



News Release (Translation only)

April 16, 2013

Company: Daiwa House Industry Co., Ltd.
(Code number: 1925,
First Section of the Tokyo Stock Exchange
and the Osaka Securities Exchange)
Representative: Naotake Ono, President and COO
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**Notification of Conclusion of Capital and Business Alliance with Cosmos Initia Co., Ltd.,
and Inclusion of Cosmos Initia as a Subsidiary of Daiwa House Industry
by a Capital Increase through Third-Party Share Allotment of New Shares**

Daiwa House Industry Co., Ltd. (hereinafter, the "Company") hereby announces that, as detailed below, in accordance with a resolution of a meeting of the Board of Directors of the Company held on April 16, 2013, with effect from the same day the Company has concluded a capital and business alliance agreement with Cosmos Initia Co., Ltd. under which the Company shall subscribe for a capital increase through a third-party share allotment to be implemented by Cosmos Initia.

I. The capital and business alliance

1. Objectives of and reasons for the capital and business alliance

At the Daiwa House Group (consisting of the Company and its 93 subsidiaries, as well as 19 affiliated companies), we work together with our customers to create new value, and to further enhance and leverage such value to help building a society where people can lead spiritually rich and satisfying lives. As a group that co-creates value for individuals, communities, and people's lifestyles, the Daiwa House Group is engaged in a comprehensive range of business operations covering all aspects of daily life, such as single-family houses, rental housing, condominiums, existing home business, commercial facilities, business and corporate facilities, health & leisure, and other businesses. To further develop our business operations, in November 2011 we announced the Group's Third Medium-Term Management Plan (April 2011 through March 2014) under the name "3Gs" for new growth, in which we revealed our plans to expand the scope of the Group's operations by cultivating new customer segments as part of a basic policy of strengthening the competitiveness of our core businesses and seeking new earnings opportunities. Under

the plan, we aim to achieve these goals by taking advantage of the ongoing structural changes in the Japanese domestic market—the growing number of elderly people living alone, the saturation of the existing home market, and the increasing social emphasis on environmental issues, among others. In the condominium business, in particular, we are pursuing a strategic theme of strengthening our brand-image in the Tokyo metropolitan area, and to this end are putting additional efforts into promoting the sale of eco-friendly condominiums while also taking steps to restructure the Group's urban-type condominium brand, which has a well-deserved reputation for helping home-buyers protect their high asset values. We have also developed new ways of marketing previously-owned condominium units.

Cosmos Initia suffered a deterioration in its business performance as a result of the unfolding financial crisis that principally stemmed from the subprime mortgage crisis and the consequent collapse of Lehman Brothers in 2008. In April 2009, Cosmos Initia filed for application of the Specified Conciliation Alternative Dispute Resolution Proceedings (corporate rehabilitation ADR proceedings) as prescribed under the "Act on Special Measures Concerning Industrial Revitalization and Promotion of Industrial Innovation." In September of 2009 the corporate rehabilitation ADR proceedings were settled, and the Company concluded a business alliance with Cosmos Initia, principally relating to the joint development of condominium properties. Subsequently, Cosmos Initia drew up a basic plan for business rehabilitation, under which fiscal 2012 (the term ending March 2013) would be the final year of the plan, and thanks to the investment of management resources in its core business fields—the sale of newly built condominiums and single-family houses, the real estate rental business and the real estate brokerage business—by the end of the plan's final year in March 2013, Cosmos Initia had succeeded in fully paying off its debts totaling ¥100.8 billion under the corporate rehabilitation ADR proceeding, and thus completed its corporate rehabilitation plan period on March 31, 2013.

During this period, to enhance the profitability of its condominium and single-family house development operations, Cosmos Initia acquired new condominium properties comprising 4,427 dwelling units through 75 projects and 420 plots of land for the development of single-family houses. In addition, the management of Cosmos Initia also took steps to further stabilize its business base and open up future possibilities, including the expansion of its operations into new areas such as undertaking contracts for large-scale renovation work on condominium buildings, and the business of renovating and reselling previously-owned condominium units. Moreover, in line with its business alliance with the Company, Cosmos Initia also engaged in ten joint condominium development projects together with the Company, made proposals for collaboration with the Company's other subsidiaries in maintaining the asset value of condominium common-use space, etc., and also provided after-sales services and engaged in joint projects of selling renovated condominiums. In such ways, Cosmos Initia has increasingly raised synergy with the Daiwa House Group.

Against this background, the Company has taken the decision to subscribe for the issuance of new shares through third-party share allotment by Cosmos Initia, and to make Cosmos Initia its group company, in order to further reinforce the Company's condominium operations in the Tokyo metropolitan area and open up new possibilities for the existing home business (home renovations). In addition, the business

alliance agreement that we have concluded today is aimed at optimally leveraging the strengths of both companies and at facilitating further business collaboration. We also intend to maintain the listing of the common stock of Cosmos Initia on the Osaka Securities Exchange JASDAQ (Standard) for the foreseeable future.

2. Details of capital and business alliance

(1) Overview of business alliance

The alliance aims to: (a) ensure the stable continuation of business by the two partners in the housing lot-subdivision business, centered on condominiums in the Tokyo metropolitan area and the Kansai region, with the aim of maintaining an adequate share of the markets for the development of newly built housing as well as renovation and rebuilding work with respect to existing condominium buildings; (b) focus on development projects of real estate for investment purposes, aiming for cooperation with the Company's affiliated investment corporation and expand Cosmos Initia's business in markets where growth is projected from here on, such as the previously-owned condominium unit market, the secondary markets for single-family houses and business-use real estate, and the markets for small-to large-scale renovation work on condominium buildings. Under such basic strategy of the alliance, the two companies will continue to hold discussions on the pursuit of specific business collaboration projects, as detailed in the following items.

(i) Development of new condominium buildings

In the development of new condominiums in the Tokyo area and the Kansai region, Cosmos Initia and the Company's Condominiums Business Division are promoting increased collaboration, including the exchange of personnel and the establishment of joint committees, with the objective of expanding the scale of joint projects and strengthening the two companies' cooperation in the development of new products and marketing.

(ii) Retail sales brokerage and renovation businesses in the field of previously-owned condominiums

Cosmos Initia and the Daiwa House Group aim to strengthen their collaboration, including the exchange of personnel and the establishment of joint committees, to expand their operations in the fields of retail brokerage and renovation work.

(iii) Large-scale renovation work on existing condominium

Cosmos Initia and the Daiwa House Group aim to expand the scale of their orders received for renovation work on condominiums, and to this end the two sides are strengthening their collaboration, including the exchange of personnel and the establishment of joint committees. In addition, the two sides are also promoting increased collaboration in the field of conversion of existing properties—principally company housing, rental apartment buildings, and other such properties—which involves remodeling and conversion of such properties into condominiums for sale.

(iv) Agreements between Cosmos Initia and the Company's affiliated investment corporation

The Company shall cooperate with Cosmos Initia in arranging for it to conclude a contract with

Daiwa House Residential Investment Corporation for the purpose of providing information relating to the real estate market, among others, and collaborating in business operations.

(v) Planning and management of rental property assets

To expand Cosmos Initia's current rental property business operations, centered on the Rental Apartment Subleasing Business, Cosmos Initia aims to increase the number of custodial contracts, including through the use of an M&A strategy. The Company will also hold discussions with Cosmos Initia to strengthen collaboration and to raise its competitiveness in the areas of planning and proposals aimed at real estate property owners as well as in the areas of marketing products and services.

(vi) Business operations in Australia

In light of the decision taken by Cosmos Initia to withdraw from its business operations on Fraser Island in Australia, Cosmos Initia and the Company shall review and revise the basic business alliance agreement concluded between the two on April 27, 2011 regarding the business operations conducted by Cosmos Initia on Fraser Island.

In addition to the business collaboration projects described above, following the third-party share allotment of new shares, with respect to borrowings from financial institutions necessary for the continued operation of Cosmos Initia's business, the Company shall provide loan guarantee (maximum aggregate principal amount of ¥18 billion, contract term of one year) in accordance with separate guarantee entrustment contracts to be signed prior to the payment date. In the event that Cosmos Initia shall borrow from financial institutions the funds necessary for the continuation of its business operations, in response to a request from Cosmos Initia, the Company shall guarantee the said loans from financial institutions in accordance with the aforesaid guarantee entrustment contracts.

(2) Overview of capital alliance

To achieve synergy at an early stage, and to the maximum extent, from the business alliance between the Company and Cosmos Initia, and to ensure the effectiveness of the alliance, as explained above, Cosmos Initia will implement a capital increase through the issue of 19,387,800 new shares of common stock in the form of a third-party share allotment to the Company, which will purchase the entire share amount.

The following provides an outline of the capital increase to be implemented by Cosmos Initia through third-party share allotment of new shares.

- (a) Number of shares of common stock to be purchased by the Company: 19,387,800 shares
- (b) Amount to be paid per share: ¥490
- (c) Total amount to be paid: ¥9,500,022,000
- (d) Date for payment: June 27, 2013

In addition to the capital increase through third-party share allotment, Cosmos Initia and the Company will implement the following actions.

- (i) Subject to the precondition of the completion of the above-described capital increase through third-party share allotment, both the capital and capital reserves of Cosmos Initia shall decrease by the identical amount of ¥4,750,011,000 (hereinafter, this is referred to as "the decrease in capital and capital reserves").
- (ii) Assuming as a precondition the coming into force of the decrease in capital and capital reserves, Cosmos Initia shall purchase from all holders of Type 1 preferred stock in Cosmos Initia with the exception of the Company (hereinafter "existing holders of preferred stock"), all the shares of Type 1 preferred stock held by them (a total of 3,050,000 shares) at a total cost of ¥9,150 million (¥3,000 per share). This stock repurchase shall be referred to hereinafter as the "stock repurchase."
- (iii) With the stock repurchase as a precondition, the price for the acquisition of shares with put options, which have the common stock of Cosmos Initia as consideration, shall be adjusted to the same amount (¥490) as the amount paid per share for the capital increase through third-party share allotment. And, after the exercise period is moved up to June 27, 2013, the Company shall exercise said put options for all Type 1 shares of preferred stock held (100,000 shares) and purchase 2,040,816 shares of common stock. This shall be referred to hereinafter as the "stock conversion".
- (iv) On the precondition of the implementation of the stock conversion as described in the foregoing item, Cosmos Initia shall cancel all the Type 1 preferred shares acquired through the stock repurchase in question and the stock conversion (a total of 3,150,000 shares). This shall be referred to hereinafter as the "share cancellation."

The implementation of the items detailed above is subject to the approval of resolutions proposing the measures involved by shareholders present at the ordinary general meeting of shareholders of Cosmos Initia and at separate general meetings for holders of different types of shares (hereinafter, "general meetings of shareholders"), and further subject to that Cosmos Initia does not receive any notification from the Japan Fair Trade Commission that Cosmos Initia is in violation of the laws against private monopoly, or any cease and desist order on the grounds of violation of the provisions of other legislation intended to ensure fair trading practices.

As a result of the implementation of the actions detailed above, the risk of a dilution of the value of the preferred shares of Cosmos Initia might be decreased. Moreover, the implementation of the actions described above will result in the acquisition by the Company and its subsidiaries of 21,739,616 shares of the common stock of Cosmos Initia (through the capital increase by third-party share allotment and the subsequent stock conversion), equivalent to 64.11% of all issued shares of Cosmos Initia (33,911,219 shares following the capital increase and the stock conversion), as well as 64.17% of all voting rights in Cosmos Initia (all figures rounded off to the second decimal place).

3. Overview of counterparty in capital and business alliance (As of April 16, 2013)

①	Company name:	Cosmos Initia Co., Ltd.																					
②	Head office location:	Shiba 5-34-6, Minato-ku, Tokyo, Japan																					
③	Title and name of Representative:	Yoshiyuki Takagi, President																					
④	Description of business:	Real estate sales, real estate rental, real estate brokerage																					
⑤	Paid-in capital:	5,000 million yen																					
⑥	Date established:	June 20, 1969																					
⑦	Major shareholders and shareholding ratio:	<table border="0"> <tr> <td>Japan Trustee Services Bank, Ltd. (trust account)</td> <td>7.17%</td> </tr> <tr> <td>The Bank of Tokyo-Mitsubishi UFJ, Ltd.</td> <td>4.36%</td> </tr> <tr> <td>Mizuho Corporate Bank, Ltd.</td> <td>4.08%</td> </tr> <tr> <td>The Master Trust Bank of Japan, Ltd. (trust account)</td> <td>3.69%</td> </tr> <tr> <td>BNYM SANV BNYM Client Account MPCJ Japan (standing proxy: The Bank of Tokyo-Mitsubishi UFJ, Ltd.)</td> <td>3.24%</td> </tr> <tr> <td>Sumitomo Mitsui Trust Bank, Limited</td> <td>2.81%</td> </tr> <tr> <td>Sumitomo Mitsui Banking Corporation</td> <td>2.49%</td> </tr> <tr> <td>Osaka Securities Finance Co., Ltd.</td> <td>2.18%</td> </tr> <tr> <td>Mitsubishi UFJ Lease & Finance Co., Ltd.</td> <td>1.93%</td> </tr> <tr> <td>Mitsubishi UFJ Trust and Banking Corporation</td> <td>1.54%</td> </tr> </table>		Japan Trustee Services Bank, Ltd. (trust account)	7.17%	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4.36%	Mizuho Corporate Bank, Ltd.	4.08%	The Master Trust Bank of Japan, Ltd. (trust account)	3.69%	BNYM SANV BNYM Client Account MPCJ Japan (standing proxy: The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	3.24%	Sumitomo Mitsui Trust Bank, Limited	2.81%	Sumitomo Mitsui Banking Corporation	2.49%	Osaka Securities Finance Co., Ltd.	2.18%	Mitsubishi UFJ Lease & Finance Co., Ltd.	1.93%	Mitsubishi UFJ Trust and Banking Corporation	1.54%
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Relationships between Cosmos Initia and the Company: (As of September 30, 2012)		Capital relationship	The Company does not hold any shares of common stock in the counterparty to the capital and business alliance. Various subsidiaries of the Company hold a total of 311,000 shares of common stock issued by Cosmos Initia. The Company holds 100,000 Type 1 preferred shares of Cosmos Initia.																				
		Personnel relationship	Not applicable.																				
		Transaction relationship	The Company and Cosmos Initia have concluded a business alliance agreement principally involving the joint development of condominium properties.																				
		Conditions that fall under the relevant party	Not applicable.																				

⑨ Consolidated financial performance and financial conditions for three fiscal years ended March 31, 2012 (millions of yen)			
Fiscal terms	FY2010	FY2011	FY2012
Net assets	14,011	13,985	14,425
Total assets	105,734	73,870	58,375
Net assets per share (Yen)	(2,354.25)	(2,063.58)	(1,544.22)
Net sales	169,995	101,414	80,200
Operating income	(4,797)	1,410	1,852
Ordinary income	(7,581)	701	1,398
Net income	25,701	234	1,334
Net income per share	2,480.23	(49.01)	71.48
Dividend per share (Yen) ((): interim dividends)	Common stock	Common stock	Common stock
	—	—	—
	(—)	(—)	(—)
	Type 1 preferred shares	Type 1 preferred shares	Type 1 preferred shares
	9.30	20.50	195.00
	(—)	(—)	(—)
	Subordinated stock	Subordinated stock	Subordinated stock
—	—	—	
(—)	(—)	(—)	

4. Schedule

Tuesday, April 16, 2013	Resolutions by the boards of directors of the two companies
Tuesday, April 16, 2013	Signing of the capital and business alliance agreement
Thursday, June 27, 2013	Payment date for the third-party share allotment of new shares
	Conversion of Type 1 preferred shares

5. Future outlook

As a result of the capital increase through third-party share allotment as part of the capital and business alliance in question, Cosmos Initia and its consolidated subsidiaries shall become consolidated subsidiaries of the Company with effect from the settlement of accounts for fiscal 2013 (the fiscal year ending March 31, 2014).

With regard to the impact of this capital and business alliance on the consolidated business performance of the Company, this matter is currently under examination. In the event that the management of the Company deems that a revision is required to the Company's business performance forecasts, or that there are other matters that should be made public, action will be taken as soon as possible to inform investors and all other stakeholders.

II. Changes to the List of Subsidiaries of the Company

1. Reasons for and nature of changes to the list of subsidiaries

As a result of the payment for the shares to be received through the third-party share allotment and the conversion of the Type 1 preferred shares, both scheduled for June 27, 2013, the Company shall acquire 21,428,616 shares of common stock of Cosmos Initia (equivalent to 63.19% of all issued shares (33,911,219 shares) following the third-party share allotment and the subsequent stock conversion, and shall hold 63.25% of all voting rights in Cosmos Initia (all figures rounded off to the second decimal place). Consequently, Cosmos Initia will become a subsidiary of the Company on June 27, 2013.

For further details regarding this matter, please refer to the above sections I. 1. "Objectives of and reasons for the capital and business alliance" and I. 2. "Details of capital and business alliance."

2. Overview of Cosmos Initia to be newly made into subsidiary of the Company

Name of new subsidiary: Cosmos Initia Co., Ltd.

For an overview of Cosmos Initia, please refer to the above section I. 3. "Overview of counterparty in capital and business alliance."

3. Number of shares to be purchased, purchase price, and share ownership situation following purchase

Before purchase:

Share ownership:	—	(Ownership percentage:	—%)
Indirectly owned shares:	311,000	(Indirect ownership percentage:	2.49%)
Total of owned shares:	311,000	(Ownership percentage:	2.49%)

Following purchase:

Shares owned:	21,428,616	(Ownership percentage:	63.19%)
Indirectly owned shares:	311,000	(Ownership percentage:	0.92%)
Total of owned shares:	21,739,616	(Ownership percentage:	64.11%)

4. Schedule

For details of the schedule of events, please refer to the above section I. 4. "Schedule."

5. Future outlook

For information regarding the future outlook for the Company, please refer to the above section I. 5. "Future outlook."

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Disclaimer:

This English translation has been prepared for general reference purposes only. The Company shall not be responsible for any consequence resulting from the use of the English translation in place of the original Japanese text. In any legal matter, readers should refer to and rely upon the original Japanese text of the press release dated April 16, 2013.