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## Social Responsibility



Naotake Ono  
President and COO

Preparing for future changes in the Group's operating environment, and building a platform to achieve ¥4 trillion in net sales and further growth

## Social Responsibility Business Strategy

### Our future vision, and the road map to that goal

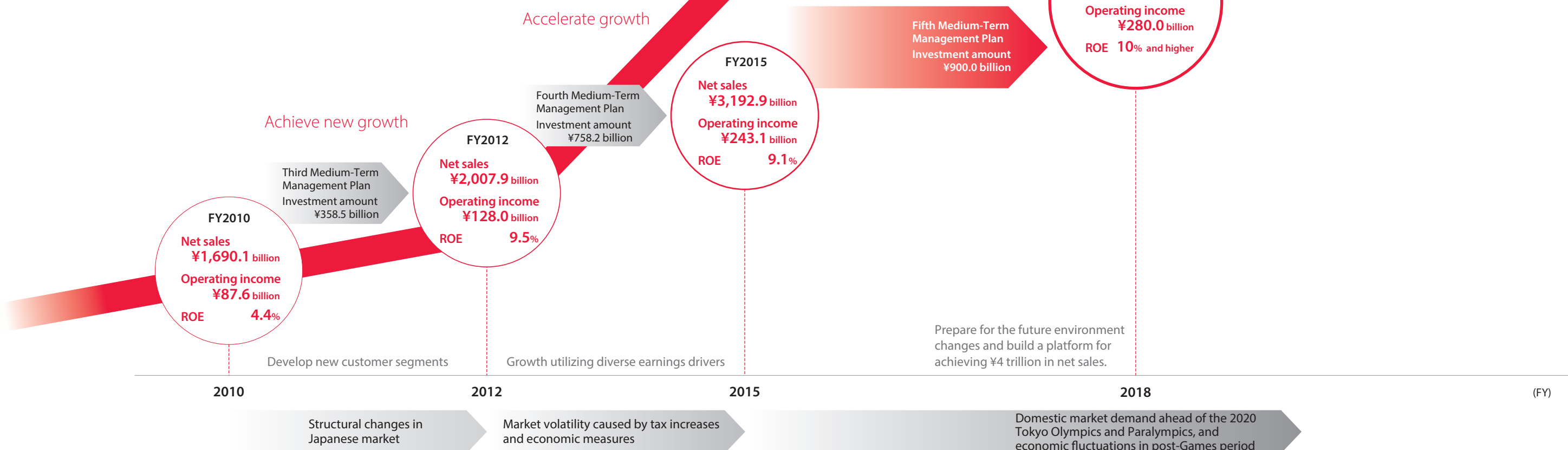
To make the Daiwa House Group into the kind of corporate group we want it to be, the first requirement is sustained growth over the long term. Under our current Fifth Medium-Term Management Plan, which commenced in April 2016, we have drafted a road map on the assumption that the Group will realize such sustained growth by always aiming for high targets.

We expect the pace of change in our operating environment to increase, and against the backdrop of customer needs that are constantly diversifying and becoming more sophisticated, we will have to play an even more crucial role if we are to live up to our motto of "a group that co-creates value for individuals, communities, and people's lifestyles."

During the period (fiscal 2016-2018) of the Group's Fifth Medium-Term Management Plan, we intend to work from day to day to create, use and enhance new values together with our customers, with the goal of realizing a society where people can live fulfilling lives.

Enriching lives around the world.  
Working together with individuals and society – our never-ending mission

Sustained growth



Looking back on our Fourth Medium-Term Management Plan

The Group's Fourth Medium-Term Management Plan commenced in fiscal 2013 under the main theme of "further acceleration of the pace of growth." For fiscal 2015, the final year under this plan, on a consolidated basis, we registered net sales of ¥3,192.9 billion (an increase of ¥1,184.9 billion over fiscal 2012), and operating income of ¥243.1 billion (up ¥115.0 billion over the same year). Despite the posting of an extraordinary loss due to increased retirement benefit obligations, net income attributable to owners of the parent came to ¥103.5 billion, for an increase of ¥37.3 billion over the fiscal 2012 level. These figures exceeded our initial targets under the Fourth Medium-Term Management Plan of ¥2,800 billion in net sales, ¥170 billion in operating income, and net income attributable to owners of the parent of ¥100 billion.

These results would not have been possible without the assistance of all our stakeholders – most notably our customers and the members of the local communities in which we do business, as well as our shareholders and investors, who have shown faith in our management decisions and given us their unstinting support – and I would like to take this opportunity to express my sincere gratitude.

While we posted growth in both income and profits in all our core businesses, the Group's overall growth was driven in particular by our priority business fields – Rental Housing, Commercial Facilities, and Logistics, Business and Corporate Facilities. Over the three-year period of the Fourth Medium-Term Management Plan, these three businesses

achieved strong growth in net sales and operating income. Specifically, between fiscal 2012 and fiscal 2015, net sales grew from ¥592.5 billion to ¥880.1 billion in Rental Housing; from ¥347.2 billion to ¥495.5 billion in Commercial Facilities; and from ¥251.4 billion to ¥736.3 billion in Logistics, Business and Corporate Facilities. Operating income grew from ¥52.2 billion to ¥81.9 billion in Rental Housing; from ¥45.9 billion to ¥80.3 billion in Commercial Facilities; and from ¥20.6 billion to ¥68.0 billion in Logistics, Business and Corporate Facilities. Factors behind these successes include the move by landowners – partly spurred by the January 2015 revision of the taxation system – to make more effective use of their holdings through the construction of rental housing or of retail and wholesale facilities, as well as the increased desire on the part of the companies who became tenants of such properties to make more use of logistics facilities, against the background of a rapid expansion in the e-commerce market, among other factors. At the Daiwa House Group, we were able to respond swiftly to the emerging needs of customers who had approached us for advice after having been impressed by our reputation for trustworthiness.

Under the Fourth Medium-Term Management Plan, while working on the theme of "further acceleration of the pace of growth," we took steps to strengthen its management foundation from the twin perspectives of human resources and finances. In particular, in the human resources sphere we introduced a rehiring system with no upper age

limit, to make greater use of senior human resources, and smoothed the way for increased promotion of female staff to management positions by enhancing our support system enabling them to more effectively balance work and family life. Additionally, against the background of a shortage of skilled construction workers due to rebuilding projects following the Great East Japan Earthquake of 2011, we strengthened our system of support for our partner companies in construction, through such means as introducing the "skilled engineer certification system." In this way, we assured ourselves of an adequate building-site workforce.

As we have seen, progress under the Fourth Medium-Term Management Plan was smooth, but we fully recognize there are a number of issues that must be addressed in the near future. These include expanding the market shares of our existing business operations, and, in addition to the need to nurture new staff and further train existing staff, the equal necessity of developing new products and technologies and of fostering new businesses.

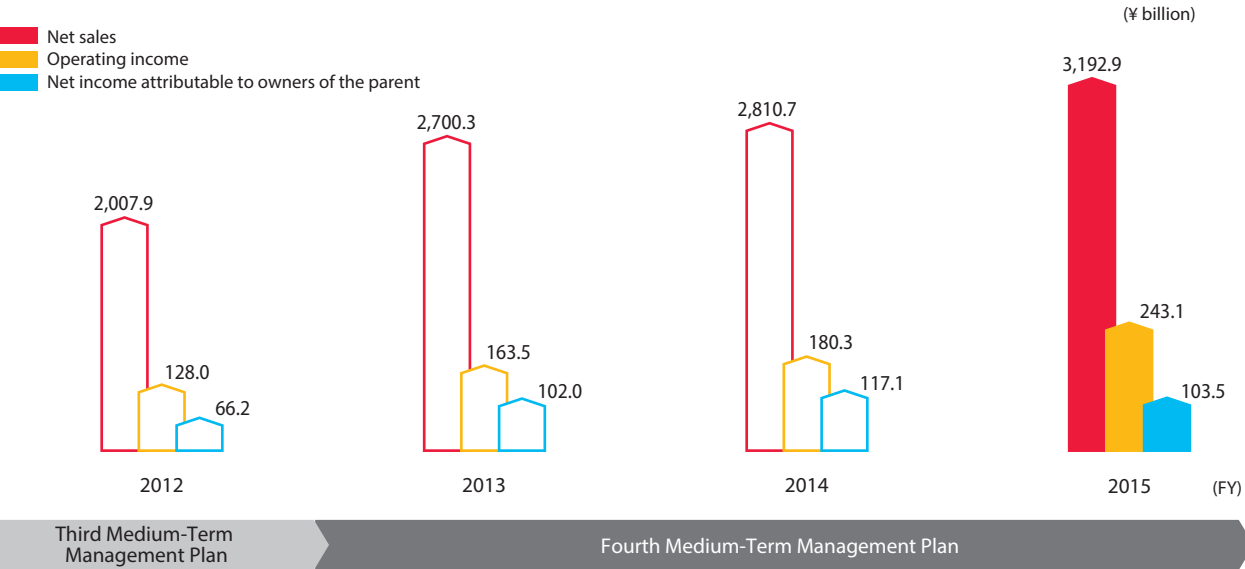
Japanese society is faced with many issues that require a solution, including a declining birthrate, an aging population, and various environmental problems. In these circumstances, we must construct a base that will allow us to realize sustained growth. This requires continued development and marketing of popular products as a way of growing the market shares of our various businesses – particularly our core housing business – into the No.1 position, and the nurturing of new

operational fields into our core businesses in the future.

Our corporate mission is to develop and put on the market the goods and services that society needs – that will be of use to many people and will make them happy. For this reason, we must continue to further refine and evolve the capabilities of our staff, our abilities in product development, and our expertise in providing solutions to customer needs.

Under the Daiwa House Group's current plan (the Fifth Medium-Term Management Plan), which commenced in April of this year, our actions will be impelled both by this corporate mission and by our recognition of the vital importance of responding effectively to the constantly changing business environment. As a result, we will provide the world with new value and continue to grow into a corporate entity that is truly needed.

Earnings trends

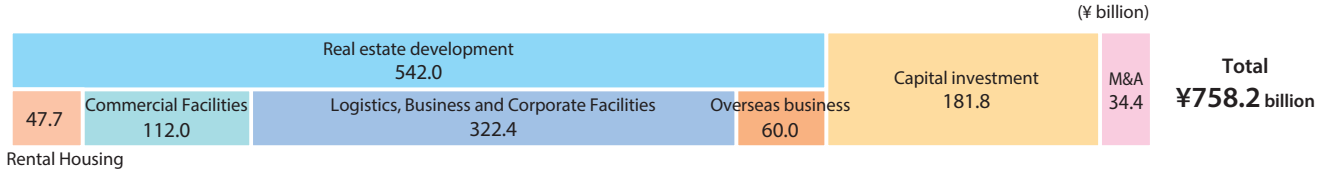


Accelerated growth with a focus on core businesses and strengthened management foundation in the areas of finance and human resources

Core businesses	Diversified businesses	Management foundation
<ul style="list-style-type: none"><li>Expanded construction contracting and invested ¥542.0 billion in real estate development, our highest ever for a 3-year period.</li><li>Expanded sales by enhancing our product lineup, including single-family houses based on a new construction system, xevoΣ (xevo sigma), and rental housing for women with a focus on crime prevention.</li><li>Expanded business and strengthened market competitiveness by utilizing the synergy effect generated by adding Fujita Corporation*1, Cosmos Initia and Daiwa Odakyu Construction*1 as consolidated subsidiaries.</li></ul>	<ul style="list-style-type: none"><li>Expanded energy business with a focus on large-scale solar farms to achieve net sales of ¥80.2 billion in fiscal 2015.</li><li>Launched parking garage business linked to our core businesses.</li><li>Overseas expansion, mainly in Mexico, China, and Vietnam, resulted in fiscal 2015 net sales increasing to ¥72.6 billion*2.</li></ul> <p>*2 Fiscal 2012 (Third Medium-Term Management Plan) net sales were ¥9.1 billion.</p>	<ul style="list-style-type: none"><li>Procured ¥138.2 billion in capital through a public offering to strengthen our financial platform.</li><li>Enhanced support for partner construction firms through the incorporation of the skilled engineer certification system, among other efforts, to secure construction force.</li><li>Raised the retirement age to 65 and introduced a rehiring system with no age limit to secure and promote the utilization of senior human resources.</li><li>Enhanced the system for supporting work-family balance and implemented level and position-based skills development to nurture and strengthen female managers (management positions 240 people, +193 people compared to fiscal 2012).</li></ul>

\*1 Fujita and Daiwa Odakyu Construction were merged with effect from October 1, 2015.

Fourth Medium-Term Management Plan investment results



Basic policies of the Fifth Medium-Term Management Plan

In the three-year period from fiscal 2016, we can expect considerable demand in the construction and real estate sectors related to the 2020 Olympics and Paralympics to be held in Tokyo, but causes for concern are also on the horizon, including trends in consumer spending and the instability of the Chinese economy. Amid this environment, the Daiwa House Group aims to prepare for future changes in its operating environment and build a platform to achieve ¥4 trillion in net sales, while capturing demand in the domestic market. For fiscal 2018, the final year of the current Medium-Term Management Plan, we expect to secure a return on equity (ROE) of 10% or higher, and aim to achieve net sales of ¥3,700 billion, operating income of ¥280 billion, and net income attributable to owners of the parent of ¥180 billion, for an increase in both income and profit.

The Group's basic policies are as follows:

Strengthen short- to medium-term growth potential

- (1) Further expand core businesses by capturing domestic demand
- (2) Aggressively invest in real estate development

Continuing our policy under the Fourth Medium-Term Management Plan, we have once again positioned the three businesses fields of Rental Housing, Commercial Facilities, and Logistics, Business and Corporate Facilities – in which we enjoy a particularly marked competitive

advantage – as our main growth drivers. We will be expanding these businesses in terms of contracting, management, and the scope of real estate development projects. Particularly notable is the ¥700 billion in investments over the three-year period that we have earmarked for real estate development, including both in Japan and overseas. We intend to maximally leverage the Group's major strength – its diversity of business resources – in undertaking multipurpose development projects in Tokyo, Osaka, and Nagoya as well as major regional cities.

Rental Housing

In our Rental Housing Business, for fiscal 2018 (the final year of our Fifth Medium-Term Management Plan) we target annual net sales of ¥1,060 billion (representing a compound annual growth rate of 6.4% for the 2015-2018 period), and operating income of ¥90 billion (for a 3.2% rate). Following the revision of the taxation system in January 2015, a growing number of our customers have started looking for more attractive ways of utilizing their assets and finding more effective methods of utilizing their land holdings. Moreover, the number of single-person households in Japan is rising, and this trend is forecast to continue until 2030. Demand for rental housing for such persons is thus likely to grow. In this situation, the Company has been expanding its menu of rental housing formats for construction under contract to include medium- to high-rise rental housing, which has the merit of more efficiently utilizing the

available ground space, as well as housing that combines a home for the owners with units for tenants. And our rental housing offering various home security features has proved especially popular. In these ways, we continue to meet the needs of both landowners and tenants.

Commercial Facilities

In our Commercial Facilities Business, for fiscal 2018 we target annual net sales of ¥613 billion (for a 2015-2018 compound annual growth rate of 7.3%), and operating income of ¥96 billion (for a 6.1% rate). We will make effective use of our nationwide network of tenant companies, and will expand the number of planning proposal variations to suit the characteristics of each particular local market and area. With regard to our operations targeted at landowners, we will expand the commercial facilities for sale business through the development and sale of investment properties and tax-strategy properties. Finally, we will be helping to revitalize regional communities through joint public-private projects involving the development and operation of commercial facilities specifically designed to meet local needs.

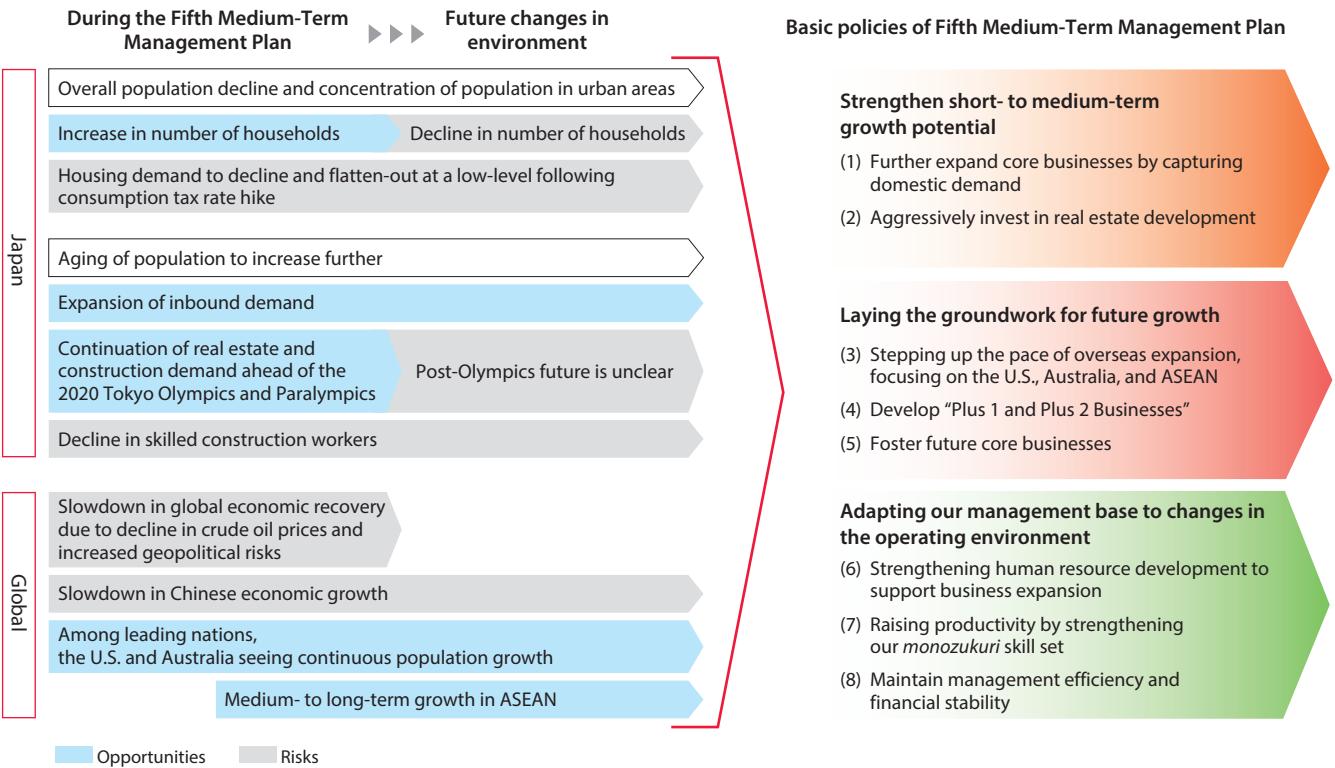
Logistics, Business and Corporate Facilities

In our Logistics, Business and Corporate Facilities Business, for fiscal 2018 we target annual net sales of ¥918 billion (for a 2015-2018 compound annual growth rate of 7.6%), and operating income of ¥81 billion (for

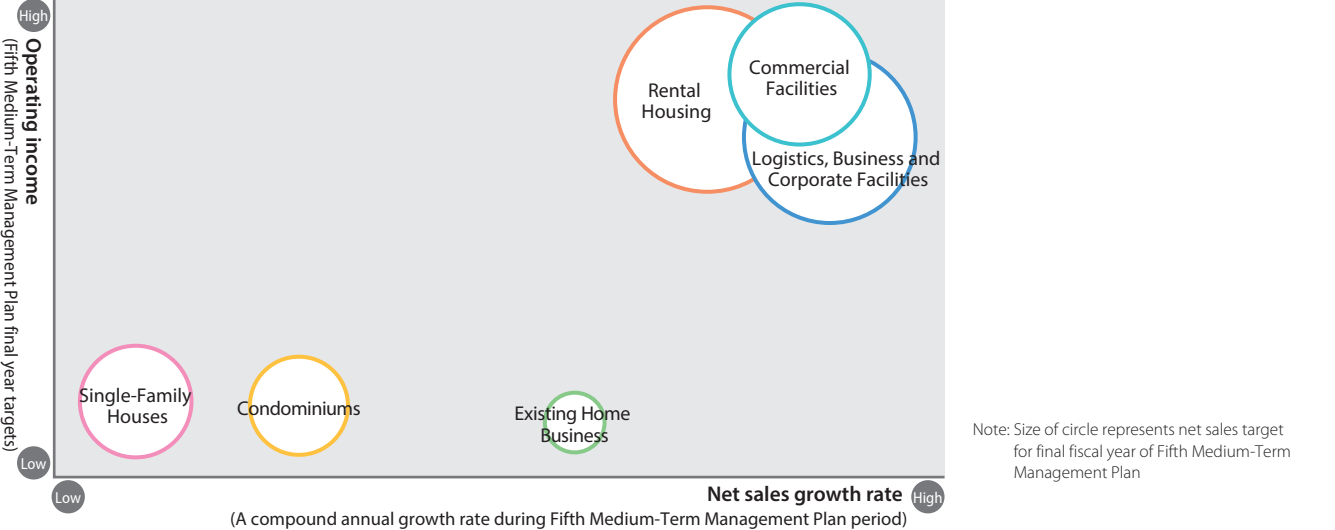
a 6.0% rate). We expect our performance to be driven primarily by the logistics facility business. Companies' requirements for logistics facility functions are becoming increasingly sophisticated amid a diversification in consumer spending habits and corporate activities, leading to a demand for facilities that can meet a wider range of needs. Such facilities are still in short supply, and we have the competitive advantage of being able to undertake orders for a comprehensive package of services – all handled in-Group – from selection of optimum sites for logistics facilities through ground preparation, construction, and management. As built-to-suit (BTS) logistics facilities are one of our strengths, we believe we will enjoy many opportunities to capitalize on market demand by winning orders. And for companies that need logistics facilities right away, we can offer tenancies at multi-tenant facilities. Despite some fears of a rising trend in real estate prices, we are confident that we can effectively leverage the relationships of trust we have built up with our customers – as well as our extensive experience in urban development and housing complex development projects – to acquire the necessary land at the initial development stage rather than immediately prior to the construction of logistics facilities. In this way, we can acquire land at excellent locations while holding the prices down to reasonable levels. We will continue to develop logistics facilities, widening our areas of operation to include major regional cities.

To expand our shares in these various markets, it is vital that we offer

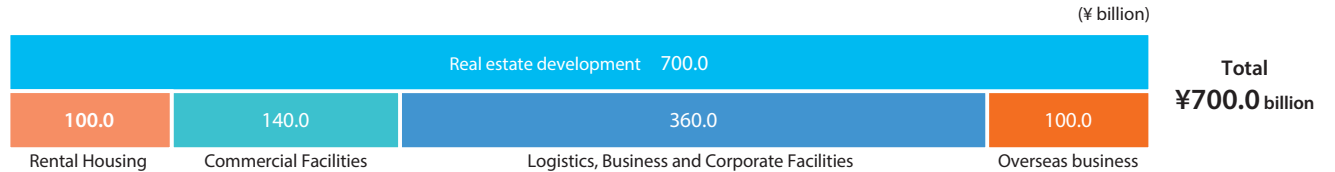
Changes in operating environment and basic policies of the Fifth Medium-Term Management Plan



Growth targets by business segment



Fifth Medium-Term Management Plan real estate investment (Plan)





goods and services that the world truly needs. In the field of rental housing, for example, we not only construct the sort of homes that our customers want to live in, we also provide full after-sales service over a long-term period. This is an example of the business stance that all the varied operations engaged in by the Daiwa House Group have in common. We will work to further grow the Group's core businesses while remaining true to this corporate philosophy.

In addition to growth by our core businesses, we also look forward to realizing the strong growth potential possessed by peripheral business fields. To ensure that we achieve our next milestone of ¥4 trillion in annual net sales against the backdrop of a declining and increasingly aging population, we have placed strategic priority on speeding up the growth of our overseas businesses – which we have deliberately cultivated as a compensation for the expected future decline in domestic market demand – and on nurturing new operational areas to become future core businesses.

Laying the groundwork for future growth

(3) Stepping up the pace of overseas expansion, focusing on the United States, Australia, and ASEAN

In our overseas business operations we place priority on the advanced nations, which are forecast to record stable growth, and the countries of

ASEAN, which are expected to grow strongly, and our target for net sales in fiscal 2018 is ¥200 billion. Since Daiwa House commenced overseas operations in the 1960s, we have taken great pains to get to know the culture of each country and to build a network of contacts. By devoting a great deal of time to these efforts, we have come to understand the unique characteristics of each country and region, and have worked to create the same long-term relationships of trust that we enjoy within Japan. In the United States we concluded a business tie-up with a major real estate company and commenced operations in the rental housing business in Texas in 2014. This was followed by rental housing projects in the suburbs of Chicago and Boston. In Australia, too, we have developed condominiums, commercial facilities, and others in collaboration with a number of partner companies, and are offering buyers high-quality housing, capitalizing on the excellent reputation enjoyed by “Made in Japan” products and services. In Vietnam and Indonesia, where good economic growth is forecast, we are engaged in the development of industrial parks and logistics facilities, as well as expanding our business scale by making the most of the Group's comprehensive strengths to offer support for Japanese enterprises looking to set up operations in those countries. Going forward, in overseas markets we will continue to make optimal use of the technologies and business models that the Group has developed in the course of its operations in Japan, allowing us to offer the products and businesses that those markets need. In these

ways, we plan to step up the pace of our overseas operations.

- (4) Develop “Plus 1 and Plus 2 Businesses”
- (5) Foster future core businesses

“Plus 1 and Plus 2 Businesses” is a term we use to collectively refer to new businesses that we expect to create by leveraging our existing customer base (Plus 1), and new businesses that will arise by expanding our customer base (Plus 2). We expect these new businesses to act as a driver of further growth in our existing operations. We aim to expand our operations by leveraging the know-how we have built up in our core businesses as well as our customer base, to sell products and services to the tenants of our rental housing and the owners of single-family houses built by us, in addition to the sale of investment products to holders of assets other than land. We also plan to focus resources on the nurturing of the human care business, the pre-owned home renovation business, and the accommodation (facilities and services) business, which we hope will grow into future core businesses.

Adapting our management base to changes in the operating environment

- (6) Strengthening human resource development to support business expansion
- (7) Raising productivity by strengthening our *monozukuri* skill set

Companies capable of generating innovations are those that are able to harness the sum total of their employees' ingenuity and efforts, and if the

Daiwa House Group is to achieve its goal of ¥4 trillion in annual net sales, nurturing the human resources needed will be key. This means maintaining a policy of actively hiring promising staff through a diverse range of channels. We are ensuring – through both hiring and training – that we have an adequate number of the kind of employees who can drive our global development, and we are also enhancing our employment system to enable female staff and senior staff to play a more active role.

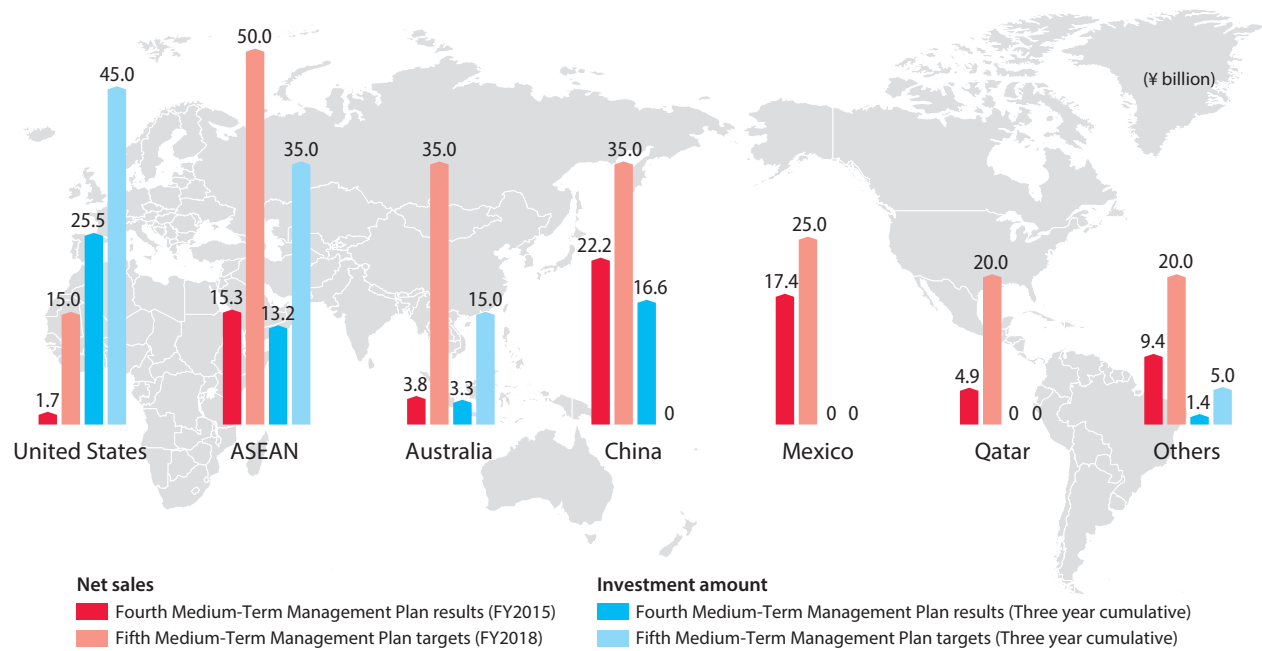
We will continue to further perfect our *monozukuri*-focused system, which prioritizes safety and product quality, and by promoting the leveling-out of production volume throughout the year across all our business processes, among other measures, we will achieve improved productivity and reduce total cost.

- (8) Maintain management efficiency and financial stability

At the Daiwa House Group, we position ROE as one of our most important management indicators. We have announced a target ROE level of 10% or higher, and are working to ensure effective utilization of shareholders' equity. Simultaneously, we will maintain financial health by holding the debt-equity ratio to approximately 0.5.

By adhering to these policies and implementing these strategies, we will reach our business performance goals under the Fifth Medium-Term Management Plan and lay down a framework for sustained growth into the foreseeable future.

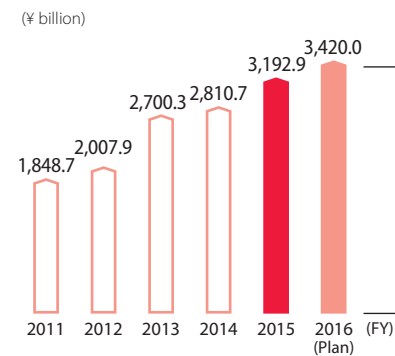
Expand overseas business to achieve net sales of ¥200 billion by focusing on advanced nations with stable growth and ASEAN countries with strong growth



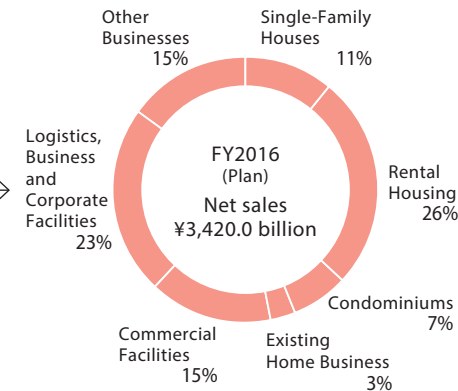
## Financial and Non-Financial Highlights

## Net sales

Net sales top ¥3 trillion after six straight years of revenue growth

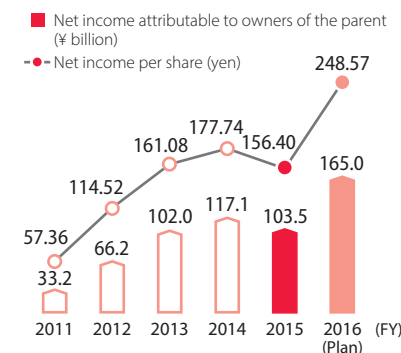


## Net sales by segment\*1



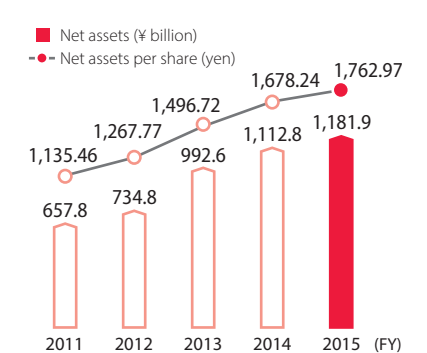
## Net income attributable to owners of the parent and net income per share

Aiming to increase shareholder value by boosting net income per share



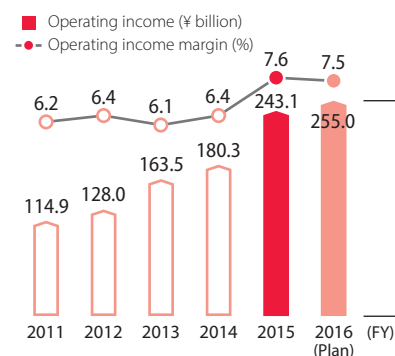
## Net assets and net assets per share

Enhancing corporate stability by increasing net assets per share

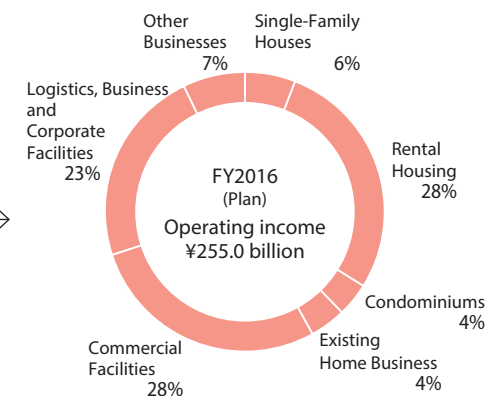


## Operating income and operating income margin

Operating income hits all-time high after six straight years of profit growth

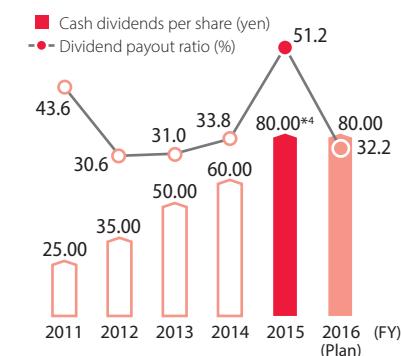


## Operating income by segment\*1



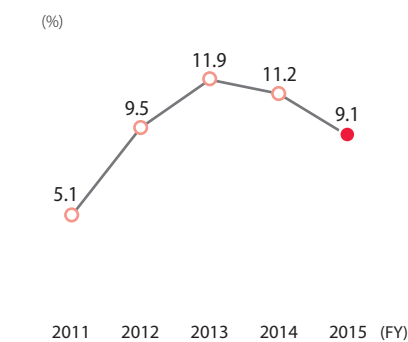
## Cash dividends per share and dividend payout ratio

Maintaining profit return linked to business performance and stable dividend payments by holding dividend payout ratio at 30% or higher



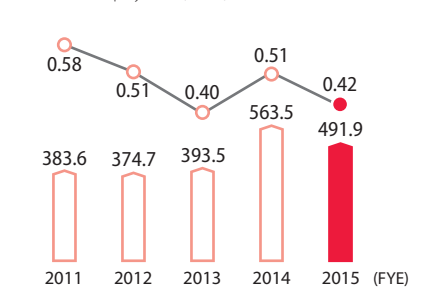
## ROE (return on equity)

To enable growth investment and hold shareholders' equity at an acceptable risk-tolerance level, targets have been set at 10% or more for ROE and approximately 0.5 for the debt-equity ratio

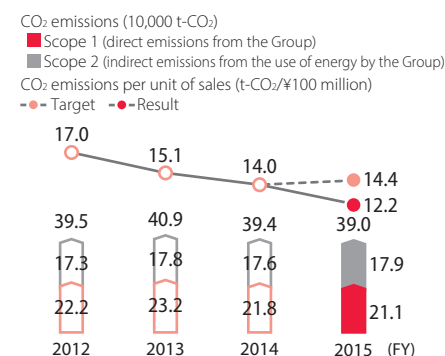


## Interest-bearing debt and debt-equity ratio

Interest-bearing debt (excl. lease obligations) (¥ billion)

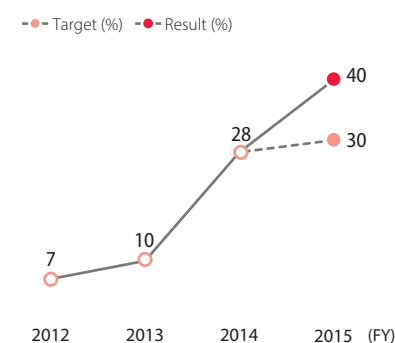
Total CO<sub>2</sub> emissions and emissions per unit of sales\*2

Energy usage declines, reaches target level



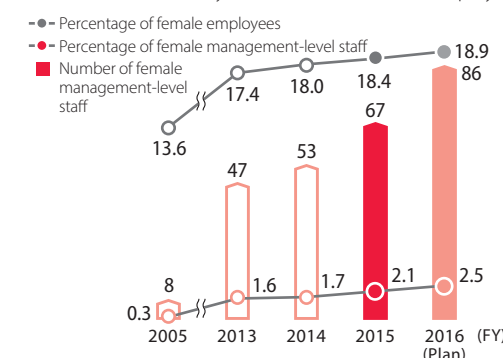
## Ratio of power generated from renewable energy sources to purchased power\*2, 3

Targets reached thanks to progress in large-scale solar farm operations and continuous energy conservation measures



## Percentage of female employees, and percentage and number of female management-level staff\*5

Training courses are being pursued and improved with the goal of raising the number of female management-level staff to 200 for Daiwa House Industry and 500 for the entire Group by fiscal 2020



## Utilization of the systems in fiscal 2015 (number of users)\*5

Holidays (leave) relating to childcare (e.g. childcare leave)	292
Nursing care leave	2
Reduced working hours for child birth and care	381
Reduced working hours for nursing care	87
Staggered work shift (for childcare/nursing care)	14,889
"Home Holidays"***6	140 (3,852 days)
Paid holiday accumulation	45.9%
Rate of obtainment of paid holidays	138 (246 times)
System to support taking care of parents***7	

\*1 Figures include intersegment transactions.

\*2 Environment-related data employed in this report was compiled on the basis of the Group's Environmental Report 2016. CO<sub>2</sub> figures in that report have been certified by third parties. (See page 83 of the Environmental Report 2016 for a third-party assurance report.)

\*3 Figures are for electric power sold on retail market generated from renewable sources, divided by electric power purchased from outside.















\*4 Figure includes a 60th anniversary commemorative dividend of 10 yen.

\*5 Daiwa House Industry, non-consolidated

\*6 This program allows an employee to take one day's planned paid leave each 3 months.

\*7 This system helps an employee to pay the costs of visits to parents' home or nursing facilities for parents who require nursing support.



	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Logistics, Business and Corporate Facilities	Other Businesses
Summary of business	We are engaged in the housing contracting business, in which we build homes to meet the needs of each individual owner, and the housing subdivision business, in which we develop entire neighborhoods, including their immediate natural environment.	We provide tenants with comfortable homes and offer the owners a multifaceted support service that ensures stable management.	We help protect asset values through the development and sale of safe condominiums that offer a pleasant living environment, plus the provision of comprehensive management and maintenance services.	We maintain home values through renovation work and provide agency services support for owners looking to sell their homes, passing on a stock of superior homes to the next generation.	We bring landowners and corporate tenants together, developing commercial facilities that invigorate the local economies.	We utilize a wealth of data on land usage to design and construct a wide variety of facilities that meet user needs.	We leverage the total strength of the Group to make proposals in a wide range of fields, including comprehensive energy-usage solutions and the robotics business.
Annual performance	<div>▶ Number of houses sold</div> <div>Single-family houses (contracting) 6,999</div> <div>Single-family houses (subdivision) 2,333</div> <div></div> <div>Single-family houses (contracting)</div> <div></div> <div>Single-family houses (subdivision)</div>	<div>▶ Number of rental housing units sold</div> <div>Rental housing (low-rise) 35,045</div> <div>Rental housing (medium- to high-rise) 3,849</div> <div>Units under management 471,342</div> <div></div> <div>Rental housing (low-rise)</div> <div></div> <div>Rental housing (medium- to high-rise)</div>	<div>▶ Condominium units sold 3,868</div> <div>▶ Units under management 332,299</div> <div></div> <div>Condominiums (for sale)</div> <div></div> <div>Condominiums (for sale)</div>	<div>▶ Number of renovations 46,232<sup>*4</sup></div> <div>▶ Number of staff in sales 993<sup>*4</sup></div> <div></div> <div>Renovated home interior</div> <div></div> <div>A "Reform Salon" renovation showroom</div>	<div>▶ Retail and wholesale facilities constructed 1,513</div> <div>▶ Leasing floorspace of sublease areas within commercial facilities 5,142,121 m<sup>2</sup></div> <div></div> <div>Roadside stores</div> <div></div> <div>Multipurpose commercial facilities</div>	<div>▶ Development site area of logistics projects Approx. 6,392,000 m<sup>2</sup> (Aggregate figures as of June 30, 2016)</div> <div>▶ Orders received for contract-based medical and nursing care facilities 432</div> <div></div> <div>Logistics facilities</div> <div></div> <div>Medical facilities</div>	<div>▶ Customer visits to our home centers Approx. 27,493,000</div> <div>▶ Guest stays at our resort hotels 3,436,759</div> <div>▶ Members of our fitness clubs 175,233</div> <div></div> <div>Environment and energy</div> <div></div> <div>Robots</div>

Breakdown of principal figures for our businesses in fiscal 2015 (YoY change)

Net sales (¥ billion) <sup>*1</sup>	378.3 (0.8% ↗ )	880.1 (13.9% ↗ )	279.3 (20.7% ↗ )	95.5 (4.2% ↗ )	495.5 (8.6% ↗ )	736.3 (26.6% ↗ )	458.8 (7.6% ↗ )
Operating income (¥ billion) <sup>*1</sup>	16.5 (86.8% ↗ )	81.9 (17.7% ↗ )	15.7 (46.0% ↗ )	11.2 (13.2% ↗ )	80.3 (19.4% ↗ )	68.0 (76.9% ↗ )	9.5 (7.0% ↘ )
Operating income margin (%) <sup>*1</sup>	4.4 (2.0pt ↗ )	9.3 (0.3pt ↗ )	5.7 (1.0pt ↗ )	11.8 (0.9pt ↗ )	16.2 (1.5pt ↗ )	9.2 (2.6pt ↗ )	2.1 (0.3pt ↘ )
Number of employees <sup>*2</sup>	4,655 (1.5% ↘ )	5,975 (7.5% ↗ )	4,405 (3.9% ↘ )	2,220 (3.9% ↗ )	4,017 (15.3% ↗ )	6,118 (19.6% ↗ )	9,045 (6.0% ↗ )
Capital investments (¥ million) <sup>*1</sup>	6,216 (23.6% ↗ )	19,910 (40.1% ↘ )	3,330 (27.2% ↘ )	70 (64.0% ↘ )	31,647 (32.5% ↘ )	100,246 (17.7% ↘ )	28,307 (32.8% ↘ )
Contribution to CO <sub>2</sub> reduction (10,000 t-CO <sub>2</sub> ) <sup>*3</sup>	65.2 (5.5% ↘ )	66.0 (3.9% ↗ )	6.5 (19.9% ↘ )	14.6 (29.0% ↘ )	48.9 (18.7% ↘ )	41.8 (17.2% ↘ )	128.2 (8.2% ↗ )

<sup>\*1</sup> Figures include intersegment transactions.  
<sup>\*2</sup> Regular employees only  
<sup>\*3</sup> These figures indicate the degree of contribution to reduction in CO<sub>2</sub> emissions made by the Group through its construction of housing and other structures and its solutions to issues involving energy conservation and renewable energy. (For details concerning the basis on which these figures have been calculated, see the Group's Environmental Report 2016, P60.)  
<sup>\*4</sup> Figures for Daiwa House Reform only. Number of staff in sales as of March 1, 2016.



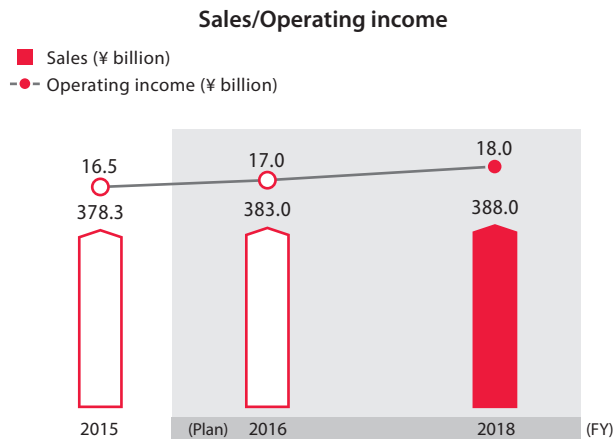


Single-Family Houses

Domestic share of single-family housing starts (FY2015) **2.46%**  
(Contracting business only)

Targets and Strategy under the Group's Fifth Medium-Term Management Plan

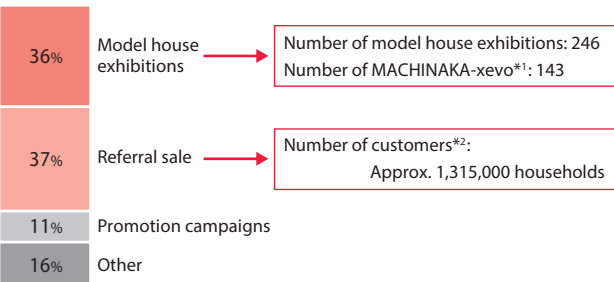
Building a platform that will enable us to capture the top market share in each region



- Strategy**
- Further expand sales of the single-family housing product xevoΣ, which is strong against repeated earthquakes and boasts high ceilings with a height of 2.72 m
  - Expand sales of skye, our series of multistory residences that enable to build owners' residence with rental units, stores, and hospitals
  - Reduce number of parts and manufacturing steps, and shorten construction period to reduce costs and operating expenses
  - Enhance efficiency of the sales system, including dealing with the population shift to the Tokyo area, and concurrent sales of steel structure and wood structure housing

Business operations

Order receipt channels (FY2015)



\*1 A community-based open house that lets potential buyers imagine living in a xevo house  
\*2 Total of customers living in single-family houses, rental housing and condominiums built by Daiwa House Industry

Features and strengths



**Pursuing community-based business operations to increase our market share**

In its single-family housing business, Daiwa House has been a pioneer in the industrialization of housing production ever since its establishment, and has pursued the constant evolution of leading-edge technologies. We have constructed and sold over 590,000 single-family houses.

We design our products and marketing to meet the needs of each particular region of Japan – what we call “community-based business operations.” Currently, we are working to expand our market shares in the twin fields of single-family house contracting and lot-subdivision, leveraging an extensive lineup of single-family home products centered on our xevo series. This home-model series embodies the cream of our proprietary technological solutions in the fields of earthquake resistance, durability, and energy conservation. The members of our Team-xevo group – composed of marketing staff, architects, and construction technology specialists – handle all stages of the entire process from planning through to construction, and help build close relationships with our customers.

**► Strong competitive position thanks to high-performance products**

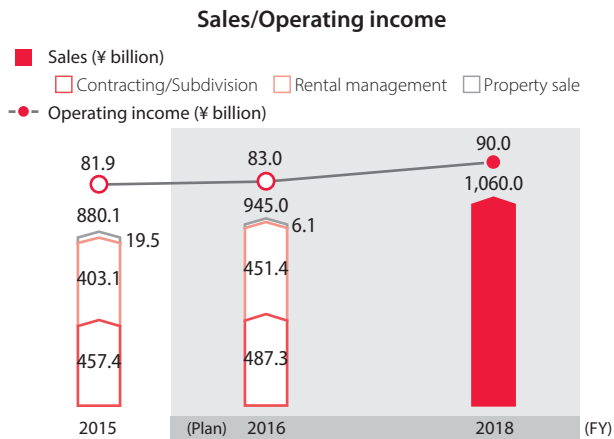
One of the main factors behind the competitive edge that we enjoy at the Daiwa House Group is our lineup of high-performance single-family home products, born of our unique technologies. Among these is the top-of-the-line xevoΣ, which boasts the ability to withstand repeated massive earthquakes and also meets customers' need for spacious living interiors with its 2.72-meter-high ceilings. Thanks to these features, the xevoΣ is enjoying continued growth in orders. We have also begun selling houses in our new “skye” series, which comes in 3-, 4-, and 5-story models and is designed to combine home units for the owners with rental units, or to combine a home with a retail outlet. These models feature some of the highest ceilings and widest window-and-door openings in Japan's home-building industry, and also employ advanced construction methods that enable efficient use of narrow home-building lots. They are likely to enjoy strong growth in sales to customers in urban areas, where demand for homes is forecast to rise.

Rental Housing

Domestic share of rental housing starts (FY2015) **10.14%**  
(Houses for rent only)

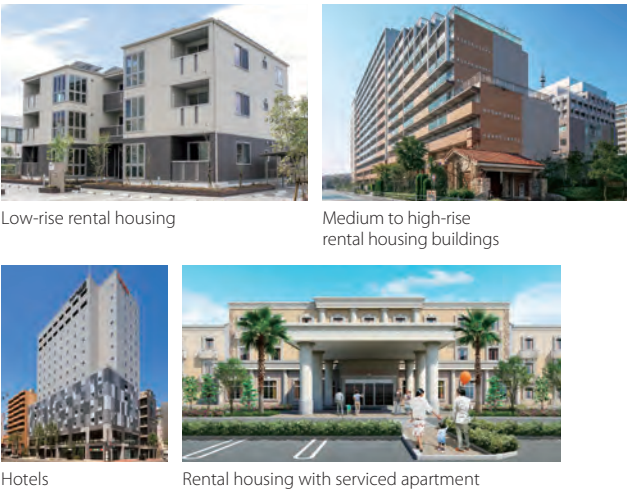
Targets and Strategy under the Group's Fifth Medium-Term Management Plan

Expanding orders through community-based marketing from network of 170 offices nationwide



- Strategy**
- Strengthen CRE\*1/PRE\*2 strategies for promoting proposals for the utilization of dormant real estate held by companies and local municipalities
  - Strengthen development and sales of rental condominiums for existing rental property owner customers and other individual investors
  - Promote development of serviced apartments and hotels in areas expected to see inbound demand
  - Expand business with an infrastructure and added-value for residents when they move in and while renting
- \*1 CRE: Corporate real estate, including all real estate properties owned or rented by a company  
\*2 PRE: Public real estate: real estate properties owned or rented by local governments or educational institutions

Business operations

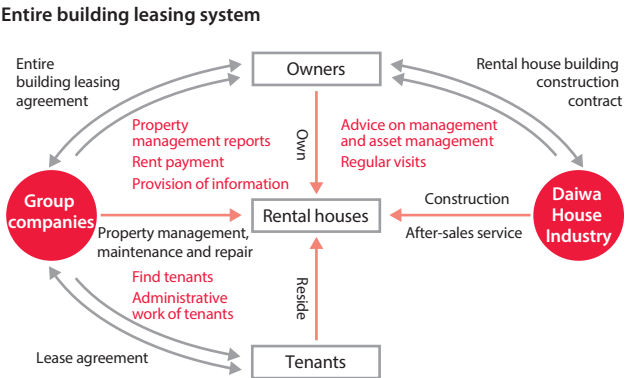


**Pleasant living spaces for tenants, plus support for property owners' businesses**

In the rental housing business we are working to expand 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 property owners throughout Japan, and our share of the domestic market currently stands at over 10%. Amid continually diversifying tenant needs, apartments featuring home security arrangements – including installation of anti-burglary equipment as well as a 24/7 online home security system, all provided as standard – are our best-selling models, accounting for almost 90% of all rental housing products.

We are also continually expanding our lineup of products featuring new added value. These include the industry's first rental apartment building specifically designed to cope with power blackouts in the event of an earthquake or other natural disaster, with all home units fitted with lithium-ion storage batteries as standard specification. In addition, we are developing rental housing properties that make use of real estate securitization schemes.

Features and strengths



**► Helping property owners expand their businesses**

The total number of rental housing units under management by the Daiwa House Group surpassed 471,000 as of March 31, 2016, and these properties enjoyed a high occupancy ratio of 97.4%. The single biggest factor behind the growth recorded by this business consists of the strong relationships we have cultivated with a large number of property owners over many years. Daiwa House provides support for the Daiwa House Owners' Club, which has roughly 32,000 members. By facilitating the exchange of information among members of this association, as well as by holding study sessions, we enable owners to manage their rental apartment properties with an easy mind. We also work to enhance the value-added of rental apartments and improve occupancy rates by proposing renovation projects as well as the installation of new equipment and facilities at existing properties where the occupancy rate is below a certain level.

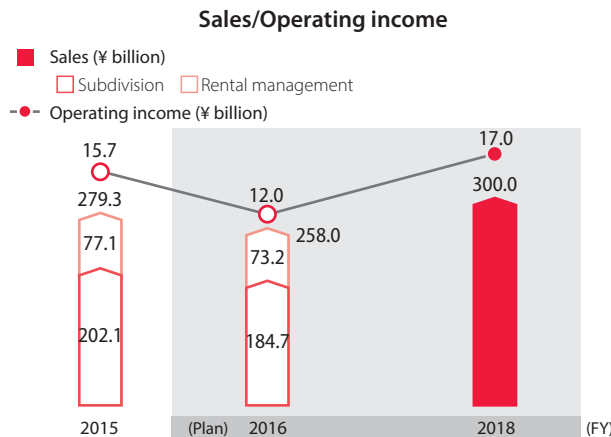




Condominiums

Targets and Strategy under the Group's Fifth Medium-Term Management Plan

Leveraging high value-added products and total Group strength to increase our market share

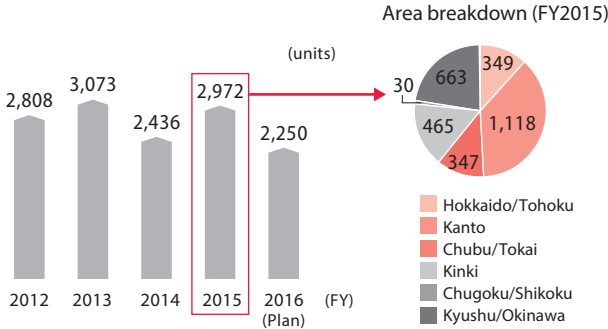


Strategy

- Further strengthen our sales and purchasing systems in the Tokyo area
- Promote multi-use developments such as large-scale condominiums with single-family home complexes or commercial facilities
- Promote redevelopment and rebuilding projects that take advantage of our nationwide network of business offices
- Strengthen sales system in Tokyo area for selling regional properties to customers looking to relocate

Business operations

Number of condominium units sold\*



\* Daiwa House Industry, non-consolidated

Features and strengths



PREMIST Takao SakuLa City

Developing condominiums nationwide that are tailored to suit local conditions

At the Daiwa House Group, we develop high value-added condominiums throughout Japan, sell the home units, and manage the properties. In this way, we offer home owners a pleasant and safe living environment, and help maintain their asset values over the long term. While working to raise the Group's brand image in Japan's metropolitan areas, we also put effort into development projects that serve to revitalize regional communities by optimally leveraging each region's particular characteristics. Such projects include town and neighborhood planning aimed at urban regeneration, as well as condominium development targeted at active seniors. Thanks to these initiatives, the number of condominium home units sold by the Group passed 87,000. In our condominium management business, we offer a comprehensive service to support long-term building management and help create a sense of community among residents. As a result, we have been enjoying growth in the number of home units under management, which has topped 330,000 for the entire Group, putting us in the No.4 position among condominium management companies in Japan.

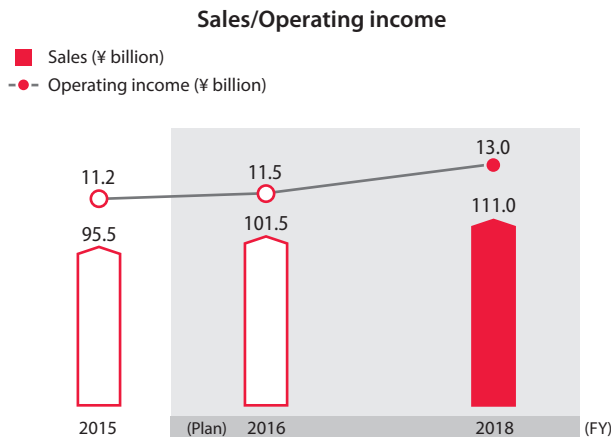
► Multi-use development that leverages the Group's diverse business resources

In June 2015 the sale commenced of home units in PREMIST Takao SakuLa City (Tokyo), a joint condominium project by Daiwa House Industry and Group member Cosmos Initia. Thanks to the unrivaled natural beauty of the environment, this property proved very popular, and all units were immediately sold out at each stage. We continue to make excellent progress in developing a wide variety of other properties in the immediate vicinity of the condominium – making full use of the Group's diverse business resources – including a single-family home residential development, large-scale commercial facilities, metered parking services. These initiatives have raised the overall daily-life convenience level of the condominium and contributed to its popularity among the home-buying public. PREMIST Takao SakuLa City employs energy-saving specifications and a computerized home energy management system that lets owners easily monitor their energy usage. In recognition of this, it has been certified by the Ministry of Economy, Trade and Industry as compliant with the ministry's project for promoting acceleration of introduction of "smart" condominiums.

Existing Home Business

Targets and Strategy under the Group's Fifth Medium-Term Management Plan

Strengthening brand power to capture increased orders



Strategy

- Expand single-family housing renovation business based on regular inspection and examination services to respond to market need for "continued habitation"
- Expand orders received for the renovation by strengthening relationships with rental housing owners
- Promote property purchase and resale business by expanding business involving purchasing existing homes and selling them as renovated homes with a long-term guarantee
- Capture general renovation market by expanding openings of renovation showrooms

Business operations



A "Reform Salon" renovation showroom



Roof inspection



Underfloor space inspection



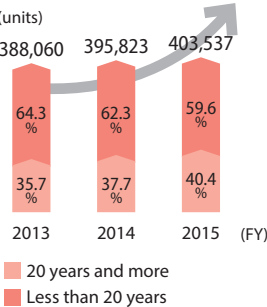
Underfloor inspection robot "moogle"

Expanding our existing home services by capitalizing on the reputation for trustworthiness we have established in residential construction

To protect the value of our customers' irreplaceable residential assets, we offer renovation services that harness our technological expertise and many years of experience in home construction. In our high-quality renovation services – underpinned by inspections conducted at appropriate intervals and optimally leveraging the Group's reputation for trustworthiness – we aim to establish ourselves at the top of the industry in the near future. As a result of Japan's declining birthrate combined with an aging population, the number of abandoned or vacant homes is expected to continue growing, and further demand growth is likely to be spurred by the need to renovate superannuated public housing developments. To deal with this demand, starting in fiscal 2014 we have been opening renovation-dedicated showrooms focused on meeting the unique needs of the particular region in which they are located, and we plan to have 20 such facilities operating by fiscal 2018. By providing each of our customers with a lifelong follow-up services, we plan to enhance the Group's brand awareness while expanding our existing homes operations.

Features and strengths

Number of Daiwa House single-family houses owners with whom we can build relationships



Number of the Company's sales units\* (April 1962 to March 2016)

Single-family houses	Approx. 598 thousand units
Rental housing	Approx. 956 thousand units
Condominiums	Approx. 87 thousand units

Sales units  
Approx. 1.64 million units

\* The units from FY1962 to 1972 are estimated.

► Strong ties with our customers, built over many years

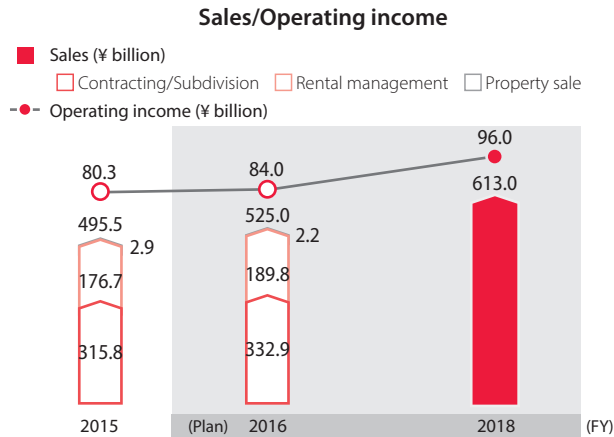
One of the Group's strengths in the renovation business is the large number of existing homes that were built by Daiwa House. During fiscal 2015 alone we provided the market with approximately 52,000 houses, including single-family houses, rental housing, and condominium units, and the aggregate number of homes sold since the founding of Daiwa House Industry now exceeds 1.6 million. We work to acquire increased orders for our renovation services from owners of single-family houses and condominium units by increasing our marketing efforts directed at owners of homes built by the Group, and offering inspection and examination services as appropriate. In our renovation services for rental housing, we are enjoying growth in orders by effectively mobilizing close relationships formed with roughly 30,000 rental housing owners throughout Japan, and by closely collaborating with Group companies responsible for managing around 470,000 rental housing units. The Daiwa House Group also has a solid track record in renovation work on hospitals, retail outlets, and other types of properties, and we are steadily expanding our activities to encompass properties not originally built by the Group.



Commercial Facilities

Targets and Strategy under the Group's Fifth Medium-Term Management Plan

Reinforcing intra-Group collaboration, capitalizing on the economies of scale



- Strategy**
- Expand variation in planning proposals corresponding to market and area characteristics (business expansion in hotels, showrooms, industrial facilities, educational and nursery facilities, etc.)
  - Expand commercial facilities for sale business through development and sale of investment properties and tax-strategy properties
  - Strengthen development and management of commercial facilities that meet community needs by utilizing network of national tenant businesses

Business operations



Convenience stores



Drug stores



Shopping centers



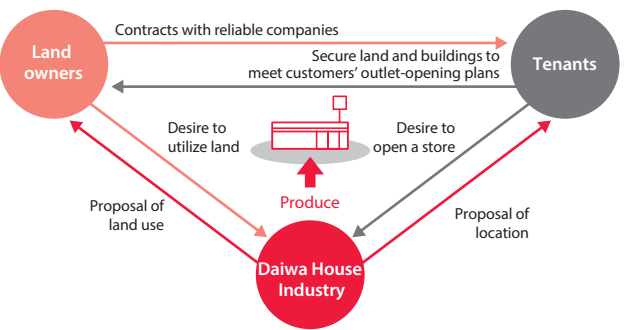
Outlet malls

**Leading the industry thanks to comprehensive services – from planning and development to post-completion management**

The commercial facilities business is one of the fields in which the Daiwa House Group has led the industry for many years. Beginning with the construction of roadside outlets in the 1970s, in the subsequent years we have continually ridden each new wave of fashion in developing this business. For example, we have actively developed large-scale shopping malls, among other retail formats, and we offer a comprehensive start-to-finish service based on our unique LOC System (see explanation in the following paragraph). To meet the needs both of the landowners and the prospective corporate tenants, we mobilize our extensive land-use database as well as individually tailored marketing approaches to attract suitable corporate tenants, to whom we propose suitable business plans. We are enjoying steady business growth thanks to our deployment of a total support service covering everything from planning and development to post-completion management.

Features and strengths

LOC System



► **Utilizing our unique LOC System to realize the potential of landholdings**

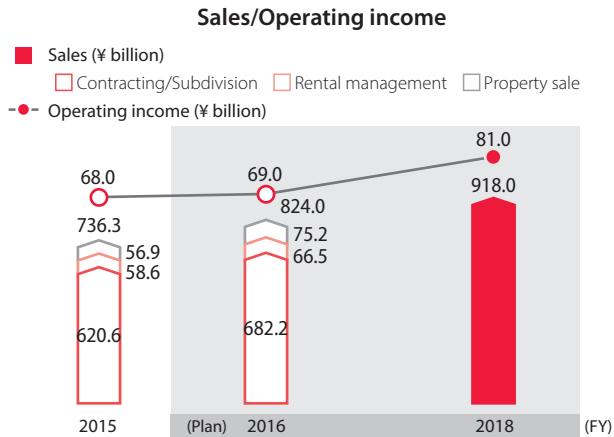
The Daiwa House Group's proprietary LOC System brings together landowners and prospective tenant companies whose needs can both be met by a well-designed business plan. Approximately 650 specialist retail outlet development staff – working at Group offices all around the country – make optimal use of a land-use database covering the whole nation to offer solutions that meet both the landowners' need for a means of effectively utilizing idle land holdings as a way of dealing with inheritance tax issues, and prospective corporate tenants' need for new outlets to drive further business growth. By appropriate matching up of the 6,775 members\* of our Owners Clubs with the approximately 4,000 companies with whom we have concluded business transactions, we are able to support the income and operational needs of both sides for many years to come.

\* As of March 31, 2016

Logistics, Business and Corporate Facilities

Targets and Strategy under the Group's Fifth Medium-Term Management Plan

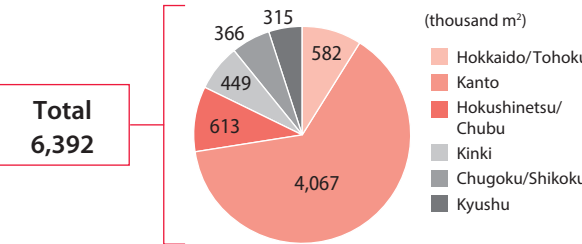
Growing orders by strengthening ability to design solutions in all specialized fields



- Strategy**
- Establish position as the No. 1 logistic developer and strengthen our stock business model by achieving national expansion of logistics facilities
  - Expand development of medical and nursing care facilities with a focus on hospital rebuilding and construction of housing for the elderly with medical services
  - Strengthen ability to capture private capital investment demand through development of industrial complexes that are linked to regional revitalization
  - Strengthen ability to meet food processing sector's demand for rebuilding by providing total operational support services that leverage comprehensive capabilities in both facility construction and consulting

Business operations

Development site area of logistics projects\*



\* Daiwa House Industry, non-consolidated  
Figures are aggregates as of June 30, 2016  
(incl. projects under construction and scheduled)

**Deploying our extensive land-use database to design and construct a wide range of facilities**

In the logistics, business and corporate facilities business – our core field since the Company's founding – we are expanding our operations by making use of our extensive database on land usage to meet corporate clients' needs through the design and construction of a wide variety of built-to-suit facilities. In our D-Project logistics facilities business, started up in the year 2000, we propose ideally-located logistics facility solutions – enabled by close information exchange with our customers and other Group companies – that match each customer's needs at all stages of the process, from design through construction to operation and facility management.

The total floorspace of logistics facilities developed by the Group nationwide (including facilities under construction as of August 31, 2016) came to 4.6 million square meters. Additionally, 4,979 medical and nursing care facilities were developed, at a total value of ¥885.7 billion. We also offered a service to support corporate clients in developing nationwide networks of offices, factories, and other facilities. In these ways, we succeeded in expanding orders by leveraging the high-level specialist expertise of our staff as well as the close relationships we have built up with our customers.

Features and strengths



Ota-city General Gymnasium

► **Building a new business model through intra-Group synergy**

The current business environment surrounding the domestic construction sector exhibits both positive and negative aspects. On the one hand, public works demand is rising due to ongoing efforts to rebuild the regions devastated by recent major natural disasters, and an increase is expected in construction investment ahead of the 2020 Tokyo Olympics and Paralympics. On the other hand, the operating environment remains unclear due to a shortage of skilled workers and a possible accelerated rise in construction costs. It was against this backdrop that we merged Group members Fujita and Daiwa Odakyu Construction in October 2015. In view of predictions that construction investment in Japan will contract, we decided to merge the two managements to concentrate business resources and allow the optimal focusing of such resources, as well as to facilitate the streamlining of business processes. We aim to maximize the Daiwa House Group's profits by enhancing earnings capabilities in the domestic construction market while expanding and injecting increased investment into our overseas operations, among other measures.





Other Businesses

Environment and Energy

Providing comprehensive solutions to diverse energy-related issues

At Daiwa House Group, we leverage know-how in the fields of energy conservation, renewable energy, electric energy storage systems, and power generation – combined with the Group’s construction technology and its unrivaled customer base – to offer corporate customers comprehensive solutions to their energy issues, including construction of photovoltaic power generation systems such as large-scale solar farms. Our “DREAM Solar” photovoltaic power generation business – in which we provide a one-stop service covering installation, operation, maintenance, and administration for solar power facilities erected on publicly- and privately-owned land – makes especially effective use of the Group’s wide-ranging capabilities. We are also exploring various business possibilities opened up by the complete deregulation of retail electricity sales that has started from 2016, including a hydroelectric project currently underway.

The Group’s achievements in installation and operation of photovoltaic, wind-power, and hydroelectric power generation facilities (figures include scheduled projects that have not yet commenced operation)\*

196 sites/247 MW

(as of June 30, 2016)

\* Total for 15 Group companies

Business and City Hotels

Working to raise the market profile and brand image of our hotel chain

Daiwa Roynet Hotels operates a nationwide network of 42 hotels, mainly located near railway stations in Japan’s major cities. Noted for their high-class hospitality, these hotels boast high room occupancy and repeat business rates. We are taking an aggressive approach to developing our hotels into multi-attraction facilities – fully leveraging the Group’s wide business scope – with the in-hotel installation of retail outlets, fitness clubs, and other attractive business formats. In this way, we plan to boost their drawing power by targeting a wider range of customers, including tourists from overseas. Going forward, we will continue to open new hotels all around Japan and will work to build a higher market profile for our hotel chain and further enhance its brand image by raising customer satisfaction levels.

44 business and city hotels

- Daiwa Roynet Hotels
- Royton Sapporo
- Osaka Marubiru (Osaka Dai-ichi Hotel)

(as of March 31, 2016)



Construction Support Business

Providing invaluable services and a wide range of products to the construction market

In our logistics business, we leverage our 50 years of experience to offer high-quality services in construction and construction materials logistics to companies nationwide. We employ information technology to cut costs and shorten lead times, enabling us to offer logistics services that make construction at site easier and impose less environmental load.

In our interior design business, we optimally leverage the largest number of qualified interior coordinators in Japan’s homebuilding industry to create interior living spaces that meet our customers’ needs and move with the trends of the times. We design and produce a wide variety of interior design marketing sets at industry events, and offer services that anticipate an expanding home renovation market.

In our home center business, the outlets operated by Royal Home Center offer a huge lineup of products catering to the needs of general customers in areas like DIY, interiors, gardening, pets, and home renovation, as well as construction materials for professionals. All stores and their lineups are designed to serve the specific needs of the region where they are located.



Overseas Operations

Expanding our business scale through aggressive investment

The Daiwa House Group’s overseas operations commenced in the 1960s, and we have now expanded our activities to 15 countries around the world, making optimum use of business resources built up over the years. In the past few years we have been mainly involved in the development of condominiums in China, and are now investing aggressively in the development of rental housing operations in the United States, where stable growth is forecast for the near future, as well as in condominium development in Australia and other countries. At the same time, we are pushing ahead with the development of industrial parks to support Japanese enterprises seeking to set up operations in ASEAN member nations. Going forward, we will continue to offer the high-quality products for which the Daiwa House Group is known.



Flour Mill of Summer Hill Project (New South Wales, Australia)



Chicago North Clark Project (Illinois, United States)



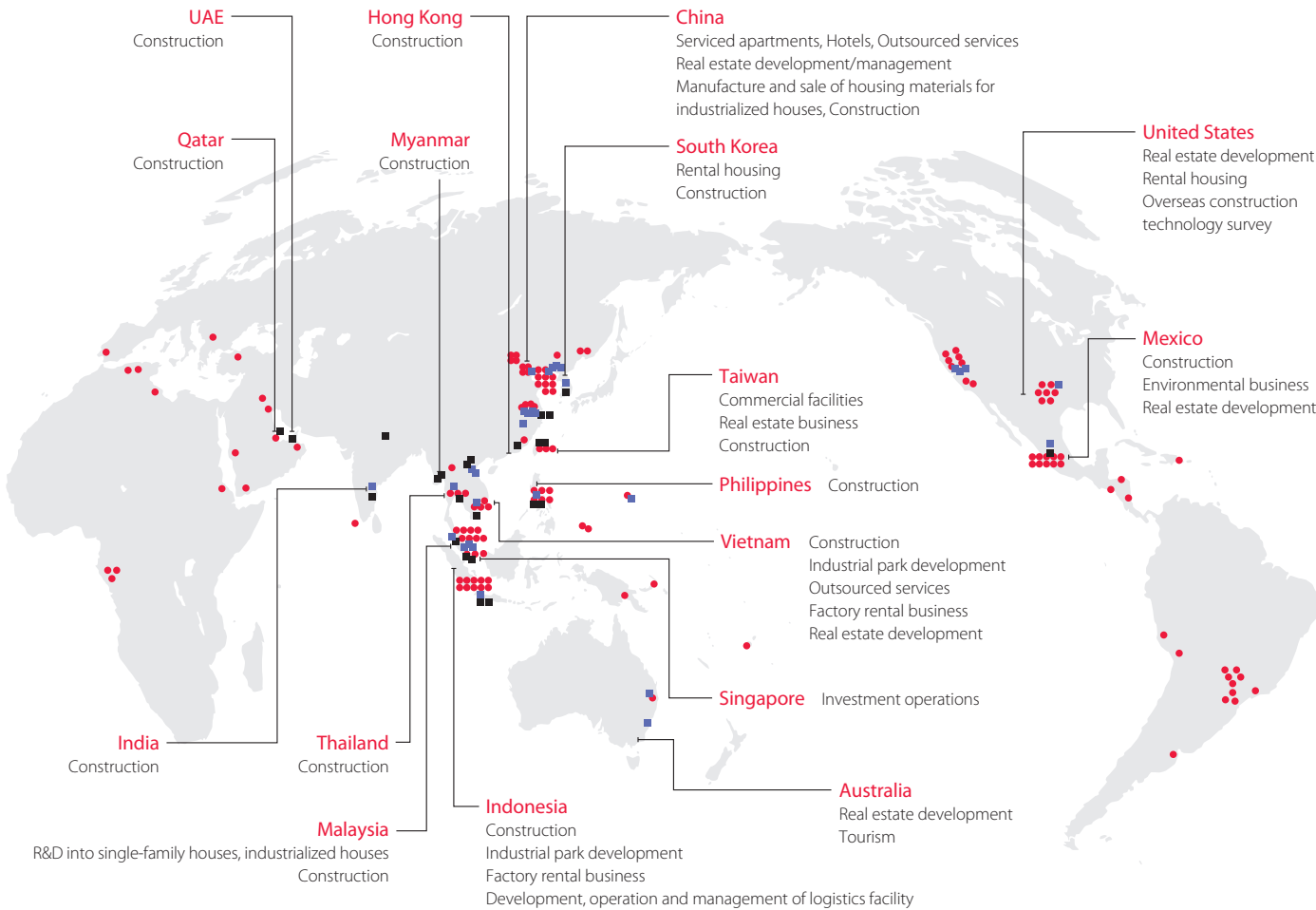
Long Duc Industrial Park (Dong Nai Province, Vietnam)

Our overseas business areas

15 countries

- Group companies overseas
- Overseas businesses and representative offices
- Projects completed

(as of August 1, 2016)







## Health and Leisure Business

### Pursuing business opportunities and offering fulfilling leisure activities

In our resort hotel business, Daiwa Royal Hotels operates a network of hotels all across Japan, while Nishiwaki Royal Hotel Co., Ltd. operates a hotel in Hyogo Prefecture. At all these hotels, guests can enjoy the unique natural scenery of each part of Japan, which offer distinct attractions with the changing seasons. Our hotels also highlight each region's unique cuisine, history, culture, traditions, and local industries. As well as giving guests a fulfilling resort experience, our hotels serve as a driving force for regional economic development by providing additional employment, among other benefits.

In our fitness club business, Sports Club NAS operates facilities all over Japan, offering activity menus that go beyond conventional fitness clubs, including courses for children, aesthetic salons, and others. These facilities work to create varied "communities" that enable members of all ages to enjoy themselves while keeping fit.

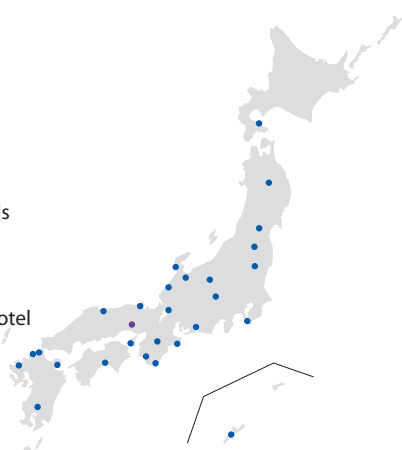
**27** hotels

● Daiwa Royal Hotels

**1** hotel

● Nishiwaki Royal Hotel

(as of March 31, 2016)



Fitness clubs & other facilities

**70** fitness clubs

(as of March 31, 2016)

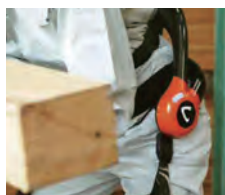
Aesthetic salons

**28** aesthetic salons

## Robotics Business

### Robotic equipment provides daily living support, for more fulfilling lives

The aging of Japan's population is becoming increasingly marked, and society is facing a severe shortage of workers in the medical and nursing care fields. At Daiwa House, we have formed collaborative relationships with companies engaged in the development and manufacture of robotics, with the goal of developing robotic equipment that can help elderly or physically disabled people become more independent and alleviate the burden on caregivers. We are also currently testing the Robot Suit HAL® for labor support (lumbar) developed by the robotics company CYBERDYNE Inc., primarily as a promising answer to the growing aging of the workforce in Japan's construction industry. We are seeking applications for our robotics technologies outside the fields of medical, nursing care, and welfare, too, in line with our mission of realizing a "harmonious coexistence between humans and robots."



**Robotic assistive harness**  
**Robot Suit HAL® for labor support (lumbar)**  
This robotic harness alleviates the strain on a worker's lower back.

### HUMANY® automatic continence processing device

This device automatically removes excess urine by suction, lightening the burdens on both the elderly or disabled user and on the caregiver.



### COMUOON® communication support device (desktop type)

This system enables easy communication for hearing-impaired persons.



Robot Suit HAL® is a registered trademark of CYBERDYNE Inc.  
HUMANY® is a registered trademark of Unicharm Humancare Corporation.  
COMUOON® is a registered trademark of UNIVERSAL SOUND DESIGN Inc.

## Sustained post-disaster reconstruction efforts

### Unique Daiwa House scheme facilitates post-disaster recovery construction work

More than five years has passed since the Great East Japan earthquake of 2011, but work is still underway on the reconstruction of the communities devastated by that disaster. Initially, local authorities had difficulty in finding land on which to build permanent public housing for those who had lost their homes. To solve this problem, Daiwa House proposed a solution under which private-sector corporations would procure the required land and build the housing, which would then be purchased by the local authorities. Thanks to the adoption of this scheme, involving leveraging the unique know-how we have acquired in effective land use, as well as our experience in site preparation, housing construction, and community planning, construction of these homes has proceeded smoothly and rapidly. Going forward, we will continue to make useful proposals and put them into practice, so that those whose lives were interrupted by the terrible catastrophe of 2011 can resume their normal lives as soon as possible.



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

Daiwa House Industry, non-consolidated  
(as of September 30, 2016)

Prefecture	Number of housing units
Iwate	391
Miyagi	2,087
Fukushima	330