



News Release (Translation only)

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(Code number: 1925, First Section of the Tokyo Stock Exchange)
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Announcement concerning Revisions to the Basic Policy for Structuring the Internal Control System

At a meeting held on April 15, 2015, the Board of Directors of Daiwa House Industry Co., Ltd. resolved to revise the Basic Policy for Structuring the Internal Control System.

The Basic Policy for Structuring the Internal Control System (Revised April 15, 2015)

Individuals in charge of executing the operations of Daiwa House Industry (the Company) (“Executive Officers”) and individuals in charge of supervising Executive Officers (“Directors”) are responsible for the internal controls for the overall Daiwa House Group (the Company and its subsidiaries as defined under Article 2 Paragraph 3 of the Companies Act). Individuals in the position of both Directors and Executive Officers endeavor to support structuring and operating the internal control system of Daiwa House Group, realizing the respective responsibilities and properly executing function of each role.

Based on the foregoing system, Daiwa House Group has revised the Basic Policy for Structuring the Internal Control System in order to define internal controls that apply to all Daiwa House Group officers and employees and to affirm that these officers and employees have individual responsibility for the internal controls system in Daiwa House Group.

1. Systems necessary to ensure that the execution of duties by officers and employees complies with laws, regulations, and articles of incorporation

The Company has determined that compliance with the law serves as the foundation for all Daiwa House Group activities and has established the General Principles of Daiwa House Group Corporate Philosophy. The Company’s representative directors introduce initiatives and communicate this commitment, setting an example of compliance for the Daiwa House Group officers and employees, having developed the following framework for the Company’s internal control system.

- (1) Appoint a Chief Compliance Officer from among Executive Officers and endeavor to improve the cross-organizational compliance system for Daiwa House Group and to secure an understanding of issues.
- (2) Assign a Compliance Manager within each department to analyze issues of compliance according to the characteristics of the individual department and offer specific countermeasures. The Compliance manager shall also establish rules, make amendments, and implement necessary compliance training.
- (3) Require the Directors, Executive Officers, Corporate Auditors, and Compliance Managers to report promptly to the Chief Compliance Officer in the event that any compliance-related issue is discovered.
- (4) Establish a help line to collect compliance-related information. Investigate reports to the help line and consult with departments to develop plans to prevent recurrence.
- (5) Establish a department to audit work procedure of employees. Endeavor to ensure that the business operations comply with laws and corporate rules.
- (6) Require officers and employees to communicate on a daily basis with relevant departments to investigate any issues regarding the compliance system and compliance within Daiwa House Group.
- (7) Establish disciplinary rules and properly respond to any acts on the part of officers or employees in violation of laws or articles of incorporation.
- (8) Require officers and employees to perform self-assessment of activities and work procedures for appropriateness. Assume responsibility for monitoring the work conduct of other officers and employees at all times.

2. System for storing and managing information related to the performance of the duties of officers and employees

From among Executive Officers, the Company shall appoint a General Manager responsible for the storage and management of information related to the work of Daiwa House Group officers and employees and construct a system as follows:

- (1) Use core information systems and/or documentation to store and manage work-related information.
- (2) Allow Board Directors, Executive Officers, and Corporate Auditors to view this information at any time.

3. Systems for Risk Management

To improve the Daiwa House Group cross-organizational risk management systems and prevent risk, the Company shall establish necessary corporate rules and adopt systems as follows:

- (1) Appoint a Risk Management General Manager from among Executive Officers
- (2) Require the Risk Management General Manager to be responsible for strengthening the systems of risk management in Daiwa House Group and implementing measures to prevent risk.
- (3) Require each department to assign a Risk Manager who is responsible for monitoring risk on a continuous basis in their respective departments. The Risk Manager shall promptly notify officers and employees of the Daiwa House Group of major unlawful acts or other misconduct within the Group and other companies and implement any training deemed necessary.
- (4) Establish a Risk Management Committee to regularly determine the status and structural improvements required under (2) and (3) above and to improve group-wide risk management systems through investigating individual circumstances.
- (5) Establish a department to audit the risk management status of each department on a daily basis.
- (6) Report matters related to risk management regularly to the meetings of the Board of Directors and the meetings of the Corporate Auditor Committee.
- (7) Establish a help line for officers and employees who discover risk or potential risk to contact the Risk Management Committee directly.
- (8) Cut off any relations with antisocial forces and maintain an organization-wide resolute attitude toward antisocial forces.

4. Systems to ensure officers and employees operate efficiently

To ensure officers and employees operate efficiently, the Company shall maintain and improve the system as follows:

- (1) Determine specific measures to implement in relevant departments; institute efficient work performance system, including the assignment of authority.
- (2) Establish corporate rules on approval memos to clarify and speed the approval process.
- (3) Adopt electronic approval memos and other IT systems to achieve more efficiency for officers and employees, to share information and to communicate with each other speedy and simply.

5. Structure to ensure the appropriateness of operations within the Group

The Company shall appoint a General Manager from among Executive Officers to be responsible for ensuring the appropriateness of the operations of Daiwa House Group. The Company shall endeavor to maintain and improve a structure as follows, based on the scope, nature, etc. of the subsidiary (“Group Company”) in question:

- (1) Request each Group Company to report on matters related to operations for the purpose of properly storing and managing information of the corporate organization as a whole.
- (2) Require the General Manager to report the status of internal control systems at each Group Company at meetings of the Board of Directors as deemed necessary.
- (3) Have each Group Company establish an organization which proposes and operates internal control systems including risk management. Request reports about related proceedings to the Company and provide instructions and guidance as deemed necessary.
- (4) Require each department to coordinate with the related Group Company to determine the status of internal controls within Daiwa House Group and then provide instruction and guidance as deemed necessary.
- (5) Respect the management independence of each Daiwa House Group company. However, Group Companies are required to report to the Company and seek the opinion of the Company with respect to certain matters as designated by the Company.
- (6) Implement internal audits of Group Companies.
- (7) Make known to Group Companies the availability of help lines and how to use them.

6. Systems for the effective performance of audits

The Company shall establish the following systems to ensure the effectiveness of audits performed by Corporate Auditors:

- 1) Systems to support Corporate Auditors
 - (1) Establish a department to support Corporate Auditors. Assign dedicated staff (“Corporate Audit Staff”) to assist Corporate Auditors when so requested.
 - (2) Executive Officers in charge of human resources shall inform the Corporate Audit Committee prior to making any changes in Corporate Audit Staff. When deemed necessary the Corporate Audit Committee may request the Executive Officer in charge of the human resources regarding changes to Corporate Audit Staff, accompanied by appropriate reasoning.
 - (3) Before disciplining Corporate Audit Staff, Executive Officers in charge of human resources shall receive the consent of the Corporate Audit Committee.
 - (4) Corporate Audit Staff shall comply only with the directions and orders of Corporate Auditors when performing her/ his operations.

2) Systems for reporting to Corporate Auditors

- (1) Directors and Executive Officers shall respond promptly to Corporate Auditor requests for a report. Reports shall be in writing, or may be made verbally when said report cannot be made in writing.
- (2) Daiwa House Group managers and auditors/supervisors shall respond promptly to the Company's Corporate Auditor requests for a report. Reports shall be in writing, or may be made verbally when said report cannot be made in writing.
- (3) Any employee of Daiwa House Group may make reports directly or indirectly to the Company's Corporate Auditors when she/he thinks such reports are necessary.
- (4) Establish rules, etc. to ensure that individuals making such reports are not subject to unfair actions based on their reports.

3) Systems for audit costs

The Company shall clearly define the policies for audit cost payments, etc. so as not to restrict or limit Corporate Auditor audit duties.

4) Other systems for the effective performance of audits

- (1) Corporate Auditors shall receive appropriate reports on the progress of internal audits. When deemed necessary, Corporate Auditors may request to perform additional audit procedures and to make a plan to improve operations.
- (2) Corporate Auditors may attend meetings of the Board of Directors, Management Councils, meetings of the Risk Management Committee, or other important meetings to request explanations and related materials as deemed necessary.
- (3) The Corporate Audit Committee and Corporate Auditors may confer with the Company representative directors or external auditors at any time.
- (4) As deemed necessary, the Corporate Audit Committee may hire expert attorneys or accountants for the purpose of seeking advice related to audit procedures.

End

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 15, 2015.