











It starts with a little dream that grows in someone's heart.
They think: "If I had that, it would make me happy" or
"If that were possible, the future would be fun."
At Daiwa House Group, we look our customers in the eye and
strive to understand what they want, even if it is not expressed in words.
We ask ourselves how we can make the world a better place,
how we can turn our customers' hopes into a
powerful driving force for change.
Up to the present, and from here onward, too.
Everything starts in the hearts of all members of society.



Being

your





The spirit of Daiwa House Group is to be together with our customers,
with the community as a whole, and with the trends of the times.
This spirit has remained unchanged over the 60 years since our founding.
In happiness and adversity, when you are still a little baby, and when
you are coming to the end of your life – we will always be with you.
Just as we have done over the past 60 years,
so will we do 100 years from now, and beyond.
We pledge to co-create a brighter future with you all.





years

Message from the CEO



Takeo Higuchi
Chairman and CEO

In 2015 we celebrated the 60th anniversary of the founding, on April 5, 1955, of Daiwa House Industry. Since that time, the business operations initially established by the late Nobuo Ishibashi have expanded into many different industrial sectors, catering to the needs of many millions of customers. We would like to express our gratitude for the continued support and patronage of our stakeholders over many years, without which this achievement would have been impossible.

Daiwa House Industry began its corporate life 60 years ago with a staff of only 18 people. In contrast, the Daiwa House Group now encompasses 145 companies with 56,000 employees. But however large it may grow, we will never lose sight of the dream that impelled our founder, Nobuo Ishibashi – to be of service to people and make them happy. And to do this, we must constantly ask ourselves, as he did, what kind of businesses will realize this goal, and what products are needed. Going forward, we will continue to work and grow hand-in-hand with our stakeholders, with our eyes and ears constantly alert for signs of future trends and developments.

60 years after our establishment, we continue our ongoing dialogue with the public

Nobuo Ishibashi, the founder of Daiwa House Industry, urged us to discover what the government, ordinary people, and society as a whole need, and to create businesses that address those needs. And he practiced what he preached throughout his whole life, setting an example for us all.

Large areas of Japan's cities were reduced to ashes during World War II. At the end of the conflict, the country was suffering from a housing shortage. Just at that time, the Kansai area was hit by a major typhoon, and Mr. Ishibashi noticed that plants such as rice and bamboo had been able to come through the typhoon unscathed, because their stems bent with the wind but did not break. This gave him the idea for building a house with a structural framework consisting of hollow steel pipes. While creating the Company's first product – the Pipe House – he also came up with the concept of the industrialization of construction, whereby the materials used in building a house would be made in a factory for later assembly on site. Mr. Ishibashi was motivated by the distress suffered by people all around him to take his example from nature, thereby creating something of real value for use by Japanese society.

In the immediate postwar period, Japanese families had a large number of children, owing to the baby boom, but their houses were so small and crowded that the children did not have a separate room where they could study. Realizing this, our founder Ishibashi was inspired to create the Midget House, a single-room building that could be erected in only three hours and be used as a children's study room. Following this, the Company expanded its operations into the business of producing full-size prefabricated houses. This is one more illustration of how "dialogue" between the Company and the general public led to the creation of a whole new line of business.

Nobuo Ishibashi also anticipated the arrival of a motorized society with its need for retail and wholesale stores and other facilities beside major roads. He created a new business in which the Company offered landowners the opportunity to make profitable use of roadside sites. The Company would construct stores, and the landowners would receive rent from the tenants. He also inaugurated a resort development business to give workers more enjoyment in their lives rather than just working. Our founder Ishibashi was able to conceive of these successful business ventures because he listened to people talk and thus understood what they wanted. He was truly in tune with the spirit of the times.

Nobuo Ishibashi devoted much of his life to the attempt to discover what Japan would need in the next generation. His philosophy of "think far ahead" remains the Group's spiritual driving force: it is the unchanging core and bedrock of all our business activities.



10th
1955-1964



20th
1965-1974



30th
1975-1984

So Many Hearts!

1962
Development of Habikino Neopolis, our first housing complex



1959
Midget House pilot prefabricated house model launched



1955
Founding of Daiwa House Industry and launch of the Pipe House, our first product and the start of the "industrialization of construction" concept



1969
Full-scale entry into urban development business



1965
Nara Factory opened, Japan's first plant dedicated to the production of prefabricated houses



1983
Manufacture of high-end houses for export to China (a first for Japan)



1982
Full-scale start of rental housing business



1980
First Royal Home Center opened in Nara



1978
Opening of Noto Royal Hotel, our first resort hotel



1977
Start of condominium business



1976
Full-scale start of retail and wholesale facilities business



40th
1985-1994



50th
1995-2004



60th
2005-2014



1994
Daiwa House Central
Research Laboratory opened

2001
Daiwa House Industry
becomes first company in
Japan's prefabricated housing
industry to commercialize
a single-family house fitted
with seismic isolation system



1989
Silver Age Research
Center established

2000
Full-scale entry into
renovation business

1995
Group comes together
to provide support
for areas devastated
by the Great Hanshin
Earthquake

2012
Launch of Group's
first product in field
of industrialized
agriculture – the
"agri-cube" vegeta-
ble-grower unit



2011
Group comes together
to provide support for
areas devastated by
the Great East Japan
Earthquake



2008
Robot Suit HAL® for
living support (lower
limb type) launched



2006
Development and
sale of condomini-
ums in China



2006
Entry into wind power
business



2005
The Endless Heart
adopted as the Group's
new symbol



Creating new value for society, now and into the future

Amid an ever-changing environment, society constantly faces new challenges. This has been so for the 60 years of existence of Daiwa House Industry and we must assume that it will continue to be so. We must therefore anticipate social and economic trends in our design of new products and services. The Group's sphere of business activity has expanded to cover three broad areas that we term Housing, Business, and Life, and we are working to leverage our strengths in each of these areas to create new value for society.

Housing: Switching focus from volume to quality, from Japan to overseas

People's values and priorities with respect to housing change from one generation to the next. During the postwar period, the country was flooded with cheap, low-quality homes due to a lack of good-quality materials and the urgent need to get some sort of housing out there. The country was thus faced with the need for a large amount of good-quality housing. The Company met the needs of society as a whole by developing methods of industrializing the production of housing, enabling the construction of large numbers of homes with a short lead time and a reliable quality level.

Now that Japan's high-growth period has come to an end and society enjoys an adequate supply of housing, we are focusing on the development of technology to assure the safety of our homes by protecting them against the destructive power of earthquakes. In addition to earthquake resistance and seismic mitigation, we are also developing housing with improved levels of general durability. In this way, the concept of production of housing through industrialized methods has made it possible to protect the lives of the residents of the homes we build. Moreover, as citizens not just of Japan, but of the whole world, we are working to develop and popularize the use of technologies that enable our homes to be eco-friendly and thereby help protect the global environment.

Thus, we have worked since the founding of the Company to meet the needs of each generation while driving the steady evolution of "housing technology." The understanding of the home-building industry and the associated technologies that we have built up in the course of our operations in Japan have also opened up possibilities for the expansion of housing produced by industrialized methods in overseas markets, and we are confident that people in other countries will welcome our entry into these markets. Our dream for the future is to give people all over the world the opportunity to enjoy the high-quality housing manufactured using industrialization methods that we have developed and popularized in Japan.



Business: In this age of rapid change, speed is the most important service quality

At the beginning of Japan's high-growth period, Daiwa House Industry constructed warehouse buildings for a sake brewery. This was the first construction in Japan employing a fully fledged steel-pipe structure. The components were made at our factory and assembled on site, and this method enabled us to overturn conventional construction industry wisdom and supply the required buildings much faster, at a lower cost, than with traditional methods. In this way, we were able to speed up the pace of expansion of our customers' businesses. We have applied these technologies to a wider field of human activities essential to everyday life, including food processing plants, logistics centers, medical and nursing care facilities, and others. Currently, we are working on ways to combine information & communications technology with environment-friendly technologies. In the early days of the Company, we were able to support the growth of the Japanese economy "from the ground upward" by creating a new and effective way to construct structural frameworks for facilities using steel pipes.

I frequently tell the Company's directors and employees that "speed is the ultimate service" that we can provide, and this holds true in all our business activities in every country around the world. The advanced technologies we have developed allow us to erect production plants and logistics facilities with greater efficiency and speed. We believe these advantages will not only be of use to the companies that operate these facilities, but – particularly in Southeast Asia, where economic growth is vigorous – will also make a contribution to the development of each country as a whole.

Life: Helping solve problems related to population aging all over the world

The aging of the Japanese population has led to a serious social problem in the form of a shortage of caregivers (also known as "carers"). To address this issue, we have established a robotics business through which we aim to provide both to the caregivers and to the people they take care of. There is a particularly pressing need for assistance for caregivers in helping bedridden patients with their toilet-related needs. The Minelet Sawayaka automatic bedpan equipment was developed and marketed to address this nursing care issue by reducing the burden on caregivers in nursing care facilities as well as the family members of bedridden people who are receiving nursing care at home. In this way, we have helped to alleviate the embarrassment felt by bedridden patients with respect to the unpleasant tasks that the caregivers were forced to carry out on their behalf.

Looking overseas, population aging is forecast to proceed rapidly in many countries around the world, particularly in Western Europe and East Asia. Through its robotics business, the Group aims to develop technologies that will help senior citizens in every country live long and healthy lives.

With the spirit of a growth venture company in our hearts

The catchphrase that guides our efforts in developing businesses that we believe are needed by society at large is “Asu Fukaketsuno.” This phrase means “Indispensable for Tomorrow,” and is composed of the initial syllables of the Japanese words for safety & comfort, stock (in the sense of the stock of existing housing), welfare (in the sense of nursing care), the environment, health, information-communication technology, and agriculture. We are actively investing time and effort in all these fields. We believe it is necessary for us to forecast coming social needs, and to develop and nurture the technologies and products required to meet those needs in the next generation and subsequent generations. The robotics business that I have already mentioned plays an important part in this effort, as we believe it can make a significant social contribution in the fields of nursing care and health. In the field of environmental protection, too, ELIY Power Co., Ltd., in which the Group holds a stake, manufactures lithium-ion storage batteries that have been certified by third-party institutions as conforming to the world’s strictest safety standards. Thanks to the safety levels ensured through this technology, we expect these batteries to become widely used in overseas markets.

In their daily lives, people in Japan and every other country seek safety, convenience, and comfort. At the Daiwa House Group, we work continually to perfect technologies, products, and services that people in every country will accept, and that will answer their needs while also assisting the development of each economy. For this purpose, and in the belief that if a company is to be worthy of trust, it must exhibit ingenuity, innovation, and speedy action, we are determined to tackle any and every task seriously. Just as was the case when Daiwa House Industry was founded, we pledge to maintain the spirit of a corporate startup, with the goal of creating new value for society.



Our founder, Nobuo Ishibashi



Sharing the Endless Heart spirit with people all around the globe

At the Daiwa House Group, we are committed to addressing the issues that emerge as society constantly changes. We believe that for us to be able to propose the optimum solutions to the community at large, we ourselves must also change constantly. And such an effort depends, above all, on people. We must train and nurture human resources capable of carrying out our intentions, and must make the best use of such staff, so that their know-how and skills can be passed on to the next generation. Only by nurturing and optimally utilizing such employees can a company be a sustainable enterprise. The management skills school that we set up under the name of Daiwa House Juku celebrates its eighth year of existence in 2015, and many executives and heads of Daiwa House Group offices and other places of business have already emerged from among its graduates.

We have also been actively promoting the appointment of women to managerial-level posts, and have introduced a system that allows staff who have reached the normal compulsory retirement age to stay in their posts. In these and other ways, we are working to increase diversity among our executive staff and employees.

In May 2015 we established a set of Corporate Governance Guidelines as part of our ongoing efforts to ensure fairness and transparency in the conduct of management by every one of our executives and other employees, thereby further strengthening the long-term relationship of trust between ourselves and all our stakeholders, particularly the Group's shareholders. Our aim is to be a corporate group that is regarded as essential to the welfare of society as a whole, and to this end we intend to establish a level of corporate governance that meets standards recognized throughout the world. This is one of the ways in which we are working to further enhance the Group's enterprise value.

Even though the Daiwa House Group has grown to the point where its total annual sales for fiscal 2015 are expected to reach ¥3 trillion or thereabouts, it remains a comparatively small organization by world standards. From here onward, we must engage in constant dialogue with society at large so that we may make a greater contribution to the community. Each of the Group's 56,000 members must bring their originality and ingenuity to bear on vital questions such as "what does society as a whole need?" Our corporate mission, our passion, is to realize our motto "co-creating a brighter future" together with people outside the Group. This resolve of ours is represented by the Group's symbol – the Endless Heart. From this point on, with our eyes on the 100th anniversary of the founding of Daiwa House Industry in the year 2055, we will work to ensure that the Group remains a sustainable enterprise that links together the hearts of all its stakeholders.



Takeo Higuchi

Takeo Higuchi
Chairman and CEO



Life





The Daiwa House Group

As of August 1, 2015



Daiwa House
Daiwa House Group



Daiwa Lease
Daiwa House Group



Daiwa Logistics
Daiwa House Group



Daiwa Living Mgt.
Daiwa House Group
Daiwa Living COMPANIES



Nihon Jyutaku Ryutu
Daiwa House Group



Daiwa Royal
Daiwa House Group



Daiwa Reform
Daiwa House Group



Daiwa Energy
Daiwa House Group



Daiwa Insurance
Daiwa House Group



Daiwa Homes Online
Daiwa House Group



Daiwa Parking
Daiwa House Group



Daiwa House
Dalian



Daiwa House
California



Daiwa House
Texas



Daiwa House
Guam



Daiwa House
Australia

DesignArc

Daiwa House Group

**Global
Community**

Daiwa House Group

ロイヤルホームセンター

Daiwa House Group

DAIWA ROYAL HOTELS

Daiwa House Group

大和コアファクトリー

Daiwa House Group

伸和エージェンシー

Daiwa House Group

MEDIA TECH INC.

Daiwa House Group

eneServe

Daiwa House Group

Double-D

Daiwa House Group
Daiwa Living COMPANIES

FUJITA

Daiwa House Group

コスモイニシア

Daiwa House Group

コスモモア

Daiwa House Group



Message from the CEO **8**

Message from the COO **24**

Group Highlights 30

Hearts in Figures 32

The Year in Review 34

Share Information 36

Message from the CFO **40**

Board of Directors and
Executive Officers 44

Audit & Supervisory Board 49

Business Overview

Housing **52**

Business **70**

Life **92**

Global Operation **106**

Research & Development 120

Corporate Governance 124

Our Citizenship **136**

Sustainability Management 140

| | |
|--|------------|
| Financial Information | 172 |
| Financial Overview | 174 |
| Management's Discussion and Analysis | 176 |
| Financial Statements | 184 |
| | |
| Group Network | 220 |
| The Story of the Daiwa House Group | 222 |
| Principal Subsidiaries and Associated Companies | 224 |
| Corporate Data | 228 |

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.



Naotake Ono
President and COO



Message from the COO

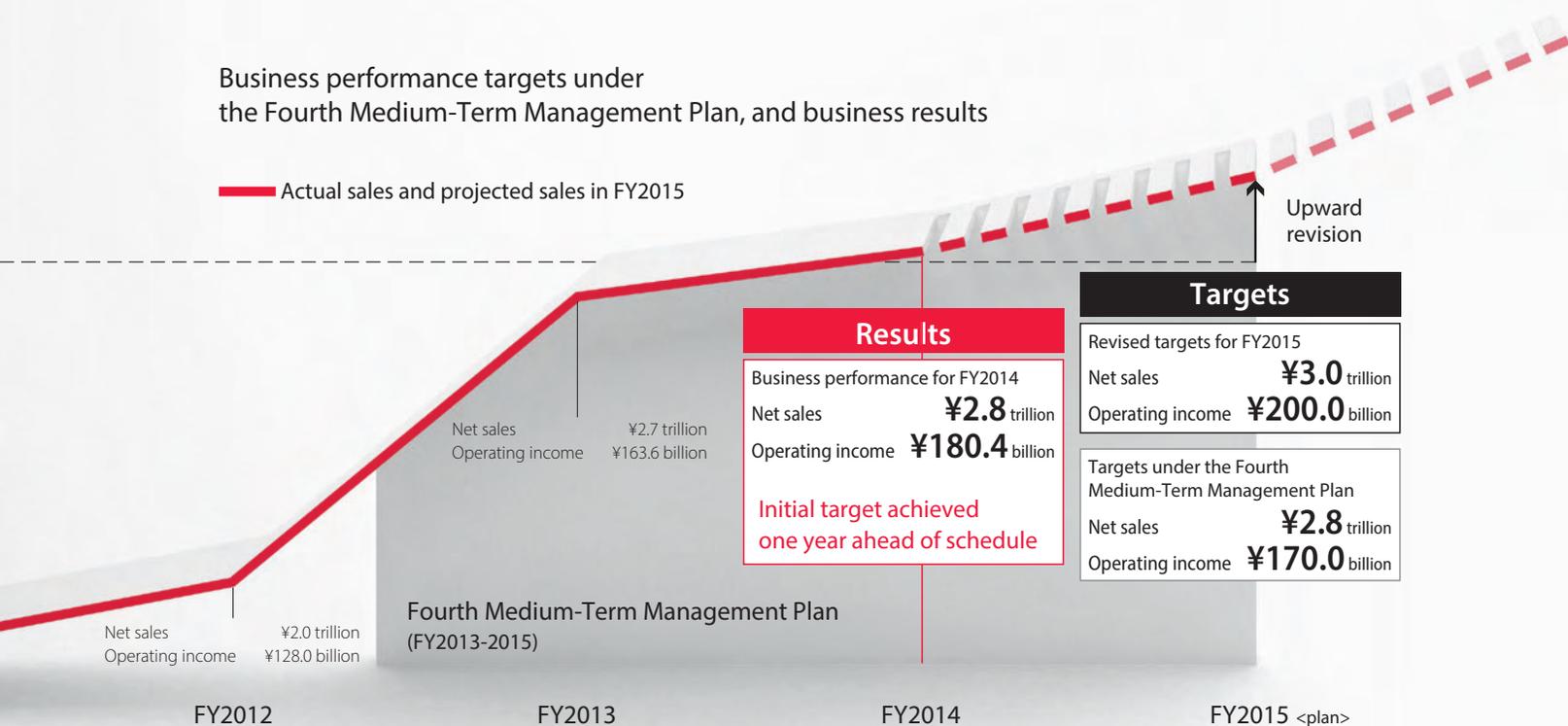
Getting there steadily

Thanks to the support of our stakeholders, in April of this year we celebrated the 60th anniversary of the founding of Daiwa House Industry. Throughout its 60-year history, the Company has been regarded by Japanese society as an important enterprise that makes a vital contribution to the community. This would have been impossible without the unwavering support and encouragement of our stakeholders, for which I would like to express my sincerest gratitude.

I now move on to a report on the Group's achievements during fiscal 2014, which was the second year of our Fourth Medium-Term Management Plan. In the FY2014 settlement of accounts on a consolidated basis for Daiwa House Industry, we posted sales of ¥2,810.7 billion, while operating income came to ¥180.4 billion and net income to ¥117.1 billion, both record-high figures for the second year running. Simultaneously, these figures meant that we reached our targets for the final year of the medium-term management plan one year ahead of schedule. The plan has been pursued under the principal theme of "further acceleration of the pace of growth," and I believe that this excellent achievement was made possible by the united efforts of all the Group's management executives and employees.

But we must not let this success go to our heads. We must apply the strictest discipline to our own activities. Carelessness and arrogance can be extremely risky. I hope that we will constantly keep in mind that the pursuit of good business performance is inextricably linked with risk, and that we will make great strides in establishing a healthy and sound managerial culture. The Group's operating environment encompasses a continually changing set of factors, including economic circumstances, issues with respect to the natural world, and social trends. At the Daiwa House Group, we will continue advancing from today into a different tomorrow, and into the far future. We are committed to looking beyond the immediate future, and to pursuing our business operations with integrity.

Business performance targets under the Fourth Medium-Term Management Plan, and business results



In fiscal 2014, the year to March 31, 2015, under the Fourth Medium-term Management Plan as our overarching policy, we put our full efforts into the twin initiatives of pursuing growth strategies and strengthening our management foundations. As a result, we have been able to revise upward our business performance forecasts for the term ending March 31, 2016 – the final year of the medium-term plan – to ¥3 trillion in sales, ¥200 billion in operating income, and ¥125 billion in net income. All the executives and employees of the Group will be working together to attain the sales target of ¥3 trillion, which will be the first such figure in the history of Japan’s housing, construction, and real estate sectors, and to lay the foundations of further continued strong growth.

The main growth drivers for this ¥3 trillion sales achievement will be three businesses that we selected as priority investment-target areas under the medium-term plan – Rental Housing, Commercial Facilities, and Business and Corporate Facilities. Over the past two years we have engaged in active investment in real estate in these three business areas, which have served as the principal driving force behind the Group’s current strong business performance. We had initially planned to invest a total of ¥400 billion over three years – the largest such investment in the Group’s history – but have recently decided to increase this by a further ¥100 billion to ¥500 billion, thereby seizing our opportunity to secure further business growth.

In our Business and Corporate Facilities operations, in October 2014 we took the first step in creating a value chain that spanned more than one industrial sector by inaugurating a logistics business jointly with Fast Retailing Co., Ltd., a leading enterprise in the Japanese retailing sector. We have already begun construction of a logistics facility for the sole use of this company, and are also planning to provide support for new business networks, centered on multipurpose logistics facilities, that will meet Japanese society’s new needs in the Internet-driven age we are now entering.

Growth drivers under the Fourth Medium-Term Management Plan

(¥billion)

| | Net sales | | | Operating income | | |
|-----------------------------------|--------------------|--------------------|--------------------------------|--------------------|--------------------|--------------------------------|
| | Results for FY2012 | Targets for FY2015 | Growth rate over 3-year period | Results for FY2012 | Targets for FY2015 | Growth rate over 3-year period |
| Single-Family Houses | 351.1 | 376.0 | 7.1% | 12.5 | 9.0 | -28.0% |
| Rental Housing | 592.5 | 850.0 | 43.5% | 52.2 | 76.0 | 45.6% |
| Condominiums | 156.7 | 255.0 | 62.7% | 9.9 | 14.0 | 41.4% |
| Existing Home Business | 76.4 | 95.0 | 24.3% | 6.1 | 10.0 | 63.9% |
| Commercial Facilities | 347.2 | 475.0 | 36.8% | 45.9 | 68.0 | 48.1% |
| Business and Corporate Facilities | 251.4 | 670.0 | 166.5% | 20.6 | 48.0 | 133.0% |
| Other Businesses | 335.3 | 430.0 | 28.2% | 9.6 | 11.0 | 14.6% |
| Eliminations & corporate | (103.0) | (151.0) | — | (29.1) | (36.0) | — |
| Total | 2,007.9 | 3,000.0 | 49.4% | 128.0 | 200.0 | 56.3% |

In our overseas operations, the new business ventures in which we have invested are starting to gain momentum. In May 2014 we started work on the Berkeley Project –a rental housing development – in Tarrant County, Texas, and in November we initiated the Waters Edge Project in Dallas. These projects are our strategy of reinforcing real estate rental operations in the United States. And from May 2015 we commenced the Flour Mill of Summer Hill Project in the suburbs of Sydney, Australia. This will be a multi-type development which will include condominiums.

In Asia, we are developing and selling condominiums in China, where the Group has steadily racked up an impressive record of achievements, and are developing and constructing industrial parks and manufacturing plants in Vietnam and Indonesia. Starting in the spring of 2016, we will also be engaging in the development and sale of lot-subdivision housing manufactured by industrialized methods as part of the Iskandar Project in Malaysia. In these and other ways, we are developing new markets for a diverse range of businesses. We aim to make effective use of the experience and know-how we have accumulated in the construction business – backed by technological expertise and a highly effective marketing system which have both been tried and tested in the Japanese market – to launch and expand business operations in every corner of the globe in close partnership with local partner companies.

The business operations of the Group are strongly affected by the increasing pace at which the average age of the Japanese population is rising. This is, of course, a major social issue. Companies like the Daiwa House Group, which operate in the construction industry, are suffering from a serious labor shortage on building sites. This is because the baby boomers, who have hitherto formed the core of the Japanese workforce, are now rapidly approaching retirement age or have already retired. To address this issue we have devised a certification system for highly skilled employees of the business partners. This is to encourage persons with the qualifications we need to seek jobs with our business partner companies and to encourage skilled workers who are already on those companies' payrolls to remain with them. Additionally, the number of senior citizens is increasing as the average age of the population rises, and to make greater use of them we have introduced a system whereby employees of the Company aged 65 and over can continue in employment with us. We seek to create a human resources management system more appropriate to the modern age, in which the average lifespan is now over 80.

In response to Japan's Corporate Governance Code, which was issued by a government-appointed council in June of this year, we have drafted and published our own Corporate Governance Guidelines. By putting into practice the rules and advice contained in these guidelines concerning the promotion of more constructive dialogue with our shareholders, the appropriate disclosure of corporate information, and improvement of management transparency through reinforcement of the Group's internal control system, among others, we look forward to nurturing bonds of trust between ourselves and our stakeholders. In so doing, we will more firmly ensure that the Daiwa House Group is counted among the ranks of sound and sustainable enterprises that society regards as vital to its well-being.

At the same time, it is important that we remain aware of the danger of letting the Group's growth slow down. We must always be moving forward. This pioneer spirit has been the driving force behind the unending evolution of the Group since its very beginnings 60 years ago. To ensure that the Group continues to evolve, it is one of our top management priorities to put our full efforts into creating new value. If we are content to allow businesses that have reached maturity to continue operating according to the same set of values, they will not be able to take advantage of the next opportunity for exponential growth. It is my belief that we should create businesses that offer new value to society. To do this, we must survey our existing business fields from a wide, bird's-eye viewpoint – from upstream to downstream – coming up with one or two creative ideas for new ventures peripheral to our existing business operations that will generate additional value, while boldly tackling any problems we encounter.



The Daiwa House Group operates under the motto of “a group that co-creates value for individuals, communities, and people’s lifestyles.” Accordingly, our operations have been centered on the housing business, but have evolved enormously to turn the Group into the complex aggregate of many different business lines that it is today. But no matter how diverse our range of operations becomes, the spirit of the Group remains rooted in the housing business. Through the process of creating homes, we become closely acquainted with what our customers hold most dear – a safe and secure day-to-day life – and we work to ensure continuous support for this throughout our customers’ lives.

This approach to business, which we have developed during our many years of involvement in the provision of housing, has also become firmly entrenched in the Group’s many other businesses, from retail stores through medical and nursing care facilities to logistics centers and resort complexes. Above all else, it is this most unique characteristic of the Group that we can proudly present to the community as its *raison d’être*. I believe this to be the wellhead from which springs the Group’s ability to steadily grow its diverse range of business operations.

The Daiwa House Group will continue to engage sincerely with the rest of society in fulfillment of its duties as a responsible corporate citizen. It is my hope that all Group staff will work – subject to the restrictions of a strict and effective corporate governance system – to raise the enterprise value of Daiwa House Industry and its Group while never losing sight of the spirit in which the Company was founded. The source of everything about the Daiwa House Group we are proud of is the determination to collaborate with society as a whole and with individual people, in the spirit of co-creating a brighter future. This is why we confidently present ourselves under the banner of our Group symbol – the Endless Heart – which is a visual representation of this determination of ours. As “a group that co-creates value for individuals, communities, and people’s lifestyles,” we will contribute to the well-being of society, in Japan and every other country where we operate.

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



Naotake Ono
President and COO





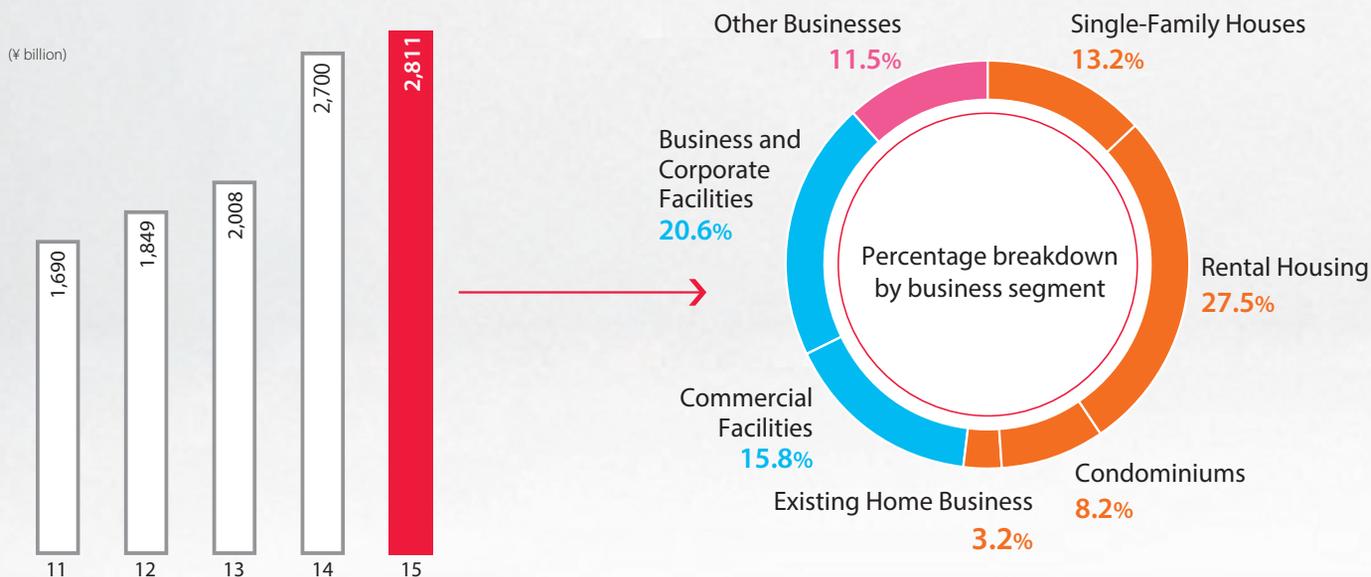


ANY
KICKING
BE DEFINITELY
ONES BEST
1976
SOUTH
PROGRESS

Group Highlights

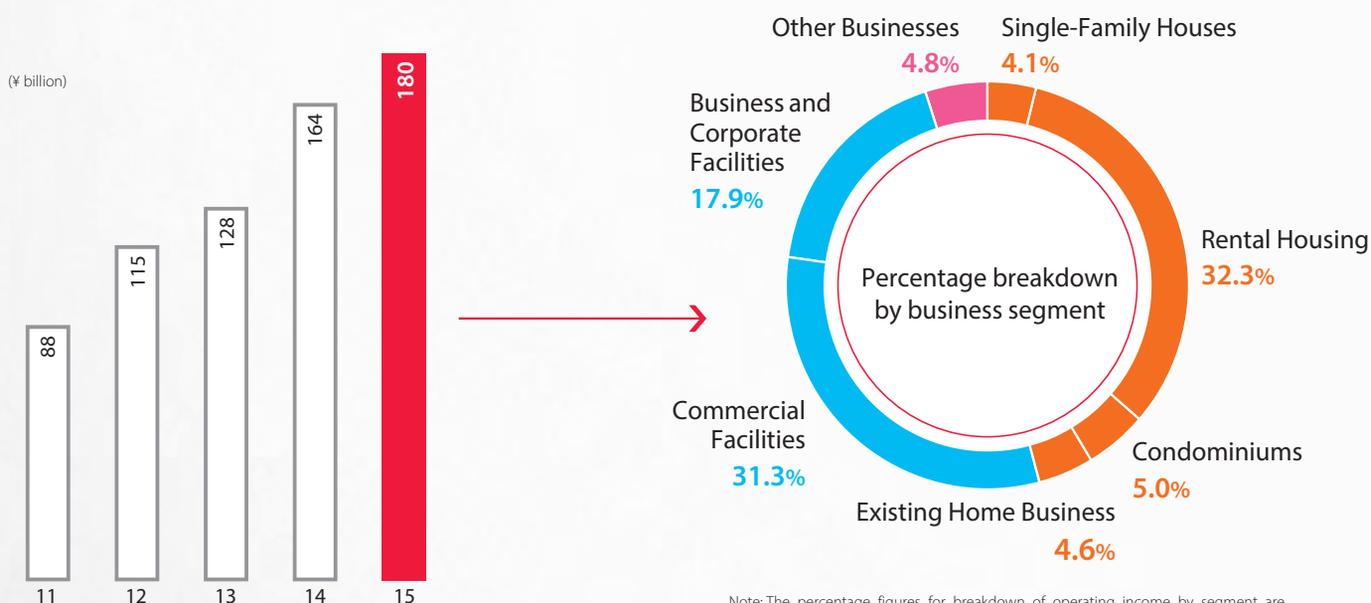
Year ended March 31, 2015

Net sales **¥2,810.7 billion**



Note: The percentage figures for breakdown of net sales by segment are sales to external customers.

Operating income **¥180.4 billion**



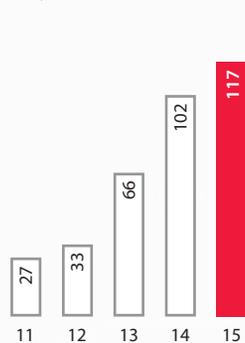
Note: The percentage figures for breakdown of operating income by segment are calculated for seven segments inclusive of internal transactions.

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

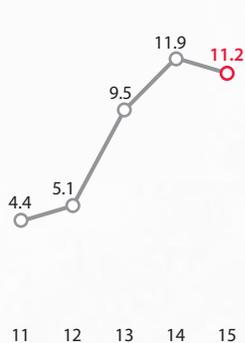
| | Millions of yen | | | Change |
|--|-----------------|-----------|-----------|--------------|
| | 2015 | 2014 | 2013 | 2015/2014 |
| Net sales | 2,810,715 | 2,700,318 | 2,007,989 | +4.1% |
| Operating income | 180,352 | 163,577 | 128,024 | +10.3% |
| Net income | 117,133 | 102,096 | 66,274 | +14.7% |
| Total assets | 3,021,007 | 2,665,947 | 2,371,238 | +13.3% |
| Equity | 1,112,817 | 992,687 | 734,884 | +12.1% |
| Net income per share (in yen) | 177.74 | 161.08 | 114.52 | +16.66 |
| Equity per share (in yen) | 1,678.24 | 1,496.72 | 1,267.77 | +181.52 |
| Cash dividend per share (in yen) | 60.00 | 50.00 | 35.00 | +10.00 |
| Payout ratio (%) | 33.8 | 31.0 | 30.6 | +2.8 points |
| Return on equity (ROE) (%) | 11.2 | 11.9 | 9.5 | -0.7 point |
| Return on assets (ROA) (%) | 4.1 | 4.1 | 3.0 | 0.0 point |
| Equity to total assets (%) | 36.6 | 37.0 | 30.9 | -0.4 point |
| D/E ratio (%) | 51.0 | 39.9 | 51.1 | +11.1 points |
| Net D/E ratio (%) | 29.4 | 18.4 | 17.2 | +11.0 points |
| Units completed by the residential business* | 49,087 | 46,018 | 43,203 | +3,069 |
| Proportion of single-family houses fitted with photovoltaic power generation (%) | 65.0 | 64.1 | 64.3 | +0.9 point |
| Proportion of low-rise rental housing fitted with photovoltaic power generation (%) | 45.0 | 43.5 | 36.9 | +1.5 points |
| CO ₂ savings from delivery of products & services (thousand t-CO ₂) | 3,902 | 3,426 | 2,445 | +13.9% |
| CO ₂ emissions from business operations (thousand t-CO ₂) | 394 | 409 | 395 | -3.7% |

* Total of single-family houses, condominiums and rental housing

Net income
(¥ billion)



ROE
(%)



Net income per share
(yen)



Equity per share
(yen)



Hearts in Figures

Year ended March 31, 2015

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

39,913 Hearts



Number of employees

34,903

Regular employees only

Percentage of female employees

18.4%

(as of April 1, 2015)

Number of business partners

4,865

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

(as of April 1, 2015)

Group companies

145

The number of customers who have shown their trust in us

2,394,316 Hearts

Units completed by the Residential Business

Approx. **1,589,000** units

Total of single-family houses, rental housing and condominiums built by Daiwa House Industry

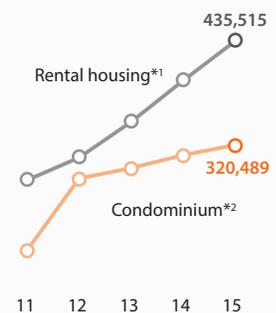
Figures for condominiums refer to the total of subdivisions

Total rental housing & condominium units managed by the Group

756,004 units

*1 Total of three companies: Daiwa Living Management, Daiwa Living and Nihon Jyutaku Ryutu.

*2 Daiwa LifeNext and Daiwa Service merged their operations on April 1, 2015. The number of managed units is as of March 31, 2015 for these two companies and Global Community.



Number of structures completed by the Commercial Construction Business

Approx. **47,100** buildings

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

Number of facilities operated by the Daiwa House Group

2,212

 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.

The number of customers we have had the pleasure of meeting

32,632,000 Hearts

Number of households that have moved into our homes

Approx. **1,315,000** households

Total of customers living in single-family houses*3, rental housing*3 and condominiums built by Daiwa House Industry

*3 as of April 2, 2015

Annual total of guests at our resort hotels

Approx. **4,209,000** 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. **165,000**

Annual total of customers at our home centers

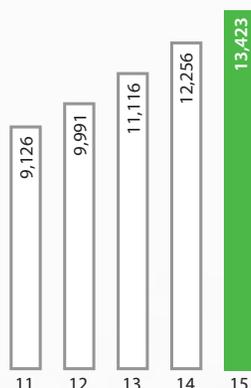
Approx. **26,598,000** customers

Annual total of guests at our golf courses

Approx. **345,000** guests

Contributions to the global environment

13,423 Hearts



Cumulative number of houses approved as being environmentally symbiotic housing*4

13,423 units

*4 This means housing based upon three principles — “conserving the environment,” “harmonized with the surrounding environment,” and a “healthy and comfortable living environment,” and as approved by the Institute for Building Environment and Energy Conservation.

Yearly greening of neighborhoods

Approx. **761,000**m²

The total area of greening at outdoor facilities in addition to the construction and sale of ready-built housing carried out by the Daiwa House Group.

The Year in Review



2014

4



- Newly opened TRY-IE-Lab offers single-family house experience

Based on the concepts of “order-made housing” and “try-before-you-buy,” the newly opened TRY-IE-Lab facility on the premises of the Company’s Tokyo headquarters invites customers to experience different layouts while learning about residential technology in an enjoyable and entertaining way.

1

5

- The Company’s Chairman and CEO, Takeo Higuchi awarded Grand Cordon of the Order of the Rising Sun

In an order bestowed in the spring of 2014, Takeo Higuchi was honored with the Grand Cordon of the Order of the Rising Sun in appreciation of many years of effort devoted to the furtherance of the residential construction industry and in acknowledgment of his contributions to the advancement of the industry and economy in prominent positions in economic and business organizations.

9

- Official start of the “Fulfilling Next Life Support Project”

The Company initiated the “Fulfilling Next Life Support Project” as an effort to capture the true needs of senior members of Japan’s senescent society. As the first stage, in coordination with group companies*, we started activities for providing the generation of adults age fifty and above with an “In-Residence Study Program.”

* Daiwa Resort, Sports Club NAS, Shinwa Agency.

9

- The Company selected for inclusion in DJSI Asia Pacific sustainability index for 2nd straight year

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.

- Development of the “Hofu Techno Town” industrial park in Hofu city, Yamaguchi prefecture

Daiwa House Industry concluded a cooperative agreement with the city of Hofu regarding the creation of an industrial park on the site of the former Hofu factory of Japan Tobacco Inc.

> For further details P86

- Development of condominiums and commercial facilities in Australia

Located in suburban Sidney, Australia, condominium and commercial facility development started in 2015 as a joint development project with Cosmos Initia and locally incorporated real estate investment management company EG Fund Management Pty Ltd and Sumitomo Forestry Co., Ltd.

2

> For further details P111

10

- “moogle” wins “Prize for Excellence” of the “Robot Award” marking a first in the housing industry

The moogle* robot for surveying narrow spaces won the “Prize for Excellence” in the service-robot category at the “6th Robot Awards” organized by the Ministry of Economy, Trade and Industry and The Japan Machinery Federation.

3

* Robot used for residential crawlspace inspections and diagnostics tasks, on-site surveys for residential renovation projects, and simplified earthquake proofing surveys, among other applications.

- Start of joint logistics operations with Fast Retailing Co., Ltd.

Marking the construction of a large-scale distribution-use warehouse for sole use by Fast Retailing in Ariake, Tokyo, Daiwa House Industry and Fast Retailing have established a jointly capitalized logistics company supporting the creation of a novel logistics model centered on multi-function logistics and distribution points.

> For further details P87

- Start of the OIL BACT method for mineral oil-contaminated soil

Daiwa House Industry and Ritsumeikan University have jointly develop the OIL BACT method which as a first in Japan combines activated charcoal and bacteria (oil degrading micro-organisms) as a method for treating mineral-oil contaminated soil of former gas stations and factory sites.

* Oil degrading micro-organisms are microorganisms that feed on oil.

> For further details P121





2015

11

**TOMO
DACHI**

- Participation as strategic partner* of the Japan-U.S. exchange program "TOMODACHI Initiative"

The Company participated as a strategic partner in the "TOMODACHI Initiative," a government-private joint partnership program launched at the initiative of the U.S. Embassy in Japan and the U.S.-Japan Council (Japan) with support from the Japanese government, Japan and U.S. corporations, organizations, and individuals.

* Corporations, organizations, and individuals who donate US\$ 1 million or more to this partnership.

- Launch of the second stage of U.S.-based joint real estate development project

The Company initiated operations for a rental housing project located in Dallas, Texas, as the second stage of a joint project with Lincoln Property Company, a major American real estate firm.

> For further details P110

1

- Received the "Prize of the Minister of Economy, Trade and Industry" of the "Japan Venture Awards"

The Company received the "Prize of the Minister of Economy, Trade and Industry" (co-organized by venture firms and large corporations)" at the "1st Japan Venture Awards" organized by the "Venture Business Creation Council" of the Ministry of Economy, Trade and Industry, in appreciation of the creation of a radically new business type combining the business model and technology of CYBERDYNE Inc. and the management resources of Daiwa House Industry.

4

2

- Conclusion of a share exchange agreement (simplified share exchange procedure) with Daiwa Odakyu Construction

In order to acquire sole ownership of our subsidiary Daiwa Odakyu Construction, the Company entered into a share exchange agreement effective August 1, 2015.

- Opening of three new renovation-dedicated "Reform Salon" showrooms

Daiwa House Reform simultaneously opened three "Reform Salon" renovation-dedicated showrooms in Matsudo (Chiba Pref.), Konandai (Kanagawa Pref.), and Kawanishi (Hyogo Pref.), at which they will promote new community-based revitalization of large-scale public housing and the popularization of good-quality residential stock.

2

- Winner of the "Nikkei Sangyo Shimbun Excellence Prize" of the "Nikkei Best Products and Services Awards"

The Company's top-line of single-family houses xevoΣ received the "Nikkei Sangyo Shimbun Excellence Prize" at the "Nikkei Best Products and Services Awards" organized by Nikkei Inc.

5

- "Daiwa House Group Environmental Report 2014" wins the "Prize of the Minister for the Environment"

As a first in the housing industry, the "Daiwa House Group Environmental Report 2014" won the top-ranking "Prize for Reporting on Measures against Global Warming (Prize of the Minister for the Environment)" in the environmental report category at the "18th Environment Communication Awards" organized by the Ministry of the Environment and the Global Environmental Forum.

3

**NADE
SHI
KO**
BRAND
2015

- The Company praised for excellence in promoting professional development support for female employees

Daiwa House Industry was included in a selection of listed companies identified by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange, Inc. for excellence in promoting professional development support for female employees. The Company was selected based on our Fourth Medium-Term Management Plan calling for proactive efforts to develop and strengthen female executives by introducing flexible personnel systems.

Share Information

As of March 31, 2015

Common stock

¥161,699 million
(US\$ 1,347,492 thousand)

Shares

| | |
|------------------------|---------------|
| Authorized | 1,900,000,000 |
| Issued | 660,421,851 |
| Number of shareholders | 33,821 |

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

Principal shareholders

| | Thousands of shares | Equity stake (%) |
|--|---------------------|------------------|
| The Master Trust Bank of Japan, Ltd. (trust account) | 33,293 | 5.05 |
| Japan Trustee Services Bank, Ltd. (trust account) | 29,346 | 4.45 |
| Sumitomo Mitsui Banking Corporation | 16,117 | 2.45 |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 15,470 | 2.35 |
| STATE STREET BANK AND TRUST COMPANY 505225 | 13,879 | 2.11 |
| Daiwa House Industry Employee Shareholders Association | 12,723 | 1.93 |
| Nippon Life Insurance Company | 11,944 | 1.81 |
| Sumitomo Mitsui Trust Bank, Limited | 10,701 | 1.62 |
| THE BANK OF NEW YORK MELLON SA/NV 10 | 10,696 | 1.62 |
| STATE STREET BANK AND TRUST COMPANY 505001 | 9,944 | 1.51 |

Notes: 1. Number of shares held is rounded down to the nearest thousand.
2. Shareholding computations exclude 1,619 thousand shares of treasury stock.

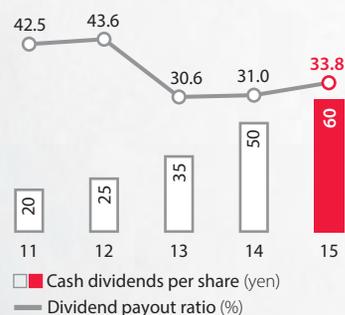
Shareholdings by scale



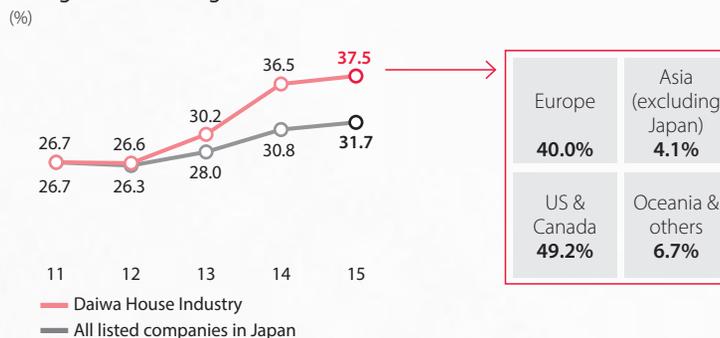
Shareholdings by shareholders



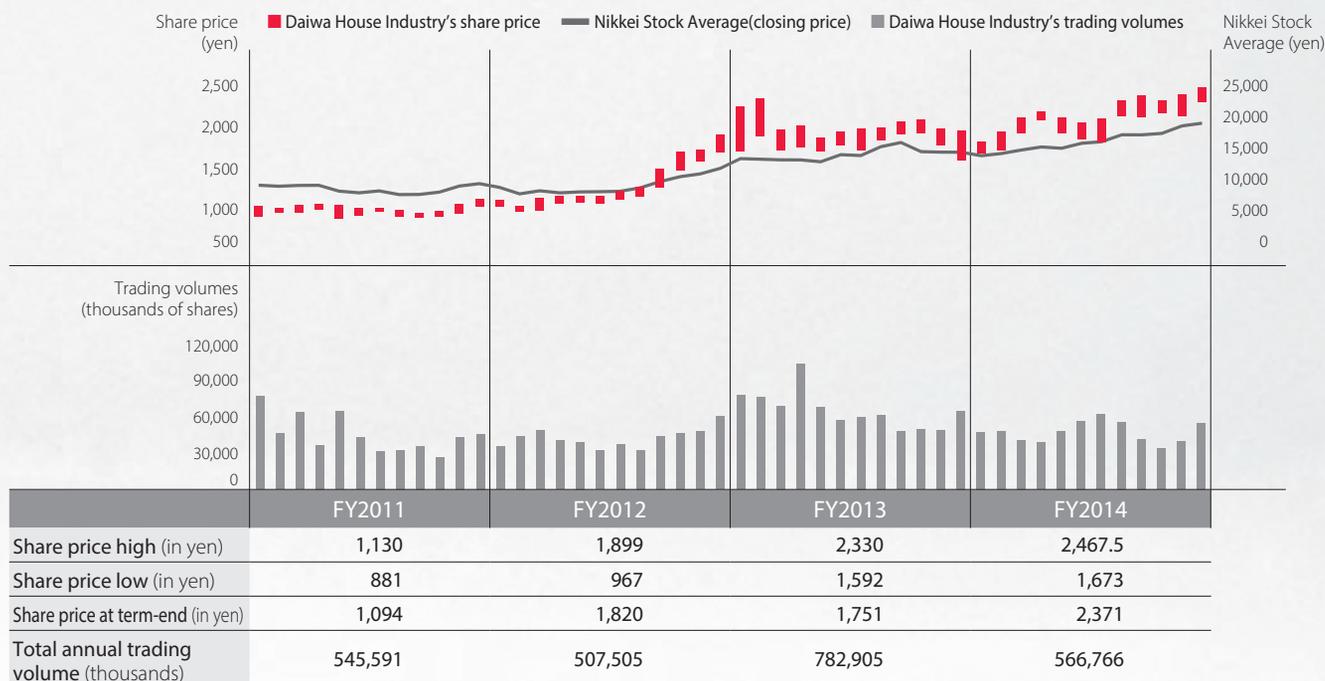
Cash dividends per share and dividend payout ratio



Foreign shareholdings



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



Stock price movements in fiscal 2014

Japan's Nikkei Average commenced fiscal year 2014 on a soft note after the consumption tax rate increase and concerns over emerging economies. However, with a floor forming at the ¥14,000 level, the Nikkei Average started a moderate ascent in late May and recouped the ¥16,000-level in September. After dipping due to Europe's economic woes, the BoJ announcement of additional monetary easing at the end of October coinciding with concluding quantitative easing in the U.S. had stocks trend higher on market expectations of an economic turnaround amid yen weakening and dollar strengthening.

The subsequent sustained rise was additionally fueled by increased pension fund money and liquidity from the ECB's quantitative easing flowing into the stock market. At the end of the fiscal year, the Nikkei Average had advanced to the ¥19,000-level, almost touching ¥20,000. In this environment, straddling a soft patch in the summer and a fresh rebound with the market recovery in November, Daiwa House Industry's shares rose from ¥1,751 at the end of fiscal 2013 to a fiscal-year highest of ¥2,467.5 in March 2015.

Price earnings ratio (times)



Price to book value ratio (times)



Dividend on equity ratio (%)





Takeshi Kosokabe
*Representative Director and Senior
Managing Executive Officer and CFO*



Message from the CFO

Maximizing our Corporate Value

Tapping our corporate DNA to enhance enterprise value

This year we celebrate the 60th anniversary of the founding of Daiwa House Industry. During those 60 years of growth, we have constantly sought to open up new markets to drive still further business expansion. This corporate spirit is exemplified in our founder's development of the Pipe House, in which he was inspired by seeing the devastation wreaked by a major typhoon. This product led both to the supply of housing that was more resistant to damage from strong winds or earthquakes, and to the concept of the industrialization of housing production methods. Similarly, the Company's next product – the Midget House – designed to help relieve the shortage of internal home space caused by the baby boom, also became the prototype for subsequent prefabricated housing. Daiwa House Industry has been at the forefront of the development of many such new markets. For instance, the members-only resort hotel business that we started up in 1978 was the forerunner of Japan's resort industry.

Daiwa House Industry was founded to be a company whose members accurately grasped the trends of the times and worked to start up businesses that would serve the needs of society now and in the future. These concepts have been our "corporate DNA," so to speak, and in fiscal 2014 the Daiwa House Group once again tapped the potential of this DNA to seize promising business opportunities. Specifically, the Group expanded its investments in real estate development to take advantage of underlying structural changes in the Japanese economy whose surface manifestations include the ongoing growth of e-commerce and other changes in consumer behavior.

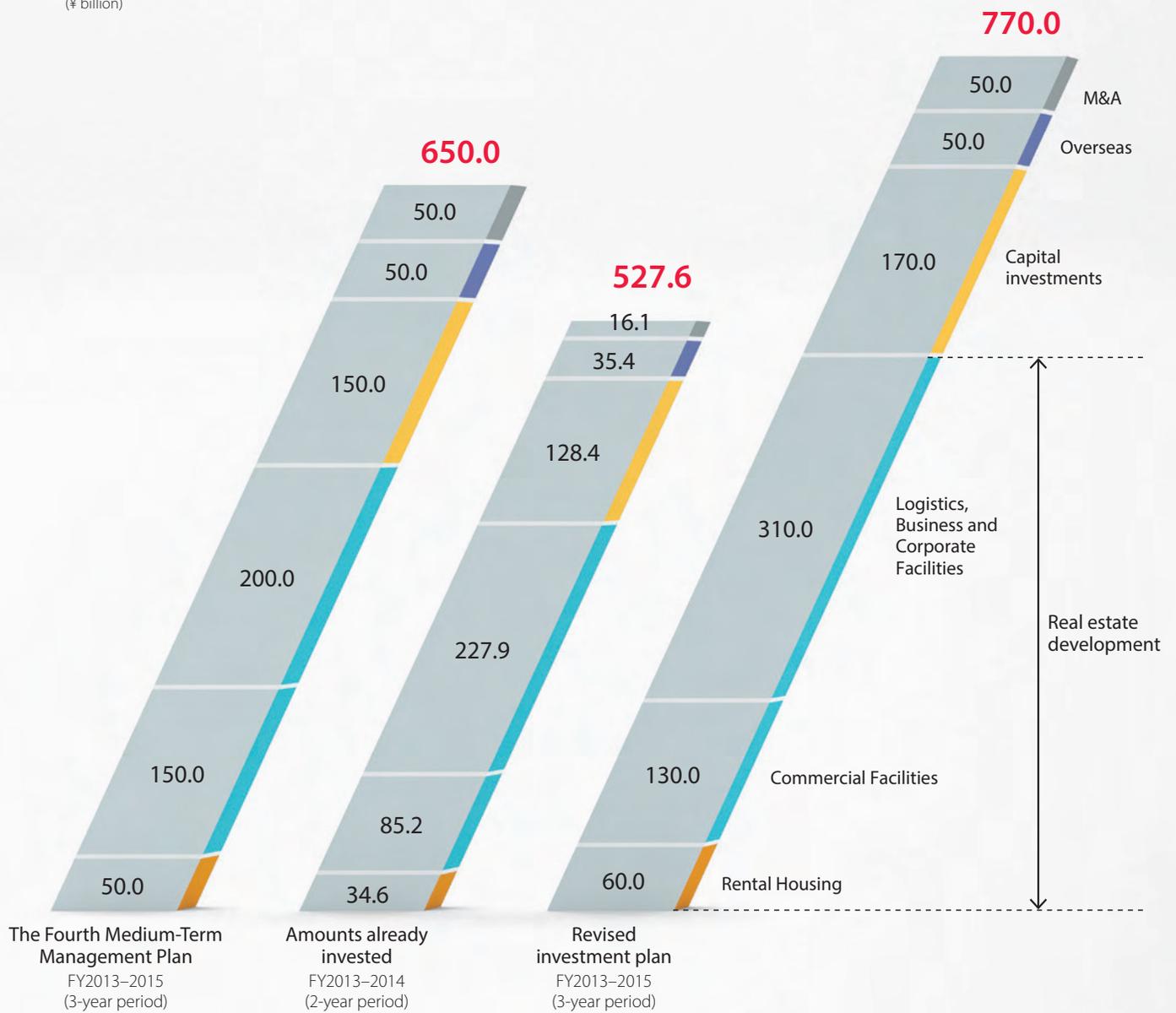
Thanks to the contribution made by these investments, net sales, operating income, and net income for fiscal 2014 all posted record high levels, while ROE surpassed our target of 10% under our Fourth Medium-Term Management Plan, at 11.2%. Reflecting the market's positive evaluation of our business performance, our stock price rose from a closing price of ¥1,751 on March 31, 2014 to reach the fiscal year's high point of ¥2,467.5 in March 2015, while the Company's total market value increased by roughly ¥470 billion over the fiscal year, to ¥1,629.5 billion. In this way, our successful creation of new markets has been translated into a solid increase in enterprise value.

Creating the optimum business model to display our competitive edge

In May 2015 we announced that the value of investments in real estate development under our Fourth Medium-Term Management Plan would be increased by ¥100 billion, for a total of ¥500 billion over the three-year period of the plan. The majority of the newly determined increased amount will be invested in business and corporate facilities business, principally logistics facilities. Our greatest strength in the field of logistics facility development lies in the build-to-suit (BTS) sector. In BTS facility development, we pursue a business model in which we acquire an intimate knowledge and understanding of the potential tenant's needs through close discussion and exchange of data, and then draw up and implement a development project that takes into account a comprehensive range of factors including the characteristics of the locality and the client's particular needs. As BTS projects account for approximately 80% of all the logistics facility projects the Group handles, we have secured stable earnings over the long-term in this business field. The remaining 20% are multi-tenant facilities. In this way, we aim to make the most of the currently favorable market conditions to maximize both sales and profits.

The progress of planned investment

(¥ billion)



Balance between enhancing enterprise value and maintaining fiscal discipline

We recognize that raising enterprise value involves taking steps to ensure that our shareholders receive a return on their investments in our stock that exceeds the cost of those investments, i.e., an adequate level of return on equity (ROE). We therefore set target levels for ROE, and the target under our current Fourth Medium-Term Management Plan is 10% or higher. To maintain ROE at an adequate level and possibly raise it still further, we must work to raise the profit margin and turnover rate while applying a certain degree of financial leverage. At the same time, we must be careful not to exert too much financial leverage, as this could damage the Group's financial soundness.

The Daiwa House Group maintains strict fiscal discipline – a requirement for financial soundness – by keeping to a benchmark debt-to-equity (D/E) ratio of 0.5. We have revised upward our planned investment figure to ¥770 billion, and partly as a result of this, the D/E ratio may temporarily exceed the 0.5 benchmark at the end of fiscal 2015. We will take steps to prevent the ratio from going too far beyond the 0.5 mark. Such steps will include boosting the Group's cash flow from operating activities and selling off real estate development properties as well as securities. At the same time, we will adopt a cautious stance on investment decisions while keeping a good balance between enhancing the Group's enterprise value and maintaining fiscal discipline, thus ensuring that we do not become so obsessed with achieving our D/E ratio benchmark that we let promising business opportunities slip.

Investments in real estate development/ real estate sales

(¥ billion)

| | The Fourth Medium-Term Management Plan | FY2013 | FY2014 | Cumulative total | Rate of accomplish- ment of initial plan |
|--|--|--------|--------|---------------------|--|
| Investments in real estate development | 400.0 | 156.9 | 190.7 | 347.7 | 86.9% |
| Value of real estate sales | — | 20.9 | 17.4 | 38.3 | — |

Aiming to enhance shareholder value through growth investment

To maximize the Group's enterprise value over the medium-to-long term, in addition to real estate investment we also conduct investment for growth purposes in overseas business development, mergers and acquisitions, R&D, and production capacity so as to boost the EPS and thereby increase shareholder value.

We aim to meet our shareholders' and investors' expectations by realizing growth. To do this, we will achieve strong earning capacity and excellent operating cash flow – principally in our rental housing, commercial facilities, and business and corporate facilities business. From this point into the future we will transform the real estate investments on which we are currently focusing into superior assets that generate cash flow. And we will refashion our business portfolio to display an ideal balance between construction of new properties on the one hand and rental management of existing properties on the other, so as to achieve sustained growth.

Supporting a virtuous cycle of growth from two perspectives

It goes without saying that such a vigorous growth investment policy must be supported by stable fund procurement, and that we must carefully take into account the Group's various needs – the maintenance of fiscal discipline and the trust in which the Group is held by society at large; the necessity to provide reserve funds in the event of materialization of serious risk; and the importance of returning profit to our shareholders. Thus, we must provide the required underpinning from the financial perspective to deliver sustainable growth. And we must also ensure support from the corporate governance perspective. That is to say, we must strengthen the Group's internal control and compliance, and further improve the level of management transparency. The ultimate responsibility for directing our efforts from these two perspectives is mine in my capacity as Chief Financial Officer, and I intend to work from day to day to generate a virtuous cycle, as represented by our Group symbol, the Endless Heart. In this virtuous cycle, we will share the fruits of growth with our stakeholders, and in turn, the trust in which our stakeholders hold us will be translated into the power we need to achieve further growth.



Takeshi Kosokabe
*Representative Director and
Senior Managing Executive Officer and CFO*



Board of Directors and Executive Officers

As of June 26, 2015

* Representative Director



Takeo Higuchi*

Chairman and CEO



Naotake Ono*

President and COO



Tamio Ishibashi*

Executive Vice President

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



Katsutomu Kawai*

Executive Vice President

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





Tatsushi Nishimura*

Director and Senior Managing Executive Officer

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



Takeshi Kosokabe*

Director and Senior Managing Executive Officer and CFO

Head of Administration Division, Management Administration



Takuya Ishibashi

Director and Senior Managing Executive Officer

Head of Production and Procurement



Shigeru Numata

Director and Senior Managing Executive Officer

Head of Marketing Division
Head of General Housing Operations





Osamu Fujitani

Director and Senior Managing Executive Officer

General Manager, Retail and Wholesale Facilities Operations (East Japan)
Head of Retail and Wholesale Facilities Division

Takashi Hama

Director and Managing Executive Officer

Head of Environment and Energy Business

Kazuto Tsuchida

Director and Managing Executive Officer

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

Makoto Yamamoto

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





Fukujiro Hori

**Director and
Managing Executive Officer**

General Manager, Rental
Apartment Building Operations
(East Japan)
Head of
Rental Apartment Building
Operations

Keiichi Yoshii

**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

**Director and
Senior Executive Officer**

General Manager, Rental
Apartment Building Operations
(West Japan)

Koichi Kamikawa

**Director and
Senior Executive Officer**

Head of Housing Operations
(West Japan, Kansai area)
Deputy Head of Hosing
Operations





Yoshiaki Tanabe

Director and Senior Executive Officer

Deputy Head of Technology
Deputy Head of Safty
Senior Department Manager,
Housing Technology



Kazuyoshi Kimura

Outside Director

Independent Officer



Yutaka Shigemori

Outside Director

Independent Officer

Managing Executive Officers

Keigo Okada
Tatsuya Urakawa
Izumi Nakamura
Mikio Sasaki
Mototsugu Takai
Hirotsugu Otomo
Kohei Yamasaki
Kazuhiro Dekura

Senior Executive Officers

Masaru Tsuchiya
Toshikage Itakura
Shinichi Hirose
Eiichi Shibata
Masaharu Chiba
Kenji Kinoshita
Takaki Hiromori

Executive Officers

Nobuhito Ishibashi
Kyoji Kato
Shoji Tanaka
Koji Harano
Naoki Hayashi
Tetsuya Tamura
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
Michikazu Sora

Audit & Supervisory Board

As of June 26, 2015



Kenji Hirata

Audit and Supervisory Board Member



Kuniaki Matsumoto

Audit and Supervisory Board Member



Kazuhiro Iida

Outside Audit and
Supervisory Board Member



Kiichiro Iwasaki

Outside Audit and
Supervisory Board Member
Independent Officer



Yukinori Kuwano

Outside Audit and
Supervisory Board Member
Independent Officer



Shonosuke Oda

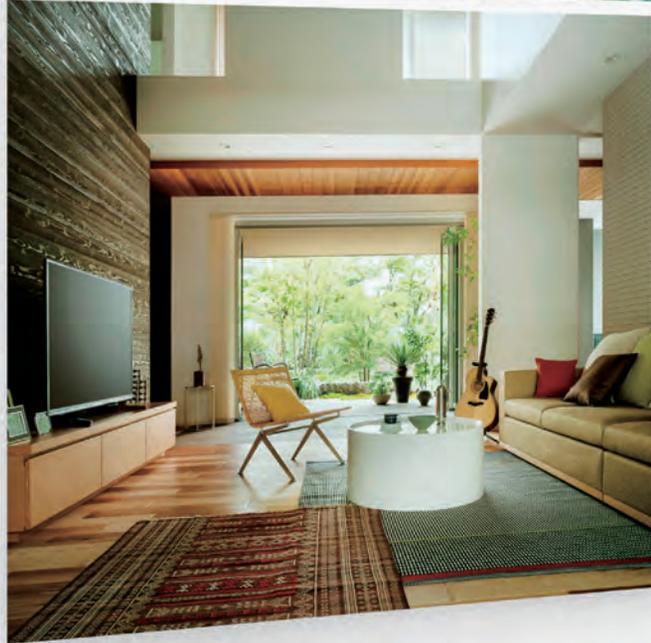
Outside Audit and
Supervisory Board Member
Independent Officer











| | |
|--|----|
| Single-Family Houses | 56 |
| Interior | 57 |
| Rental Housing | 58 |
| Rental Housing Management | 59 |
| Condominiums | 60 |
| Condominium Management | 61 |
| Renovation | 62 |
| Real Estate Agency Services | 63 |
| Other Businesses | 64 |
| • Post-disaster reconstruction remains our corporate mission | 65 |
| Presidents of Principal Group Companies | 66 |



Single-Family Houses

Contracting Business/ Subdivisions

Pushing for top market share through constant progress in proprietary technology



Daiwa House[®]
Daiwa House Group

Daiwa House Industry Co., Ltd.



Aggregate of houses and number of houses sold

9,894

(FY2014)

Domestic share of single-family housing starts*

2.6%

(FY2014)

* Contracting business only



We continue to achieve growth in our core business of single-family houses, driven by the continual evolution of our proprietary technologies, and we have now sold a total of over 580,000 individual houses since the Company's founding. In January 2014 we launched the xevoΣ – the latest and top-of-the-line addition to our popular xevo series – which employs new construction methods such as energy-absorbing load-bearing walls capable of maintaining their initial performance levels even in the event of repeated massive earthquakes. Sales of this model continue to grow steadily.

In April 2014 we began selling all our single-family house products under our SMAEco smart house brand, in which home energy management systems (HEMS) and photovoltaic power generation systems are offered as standard items. In the field of housing subdivision, we are promoting our SMAxECO PROJECT, in which we aim to develop smart towns that will let home owners be energy self-sufficient. We are also utilizing virtual reality technology at our TRY-IE-Lab, a home model showroom where customers can experience different home layouts. We continue to strengthen our marketing system through the opening of this and other new facilities.

The housing market is forecast to contract against the backdrop of the decline in Japan's population. We plan to aggressively market our unique home brands both in the field of single-contract built-to-order houses and in housing subdivisions. Our goal is to achieve the top share in the single-family house market. We plan to do this by expanding sales of home products in higher price ranges offering improved earthquake-resistance, as well as by the increased development and marketing of houses of three or more stories to suit the small land plots available in many urban areas.

Interior

Expanding our operations through active nurturing of human resources

DesignArc

 Daiwa House Group®

DesignArc Co., Ltd.

DesignArc is in charge of the Group's interior business, where it possesses the largest number of qualified interior coordinators*¹ in Japan's homebuilding industry. The company's operations range from interior coordination at customers' homes, housing showrooms, and model rooms, to the design and production of marketing environments at various industry events, as well as the design and sale of furniture. During fiscal 2014 DesignArc posted excellent sales of air conditioners that were specially developed to improve tenancy rates at rental housing facilities and were marketed as a package together with interior designs and furnishings. Sales were also strongly boosted by the success of booths opened at interior shows held jointly by home builders and furniture manufacturers.

Demand for home renovation is expanding in Japan, and in line with this the market for interior goods is also expected to take off. We aim to increase our operations to take full advantage of this situation, leveraging our nationwide network of production sites. In the field of human resources training we are working with other organizations to establish a system of Certification of Space Designer*² as one means of raising the level of interior designers' qualifications in general. In the near future we hope to use this certification system to nurture staff who are fully trained in the operation of 3D imaging software, as the increase in specialization should lead to higher productivity. In the field of renovation to raise the asset value of existing homes, we aim to expand operations by optimally leveraging our ability to make high-value-added proposals.

*¹ 201 interior coordinators (as of March 31, 2015)

*² By a person who has a Certification of Space Designer, we mean industry-ready staff able to easily comprehend architectural drawings and capable of using 3D-perspective imaging software to make persuasive interior design proposals. Such staff will help us more effectively meet market needs in the field of home renovation.



Sales in the interior item business

¥15,256 million

Curtains (product and installation cost)

18.7%

Furniture

18.2%

Made-to-order furniture

4.1%

Lighting (product and installation cost)

9.0%

Air conditioners (product and installation cost)

32.0%

Condominium options

3.3%

Other

14.7%

(FY2014)



Rental Housing

Expanding our lineup of high value-added products to meet tenants' diverse needs



Daiwa House[®]
Daiwa House Group

Daiwa House Industry Co., Ltd.



Number of rental housing units sold

36,757

(FY2014)

ダイワハウスの賃貸住宅

D-room

In the rental housing business we are expanding our market share by leveraging comprehensive services – from site assessment through planning, design, and construction to management support-as well as the close relationships we have built up with many landowners throughout Japan. To meet tenants' increasingly diverse needs, we work to develop products incorporating a wide range of attractive services as well as interior equipment and furnishings. In particular, apartments featuring home security arrangements are our best-selling models, accounting for almost 90 percent of all rental housing products.

In fiscal 2014 we launched two new housing products – the SÉJOUR WIT-Loper and the SÉJOUR OTT's-Loper –both specifically designed to meet the needs of elderly tenants, which is forecast to become a fast-growing market niche in the coming years. At our Royal Parks ER Sasashima, completed in March 2015, we offer new concepts in rental apartments, including one type in which two generations of a family can live together, and apartments for sharing by students or single working persons. The building also features other facilities such as a preschool and a fee-based home for the elderly. Not only does this large-scale building – combining rental apartments with other facilities – cater to a wide range of tenant needs, we also expect it to make a valuable contribution to the local community thanks to its ability to generate and provide lifelines at the time of disaster.

We will continue to expand our lineup of high value-added products while strengthening cooperation with other organizations in each region of Japan by opening new marketing offices around the country. This is part of our plan to achieve growth in businesses that are deeply rooted in their respective regional communities.

Rental Housing Management

Responding to market change by broadening our range of services



Daiwa Living Mgt.®

Daiwa House Group

Daiwa Living COMPANIES

Daiwa Living Management Co., Ltd.

The Group meets market needs in the rental housing management business through the concerted operations of specialist operating companies in areas such as subleasing, management and operation, real estate agency, and Internet service provision, offering total support in the rental housing field. Ahead of the complete deregulation of retail electricity sales in 2016, we established an electric power retailing enterprise in fiscal 2014. We plan to make optimum use of the economies of scale made possible by our more than 400,000 individual rental home units under management to offer tenants a full menu of electricity distribution options, including low-cost power.

Although demand in the rental housing market is in reaction to the rush demand ahead of the consumption tax rate hike in April 2014, construction of new properties continues, fueled by demand in response to the raising of the inheritance tax rate among other factors. We are thus faced with the problems of falling rents and a growing number of vacant home units. Amid this environment, we are working to raise the added value of rental housing properties under our management by making renovation proposals to property owners as well as proposals for the installation of additional, state-of-the-art equipment at properties whose vacancy rates are high. At the same time, in our real estate agency business we are employing an online advertising strategy to raise occupancy rates.

We have also commenced a new business line to cater to the rental housing needs of seniors, as demand in this area is expected to continue growing strongly. As a first step, Daiwa Living Management has taken the lead in developing a new business line in the field of rental assisted-living housing for senior citizens. We will continue to expand our range of services in response to changes in the market environment.



Total rental housing units managed by the Group*¹

435,515

(as of March 31, 2015)

Total units under management ranking*²

4th

(2014)

借りるダイワハウス
D-room

*¹ Total of three companies: Daiwa Living, Daiwa Living Management and Nihon Jyutaku Ryutu

*² Zenkoku Chintai Jyutaku Shimben



Condominiums

Offering unrivalled asset value through constantly evolving products and services



Daiwa House Industry Co., Ltd.



Cosmos Initia 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.

Following the consumption tax rate hike in April 2014, and against the backdrop of rising construction costs, the market for condominiums went through a supply adjustment phase in fiscal 2014, with the number of new condominium construction starts posting its second consecutive year-on-year decline.

Amid this environment, in March 2015 we completed construction of the Hibarigaoka Feels Ichibangai in Tokyo, the first joint “urban renewal” project between a private corporation and the Urban Renaissance Agency (a semi-public organization). In this project, we have adopted the concept of “area management,” under which the management and development of the neighborhood is principally entrusted to the residents themselves. To this end, we have built an Area Management Center on the grounds of the condominium project, where residents can get together to discuss maintenance and future development proposals. This is part of our urban development concept, in which projects start from the idea of urban neighborhood renewal and evolve to meet the community’s future needs.

Cosmos Initia operates a lifestyle support service for active seniors at the GRAN COSMOS Musashiurawa in Saitama City, where staff are on hand 24/7. The company also operates common-use facilities to facilitate communication between residents, as well as a restaurant and medical clinic. Such services help provide a worry-free living environment for older residents.

In our condominium business, we will continue leveraging our high-level planning proposal capabilities to meet customers’ diversifying needs and offering unrivalled asset value via a constantly evolving variety of products and services.

Number of condominium units sold*1

3,208

(FY2014)

Number of condominium units sold ranking*2

6th

(2014)

*1 Total of two companies:
Daiwa House Industry and Cosmos Initia

*2 Condominium Market Trends in Japan:
Real Estate Economic Institute Co., Ltd.
Daiwa House Industry, non-consolidated



Condominium Management

Pooling management resources to strengthen competitiveness



Daiwa LifeNext Co., Ltd.



Global Community Co., Ltd.

Our condominium management services do not end with day-to-day operation. We offer a comprehensive service to support long-term building management and create a pleasant living environment. This includes undertaking large-scale renovation and repair work and helping homeowners associations create a sense of community among their members. In these ways, we maintain and improve the owners' asset value.

In markets related to existing condominiums in Japan, the number of home units is increasing at a reduced pace due to slow growth in construction of new condominiums. Existing condominium buildings continue to deteriorate with age, while unit owners on average are growing older at a faster pace. Thus, we expect even stronger demand for the provision of more comprehensive and sophisticated management services.

Amid this condition, in the Group's condominium management operations we aim to bolster replacement of a management company and expand orders received for large-scale repair work and equipment upgrading. We will take various steps to increase customer satisfaction. In addition to further enhancing the quality of our services applicable to each condominium's common area, we will reinforce our proposal-based sales to residents, including new services such as renovation and repair work on exclusively-owned areas, as well as support for the sub-leasing of housing units in the event that the owner is temporarily transferred by his or her employer to a different location. In April 2015 Daiwa LifeNext and Daiwa Service were merged to realize increased overall Group capabilities. We aim to pool the management resources of these two companies to achieve efficiency, and to leverage this newly-created business base to move into new areas, while at the same time offering our customers an even higher standard of service.

Individual home units under management

320,489

Daiwa Service*1
87,521

Daiwa LifeNext*1
152,729

Global Community
80,239

(as of March 31, 2015)

Individual home units under management ranking

4th*2

(as of March 31, 2015)

*1 Daiwa LifeNext and Daiwa Service were merged on April 1, 2015. As the number of home units under management shown above is as of March 31, 2015, figures are shown separately for the three companies.

*2 Ranking by corporate group of individual home units under management (Mansion Kanri Shimbun)



Renovation

Aiming at growth through marketing system with roots in each local community



Daiwa House Reform Co., Ltd.



Royal Home Center Co., Ltd.

Number of renovations

Approx. **44,000**

(FY2014)

Number of staff in sales

Approx. **1,000**

(as of April 1, 2015)

HeartOne
Reform
大和ハウスリフォーム



In the home renovation business we offer our customers an efficient one-stop service. This popular business model, which has driven expansion in our renovation operations, starts with proposals based on a careful inspection of each property, followed by the planning and implementation of renovation work. We are also working to enhance the quality of our renovation proposals by fully leveraging our extensive experience and know-how, as well as our proprietary technologies.

We expect the home renovation market to continue growing, thanks to the government's stimulus measures. In the field of single-family houses and condominiums, the number of abandoned or vacant homes is growing, while in the area of large-scale public housing developments, the declining birth-rate combined with an aging population is becoming a serious problem. These factors are likely to spur demand for the revitalization of public housing projects and for an increase in the number of usable existing homes through renovation work.

We have opened three renovation-dedicated showrooms within large-scale public housing projects in Kanagawa, Chiba, and Hyogo prefectures – at which we promote our new community-based renovation proposals. These showrooms feature areas dedicated to particular market segments and targeting both customers living in single-family houses and those living in condominiums. Proposals offered include overall renovation plans as well as improved storage space or redesigning of the home's entrance area. We plan to open such showrooms at an increased pace with the goal of 20 sites nationwide by 2018, principally in Japan's three major metropolitan areas. In this way, including through strengthened cooperation with the Renovation Counters located within our Royal Home Centers, we hope to expand orders and achieve steady growth.

Real Estate Agency Services

Supply of previously-owned real estate to the market via agency services, and sale of renovated properties



Nihon Jyutaku Ryutu®
Daiwa House Group

Nihon Jyutaku Ryutu Co., Ltd.

Nihon Jyutaku Ryutu is a real estate agency that engages in the purchase and resale previously-owned real estate properties, renovates condominiums and also undertakes rental property management nationwide. In its role as a comprehensive real estate consultancy agency, it works to maximize property values and inject liquidity into the real estate market.

During fiscal 2014 the number of real estate transactions handled by the company registered a decline following of the consumption tax rate hike. On the other hand, purchases of home units in city-center high-rise condominiums increased, as home-buyers used such purchases as a strategy to reduce inheritance tax burdens. Thanks to this, previously-owned home prices rose, and the amount of orders received by Nihon Jyutaku Ryutu recovered from the second half of fiscal 2014. Ahead of the upcoming amendment to the inheritance tax law, we commenced a policy of advertising its unique inheritance tax payment support services on the open market, as well as through direct channels to its real estate property suppliers.

The market for previously-owned real estate is forecast to continue growing. We will expand our network of offices on a nationwide basis and invest more in community-based marketing. We will also work to introduce valuable properties to the market through more extensive use of our building assessment system and equipment guarantee system, and we will put increased effort into marketing fully renovated properties that meet diverse needs to supply the market with an adequate number of value-added previously-owned properties. Meanwhile, Daiwa Homes Online, which offers real estate agency services over the Internet – principally for customers in the Tokyo area – will work to expand its operations by attracting more customers for its real estate purchase and resale services.



Daiwa Homes Online®
Daiwa House Group

Daiwa Homes Online Co., Ltd.



Nihon Jyutaku Ryutu's agency commission*

¥2,900 million

(FY2014)

Real estate agency ranking
(agency commissions)*

15th

(FY2014)

* JUTAKU SHIMPO-SHA, INC. "Property Sales and Purchases in FY2014
(major real estate agencies)"
Nihon Jyutaku Ryutu, non-consolidated



Other Businesses

Ground surveys & reinforcement/ Manufacture of housing parts & materials

Leveraging intra-Group synergy to offer high-quality housing



Daiwa Lantec Co., Ltd.



Daiwa CoreFactory Co., Ltd.



Daiwa Lantec

In line with its corporate mission of helping to realize safe, reliable, and comfortable housing, Daiwa Lantec conducts ground surveys and engages in soil improvement work, leveraging its solid track record and high-level technological expertise. Company staff also conduct regular safety patrols at construction sites to ensure that the working environment remains safe at all times. The company encourages its staff to acquire official qualifications, and holds training courses conducted by specialist staff to raise the overall skill level of its workforce.

In the near future, Daiwa Lantec plans to expand its repertoire of technologies in the soil improvement and other fields and develop completely new services, and will work to raise its technology and service quality levels.

Daiwa CoreFactory

Daiwa CoreFactory produces housing parts and materials at five plants in Japan, and the management emphasizes its monozukuri (manufacturing craftsmanship) skills. In line with its motto of "Excellent Products, Speedy Delivery, Low Prices," Daiwa CoreFactory prioritizes continuous improvement (kaizen) activities aimed at enhancing product quality, reducing costs, and shortening lead times, and works on a day-to-day basis to achieve its goals in this area. The company also implements an in-house certification system for employees involved in production to improve its manufacturing technologies.

From here onward, while adopting a flexible business stance to enable effective response to changes in the environment, Daiwa CoreFactory hopes to maximize its manufacturing skills to create products that will fully meet customer needs.

Post-disaster reconstruction remains our corporate mission



Unique projects help speed up housing reconstruction efforts

Four years has passed since the Great East Japan Earthquake of 2011. Even now, work continues at a rapid pace to build public housing. Initially, the local governments involved in providing this public housing intended to employ conventional construction methods, but their plans did not go smoothly, due to difficulty in securing the necessary sites. Daiwa House Industry leveraged its experience in land preparation, home building, and town planning, as well as its unique know-how in the field of effective utilization of land. We presented proposals to the local governments for projects under which we would take responsibility for a total solution covering the acquisition of the required land as well as the construction of the housing. This method was adopted by the local authorities, making it possible to achieve faster progress in the construction of publicly-provided post-disaster housing.

High value-added proposals to realize a comfortable daily life

In constructing this housing – while working within various constraints, such as the urgent need to house the disaster victims – we have sought to achieve a high level of added value by customizing the designs to suit the particular needs of the tenants. We have been concerned not simply to build housing, but also to draw up and offer plans to ensure the physical and mental health of elderly tenants. In cooperation with the local governments, we have also held a variety of events as a way of promoting communication between the tenants and the community. Our plans involve the creation of communities complete with everything the re-housed disaster victims will need for a pleasant life, including shopping centers and local pharmacies. We also pay attention to the aesthetic aspect, designing attractive urban vistas complete with tree-lined avenues.

Orders received by the Company for public housing for victims of March 2011 disaster

| Prefecture | Number of housing units |
|------------|-------------------------|
| Iwate | 271 |
| Miyagi | 1,692 |
| Fukushima | 125 |

(as of April 30, 2015)



To ensure that residents' views are incorporated into further plans, our designers pay regular visits to housing sites already completed in order to acquire the necessary feedback.



Presidents of Principal Group Companies



Daiwa Living Management Co., Ltd.
Masaru Akashi



Nihon Jyutaku Ryutu Co., Ltd.
Minoru Fujita



Daiwa LifeNext Co., Ltd.
Yoshinori Watanabe



DesignArc Co., Ltd.
Masato Shima



Daiwa Homes Online Co., Ltd.
Norio Togashi



Daiwa House Reform Co., Ltd.
Junichi Sugiura



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



Cosmos More Co., Ltd.
Katsuyoshi Ogata



Cosmos Life Support Co., Ltd.
Hideki Fujioka



Global Community Co., Ltd.
Hiroyuki Kaneko



Daiwa Lantec Co., Ltd.
Kazuo Shimoe



Daiwa CoreFactory Co., Ltd.
Eshin Nakamura











| | |
|--|----|
| Retail and Wholesale Facilities | 74 |
| Commercial Facilities | 75 |
| Logistics Facilities | 76 |
| Medical and Nursing Care Facilities | 77 |
| Offices, Factories, and Industrial Parks | 78 |
| General Construction | 79 |
| Asset Management | 80 |
| Environment and Energy | 81 |
| Agriculture | 82 |
| Environmental Greening | 83 |
| Parking and Carsharing | 84 |
| PPPs and PFIs | 85 |
| • Revitalizing local communities through industrial park development | 86 |
| • Creation of a new logistics business model | 87 |
| Presidents of Principal Group Companies | 88 |



Retail and Wholesale Facilities

Developing retail and wholesale facilities that help revitalize local communities



Daiwa House Industry Co., Ltd.



Daiwa Lease Co., Ltd.



Retail and wholesale facilities constructed*¹

38,118

(as of March 31, 2015)

Membership of the Owners Club*²

6,686 members

(as of March 31, 2015)

*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 landowners.

In our retail and wholesale facilities business we leverage our extensive data on land use nationwide – in addition to our know-how relating to support for the opening of new outlets – to offer comprehensive proposals to prospective tenant companies, ranging from planning to facility management and operation. Since starting operations in this field in the mid-1970s we have done business with around 4,000 tenant companies – mainly in the retailing and eating-out sectors – and have constructed more than 38,000 facilities. We are also seeking increased orders in our conversion business, in which we propose the conversion of existing structures to other uses when the present contract has expired. In this and other ways, we work to reinforce our relationships with landowners.

Against the backdrop of a declining population and the growth of online sales, the retail industry in Japan cannot expect any significant increase in the number of visitors to their stores, and retail companies are competing for a larger share of the market by opening new outlets, as well as through industry consolidation via mergers and acquisitions. We conduct market surveys covering a diverse range of factors including the unique features of each prospective store site and the surrounding area. On the basis of these surveys we make medium- and long-term proposals for the opening of stores or the development of various facilities to prospective tenant companies, including corporations that operate nationwide retail chains and those with strong roots in each local community.

By leveraging these strengths, we will attract competitive enterprises to use our site-selection and construction capabilities, thus securing adequate and reliable sources of earnings for our landowners while developing retail and wholesale facilities that help revitalize the economy of each local community.

Commercial Facilities

Developing commercial facilities to serve as the core of each local community



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.

In the commercial facilities business, Group-member companies are engaged in the planning, construction, leasing, management and operation of facilities.

In fiscal 2014 the retail industry suffered a year-on-year decline in consumer spending in reaction to the rush in spending ahead of the consumption tax rate hike in April. The long-term sluggishness of consumer spending thus persisted, and the market has not yet fully recovered. Amid this situation, the Group worked to enhance the attractiveness of its existing commercial facilities under management and thereby expand sales by organizing the replacement of tenants and carrying out renovation work on the facilities. Against the backdrop of an ongoing change in the roles of commercial facilities from simply being places where people shop for material goods to acting as venues for services and other diverse activities, Daiwa Lease has been developing neighborhood shopping centers in collaboration with local communities. Four such projects were opened for business in April 2015, notably the BRANCH Chigasaki in Kanagawa Prefecture and the Frespo Megumino in Hokkaido. In collaboration with a nonprofit organization, Daiwa Lease has established an intermediary support NPO that supports and encourages local community activities, mainly through the Machizukuri Spots (spaces set aside for discussion of community development ideas and workshops) inside the Group's commercial facilities.

The Group engages in large-scale development projects that make the most of our diverse operational resources, while at the same time working to enhance the attractiveness of tenants and help revitalize local communities. We aim to develop and operate competitive facilities whose features are tailored to the unique characteristics of each region.



Leasing floor space of buildings subleased*1

4,835,502m²

(as of March 31, 2015)

Number of tenants/ occupancy rate at buildings subleased*2

8,258 / 99.2%

(as of March 31, 2015)

*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

Logistics Facilities

Building a stronger social infrastructure by addressing front-line logistics issues



Daiwa House[®]
Daiwa House Group

Daiwa House Industry Co., Ltd.



Daiwa Logistics[®]
Daiwa House Group

Daiwa Logistics Co., Ltd.

Frameworkx

 Daiwa House Group[®]

Frameworkx, Inc.



In our logistics facilities business we employ a business format called D-Project, under which we meet all customer needs from acquisition of prime-location sites through the design, construction of facilities, operation of services and building management.

In addition to BTS (build-to-suit) facilities for particular tenants, we also construct multi-tenant facilities that provide immediate solutions to short-term logistics needs. We have built or are currently constructing 195 logistics facilities throughout Japan, involving a total area of roughly five million square meters.

In fiscal 2014 the Group initiated a logistics business collaboration with Fast Retailing Co., Ltd. and commenced construction of a large-scale logistics facility for the company's sole use in Ariake, Tokyo, with completion scheduled for 2016. To finance this project, Daiwa House Industry organized its first-ever privately-placed REITs. This REITs will be used to support the future creation of a logistics network by Fast Retailing.

Competition in the logistics sector is intensifying due to factors such as corporate globalization and the growth of online shopping. Consequently, user needs are focusing on optimizing logistics facilities and realizing ever-greater operational efficiency. To serve the purposes of our customers' corporate real estate strategies and to reinforce their real estate securitization plans, we constantly examine problems and needs that they encounter from the front line of the logistics business, and devise solutions to address users' requirements. We plan to help create a new physical infrastructure for society through the construction of logistics facilities that incorporate our proprietary earthquake resistance systems, address our customers' needs in the area of business continuity planning (BCP), and also incorporate eco-friendly features such as green walls.

Development site area of main logistics projects*

Japan total

5,002,672m²

Hokkaido area

32,161m²

Kanto area

2,453,150m²

Kansai area

1,120,306m²

Chugoku/Shikoku area

203,926m²

Kyushu area

308,383m²

(as of March 31, 2015)

Tohoku area

251,067m²

Chubu area

633,679m²

* Includes projects at the planning stage and under development



Medical and Nursing Care Facilities

Constructing medical facilities that meet the next generation's needs



Daiwa House®
Daiwa House Group

Daiwa House Industry Co., Ltd.



Daiwa Lease®
Daiwa House Group

Daiwa Lease Co., Ltd.

In 1989, anticipating the rapid increase in Japan's population of elderly people, we set up the Silver Age Research Center to investigate issues relating to medical and nursing care facilities. The Center selects suitable sites, draws up projects, consults with governmental bodies, and provides a wide range of other specialist support services at all stages from planning to construction for corporate customers seeking to build and operate such facilities. These operations are part of the Group's efforts to expand its medical and nursing care facilities business.

While the number of hospitals that meet the earthquake resistance standards mandated by the 2013 revision of the Act on Promotion of Seismic Retrofitting of Buildings is growing, only 67.0%*¹ of the nation's 8,493 hospitals are fully in conformity with these standards, and around 2,800 require seismic retrofitting. We are marketing advanced medical facilities that meet the needs of the next generation under the name of "D's SMART MEDICAL." These include air-conditioning that employs geothermal heat pumps, earthquake-resistant structures, and business continuity planning (BCP) support, as well as ensuring a pleasant environment for both patients and staff.

The Group also invests in special-purpose corporations to provide support for medical care from the investment planning perspective. That is to say, they hold land assets and buildings in the form of medical institutions and make proposals to medical care operators involving the leasing of such assets to the operators via a dedicated medical care fund. In addition, our medical and nursing care facilities business collaborates with these special-purpose corporations to offer assisted-living housing for senior citizens.

*¹ "Survey of State of Seismic Retrofitting Work at Hospitals" (Ministry of Health, Labour and Welfare; published March 31, 2015)

Medical and nursing care facilities constructed*²

4,424

(of which, Silver Age Research Center projects = 2,823)

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

40.0%

Hospitals and clinics

24.5%

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

3.6%

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

19.4%

Other

12.5%

(as of March 31, 2015)

*² Daiwa House Industry, non-consolidated



Saito Rosai Hospital (Chiba City)



Offices, Factories, and Industrial Parks

Increased orders through enhanced reliability, and improved operational efficiency



Daiwa House Industry Co., Ltd.



Higashi-Fuji Co., Ltd.



Offices constructed

80 buildings

Approx. 89,000m²

(FY2014)

Factories constructed

93 buildings

Approx. 271,000m²

(FY2014)

In our offices and factories business we help our corporate customers build network bases throughout Japan. Thanks to our extensive database on land prices and sites available for development, we are able to make land-use proposals covering all processes from initial surveys through planning, design, and construction to post-completion maintenance and other services. During fiscal 2014 a large number of companies worked to further rationalize their capital investment by closing redundant production facilities and introducing more cutting-edge, sophisticated equipment. Against this backdrop, we enjoyed an increased value of orders for the construction of factories and other facilities. This achievement was made possible by the Group's excellent reputation among its customers, based on the track record in factory construction we have built up over many years. Plant No. 1 at our Nara Factory, which has been rebuilt as a state-of-the-art eco-friendly facility, has attracted the interest of a large number of corporations. The reputation of the Group's brand in the field of energy conservation has also been boosted by our winning of the Energy Conservation Awards* for the second straight year. In the area of office planning, eco-friendly proposals accounted for 90 percent of all orders.

Demand for construction in Japan is forecast to continue trending upward. We aim to maintain relationships with our existing customers, while expanding our operations to acquire increased orders and realize greater efficiency. In our industrial parks operations we have commenced development of the Hofu Techno Town (our fifth project in Japan) in Yamaguchi Prefecture. We have positioned this operation as one of the main growth engines of this business segment, and aim to help revitalize local regions by supporting newly-emerging companies in collaboration with local government bodies.

* Prize for Energy Conservation (Practical Energy Conservation Example Section), awarded by the Energy Conservation Center, Japan.

General Construction

Leveraging intra-Group synergy to create a new business model



Fujita Corporation

With a history of over 100 years as a general construction company, Fujita has an impressive track record in urban redevelopment and supports corporate customers' capital investment strategies within Japan and overseas. In the field of urban redevelopment Fujita boasts high-level planning and proposal capabilities – thanks to a solid base of proprietary construction technology – as well as the ability to acquire official permits and licenses owing to the extensive know-how it has accumulated. It has ample experience in determining and reconciling the intertwined rights of landowners and leaseholders in local communities. Fujita has leveraged these strengths in the fields of urban redevelopment and condominium rebuilding projects, including through the use of sophisticated solutions such as PFIs and real estate securitization. In such ways, Fujita helps to bolster the enterprise value of customers.

Investment in construction in Japan is expected to remain steady in fiscal 2015. Fujita is working to reinforce relationships with its approximately 860 subcontractors with the aim of further improving service and product quality in the core business fields of construction and civil engineering to enhance its earning power. In logistics facilities operations – a new high-growth field – Fujita aims to maximize synergy through collaboration with Daiwa House Industry to create a comprehensive business model encompassing planning and proposals, construction, and management and maintenance. In overseas markets, Fujita aims to take steps to enhance competitiveness in its areas of specialty while also expanding operations in the existing construction business to act as a buffer against downturns in the construction market. By this and other measures, including the training of local staff, Fujita plans to stabilize its business operations from a long-term perspective.

Note: Fujita and Daiwa Odakyu Construction will undergo a management integration (merger) on October 1, 2015.

大和小田急建設



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. 2,716,000m²

(as of March 31, 2015)

*1 Site area

*2 Total floor area



Asset Management

Aiming at growth of assets under management while stimulating development of J-REIT market



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 REIM[®]
Daiwa House Group

Daiwa House Real Estate Investment Management Co., Ltd.



Daiwa House Residential Investment Corporation

Properties/ Asset value

141/¥255.3 billion

(as of June 1, 2015)

Occupancy ratio

95.78%

(as of May 31, 2015)



Daiwa House REIT Investment Corporation

Properties/ Asset value

40/¥196.0 billion

(as of June 1, 2015)

Occupancy ratio

99.97%

(as of June 1, 2015)

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

Daiwa House Asset Management engages in asset management on behalf of Daiwa House Residential Investment Corporation, a company that holds residential property investments worth ¥255.3 billion. During fiscal 2014 the company worked to diversify its earnings sources through acquisition of additional housing for seniors as part of a medium- to long-term policy of constructing a stable earnings base and expanding assets under management. In line with the start of the NISA system of tax-exempt savings accounts for individuals, the company has been holding explanatory meetings for individual investors, among other measures to assist the healthy development of the J-REIT market.

Daiwa House REIT Management engages in asset management on behalf of Daiwa House REIT Investment Corporation, which holds investment assets worth ¥196 billion in the form of logistics facilities and commercial facilities. The company's asset management concept places top priority on stability, and it invests in properties likely to attract tenants on long-term lease contracts, including advanced logistics facilities with sophisticated features, and commercial facilities such as shopping malls.

To raise the property occupancy rate and maintain a high level of income gain from rents, we are taking various steps to steadily expand our assets under management, such as investing in eco-friendly properties. In this way, we aim to secure stable earnings and optimize value for our investors.

Environment and Energy

Effective use of new renewable energy sources



Daiwa House Industry Co., Ltd.



Daiwa Lease Co., Ltd.



Daiwa Energy Co., Ltd.



Eneserve Corporation

The Daiwa House Group is developing its environmental energy solutions business, centered on new energy sources, energy conservation measures, energy storage, retail sales, and power generation.

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, and we have been obtaining more of these contracts nationwide. We are also leveraging our fortés of construction technologies and operational know-how in the development of our “DREAM Solar” photovoltaic power generation business on both publicly and privately held land — this is a one-stop solution, providing everything from construction right through to operation and management. As of March 31, 2015, 86 locations nationwide have a total output of 92 megawatts, and we intend to have a total generated output of 200 megawatts by FY2018.

Additionally, as one initiative in anticipation of the complete deregulation of retail electricity sales that will start in 2016, we established the DTS Hida Hydroelectric Generation Co., Ltd. in December 2014, and will start hydroelectric power generation. We will construct a 2 megawatts hydroelectric power facility in Hida, Gifu Prefecture, and the plan is to start electricity sales in November 2017. In the future, we will continue to work at developing not only hydropower, but also biomass and other renewable energy sources, and by leveraging the Group’s wide customer base, expand our retail electricity business.



Total output of mega solar large-scale industrial-use photovoltaic facilities constructed*1

198_{MW}
(FY2014)

Power business (including planned operation)*2

Photovoltaic power generation locations

116/173_{MW}

Wind power locations

2/25_{MW}

(as of March 31, 2015)

大和ハウスグループの太陽光発電事業
DREAMSolar

大和ハウスグループの風力発電事業
DREAMWind

*1 Total for Daiwa House Industry, Daiwa Lease, and Daiwa Energy.

*2 Total for 15 Group companies.

Targeting market-driven business expansion



Daiwa House[®]
Daiwa House Group

Daiwa House Industry Co., Ltd.



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

985

(as of March 31, 2015)



In the agricultural business, we sell "agri-cube" vegetable-grower units as front-runner products in our search for ways of industrializing agriculture to meet Japanese society's need for food self-sufficiency and a stable supply of safe food. The agri-cube is a building unit containing all the equipment required for efficient hydroponic vegetable growing, including special lighting, water-supply equipment, and air-conditioning. Due to its ease of installation and use, we have received a large number of inquiries from Japan and overseas.

Thanks to seminars to which we had invited representatives of companies, in fiscal 2014 we received a number of inquiries from companies interested in establishing new agricultural enterprises or constructing large-scale vegetable-growing factories to make effective use of underutilized land. There was also an increase in inquiries about the "agri-cube" from industrial high schools and technical colleges interested in using this product as an educational aid; from universities seeking to use the product in research; and from social welfare corporations considering using the units in facilities to provide employment for persons with disabilities. These inquiries show that the advantages of the "agri-cube" are being recognized.

Market needs in the fields of medical treatment and personal health are growing and the Group is examining ways of contributing to expanded employment opportunities for senior citizens – a social issue currently at the focus of concern – by developing and marketing systems for the growing of vegetables which were improved to contain higher nutrition and other agricultural projects that promise to contribute to improved health. In view of the high reputation that Japanese technology enjoys, we hope to take advantage of strong demand overseas to develop a market-driven business in this field.

Environmental Greening

Adding new value to urban spaces



Daiwa Lease®
Daiwa House Group

Daiwa Lease Co., Ltd.

Daiwa Lease operates environmental greening services under the ECOLOGREEN brand, involving greening solutions for the roofs, walls, exterior structures, and interiors of properties including office buildings, commercial facilities, and warehouses.

During fiscal 2014 we strengthened our capabilities in space-greening proposals – which tend to produce a favorable reaction among visitors and users leading to revisiting and reuse – particularly with respect to commercial facilities, which is an increasingly competitive market, and the nursing-care facility market, which is beginning to undergo a shakeout due to the rapid increase in the number of such facilities in Japan.

The market for greening work has stagnated as a result of the growth in demand for photovoltaic power systems, with little increase in the area of roofs and exterior walls subjected to greening across Japan. Despite this, our operations have maintained stable performance. We plan to invest effort in the further popularization of urban space greening ahead of the 2020 Summer Olympics in Tokyo. Moreover, as Japan's working-age population continues to decline, companies will be forced to improve their working environments to secure the necessary human resources, and we are enhancing our range of interior greening proposals in anticipation of this potential market.

The “greening” (air purification) unit jointly developed by Daiwa House Industry, Fujita, and Daiwa Lease, which can remove NOx and particulates (diameter of 2.5 micrometers or less) from the atmosphere, is currently patent-pending, and plans are being made for marketing upon receipt of patent approval. The Group aims to optimally leverage its strengths in the design and implementation of integrated greening and other eco-friendly proposals – from development through to post-installation management – to add new value to Japan's urban spaces.

Area of greened building space

144,867 m²

Green roofs

132,571 m²

Green walls

12,296 m²

(as of March 31, 2015)



Parking and Carsharing

Developing high value-added facilities for a comfortable society



Daiwa Lease[®]
Daiwa House Group

Daiwa Lease Co., Ltd.



Daiwa Parking[®]
Daiwa House Group

Daiwa House Parking Co., Ltd.



The group's metered parking lot business has been operated and expanded by Daiwa Lease and Daiwa House Parking^{*3} under the brand name "D-Parking."

In addition to the metered parking business, Daiwa Lease is also planning and constructing self-driving type multi-story parking facilities using methods approved by the Ministry of Land, Infrastructure and Transport. In April 2015, Daiwa Lease drastically strengthened its business capabilities, moving ahead with its own operational management of parking lots within commercial facilities, and operational activities utilizing the strengths gained in managing land in surrounding areas. Additionally, Daiwa Lease contributed to neighborhood safety through its operation of overnight parking lots in commercial facilities near residential areas, reducing illegal parking and parking on roads. Daiwa Lease will continue to provide parking lots with high-added value, by constructing environmentally-friendly lots, carsharing facilities, and mechanical multi-story bicycle parking facilities.

Daiwa House Parking is establishing new bases in areas where it does not yet have a presence, and we aim to expand nationwide. In addition to owning and operating parking lots and facilities, we are working towards long-term, stable profitability for existing parking lots through initiatives such as revision to charges. We are also constructing a business operations system utilizing information about property within the Daiwa House Group, with the aim of further expanding operations.

Number of metered parking spaces operated^{*1}

29,056

(as of March 31, 2015)

Number of carsharing stations^{*2}

75

(as of March 31, 2015)

Total number of self-driving type multistory parking facilities^{*2}

45

(as of June 30, 2015)



*1 Including parking lots operated under subcontract

*2 Daiwa Lease, non-consolidated

*3 In March 2015, Daiyoshi Trust and TOMO merged to Daiwa House Parking.



PPPs and PFIs

Creating businesses that leverage the merits of public-private partnerships



Daiwa Lease®
Daiwa House Group

Daiwa Lease Co., Ltd.

Japan's central and local governments are faced with the urgent need to take action to maintain the country's physical infrastructure, and operate public facilities more efficiently. Interest is being focused on public-private partnerships (PPPs) and private finance initiatives (PFIs) as ways to effectively raise the needed funds through cooperation between public bodies and private-sector companies, and to make use of the available know-how. The government has announced a target for spending on such projects of ¥12 trillion by 2022, and Daiwa Lease has been quick to get on board with this trend, establishing a PPP/PFI business that engages in marketing activities for forward-looking business projects in collaboration with both the central and local governments. Over 200 sales staff currently operate out of 48 offices in Japan.

The Japanese government follows a policy of encouraging educational institutions to accept more foreign students. We are actively involved in constructing and maintaining student dormitories for national and public universities. In fiscal 2014 we completed the International House (I-wing Nakamozu) of Osaka Prefecture University. In response to calls for the drafting of a plan for the overall management of public and community facilities, demand for the replacement of existing public facilities is rising. We are enjoying an expansion in orders, thanks to our ability to offer varied types of large- and small-scale facilities and to tailor our proposals to the needs of each individual client. Our facilities have gained a high reputation for their ability to revitalize community life.

We will use a wide-ranging field of endeavors, as well as synergy created through intra-Group collaboration, to broaden our lineup of facility proposals and create businesses that fully leverage the merits of public-private partnerships.



Ranking for PFI project orders received in Japan*

6th

(as of September 1, 2014)

Number of orders received

13

(as of March 1, 2015)

* Rankings compiled by Japan PFI/PPP Association, issued in PFI Yearbook (FY2014 edition)





Site for scheduled development of Hofu Techno Town (Hofu City, Yamaguchi Pref.)

Revitalizing local communities through industrial park development

Since its foundation, Daiwa House Industry has constructed a diverse range of business-use structures. We have recently leveraged this experience in the construction industry – as well as the know-how the Company has acquired as a developer of large-scale subdivision housing projects – to enter the business field of industrial park development with the start of development of Hofu Techno Town. To successfully complete this project – our fifth industrial park development project in Japan – we have mobilized the management resources of a number of Group companies, and are attracting suitable tenant corporations through collaboration with public organizations, aiming to revitalize the region’s economy.

Project history

The site had been occupied for 103 years up to the end of March 2012 by a tobacco processing plant. We subsequently applied to the authorities for permission to purchase the land from Japan Tobacco Inc. and subdivide the site into separate lots. Then, in August 2014 we concluded a purchase contract for the land with Japan Tobacco and began work on development of an industrial park.

Scale of project, and features of location

This industrial park site is approximately 14 hectares (around 35 acres) in area, of which about 13 hectares (32 acres) will be put on sale. The scale is thus sufficient to house manufacturing plants, logistics facilities, research facilities. As Yamaguchi Prefecture is known for having very few earthquakes, many companies whose managements are concerned about business continuity planning have been building or purchasing facilities in the prefecture. This

site not only shares this advantage, but is also well-located with respect to railroad lines and expressways, with good access to the markets of the Chugoku and Kyushu regions. The region has little concern about an adequate supply of water. In short, the location can boast a number of important advantages.

Future prospects

We commenced site preparation work in early 2015, and will soon be offering business-use sites for sale. In the near future, we plan to actively attract suitable tenants to the site, in collaboration with the governments of Yamaguchi Prefecture and Hofu City. We are confident that the project will help reduce unemployment in the region and revitalize its economy. We also intend to propose to tenant companies the construction of housing (including private dwellings, dormitories and other forms of company housing) and other facilities for their employees.

Major industrial park development projects undertaken by Daiwa House Industry



Komaki Techno-Junction Industrial Park (Aichi Pref.)



Minami-Yamato Techno Town (Nara Pref.)



Hokusetsu-Sanda 2nd Techno Park (Hyogo Pref.)



Long Duc Industrial Park (Dong Nai Province, Vietnam)



Artist's impression of the completed facility

Creation of a new logistics business model

Since 1990 Daiwa House Industry has been involved in developing outlets for the casual wear chains UNIQLO and G.U., both owned by Fast Retailing Co.,Ltd., and we have already provided support for the development of approximately 550 stores. Since signing a store development partnership agreement with UNIQLO Co., Ltd. in 2006, we have been even more closely involved in development of the company's stores. In October 2014 Daiwa House Industry and Fast Retailing announced the joint establishment of a logistics business. At Ariake in Tokyo, we began construction of an ultra-large distribution-use warehouse for the sole use of the Fast Retailing Group, which is scheduled to open in the spring of 2016. Amid rapidly changing logistics market needs, we are building a new foundation for growth by both Daiwa House Industry and Fast Retailing.

Building a logistics base in central Tokyo

We are currently engaged in the construction – on a site owned by Daiwa House Industry in Ariake, Koto-ku, Tokyo – of an ultra-large scale, state-of-the-art distribution-use logistics facility for the sole use of Fast Retailing. The building will consist of six stories above ground and will have a total floorspace of over 110,000 square meters. It will feature a seismic isolation system developed by Daiwa House Industry as well as other business continuity planning measures such as backup emergency power sources. The facility will also be eco-friendly, featuring wall greening and a green space around the building. Construction started in November 2014, with completion scheduled for the spring of 2016. Once it is up and running, this facility will become an important base in central Tokyo for Fast Retailing's distribution strategy.

Creating a joint logistics network for the two companies

Daiwa House Industry has set up its first private-placement real estate investment trust (REIT) to finance the acquisition of the required land for this multifunctional logistics project for Fast Retailing, as well as the development costs. We envisage this project as only the first in a series, and hope to utilize this REIT to finance further logistics facility development in support of Fast Retailing's overall distribution plans. In addition, to realize still more efficient goods distribution, we are planning to establish a logistics company jointly owned by Daiwa House Industry and Fast Retailing, which will take over all distribution work for the latter.

Major logistics facility development projects undertaken by Daiwa House Industry



DPL Sagami-hara (Sagami-hara City)



DPL Misato (Saitama Pref.)



DPL Fukuoka-Kasuya (Fukuoka Pref.)



DPL Yokohama-Daikoku (Yokohama City)

Presidents of Principal Group Companies



Daiwa Logistics Co., Ltd.
Isamu Ogata



Daiwa Lease Co., Ltd.
Shunsaku Morita



Fujita Corporation
Yoji Okumura



Daiwa Odakyu Construction Co., Ltd.
Atsushi Kanakubo



Daiwa House Asset Management Co., Ltd.
Koichi Tsuchida



Daiwa Energy Co., Ltd.
Hidekazu Matsushima



Daiwa House Real Estate Investment
Management Co., Ltd.
Akihisa Ogino



Eneserve Corporation
Yoshio Kinoshita



Framework, Inc.
Junichi Akiba



Daiwa Information Service Co., Ltd.
Katsuyuki Fujita



Daiwa House REIT Management Co., Ltd.
Hiroataka Najima



Daiwa House Parking Co., Ltd.
Kazuto Iida

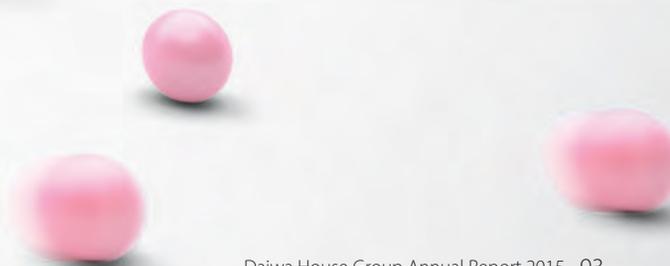


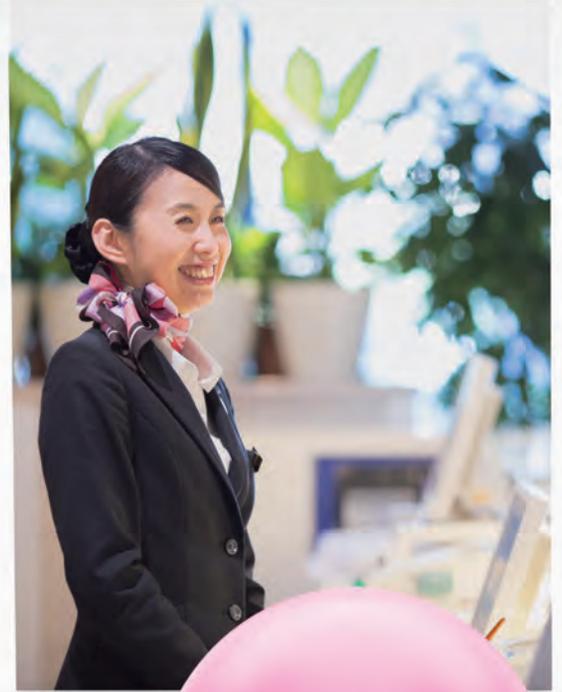
Higashi-Fuji Co., Ltd.
Masamichi Yagita













| | |
|---|-----|
| Resort Hotels and Golf Courses | 96 |
| Fitness Clubs and Aesthetic Salons | 97 |
| Fee-Based Homes for the Elderly | 98 |
| Business and City Hotels | 99 |
| Robotics Business | 100 |
| • For a harmonious coexistence between humans and robots | 101 |
| Home Centers | 102 |
| Other Businesses | 103 |
| Presidents of Principal Group Companies | 104 |



Resort Hotels and Golf Courses

Taking full advantage of the unique attractions of each region



Daiwa Resort Co., Ltd.



Daiwa Royal Golf Co., Ltd.



Nishiwaki Royal Hotel Co., Ltd.



In the resort hotels business, Daiwa Royal Hotels operates 27 hotels across Japan where guests can experience the attractions of each region's natural environment as well as its history and unique culture, including local cuisine. Meanwhile, Daiwa Royal Golf operates 10 prestigious and spacious golf courses, each of which makes the most of its beautiful local landscape.

Consumer spending in the domestic hotel and travel industries has been sluggish since the consumption tax rate hike in April 2014, with a decrease in the number of Japanese tourists. In contrast, the number of tourists from overseas has increased, thanks in part to the weak yen.

Responding to these market developments, in the resort hotels business we maintained our policy of renovating hotels to boost their customer drawing power, and in fiscal 2014 we carried out interior and exterior redecoration work at the Shinshu-Matsushiro Royal Hotel in Nagano Prefecture, the Minami Awaji Royal Hotel in Hyogo, the Beppuwan Royal Hotel in Oita, and the Shikabe Royal Hotel in Hokkaido.

We will continue to reinforce our brand image by creating hotels with distinct character, each of which makes the most of the unique features of its local area. To attract more guests to our resort hotels, we plan to redesign our website to strengthen the effectiveness of our online marketing, while also investing more effort in marketing to business organizations, particularly in urban areas. In our golf course operations, we will seek new members for our golf clubs, and will invest in improving the courses as well as providing excellent and friendly service. In these ways, we aim to attract more customers and raise the repeat rate.



27 hotels

● Daiwa Royal Hotels

1 hotel

● Nishiwaki Royal Hotel

10 golf courses

(as of March 31, 2015)



Fitness Clubs and Aesthetic Salons

Creating multipurpose “communities” that are more than just fitness clubs



Sports Club NAS Co., Ltd.

Our Sports Club NAS operates a wide-ranging business that offers more than just fitness clubs. Clubs operated by the company include beauty care and childcare facilities, and are tailored to the needs of an aging population. They offer a comfortable and fun environment with something for everyone to enjoy – from children up to seniors. In fiscal 2014 the company opened its second after-school care facility specializing in educational programs, offering courses in English conversation as well as instruction in physical exercises such as swimming and dancing. It also opened four new fitness clubs, some of which are adjacent to large-scale commercial complexes.

The fitness market is likely to continue expanding steadily in the coming years amid increasing interest in sports and health-related activities among middle-aged and senior adults.

Against this backdrop, to attract more customers in this business segment, we plan to expand the range of events and services available to members of NAS Royal Supporters' Clubs, which are “community clubs” open to members 60 years of age and over. In collaboration with famous athletes, professional baseball clubs, and other sports organizations, we will also gradually increase the number of fitness clubs offering the Kids' Premium School, where children can receive instruction from the experts. For young women, we will be rolling out a series of new business models, notably women-only hot yoga studios. This will be part of the broader aim of creating a diverse range of new “communities” to attract customers from all age groups.



Fitness clubs & other facilities

67 fitness clubs

58 fitness clubs, 3 tennis clubs/ schools,
1 futsal club, 3 stand-alone hot yoga studios, and
2 NAS Kids Universities

Aesthetic salons

32 aesthetic salons

3 stand-alone salons and
29 salons inside fitness clubs

(as of June 1, 2015)



Fee-Based Homes for the Elderly

Further improving service quality to raise customer satisfaction



Daiwa Life Support®

Daiwa House Group

Daiwa House Life Support Co., Ltd.



Number of facilities of fee-based homes for the elderly / Number of rooms

6/538

Fee-based nursing care facilities for the elderly

5/478

Residential-type facilities for the elderly

1/60

(as of March 31, 2015)

Percentage of residents satisfied with our facilities*

Fee-based nursing care facilities for the elderly **93.1%**

Residential-type facilities for the elderly **87.1%**

* As of FY2014, based on Daiwa House Life Support survey

In our fee-based homes for the elderly business, we operate two sets of facilities – the Mominoki chain of nursing care homes for residents in need of nursing care, and the Neo Summit homes, which combine assisted-living residential facilities for active seniors with homes for elderly people who require nursing care. In fiscal 2014 we initiated three “Joyfulness Projects” in the fields of travel, caring for residents with dementia, and types of care customized to each individual. These projects are applicable to all our facilities for the elderly and stem from our desire to realize two goals: that all residents of both the Mominoki and Neo Summit chains of homes will feel glad that they chose our facilities; and that each member of staff will share in the happiness and satisfaction that the residents feel – that they will share the same joy from the bottom of their hearts. The travel project, for residents of all five of our homes, under the name of Autumn Tour of Lake Yamanaka and Lake Kawaguchi, offered participants a variety of experiences. Many of the residents who went on this tour told us how much they enjoyed going on their first trip for a long time.

Population aging has proceeded further in Japan than in any other country, and thus the need for nursing care facilities and housing specifically designed for elderly people is forecast to continue growing in the coming years. In this situation, to fulfill the expectations of the residents of our homes for the elderly, we will not only devote efforts to providing a safe, comfortable, and enjoyable living environment, but will also work to further raise the quality level of our services, including meals, cooperation with medical care facilities, physical activity classes, and end-of-life care. In this way, we expect to achieve growth in our businesses targeted at seniors.



Business and City Hotels

Attracting more hotel guests by raising customer satisfaction levels



Daiwa Royal Co., Ltd.

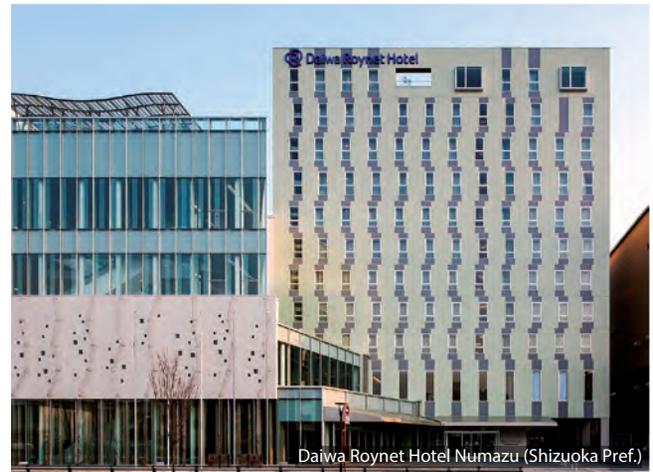


Osaka Marubiru Co., Ltd.

Our business and city hotels offer enjoyment, comfort and peace of mind for all their guests – whether on vacation or on a business trip – thanks to our dedication to the spirit of hospitality. As of March 31, 2015, the Group operated a nationwide network of 39 hotels with a total of 8,755 guest rooms. During fiscal 2014 the guest room occupancy rate rose by 1.8 percentage points over the previous year, to 85.9%.

As a result of the government's relaxation of visa requirements for foreign tourists, as well as the yen's low exchange rate, the domestic hotel market has benefited from an increasing number of overseas guests, particularly from Southeast Asia. The number of hotel stays by Japanese guests, too, has been holding steady, thanks to strong leisure spending sentiment among the baby boomers as well as the renewed popularity of vacations within Japan rather than overseas, owing to the weak yen.

Amid this environment, Daiwa Roynet Hotels, which operates hotels all over Japan, has been raising customer satisfaction levels by enhancing the added value of its facilities. For instance, it has actively renovated its hotels and has also converted more rooms to meet the needs of guests on business trips as well as those on vacation. From here on, we will be engaging in more aggressive marketing via a newly-established marketing group, taking measures to raise the room occupancy rate of its existing hotels, and constructing a more wide-ranging marketing system, including the development of marketing channels overseas. The Osaka Daiichi Hotel (operated by Osaka Marubiru) plans to make the most of its ideal location in front of Osaka Station by expanding its range of services for vacationing guests so as to increase its customer drawing capability.



Robotics Business

Creating safe and comfortable living environments with robots



Daiwa House®
Daiwa House Group

Daiwa House Industry Co., Ltd.



Daiwa Lease®
Daiwa House Group

Daiwa Lease Co., Ltd.



Our robot business has as its aim developing and popularizing robot technology to deal with various problems arising from the falling birthrate and aging population, and to this end, we developed our Robotics Business Department in 2008. At present, we are switching over to assistive robot suits to support the independence of the elderly and patients with disabilities, and focusing on sales to medical and nursing-care facilities.

The COMUOON system supports communication with the hard-of-hearing, and in December 2014, we started sales to medical and nursing-care facilities, as well as to individuals. Additionally, in May 2015, we expanded our line-up with the release of three new Robot Suit HAL® models. Of these, the Robot Suit HAL® for care support (lumbar) attaches to the waist, and lessens the effort needed when assisting patients with movement. It is hoped this will improve the workplace environment, and prevent occupational injuries at medical and nursing care facilities. Japan has recently been confronted by the problem of insufficiency and aging of construction workers. As one initiative to assist with this, from May 2015 we introduced the Robot Suit HAL® for labor support (lumbar) onto construction sites, where it is currently undergoing evaluation.

We hope to expand our robot business into not only medical care, nursing care, and welfare, but also into homes and myriad other places, providing a safe, comfortable living environment.

Total robot numbers*

Robot Suit HAL®
for living support (lower limb type)

194

Mentally committing
robot® PARO®

372

(as of March 31, 2015)

Minelet® Sawayaka automatic bedpan
equipment for bedridden patients

143

POPO® weight reduction-type
walking assistance unit

259

* Total for both Daiwa House Industry and Daiwa Lease.

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.
COMUOON is a registered trademark of UNIVERSAL SOUND DESIGN Inc.



For a harmonious coexistence between humans and robots



The Robotics Business Department was established in 2008 with only two members. At present, the Human Care Division has newly established the Next Life Business Department, which helps elderly people lead a more productive life, and the number of staff has increased to 68 (as of July 1, 2015). Our robotics business aims to provide a “harmonious coexistence between humans and robots,” and the whole group is looking to expand operations.

Why the robot business?

Japan is becoming an increasingly aged society, and is confronted by myriad problems, including heightened costs for nursing care and staff benefits, and a shortage of these workers. In these areas, we have high expectations for how robots can reduce the burden on caregivers in preventive and nursing care facilities.

In 1989, we established the Silver Age Research Center. We were among the first companies to start initiatives focusing on the aging society, and we provided specialist support for over 4,400 medical and nursing care facilities. Our mission is to use our accumulated know-how and achievements as a strength not only in construction, but also in service industries, in continuing to create new business. We feel our robotics business is one that has such potential.

The future of our robotics business

Our robotics business is currently centered around robots that assist the elderly and disabled in their therapy and in becoming more independent. We are expanding operations through cooperation with venture-capital and other organizations interested in these developments. In the future, IRT* that integrates, links, and controls various robot technologies will help us pursue further safety, security, and comfort, and we hope to expand our business to provide assistance in health, household work, and other aspects of everyday life.

Robots help in many ways with convenience. However, we are pursuing a “harmonious coexistence between humans and robots.” By getting a sense of this hope and happiness, we aim to use our robotics business to not only enhance convenience, but also create an environment in which everyone can live in harmony.

* IRT: Information Robot Technology

Our robotics products



Robot Suit HAL®
for living support (lower limb type)



POPO® weight reduction-type
walking assistance unit



Minelet® Sawayaka
automatic bedpan equipment
for bedridden patients



Mentally committing robot®
PARO®



COMUOON®
communication support system

Home Centers

Bolstering marketing system to realize continuous business expansion

ロイヤルホームセンター



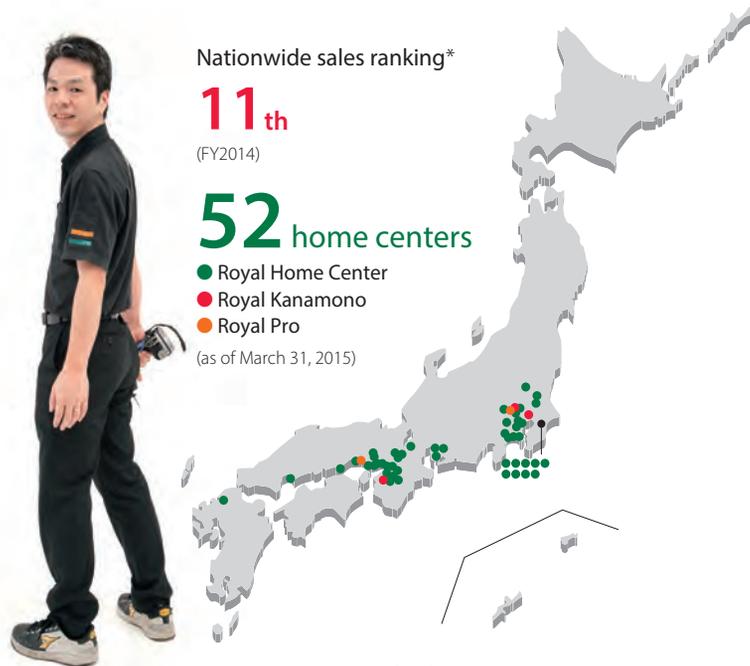
Royal Home Center Co., Ltd.



We operate Royal Home Centers that serve as stores rooted in their local communities, where people can purchase value-added products to make their lives more enjoyable. These include DIY and interior goods, materials for gardening, pet supplies, and products for use in renovation work. Our home centers also offer home delivery and installation of purchased goods, and to meet the needs of professionals in the construction industry we have opened dedicated areas within these outlets or separate professional-use stand-alone stores that provide a wider range of materials, tools, and metal fittings.

In fiscal 2014 we started up the Roy Mall online store as a first step in larger plans to bolster our marketing system. Additionally, to secure a solid base of regular users we began issuing Senior Passports, with which customers aged 65 and over can enjoy discounts on goods and services. We also reopened three new home centers after enlarging the floor space, and renovated four centers. Especially notable was the replacement of our previous Royal Home Center Nagakute in Aichi Prefecture with an enlarged, next-generation eco-friendly home center whose carbon footprint represents a 70% reduction compared with the original outlet in 1990.

The home center market has been posting slow growth in recent years, partly due to the rise of other types of retail outlet such as shopping malls. As a result, a few major companies are beginning to increasingly dominate the market, with the number of outlets growing, and competition is becoming ever fiercer. Amid this environment, we aim to realize continuous expansion in our home center business by working to ensure that our marketing efforts are strongly community-based, while also investing even more in the opening of new outlets and expanding our online store operations.



* Based on sales value, calculated from figures posted in companies' earnings summaries as shown on their websites



Other Businesses

Advertising & Travel/ Information Technology/ Credit Cards/ Insurance Agencies

Diverse and convenient services that help realize a fulfilling lifestyle



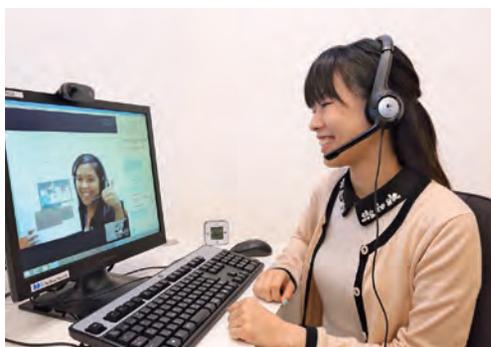
Shinwa Agency Co., Ltd.

Shinwa Agency

As specialists in communicating ideas, and under the motto of "Productions that Realize Customer Satisfaction," Shinwa Agency operates as an advertising and travel agency. We are expanding its operations and developing new markets, such as its D's Speak online English conversation teaching service.

Media Tech

An information technology company, Media Tech provides a wide range of information-related solutions. It offers document management systems, develops and operates web operating systems, constructs and manages call centers, and provides life-cycle management for a variety of IT assets. We will continue to fulfill a vital collaborative role for its clients with respect to both services and products.



Media Tech Inc.



Daiwa House Financial Co., Ltd.

Daiwa House Financial

The Group's sole financial-sector enterprise, Daiwa House Financial engages in credit card operations and other financial services, and also offers a settlement service. Through the use of its HeartOne card in paying the rent for rental housing, we help connect together customers of the Daiwa House Group as a whole – both rental property owners and tenants – thereby creating optimum synergy between the Group's different businesses.

Daiwa House Insurance

Through its insurance products, Daiwa House Insurance protects the continued existence of its customers' invaluable lifestyles. Customers such as people purchasing single-family houses or condominiums, or owners renting out housing, retail stores, or offices, can select the insurance policy that best suits their needs from a varied line-up of insurance products.



Daiwa House Insurance Co., Ltd.



Presidents of Principal Group Companies



Media Tech Inc.
Mitsuo Adachi



Daiwa House Insurance Co., Ltd.
Shigeru Sasashita



Osaka Marubiru Co., Ltd.
Haruyuki Yoshimoto



Daiwa House Financial Co., Ltd.
Hiroshi Osada



Royal Home Center Co., Ltd.
Masaaki Nakayama



Daiwa Royal Golf Co., Ltd.
Seishu Umaoka



Daiwa House Life Support Co., Ltd.
Takao Takayama



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



Shinwa Agency Co., Ltd.
Nobuyuki Otsuji



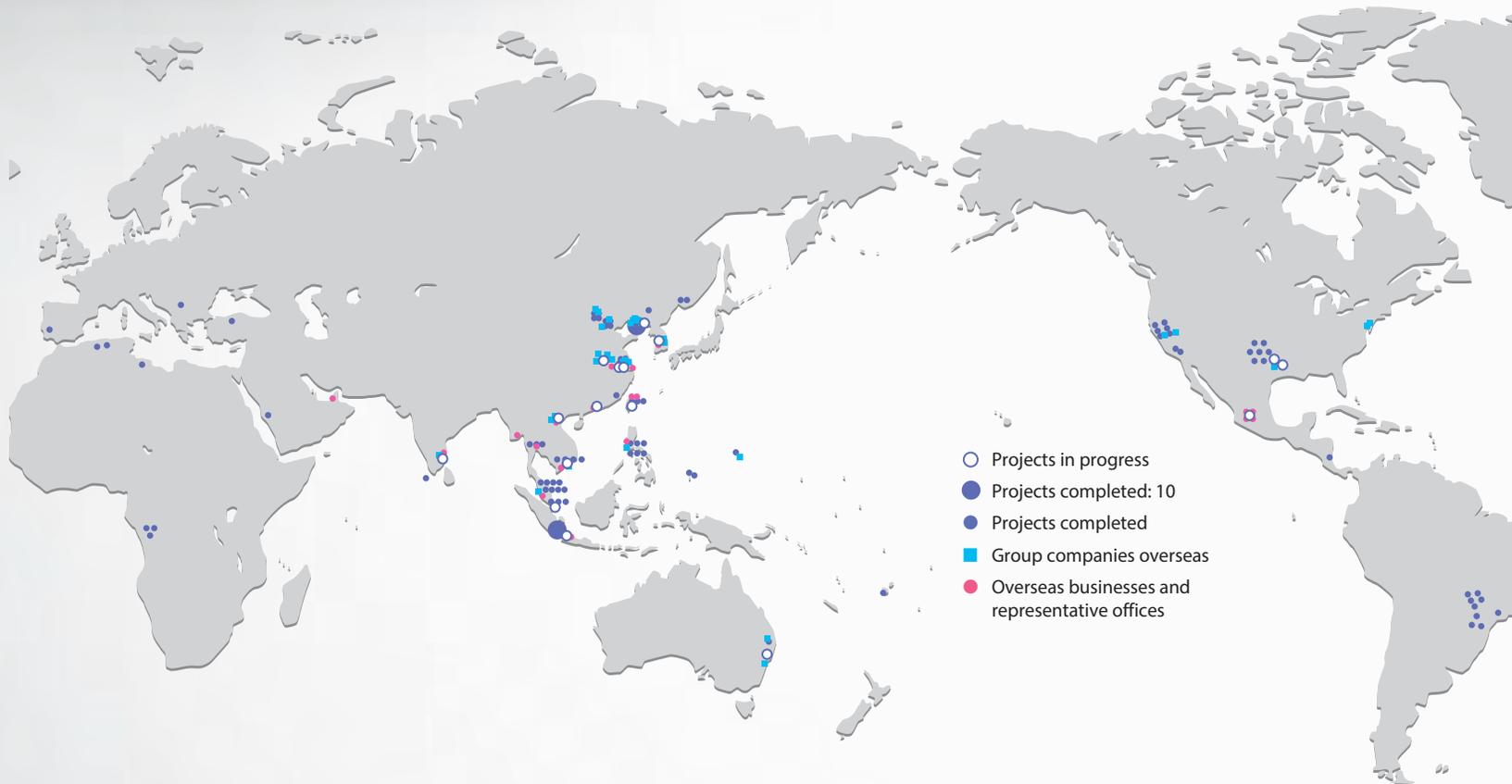
Nishiwaki Royal Hotel Co., Ltd.
Hideaki Tomiyama



Daiwa Royal Co., Ltd.
Ken Harada









| | |
|---|-----|
| The United States | 110 |
| Australia | 111 |
| China | 112 |
| Vietnam | 114 |
| Indonesia | 115 |
| Malaysia/ Thailand/ Philippines | 116 |
| Mexico and other countries | 117 |
| Presidents of Principal Group Companies | 118 |

Expanding overseas operations

The overseas expansion of the Group started in the 1960s, expanding to Southeast Asia, the United States, Brazil, Australia, etc. Recently, we have been involved in developments in China, and are moving into Vietnam, Indonesia, South Korea, Taiwan, Singapore and Malaysia. In 2013, we added Fujita with its long track-record overseas, and are expanding our operations to 33 locations in 14 countries and one region*. In the future, we will continue providing business operations in different countries in order to improve their infrastructure.

Main businesses conducted overseas

| Daiwa House Group* | |
|--------------------|---|
| China | <ul style="list-style-type: none"> Serviced apartments Hotels Outsourced services Real estate development R&D, manufacture, and sale of housing materials produced by industrialized methods |
| South Korea | <ul style="list-style-type: none"> Real estate management Rental housing |
| Taiwan | <ul style="list-style-type: none"> Commercial facilities Real estate business |
| Vietnam | <ul style="list-style-type: none"> Construction Industrial park development Outsourced services Factory rental business |
| Indonesia | <ul style="list-style-type: none"> Construction Industrial park development Factory rental business |
| Malaysia | <ul style="list-style-type: none"> Single-family house market research, R&D into production of housing by industrialized methods |
| Singapore | <ul style="list-style-type: none"> HEMS |
| United States | <ul style="list-style-type: none"> Real estate development Rental housing |
| Australia | <ul style="list-style-type: none"> Real estate development |
| Thailand | <ul style="list-style-type: none"> Representative office opened |
| Philippines | <ul style="list-style-type: none"> Representative office opened |

| Fujita* | |
|-------------|----------------|
| China | Construction |
| Hong Kong | Construction |
| South Korea | Construction |
| Taiwan | Construction |
| Vietnam | Construction |
| Myanmar | Construction |
| Indonesia | Construction |
| Philippines | Construction |
| Malaysia | Construction |
| Singapore | Administration |
| India | Construction |
| Mexico | Construction |
| UAE | Construction |

* as of July 31, 2015

The United States

Developing the US market through large-scale projects



Daiwa House[®]
California

Daiwa House California Inc.



Daiwa House[®]
Texas

Daiwa House Texas Inc.



Daiwa House[®]
Guam

Daiwa House Guam Co., Ltd.



Berkeley Project

Number of units

716 (Rental housing)
Completion 2015 (planned)

Total leasing floor space

61,250m²

Waters Edge Project

Number of units

582 (Rental housing)
Completion 2016 (planned)

Total leasing floor space

51,404m²

Chicago North Clark Project

Number of units

373 (Rental housing)
Completion 2017 (planned)

Total leasing floor space

29,700m²

In 2011, we established Daiwa House California, which purchases, manages, and operates rental housing. In May 2014, in Fort Worth, Texas, we teamed up with major American real estate firm Lincoln Property Company for the rental housing “Berkeley Project,” and in November of that year, started on another, the “Waters Edge Project” in Farmers Branch, Texas, a part of Dallas County. The third such project, and the first one overseas for the Daiwa House Group, was started in July 2015 in Chicago, Illinois — the 31-story luxury rental housing “Chicago North Clark Project.”

We hope to develop in the American market, and by establishing a location in Texas and another in California, our intention is to expand our business.

We are purchasing and developing rental housing with the aim of increasing investment capital to ¥150 billion over the three years encompassing 2014 to 2016, and hope to achieve annual sales of ¥50 billion in the United States by fiscal 2020. We will also expand into logistics facilities as well as housing business, with a focus on expanding into the U.S. market.



Australia

Start of real estate development in the suburbs of Sydney



Daiwa House®
Australia

Daiwa House Australia Pty Ltd



Daiwa House Group®

Cosmos Australia Pty Ltd

Australia's population continues to grow, with further economic growth expected compared to other developed countries. Therefore in 2011, we established Daiwa House Australia, which is investigating business opportunities.

In 2015 we started the "Flour Mill of Summer Hill Project" in partnership with local real estate investment and management company EG Funds Management Pty Ltd, Sumitomo Forestry Co., Ltd. and Cosmos Initia. The suburbs of Sydney are expected to see increases in population because of stable birth rates and immigration. Against this backdrop, this is a project to develop and sell condominiums, commercial facilities, offices, and retail spaces in the former heritage site of a flour mill that has been managed by EG Funds Management. With a total area of 24,789m², this is our second such real estate development project in Australia. In moving forward with our business, we will work together with Sumitomo Forestry in sales and product design, and also use our know-how developed over many years in developing housing, condominiums, and retail spaces in Japan. We are also planning to further work in partnership with EG Funds Management in expanding into the real estate development business in Australia.



Flour Mill of Summer Hill Project

Location: Ashfield city, New South Wales

Number of units

Total site area

300 (Condominiums)

24,789m²

Completion From the middle of 2016 (planned)



China

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

Proven performance offering enhanced support for residents



Daiwa House[®]
Suzhou

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



Daiwa House[®]
Wuxi

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



Daiwa House[®]
Changzhou

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



宝业
BAOYE



Daiwa House[®]
大和房屋集团

Baoye Daiwa Industrialized House Manufacturing Co., Ltd.



Overview of Development Projects*1

Total floor area

1,104,137 m²

Total site area

452,793 m²

Total units for sale*2

5,600

(as of May 11, 2015)

The Daiwa House Group has been currently involved in the development and sale of three condominium projects in the cities of Dalian, Wuxi, and Changzhou. Our established reputation as a Japanese brand guarantees safety, security, and comfort, and these high-quality homes have garnered support from affluent local residents. The first development project financed solely by a Japanese-owned corporation was in Suzhou, with 902 units. This was sold out in July 2014, and we are providing after-sales service for the new residents. Our condominium business in China provides not only quality, but also ongoing, added-value service — together these ensure that asset value not only is retained, but increases. As a part of this, we established joint ventures in Dalian and Jiangsu with a business structure that, in addition to providing after-sales service and post-sale condominium management, also promotes the formation of regional communities. While using our experience and know-how gained in Japan to improve upon basic services, we plan to study and develop those services desired by local residents.

Baoye Daiwa Industrialized House Manufacturing is a joint venture company established in 2013, and is developing and expanding its business of production for sale of industrialized housing.

The company is investigating fields such as logistics facilities and elderly-care service businesses, which are seeing increasing demand, and is expanding operations.

*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.





Fujita (China) Construction Co., Ltd.



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



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

Since its expansion into the Chinese market 30 years ago, Fujita has been involved in the construction of production plants for Japanese-owned companies in the automotive and electronic appliance industries in four areas of China — in northern China, Jiangsu, Shanghai and Zhejiang, and southern China, through the Group company Fujita (China) Construction.

Friction between Japan and China has meant a decrease in Japanese investment in China, and reduced orders for Japanese-owned construction companies. However, we have leveraged Fujita's experience and excellent customer relations to secure orders primarily in additional investment for domestic demand, and in advanced materials factories. Additionally, orders for Daiwa House Industry housing projects resulting from a synergy with the rest of the Group over the last few years means Fujita is expanding its share of the construction market slice acquired by Japanese-owned enterprises that engage in projects in China, and has raised its profile in the Chinese market.

From now on, Fujita 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 investment in the construction of manufacturing facilities. Fujita hopes to secure stable business growth by further initiatives in the construction of logistics facilities and housing projects, as well as in its proven area of production plants. Fujita will also be working to expand its operational area for maintenance and management services for factory buildings and equipment, as well as offering additional service features, and is enhancing services peripheral to construction. Environmental issues are becoming more pronounced in China, and Fujita is leveraging its own technology in exploring the possibilities of environmental businesses.



Principal construction contracts completed by Fujita

- Shanghai area **92**
- Zhejiang Province **33**
- Jiangsu Province **94**
- Southern China **162**
- Other areas **52**

(as of December 2014)



Vietnam

Developing our own rental factory operation business



Daiwa House®
Daiwa House Group

Daiwa House Industry Co., Ltd.



Daiwa House®
Vietnam

Daiwa House Vietnam Co., Ltd.



Daiwa House®
Vietnam-Development

Daiwa House Real Estate
Development Co., Ltd.



FUJITA
Daiwa House Group®

Fujita Corporation



Daiwa House Industry and its subsidiary Daiwa House Vietnam, in collaboration with other Japanese-owned enterprises as well as Vietnamese companies, are presently developing the Long Duc Industrial Park near Ho Chi Minh City. This is attracting Japanese-owned companies and other corporate tenants, and already, around 60% of the 200 hectares (494 acres) premises have been sold. Our construction system for factory facilities is highly-acclaimed, as illustrated by increased orders for facility construction at other nearby industrial parks.

The sudden drop in the value of the yen in 2014 meant a slowdown in Japanese companies' expansion overseas, so we started with a new rental factory operation business in order to ensure steady profitability. Our rental factory business offers factories in two types; a BTS (built-to-suit) structure, letting companies freely select their own specifications, and a highly-versatile multi-tenant configuration, meaning it can meet the requirements of a range of industries. Additionally, Japanese staff are on-site, and they provide small- to medium-sized Japanese-owned companies looking to set up operations for the first time with enhanced, ongoing support for issues such as documentation. We will continue to aim for sustainable growth, constructing our own business model that links real estate development to planning, design, construction, and businesses that will yield a continuous stable income over a long period.

Total development area

270 hectares
(667 acres)

(as of March 31, 2015)



Indonesia

Building a social infrastructure to support economic growth



Daiwa House Industry Co., Ltd.



Fujita Corporation

In Indonesia, in collaboration with local companies, we are participating in the development of the Daiwa Manunggal Industrial Park, and are developing contracted construction and rental factory businesses. The attractive location close to downtown Jakarta helps with our aggressive campaign to attract businesses. By providing a construction system for factory facilities within the industrial park, we are doing well, receiving orders mainly from automotive parts manufacturers, as well as seeing increased orders for factory construction. The rental factory completed in December 2014 lets companies set up operations for the first time overseas while keeping down initial costs, and we have received many inquiries from Japanese-owned companies.

Indonesia has a population of around 240 million, and the increasing internal demand is spurring companies to expand their construction of production lines. This will of course require enhanced logistics infrastructure, and create new demand for logistics facilities. In this type of market environment, in June 2015, we started on the joint development with a local partner company of a 25,000m² multi-tenant logistics center within that industrial park. This has outstanding access to motorways, and is particularly attractive in that it provides all facilities from production through to distribution within the same premises. We will continue with actively attracting companies both from Japan and other countries, with the aim of creating a corporate infrastructure that can help with Indonesia's economic growth.



Total development area*

1,450 hectares
(3,583 acres)

(as of March 31, 2015)

* Including scheduled sites



Malaysia/ Thailand/ Philippines

Japanese housing development technology for ASEAN countries



Daiwa House®
Daiwa House Group

Daiwa House Industry Co., Ltd.



Daiwa House®
Malaysia

Daiwa House Malaysia Sdn. Bhd.



Since 2012, we have had in place in Malaysia a representative office carrying out research and development into housing using industrialized methods, and that is designed to match the Malaysian climate. As a part of this, in 2014 we constructed model houses, and gained high praise given that this ensured shortened construction time and dependable quality.

As of 2015, we have started development and sales of around 100 houses in an area of approximately 13.1 acres in Sunway Iskandar (total area: 1,796.5 acres), a development zone in Malaysia's southernmost state of Johor. This project includes development and sale of housing by Daiwa Sunway Development, a joint-venture company formed by our subsidiary Daiwa House Malaysia and major Malaysian developer Sunway Group.

The Sunway Iskandar project being advanced by Sunway Group is one of the Iskandar Development Plans being put in place by the Malaysian government, situated as an area with special tax incentives close to Singapore. In the future, an integrated city including offices, commercial facilities, resort facilities, hospitals, and schools is planned.

In March 2015 we established representative offices in Bangkok, Thailand and in Manila, the Philippines. The ASEAN region is expected to see stable growth over the coming years, and we plan to increase the pace of our investment in these countries, notably in Malaysia.



Mexico and other countries

Diversifying business overseas, expanding operations



Fujita Corporation

Fujita engages in construction work in various markets, including Mexico, South Korea, Taiwan, Hong Kong, and Vietnam. Fujita has a long history of operations in Mexico, and the rest of Central and South America, where Japanese-owned companies have been slow to make inroads. In particular, recently in Mexico, the company succeeded in actively handling investment in factory construction by Japanese automobile manufacturing, and increasing orders from automotive-parts suppliers, as well as securing the top market share among Japanese-owned construction companies.

Additionally, there is a focus on development in the field of environmental engineering, where demand is expected to grow. Fujita has set up in Mexico as a new initiative a company to engage in water supply and treatment at plants and this is already providing service.

In India, a representative office has been established in Gujarat state in the country's west, in order to handle the increase in Japanese investment. In Chennai in India's east, Fujita is also working to diversify operations, and has received an order to construct a children's hospital with aid from the Japanese government for the first time.

In Malaysia, Fujita Corporation Malaysia received an order to construct railway infrastructure, and is looking forward to its completion in 2016. Fujita also established a local office in Myanmar in December 2013, with the staff there working to put in place infrastructure, and a construction system that can respond to plans by Japanese-owned companies to expand.



Presidents of Principal Group Companies



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



Daiwa House Guam Co., Ltd.
Masao Doi

Baoye Daiwa Industrialized House
Manufacturing Co., Ltd.
Wang Rong Biao



Daiwa House Vietnam Co., Ltd.
Daiwa House Real Estate Development Co., Ltd.
Takaki Hiromori



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



Daiwa House Texas Inc.
Takeshi Wakita



Daiwa House Australia Pty Ltd
Hidero Eto



Daiwa House Malaysia Sdn. Bhd.
Daisuke Usugi



Daiwa House (Changzhou) Real Estate Development Co., Ltd.
Daiwa Baoye (Wuxi) Property Management Co., Ltd.
Yu Ying

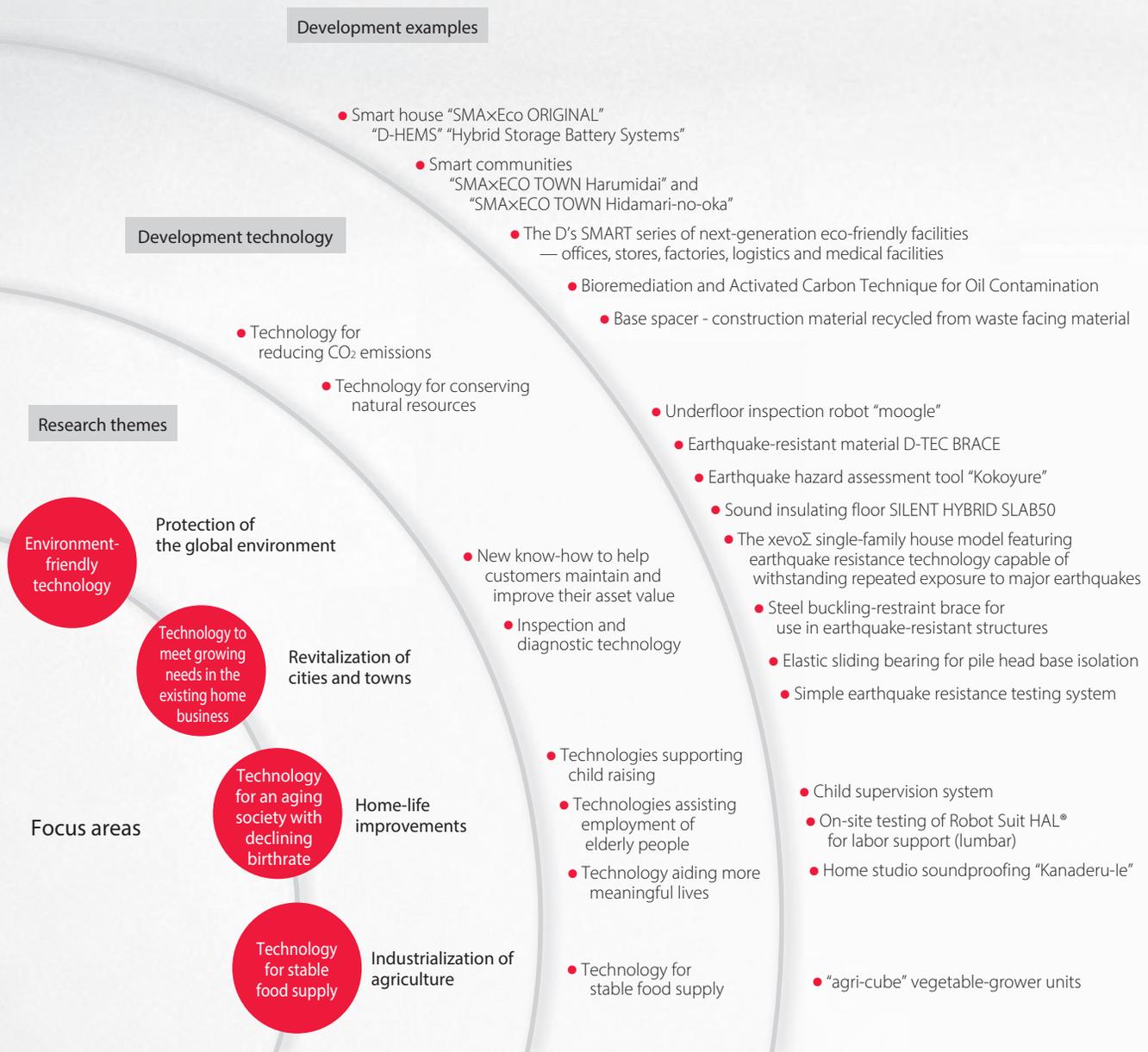


Fujita (China) Construction Co., Ltd.
Seiji Kimijima

Research & Development

The Daiwa House Group is working in research and development for next-generation technologies in order to provide the products and services required for the many people of the world, to provide new value required for future societies and achieve a sustainable society.

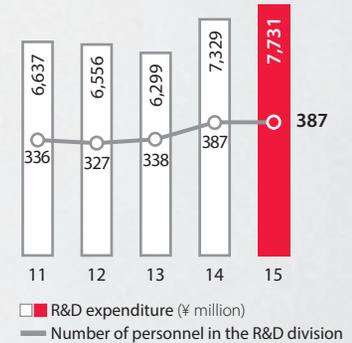
The focus areas of technology research, and related initiatives





The Central Research Laboratory

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



Measures relating to research and development

Our Central Research Laboratory was established in 1994 under the basic theme of research and development into harmony with the environment. Currently the laboratory is fully engaged in creating new value through progressive research activities to find solutions to the many issues faced by Japanese society, including global warming, shortages of energy and other resources, natural disasters and population aging.

Fiscal 2014 saw the successful development of the Hybrid Storage Battery System, a core technology for smart houses. Because electricity used in homes is alternating current but the power generated by solar cells or accumulated in storage batteries is direct current, up to now each device required a power conditioner to convert to alternating current. The single Hybrid Storage Battery System acts as a power conditioner for both the solar cells and storage batteries, holding down the price and limiting energy loss due to conversion. We have also collaborated with other companies to jointly develop an “elastic sliding bearing for pile head base isolation,” which realizes an economic and reasonable base isolation structure primarily for logistics facilities.

Joint industry-academia technological development

In collaboration with Ritsumeikan University, Daiwa House Industry has developed the OIL BACT Method*1 for cleaning up soil polluted by mineral oil. The first such method developed in Japan, OIL BACT utilizes a combination of activated carbon and oil-degrading bacteria*2. This revolutionary new method of cleaning oil-contaminated soil enables the removal of oil odors and films from the sites of former gas stations or factories in only one hour. Compared with the conventional method, in which the surface soil is turned over and replaced by subsoil, this method cuts costs and also lowers the amount of CO₂ released into the atmosphere. We plan to employ the method wherever possible in our retail and wholesale facilities business, thus facilitating the use of the sites of former gas stations, manufacturing plants, and other locations where the soil is contaminated with oil. This will help boost earnings while protecting the environment.

*1 BACT stands for Bioremediation and Activated Carbon Technique (for oil contamination)

*2 The use of oil-degrading bacteria, which consume hydrocarbons like oil, allows the purification of contaminated soil by a natural, biological method that is both low-cost and eco-friendly. When employing such bacteria alone, without the use of activated carbon, the removal of petroleum odors and films takes much longer than with OIL BACT.

Seeking new possibilities through intra-Group synergies

In 2013 we set up the Daiwa House & Fujita Committee with a view to optimally combining the different strengths of Daiwa House Industry and Fujita, and we also established five sub-committees to handle matters such as operations, purchasing and supervision. The Technology Subcommittee set to work to facilitate the joint utilization of the proprietary technologies possessed by the two companies, including such business resources as research staff and facilities, with the aim of enhancing and streamlining the technology development process and investing more efforts in nurturing skilled personnel.

In research and development, we have been concentrating our efforts on the construction of structures in the field of logistics facilities and other non-housing areas, as well as environmental protection technologies, where the two companies' strengths can be effectively leveraged. Regarding human resources development, the two sides have been exchanging technical staff and taking other steps to enhance their abilities in technological proposals and raise the skill levels of their personnel, through joint participation by staff from Fujita and various other Group members in technical training courses and technology workshops. We have also started up a network for the female staff of technology sections and departments as part of our efforts to improve workforce diversity, and will continue working to build such networks for female staff and taking other steps to strengthen female employees' motivation.

Aiming at growth by making the most of our R&D achievements

The first product development to emerge from this system of harnessing intra-Group synergy was the steel buckling-restraint braces for use in earthquake-resistant structures for medium-rise buildings (three to four stories), which we unveiled in February 2014. Following this, we developed a variety of other technologies, including software for analysis of seismic waves, and the Footing Beam Method. These various parts, software, and methods were subsequently put to use in the business operations of a number of Group companies, where they have brought about improved efficiency and cost reductions, and have reinforced the companies' capabilities in proposal-led marketing. We are also working to effect improvements to existing methods by listening carefully to our customers' requirements and suggestions, as well as to the opinions of staff at the actual construction sites.

R&D activities at various Group companies

At Fujita, staff of the Fujita Technology Center are conducting research and development activities in three fields: 1) construction technology, including reinforced concrete structures for super-high-rise buildings, as well as vibration control and seismic isolation technologies; 2) civil engineering technology, including forward probe technology for use in tunneling work, and automated building-erection technologies to meet emergency needs in the event of natural disasters; and 3) environment-related technology, including methods of decontaminating air, water, and soil, as well as environmental assessment and simulation technologies.

In fiscal 2014 Fujita began the full-scale marketing of its FIRST BRACE earthquake-resistant construction brace, which shows superior performance in terms of both tensile and compressive force. In the field of civil engineering technology, the Company developed the Fukko Watcher system, which makes it easy for construction-site personnel to accurately keep tabs on the progress of the concrete pouring and drying process – from initial pouring to curing. This next-generation construction system was applied to work on a road tunnel.

In the field of environmental protection, the company developed the eco-friendly Kankyo No.8 series (Kankyo No.8 and Kankyo No.8R) of foaming agent. This is used in the "air bubble shield" tunneling method, which enables the shield face to maintain stability by injecting small bubbles generated by the foaming agent. With the use of this new agent, the bubbles in the discharged soil after excavation work are defoamed easily and volatilized without discharging substances of concern.

Meanwhile, Daiwa Lease has been constructing self-driving type multi-story parking facilities, and has developed products certified as safe by the Ministry of Land, Infrastructure, Transport and Tourism and other official bodies. These products allow a reduction in the use of fire-resistant coating or fire-retarding compartmentalization, and thus help cut construction costs as well as shortening the time required for construction.



The Fujita Technology Center

Intellectual property

Measures relating to intellectual property

At the 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. The fruits of such efforts must be secured immediately as legal rights to maintain our position of competitive dominance, and by developing investigative structures for patents and trademarks, and respecting the intellectual property of other companies, we can maintain our competitive precedence. We are also promoting the use of intellectual property, actively licensing our patent rights, the fruits of our technology development. In addition, we also give invention scholarships to employees and hold annual excellent invention contests and competitions, ensuring a greater awareness toward intellectual property.

Thanks to these measures, the number of patents in our possession and the number of patents applied for in Japan have increased, and we have raised the percentage of applications relating to new business fields such as agriculture and electricity in addition to our core business field of construction.

Intellectual property management system

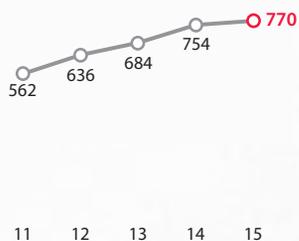
Intellectual Property Office

The Intellectual Property Office, which is attached to the Legal Department, is responsible for investigating matters relating to patent rights, design rights, trademark rights, and copyright, and for establishing such rights in courts of law where necessary and managing them subsequently. It also responds to infringements of intellectual property rights and lawsuits in liaison with the business departments concerned, as well as with the Company's Technology Department. In view of the need for close collaboration to enable quick resolution of urgent issues, staff from this office are permanently stationed at the Group's R&D headquarters – the Central Research Laboratory.

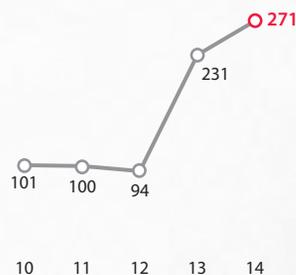
Inventions Committee

The Inventions Committee meets once a month to examine and make decisions on matters relating to the intellectual property possessed by the Company, including applications for registration of inventions or patents, necessity for maintenance of existing patents, advisability of licensing-out of patents, payments of rewards for inventions, and so on. The head of the Technology Division serves as the committee's chairman, and its members comprise the heads of the R&D, product development, and production divisions.

Number of patents in possession
(Patents)



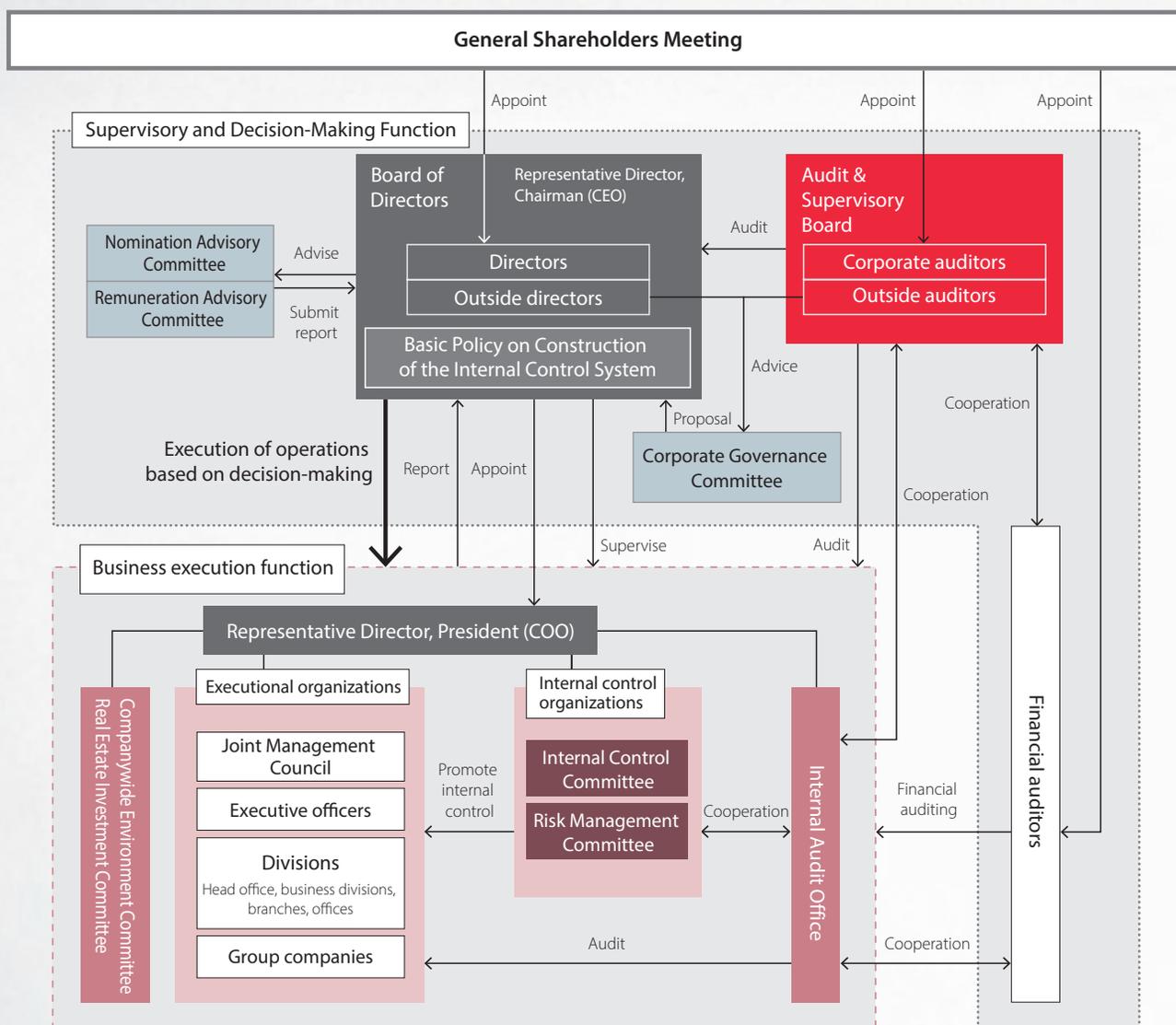
Number of patents applied for in Japan
(Patents)



Corporate Governance

Daiwa House Industry positions corporate governance as a major issue in its management in order to continue retaining the trust of society. Our essential stance is to form structures for speedy and accurate decision-making and operations execution, and structures for appropriate supervision and monitoring, as well as forming corporate governance structures based on diverse and long-term perspectives. In addition, under our management vision of being a group that co-creates value for individuals, communities and peoples' lifestyles, we are engaged in social contributions by progressively expanding the range of businesses and opening up new fields according to social needs, while, as a listed company, working to ensure shareholder value creation by steadily forming economic value that exceeds capital costs for the medium and long term. The Company is pursuing and enhancing the optimum corporate governance to maintain and upgrade these aspects to higher levels.

Corporate governance system



Establishment of the Corporate Governance Guidelines

At Daiwa House Industry we have drawn up the Corporate Governance Guidelines to define the specific actions that should be taken in line with the abovementioned basic policy and to fulfill our responsibility for corporate accountability with respect to the Company's shareholders. We have published these guidelines as part of an effort to realize a purposeful dialogue with our shareholders and to enhance the effectiveness of the Group's corporate governance.

Corporate governance system

Organizationally, the Company has selected the company with Audit & Supervisory Board structure. Additionally, to clarify the management decision-making and supervision of functions and the execution function of our business, the Company employs a system of executive officers. The Board of Directors and its constituent directors are in charge of decision-making and the supervision of functions, while the business execution function is handled by the executive officers.

Independence of outside officers

The Company considers the supervision functions of management to be an important element of sound company management, and we have therefore 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 believes it to be important for increasing the transparency of management that various views and insights – from perspectives that pose no risk of leading to conflicts of interest with general shareholders – be reflected in management judgments. Consequently, we ensure that the Company's outside officers include a number of officers in positions that are independent from the management.

The criteria that we employ in ensuring the independence of outside officers, and our general policies regarding their appointment, are laid down in our Criteria for Determining Independence of Outside Officers. As of June 26, 2015, the Company has appointed six outside officers, of whom we designate five (two outside directors and three outside auditors) as occupying positions independent from the Company's management.

Initiatives to strengthen corporate governance

| | | |
|------|---|--|
| 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 |
| 2012 | ➤ | Appointment of outside directors to improve the effectiveness of management supervision and the transparency of decision-making Establishment of Opinion Exchange Meeting between Outside Directors and Representative Directors (currently the Corporate Governance Committee) |
| 2015 | ➤ | Corporate Governance Guidelines established Establishment of the Nomination Advisory Committee Establishment of the Remuneration Advisory Committee Establishment of the Internal Control Committee |

Functions and roles of outside officers

Outside directors

Kazuyoshi Kimura (Appointed June 2012) <Independent Officer>
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) <Independent Officer>
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 to perform audits of the Company.

Kiichiro Iwasaki (Appointed June 2005) <Independent Officer>
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 from an independent perspective.

Yukinori Kuwano (Appointed June 2008) <Independent Officer>
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 to perform audits of the Company from an independent perspective.

Shonosuke Oda (Appointed June 2015) <Independent Officer>
The Company appointed Mr. Oda 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 housing equipment manufacturing companies to perform audits of the Company from an independent perspective.

Accounting auditors and compensation for auditing services

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 15 assistants (10 certified public accountants and five others). Details of executive staff are as follows.

Seiichiro Azuma (continuous auditing experience: two years)
Kenichiro Okamoto (continuous auditing experience: one year)
Hideyuki Hirata (continuous auditing experience: three years)

Breakdown of compensation for auditing services

Compensation for services in the preparation of the audit report:
¥268 million (¥276 million for fiscal 2013)

Compensation for non-auditing services:
¥31 million (¥33 million for fiscal 2013)

Compensation for directors and corporate auditors

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 2014, 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) | 17 | 729 | 17 | 648 | 1,377 |
| Corporate auditors (excl. outside auditors) | 3 | 55 | 2 | 31 | 86 |
| 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 one auditor who retired as of the conclusion of the Company's 75th Ordinary General Meeting of Shareholders, held on June 27, 2014. As of the end of March 2015, 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

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.

Disclosure

To forge long-term trust-based relationships with shareholders, investors and all other stakeholders in Japan and overseas, the Company's disclosure extends beyond the statutory minimums to include information about management policies, financial data and business initiatives, as well as other information on business factors and the management environment needed for making investment decisions. The Company's policy is to disclose such information promptly, accurately and in a fair and impartial manner.

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.

Message from the Corporate Auditor

Always doing the little, everyday things right – a corporate group that continues to contribute to the community

In recent years, the Daiwa House Group has posted good business results, and as a consequence, it has faced growing expectations from society at large. Business enterprises are coming increasingly under the spotlight regarding fulfillment of their social responsibilities, and from here onward the Group will continue to contribute to the wider community in its role as a public organ of society.

In conducting performance audits of the Company, I and the other corporate auditors not only examine written documentation; we also give considerable weight to interviews with staff members during on-site inspections. In fiscal 2014 we placed emphasis on labor issues, particularly long hours of work. In our examinations of the consolidated subsidiaries, we listen to explanations of each subsidiary's general business condition by staff of the Group Management and Administration Department. With regard to the principal subsidiaries, we collaborate with the Internal Audit Office, whose staff accompany us on visits to subsidiaries in the course of our performance audit work. We also conduct interviews to ascertain the situations regarding account settlements and risk management at each Group company, and hold workshops for Group corporate auditors. By such efforts, we work to strengthen governance functions throughout the Group.

For a company, its personnel is everything. I believe that each executive and employee of the Daiwa House 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. In my view, while going about our day-to-day business, we must deal with people fair and square in accordance with generally accepted social norms, and at the same time must cultivate the habit of always doing the little, everyday things right.



Kenji Hirata
Kenji Hirata
Corporate Auditor

Organizations and committees: their roles and members

(As of June 26, 2015)

| Directors/ Board of Directors | Members | | | | |
|--|---|--------------------------------|----|-------------------------------|---|
| <p>Through an optimal corporate governance system, the Board of Directors aims to realize the Company's Corporate Philosophy, carry out the supervision of functions and perform the best possible decision-making based on fair judgment. The Board of Directors makes decisions on important items such as those prescribed by law, the articles of incorporation, Board of Directors Regulations, and supervises the execution of duties by directors. To augment maneuverability and flexibility in the execution of operations and maximize management dynamism, the Board of Directors appoints directors to handle decision-making on the execution of operations other than the items described in the paragraph above.</p> | <table> <tr> <td>Directors:</td> <td style="text-align: right;">17</td> </tr> <tr> <td>Outside directors:</td> <td style="text-align: right;">2</td> </tr> </table> | Directors: | 17 | Outside directors: | 2 |
| Directors: | 17 | | | | |
| Outside directors: | 2 | | | | |
| Corporate Auditors/ Board of Corporate Auditors | Members | | | | |
| <p>The Audit & Supervisory Board audits the execution of duties of directors and executive officers, determines the content of proposals for submission to the General Shareholders Meeting on the appointment or dismissal of financial auditors or against the reappointment of financial auditors, and conducts other items prescribed by financial auditing and other laws. The Audit & Supervisory Board receives in a timely and appropriate manner reports from directors, employees and financial auditors on items necessary for auditing the execution of duties by directors and executive officers. Additionally, the Audit & Supervisory Board shares necessary information with the financial auditors, Internal Audit Office and outside directors in an effort to improve auditing quality and perform audits efficiently.</p> | <table> <tr> <td>Corporate auditors (internal):</td> <td style="text-align: right;">2</td> </tr> <tr> <td>Corporate auditors (outside):</td> <td style="text-align: right;">4</td> </tr> </table> | Corporate auditors (internal): | 2 | Corporate auditors (outside): | 4 |
| Corporate auditors (internal): | 2 | | | | |
| Corporate auditors (outside): | 4 | | | | |

Supervision and Audits by Outside Directors and Outside Auditors, Interconnections with Internal Audits, Audits by Corporate Auditors and Accounting Audits, and the Relationship to the Internal Control Division

Outside directors are appointed to further strengthen the Company's management supervision functions. They fulfill this role principally through their attendance at meetings of the Board of Directors and the Joint Management Council, and by their perusal of auditing reports on internal audits, audits by corporate auditors and accounting audits, as well as reports concerning internal control. The outside directors are able and expected to freely give their opinions on the procedures at the aforementioned meetings and on the aforementioned reports as and when they see fit. The outside auditors and the corporate auditors (internal) constantly liaise with one another and share information relating to the performance of management supervision functions, including reports received from the Internal Control Division and the accounting auditor. Moreover, the staff of the Corporate Auditors' Office report to the outside auditors on all significant auditing results. The outside auditors give their opinions when necessary on the contents of these reports and on the contents of reports on internal audits, audits by corporate auditors and accounting audits, as well as reports on internal control. The principal venues for the expression of these opinions are the meetings of the Board of Directors and the Joint Management Council.

Board Committees

The Company promotes the management function with the Board of Directors comprised of directors who are also executive officers, while setting itself as the organizational structure that exercises the monitoring function centering on the independent outside directors, audit & supervisory members and the Audit & Supervisory Board. In addition, the establishment of voluntary committees enhances the transparency of the Board of Directors. This arrangement results in a hybrid structure that balances the operational execution function and the advisory function and the Company increases its autonomous functionality. (Each Board Committee established in 2015 based on the following policy in accordance with the application of the Corporate Governance Code.)

Nomination Advisory Committee

Chair: An independent outside director

The Nomination Advisory Committee receives explanations from the representative director on General Shareholders Meeting proposals regarding the appointment or dismissal of directors, as well as the evaluation of individual directors, and discusses their appropriateness and states its opinion, ensuring the objectivity of

director nominations. Also, the Nomination Advisory Committee formulates Determination Criteria of Independence for Outside Directors on the appointment of independent and neutral outside directors and elects, as a principle, outside directors who satisfy the criteria.

Remuneration Advisory Committee

Chair: An independent outside director

The Remuneration Advisory Committee receives advice on the policies for determining the remuneration of directors and executive officers, as well as the content of individual remuneration, and states its opinion regarding the remuneration of directors and executive officers, in order to ensure objectivity. Also, the Remuneration Advisory Committee proactively seeks out external research and other data, and examines the appropriateness of the process for determining remuneration.

Corporate Governance Committee

The Corporate Governance Committee is composed of outside directors, outside auditors and internal auditors, the CEO, COO and CFO and representative directors. This committee conducts exchanges of views on vision, strategies and other items related to corporate governance and overall Company management from diverse perspectives and based on a long-term viewpoint. By incorporating into corporate management the full extent of the knowledge and wisdom of outside directors and outside auditors, the Corporate Governance Committee aims to create a “better company,” convening with the principal purpose of contributing to corporate value creation over the medium to long term.

Committee Structure Related to Execution of Operations

The Company establishes the following committees related to the execution of operations in order to contribute to the execution of operations by executive officers and to execute accurately and swiftly decisions determined by the Board of Directors.

Joint Membership Council

Chair: Representative Director, President (COO)

The Company establishes a joint panel of directors and executive officers in order to fulfill their responsibilities for the operation and encourage mutual communications, as well as to appropriately execute decisions determined by the Board of Directors.

Risk Management Committee

Chair: Head of Management Administration

The Board of Directors establishes a Risk Management Committee as the organization to construct and maintain a risk management system to prevent and curtail the manifestation of risks related to the management of the Daiwa House Group, as well as to reduce the amount of damage when risks materialize.

Internal Control Committee

Overall responsibility: Representative Director, President (COO)

Chair: Head of Management Administration

The Company has revised its Basic Policy on Construction of the Internal Control System in line with the Revised Companies Act, which went into effect in May 2015. The Board of Directors establishes an Internal Control Committee to implement internal controls in accordance with the Basic Policy on Construction of the Internal Control System formulated, and requests reports on the system's operational status and provides supervision.

Real Estate Investment Committee

Chair: Representative Director, President (COO)

The Company establishes a Real Estate Investment Committee, for the purpose of assessing the feasibility of investments and evaluating risks, to contribute to decision-making of the rational and effective investment of capital in real estate development and investment business.

Companywide Environment Committee

Overall responsibility: Representative Director, President (COO)

Chair: Officer in charge of Environment

The Companywide Environment Committee is established to realize the Company's social responsibility and roles related to nature capital, in line with the Environmental Vision. This committee deliberates and decides fundamental items related to the Company's environmental activities and acts as the body providing companywide instruction and management on environmental activities.

Internal Control

The Basic Policy for Structuring the Internal Control System (Revised April 15, 2015)

Directors and Executive Officers of Daiwa House Industry (the Company) are responsible for the internal controls for the overall Daiwa House Group. Individuals in the position of both Directors and Executive Officers endeavor to support structuring and operating the internal control system of Daiwa House Group, realizing the respective responsibilities and properly executing the functions of each role.

Based on the foregoing system, Daiwa House Group has revised the Basic Policy for Structuring the Internal Control System in order to define internal controls that apply to all Daiwa House Group officers and employees and to affirm that these officers and employees have individual responsibility for the internal controls system in Daiwa House Group.

1

Systems necessary to ensure that the execution of duties by officers and employees complies with laws, regulations and articles of incorporation

The Company has determined that compliance with the law serves as the foundation for all Daiwa House Group activities and has established the General Principles of Daiwa House Group Corporate Philosophy. The Company's representative directors introduce initiatives and communicate this commitment, setting an example of compliance for the Daiwa House Group officers and employees, having developed the following framework for the Company's internal control system.

- (1) Appoint a Chief Compliance Officer from among Executive Officers and endeavor to improve the cross-organizational compliance system for Daiwa House Group and to secure an understanding of issues.
- (2) Assign a Compliance Manager within each department to analyze issues of compliance according to the characteristics of the individual department and offer specific countermeasures. The Compliance manager shall also establish rules, make amendments, and implement necessary compliance training.
- (3) Require the Directors, Executive Officers, Corporate Auditors, and Compliance Managers to report promptly to the Chief Compliance Officer in the event that any compliance-related issue is discovered.
- (4) Establish a help line to collect compliance-related information. Investigate reports to the help line and consult with departments to develop plans to prevent recurrence.

- (5) Establish a department to audit work procedures of employees. Endeavor to ensure that the business operations comply with laws and corporate rules.
- (6) Require officers and employees to communicate on a daily basis with relevant departments to investigate any issues regarding the compliance system and compliance within Daiwa House Group.
- (7) Establish disciplinary rules and properly respond to any acts on the part of officers or employees in violation of laws or articles of incorporation.
- (8) Require officers and employees to perform self-assessment of activities and work procedures for appropriateness. Assume responsibility for monitoring the work conduct of other officers and employees at all times.

2

System for storing and managing information related to the performance of the duties of officers and employees

From among Executive Officers, the Company shall appoint a General Manager responsible for the storage and management of information related to the work of Daiwa House Group officers and employees and construct a system as follows:

- (1) Use core information systems and/or documentation to store and manage work-related information.
- (2) Allow Board Directors, Executive Officers, and Corporate Auditors to view this information at any time.

3 Systems for Risk Management

To improve the Daiwa House Group cross-organizational risk management systems and prevent risk, the Company shall establish necessary corporate rules and adopt systems as follows:

- (1) Appoint a Risk Management General Manager from among Executive Officers.
- (2) Require the Risk Management General Manager to be responsible for strengthening the systems of risk management in Daiwa House Group and implementing measures to prevent risk.
- (3) Require each department to assign a Risk Manager who is responsible for monitoring risk on a continuous basis in their respective departments. The Risk Manager shall promptly notify officers and employees of the Daiwa House Group of major unlawful acts or other misconduct within the Group and other companies and implement any training deemed necessary.
- (4) Establish a Risk Management Committee to regularly determine the status and structural improvements required under (2) and (3) above and to improve group-wide risk management systems through investigating individual circumstances.
- (5) Establish a department to audit the risk management status of each department on a daily basis.
- (6) Report matters related to risk management regularly to the meetings of the Board of Directors and the meetings of the Corporate Auditor Committee.
- (7) Establish a help line for officers and employees who discover risk or potential risk to contact the Risk Management Committee directly.
- (8) Cut off any relations with antisocial forces and maintain an organization-wide resolute attitude toward antisocial forces.

4 Systems to ensure officers and employees operate efficiently

To ensure officers and employees operate efficiently, the Company shall maintain and improve the system as follows:

- (1) Determine specific measures to implement in relevant departments; institute efficient work performance systems, including the assignment of authority.

- (2) Establish corporate rules on approval memos to clarify and speed the approval process.
- (3) Adopt electronic approval memos and other IT systems to achieve more efficiency for officers and employees, to share information and to communicate with each other speedily and simply.

5 Structure to ensure the appropriateness of operations within the Group

The Company shall appoint a General Manager from among Executive Officers to be responsible for ensuring the appropriateness of the operations of Daiwa House Group. The Company shall endeavor to maintain and improve a structure as follows, based on the scope, nature, etc. of the subsidiary ("Group Company") in question:

- (1) Request each Group Company to report on matters related to operations for the purpose of properly storing and managing information of the corporate organization as a whole.
- (2) Require the General Manager to report the status of internal control systems at each Group Company at meetings of the Board of Directors as deemed necessary.
- (3) Have each Group Company establish an organization that proposes and operates internal control systems including risk management. Request reports about related proceedings to the Company and provide instructions and guidance as deemed necessary.
- (4) Require each department to coordinate with the related Group Company to determine the status of internal controls within Daiwa House Group and then provide instruction and guidance as deemed necessary.
- (5) Respect the management independence of each Daiwa House Group company. However, Group Companies are required to report to the Company and seek the opinion of the Company with respect to certain matters as designated by the Company.
- (6) Implement internal audits of Group Companies.
- (7) Make known to Group Companies the availability of help lines and how to use them.

6 Systems for the effective performance of audits

The Company shall establish the following systems to ensure the effectiveness of audits performed by Corporate Auditors:

1) Systems to support Corporate Auditors

- (1) Establish a department to support Corporate Auditors. Assign dedicated staff ("Corporate Audit Staff") to assist Corporate Auditors when so requested.
- (2) Executive Officers in charge of human resources shall inform the Corporate Audit Committee prior to making any changes in Corporate Audit Staff. When deemed necessary, the Corporate Audit Committee may request the Executive Officer in charge of human resources regarding changes to Corporate Audit Staff, accompanied by appropriate reasoning.
- (3) Before disciplining Corporate Audit Staff, Executive Officers in charge of human resources shall receive the consent of the Corporate Audit Committee.
- (4) Corporate Audit Staff shall comply only with the directions and orders of Corporate Auditors when performing her/ his operations.

2) Systems for reporting to Corporate Auditors

- (1) Directors and Executive Officers shall respond promptly to Corporate Auditor requests for a report. Reports shall be in writing, or may be made verbally when said report cannot be made in writing.
- (2) Daiwa House Group managers and auditors/supervisors shall respond promptly to the Company's Corporate Auditor requests for a report. Reports shall be in writing, or may be made verbally when said report cannot be made in writing.
- (3) Any employee of Daiwa House Group may make reports directly or indirectly to the Company's Corporate Auditors when she/he thinks such reports are necessary.
- (4) Establish rules, etc. to ensure that individuals making such reports are not subject to unfair actions based on their reports.

3) Systems for audit costs

The Company shall clearly define the policies for audit cost payments, etc. so as not to restrict or limit Corporate Auditor audit duties.

4) Other systems for the effective performance of audits

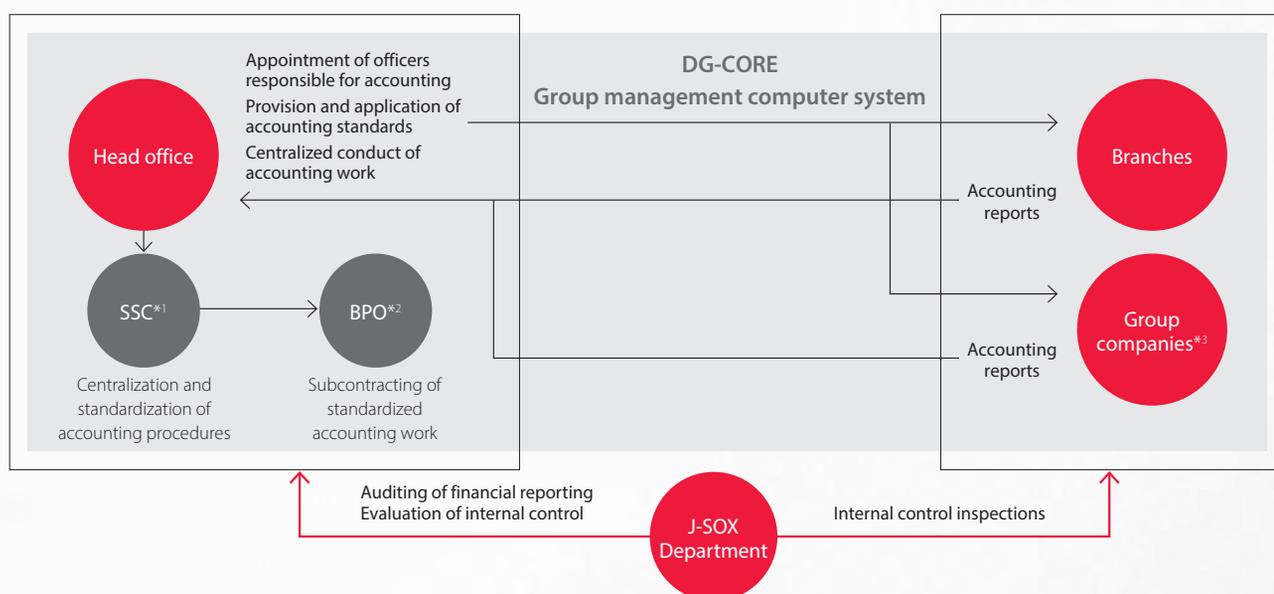
- (1) Corporate Auditors shall receive appropriate reports on the progress of internal audits. When deemed necessary, Corporate Auditors may request to perform additional audit procedures and to make a plan to improve operations.
- (2) Corporate Auditors may attend meetings of the Board of Directors, Management Councils, meetings of the Risk Management Committee, or other important meetings to request explanations and related materials as deemed necessary.
- (3) The Corporate Audit Committee and Corporate Auditors may confer with the Company representative directors or external auditors at any time.
- (4) As deemed necessary, the Corporate Audit Committee may hire expert attorneys or accountants for the purpose of seeking advice related to audit procedures.

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 completed 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 2014 we carried out an internal control inspection of 15 Group companies and initiated an audit of computer systems by the J-SOX Department at 12 Group companies. This new audit consisted of auditing the use of information technology in the companies' accounting systems, as well as the provision of advice to the managements of the companies to enable them to enhance their supervision of these systems. The scope of this new audit within the Group will be expanded over the coming years. As of the end of March 2015, the DG-CORE computer management system, which is used for personnel and accounting functions, had been adopted by Group companies accounting for more than 70% of the Group's total sales. We intend to make effective use of this system over the coming years, fully leveraging the advantages offered by the use of a common system throughout the Group.

Overview of internal control in relation to financial reporting



*1 SSC: Shared Service Center *2 BPO: Business Process Outsourcing *3 Group companies applicable as of the end of March 2015 numbered 23.











| | |
|--|-----|
| Sustainability Management | 140 |
| Indicators for self-assessment of CSR activities: Results and targets by themes | 142 |
| Human Rights | 144 |
| Labor Practices | 146 |
| The Environment | 150 |
| Fair Operating Practices | 154 |
| Consumer Issues | 155 |
| Community Involvement and Development | 156 |
| Organizational Governance | 158 |



Sustainability Management

The Daiwa House Group has long maintained a basic stance of “co-creating a brighter future” with society at large, believing it is of the utmost importance for us to display sincerity in our dealings with the community as a whole. On the basis of this stance, we view our business activities and CSR 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, we remain constantly aware of what our stakeholders require of us, aiming at sustainable growth as a by-product of solving social problems as a corporate citizen.

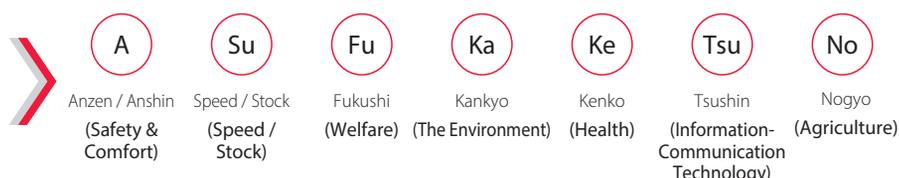
The Daiwa House Group’s CSR Guidelines

1 Social contribution through business operations

We will utilize our unique technologies and know-how to pursue businesses that contribute to society.

Our “Asu Fukaketsuno*” businesses

* indispensable for tomorrow



2 Co-creating a brighter future with our stakeholders

Through our relationship and conversation with our stakeholders, we will do our best to comprehend their expectations of the Group, and fulfill our obligations as a corporate citizen by responding to them.

Co-creating a brighter future with our stakeholders



3 Group Employees’ Code of Conduct

We will work to ensure a high level of corporate ethics, human rights and legal compliance.

Daiwa House Group Principles of Corporate Ethics



- Build a relationship of mutual trust with our customers
- Ensure legal and ethical compliance
- Provide an ideal work environment
- Maintain a fair relationship with our business partners
- Protect the environment
- Co-create a sustainable future with local communities
- Respect human rights

CSR-focused corporate management/ Indicators for self-assessment of CSR activities: 8 themes and 18 issues

In accordance with its corporate philosophy, the Daiwa House Group is pursuing CSR-focused management. We operate our proprietary management system, indicators for self-assessment of CSR activities. 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. Through these we continue pursuing CSR-focused management.

Human rights

- Successfully handle human rights complaints
- Eliminate discrimination and offer equal opportunities

Labor practices

- Provide safe and healthy working environment
- Nurture human resources

The environment

- Prevent environmental pollution
- Reduce CO₂ emissions and help reduce global warming

Fair operating practices

- Ensure fair competition
- Act responsibly toward business partners and users

Consumer issues

- Guarantee product safety
- Provide adequate after-sales service, and respond appropriately to complaints

Community involvement and development

- Active involvement and cooperation in development of local communities
- Investment in the development of local communities

Organizational governance

- Realize management transparency
- Ethical behavior
- Engagement with stakeholders
- Respect for the rule of law
- Awareness of social responsibility

Financial indicators

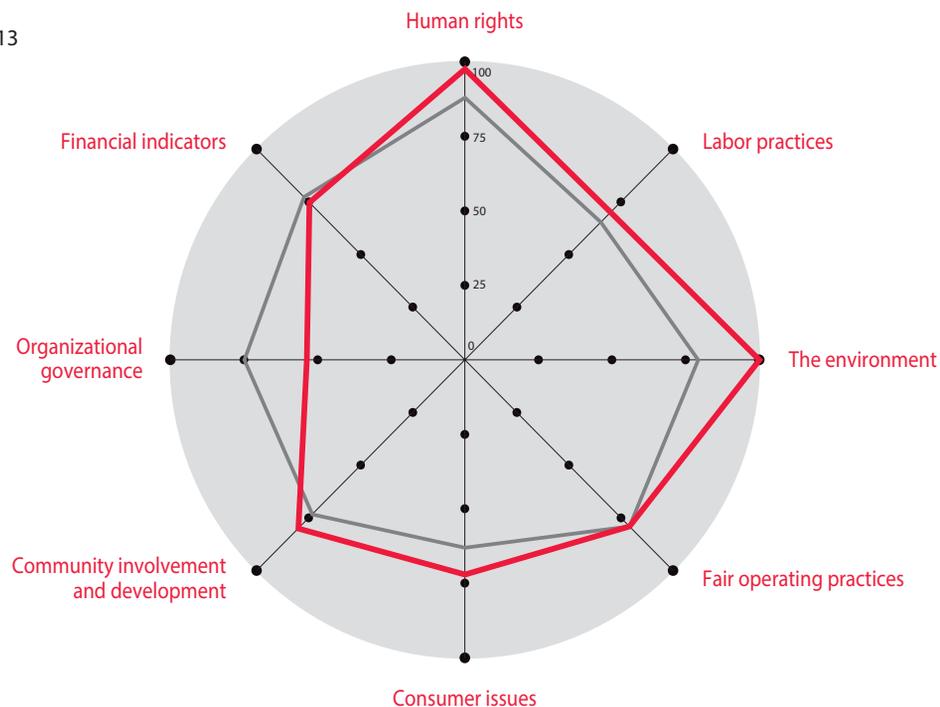
- Financial profitability/ Financial growth/ Financial soundness

Self-assessment of CSR activities*

— Result FY2014

— Result FY2013

* Full marks = 100 points



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

Human rights

| Social issues | Specific indicators | FY2014 | | FY2015 |
|--|---|--------|--------|--------|
| | | Target | Result | Target |
| Successfully handle human rights complaints | Operation of corporate ethics and human rights helpline (resolution rate) | 20 | 22 | 20 |
| | Rate of familiarity with corporate ethics and human rights helpline | 25 | 25 | 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.

Labor practices

| Social issues | Specific indicators | FY2014 | | FY2015 |
|--|--|--------|--------|--------|
| | | 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 | 20 | 25 |
| | Employee satisfaction surveys*1 | — | 20 | 25 |
| Nurture human resources | Rate of acquisition of qualifications among young staff | 25 | 25 | 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 changed with effect from FY2014 from "employee satisfaction" to "job motivation."

*2 As a result of a change in the system from FY2013, the target figure is no longer disclosed and the specific indicators were revised.

The environment

| Social issues | Specific indicators | FY2014 | | FY2015 |
|---|--|--------|--------|--------|
| | | Target | Result | Target |
| Prevent environmental pollution | Percentage reduction in construction waste per unit of sales compared with FY2012 | — | 25 | 25 |
| | Percentage reduction in construction waste generated per unit of constructed floorspace compared with FY2012 | — | 25 | 25 |
| Reduce CO ₂ emissions and help retard global warming | Contributed amount of CO ₂ reduction | — | 25 | 25 |
| | Percentage reduction in CO ₂ emissions per unit of sales compared with FY2005 | — | 25 | 25 |
| | In-house biodiversity standards applied (product development; %) | — | 25 | 25 |

Fair operating practices

| Social issues | Specific indicators | FY2014 | | FY2015 |
|--|---|--------|--------|--------|
| | | 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 2014 have been recorded as 15 points (i.e. 60% of the maximum possible).

Consumer issues

| Social issues | Specific indicators | FY2014 | | FY2015 |
|---|--|--------|--------|--------|
| | | Target | Result | Target |
| Guarantee product safety | Earthquake resistance of single-family houses (achieved top rating) | 23 | 23 | 23 |
| | Rate of implementation of inspections of product performance and specifications* | 25 | 10 | 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 | 15 | 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.

Community involvement and development

| Social issues | Specific indicators | FY2014 | | FY2015 |
|--|--|--------|--------|--------|
| | | 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 | 25 | 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 | 10 |
| | Percentage of paid leave taken for volunteer activities | 25 | 15 | 25 |

Organizational governance

| Social issues | Specific indicators | FY2014 | | FY2015 |
|------------------------------------|---|--------|--------|--------|
| | | Target | Result | Target |
| Realize management transparency | External evaluation of Company's Annual Report | 25 | 25 | 25 |
| | External evaluation of Company's CSR Report* | — | 15 | — |
| | External evaluation of IR website | 15 | 0 | 15 |
| Ethical behavior | In-house survey of CSR awareness | — | 18 | — |
| Engagement with stakeholders | Stakeholder meeting (attendee satisfaction) | 20 | 16 | 20 |
| Respect for the rule of law | Companywide ethics and compliance training; average number of courses attended per employee | 25 | 5 | 10 |
| Awareness of social responsibility | Degree of compliance of CSR reporting with GRI (Global Reporting Initiative) guidelines | 19 | 15 | 19 |

* 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.

Financial indicators

| Social issues | Specific indicators | FY2014 | | FY2015 |
|---------------|---------------------------|--------|--------|--------|
| | | Target | Result | Target |
| | Financial profitability*1 | 19 | 18 | 19 |
| | Financial growth*2 | 18 | 13 | 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



Human Rights

The Daiwa House Group has positioned respect for human rights as a key concept in its Principles of Corporate Ethics, and all Group employees are expected to have a full understanding of basic human rights and to put this understanding into practice. With the aim of ensuring that all Group employees share a common stance on human rights thanks to our efforts to promote understanding in this field, in April 2015 we drew up our Vision for the Promotion of Human Rights. We continue to undertake activities aimed at spreading understanding of and respect for human rights, with the aim of ensuring that members of the Group always treat everyone in a fair and equitable manner.

Basic policy on respect for human rights

The Daiwa House Group positions respect for human rights as a key concept in its Principles of Corporate Ethics, which calls for all employees to “show respect for all people as well as for fundamental human rights, and to abjure all forms of discrimination, whether based on race, nationality, ethnicity, gender, religion, or social status.” The Group pledges, in its business operations, to: uphold the principles enshrined in the Universal Declaration of Human Rights; treat all its stakeholders with respect, including customers, business partners and employees; and, to respect fundamental human rights. Moreover, as part of its responsibilities as a business entity that respects human rights, once each year the Group issues its Policy on the Promotion of Human Rights under the name of

| Principal evaluation indicators | |
|---|--------|
| Rate of successful resolution of corporate ethics and human rights complaints by helpline service | 86.2% |
| Percentage of employees attending human rights courses* | 116.2% |
| Response rate to human rights surveys* | 67.5% |

* At 25 Group companies

the COO of Daiwa House Industry. All employees of the Group are expected to understand the content, significance and purpose of this policy, and to put it into practice in their day-to-day conduct of business.

To mark the 60th anniversary of the founding of Daiwa House Industry, we have drawn up our Vision for the Promotion of Human Rights to help us share our goals vis-à-vis human rights and the policy we will follow from here onward. To help us draw ever closer to our ideal situation with respect to human rights, we will work to put the human rights awareness training cycle described below into practice so as to produce a favorable impression on all our stakeholders.

Our vision for the promotion of human rights

Always treating everyone in a fair and equitable manner

To approach as closely as possible our ideal situation with respect to human rights, we will take every opportunity to actively acquire knowledge in this area – particularly through our human rights promotion activities – and to raise our own awareness of human rights issues.



Human rights education

The Group is pursuing various human rights promotion and education activities in line with its Policy on the Promotion of Human Rights. As one part of this overall effort, we conduct a survey of the human rights situation within the Group once every four years to ascertain the degree of awareness among our employees of these issues and obtain an accurate picture of the actual state of affairs with regard to respect for human rights. In fiscal 2013 we surveyed 28 Group companies and received 14,814 responses to our questionnaire. After analyzing these replies, we drew up "feedback sheets" that highlighted the problem points and other issues raised on a company-by-company basis. These results are then incorporated into countermeasures implemented from the following fiscal year.

In addition, the Company holds human rights training sessions for all its employees. Following each session, training reports are completed by each attendee and delivered to the Human Rights Promotion Office within the CSR Department, which examines them and sends out replies to each individual employee. In other initiatives to raise employees' awareness of human rights issues, the in-house newsletter Human Rights Discussion Square is published once every two months and put on the Group's intranet. At our overseas business bases, too, we have confirmed the existence of problems in the field of human rights. We plan to use questionnaires to identify human rights risks at our overseas operations, and will be addressing these issues in future human rights awareness courses.



Lecture for the human rights training session



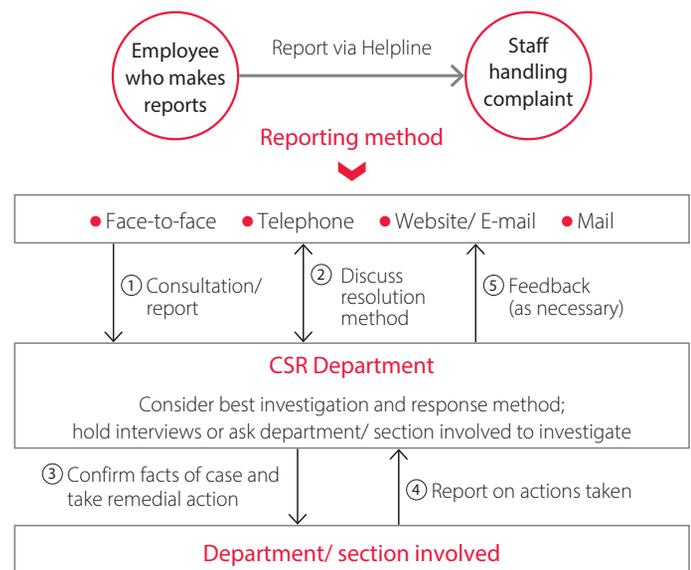
Human rights training session to experience life for the elderly or persons with disabilities (simulation of what it is like to be an elderly person using the Senior Pose robot).

Corporate Ethics and Human Rights Helpline

In 2004 the Group established an internal reporting system and consultation desk for the use of all employees (irrespective of employment category such as full-time, part-time, etc.) as well as a set of regulations ensuring protection for those who use the system. In 2012 we renamed this hotline the Corporate Ethics and Human Rights Helpline. Helpline staff handle not only internal reports but all other types of reports and requests for advice concerning workplace conditions or human rights issues, and they work to realize quick and effective solutions to any problems encountered.

In fiscal 2014 helpline staff handled 175 separate cases involving reports or requests for advice, mostly involving workplace issues. In seeking solutions to the problems in question, the staff wherever possible try to respect the wishes of the employee making the complaint or requesting advice. When necessary, interviews are held with staff members involved to establish the truth of the matter, and as a corrective measure to prevent recurrence, disciplinary measures are taken against the employee found to be at fault, or direct supervision or similar steps are ordered. Helpline staff also work to ensure the protection of those who made reports. After steps have been taken to resolve the issue, staff conduct investigations to confirm that no reprisals have been taken against the employee who used the helpline and to discover whether or not the situation has improved.

The Corporate Ethics and Human Rights Helpline system



Labor Practices

To provide a workplace where the Group's employees can work free from anxiety or undue stress, we ensure that the working environment takes fully into account the health and safety needs of our employees, and that labor-management relationships are based on a fair and accurate evaluation of each employee's skills and achievements. As human resources are a business corporation's most important single asset, we have set up a personnel education and training system that meets the needs of both sides, and are also actively promoting diversity in working patterns.

Principal evaluation indicators

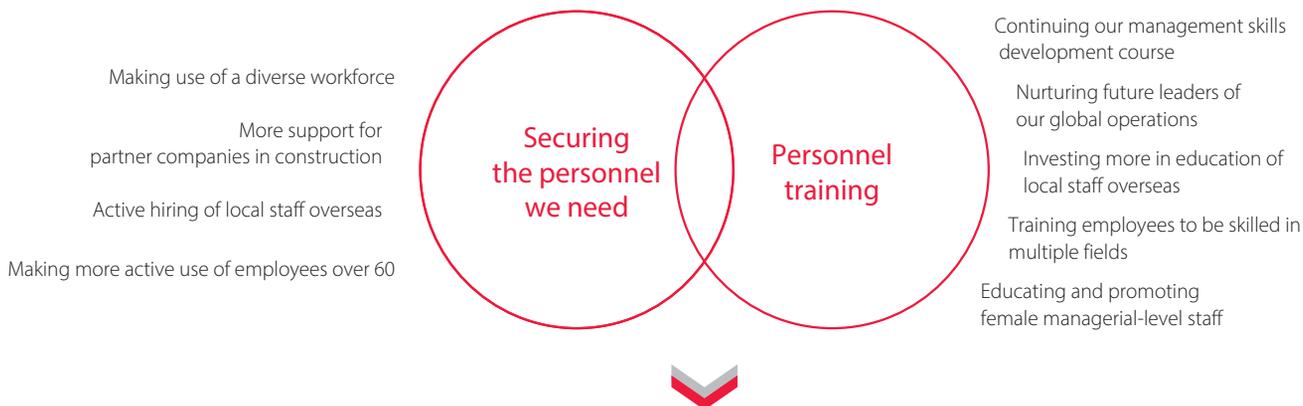
| | |
|-----------------------------------|--------------|
| Personnel turnover rate | 3.0% |
| Number of female management staff | 71 |
| Percentage of disabled employees | 2.15% |

Diversity management

To enable the Group to maintain sustainable growth and continue making a contribution to society, we must respond effectively to changes in society and in people's values, and must create the sort of new value that will allow us to discover potential new markets. To do this, it is vital that we develop a perspective that can take full advantage of workforce diversity – in terms of values, gender, age group, ethnicity, language, culture, and lifestyle – and a corporate culture that makes the most of outside-the-box thinking unconstrained by accepted wisdom.

One element of the Group's management strategy consists of the promotion of workforce diversity, which first took off in 2005 with our initiative to promote a more active role for female staff. These efforts are now entering a new phase. As well as promoting a more active role for female employees, we are also promoting a wider contribution by seniors; putting greater effort into hiring persons with disabilities, as well as non-Japanese people; and actively investing in more education for younger staff. In these ways, we aim to secure and train the kind of workforce we need, thus strengthening our management base and laying the foundations for a truly sustainable business corporation.

Strengthening our management base by hiring and training the personnel we need



Diversity management – making optimum use of diverse human resources

Nurturing human resources

Imbedded in the Group's corporate identity is the concept of the "cultivation of people through our businesses." This is rooted in our belief that a company's greatest single asset is its staff. For this reason, we pursue a variety of advanced programs for drawing out the individuality and latent abilities of Group staff, with the goal of developing them into self-reliant employees who can make a contribution to society.

The first year's training curriculum for all new hires, following basic training, includes on-the-job training at construction sites, not just for employees who will be directly employed in construction work, but also for those scheduled to go on to work in design, marketing, and management. The purpose is to enable them to acquire first-hand some of the specialist construction-industry knowledge, as well as a feeling for *monozukuri* (Japanese-style craftsmanship). After this, they spend about three months each in training courses, acquiring practical on-the-job knowledge and specialist skills, and undergoing evaluation. 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. As part of their 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 physical and mental health

We pursue a number of initiatives to achieve the aims of our overall plan to realize an adequate level of mental health among Group employees, including promotion of self care, and mental health oversight of employees by staff in managerial positions*¹. To raise the effectiveness of these initiatives, we ensure close liaison among the EAP*² Agency, industrial doctors, each employee's own primary physician, as well as managerial-level staff at the workplace, among others, with the objective of improving conditions in the workplace. Under the EAP service which the Group introduced in May 2008, employees can receive counseling in complete privacy from specialist counselors, either over the telephone or face-to-face. We have also introduced a system in which staff from the EAP Agency make regular tours of all our business sites, and have created a system that ensures that a large number of employees are aware of the availability of this counseling system.

In addition, we operate a system of regular medical examinations for all Group employees without exception, and 100% of all staff underwent these examinations in both fiscal 2013 and fiscal 2014. Of the employees whose health check result showed an abnormal finding, 75% underwent re-examination in fiscal 2014.

*1 Under this system, to ensure the ability of staff to perform their assigned work effectively and without interruptions, managerial staff are responsible for supervising the physical and mental health of their subordinates. This includes looking for signs of stress and monitoring the progress of measures to relieve said stress, including giving appropriate advice and taking employees' state of health into account in the assignment of work loads.

*2 EAP: Employee Assistance Program. This program is utilized to maintain mental health in work places.

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 | Affirmative action (increased promotion of female staff to managerial posts) | 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 | Daiwa House Juku | | Training for managerial positions | | |
| Mid-career staff/ general staff | | Training for newly promoted managers | Branch manager application and training system | Specialist training for separate divisions/ job descriptions | Training for managerial position candidates | Training in "putting full efforts into everything, every day," as well as manners | Support for language learning, acquisition of qualifications, distance learning courses, etc. |
| | | Cultivating ability to anticipate problems | | | | | |
| | | OJT Veteran-Guidance System | | | | | |
| Junior staff | | Training for team leaders | | | Training for separate divisions or job descriptions | | |
| | Follow-up training | | | | | | |
| | OJT | | | | | | |
| | Training in basics | | | | | | |

Achieving a better work-life balance

To achieve our objectives under the current medium-term management plan, we must hire sufficient numbers of qualified personnel, and must train and develop them in the required direction. To this end, we believe it is essential for us to promote a work-life balance that flexibly accommodates today's wide range of lifestyles, values, and work-style preferences, and we have therefore introduced a variety of systems. Thanks to the success of these, the average length of continuous service by female employees has grown from 7.8 years as of the end of March 2006 to 9.4 years as of April 1, 2015. In the same period, the disparity in length of continuous service by male and female staff narrowed by almost one year, from 6.3 years to 5.6 years.

Also, to help employees raise the next generation, in 2006 we established a system under which male as well as female staff are eligible to receive ¥1 million in support funds in the event of the birth of a child (known as the "lump-sum payment system for raising the next generation"), and 647 employees applied to use this system in fiscal 2014. We are also taking steps to eliminate excessively long hours of work, such as adopting a system that enables managers to view the overtime situation at a glance, and seeking the understanding of our employees regarding the need to reduce working hours.

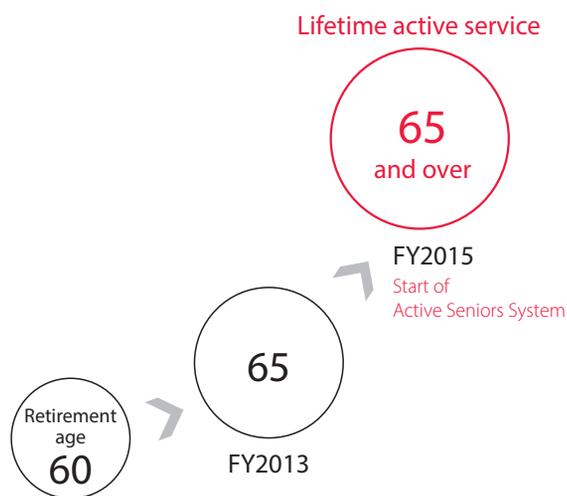
Utilization of work-life balance programs (Number of users)

| Program | FY2014 | |
|---|------------------|------------|
| Child-care leave program | 281 | |
| Long-term leave (1 month or more) | Male 2 | Female 120 |
| Short-term leave (for fathers) | Male 159 | Female — |
| Reduced work hours for childbirth/ child care program | 394 | |
| Nursing care leave | 2 | |
| Reduced work hours for nursing care | 2 | |
| Home Holiday program | 13,495 | |
| Paid leave accumulation program | 133 (4,944 days) | |
| Rate of taking paid leave | 36.2% | |

Encouraging seniors to play a more active role

In line with the recent revision of legislation relating to the provision of a stable employment situation for senior citizens, we raised the mandatory retirement age at the Daiwa House Industry from 60 to 65 with effect from fiscal 2013. We have also introduced a system in which each employee's achievements are evaluated and reflected in the actual wage paid as a means of improving the workplace motivation of senior employees, and we look forward to seeing job performances that match the higher wage levels. With effect from fiscal 2015 we have commenced our Active Seniors System, in which employees can be rehired even after reaching the retirement age of 65. In this way, in line with our motto of "lifetime active service," seniors who are healthy and whom the Group regards as valuable employees can continue working on one-year renewable contracts, with no fixed upper age limit. We are sure that, from here onward, active seniors who possess valuable skills and high motivation levels can play an important role in the Group's business operations, leveraging the networks of personal contacts they have built up over the years, and helping pass on their skills and know-how to younger employees. This increased role for seniors will not be accompanied by any corresponding reduction in our hiring of young people.

More active role for seniors



Encouraging more active role by female staff for greater workforce diversity

Measures to facilitate active participation by female employees

At Daiwa House Industry we are making active efforts to encourage greater participation by female employees. Not only do we aim to raise the percentages of female employees as a whole and of women in managerial positions, we are also taking steps, in particular, to increase the percentage of women working in the areas of marketing and technology. As part of this effort to provide career assistance to women in the marketing field, the Marketing Division of Daiwa House Industry is conducting training courses for female marketing staff as well as courses for women aspiring to management positions. At the Technology Division, in addition to other programs conducted hitherto, we have held discussions – at meetings to exchange opinions with other companies in the housing industry, and at workshops for managerial-level staff held separately in each region of Japan – regarding ways of nurturing more female engineers and other technical staff in the field of housing design.

In fiscal 2014 we also held the second D's Women's Forum, which was first held the previous year. A total of 229 staff – female candidates for managerial positions – from 19 companies took part in this Groupwide initiative to promote a higher workplace profile for female employees. We also held another information exchange session on the promotion of workforce diversity among Group companies, following a similar event the previous year, with the participation of 29 companies. At this session, a number of examples were showcased of successful measures to encourage an expanded role for female employees.

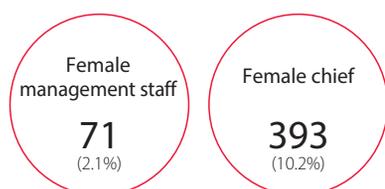
Acquired "Kurumin" certification for its support for bringing up the next generation

In response to the provisions for action plans by general business corporations contained in Japan's "Law to Promote the Nurturing of the Next Generation," in fiscal 2014 Daiwa House Industry continued to provide support for its employees' realization of a good work-life balance. We also held training courses to raise our employees' awareness of the importance of encouraging workforce diversity.

Selected as Nadeshiko Brand company for promotion of more active role for women

In March 2015 Daiwa House Industry was chosen as a Nadeshiko Brand company by the Ministry of Economy, Trade and Industry and by the Tokyo Stock Exchange, Inc. This award is given to listed companies with a particularly good record in the promotion of a more active role for female employees. Out of the total of roughly 1,800 companies listed on the first section of the Tokyo Stock Exchange as of the end of fiscal 2014, a mere 40 were evaluated as having performed well in the two fields of "career advancement for women" and "support for a good balance between work and family life." Daiwa House Industry received high marks for placing a high management priority on assisting female employees to pursue career advancement, particularly for its provision of detailed and well-thought-out measures to suit the needs of each rank in the Company's hierarchy as well as for each different job classification, and its support for women seeking promotion to managerial positions.

Percentage of female management-level staff (As of April 1, 2015)



Note: Percentages shown are of total for each type of job



At the second D's Women's Forum, a Groupwide event to promote a more active role for female employees.



The Kurumin mark, a certification of support for bringing up the next generation



The Nadeshiko Brand logo

The Environment

The Daiwa House Group is tackling environmental protection issues – which are on a global scale – with the goal of helping bring about a society in harmony with nature. In 2005 we drew up our Environmental Vision, encompassing our environmental principles, priority environmental activity themes, and environmental behavioral guidelines. Under the Group’s 2020 Medium- to Long-Term Environmental Vision – which was drafted as a step on the road to achievement of this vision – we are currently working to reduce to zero the environmental impact of our housing units and other structures throughout their life cycle.

Principal evaluation indicators

| | |
|--|--|
| CO ₂ reduction (volume) | 3,902 thousand t-CO ₂ |
| CO ₂ emissions per unit of sales (comparison with FY2005) | -43.6% |
| Greening coverage area | 761 thousand m ² |
| Volume of construction waste generated per unit of floorspace (comparison with FY2012) | -14.7% |

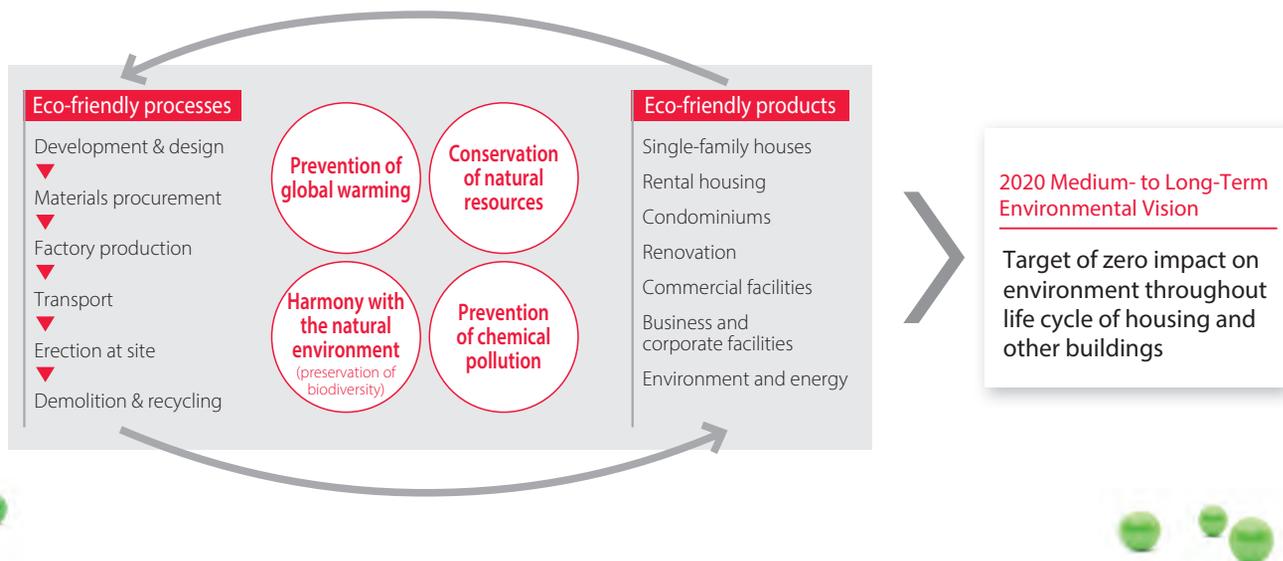
The Endless Green Program

To help realize the Group’s Environmental Vision, once every three years or so (coinciding with the periods of our medium-term management plans) we draw up an environmental protection action plan incorporating specific targets, under the name Endless Green Program.

The Endless Green Program 2015, which covers the period of fiscal 2013-2015, is focused on the theme of striking a good balance between environmental protection needs and corporate earnings. In this program, we have set new targets and are working at an increased pace with our prime focus on “strategic environmental activities,” in which we seek to integrate our environmental measures with our business strategies. This

includes incorporating environmental protection measures into the design of our homes and the construction of buildings, as well as our town planning projects. Additionally, through our Basic Environmental Activities, in which we seek to fulfill our responsibilities to society – principally by tackling the issues of global warming and biodiversity protection – we work to ensure that an understanding of the vital importance of environmental preservation becomes still more firmly entrenched in the mindset of all members of the Group. At the same time, we are putting in place a full set of systems to support environmental preservation measures as part of a larger project of reinforcing our management base.

2020 Medium- to Long-Term Environmental Vision



Environmental management

All the member companies of the Daiwa House Group share our Environmental Vision. The Group takes a preventive approach to environmental issues and applies this to environmental preservation efforts across all aspects of its business operations.

Environmental preservation efforts are overseen by the COO of Daiwa House Industry, who has ultimate responsibility for environmental issues, and by the Companywide Environment Committee, chaired by the officer in charge of the environment at the Company. The committee, which meets twice a year, examines and makes decisions on basic matters involving the directional focus of the Group's environmental activities, and directs and oversees environmental measures throughout the whole Group. 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. Through such small-unit discussions, cutting across divisional boundaries, we are able to precisely direct the Group's environmental activities.

The Group has acquired, and continues to regularly renew, certification of conformity with the ISO 14001 standards relating to environmental management. In line with the ISO 14000 series requirements, we conduct regular environmental audits to confirm that the performance of our environmental management system is up to standard. Further onsite supervision is provided where necessary, and reports are submitted to the management of Daiwa House Industry.



**SMAxECO TOWN
Hidamari-no-oka**

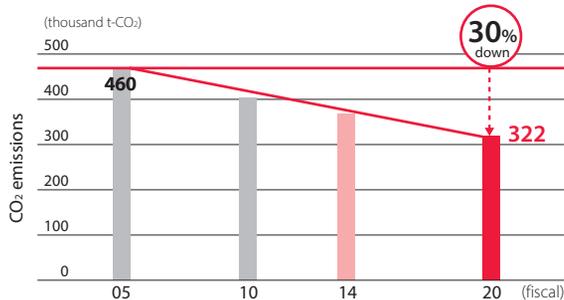
The first use in Japan of earnings from the town photovoltaic power plant for housing maintenance.



**New office building for
PF Automation Co., Ltd.**

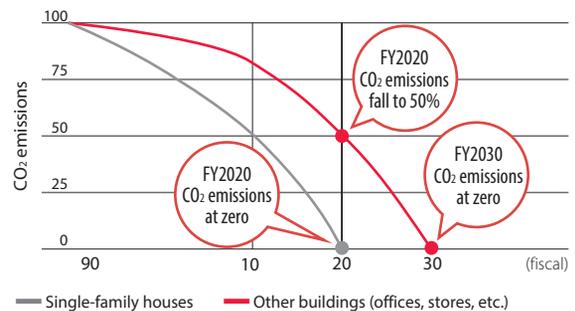
Using our pool of know-how from our own facilities to achieve a net zero energy building (ZEB).

CO₂ emissions from business operations (total for Group)



CO₂ emissions during the period of residency in housing built by the Group or use of commercial buildings built by the Group

(Calculations assume specifications as of 1990 = 100)



Priority environmental activity themes: Fiscal 2014 results, and self-assessment

Prevention of global warming

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, we are aggressively marketing eco-friendly housing and commercial building products.

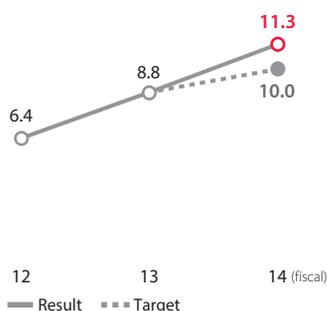
CO₂ Reduction Indicator

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.

$$\text{CO}_2 \text{ Reduction Indicator} = \frac{\text{CO}_2 \text{ savings from delivery of products and services}}{\text{CO}_2 \text{ emissions from business operations}^*1}$$

*1 After offsetting for amount of renewable energy generated (retail sales portion)

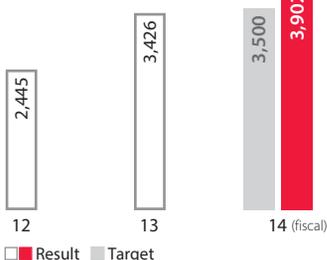
CO₂ Reduction Indicator (times)



FY2014 result 11.3 times

FY2015 target of 10-fold achieved one year earlier. We will continue to restrain increases in total CO₂ emissions and work to promote increased use of eco-friendly products.

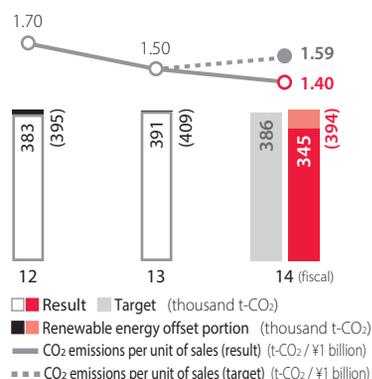
CO₂ reduction (volume) (thousand t-CO₂)



Comparison with FY2012 1.6 times

Target achieved thanks to increased installation of photovoltaic power generation equipment. We will continue to focus on housing, buildings, and urban development projects with zero net energy consumption.

CO₂ emissions (volume)*2



Comparison with FY2005 down 43.6%
(CO₂ emissions per unit of sales)

CO₂ emissions have decreased thanks to continued electric power-saving measures and increased investment in energy conservation. The Group will continue its energy conservation activities.

*2 Figures in parentheses are CO₂ emissions prior to offsetting for renewable energy

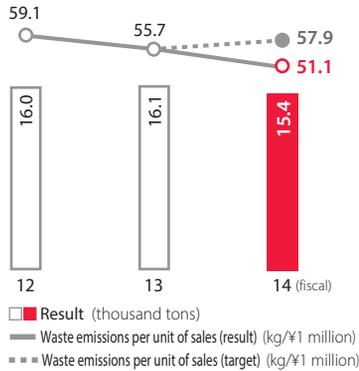
< Self-assessment standards >

● Achieved FY2014 target ● Short of FY2014 target (improvement from FY2013 result)

○ Short of FY2014 target (deterioration from FY2013 result)

Conservation of natural resources

Construction waste (generated at production stage)

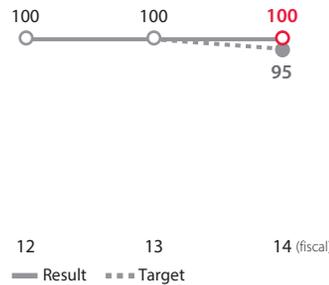


● Comparison with FY2012 down **13.6%**
(Waste emissions per unit of sales)

We achieved our target through efforts at our plants to discover uses for woodchips and end material (from external wall materials, etc.). We will continue to improve our systems for the recycling of materials.

Harmony with the natural environment (preservation of biodiversity)

Rates of conformity with voluntary biodiversity standards (product development) (%)

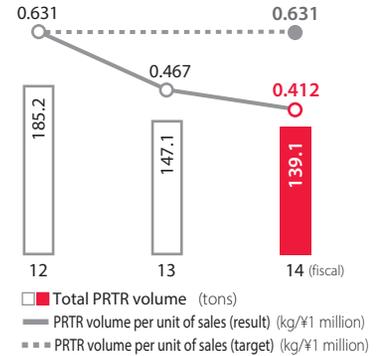


● FY2014 result **100%**

Achieved 100% conformity with in-house standards. We will continue to apply our checklists and follow development processes that take the need for protection of biodiversity into account.

Reduction in emissions of hazardous chemicals

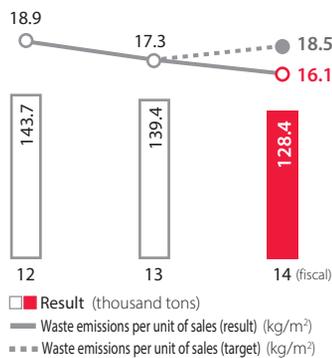
Pollutant release and transfer register (PRTR) figures



● Comparison with FY2012 down **34.8%**
(PRTR volume per unit of sales)

PRTR volume was lowered thanks to further progress in reducing solvent levels in our paints. We will continue working to improve the situation so as to further reduce the PRTR level per unit of sales.

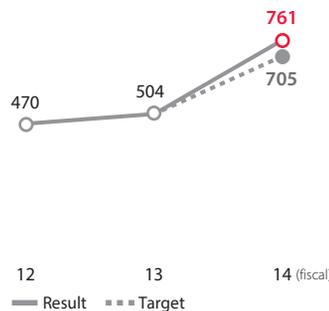
Construction waste (new construction)



● Comparison with FY2012 down **14.7%**
(Waste emissions per unit of sales)

We have expanded the scope of precutting of plaster boards to reduce the waste at construction sites (for offices and commercial buildings, etc.) as well as at home erection sites. Targets achieved.

Greening coverage area (town planning)*3 (thousand m²)

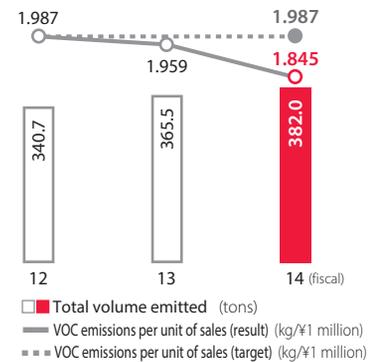


● FY2014 result **761** thousand m²

We reached our target thanks to Groupwide measures to protect existing greenery and plant new areas. For FY2015 we have revised the target upward to 850,000m².

*3 From FY2014, this figure includes large-scale projects in areas where there are no applicable greening regulations.

VOC (volatile organic compound) emissions volume



● Comparison with FY2012 down **7.2%**
(VOC emissions per unit of sales)

Emissions volume has increased in parallel with the increase in production. We will continue with improvement activities, including seeking improved painting efficiency, so as to hold down the volume of emissions per unit of sales.



Fair Operating Practices

The Daiwa House Group, not being satisfied with merely following the letter of the law, acts with a high ethical framework to aim at the healthy growth of the entire industry in accordance with the principle of free market competition. To achieve this, we have formed systems to detect risks relating to our stakeholders as early as possible, and have formulated and put into action policies to ensure fair operating practices.

Principal evaluation indicators

| | |
|---|-----------------|
| Response to reports from business partners on subcontracting issues | 100% |
| Number of Confederation of Partner Companies members* | 4,490 companies |
| Number of Setsuwa Club members* | 136 companies |

* As of April 2015.

Promoting CSR in the supply chain

Daiwa House Industry supports the operation of cooperative organizations, consisting of suppliers of material, equipment and office supplies plus partner companies in construction, undertaking initiatives for the environment, product quality and safety. For the environment, we use purchasing standards for chemical substances and obtain agreements for procurement of timber with consideration to biodiversity; for quality, we follow purchasing standards, hold skill tests and training workshops, while for safety we hold safety meetings.

In 2006 we drew up and sought agreement to our Trading Partner Behavior Regulations from all the 4,490 member companies of the Confederation of Partner Companies (an organization of construction & manufacturing partner companies), the largest of these organizations, to ensure their promotion of CSR from the aspects of human rights, the law and the environment. We also intend to seek widespread agreement for the CSR Procurement Guidelines that we drew up in July 2015, inclusive of suppliers of materials and equipment.

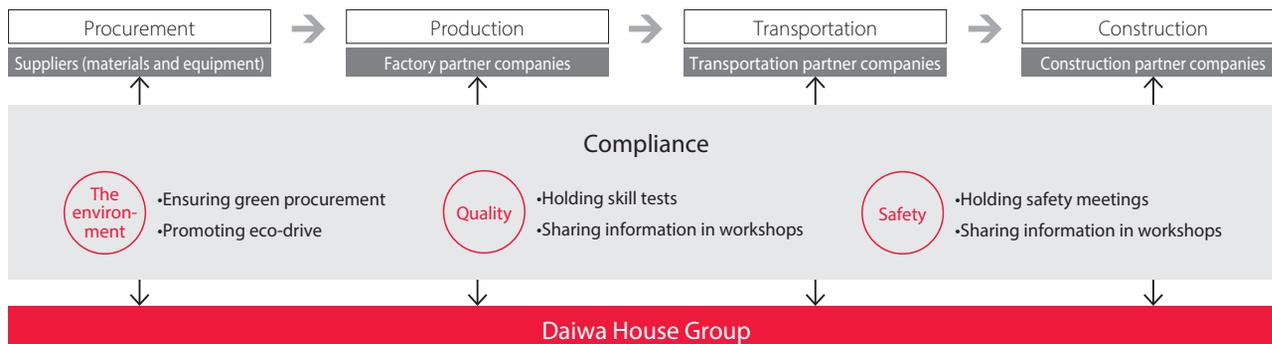
Ensuring better workplace safety

To prevent industrial accidents on construction sites and maintain or improve our working environments, the Company has safety patrols and health & safety meetings once a month. At these meetings, the results of the safety patrols and reports from the health & safety committee, as well as reports on patrols from construction offices are studied to further improve safety.

With an emphasis on safety training, separate training courses are conducted for each job level and for mid-career recruits, as well as courses to prevent scaffolding accidents and heavy machinery injuries. Safety training for our partner companies includes courses for business proprietors, courses for new workers and courses for foremen and safety supervisors.

Safety meetings are held at our offices nationwide during the National Safety Week (July 1 to 7), to help heighten awareness and recognition regarding safety among our employees and members of our partner companies.

Supply chain in our business activities



Consumer Issues

The Daiwa House Group places contribution to society through its business at the very core of its management, and has as its employee code of conduct to “engage with customers with utmost sincerity to share their passion and joy.” Based on this concept, we ensure honest communication and take every possible measure to constantly gain the customers’ satisfaction and trust through providing high-quality products and services.

Quality assurance and continuous improvement activities

As part of our measures to retain customer satisfaction, the Company’s Quality Assurance Department handles quality control in every business process, from development and design stages to production, construction and after-sales service.

Ever since our founding, we have endeavored actively in technological innovation as a pioneer in industrialized housing, through repeated research into production methods, components and materials. Our factories throughout Japan are promoting the adoption of automated systems, labor-saving equipment and process robotization, thereby rigorously realizing uniform quality levels and providing our customers with safe and high-quality products and services. Our Production and Procurement Headquarters and all our factories throughout Japan have gained the International Organization for Standardization’s ISO 9001 for Quality Management Systems, while our manufacturing departments are making use of Quality Management Systems as a tool to improve product quality and for constant improvement activities for greater stability.



Securing construction quality with a triple check system

Principal evaluation indicators

| | |
|--|--------------|
| Number of Retail and Wholesale Facilities Owners Association members | 6,686 |
| Satisfaction rate among single-family house owners | 96.3% |
| Satisfaction rate among rental housing owners | 60.2% |

Better customer satisfaction

Daiwa House Industry treats each customer’s opinion as valuable and incorporates them into enhancing its technological capability and services to ensure that we always gain the trust and satisfaction of our customers. Customer Satisfaction Committees are active in our headquarters and each of our business offices, maintaining meticulous efforts to implement Companywide improvements and to match regional particularities.

We also undertake various types of support to build good relations with our customers. The Daiwa Family Club, an Internet service with membership limited to owners of our houses or apartments, provides information to resolve problems and answer questions on the future of the owners’ residences. In our rental housing business and retail and wholesale facilities business, we are giving support to the owners respectively making up the Daiwa House Owners Club and the Owners Club. Our retail and wholesale facilities business also supports prospective tenant companies in the categories of retail, restaurant or service industries in opening new stores and outlets beside major roads or in town-center shopping districts.

System of putting customer feedback to work



Community Involvement and Development

The Daiwa House Group, as the group that co-creates value for individuals, communities and people's lifestyles, is expanding its businesses deeply involved with regional communities over a broad range of sectors. Accordingly, we believe that the continuous development of regional communities is directly linked to our own, and are active in "regional social contributions," the activities that contribute to societies at a community level, respecting each region's culture and customs.

Principal evaluation indicators

| | |
|---|--------------------------|
| Number of CSR activities | 2,046 initiatives |
| Percentage of paid leave taken for volunteer activities | 14.0% |
| Amount of funds raised from employees | ¥10,521,326 |

Regional Social Contributions

The Daiwa House Group hopes to gain the trust of local communities by identifying local problems through dialog with local people, and taking action in collaboration with them to solve these problems. These regional social contribution activities are mainly focused on the three areas of environmental protection, nurturing the next generation and assistance for welfare facilities. Daiwa House Industry has introduced and is promoting the use of a variety of programs to allow its employees to participate actively in these activities: special paid leave system for volunteer activities, an employee fund-raising program, appointment system to Committee for Promotion of Regional Social Contributions, president's award program and social contribution cost-bearing program.

In addition, we have set our own self-assessment indicators for CSR with specific target values to aim at better regional social contributions, and make further improvements by following the PDCA cycle. In the future, we will position the regional social contributions as part of the management of each place of business, promote activities with full participation of their employees and raise the percentage of offices that undertake such events five or more times a year, under the leadership of the head of each office. Simultaneously, we will accelerate the collaboration with NPOs, NGOs and local organizations to contribute to the sustainable growth of local communities.



Environmental protection

The Daiwa House Group is engaged in the Daiwa Sakura Aid project that seeks to generate harmony through cherry blossoms, under which we undertake two types of activities. The first is the preservation of the cherry trees on the slopes of the famed Mount Yoshino in Nara Prefecture, a renowned spot for cherry blossoms that was registered as a world heritage site in 2004, and is also the birthplace of Company founder Nobuo Ishibashi. Due to the recent environmental changes and deterioration of the health of the trees, the cherry forest was degraded, leading the local residents to ask us for the aid. Following this, we started the preservation and restoration of the cherry trees from fiscal 2008. By setting up a plantation for cherry trees on Mount Yoshino with the cooperation of the Mount Yoshino Protection Society Hoshokai, our employees participate six times a year in this activity to plant and raise Japanese cherry trees from seed.

The second part of the project involves interactive performance of Japanese musical instruments and planting of cherry trees mainly at elementary schools and kindergartens throughout Japan, which has been conducted since fiscal 2010 under the name of the Sakura Project. By giving children, who will bear the future of Japan, an opportunity to experience the real things, we hope that they grasp the beauty and excellence of Japanese culture, and, through raising cherry trees, they will also understand the importance of the natural environment and life.

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 schools. This program allows the participants to experience internships at business enterprises as part of the school curriculum, assigning each student a "mission," such as developing a new product for the company, which they work on over approximately a year. In fiscal 2014, about 70 schools participated, of which 147 teams made proposals to Daiwa House Industry.

Assistance for welfare facilities

Our Kagawa Branch held its fifth rice-cake-making event with people from the Takamatsu Volunteer Association, the Linlin-en Facility for the Disabled, and the Tampopo-en Special Needs Nursery School. Linlin-en and the Kagawa Branch have developed a close relationship for over a decade through such activities as the donation of pull-tabs collected by the Kagawa Branch. Treasuring the time with the children at these facilities, we will continue the activities.

Breakdown of Regional Social Contributions (FY2014)



| | |
|---|-------|
| ■ Being a good neighbor (street sweeping) | 20.7% |
| ■ Support for schools | 20.4% |
| ■ Being a good neighbor (activities other than street sweeping) | 19.9% |
| ■ International cooperation | 12.0% |
| ■ Social welfare | 10.7% |
| ■ Humanitarian activities | 7.6% |
| ■ Environmental protection | 6.0% |
| ■ Support for the disaster-hit region | 2.7% |



Preserving cherry trees on Mount Yoshino



Daiwa House employees visiting a school (joining in discussions)



Staff at our Kagawa Branch held a rice-cake-making event, inviting disabled persons from local facilities that provide help to people with disabilities.

Organizational Governance

Based on the Corporate Governance Guidelines we formulated in May 2015, we aim at sound and sustainable corporate growth as needed by society, building on the trust of our shareholders and other stakeholders.

Principal evaluation indicators

| | |
|---|---------------------|
| CSR awareness surveys | 73.26 points |
| Number of patents in possession | 770 |
| Cash dividends per share | ¥60 |
| Number of consultations with institutional investors and analysts | 825 |

Daiwa House Group Principles of Corporate Ethics

**Believe
One
Heart**

Build a relationship of mutual trust with our customers
(With our customers)

We are sincere in our communications with everyone, and put our full efforts into offering high-quality products and services, doing our best to satisfy our customers and win their trust.

Ensure legal and ethical compliance
(With the compliance)

Not being satisfied with merely following the letter of the law, we also act in conformity with the highest ethical standards so as to meet the expectations of our wide range of stakeholders.

Provide an ideal work environment
(With an ideal work environment)

In addition to caring for the health and safety of our employees, we also strive to create an open and fair work environment, and to give every member of staff the opportunity for personal development.

Maintain a fair relationship with our business partners
(With business partners)

We value our collaboration and cooperation with business partners, and work to create appropriate mutual relationships. In line with the principle of free market competition, we work to realize the healthy development of the whole industry.

Protect the environment
(With the environment)

In line with our belief that environmental issues are a matter of concern for the whole world, we work to protect the natural environment and to bring about a society where people can live in harmony with nature.

Co-create a sustainable future with local communities
(With the communities)

We respect the culture and customs of each region, and support the sustainable development of local communities through our business activities and social contributions.

Respect human rights

We respect basic human rights and the dignity of all people, and do not discriminate against anyone on the grounds of race, nationality, ethnicity, gender, creed or social status.

Compliance

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 policies. 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.

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 together selected sections of the Casebook at morning meetings in the workplace, and on other suitable occasions.

Compliance education

At the Daiwa House Group, we organize training programs inclusive of seminars on risk management and compliance for all members of the Group, so that all employees, from new hires through middle-management positions to executives, are fully aware of their importance and significance. In fiscal 2014 we held 82 training sessions attended by 4,024 employees. In addition to training led by the head office, each of our offices also made efforts to hold their own compliance trainings.



CASE BOOK

CSR awareness surveys

Since fiscal 2004 the Daiwa House Group has been conducting CSR awareness surveys to ascertain the extent to which our Corporate Ethics and Code of Conduct are being put to practice in the workplace. These surveys took the form of anonymous intranet questionnaires covering around 50 questions about workplaces, the actual contents of which were entirely designed by Daiwa House Industry. The results are refined into points and the average is calculated. These are used for self-checks, where, by comparison with the results from the previous fiscal year, each department can see changes in the awareness of employees over the year, as well as grasping their lack of engagement by comparison with the average points of other departments. Each workplace, based on these results, puts forward a proposal for its future improvement activities.

For instance, the survey result for a workplace indicated weakness in getting all its employees to work together as one to achieve the same goal, commensurate with their abilities. Accordingly, we formed and implemented over a year a measure to tackle this issue by which we announced within the workplace specific outcomes gained through achieving goals or compliments and gratitude conveyed from customers to increase the motivation at the workplace. The results of this measure were confirmed at the following survey. In fiscal 2014 over 39,000 employees of the Daiwa House Group answered this survey (response rate: 89.1%; average points: 73.26).

The Daiwa House Group makes the motivations of individual employees to create a better company (workplace) evolve into proactive improvement activities in each workplace, thereby elevating the sense of ethics of the organization that forms the basis of corporate governance.

Risk management

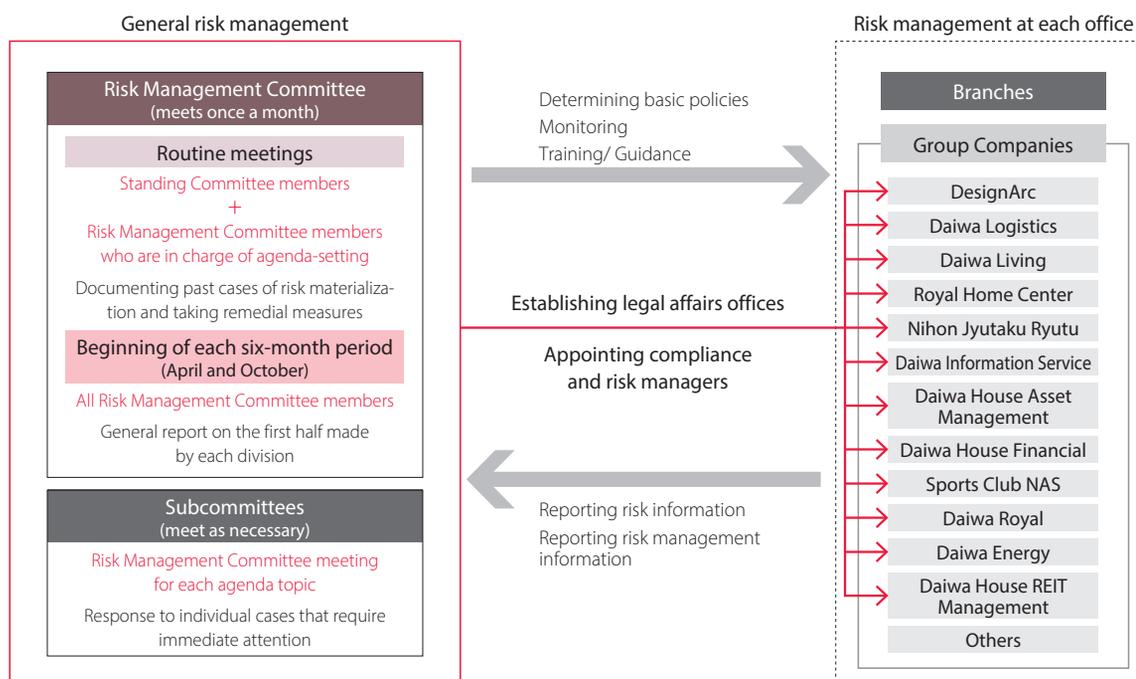
Initiatives for risk management

On the basis of the Daiwa House Group Risk Management Guidelines, the Risk Management Committee is positioned as the controlling body for risk management activities throughout 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 meets whatever needs may arise through measures such as establishing subcommittees as necessary for individual cases that require immediate attention. In the future, based on the revisions to our Basic Policies with Regard to the Creation of an Internal Control System, we will review the nature of our risk management organization in our internal control system,

while also revising the membership and frequency of the Risk Management Committee. 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 2014 we established a Group-wide risk action policy and worked to mitigate the risk incidents, particularly those occur with high frequency, while also raising the recognition and awareness of executive officers towards risks. Each operating division has set up working groups attended by the personnel in charge of sales, design, and construction, etc. to formulate the recurrence prevention measures against the high-priority risks. These results are reported to the Risk Management Committee to ensure that information is made available Group-wide.

An overview of the system linking risk management departments (As of April 1, 2015)



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. 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. Furthermore, in future the collected risk information will be analyzed by each business department, office and region to verify risk occurrence trends from multiple angles and give feedback on the results, thereby making the most of it to reinforce the activities at each organization.

From fiscal 2014 we began an initiative to collect risk information from our overseas branches, offices and Group companies as part of our risk management activities for the overseas business operations. In addition to this, a new secretariat liaison meeting, consisting of secretariats to the Risk Management Committee from each Group company, was held twice a year, to help raise the level of information sharing and risk management throughout the Group. The meeting will be held regularly from the following fiscal year to maintain liaison among the Group companies and reinforce risk management activities as a whole.

Risk information trends

In fiscal 2014, there were a total of 341 risk incidents at the Company's business bases and Group companies (225 cases at the Company, 107 at Group companies and nine at overseas sites). 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



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 in 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 10 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 where required. From fiscal 2015 onward we are strengthening our intra-Group liaison system to ensure that we can cope effectively with major emergencies.

* 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 2014

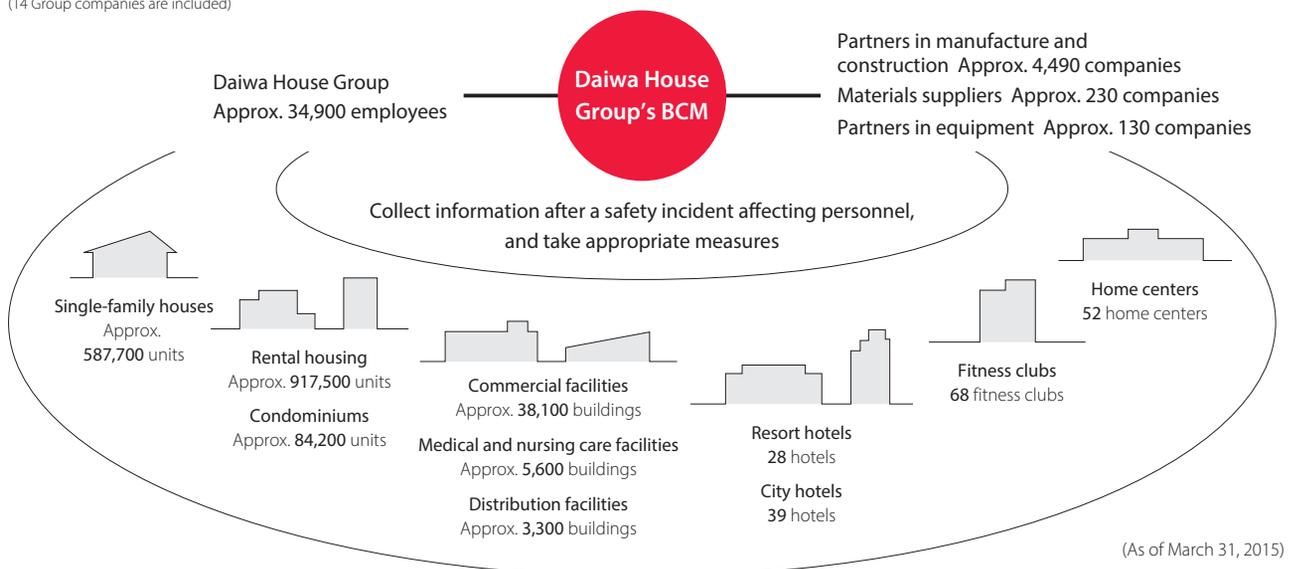
- Rebuilt factory buildings for improved resistance to earthquakes, floods and other natural disasters (work ongoing)
- Conducted disaster-response training (initial disaster-response drill, etc.)
- Established IP wireless emergency-contact system for use in event of a disaster
- Strengthened disaster response and mitigation measures in the Kanto area

Fiscal 2015 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)
- Created a BCP system based on closer cooperation with Group companies

Outline of Daiwa House Group's BCM

(14 Group companies are included)



Collect information after a safety incident affecting buildings and other physical properties, and take appropriate measures

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, 2015.

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.



IR activities and stakeholder meetings

➤ Proactive investor relations

In the spirit of our management vision of “co-creating a brighter future,” the Daiwa House Group maintains two-way communications with its shareholders in order to enhance the dialog with them. As a general rule, the meetings with shareholders are attended by our management executives and officers in charge of investor relations. At such meetings, every effort is made to explain our business strategies and management plans accurately and in a timely manner with a view to realizing sustainable growth and enhancing corporate value from the medium- to long-term perspective. Comments and requests received from the shareholders through these dialogs are fed back to our management executives and outside directors to share the issues raised and incorporate them into our management with an aim to ultimately maximize our corporate value.

Main IR activities in fiscal 2014

- Information session on financial results to institutional investors and analysts via telephone conference (each quarter)
- Management briefing session from top management to institutional investors and analysts (semiannually)
- Participating in IR conferences held by securities companies
- Individual talks with institutional investors inside and outside Japan, dealing with phone interviews
- Online explanatory sessions for individual investors
- Spreading information through brochures to attract shareholders and posting articles in IR magazines
- Onsite tours for institutional investors
- Tours of our facilities for individual shareholders
- Providing investor relation tools



At the Management briefing session

➤ Stakeholder meetings

At the 11th stakeholder meeting in fiscal 2014, based on our CSR Policy which forms the basis for raising the value of “Endless Heart” Group symbol, we sought to verify whether our information transmission was matched with the expectations and needs of society. We invited 14 stakeholders, including members of the general public and company representatives, to discuss in small groups, according to sub-themes, an effective information transmission to raise the value of the Endless Heart. We were rewarded with a number of frank opinions from our stakeholders.

Summary of 11th stakeholder meeting

Date held: March 13, 2015

Facilitator: Yoshinari Koyama
(Vice President, Kanto Gakuin University)

Participating stakeholders: 14

5 company representatives, 2 members of NPO/ NGO,
3 students, 2 employees, 2 others



Effective information transmission
to raise the value of the Endless Heart



External assessment

Inclusion of Daiwa House Industry stock in SRIs (As of March 2015)

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.



Other main external assessment

CSR corporate ranking

60th place

Daiwa House Industry is ranked in 60th place in the latest annual CSR Corporate Ranking announced by the weekly magazine Toyo Keizai (published on March 14, 2015). The CSR Corporate Ranking assessed the 1,305 companies in the 2015 CSR Corporate Overview of TOYO KEIZAI INC. through investigating the four CSR categories of human resources utilization, the environment, corporate governance and social orientation, in addition to their financial data.

NICES

40th place

Daiwa House Industry is ranked in 40th place in the latest annual NICES ranking of the Nihon Keizai Shimbun (published on November 27, 2014). NICES assesses corporations in a comprehensive way from the perspective of stakeholders, with regard to the five elements of investors, consumers and trading partners, employees, society and potentiality.





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Financial Information

| | |
|---|------------|
| Financial Overview | 174 |
| Consolidated Seven-Year Summary | 174 |
| Performance Indicators of Major Companies | 175 |
| Management's Discussion and Analysis | 176 |
| Results 2015 | 176 |
| Outlook 2016 | 183 |

| | |
|---|------------|
| Financial Statements | 184 |
| Consolidated Balance Sheet | 184 |
| Consolidated Statement of Income | 186 |
| Consolidated Statement of Comprehensive Income | 187 |
| Consolidated Statement of Changes in Equity | 188 |
| Consolidated Statement of Cash Flows | 189 |
| Notes to Consolidated Financial Statements | 191 |
| ① Basis of presentation of consolidated financial statements | 191 |
| ② Summary of significant accounting policies | 191 |
| ③ Marketable and investment securities | 198 |
| ④ Inventories | 199 |
| ⑤ Land revaluation | 199 |
| ⑥ Long-lived assets | 200 |
| ⑦ Investment property | 201 |
| ⑧ Short-term bank loans, commercial paper, and long-term debt | 201 |
| ⑨ Retirement and pension plans | 202 |
| ⑩ Asset retirement obligations | 204 |
| ⑪ Equity | 204 |
| ⑫ Segment information | 205 |
| ⑬ Other income (expenses): Other — net | 208 |
| ⑭ Income taxes | 209 |
| ⑮ Research and development costs | 210 |
| ⑯ Supplemental cash flow information | 210 |
| ⑰ Leases | 211 |
| ⑱ Financial instruments and related disclosures | 213 |
| ⑲ Derivatives | 217 |
| ⑳ Contingencies | 218 |
| ㉑ Comprehensive income | 218 |
| ㉒ Subsequent events | 218 |
| Independent Auditor's Report | 219 |

Financial Overview

Consolidated Seven-Year Summary

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2009 to 2015

(Millions of Yen)

| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|-----------|------------|------------|------------|------------|------------|------------|
| Net sales | 2,810,715 | ¥2,700,318 | ¥2,007,989 | ¥1,848,797 | ¥1,690,151 | ¥1,609,884 | ¥1,690,956 |
| Cost of sales | 2,269,847 | 2,192,415 | 1,592,218 | 1,468,844 | 1,352,937 | 1,303,881 | 1,357,821 |
| Selling, general and administrative expenses | 360,516 | 344,326 | 287,747 | 264,997 | 249,516 | 243,289 | 259,555 |
| Operating income | 180,352 | 163,577 | 128,024 | 114,956 | 87,698 | 62,714 | 73,580 |
| Operating income margin (%) | 6.4 | 6.1 | 6.4 | 6.2 | 5.2 | 3.9 | 4.4 |
| Income before income taxes and minority interests | 201,091 | 168,510 | 113,263 | 93,022 | 40,713 | 38,069 | 13,721 |
| Net income | 117,133 | 102,096 | 66,274 | 33,200 | 27,268 | 19,113 | 4,170 |
| Total assets | 3,021,007 | 2,665,947 | 2,371,238 | 2,086,097 | 1,934,236 | 1,916,928 | 1,810,573 |
| Equity | 1,112,817 | 992,687 | 734,884 | 657,891 | 635,186 | 617,770 | 607,428 |
| Property, plant and equipment | 1,070,121 | 943,887 | 802,634 | 748,549 | 760,124 | 778,610 | 728,953 |
| Capital investments | 274,990 | 217,359 | 121,384 | 103,605 | 93,875 | 99,786 | 160,601 |
| Depreciation | 53,284 | 48,534 | 45,837 | 43,791 | 44,614 | 43,917 | 39,318 |
| Net cash provided by operating activities | 139,465 | 78,452 | 164,247 | 248,772 | 127,957 | 133,315 | 109,811 |
| Net cash used in investing activities | (235,027) | (240,439) | (140,737) | (117,226) | (83,595) | (138,237) | (199,679) |
| Net cash provided by (used in) financing activities | 129,203 | 110,132 | (28,634) | (28,767) | (77,834) | 79,269 | 96,503 |
| Issued and outstanding shares (thousands of shares) | 660,421 | 660,421 | 599,921 | 578,716 | 578,807 | 579,092 | 579,171 |
| Stock prices at the end of term (in yen) | 2,371 | 1,751 | 1,820 | 1,094 | 1,022 | 1,055 | 792 |
| Per share of common stock (in yen): | | | | | | | |
| Basic net income | 177.74 | 161.08 | 114.52 | 57.36 | 47.09 | 33.00 | 7.20 |
| Equity | 1,678.24 | 1,496.72 | 1,267.77 | 1,135.46 | 1,095.62 | 1,065.15 | 1,047.50 |
| Cash dividends | 60.00 | 50.00 | 35.00 | 25.00 | 20.00 | 17.00 | 24.00 |
| Dividend payout ratio (%) | 33.8 | 31.0 | 30.6 | 43.6 | 42.5 | 51.5 | 333.4 |
| Price earnings ratio (PER) (times) | 13.34 | 10.87 | 15.89 | 19.07 | 21.70 | 31.97 | 110.01 |
| Price to book value ratio (PBR) (times) | 1.41 | 1.17 | 1.44 | 0.96 | 0.93 | 0.99 | 0.76 |
| Return on equity (ROE) (%) | 11.2 | 11.9 | 9.5 | 5.1 | 4.4 | 3.1 | 0.7 |
| Equity to total assets (%) | 36.6 | 37.0 | 30.9 | 31.5 | 32.8 | 32.2 | 33.5 |
| Current ratio (%) | 138.7 | 127.2 | 136.8 | 133.7 | 174.8 | 197.0 | 177.4 |
| Fixed ratio (%) | 158.3 | 161.2 | 189.4 | 188.9 | 197.3 | 200.4 | 189.2 |
| Number of employees* | 34,903 | 32,628 | 30,361 | 27,130 | 26,310 | 26,542 | 23,985 |
| Consolidated to non-consolidated net sales ratio (times) | 1.91 | 1.89 | 1.62 | 1.66 | 1.60 | 1.56 | 1.47 |
| Consolidated to non-consolidated net income ratio (times) | 1.21 | 1.26 | 1.35 | 1.84 | 2.14 | 1.47 | 0.75 |

* Regular employees only.

Performance Indicators of Major Companies

Years Ended March 31, 2014 to 2015

(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 | 2014 | ¥1,429,886 | ¥104,030 | ¥80,881 | ¥1,798,798 | ¥820,684 | ¥298,000 |
| | | 2015 | 1,470,975 | 118,665 | 96,956 | 2,069,958 | 908,137 | 424,960 |
| Daiwa Living (100%) | ¥100 | 2014 | 63,475 | 10,672 | 6,653 | 71,377 | 22,700 | — |
| | | 2015 | 68,761 | 8,638 | 6,020 | 74,280 | 26,456 | — |
| Daiwa Living Management (100%) | ¥100 | 2014 | 269,459 | 763 | 1,989 | 48,652 | 11,602 | — |
| | | 2015 | 310,746 | 788 | 2,500 | 55,931 | 11,897 | — |
| Nihon Jyutaku Ryutu (100%) | ¥730 | 2014 | 28,941 | 1,386 | 524 | 15,095 | 4,076 | 200 |
| | | 2015 | 29,841 | 1,040 | 595 | 15,336 | 4,456 | 523 |
| Daiwa LifeNext*1 (100%) | ¥520 | 2014 | 38,517 | 2,909 | 1,751 | 18,039 | 10,767 | — |
| | | 2015 | 39,371 | 3,111 | 1,946 | 20,156 | 12,201 | — |
| Daiwa Service*1 (100%) | ¥130 | 2014 | 25,585 | 1,054 | 1,079 | 14,313 | 8,247 | — |
| | | 2015 | 26,433 | 959 | 9 | 14,950 | 7,751 | — |
| Daiwa House Reform (100%) | ¥30 ^{*2} | 2014 | 71,658 | 7,343 | 4,278 | 24,059 | 4,678 | — |
| | | 2015 | 75,180 | 6,805 | 4,456 | 23,417 | 7,774 | — |
| Daiwa Lease (100%) | ¥21,768 | 2014 | 162,695 | 10,308 | 6,111 | 334,597 | 122,184 | 34,500 |
| | | 2015 | 172,367 | 12,926 | 7,944 | 379,772 | 127,757 | 57,500 |
| Daiwa Information Service (100%) | ¥200 | 2014 | 43,766 | 4,303 | 2,353 | 100,149 | 12,872 | 4,760 |
| | | 2015 | 48,692 | 5,089 | 2,723 | 107,042 | 14,869 | — |
| Daiwa Royal (100%) | ¥500 | 2014 | 56,503 | 6,634 | 3,643 | 125,045 | 15,755 | 19,770 |
| | | 2015 | 61,196 | 7,521 | 4,102 | 132,841 | 18,736 | 19,270 |
| Fujita (100%) | ¥14,002 | 2014 | 264,522 | 3,710 | 2,501 | 164,014 | 21,967 | — |
| | | 2015 | 235,687 | 5,410 | 5,793 | 169,006 | 28,392 | 3,000 |
| DesignArc ^{*3} (100%) | ¥450 | 2014 | 50,555 | 1,756 | 1,328 | 41,781 | 22,930 | — |
| | | 2015 | 51,319 | 1,872 | 712 | 41,521 | 23,059 | — |
| Daiwa Logistics (100%) | ¥3,764 | 2014 | 51,115 | 2,000 | 1,266 | 47,894 | 19,313 | 7,490 |
| | | 2015 | 51,897 | 2,490 | 1,837 | 47,926 | 20,587 | 5,790 |
| Royal Home Center (100%) | ¥100 | 2014 | 73,527 | 1,488 | 480 | 56,853 | 34,746 | 10,000 |
| | | 2015 | 73,176 | 1,562 | (3,893) | 52,089 | 30,556 | 10,000 |
| Daiwa Resort (100%) | ¥10,084 | 2014 | 45,594 | 437 | 794 | 48,250 | 2,259 | — |
| | | 2015 | 43,991 | 44 | (388) | 45,408 | 1,231 | 950 |

*1 Daiwa Service and Daiwa LifeNext were merged with effect from April 2015. The combined company now trades under the name of Daiwa LifeNext.

*2 As a result of a capital increase, with effect from April 1, 2015, the capital of Daiwa House Reform is ¥100 million.

*3 With effect from October 2014, the corporate name of Daiwa Rakuda Industry was changed to DesignArc.

*4 Excluding lease obligations.

Management's Discussion and Analysis

Results 2015

Group outline

As of the fiscal 2014 year-end (March 31, 2015), the Daiwa House Group comprised Daiwa House Industry, 119 consolidated subsidiaries (a net increase of 14 from the previous fiscal year-end), 22 equity-method affiliates (a net increase of 2), 1 unconsolidated subsidiary (unchanged), and 2 affiliated companies not accounted for by the equity method (unchanged), for a total of 145 companies.

Summary of business operations

Looking back at the Japanese economy during fiscal 2014, despite continued sluggishness in some sectors such as consumer spending and housing construction – resulting from the consumption tax rate hike – improvement was seen in corporate earnings, and the economy as a whole followed a gradual recovery trend. This came against the background of an improved employment and earnings situation thanks to various government measures, as well as the weakening yen and lower crude oil prices.

In the housing and real estate sectors, as an interim measure to soften the impact of the consumption tax rate hike, in April 2014 the government expanded the scope of application of the reduction in income tax for new homeowners. Despite this and the implementation of a system of benefits for home buyers, the market was adversely impacted by the raising of the consumption tax rate, with new housing construction starts between April 2014 and February 2015 falling below the level for the corresponding period of the previous year. Amid this environment, in line with its Fourth Medium-Term Management Plan – named “3G & 3S for the Next Step” – of which fiscal 2015 was the final year, the Daiwa House Group focused its efforts mainly on accelerating growth in its core business operations in the domestic market. This included aggressive investments in the real estate development field.

In its overseas operations, the Group has been expanding its earnings sources in the United States. In May 2014 the Group commenced the rental housing “Berkeley Project” in Tarrant County, Texas in a joint initiative with leading US real estate firm Lincoln Property Company (LPC). This was followed in November by the start of the “Waters Edge Project” in Dallas,

Group companies



| | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|-----------|-----------|------------|------------|------------|
| Daiwa House Industry Co., Ltd. | 1 | 1 | 1 | 1 | 1 |
| Consolidated subsidiaries | 62 | 74 | 92 | 105 | 119 |
| Equity-method affiliates | 13 | 13 | 17 | 20 | 22 |
| Unconsolidated subsidiaries | 1 | 1 | 1 | 1 | 1 |
| Affiliated companies not accounted for by equity method | — | — | 2 | 2 | 2 |
| Total | 77 | 89 | 113 | 129 | 145 |

New housing starts



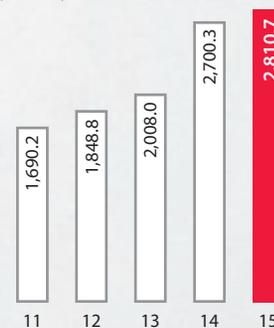
also with LPC. Then, in March 2015 the two subsidiaries Daiyoshi Trust and TOMO – both principally engaged in the operation of parking lots – were merged, and the combined company renamed Daiwa House Parking. This move was part of an overall strategy of business portfolio diversification. We believe that this closer integration of the Group’s management resources will strengthen our competitiveness in the parking business.

As a result of the foregoing, we recorded net sales for fiscal 2014 of ¥2,810.7 billion (US\$23,423 million), a year-on-year increase of 4.1%, operating income of ¥180.4 billion (US\$1,503 million), up 10.3% year on year, and net income of ¥117.1 billion (US\$976 million), up 14.7% year-on-year. All these figures were record highs.

Net sales

Net sales for the fiscal year rose 4.1% over the previous fiscal year, to ¥2,810.7 billion (US\$23,423 million). This was principally due to the sales increase contribution made by the rental housing operations of Daiwa House Industry and Daiwa Living, as well as the commercial facilities business of Daiwa House Industry.

Net sales
(¥ billion)



Cost-of-sales, and selling, general and administrative expenses ratios (%)



Summary of income statement

| | (Billions of Yen) | | |
|---|-------------------|---------|------------|
| | 2014 | 2015 | YoY change |
| Net sales | 2,700.3 | 2,810.7 | 110.4 |
| Cost of sales | 2,192.4 | 2,269.8 | 77.4 |
| Gross profit | 507.9 | 540.9 | 33.0 |
| Selling, general and administrative expenses | 344.3 | 360.5 | 16.2 |
| Operating income | 163.6 | 180.4 | 16.8 |
| Income before income taxes and minority interests | 168.5 | 201.1 | 32.6 |
| Net income | 102.1 | 117.1 | 15.0 |

Gross profit and gross profit margin



Cost of sales, and selling, general and administrative expenses

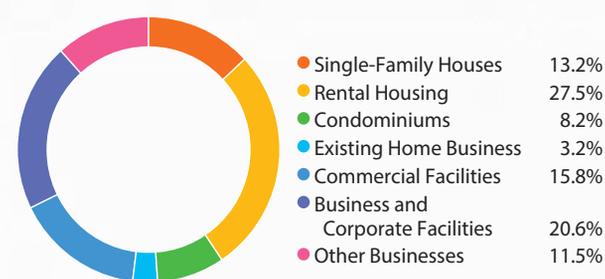
Cost of sales for the term under review increased by 3.5% from the previous fiscal year, to ¥2,269.8 billion (US\$18,915 million). The cost-of-sales ratio declined by 0.4 percentage points to 80.8%, and gross profit rose by 6.5% to ¥540.9 billion (US\$4,507 million). Selling, general and administrative (SG&A) expenses posted a year-on-year increase of 4.7%, to ¥360.5 billion (US\$3,004 million). This increase was principally due to higher payroll costs and the effect of new consolidated subsidiaries. The ratio of SG&A expenses to sales was unchanged from the previous year's level of 12.8%.

Operating income

Operating income for the fiscal year under review rose 10.3% year on year, to ¥180.4 billion (US\$1,503 million). Principal factors behind this performance included an ¥18.3 billion increase in net sales, and a ¥10.7 billion contribution from an improvement in the cost rate. In a breakdown by segment, operating income increased by ¥5.3 billion for the rental housing business, ¥6.5 billion for the commercial facilities business, and ¥11.5 billion for the business and corporate facilities business. As a result, the operating income margin rose by 0.3 of a percentage point, to 6.4%.

Net sales by segment

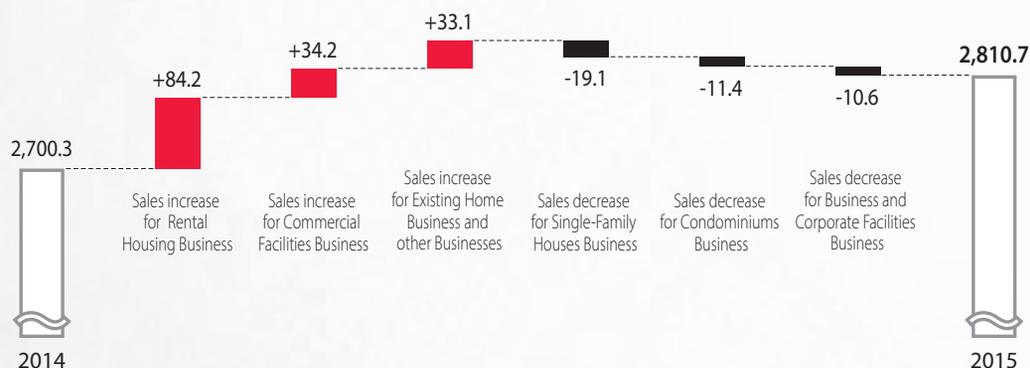
| | (Billions of Yen) | | |
|-----------------------------------|-------------------|---------|------------|
| | 2014 | 2015 | YoY change |
| Net sales | 2,700.3 | 2,810.7 | 110.4 |
| Single-Family Houses | 394.5 | 375.3 | (19.1) |
| Rental Housing | 688.8 | 773.0 | 84.2 |
| Condominiums | 242.8 | 231.3 | (11.4) |
| Existing Home Business | 86.7 | 91.7 | 5.0 |
| Commercial Facilities | 422.0 | 456.2 | 34.2 |
| Business and Corporate Facilities | 592.2 | 581.6 | (10.6) |
| Other Businesses | 393.9 | 426.5 | 32.6 |
| (Adjustments) | (120.6) | (124.9) | (4.3) |



Notes: The percentage figures for breakdown of net sales by segment are sales to external customers.

Changes in net sales

(¥ billion)

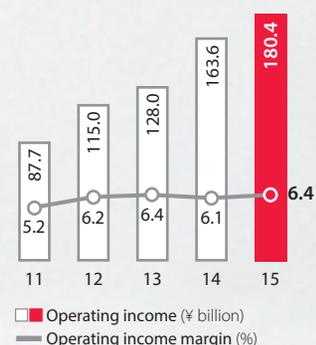


Income before income taxes and minority interests

Net other income increased by ¥15.8 billion over the previous year, to ¥20.7 billion (US\$173 million). The main factor behind this increase was the posting of ¥21.0 billion as gain on amortization of actuarial gain for employee's retirement benefits, as a result of the recognition of profits on investment of pension funds under the corporate pension system.

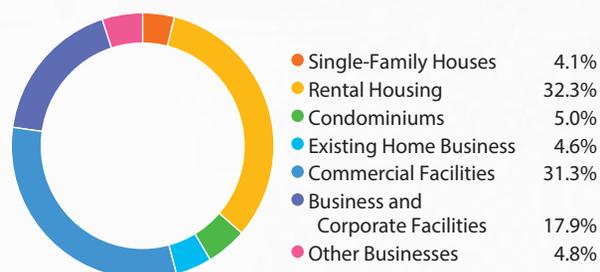
As a result, income before income taxes and minority interests posted a year-on-year increase of 19.3%, to ¥201.1 billion (US\$1,676 million).

Operating income and operating income margin



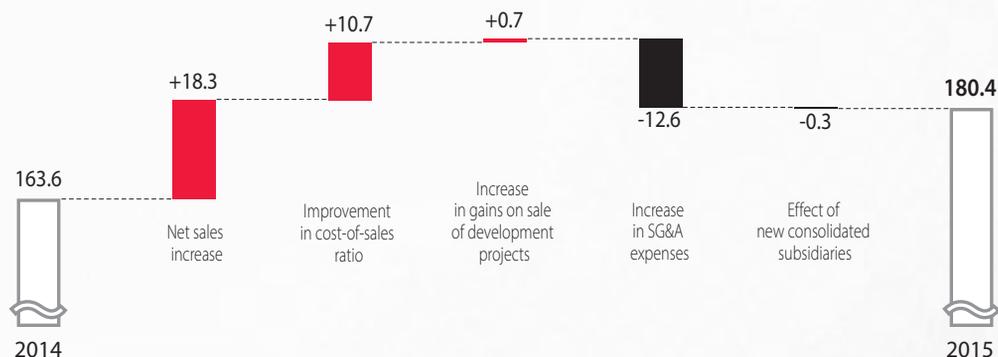
Operating income by segment

| | (Billions of Yen) | | |
|-----------------------------------|-------------------|--------------|-------------|
| | 2014 | 2015 | YoY change |
| Operating income | 163.6 | 180.4 | 16.8 |
| Single-Family Houses | 13.4 | 8.8 | (4.5) |
| Rental Housing | 64.3 | 69.6 | 5.3 |
| Condominiums | 10.7 | 10.8 | 0.1 |
| Existing Home Business | 9.3 | 10.0 | 0.7 |
| Commercial Facilities | 60.8 | 67.3 | 6.5 |
| Business and Corporate Facilities | 26.9 | 38.4 | 11.5 |
| Other Businesses | 14.1 | 10.3 | (3.8) |
| (Adjustments) | (35.9) | (34.9) | 1.0 |



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 14.7% over the previous fiscal year, to ¥117.1 billion (US\$976 million), while the ratio of net income to sales rose 0.4 of a percentage point, to 4.2%. Net income per share rose 10.3% to ¥177.74 (US\$1.48).

Assets

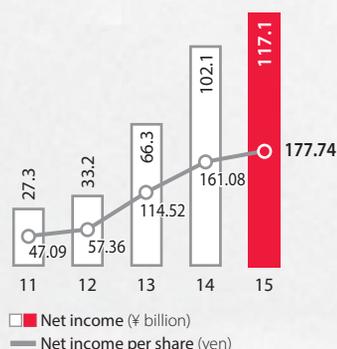
Total assets at the end of the fiscal year under review amounted to ¥3,021.0 billion (US\$25,175 million), for an increase of 13.3% over the previous fiscal year-end. The principal factors behind this were an increase of ¥143.1 billion in inventories resulting from the purchase of real estate for sale, an increase of ¥126.2 billion in property, plant and equipment resulting from the acquisition of real estate for investment purposes, and an increase of ¥53.9 billion in investment securities resulting from an across-the-board rise in market prices, among other factors.

Current assets at the fiscal year-end amounted to ¥1,270.2 billion (US\$10,585 million), up 18.1% year on year, while net property, plant and equipment and total investments and other assets rose 10.1% to ¥1,750.8 billion (US\$14,590 million).

Liabilities

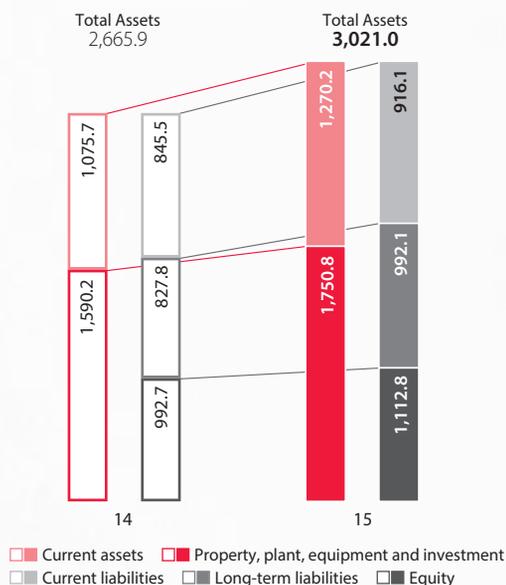
Total liabilities at the end of the fiscal year under review amounted to ¥1,908.2 billion (US\$15,902 million), for an increase of 14.0% over the previous fiscal year-end. Principal factors behind this included an increase in loans payable as well as fund-raising through the issuance of commercial paper. Current liabilities also increased, by 8.4% to ¥916.1 billion (US\$7,634 million), while long-term liabilities decreased by 19.8% to ¥992.1 billion (US\$8,267 million). As a result of the redemption of corporate bonds and procurement of funds (financing) for the purpose of investment in real estate, total interest-bearing debt (excluding lease obligations) rose 43.2% year on year, to ¥563.5 billion. The D/E ratio rose 0.11 of a percentage point, to 0.51 times, while the net D/E ratio also rose 0.11 of a point, to 0.29 times.

Net income and net income per share



Summary of consolidated balance sheets (2014/2015)

(¥ billion)



Inventories

| | (Billions of Yen) | | |
|--|-------------------|--------------|--------------|
| | 2014 | 2015 | YoY change |
| Real estate for sale | 35.2 | 60.3 | 25.1 |
| Construction projects in progress | 23.8 | 31.8 | 8.0 |
| Real estate for sale in process | 56.8 | 86.6 | 29.8 |
| Land held: | | | |
| For resale | 287.1 | 363.6 | 76.4 |
| Under development | 31.7 | 35.0 | 3.3 |
| Undeveloped | 0.6 | 0.6 | 0.0 |
| Merchandise, construction materials and others | 20.3 | 20.8 | 0.5 |
| Total | 455.6 | 598.7 | 143.1 |

Property, plant and equipment

| | (Billions of Yen) | | |
|--------------------------------|-------------------|----------------|--------------|
| | 2014 | 2015 | YoY change |
| Land | 485.8 | 566.1 | 80.3 |
| Buildings and structures — net | 384.5 | 417.6 | 33.2 |
| Other — net | 73.6 | 86.3 | 12.7 |
| Total | 943.9 | 1,070.1 | 126.2 |

Interest-bearing debt

| | (Billions of Yen) | | |
|------------------------------------|-------------------|--------------|--------------|
| | 2014 | 2015 | YoY change |
| Short-term bank loans | 22.3 | 70.9 | 48.6 |
| Current portion of bonds | 100.1 | 0.1 | (100.0) |
| Current portion of long-term debt | 60.4 | 34.8 | (25.6) |
| Commercial papers | — | 72.0 | 72.0 |
| Bonds | 30.6 | 110.6 | 80.0 |
| Long-term debt | 180.2 | 275.1 | 95.0 |
| Total interest-bearing debt | 393.6 | 563.5 | 170.0 |
| Debt/Equity ratio | 0.40 | 0.51 | 0.11 |
| Net Debt/Equity ratio | 0.18 | 0.29 | 0.11 |

Equity

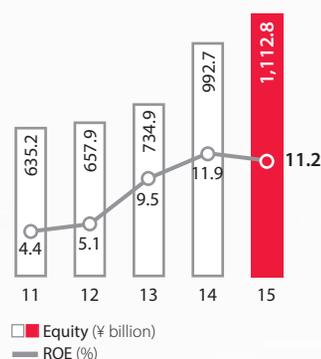
Equity at the end of the fiscal year under review rose 12.1% over the previous fiscal year-end, to ¥1,112.8 billion (US\$9,273 million). This was due to the posting of net income in the amount of ¥117.1 billion (US\$976 million), in addition to an increase in valuation difference on available-for-sale securities. As a result, the equity ratio at the fiscal year-end was 36.6%, for a decrease of 0.4 percentage points from the previous fiscal year-end. The return on equity (ROE) declined by 0.7 of a percentage point, to 11.2%.

Capital investments

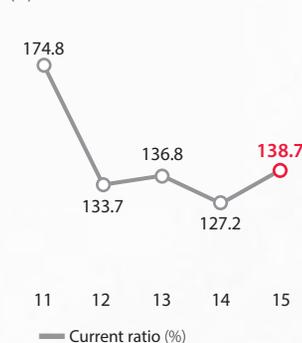
Capital investments in the fiscal year under review rose 26.5%, to ¥274.9 billion. In a breakdown by business segment, capital investment came to ¥5.0 billion for the single-family houses segment, ¥33.2 billion for the rental housing segment, ¥4.5 billion for the condominium segment, ¥0.1 billion for the existing home business segment, ¥46.8 billion for the commercial facilities segment, ¥121.7 billion for the business and corporate facilities segment, and ¥42.1 billion for the other businesses segment.

In fiscal 2015, we plan to make capital investments in the amount of ¥200 billion. By business segment, capital investments are planned in the amounts of ¥4.0 billion for the single-family houses segment, ¥30.0 billion for the rental housing segment, ¥5.5 billion for the condominium segment, ¥0.5 billion for the existing home business segment, ¥45.0 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.

Equity and ROE



Current ratio



Capital investments



Cash flows

Cash and cash equivalents at the end of the fiscal year under review amounted to ¥234.5 billion (US\$1,955 million), for a year-on-year increase of 18.0%.

Net cash provided by operating activities increased by 77.8% year on year, to ¥139.5 billion (US\$1,162 million). This was principally due to the posting of income before income taxes and minority interests in the amount of ¥201.1 billion, as well as an increase in trade payables such as accounts payable on construction work, and an increase in the amount received on construction in process.

Net cash used in investing activities amounted to ¥235.0 billion (US\$1,959 million), compared with ¥240.4 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, principally for rental, as well as additional investments in real estate developments projects.

Net cash provided by financing activities increased by 17.3% year on year, to ¥129.2 billion (US\$1,077 million). This was mainly the result of cash raised through borrowing and the issuance of commercial paper.

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 ¥95.6 billion (US\$796 million).

Basic principles of capital policy

The Daiwa House Group believes that continuous growth is necessary to enhance shareholder value over the medium-to-long term, and we consequently follow a basic policy of maintaining shareholders' equity at a level that allows us to

make growth investments and tolerate an acceptable amount of risk. Regarding ROE as one of the most important management indicators, we publicly announce our target ROE value, and, while aiming to make effective use of shareholders' equity, in order also to secure a solid financial base that will allow us to reliably and steadily raise the funds required for investment in growth, we disclose our target values for the D/E ratio and other such indicators of financial soundness, and work to create an optimal capital formation.

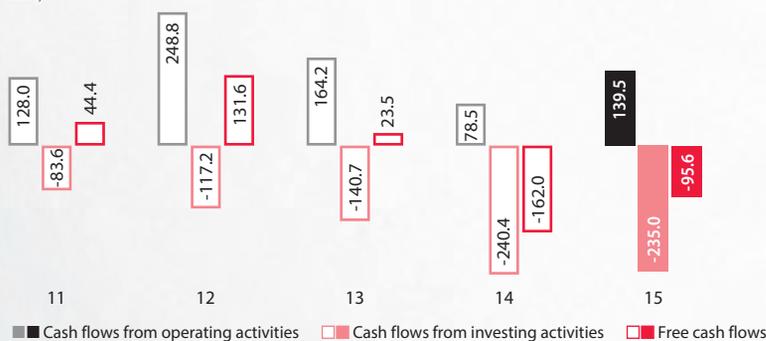
Basic policies regarding profit distribution

The Group aims simultaneously to return profits acquired through its business operations to its shareholders, and to make investments in growth in the areas of real estate development, overseas business expansion, M&A, research and development, and production capacity so as to maximize the Group's enterprise value over the medium-to-long term. Our basic policy on profit distribution is to increase shareholder value by bolstering earnings per share.

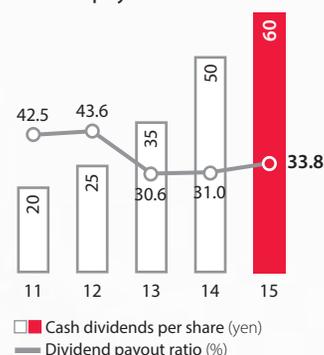
We have set a dividend payout ratio target of 30% or more of net income on a consolidated accounts basis, and endeavor to maintain stable dividend payments as part of our policy of linking profit appropriation with business performance. We undertake acquisition of own shares as deemed appropriate, depending on market conditions and taking capital efficiency and other factors into account.

In line with the above-described policy, we decided to pay a year-end dividend of ¥35 per share for the fiscal year ended March 2015. Combined with the semiannual dividend of ¥25 per share, this gives a total annual dividend of ¥60 per share (US\$0.50). The total dividend value will be ¥39.5 billion.

Free cash flows
(¥ billion)



Cash dividends per share and dividend payout ratio



Outlook 2016

Management policy and outlook for fiscal 2015

The Japanese economy appears likely to follow a gradual virtuous cycle leading to recovery, against the backdrop of declining costs – particularly for the manufacturing sector – thanks to weak crude oil prices, as well as a solid private-sector demand due to a positive turnaround in employment and income figures. On the negative side, there is a risk that the downward movement of overseas economies may cast an influence over the domestic economy.

In the housing and real estate sectors, there are hopes of a recovery in housing construction starts thanks to the fact that the raising of the consumption tax rate to 10% – originally planned for October 2015 – has been put off to April 2017, as well as government market-stimulation measures such as the extension of the bonus points system for energy-saving homes and the exemption of gifts from taxation. However, due to the uncertainty of a number of factors, including the direction in which mortgage rates are trending, it remains impossible to forecast developments in the near future with any confidence.

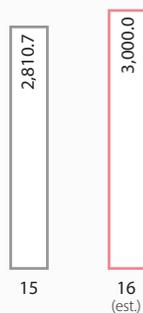
Amid this economic environment, as part of its growth strategy under the current Fourth Medium-Term Management Plan, the Daiwa House Group is working to bolster its earnings from its core businesses – single-family houses, rental housing, condominiums, the existing home business, commercial facilities, and business and corporate facilities – by strengthening

and expanding the scope of its business cycle (value chain) encompassing the development, construction, and sale and management of real estate properties, and by reinforcing its lineup of products and services that meet society's growing needs in the area of caring for the elderly, improved safety, and protection of the natural environment. In the peripheral businesses that we have set up to diversify our portfolio, such as leisure facilities and environment-friendly energy, we aim to expand our operations by leveraging stronger collaboration with the Group's core businesses.

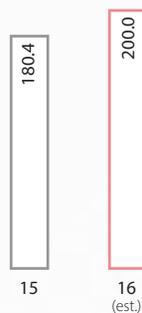
In our overseas operations, we are stepping up our activities in emerging countries, notably in ASEAN, while at the same time pushing ahead with further real estate development projects in the United States and elsewhere. In accordance with this operational policy, we aim to steadily realize the Group's growth strategy goals under its Fourth Medium-Term Management Plan, which is now in its final year. We plan to achieve growth by making optimal use of our wide and diverse range of earnings drivers while keeping a close watch on the ever-changing markets involved.

Through these activities, for fiscal 2015 we hope to register net sales of ¥3,000.0 billion, operating income of ¥200.0 billion. We expect to register net income returned to parent company in the amount of ¥125.0 billion.

Net sales
(¥ billion)



Operating income
(¥ billion)



Net income returned to parent company
(¥ billion)



Financial Statements

Consolidated Balance Sheet

Daiwa House Industry Co., Ltd. and its Consolidated Subsidiaries
March 31, 2015

| Assets | Millions of Yen | | Thousands of U.S. Dollars ¹ |
|---|-------------------|-------------------|--|
| | 2015 | 2014 | 2015 |
| Current assets: | | | |
| ⁸ ¹⁸ Cash and cash equivalents | ¥ 234,544 | ¥ 198,734 | \$ 1,954,533 |
| ³ ¹⁸ Marketable securities | 16 | 18 | 134 |
| ¹⁷ ¹⁸ Lease receivables and investment assets | 25,969 | 23,726 | 216,408 |
| ¹⁸ Short-term investments | 4,232 | 13,380 | 35,267 |
| ⁸ ¹⁸ Receivables: | | | |
| Trade notes | 15,856 | 11,564 | 132,133 |
| Trade accounts | 227,992 | 215,472 | 1,899,933 |
| Unconsolidated subsidiaries and associated companies | 198 | 241 | 1,650 |
| Allowance for doubtful receivables | (3,348) | (3,383) | (27,900) |
| ⁴ ⁸ Inventories | 598,691 | 455,579 | 4,989,092 |
| ¹⁴ Deferred tax assets | 32,837 | 32,743 | 273,642 |
| ⁸ Prepaid expenses and other current assets | 133,261 | 127,658 | 1,110,508 |
| Total current assets | 1,270,248 | 1,075,732 | 10,585,400 |
| Property, plant and equipment: | | | |
| ⁵ ⁶ ⁸ Land | 566,140 | 485,813 | 4,717,834 |
| ⁶ ⁸ Buildings and structures | 782,817 | 728,101 | 6,523,475 |
| ⁶ ⁸ Machinery and equipment | 105,241 | 99,742 | 877,008 |
| ⁶ Furniture and fixtures | 51,041 | 46,205 | 425,342 |
| ⁶ ¹⁷ Lease assets | 20,137 | 19,568 | 167,808 |
| Construction in progress | 22,884 | 18,010 | 190,700 |
| Total | 1,548,260 | 1,397,439 | 12,902,167 |
| Accumulated depreciation | (478,139) | (453,552) | (3,984,492) |
| Net property, plant and equipment | 1,070,121 | 943,887 | 8,917,675 |
| Investments and other assets: | | | |
| ³ ¹⁸ Investment securities | 228,932 | 182,247 | 1,907,766 |
| ¹⁸ Investments in unconsolidated subsidiaries and associated companies | 82,083 | 69,507 | 684,025 |
| Advances to unconsolidated subsidiaries and associated companies | 299 | 266 | 2,492 |
| Long-term loans receivable | 13,803 | 13,449 | 115,025 |
| ¹⁸ Lease deposits | 199,563 | 198,995 | 1,663,025 |
| ¹⁴ Deferred tax assets | 52,744 | 84,785 | 439,533 |
| Goodwill | 48,137 | 49,911 | 401,142 |
| ⁶ Other assets | 58,507 | 51,008 | 487,558 |
| Allowance for doubtful accounts | (3,430) | (3,840) | (28,583) |
| Total investments and other assets | 680,638 | 646,328 | 5,671,983 |
| Total | ¥3,021,007 | ¥2,665,947 | \$25,175,058 |

See notes to consolidated financial statements.

| Liabilities and equity | | Millions of Yen | | Thousands of U.S. Dollars ¹ |
|-------------------------------|---|-------------------|-------------------|--|
| | | 2015 | 2014 | 2015 |
| Current liabilities: | | | | |
| 8 18 | Short-term bank loans | ¥ 70,893 | ¥ 22,303 | \$ 590,775 |
| 8 18 | Commercial paper | 72,000 | | 600,000 |
| 8 17 18 | Current portion of long-term debt | 37,887 | 163,454 | 315,725 |
| 18 | Payables: | | | |
| | Trade notes | 99,786 | 82,905 | 831,550 |
| | Trade accounts | 205,844 | 190,070 | 1,715,366 |
| | Unconsolidated subsidiaries and associated companies | 3,632 | 1,801 | 30,267 |
| | Other accounts | 137,490 | 100,896 | 1,145,750 |
| | Deposits received from customers | 90,488 | 70,238 | 754,067 |
| 18 | Income taxes payable | 27,416 | 46,797 | 228,467 |
| | Accrued bonuses | 39,249 | 36,525 | 327,075 |
| | Provision for product warranties | 6,819 | 7,420 | 56,825 |
| 10 | Asset retirement obligations | 1,617 | 1,582 | 13,475 |
| | Advances received | 39,733 | 39,934 | 331,108 |
| | Accrued expenses and other current liabilities | 83,250 | 81,549 | 693,750 |
| | Total current liabilities | 916,104 | 845,474 | 7,634,200 |
| Long-term liabilities: | | | | |
| 8 17 18 | Long-term debt | 413,140 | 236,811 | 3,442,833 |
| 9 | Liability for employees' retirement benefits | 179,471 | 204,802 | 1,495,592 |
| 5 | Deferred tax liabilities on land revaluation | 21,329 | 23,910 | 177,742 |
| | Long-term deposits received from the Company's club members | 32,833 | 34,174 | 273,608 |
| 18 | Lease deposits received | 241,355 | 241,897 | 2,011,291 |
| 10 | Asset retirement obligations | 29,435 | 27,415 | 245,292 |
| | Other long-term liabilities | 74,523 | 58,777 | 621,025 |
| | Total long-term liabilities | 992,086 | 827,786 | 8,267,383 |
| 17 19 20 | Commitments and contingent liabilities | | | |
| 11 | Equity: | | | |
| | Common stock — authorized, 1,900,000,000 shares; issued, 660,421,851 shares in both 2015 and 2014 | 161,699 | 161,699 | 1,347,492 |
| | Capital surplus | 294,632 | 294,632 | 2,455,266 |
| | Stock acquisition rights | 39 | 39 | 325 |
| 22 | Retained earnings | 534,640 | 465,720 | 4,455,333 |
| | Treasury stock — at cost, 1,619,741 shares in 2015 and 1,300,280 shares in 2014 | (1,966) | (1,256) | (16,383) |
| | Accumulated other comprehensive income: | | | |
| | Unrealized gain on available-for-sale securities | 84,678 | 50,498 | 705,650 |
| | Deferred gain on derivatives under hedge accounting | 84 | 10 | 700 |
| 5 | Land revaluation difference | (457) | (5,242) | (3,808) |
| | Foreign currency translation adjustments | 32,318 | 20,457 | 269,317 |
| | Total | 1,105,667 | 986,557 | 9,213,892 |
| | Minority interests | 7,150 | 6,130 | 59,583 |
| | Total equity | 1,112,817 | 992,687 | 9,273,475 |
| | Total | ¥3,021,007 | ¥2,665,947 | \$25,175,058 |

Consolidated Statement of Income

Daiwa House Industry Co., Ltd. and its Consolidated Subsidiaries
Year Ended March 31, 2015

| | Millions of Yen | | | Thousands of U.S. Dollars ¹ |
|--|------------------|------------------|-----------------|--|
| | 2015 | 2014 | 2013 | 2015 |
| Net sales | ¥2,810,715 | ¥2,700,318 | ¥2,007,989 | \$23,422,625 |
| Cost of sales | 2,269,847 | 2,192,415 | 1,592,218 | 18,915,392 |
| Gross profit | 540,868 | 507,903 | 415,771 | 4,507,233 |
| ¹⁵ Selling, general and administrative expenses | 360,516 | 344,326 | 287,747 | 3,004,300 |
| Operating income | 180,352 | 163,577 | 128,024 | 1,502,933 |
| Other income (expenses): | | | | |
| Interest income and dividends | 6,576 | 6,358 | 5,042 | 54,800 |
| Interest expense | (5,129) | (4,620) | (5,278) | (42,742) |
| ³ Write-down of investment securities | (921) | (1,801) | (7,113) | (7,675) |
| Loss on sales and disposal of property, plant and equipment | (524) | (616) | (1,377) | (4,366) |
| ⁹ Gain on revision of employees' retirement benefit plan | 9,394 | | 31,332 | 78,283 |
| ⁹ Amortization of actuarial gain for employees' retirement benefits | 21,047 | 14,221 | 16,281 | 175,392 |
| ⁹ Actuarial loss due to a change of discount rate | | | (45,228) | |
| ⁶ Impairment loss on property, plant and equipment | (11,183) | (5,611) | (10,727) | (93,191) |
| ¹³ Other — net | 1,479 | (2,998) | 2,307 | 12,324 |
| Other income (expenses) — net | 20,739 | 4,933 | (14,761) | 172,825 |
| Income before income taxes and minority interests | 201,091 | 168,510 | 113,263 | 1,675,758 |
| ¹⁴ Income taxes: | | | | |
| Current | 58,451 | 68,235 | 47,595 | 487,092 |
| Deferred | 25,101 | (2,234) | (503) | 209,175 |
| Total income taxes | 83,552 | 66,001 | 47,092 | 696,267 |
| Net income before minority interests | 117,539 | 102,509 | 66,171 | 979,491 |
| Minority interests in net loss (income) of subsidiaries | (406) | (413) | 103 | (3,383) |
| Net income | ¥ 117,133 | ¥ 102,096 | ¥ 66,274 | \$ 976,108 |

| | Yen | | | U.S. Dollars ¹ |
|--|---------|---------|---------|---------------------------|
| | 2015 | 2014 | 2013 | 2015 |
| ² Per share of common stock: | | | | |
| Basic net income | ¥177.74 | ¥161.08 | ¥114.52 | \$1.48 |
| Cash dividends applicable to the year | 60.00 | 50.00 | 35.00 | 0.50 |

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Daiwa House Industry Co., Ltd. and its Consolidated Subsidiaries
Year Ended March 31, 2015

| | Millions of Yen | | | Thousands of U.S. Dollars ¹ |
|---|-----------------|-----------------|----------------|--|
| | 2015 | 2014 | 2013 | 2015 |
| Net income before minority interests | ¥117,539 | ¥102,509 | ¥66,171 | \$ 979,491 |
| 21 Other comprehensive income: | | | | |
| Unrealized gain on available-for-sale securities | 33,820 | 26,106 | 16,633 | 281,833 |
| Deferred gain on derivatives under hedge accounting | 74 | 10 | | 617 |
| Land revaluation difference | 2,222 | | | 18,517 |
| Foreign currency translation adjustments | 5,551 | 9,776 | 3,797 | 46,258 |
| Share of other comprehensive income in associated companies | 6,730 | 10,200 | 4,329 | 56,083 |
| Total other comprehensive income | 48,397 | 46,092 | 24,759 | 403,308 |
| Comprehensive income | ¥165,936 | ¥148,601 | ¥90,930 | \$ 1,382,799 |
| Total comprehensive income attributable to: | | | | |
| Owners of the parent | ¥165,493 | ¥148,202 | ¥91,035 | \$ 1,379,108 |
| Minority interests | 443 | 399 | (105) | 3,691 |

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, 2015

| | 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 | | | | 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, 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) | | (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 | | 27,577 | 8,002 | 52,339 | 480 | 52,819 |
| 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, ¥55.0 per share | | | | | (33,436) | | | | | | (33,436) | | (33,436) |
| Transfer due to sales and impairment of land | | | | | (7,919) | | | | | | (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 | 7,919 | 19,925 | 54,064 | 4,870 | 58,934 |
| Balance, March 31, 2014 (April 1, 2014, as previously reported) | 659,122 | 161,699 | 294,632 | 39 | 465,720 | (1,256) | 50,498 | 10 | (5,242) | 20,457 | 986,557 | 6,130 | 992,687 |
| Cumulative effects of accounting change | | | | | (9,429) | | | | | | (9,429) | (0) | (9,429) |
| Balance April 1, 2014 (as restated) | 659,122 | 161,699 | 294,632 | 39 | 456,291 | (1,256) | 50,498 | 10 | (5,242) | 20,457 | 977,128 | 6,130 | 983,258 |
| Net income | | | | | 117,133 | | | | | | 117,133 | | 117,133 |
| Cash dividends, ¥55.0 per share | | | | | (36,251) | | | | | | (36,251) | | (36,251) |
| Change in scope of consolidation | | | | | 8 | | | | | | 8 | | 8 |
| Transfer due to sales and impairment of land | | | | | (2,541) | | | | | | (2,541) | | (2,541) |
| Purchase of treasury stock | (320) | | | | | (710) | | | | | (710) | | (710) |
| Disposal of treasury stock | 0 | | 0 | | | 0 | | | | | 0 | | 0 |
| Net change in the year | | | | | | | 34,180 | 74 | 4,785 | 11,861 | 50,900 | 1,020 | 51,920 |
| Balance, March 31, 2015 | 658,802 | ¥161,699 | ¥294,632 | ¥39 | ¥534,640 | ¥ (1,966) | ¥84,678 | ¥84 | ¥ (457) | ¥32,318 | ¥1,105,667 | ¥7,150 | ¥1,112,817 |

| | Thousands of U.S. Dollars ¹ | | | | | | | | | | | |
|--|--|-----------------|--------------------------|-------------------|----------------|--|---|-----------------------------|--|-------------|--------------------|--------------|
| | 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, March 31, 2014 (April 1, 2014, as previously reported) | \$1,347,492 | \$2,455,266 | \$325 | \$3,881,000 | \$(10,467) | \$420,817 | \$83 | \$(43,683) | \$170,475 | \$8,221,308 | \$51,083 | \$8,272,391 |
| Cumulative effects of accounting change | | | | (78,575) | | | | | | (78,575) | (0) | (78,575) |
| Balance April 1, 2014 (as restated) | 1,347,492 | 2,455,266 | 325 | 3,802,425 | (10,467) | 420,817 | 83 | (43,683) | 170,475 | 8,142,733 | 51,083 | 8,193,816 |
| Net income | | | | 976,108 | | | | | | 976,108 | | 976,108 |
| Cash dividends, \$0.46 per share | | | | (302,092) | | | | | | (302,092) | | (302,092) |
| Change in scope of consolidation | | | | 67 | | | | | | 67 | | 67 |
| Transfer due to sales and impairment of land | | | | (21,175) | | | | | | (21,175) | | (21,175) |
| Purchase of treasury stock | | | | | (5,916) | | | | | (5,916) | | (5,916) |
| Disposal of treasury stock | | | 0 | | 0 | | | | | 0 | | 0 |
| Net change in the year | | | | | | 284,833 | 617 | 39,875 | 98,842 | 424,167 | 8,500 | 432,667 |
| Balance, March 31, 2015 | \$1,347,492 | \$2,455,266 | \$325 | \$4,455,333 | \$(16,383) | \$705,650 | \$700 | \$(3,808) | \$269,317 | \$9,213,892 | \$59,583 | \$9,273,475 |

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Daiwa House Industry Co., Ltd. and its Consolidated Subsidiaries
Year Ended March 31, 2015

| | Millions of Yen | | | Thousands of U.S. Dollars ¹ |
|--|-----------------|-----------|-----------|--|
| | 2015 | 2014 | 2013 | 2015 |
| Operating activities: | | | | |
| Income before income taxes and minority interests | ¥ 201,091 | ¥168,510 | ¥113,263 | \$ 1,675,758 |
| Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities: | | | | |
| Income taxes — paid | (77,185) | (55,177) | (40,848) | (643,208) |
| Depreciation | 53,284 | 48,534 | 45,837 | 444,033 |
| Write-down of investment securities | 921 | 1,801 | 7,113 | 7,675 |
| Loss on sales and disposal of property, plant and equipment | 524 | 616 | 1,377 | 4,366 |
| Impairment loss on property, plant and equipment | 11,183 | 5,611 | 10,727 | 93,191 |
| Equity in earnings of associated companies | (12) | (1,453) | (501) | (100) |
| Changes in certain assets and liabilities, net of consolidation: | | | | |
| Increase in receivables | (16,194) | (36,675) | (21,233) | (134,950) |
| Increase in inventories | (80,287) | (36,436) | (17,735) | (669,058) |
| Increase (decrease) in payables — trade | 39,103 | (50,945) | 43,086 | 325,859 |
| Increase in deposits received from customers | 19,947 | 9,470 | 7,395 | 166,225 |
| Increase (decrease) in advances received | (411) | (700) | 7,064 | (3,425) |
| Increase (decrease) in liability for employees' retirement benefits | (39,766) | (5,540) | 3,855 | (331,383) |
| Other — net | 27,267 | 30,836 | 4,847 | 227,225 |
| Total adjustments | (61,626) | (90,058) | 50,984 | (513,550) |
| Net cash provided by operating activities | 139,465 | 78,452 | 164,247 | 1,162,208 |
| Investing activities: | | | | |
| Purchases of property, plant and equipment | (232,212) | (217,296) | (109,157) | (1,935,100) |
| Purchases of investment securities | (9,134) | (8,147) | (20,677) | (76,117) |
| Increase in investments in and advances to unconsolidated subsidiaries and associated companies | (7,519) | (3,083) | (8,410) | (62,658) |
| Decrease in investments in and advances to unconsolidated subsidiaries and associated companies | 1,645 | 567 | | 13,708 |
| Proceeds from sales and redemption of investment securities | 11,240 | 2,675 | 11,583 | 93,667 |
| Proceeds from sales of property, plant and equipment | 2,605 | 4,203 | 521 | 21,708 |
| Purchases of investments in subsidiaries | (138) | (171) | (548) | (1,150) |
| ¹⁶ Payments for purchases of shares of newly consolidated subsidiaries | (1,207) | (7,120) | (10,101) | (10,058) |
| Decrease in lease deposits | (6,546) | (4,513) | (485) | (54,550) |
| ¹⁶ Payments for acquisition of business | (406) | | (1,096) | (3,383) |
| Other — net | 6,645 | (7,554) | (2,367) | 55,375 |
| Net cash used in investing activities | (235,027) | (240,439) | (140,737) | (1,958,558) |

(Continued)

| | Millions of Yen | | | Thousands of U.S. Dollars ¹ |
|--|-----------------|----------|-----------|--|
| | 2015 | 2014 | 2013 | 2015 |
| Financing activities: | | | | |
| Net increase in short-term bank loans | ¥ 48,670 | ¥ 13,541 | ¥ 4,810 | \$ 405,583 |
| Net increase in commercial paper | 72,000 | | | 600,000 |
| Proceeds from long-term debt (Loans from banks) | 134,083 | 40,569 | 105,465 | 1,117,359 |
| Repayments of long-term debt (Loans from banks) | (66,234) | (45,444) | (150,041) | (551,950) |
| Proceeds from issuance of bonds | 80,000 | | 30,000 | 666,667 |
| Redemption of bonds | (100,135) | (363) | (1,353) | (834,458) |
| Repayments of finance lease obligations | (3,137) | (2,842) | (2,442) | (26,142) |
| Proceeds from issuance of common stock of a subsidiary to minority shareholders | 258 | 36 | 403 | 2,150 |
| Purchase of treasury stock | (52) | (105) | (56) | (433) |
| Proceeds from disposal of treasury stock | 1 | 34,347 | 1 | 8 |
| Dividends paid to shareholders | (36,251) | (33,436) | (14,468) | (302,092) |
| Remittance to trust of receivables collected | | (96) | (953) | |
| Proceeds from issuance of common stock | | 103,886 | | |
| Proceeds from issuance of stock acquisition rights | | 39 | | |
| Net cash provided by (used in) financing activities | 129,203 | 110,132 | (28,634) | 1,076,692 |
| Foreign currency translation adjustments on cash and cash equivalents | 2,137 | 5,551 | 1,449 | 17,808 |
| Net increase (decrease) in cash and cash equivalents | 35,778 | (46,304) | (3,675) | 298,150 |
| Cash and cash equivalents of newly consolidated subsidiaries, beginning of year | 32 | | | 267 |
| Cash and cash equivalents, beginning of year | 198,734 | 245,038 | 248,713 | 1,656,116 |
| Cash and cash equivalents, end of year | ¥234,544 | ¥198,734 | ¥245,038 | \$1,954,533 |

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, 2015

① Basis of presentation of consolidated financial statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations 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.

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 2014 and 2013 consolidated financial statements to conform to the classifications used in 2015.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Daiwa House Industry Co., Ltd. (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 ¥120 to \$1, the approximate rate of exchange at March 31, 2015. 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, 2015 include the accounts of the parent company and its 119 significant (105 in 2014 and 92 in 2013) 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 22 (20 in 2014 and 17 in 2013) 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, 2015, 17 subsidiaries were included in the consolidation as a result of new formation or acquisition and three subsidiaries were excluded from the consolidation as a result of liquidation or merger.

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

During the year ended March 31, 2013, Fujita Corporation and 21 subsidiaries were included in the consolidation as a result of new formation or acquisition and two subsidiaries were 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

In May 2006, 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

In March 2008, 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. Business combinations

In October 2003, the Business Accounting Council issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures." The

accounting standard for business combinations allowed companies to apply the pooling-of-interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling-of-interests method of accounting is no longer allowed. (2) The previous accounting standard required research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development costs (IPR&D) acquired in the business combination are capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. The revised standard was applicable to business combinations undertaken on or after April 1, 2010.

e. 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.

f. 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 (\$342 thousand), ¥35 million (\$292 thousand) and ¥11 million (\$92 thousand), respectively as of March 31, 2015. Stocks of consolidated subsidiaries used as collateral amounted to ¥373 million (\$3,108 thousand) as of March 31, 2015, which have been eliminated in the consolidated financial statements. The amounts of investment securities loaned under securities lending agreements were ¥18,086 million (\$150,717 thousand) as of March 31, 2015. Investment securities deposited in accordance with the Act on Assurance of Performance of Specified Housing Defect Warranty were ¥3,969 million (\$33,075 thousand) as of March 31, 2015.

g. 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 ¥2,347 million (\$19,558 thousand) and ¥2,776 million as of March 31, 2015 and 2014, respectively.

h. 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.

i. 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.

j. 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.

k. 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.

I. Accounting standard for retirement benefits

The parent company and certain of its subsidiaries have contributory funded defined benefit plans, unfunded retirement benefit plans and defined contribution plans. 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 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 are 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, all 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, and for (c) above, effective April 1, 2014.

With respect to (c) above, the Company changed the method of attributing the expect benefit to periods from a straight-line basis to a benefit formula basis, the method of determining the discount rate from using the period which approximates the expected average remaining service period to using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment and the method of estimating expected future salary increases from salary increases “expected to be certain” to salary increases “expected”, and recorded the effect of (c) above as of April 1, 2014, in retained earnings. As a result, liability for retirement benefits as of April 1, 2014, increased by ¥14,419 million (\$120,158 thousand), and retained earnings as of April 1, 2014, decreased by ¥9,429 million (\$78,575 thousand). The impact to operating income and income before taxes and minority interest for the year ended March 31, 2015, was not material.

m. Asset retirement obligations

In March 2008, the ASBJ issued 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.

n. 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.

o. 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.

p. 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.

q. 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.

r. 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.

s. 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.

t. 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.

u. 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, 2015, 2014 and 2013 was 659,015 thousand, 633,810 thousand and 578,695 thousand, respectively.

Diluted net income per share of common stock for the years ended March 31, 2015 and 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 year ended March 31, 2013 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.

v. 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 presentation

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.

w. New accounting pronouncements

Accounting standards for business combinations and consolidated financial statements

In September 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:

(a) 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.

(b) 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.

(c) 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.

(d) 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 provisional 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.

(e) 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 (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs 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 (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income. In the case of earlier application, all accounting standards and guidance above, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, should be applied simultaneously.

Either retrospective or prospective application of the revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs is permitted. In retrospective application of the revised standards and guidance, the accumulated effects of retrospective adjustments for all (a) transactions with noncontrolling interest and (e) 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 shall be applied prospectively from the beginning of the year of the first-time application.

The revised accounting standards and guidance for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income 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 (d) provisional accounting treatments for a business combination are effective for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted for a business combination which occurs 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 for (a), (b), (c) and (e) above from April 1, 2015, and for (d) above for a business combination which will occur on or after 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, 2015 and 2014 consisted of the following:

| | Millions of Yen | | Thousands of |
|--|-----------------|----------|--------------|
| | 2015 | 2014 | U.S. Dollars |
| Current: | | | |
| Government and corporate bonds | ¥ 16 | ¥ 18 | \$ 134 |
| Non-current: | | | |
| Equity securities | ¥192,700 | ¥143,360 | \$1,605,833 |
| Government and corporate bonds | 4,151 | 4,142 | 34,592 |
| Investments in limited liability partnership | 5,381 | 5,136 | 44,842 |
| Preferred fund certificates | 26,455 | 29,408 | 220,458 |
| Other | 245 | 201 | 2,041 |
| Total | ¥228,932 | ¥182,247 | \$1,907,766 |

The costs and aggregate fair values of marketable and investment securities as of March 31, 2015 and 2014 were as follows:

| | Millions of Yen | | | |
|---------------------------|-----------------|------------------|-------------------|------------|
| | 2015 | | | |
| | Cost | Unrealized Gains | Unrealized Losses | Fair Value |
| Securities classified as: | | | | |
| Available-for-sale: | | | | |
| Equity securities | ¥60,694 | ¥126,055 | ¥2 | ¥186,747 |
| Debt securities | 1,990 | | | 1,990 |
| Other | 115 | 130 | | 245 |
| Held-to-maturity | 3,969 | 157 | 1 | 4,125 |

| | 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 |

| Thousands of U.S. Dollars | | | | |
|---------------------------|-----------|------------------|-------------------|-------------|
| 2015 | | | | |
| | Cost | Unrealized Gains | Unrealized Losses | Fair Value |
| Securities classified as: | | | | |
| Available-for-sale: | | | | |
| Equity securities | \$505,783 | \$1,050,459 | \$17 | \$1,556,225 |
| Debt securities | 16,583 | | | 16,583 |
| Other | 958 | 1,084 | | 2,042 |
| Held-to-maturity | 33,075 | 1,308 | 8 | 34,375 |

The information for available-for-sale securities which were sold during the years ended March 31, 2015 and 2014 was as follows:

| Millions of Yen | | | |
|---------------------|----------|----------------|-----------------|
| 2015 | | | |
| | Proceeds | Realized Gains | Realized Losses |
| Available-for-sale: | | | |
| Equity securities | ¥5,365 | ¥3,365 | ¥93 |

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

| Thousands of U.S. Dollars | | | |
|---------------------------|----------|----------------|-----------------|
| 2015 | | | |
| | Proceeds | Realized Gains | Realized Losses |
| Available-for-sale: | | | |
| Equity securities | \$44,708 | \$28,041 | \$775 |

The impairment losses on available-for-sale equity securities for the years ended March 31, 2015, 2014 and 2013 were ¥921 million (\$7,675 thousand), ¥1,801 million and ¥7,113 million, respectively.

4 Inventories

Inventories as of March 31, 2015 and 2014 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|--|-----------------|----------|---------------------------|
| | 2015 | 2014 | 2015 |
| Real estate for sale | ¥ 60,290 | ¥ 35,224 | \$ 502,417 |
| Construction projects in progress | 31,778 | 23,819 | 264,817 |
| Real estate for sale in process | 86,641 | 56,772 | 722,008 |
| Land held: | | | |
| For resale | 363,580 | 287,141 | 3,029,833 |
| Under development | 34,985 | 31,689 | 291,542 |
| Undeveloped | 647 | 647 | 5,392 |
| Merchandise, construction materials and others | 20,770 | 20,287 | 173,083 |
| Total | ¥598,691 | ¥455,579 | \$4,989,092 |

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, 2015 and 2014, the carrying amount of the land after the above one-time revaluation exceeded the market value by ¥20,935 million (\$174,458 thousand) and ¥20,041 million, respectively.

6 Long-lived assets

The Company recognized impairment losses on property, plant and equipment for the following groups of assets in the years ended March 31, 2015, 2014 and 2013:

| 2015 | | | | |
|---------------------------------------|---|--------------------------------|-----------------|---------------------------|
| Classification of Company | Type of Assets | Location | Millions of Yen | Thousands of U.S. Dollars |
| Assets used under sublease agreements | Buildings and structures, furniture and fixtures, land, intangible assets and lease assets | Shizuoka Prefecture and others | ¥ 1,114 | \$ 9,283 |
| Home center | Buildings and structures, machinery and equipment, furniture and fixtures and land | Osaka Prefecture and others | 5,226 | 43,550 |
| Facilities of health & leisure | Buildings and structures, machinery and equipment, furniture and fixtures, land and lease assets | Hyogo Prefecture and others | 3,185 | 26,541 |
| Offices, factories and others | Buildings and structures, machinery and equipment, furniture and fixtures, land, intangible assets and lease assets | Kagawa Prefecture and others | 944 | 7,867 |
| Idle assets | Land | Tochigi Prefecture | 126 | 1,050 |
| Others | Buildings and structures, machinery and equipment, furniture and fixtures and intangible assets | Tokyo Prefecture and others | 588 | 4,900 |
| Total | | | ¥11,183 | \$93,191 |

| 2014 | | | | |
|---------------------------------------|---|--------------------------------|-----------------|--|
| Classification of Company | Type of Assets | Location | Millions of Yen | |
| Assets used under sublease agreements | Buildings and structures, machinery and equipment, furniture and fixtures, land and lease assets | Shizuoka Prefecture and others | ¥2,049 | |
| Home center | Buildings and structures, machinery and equipment and furniture and fixtures | Nara Prefecture and others | 348 | |
| 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 | |
| Offices, factories and others | Buildings and structures and furniture and fixtures | Nara Prefecture and others | 42 | |
| Idle assets | Buildings and structures, machinery and equipment and land | Iwate Prefecture and others | 920 | |
| Others | Buildings and structures, machinery and equipment, furniture and fixtures and land | Okayama Prefecture and others | 129 | |
| Total | | | ¥5,611 | |

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

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. The net of rental income and operating expenses, loss on sales and disposal and impairment loss for those rental properties were ¥19,802 million (\$165,017 thousand), ¥412 million (\$3,433 thousand) and ¥707 million (\$5,892 thousand), respectively, for the year ended March 31, 2015. Rental income, net of operating expenses, gain on sales and disposal and impairment loss for those rental properties were ¥17,513 million, ¥883 million and ¥2,538 million, 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.

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, 2014 | Increase/Decrease | March 31, 2015 | March 31, 2015 |
| ¥537,170 | ¥105,316 | ¥642,486 | ¥682,889 |

| 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 |

| Thousands of U.S. Dollars | | | |
|---------------------------|-------------------|----------------|----------------|
| Carrying Amount | | Fair Value | |
| April 1, 2014 | Increase/Decrease | March 31, 2015 | March 31, 2015 |
| \$4,476,417 | \$877,633 | \$5,354,050 | \$5,690,742 |

Notes:

- 1) Carrying amount recognized in the consolidated balance sheet is net of accumulated depreciation and accumulated impairment losses, if any.
- 2) Increase during the year ended March 31, 2015 primarily represents the acquisition of certain properties of ¥193,315 million (\$1,610,958 thousand) and decrease primarily represents depreciation of ¥19,516 million (\$162,633 thousand) and the transfer to inventories of ¥81,755 million (\$681,292 thousand).
- 3) Increase during the year ended March 31, 2014 primarily represents the acquisition of certain properties of ¥138,505 million and decrease primarily represents depreciation of ¥17,077 million and the transfer to inventories of ¥30,557 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, commercial paper, and long-term debt

The annual interest rates for the short-term bank loans ranged from 0.10% to 5.46% and 0.44% to 6.03% at March 31, 2015 and 2014, respectively. The collateralized short-term bank loans were ¥3,862 million at March 31, 2014. The annual interest rate for the commercial paper was 0.15% at March 31, 2015.

Long-term debt as of March 31, 2015 and 2014 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|-----------------|----------|---------------------------|
| | 2015 | 2014 | 2015 |
| Bonds, 0.25% to 2.06% (0.25% to 2.06% in 2014), due on various dates through 2021: | | | |
| Collateralized | ¥ 500 | ¥ 500 | \$ 4,167 |
| Unsecured | 110,206 | 130,167 | 918,383 |
| Loans from banks, 0.23% to 7.80% (0.15% to 8.00% in 2014), due on various dates through 2034: | | | |
| Collateralized | 61,166 | 36,393 | 509,717 |
| Unsecured | 248,766 | 204,205 | 2,073,049 |
| Obligations under finance leases | 30,389 | 29,000 | 253,242 |
| Total | 451,027 | 400,265 | 3,758,558 |
| Less current portion | 37,887 | 163,454 | 315,725 |
| Long-term debt — net of current portion | ¥413,140 | ¥236,811 | \$3,442,833 |

Annual maturities of long-term debt, excluding finance lease (see Note 17) as of March 31, 2015 were as follows:

| Years Ending March 31 | Millions of Yen | Thousands of U.S. Dollars |
|-----------------------|-----------------|---------------------------|
| 2016 | ¥ 34,914 | \$ 290,950 |
| 2017 | 43,387 | 361,558 |
| 2018 | 64,194 | 534,950 |
| 2019 | 65,703 | 547,525 |
| 2020 | 60,800 | 506,667 |
| 2021 and thereafter | 151,640 | 1,263,667 |
| Total | ¥420,638 | \$3,505,317 |

As of March 31, 2015, assets pledged as collateral for secured long-term debt, excluding finance lease (see Note 17) were as follows:

| | Millions of Yen | Thousands of U.S. Dollars |
|---------------------------------------|-----------------|---------------------------|
| Cash and cash equivalents | ¥ 1,194 | \$ 9,950 |
| Receivables | 18,941 | 157,842 |
| Real estate for sale | 19,731 | 164,425 |
| Real estate for sale in process | 12,924 | 107,700 |
| Buildings and structures | 3,365 | 28,042 |
| Machinery and equipment | 27 | 225 |
| Land | 46,006 | 383,383 |
| Accrued income (other current assets) | 159 | 1,325 |
| Total | ¥102,347 | \$852,892 |

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 (\$4,167 thousand) and ¥500 million at March 31, 2015 and 2014, 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, 2015

(1) The changes in defined benefit obligation for the year ended March 31, 2015, were as follows:

| | Millions of Yen | Thousands of U.S. Dollars |
|---|-----------------|---------------------------|
| Balance at beginning of year (as previously reported) | ¥472,253 | \$3,935,442 |
| Cumulative effect of accounting change | 14,419 | 120,158 |
| Balance at beginning of year (as restated) | 486,672 | 4,055,600 |
| Service cost | 20,425 | 170,208 |
| Interest cost | 6,966 | 58,050 |
| Adjustments for business restructurings | (1,252) | (10,432) |
| Actuarial gains | 7,009 | 58,408 |
| Decrease due to transfer to defined contribution plan | (69,128) | (576,067) |
| Benefits paid | (11,789) | (98,242) |
| Balance at end of year | ¥438,903 | \$3,657,525 |

(2) The changes in plan assets for the year ended March 31, 2015, were as follows:

| | Millions of Yen | Thousands of U.S. Dollars |
|---|-----------------|---------------------------|
| Balance at beginning of year | ¥267,452 | \$2,228,766 |
| Actuarial gains | 28,056 | 233,800 |
| Contributions from the employer | 18,118 | 150,983 |
| Contribution due to transfer to defined contribution plan | 12,162 | 101,350 |
| The amount of assets to be transferred to the defined contribution pension plan | (59,734) | (497,783) |
| Benefits paid | (6,622) | (55,183) |
| Balance at end of year | ¥259,432 | \$2,161,933 |

(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, 2015 was as follows:

| | Millions of Yen | Thousands of U.S. Dollars |
|--|-----------------|---------------------------|
| Funded defined benefit obligation | ¥356,792 | \$2,973,266 |
| Plan assets | (259,432) | (2,161,933) |
| | 97,360 | 811,333 |
| Unfunded defined benefit obligation | 82,111 | 684,259 |
| Net liability for defined benefit obligation | ¥179,471 | \$1,495,592 |

| | Millions of Yen | Thousands of U.S. Dollars |
|--|-----------------|---------------------------|
| Liability for retirement benefits | ¥179,471 | \$1,495,592 |
| Net liability for defined benefit obligation | ¥179,471 | \$1,495,592 |

(4) The components of net periodic benefit costs for the year ended March 31, 2015, were as follows:

| | Millions of Yen | Thousands of U.S. Dollars |
|----------------------------|-----------------|---------------------------|
| Service cost | ¥20,425 | \$170,209 |
| Interest cost | 6,966 | 58,050 |
| Recognized actuarial gains | (21,047) | (175,392) |
| Net periodic benefit costs | ¥ 6,344 | \$ 52,867 |

(5) Plan assets as of March 31, 2015

a. Components of plan assets

Plan assets consisted of the following:

| | |
|-----------------------------|------|
| Domestic debt instruments | 1% |
| Overseas debt instruments | 6 |
| Domestic equity instruments | 13 |
| Overseas equity instruments | 8 |
| Cash and cash equivalents | 21 |
| Private equity fund | 17 |
| Hedge fund | 16 |
| General accounts | 10 |
| Others | 8 |
| 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, 2015, were set forth as follows:

| | |
|---|------------------|
| Discount rate | Principally 1.7% |
| Expected rate of return on plan assets | 0.0 |
| Expected rates of pay raises | 2.2 |
| 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 ¥4,875 million (\$40,625 thousand).

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 |
|------------------------------|-----------------|
| Balance at beginning of year | ¥444,305 |
| Service cost | 22,695 |
| Interest cost | 8,275 |
| Actuarial losses | 7,714 |
| Benefits paid | (10,735) |
| Balance at end of year | ¥472,254 |

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

| | Millions of Yen |
|---------------------------------|-----------------|
| Balance at beginning of year | ¥233,963 |
| Actuarial gains | 21,935 |
| Contributions from the employer | 17,222 |
| Benefits paid | (5,668) |
| Balance at end of year | ¥267,452 |

(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 |
|--|-----------------|
| Funded defined benefit obligation | ¥392,200 |
| Plan assets | (267,452) |
| | 124,748 |
| Unfunded defined benefit obligation | 80,054 |
| Net liability for defined benefit obligation | ¥204,802 |

| | Millions of Yen |
|--|-----------------|
| Liability for retirement benefits | ¥204,802 |
| Net liability for defined benefit obligation | ¥204,802 |

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

| | Millions of Yen |
|----------------------------|-----------------|
| Service cost | ¥22,695 |
| Interest cost | 8,275 |
| Recognized actuarial gains | (14,221) |
| Net periodic benefit costs | ¥16,749 |

(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 |
| Private equity fund | 13 |
| Hedge fund | 13 |
| General accounts | 10 |
| Others | 9 |
| 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.

10 Asset retirement obligations

The changes in asset retirement obligations for the years ended March 31, 2015 and 2014 were as follows.

| | Millions of Yen | | Thousands of |
|--|-----------------|---------|--------------|
| | 2015 | 2014 | U.S. Dollars |
| Balance at beginning of year | ¥28,997 | ¥26,364 | \$241,642 |
| Additional provisions associated with the acquisition of property, plant and equipment | 2,331 | 2,576 | 19,425 |
| Reconciliation associated with passage of time | 575 | 519 | 4,792 |
| Reduction associated with settlement of asset retirement obligations | (851) | (462) | (7,092) |
| Balance at end of year | ¥31,052 | ¥28,997 | \$258,767 |

11 Equity

Japanese companies are subject to the Companies Act of Japan (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 including: (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board and (4) the term of service of the directors being prescribed as one year rather than the normal two-year 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 (noncash 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 per share. The amount of the issuance was ¥91,265 million in total, ¥45,268 million of which was recorded in common stock and the remaining ¥45,268 million was recorded in capital surplus. The parent company sold treasury stocks and publicly offered 20,000 thousand shares at ¥1,717.12 per share. The amount to be paid was ¥34,342 million in total.

On August 19, 2013, the parent company issued and allocated 7,350 thousand shares to a third party at ¥1,717.12 per share. The amount of the issuance was ¥12,621 million in total, ¥6,310 million of which was recorded in common stock and the remaining ¥6,310 million 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.

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

The accounting policies of 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 | | | | | | | | | | | |
|--|----------------------|----------------|--------------|------------------------|-----------------------|---------------------------------|------------|----------|------------|-----------------|--------------|
| 2015 | | | | | | | | | | | |
| 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 | ¥371,978 | ¥770,508 | ¥230,662 | ¥89,993 | ¥444,604 | ¥578,667 | ¥2,486,412 | ¥324,303 | ¥2,810,715 | | ¥2,810,715 |
| Intersegment sales or transfers | 3,365 | 2,447 | 683 | 1,672 | 11,614 | 2,903 | 22,684 | 102,210 | 124,894 | ¥(124,894) | |
| Total | ¥375,343 | ¥772,955 | ¥231,345 | ¥91,665 | ¥456,218 | ¥581,570 | ¥2,509,096 | ¥426,513 | ¥2,935,609 | ¥(124,894) | ¥2,810,715 |
| Segment profit | ¥ 8,841 | ¥ 69,597 | ¥ 10,819 | ¥ 9,977 | ¥ 67,279 | ¥ 38,444 | ¥ 204,957 | ¥ 10,290 | ¥ 215,247 | ¥ (34,895) | ¥ 180,352 |
| Segment assets | 209,548 | 263,607 | 306,219 | 9,870 | 509,018 | 831,798 | 2,130,060 | 612,382 | 2,742,442 | 278,565 | 3,021,007 |
| Other: | | | | | | | | | | | |
| Depreciation | 3,529 | 7,043 | 2,023 | 175 | 15,169 | 7,964 | 35,903 | 16,510 | 52,413 | 871 | 53,284 |
| Increase in property, plant and equipment and other assets | 5,030 | 33,258 | 4,572 | 195 | 46,874 | 121,764 | 211,693 | 42,126 | 253,819 | 21,171 | 274,990 |

| 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 |

| Thousands of U.S. Dollars | | | | | | | | | | | |
|--|----------------------|----------------|--------------|------------------------|-----------------------|---------------------------------|--------------|-------------|--------------|-----------------|--------------|
| 2015 | | | | | | | | | | | |
| 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 | \$3,099,817 | \$6,420,900 | \$1,922,183 | \$749,942 | \$3,705,033 | \$4,822,225 | \$20,720,100 | \$2,702,525 | \$23,422,625 | | \$23,422,625 |
| Intersegment sales or transfers | 28,042 | 20,392 | 5,692 | 13,933 | 96,783 | 24,191 | 189,033 | 851,750 | 1,040,783 | \$(1,040,783) | |
| Total | \$3,127,859 | \$6,441,292 | \$1,927,875 | \$763,875 | \$3,801,816 | \$4,846,416 | \$20,909,133 | \$3,554,275 | \$24,463,408 | \$(1,040,783) | \$23,422,625 |
| Segment profit | \$ 73,676 | \$ 579,975 | \$ 90,158 | \$ 83,142 | \$ 560,658 | \$ 320,365 | \$ 1,707,974 | \$ 85,750 | \$ 1,793,724 | \$ (290,791) | \$ 1,502,933 |
| Segment assets | 1,746,233 | 2,196,725 | 2,551,825 | 82,250 | 4,241,817 | 6,931,650 | 17,750,500 | 5,103,183 | 22,853,683 | 2,321,375 | 25,175,058 |
| Other: | | | | | | | | | | | |
| Depreciation | 29,408 | 58,692 | 16,858 | 1,458 | 126,408 | 66,367 | 299,191 | 137,584 | 436,775 | 7,258 | 444,033 |
| Increase in property, plant and equipment and other assets | 41,917 | 277,150 | 38,100 | 1,625 | 390,616 | 1,014,700 | 1,764,108 | 351,050 | 2,115,158 | 176,425 | 2,291,583 |

Notes:

- 1) "Other" includes construction support, health and leisure, city hotels, overseas businesses and others.
- 2) Reconciliations to segment profit of ¥34,895 million (\$290,791 thousand), ¥35,891 million and ¥29,187 million include intersegment eliminations of ¥447 million (\$3,725 thousand), ¥1,076 million and ¥1,329 million, the amortization of goodwill of ¥716 million (\$5,967 thousand), ¥718 million and ¥716 million and the corporate expenses not allocated to each business segment of ¥35,164 million (\$293,033 thousand), ¥35,533 million and ¥28,574 million for the years ended March 31, 2015, 2014 and 2013, 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 ¥278,565 million (\$2,321,375 thousand), ¥218,297 million and ¥254,486 million include intersegment eliminations of ¥237,311 million (\$1,977,592 thousand), ¥199,693 million and ¥140,734 million and the corporate assets of ¥515,876 million (\$4,298,967 thousand), ¥417,990 million and ¥395,220 million for the years ended March 31, 2015, 2014 and 2013, 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 ¥871 million (\$7,258 thousand), ¥739 million and ¥755 million include intersegment eliminations of ¥401 million (\$3,342 thousand), ¥377 million and ¥386 million and the depreciation attributable to corporate assets of ¥1,272 million (\$10,600 thousand), ¥1,116 million and ¥1,141 million for the years ended March 31, 2015, 2014 and 2013, respectively.

Reconciliations to increase in property, plant and equipment and other assets of ¥21,171 million (\$176,425 thousand), ¥381 million and ¥141 million include intersegment eliminations of ¥1,346 million (\$11,217 thousand), ¥715 million and ¥869 million and the headquarters' capital investments in properties and equipment of ¥22,517 million (\$187,642 thousand), ¥1,096 million and ¥1,010 million for the years ended March 31, 2015, 2014 and 2013, respectively.

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

Impairment losses of assets

| Millions of Yen | | | | | | | | | |
|-----------------------------|----------------------|----------------|--------------|------------------------|-----------------------|---------------------------------|--------|-----------------------|--------------|
| 2015 | | | | | | | | | |
| | Single-Family Houses | Rental Housing | Condominiums | Existing Home Business | Commercial Facilities | Business & Corporate Facilities | Other | Elimination/Corporate | Consolidated |
| Impairment losses of assets | ¥290 | ¥286 | ¥362 | | ¥1,106 | ¥159 | ¥8,980 | | ¥11,183 |

| Millions of Yen | | | | | | | | | |
|-----------------------------|----------------------|----------------|--------------|------------------------|-----------------------|---------------------------------|--------|-----------------------|--------------|
| 2014 | | | | | | | | | |
| | Single-Family Houses | Rental Housing | Condominiums | Existing Home Business | Commercial Facilities | Business & Corporate Facilities | Other | Elimination/Corporate | Consolidated |
| 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 | Consolidated |
| Impairment losses of assets | ¥75 | ¥419 | ¥12 | ¥8 | ¥1,433 | ¥22 | ¥8,758 | | ¥10,727 |

| Thousands of U.S. Dollars | | | | | | | | | |
|-----------------------------|----------------------|----------------|--------------|------------------------|-----------------------|---------------------------------|----------|-----------------------|--------------|
| 2015 | | | | | | | | | |
| | Single-Family Houses | Rental Housing | Condominiums | Existing Home Business | Commercial Facilities | Business & Corporate Facilities | Other | Elimination/Corporate | Consolidated |
| Impairment losses of assets | \$2,417 | \$2,383 | \$3,017 | | \$9,217 | \$1,325 | \$74,832 | | \$93,191 |

Amortization of goodwill

| Millions of Yen | | | | | | | | | |
|----------------------------|----------------------|----------------|--------------|------------------------|-----------------------|---------------------------------|---------|-----------------------|--------------|
| 2015 | | | | | | | | | |
| | Single-Family Houses | Rental Housing | Condominiums | Existing Home Business | Commercial Facilities | Business & Corporate Facilities | Other | Elimination/Corporate | Consolidated |
| Amortization of goodwill | | ¥ (8) | ¥ 1,309 | | ¥ 535 | ¥ 1,647 | ¥ (250) | | ¥ 3,233 |
| Goodwill at March 31, 2015 | | (103) | 17,070 | | 4,654 | 29,646 | (3,130) | | 48,137 |

| Millions of Yen | | | | | | | | | |
|----------------------------|----------------------|----------------|--------------|------------------------|-----------------------|---------------------------------|---------|-----------------------|--------------|
| 2014 | | | | | | | | | |
| | Single-Family Houses | Rental Housing | Condominiums | Existing Home Business | Commercial Facilities | Business & Corporate Facilities | Other | Elimination/Corporate | Consolidated |
| 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 | Consolidated |
| 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 |

| Thousands of U.S. Dollars | | | | | | | | | |
|----------------------------|----------------------|----------------|--------------|------------------------|-----------------------|---------------------------------|------------|-----------------------|--------------|
| 2015 | | | | | | | | | |
| | Single-Family Houses | Rental Housing | Condominiums | Existing Home Business | Commercial Facilities | Business & Corporate Facilities | Other | Elimination/Corporate | Consolidated |
| Amortization of goodwill | | \$ (67) | \$ 10,908 | | \$ 4,458 | \$ 13,725 | \$ (2,083) | | \$ 26,941 |
| Goodwill at March 31, 2015 | | (858) | 142,250 | | 38,783 | 247,050 | (26,083) | | 401,142 |

13 Other income (expenses): Other — net

“Other income (expenses): Other — net” for the years ended March 31, 2015, 2014 and 2013 consisted of the following:

| | Millions of Yen | | | Thousands of U.S. Dollars |
|---|-----------------|----------|----------|---------------------------|
| | 2015 | 2014 | 2013 | 2015 |
| Real estate acquisition tax and other taxes | ¥(1,094) | ¥(1,749) | ¥(1,002) | \$ (9,117) |
| Gain on sales of investment securities | 3,272 | 78 | 909 | 27,266 |
| Allowance for doubtful accounts | (318) | (652) | (96) | (2,650) |
| Equity in earnings of associated companies | 12 | 1,453 | 501 | 100 |
| Gain on step acquisitions | 5 | 93 | 123 | 42 |
| Merger expenses | (1,780) | | | (14,834) |
| Gain on sales of investment in unconsolidated subsidiaries and associated companies | 263 | | | 2,192 |
| Other — net | 1,119 | (2,221) | 1,872 | 9,325 |
| Total | ¥ 1,479 | ¥(2,998) | ¥ 2,307 | \$12,324 |

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 35.6% for the year ended March 31, 2015 and 38.0% for the years ended March 31, 2014 and 2013.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities as of March 31, 2015 and 2014 are as follows:

| | Millions of Yen | | Thousands of |
|--|-----------------|----------|--------------|
| | 2015 | 2014 | U.S. Dollars |
| Current: | | | 2015 |
| Deferred tax assets: | | | |
| Write-down of real estate for sale | ¥ 4,923 | ¥ 4,807 | \$ 41,025 |
| Accrued bonuses | 12,605 | 12,588 | 105,042 |
| Accrued enterprise tax | 2,494 | 3,586 | 20,783 |
| Other | 15,680 | 13,653 | 130,667 |
| Less valuation allowance | (2,865) | (1,891) | (23,875) |
| Deferred tax assets | 32,837 | 32,743 | 273,642 |
| Deferred tax liabilities — other | (3) | (1) | (25) |
| Net deferred tax assets | ¥ 32,834 | ¥ 32,742 | \$273,617 |
| Non-current: | | | |
| Deferred tax assets: | | | |
| Liability for employees' retirement benefits | ¥ 58,342 | ¥ 73,097 | \$486,183 |
| Unrealized gains on sales of property, plant and equipment | 8,560 | 8,623 | 71,334 |
| Excess of depreciation of property, plant and equipment | 24,009 | 25,951 | 200,075 |
| Loss carryforwards | 31,996 | 42,630 | 266,634 |
| Other | 43,725 | 50,896 | 364,375 |
| Less valuation allowance | (68,669) | (82,309) | (572,242) |
| Deferred tax assets | 97,963 | 118,888 | 816,359 |
| Deferred tax liabilities: | | | |
| Retained earnings appropriated for tax allowable reserves | (1,482) | (1,609) | (12,351) |
| Net unrealized gain on available-for-sale securities | (38,132) | (26,083) | (317,766) |
| Other | (8,535) | (9,062) | (71,125) |
| Deferred tax liabilities | (48,149) | (36,754) | (401,242) |
| Net deferred tax assets | ¥ 49,814 | ¥ 82,134 | \$415,117 |

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, 2015 and 2013 is as follows:

| | 2015 | 2013 |
|--|-------|-------|
| Normal effective statutory tax rates | 35.6% | 38.0% |
| Increase (decrease) in tax rates due to: | | |
| Permanently non-deductible expenses | 0.8 | 1.3 |
| Non-taxable dividend income | (0.1) | (0.3) |
| Per capita levy | 0.6 | 0.8 |
| Equity in earnings of associated companies | (0.0) | (0.2) |
| Increase in valuation allowance | 0.3 | 2.6 |
| Tax credit for corporate tax | (0.2) | (0.3) |
| Reversal of land revaluation difference | (0.6) | (1.3) |
| Effect of reduction of income tax rates on deferred tax assets | 5.1 | |
| Other — net | 0.0 | 1.0 |
| Actual effective tax rates | 41.5% | 41.6% |

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 2015 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2015, to approximately 33% and for the fiscal year beginning on or after April 1, 2016, to approximately 32%. The effect of these changes was to decrease deferred tax assets, net of deferred tax liabilities, by ¥6,090 million (\$50,750 thousand), increase accumulated other comprehensive income for unrealized gain on available-for-sale securities by ¥4,251 million (\$35,425 thousand), and increase land revaluation deferral by ¥2,221 million (\$18,508 thousand), with a decrease of ¥2,221 million (\$18,508 thousand) in related deferred tax liability, in the consolidated balance sheet as of March 31, 2015, and to increase income taxes-deferred in the consolidated statement of income for the year then ended by ¥10,344 million (\$86,200 thousand).

As of March 31, 2015, certain subsidiaries have tax loss carryforwards aggregating to approximately ¥106,798 million (\$889,984 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 |
|-----------------------|-----------------|---------------------------|
| 2016 | ¥ 40,643 | \$338,692 |
| 2017 | 5,397 | 44,975 |
| 2018 | 14,732 | 122,767 |
| 2019 | 22,891 | 190,758 |
| 2020 | 1,206 | 10,050 |
| 2021 and thereafter | 21,929 | 182,742 |
| Total | ¥106,798 | \$889,984 |

15 Research and development costs

Research and development costs charged to income were ¥7,731 million (\$64,425 thousand), ¥7,329 million and ¥6,300 million for the years ended March 31, 2015, 2014 and 2013, respectively.

16 Supplemental cash flow information

For the year ended March 31, 2015

Daiwa House Parking Co., Ltd. (formerly TOMO 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 |
|---|-----------------|---------------------------|
| | 2015 | 2015 |
| Assets | ¥2,086 | \$17,383 |
| Liabilities | (1,524) | (12,700) |
| Goodwill | 1,204 | 10,033 |
| Minority interests | (48) | (399) |
| Cash paid for the capital | 1,718 | 14,317 |
| Carrying value of previously held equity interest | (3) | (25) |
| Gain on step acquisitions | (5) | (42) |
| Additional cash paid for the capital | 1,710 | 14,250 |
| Cash paid in previous period for the capital | (14) | (117) |
| Cash and cash equivalents of consolidated subsidiary | (489) | (4,075) |
| Payments for purchases of shares of newly consolidated subsidiary | ¥1,207 | \$10,058 |

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 |
|---|-----------------|
| | 2014 |
| Assets | ¥47,916 |
| Liabilities | (35,549) |
| Goodwill | 2,765 |
| Minority interests | (4,439) |
| Cash paid for the capital | 10,693 |
| Carrying value of previously held equity interest | (1,055) |
| Gain on step acquisitions | (93) |
| Additional cash paid for the capital | 9,545 |
| Subscription for capital increase through third-party share allotment of common stock | (9,500) |
| Purchase of treasury stock by the newly consolidated subsidiaries | 9,150 |
| Cash paid for the capital | 9,195 |
| Cash and cash equivalents of consolidated subsidiaries | (6,947) |
| Increase in cash and cash equivalents from issuance of common stock | 350 |
| 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 |
| Payments for purchases of shares of newly consolidated subsidiaries | ¥ 5,098 |

Daiwa House Parking Co., Ltd. (formerly 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 |
|---|-----------------|
| | 2014 |
| Assets | ¥9,652 |
| Liabilities | (6,806) |
| Goodwill | 180 |
| Minority interests | (168) |
| Cash paid for the capital | 2,858 |
| Cash paid in previous period for the capital | (25) |
| Cash and cash equivalents of consolidated subsidiary | (811) |
| Payments for purchases of shares of newly consolidated subsidiary | ¥2,022 |

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 |

Framework, 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 |

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, 2015, 2014 and 2013 were ¥26,096 million (\$217,467 thousand), ¥26,555 million and ¥31,770 million, respectively.

For the years ended March 31, 2015, 2014 and 2013, the Company recorded an impairment loss of ¥330 million (\$2,750 thousand), ¥469 million and ¥426 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.

Obligations under finance leases were as follows:

| | Millions of Yen | Thousands of U.S. Dollars |
|---------------------|-----------------|---------------------------|
| | 2015 | 2015 |
| Due within one year | ¥ 2,973 | \$ 24,775 |
| Due after one year | 27,416 | 228,467 |
| Total | ¥30,389 | \$253,242 |

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 | | | | |
|-----------------------------|--------------------------|-------------------------|------------------------|----------|
| 2015 | | | | |
| | Buildings and Structures | Machinery and Equipment | Furniture and Fixtures | Total |
| Acquisition cost | ¥279,308 | ¥1,621 | ¥375 | ¥281,304 |
| Accumulated depreciation | 151,853 | 1,260 | 310 | 153,423 |
| Accumulated impairment loss | 6,470 | 8 | | 6,478 |
| Net leased property | ¥120,985 | ¥ 353 | ¥ 65 | ¥121,403 |

| 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 |

| Thousands of U.S. Dollars | | | | |
|-----------------------------|--------------------------|-------------------------|------------------------|-------------|
| 2015 | | | | |
| | Buildings and Structures | Machinery and Equipment | Furniture and Fixtures | Total |
| Acquisition cost | \$2,327,567 | \$13,509 | \$3,125 | \$2,344,201 |
| Accumulated depreciation | 1,265,442 | 10,500 | 2,583 | 1,278,525 |
| Accumulated impairment loss | 53,917 | 67 | | 53,984 |
| Net leased property | \$1,008,208 | \$ 2,942 | \$ 542 | \$1,011,692 |

Obligations under finance leases as of March 31, 2015 and 2014 were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---------------------|-----------------|----------|---------------------------|
| | 2015 | 2014 | 2015 |
| Due within one year | ¥ 17,693 | ¥ 17,660 | \$ 147,442 |
| Due after one year | 130,653 | 147,985 | 1,088,775 |
| Total | ¥148,346 | ¥165,645 | \$1,236,217 |

The allowance for impairment loss on leased property of ¥3,544 million (\$29,533 thousand), ¥3,938 million and ¥4,239 million as of March 31, 2015, 2014 and 2013, 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 |
|--|-----------------|---------|---------|---------------------------|
| | 2015 | 2014 | 2013 | 2015 |
| Depreciation expense | ¥13,454 | ¥13,826 | ¥14,216 | \$112,117 |
| Interest expense | 9,031 | 9,048 | 10,056 | 75,258 |
| Total | ¥22,485 | ¥22,874 | ¥24,272 | \$187,375 |
| Lease payments | ¥22,867 | ¥23,652 | ¥24,317 | \$190,558 |
| Reversal of allowance for impairment loss on leased property | 723 | 680 | 672 | 6,025 |
| Impairment loss | 330 | 378 | 339 | 2,750 |

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 |
|----------------------------------|-----------------|---------|---------------------------|
| | 2015 | 2014 | 2015 |
| Gross lease receivables | ¥29,805 | ¥27,053 | \$248,375 |
| Unguaranteed residual values | 1,479 | 1,502 | 12,325 |
| Unearned interest income | (7,434) | (6,472) | (61,950) |
| Lease investment assets, current | ¥23,850 | ¥22,083 | \$198,750 |

Maturities of lease receivables for finance leases that were deemed to transfer ownership of the leased property to the lessee as of March 31, 2015 are as follows:

| Years ending March 31 | Millions of Yen | Thousands of U.S. Dollars |
|-----------------------|-----------------|---------------------------|
| 2016 | ¥ 343 | \$ 2,858 |
| 2017 | 323 | 2,692 |
| 2018 | 318 | 2,650 |
| 2019 | 327 | 2,725 |
| 2020 | 888 | 7,400 |
| 2021 and thereafter | 515 | 4,292 |
| Total | ¥2,714 | \$22,617 |

Maturities of lease investment assets for finance leases that were deemed not to transfer ownership of the leased property to the lessee as of March 31, 2015 are as follows:

| Years ending March 31 | Millions of Yen | Thousands of U.S. Dollars |
|-----------------------|-----------------|---------------------------|
| 2016 | ¥ 4,511 | \$ 37,592 |
| 2017 | 4,153 | 34,608 |
| 2018 | 3,327 | 27,725 |
| 2019 | 2,691 | 22,425 |
| 2020 | 1,943 | 16,192 |
| 2021 and thereafter | 13,180 | 109,833 |
| Total | ¥29,805 | \$248,375 |

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, 2015 and 2014 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|--------------------------------|-----------------|------|---------------------------|
| | 2015 | 2014 | 2015 |
| Machinery and Equipment | | | |
| Acquisition cost | ¥136 | ¥482 | \$1,134 |
| Accumulated depreciation | 122 | 407 | 1,017 |
| Net leased property | ¥ 14 | ¥ 75 | \$ 117 |

Future rental income under finance leases as of March 31, 2015 and 2014 was as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---------------------|-----------------|------|---------------------------|
| | 2015 | 2014 | 2015 |
| Due within one year | ¥ 9 | ¥64 | \$ 75 |
| Due after one year | 6 | 15 | 50 |
| Total | ¥15 | ¥79 | \$125 |

Rental income, interest income and depreciation expense under finance leases at March 31, 2015, 2014 and 2013 were as follows:

| | Millions of Yen | | | Thousands of U.S. Dollars |
|----------------------|-----------------|------|------|---------------------------|
| | 2015 | 2014 | 2013 | 2015 |
| Rental income | ¥64 | ¥252 | ¥752 | \$533 |
| Interest income | 3 | 10 | 26 | 25 |
| Depreciation expense | ¥61 | 243 | 495 | 508 |

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, 2015 and 2014 were as follows:

(Lessee)

| | Millions of Yen | | Thousands of U.S. Dollars |
|---------------------|-----------------|----------|---------------------------|
| | 2015 | 2014 | 2015 |
| Due within one year | ¥ 48,648 | ¥ 47,605 | \$ 405,400 |
| Due after one year | 444,167 | 443,737 | 3,701,392 |
| Total | ¥492,815 | ¥491,342 | \$4,106,792 |

(Lessor)

| | Millions of Yen | | Thousands of U.S. Dollars |
|---------------------|-----------------|----------|---------------------------|
| | 2015 | 2014 | 2015 |
| Due within one year | ¥ 3,556 | ¥ 3,756 | \$ 29,634 |
| Due after one year | 197,272 | 192,109 | 1,643,933 |
| Total | ¥200,828 | ¥195,865 | \$1,673,567 |

18 Financial instruments and related disclosures

(1) Company policy for financial instruments

The Company uses financial instruments, mainly loans from banks, 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 loans from banks 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 loans from banks dominated in foreign currencies, the Company enters into foreign currency swap contracts to hedge foreign currency fluctuations.

With respect to floating-rate loans from banks, 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 | | |
|---|-----------------|------------|----------------------|
| | 2015 | | |
| | Carrying Amount | Fair Value | Unrealized Gain/Loss |
| Cash and cash equivalents | ¥ 234,544 | ¥ 234,544 | |
| Lease receivables and investment assets | 25,969 | | |
| Allowance for doubtful receivables | (164) | | |
| | 25,805 | 25,805 | |
| Short-term investments | 4,232 | 4,232 | |
| Receivables | 244,046 | | |
| Allowance for doubtful receivables | (2,454) | | |
| | 241,592 | 241,315 | ¥ (277) |
| Marketable and investment securities: | | | |
| Held-to-maturity | 3,969 | 4,125 | 156 |
| Investments in unconsolidated subsidiaries and associated companies | 5,721 | 7,467 | 1,746 |
| Available-for-sale | 188,982 | 188,982 | |
| Lease deposits | 199,563 | | |
| Allowance for doubtful accounts | (500) | | |
| | 199,063 | 193,626 | (5,437) |
| Total | ¥ 903,908 | ¥ 900,096 | ¥(3,812) |
| Short-term bank loans | ¥ 70,893 | ¥ 70,893 | |
| Commercial paper | 72,000 | 72,000 | |
| Payables | 446,752 | 446,752 | |
| Income taxes payable | 27,416 | 27,416 | |
| Long-term debt (Bonds) | 110,706 | 111,171 | ¥ 465 |
| Long-term debt (Loans from banks) | 309,932 | 312,510 | 2,578 |
| Lease deposits received | 241,355 | 234,592 | (6,763) |
| Total | ¥1,279,054 | ¥1,275,334 | ¥(3,720) |
| Derivatives | ¥ 136 | ¥ 136 | |

| | 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 | |
| Commercial paper | | | |
| Payables | 375,672 | 375,672 | |
| Income taxes payable | 46,797 | 46,797 | |
| Long-term debt (Bonds) | 130,667 | 131,300 | ¥ 633 |
| Long-term debt (Loans from banks) | 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 | |

| | Thousands of U.S. Dollars | | |
|---|---------------------------|---------------------|----------------------|
| | 2015 | | |
| | Carrying Amount | Fair Value | Unrealized Gain/Loss |
| Cash and cash equivalents | \$ 1,954,533 | \$ 1,954,533 | |
| Lease receivables and investment assets | 216,408 | | |
| Allowance for doubtful receivables | (1,366) | | |
| | 215,042 | 215,042 | |
| Short-term investments | 35,267 | 35,267 | |
| Receivables | 2,033,716 | | |
| Allowance for doubtful receivables | (20,449) | | |
| | 2,013,267 | 2,010,959 | \$ (2,308) |
| Marketable and investment securities: | | | |
| Held-to-maturity | 33,075 | 34,375 | 1,300 |
| Investments in unconsolidated subsidiaries and associated companies | 47,675 | 62,224 | 14,549 |
| Available-for-sale | 1,574,850 | 1,574,850 | |
| Lease deposits | 1,663,025 | | |
| Allowance for doubtful accounts | (4,167) | | |
| | 1,658,858 | 1,613,550 | (45,308) |
| Total | \$ 7,532,567 | \$7,500,800 | \$(31,767) |
| Short-term bank loans | \$ 590,775 | \$ 590,775 | |
| Commercial paper | 600,000 | 600,000 | |
| Payables | 3,722,933 | 3,722,933 | |
| Income taxes payable | 228,467 | 228,467 | |
| Long-term debt (Bonds) | 922,550 | 926,425 | \$ 3,875 |
| Long-term debt (Loans from banks) | 2,582,766 | 2,604,249 | 21,483 |
| Lease deposits received | 2,011,291 | 1,954,933 | (56,358) |
| Total | \$10,658,782 | \$10,627,782 | \$(31,000) |
| Derivatives | \$ 1,133 | \$ 1,133 | |

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. Fair value information 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, commercial paper, payables and income taxes payable

The carrying values of short-term bank loans, commercial paper, payables and income taxes payable approximate fair value because of their short-term maturities.

Long-term debt (Bonds)

The fair values of bonds are based on quoted prices in active markets.

Long-term debt (Loans from banks)

The fair values of loans from banks 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

| | Millions of Yen | | Thousands of U.S. Dollars |
|--|-----------------|---------|---------------------------|
| | 2015 | 2014 | 2015 |
| Carrying Amount | | | |
| Equity securities | ¥77,324 | ¥70,643 | \$644,367 |
| Preferred fund certificates | 29,455 | 29,408 | 245,458 |
| Investments in limited liability partnership and other | 5,580 | 6,051 | 46,500 |

(4) Maturity analysis for financial assets and securities with contractual maturities

| | Millions of Yen | | | |
|---|-------------------------|---------------------------------------|---------------------------------------|--------------------|
| | 2015 | | | |
| | 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 | ¥234,544 | | | |
| Lease receivables and investment assets | 4,854 | ¥13,970 | ¥ 6,970 | ¥ 6,725 |
| Short-term investments | 4,232 | | | |
| Receivables | 225,706 | 8,665 | 7,061 | 2,614 |
| Marketable and investment securities: | | | | |
| Held-to-maturity | | 900 | 3,284 | 10 |
| Available-for-sale securities with contractual maturities | 16 | 2,123 | 50 | |
| Lease deposits | 26,646 | 62,966 | 58,598 | 58,724 |
| Total | ¥495,998 | ¥88,624 | ¥75,963 | ¥68,073 |

| | 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 |

| Thousands of U.S. Dollars | | | | |
|---|-------------------------|---------------------------------------|---------------------------------------|--------------------|
| 2015 | | | | |
| | 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 | \$1,954,533 | | | |
| Lease receivables and investment assets | 40,450 | \$116,417 | \$58,083 | \$56,042 |
| Short-term investments | 35,267 | | | |
| Receivables | 1,880,883 | 72,209 | 58,841 | 21,783 |
| Marketable and investment securities: | | | | |
| Held-to-maturity | | 7,500 | 27,367 | 83 |
| Available-for-sale securities with contractual maturities | 133 | 17,691 | 417 | |
| Lease deposits | 222,050 | 524,716 | 488,317 | 489,366 |
| Total | \$4,133,316 | \$738,533 | \$633,025 | \$567,274 |

Please see Note 8 for annual maturities of bonds and loans from banks.

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 applied as of March 31, 2015 and 2014 were as follows:

| | | Millions of Yen | | | | Thousands of U.S. Dollars | | | | |
|--|---|-----------------|------------------------------------|------------|-----------------|------------------------------------|------------|-----------------|------------------------------------|------------|
| | | 2015 | | 2014 | | 2015 | | | | |
| | Hedged Item | 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 | Fair Value |
| Interest rate swaps: | | | | | | | | | | |
| (fixed rate payment, floating rate receipt) | Long-term debt (Loans from banks) | ¥32,453 | ¥31,698 | | ¥14,616 | ¥13,453 | | \$270,442 | \$264,150 | |
| (floating rate payment, fixed rate receipt) | | 6,960 | 6,960 | | | | | 58,000 | 58,000 | |
| Total | | ¥39,413 | ¥38,658 | | ¥14,616 | ¥13,453 | | \$328,442 | \$322,150 | |
| Currency swaps: | | | | | | | | | | |
| (Payment in yen, receipt in U.S. dollars) | Long-term debt (Loans from banks) | ¥10,000 | ¥10,000 | | ¥10,000 | ¥10,000 | | \$ 83,333 | \$83,333 | |
| Interest rate and currency swaps: | | | | | | | | | | |
| (fixed rate payment in yen, floating rate receipt in U.S. dollars) | Long-term debt (Loans from banks) | ¥20,000 | ¥20,000 | | ¥10,000 | ¥10,000 | | \$166,667 | \$166,667 | |
| Foreign currency forward contracts: | | | | | | | | | | |
| Buying U.S. dollars | Scheduled transaction denominated in foreign currencies | ¥ 1,406 | | ¥156 | ¥ 1,013 | | ¥16 | \$ 11,717 | | \$1,300 |
| Buying Indian rupees | | 457 | ¥ 117 | (20) | | | | 3,808 | \$ 975 | (167) |
| Total | | ¥ 1,863 | ¥ 117 | ¥136 | ¥ 1,013 | | ¥16 | \$ 15,525 | \$ 975 | \$1,133 |

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 (Loans from banks) denominated 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, 2015, contingent liabilities for notes endorsed with recourse and loans guaranteed in the ordinary course of business amounted to ¥301 million (\$2,508 thousand) and ¥18,498 million (\$154,150 thousand), respectively. Included in loans guaranteed were customers' housing loans from banks in the amount of ¥18,445 million (\$153,708 thousand).

21 Comprehensive income

The components of other comprehensive income for the years ended March 31, 2015, 2014 and 2013 were as follows:

| | Millions of Yen | | | Thousands of U.S. Dollars |
|--|-----------------|----------|---------|---------------------------|
| | 2015 | 2014 | 2013 | 2015 |
| Unrealized gain on available-for-sale securities: | | | | |
| Gain arising during the year | ¥49,167 | ¥38,746 | ¥24,523 | \$409,725 |
| Reclassification adjustments to profit or loss | (3,253) | 1,774 | 1,307 | (27,109) |
| Amount before income tax effect | 45,914 | 40,520 | 25,830 | 382,616 |
| Income tax effect | (12,094) | (14,414) | (9,197) | (100,783) |
| Total | ¥33,820 | ¥26,106 | ¥16,633 | \$281,833 |
| Deferred gain on derivatives under hedge accounting: | | | | |
| Gain arising during the year | ¥ 120 | ¥ 16 | | \$ 1,000 |
| Income tax effect | (46) | (6) | | (383) |
| Total | ¥ 74 | ¥ 10 | | \$617 |
| Land revaluation difference: | | | | |
| Income tax effect | ¥ 2,222 | | | \$ 18,517 |
| Foreign currency translation adjustments: | | | | |
| Adjustments arising during the year | ¥ 5,579 | ¥ 9,776 | ¥ 3,797 | \$ 46,491 |
| Reclassification adjustments to loss | (28) | | | (233) |
| Total | ¥ 5,551 | ¥ 9,776 | ¥ 3,797 | \$ 46,258 |
| Share of other comprehensive income in associated companies: | | | | |
| Income arising during the year | ¥ 6,687 | ¥10,210 | ¥ 4,346 | \$ 55,725 |
| Reclassification adjustments to profit or loss | 43 | (10) | (17) | 358 |
| Total | ¥ 6,730 | ¥10,200 | ¥ 4,329 | \$ 56,083 |
| Total other comprehensive income | ¥48,397 | ¥46,092 | ¥24,759 | \$403,308 |

22 Subsequent events

Appropriation of retained earnings

The following appropriation of retained earnings at March 31, 2015 will be approved at the parent company's shareholders' meeting held on June 26, 2015:

| | Millions of Yen | Thousands of U.S. Dollars |
|--|-----------------|---------------------------|
| Year-end cash dividends, ¥35.00 (\$0.29) per share | ¥23,058 | \$192,150 |

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, 2015, 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, 2015, 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 16, 2015

Group Network

As of April 1, 2015

● Living Salons **109**



■ Forest Housings **14**



■ Commercial Facilities **322**



● Resort Hotels **28**



■ Golf Courses **10**



● Fitness Clubs **66**



■ Spa & Aesthetic Salons **28***



● City Hotels **39**



● Home Centers **52**



* Including those located within fitness clubs



Employees*

Total **43,576**



Business Bases

Total **1,024**

■ 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)

Sapporo

Hokkaido & Tohoku



2,645



101

Chubu, Hokuriku, and Shin-etsu



5,783



182

Kanto



18,638



333

Chugoku & Shikoku



2,781



110

Kyoto



5,783



182

Fukuoka

17

Hiroshima

6

Takamatsu

3

Nagoya

10

Tokyo

11

Kanagawa

11

13

Kansai



10,541



199

Kyushu & Okinawa



3,188



99

Naha

3

Daiwa House Industry

Head Office/ Offices/ Branches **85**

Overseas Office **1**

Factories **10**

Laboratory **1**

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

1977

Condominium business started



1978

Resort hotels business started with the opening of Noto Royal Hotel, the first Daiwa Royal Hotel



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

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 high-end houses for export to China (a first for Japan)

Tentakubin (current Daiwa LifeNext) established

1986

Daiwa Information Service established

1989

Daiwa Living established

Silver Age Research Center established

1970

1971

Daiwa Jutakukiki (current DesignArc) established

1975

Opening of the Shikabe Country Club

1976

Full-scale start of retail and wholesale facilities business



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 (current DesignArc), 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

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 (current Daiwa House Parking) became consolidated subsidiary

Cosmos Initia became consolidated subsidiary

2014
TOMO (current Daiwa House Parking) became consolidated subsidiary

2015
Daiyoshi Trust and TOMO merged to become Daiwa House Parking

Daiwa Service merged with Daiwa LifeNext

Principal Subsidiaries and Associated Companies

As of August 1, 2015
The figure in parentheses is the equity stake held by the Group as a whole.



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/
Development & operation of commercial facilities/
Environmental greening, etc.
www.daiwalease.co.jp



DesignArc Co., Ltd. [100%]

● Interior items/ Housing materials/ Rental
www.designarc.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-ut.co.jp

Daiwa LifeNext Co., Ltd. [100%]

● Management of condominiums & buildings/ Moving services
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/
Development & 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

ロイヤルホームセンター

ロイヤルプロ

ロイヤル金物

Daiwa House Reform Co., Ltd. [100%]

- Renovation design & execution/ Property inspection
- www.daiwahouse-reform.co.jp



Daiwa Resort Co., Ltd. [100%]

- Resort hotels
- www.daiwaresort.jp

DAIWA ROYAL HOTELS

Daiwa Royal Golf Co., Ltd. [100%]

- Golf course operations
- www.daiwaroyalgolf.jp

ダイワロイヤルゴルフ

Daiwa Energy Co., Ltd. [100%]

- New power generation business & ESCO business
- www.daiwa-energy.com

太陽光発電事業 DREAMSolar

太陽光発電事業 DREAMWind

WINFILL

Eneserve Corporation [100%]

- Electrical equipment maintenance checks & Retail sale of electricity
- www.eneserve.co.jp

Daiwa Lantec Co., Ltd. [100%]

- Ground surveys & 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

ネオ・サミット

もみの樹

Osaka Marubiru Co., Ltd. [96.7%]

- Management of hotels/ Rental of commercial facilities
- www.marubiru.com

大阪マルビル 大阪第一ホテル

Nishiwaki Royal Hotel Co., Ltd. [100%]

- Hotels
- www.nishiwaki-royalhotel.jp

西脇ロイヤルホテル

Sports Club NAS Co., Ltd. [100%]

- Fitness clubs
- www.nas-club.co.jp

SPORTS CLUB NAS

NASKIDS

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



CASTALIA

Daiwa House Real Estate Investment Management Co., Ltd. [100%]

- Real estate transactions/ Real estate investment advisory

Daiwa House Financial Co., Ltd. [70%]

- Credit card operations
www.daiwahousefinancial.co.jp

HeartOne HeartOne *Platinum*

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

D's Speak

DDS
D's Dual Studio

ROYAL TOUR

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. [76.9%]

- Real estate agency
www.dhol.co.jp

住まいのパートナー

D.U-NET Co., Ltd. [66.7%]

- ISP business
www.dunet.co.jp

Double-D Co., Ltd. [51%]

- Planning, development and operation of information technology
www.daiwa-dd.co.jp
-

Framework, 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

INITIA

Cosmos More Co., Ltd. [64.1%]

- Office relocation/ Construction of showrooms for condominiums
www.cosmosmore.co.jp
-

Cosmos Life Support Co., Ltd. [64.1%]

- Total management of real estate
-

Daiwa House Parking Co., Ltd. [100%]

- Parking lot operations/ Real estate sales & rental
www.dh-parking.co.jp

D-Parking
エビデン・ハウス・パキング・サービス

Daiwa Odakyu Construction Co., Ltd.* [100%]

- General construction/ Real estate
www.daiwaodakyu.co.jp

* Fujita and Daiwa Odakyu Construction will undergo a management integration (merger) on October 1, 2015.



Overseas

DH (Dalian) Administrative Management Consulting Center Co., Ltd. [100%]

- Business process outsourcing (BPO) business

Dalian Dahezongsheng Estate Co., Ltd. [50%]

- Real estate development & sales

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

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. [60%]

- 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 Inc. [100%]

- Real estate/ Real estate development

Daiwa House Texas Inc. [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

Daiwa House Malaysia Sdn. Bhd. [100%]

- Housing

Beijing Framework SJHD 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 Corporation Singapore Pte. Ltd. [100%]

- Investment holding company/ Administration

Fujita Corporation (M) Sdn. Bhd. [30%]

- General construction

Fujita Integral Mexico S.A. de C.V. [100%]

- General construction

Cosmos Australia Pty Ltd [64.1%]

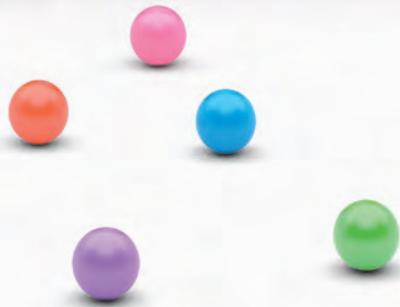
- Real estate consulting

Corporate Data

As of April 1, 2015

| | | | |
|---------------------------|---|--|--|
| Corporate name: | Daiwa House Industry Co., Ltd. | Branches: | 62 |
| Founding: | April 5, 1955 (Established: March 4, 1947) | Factories: | 10 |
| Paid-in capital: | ¥161,699,201,496 | Research center: | Central Research Laboratory (Nara) |
| Employees: | 14,862 | Training centers: | Nara, Osaka and Tokyo |
| Securities traded: | Tokyo stock exchange | Overseas offices/ Representative offices: | Shanghai (China), Taipei (Taiwan), Johor Bahru (Malaysia), Jakarta (Indonesia), Bangkok (Thailand), Manila (Philippines) |
| Securities code: | 1925 | 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 |
| Head office: | 3-3-5 Umeda, Kita-ku, Osaka 530-8241, Japan Phone: +81-6-6346-2111 | Website: | http://www.daiwahouse.com/English |
| Tokyo Head office: | 3-13-1 Iidabashi, Chiyoda-ku, Tokyo 102-8112, Japan Phone: +81-3-5214-2111 | | |
| Offices (19): | Nagoya Sendai Fukushima Ibaraki Tsukuba (Ibaraki) Utsunomiya Gunma Saitama Saitama-nishi Saitama-higashi Chiba Kashiwa (Chiba) Yokohama Atsugi (Kanagawa) Kanazawa Kyoto Kobe Hiroshima Fukuoka | | |





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www.daiwahouse.com

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