligations	27,415	24,777	266,165
	Other long-term liabilities	58,777	47,577	570,651
	Total long-term liabilities	827,786	918,803	8,036,757
17 19 20	Commitments and contingent liabilities			
11	Equity:			
	Common stock - authorized, 1,900,000,000 shares; issued, 660,421,851 shares in 2014 and 599,921,851 shares in 2013	161,699	110,120	1,569,893
	Capital surplus	294,632	226,825	2,860,504
	Stock acquisition rights	39		379
22	Retained earnings	465,720	404,979	4,521,554
	Treasury stock - at cost, 1,300,280 shares in 2014 and 21,248,944 shares in 2013	(1,256)	(19,998)	(12,193)
	Accumulated other comprehensive income:			
	Unrealized gain on available-for-sale securities	50,498	24,327	490,271
	Deferred gain on derivatives under hedge accounting	10		97
5	Land revaluation difference	(5,242)	(13,161)	(50,893)
	Foreign currency translation adjustments	20,457	532	198,612
	Total	986,557	733,624	9,578,224
	Minority interests	6,130	1,260	59,514
	Total equity	992,687	734,884	9,637,738
	Total	¥2,665,947	¥2,371,238	\$25,882,981

Consolidated Statement of Income

Daiwa House Industry Co., Ltd. and its Consolidated Subsidiaries
Year Ended March 31, 2014

	Millions of Yen			Thousands of U.S. Dollars ¹
	2014	2013	2012	2014
Net sales	¥2,700,318	¥2,007,989	¥1,848,797	\$26,216,680
Cost of sales	2,192,415	1,592,218	1,468,844	21,285,583
Gross profit	507,903	415,771	379,953	4,931,097
¹⁵ Selling, general and administrative expenses	344,326	287,747	264,997	3,342,971
Operating income	163,577	128,024	114,956	1,588,126
Other income (expenses):				
Interest income and dividends	6,358	5,042	4,758	61,728
Interest expense	(4,620)	(5,278)	(6,369)	(44,854)
³ Write-down of investment securities	(1,801)	(7,113)	(3,921)	(17,485)
Loss on sales and disposal of property, plant and equipment	(616)	(1,377)	(1,348)	(5,981)
⁹ Gain on revision of employees' retirement benefit plan		31,332		
⁹ Amortization of actuarial gain (loss) for employees' retirement benefits	14,221	16,281	(5,111)	138,068
⁹ Actuarial loss due to a change of discount rate		(45,228)		
⁶ Impairment loss on property, plant and equipment	(5,611)	(10,727)	(9,812)	(54,476)
¹³ Other — net	(2,998)	2,307	(131)	(29,107)
Other income (expenses) — net	4,933	(14,761)	(21,934)	47,893
Income before income taxes and minority interests	168,510	113,263	93,022	1,636,019
¹⁴ Income taxes:				
Current	68,235	47,595	33,269	662,475
Deferred	(2,234)	(503)	26,585	(21,689)
Total income taxes	66,001	47,092	59,854	640,786
Net income before minority interests	102,509	66,171	33,168	995,233
Minority interests in net loss (income) of subsidiaries	(413)	103	32	(4,010)
Net income	¥ 102,096	¥ 66,274	¥ 33,200	\$ 991,223

	Yen			U.S. Dollars ¹
	2014	2013	2012	2014
Per share of common stock:				
Basic net income	¥161.08	¥114.52	¥57.36	\$1.56
Cash dividends applicable to the year	50.00	35.00	25.00	0.49

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Daiwa House Industry Co., Ltd. and its Consolidated Subsidiaries
Year Ended March 31, 2014

	Millions of Yen			Thousands of U.S. Dollars ¹
	2014	2013	2012	2014
Net income before minority interests	¥102,509	¥66,171	¥33,168	\$ 995,233
21 Other comprehensive income:				
Unrealized gain on available-for-sale securities	26,106	16,633	85	253,456
Deferred gain on derivatives under hedge accounting	10			97
Land revaluation difference			3,407	
Foreign currency translation adjustments	9,776	3,797	(401)	94,913
Share of other comprehensive income (loss) in associated companies	10,200	4,329	(1,667)	99,029
Total other comprehensive income	46,092	24,759	1,424	447,495
Comprehensive income	¥148,601	¥90,930	¥34,592	\$ 1,442,728
Total comprehensive income attributable to:				
Owners of the parent	¥148,202	¥91,035	¥34,624	\$ 1,438,854
Minority interests	399	(105)	(32)	3,874

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Daiwa House Industry Co., Ltd. and its Consolidated Subsidiaries
Year Ended March 31, 2014

	Thousands						Millions of Yen							
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income				Total	Minority Interests	Total Equity	
							Unrealized Gain on Available-for- Sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Land Revaluation Difference	Foreign Currency Translation Adjustments				
Balance, April 1, 2011	578,807	¥110,120	¥226,825		¥362,282	¥(19,875)	¥ 7,582			¥(47,315)	¥ (5,468)	¥634,151	¥1,035	¥635,186
Net income					33,200							33,200		33,200
Cash dividends, ¥20.0 per share					(11,576)							(11,576)		(11,576)
Transfer due to sales and impairment of land					(3,135)					3,135				
Net increase in land revaluation difference										3,442		3,442		3,442
Purchase of treasury stock	(115)					(112)						(112)		(112)
Disposal of treasury stock	24				(20)	43						23		23
Net change in the year							(15)				(2,002)	(2,017)	(255)	(2,272)
Balance, March 31, 2012	578,716	110,120	226,825		380,751	(19,944)	7,567			(40,738)	(7,470)	657,111	780	657,891
Net income					66,274							66,274		66,274
Cash dividends, ¥25.0 per share					(14,468)							(14,468)		(14,468)
Transfer due to sales and impairment of land					(27,577)					27,577				
Purchase of treasury stock	(44)					(56)						(56)		(56)
Disposal of treasury stock	1				(1)	2						1		1
Net change in the year							16,760				8,002	24,762	480	25,242
Balance, March 31, 2013	578,673	110,120	226,825		404,979	(19,998)	24,327			(13,161)	532	733,624	1,260	734,884
Net income					102,096							102,096		102,096
Issuance of common stock	60,500	51,579	51,579									103,158		103,158
Cash dividends, ¥50.0 per share					(33,436)							(33,436)		(33,436)
Transfer due to sales and impairment of land					(7,919)					7,919				
Purchase of treasury stock	(54)					(105)						(105)		(105)
Disposal of treasury stock	20,003		16,228			18,847						35,075		35,075
Net change in the year				¥39			26,171	¥10			19,925	46,145	4,870	51,015
Balance, March 31, 2014	659,122	¥161,699	¥294,632	¥39	¥465,720	¥ (1,256)	¥50,498	¥10	¥ (5,242)	¥20,457	¥986,557	¥6,130	¥992,687	

	Thousands of U.S. Dollars ¹											
						Accumulated Other Comprehensive Income						
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for- Sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Land Revaluation Difference	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
Balance, March 31, 2013	\$1,069,126	\$2,202,184		\$3,931,835	\$(194,155)	\$236,184		\$(127,776)	\$ 5,165	\$7,122,563	\$12,233	\$7,134,796
Net income				991,223						991,223		991,223
Issuance of common stock	500,767	500,767								1,001,534		1,001,534
Cash dividends, \$0.49 per share				(324,621)						(324,621)		(324,621)
Transfer due to sales and impairment of land				(76,883)				76,883				
Purchase of treasury stock					(1,019)					(1,019)		(1,019)
Disposal of treasury stock		157,553			182,981					340,534		340,534
Net change in the year			\$379			254,087	\$97		193,447	448,010	47,281	495,291
Balance, March 31, 2014	\$1,569,893	\$2,860,504	\$379	\$4,521,554	\$(12,193)	\$490,271	\$97	\$(50,893)	\$198,612	\$9,578,224	\$59,514	\$9,637,738

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Daiwa House Industry Co., Ltd. and its Consolidated Subsidiaries
Year Ended March 31, 2014

	Millions of Yen			Thousands of U.S. Dollars ¹
	2014	2013	2012	2014
Operating activities:				
Income before income taxes and minority interests	¥168,510	¥113,263	¥ 93,022	\$1,636,019
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Income taxes — paid	(55,177)	(40,848)	(12,300)	(535,699)
Depreciation	48,534	45,837	43,791	471,204
Write-down of investment securities	1,801	7,113	3,921	17,485
Loss on sales and disposal of property, plant and equipment	616	1,377	1,348	5,981
Impairment loss on property, plant and equipment	5,611	10,727	9,812	54,476
Equity in losses (earnings) of associated companies	(1,453)	(501)	1,431	(14,107)
Provision for employees' retirement benefits, net of payments	(5,540)	3,855	12,629	(53,786)
Changes in certain assets and liabilities, net of consolidation:				
Decrease (increase) in receivables	(36,675)	(21,233)	1,707	(356,068)
Increase in inventories	(36,436)	(17,735)	(33,833)	(353,748)
Increase (decrease) in payables — trade	(50,945)	43,086	75,251	(494,612)
Increase in deposits received from customers	9,470	7,395	10,261	91,942
Increase (decrease) in advances received	(700)	7,064	1,080	(6,796)
Other — net	30,836	4,847	40,652	299,378
Total adjustments	(90,058)	50,984	155,750	(874,350)
Net cash provided by operating activities	78,452	164,247	248,772	761,669
Investing activities:				
Purchases of property, plant and equipment	(217,296)	(109,157)	(98,825)	(2,109,670)
Purchases of investment securities	(8,147)	(20,677)	(9,745)	(79,097)
Increase in investments in and advances to unconsolidated subsidiaries and associated companies	(3,083)	(8,410)	(5,112)	(29,932)
Decrease in investments in and advances to unconsolidated subsidiaries and associated companies	567		1,743	5,505
Proceeds from sales and redemption of investment securities	2,675	11,583	1,102	25,971
Proceeds from sales of property, plant and equipment	4,203	521	785	40,806
Purchases of investments in subsidiaries	(171)	(548)	(732)	(1,660)
¹⁶ Payments for purchases of shares of newly consolidated subsidiaries	(7,120)	(10,101)	(5,811)	(69,126)
Proceeds from purchases of shares of newly consolidated subsidiaries			22	
Decrease (increase) in lease deposits	(4,513)	(485)	3,230	(43,816)
¹⁶ Payments for acquisition of business		(1,096)	(248)	
Net increase in other assets	(7,554)	(2,367)	(3,635)	(73,340)
Net cash used in investing activities	(240,439)	(140,737)	(117,226)	(2,334,359)

(Continued)

	Millions of Yen			Thousands of U.S. Dollars ¹
	2014	2013	2012	2014
Financing activities:				
Net increase (decrease) in short-term bank loans	¥ 13,541	¥ 4,810	¥ (6,577)	\$ 131,466
Proceeds from long-term debt	40,569	105,465	45,250	393,874
Repayments of long-term debt	(45,444)	(150,041)	(47,812)	(441,204)
Proceeds from issuance of bonds		30,000	500	
Redemption of bonds	(363)	(1,353)	(4,500)	(3,524)
Repayments of finance lease obligations	(2,842)	(2,442)	(2,151)	(27,592)
Proceeds from issuance of common stock of a subsidiary to minority shareholders	36	403		349
Purchase of treasury stock	(105)	(56)	(112)	(1,019)
Proceeds from disposal of treasury stock	34,347	1	23	333,466
Dividends paid to shareholders	(33,436)	(14,468)	(11,576)	(324,621)
Remittance to trust of receivables collected	(96)	(953)	(1,812)	(933)
Proceeds from issuance of common stock	103,886			1,008,602
Proceeds from issuance of stock acquisition rights	39			379
Net cash provided by (used in) financing activities	110,132	(28,634)	(28,767)	1,069,243
Foreign currency translation adjustments on cash and cash equivalents	5,551	1,449	(309)	53,893
Net increase (decrease) in cash and cash equivalents	(46,304)	(3,675)	102,470	(449,554)
Cash and cash equivalents, beginning of year	245,038	248,713	146,243	2,379,010
Cash and cash equivalents, end of year	¥198,734	¥245,038	¥248,713	\$1,929,456

See notes to consolidated financial statements.

(Concluded)

Notes to Consolidated Financial Statements

Daiwa House Industry Co., Ltd. and its Consolidated Subsidiaries
Year Ended March 31, 2014

① Basis of presentation of consolidated financial statements

The accompanying consolidated financial statements have been prepared from the consolidated financial statements issued for domestic reporting purposes in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act. Daiwa House Industry Co., Ltd. (the “parent company”), and its domestic subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Companies Act of Japan (the “Companies Act”) and in accordance with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. Foreign subsidiaries maintain their accounts and records in accordance with those of their countries of domicile.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2013 and 2012 consolidated financial statements to conform to the classifications used in 2014.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the parent company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥103 to \$1, the approximate rate of exchange at March 31, 2014. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

② Summary of significant accounting policies

a. Consolidation

The consolidated financial statements as of March 31, 2014 include the accounts of the parent company and its 108 significant (95 in 2013 and 75 in 2012) subsidiaries (together, the “Company”).

Under the control or influence concept, those companies in which the parent company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Company has the ability to exercise significant influence are accounted for by the equity method.

Investments in 21 (17 in 2013 and 14 in 2012) associated companies are accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

Goodwill that represents the excess of the cost of an acquisition over the fair value of the net assets of an acquired subsidiary at the date of acquisition is being amortized over a period not exceeding 20 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Company is also eliminated.

During the year ended March 31, 2014, Cosmos Initia Co., Ltd. and 15 subsidiaries have been included in the consolidation as a result of new formation or acquisition and three subsidiaries have been excluded from the consolidation as a result of merger.

During the year ended March 31, 2013, Fujita Corporation and 21 subsidiaries have been included in the consolidation as a result of new formation or acquisition and two subsidiaries have been excluded from the consolidation as a result of liquidation or merger.

During the year ended March 31, 2012, Global Community Co., Ltd. and 13 subsidiaries have been included in the consolidation as a result of new formation or acquisition and two subsidiaries have been excluded from the consolidation as a result of liquidation or merger.

b. Unification of accounting policies applied to foreign subsidiaries for the consolidated financial statements

The Accounting Standards Board of Japan (the “ASBJ”) issued ASBJ Practical Issues Task Force (PITF) No.18, “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements.” PITF No.18 prescribes: (1) the accounting policies and procedures applied to a parent company and its consolidated subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements; (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the accounting principles generally accepted in the United States of America tentatively may be used for the consolidation process; (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with

Japanese GAAP, unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model accounting for property, plant and equipment and investment properties, and incorporation of the cost model accounting; and 5) exclusion of minority interests from net income, if contained in net income.

c. Unification of accounting policies applied to foreign associated companies for the equity method

The ASBJ issued ASBJ Statement No.16, "Accounting Standard for Equity Method of Accounting for Investments." This standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method, unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or the accounting principles generally accepted in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model accounting for property, plant and equipment and investment properties and incorporation of the cost model accounting; and 5) exclusion of minority interests from net income, if contained in net income.

d. Cash and cash equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, all of which mature or become due within three months of the date of acquisition.

e. Marketable and investment securities

Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: i) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost and ii) available-for-sale securities, which are not classified as held-to-maturity securities.

Marketable available-for-sale securities are stated at fair value estimated by using the average market prices during the last

month of the fiscal year, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The costs of their sales are determined by the moving-average method.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

Investment securities, investments in unconsolidated subsidiaries and associated companies and long-term loans receivable pledged as collateral for an associated company and other items were ¥41 million (\$398 thousand), ¥34 million (\$330 thousand) and ¥13 million (\$126 thousand), respectively as of March 31, 2014. Stocks of consolidated subsidiaries used as collateral amounted to ¥373 million (\$3,621 thousand) as of March 31, 2014, which have been eliminated in the consolidated financial statements. The amounts of investment securities loaned under securities lending agreements were ¥1,814 million (\$17,612 thousand) as of March 31, 2014. Investment securities deposited in accordance with the Act on Assurance of Performance of Specified Housing Defect Warranty were ¥3,243 million (\$31,485 thousand) as of March 31, 2014.

f. Short-term investments

Short-term investments are time deposits, all of which mature or become due later than three months after the date of acquisition. Time deposits pledged as collateral as substitutes for deposits for certain construction and advertisement contracts were ¥2,776 million (\$26,951 thousand) and ¥2,996 million as of March 31, 2014 and 2013, respectively.

g. Inventories

Inventories of land, residential homes and condominiums, and construction projects in progress are stated at the lower of cost, determined by the specific identified cost method, or net selling value. Construction materials and supplies are stated at the lower of cost, determined by the average method, or net selling value.

h. Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation is computed substantially by the declining-balance method while the straight-line method is applied to buildings acquired after April 1, 1998. Lease assets are depreciated by the straight-line method over the respective lease periods. The range of useful lives is principally from 15 to 50 years for buildings and structures, from 10 to 13 years for machinery and equipment, from five to 15 years for furniture and fixtures and from three to 20 years for lease assets.

i. Long-lived assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

j. Leases

In March 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

Lessee

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the consolidated balance sheet. In addition, the revised accounting standard permits leases, which existed at the transition date and do not transfer ownership of the leased property to the lessee, to continue to be accounted for as operating lease transactions.

The Company applied the revised accounting standard effective April 1, 2008. In addition, the Company accounted for leases, which existed at the transition date and do not transfer ownership of the leased property to the lessee, as operating lease transactions.

All other leases are accounted for as operating leases.

Lessor

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were treated as sales. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if sold" information was disclosed in the note to the lessor's financial statements. The revised accounting

standard requires that all finance leases that are deemed to transfer ownership of the leased property to the lessee be recognized as lease receivables and all finance leases that are not deemed to transfer ownership of the leased property to the lessee be recognized as lease investment assets.

All other leases are accounted for as operating leases.

k. Retirement and pension plans

In May 2012, the ASBJ issued ASBJ Statement No.26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No.25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

- (a) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).
- (b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments (see Note 2-w).
- (c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both

with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective March 31, 2014. This change has no impact on accumulated other comprehensive income for the year ended March 31, 2014.

l. Asset retirement obligations

In March 2008, the ASBJ published ASBJ Statement No.18, "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No.21, "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard and guidance, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard was effective for fiscal years beginning on or after April 1, 2010.

m. Construction contracts

Under ASBJ Statement No.15, "Accounting Standard for Construction Contracts," and ASBJ Guidance No.18, "Guidance on Accounting Standard for Construction Contracts," the construction revenue and construction costs should be recognized by the percentage-of-completion method if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the consolidated balance sheet

date can be reliably measured, the outcome of a construction contract can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method should be applied. When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on construction contracts.

n. Revenue and profit recognition derived from finance lease transaction

The Company recognizes revenues and cost of sales from finance lease transactions at the time of receiving the lease payments.

o. Income taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

p. Appropriations of retained earnings

Appropriations of retained earnings at each year-end are reflected in the consolidated financial statements of the following year after shareholders' approval has been obtained.

q. Foreign currency transactions

All short- and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the consolidated balance sheet date. Foreign exchange gains and losses from translation are recognized in the consolidated statements of income to the extent that they are not hedged by forward exchange contracts.

r. Foreign currency financial statements

The consolidated balance sheet accounts of the consolidated foreign subsidiaries and associated companies are translated into Japanese yen at the current exchange rate as of the consolidated balance sheet date except for equity, which is translated at the historical exchange rate. Revenue and expense accounts of the consolidated foreign subsidiaries and associated companies are translated into Japanese yen at the current exchange rate.

Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity in the consolidated balance sheets.

s. Derivatives and hedging activities

The Company uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange rates and interest rates. Foreign currency forward contracts, currency swaps and interest rate swaps are utilized by the Company to reduce foreign currency exchange and interest rate risks. The Company does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows: (1) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statements of income and (2) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Foreign currency forward contracts employed to hedge foreign exchange exposures are measured at fair value and the unrealized gains/losses are recognized in income. Forward contracts applied for forecasted (or committed) transactions are also measured at fair value but the unrealized gains/losses are deferred until the underlying transactions are completed.

Long-term debt, denominated in foreign currencies for which currency swap contracts are used to hedge the foreign currency fluctuations, is translated at the contracted rate if the swap contracts qualify for hedge accounting.

Interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

t. Per share information

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the year.

The weighted-average number of common shares outstanding for the years ended March 31, 2014, 2013 and 2012 was 633,810 thousand, 578,695 thousand and 578,782 thousand, respectively.

Diluted net income per share of common stock for the year ended March 31, 2014 was not disclosed due to no residual shares having possibilities of diluting stock value. Diluted net income per share of common stock for the years ended March 31, 2013 and 2012 was not disclosed due to the absence of dilutive securities.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

u. Accounting changes and error corrections

In December 2009, the ASBJ issued ASBJ Statement No.24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No.24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:

(1) Changes in accounting policies

When a new accounting policy is applied with revision of accounting standards, the new policy is applied retrospectively, unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(2) Changes in presentations

When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation.

(3) Changes in accounting estimates

A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and it is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of prior-period errors

When an error in prior-period financial statements is discovered, those financial statements are restated.

v. Changes in presentation

Consolidated balance sheet

Prior to April 1, 2013, the "Advances received" related to the real estate business and other business was included in "Deposits received from customers" and "Accrued expenses and other current liabilities" in the current liabilities of the consolidated balance sheet. Since as of March 31, 2014 the materiality of the real estate business increased due in large part to the consolidation of Cosmos Initia Co., Ltd., such amount was disclosed separately in the current liabilities of the consolidated balance sheet as of March 31, 2014. The amounts of the "Advances received," the "Deposits received from customers" and the "Accrued expenses and other current liabilities" included in "Deposits received from customers" and "Accrued expenses and other current liabilities" for the year ended March 31, 2013

were ¥37,582 million, ¥60,166 million and ¥71,411 million, respectively.

Consolidated statement of cash flows

Prior to April 1, 2013, the "Decrease in advances received" was included in "Increase in deposits received from customers" and "Other — net" in the cash flows from operating activities section of the consolidated statement of cash flows. In accordance with the change of disclosure in the consolidated balance sheet, such amount was disclosed separately in the cash flows from operating activities section of the consolidated statement of cash flows for the year ended March 31, 2014. The amounts of the "Decrease in advances received," the "Increase in deposits received from customers" and the "Other — net" included in "Increase in deposits received from customers" and "Other — net" for the year ended March 31, 2013 were ¥7,064 million, ¥7,395 million, and ¥4,847 million, respectively, and for the year ended March 31, 2012 were ¥1,080 million, ¥10,261 million, and ¥40,652 million, respectively.

w. New accounting pronouncements

1. Accounting standard for retirement benefits

On May 17, 2012, the ASBJ issued ASBJ Statement No.26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No.25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

Major changes are as follows:

(a) Treatment in the balance sheet

Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, is recognized as a liability or asset.

Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) Treatment in the statement of income and the statement of comprehensive income

The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

(c) Amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases

The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company applied the revised accounting standard for (a) and (b) above effective March 31, 2014, and expects to apply (c) above from April 1, 2014, and is in the process of measuring the effects of applying the revised accounting standard for (c) above in future applicable periods.

2. Accounting standards for business combinations and consolidated financial statements

On September 13, 2013, the ASBJ issued revised ASBJ Statement No.21, "Accounting Standard for Business Combinations," revised ASBJ Guidance No.10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures," and revised ASBJ Statement No.22, "Accounting Standard for Consolidated Financial Statements."

Major accounting changes are as follows:

Transactions with noncontrolling interest

A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of minority interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the current accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the minority interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference shall be accounted for as capital surplus as long as the parent retains control over its subsidiary.

Presentation of the consolidated balance sheet

In the consolidated balance sheet, "minority interest" under the current accounting standard will be changed to "noncontrolling interest" under the revised accounting standard.

Presentation of the consolidated statement of income

In the consolidated statement of income, "income before minority interest" under the current accounting standard will be changed to "net income" under the revised accounting standard, and "net income" under the current accounting standard will be changed to "net income attributable to owners of the parent" under the revised accounting standard.

Provisional accounting treatments for a business combination

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisioned amounts for the items for which the accounting is incomplete. Under the current accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

Acquisition-related costs

Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business

combination. Under the current accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for "transactions with noncontrolling interest," "acquisition-related costs" and "presentation changes in the consolidated financial statements" are effective for the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted from the beginning of annual periods beginning on or after April 1, 2014, except for the presentation changes in the consolidated financial statements. In case of earlier application, all accounting standards and guidance above, except for the presentation changes, should be applied simultaneously. Either retrospective or prospective application of the revised accounting standards and guidance for "transactions with noncontrolling interest" and "acquisition-related costs" is permitted. In retrospective application of the revised standards and guidance for "transactions with noncontrolling interest" and "acquisition-related costs," accumulated effects of retrospective adjustments for all "transactions with noncontrolling interest" and "acquisition-related costs" which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application.

In prospective application, the new standards and guidance for "transactions with noncontrolling interest" and "acquisition-related costs" shall be applied prospectively from the beginning of the year of the first-time application. The changes in presentation shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for "provisional accounting treatments for a business combination" is effective for a business combination which will occur on or after the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted for a business combination which will occur on or after the beginning of annual periods beginning on or after April 1, 2014.

The Company expects to apply the revised accounting standards and guidance from the beginning of the annual period beginning on April 1, 2015, and is in the process of measuring the effects of applying the revised accounting standards and guidance in future applicable periods.

3 Marketable and investment securities

Marketable and investment securities as of March 31, 2014 and 2013 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Current:			
Government and corporate bonds	¥ 18	¥ 9	\$ 175
Non-current:			
Equity securities	¥143,360	¥101,450	\$1,391,845
Government and corporate bonds	4,142	3,364	40,214
Investments in limited liability partnership	5,136	4,322	49,863
Preferred fund certificates	29,408	29,717	285,515
Other	201	173	1,952
Total	¥182,247	¥139,026	\$1,769,389

The costs and aggregate fair values of marketable and investment securities as of March 31, 2014 and 2013 were as follows:

	Millions of Yen			
	2014			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥57,241	¥80,291	¥170	¥137,362
Other	115	86		201
Held-to-maturity	3,245	122	4	3,363

	Millions of Yen			
	2013			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥50,933	¥39,778	¥78	¥90,633
Debt securities	2	0		2
Other	115	58		173
Held-to-maturity	2,530	137		2,667

	Thousands of U.S. Dollars			
	2014			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	\$555,738	\$779,524	\$1,651	\$1,333,611
Other	1,117	835		1,952
Held-to-maturity	31,505	1,184	39	32,650

The information for available-for-sale securities which were sold during the years ended March 31, 2014 and 2013 was as follows:

	Millions of Yen		
	2014		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥106	¥51	¥1

	Millions of Yen		
	2013		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥2,262	¥909	

	Thousands of U.S. Dollars		
	2014		
	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	\$1,029	\$495	\$10

The impairment losses on available-for-sale equity securities for the years ended March 31, 2014, 2013 and 2012 were ¥1,801 million (\$17,485 thousand), ¥7,113 million and ¥3,921 million, respectively.

4 Inventories

Inventories as of March 31, 2014 and 2013 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Real estate for sale	¥ 35,224	¥ 29,571	\$ 341,981
Construction projects in progress	23,819	21,713	231,252
Real estate for sale in process	56,772	47,083	551,184
Land held:			
For resale	287,141	273,064	2,787,777
Under development	31,689	6,105	307,660
Undeveloped	647	1,333	6,282
Merchandise, construction materials and others	20,287	19,716	196,961
Total	¥455,579	¥398,585	\$4,423,097

The Company engages in two principal business activities. The Company manufactures and constructs prefabricated houses and structures and also engages in various contracted construction projects, primarily for the construction of large-scale commercial and residential buildings. To further the business, the Company purchases land for development and resale.

5 Land revaluation

Under the "Law of Land Revaluation," the parent company and certain subsidiaries elected a one-time revaluation of their own-use land to a value based on real estate appraisal information as of March 31, 2002.

The resulting land revaluation difference represents unrealized depreciation of land and is stated, net of income taxes, as a component of equity. There was no effect on the consolidated statement of income. Continuous readjustment is not permitted, unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation difference account and

related deferred tax liabilities.

At March 31, 2014 and 2013, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥20,041 million (\$194,573 thousand) and ¥21,020 million, respectively.

6 Long-lived assets

The Company recognized impairment losses on property, plant and equipment for the following group of assets in the years ended March 31, 2014, 2013 and 2012:

2014				
Classification of Company	Type of Assets	Location	Millions of Yen	Thousands of U.S. Dollars
Facilities of health & leisure	Buildings and structures, machinery and equipment, furniture and fixtures, land, intangible assets and lease assets	Saitama Prefecture and others	¥2,123	\$20,612
Assets used under sublease agreements	Buildings and structures, machinery and equipment, furniture and fixtures, land and lease assets	Shizuoka Prefecture and others	2,049	19,893
Idle assets	Buildings and structures, machinery and equipment and land	Iwate Prefecture and others	920	8,932
Home center	Buildings and structures, machinery and equipment and furniture and fixtures	Nara Prefecture and others	348	3,379
Offices, factories and others	Buildings and structures and furniture and fixtures	Nara Prefecture and others	42	408
Others	Buildings and structures, machinery and equipment, furniture and fixtures and land	Okayama Prefecture and others	129	1,252
Total			¥5,611	\$54,476

2013				
Classification of Company	Type of Assets	Location	Millions of Yen	
Facilities of health & leisure	Buildings and structures, machinery and equipment, furniture and fixtures, land, intangible assets, lease assets and other assets	Chiba Prefecture and others	¥ 8,708	
Assets used under sublease agreements	Buildings and structures, furniture and fixtures, land, intangible assets and lease assets	Shizuoka Prefecture and others	1,784	
Idle assets	Buildings and structures, furniture and fixtures and land	Hyogo Prefecture and others	56	
Home center	Buildings and structures and furniture and fixtures	Kyoto Prefecture and others	9	
Offices, factories and others	Buildings and structures, machinery and equipment, furniture and fixtures and land	Tochigi Prefecture and others	145	
Others	Machinery and equipment	Chiba Prefecture and others	25	
Total			¥10,727	

2012				
Classification of Company	Type of Assets	Location	Millions of Yen	
Facilities of health & leisure	Buildings and structures, machinery and equipment, furniture and fixtures, land and lease assets	Mie Prefecture and others	¥1,992	
Assets used under sublease agreements	Buildings and structures, machinery and equipment, furniture and fixtures, land, intangible assets and lease assets	Osaka Prefecture and others	5,139	
Idle assets	Buildings and structures, machinery and equipment, furniture and fixtures and land	Mie Prefecture and others	859	
Home center	Buildings and structures, machinery and equipment and furniture and fixtures	Kanagawa Prefecture and others	261	
Offices, factories and others	Buildings and structures, machinery and equipment and land	Kagawa Prefecture and others	1,465	
Others	Buildings and structures, furniture and fixtures and land	Hyogo Prefecture	96	
Total			¥9,812	

The Company classified the fixed assets by business control unit such as branch office, plant and each property leased, which controls its revenue and expenditure.

Book values of the above assets were written down to recoverable amounts due to decreases in the land prices or significant declines in profitability caused by severe competition.

The recoverable amount was measured at its net selling price determined by quotation from a third-party appraiser.

7 Investment property

The Company owns rental properties such as rental housing, commercial facilities and business facilities in Tokyo and other areas. Rental income, net of operating expenses, gain on sales and disposal and impairment loss for those rental properties were ¥17,513 million (\$170,029 thousand), ¥883 million (\$8,573 thousand) and ¥2,538 million (\$24,641 thousand), respectively, for the year ended March 31, 2014. Rental income, net of operating expenses, loss on sales and disposal and impairment loss for those rental properties were ¥17,103 million, ¥874 million and ¥1,092 million, respectively, for the year ended March 31, 2013. Rental income, net of operating expenses, loss on sales and disposal and impairment loss for those rental properties were ¥15,464 million, ¥497 million and ¥3,722 million, respectively, for the year ended March 31, 2012.

In addition, the carrying amounts, changes in such balances and market prices of such properties are as follows:

Millions of Yen			
Carrying Amount		Fair Value	
April 1, 2013	Increase/Decrease	March 31, 2014	March 31, 2014
¥433,659	¥103,511	¥537,170	¥568,726

Millions of Yen			
Carrying Amount		Fair Value	
April 1, 2012	Increase/Decrease	March 31, 2013	March 31, 2013
¥395,030	¥38,629	¥433,659	¥446,047

Thousands of U.S. Dollars			
Carrying Amount		Fair Value	
April 1, 2013	Increase/Decrease	March 31, 2014	March 31, 2014
\$4,210,282	\$1,004,961	\$5,215,243	\$5,521,612

Notes:

- 1) Carrying amount recognized in the consolidated balance sheets is net of accumulated depreciation and accumulated impairment losses, if any.
- 2) Increase during the year ended March 31, 2014 primarily represents the acquisition of certain properties of ¥138,505 million (\$1,344,709 thousand) and decrease primarily represents depreciation of ¥17,077 million (\$165,796 thousand) and the transfer to inventories of ¥30,557 million (\$296,670 thousand).

3) Increase during the year ended March 31, 2013 primarily represents the acquisition of certain properties of ¥65,080 million and decrease primarily represents depreciation of ¥16,269 million and the transfer to inventories of ¥25,685 million.

4) The fair value of properties was primarily measured by the Company in accordance with its Real Estate Appraisal Standard.

8 Short-term bank loans, bonds and long-term debt

The annual interest rates for the short-term bank loans ranged from 0.44% to 6.03% and 0.16% to 3.93% at March 31, 2014 and 2013, respectively. The collateralized short-term bank loans were ¥3,862 million (\$37,495 thousand) at March 31, 2014 and ¥1,640 million at March 31, 2013.

Bonds as of March 31, 2014 and 2013 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Bonds, 0.25% to 2.06% (0.25% to 2.06% in 2013), due on various dates through 2021:			
Collateralized	¥ 500	¥ 500	\$ 4,854
Unsecured	130,167	130,220	1,263,757
Total	130,667	130,720	1,268,611
Less current portion	100,053	53	971,388
Bonds			
— net of current portion	¥ 30,614	¥130,667	\$ 297,223

Long-term debt as of March 31, 2014 and 2013 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Loans from banks, 0.15% to 8.00% (0.20% to 3.08% in 2013), due on various dates through 2040:			
Collateralized	¥ 36,393	¥ 17,378	\$ 353,330
Unsecured	204,205	219,195	1,982,573
Total	240,598	236,573	2,335,903
Less current portion	60,442	38,987	586,816
Long-term debt			
— net of current portion	¥180,156	¥197,586	\$1,749,087

Annual maturities of bonds as of March 31, 2014 were as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2015	¥100,053	\$ 971,388
2016	53	514
2017	10,061	97,680
2018		
2019	20,000	194,175
2020 and thereafter	500	4,854
Total	¥130,667	\$1,268,611

Annual maturities of long-term debt as of March 31, 2014 were as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2015	¥ 60,442	\$ 586,816
2016	35,681	346,418
2017	27,010	262,233
2018	52,354	508,291
2019	42,754	415,087
2020 and thereafter	22,357	217,058
Total	¥240,598	\$2,335,903

As of March 31, 2014, assets pledged as collateral for secured short-term bank loans, bonds and long-term debt were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Cash and cash equivalents	¥ 1,211	\$ 11,757
Receivables	21,437	208,126
Real estate for sale	6,134	59,553
Real estate for sale in process	13,440	130,486
Buildings and structures	3,794	36,835
Machinery and equipment	0	0
Land	4,408	42,796
Accrued income (other current assets)	238	2,311
Total	¥50,662	\$491,864

Pursuant to Article 128 of the Law Concerning Liquidation of Assets (Law No.105, 1998), DH Makishi, a special purpose company, has pledged assets as security for special corporate bonds totaling ¥500 million (\$4,854 thousand) and ¥500 million at March 31, 2014 and 2013, respectively.

As is customary in Japan, a company maintains substantial deposit balances with banks with which it has borrowings. Such deposit balances are not legally or contractually restricted as to withdrawal. In addition, collateral must be provided if requested by the lending banks, and certain banks have the right to offset cash deposited with them against any bank loan or obligation that becomes due and, in case of default and certain other specified events, against all other debt payable to the bank concerned. The Company has never received any such request.

9 Retirement and pension plans

Under the unfunded employees' retirement benefit plan, employees of the parent company and certain subsidiaries terminating their employment are entitled, in most circumstances, to lump-sum severance payments determined by reference to wage rates at the time of termination and years of service. In addition, the parent company, together with certain subsidiaries and associated companies, has adopted non-contributory

funded defined benefit pension plans and defined contribution pension plans covering most of their employees.

Year ended March 31, 2014

(1) The changes in defined benefit obligation for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	¥444,305	\$4,313,641
Service cost	22,695	220,340
Interest cost	8,275	80,340
Actuarial losses	7,714	74,893
Benefits paid	(10,735)	(104,224)
Balance at end of year	¥472,254	\$4,584,990

(2) The changes in plan assets for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	¥233,963	\$2,271,485
Actuarial gains	21,935	212,961
Contributions from the employer	17,222	167,204
Benefits paid	(5,668)	(55,029)
Balance at end of year	¥267,452	\$2,596,621

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2014 was as follows:

	Millions of Yen	Thousands of U.S. Dollars
Funded defined benefit obligation	¥392,200	\$3,807,767
Plan assets	(267,452)	(2,596,621)
	124,748	1,211,146
Unfunded defined benefit obligation	80,054	777,223
Net liability for defined benefit obligation	¥204,802	\$1,988,369
	Millions of Yen	Thousands of U.S. Dollars
Liability for retirement benefits	¥204,802	\$1,988,369
Net liability for defined benefit obligation	¥204,802	\$1,988,369

(4) The components of net periodic benefit costs for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Service cost	¥22,695	\$220,340
Interest cost	8,275	80,340
Recognized actuarial gains	(14,221)	(138,068)
Net periodic benefit costs	¥16,749	\$162,612

(5) Plan assets as of March 31, 2014

a. Components of plan assets

Plan assets consisted of the following:

Domestic debt instruments	1%
Overseas debt instruments	8
Domestic equity instruments	11
Overseas equity instruments	7
Cash and cash equivalents	28
General accounts	10
Others	35
Total	100%

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(6) Assumptions used for the year ended March 31, 2014, were set forth as follows:

Discount rate	Principally 1.9%
Expected rate of return on plan assets	0.0
Recognition period of actuarial gain/loss	1 year

(7) Defined contribution plans

Required contributions to defined contribution plans of the parent company and certain subsidiaries were ¥477 million (\$4,631 thousand).

Year ended March 31, 2013

	Millions of Yen
Projected benefit obligation	¥444,305
Fair value of plan assets	(233,963)
Net liability	210,342
Liability for employees' retirement benefits	¥210,342

The components of net periodic benefit costs as of March 31, 2013 are as follows:

	Millions of Yen
Service cost	¥18,960
Interest cost	9,663
Recognized actuarial gain	(16,281)
Gain on revision of employees' retirement benefit plan	(31,332)
Actuarial loss due to a change of discount rate	45,228
Special contribution to the multiemployer pension plan of a subsidiary	35
Other	198
Net periodic benefit costs	¥26,471

The Company revised the severance payment rules and raised the corporate pension payment age based on the authorization by the representative committee resolution of corporate pension funds of the Company on January 29, 2013, because the retirement age had been raised from 60 to 65 as a work rule. In addition, a certain subsidiary adopted a revised benefit plan for lump-sum severance payments. As a result of these revisions, the gain on revision of employees' retirement benefit plan for the year ended March 31, 2013 represented a decrease in the benefit obligation of ¥31,332 million.

Assumptions used for the year ended March 31, 2013 were set forth as follows:

Discount rate	Principally 1.9%
Expected rate of return on plan assets	0.0
Recognition period of actuarial gain/loss	1 year

10 Asset retirement obligations

The changes in asset retirement obligations for the years ended March 31, 2014 and 2013 were as follows.

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Balance at beginning of year	¥26,364	¥24,236	\$255,961
Additional provisions associated with the acquisition of property, plant and equipment	2,576	1,793	25,009
Reconciliation associated with passage of time	519	509	5,039
Reduction associated with settlement of asset retirement obligations	(462)	(175)	(4,485)
Balance at end of year	¥28,997	¥26,363	\$281,524

11 Equity

Japanese companies are subject to the Companies Act. The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria such as: (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board and (4) having the term of service of the directors prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the

Company has prescribed so in its articles of incorporation. The parent company meets all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the Company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

On July 30, 2013, the parent company issued and publicly offered 53,150 thousand shares at ¥1,717.12 (\$16.67) per share. The amount of the issuance was ¥91,265 million (\$886,068 thousand) in total, ¥45,268 million (\$439,495 thousand) of

which was recorded in common stock and the remaining ¥45,268 million (\$439,495 thousand) was recorded in capital surplus. The parent company sold treasury stocks and publicly offered 20,000 thousand shares at ¥1,717.12 (\$16.67) per share. The amount to be paid was ¥34,342 million (\$333,417 thousand) in total.

On August 19, 2013, the parent company issued and allocated 7,350 thousand shares to a third party at ¥1,717.12 (\$16.67) per share. The amount of the issuance was ¥12,621 million (\$122,534 thousand) in total, ¥6,310 million (\$61,262 thousand) of which was recorded in common stock and the remaining ¥6,310 million (\$61,262 thousand) was recorded in capital surplus.

12 Segment information

Under ASBJ Statement No.17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No.20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available, and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

1. Description of reportable segments

The Company's reportable segments are those for which separate financial information is available and regular evaluation by the parent company's management is being performed in order to decide how resources are allocated among the Company. Therefore, the Company consists of the segments Single-Family Houses Business, Rental Housing Business, Condominiums Business, Existing Home Business, Commercial Facilities Business, and Business and Corporate Facilities Business. The Single-Family Houses Business consists of orders of single-family houses and sales of packages of new houses with land. The Rental Housing Business consists of the Company's operations in rental housing development, construction, management, operation and real estate agency services. The Condominiums Business consists of development, sale and management of condominiums. The Existing Home Business consists of

renovation and real estate agency services. The Commercial Facilities Business consists of development, construction, management and operation of commercial facilities. The Business and Corporate Facilities Business consists of development and construction of logistics, manufacturing facilities and medical and nursing care facilities, and building, management and operation of temporary facilities.

Effective the fiscal year ended March 31, 2014, the Company has changed its reportable segments to effectively reflect the 4th Medium-Term Management Plan, "3G&3S" for the Next Step, released on November 8, 2013, and "Health and

Leisure Business," which was one of the reporting segments for the previous fiscal year, is included in Other Businesses. To reflect this change, the segment information for the previous fiscal year has been restated in accordance with the revised segmentation.

2. Methods of measurement for the amounts of sales, profit, assets and other items for each reportable segment

The accounting policies for each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

3. Information about sales, profit, assets and other items is as follows:

Millions of Yen										
2014										
Reportable Segment										
	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business & Corporate Facilities	Total	Other	Total	Reconciliations Consolidated
Sales:										
Sales to external customers	¥392,761	¥686,424	¥242,309	¥84,666	¥409,398	¥585,097	¥2,400,655	¥299,663	¥2,700,318	¥2,700,318
Intersegment sales or transfers	1,720	2,332	484	2,036	12,584	7,094	26,250	94,281	120,531	¥(120,531)
Total	394,481	688,756	242,793	86,702	421,982	592,191	2,426,905	393,944	2,820,849	(120,531) 2,700,318
Segment profit	13,389	64,279	10,706	9,311	60,765	26,935	185,385	14,083	199,468	(35,891) 163,577
Segment assets	220,156	245,016	267,644	11,837	450,564	690,343	1,885,560	562,090	2,447,650	218,297 2,665,947
Other:										
Depreciation	3,027	6,701	1,843	149	14,201	6,357	32,278	15,517	47,795	739 48,534
Increase in property, plant and equipment and other assets	6,371	13,451	5,366	404	44,043	113,188	182,823	34,155	216,978	381 217,359

Millions of Yen										
2013										
Reportable Segment										
	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business & Corporate Facilities	Total	Other	Total	Reconciliations Consolidated
Sales:										
Sales to external customers	¥349,933	¥589,673	¥156,752	¥75,529	¥339,605	¥240,387	¥1,751,879	¥256,110	¥2,007,989	¥2,007,989
Intersegment sales or transfers	1,225	2,895	43	944	7,629	11,076	23,812	79,277	103,089	¥(103,089)
Total	351,158	592,568	156,795	76,473	347,234	251,463	1,775,691	335,387	2,111,078	(103,089) 2,007,989
Segment profit	12,587	52,278	9,968	6,134	45,946	20,689	147,602	9,609	157,211	(29,187) 128,024
Segment assets	199,556	208,010	206,254	20,266	430,051	577,749	1,641,886	474,866	2,116,752	254,486 2,371,238
Other:										
Depreciation	2,495	6,510	1,332	459	13,264	5,488	29,548	15,534	45,082	755 45,837
Increase in property, plant and equipment and other assets	4,312	10,479	4,322	828	22,466	45,612	88,019	33,224	121,243	141 121,384

Millions of Yen										
2012										
Reportable Segment										
	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business & Corporate Facilities	Total	Other	Total	Reconciliations Consolidated
Sales:										
Sales to external customers	¥334,716	¥525,435	¥128,870	¥66,383	¥302,028	¥251,063	¥1,608,495	¥240,302	¥1,848,797	¥1,848,797
Intersegment sales or transfers	1,649	1,320	2	1,757	4,906	5,937	15,571	72,627	88,198	¥ (88,198)
Total	336,365	526,755	128,872	68,140	306,934	257,000	1,624,066	312,929	1,936,995	(88,198) 1,848,797
Segment profit	11,010	52,997	3,771	4,537	33,164	25,895	131,374	8,266	139,640	(24,684) 114,956
Segment assets	185,239	202,770	196,451	19,672	409,740	353,192	1,367,064	433,202	1,800,266	285,831 2,086,097
Other:										
Depreciation	2,217	6,197	1,202	381	12,362	4,616	26,975	16,209	43,184	607 43,791
Increase in property, plant and equipment and other assets	3,353	20,296	3,721	548	25,900	29,199	83,017	20,099	103,116	489 103,605

Thousands of U.S. Dollars										
2014										
Reportable Segment										
	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business & Corporate Facilities	Total	Other	Total	Reconciliations Consolidated
Sales:										
Sales to external customers	\$3,813,214	\$6,664,311	\$2,352,515	\$822,000	\$3,974,738	\$5,680,553	\$23,307,331	\$2,909,349	\$26,216,680	\$26,216,680
Intersegment sales or transfers	16,699	22,641	4,699	19,767	122,175	68,874	254,855	915,349	1,170,204	\$(1,170,204)
Total	3,829,913	6,686,952	2,357,214	841,767	4,096,913	5,749,427	23,562,186	3,824,698	27,386,884	(1,170,204) 26,216,680
Segment profit	129,990	624,068	103,942	90,398	589,952	261,505	1,799,855	136,727	1,936,582	(348,456) 1,588,126
Segment assets	2,137,437	2,378,796	2,598,486	114,922	4,374,408	6,702,359	18,306,408	5,457,185	23,763,593	2,119,388 25,882,981
Other:										
Depreciation	29,388	65,058	17,893	1,447	137,874	61,718	313,378	150,651	464,029	7,175 471,204
Increase in property, plant and equipment and other assets	61,855	130,592	52,097	3,922	427,602	1,098,913	1,774,981	331,602	2,106,583	3,699 2,110,282

Notes:

1) "Other" includes construction support, city hotels, overseas businesses and others.

2) Reconciliations to segment profit of ¥35,891 million (\$348,456 thousand), ¥29,187 million and ¥24,684 million include intersegment eliminations of ¥1,076 million (\$10,447 thousand), ¥1,329 million and ¥685 million, the amortization of goodwill of ¥718 million (\$6,971 thousand), ¥716 million and ¥716 million and the corporate expenses not allocated to each business segment of ¥35,533 million (\$344,980 thousand), ¥28,574 million and ¥24,715 million for the years ended March 31, 2014, 2013 and 2012, respectively. Corporate expenses mainly consist of general and administrative expenses and experiment and research expenses not attributable to any reportable business segments.

Reconciliations to segment assets of ¥218,297 million (\$2,119,388 thousand), ¥254,486 million and ¥285,831 million include intersegment eliminations of ¥199,693 million (\$1,938,767 thousand), ¥140,734 million and ¥122,733 million and the corporate assets of ¥417,990 million (\$4,058,155 thousand), ¥395,220 million and ¥408,564 million for the years ended March 31, 2014, 2013 and 2012, respectively. Corporate assets mainly consist of the Company's surplus funds (cash and cash equivalents), the Company's long-term investment funds (investment securities) and the assets associated with Administration Headquarters of the Company.

Reconciliations to depreciation of ¥739 million (\$7,175 thousand), ¥755 million and ¥607 million include intersegment eliminations of ¥377 million (\$3,660 thousand), ¥386 million and ¥384 million and the depreciation attributable to corporate assets of ¥1,116 million (\$10,835 thousand), ¥1,141 million and ¥991 million for the years ended March 31, 2014, 2013 and 2012, respectively.

Reconciliations to increase in property, plant and equipment and other assets of ¥381 million (\$3,699 thousand), ¥141 million and ¥489 million include intersegment eliminations of ¥715 million (\$6,942 thousand), ¥869 million and ¥297 million and the headquarters' capital investments in properties and equipment of ¥1,096 million (\$10,641 thousand), ¥1,010 million and ¥786 million for the years ended March 31, 2014, 2013 and 2012, respectively.

3) Consolidated amounts of segment profit as mentioned above correspond to the amounts of operating income in the consolidated statements of income.

Impairment losses of assets

Millions of Yen								
2014								
	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business & Corporate Facilities	Other	Elimination/Corporate
Impairment losses of assets	¥138	¥601	¥518	¥7	¥743	¥997	¥2,607	¥5,611

Millions of Yen								
2013								
	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business & Corporate Facilities	Other	Elimination/Corporate
Impairment losses of assets	¥75	¥419	¥12	¥8	¥1,433	¥22	¥8,758	¥10,727

Millions of Yen								
2012								
	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business & Corporate Facilities	Other	Elimination/Corporate
Impairment losses of assets	¥761	¥671	¥192	¥131	¥5,079	¥340	¥2,521	¥117

Thousands of U.S. Dollars								
2014								
	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business & Corporate Facilities	Other	Elimination/Corporate
Impairment losses of assets	\$1,340	\$5,835	\$5,029	\$68	\$7,213	\$9,680	\$25,311	\$54,476

Amortization of goodwill

Millions of Yen								
2014								
	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business & Corporate Facilities	Other	Elimination/Corporate
Amortization of goodwill		¥ (8)	¥ 1,036		¥ 526	¥ 1,646	¥ (245)	¥ 2,955
Goodwill at March 31, 2014		(112)	17,976		5,465	31,293	(4,711)	49,911

Millions of Yen								
2013								
	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business & Corporate Facilities	Other	Elimination/Corporate
Amortization of goodwill		¥ (8)	¥ 1,002		¥ 451	¥ (1)	¥ (169)	¥ 1,275
Goodwill at March 31, 2013		(120)	16,247		5,848	32,939	(5,261)	49,653

Millions of Yen								
2012								
	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business & Corporate Facilities	Other	Elimination/Corporate
Amortization of goodwill		¥ (8)	¥ 562		¥ 407	¥(1)	¥ (131)	¥ 829
Goodwill at March 31, 2012		(128)	16,847		5,764	(8)	(9,182)	13,293

Thousands of U.S. Dollars								
2014								
	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Business & Corporate Facilities	Other	Elimination/Corporate
Amortization of goodwill		\$ (78)	\$ 10,058		\$ 5,107	\$ 15,981	\$ (2,379)	\$ 28,689
Goodwill at March 31, 2014		(1,087)	174,524		53,058	303,816	(45,738)	484,573

13 Other income (expenses): Other — net

"Other income (expenses): Other — net" for the years ended March 31, 2014, 2013 and 2012 consisted of the following:

	Millions of Yen			Thousands of U.S. Dollars
	2014	2013	2012	2014
Real estate acquisition tax and other taxes	¥(1,749)	¥(1,002)	¥ (815)	\$(16,981)
Gain (loss) on sales of investment securities	78	909	(670)	757
Allowance for doubtful accounts	(652)	(96)	(607)	(6,330)
Equity in earnings (losses) of associated companies	1,453	501	(1,431)	14,107
Gain on reversal of allowance for losses from a national disaster			640	
Gain on step acquisitions	93	123		903
Other — net	(2,221)	1,872	2,752	(21,563)
Total	¥(2,998)	¥ 2,307	¥ (131)	\$(29,107)

14 Income taxes

The parent company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 38.0% for the year ended March 31, 2014, 38.0% for the year ended March 31, 2013 and 40.6% for the year ended March 31, 2012.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2014 and 2013 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Current:			
Deferred tax assets:			
Write-down of real estate for sale	¥ 4,807	¥ 3,692	\$ 46,670
Accrued bonuses	12,588	11,104	122,214
Accrued enterprise tax	3,586	2,799	34,815
Other	13,653	12,131	132,553
Less valuation allowance	(1,891)	(617)	(18,359)
Deferred tax assets	32,743	29,109	317,893
Deferred tax liabilities — other	(1)	(151)	(10)
Net deferred tax assets	¥ 32,742	¥ 28,958	\$ 317,883
Non-current:			
Deferred tax assets:			
Employees' retirement benefits	¥ 73,097	¥ 74,303	\$ 709,680
Unrealized gains on sales of property, plant and equipment	8,623	8,434	83,718
Excess of depreciation of property, plant and equipment	25,951	24,628	251,951
Loss carryforwards	42,630	11,585	413,884
Other	50,896	45,546	494,136
Less valuation allowance	(82,309)	(42,536)	(799,117)
Deferred tax assets	118,888	121,960	1,154,252
Deferred tax liabilities:			
Retained earnings appropriated for tax allowable reserves	(1,609)	(1,637)	(15,621)
Net unrealized gain on available-for-sale securities	(26,083)	(12,531)	(253,233)
Other	(9,062)	(9,431)	(87,981)
Deferred tax liabilities	(36,754)	(23,599)	(356,835)
Net deferred tax assets	¥ 82,134	¥ 98,361	\$ 797,417

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2013 and 2012 is as follows:

	2013	2012
Normal effective statutory tax rates	38.0%	40.6%
Increase (decrease) in tax rates due to:		
Permanently non-deductible expenses	1.3	1.6
Non-taxable dividend income	(0.3)	(0.3)
Per capita levy	0.8	1.1
Equity in earnings (losses) of associated companies	(0.2)	0.6
Increase in valuation allowance	2.6	6.9
Tax credit for corporate tax	(0.3)	(0.3)
Reversal of land revaluation difference	(1.3)	(2.5)
Effect of tax rate reduction		15.2
Other — net	1.0	1.4
Actual effective tax rates	41.6%	64.3%

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates for the year ended March 31, 2014 was insignificant and not disclosed.

New tax reform laws enacted in 2014 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2014, from approximately 38.0% to 35.6%. The effect of this change was to decrease deferred tax assets, net of deferred tax liabilities, in the consolidated balance sheet as of March 31, 2014, by ¥2,566 million (\$24,913 thousand) and to increase income taxes — deferred in the consolidated statement of income for the year then ended by ¥2,566 million (\$24,913 thousand).

On December 2, 2011, new tax reform laws were enacted in Japan which changed the normal effective statutory tax rate from approximately 40.6% to 38.0% effective for the fiscal years beginning on or after April 1, 2012 through March 31, 2015, and to 35.6% thereafter. The effect of this change was to decrease deferred tax assets, net of deferred tax liabilities, in the consolidated balance sheet as of March 31, 2012 by ¥13,425 million, to increase income taxes — deferred in the consolidated statement of income for the year then ended by ¥14,093 million, to decrease deferred tax liabilities on land revaluation by ¥3,408 million and to increase the land revaluation difference by the same amount, ¥3,408 million, in the consolidated balance sheet as of March 31, 2012.

As of March 31, 2014, certain subsidiaries have tax loss carryforwards aggregating to approximately ¥121,941 million (\$1,183,893 thousand) which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2015	¥ 12,025	\$ 116,748
2016	41,604	403,922
2017	7,236	70,252
2018	17,084	165,864
2019	22,948	222,796
2020 and thereafter	21,044	204,311
Total	¥121,941	\$1,183,893

15 Research and development costs

Research and development costs charged to income were ¥7,329 million (\$71,155 thousand), ¥6,300 million and ¥6,556 million for the years ended March 31, 2014, 2013 and 2012, respectively.

16 Supplemental cash flow information

For the year ended March 31, 2014

Cosmos Initia Co., Ltd. and six subsidiary companies were acquired. Assets and liabilities of these companies at the time of consolidation, cash paid for the capital and cash paid in conjunction with the purchases of consolidated subsidiaries were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
Assets	¥47,916	\$465,204
Liabilities	(35,549)	(345,136)
Goodwill	2,765	26,845
Minority interests	(4,439)	(43,097)
Cash paid for the capital	10,693	103,816
Carrying value of previously held equity interest	(1,055)	(10,243)
Gain on step acquisitions	(93)	(903)
Additional cash paid for the capital	9,545	92,670
Subscription for capital increase through third-party share allotment of common stock	(9,500)	(92,233)
Purchase of treasury stock by the newly consolidated subsidiaries	9,150	88,835
Cash paid for the capital	9,195	89,272
Cash and cash equivalents of consolidated subsidiaries	(6,947)	(67,447)
Increase in cash and cash equivalents from issuance of common stock	350	3,398
Implemented loans receivable to the newly consolidated subsidiaries between the day regarded as the acquisition date and the day when the Company obtains control	2,500	24,272
Payments for purchases of shares of newly consolidated subsidiaries	¥ 5,098	\$ 49,495

DAIYOSHI TRUST Co., Ltd. was acquired. Assets and liabilities of this company at the time of consolidation, cash paid for the capital and cash paid in conjunction with the purchase of a consolidated subsidiary were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
Assets	¥9,652	\$93,709
Liabilities	(6,806)	(66,078)
Goodwill	180	1,748
Minority interests	(168)	(1,631)
Cash paid for the capital	2,858	27,748
Cash paid in previous period for the capital	(25)	(243)
Cash and cash equivalents of consolidated subsidiary	(811)	(7,874)
Payments for purchases of shares of newly consolidated subsidiary	¥2,022	\$19,631

For the year ended March 31, 2013

Fujita Corporation and 11 subsidiary companies were acquired. Assets and liabilities of these companies at the time of consolidation, cash paid for the capital and cash paid in conjunction with the purchases of consolidated subsidiaries were as follows:

	Millions of Yen
	2013
Assets	¥169,131
Liabilities	(151,351)
Goodwill	32,947
Minority interests	(316)
Cash paid for the capital	50,411
Cash and cash equivalents of consolidated subsidiaries	(47,216)
Payments for purchases of shares of newly consolidated subsidiaries	¥ 3,195

Toden Life Support Co., Ltd. was acquired under the name of Daiwa House Life Support Co., Ltd. Assets and liabilities of this company at the time of consolidation, cash paid for the capital and cash paid in conjunction with the purchase of a consolidated subsidiary were as follows:

	Millions of Yen
	2013
Assets	¥5,880
Liabilities	(1,879)
Goodwill	1,272
Cash paid for the capital	5,273
Cash and cash equivalents of consolidated subsidiary	(595)
Payments for purchases of shares of newly consolidated subsidiary	¥4,678

Frameworkx, Inc. and four subsidiary companies were acquired. Assets and liabilities of these companies at the time of consolidation, cash paid for the capital and cash paid in conjunction with the purchases of consolidated subsidiaries were as follows:

	Millions of Yen
	2013
Assets	¥1,309
Liabilities	(968)
Goodwill	2,385
Minority interests	(24)
Cash paid for the capital	2,702
Carrying value of previously held equity interest	(130)
Gain on step acquisitions	(123)
Additional cash paid for the capital	2,449
Cash and cash equivalents of consolidated subsidiaries	(221)
Payments for purchases of shares of newly consolidated subsidiaries	¥2,228

Daiwa Lease Co., Ltd., a wholly-owned subsidiary, acquired a business. The acquired assets and liabilities and payments for acquisition of the business were as follows:

	Millions of Yen
	2013
Assets	¥941
Liabilities	(830)
Goodwill	534
Payments for acquisition of business	¥645

Sports Club NAS Co., Ltd., a wholly-owned subsidiary, acquired a business. The acquired assets and liabilities and payments for the acquisition of the business were as follows:

	Millions of Yen
	2013
Assets	¥289
Liabilities	(7)
Goodwill	96
Payments for acquisition of business	¥378

For the year ended March 31, 2012

Global Community Co., Ltd. and three subsidiary companies were acquired. Assets and liabilities of these companies at the time of consolidation, cash paid for the capital and cash paid in conjunction with the purchases of consolidated subsidiaries were as follows:

	Millions of Yen
	2012
Assets	¥3,380
Liabilities	(2,739)
Goodwill	7,008
Minority interests	(34)
Cash paid for the capital	7,615
Cash and cash equivalents of consolidated subsidiaries	1,804
Payments for purchases of shares of newly consolidated subsidiaries	¥5,811

17 Leases

Finance leases:

(Lessee)

The Company leases certain machinery, computer equipment, office space and other assets.

Total rental expenses including lease payments under finance leases for the years ended March 31, 2014, 2013 and 2012 were ¥26,555 million (\$257,816 thousand), ¥31,770 million and ¥29,537 million, respectively.

For the years ended March 31, 2014, 2013 and 2012, the Company recorded an impairment loss of ¥469 million (\$4,553 thousand), ¥426 million and ¥1,492 million, respectively, on certain leased property held under finance leases that do not transfer ownership and a corresponding allowance for impairment loss on leased property, which is included in long-term liabilities — other.

Pro forma information of leased property whose lease inception was before March 31, 2008

ASBJ Statement No.13, "Accounting Standard for Lease Transactions," requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the consolidated balance sheet. However, ASBJ Statement No.13 permits leases without ownership transfer of the leased property to any lessee whose lease inception was before March 31, 2008 to continue to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the consolidated financial statements. The Company applied ASBJ Statement No.13 effective April 1, 2008 and accounted for such leases as operating lease transactions. Pro forma information regarding leased property whose lease inception was before March 31, 2008 was as follows:

Millions of Yen				
2014				
	Buildings and Structures	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	¥286,194	¥1,808	¥472	¥288,474
Accumulated depreciation	141,312	1,277	357	142,946
Accumulated impairment loss	6,242	9	4	6,255
Net leased property	¥138,640	¥ 522	¥111	¥139,273

Millions of Yen				
2013				
	Buildings and Structures	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	¥294,692	¥1,896	¥536	¥297,124
Accumulated depreciation	134,990	1,186	359	136,535
Accumulated impairment loss	5,964	9	6	5,979
Net leased property	¥153,738	¥ 701	¥171	¥154,610

Thousands of U.S. Dollars				
2014				
	Buildings and Structures	Machinery and Equipment	Furniture and Fixtures	Total
Acquisition cost	\$2,778,582	\$17,553	\$4,583	\$2,800,718
Accumulated depreciation	1,371,961	12,398	3,466	1,387,825
Accumulated impairment loss	60,602	87	39	60,728
Net leased property	\$1,346,019	\$ 5,068	\$1,078	\$1,352,165

Obligations under finance leases as of March 31, 2014 and 2013 were as follows:

Millions of Yen			Thousands of U.S. Dollars
	2014	2013	2014
Due within one year	¥ 17,660	¥ 17,989	\$ 171,456
Due after one year	147,985	165,138	1,436,748
Total	¥165,645	¥183,127	\$1,608,204

The allowance for impairment loss on leased property of ¥3,938 million (\$38,233 thousand), ¥4,239 million and ¥4,572 million as of March 31, 2014, 2013 and 2012, respectively, is not included in the obligations under finance leases.

Depreciation expense, interest expense and other information under finance leases:

Millions of Yen				Thousands of U.S. Dollars
	2014	2013	2012	2014
Depreciation expense	¥13,826	¥14,216	¥15,232	\$134,233
Interest expense	9,048	10,056	10,571	87,845
Total	¥22,874	¥24,272	¥25,803	\$222,078
Lease payments	¥23,652	¥24,317	¥25,803	\$229,631
Reversal of allowance for impairment loss on leased property	680	672	732	6,602
Impairment loss	378	339	1,492	3,670

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of income, are computed by the straight-line method and the interest method, respectively.

(Lessor)

The net lease investment assets were summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Gross lease receivables	¥27,053	¥20,641	\$262,651
Unguaranteed residual values	1,502	1,931	14,583
Unearned interest income	(6,472)	(5,544)	(62,835)
Lease investment assets, current	¥22,083	¥17,028	\$214,399

Maturities of lease receivables for finance leases that were deemed to transfer ownership of the leased property to the lessee are as follows:

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2015	¥ 4,113	\$ 39,932
2016	3,536	34,330
2017	3,023	29,350
2018	2,487	24,146
2019	1,982	19,243
2020 and thereafter	11,912	115,650
Total	¥27,053	\$262,651

Maturities of lease investment assets for finance leases that were deemed not to transfer ownership of the leased property to the lessee are as follows:

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2015	¥ 254	\$ 2,466
2016	253	2,456
2017	253	2,456
2018	251	2,437
2019	260	2,524
2020 and thereafter	847	8,223
Total	¥2,118	\$20,562

Pro forma information of leased property whose lease inception was before March 31, 2008

Property and equipment leased to customers under finance lease arrangements mentioned above as of March 31, 2014 and 2013 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Machinery and Equipment			
Acquisition cost	¥482	¥1,338	\$4,679
Accumulated depreciation	407	1,080	3,951
Net leased property	¥ 75	¥ 258	\$ 728

Future rental income under finance leases as of March 31, 2014 and 2013 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Due within one year	¥64	¥200	\$621
Due after one year	15	77	146
Total	¥79	¥277	\$767

Rental income, interest income and depreciation expense under finance leases at March 31, 2014, 2013 and 2012 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2014	2013	2012	2014
Rental income	¥252	¥752	¥1,525	\$2,447
Interest income	10	26	85	97
Depreciation expense	243	495	1,157	2,359

Imputed interest income is excluded from the amount of rental income under finance leases.

Operating leases:

Obligations and future rental income under non-cancellable operating leases as of March 31, 2014 and 2013 were as follows:

(Lessee)

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Due within one year	¥ 47,605	¥ 44,335	\$ 462,184
Due after one year	443,737	443,296	4,308,127
Total	¥491,342	¥487,631	\$4,770,311

(Lessor)

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Due within one year	¥ 3,756	¥ 3,752	\$ 36,466
Due after one year	192,109	178,638	1,865,136
Total	¥195,865	¥182,390	\$1,901,602

18 Financial instruments and related disclosures

(1) Company policy for financial instruments

The Company uses financial instruments, mainly long-term debt, bonds and commercial paper, based on its capital financing plan. Cash surpluses, if any, are invested in low-risk financial assets. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in (2) below.

(2) Nature and extent of risks arising from financial instruments, and risk management for financial instruments

Receivables, such as trade notes, trade accounts and lease deposits, are exposed to customer credit risk. The Company manages its credit risk by monitoring payment terms and balances of customers to identify the default risk of customers at an early stage.

Marketable and investment securities, such as stock, certificates of deposit, debt securities, investment trusts and investments in capital of partnership, are exposed to issuers' credit risk and price fluctuation risk. The Company manages its credit risk and price fluctuation risk by monitoring market values and the financial position of issuers on a regular basis.

Payment terms of payables, such as trade notes and trade accounts, are mainly less than one year. Lease deposits received consist mainly of the deposits of the real estate business. The long-term debt and bonds are used mainly for investment in plant, equipment and leased property. Maturities of bank loans and bonds are mainly less than 10 years after the consolidated balance sheet date. Some of such bank loans and payables are exposed to liquidity risk.

The Company manages its liquidity risk by holding adequate volumes of liquid assets along with adequate financial planning by the financial department.

With respect to long-term debt dominated in foreign currencies, the Company enters into foreign currency swap contracts to hedge foreign currency fluctuations.

With respect to floating-rate long-term debt, the Company enters into interest rate swap contracts to hedge interest rate fluctuations.

Based on internal guidelines, the Company enters into interest rate and foreign currency swaps to hedge fluctuation risks of interest rate or foreign currency. It is the Company's policy to use derivatives only for the purpose of reducing market risks associated with assets and liabilities. Because the counterparties to those derivatives are limited to major international financial institutions, the Company does not anticipate any losses arising from credit risk.

(3) Fair values of financial instruments

Fair values of financial instruments are based on quoted prices in active markets. If quoted prices are not available, other rational valuation techniques are used instead. Also, please see Note 19 for the details of fair value for derivatives and derivative risks.

(a) Fair value of financial instruments

Millions of Yen			
2014			
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 198,734	¥ 198,734	
Lease receivables and investment assets	23,726		
Allowance for doubtful receivables	(169)		
	23,557	23,557	
Short-term investments	13,380	13,380	
Receivables	227,277		
Allowance for doubtful receivables	(2,680)		
	224,597	224,012	¥ (585)
Marketable and investment securities:			
Held-to-maturity	3,245	3,363	118
Investments in unconsolidated subsidiaries and associated companies	4,862	2,937	(1,925)
Available-for-sale	137,563	137,563	
Lease deposits	198,995		
Allowance for doubtful accounts	(300)		
	198,695	190,156	(8,539)
Total	¥ 804,633	¥ 793,702	¥ (10,931)
Short-term bank loans	¥ 22,303	¥ 22,303	
Payables	375,672	375,672	
Income taxes payable	46,797	46,797	
Bonds	130,667	131,300	¥ 633
Long-term debt	240,598	241,494	896
Lease deposits received	241,897	232,681	(9,216)
Total	¥1,057,934	¥1,050,247	¥ (7,687)
Derivatives	¥ 16	¥ 16	

Millions of Yen			
2013			
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	¥ 245,038	¥ 245,038	
Lease receivables and investment assets	18,657		
Allowance for doubtful receivables	(214)		
	18,443	18,443	
Short-term investments	3,762	3,762	
Receivables	189,770		
Allowance for doubtful receivables	(2,134)		
	187,636	186,840	¥ (796)
Marketable and investment securities:			
Held-to-maturity	2,530	2,667	137
Investments in unconsolidated subsidiaries and associated companies	3,052	1,498	(1,554)
Available-for-sale	90,808	90,808	
Lease deposits	190,543		
Allowance for doubtful accounts	(300)		
	190,243	183,238	(7,005)
Total	¥ 741,512	¥ 732,294	¥(9,218)
Short-term bank loans	¥ 7,496	¥ 7,496	
Payables	427,893	427,893	
Income taxes payable	33,051	33,051	
Bonds	130,720	132,011	¥ 1,291
Long-term debt	236,573	238,485	1,912
Lease deposits received	226,683	218,603	(8,080)
Total	¥1,062,416	¥1,057,539	¥(4,877)
Derivatives	¥ 501	¥ 501	

Thousands of U.S. Dollars			
2014			
	Carrying Amount	Fair Value	Unrealized Gain/Loss
Cash and cash equivalents	\$ 1,929,456	\$ 1,929,456	
Lease receivables and investment assets	230,350		
Allowance for doubtful receivables	(1,641)		
	228,709	228,709	
Short-term investments	129,903	129,903	
Receivables	2,206,573		
Allowance for doubtful receivables	(26,019)		
	2,180,554	2,174,874	\$ (5,680)
Marketable and investment securities:			
Held-to-maturity	31,505	32,650	1,145
Investments in unconsolidated subsidiaries and associated companies	47,204	28,515	(18,689)
Available-for-sale	1,335,563	1,335,563	
Lease deposits	1,931,990		
Allowance for doubtful accounts	(2,913)		
	1,929,077	1,846,175	(82,902)
Total	\$ 7,811,971	\$7,705,845	\$ (106,126)
Short-term bank loans	\$ 216,534	\$216,534	
Payables	3,647,301	3,647,301	
Income taxes payable	454,340	454,340	
Bonds	1,268,611	1,274,757	\$ 6,146
Long-term debt	2,335,903	2,344,602	8,699
Lease deposits received	2,348,515	2,259,039	(89,476)
Total	\$10,271,204	\$10,196,573	\$ (74,631)
Derivatives	\$ 155	\$ 155	

Cash and cash equivalents and short-term investments

The carrying values of cash and cash equivalents and short-term investments approximate fair value because of their short-term maturities.

Lease receivables and investment assets

The carrying amounts of lease receivables and investment assets approximate fair value because the carrying amounts are discounted at the Company's assumed corporate discount rate.

Receivables

The fair values of receivables are measured at the amount to be received at maturity discounted at the Company's assumed corporate discount rate.

Marketable and investment securities

The fair values of marketable and investment securities are measured at the quoted market price of the stock exchange for equity instruments and at the quoted price obtained from the financial institution for certain debt instruments. Information on the fair value for marketable and investment securities by classification is included in Note 3.

Lease deposits

The fair values of lease deposits are measured at the amount to be received at maturity discounted at the Company's assumed corporate discount rate.

Short-term bank loans, payables and income taxes payable

The carrying values of short-term bank loans, payables and income taxes payable approximate fair value because of their short-term maturities.

Bonds

The fair values of financial instruments are based on quoted prices in active markets.

Long-term debt

The fair values of long-term debt are determined by discounting the cash flows related to the debt at the Company's assumed corporate discount rate.

Lease deposits received

The fair values of lease deposits received are measured at the amount to be paid at maturity discounted at the Company's assumed corporate discount rate.

Derivatives

The information regarding the fair value for derivatives is included in Note 19.

(b) Financial instruments whose fair value cannot be reliably determined

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Equity securities	¥70,643	¥63,073	\$685,854
Preferred fund certificates	29,408	29,717	285,515
Investments in limited liability partnership and other	6,051	5,163	58,748

(4) Maturity analysis for financial assets and securities with contractual maturities

	Millions of Yen			
	2014			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥198,734			
Lease receivables and investment assets	4,367	¥12,045	¥ 6,783	¥ 5,976
Short-term investments	13,380			
Receivables	205,197	10,574	8,095	3,411
Marketable and investment securities:				
Held-to-maturity	2		3,468	10
Available-for-sale securities with contractual maturities	16	799	100	
Lease deposits	19,316	65,430	66,752	55,178
Total	¥441,012	¥88,848	¥85,198	¥64,575

	Millions of Yen			
	2013			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥245,038			
Lease receivables and investment assets	4,006	¥ 9,917	¥ 5,462	¥ 3,494
Short-term investments	3,762			
Receivables	171,164	7,480	6,120	5,006
Marketable and investment securities:				
Held-to-maturity			2,742	10
Available-for-sale securities with contractual maturities	6	25		
Lease deposits	18,938	62,210	62,581	55,549
Total	¥442,914	¥79,632	¥76,905	¥64,059

	Thousands of U.S. Dollars			
	2014			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through 10 Years	Due after 10 Years
Cash and cash equivalents	\$1,929,456			
Lease receivables and investment assets	42,398	\$116,942	\$ 65,854	\$ 58,019
Short-term investments	129,903			
Receivables	1,992,204	102,660	78,592	33,117
Marketable and investment securities:				
Held-to-maturity	19		33,670	97
Available-for-sale securities with contractual maturities	155	7,757	971	
Lease deposits	187,534	635,243	648,078	535,709
Total	\$4,281,669	\$862,602	\$827,165	\$626,942

Please see Note 8 for annual maturities of bonds and long-term debt.

19 Derivatives

The Company enters into currency swap contracts and foreign currency forward contracts to hedge foreign currency fluctuation risk associated with certain assets and liabilities denominated in foreign currencies. The Company enters into interest rate swap contracts to manage its interest rate exposures on certain liabilities.

It is the Company's policy to use derivatives only for the purpose of reducing market risks associated with assets and liabilities.

Derivatives are subject to market risk and credit risk. Because

the counterparties to those derivatives are limited to major international financial institutions, the Company does not anticipate any losses arising from credit risk.

The Company implemented a risk control system for derivatives primarily to control the purpose, limitation and selection of counterparties. The system's primary function is to avoid excess risks associated with derivatives. Each derivative transaction, which is based on these internal policies, is reported to the Director of the Financing Department, and the execution and control of derivatives are managed by the Finance Section of the Company.

Derivative transactions to which hedge accounting was not applied as of March 31, 2014 and 2013 were as follows:

Type of Transaction	Thousands of Barrels				Millions of Yen				Thousands of U.S. Dollars	
	2014		2013		2014		2013		2014	
	Contract Amount	Due over One Year	Contract Amount	Due over One Year	Fair Value	Unrealized Gain (Loss)	Fair Value	Unrealized Gain (Loss)	Fair Value	Unrealized Gain (Loss)
Commodity swaps:										
Receive floating pay fixed			120				¥753	¥753		
Receive fixed pay floating			120				(252)	(252)		
Total			240				¥501	¥501		

Derivative transactions to which hedge accounting was applied as of March 31, 2014 and 2013 were as follows:

	Hedged Item	Millions of Yen				Thousands of U.S. Dollars			
		2014		2013		2014		2013	
		Contract Amount	Contract Amount Due after One Year	Fair Value	Contract Amount	Contract Amount Due after One Year	Fair Value	Contract Amount	Contract Amount Due after One Year
Interest rate swaps:									
(fixed rate payment, floating rate receipt)	Long-term debt	¥14,616	¥13,453		¥26,672	¥ 1,045		\$141,903	\$130,612
Currency swaps:									
(Payment in yen, receipt in U.S. dollars)	Long-term debt	10,000	10,000		10,000	10,000		97,087	97,087
Interest rate and currency swaps:									
(fixed rate payment in yen, floating rate receipt in U.S. dollars)	Long-term debt	10,000	10,000		10,000	10,000		97,087	97,087
Foreign currency forward contracts:									
Buying U.S. dollars	Scheduled transaction denominated in foreign currencies	1,013		¥16				9,835	\$155

The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.

The above interest rate swaps, currency swaps and interest rate and currency swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differentials paid or received under the swap

agreements are recognized and included in interest expense or income, and long-term debts dominated in a foreign currency are translated at the contracted rates. In addition, the fair values of such interest rate swaps, currency swaps and interest rate and currency swaps in Note 18 are included in those of the hedged items (i.e., long-term debt).

20 Contingencies

At March 31, 2014, contingent liabilities for notes endorsed with recourse and loans guaranteed in the ordinary course of business amounted to ¥287 million (\$2,786 thousand) and ¥20,677 million (\$200,748 thousand), respectively. Included in loans guaranteed were customers' housing loans from banks in the amount of ¥18,073 million (\$175,466 thousand).

21 Comprehensive income

The components of other comprehensive income for the years ended March 31, 2014, 2013 and 2012 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2014	2013	2012	2012
Unrealized gain on available-for-sale securities:				
Gain (loss) arising during the year	¥38,746	¥24,523	¥ (912)	\$376,175
Reclassification adjustments to profit or loss	1,774	1,307	(102)	17,223
Amount before income tax effect	40,520	25,830	(1,014)	393,398
Income tax effect	(14,414)	(9,197)	1,099	(139,942)
Total	¥26,106	¥16,633	¥ 85	\$253,456
Deferred gain on derivatives under hedge accounting:				
Gain arising during the year	¥ 16			\$ 155
Income tax effect	(6)			(58)
Total	¥ 10			\$ 97
Land revaluation difference:				
Income tax effect			¥ 3,407	
Foreign currency translation adjustments:				
Adjustments arising during the year	¥ 9,776	¥ 3,797	¥ (401)	\$ 94,913
Share of other comprehensive income (loss) in associated companies:				
Income (loss) arising during the year	¥10,210	¥ 4,346	¥(1,690)	\$ 99,126
Reclassification adjustments to profit or loss	(10)	(17)	23	(97)
Total	¥10,200	¥ 4,329	¥(1,667)	\$ 99,029
Total other comprehensive income	¥46,092	¥24,759	¥ 1,424	\$447,495

22 Subsequent events

a. Appropriation of retained earnings

The following appropriation of retained earnings at March 31, 2014 will be approved at the parent company's shareholders' meeting held on June 27, 2014:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥30.00 (\$0.29) per share	¥19,774	\$191,981

b. Retirement and pension plan

The parent company and certain subsidiaries shifted a portion of the existing non-contributory funded defined benefit pension plan to a defined contribution plan on April 1, 2014. The parent company and certain subsidiaries applied the accounting treatments specified in the guidance issued by the ASBJ. The effect of this transfer is in the process of being measured.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Daiwa House Industry Co., Ltd.:

We have audited the accompanying consolidated balance sheet of Daiwa House Industry Co., Ltd. and its consolidated subsidiaries as of March 31, 2014, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Daiwa House Industry Co., Ltd. and its consolidated subsidiaries as of March 31, 2014, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 17, 2014

Group Network

As of March 31, 2014

● Living Salons **113**



■ Forest Housings **14**



■ Commercial Facilities **298**



● Resort Hotels **28**



■ Golf Courses **10**



● Fitness Clubs **64**



(as of August 1, 2014)

■ Spa & Aesthetic Salons **24***



* Including those located within fitness clubs

● City Hotels **38**



● Home Centers **52**





Employees*

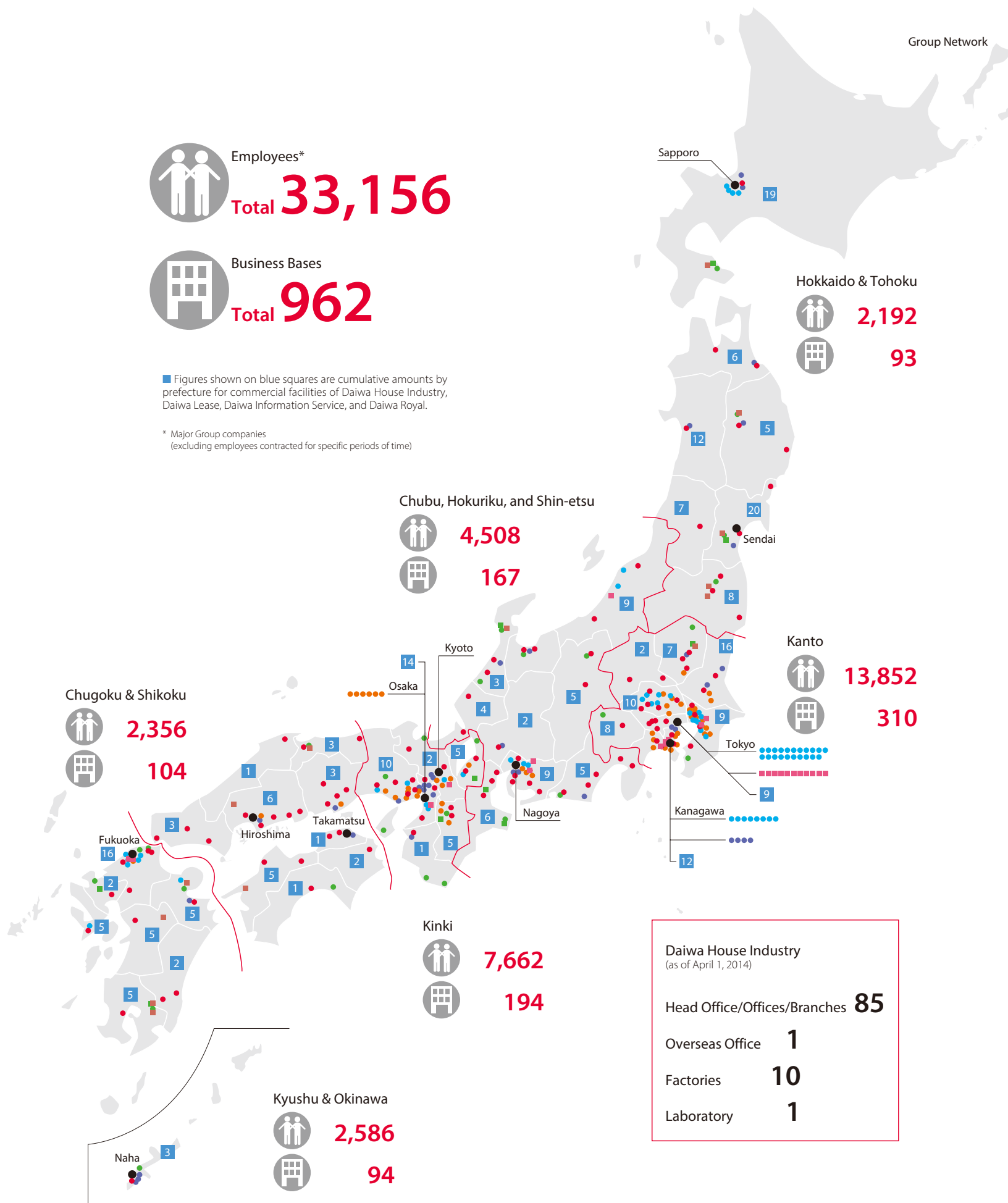
Total **33,156**

Business Bases

Total **962**

■ Figures shown on blue squares are cumulative amounts by prefecture for commercial facilities of Daiwa House Industry, Daiwa Lease, Daiwa Information Service, and Daiwa Royal.

* Major Group companies
(excluding employees contracted for specific periods of time)



The Story of the Daiwa House Group

1950

1955

Founding of Daiwa House Industry and launch of our first product, the Pipe House



1957

Steel pipe structure used for warehouse at sake brewery receives certification from Japan Lightweight Iron Construction Association as first such full-fledged structure in Japan

1959

Daiwa Kosho (current Daiwa Lease) and Daiwa Konpo (current Daiwa Logistics) established

Midget House pilot prefabricated house model launched on market

1960

1961

Japan's first private developer Daiwa Danchi established (merged with Daiwa House Industry in April 2001)

Stock listed on Osaka, Tokyo and Nagoya stock exchanges

1962

Daiwa Danchi developed Habikino Neopolis, our first housing complex



1965

Nara Factory opened, Japan's first specialist plant for production of prefabricated houses

1970

1971

Daiwa Jutakukiki (current Daiwa Rakuda Industry) established

1975

Opening of the Shikabe Country Club

1976

Full-scale start of retail and wholesale facilities business



1977

Condominium business started



1978

Resort hotels business started with the opening of Noto Royal Hotel, the first Daiwa Royal Hotel



1979

Real Estate Information centers set up within each of the Company's offices as first step in developing the used housing market

1980

1980

Home center business started with the opening of the first Royal Home Center in the city of Nara

1982

Full-scale start of rental housing business



1983

Manufacture of single-family houses for export to China (a first for Japan)

Tentakubin (current Daiwa Service) established

1986

Daiwa Information Service established

1989

Daiwa Living established

Silver Age Research Center established



1990

1994

Daiwa House Central Research Laboratory opened in Kansai Science City



2000

2000

Full-scale start of renovation business

2001

Daiwa House Industry merged with Daiwa Danchi

2004

Home center business split off from Daiwa House Industry



The Daiwa House Group drew up its Corporate Ethics Guidelines and Behavioral Guidelines

Osaka Marubiru became consolidated subsidiary



2005

The Daiwa House Group drew up new management vision and Employee Charter to mark 50th anniversary

New Group symbol — the “Endless Heart” — introduced

NAS (Nippon Athletic Service) became consolidated subsidiary (current Sports Club NAS)



2006

Group management integration through share exchange transactions between Daiwa House Industry and Daiwa Kosho Lease (current Daiwa Lease), Daiwa Rakuda Industry, and Daiwa Logistics, by which the subsidiaries became wholly owned subsidiaries of Daiwa House Industry

Daiwa House Financial, Daiwa House Insurance, and Daiwa House REIT Management founded

2007

Daiwa Royal Golf founded

The resort hotel business split off from Daiwa House Industry



Nobuo Ishibashi Memorial Museum opened



Eneserve became consolidated subsidiary



Daiwa House
Group

2008

Daiwa House Industry formed capital alliance with Odakyu Construction (current Daiwa Odakyu Construction)

Morimoto Asset Management (current Daiwa House Asset Management) became consolidated subsidiary

2009

Cosmos Life (current Daiwa LifeNext) became consolidated subsidiary

Daiwa House (China) Investment established



2010

2012

Daiwa Living Management founded

Toden Life Support (current Daiwa House Life Support) became consolidated subsidiary

Daiwa House REIT Investment Corporation listed on stock exchange

Daiwa Homes Online founded

2013

Fujita became consolidated subsidiary

Daiwa House Renew takes over Daiwa House Industry's home renovation business and changes its name to Daiwa House Reform

Daiyoshi Trust became consolidated subsidiary

Cosmos Initia became consolidated subsidiary

2014

TOMO became consolidated subsidiary

Principal Subsidiaries and Associated Companies

As of August 31, 2014

The figure in parentheses is the equity stake held by the Group as a whole.

Japan

Daiwa House Industry Co., Ltd.

Housing/Commercial facilities/
Urban development, etc.
www.daiwahouse.co.jp

Daiwa Lease Co., Ltd. (100%)

Building & vehicle leasing/Land utilization/
Maintenance & operation of commercial facilities/
Environmental greening
www.daiwalease.co.jp

Daiwa Rakuda Industry Co., Ltd.* (100%)

Interior items/Housing materials/Rental
www.daiwarakuda.co.jp

Daiwa Logistics Co., Ltd. (100%)

Transportation/Warehouse & storage
www.daiwabutsuryu.co.jp

Daiwa Living Management Co., Ltd. (100%)

Businesses related to rental housing
www.daiwaliving-mgt.co.jp

Daiwa Living Co., Ltd. (100%)

Management & operation of rental housing
www.daiwaliving.co.jp

Daiwa Estate Co., Ltd. (100%)

Real estate agency
www.daiwaestate.jp

Daiwa Living Utilities Co., Ltd. (100%)

Retail sale of electricity and gas
www.daiwaliving-mgt.co.jp

Daiwa Service Co., Ltd. (100%)

Management of condominiums & buildings/
Moving services
www.daiwaservice.co.jp

Daiwa LifeNext Co., Ltd. (100%)

Management of condominiums & buildings
www.daiwalifenext.co.jp

Global Community Co., Ltd. (100%)

Management of condominiums & buildings
www.glob-com.co.jp

Daiwa Information Service Co., Ltd. (100%)

Land utilization/
Maintenance & operation of commercial facilities
www.dis-net.jp

Nihon Jyutaku Ryutu Co., Ltd. (100%)

Real estate agency & property management services/
Appraisals/Renovation work
www.jyutaku.co.jp

Daiwa Royal Co., Ltd. (100%)

Rental of commercial facilities/Hotels
www.daiwaroyal.com

Royal Home Center Co., Ltd. (100%)

DIY/Gardening/Interior items
www.royal-hc.co.jp

Daiwa House Reform Co., Ltd. (100%)

Renovation design & execution/
Property inspection
www.daiwahouse-reform.co.jp

Daiwa Resort Co., Ltd.

(Daiwa Royal Hotels) (100%)

Resort hotels
www.daiwaresort.jp

Daiwa Royal Golf Co., Ltd. (100%)

Golf course operations
www.daiwaroyalgolf.jp

Daiwa Energy Co., Ltd. (100%)

New power generation business & ESCO business
www.daiwa-energy.com

Eneserve Corporation (100%)

Electrical equipment maintenance checks &
Retail sale of electricity
www.eneserve.co.jp

Daiwa Lantec Co., Ltd. (100%)

Foundation assessment & reinforcement
www.daiwalantec.jp

Daiwa House Life Support Co., Ltd. (100%)

Management & operation of fee-based nursing
care facilities for the elderly
www.mominoki-life.com

Osaka Marubiru Co., Ltd. (96.7%)

Management of hotels/Rental of commercial facilities
www.marubiru.com

Nishiwaki Royal Hotel Co., Ltd. (100%)

Hotels
www.nishiwaki-royalhotel.jp

Sports Club NAS Co., Ltd. (100%)

Fitness clubs
www.nas-club.co.jp

Daiwa House REIT Management Co., Ltd. (100%)

Asset management
www.dh-rm.co.jp

Daiwa House Asset Management Co., Ltd. (100%)

Asset management
www.dh-am.com

Daiwa House Financial Co., Ltd. (70%)

Credit card operations
www.daiwahousefinancial.co.jp

Daiwa House Insurance Co., Ltd. (100%)

Non-life insurance agency
www.daiwahouse-ins.jp

Daiwa CoreFactory Co., Ltd. (100%)

Manufacture of housing parts & materials

Shinwa Agency Co., Ltd. (100%)

Advertising & travel agency
www.shinwa-agency.co.jp

Media Tech Inc. (100%)

Data systems/Data services
www.mediatech.jp

Higashi-Fuji Co., Ltd. (75.4%)

Real estate development/
Sale of commercial real estate

Daiwa Homes Online Co., Ltd. (65.3%)

Real estate agency
www.dhol.co.jp

D.U-NET Co., Ltd. (66.7%)

ISP business
www.dunet.co.jp

Frameworkx, Inc. (100%)

Development of logistics systems
www.frame-wx.com

Fujita Corporation (100%)

General construction/Real estate
www.fujita.co.jp

Cosmos Initia Co., Ltd. (64.1%)

Real estate sales/Real estate rental & agency services
www.cigr.co.jp

Daiyoshi Trust Co., Ltd. (100%)

Parking lot operations
www.daiyoshi.com

TOMO Co., Ltd. (100%)

Parking lot operations
www.tomops.co.jp

Daiwa Odakyu Construction Co., Ltd. (33%)

General construction/Real estate
www.daiwaodakyu.co.jp

* Changed name on October 1, 2014 to DesignArc Co., Ltd.
(www.designarc.co.jp)

Overseas

DH (Dalian) Administrative Management Consulting Center Co., Ltd. (100%)
Business process outsourcing (BPO) business

Dalian Dahezhongsheng Estate Co., Ltd. (50%)
Real estate development & sales

Shanghai International Realty Co., Ltd. (30%)
Management of rental housing

Dalian Yihe Property Management Co., Ltd. (75%)
Management of condominiums

Daiwa House (Suzhou) Real Estate Development Co., Ltd. (100%)
Real estate development & sales

Dalian Acacia Town Villa Co., Ltd. (42.5%)
Management of rental housing

Beijing East Palace Apartment Co., Ltd. (40%)
Management of rental housing

Dalian Civil Aviation Hotel Co., Ltd. (50%)
Management & operation of hotels and buildings

Tianjin Jiuhe International Villa Co., Ltd. (90%)
Management of rental housing

Daiwa House (China) Investment Co., Ltd. (100%)
Investment holding company

Daiwa House (Wuxi) Real Estate Development Co., Ltd. (100%)
Real estate development & sales

Daiwa House (Changzhou) Real Estate Development Co., Ltd. (100%)
Real estate development & sales

Daiwa Baoye (Wuxi) Property Management Co., Ltd. (100%)
Management of condominiums

Baoye Daiwa Industrialized House Manufacturing Co., Ltd. (50%)
Production & sales of industrialized house parts

Daiwa House USA Inc. (100%)
Investment holding company

Daiwa House California (100%)
Real estate/Real estate development

Daiwa House Guam Co., Ltd. (100%)
Construction

Daiwa House Australia Pty Ltd (100%)
Real estate development

Daiwa House Vietnam Co., Ltd. (100%)
Construction/
Business process outsourcing (BPO) business

Daiwa House Real Estate Development Co., Ltd. (100%)
Development & management of rental factories

Beijing Frameworx JHD Technology Co., Ltd. (100%)
System sales

KD Living, Inc. (49%)
Management of rental housing

Fujita (China) Construction Co., Ltd. (100%)
General construction & technical consulting

Fujita Research (100%)
Research of overseas construction technology

Fujita Corporation Vietnam (100%)
General construction

Fujita Philippines Construction and Development, Inc. (40%)
General construction

Fujita Engineering India Pvt., Ltd. (100%)
General construction

Fujita Integral Mexico S.A. de C.V. (100%)
General construction

Daiwa LifeNext Korea Co., Ltd. (70%)
Real estate management

Cosmos Australia Pty Ltd (64.2%)
Real estate consulting

Corporate Data

As of April 1, 2014

Corporate name: Daiwa House Industry Co., Ltd.
Founding: April 5, 1955 (Established: March 4, 1947)
Paid-in capital: ¥161,699,201,496
Employees: 14,380
Securities traded: Tokyo stock exchanges
Securities code: 1925
Head office: 3-3-5 Umeda, Kita-ku,
Osaka 530-8241, Japan
Phone: +81-6-6346-2111
Tokyo Head office: 3-13-1 Iidabashi, Chiyoda-ku,
Tokyo 102-8112, Japan
Phone: +81-3-5214-2111
Offices: Nagoya
Sendai
Fukushima
Tsukuba (Ibaraki)
Saitama
Saitama-higashi
Chiba
Kashiwa (Chiba)
Yokohama
Atsugi (Kanagawa)
Kyoto
Kobe
Fukuoka

Branches: 68
Factories: 10
Research center: Central Research Laboratory (Nara)
Training centers: Nara, Osaka and Tokyo
**Overseas offices/
Representative offices:** Shanghai (China), Taipei (Taiwan),
Kuala Lumpur (Malaysia),
Jakarta (Indonesia)
Contact: Daiwa House Industry Co., Ltd.
IR Department, Management
Administration Headquarters
Phone: +81-6-6342-1400
Fax: +81-6-6342-1419
e-mail: dh.ir.communications
@daiwahouse.jp
Daiwa House website: Daiwa House Industry Co., Ltd.
<http://www.daiwahouse.co.jp/English>





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www.daiwahouse.com

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