



October 26, 2016

Company: Daiwa House Industry Co., Ltd.  
(Code number:1925,  
First Section of the Tokyo Stock  
Exchange)  
Representative: Naotake Ohno, President and COO  
Contact: Yuji Yamada, Senior Executive Officer,  
General Manager, IR Department  
dh.ir.communications@daiwahouse.jp

Notification of Acquisition of Membership Interests in Stanley-Martin Communities,  
LLC and Change in Daiwa House's Specified Subsidiary

Daiwa House Industry Co., Ltd. (hereafter, the "Company") hereby announces that on October 26, 2016 (October 25, 2016 USA Eastern Standard Time), Daiwa House USA Inc., its wholly owned subsidiary, resolved in its board of directors' meeting to enter into an agreement to acquire membership interests of Stanley-Martin Communities, LLC (hereafter, "Stanley-Martin"), a single-family housing company in the USA, and entered into such agreement. As a result, Stanley-Martin will become its subsidiary. Furthermore, the Company announces that Neighborhoods Capital, LLC (hereafter, "Neighborhoods"), the wholly-owned subsidiary of Stanley-Martin, will become its specified subsidiary by acquiring membership interests of Stanley-Martin due to the fact that the capital of Neighborhoods will exceed 10% of the Company's capital. Details are as follows.

1. Reasons for the Acquisition of Membership Interests

The Daiwa House Group aims to achieve a society in which everyone can live spiritually enriched lives by creating new value, using it and refining it with its customers. As a "Group that is co-creating value for individuals, communities, and people's lifestyles," the Daiwa House Group has engaged in comprehensive business in the life-related infrastructure industry, including business relating to single-family houses, rental housing, condominiums, existing home business, commercial facilities, business and corporate facilities.

The Daiwa House Group has successfully completed a series of management plans, from its 1st Medium-Term Management Plan that commenced in fiscal 2005 through to its 4th Medium-Term Management Plan. The Group is now about to embark on the first year of its 5th Medium-Term Management Plan, which will commence from the current period (fiscal 2016). This latest plan includes "aggressive investments in real estate development" and "accelerate overseas expansion" as part of its key objectives, with the intention of expanding its overseas business, primarily in the USA, Australia, and ASEAN countries.

As part of this initiative, after the satisfaction of all of the conditions to the closing set forth in the securities purchase agreement, the Company will acquire 82.0% of the membership interests in Stanley-Martin, a US company involved in the single-family housing business. Stanley-Martin is a private company with its primary strategic base in the eastern USA, particularly the state of Virginia. It has extensive development experience based on customer-oriented management practices and its

business is well-established in its community, having been involved in the development and sale of single-family houses for 50 years. By working with Stanley-Martin, the Company intends to further develop the scope of its business in the region where it operates. Similarly, the Daiwa House Group aims to accelerate the expansion of its US business by acquiring knowledge of the US single-family housing business from Stanley-Martin.

## 2. Overview of Stanley-Martin and Neighborhoods

### (1) Overview of Stanley-Martin

① Company name	Stanley-Martin Communities, LLC		
② Head Office	11710 Plaza America Drive, Suite 1100, Reston, Virginia 20190, USA		
③ Representative	Steven B. Alloy (President)		
④ Business lines	Holding membership interests in companies (including Neighborhoods Capital, LLC) which engage in single family housing business and its related business.		
⑤ Capital	114,395 as of September 30, 2016 (US\$ in thousands, truncated to nearest whole number)		
⑥ Established	April 27, 2005 (Founded in October 31, 1966)		
⑦ Principal holders of membership interests and percentage of membership interests held	Asset managers for founding family (8 companies)	49.5%	
	Financial investors (18 companies)	50.5%	
⑧ Relationships between the Company and Stanley-Martin	Capital relationship	None	
	Personal relationship		
	Business relationship		
⑨ Operating results and financial position of Stanley-Martin for the past three fiscal years (consolidated, US\$ in thousands, truncated to nearest whole number)			
Fiscal year end	December 2013	December 2014	December 2015
Net assets	170,420	174,506	189,146
Total assets	369,445	486,055	563,971
Net sales	350,785	349,918	417,364
Operating income	32,776	19,314	24,252
Net income attributable to owners of the parent	33,202	18,960	22,236

(Note) Stanley-Martin shall not be a “specified subsidiary”. Therefore, the Company only discloses information on attributes of its holders of membership interests and percentage of membership interests held by such holders of membership interests due to the request from current holders of membership interests of Stanley-Martin.

### (2) Overview of Neighborhoods

① Company name	Neighborhoods Capital, LLC
② Head Office	11710 Plaza America Drive, Suite 1100, Reston, Virginia 20190, USA
③ Representative	Steven B. Alloy (President)
④ Business lines	Design, marketing, construction and sale of single-family houses

⑤ Capital	300,310 as of September 30, 2016 (US\$ in thousands, truncated to nearest whole number)		
⑥ Established	November 1, 2002		
⑦ Principal holders of membership interests and percentage of membership interests held	Stanley-Martin Communities, LLC 100%		
⑧ Relationships between the Company and Neighborhoods	Capital relationship	None	
	Personal relationship		
	Business relationship		
⑨ Operating results and financial position of Neighborhoods for the past three fiscal years (consolidated, US\$ in thousands, truncated to nearest whole number)			
Fiscal year end	December 2013	December 2014	December 2015
Net assets	169,208	172,010	191,029
Total assets	307,440	385,706	428,443
Net sales	312,421	307,969	363,836
Operating income	25,685	13,323	16,260
Net income attributable to owners of the parent	25,899	13,642	16,571

### 3. Overview of Companies (from Which Membership Interests Are Acquired)

The Company will acquire 82.0% membership interests of Stanley-Martin from 7 asset managers for the founding family and 18 financial investors, but the details of such companies are not disclosed due to the request from such companies. The Company has no relevant capital, personal, or business relationships with any of the companies in question.

### 4. Number of Membership Interests of Stanley-Martin to be Acquired and State of Ownership of Membership Interests Before and After Acquisition

(1) Number of membership interests held before transfer	None (Percentage of voting rights held: 0%)
(2) Number of membership interests to be acquired	112,698 (Percentage of voting rights held: 82.0%)
(3) Trading prices of Membership Interests acquired	Transaction value (including advisory expenses and other expenses): Approx. US\$251million (Approx. ¥26billion) The Company has retained SMBC Nikko Securities Inc. as a financial advisor.
(4) Number of membership interests held after transfer	112,698 (Percentage of voting rights held: 82.0%)

(Note) The amount in JPY is calculated by the currency rate on October 25, 2016 (1 US\$ = 104.49 ¥).

### 5. Schedule

(1) Resolution of the board of directors' meeting	October 26, 2016 (October 25, 2016 USA Eastern Standard Time)
---------------------------------------------------	---------------------------------------------------------------

(2) Conclusion of agreement	October 26, 2016 (October 25, 2016 USA Eastern Standard Time)
(3) Transfer of membership interests	December 2016 (planned)

(Note) Date of Resolution of the board of directors' meeting means the date when Daiwa House USA Inc. made the resolution of its board of directors' meeting relating to this transaction. While the transfer of the membership interests is scheduled for December 2016, the transfer will not take place until after all related governmental approvals in the USA have been obtained, and therefore this date is subject to change. At the closing of the transfer of membership interests in Stanley-Martin, Neighborhoods will become the specified subsidiary of the Company.

## 6. Outlook

At the closing, Stanley-Martin will become a consolidated subsidiary of the Company in fiscal 2016. The effect on consolidated results for fiscal 2016 will be immaterial.

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 October 26, 2016.