(Translation only)

Q&A at IR Teleconference for Analyst/Institutional Investors (Summary) at Announcement of Financial Results for the Fiscal Year Ended March 31, 2015

Date and time: From 17:00 to 18:00, Friday, May 13, 2015
Presenters: Tetsuji Ogawa, Executive Vice President and CFO
Yuji Yamada, Executive Officer and General Manager, IR Department

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●Single-Family Houses Business

[Q1]

Total monthly orders received (non-consolidated) in April increased by 17% YoY, of which the entire Single-Family Houses Business Segment represented 4%. While the environment for single-family houses (custom-built houses) orders received remains unfavorable, we are hearing opinions that the market is reaching the lower end.
Can you tell us about your future projections?

[A]

- Looking at housing showroom visitor numbers and other factors, right now the market seems stagnant and it would be difficult to say we have seen improvement.
- As for our future outlook, it is certainly difficult to have an optimistic view of the market.
- At Daiwa House Industry, monthly orders received in the Single-Family Houses Business in the non-consolidated basis increased 7% and 4% in March and April, respectively, compared to the previous year. This was due to increased sales of "xevo Σ" and houses in housing development projects, among other factors.

[Q2]

（Reference: Financial Highlights: P11 "Business Segment Information"）
During FYE March 2015, operating income from the Single-Family Houses Business Segment grew compared to the forecast. What were the reasons for the improvement?

[A]

- Operating income increased by 1.7 billion yen based on an increase in sales, including sales of reconstruction housing in the Tohoku region.
- The cost-of-sales ratio improved by 0.5 points to result in 1.8 billion yen in increased operating income.
- Cost reductions resulted in 1.6 billion yen in increased operating income.
- Our new product, xevo Σ, is finally beginning to gain traction. We also are planning to launch a new line of mid and high-rise single-family houses. We will bring these products to market and create a framework that immediately provides at least 10 billion yen in income.

[Q3]

Regarding Single-Family Houses, some say that while market conditions are favorable in urban areas, rural markets are still stagnant. What is your perception of the market?

[A]

- We do feel that the market for the urban Single-Family Houses Business has been favorable.
- One characteristic of the current market is that sales of luxury single-family houses are strong.
- Our luxury tier single-family house product, xevo Σ, is a competitive product and moving forward we will increase sales promotions efforts.

●Rental Housing Business

[Q4]

（Reference: Financial Highlights: P15 "Business Performance Forecasts for FY2015 (2)"）

The Rental Housing Business Segment did not meet targets during the previous fiscal year but what targets for the current fiscal year (FYE March 2016)?

Also, do you expect market demand to remain strong?

[A]

- The reason targets were not met mainly can be attributed to a temporary decline in the occupancy rate of rental housing units. At present, occupancy rates have recovered and this segment is transitioning without any problem.
- We believe market demand will remain strong due in part to the effect of consumers looking to implement tax-saving measures.

●Logistics, Business & Corporate Facilities Business

[Q5]

（Reference: Financial Highlights: P15 "Business Performance Forecasts for FY2015 (2)"）

The FYE March 2016 plan calls for significant improvements in the sales / operating income from the Logistics, Business & Corporate Facilities Business Segment.

Can you tell us about the business environment facing this sector?

[A]

- The Logistics, Business & Corporate Facilities Business Segment will see an approximately 65 billion yen increase in sales due to the August 1 buyout to make Daiwa Odakyu Construction a wholly-owned subsidiary of Daiwa House Industry. Both Fujita and Daiwa Odakyu Construction have a solid environment for orders received and are able to implement relatively profitable order acceptance. This has resulted in an improved profit margin.
- The nonconsolidated Logistics, Business & Corporate Facilities Business Segment of Daiwa House Industry also has seen an increase in orders received across various segments, including logistics facilities, offices, and plants. We believe this trend will continue for the foreseeable future.

●Real Estate Development Business

[Q6]

（Reference: Financial Highlights: P16 “Gross margin” in “Business Performance Forecasts for FY2015 (3)”）

You explained that the sales of development properties segment are projected to record a 24.2 billion yen gain on sales mainly from the logistics facilities sales. Going forward, do you think we can expect this business to continue to achieve a gain on sales near 20 billion yen?

[A]

· This fiscal year, good properties were sold on good terms but terms depend on the property and the timing. As such, we do not expect to be able to achieve the same level of gain on sales on a consistent basis.

[Q7]

（Reference: Financial Highlights: P7 “Consolidated Balance Sheets (1) Assets” (bottom paragraph)）

What kind of properties was transferred from noncurrent assets to inventories?

[A]

· This includes properties for sale intended for listed REIT, land for the Ariake logistics facilities, etc.
· The sale to the private REIT for the Ariake logistics facilities will be implemented during the upcoming fiscal year.

[Q8]

（Reference: Financial Highlights: P15 “Business Performance Forecasts for FY2015 (2)”）

The FYE March 2016 plan indicates that, excluding gain on REIT-related sales and net sales after consolidation from Daiwa Odakyu Construction, operating income will be on par with the previous fiscal year. Considering that orders received are relatively strong for Commercial Facilities, and Logistics, Business & Corporate Facilities Business Segments, does this suggest that targets for the current fiscal year are set somewhat conservatively?

[A]

· For this year, we have set a target of 3 trillion yen in net sales. If net sales do outperform targets, there is the possibility that this could push income upward.
· At the same time, in addition to an increase in personnel costs, this year we also expect to see increased expenses related to the expansion of sales and increased expenses related to sponsorship of the Olympics, which could drive up SG&A expenses.

[Q9]

（Reference: Financial Highlights: P2 “The progress of planned investment” in “Financial Highlights for FY2014”）

The 3-year investment plan total is 770 billion yen, an increase of 120 billion yen. Can you tell us about the 110 billion yen increase slated for Logistics, Business & Corporate Facilities Business Segment?

[A]

- This is slated for the purchase of land for new projects and facility construction expenses for previously purchased lands.

●Status of Gains and Losses

[Q10]

（Reference: Financial Highlights: P6 “Extraordinary losses” in “Summary of Profits (2)”）

Can you tell us the status of the 11.1 billion yen in impairment losses?

[A]

- The largest amount is 5.3 billion yen for home centers, and of which 5.1 billion yen for the Morinomiya, Osaka site is included.
- Additionally, this includes 2.4 billion yen for golf courses and 1.8 billion yen for resort hotels.

●Order Received Forecasts

[Q11]

（Reference: Financial Highlights: P17 “Orders received forecasts” in “Orders Received by Business Segment (Non-consolidated)”）

For FYE March 2016, the nonconsolidated order received forecast is 1,630 billion yen, a year-on-year increase of 2.5%. Orders received for the month of April were strong and thus, does the outlined forecast seem somewhat conservative?

Or, do you have some concerning that the currently favorable market environments of the Rental Housing, Commercial Facilities, and Logistics, Business & Corporate Facilities Business Segments will experience some type of decline?

[A]

- April orders received include sales of real estate development properties, which represents the significant growth compared to the annual forecast.
- At present, the Rental Housing, Commercial Facilities, and Logistics, Business & Corporate Facilities Business Segments show no signs of slowing down.

●**Overseas Business**

[Q12]

（Reference: Financial Highlights: P13 “Real Estate Projects in China”）

Can you give us an update on the status of the China Project?

[A]

- As of end of March, 70% of Yihe Xinghai in Dalian has been sold.
  Sales are not particularly strong but we sold over 60 units during the month of April, indicating that sales are stable.
- As of the end of March, 234 units out of the entire units of 1,178 from the Changzhou Grace Residence were on sale and, of which, 134 units have been sold.

[Q13]

（Reference: Financial Highlights: P13 “Real Estate Projects in China”）

It was explained that 4.3 billion yen was recorded as a loss on valuation of inventories in FYE March 2015 for the Wuxi Moonlit Garden project. Can you give us details on this?

[A]

- This was the result of lowering the unit sale price from the original target to a price more in line with the surrounding real estate market.

●**About Group Companies**

[Q14]

Can you tell us about the net sales and operating income for major consolidated subsidiaries contributing to earnings?

[A]

(On the consolidated basis)

- Daiwa Living: Net sales – 342.1 billion yen, operating income – 11.5 billion yen.
- Fujita: Net sales – 284.8 billion yen, operating income – 6.4 billion yen.
- Daiwa Lease: Net sales –173.7 billion yen, operating income – 13.0 billion yen.
- FYE March 2016 full-year forecasts for these three subsidiaries have not yet been disclosed but we expect both net sales and operating income to increase.

[Q15]

（Reference: Financial Highlights: P15 “Business Performance Forecasts for FY2015 (2)”）

Of the operating income forecasts for Logistics, Business & Corporate Facilities Business Segment, can you provide a breakdown for Fujita and Daiwa Odakyu Construction?

Medium to large-scale general contractors similar to Fujita are recording income near 10 billion yen. What about Fujita?

[A]

- We are planning on operating income of 7.5 billion yen for Fujita and 2.4 billion yen for Daiwa Odakyu Construction.
- Like other general contractors, Fujita is able to implement relatively profitable order acceptance and is gradually achieving an improved profit margin. We expect the company to reach and even outperform planned income.

●About Assets and Liabilities

[Q16]

（Reference: Financial Highlights: P8 “Interest-bearing liabilities” in “Consolidated Balance Sheets (2) Liabilities and Net Assets”）

What is the debt-equity ratio for FYE March 2016?

[A]

- We have established a debt-equity ratio of 0.5 within our financial rules and at the end of FYE March 2015, this was 0.51.
- At present, we are prioritizing actual investments over investment recovery so there is a possibility the debt-equity ratio will be in the 0.5 range at the end of this fiscal period.
- We also will evaluate strategies including the sale of real estate development properties and the sales of investment securities as we will continue to conduct business with a focus on maintaining 0.5.

●Dividend Strategy

[Q17]

（Reference: Financial Highlights: P2 “Earnings Summary” in “Financial Highlights for FY2014”）

The projected annual dividend of 70 yen, including the 60th anniversary commemorative dividend (10 yen) is a positive figure but do you expect to achieve a 30% dividend payout ratio or 70 yen dividend during the upcoming fiscal year and beyond?

[A]

- We will continue to maintain a dividend payout ratio of 30% and higher.

●About Future Forecasts and Issues

[Q18]

What are your medium-term goals?

Assuming you hit your targets of 3 trillion yen in net sales and 200 billion yen in operating income, what would be the next step for the company?

[A]

- Our next step would be to aim for net sales of 4 trillion yen.
- Setting net sales of 3 trillion yen as a target for the current fiscal year (FYE March 2016) was due to the current operating environment being relatively favorable. The Single-Family Houses Business is struggling but businesses in the Rental Housing, Commercial Facilities, and Logistics, Business & Corporate Facilities are strong, particularly in terms of land utilization, and we will continue to be aggressive with forward-looking investments in these segments.
- On the other hand, we do not expect these conditions to continue forever. Our current task is to determine how we will draft our next three-year or five-year plans. How we can evolve our business to achieve our next goal of 4 trillion yen will depend on whether or not we have established alternative businesses to rely on in times when conditions take a downward turn for our current driver segments. We have tasked ourselves with reviewing every aspect of business, from upstream to downstream, in order to create ancillary businesses.
- However, it is no easy task to expand business into numerous directions and foster new businesses into entities able to contribute to profits. For the time being, we will focus on continuing to generate sales and income based on our current business model while working to gradually expand our business domains.

End