

**Daiwa House Industry Co., Ltd.**

**Q&A Session at Presentation on Management Policies (Summary)**

**Date and time: From 14:00 to 15:00, Tuesday, May 15, 2018**

**Speakers: Takeo Higuchi, Chairman and CEO  
Keiichi Yoshii, President and COO  
Takeshi Kosokabe, Representative Director, Senior Managing  
Executive Officer and CFO  
Yuji Yamada, Senior Executive Officer and General Manager of  
Finance and IR Departments**

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[Q1]

Overseas business has expanded rapidly in recent years.

How will you move forward as you seek to further expand the scope of overseas business?

Also, please tell us about the strengths of your overseas business as well as about your thoughts on risks.

[Answer]

- How we advance our overseas business varies depending on country or region but intend to position monozukuri (manufacturing) as a point of focus.
- Our strength is in our ability to provide one-stop solutions, from infrastructure to urban development and services.
- For example, in ASEAN we are taking advantage of in-country relations to provide logistics facilities support for corporate for businesses engaging in overseas markets.
- In advanced economies such as America and Australia, companies such as Stanley Martin and the Rawson Group joined the Daiwa House Group. These companies align with our current focus on manufacturing. Moving forward, we will continue to evaluate other M&A opportunities.
- Risks with overseas business include currency risks. Our Finance Department will engage capital procurement methods that maintain balance while enabling us to advance our initiatives.

[Q2]

Rental housing orders received for FY2017 decreased year-on-year. Current year plans forecast a year-on-year increase but what about the order environment has changed? Also, last year the ongoing sublease issue received some negative news, including the MLIT (Ministry of Land, Infrastructure and Transport) issuing warnings. Has this had any impact on your company?

[Answer]

- We record orders received for properties for which we can begin construction within two months of contract conclusion. In February and March 2018, we identified projects for which construction was delayed for various reasons, including financing inspections taking longer than expected, and removed them from the scope of recording. This is one of the factors behind FY2017 recording a year-on-year decline in orders received. As such, it is not our view that the order environment has changed significantly.

- We are maintaining very high occupancy rates for the lump-sum contract properties we manage. As of the end of March 2018, the occupancy rate for these properties was 97.3%. As such, the sublease issue is not a problem.

- One of our strengths is in our scheme of purchasing land, and then constructing and selling high and mid-rise rental housing so we view this as a segment that will continue to grow in the future.

[Q3]

Tell us about overseas business earnings for next fiscal year and beyond.

[Answer]

We will announce detailed earnings goals for next fiscal year and beyond in our 6th Medium-Term Management Plan but our intention is to achieve further earnings growth.

[Q4]

The stated dividend amount for this fiscal year is 107 yen, which is unchanged from the previous fiscal year. Does this indicate that the business environment presents elements of uncertainty?

[Answer]

- The amount of 107 yen simply reflects our calculation based on the dividend ratio of 30%. This does not suggest that the business environment presents uncertain elements.

- This fiscal year we will aim to achieve earnings goals and mark our 9th consecutive year of increased dividends.

[Q5]

What efforts are you undertaking to convey Chairman Higuchi's philosophy to the next generation?

[Answer]

- My greatest point of emphasis has been to respect the philosophy of our founder. I also have focused on human resource development.

- I communicate openly and in detail with employees to ensure that we continue to uphold the spirit of our founder. One example is our founder's philosophy that "Our employees have families. We have business partners, and they too have families. A company is a public organ of society." Embracing this philosophy, I ensure my focus remains on valuing employees and reinforcing ethics. This is important to me and I believe this philosophy equally embraced by other executives. This resonates with our employees and it drives them to work harder.

- I believe the most important elements to achieving sales growth are how we create a pleasant work environment, that is a framework for balanced and fair evaluations.

- We also value a hands-on approach. In all of our offices nationwide, we put up a poster with the phrase "Getting the little things right". We want to adopt this thinking as a central philosophy of the entire Daiwa House Group.

[Q6]

You revised your investment plans upward to 1 trillion yen. Can you tell us about your investment risk management?

[Answer]

- Our Investment Committee and Board of Directors thoroughly evaluate investments. We stipulate hurdle rates, work to anticipate every possible situation, and implement risk reduction measures as we conduct investments.

- For example, for logistics facilities, we reduce risks by investing mainly in BTS-type logistics facilities, for which the property tenants have already been decided.

- We are increasing our investment amount. We believe that new investment opportunities are being generated as a result of our past performance being appreciated by the market.

[Q7]

Your management format treats business divisions as separate units but are you concerned this format leads to limited opportunities for interaction between human resources?

[Answer]

• Business sectors are important but our branches and satellite offices serve to link our divisions laterally. A successful example of this is the Takao SakuLa City Project in Tokyo. We also are strengthening our block system to ensure our ability to maintain a strong connection to communities and the business we conduct in those areas.

• We also have executive personnel in positions that transcend division boundaries.

[Q8]

Last year when you [Yoshii] assumed the position of President and COO, you mentioned the mission to become No. 1 in each business domain. What changes have occurred since then?

[Answer]

• First, I feel that we have instilled the awareness that “Every single employee is a salesperson in the Single-Family Houses Business”. We are promoting this shared awareness together with our product strategy.

• We will further instill the logic that success in the Single-Family Houses Business enables growth in other business domains.

[Q9]

Tell us your thoughts in new businesses.

[Answer]

• We believe our current business scheme will not be enough to fulfill our goal of achieving net sales of 10 trillion yen by our 100th anniversary.

• We continue to embrace our founding spirit of conceiving and creating businesses and products that benefit and bring joy to people all over the world.

(End)

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