Q&A at IR Teleconference for Analyst/Institutional Investors (Summary)
at Announcement of Financial Results
for FY2014-2Q (From April 1, 2014 to September 30, 2014)

Date: From 18:00 to 19:00, Friday, November 7, 2014
Location: Daiwa House Industry Co., Ltd., Headquarters
Presenters: Tetsuji Ogawa, Executive Vice President and CFO
Takeshi Kousokabe, Director and Managing Executive Officer
Yuji Yamada, Executive Officer and General Manager, IR Department

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Q: Can you tell us the reason for the 3 billion yen upward revision of your full-year operating income forecast for your Condominiums Business?
The operating margin (3.8%) for your Condominiums Business has improved but will this level be maintainable during the upcoming fiscal year as well? (Reference: Financial Highlights: P13 "Business Performance Forecasts for FY2014 (1)")

A: ・Our initial plan included approximately 2 billion yen to account for inventory lower cost basis accounting. However, since we deemed this treatment unnecessary based on trends in orders received and the market environment so we revised our operating income forecast upward.
・The number of Condominium units sold for the upcoming fiscal year is expected to increase compared to the current fiscal year, and thus we expect to the operating margin to improve.

Q: Can you tell us the reason for the upward revision in non-consolidated orders received?
(Reference: Financial Highlights: P15 "Orders Received by Business Segment (Non-consolidated)")

A: ・Our initial plans outlined 720 billion yen from first half orders received. However, we revised our forecast upwards for orders received because performance outperformed expectations, including actual orders received exceeding 770 billion yen.

Q: Can you tell us the reason for the 0.5pt decline in the gross profit ratio during the first half and the impact this will have on the full year？
(Reference: Financial Highlights: P16 "Sales by Business Segment (Non-consolidated)")

A: ・This decline is mainly due to indirect costs but indirect costs tend to be fixed costs. We believe the profit ratio for the full year will improve with the increase in construction volume and sales.

Q: What caused changes in the gross profit ratio for Commercial Facilities and Logistics, Business & Corporate Facilities?
(Reference: Financial Highlights: P16 "Sales by Business Segment (Non-consolidated)")

A: ・For Logistics, Business & Corporate Facilities, the continued practice of selective order acceptance by the entire Group, including Fujita, has led to an improved gross profit ratio.
・The reason for the decline in the profit ratio for Commercial Facilities was due to the 0.7pt decline in the indirect cost ratio.

Q: Which subsidiaries contributed to increased profit?

A: [Companies contributing to increased profit]

Subsidiary name	Contribution to profit
Fujita Corporation	+3.3 billion yen
Daiwa Lease Co., Ltd.	+1.3 billion yen
Daiwa House (Suzhou) Real Estate Development Co., Ltd. (Suzhou Condominium Project)	+0.8 billion yen
Daiwa Information Services Co., Ltd.	+0.7 billion yen

Q: Was the Fujita's improvement in operating profit ratio limited to the construction division? What is your outlook for the future?

A: ・Although Fujita net sales declined, operating income increased because the gross profit ratio improved 3.8pt.
・The non-consolidated gross profit ratio for the Fujita's construction division was 7.1%, a year-on-year improvement of 3.2pt.
・Although due to special factors, in the civil engineering division gross profit ratio also improved significantly to 17.1%.

・Current fiscal year net sales declined compared to the previous fiscal year but, due to selective order acceptance, gross profit ratio was improved at the point of order receipt. Those orders will result in net sales that will should lead to improvement in the profit ratio.

[About rental real estate]

Q: Can you tell us about your policies regarding future real estate development projects, investment recovery, and interest-bearing liabilities?
(Reference: Financial Highlights: P7-8 “Consolidated Balance Sheets”, P10 “Business Segment Information (2)”, and P11 “Breakdown of Rental Real Estates”)

A: ・We are planning to invest 400 billion yen in real estate development projects during the 3 years of the 4th Medium-Term Management Plan.

・Of that amount, investments were 157 billion yen during FY2013 and 85 billion yen during the first half of FY2014 as well as plans for 78 billion yen during the second half of FY2014. As such, the remaining 80 billion yen will be utilized during FY2015.

・If we discover an excellent property, we are investing aggressively without limiting ourselves to the framework of 80 billion yen. However, as of the end of September the debt-to-equity (D/E) ratio was 0.46. If we adhere to the D/E ratio of 0.5, this will limit the amount of available financing. Although we may temporarily exceed 0.5, we will continue to evaluate balance and timing with a focus on investment recovery.

Q: Can you tell us about the large-scale project entailing a real estate development investment of 85 billion yen during the first half?

A: ・Breakdown of 85 billion yen: Rental Housing: 4.9 billion yen, Commercial Facilities: 20 billion yen, and Logistics, Business & Corporate Facilities: 52.5 billion yen.

・The largest project is for the site of the former Panasonic Ibaraki Plant in Osaka. This plan involves the development of two BTS-type logistics facilities.

Q: The NOI yield improved for rental real estate but is this due to rent increases?
(Reference: Financial Highlights: P11 “Breakdown of Rental Real Estates”)

A: The increase in the NOI yield was due to depreciation and amortization and the benefit of improvements including renovations to commercial facilities and tenant changes. Rent rates are often fixed and thus the influence is relatively minor.

Q: Do you think future investment properties will be able to maintain the current NOI yield? Can you tell us about demand trends?
(Reference: Financial Highlights: P11 "Breakdown of Rental Real Estates")

A: ・The current NOI yield for real estate available for sale is 7.8% but this level will prove difficult to achieve in the future. We aim at an NOI yield of 7% for BTS-type logistics facilities but at present the majority is in the mid-6% range.
・With the expansion of the internet shopping, the need for highly functional logistics facilities will continue to grow. On the other hand, J-REIT investment unit price increases combined with cap rate decreases will make the acquisition of land for logistics facilities much more difficult. Despite the high demand for logistics facilities, we have to consider lowering profitability targets related to real estate NOI yield.

[About overseas business]
Q: Can you tell us about investment balances for overseas businesses?

A: China: 69.7 billion yen, the U.S.: 6.3 billion yen, Australia: 2.5 billion yen,
ASEAN: 9.1 billion yen
Overseas business total: 87.6 billion yen (as of end of September 2014)

Q: Can you give us details on the status of the "Moonlit Garden" project in Wuxi, China, including regarding whether you will record valuation losses due to construction delays and when you expect to begin sales?

A: Certain aspects, including the construction of peripheral roads around the project promised by Wuxi City, are behind schedule and thus we are unable to initiate sales. However, at present this situation does not warrant the recording of valuation losses.

Q: Why are you investing in Australia?

A: Investment is based on our recognition of Australia as a promising residential housing market.