

## Message from the CEO

# We aim to pass on the spirit of our founder and become a corporate group whose development continues from one generation to the next

Daiwa House Industry was founded in 1955 as a small company of eighteen employees, capitalized at ¥3 million, and since then has provided a broad spectrum of society with a wide variety of products and services relating to everyday life. In fiscal 2015 we celebrated the Company's 60th anniversary, and in that year recorded consolidated net sales of more than ¥3 trillion. Today, the Daiwa House Group—which operates under the motto of being a group that co-creates value for individuals, communities, and people's lifestyles—comprises 196\*<sup>1</sup> companies with a total workforce of around 62,000\*<sup>2</sup> employees. This has been possible thanks principally to the constant support provided by our stakeholders, and I would like to express my sincere gratitude on behalf of the Group.

Our goal is to be a sustainable corporate group whose business operations will continue to develop from one generation to the next. To remain the kind of business enterprise that society requires, I believe it is vital that all members of a corporate group have certain core values that they share on a permanent basis. In the case of the Daiwa House Group, these core values can be none other than the company philosophy and spirit handed down to us by the founder of Daiwa House Industry—Nobuo Ishibashi.

Nobuo Ishibashi, who built Daiwa House Industry from nothing, was always motivated by his belief that we should think not about what will be profitable, but about what will be of service to society – what will make people happy. And because of this, he employed his finely-honed sensibility to examine the social environment and obtain an accurate grasp of latent needs.

For example, just after the end of WWII, and amid a severe shortage of timber, Mr. Ishibashi was confronted by the sight of large numbers of wooden houses and other

structures that had been severely damaged by a major typhoon, and he realized that a structural framework made of steel pipes would be able to withstand such strong winds. Thus was born the Pipe House, the Company's first product. Similarly, in response to the shortage of housing caused by the Baby Boom, which had led to many people living in extremely cramped conditions, Mr. Ishibashi heard children complain that there was nowhere at home where they could study properly. After thinking about this problem, he hit on the concept of the Midget House—a stand-alone study room for children that could be erected in only three hours—and this product became an instant success.

Today, the Daiwa House Group works to expand the scale of its operations in the three broad fields of Housing (single-family houses, rental housing, condominiums, and more), Business (commercial facilities, business and corporate facilities, logistics facilities, medical and nursing care facilities, and others), and Life (the operation of home centers, resort hotels, fitness clubs, etc.).

Nobuo Ishibashi handed down to us the ambitious goal—what he called his “dream”—of achieving annual net sales of ¥10 trillion by the year 2055, the 100th anniversary of the Company's founding. To reach this grand target, we must continually expand our business operations by accurately ascertaining society's changing needs from one generation to the next, and meet these needs by realizing a wide range of products, services, and business models. Moreover, we intend to supply these products and services not only to our customers in Japan, but to overseas consumers as well, in the hope of improving people's lifestyles all around the globe.

To make this ambitious dream a reality, it is essential that we properly train our human resources—the employees

and future managers who will undertake this task—and ensure that they are able to fulfill their potential. Since the very start, the Daiwa House Group has positioned the development of human resources as its top-priority management issue. The words “Develop people through business” are found at the beginning of our Company Philosophy (Corporate Creed), and demonstrate the immutable stance of the Daiwa House Group.

Nobuo Ishibashi was a man who rejected narrow self-interest and worked with unflagging determination in the interests of the Company's customers and society as a whole. Today, more and more of the Daiwa House Group's staff have never personally been exposed to Mr. Ishibashi's spirit. I believe it is my highest duty as CEO to instill in all our employees and executives alike the mindset that Mr. Ishibashi continually espoused—imagination, sincerity, enthusiasm, and a positive attitude—and that these qualities will serve as mental signposts that will guide our staff in the right direction.

It is our mission to ensure that the Daiwa House Group not only remains in existence into the far future, but that it also continues to be regarded as necessary by society. To make this possible, every member of staff must follow the precept of “getting the little things right”—of doing the obvious tasks correctly and carefully—so that the Group will enjoy a high reputation as a responsible and valuable corporate member of society. And finally, all the Group's executives and other employees must be firmly united in the determination to act in the spirit of our founder, to anticipate social changes so as to let us offer society new value in each succeeding generation, and to mold a corporate group that can and will prosper together with our subcontractors and business partners.

I hope that our stakeholders—most notably our shareholders and investors—will look forward confidently to seeing the Group achieve the dream that I have described above, and that you will continue to give us your support and encouragement.



*Takeo Higuchi*

**Takeo Higuchi**  
Chairman and CEO

\*<sup>1</sup> As of March 31, 2017

\*<sup>2</sup> Including non-regular employees

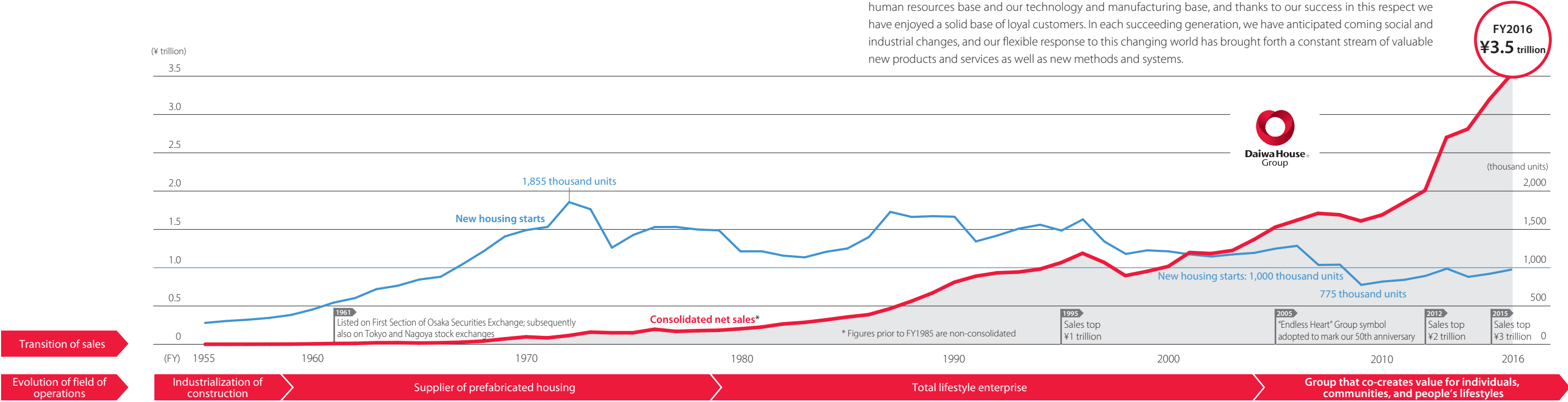
1 The history of the Daiwa House Group

“Doing things because they will be of service to society”—this is our guiding motto, and with these words always in our minds, we have responded to changing social issues by launching a constant stream of new products and services onto the market.

Firmly believing in the words of our founder, Nobuo Ishibashi, who told us: “Don’t do things because they will make a profit, but because they will be of service to society,” we have constantly sought to overturn conventional wisdom and create a “new normal.”

Just after the end of WWII, having been confronted by the sight of large numbers of wooden structures severely damaged by a major typhoon, Mr. Ishibashi noticed that the groves of bamboo, and the fields of rice plants, had not been felled by the strong winds. He realized that a house whose structural framework consisted of light but strong steel pipes would similarly be able to remain standing. Thus was born the Pipe House—the first product to be launched on the market by Daiwa House Industry. Another motive leading to this concept was his desire to preserve Japan’s forestry resources rather than rely on its depleted timber resources. The pipes could be pre-processed at a factory and then simply assembled on site. This began the “industrialization of construction” and caused a revolution in the construction industry.

Throughout the history of Daiwa House Industry and its corporate group, we have created and sustained our human resources base and our technology and manufacturing base, and thanks to our success in this respect we have enjoyed a solid base of loyal customers. In each succeeding generation, we have anticipated coming social and industrial changes, and our flexible response to this changing world has brought forth a constant stream of valuable new products and services as well as new methods and systems.



Postwar period of housing and materials shortage

**1955—the Pipe House, our first product:** Solving the building materials shortage and creating a revolution in Japan’s construction industry



Following a major typhoon that destroyed and damaged large numbers of wooden structures, Nobuo Ishibashi noticed how both bamboo and rice, which have hollow stems, were able to bend flexibly and gracefully despite the fury of the wind, without breaking. This gave him the idea of a steel-pipe structure, and the Pipe House pioneered the subsequent industrialization of construction in Japan, by which the country’s building industry was revolutionized.

**1959—the Midget House:** The starting point for the construction of the prefabricated houses needed to meet the housing shortage caused by the Baby Boom



Nobuo Ishibashi realized that the average house was too small for the large families resulting from the Baby Boom, and he heard children complain that there was nowhere at home where they could study properly. In response, he conceived the Midget House, which could be erected in only three hours. This proved immensely popular, and laid the groundwork for today’s prefabricated housing industry.

**1962—foreshadowing today’s housing mortgage loans:** Solving the problem of buying one’s own home through a tie-up with a private financial institution



At that time, to purchase one’s own home generally required being able to pay the full price in cash. Daiwa House constructed Habikino Neopolis—Japan’s first private-sector large-scale housing development—and to facilitate the sale of these homes it was able to offer the country’s first mortgages through a tie-up with a private financial institution. In addition, mortgages linked with a life insurance policy were devised—the first such system ever proposed.

On the eve of motorization of Japanese society

**1976—startup of retail and wholesale facilities business:** Opening up of new market made possible by increased motorization



With the growth of motorization in Japan, we at Daiwa House saw possibilities opening up for a promising new market—retail outlets located along major roads leading into and out of major urban areas, known as “roadside shops” in Japan. Since then, we have been growing this new market by deploying our proprietary LOC System, which lets us match landowners seeking effective ways to utilize their idle land holdings with prospective corporate tenants looking to open new outlets.

▶ P.39 Commercial Facilities

Preparing for advent of aging population

**1989—Silver Age Research Center established:** Unique research institution dedicated to market surveys and analysis of problems relating to medical and nursing care facilities



We set up the Silver Age Research Center in anticipation of the fully-fledged arrival of an aging population, and as part of our dedication to creating a social environment in which people can be sure of spending their post-retirement years in comfort and without worries. The staff at the center study the design of nursing care facilities and certain aspects of the care services provided there, and thus far we have put this know-how to use in the planning and design of more than five thousand medical and nursing care facilities.

Retailing revolution with advent of Internet-dominated society

**2003—development of large-scale logistics facilities:** The logistics revolution—playing a core role in the infrastructure revolution, for consumers and for industry



The logistics industry is a vital part of today’s Japanese economy, and the Daiwa House Group has developed a large number of logistics facilities, centered on built-to-suit facilities, which are closely tailored to meet each individual tenant company’s requirements. Our start-to-finish comprehensive services, from site proposal through facility design and construction to day-to-day operation, are now relied on by a large number of corporations.

▶ P.40 Logistics, Business and Corporate Facilities

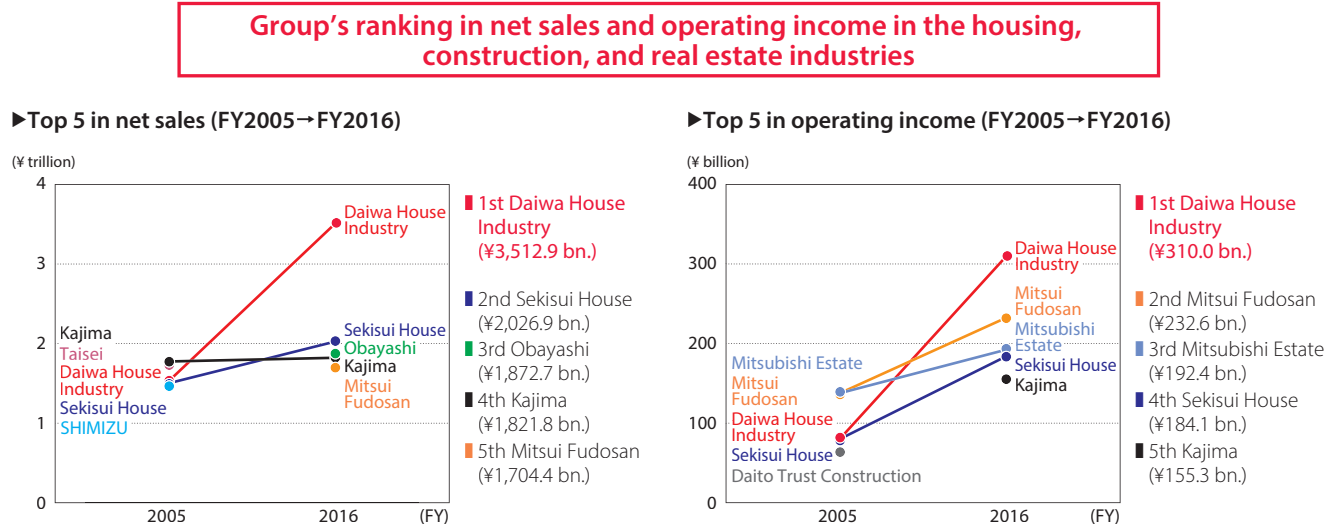
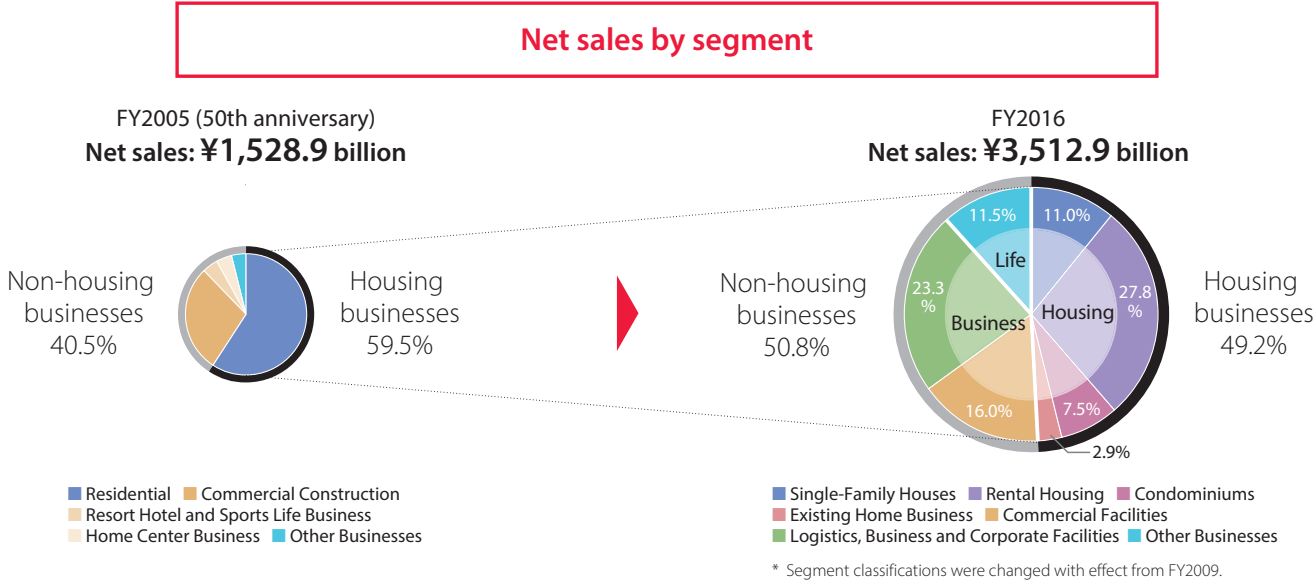


2 The Daiwa House Group today

Today, we are no longer merely house builders—in line with our motto of being a group that co-creates value for individuals, communities, and people’s lifestyles, we create new value for the whole of society.

The year 2017 marks the passage of sixty-two years since the establishment of Daiwa House Industry. Having started out solely as a builder of single-family houses, the Daiwa House Group today engages in a very wide range of businesses.

In line with its motto of being a group that co-creates value for individuals, communities, and people’s lifestyles, Daiwa House brings new value to many aspects of society through its operations in a wide variety of business areas. These include the three broad fields of Housing (single-family houses, rental housing, condominiums, renovation, and more), Business (commercial facilities, business and corporate facilities, logistics facilities, medical and nursing care facilities, real estate development, environment and energy, and others), and Life (the operation of home centers, resort hotels, fitness clubs, etc.).





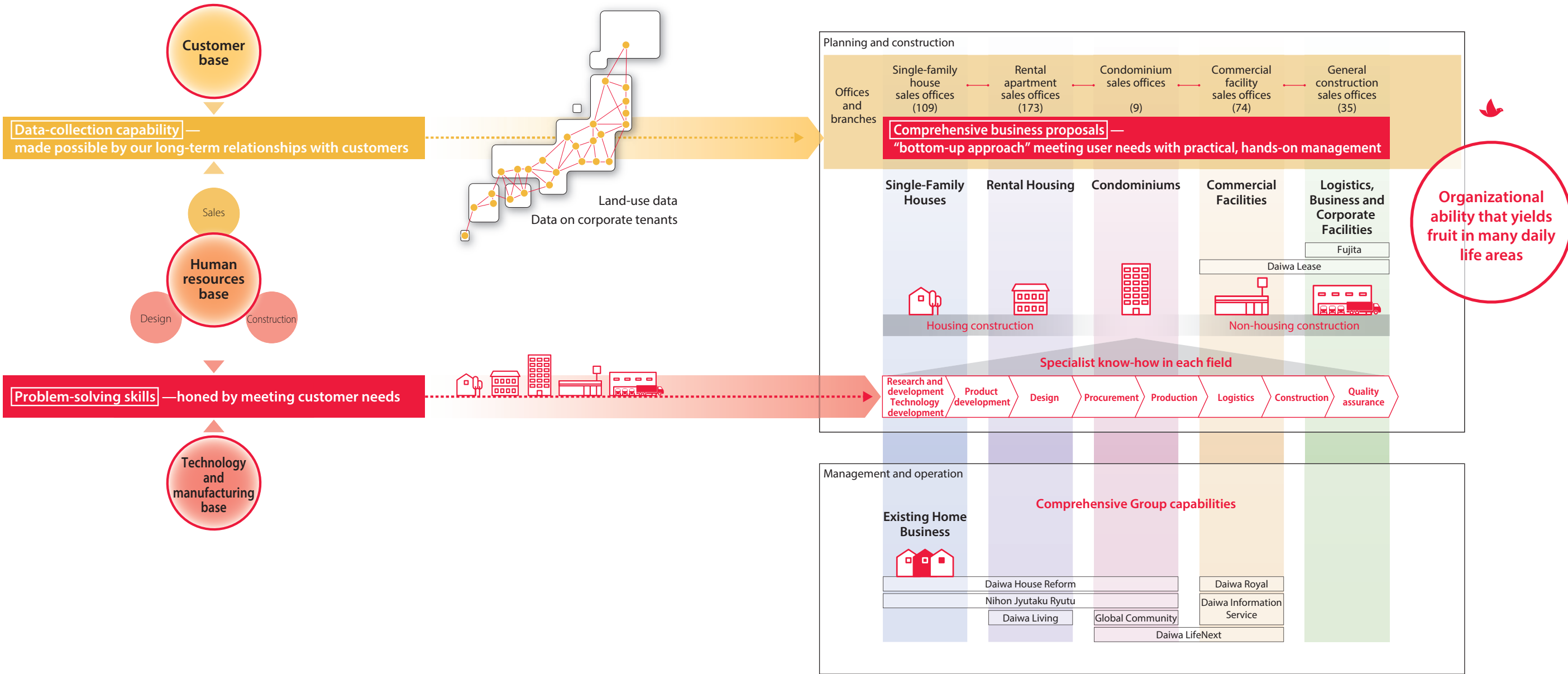
③ The source of our value creation lies in the Group's three "bases," plus our organizational ability

The source of our value creation consists of the three "bases" that we have built up through our business activities, in addition to the organizational ability we have developed through pursuit of our goal of being a group that co-creates value for individuals, communities, and people's lifestyles.

Company philosophy (corporate creed)    · Our Company will develop thanks to the complete solidarity and tireless efforts of all executives and employees.

The Daiwa House Group has evolved in line with the core beliefs handed down to us by our founder, Nobuo Ishibashi. Our three bases are: (1) our strong human resources base, which has supported the Group throughout the process of evolution; (2) our customer base, consisting of the large number of loyal customers whose support we enjoy, thanks to the close and long-term relationships we have cultivated with them; and (3) our reliable technology and manufacturing base, which has made it possible for us to offer customers the value they were seeking. The source of the Group's value-creation, in addition to these three bases, lies in the organizational ability that enables it to respond swiftly to changes in the social environment and make a contribution across a broad range of areas involved with everyday life, in line with our motto of being a group that co-creates value for individuals, communities, and people's lifestyles.

The Daiwa House Group has built a firm position for itself in all the industries in which it participates, and continues to grow. It has been able to do so thanks to the three bases described above and its organizational ability, because these have given it competitive strengths—an extensive database of information on land use and corporate tenants, an unrivalled problem-solving capability, and the ability to make comprehensive business proposals.

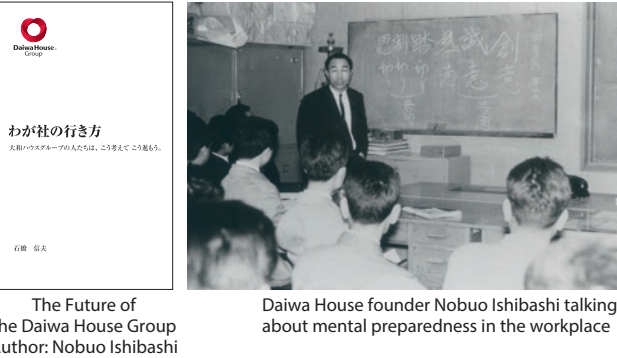


④ Human resources base

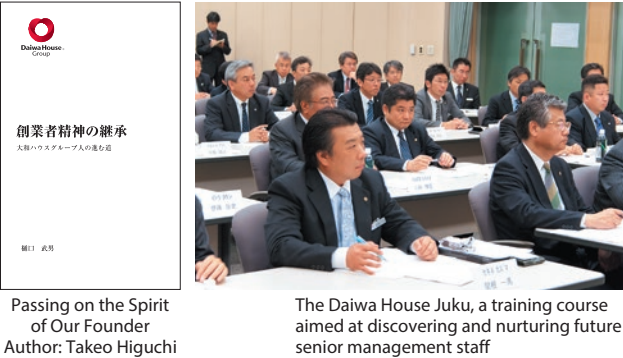
▶P.55-58

Speed of execution based on thorough implementation of a bottom-up approach, combined with a positive attitude; ability to get work done is based on imagination, sincerity, and enthusiasm; and a willingness to make efforts to achieve personal growth ... these are the strong points of our workforce, which combine to support the Group's growth.

The spirit of our founder



Our leadership



Develop people through business

Bottom-up approach  
Imagination  
Sincerity  
Positive attitude  
Enthusiasm

An open-minded corporate culture where employees are encouraged to take on new challenges

Getting the little things right  
Takeo Higuchi  
CEO

Take up the challenge!  
Naotake Ono  
COO

**Imagination** ..... Imagination doesn't mean creating fantastic inventions and making great discoveries: it means applying a little imagination and innovation to your work. We must constantly strive to use our imagination, then decisively implement corrective action, and master the process, not in our heads, but by making it automatic through practice.

**Sincerity** ..... As I have said many times, you must handle various issues at work as though they were your own problems. If you are sincere about your work, you should be able to solve these problems objectively, without any personal feelings or emotions.

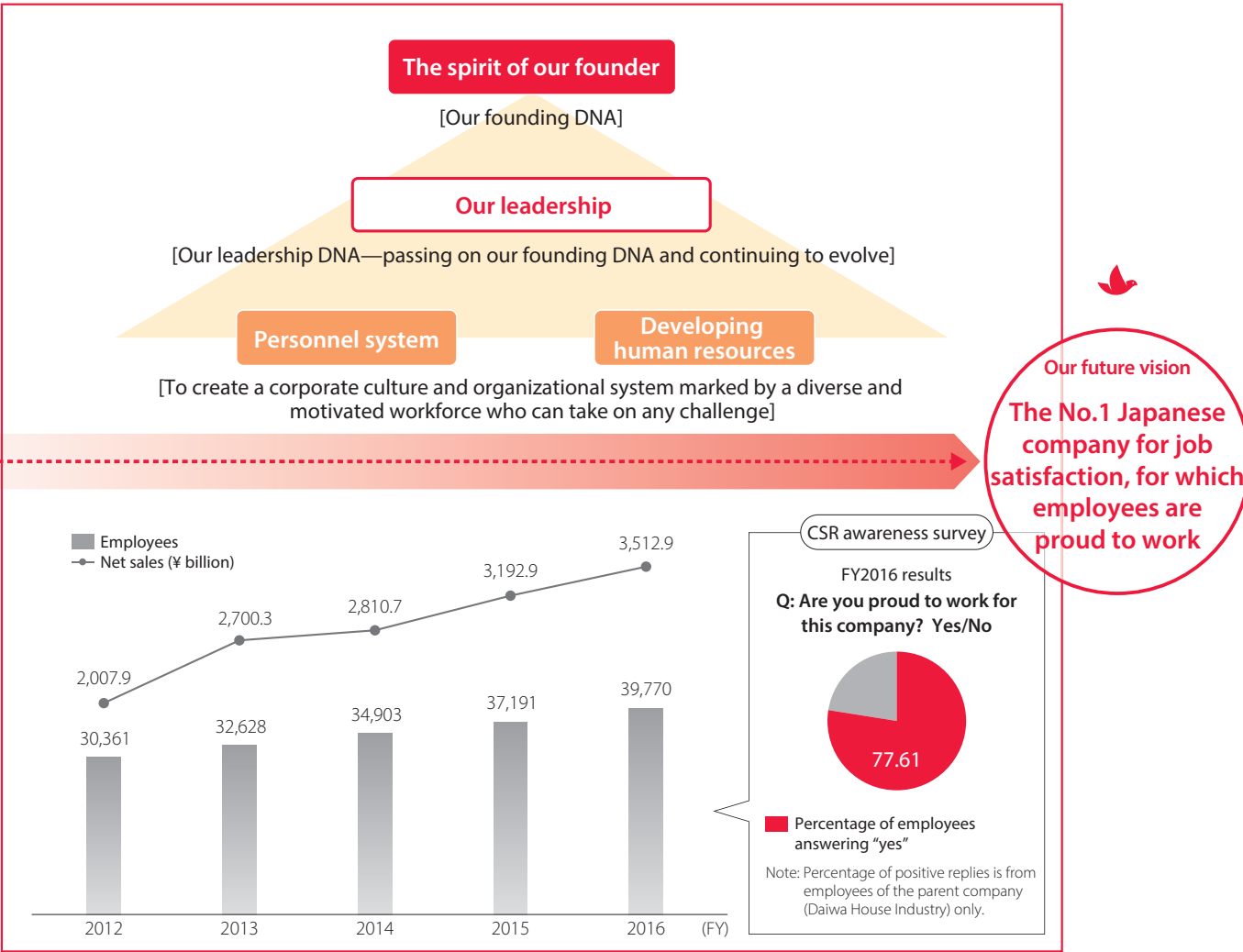
**Enthusiasm** ..... In managing a company, if 70 or 80 percent of your projections have been achieved, then take action. The 20 or 30 percent remaining after taking action should be compensated for with enthusiasm. Be enthusiastic, take the initiative and then get through it so that your decisions are not delayed, and so that you can prevent difficult problems from arising.

(Our founder, Nobuo Ishibashi)

- Company philosophy (corporate creed)
- Develop people through business.
  - A company's progress depends directly on ensuring a good working environment for its employees.

Daiwa House has grown thanks to the imagination, sincerity, and enthusiasm constantly shown by its employees. And Daiwa House employees have based their business activities on the philosophy of our founder, Nobuo Ishibashi, who constantly advocated a bottom-up approach and a positive attitude.

To realize sustained growth, we must always seek to anticipate future social and industrial developments, and must change along with them. But change is dependent on our staff. With regard to our human resources development, everything begins with our corporate DNA, which reaches back to the spirit that our founder, Nobuo Ishibashi, bequeathed to us. Going forward, we will continue to practice the concepts that he has passed on to us, so as to be the No.1 Japanese company in terms of job satisfaction. We will maintain our growth and progress into the future world, as a corporate group to which all its employees are proud to belong.



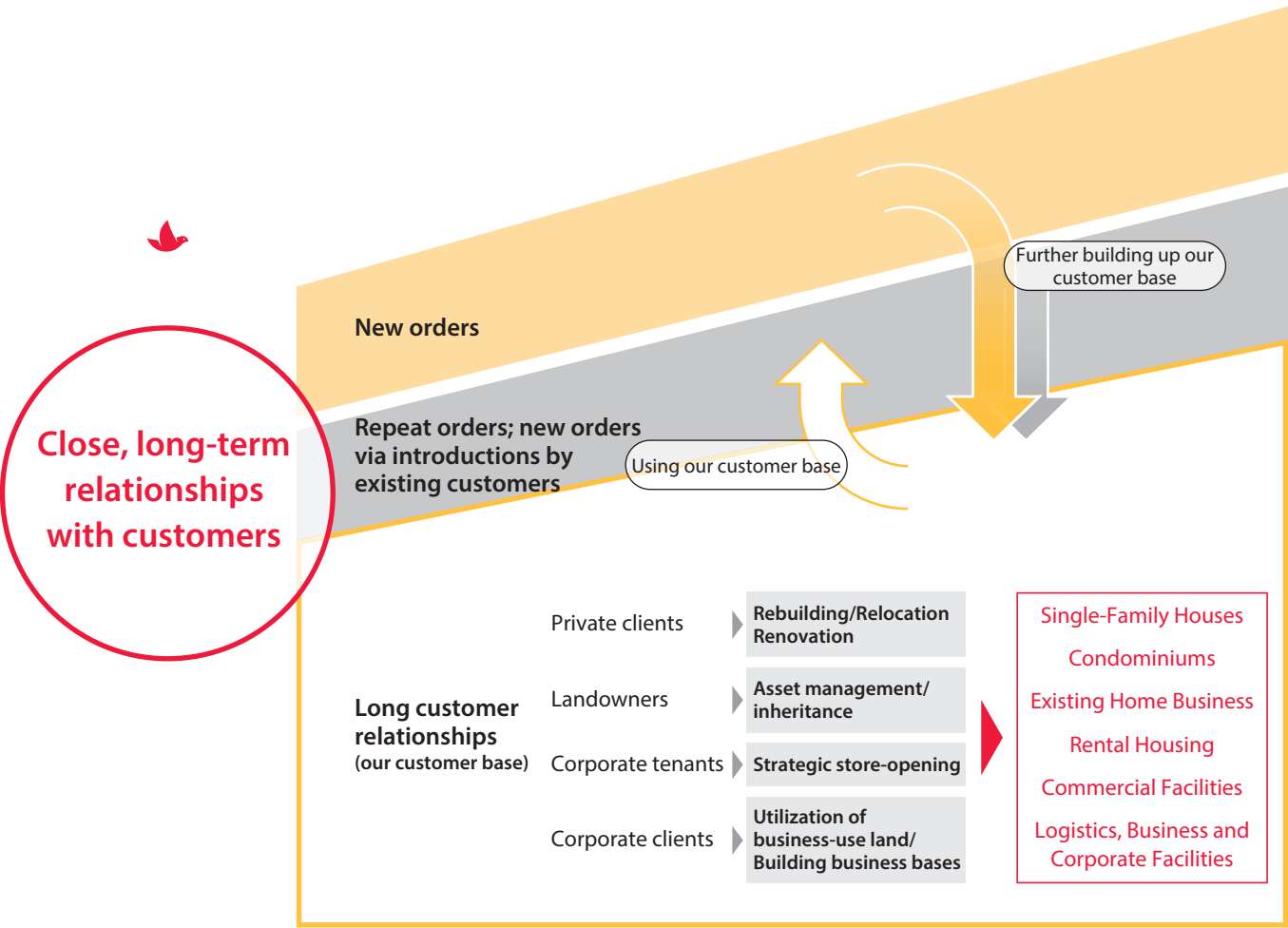
**Getting the little things right** ..... Doing the things one must do as a matter of course; keeping one's word  
▶ I believe that, among my successors, there will be those who will achieve the goal of growing the Group to annual net sales of ten trillion yen by the 100th anniversary of the founding of Daiwa House. It was to find and train the human resources who can do this that I established the Daiwa House Juku. (Takeo Higuchi)

**Take up the challenge!** ..... Approach your work with a positive attitude, summed up in the exhortation: "Carve out a path where there was none before!"  
▶ A company becomes what it is because of the way its employees think. I believe that the more positively each employee thinks, the closer will the company's reality approach the dream. (Naotake Ono)

5 Customer base

P.59-60

All our businesses are rooted in a strong relationship of trust with our customers, made possible by the close, long-term relationships we have with them. This leads to a virtuous cycle consisting of an expanding customer base and growth in the Group's business scale.



**Management Vision**

At the Daiwa House Group, we aim to create, use and enhance new values together with our customers in line with our motto of being a group that co-creates value for individuals, communities and people's lifestyles. In doing so, we hope to realize a society in which people can live fulfilled lives. In addition, we cherish our ties with each and every customer, and continue to strive to build life-long trust as a partner in experiencing the joys of a lifetime.

No matter how widely the Group's sphere of business activities may expand, our fundamental business stance—which we have employed in our Single-Family Houses Business—will continue to be building close relationships with our customers and providing them with lifelong support.

To enhance the quality of our products and services, our Code of Conduct specifies that we must “think from the perspective of each customer,” and apply this to all our businesses.

We listen carefully to all our customers' requirements and form close and sincere relationships with them, and this leads to further enhancement of our technological know-how and to the development of fully capable employees. In turn, this serves to strengthen the bonds of trust between us and our customers, which produces the virtuous cycle of an expanding customer base and the growth of the Group's business scale.

		FY2005 (50th anniversary)		FY2016 (comparison with FY2005[times])
		Net sales ¥1,528.9 billion	2.3 times	Net sales ¥3,512.9 billion
Results	(cumulative figures as of March 31, 2017)			
	Number of housing units sold*1	1,695,773		
	Retail and wholesale facilities constructed	41,084		
	Development site area of logistics projects	Approx. 7,011,000 m²		
Diverse & loyal customer base	Orders received for contract-based medical and nursing care facilities	5,360		
	Rental housing units under management	115,936	▶	510,208 [4.4]
	Condominium units under management	42,388	▶	341,705 [8.1]
	Members of Daiwa Family Club*2	35,715	▶	220,754 [6.2]
	Members of Owners Clubs*3	5,001	▶	6,713 [1.3]
Bonds of trust with business partners	Rental housing owners*4	52,165	▶	81,347 [1.6]
	Corporate tenants	Approx. 4,000	▶	Approx. 4,000 [1]

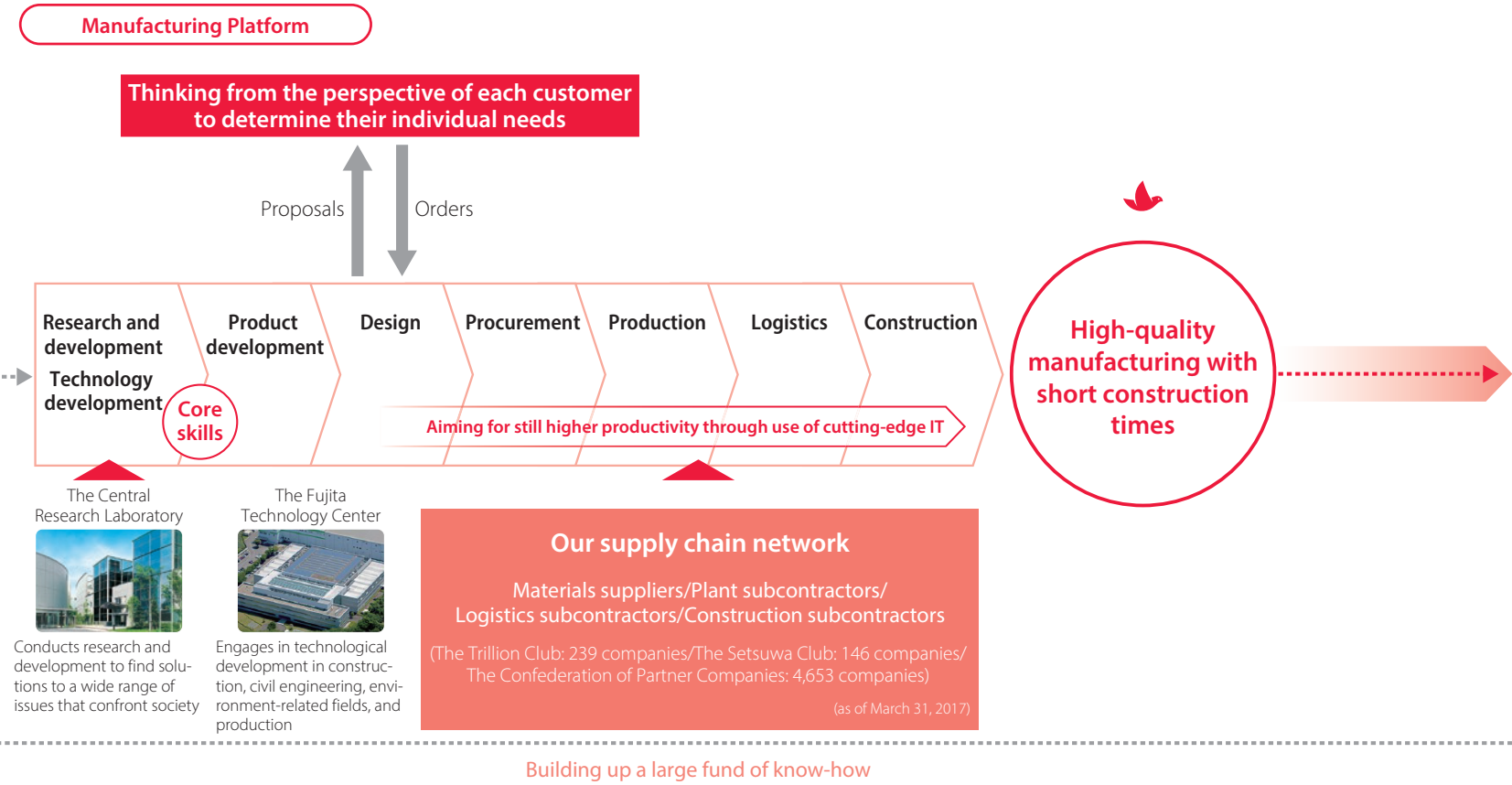
\*1 Number of housing units (single-family houses, rental housing units, condominiums) sold by Daiwa House Industry (non-consolidated)  
\*2 Owners associations for owners of housing units (single-family houses and condominiums) sold by Daiwa House Industry  
\*3 Clubs for landowners with whom our commercial facilities business has done business  
\*4 Number of landowners on whose land we have built rental housing



⑥ Technology and manufacturing base

▶P.61-64

Utilizing the high-level technology we have developed over our many years of involvement in the industrialization of construction, we meet customer needs speedily and with fully reliable quality at all stages of our supply chain, from design to construction.



**Company philosophy (corporate creed)**

· Products created in good faith by honest labor through modern facilities will contribute to society as a whole.

Daiwa House Industry was established to realize the ideal of the “industrialization of construction,” and as a pioneer in this field, the company subsequently made use of its highly reliable technology and manufacturing skills to provide society with vital new value.

Beginning with the start of operation in 1965 of Japan’s first dedicated factory for the production of prefabricated housing, we subsequently introduced advanced production systems into our factories across the length and breadth of the country. These manufacturing plants give us a controlled environment that allows the production of construction materials and parts of uniform quality and uniform measurement, and our advanced logistics and construction management systems enable us to offer high-quality products with very short construction times.

Our insistence on a bottom-up approach to business makes it possible for us to consistently and faithfully address each of our customers’ requirements. Thus, we have built up the necessary know-how to create a manufacturing platform that lets us meet our customers’ need across the total spectrum of their requirements, from design to construction. To sum up: we leverage our strong technology and manufacturing base to make the industrialization of construction a reality in many business fields, from housing to general construction.

**Prefabricated housing**

We offer high-quality housing thanks to the production and processing of materials and components in our factories, followed by assembly at site.



**Pre-engineered buildings**

Our pre-engineered buildings system—which involves the high-precision standardization of structural components—has proved very popular with customers wishing to open convenience stores, restaurants, and other outlets alongside major suburban roads.



**Our methods for the industrialization of construction meet all user needs from housing to general construction. This makes possible a vast array of construction variations.**



**General construction**

We apply the technology we have acquired and perfected in our prefabricated housing business to the construction of warehouses, offices, factories, shopping centers, and other large structures for a variety of business uses.



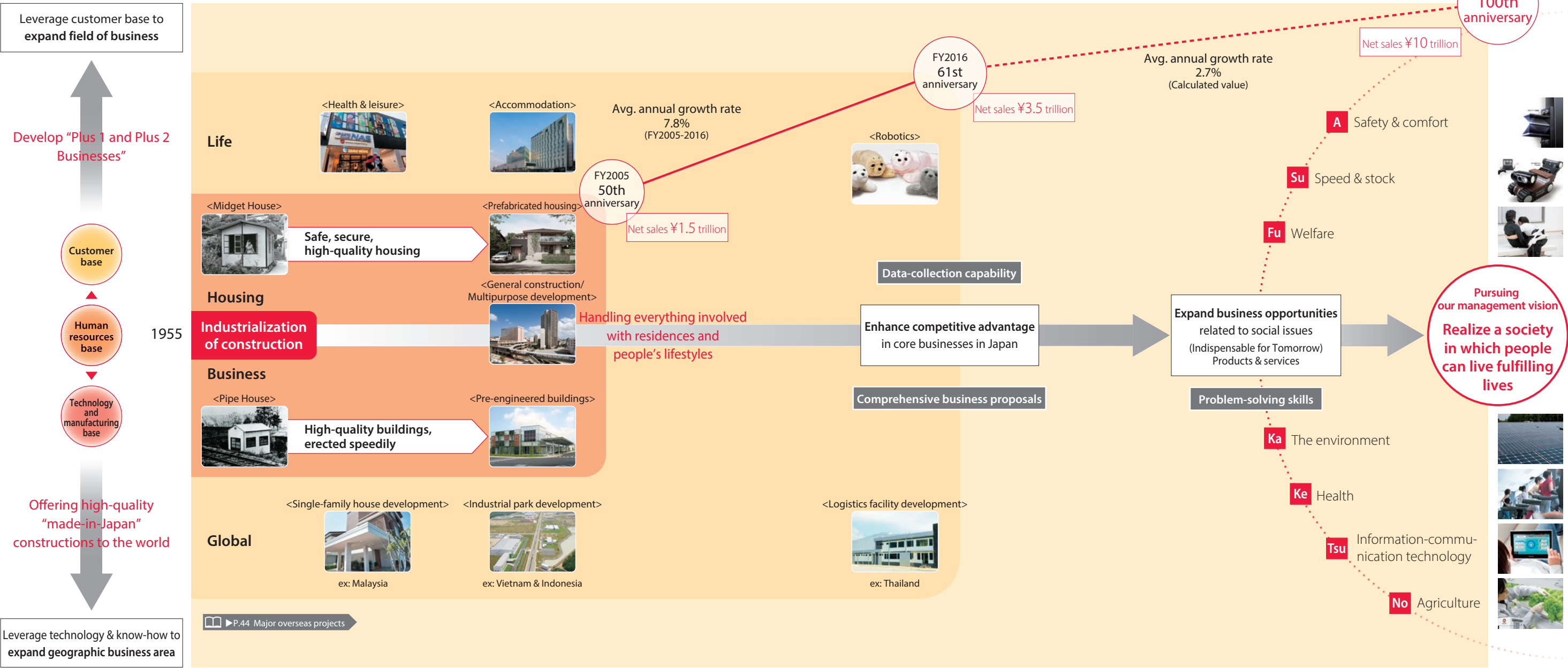
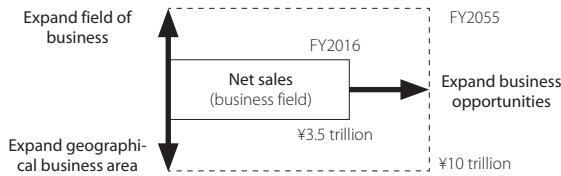
**Civil engineering**

Centered on Fujita, we combine the Group’s comprehensive strengths to engage in civil engineering projects such as railways, roads, bridges, tunnels, airports, dams, and others.

7 A vision of the Daiwa House Group's future (the value-creation process)

“Net sales of ¥10 trillion by our 100th anniversary”  
This is our dream. To be worthy of realizing this dream, we will continue to be a corporate group that listens to and responds to the voices of the world around us, so as to fulfill our mission of contributing to society through our business operations.

<Definition of diagram>  
\* In the large diagram underneath, the area of the rectangles graphically illustrates the relationship between the sales target for FY2055 and actual sales for and growth of sales in FY2005 and FY2016.



Company philosophy (corporate creed)  
· Through mutual trust and cooperation, by always reflecting deeply on past mistakes, valuing responsibility, and actively engaging in mutual criticism, we will advance along the road to growth and success.

The founder of Daiwa House Industry, Nobuo Ishibashi, handed down to us his dream of achieving annual net sales of ten trillion yen by the year 2055, which will be the 100th anniversary of the Company's establishment. This goal reflects Mr. Ishibashi's strong desire that Daiwa House be permanently regarded by society as a necessary entity because of the major contribution it makes to solving social problems.

The factors operating within our business environment are certainly not all positive. Nonetheless, we will work to further enhance our competitive advantage in our core business areas in the Japanese market, where we can fully leverage our particular strengths. At the same time, we will expand both our field of business and our geographic business area by leveraging our human resources base, customer base, and technology and manufacturing base, all three of which we have built up over many years of business operation.

Finally, we will be constantly thinking of what we can do to help solve social problems. The Group's catchphrase is *Asu Fukaketsuno* (Indispensable for Tomorrow). This is composed of the initial syllables of the Japanese words for safety & comfort, speed & 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. Faithful to this catchphrase, we will tackle new businesses that we believe will be essential for society in the future, and in pursuit of our management vision of "realizing a society in which people can live fulfilling lives," we will continue to take on every challenge.