

# Group Performance

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# Message from the COO



# Hearts in Action

Over one year has now passed since Japan suffered its worst-ever disaster — the massive earthquake and tsunami that occurred on March 11, 2011. Under our catchphrase “With Hearts as One,” we unstintingly invested the Group’s management resources and worked to reconstruct the basic livelihood infrastructure of the devastated region as the vital first step toward ultimate recovery. We made a significant contribution to society in the field of construction — our area of greatest strength — by building 11,041 emergency temporary housing units, 481 commercial facilities, factories and warehouses, 127 schools, 99 local government offices, and 25 medical and nursing care facilities. A total of 23,727 Group employees were dispatched to the disaster-hit region.

Under our “Endless Heart” symbol, all the management staff and employees of the Group came together in the conviction that the devastated communities could and would be fully rebuilt, and that it was our mission to make this possible. We succeeded in overcoming the difficulties that lay in our path, but true reconstruction has hardly yet begun, and we still have a long way to go. As in the past, we will spare no effort. We will work energetically and continuously to realize complete reconstruction, and at the same time, the Group will come together to create new value.

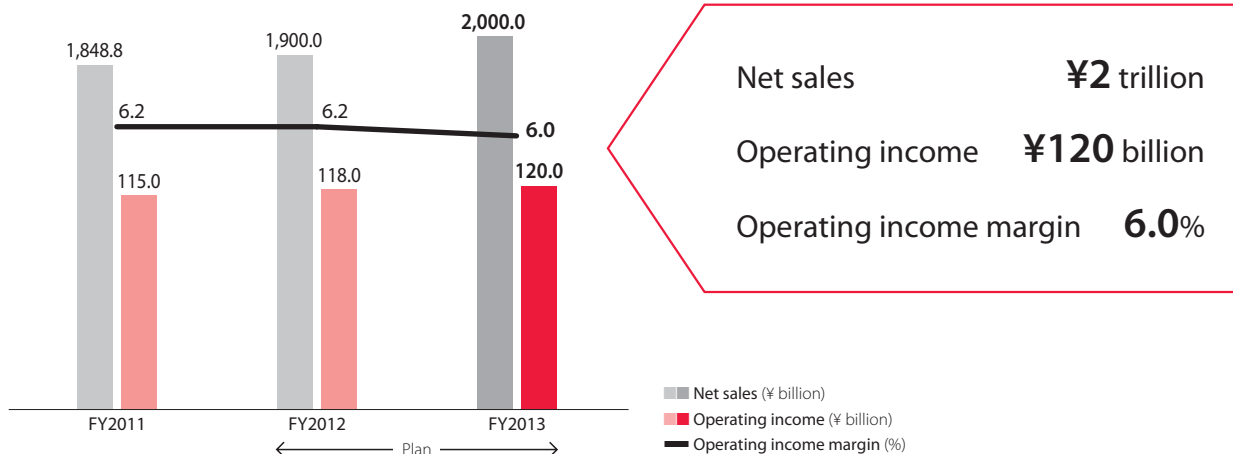
## The Third Medium-Term Management Plan

At the Daiwa House Group, we have drawn up a new three-year plan, our Third Medium-Term Management Plan “3Gs” for New Growth (fiscal 2011 through fiscal 2013). These three Gs are the initial letters of Group, Global, and Great, keywords that define our management policy under the plan. We will work to achieve growth with the target of ¥2 trillion in annual net sales by the Group; we will expand our market share through Group growth and speed up the pace of our global development activities; and we will aim to become a “great” corporate group. Below, I discuss the principal measures we took in fiscal 2011, a year of addressing social change.

### Basic policies “3Gs” for New Growth



### Business targets (fiscal 2013)



## Speed up reform of businesses in Japan, based on regional links

Japan is currently experiencing a declining birthrate and a growing proportion of elderly people. In addition, ever since the March 11, 2011 disaster, people have started to question the basic assumptions that underlie our lifestyle amid a wide range of social issues. As the pace of population-aging continues to rise, single-person households are estimated to increase from 4.65 million in 2010 to 6.31 million in 2020. Against this backdrop, changes in the systems and structure of facilities for the elderly, as well as the necessity to make changes in our way of life, have become pressing issues. Moreover, against the background of recent electric power shortages, the movement to encourage electricity conservation is causing major changes in people's values, to the point where we can no longer go on using electricity without a second thought, as we have done for so many years. Energy issues have now become a part of everyday life. At the Daiwa House Group, we are giving very serious thought to such questions as how we should interpret these times, and what we must leave behind for the next generation. We must devise operational strategies that take as their starting point the concept of "contributing to society," which also sums up the spirit in which Daiwa House Industry was founded. Under the four strategies of "community-based," "eco-friendly," "dealing with population-aging," and "Group strength," we intend to press ahead with the reinvention of our existing business operations, and provide solutions to social problems.

### The four key concepts for reform of our businesses

#### Community-based

##### Develop products that make the most of regional characteristics, better targeted marketing

Percentage of population in urban areas versus provinces 1950: 37.3% vs 62.7%; 2005: 86.3% vs 13.7%  
Proportion of owner-occupied houses to total new housing construction starts in FY2011 — 22.3% in Tokyo area, 49.0% in the provinces (outside major metropolitan areas)  
Total fertility rate in 2010 — 1.27 in Tokyo area, 1.39 nationwide

#### Eco-friendly

##### Strengthen development and sales promotion of eco-friendly products

Domestic renewable energy market — ¥10 trillion in 2020  
Percentage of newly constructed single-family houses fitted with photovoltaic power generation systems — from 15% in FY2008 to 52% in FY2010  
Forecast of future global waste volume — from 10.47 billion tons in 2010 to 22.31 billion tons in 2050

#### Dealing with population-aging

##### Enhance Group's involvement in expanding healthy seniors market through both products and services

Elderly people living alone — from 4.65 million in 2010 to 6.31 million in 2020  
Baby Boomer generation (6.6 million people) now 65 or over  
Elderly population rate — from 23.3% in 2011 to 39.9% in 2060

#### Group strength

##### Make maximum use of unique features of each Group member, and leveraging comprehensive Group strength to expand market share

Ratio of consolidated to non-consolidated net sales — from 1.25 times in FY2004 to 1.66 times in FY2011  
Number of consolidated subsidiaries — from 38 in FY2004 to 74 in FY2011  
Number of Group employees — from 19,770 in FY2004 to 27,130 in FY2011

Now let me explain our four business strategies.

First, as part of the “community-based” concept, we will aim to expand our market share, with prime focus on major metropolitan area, in our single-family houses and rental housing businesses by opening marketing offices with strong roots in their respective local communities and wider areas, through the development of products tailored to the preferences and needs of each particular area. In the commercial facilities business, we will strengthen our relationships with tenants and land owners in each area to capture more construction orders.

Under the concept of “eco-friendly,” we plan to raise our competitiveness by effectively employing environmental technology. We will enhance our capabilities in the development of smart houses (single-family houses) fitted with photovoltaic power generation systems and lithium ion storage batteries for home use, and eco-friendly condominiums, and in the marketing of smart offices (business and corporate facilities business) and smart stores (commercial facilities business). We also plan to involve ourselves in the development of “eco-model towns” and to design next-generation communities.

With respect to “dealing with population-aging,” this is a field in which we can make considerable use of our accumulated know-how, and where society’s needs are especially high. In the three business areas of rental housing, commercial facilities, and business and corporate facilities, we will transcend barriers between different businesses to expand our operations in the construction of facilities for senior citizens. We will also become actively involved in facility management, and we believe that this combination of facility construction and management services will yield an effective synergy.

Additionally, we aim to leverage the Group’s comprehensive strength to expand business services relating to the stock of housing and facilities that we have constructed in the past. In particular, we hope to further speed up the Group’s growth by the creation of a system for acquiring contracts for the management of our stock of rental housing (approx. 300,000 units) and condominiums (approx. 280,000 units), and orders for renovation work in collaboration with our home center business.

### Final year targets in the third medium-term management plan

	Sales		Operating income		Operating income ratio (%)	
	FY2011 (results)	FY2013 (plan)	FY2011 (results)	FY2013 (plan)	FY2011 (results)	FY2013 (plan)
● Single-Family Houses	336.4	380.0	11.0	19.0	3.3	5.0
● Rental Housing	526.8	610.0	53.0	55.0	10.1	9.0
● Condominiums	128.9	150.0	3.8	7.0	2.9	4.7
● Existing Home Business	68.1	85.0	4.5	6.0	6.7	7.1
● Commercial Facilities	306.9	340.0	33.2	37.0	10.8	10.9
● Business and Corporate Facilities	257.0	210.0	25.9	14.0	10.1	6.7
● Health & Leisure	58.6	65.0	0.1	0.5	0.1	0.8
● Other Businesses	255.7	265.0	8.2	10.0	3.2	3.8
Eliminations/corporate	(89.6)		(24.7)			
<b>Total</b>	<b>1,848.8</b>	<b>2,000.0</b>	<b>115.0</b>	<b>120.0</b>	<b>6.2</b>	<b>6.0</b>

Strategy by business segment and principal measures in fiscal 2012

Business segments	Key concepts	Principal measures	
Single-Family Houses	Community-based, Eco-friendly	<ul style="list-style-type: none"> <li>Expand network of marketing offices, with focus on major metropolitan area</li> <li>Strengthen product planning ability to meet local needs</li> <li>Promote sales of eco-friendly product SMAxEco ORIGINAL</li> <li>Develop new products that conserve energy, are highly durable and seismic resistant</li> </ul>	P 78
Rental Housing	Community-based, Dealing with population-aging, Group strength	<ul style="list-style-type: none"> <li>Expand number of medium- to high-rise properties</li> <li>Expand contracts for construction of serviced housing for senior citizens; strengthen building management, and services master lease</li> <li>Aim to expand number of units under management; create system enabling companies to leverage their strengths</li> <li>Expand orders for rental housing with anti-burglary features; expand development of medium- to high-rise properties</li> </ul>	P 82
Condominiums	Eco-friendly, Group strength	<ul style="list-style-type: none"> <li>Adopt eco-friendly specifications for all properties</li> <li>Expand share of condominium management market through mergers and acquisitions of management companies</li> <li>Strengthen capabilities in acquisition of prime sites in Tokyo area</li> </ul>	P 86
Existing Home Business	Group strength	<ul style="list-style-type: none"> <li>Enter general homecare market through collaboration with home center and real estate agency businesses</li> <li>Expand orders for renovation work on rental housing</li> <li>Expand size of workforce</li> </ul>	P 90
Commercial Facilities	Community-based, Dealing with population-aging	<ul style="list-style-type: none"> <li>Strengthen marketing to key tenants on area basis</li> <li>Strengthen relationships with land owners who are already our customers</li> <li>Strengthen development in urban areas</li> <li>Expand orders for construction of serviced housing for senior citizens</li> </ul>	P 98
Business and Corporate Facilities	Eco-friendly, Dealing with population-aging	<ul style="list-style-type: none"> <li>Strengthen marketing of eco-friendly products (offices, factories)</li> <li>Expand orders for construction of serviced housing for senior citizens</li> <li>Strengthen development of multi-tenant logistics centers</li> </ul>	P102
Health & Leisure	Dealing with population-aging	<ul style="list-style-type: none"> <li>Strengthen construction and marketing of fee-based homes for the elderly</li> <li>Enhance appeal of resort hotels and fitness clubs</li> </ul>	P110
Other Businesses	Group strength	<ul style="list-style-type: none"> <li>Enhance proposal capabilities in renovation for energy conservation, new energy sources, and energy storage</li> <li>Promote development of new stores and hotels</li> </ul>	P114

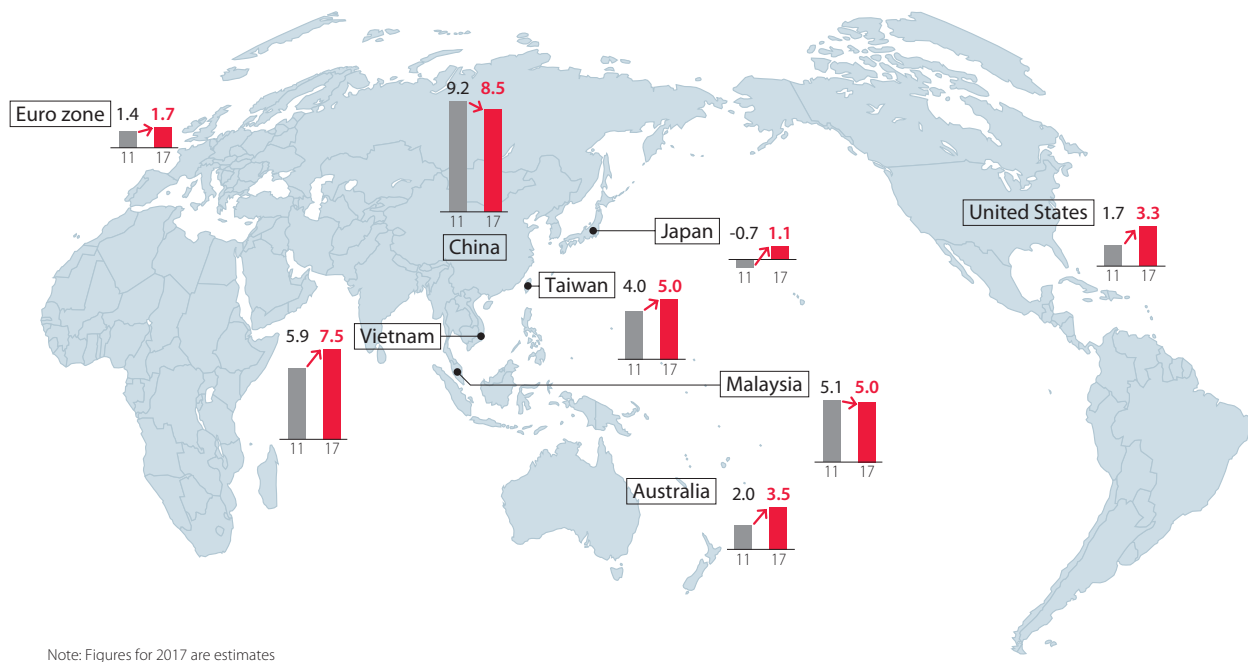
## Expanding our operations globally, centered on Asia

As part of the Group's plans for global expansion, we aim not only to expand our geographical operational area, but also to increase the number of business fields in which we engage, and with greater speed. Currently, overseas markets account for less than 1% of the Group's total sales, but we plan to raise this proportion and grow into a truly global group. Firstly, in the development of condominiums in China, we have completed a large-scale project in Suzhou funded entirely by the Group, and this has made a contribution to sales. Steady progress is also being seen in a combined condominium and commercial facility project in Dalian. We also have solely Group-funded projects on the drawing board in Wuxi and Changzhou. Although the frenetic pace of expansion in the Chinese real estate market has slowed, we view it as a market with high potential, and plan to steadily expand our operations there.

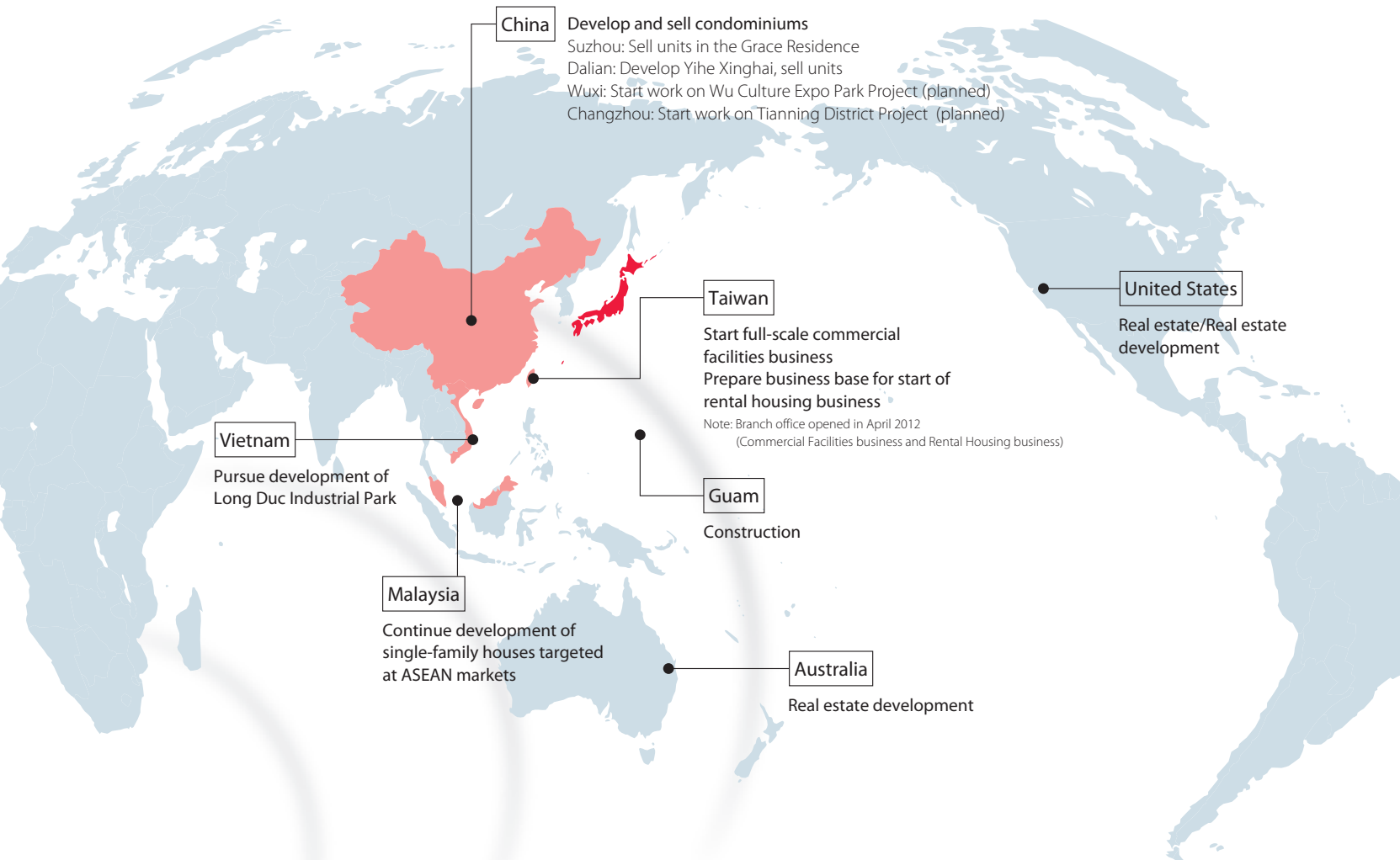
In addition to China, we have also started up a fully fledged commercial facilities business in Taiwan, and in Vietnam preparatory work has begun on an industrial park. In all these markets, we are confident of making a social contribution through the creation of new value, leveraging our track record in Japan and the expertise in construction technology that we have built up here as well as the excellent reputation of our business models. In fiscal 2012, we established a local subsidiary — Daiwa House Vietnam — and engaged in the design outsourcing business.

Over the next three years we will be laying the groundwork for future globalization at a faster pace. We plan to nurture human resources overseas, build a network of business bases, and steadily create a solid management base so as to become a corporate group with a vital role in the global economy.

### Prospects for the global economy (underlying growth rates 2011 → 2017)



### Main overseas initiatives planned



Yihe Xinghai (Dalian, China)



Rental housing (California, United States)

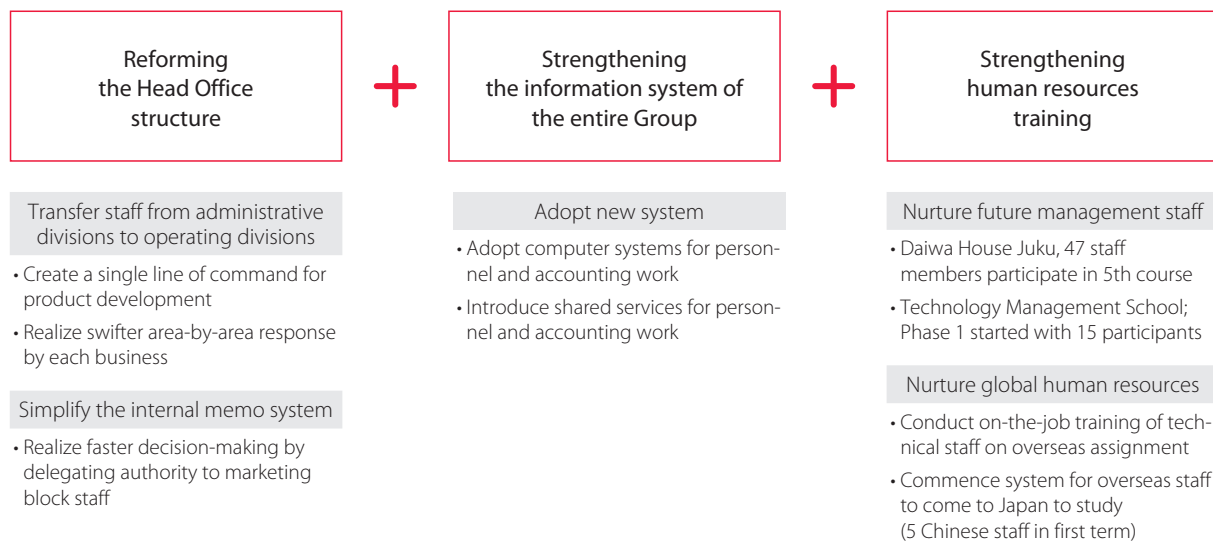
## By strengthening Group fundamentals, generate further growth for people and organizations

The Daiwa House Group's greatest asset has always been, and will continue to be, our employees. When the March 11, 2011 disaster occurred, we were once again forcefully reminded of the importance of solidarity within an organization. Only the efforts of our more than 40,000 staff in Japan and overseas will open up the road to new growth in the future. What we have to do now is to go back to our starting point and focus efforts on nurturing our human resources and strengthening our management base. By strengthening our business base now, we will lay the groundwork for the still-faster growth and global expansion of the Group.

In our ongoing Head Office restructuring, we aim to clarify the functions of the Company's various administrative and operating divisions, optimally reassign personnel, and speed up decision-making. To ensure that our area-based marketing strategy is effective, we will delegate further levels of authority to the staff in each area. We will also strengthen our information systems base by promoting the sharing of administrative services between the Company and other Group members for greater operational efficiency, and will restructure our core information system to create a management base that will support the entire Group. In the field of human resources training and education, we will focus our efforts particularly on those staff who can be expected to form the Group's core in the future. In addition to the Daiwa House Juku — our ongoing program for the training of the next generation of management staff — we will work to further broaden our staff training and education programs, including courses for technological staff and programs allowing overseas employees to come and study in Japan.

By expanding and improving the Group support functions and human resources nurturing programs I have described here, we will build a corporate infrastructure allowing us to aggressively and boldly direct the Group along the path of vigorous growth and expansion.

### Policies for strengthening fundamentals (organizations, core systems, human resources)



## A Group that continues to grow, in Japan and overseas

Fiscal 2012 is the second year in our current three-year plan, the Third Medium-Term Management Plan. This is an extremely important year for the achievement of our target for the final year under the plan — ¥2 trillion in annual net sales. Under the banner of our “3Gs” keywords — Group (growth by the Group), Global (global development) and Great (becoming a “great” enterprise) — we are working to build a management base that will assure us of growth. Improving the competitiveness of our operations within Japan will depend on how effectively we can leverage both our excellent track record and the reforms we are currently pursuing. In our overseas operations we will work steadily to establish footholds in new markets, expand our sphere of operations into new geographical areas and new business fields, and create future earnings generators.

The Daiwa House Group is not simply a business enterprise, it functions as a valuable public organ of society, and we therefore have a social duty to ensure its continuity and sustain its growth. We will work to make a positive contribution to society through a management style that effectively balances “offensive” strategies to promote growth against “defensive” strategies centered on the nurturing of our human resources, while paying due attention to legal compliance and risk management. We will be resolute and proactive, or cautious and reliable, as the situation demands, and the employees and management of the Group will work together to help realize a better society. I would like to request our stakeholders’ continued support for our future endeavors.

*Naotake Ohno*  
Naotake Ohno  
President and COO





## One Heart, One Tomorrow

What do people need?

Those on the front line have the know-how — they can find the solutions.

As employees of the Daiwa House Group, we share a single goal —  
to build a better world.

In Japan and around the globe, we should listen to the workers  
in the factories and on the building sites, and take up the challenge of  
developing new products and opening up new markets.



## Eco-Model Town

### Kazusuke Ohmagari

*Osaka Urban Development Dept.  
Daiwa House Industry*

Harumidai is a housing development that is planned to be a “net zero energy town.” We aim to bring into being an attractive community where our customers can live securely and with peace of mind. I hope to create a truly valuable residential development where people will want to live.

For further details ▶ P.80



## Senior Citizens

### Rika Suzuki

*General Manager of Mominoki, Suginami  
Daiwa House Life Support*

When first moving in to a home for the elderly, many people suffer anxiety because of the sudden change in their living environment. We do our best to ensure their days pass as pleasantly as possible. With our highly motivated staff, we aim to be the best nursing home for seniors in Japan.

For further details ▶ P.113





## Overseas

### Shinichi Chono

*Section Manager of Construction Dept.  
Daiwa House Industry*

I am working on the Daiwa House Group's first overseas industrial park development project. I am confident that Japanese enterprises — including SMEs — will make this park their point of departure into the global market, and that it will assist the economic development of Japan and the whole world. Through the success of this project, I hope to help the overseas operations of the whole Group grow strongly.

For further details ▶ P.134



## Agriculture

### Mamoru Yoshimura

*Senior Manager of Agriculture Dept.  
Daiwa House Industry*

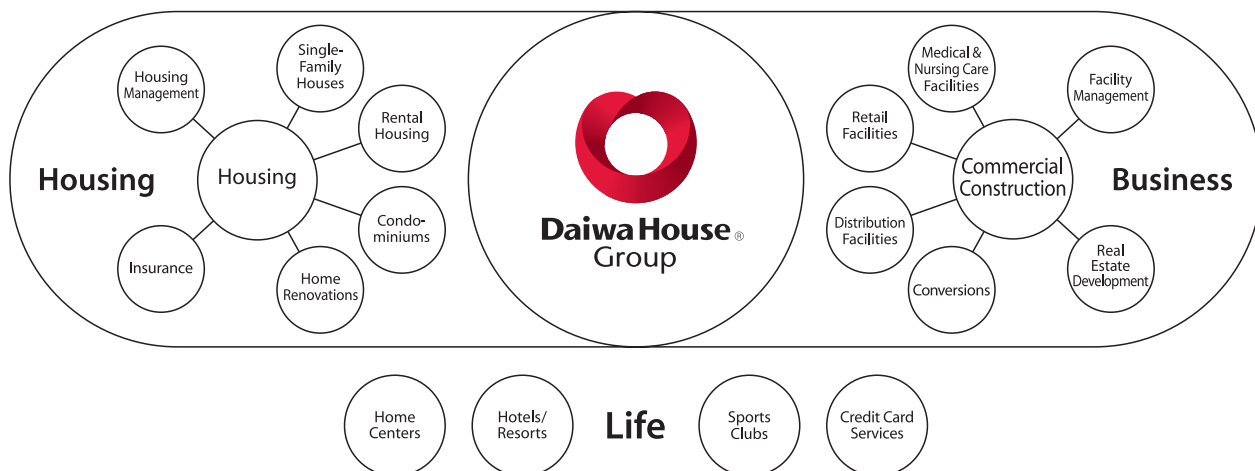
Japanese agriculture suffers from an aging of the farming population and a lack of successors. If we can help solve the succession problem, we would both prevent an increase in the acreage of uncultivated land and preserve biodiversity. The Group is putting its full resources behind its agriculture business with the goal of improving Japan's farming scene and ensuring a stable supply of food.

For further details ▶ P.123

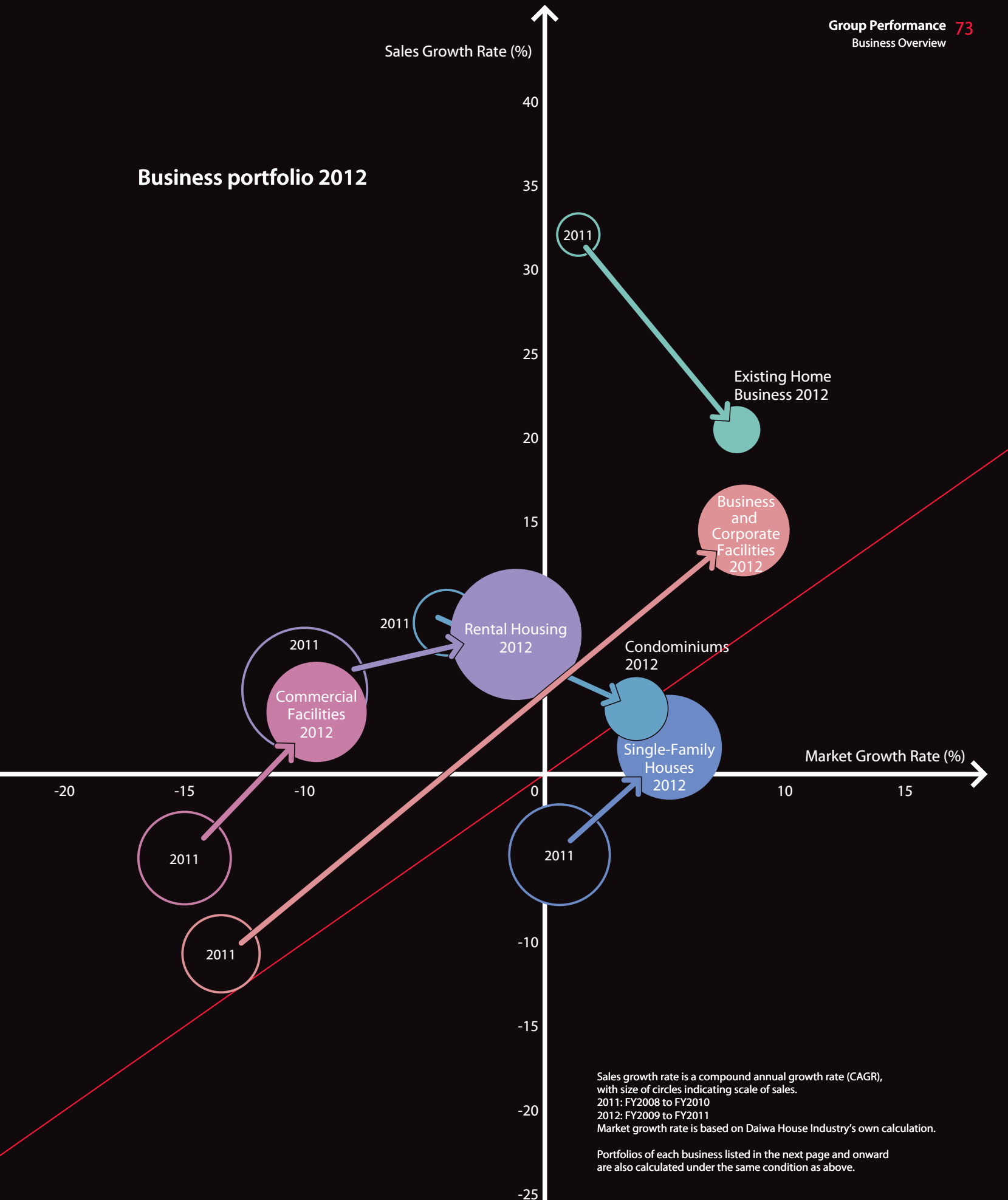
# Business Overview

The Daiwa House Group, as a group that co-creates value for individuals, communities, and people's lifestyles, is working to create new value for society as a whole through the development of wide-ranging businesses in the three areas of Housing, Business and Life.

Daiwa House Group —  
working to co-create value for individuals, communities and people's lifestyles



## Business portfolio 2012



Sales growth rate is a compound annual growth rate (CAGR), with size of circles indicating scale of sales.  
 2011: FY2008 to FY2010  
 2012: FY2009 to FY2011  
 Market growth rate is based on Daiwa House Industry's own calculation.

Portfolios of each business listed in the next page and onward are also calculated under the same condition as above.



# Housing



**Daiwa House**<sup>®</sup>  
Daiwa House Group

Daiwa House Industry  
Co., Ltd.

Presidents of  
Group  
Companies\*



\* Presidents of principal subsidiaries  
and associated companies.



**Daiwa Living Mgt.**<sup>™</sup>

Daiwa House Group

Daiwa Living COMPANIES

Daiwa Living Management Co., Ltd.

Businesses related to rental housing



**Daiwa Service**<sup>®</sup>

Daiwa House Group

Life Amenity COMPANIES

Daiwa Service Co., Ltd.

Management of condominiums & buildings/Moving services



**Daiwa LifeNext**<sup>®</sup>

Daiwa House Group

Life Amenity COMPANIES

Daiwa LifeNext Co., Ltd.

Management of condominiums & buildings



**Nihon Jyutaku Ryutu**<sup>®</sup>

Daiwa House Group

Nihon Jyutaku Ryutu Co., Ltd.

Real estate agency & property management services/Appraisals/Renovation work



**Masaru Akashi**

Born in 1963  
1985: Joins Daiwa House Industry  
2011: President of Daiwa Living, Daiwa Estate  
2012: President of Daiwa Living Management

This company supports long-term stable property management by owners of rental housing, and forms a business entity with Daiwa Living, which provides a comfortable living environment to residents, and Daiwa Estate, which helps people to find places to live. We three companies together are aiming to be the leading companies in the industry under the name "Daiwa Living Companies."



**Hiromi Yamane**

Born in 1955  
1989: Joins Daiwa Total Service  
2005: President of Daiwa Service

We pass on valuable assets to the next generation by maintaining and managing condominiums, office buildings and commercial facilities. At the same time, we also aim to be a company that will earn the gratitude of people in a hundred years' time, by expanding our new business operations of environmentally friendly renovations and repairs and enhancing disaster prevention capabilities for condominium residents.



**Yoshinori Watanabe**

Born in 1956  
1979: Joins Japan Recruit Center (Currently Recruit)  
2005: Becomes President of Cosmos Life (Currently Daiwa LifeNext)

We support individuals, communities, and people's lifestyles through our management services for condominiums, dormitories, company housing, schools, office buildings, and others. We are dedicated to raising the value of our customers' precious assets. Our aim is to go that extra mile to provide customers with an unsurpassed level of product quality and service throughout their lives.



**Minoru Fujita**

Born in 1948  
1967: Joins Daiwa House Industry  
2004: President of Nihon Jyutaku Ryutu

We aim to be a comprehensive real estate company that always delivers reliable services and property evaluations. We are actively engaged in purchasing and selling existing properties, in addition to our core businesses of real estate agency services, property management services, and real estate appraisals.



**Daiwa House Renew Co., Ltd.**  
Renovation design & execution/  
Property inspection



**Daiwa Lantec Co., Ltd.**  
Foundation assessment &  
reinforcement



**Daiwa Core Factory Co., Ltd.**  
Manufacture of housing parts &  
materials



**Global Community Co., Ltd.**  
Management of condominiums &  
buildings



#### Junichi Sugiura

Born in 1950  
1973: Joins Daiwa House Industry  
2006: President of Daiwa House Renew

We specialize in home renovations, aiming to satisfy our customers through our technologies for renovation design, works and inspections. We also respond to changes in society by actively working to make renovations that take environmental considerations into account, as well as promoting the anti-seismic technologies of our traditional wooden houses.



#### Chiyohiro Aoyagi

Born in 1950  
1969: Joins Daiwa House Industry  
2010: President of Daiwa Lantec

As a team of technical professionals in areas such as geological surveys, soil improvement, the exterior structures of buildings, and landscaping, we strive to present proposals with added value. We are aiming to be a company that earns the trust of its customers by developing products that are environmentally friendly, to meet the needs of the age.



#### Syuji Oda

Born in 1953  
1990: Joins Daiwa House Industry  
2011: President of Synchroller  
(Currently Daiwa Core Factory)

As befits a member of the Daiwa House Group, all our employees are thorough professionals committed to the manufacture of high-quality products at a reasonable cost and with no delays. We are creating a strong corporate structure capable of adapting to any and all changes in the business environment.



#### Takashi Yamada

Born in 1952  
1995: Joins Daiichi Building  
Management (Currently Global  
Community)  
2006: President of Daiichi Building  
Management (Currently Global  
Community)

As can be seen from the name of this company, we provide diverse services widely (globally), and we aim to form good local societies (communities) with everyone through our building management.



**Daiwa House**  
大和ハウスクレーブ

**Daiwa House**  
**Renew**  
ダイワハウス リニューアル

大和ハウス工業株式会社

**リフォーム工事**  
大和ハウス工業株式会社  
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FAX: 03-3441-1112  
E-MAIL: daiwa@dhc.co.jp  
www.daiwa-housing.com

# Single-Family Houses

Contracting Business / Subdivisions

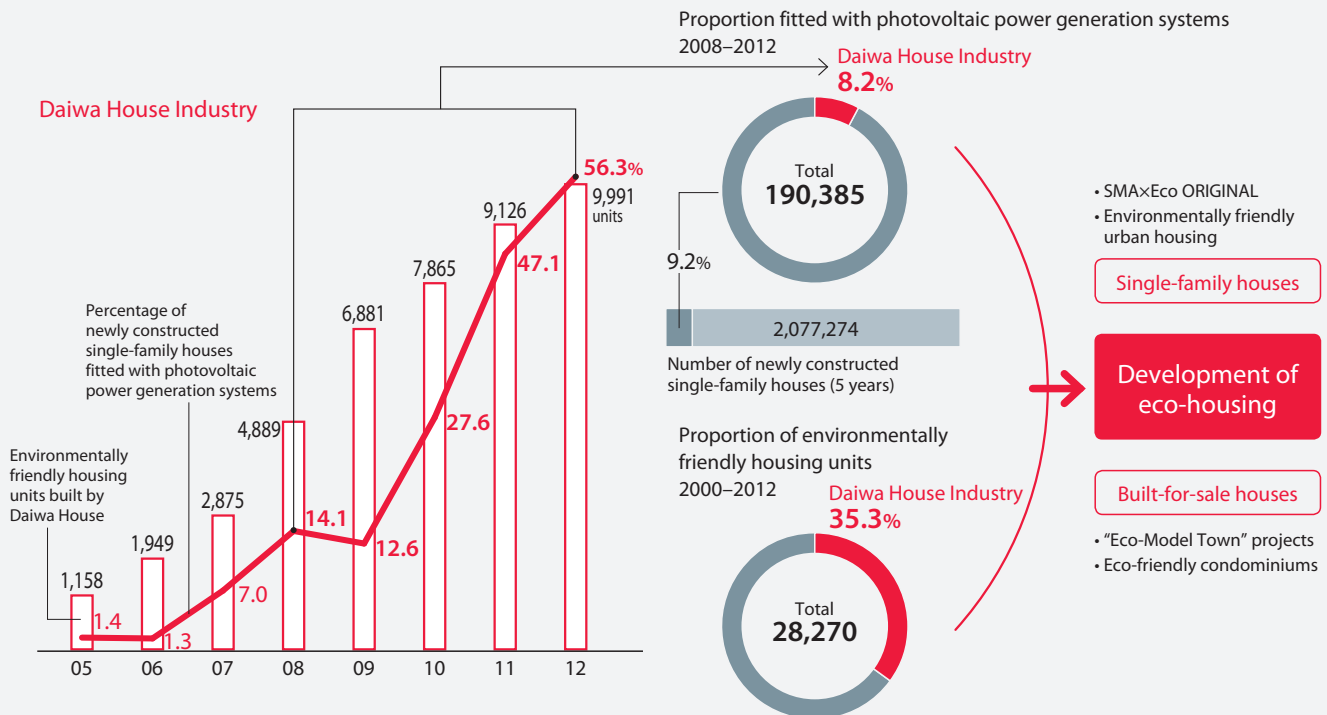
## Aiming at the top market share in each region



**Daiwa House**<sup>®</sup>  
Daiwa House Group

Daiwa House Industry Co., Ltd.  
Housing construction and sales

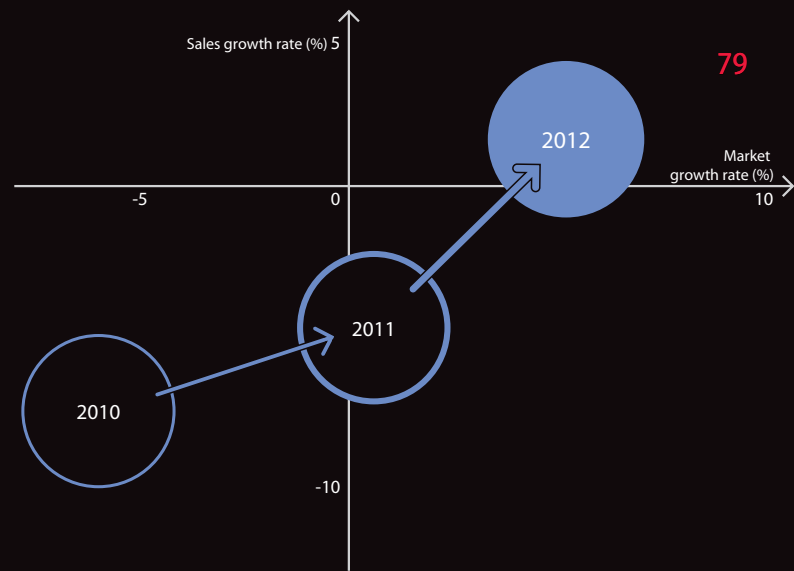
### Helping build up Japan's stock of environmentally friendly housing





Fiscal 2011 saw a year-on-year increase of 2.7% in the number of new housing construction starts to 841,246, for the second consecutive increase.

In our single-family house business, we posted increases of 4.3% in sales and 52.7% in operating income, thanks to success in expanding sales of our mainstay xevo series of single-family house models. The standard specifications for xevo models satisfy the criteria for the government's high-quality long-term housing certification, and qualify for application of housing acquisition subsidies. We also realized an improved cost-to-sales ratio through restructuring.

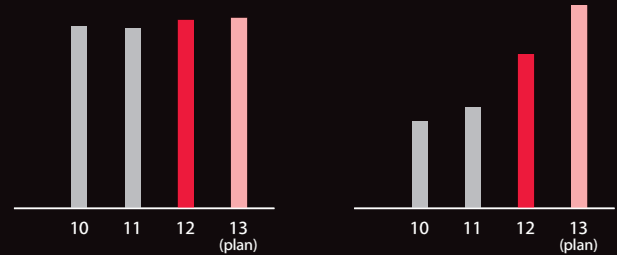


Sales  
**¥336.4 billion**

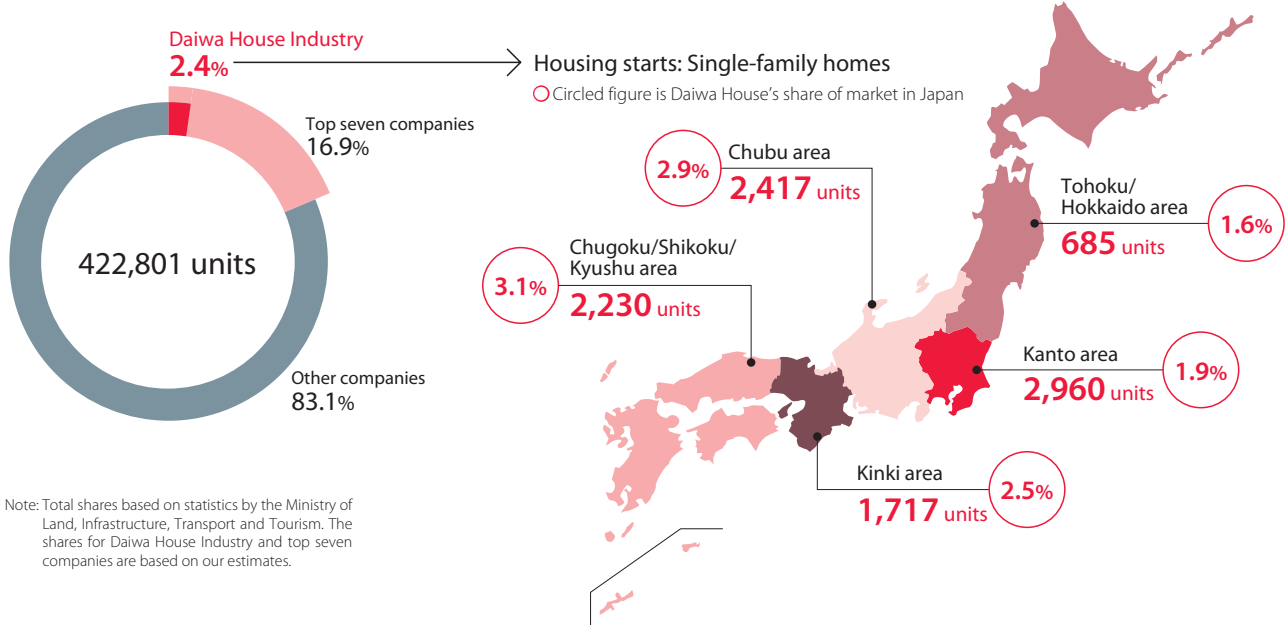
Operating income  
**¥11.0 billion**

¥ billion 325.9 322.5 **336.4** 340.0

¥ billion 6.2 7.2 **11.0** 14.5



### Market for new housing in fiscal 2011





## Year 2012

### Series of high value-added products launched

During the reporting term, the Japanese government maintained its support for housing acquisition, but amid uncertain economic prospects the overall number of new housing starts in fiscal 2011 was low, falling short of the previous year's level during the five months up to January 2012.

In our single-family house operations we divided the country into blocks, and worked to expand our share in each region by putting down roots in each local community. In particular, we focused on the Tokyo area, where population density is high and demand for housing robust, and were rewarded with brisk business in Tokyo and the adjacent Saitama Prefecture. Over the country, we recorded a 5.5% year-on-year increase in house sales as a result of our focused marketing. Among products released during the term, in October we launched our SMAxEco ORIGINAL, a smart house fitted with lithium ion storage batteries, a photovoltaic power generation system, and the D-HEMS home energy management system. We also launched the xevo Li, aimed at two-income family-oriented households. Finally, we launched the xevo 03, a three-story house targeted at home owners on cramped urban sites who wish to rebuild. These new products were all very well received.

We also launched two models intended to support victims of the March 11 earthquake and tsunami along with recovery efforts. These models are the xevo K – Kizuna (emotional bonds or ties), a quickly assembled, low-priced quake-resistant home, and the K II – Kizuna, which offers additional features.

## Beyond 2013

### Aiming at the No.1 position in the housing industry

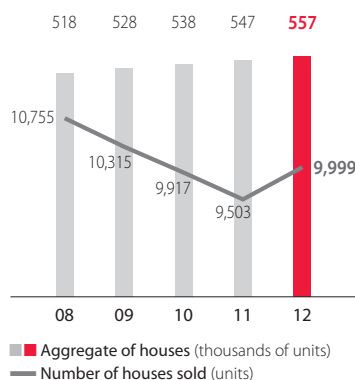
A central feature of the Company's current marketing strategy is to increase the number of sales offices and marketing staff, with a special focus on the Tokyo area. We have delegated increased authority over product development to individual sales offices around the country, enabling them to more easily develop and market products specifically customized to local conditions and available only in those areas. In addition, we made improvements to our business methods based on opinion surveys of customers who purchased our houses. We also enhanced the cost-competitiveness of our houses through new construction methods, and are aiming to obtain the top market share in Japan's housing industry.

As part of our product strategy, we developed and launched the improved SMAxEco ORIGINAL, and plan to make it the focus of our marketing initiatives. In October 2011, the Daiwa House Group was given priority by Sakai City in Osaka Prefecture in negotiations over the development of the Harumidai Eco-Model Town Project. This project is to contain 65 houses with photovoltaic power generation systems, home energy management systems, and lithium ion storage batteries, and charging points for electric vehicles. This will be the first net zero energy residential neighborhood in Japan with zero CO<sub>2</sub> emissions.

Regarding our overseas developments, we are continuing to conduct research into the differing single-family house markets. We opened a representative office in Kuala Lumpur, Malaysia in April 2012 and began research into local housing with a dedicated staff.

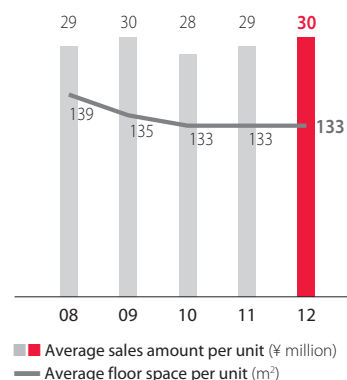
### Aggregate of houses and number of houses sold

(Daiwa House Industry, non-consolidated)



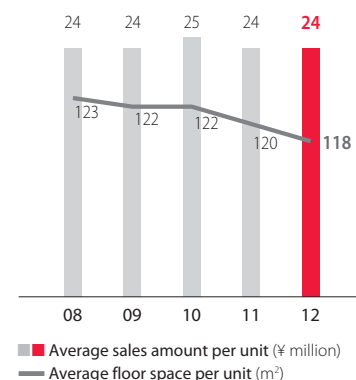
### Average sales amount and floor space per unit

(Contracting business, Daiwa House Industry, non-consolidated)



### Average sales amount and floor space per unit

(Subdivisions, Daiwa House Industry, non-consolidated)





### SMAxEco ORIGINAL launched

In July 2010 we commenced a project to develop, by 2020, an energy self-sufficient home with zero CO<sub>2</sub> emissions and utility costs — a home that offers its owners an improved quality of life despite imposing no environmental burden.

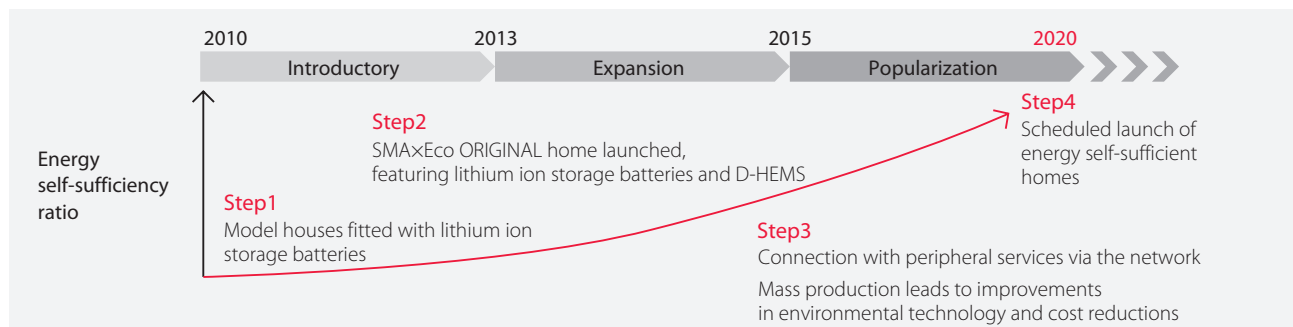
As the first step in achieving this goal, in July 2010 we began verification tests on demonstration models of our SMAxEco HOUSE, Japan's first home fitted with lithium ion storage batteries. On the basis of data gained from these tests, we developed the SMAxEco ORIGINAL and launched it on the market in October 2011. This model is based on the xevo design, but incorporates 2.5kWh lithium ion storage batteries, which are utilized together with a photovoltaic power generation system, the whole being controlled by the Company's D-HEMS proprietary home energy management system. In this way, we have enabled sharp reductions in home energy usage, and the batteries and photovoltaic system will keep the lights on in a disaster blackout.

With the SMAxEco ORIGINAL we have made it possible — without unreasonable power-saving efforts — to reduce energy

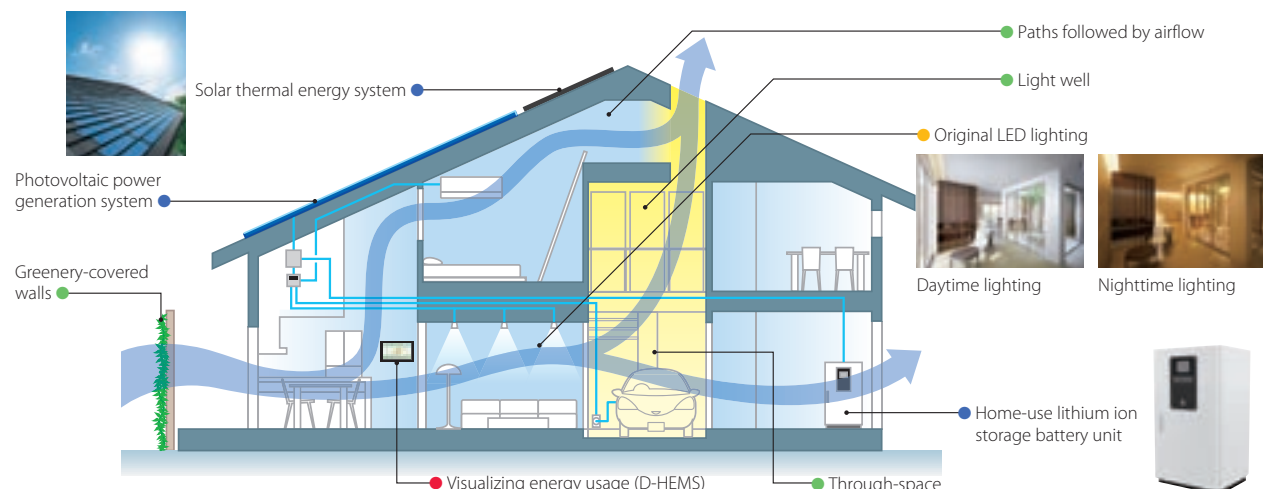
use by 78% and CO<sub>2</sub> emissions by 70% compared with homes conforming to the previous energy conservation standards. Under normal circumstances, the lithium ion batteries store electricity generated at night for discharge during the daytime when power demand is at its highest, while in the event of a power cut, the system automatically switches to battery-output mode. The home owner can control the system using an iPad\*, and with our D-HEMS we have achieved the industry's first system allowing battery output control and easy visualization of electricity usage data. This lets the owner see at a glance how much power the home is consuming.

In the near future, we aim to achieve further advances on the technology embodied in the SMAxEco ORIGINAL, including an increase in the capacity of storage batteries, effective utilization of passive energy methods that make optimum use of natural airflow and sunlight, and the more widespread adoption of LED lighting, which contributes to energy conservation.

\* iPad is a trademark of Apple Inc. registered in the United States and other countries.

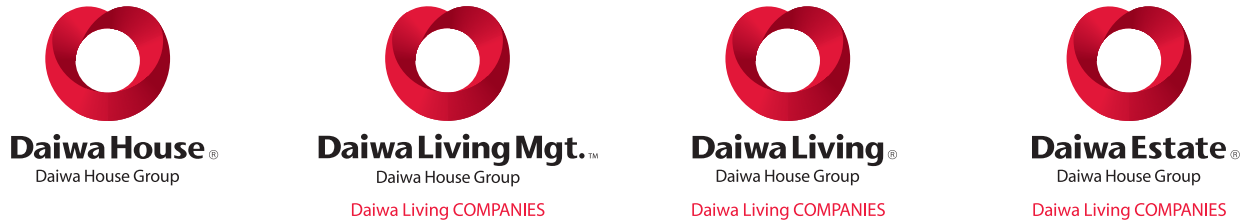


### The SMAxEco HOUSE — new residential proposal featuring leading-edge energy technology, and a lifestyle in harmony with nature



## Rental Housing

Developing a system that allows each company to optimally leverage its business characteristics



Daiwa House Industry Co., Ltd. Construction of rental housing	Daiwa Living Management Co., Ltd. Business related to rental housing	Daiwa Living Co., Ltd. Management/ Operation of rental housing	Daiwa Estate Co., Ltd. Real estate agency
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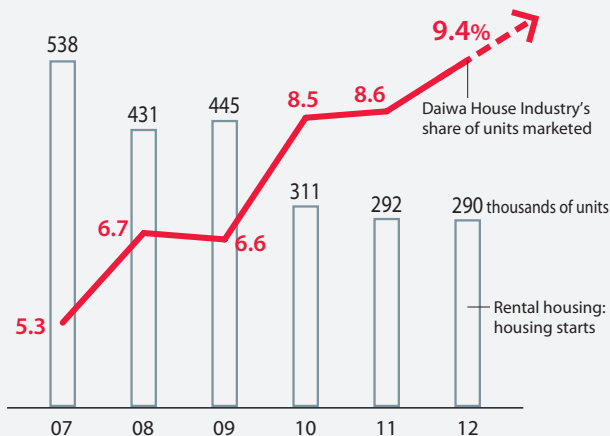
### Becoming a total support provider for rental housing

Expand share by product development tailored to needs

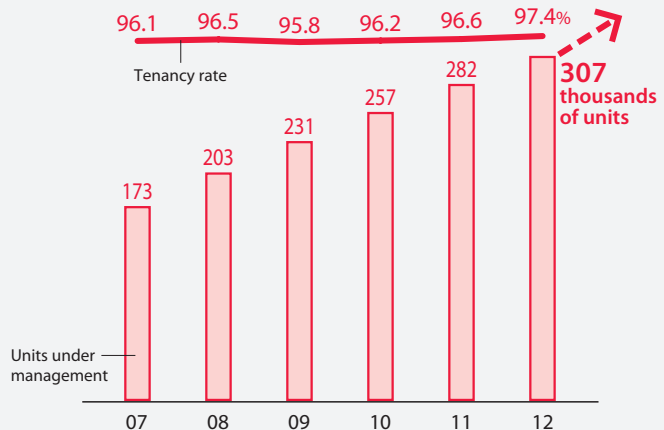


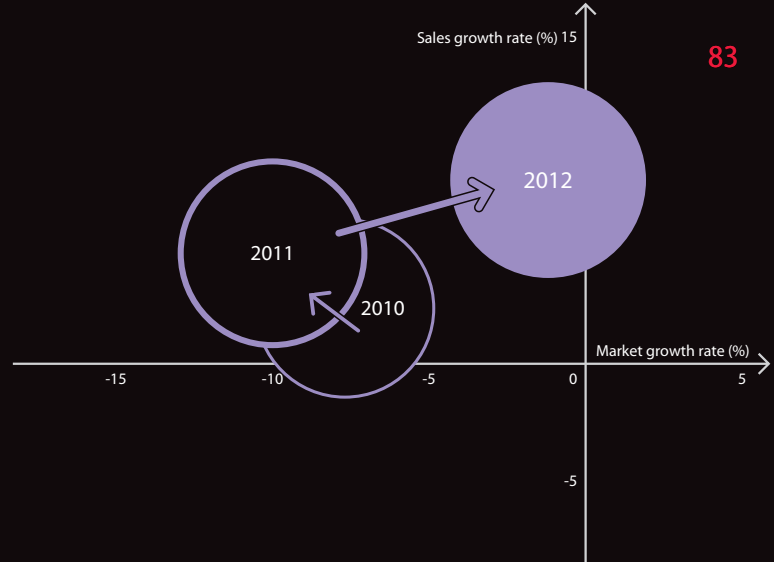
Leveraging the strengths of the Group's three condominium companies to increase units under management

Rental housing market and our share of units marketed



Rental housing:  
Total of units managed by the Group and tenancy rates





In fiscal 2011, the proportion of rental housing to total new housing starts in Japan declined for the third consecutive year, down 0.7% from the previous year to 289,762 units.

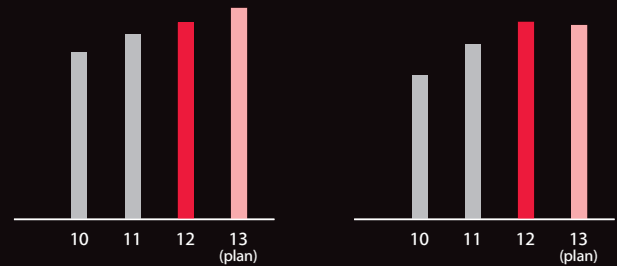
In the rental housing business we expanded sales of rental housing products featuring home security as standard, launched new products targeting female tenants, and strengthened our management services marketing to expand the number of units under management. As a result, net sales increased 6.2% and operating income increased 12.8% over the previous year.

Sales  
**¥526.8 billion**

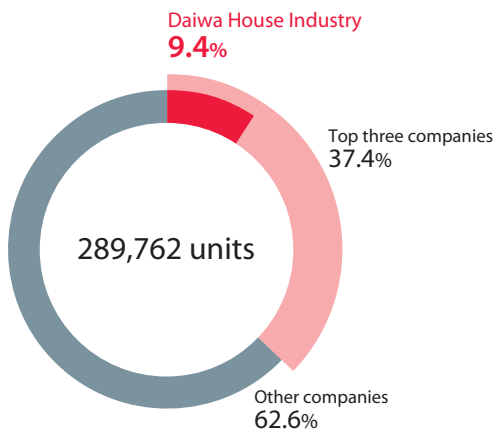
Operating income  
**¥53.0 billion**

¥ billion 449.0 496.2 **526.8** 566.0

¥ billion 38.7 47.0 **53.0** 52.0

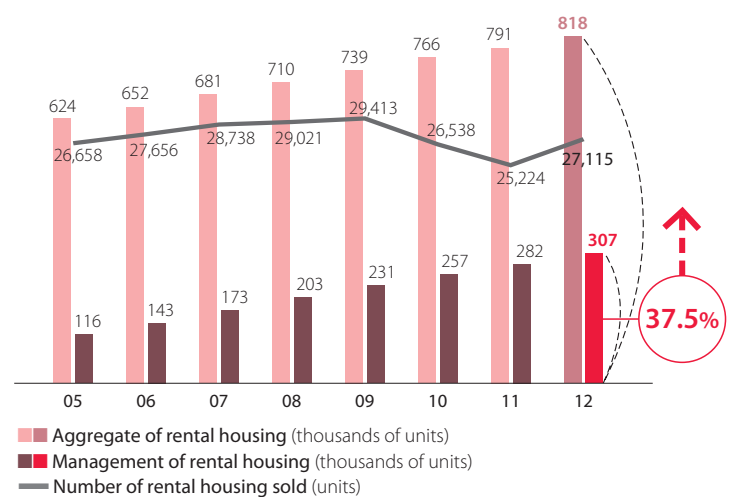


Market for new rental housing in fiscal 2011



Note: Total shares based on statistics by the Ministry of Land, Infrastructure, Transport and Tourism. The shares for Daiwa House Industry and top three companies are based on our estimates.

Rental housing: Daiwa House Industry's share of units marketed and units under management\*



\* Units under management is total for Daiwa House Group

Note: The circled figure is units under management by Group as a percentage of the total



## Year 2012

### Development and sale of new products targeting women

At a time when the overall market is contracting, we strengthened our sales system by transferring staff, mostly to the Tokyo area, which accounts for approximately 40% of the market, and by opening nine new marketing offices.

Regarding our products, we saw continued brisk sales of the Séjour WIT-S and Séjour OTT's-S rental housing products featuring enhanced security, which we launched last year. Additionally, based on these products we developed and launched the Séjour WIT-SW and Séjour OTT's-SW products for female tenants and sold them aggressively, for example by uploading videos presenting the products to internet video sites. This led to a sharp overall increase in orders. In medium- and high-rise rental housing, we continued realizing liquidity by selling two properties, including Royal Parks Hanakoganei to Daiwa House Residential Investment Corporation.

The members of the Daiwa House Group are united in their determination to strengthen rental housing management and operation services, and the number of rental housing units under management by the entire Group as of the end of March 2012 rose 8.9% from the previous year to 306,586 units, while the occupancy rate rose by 0.8 of a percentage point, to 97.4%.

## Beyond 2013

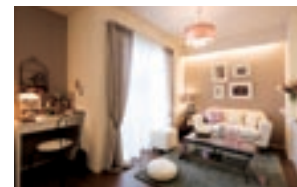
### Strengthening measures to expand orders

We plan to strengthen our marketing capabilities through a continued increase in staff as well as by opening additional marketing offices, primarily in the Tokyo area. We have opened the Rental Housing Products Hands-on Experience Hall at our Central Research Laboratory. The hall is mainly intended for land owners, and enables them to actually experience the features of the products including security, sound insulation, and so on, and we expect this to lead to increased orders. Moreover, in the development of medium- and high-rise rental housing, we will continue to focus on urban areas while closely monitoring movements in the land price market and selecting sites carefully. Regarding assisted-living rental housing for senior citizens, for which demand is growing, we are involved in construction and have also commenced management and operation services with Community Net Co., Ltd. of nursing care providers in which Daiwa House has invested. Going forward, we will aim to expand orders for the overall Group by strengthening management, services and master leases in the business to support the lifestyles of senior citizens, through the rental housing management company Daiwa Living.

Our medium- to long-term initiatives include further strengthening our relationships with land owners and identifying rebuilding needs. Meanwhile, overseas we are advancing preparations for developing our business in Taiwan.

### Development of rental housing products for women with extra security features

According to the 2009 National Survey of Family Income and Expenditure published by the Ministry of Internal Affairs and Communications, the average monthly disposable income of women exceeded that of men for the first time in the case of women under 30 years of age living alone. We believe that the number of women living alone with a relatively comfortable lifestyle will increase along with the social advancement and the increasing tendency to marry later, and that women are seeking rental housing where they can live safely, comfortably, and with peace of mind. We strengthened the security specifications beyond the level of conventional standard home security, adopted room layouts placing importance on beauty and storage space, and introduced specifications focusing on design. These housing units have already become flagship products in their first year after launch.



### The D-room Plaza Hall in the Rental Housing Products Hands-on Experience Hall

The D-room Plaza Hall is a facility that gives everyone from children to adults an opportunity to have fun experiencing security, anti-seismic design, sound insulation and other specifications. In order to help land owners understand security-focused rental housing from the perspective of their tenants, Rental Housing Products Hands-on Experience Hall offers short performances by employees comically recreating the lives of tenants, and features attractions such as the sound insulation experience room — from autumn 2012 — where visitors can compare floors fitted with effective sound insulation with floors made of wood or steel frames.



## Group Synergy

### Aiming to be a company that offers total support for rental housing

Daiwa Living is responsible for over 90% of the rental housing units under management by the Daiwa House Group (approximately 290,000 units). We established Daiwa Living in 1989 as a management and operations company, and subsequently established Daiwa Estate in 1999 as a specialist real estate agency that recruits tenants. Then, in 2012 we reorganized and split up our businesses in Daiwa Living to establish Daiwa Living Management, which took over the sub-leasing business, and launched the “Daiwa Living Companies,” a business entity comprised of the above three companies.

Currently, consumer requirements for rental housing are becoming more detailed and complex, primarily with respect

to room layouts and facilities, as well as daily management. Going forward, we will develop systems to strengthen our management business so that each of the three companies can utilize the characteristics of their respective businesses to the maximum extent, and we will be able to expand the number of units under management.

We are also aiming to utilize collaboration among the three companies to offer total support for rental housing, including support for long-term stable property management by the owners, and the provision of safe, secure and comfortable living environments for the tenants.

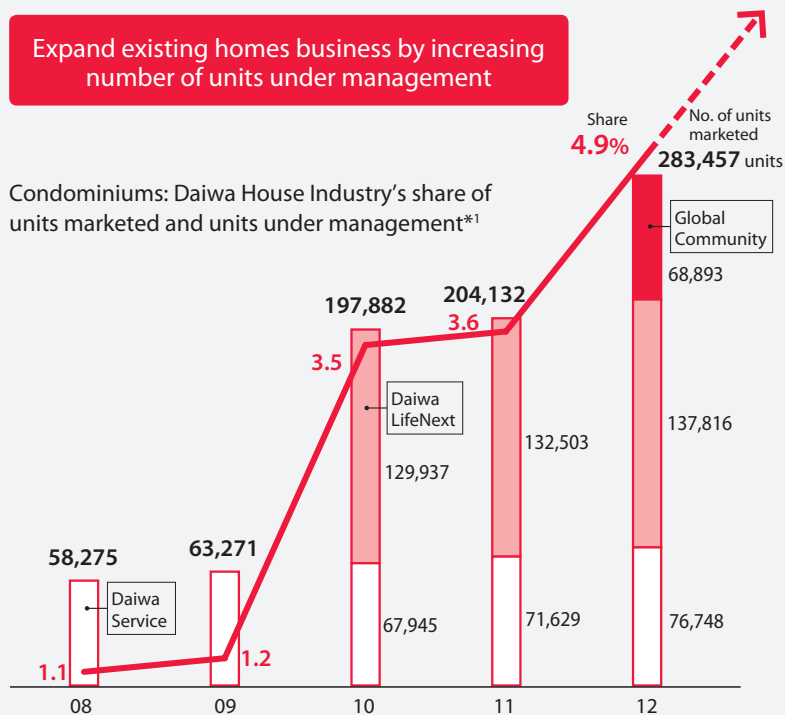


## Condominiums

Leveraging Group strengths to expand market share through sale of high value-added condominiums



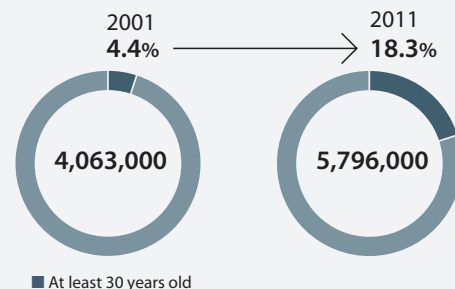
Daiwa House Industry Co., Ltd. Condominium development & sale	Daiwa Service Co., Ltd. Management of condominiums & buildings/Moving services	Daiwa LifeNext Co., Ltd. Management of condominiums & buildings	Global Community Co., Ltd. Management of condominiums & buildings
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Strengthen fee businesses through "Life Amenity Companies"

Increase orders for major repair and rebuilding work by managing older buildings of 30 years or more, a growing segment

Condominiums in Japan at least 30 years old as a proportion of the total (Calendar year basis)

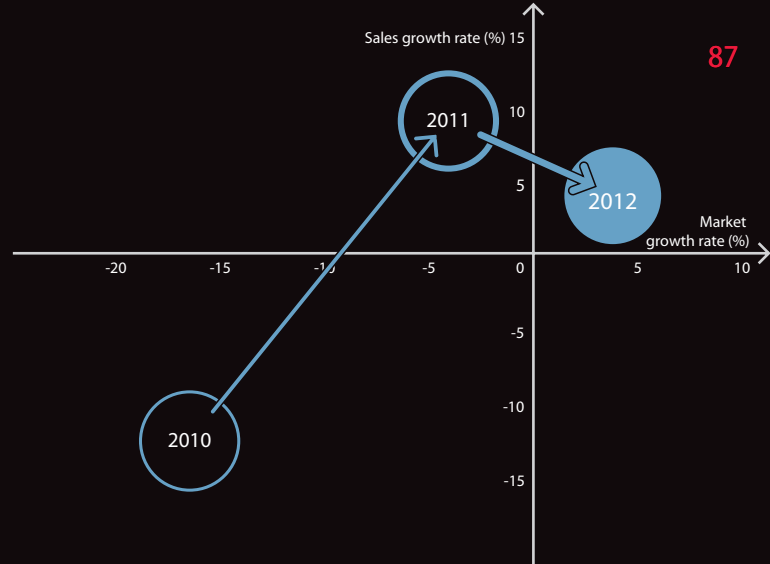


\*1 Proportion of condominiums in Japan managed by Daiwa House Group



New construction starts on condominiums in fiscal 2011 rose 22.8% to 120,092 individual home units, for the second year-on-year increase in a row.

In our Condominiums Business, we put efforts into developing and marketing new eco-friendly condominiums during fiscal 2011, and we also acquired a condominium management company to expand the number of condominiums under our management. As a result of the March 11 disaster, however, sales recorded a year-on-year decrease of 8.6%, while operating income fell by 29.8%.

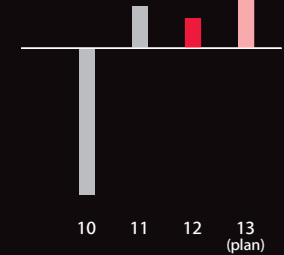
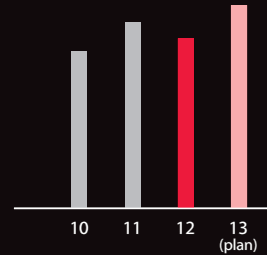


Sales  
**¥128.9 billion**

Operating income (loss)  
**¥3.8 billion**

¥ billion 119.3 140.9 **128.9** 154.0

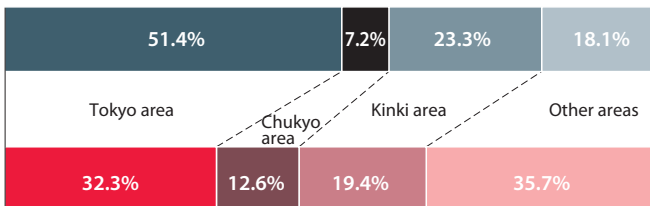
¥ billion -18.3 5.4 **3.8** 7.0



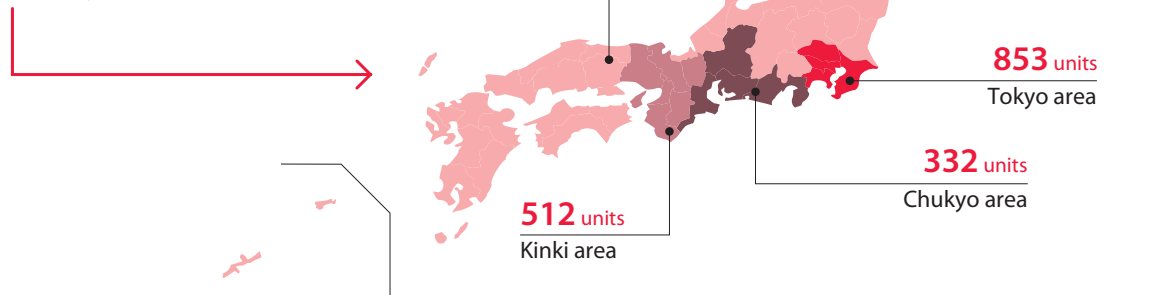
### Area breakdown of condominiums

(Calendar year basis)

2011  
 Condominiums built nationwide



Daiwa House Industry's share of condominiums in each region





## Year 2012

### Popularizing eco-friendly condominiums

The number of condominiums put on the market during fiscal 2011 in Japan rose for the second straight year, as a strong performance in the regions more than offset sluggishness in the Tokyo area. While the Group's condominium operations were affected by the March 11 disaster, sales of condominiums held firm, partly thanks to the introduction in fiscal 2009 of our four-block condominium marketing system for greater flexibility and efficiency.

During the reporting term, we focused efforts on developing and marketing eco-friendly condominiums featuring new thermal insulation materials and methods conforming to next-generation energy conservation standards, as well as high-efficiency water heaters and LED lighting. Of the condominiums on which we started construction during fiscal 2011, 76.0% incorporated such features. At the Premist Inage-Kaigan condominium in Chiba we included new energy sources and conservation systems, including a photovoltaic power generation system and a gas cogeneration system\*<sup>2</sup>. In fiscal 2011 we acquired Global Holding Co., Ltd., as a result of which we also acquired Global Community, an unaffiliated condominium management company. This brought the total number of condominium individual home units managed by the entire Group over 280,000 as of the end of March 2012.

\*<sup>2</sup> This cogeneration system burns natural gas to generate electric power and simultaneously captures and makes use of the heat given off.

## Beyond 2013

### Group displays comprehensive capabilities from development to management

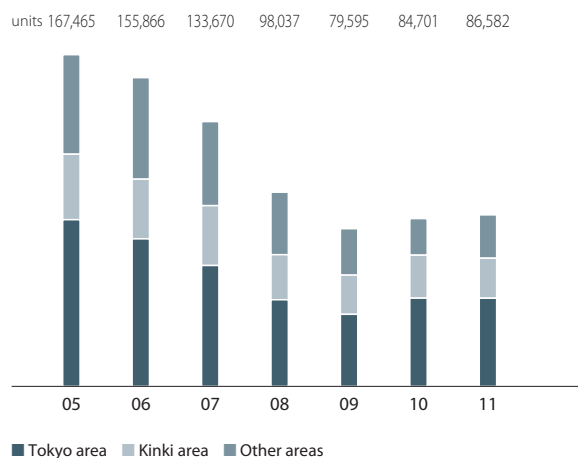
Regarding new condominium developments, we are making efforts to acquire sites with easy transportation access in the central areas of cities in Japan's regions to tap growing demand by elderly people who wish to move to more convenient locations. We are continuing to popularize eco-friendly condominiums. Among these products are Premist Minami-Senri Tsukumodai Park Front and Park Breeze. This development features Japan's largest\*<sup>3</sup> photovoltaic power generation system, with an output of 177kW. The power generated is used mainly for lighting, etc. in the common areas, but around 10 percent is also supplied to certain individual condo units. Emergency backup power can be supplied in the event of a blackout. The portion of power supplied to individual condo units can either be used within the home or sold as surplus power to the utilities company. This system can cut energy bills.

We will continue to focus on high value-added condominiums, centered on environmental friendliness. In addition, our three condominium management companies, together with the marketing, technology, and customer satisfaction units of Daiwa House Industry, will collaborate to create an organizational structure that assures of full satisfaction. In this way, we aim to expand our share in the market for new condominiums and in the condominium management market.

\*<sup>3</sup> Based on Daiwa House research as of September 2011.

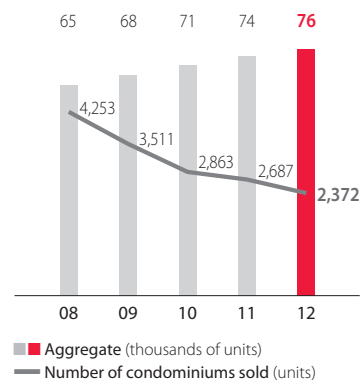
### Number of condominiums sold in Japan

(Calendar year basis)



### Number of condominium units sold

(Daiwa House Industry, non-consolidated)



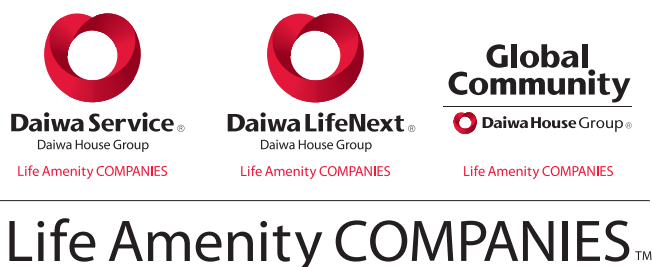
## Group Synergy

### Aiming to expand business in existing condominium market

The Group's condominium management operations are conducted by Daiwa Service and Daiwa LifeNext (made a subsidiary in 2009), in addition to Global Community, which became a member of the Group in 2012. The total number of individual home units managed as of the end of March 2012 was over 280,000, making the Group's operations the fourth-largest in Japan.

Against the background of Japan's declining population, among other factors, there is little likelihood of a significant growth in demand for condominium development in the domestic market. On the other hand, the nation's stock of existing condominiums constitutes an expanding market for such

services as rebuilding, large-scale repair work, and renovation work on individual home units. In view of this, the Group has positioned the expansion of the existing condominium business as a major pillar in its overall condominium operations. In the near future we plan to establish "Life Amenity Companies" that will act as joint operational units for the Group's three condominium management companies. The three companies will amalgamate their business bases and pool their accumulated know-how to strengthen their competitiveness in the condominium management field. They will also aggressively develop newly managed properties to increase the total number of units under management.



## Life Amenity COMPANIES™

Daiwa Service Co., Ltd.  
 President  
 Hiromi Yamane (right)

Daiwa LifeNext Co., Ltd.  
 President  
 Yoshinori Watanabe (left)

Global Community Co., Ltd.  
 President  
 Takashi Yamada (center)



# Existing Home Business

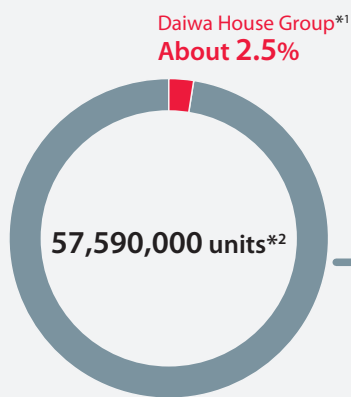
Home Renovation / Real Estate Agency Services

## Enhancing our brand image, expanding operations



Daiwa House Industry Co., Ltd. Renovation proposals	Daiwa House Renew Co., Ltd. Renovation design & execution/ Property inspection	Nihon Jyutaku Ryutu Co., Ltd. Real estate agency & property management services/Appraisals/Renovation work	Royal Home Center Co., Ltd. DIY/Gardening/Interior items
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### Existing homes market in Japan and shares



Strengthening Group alliances and winning new customers

0.2% of Japanese households are members of Daiwa Family Club\*3

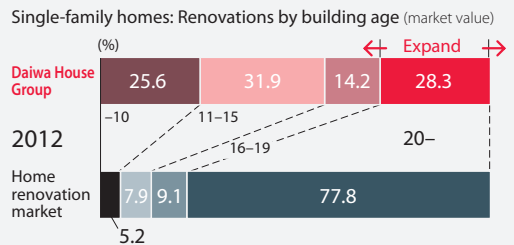
Members of Daiwa Family Club: 100,000  
Total of households in Japan: 50 million

\*1 As of March 31, 2012

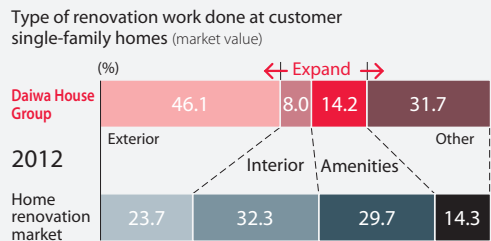
\*2 2008 Housing and Land Survey

\*3 A home and lifestyle-oriented website for owners of Daiwa House Industry properties and users of our services.

Amid strong demand for home renovation, increase orders for 20-year and older buildings

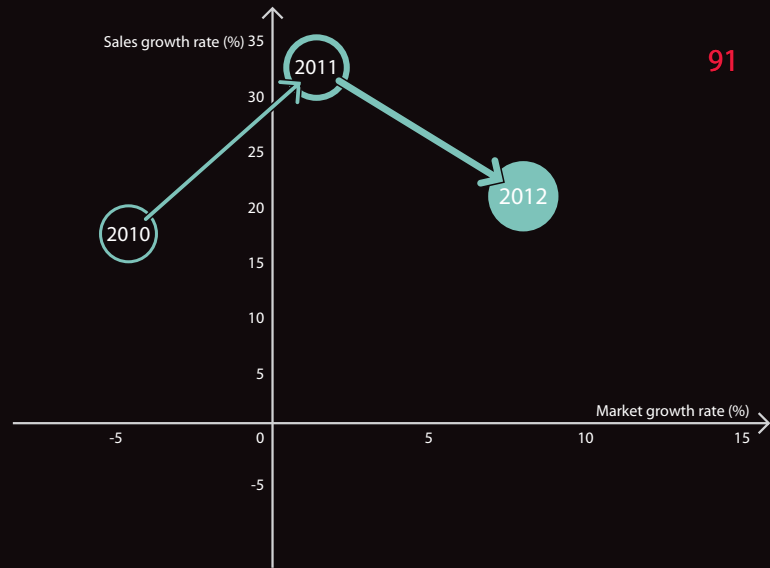


Interior decoration and refurbishment, a main target of renovation demand



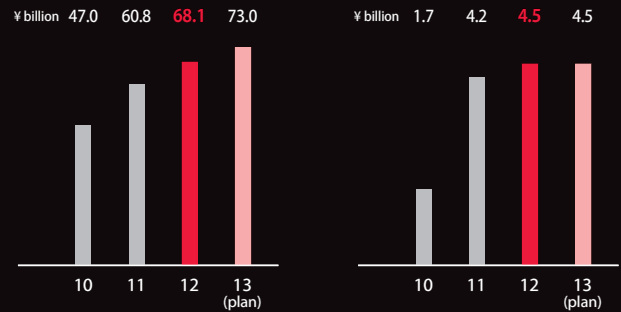


After peaking at around ¥9 trillion in 1996, the scale of Japan's home renovation market has been holding roughly flat at about ¥6 trillion per annum over the last few years. Expenditure on renovation accounted for 28.1% of total housing investment in fiscal 2010. This rate remains very low compared with other industrialized countries such as the United Kingdom (57.2%), France (57.0%) and Germany (76.8%). In this market environment, sales of the Company's Existing Home Business for the reporting term posted a year-on-year increase of 12.1%, while operating income rose 7.1%.

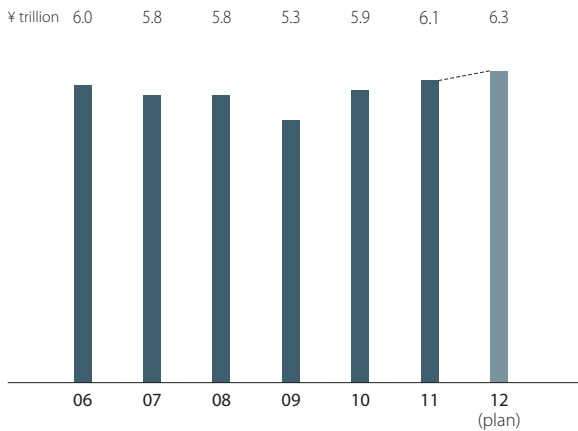


Sales  
**¥68.1 billion**

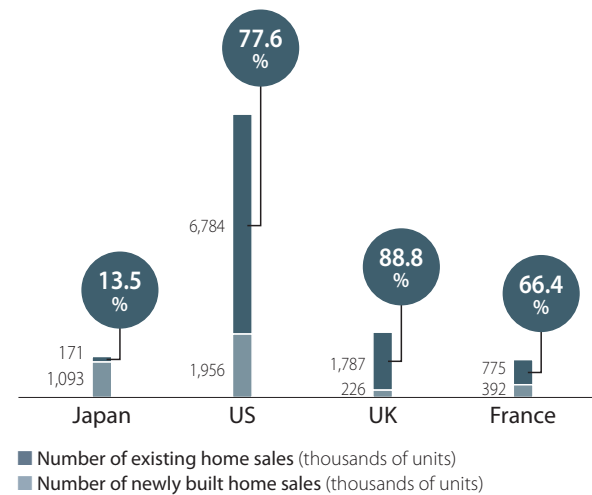
Operating income  
**¥4.5 billion**



### Scale of home renovation market (Calendar year basis)



### International comparison of existing home sales as percentage of total home sales



Survey time frames: Japan, 2008 US, 2006 UK, 2004 France, 2000/2005



## Year 2012

### Bolstered intra-Group collaboration, strengthened marketing

The Daiwa House Group's home renovation business is conducted through collaboration among the Renovation Promotion Department of Daiwa House Industry and Group companies Daiwa House Renew, Nihon Jyutaku Ryutu, and Royal Home Center. Together, we work not only to provide renovation services to customers who previously purchased single-family houses or rental housing units from the Group, but also to obtain and expand orders from new customers in the general housing renovation market.

In fiscal 2011 we supported the reconstruction and recovery of the region devastated by the March 11 earthquake and tsunami by strengthening our system for the inspection of buildings and homes followed by repair and renovation work. We also met the needs of customers outside the affected region, offering individually customized proposals to help protect asset values through earthquake resistance diagnoses and seismic retrofitting services. We also conducted a successful "Solar Power Renovation" campaign, installing many photovoltaic power generation systems at a special bargain price.

In the field of single-family houses, we took steps to reinforce our relationships with existing customers by increasing the number of marketing staff and making greater use of manuals. Thanks to this, we saw a rise in the percentage of orders from customers who had purchased their homes less than 15 years ago.

In rental housing, the business environment became more difficult, with a decline in the value of orders for photovoltaic

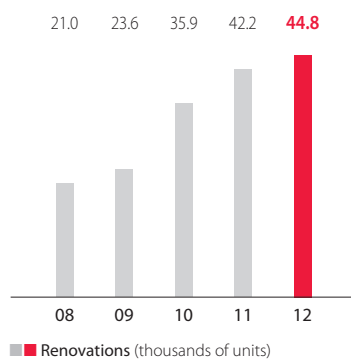
power generation systems and orders utilizing the Housing Safety Net Project (subsidies for renovation of housing for senior citizens, persons with disabilities, and low income earners). Despite these adverse factors, we succeeded in expanding overall orders thanks to increased orders for interior decoration work, for replacement and upgrading of kitchen sinks and bathroom fittings, and for revisions to room layouts (floor plans) and replacement of facilities at rental housing properties managed by our subsidiary Daiwa Living to solve excess vacancy issues.

In the general home renovation market, we worked to acquire new customers by publicizing our track record as a home builder and the extensive know-how we have accumulated, with a special focus on earthquake-resistant construction. We succeeded in developing new customer segments through enhanced cooperation among Group companies, including increased marketing collaboration between Daiwa House Renew and Royal Home Center, acquiring home renovation orders via Nihon Jyutaku Ryutu during the provision of real estate agency services, and offering customers renovation loans via Daiwa House Financial.

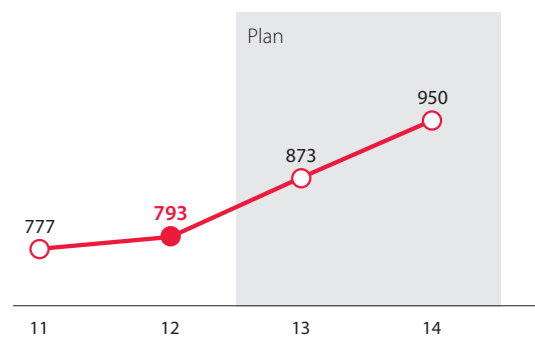
In the real estate agency services business we conducted stronger marketing campaigns in the major metropolitan area, and took various steps to maximize earnings, such as making real estate market data available to all Group members. In fiscal 2011 we began a condominium renovation project in Tokyo's Chuo Ward.

#### Number of renovations

(Daiwa House Industry, non-consolidated)



#### Number of staff in sales\*



\* Excluding Nihon Jyutaku Ryutu and Royal Home Center



## Beyond 2013

### Leveraging our proposal design capability and technological expertise in home building

In March 2012 the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) announced its Existing Housing and Home Renovation Total Plan, which is aimed at transforming the housing market from one dominated by new construction into one in which the nation's stock of housing is recycled through buying and selling. The plan aims to utilize renovation work to raise the average quality and improve the features of existing housing. The MLIT hopes to double the scale of the housing resale and renovation market from the current ¥10 trillion to ¥20 trillion per annum by 2020.

In home renovation, we hope to take advantage of government measures of this kind to expand orders through a continued increase in the hiring of marketing personnel. We will take a particularly positive stance on appointing female marketing staff, whom we believe to be especially effective in the home renovation field, and will also be hiring new graduates. We aim to gain the long-term trust of our customers by putting a system in place that enables us to provide individually tailored and continuous customer services.

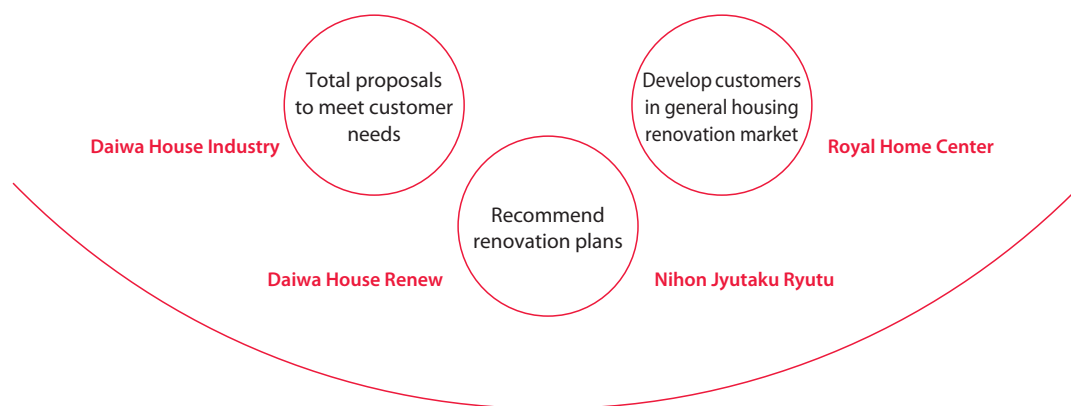
For existing customers, we will continue to strengthen our relationships with owners of homes built more than 20 years ago, which is where the majority of renovation demand lies. In this way, we plan to shift the focus of orders to interior decoration as well as kitchen sinks and bathroom fittings.

For rental housing, we will deepen our collaboration with our rental housing management subsidiary Daiwa Living in periodic

inspection services, general diagnosis services, and in finding solutions to excess vacancies through room remodeling and renovation. To enhance our abilities in renovation proposals such as those involving bathroom fittings and kitchen sinks, we will continue training to upgrade employee skill levels, and draw up manuals for all aspects of our operations. We also plan to aggressively market our renovation services to owners of properties built by other companies.

In the general housing renovation market, we will develop eco-friendly home renovation proposals and advertise these through special marketing campaigns. We will also develop new customers by strengthening collaboration with corporate alliance partners and Group companies. In particular, we plan to increase the number of Daiwa House Renew marketing staff stationed within the home centers operated by Royal Home Center from the present 36 to more than 100, as a means of advertising our technological expertise in the home renovation field as a leading home builder.

In the real estate agency business, we plan to reinforce our marketing power in the major urban areas such as Tokyo and Osaka, where there are more large-scale properties, which carry a higher unit value per real estate intermediation contract. In the Tokyo area, we will promote increased data-sharing among Group companies to gain a foothold in the field of condominium resale intermediation services by revitalizing existing properties through renovation, and establish a business model for the previously owned home resale business.



# Business



**Daiwa House**®  
Daiwa House Group

Daiwa House Industry  
Co., Ltd.

Presidents of  
Group  
Companies\*



\* Presidents of principal subsidiaries  
and associated companies.



**Daiwa Lease**  
Daiwa House Group

**Daiwa Lease Co., Ltd.**  
Building & vehicle leasing/  
Land utilization/Maintenance &  
operation of commercial facilities/  
Environmental greening



**Daiwa Logistics**  
Daiwa House Group

**Daiwa Logistics Co., Ltd.**  
Transportation/Warehouse & storage



**Daiwa Info.Service**  
Daiwa House Group

**Daiwa Information Service  
Co., Ltd.**  
Land utilization/Maintenance &  
operation of commercial facilities



**Daiwa Royal**  
Daiwa House Group

**Daiwa Royal Co., Ltd.**  
Rental of commercial facilities/  
Daiwa Roynet Hotels



**Shunsaku Morita**

Born in 1955  
1979: Joins Daiwa Kosho Lease  
(Currently Daiwa Lease)  
2008: President of Daiwa Lease

In our principal business areas of the leasing of temporary structures and vehicles and the development of commercial facilities, we are working to adapt the company to a changing market environment while developing new business models for continued growth into the next generation, for example, by combining urban greening to help preserve the global environment, with environmental energy services.

**Katsuyoshi Tateno**

Born in 1946  
1969: Joins Daiwa House Industry  
2001: President of Daiwa Logistics

We aim to be a strategic logistics partner that supports customers' business growth from the logistics perspectives, and an integrated logistics company, working to create logistics services with high added value, based on extensive expertise and experience.

**Katsuyuki Fujita**

Born in 1951  
1970: Joins Daiwa House Industry  
2012: President of Daiwa Information Services

We utilize the property management capabilities we have accumulated through our lease business centering on commercial facilities, and by operating and managing large-scale shopping centers, to provide high-quality building operation and management to our customers and further expand our businesses through collaboration with existing businesses.

**Ken Harada**

Born in 1953  
1982: Joins Daiwa House Industry  
2010: President of Daiwa Royal

With a focus on community-building with our customers, we develop and operate commercial facilities that are valued by local people and city hotels with an accent on hospitality. At the same time, we nurture new businesses to meet the needs of changing times.



**Daiwa Energy**<sup>®</sup>  
Daiwa House Group

Daiwa Energy Co., Ltd.  
ESCO business/  
Power generation business/  
Facility installation



**Daiwa REIT**<sup>®</sup>  
Daiwa House Group

Daiwa House REIT Management  
Co., Ltd.  
Asset management



**Daiwa House Asset Mgt.**<sup>®</sup>  
Daiwa House Group

Daiwa House Asset  
Management Co., Ltd.  
Asset management



**Daiwa House Group**<sup>®</sup>

Eneserve Corporation  
Comprehensive energy services



#### Hidekazu Matsushima

Born in 1949  
1973: Joins Daiwa House Industry  
2003: President of Daiwa Energy

We use the experience that we have cultivated in a wide range of business areas as an energy service company (in large-scale photovoltaic power generation facilities, wind power, building equipment design and construction, facilities and products) to provide value-added products and services that deliver three types of savings to our customers: energy savings, resource savings and cost savings.

#### Hirotaka Najima

Born in 1961  
1983: Joins Daiwa House Industry  
2012: President of Daiwa House REIT Management

Our company aims to create a more stable revenue base for the Daiwa House REIT Investment Corporation by maximizing collaboration with other companies in the Daiwa House Group.

#### Yuji Yamada

Born in 1960  
1983: Joins Daiwa House Industry  
2011: President of Daiwa House Morimoto Asset Management (Currently Daiwa House Asset Management)

We manage the assets of Daiwa House Residential Investment Corporation, which has more than ¥200 billion in assets, and invest in residential and commercial facilities. With the cooperation of the Daiwa House Group, our goal is the growth of funds in trust and the development of the J-REIT market.

#### Yoshio Kinoshita

Born in 1944  
1999: Joins Eneserve  
2007: President of Eneserve

We contribute to society in many ways, as electricity specialists who provide critical protection to corporations through solution-oriented comprehensive energy services. We do this by guaranteeing the security of electrical facilities, reducing energy costs, and contributing to the protection of the global environment.



Higashi-Fuji Co., Ltd.  
Real estate development/  
Sale of commercial real estate



Daiwa Odakyu Construction  
Co., Ltd.  
General construction/Real estate



#### Masamichi Yagita

Born in 1959  
1983: Joins Daiwa House Industry  
2010: President of Higashi-Fuji

We aim to be a company that is trusted by the local community. It is essential to have marketing skills that can precisely grasp customers' requirements and technical skills that can respond to these requirements, from residential housing to commercial construction and medical and nursing facilities as well as logistics and industrial facilities.

#### Atsushi Kanakubo

Born in 1952  
1976: Joins Daiwa House Industry  
2012: President of Daiwa Odakyu  
Construction

We are working to enhance our enterprise value by evolving into a comprehensive construction business that offers customers solutions based on our own development and proposal capabilities. We hope to raise the brand power of both the Daiwa House Group and the Odakyu Group. We will foster new core competencies and help enrich people's lives.

# Commercial Facilities

## Strengthening cooperation within the Group to leverage advantages of scale



**Daiwa House**  
Daiwa House Group



**Daiwa Lease**  
Daiwa House Group



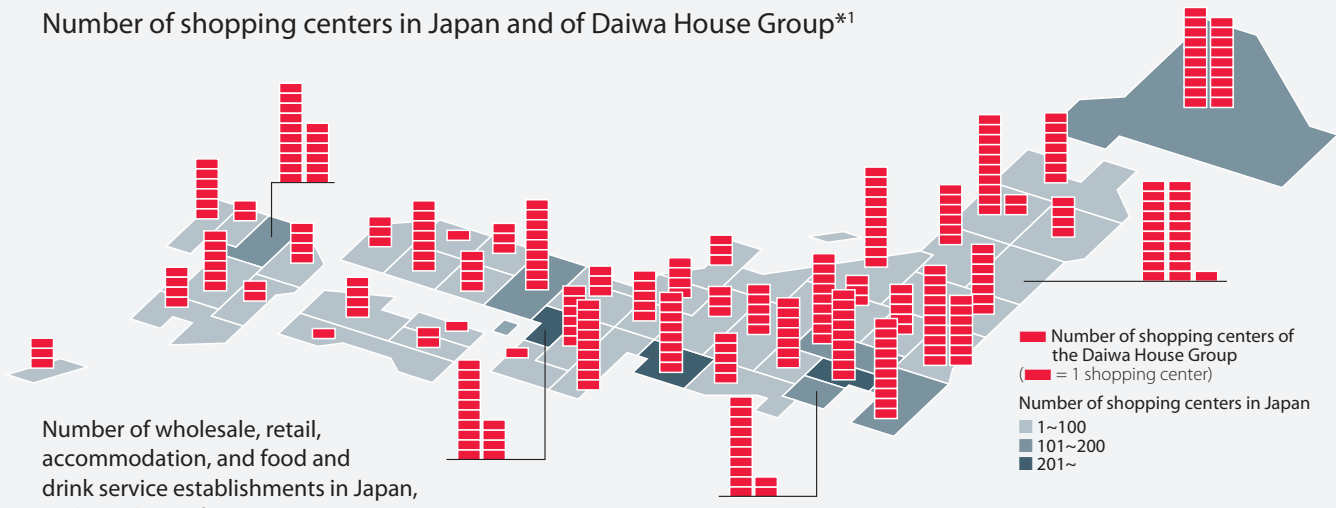
**Daiwa Info.Service**  
Daiwa House Group



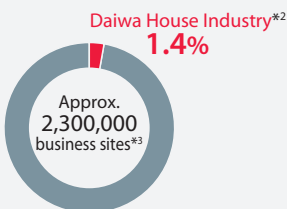
**Daiwa Royal**  
Daiwa House Group

<p>Daiwa House Industry Co., Ltd. Construction, management and operation of commercial facilities</p>	<p>Daiwa Lease Co., Ltd. Building &amp; vehicle leasing/Land utilization/Maintenance &amp; operation of commercial facilities/Environmental greening</p>	<p>Daiwa Information Service Co., Ltd. Land utilization/Maintenance &amp; operation of commercial facilities</p>	<p>Daiwa Royal Co., Ltd. Rental of commercial facilities</p>
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Number of shopping centers in Japan and of Daiwa House Group\*<sup>1</sup>



Number of wholesale, retail, accommodation, and food and drink service establishments in Japan, and our share of construction



**Develop commercial facilities that meet everyday living needs**

**Shopping centers**

- Suburban shopping centers
- Urban shopping centers

**Roadside stores**

- Convenience stores
- Drugstores
- Clothing stores
- Opticians
- Car-accessories stores
- Family restaurants, etc.

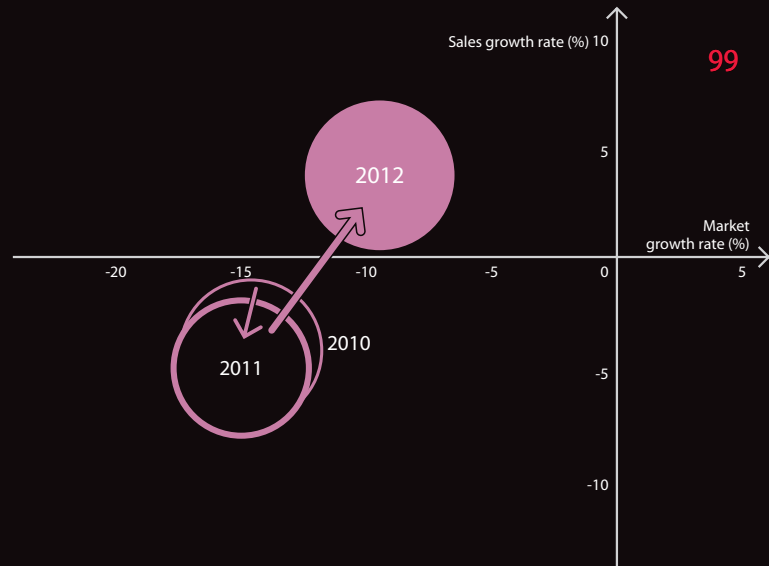
\*<sup>1</sup> Number of shopping centers in Japan meeting the official definition of "shopping center" as of December 31, 2011. Daiwa House Group shopping centers are as of August 1, 2012. Daiwa Information Service shopping centers are as of April 30, 2012

\*<sup>2</sup> As of March 31, 2012 \*<sup>3</sup> 2009 Economic Census and Basic Research



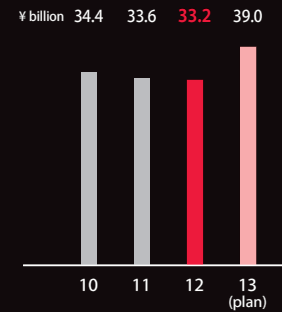
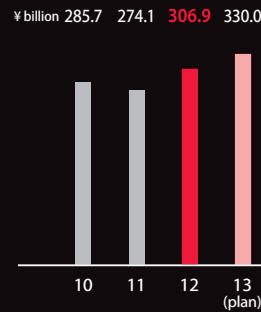
According to Japanese statistics on building construction started for fiscal 2011, although the total floor area of construction starts for all buildings was up 4.1% year on year, by building use, store construction starts were down 9.7%.

In the Commercial Facilities business, sales increased 12.0% year on year due to initiatives such as the strengthening of planning- and proposal-based sales focused on roadside shops. However, operating income decreased 1.2% due in part to the deterioration in the cost of goods ratio.

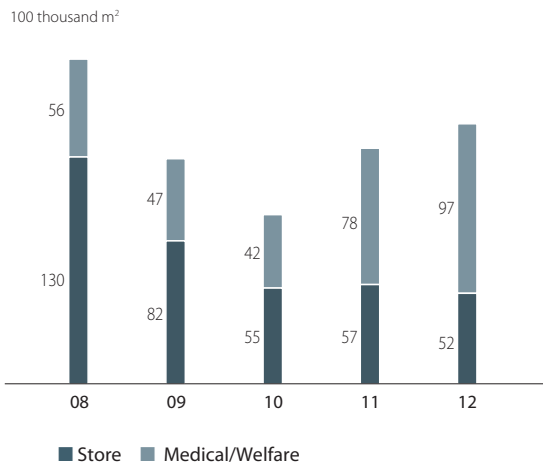


Sales  
**¥306.9 billion**

Operating income  
**¥33.2 billion**

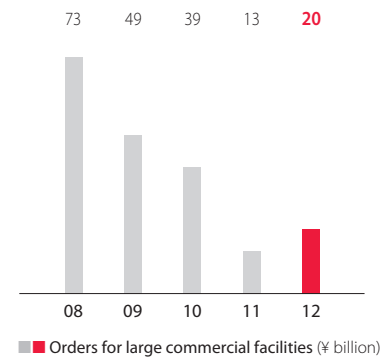


### Floor space of construction starts by facility type in Japan



### Orders for large commercial facilities\*4

(Daiwa House Industry, non-consolidated)



\*4 Large commercial facilities: Refers to single-tenant commercial buildings with a construction amount of ¥500 million or more and multi-tenant commercial facilities with a construction amount of ¥300 million or more.



## Year 2012

### Focus on increasing orders, particularly for roadside shops

According to Japanese statistics on building construction started, store construction starts shifted from a year-on-year increase to a decrease of 9.7% as the overall market contracted.

In the Commercial Facilities business, although the store opening plans of tenant companies were conservative overall, business was robust for product retailers such as convenience stores, drug stores, and consumer electronic stores that operate throughout Japan. Due to this factor and pro-active sales activities focused on supermarkets aimed at mainly local residents, the Group managed to increase orders. In addition, facility openings were strong for medical and nursing care sector tenants, which was one of the leading fields for Group orders overall. There were also orders for new education facilities such as day care centers and nurseries in the Kanto area, where many children are on waiting lists\*5.

In terms of directly operated Group facilities, the new shopping center FOLEO Osaka Dome City (Osaka) was opened, and Daiwa Lease opened the open-mall-type commercial facilities Frespo Kunitachi Minami (Tokyo) and Tomiya Akashidai Shopping Center (Miyagi Pref.).

\*5 Children that want to attend day care centers but cannot due to over capacity are put on waiting lists. There were 25,556 children throughout Japan on these waiting lists as of April 1, 2011.

## Beyond 2013

### Strengthening relationships with land owners

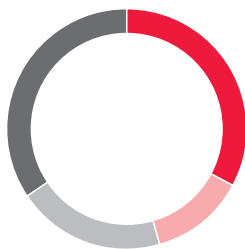
The Group aims to strengthen its sales capabilities in the large urban centers, centered on the Tokyo Metropolitan Area, while focusing on information collection, planning, and proposals based on the types of stores opened by major tenants. Moreover, the Group will work towards the systemization of relationships with over 30,000 successful land owners through steps such as starting to send direct mail advertisements and establishing dedicated managers for these clients to consult with them. In addition, the Group will offer renovation and reconstruction proposals for properties with contracts that have reached their term, and it will also work to strengthen its recycling business.

In directly operated facilities, the Group will aim to strengthen tenant leasing in existing facilities to improve and increase profits, while it focuses on attracting new tenants by strengthening cooperation within the Group to achieve economies of scale.

Additional medium to long-term initiatives include strengthening sales capabilities in the large urban centers as the Group pro-actively conducts urban development, and the launch of business in Taiwan as a first step in expansion overseas.

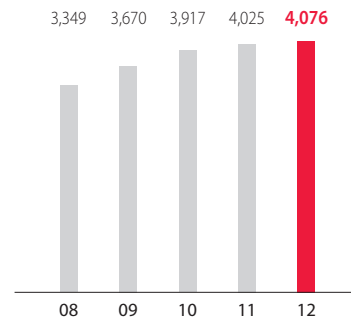
### Area breakdown of commercial facilities sales

(Daiwa House Industry, non-consolidated)



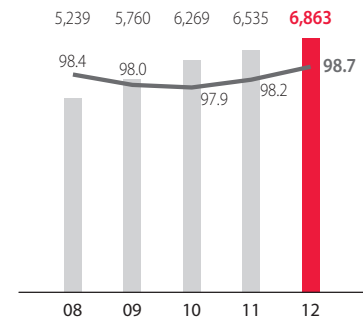
■ Kanto area 32.9% ■ Chukyo area 12.8%  
■ Kinki area 20.0% ■ Other areas 34.3%

### Rental floor space of commercial buildings\*6



■ Rental floor space of commercial buildings (1,000m<sup>2</sup>)

### Number of tenants at commercial facilities\*6 and occupancy rates at commercial facilities\*6



■ Number of tenants at commercial facilities  
— Occupancy rates at commercial facilities (%)

\*6 Total of Daiwa Lease, Daiwa Information Service and Daiwa Royal.



## Topics

### Development and promotion of eco-friendly products

In the Commercial Facilities business, the Group is actively involved in the development and promotion of use of eco-friendly products such as stores that take into consideration resource reuse and waste elimination.

For roadside stores that are typified by repeated demolition and construction accompanying the withdrawal of tenants from stores, the Group is promoting its Restore and Rebuild System that facilitates moving and reconstruction. This system helps to reduce waste and promote the efficient use of resources, and it also contributes to price stabilization and a reduction in the construction period on-site. The system was applied to 128 stores during fiscal 2011, for a cumulative total of 456 stores since fiscal 2005. During fiscal 2011, the eco-friendly system Daiwa Frest, intended mainly for stores and business premises, was adopted by McDonald's Company (Japan), Ltd., which has many branches throughout Japan, and was used in the construction of 12 branches. With a view to future applications, field tests were launched for D's SMART STORE, next-generation eco-friendly stores.

In directly operated facilities, 90% of the common area lighting for spaces such as hallways, toilets, and parking lots was fitted with LED lighting at four major commercial facilities after a review of basic illumination levels. As a result, total annual power consumption at the four facilities was reduced by approximately 3 million kWh and annual CO<sub>2</sub> emissions were reduced by approximately 990 tons. Daiwa Information Service covered the roof of Across Mall Moriya (Ibaraki Pref.) with approximately 1,000 solar panels as it installed a photovoltaic power generation system with a capacity of 200kW. The system is expected to generate 200,000kWh per year, which will all be used within the mall to reduce the amount of CO<sub>2</sub> emitted. Monitors have been installed within the mall that display the level of power generated by the photovoltaic power generation system, which will lead to a better awareness of environmental issues among visiting customers.

In addition to LED lighting and photovoltaic power generation, the Group plans to promote the adoption of BEMS\*7 in the future as it works together with tenants in energy-saving activities.

\*7 Building and Energy Management System

### D's SMART STORE

D's SMART STORE are one of the products that were developed in the Smart-Eco Project\*8. These stores are next-generation eco-friendly stores that achieve a CO<sub>2</sub> emission reduction of up to approximately 50% compared to buildings constructed by Daiwa House in 1990. Field tests were launched in May 2012 at HAC Drug Kozuka (Aichi Pref.) that is operated by CFS Corporation on a combination of energy management that uses passive control which takes advantage of the power of nature and active control which conducts new energy sources and energy conservation. In the future, eco-friendly technologies that are proven as applicable and effective in these field tests will be adopted in the retail stores (such as drug stores and consumer electronic stores) constructed by Daiwa House.

\*8 This project aims to reduce the environmental load (zero CO<sub>2</sub> emissions during operation) of buildings for corporate customers to zero by 2020.



HAC Drug Kozuka

# Business and Corporate Facilities

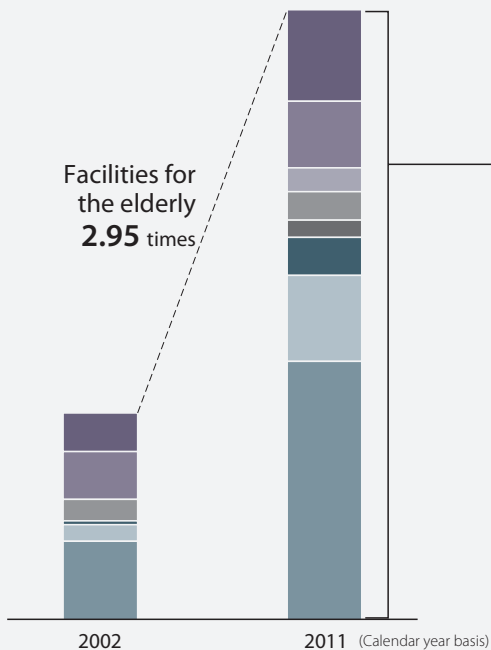
Distribution Facilities / Medical and Nursing Care Facilities / Corporate Facilities

## Strengthening proposal capabilities in each specialized field to increase orders

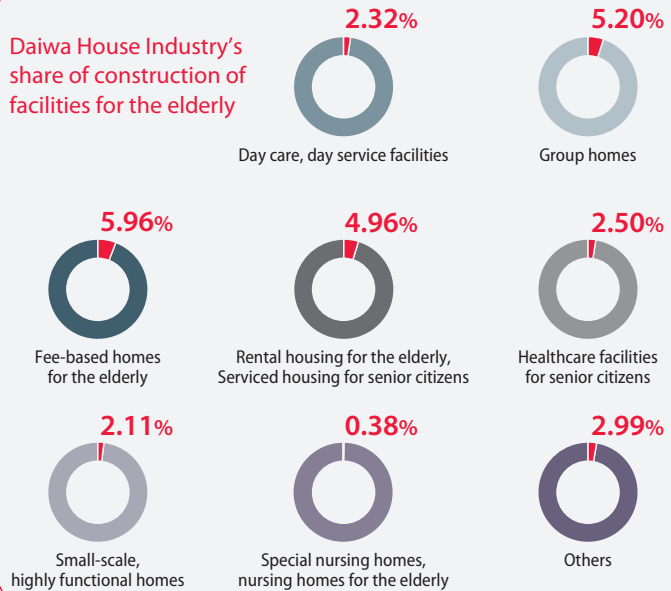


<p><b>Daiwa House Industry Co., Ltd.</b> Construction of business facilities/ Real estate development</p>	<p><b>Daiwa Lease Co., Ltd.</b> Building &amp; vehicle leasing/Land utilization/ Maintenance &amp; operation of commercial facilities/Environmental greening</p>	<p><b>Higashi-Fuji Co., Ltd.</b> Real estate development/ Sale of commercial real estate</p>	<p><b>Daiwa Odakyu Construction Co., Ltd.</b> General construction/ Real estate</p>
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### Facilities for the elderly in Japan



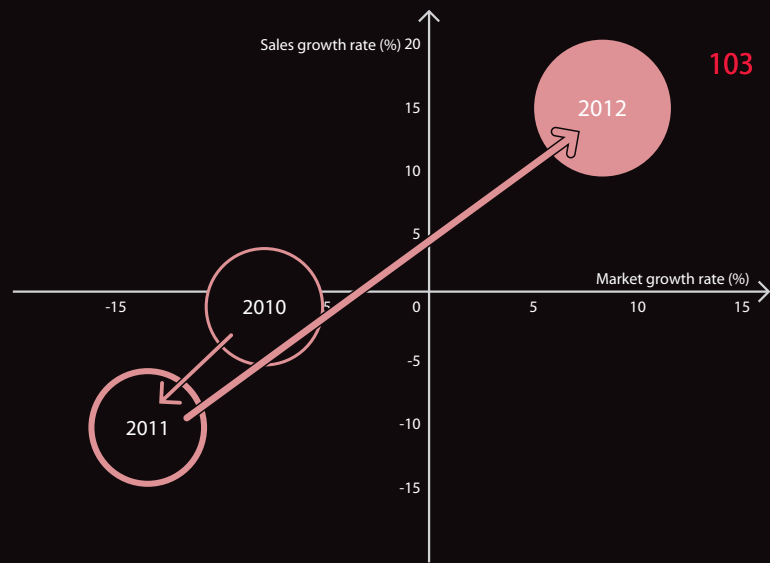
### Expansion of orders for various facilities for the elderly





According to Japanese statistics on building construction starts for fiscal 2011, the floor area of construction starts by building use was up year on year for each of the fields of offices, factories, warehouses, medical facilities, and social welfare facilities.

In our Business and Corporate Facilities business, sales and operating income were up 32.3% and 124.9% year on year, respectively, thanks to solution proposals aimed at the consolidation of bases and production facilities in the distribution facilities business, and enhanced marketing based on our strength in proposal capabilities in each field.

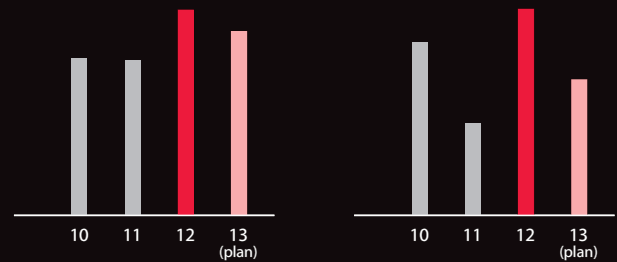


Sales  
**¥257.0 billion**

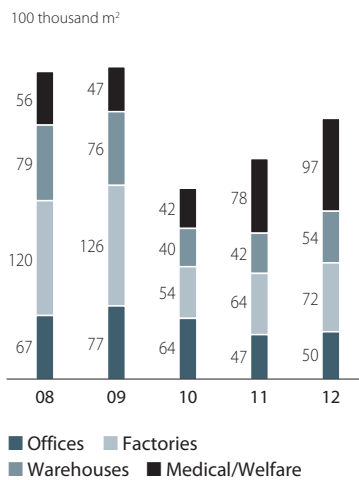
Operating income  
**¥25.9 billion**

¥ billion 196.3 194.3 **257.0** 230.0

¥ billion 21.8 11.5 **25.9** 17.0



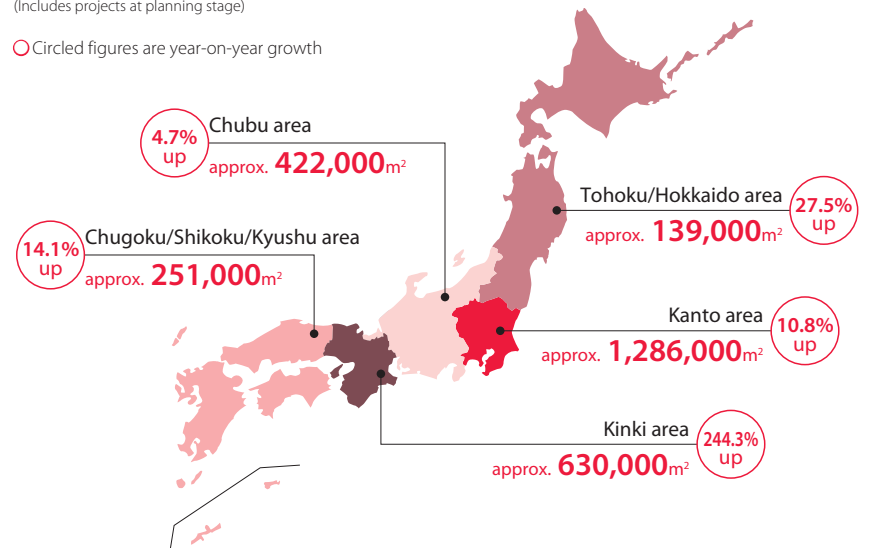
### Floor space of construction starts by facility type in Japan



### Area of development sites of Daiwa House Industry's major logistics projects

(Includes projects at planning stage)

○ Circled figures are year-on-year growth



(As of July 31, 2012)



**Year 2012**

**Focusing on the development and sale of eco-friendly offices**

In the distribution facilities business, we actively rolled out the D Project, a business scheme for constructing and providing dedicated distribution facilities for consignor companies, focused on the continually expanding mail-order market. In addition, we worked to increase orders among “online supermarkets” for distribution facilities with advanced or specialized features, such as specialized cold storage centers capable of both refrigerated and chilled storage. While demand for new facilities in the distribution industry overall contracted, the Group strengthened its solution proposals aimed at the consolidation of distribution bases and production facilities in response to customer needs for streamlining and distribution cost reductions.

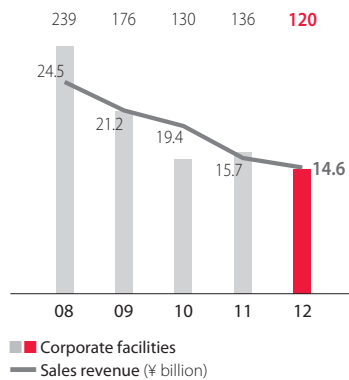
In the medical and nursing care facilities business, a registration system has been launched for assisted-living housing for senior citizens with the revision of the Act for the Stable Living of the Elderly, and demand has been robust. The Group has worked to increase orders by actively conducting seminars at each of its sales offices targeted at healthcare corporations and nursing care businesses, covering topics such as the content of health and welfare programs and the support provided through subsidies, taxes, and financing by the country and government. In addition, orders have increased for the short stay program,

which allows tenants to wait for an opportunity to enter special nursing homes. Furthermore, we have worked to strengthen our sales capabilities targeted at expanding markets through measures such as specialized training for area managers.

In the field of support services for corporate facilities, we have developed and marketed D’s SMART OFFICE. These offices allow users to continually reduce their environmental load without excessive effort. In addition, we have striven to increase orders through the development of products with improved environmental performance, and by launching field tests on these products at our own Daiwa House Aichi-Kita Building for use as a showroom. The Group will leverage these field tests and verify eco-friendly technologies in the development of next-generation offices. In addition, at Hokusetsu-Sanda Techno Park II, a large-scale industrial park in Hyogo Prefecture, we have worked together with the government of Hyogo Prefecture and Sanda City for the consolidation of offices following relocations due to the aging of facilities and business restructuring, as well as office relocation in response to business continuity planning. We utilized the information gained through these activities as we actively approached businesses.

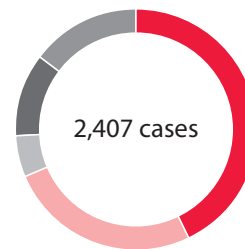
**Number of corporate facilities and sales revenue**

(Daiwa House Industry, non-consolidated)



**Breakdown of Silver Age Research Center projects**

(As of June 30, 2012)



■ Group homes, day care, day service facilities, small-scale, highly functional homes	42.9%
■ Hospitals and clinics	25.9%
■ Healthcare facilities for senior citizens, special nursing homes, nursing homes for the elderly	5.4%
■ Fee-based homes for the elderly, serviced housing for senior citizens	11.3%
■ Others	14.5%



## Beyond 2013

### Strengthening development of multi-tenant logistics centers

In the distribution facilities business, we continued working to: develop customers in the mail-order market; acquire more orders for facilities with advanced or specialized features, such as those with freezing, refrigeration, or improved energy-saving specifications; and develop standard consignor-dedicated specifications. In the Tokyo area, as a new initiative to secure temporary relocation facilities in response to short-term needs, reconstruction, and consolidation projects, we strengthened the development of multi-tenant logistics centers that feature lease contracts for single buildings that are rotated among multiple consignors. In addition, we conducted market research in regions all across the country with the aim of developing business with high-quality local companies and increasing new orders.

In the medical and nursing care facilities business, we will actively conduct business proposals to expand orders, focusing on the expanding housing for senior citizens market, such as assisted-living housing for senior citizens, group homes, and fee-based homes for the elderly. In the market for assisted-living housing for senior citizens, demand for which is expected to dramatically increase, we will focus on new proposals by strengthening sales activities throughout the Group and continually holding seminars for business owners across Japan.

In addition, for medical facilities, we plan to increase orders by leveraging medical funds that Daiwa House is invested in.

In the field of support services for corporate facilities, we will strengthen the Group's relationships with companies that have operations throughout Japan and focus on making proposals to companies that are reviewing the allocation of their business locations or planning to consolidate or rebuild. We will strengthen solution-based proposals as we work to increase orders for D's SMART OFFICE, and proceed with the development and marketing of D's SMART FACTORY, an eco-friendly product targeted at factories. At Hokusetsu-Sanda Techno Park II, we will continue to proactively approach companies to increase sales.

Overseas, we will develop an industrial park in Vietnam and continue to actively approach companies.

#### D's SMART OFFICE

As a first step in the Smart-Eco Project, D's SMART OFFICE are eco-friendly offices that achieve a CO<sub>2</sub> emission reduction of up to approximately 50% compared to standard offices constructed by Daiwa House. These offices use a combination of eco-friendly technology for external walls and exterior structures for passive control, which takes advantage of the power of nature; photovoltaic power generation systems, high-performance air-conditioning and lighting for active control aimed at new energy sources and energy conservation; and smart management that conducts integrated electricity use management through human motion and daylight sensors for lighting adjustment, and BEMS for the purpose of reducing the environmental load.



Mitani Sangyo Co., Ltd.

# Hiwaki Royal H

 Daiwa House Group



# Life



**Daiwa House**<sup>®</sup>  
Daiwa House Group

Daiwa House Industry  
Co., Ltd.

Presidents of  
Group  
Companies\*



\* Presidents of principal subsidiaries  
and associated companies.



Daiwa Rakuda Industry Co., Ltd.  
Interior and office items/Leasing



Daiwa House Insurance Co., Ltd.  
Non-life insurance agency



Royal Home Center Co., Ltd.  
DIY/Gardening/Interior items



Daiwa Resort Co., Ltd.  
(Daiwa Royal Hotels)  
Resort hotels



**Masato Shima**

Born in 1950  
1974: Joins Daiwa House Industry  
2012: President of Daiwa Rakuda Industry

As a team of interior design professionals with expertise in design for housing, offices and commercial facilities, we contribute to the creation of environments for pleasant and comfortable lifestyles. We aim to further improve our key strengths in planning, design, and technical expertise.



**Shigeru Sasashita**

Born in 1954  
1976: Joins Daiwa House Industry  
2008: President of Daiwa House Insurance

We aim to be an excellent agency that can contribute to society by delivering insurance solutions that meet the needs of customers who have relationships with the Group, as well as delivering insurance solutions that upgrade the risk management strategies of each Group company and enhance benefit programs for employees.



**Masaaki Nakayama**

Born in 1959  
1983: Joins Daiwa House Industry  
2012: President of Royal Home Center

In addition to selling products that help make houses more functional and comfortable, we also serve as a "home solutions center," proposing and providing a wide range of services to home owners, including advice, and installation or replacement of equipment. Our aim is to become Japan's leading company in this field.



**Seiji Kushida**

Born in 1949  
1972: Joins Daiwa House Industry  
2009: President of Daiwa Resort

We are hospitality professionals who value communication with our guests. Treating each guest as an individual, we seek more than mere customer satisfaction. We want each guest to remember their stay with us with real fondness. Daiwa Resort aims to operate community-based hotels that customers will return to again and again.

ネオ・サミット

 Daiwa House Group®

Jukeikai Co., Ltd.  
Fee-based homes for the elderly

ダイワロイヤルゴルフ  
 Daiwa House Group®

Daiwa Royal Golf Co., Ltd.  
Golf course operation

  
Daiwa Life Support™  
Daiwa House Group

Daiwa House Life Support Co., Ltd.  
Fee-based homes for the elderly

大阪マルビル  
 Daiwa House Group®

Osaka Marubiru Co., Ltd.  
Management of hotels/Rental of  
commercial facilities

SPORTS CLUB NAS  
 Daiwa House Group®

Sports Club NAS Co., Ltd.  
Fitness clubs



#### Seishu Umaoka

Born in 1949  
1973: Joins Daiwa Danchi  
2007: President of Daiwa Royal Golf

We aim to create golf courses that customers can genuinely enjoy, and we work to provide services that can satisfy our customers — flawless course management, polite reception and high-level caddy services, and delicious food.

#### Toshinori Inaguchi

Born in 1948  
1972: Joins Daiwa Danchi  
2004: President of Jukeikai  
2012: President of Daiwa House Life Support

The Group's businesses for the elderly comprise two organizations, Daiwa House Life Support's Mominoki series of homes for those needing nursing care, and Jukeikai's Neo Summit private home for the still active. This gives us an integrated care service system spanning independent senior citizens through to end-of-life cases. We aim to expand this business in the Tokyo metropolitan area.

#### Haruyuki Yoshimoto

Born in 1949  
1978: Joins Osaka Marubiru  
1998: President of Osaka Marubiru

Osaka Marubiru is well known for the landmark circular high-rise building in front of JR Osaka Station. Our company is actively working to raise customer satisfaction based on the theme of "hospitality" and to reduce energy consumption in the building.

#### Yoshinari Shibayama

Born in 1960  
1984: Joins Daiwa Danchi  
2009: President of Nippon Athletic Service (Currently Sports Club NAS)

Fitness clubs is Japan's ultimate service-sector business. Based on our management policy of "more health, more kids, more beauty, and more amusement," we create clubs that give our customers unparalleled enjoyment. All the executives and employees of Sports Club NAS are working together to bring about a revolution in the world of fitness clubs.



Daiwa House Financial Co., Ltd.  
Credit card operations



Shinwa Agency Co., Ltd.  
Advertising & travel agency



Media Tech Inc.  
Data systems/Data services



Nishiwaki Royal Hotel Co., Ltd.  
Hotel



**Hiroshi Osada**

Born in 1956  
1979: Joins Daiwa House Industry  
2011: President of Daiwa House Financial

Our company is the Group's first finance and loan subsidiary to be in charge of credit card and lending operations. We seek to expand our business and meet the demands of a new age by connecting customers and the Group, and by contributing to society with our Heart One Card.



**Nobuyuki Otsuji**

Born in 1954  
1986: Joins Shinwa Agency  
2010: President of Shinwa Agency

We are professional communicators. Shinwa Agency enables communication in the fields of advertising and travel based on the theme of "creating customer satisfaction." We offer new value that results from connecting people with people and people with things and opening them up to ever greater possibilities.



**Mitsuo Adachi**

Born in 1951  
1971: Joins Daiwa House Industry  
2012: President of Media Tech

Media Tech is the sole dedicated IT company in the Daiwa House Group. Our role is to further develop the Group's expertise in information technology to help Group companies serve as valuable partners for our customers.



**Hideaki Tomiyama**

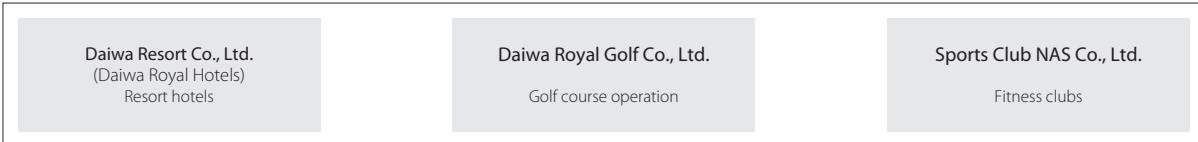
Born in 1949  
2011: General manager of the Nishiwaki Royal Hotel  
2012: President of Nishiwaki Royal Hotel

Nishiwaki Royal Hotel has been a member of the Group since April 2012. We will aim to earn the trust and support of everyone in our community and build a company in which our employees can work with peace of mind. We will revitalize our hotel with stylish and delicious cuisine and the best hospitality in the business and work hard to contribute to society and the Group.

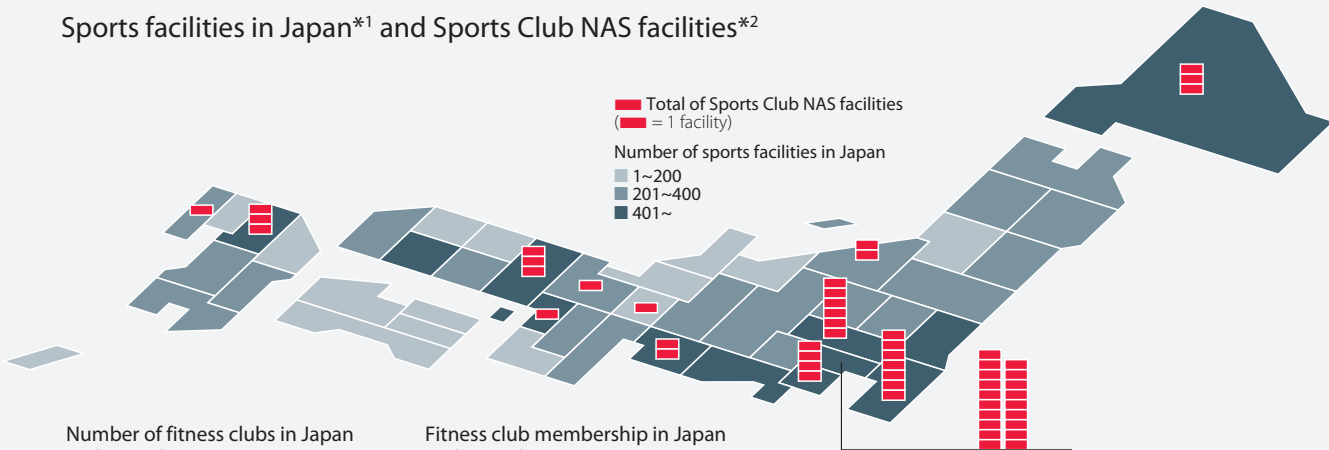
# Health & Leisure

Resort Hotels / Sports Clubs / Nursing Care and Welfare

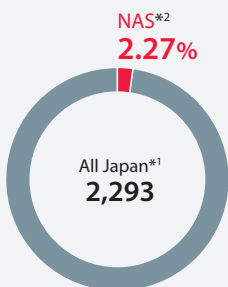
## Attracting more hotel customers over the Internet, and opening distinctive health clubs



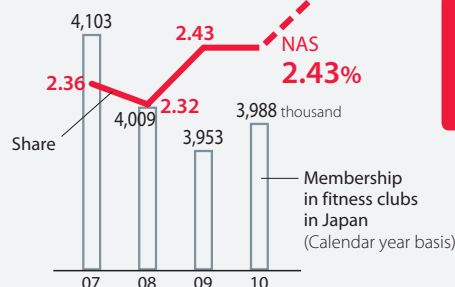
Sports facilities in Japan\*1 and Sports Club NAS facilities\*2



Number of fitness clubs in Japan and NAS' share



Fitness club membership in Japan and NAS' share



Grow membership by tailoring facilities to user needs and expanding service menus

\*1 2010 Survey of Selected Service Industries

\*2 As of August 1, 2012

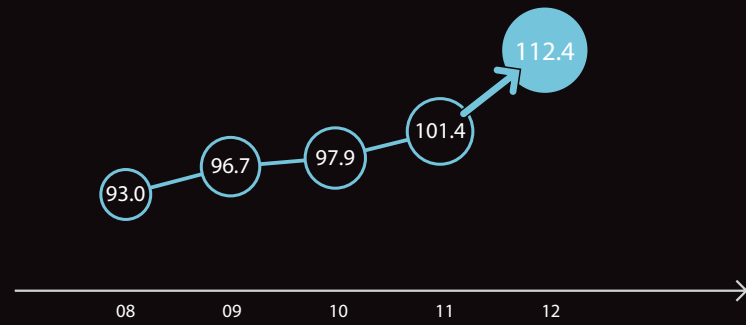


In our Resort operations, despite a negative impact on the number of customers from the aftereffects of the March 2011 disaster, as well as typhoons, many customers used our services thanks to steps taken to provide high-quality service and strengthen our marketing structure.

In our Sports Life operations, we opened four distinctive fitness clubs and renovated two fitness club facilities.

As a result, sales were up 1.0% year on year in Health & Leisure, while we once again recorded operating income for the year under review, following an operating loss for the previous fiscal year.

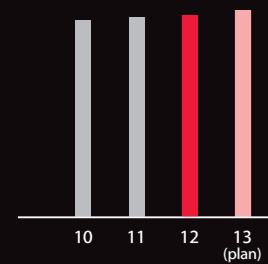
Sports club NAS: Number of members (thousands)



Sales

¥58.6 billion

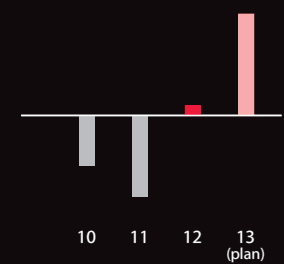
¥ billion 57.1 58.0 58.6 60.0



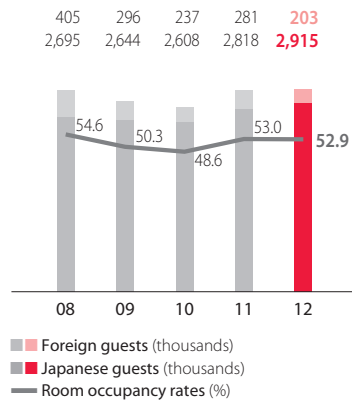
Operating income (loss)

¥0.1 billion

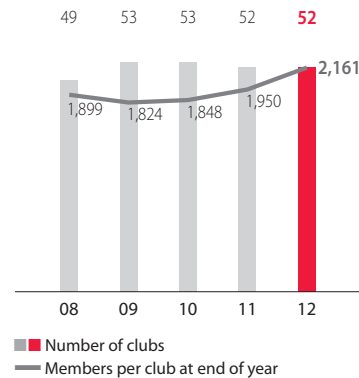
¥ billion -0.5 -0.8 0.1 1.0



Daiwa Royal Hotels: Number of guests and room occupancy rates



Sports club NAS: Total members and members per club at end of year





**Year 2012**

**Four NAS sports clubs opened**

In our Resort operations, the number of tourists from overseas decreased in the wake of the Great East Japan Earthquake and the Fukushima Daiichi nuclear power disaster. The Group's operating environment was also made difficult by the typhoon that hit Wakayama Prefecture in September 2011. In response, the Group conducted aggressive sales campaigns, including consecutive stay proposals and initiatives leading to increased unit prices.

In our Fitness Club operations, we opened NAS Shinkawasaki (Kanagawa Prefecture) as a large-scale integrated fitness facility, NAS Osaka Dome City (Osaka) and NAS Meinohama (Fukuoka Prefecture), all health clubs annexed to shopping malls, as well as Gaien Bijin NAS Aesthetic Salon (Tokyo), which offers highly skilled services at reasonable prices. In addition, NAS Kachidoki (Tokyo) and NAS Nagaoka (Niigata Prefecture) were renovated.

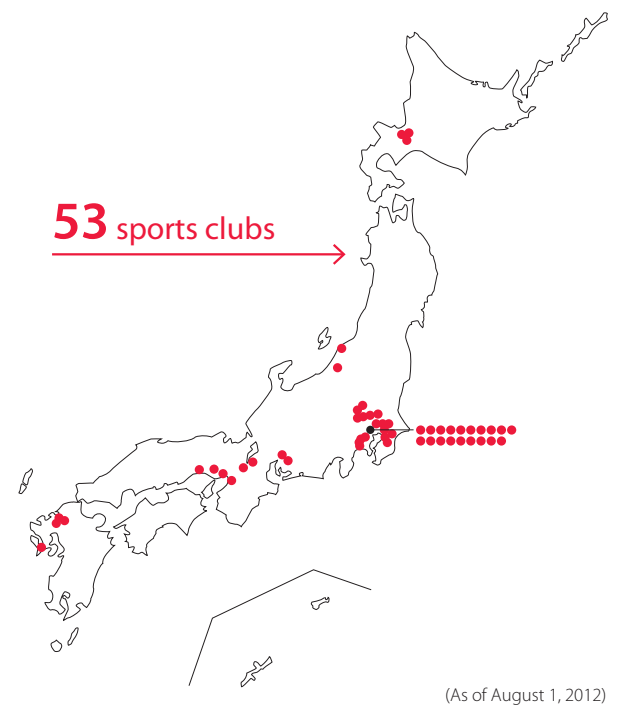
**Beyond 2013**

**Expanding fee-based nursing care facilities for the elderly**

In our Resort operations, although we cannot hope for any significant increase in the number of hotel guests, we will respond by changing guest room specifications to adapt to regional characteristics, and by developing products tailored to different customer age groups and preferences. We will also renew our website, aiming for increased use by individual customers, and will provide even higher quality service to improve the repeat rate.

In our Fitness Club operations, we hope to improve our earnings strength by scrapping poorly-performing clubs and focusing on introducing new clubs and renovating existing ones. We plan to continue opening three to four new health clubs per year, and to work towards differentiating our health clubs from those of other operators.

In our Nursing Care Facilities operations, we expanded the scope of our nursing care business by making Toden Life Support Co., Ltd. — which provides fee-based nursing care facilities for the elderly — into a subsidiary under the name of Daiwa House Life Support.





## Topics

### Evolving our health clubs

The Gaien Bijin NAS Aesthetic Salon was opened in Tokyo, offering highly skilled services at reasonable prices based on the concept of providing beauty at an affordable price. This is an aesthetic salon exclusively for women, separate from existing health clubs.

In addition, the super large-scale NAS Nishinipori was opened on a site close to Nishinipori Station in August 2012. This eight-floor fitness facility is our largest yet. We provide a full range of fitness facilities, spa zones, and new services at this facility, as well as a floor dedicated to eateries and other relaxation facilities that recreate the fondly remembered 1960s in Japan.

In addition, we are constantly renovating our existing health clubs based on local needs by means such as expanding training gyms, updating machines, and building hot yoga studios.

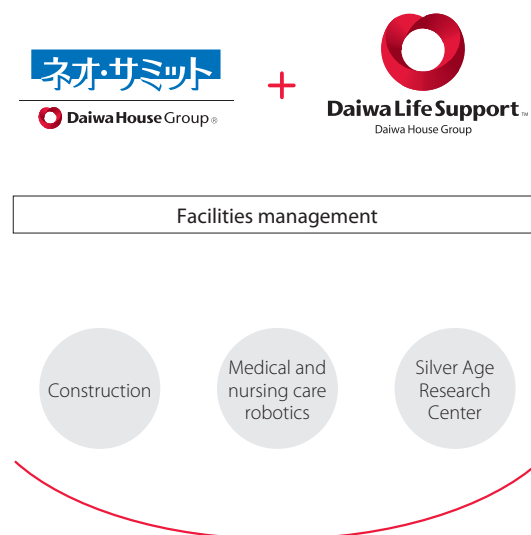
### Developing businesses to meet the needs of a super aging society

The Group is working to expand the scope of its operations by creating various new types of business in response to the needs of a super aging society. In the area of welfare for the aged, the Group company Jukeikai Co., Ltd. has operated the Neo Summit Yugawara fee-based nursing care facilities for the elderly in Atami, Shizuoka Prefecture since 1986, and in November 2012 Jukeikai will open Neo Summit Chigasaki. In the area of construction, the Silver Age Research Center was founded in 1989. The Center conducts a proposal-based business consisting of construction plus facilities management services. Toden Life Support was made into a subsidiary of Daiwa House Group in June 2012 under the name Daiwa House Life Support, and it now operates the fee-based nursing care facility Mominoki at three locations in the Tokyo area (Nerima and Suginami in Tokyo, and Yokohama in Kanagawa Prefecture). In the future, the Group will leverage the know-how obtained by the subsidiary acquisition and services in the two areas of construction and facilities management.

### Opening health clubs customized to local needs



### Expansion of the nursing care business



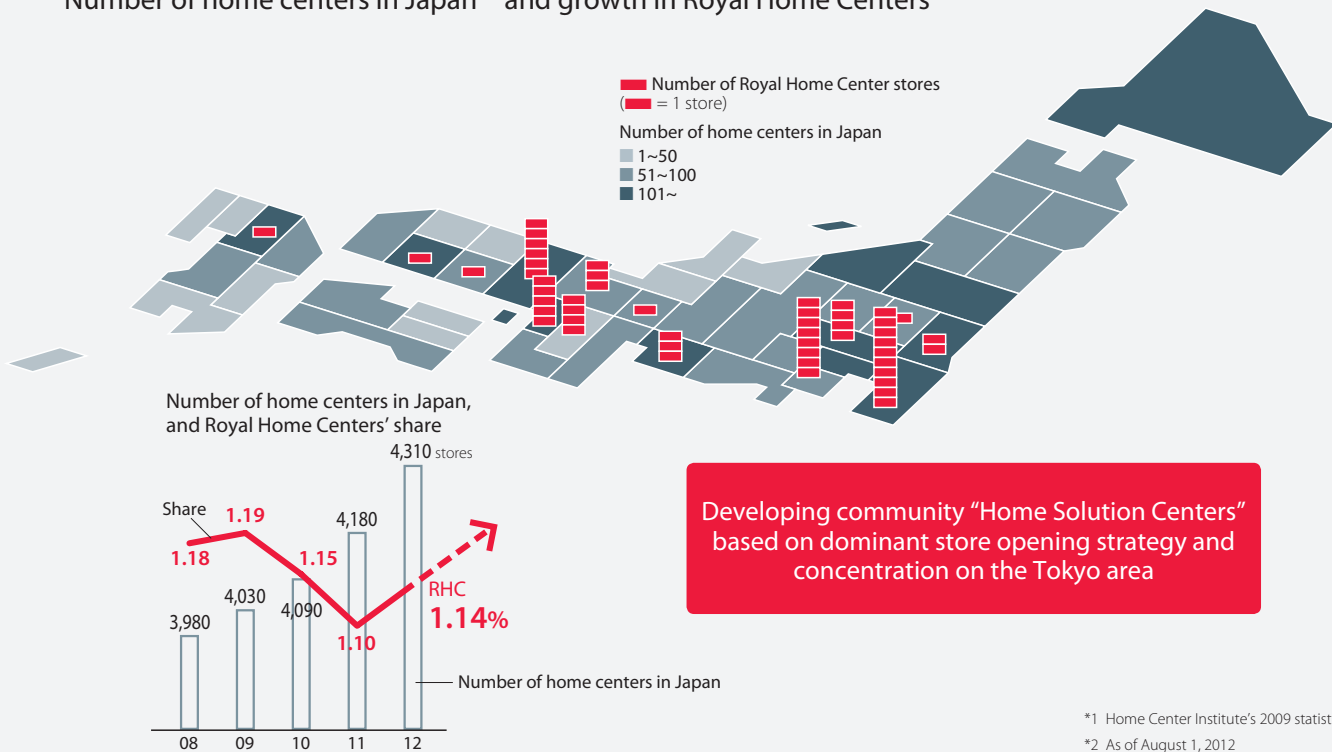
## Other Businesses

Home Centers / City Hotels / Others

# Developing unique businesses in fields such as Home Centers and Environment & Energy



Number of home centers in Japan\*1 and growth in Royal Home Centers\*2



\*1 Home Center Institute's 2009 statistics

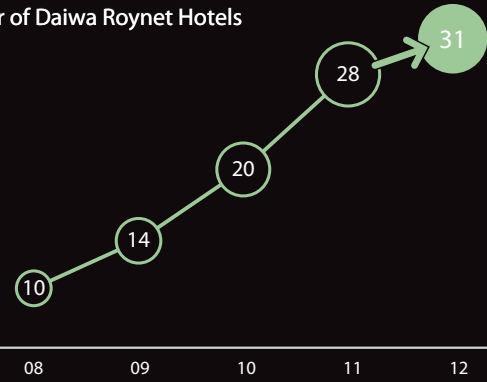
\*2 As of August 1, 2012



In our Home Center business, we opened four new centers, bringing the total to 49, while in our City Hotel operations we opened three new hotels, bringing the total to 33.

In our Environment & Energy business, demand grew for energy saving measures and business continuity planning. In our Overseas business, business was robust, typified by the start of condominium delivery in Suzhou. As a result, sales were up 14.3% year on year in other businesses, while operating income grew 124.4% year on year.

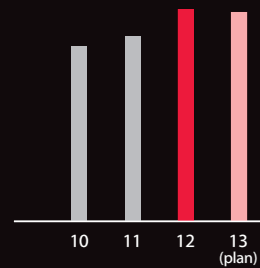
Number of Daiwa Roynet Hotels



Sales

¥255.7 billion

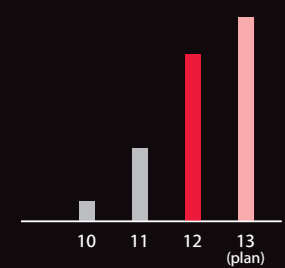
¥ billion 210.9 223.7 255.7 252.0



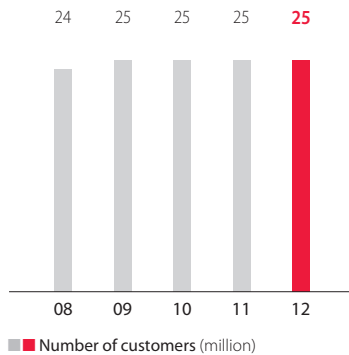
Operating income

¥8.2 billion

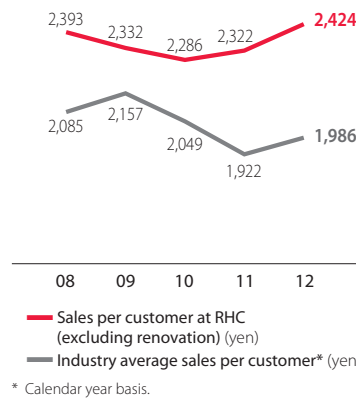
¥ billion 1.0 3.6 8.2 10.0



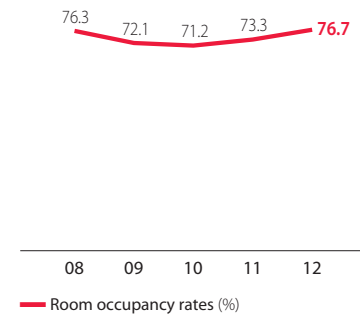
Royal Home Center (RHC):  
Number of customers making purchases



Royal Home Center (RHC):  
Average sales per customer



Daiwa Roynet Hotels:  
Room occupancy rates



\* Calendar year basis.



**Year 2012**

**Opened four Royal Home Centers**

In our Home Center business, although we were forced to close one center due to the March 11 tsunami, we opened three centers in Chiba Prefecture and one in Nara Prefecture. The Group’s dominant position in Chiba Prefecture has helped it reduce distribution costs. In addition, we launched a new sales structure with annex centers that specialize in wholesale sales to builders based on a membership system.

In the Environment & Energy business, we offered comprehensive solutions encompassing energy conservation (such as LEDs and high-efficiency lighting and air-conditioning systems), renewable energy sources (photovoltaic power generation systems, etc.), and energy storage technologies (lithium ion batteries).

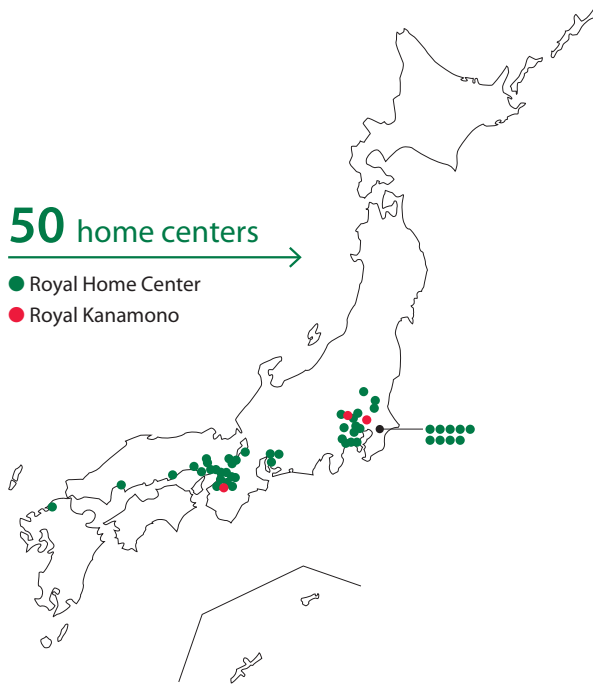
In our City Hotel operations, we opened Daiwa Roynet Hotel Hamamatsu, Daiwa Roynet Hotel Naha Kokusaidoori, and Daiwa Roynet Hotel Naha Omoromachi, bringing the total number of

hotels in Japan to 33, and the total number of hotel rooms to 7,453. Room occupancy rates, which fell following the March 2011 disaster, have also gradually recovered.

In the Asset Management business, the Group sponsors Daiwa House Residential Investment Corporation\*, the assets of which are managed by Daiwa House Asset Management. Performance was strong for this investment corporation as medium- and high-rise rental house properties were sold off.

In our Construction Support operations, we increased the number of interior coordinators in our interiors business and rolled out our “dia collection” stores to Okinawa, Nagoya, and Tokyo. The “dia collection” stores are interior coordination centers that feature carefully selected luxury furniture.

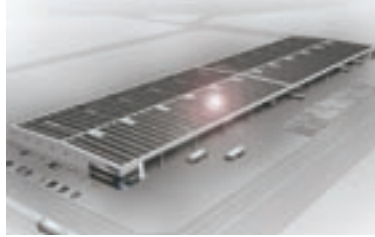
\* The trade name of BLife Investment Corporation was changed to Daiwa House Residential Investment Corporation on December 1, 2011.



(As of August 1, 2012)



(As of August 1, 2012)



## Beyond 2013

### Building home solution centers

In our Home Center business, we aim to expand sales by opening a large-scale center in Chuo-ku, Osaka (Royal Home Center Morinomiya). In addition, we will be meeting the growing demand for home repairs and improvements for older houses, including extensions and alterations. As a Group, we aim to work together to leverage our reputation for reliability as a leading home builder to transform our home centers into home solution centers boasting product and service lineups that meet the needs of both homeowners and builders.

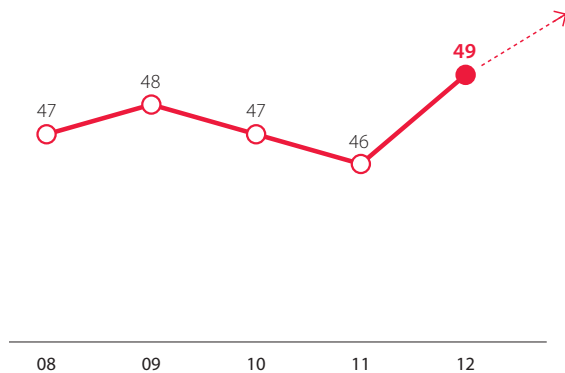
In the Environment & Energy business, we will launch a mega solar business to help reduce society's reliance on fossil fuels through the utilization of renewable energy.

In our City Hotel operations, we will continue opening new hotels in city-center locations. We opened two hotels in April 2012 and one in July 2012. We will continue to consider regional characteristics and secure convenient locations as we expand our network of hotels, so that we will be the hotel of first choice for our customers.

In the Asset Management business, we will work together with Daiwa House Residential Investment Corporation while keeping a close watch on market conditions as we strive to improve the market liquidity of our property portfolio.

Number of Royal Home Centers

(End of fiscal year)



### Opening new Royal Home Centers



The Group opened new Royal Home Centers in areas with high latent demand and few competitors where it could gain a dominant position, including seven new centers in Chiba Prefecture, and six in Kanagawa Prefecture.

### Shift to home solution centers



We aim to support the needs of contractors by operating at early working hours and providing a wide product lineup, and by establishing renovation contact points for Daiwa House Renew to meet the renovation demands of general customers.

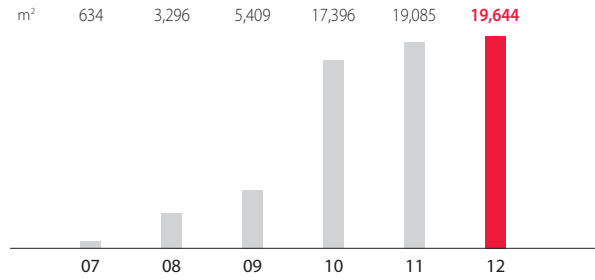
# Environmental Greening

To ensure the earth’s abundant resources benefit future generations, the Daiwa House Group is working to help realize an eco-friendly society by promoting the greening of a wide range of buildings.

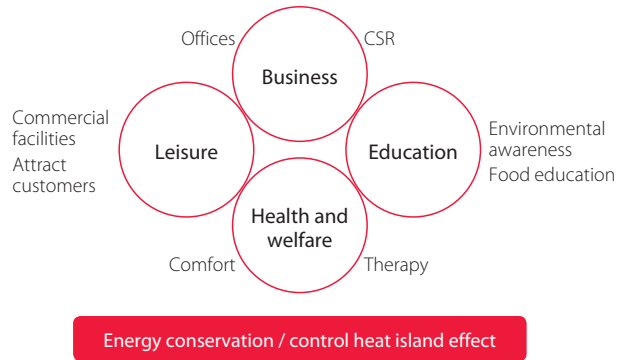
## Greening for the community and daily living

With the future of the environment in mind, the Group works to offer products and services that are eco-friendly. In recent years, changes in the environment such as climate change and rising temperatures have been having a growing impact on society. This means that companies and the public need to step up efforts to reduce their impact on the environment. At Daiwa House, we believe our greening initiatives aimed at increasing the amount of trees, shrubs and other plants in urban environments will play an important role in protecting our way of life for future generations. The greening business operated by Daiwa Lease under the “ECOLOGREEN” brand develops and proposes integrated greening solutions for a wide range of buildings such as offices, retail facilities, warehouses and schools. Plants can be added to roof spaces, walls and indoor areas and throughout exterior structures and adjoining car parks. These measures alleviate the urban heat island effect and reduce CO<sub>2</sub> emissions by improving the insulation of buildings. We are also focusing on the greening of buildings as a way of creating lifestyles that are in harmony with the environment.

Area of greened building space



Greening business needs and benefits



1



2

- 1 Greened building: Osaka Hanabyobu (Shin-Osaka Station)
- 2 Green wall (Tokyo)
- 3 ECOLOGREEN Parking (Osaka)



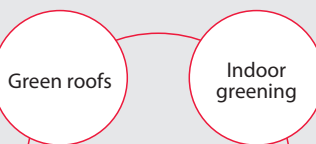
### Responding to environmental needs with our greening business

In September 2011, Daiwa Lease became the first Japanese company to sign a license agreement in green wall technology with French company Canevaflor. Canevaflor is known as a pioneer in green walls and is recognized worldwide for its technology in the field. Under the agreement, Daiwa Lease will work with Canevaflor to accelerate the uptake of greening technology, with Canevaflor sharing its expertise, particularly in green wall systems, and Daiwa Lease bringing its strengths in marketing, sales channels and technology.

The ECOLOGREEN Parking facility in Osaka was completed in August 2012. This vertical facility incorporates a range of advanced environmental features, such as greened walls, LED lighting, solar power generation systems, energy recovery systems, and lithium ion batteries. We plan to use this kind of building with green walls and other features to meet society's environmental needs.

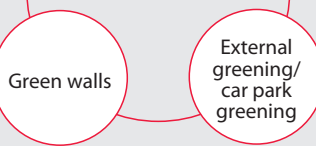
### Integrated greening solutions for a wide range of situations

In high-density urban environments where land prices are high, planting shrubs and grasses on the roofs of buildings is attracting attention as a way of creating green spaces.



Indoor greening can improve the comfort of indoor spaces by creating cleaner air and optimum levels of humidity. Indoor plants also help create a more relaxing atmosphere and attract customers by enhancing the appeal of indoor environments.

Green walls offer a number of potential benefits, such as better insulation in summer and winter, controlled building deterioration, fire breaks, and energy conservation.



Greening the external areas of buildings and adjoining car parks to reduce environmental impact and for landscapes and aesthetics



# Environmental Energy

We combine our traditional expertise in construction with newly developed technologies in the fields of energy conservation, new energy sources, and energy storage to provide solutions to issues facing our customers and society as a whole, such as energy cost reduction and curtailment of CO<sub>2</sub> emissions.

## Energy conservation and new energy sources

In the wake of the massive earthquake and tsunami that struck Japan in March 2011, the country has been suffering from electric power shortages. Against this background, we are making comprehensive proposals in the field of environmental energy, centered on the renovation of buildings for improved energy conservation and the utilization of new energy sources. In fiscal 2011, we made use of government subsidy systems to reinforce our marketing of building renovation services and environmental equipment. Thanks to these efforts, we increased orders. During the term we recorded firm sales of SOLAR STORAGE, which combines a photovoltaic power generation system with the POWER YIILE system, which we have been marketing as an effective solution for business continuity planning. In the Tohoku region, we have been designing photovoltaic power generation systems and large-size (industrial-use) lithium ion storage batteries, and installing them in public facilities such as elementary schools to reinforce emergency evacuation centers.

In July 2012 the Japanese government's Feed-in Tariff system commenced operation with the aim of encouraging the generation of energy from renewable sources. As a result, a major expansion is expected in the construction of large-scale photovoltaic facilities, often called "mega solar projects." The Daiwa House Group plans to leverage its comprehensive capabilities — from planning through design and construction to management — to capture increased orders for mega solar projects.

## Mega solar power generation started

In response to the start of the Feed-in Tariff system, plans for mega solar projects are being pursued by local governments and companies all over Japan. Plans are being drawn up for the construction of large-scale photovoltaic power generation projects utilizing the roofs of existing warehouses, or idle and unused land owned by local governments and business corporations. As the Group's first initiative in this field, in July 2012 we completed construction of the largest photovoltaic power generation system in Kyushu — with an output of 2MW — on the roof of the Hibiki International Logistics Center (owned by Daiwa House), located in the city of Kitakyushu in Fukuoka Prefecture. The estimated annual output of this system would be sufficient to supply the power needs of around 420 households. We have also commenced operations at the Okayama No.2 Plant, a new, environment-friendly manufacturing plant with an 816kW photovoltaic power generation system installed on the roof. Utilizing the Feed-in Tariff system, we plan to begin selling the power produced in the near future.

The Daiwa House Group is pursuing electricity generation from renewable energy sources. The Group as a whole is estimated to generate 10MW of power in fiscal 2012, and our goal for fiscal 2014 is to raise the amount generated by photovoltaic power systems and wind-power systems combined to 70MW. We are also putting considerable efforts into the popularization of power generation from other types of renewable energy sources, such as small-scale hydroelectric power.



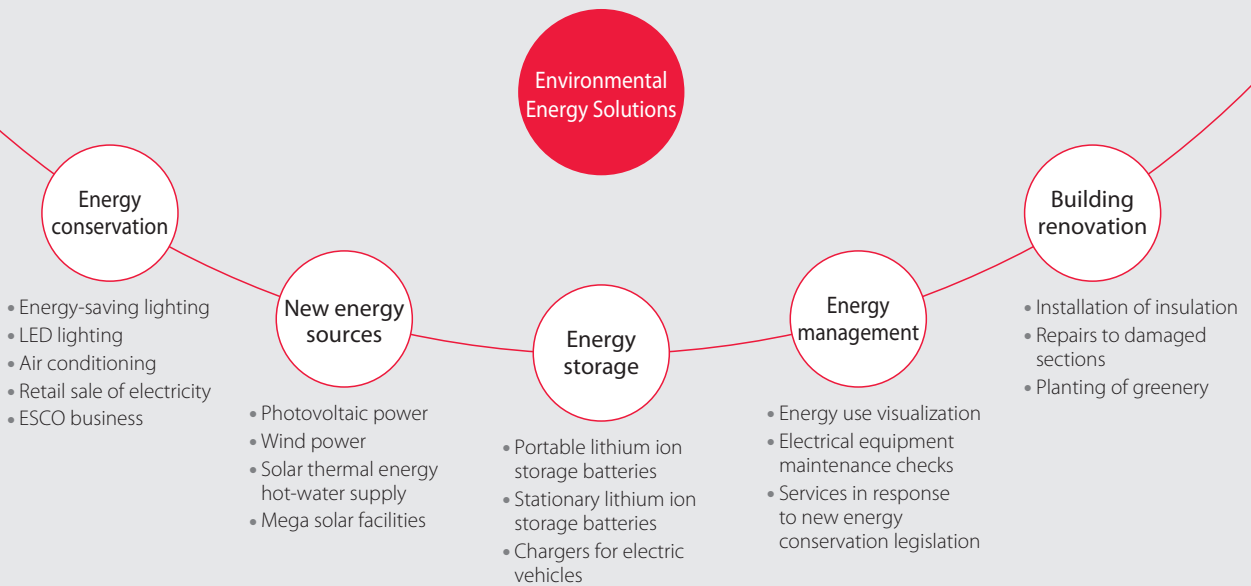
1



2



Environmental energy products and services



- 1 POWER YIILE**
- 2 A mega solar project in Niigata Prefecture designed by Daiwa House and incorporating our proprietary technology**
- 3 Hibiki International Logistics Center (artist's impression)**
- 4 Wind-power electricity generation facilities at Sadamisaki**



# Human Care

Through an integrated approach using its medical care and nursing care facility construction business and nursing care robotics business, the Human Care Division is aiming to create a society where the elderly can still lead independent lives despite losing some of their physical mobility.

## Increase in orders for serviced housing for senior citizens

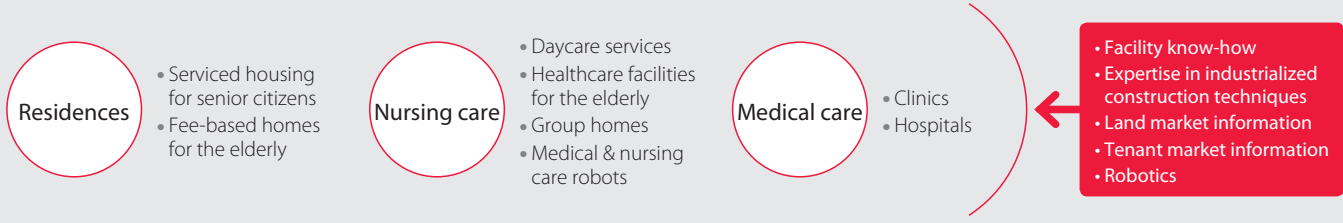
In October 2011, the Ministry of Land, Infrastructure, Transport and Tourism introduced a registration system for businesses that provide nursing care and medical services through serviced housing for senior citizens. This system is aimed at ensuring the fast-growing elderly population has access to places to live and also at revitalizing areas where the population is aging and declining. In light of this government initiative, the Human Care Division's Medical/Nursing Care Support Unit worked closely with each business in the division to boost orders of housing for the elderly, particularly serviced housing for senior citizens.

Looking ahead, we aim to carry out research into facilities for the retired who remain active in daily life, and develop services that provide them with peace of mind.

## Aiming to become a provider of "lifestyle assistance robots"

The Robotics Business Promotion Unit in the Human Care Division has continued to win orders for the lease and rental of Robot Suit HAL® welfare-type, a self-support assistive robotic suit. There has been an increase in case reports at academic conferences about the use of these suits in stroke patient rehabilitation, and the number of suits delivered to nursing care facilities has reached 200 units. We also started renting PARO® through Daiwa Lease in 2011, in addition to existing outright sales. PARO®, a robot shaped like a seal, is used for therapeutic purposes and has been certified as a medical device by the Food and Drug Administration of the United States. PARO® is showing great promise in helping to improve the cognitive functions of patients with dementia. We have also hired sales staff with physiotherapist qualifications as part of efforts to strengthen links with medical and nursing care facilities.

### Human care products and services



1



2

**1** Robot Suit HAL® (welfare-type)  
 Developed and manufactured by CYBERDYNE Inc.  
 General sales agent:  
 Daiwa House Industry Co., Ltd.

**2** Mentally committing robot® PARO®  
 Manufactured and marketed by Intelligent System Co., Ltd.  
 Sales agent:  
 Daiwa House Industry Co., Ltd.

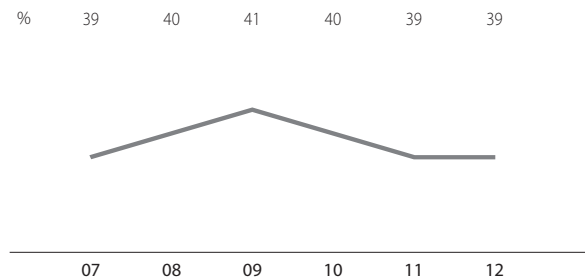
Leveraging the experience of our founder in the “industrialization of construction,” we are tackling the “industrialization of agriculture” to raise Japan’s food self-sufficiency rate.

## “agri-cube” vegetable growers launched to “industrialize” the growing of food

In light of the issues facing Japanese agriculture — principally the country’s declining food self-sufficiency rate and the high average age of farmers — in April 2012 we launched the “agri-cube,” the first vegetable-grower unit to be developed and sold by a company in the home building industry. This small self-contained greenhouse unit incorporates all the equipment needed for hydroponic culture of vegetables, particularly leaf vegetables. The unit is small enough for installation in the parking lots of restaurants, commercial facilities, and so on. The vegetables grown would be sold on the spot. As the units are made from the same materials and parts employed in the Group’s housing, we have been able to keep costs down. In this way, we have applied our expertise in construction industrialization technology to agriculture.

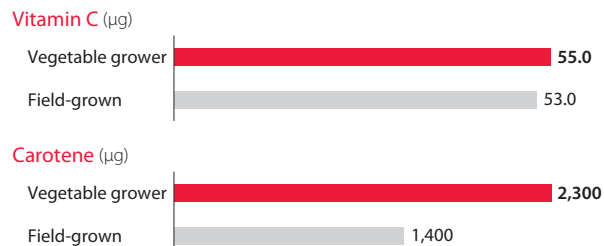
The launch of the agri-cube aroused considerable interest, and we have received hundreds of inquiries from around Japan and overseas. We have established the Agricultural Business Promotion Office to serve as the sales contact point, and integrated manufacture takes place at a factory operated by Daiwa Lease. Looking further ahead, we plan to pursue agriculture-related businesses through collaboration by all Group members. In the immediate future, we will expand the lineup of vegetable grower units, and further promote the industrialization of agriculture by developing new products and businesses in this field and nurturing it into one of the Group’s core operations.

Japan’s food self-sufficiency (calorie base)



Nutrient ratio comparison of vegetables grown in grower units with field-grown vegetables

(Values for 100 grams of salad greens)



Source: Especmic Corp.



# Research & Development

We conduct multifaceted research and development to provide solutions to social issues, under the themes of safety & comfort, speed/stock, welfare, the environment, health, Information-Communication Technology, and agriculture.

## Creating technologies and products to generate new business value

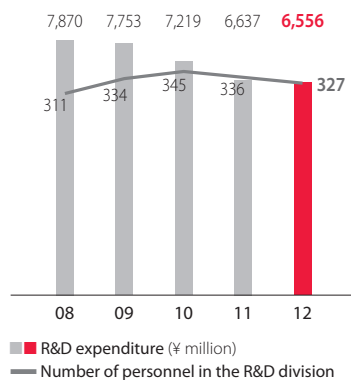
At the Central Research Laboratory, we conduct research and development activities aimed at generating new business value in response to issues including shortages of energy and resources, the aging society, and the decline in the food self-sufficiency ratio.

Among our technology focus areas, we have seen significant progress in the development of eco-friendly technology. In October 2011, we launched sales of the "SMAxEco ORIGINAL" smart house incorporating photovoltaic power generation, a home-use lithium-ion battery, and Daiwa House's proprietary D-HEMS system (Home Energy Management System). Going forward, we plan to develop D-HEMS into an even more efficient energy management system for the control of home electrical appliances and equipment such as air-conditioners, water heaters and lighting, thereby expanding the possibilities of the smart house.

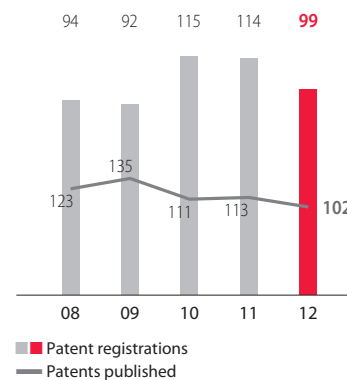
## Development of eco-friendly products with zero environmental impact

Daiwa House has launched a project in connection with buildings for its corporate customers, with the goal of realizing buildings with "zero" environmental impact by the year 2020 (zero CO<sub>2</sub> emissions during operation). As the first step, in July 2011 we launched sales of "D's SMART OFFICE," an eco-friendly office that facilitates a reduction in CO<sub>2</sub> emissions of up to 50%. As the second step, in December 2011 we commenced verification tests of a next-generation eco-friendly office in the Daiwa House Aichi-Kita Building. We aim to achieve a reduction in CO<sub>2</sub> emissions of around 55% as compared with Daiwa House buildings of the 1990s, including appropriate energy control using BEMS (Building and Energy Management System), and reduced power consumption. We will utilize the eco-friendly technologies validated through these verification tests in the development of our next-generation offices.

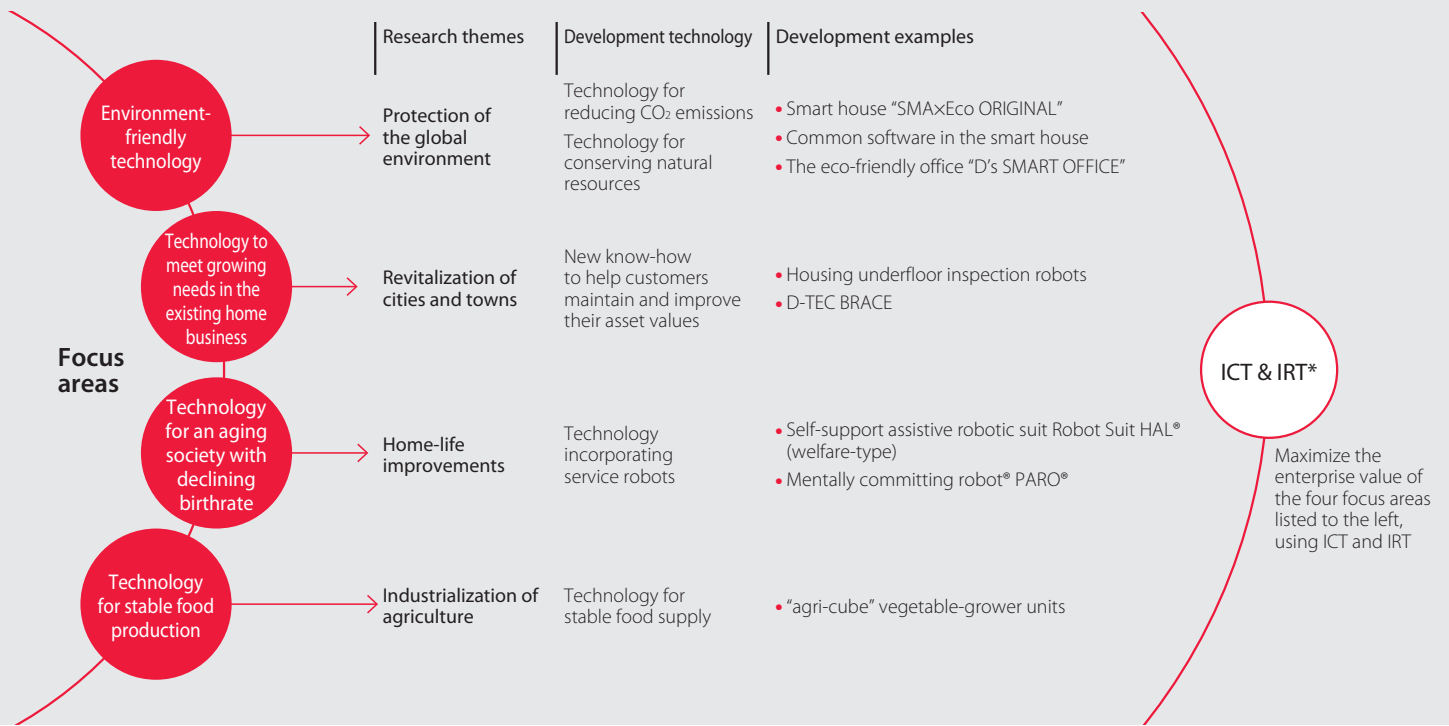
R&D expenditure, and number of personnel in the R&D division



Patent registrations and patents published



## The focus areas of technology research, and related initiatives



\* ICT: Information and Communication Technology  
 IRT: Information Robot Technology



The Central Research Laboratory

# Global





**Daiwa House®**  
Dalian

DH (Dalian) Administrative Management Consulting Center Co., Ltd.

Business process outsourcing (BPO) business



**Daiwa House®**  
Suzhou

Daiwa House (Suzhou) Real Estate Development Co., Ltd.

Real estate development and sales



**Daiwa House®**  
Wuxi

Daiwa House (Wuxi) Real Estate Development Co., Ltd.

Real estate development and sales



**Daiwa House®**  
Changzhou

Daiwa House (Changzhou) Real Estate Development Co., Ltd.

Real estate development and sales



### In-Gyong Lee

Born in 1971  
1994: Joins the Dalian Office of Daiwa House Industry  
2001: Launched DH (Dalian) Administrative Management Consulting Center and became director of the center  
2012: Chief executive officer

In the BPO business, based on the track record within the Group of production design of prefabricated houses, we are aiming to utilize our technical capabilities in the CAD field, which is our greatest strength, to expand our business. Moreover, as the Group develops globally we are helping and supporting outstanding human resources active in a wide range of fields.



### Hiroaki Okuno

Born in 1965  
1991: Joins Daiwa House Industry  
2011: President of Daiwa House (Suzhou) Real Estate Development

Our company works on the front line of the Daiwa House Group's overseas operations, and is involved in condominium development projects in China financed entirely by the Group. Our projects offer home buyers safe, comfortable homes with all the basic residential features, and they have already gained a trustworthy reputation among the Chinese public.



### Kazuya Sawamoto

Born in 1967  
2007: Joins Daiwa House Industry  
2011: President of Daiwa House (Wuxi) Real Estate Development

Our company is responsible for development of part of the China Wu Culture Expo Park, a historical theme park/industrial zone near the city of Wuxi. This project is extremely important for the future of Wuxi, and it is hoped that state-of-the-art know-how in residential environments and the cultural attractions of this original center of the ancient Wu will bring new value to this area.



### Wei Li

Born in 1963  
1996: Joins Daiwa House Industry  
2011: President of Daiwa House (Changzhou) Real Estate Development

We offer home buyers high-quality residential environments based on the key features of safety, security, comfort, environment-friendly, energy saving, and disaster prevention. We seek to contribute to the local region through community-based business operations, while steadily building up the reputation of Daiwa House Group as a trustworthy brand.



**Daiwa Logistics™**  
Shanghai

Daiwa Logistics (Shanghai)  
Co., Ltd.  
International transportation agent  
(exports and imports)



**Daiwa House®**  
Guam

Daiwa House Guam Co., Ltd.  
Construction



**Daiwa House®**  
California

Daiwa House California  
Real estate/Real estate development



**Daiwa House®**  
Australia

Daiwa House Australia Pty Ltd  
Real estate development



**Masanori Chatani**

Born in 1969  
1991: Joins Daiwa Logistics  
2011: President of Daiwa Logistics  
(Shanghai)

The company was established in January 2011 to act as a strategic logistics partner for companies seeking to enter Asian markets, particularly China, or to expand their activities in the global market. We aim to effectively leverage the more than 50 years of experience and know-how possessed by the Daiwa House Group to support our customers' business development.



**Masao Doi**

Born in 1951  
1975: Joins Daiwa House Industry  
2011: President of Daiwa House Guam

Guam is a United States territory with a population of about 180,000. Around the same size as Japan's Awaji Island, many Japanese tourists are attracted to Guam, which is noted for its low crime rate. The island is expected to enjoy good future development thanks to its geopolitical importance, and our company hopes to make a valuable contribution to the creation of pleasant residential environments.



**Takeshi Wakita**

Born in 1972  
1995: Joins Daiwa House Industry  
2011: President of Daiwa House  
California

With its motto of "Creating Dreams, Building Hearts," the Daiwa House Group has a dream of transforming itself from the best in Japan to the best in the world, and the first step in this was the establishment of Daiwa House California. We believe that what people here want most of all is "heart," and we are exerting our full efforts to satisfy our customers through wide-ranging products and services centered on the real estate business.



**Masaomi Yamadaira**

Born in 1965  
1987: Joins Daiwa House Industry  
2011: President of Daiwa House  
Australia

Australia is a very attractive market thanks to the country's robust economy, its sophisticated and stable business and political environment, and its mature legal system. We are approaching our tasks in an entrepreneurial spirit, confident that our company will play an important role in the global development of the Daiwa House Group.



**Daiwa House**  
Vietnam

Daiwa House Vietnam Co., Ltd  
Construction/Business process  
outsourcing (BPO) business



**Hideyuki Iwamoto**

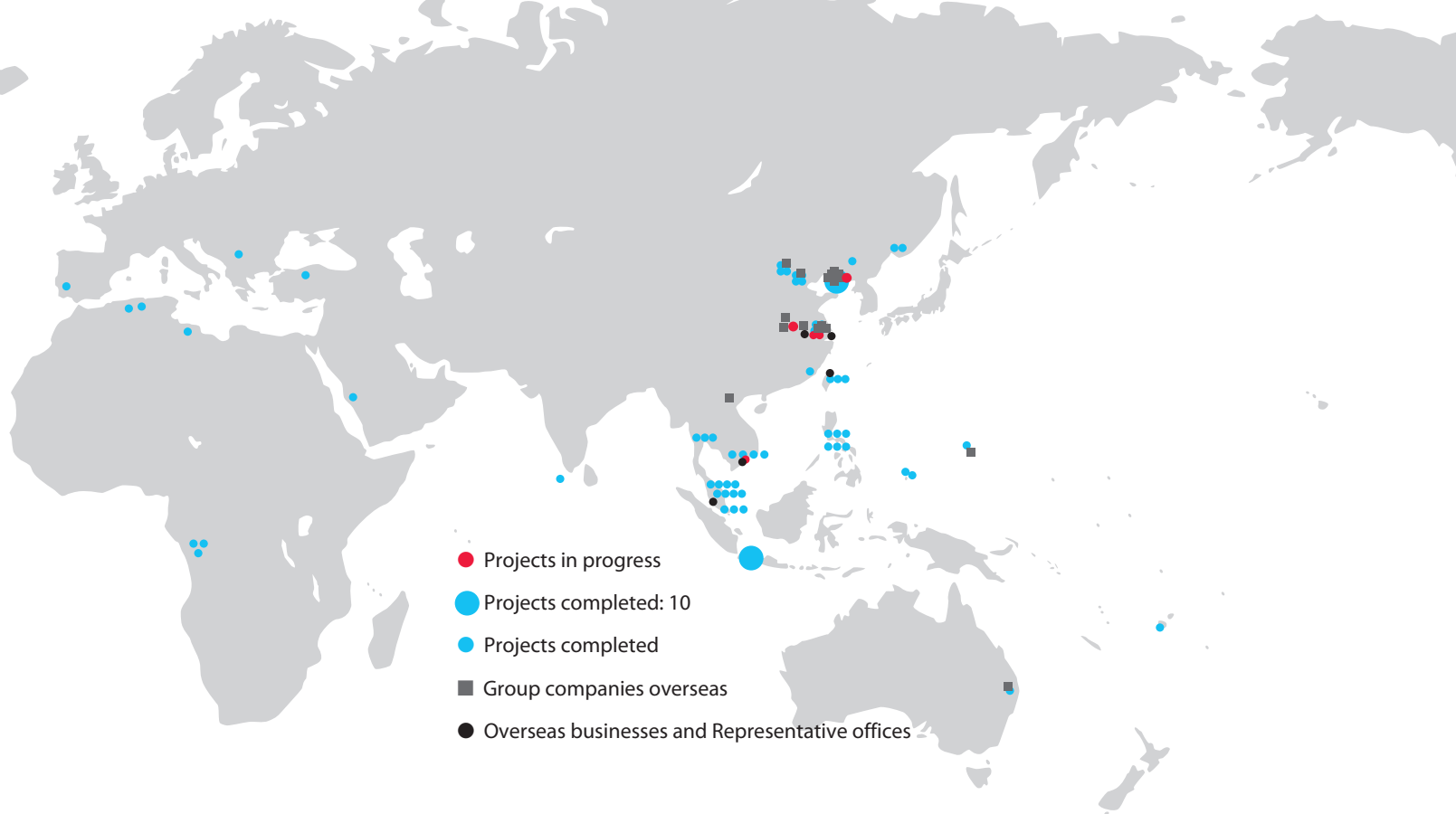
Born in 1966  
1989: Joins Daiwa House Industry  
2012: General Director of Daiwa House  
Vietnam

We are moving our business forward with two sites: Hanoi and Ho Chi Minh. We are aiming to create corporate value in Vietnam and build the brand of the Daiwa House Group by becoming an irreplaceable partner to our customers and a company that is trusted and chosen by its stakeholders.



# Global Expansion

The Daiwa House Group's overseas operations began in the 1960s, and since then we have expanded our business to countries all around the world. Currently, the entire Group is working to create new businesses that will serve to support the growth of its operations overseas in the future. Since we started our expansion overseas in China in 1972, we have been involved in large-scale condominium development projects, and have also focused on establishing business bases overseas, mainly in the Asia-Pacific region. We are steadily expanding the scope of our business in this region as we speed up the expansion of the Group's operations overseas.



## The Daiwa House Group — Overseas Business Bases

Overseas subsidiaries,  
Associated companies,  
Representative offices

(As of June 30, 2012)

25  
Companies &  
Offices

Regular employees only

(As of March 31, 2012)

975  
Employees





## Current Projects

<b>2007</b>	
<b>China</b>	Dalian: Yihe Champs-Elysees (Yihe Xiangxie) construction started
<b>2009</b>	
<b>China</b>	Suzhou: local subsidiary Daiwa House (China) Investment established
<b>China</b>	Suzhou: The Grace Residence construction started Dalian: Yihe Xinghai construction started
<b>2011</b>	
<b>China</b>	Shanghai: Daiwa Logistics (Shanghai) established.
<b>USA</b>	Delaware: local subsidiary Daiwa House USA established San Jose, California: local subsidiary Daiwa House California established
<b>Australia</b>	Brisbane: local subsidiary Daiwa House Australia established
<b>Taiwan</b>	LOI (letter of intent) signed with Taiwan Ministry of Economic Affairs
<b>Vietnam</b>	Dong Nai Province: Long Duc Industrial Park development project launched
<b>2012</b>	
<b>Taiwan</b>	Taipei: Taiwan Branch opened (retail and wholesale sales office and rental housing sales office)
<b>Vietnam</b>	Hanoi: local subsidiary Daiwa House Vietnam established
<b>Malaysia</b>	Kuala Lumpur: Representative Office opened
<b>China</b>	Wuxi: Wuxi China Wu Culture Expo Park Project (tentative name) construction start planned
<b>2013</b>	
<b>China</b>	Changzhou: Changzhou Tianning District Project (tentative name) construction start planned

## Completed Projects

Breakdown by region & country; 1962 – 1999	
<b>Asia-Pacific</b>	
<b>Australia</b>	condominiums
<b>Cambodia</b>	hospitals
<b>China</b>	housing units, restaurants, hotels, offices, airport lounges, factories, warehouses
<b>Fiji</b>	factories
<b>Guam</b>	employee dormitories, warehouses
<b>Indonesia</b>	factories, warehouses, employee dormitories, offices
<b>Malaysia</b>	factories, gymnasiums
<b>Maldives</b>	showrooms
<b>Palau</b>	housing units, warehouses
<b>Philippines</b>	housing units, factories, schools, warehouses, offices
<b>Saudi Arabia</b>	employee dormitories
<b>Singapore</b>	factories

<b>Taiwan</b>	housing units
<b>Thailand</b>	factories, warehouses
<b>Vietnam</b>	housing units, medical clinics
<b>The Americas</b>	
<b>Brazil</b>	housing units, condominiums, factories, retail outlets, hotels
<b>United States</b>	housing units, condominiums
<b>Europe</b>	
<b>Portugal</b>	housing units
<b>Russia</b>	warehouses, port facilities
<b>Serbia</b>	housing units
<b>Turkey</b>	housing units
<b>Africa</b>	
<b>Algeria</b>	factories, employee dormitories
<b>Republic of the Congo</b>	factories
<b>Libya</b>	warehouses

## Current business in China and future developments

### Development and sale of condominiums

The Group started business in China in 1983 when it began exporting houses and erecting them on site. In 1985, we commenced the construction and management of rental housing for expat tenants (mostly Japanese) in Shanghai, and in 1986 we launched hotel, condominium, and rental office businesses, as we leveraged China's growth to expand our business.

As the pace of globalization of its business speeds up, the Group is currently engaged in the development and sale of condominiums and retail outlets at five locations in the four cities of Dalian, Suzhou, Wuxi, and Changzhou. In 2005, we began development of the Yihe Champs-Elysees project in Dalian, a project consisting of 852 condominiums and 111 commercial facilities that was launched through a 50:50 joint venture with a local company. Construction was completed in June 2009, and most units have been sold. The Group is also involved in the Grace Residence project in Suzhou. This project is the first development project in China to be financed entirely by a Japanese company. In contrast with the standard condominiums in China, which are sold without interior decoration or fittings, all 902 units at the Grace Residence are fully fitted with high-quality interior furnishings and household equipment. These condominiums have achieved strong popularity among high-income consumers since sales were launched in May 2010, thanks to the high-level quality associated with Japanese brands. In

addition, we are engaged in the Yihe Xinghai development in Dalian, which is the second 50:50 joint venture with a local company in that city. We began selling units of this complex facility — consisting of 2,124 condominiums plus commercial facilities and serviced apartments — in August 2010.

In Jiangsu Province in the Yangtze River Delta area, where steady economic growth is projected, we will pursue two projects entirely financed by Daiwa House Industry. In the city of Wuxi, in December 2012 we plan to start construction on a project tentatively named the Wuxi China Wu Culture Expo Park Project, comprising 295 condominiums and 141 resort villas. In addition, in the city of Changzhou, there are plans to start construction in March 2012 on a project tentatively named the Changzhou Tianning District Project, consisting of 1,185 condominiums and commercial facilities. The Chinese government is currently implementing price restriction measures in response to skyrocketing real estate prices, and as a result the residential market is beginning to go through an adjustment period. However, the housing shortage will remain a major issue, and for this reason the market is likely to continue growing over the medium-to-long term. We will continue to expand our business in China while keeping a close watch on market conditions.



**Yihe Xinghai/Dalian**

<b>Completion</b>	In 2012 & 2016 (planned)
<b>Developers</b>	Dalian Dahezongsheng Estate Co., Ltd. * Daiwa House Industry; 50% stake
<b>Facilities</b>	Condominiums, commercial facilities and serviced apartments
<b>Number of units sold</b>	2,124 (Condominiums)



**Wuxi China Wu Culture Expo Park Project (tentative name)/Wuxi**

<b>Completion</b>	2014 (planned)
<b>Developers</b>	Daiwa House (Wuxi) Real Estate Development Co., Ltd. * Wholly owned by Daiwa House Industry
<b>Facilities</b>	Resort villas, condominiums
<b>Number of units</b>	436 Resort villas 141 Condominiums 295



**Changzhou Tianning District Project (tentative name)/Changzhou**

<b>Completion</b>	2016 (planned)
<b>Developers</b>	Daiwa House (Changzhou) Real Estate Development Co., Ltd. * Wholly owned by Daiwa House Industry
<b>Facilities</b>	Condominiums, commercial facilities
<b>Number of units</b>	1,185

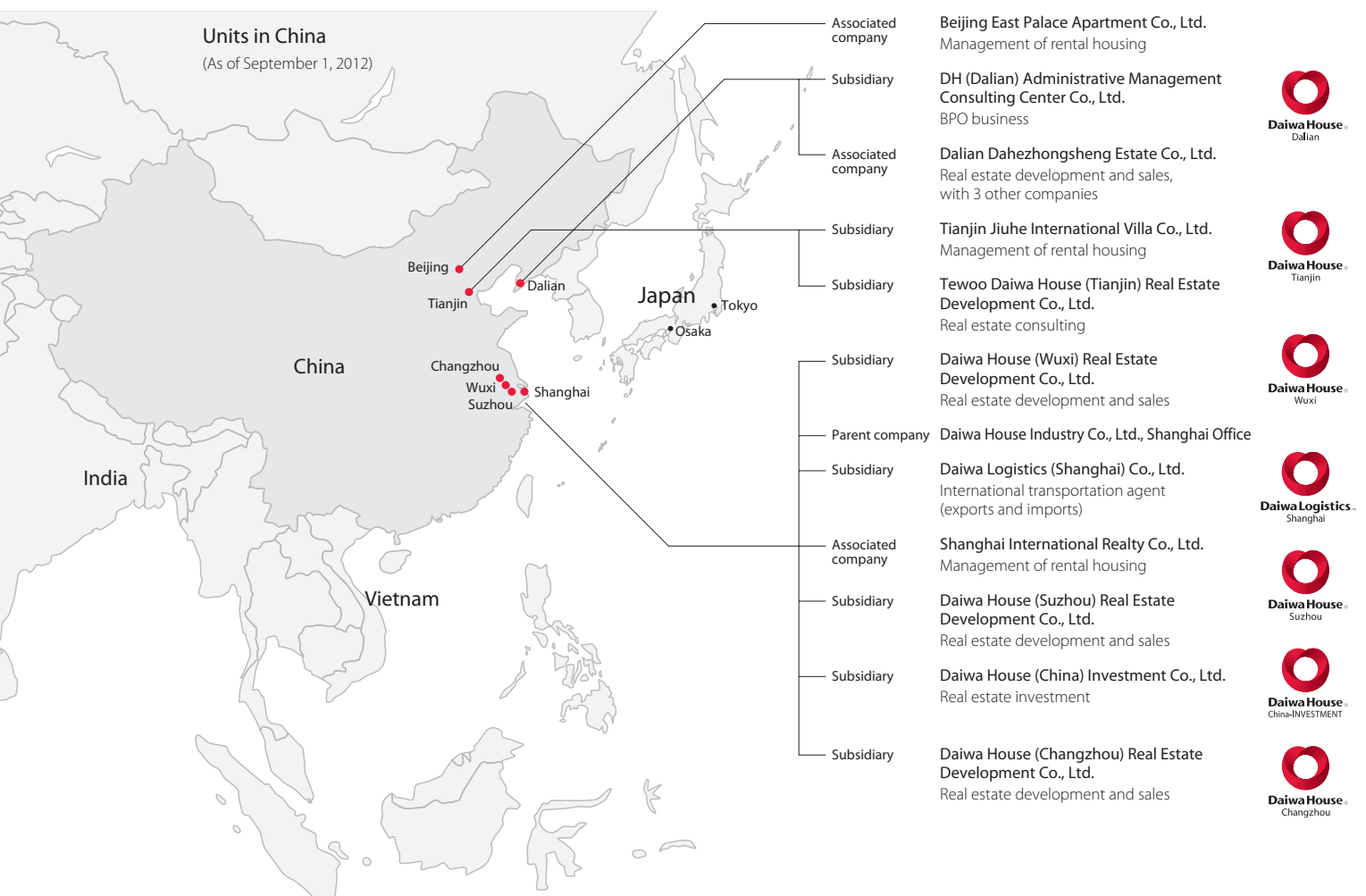
### Developing industrialized housing in China

The Daiwa House Group, together with the Baoye Group of China, launched a joint development project in March 2006 aimed at the industrialization of housing in China. In July 2011, a Certificate of Recognition of Technological Achievement in the Construction Industry was obtained, demonstrating that the comprehensive housing efficiency of this project had reached globally advanced levels. As a result, it has become possible for the Group and the Baoye Group to construct low-rise housing via industrialized methods throughout China in the future. During development, R&D and continual improvements through trial construction were conducted based on structures generally used in Japan and in accordance with China's earthquake resistance construction standards. The safety of the structures — developed in response to large-scale earthquakes — was analyzed with the cooperation of China's Tongji University, and safety was also confirmed through full-scale loading tests at the Baoye Group's R&D centers. Fireproofing performance tests and thermal insulation performance tests

were conducted on the newly-developed external walls, and tests such as watertight performance tests and endurance tests on structural steel were conducted to confirm the performance of these features. In addition, the structures developed are in accordance with the environmental policies and industrialization policies promoted by the Chinese government, including energy saving and materials saving.

### Logistics business based in Shanghai

Group company Daiwa Logistics established the subsidiary Daiwa Logistics (Shanghai) in April 2011 as a first step towards full-scale overseas operations. Daiwa Logistics (Shanghai) conducts an import and export business, shipping goods such as building materials, construction equipment, apparel, and production equipment between Japan and China, with business focused on Japanese enterprises. Improving the quality of domestic shipping in China is a major issue for many consignors.



## Business developments in Vietnam

### Establishment of industrial park near Ho Chi Minh City

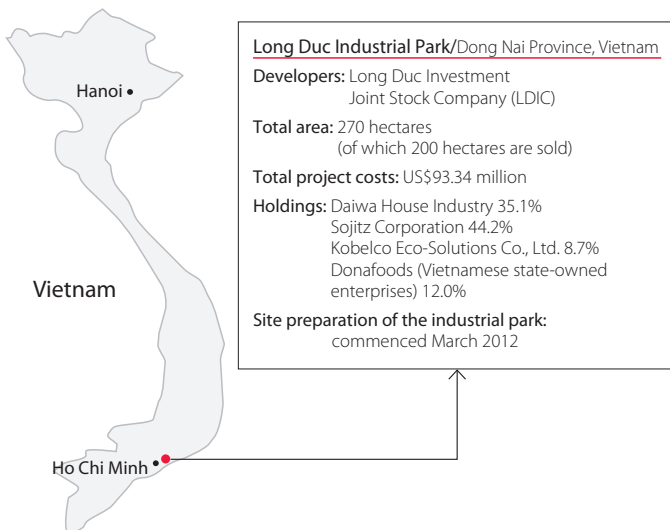
In 2006 Daiwa House set up an office in Hanoi and began collecting information in preparation for expanding its business in Vietnam. In August 2011, Daiwa House, Sojitz Corporation, and Kobelco Eco-Solutions Co., Ltd. agreed to establish the Long Duc Industrial Park in Dong Nai Province in Southern Vietnam. The three companies acquired 88% of the shares of Long Duc Investment Joint Stock Company (LDIC), an industrial park business company, with Daiwa House Industry's current equity stake becoming 35.1%. The total area is 270 hectares, of which 200 hectares are sold. The site preparation of the industrial park started in March 2012, and the infrastructure is scheduled to be completed some time in the summer of 2013. There are plans to approach mainly Japanese enterprises. We will pro-actively approach firms as we aim to acquire construction orders.

Vietnam has maintained GDP growth exceeding 5% in recent years supported by strong demand, and it has a young workforce, with 75% of the population aged 44 years and under. Many companies are considering expansion into Vietnam, and the Long Duc Industrial Park has already received inquiries from more than 50 firms, including many Japanese manufacturers. The Park is located in the Long Thanh District of Dong

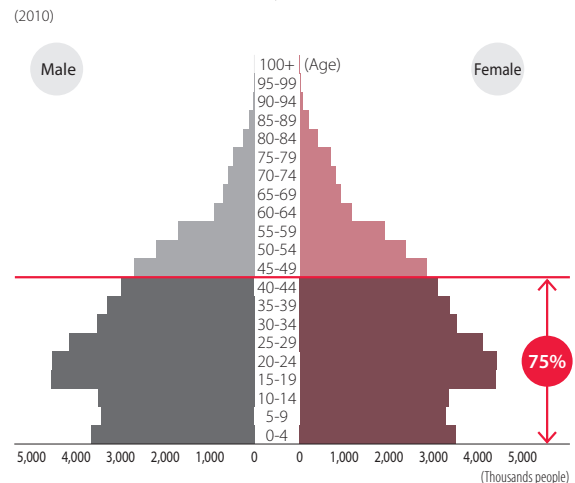
Nai Province, approximately 40km east of Ho Chi Minh City, Vietnam's largest city in terms of commerce and tourism. This industrial park is ideal for a manufacturing site or logistics base as it is located just 33km from Cai Mep-Thi Vai Port, a key port in Vietnam where large ships can dock, and at the halfway point between central Ho Chi Minh City and the port. In addition, the site is only about five minutes by car from an interchange of the North-South Expressway, which is scheduled to open in 2014, and only eight km from Long Thanh International Airport, which is scheduled to open in 2020, providing extremely convenient domestic and overseas transport access.

### Establishment of a local subsidiary in Vietnam

Daiwa House Vietnam was established as a local subsidiary in Hanoi 2012. The subsidiary's business will focus on the outsourcing of design work, a business in which Group company DH (Dalian) Administrative Management Consulting Center in Dalian, China is also engaged. Our aim is to disperse the Centers' operations across borders.



### Population composition by age group in Vietnam (2010)



## Expanding business into the Pacific Rim markets

### Starting a commercial facilities business in Taiwan

In Taiwan, we signed a LOI (letter of intent) with the Taiwan Ministry of Economic Affairs at the 2011 Taiwan Investment Summit for the purpose of launching retail and wholesale facilities development. This has enabled the Group to use the Taiwanese government's information and investment support systems. In the Commercial Facilities business, the Group has been involved with over 30,000 wholesale development projects across Japan together with land owners and tenant companies. We aim to use this experience and know-how in the future to develop roadside retail and wholesale facilities for the creation of close and convenient shopping environments

in Taiwan. In April 2012, Daiwa House set up a branch in Taipei and launched operations. We plan to develop business with Taiwanese land owners who wish to effectively use their real estate holdings and develop commercial complexes and stores. We will launch proposal activities to create more business with Japanese tenant companies that are existing clients, local tenant companies in Taiwan, as well as tenant companies elsewhere in Asia and other parts of the world. We will also accept subcontracting orders for construction of roadside stores and multipurpose commercial facilities in Taiwan.



### Expanding rental housing and single-family house businesses overseas

In our Rental Housing business, a sales office was opened at the Taiwan Branch where a commercial facilities business was launched. We have begun studying business models for this market.

In the Single-Family Houses business, a representative office was established in Kuala Lumpur, Malaysia in April 2012. Specialized staff have commenced R&D on single-family houses suitable for the local region.

### Establishment of local subsidiaries in the US and Australia

In 2011, Daiwa House California was established in San Jose, California. Daiwa House California has purchased rental condominiums to launch a real estate business, and is also engaged in market research. Although the real estate market in the US remains weak, we are making preparations for the anticipated future recovery.

In addition to the US, the Group is also engaged in business in Australia, another developed nation with a growing population. Daiwa House Australia was established in Brisbane in 2011, and this company has commenced market research with the goal of developing a real estate development business.

## One Heart, One Tomorrow

At the Daiwa House Group, our employees have high aspirations, both for people as individuals and for society as a whole.

They work to make a contribution to society both through our business operations and through volunteer activities.

The Group is proud of them.

We share their aspirations, and will work to fulfill our social responsibilities so that we remain an enterprise essential to society.





## People

### Yukie Toriu

*Section Manager of Personnel Dept.  
Wave Heart Promotion Section (Diversity Promotion)  
Daiwa House Industry*

We are working particularly to support the careers of female employees, so as to encourage workplace diversity and create a corporate culture where staff can harness their individuality to fully display their abilities. Japan has been slow to adopt the international consensus on abolishing the gender-specific division of roles in the workplace, and I believe that if each executive and employee could change his or her attitude in this respect, it would help the Group to grow on the global stage.

For further details ▶ P.149



## Partners

### Sohsuke Sakaue

*Representative Director  
Naigai Ryokuken Co., Ltd.*

As a member of the Daiwa House Group's Confederation of Partner Companies, we undertake landscaping work, including exterior structures such as fences. While our first consideration is customer satisfaction, from the broader perspective our future growth depends on contributing to society. As a partner, we have a unique relationship with the Group, and I look forward to our continued mutual growth.

For further details ▶ P.151





## Environment

### Shinsuke Tatsumi

*Head of Operations  
Mount Yoshino Protection Society Hoshoukai*

We work to protect the famous cherry trees on the slopes of Mount Yoshino in Nara Prefecture. These cherry trees bequeathed to us by our ancestors — one of Japan's national treasures — have suffered much damage from abnormal weather and natural disasters, but we are determined to pass them on to future generations. The Daiwa House Group shares our aims, and has given us much support and cooperation. I hope to continue working together toward eventual victory.





## Community

### Eiji Miyase

*President  
NGO Association of Following Wind*

I believe we should work to realize a society where ordinary people can help those who are suffering. Our NGO is mainly involved in educational assistance for Cambodian children, and most of our members are company employees and students. Together with the Daiwa House Group, which supports our activities, we hope to become a "following wind" for disadvantaged children, and are working to realize a society where all children can have hope.



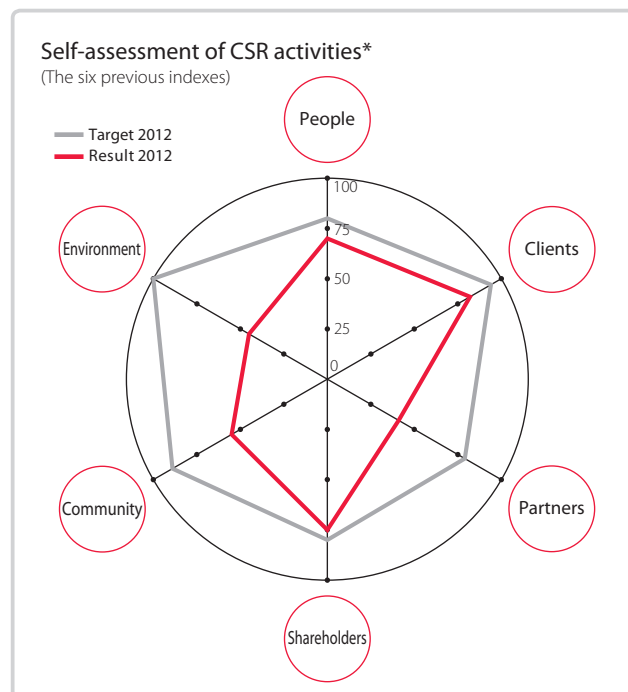
# Corporate Citizenship

At the Daiwa House Group we carry out our day-to-day activities in the belief that it is our duty, as a responsible corporate citizen, to find solutions to social issues through our business operations. We are confident that by doing so we will receive recognition from society, and that this will generate further business opportunities for the Group. We will continue working to create the new value that society needs.

## Indicators for self-assessment of CSR activities

To enable us to quantitatively assess the success of our efforts to satisfy our stakeholders, we have created an index that allows us to evaluate our own performance. This index shows whether or not our business operations are being carried out in a balanced manner, and lets us evaluate our success in addressing social issues. We are not fixated on earning full marks. Instead, we aim to use the evaluation results to accurately comprehend the present situation, identify issues requiring attention, and take remedial action.

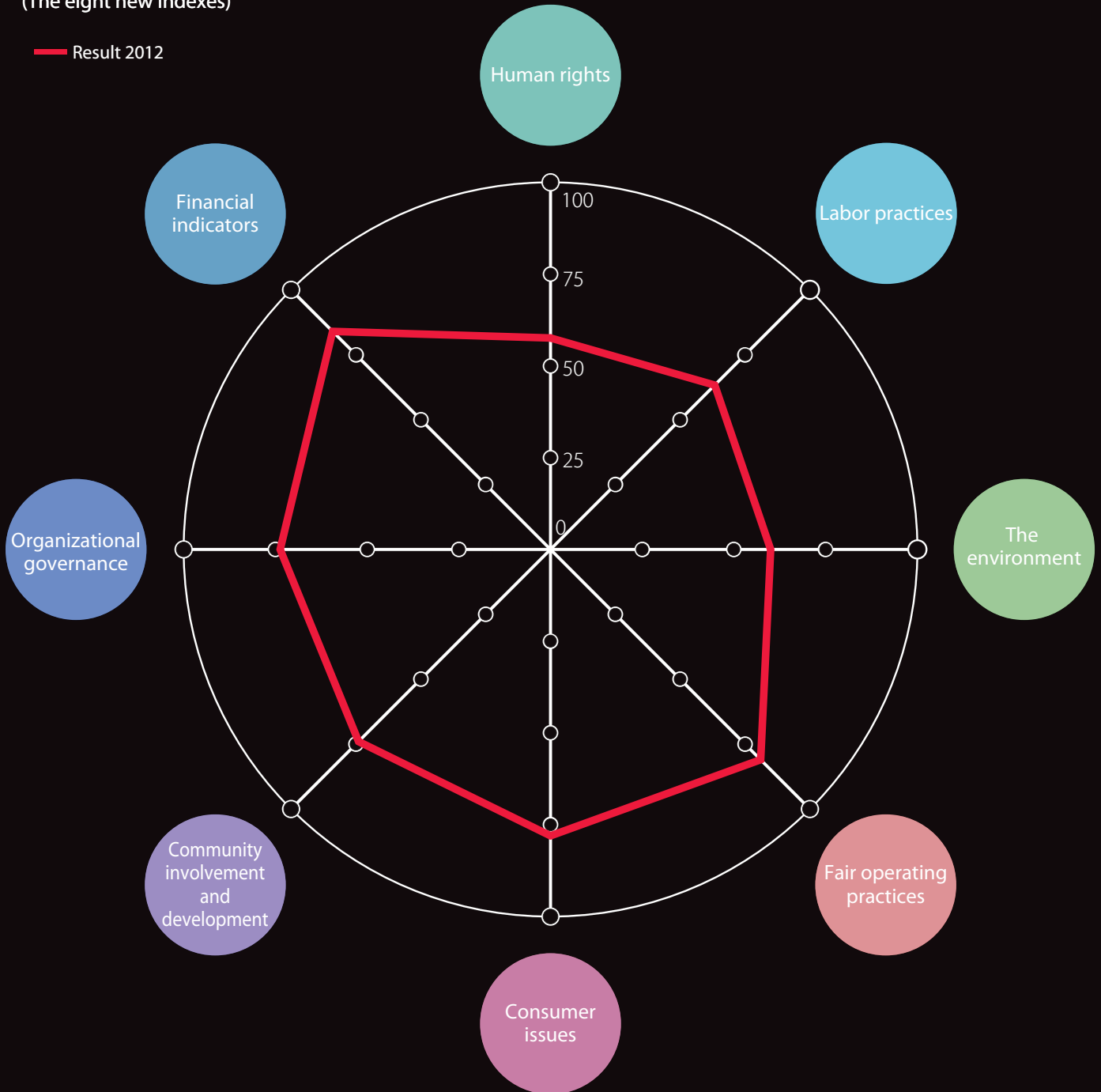
In fiscal 2011 we revised our previous indexes based on six separate stakeholder categories, and formulated new theme-based indexes reflecting the ISO 26000 social responsibility guidelines. We commenced CSR management utilizing these new indexes from the start of fiscal 2012.



\* Full marks = 100 points

→ **Self-assessment of CSR activities\***  
(The eight new indexes)

— Result 2012



# CSR Overview

## Setting new CSR indexes

In line with the increasing globalization of the Daiwa House Group's business, we have applied international standards to evaluate our CSR activities. Using these standards, we have verified the status of our CSR efforts and improved them. In order to build an even higher quality CSR management system, we established an index based on ISO 26000 and initiated a new CSR management system.

In determining our new CSR indexes, we deemed that out of the seven core themes in the ISO 26000 standards, organizational governance was the most crucial for ensuring the stability of a company's management base, and that it must be tackled on a priority basis. We also identified 35 issues from the other six themes, of which 12 issues were selected for priority treatment. To determine the order of priority for these 12 issues, we held meetings where we sought our stakeholders' opinions, and after examination of the issues by an in-house deliberative panel, we drew up a materiality map and positioned as top-priority issues the six issues identified as having the greatest importance for both the Group and its stakeholders. The new indexes are composed of these 12 issues plus six themes (including financial indicators to represent the economic dimension of our operations), for a total of 18 issues.

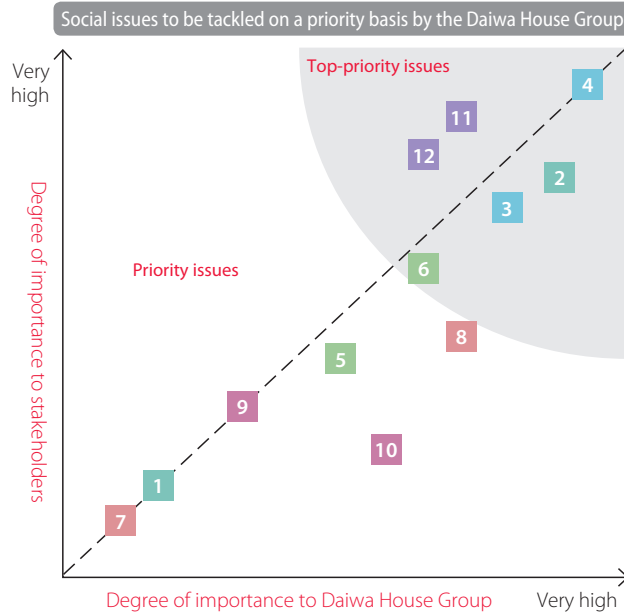
### 12 priority issues

- 1 Successfully handle human rights complaints
- 2 Eliminate discrimination and offer equal opportunities
- 3 Provide safe and healthy working environment
- 4 Nurture human resources (employee training)
- 5 Prevent environmental pollution (water, atmosphere, soil, etc.)
- 6 Reduce CO<sub>2</sub> emissions and help retard global warming
- 7 Ensure fair competition
- 8 Act responsibly toward business partners and users
- 9 Guarantee product safety
- 10 Provide adequate after-sales service, and respond appropriately to complaints
- 11 Realize active involvement and cooperation in development of communities
- 12 Invest in development of local communities

### 7 core themes



### Materiality map



## Stakeholder Meetings

### Summary of 8th stakeholder meeting

Date held: November 23, 2011

Facilitator: Yoshinari Koyama  
(Professor, College of Economics, Kanto Gakuin University)

Participating stakeholders: 25  
(4 employees, 4 customers, 4 business partners, 4 shareholders, 4 NPOs, 5 local community representatives)



Theme

**Social issues to be tackled by Daiwa House Industry on a priority basis**

At the 8th Stakeholder Meeting, with regard to the Company's adoption of the ISO 26000 social responsibility standards as a guideline for its CSR management, the stakeholders were divided into six groups, which each held separate meetings. Each group decided the order of priority for 12 agenda items, and a consensus was subsequently achieved at the main meeting. Below, we report on the results of the separate deliberations by the top five groups, and provide a selection of opinions.

<div style="background-color: #808080; color: white; padding: 5px; margin-bottom: 5px; display: inline-block;">Employees</div> <div style="margin-left: 10px;"> <b>Order of priority</b> <span style="background-color: #0070C0; color: white; padding: 2px 5px;">4</span> <span style="background-color: #0070C0; color: white; padding: 2px 5px;">11</span> <span style="background-color: #0070C0; color: white; padding: 2px 5px;">12</span> <span style="background-color: #0070C0; color: white; padding: 2px 5px;">2</span> <span style="background-color: #0070C0; color: white; padding: 2px 5px;">3</span> </div> <p style="margin-top: 10px;">Based on the principle that a company is a group of people, to realize sustainable growth for both the Daiwa House Group and society as a whole, an order of priority was determined for the 12 issues after dividing them into "offensive strategies" (laying the groundwork for growth) and "defensive strategies" (putting full efforts into everything, every day, and taking preventive measures to ensure that growth is stable).</p>	<div style="background-color: #808080; color: white; padding: 5px; margin-bottom: 5px; display: inline-block;">Customers</div> <div style="margin-left: 10px;"> <b>Order of priority</b> <span style="background-color: #0070C0; color: white; padding: 2px 5px;">4</span> <span style="background-color: #990000; color: white; padding: 2px 5px;">9</span> <span style="background-color: #0070C0; color: white; padding: 2px 5px;">10</span> <span style="background-color: #990000; color: white; padding: 2px 5px;">5</span> <span style="background-color: #990000; color: white; padding: 2px 5px;">8</span> </div> <p style="margin-top: 10px;">In matters that involve the Company, an employee represents the Company, and his or her actions directly affect the Company's public image. We therefore gave higher priority to issues more closely linked to the reputation of the Company and the Group.</p>
<div style="background-color: #808080; color: white; padding: 5px; margin-bottom: 5px; display: inline-block;">Business partners</div> <div style="margin-left: 10px;"> <b>Order of priority</b> <span style="background-color: #0070C0; color: white; padding: 2px 5px;">4</span> <span style="background-color: #0070C0; color: white; padding: 2px 5px;">3</span> <span style="background-color: #990000; color: white; padding: 2px 5px;">8</span> <span style="background-color: #0070C0; color: white; padding: 2px 5px;">10</span> <span style="background-color: #990000; color: white; padding: 2px 5px;">7</span> </div> <p style="margin-top: 10px;">As business partners of the Group, we placed the highest priority on issues involving manufacturing, including construction. The top four priority issues are closely interrelated, and we believe they are of approximately equal importance.</p>	<div style="background-color: #808080; color: white; padding: 5px; margin-bottom: 5px; display: inline-block;">Shareholders</div> <div style="margin-left: 10px;"> <b>Order of priority</b> <span style="background-color: #0070C0; color: white; padding: 2px 5px;">6</span> <span style="background-color: #0070C0; color: white; padding: 2px 5px;">5</span> <span style="background-color: #0070C0; color: white; padding: 2px 5px;">11</span> <span style="background-color: #0070C0; color: white; padding: 2px 5px;">12</span> <span style="background-color: #990000; color: white; padding: 2px 5px;">9</span> </div> <p style="margin-top: 10px;">An order of priority was determined by examining the issues from several perspectives, i.e. (1) Does the issue affect only the Company itself, or does its impact reach outside the Company? (2) What is the extent of the impact, and how serious is it? (3) To what degree does the Daiwa House Group have the ability to influence the outcome?</p>
<div style="background-color: #808080; color: white; padding: 5px; margin-bottom: 5px; display: inline-block;">NPOs</div> <div style="margin-left: 10px;"> <b>Order of priority</b> <span style="background-color: #0070C0; color: white; padding: 2px 5px;">2</span> <span style="background-color: #0070C0; color: white; padding: 2px 5px;">1</span> <span style="background-color: #0070C0; color: white; padding: 2px 5px;">4</span> <span style="background-color: #0070C0; color: white; padding: 2px 5px;">3</span> <span style="background-color: #990000; color: white; padding: 2px 5px;">9</span> </div> <p style="margin-top: 10px;">We determined our order of priority from the perspective of "people." Human rights issues ought to be given precedence over all others. Everyone involved should recognize that human rights are on a different level from other issues, and we have assigned No.1 priority to the elimination of discrimination, as this is particularly all-embracing.</p>	<div style="background-color: #808080; color: white; padding: 5px; margin-bottom: 5px; display: inline-block;">Local communities</div> <div style="margin-left: 10px;"> <b>Order of priority</b> <span style="background-color: #0070C0; color: white; padding: 2px 5px;">11</span> <span style="background-color: #0070C0; color: white; padding: 2px 5px;">12</span> <span style="background-color: #0070C0; color: white; padding: 2px 5px;">6</span> <span style="background-color: #0070C0; color: white; padding: 2px 5px;">4</span> <span style="background-color: #0070C0; color: white; padding: 2px 5px;">10</span> </div> <p style="margin-top: 10px;">We believe that the Daiwa House Group has the capability to do more than it has. In line with this, we set our order of priorities on the basis of the extent to which the Group can make optimal use of its strengths through active development.</p>

## Results and targets by stakeholder

### Human rights

Social issues	Specific indicators	Result 2012	Target 2013
Successfully handle human rights complaints	Operation of corporate ethics and human rights helpline (resolution rate)	—	80% or more
	Rate of familiarity with corporate ethics and human rights helpline	—	70%
Eliminate discrimination and offer equal opportunities	Human rights education* <sup>1</sup>	a) 87.4% b) 74.9%	a) 100% b) 100%
	Disabled persons hiring rate	1.82%	2.00%
	Percentage of female managers (% of target level)* <sup>2</sup>	66.7%	100%

\*<sup>1</sup> a) Rate of staff attending human rights education sessions at Daiwa House Industry,  
b) Percentage of 28 Group companies implementing human rights education

\*<sup>2</sup> This figure shows the percentage attainment of the 1.5% target level set for FY2015 on April 1 of the year following the setting of the target.

### Labor practices

Social issues	Specific indicators	Result 2012	Target 2013
Provide safe and healthy working environment	Number of industrial accidents at building sites (yoy % change)	1.6%	-30%
	Rate of taking paid leave	34.7%	38.0%
	Employee satisfaction surveys	81.6%	80%
Nurture human resources	Rate of acquisition of qualifications among young staff*	a) 9% b) 32%	a) 15% b) 35%
	Companywide training, number of courses per employee	0.84	0.84
	External assessment of candidates for management positions (number of candidates assessed above a certain level)	15	15

\* Staff within three years of joining Company; a) examination pass rate for Real Estate Transaction Specialist; b) pass rate for Second-Class Architect

### The environment

Social issues	Specific indicators	Result 2012	Target 2013
Reduce CO <sub>2</sub> emissions and help retard global warming	Contributed amount of CO <sub>2</sub> reduction	1,751 thousand t-CO <sub>2</sub>	1,819 thousand t-CO <sub>2</sub>
	Percentage reduction in CO <sub>2</sub> emissions compared with FY2010	2.6%	3.0%
	In-house biodiversity standards applied (product development, urban redevelopment; %)*	a) 92.4% b) 61.9%	a) 90% b) 70%
Prevent environmental pollution	Percentage reduction in construction waste per unit of sales compared with FY2010	-15.0%	6.7%
	Release & transfer of PRTR-listed substances compared with FY2010	-20.7%	3.0%

\* a) In-house standards applied to product development, b) In-house standards applied to urban development

### Fair operating practices

Social issues	Specific indicators	Result 2012	Target 2013
Ensure fair competition	Response to reports from business partners on subcontracting issues (resolution rate)	100%	80% or more
	Survey of business partners on performance of Company employees*	a) 63.8% b) 71.0%	a) 60% b) 73%
Act responsibly toward business partners and users	Control of actions (incl. remedial steps) with respect to business partners and in purchasing operations, based on in-house standards	score: 59.26	score: 70
	Appropriateness of contractual work with respect to business partners, based on in-house standards	75.4%	100%

\* a) Response rate, b) Rate of "No problems" response

Consumer issues

Social issues	Specific indicators	Result 2012	Target 2013
Guarantee product safety	Earthquake resistance of single-family homes (achieved top rating)	91.8%	93.0%
	Rate of implementation of inspections of product performance and specifications	90.6%	100%
Provide adequate after-sales service, and respond appropriately to complaints	Satisfaction rate among single-family house owners	95.7%	100%
	Satisfaction rate among rental housing owners	63.2%	100%

Community involvement and development

Social issues	Specific indicators	Result 2012	Target 2013
Active involvement and cooperation in development of local communities	Social contribution activities*1	a) 81 cases b) 94.7%	a) 50 cases b) 100%
	Opportunities for collaboration with NPOs & NGOs*1	a) 18 cases b) 6.4%	a) 20 cases b) 15%
	Opportunities for cooperation with local organizations*1	a) 26 cases b) 35.1%	a) 30 cases b) 50%
Investment in the development of local communities	Cost of social contribution activities*2	2.32%	1.0% or more
	Donations & fund-raising activities (% of employees participating)	26.4%	50.0%
	% of employees taking special paid leave to do volunteer work	12.5%	20.0%

\*1 a) Head office involvement, b) Implemented by local offices or plants

\*2 Ratio of costs of social contribution activities to ordinary income (average for 5 years up to FY2010)

Organizational governance

Social issues	Specific indicators	Result 2012	Target 2013
Realize management transparency	External evaluation of Company's Annual Report	A	A+
	External evaluation of Company's CSR Report	score: 74.3	score: 75
	External evaluation of IR website	score: 5.42	score: 5.5
Ethical behavior	In-house survey of CSR awareness	score: 75.96	score: 79.75
Engagement with stakeholders	Stakeholder Meeting (attendee satisfaction)*	a) 87% b) 66%	a) 90% b) 70%
Respect for the rule of law	Companywide ethics and compliance training; average number of courses attended per employee	0.69	0.68
Awareness of social responsibility	Degree of compliance of CSR reporting with GRI (Global Reporting Initiative) guidelines	67.7%	75.0%

\* a) Percentage of stakeholders who reported that it was easy to make one's views heard in the discussion,

b) percentage of stakeholders who reported that the Company's explanations were easy to understand

Financial indicators

Social issues	Specific indicators	Result 2012	Target 2013
	Financial profitability*1	score: 65	score: 75
	Financial growth*2	score: 85	score: 90
	Financial soundness*3	score: 100	score: 100

\*1 Score determined on basis of average return on assets (ROA) and operating income margin (OPM) over past three years, expressed as points out of 100

\*2 Average growth of sales and cash flow from operating activities over past three years, expressed as points out of 100

\*3 Score determined on basis of interest coverage ratio

Interest coverage ratio = (earnings before tax + interest expenses) ÷ interest expenses, expressed as points out of 100

## People

We firmly believe that a company's human resources are its greatest asset. Based on this thinking, and guided by a key element of our Company Philosophy, "the cultivation of people through our businesses," our human resources system is designed to nurture self-reliant decision-makers.

We have introduced an OJT Veteran-Guidance System and other initiatives to cultivate a new generation of employees to drive the next phase of growth.



### Personnel training designed to give employees hands-on skills

All our training courses are more than just about classroom based learning, because the curriculums have a hands-on focus to help all employees at every level in the Group acquire practical skills for the workplace.

First, new hires take part in a year-long training program that gives them basic skills to become members of society and Daiwa House employees. After being assigned to their respective business offices, they also participate in training programs on construction sites, regardless of whether they are in sales, design, engineering, management or other divisions, to help them acquire a basic understanding about manufacturing and construction. In addition, the new hires then participate in further training programs every three months to give them practical knowledge and skills and assess their level of understanding. They are also given support to secure qualifications in tandem with their studies.

Next, mid-level managers, who are directly involved at the work site level, participate in a range of different training programs to boost their expertise and skills. Also, as part of initial training, candidates for leadership positions have to provide guidance to new hires in work site situations (known as the OJT Veteran-Guidance System). To provide back-up support to the OJT

Veteran-Guidance System, head office personnel visit each business site and work with the OJT Veterans and local site managers to improve the training environment (known as the Back-up Support System).

In addition to specific training for leadership personnel, we established the Daiwa House Juku in 2008. This Groupwide management skills development course is designed to nurture the next generation of business leaders for the Group. The course has produced 175 graduates so far, including three Group company presidents and 33 directors and executive officers.

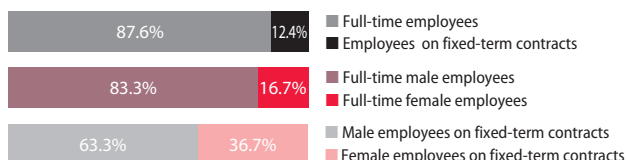
In July 2011, we introduced a new training component aimed at promoting greater awareness of good manners and the principle of "putting full efforts into everything, every day." The course is aimed at all employees at every business site, including manager-grade personnel, and is designed to instill in them basics such as greetings and bowing. Based on the idea that the Company is responsible for the discipline of its employees, specialist instructors from the Human Resources Training Center visit business sites nationwide to ensure the principles of the course are deeply engrained at the work site level.



### Daiwa House Industry's system for nurturing employees

Eligible staff	Educational programs for each employee level		Cultivation of successors to current management	Educational programs tailored to each division and job specialty	Separate training for each place of business	Support for personal development
	Primary staff training	Courses for management staff and future leaders				
Executives			Interaction course for management leaders			
Management-level staff		Training for newly promoted branch office managers	Daiwa House Juku	Specialist training for separate divisions/ job descriptions	Training in "putting full efforts into everything, every day," as well as manners	Support for language learning, acquisition of qualifications, etc.
		Training for newly promoted managers	Branch manager application and training system			
Mid-career staff / general staff		OJT Veteran-Guidance System				
		Training for team leaders				
Junior staff	Follow-up training					
	OJT					
	Training in basics					

### Employee breakdown (As of April 1, 2012)



### Creating pleasant working environments

In fiscal 2005, we introduced a Work Area Selection System in order to attract and retain key personnel over the medium- and long-term and alleviate some of the pressures associated with Japan's declining birthrate and aging population. This allows employees with "national employee" status, who could be posted to other parts of the country, to change their status to "regional employee," allowing them to remain in their local areas where they are raising children or looking after elderly relatives.

In order to promote a better work-life balance for our workforce, we also run a Home Holiday program, which encourages employees to take paid leave in a planned manner to help out at home or just recharge their batteries. In fiscal 2011, 12,255 employees took advantage of this program.

To manage employee work loads, the Personnel Department began carrying out regular checks of each business site from 2011. A new system was also introduced in 2012 that restricts the use of PCs outside working hours for personnel that do not submit appropriate overtime and holiday application forms. This is part of our wider efforts to reduce unpaid overtime by increasing awareness about overtime issues and creating more robust work management systems.

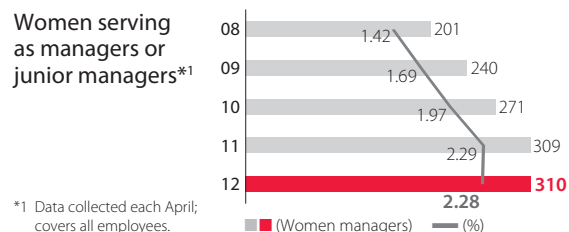
### Utilization of Company personnel systems (Number of users)

Program	2011	2012
Child care leave program	103	126
Reduced work hours program	197	223
Nursing care leave program	3	1
Lump-sum payment for development of the next generation*2	689	687
Paid leave accumulation program (users/days)	131/4,092	128/3,692
Work Area Selection System	34	25*3

\*2 The Company pays out ¥1 million per child to any employee who gives birth.

\*3 The number of employees re-categorized from "national" status to "local" status was 20, while five were re-categorized from "local" status to "national" status.

### Women serving as managers or junior managers\*1



\*1 Data collected each April; covers all employees.

### Promoting workforce diversity

We are improving workplace diversity by employing a wider cross-section of people, creating an environment that allows everybody to work to the best of their abilities, employing older people and people with disabilities, and increasing the number of female employees in executive positions. With respect to the re-employment of older employees, in April 2012 we rehired 123 employees, equivalent to 75.0% of those reaching the mandatory retirement age. As of April 1, 2012, people with disabilities accounted for 1.82% of our total workforce, which is above the statutory requirement of 1.8%. We run a number of programs to give women greater opportunities in the workplace. These include courses for women selected as candidates for managerial jobs, training programs for female sales staff, and courses to help regional female employees enhance their career opportunities as potential future leaders in the organization.

We also conduct courses to raise awareness of human rights throughout the Daiwa House Group. These courses include mandatory human rights awareness programs for all employees, as well as specific courses for executives and managers and courses tailored for specific objectives.

### Status of human rights education (Result 2012)

Education program	Candidates	Number of times	Total number of participants
Education at each business location	All employees	339	26,376
Education by rank/objective	Managers/Senior staff/ Assistant managers/ New hires	27	1,584

## Clients

To ensure the Daiwa House Group retains the trust of customers, we place great importance on treating each customer as an individual, incorporating this concept into our behavioral code and reflecting customer feedback in all our business activities. We use information collected from targeted after-sales support based on customer surveys and call center contact to improve our technologies and services.



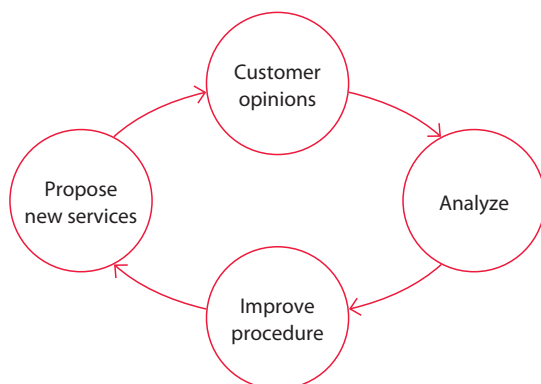
### Incorporating customers' opinions into our improvement activities

Aiming to further increase the satisfaction of our customers, we have established a Customer Satisfaction Division at head office and customer satisfaction committees at head office and all business sites to carry out continuous improvement activities. Feedback that we collect from questionnaires filled in by purchasers of our homes and from our call centers is shared throughout the Company, enabling us to implement Companywide improvements and conduct targeted and ongoing improvement activities tailored to conditions in each region. In fiscal 2011, we made various improvements and developed new services and products based on feedback from customers. Our concept of treating each customer as an individual has resulted in the development of a number of new products, such as rental housing with enhanced security to meet rising demand for women living alone, and safer sliding doors that do not trap children's fingers. In fiscal 2011, we also visited and phoned people that had purchased our houses and had been affected by the Great East Japan Earthquake. We also carried out inspections of their homes. This support to help them get back on their feet after the disaster was well received.

### After-sales services and quality assurance systems

The Daiwa House Group cooperates closely on after-sales services to maintain good relationships with customers even after the keys to their homes have been handed over. We provide long-term guarantees and after-sales services through our AQ Asset service, aimed at owners of single-family houses, and our Easy-Life Support-DAPS service (DAPS = Daiwahouse Apartment-house Partnership System), aimed at owners of rental housing. We also run a Good Relations system, through which our staff pay regular visits to commercial and business facilities we have constructed and handed over. We use a number of other ways to maintain relationships with customers, including contact websites for owners of our houses and apartments and seminars for owners of our rental housing and commercial facilities. In order to reflect feedback from customers in quality control, we operate our own quality management systems in production divisions and drive ongoing improvements with business efficiency tools such as systems that enable employees and managers to understand internal audits and quality control processes in a visual way.

### Improvement activities based on customers' opinions



Daiwa Family Club

## Partners

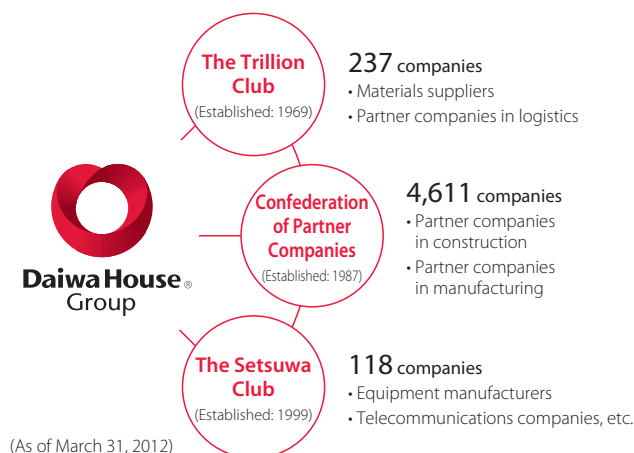
Our relationships with our partner companies are crucial to efficient business operations, and we make great efforts always to treat our business partners fairly and equitably in the spirit of mutual prosperity. We take steps to ensure legal compliance by our partner companies through regular staff training to familiarize them with legislation relating to our business transactions, and we respond promptly to revisions of laws and ordinances by ensuring that all our partners are fully informed.



### Working with our partners

Our Confederation of Partner Companies comprises approximately 4,600 members engaged in manufacturing or erection and installation work on behalf of the Group in the fields of single-family houses, rental housing, and commercial facilities. The key words that governed the Confederation's activities in fiscal 2011 were "challenge," "achievement," and "passion." To direct our collaborative efforts, we also designated five focal themes — safety, quality, the environment, sales promotion, and education. In addition, to ensure that all our partner companies build strong management bases and work constantly to offer new skills, technologies, and efficient operating methods, the Confederation engaged in a variety of support activities in collaboration with the Group. Together with the Trillion Club, which is composed of our materials suppliers, we worked to maintain healthy relationships with all the member companies, to lower the environmental burden of our business operations — such as by using less packaging materials — and to educate the staff of member companies in environmental preservation concepts.

We are strengthening our collaboration with the Setsuwa Club, composed of manufacturers of equipment and materials, through technological seminars as well as product and technology exhibitions, with the goal of raising quality and technical skill levels in specialized equipment fields.



### Building fair and equitable relationships

To build and maintain permanent partnerships we follow a basic policy of treating our business partners fairly and equitably. Prior to 2010 we had established the Partners Hotline service, enabling our business partners to report any problems involving relationships between themselves and Daiwa House employees, and in January 2010 we expanded the scope of this service to include the business partners of other Group companies. In addition, we send out a questionnaire once a year to members of the Confederation of Partner Companies. In fiscal 2011 we received 2,972 replies to this questionnaire, for a 63.8% response rate, and incorporated our partners' opinions into measures to improve our operational methods.

As part of business continuity management efforts, the number of members of the Confederation using an employee safety confirmation service in the event of a natural disaster has grown to 1,046 individuals. The Confederation is also working to create a post-disaster reconstruction support structure.

In line with our fundamental stance that "safety is our undertaking to society," the Daiwa House Group works to improve workplace safety not only within the Group, but also at our business partners. As one example, based on our annual plan, we implement safety training for both the owners and employees of partner companies.



**The Ninth Products and Technology Exhibition (Osaka)**

The Daiwa House Group works together with its business partners to raise product quality and technical skill levels through seminars and exhibitions.



**Training support for staff involved in home building operations (once every six months)**

We seek to raise awareness levels with regard to safety issues through safety education for employees of the Group and our business partners.

## Shareholders

In our investor relations activities we build and maintain a long-term relationship of trust with our shareholders and market investors in general through proactive two-way communication. Through the timely disclosure of corporate information, the executive management of Daiwa House personally leads and promotes the Company's IR activities and takes the opinions of shareholders and investors very seriously by incorporating them in management policies while working to raise shareholder value.



### Proactive investor relations

Our investor relations (IR) activities in fiscal 2011 were partially affected by the aftereffects of the Great East Japan Earthquake. The announcement of our Third Medium-Term Management Plan, which had originally been scheduled for May, was delayed until November, and we were forced to cancel a number of overseas IR events. Nevertheless, as we do each year, we undertook an active program of meetings with individual investors, results briefings over the telephone, and visits to the offices of investors in Japan. We also actively cultivated two-way communication with the investment community, placing priority on attending conferences in Japan organized by securities companies and financial institutions, and making efforts to provide regular opportunities for direct meetings with investors.

As for account settlement announcements by the Company, the number of persons participating in conference calls held by us on the day of announcement of accounts settlement and in management briefing sessions during fiscal 2011 totaled 573.

In March 2012, we held our second information session for individual investors, with an attendance of 246. The purpose of the session was to stimulate increased interest in Daiwa House Group, and to encourage positive and constructive examination of investment options. A speech was given by President and COO Naotake Ohno. In the plaza in front of the venue, we set up an exhibition booth showcasing the operations of all the Group's business divisions, with explanations provided directly by staff to give investors a more detailed understanding of our activities and thereby stimulate interest in investment.

We resumed overseas investor relations activities in the second half of fiscal 2011, holding "roadshows" overseas in the United States, Singapore, and Hong Kong, and participating in business conferences. We plan to continue holding further roadshows overseas in Europe, the United States, and Asia in fiscal 2012.

### The Group's investor relations calendar

Events	2012										2013				
	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	
Announcement of accounts settlement for FY2011		●													
Management policy briefing for FY2011		●													
Annual General Meeting of Shareholders			●												
Business report and special benefit plan sent to shareholders			●												
Announcement of accounts settlement for FY2012 Q1					●										
Publication of Annual Report						●									
Announcement of accounts settlement for FY2012 Q2									●						
Announcement of accounts settlement for FY2012 Q3											●				
Announcement of accounts settlement for FY2012 and management policy briefing														●	

Note: The schedule is subject to change without notice.

Number of institutional investors (companies) attending our IR activities



Tours of building sites organized

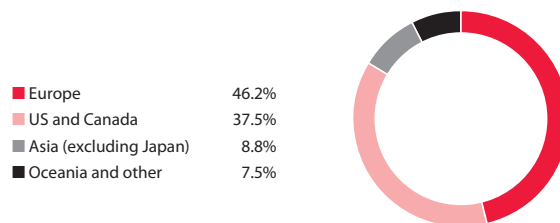
We conduct guided tours of our building sites and projects for institutional investors as a way to improve understanding of the Group's business operations. Our operations in China attract considerable interest, and in fiscal 2011 we held seven tours of our projects in Dalian and Suzhou. We also held a guided tour of the Ashibinaa outlet mall in Okinawa, which is managed by Daiwa Information Service. In April 2012, we conducted a tour of D-Project Takashimadaira, an eco-friendly logistics facility in Tokyo. The tour was held with the cooperation of the center's tenant Ricoh Logistics System Co., Ltd., and focused on the facility's unique aspects, including environment-friendly features such as a photovoltaic power generation system, the use of LED lighting throughout, and a green roof, as well as a seismic isolation system. We will continue seeking opportunities to showcase the uniqueness and superiority of the Group's business operations.



Guided tour of logistics facility

Our guided tour of the D-Project Takashimadaira, an eco-friendly logistics facility, received high praise from the participants. They particularly appreciated being able to observe the leading-edge logistics equipment in operation, and were pleased to confirm the competitiveness of the facility and the ability of the management to propose effective solutions to user needs. They also appreciated being able to directly listen to the opinions of the tenant company.

Percentage of investors abroad by region (As of March 31, 2012)



External evaluations and self-assessments

In fiscal 2011, we conducted surveys at each of our IR events to get participant feedback and requests to help us improve our IR activities. Following the information session for individual investors held in March 2012, we received an overwhelmingly favorable assessment of President Ohno's character, as well as a positive response to his handling of the Q&A session. 66 percent of attendees expressed their satisfaction with the way the meeting went, and a majority indicated eagerness to invest in the Company. In the future, too, we will proactively seek the opinions of our shareholders and of market investors in general.



Information session for individual investors

In March 2012 we held our second information session for individual investors, at which we succeeded in stimulating greater interest in the Group's operations. An exhibition booth was set up outside the event venue, where staff members from each division provided detailed explanations directly to individual investors. The booth received high marks from visitors.

## Community

Just over a year has passed since the Great East Japan Earthquake caused the loss of lifeline infrastructure and local communities. The Daiwa House Group devoted its collective efforts to the construction of temporary housing and facilities, which are the basis for restoring everyday life. We will continue to support the recovery effort over the long term and promote social contribution activities as a member of the community.



### Overview of social contribution activities

The environment, welfare, and education form the basis for our social contribution activities, and we implement these activities across eight fields, having added “activities to support the devastated areas” to our fields of activity since fiscal 2011. In fiscal 2011, Daiwa House was engaged in 656 activities, a 21% increase year on year, while the number of Groupwide activities fell 11% to 1,532 activities. Following the Great East Japan Earthquake, we provided humanitarian and other support for the devastated areas, in addition to which our educational support increased to 26.2% of all activities.

Utilization of the system of allowing time off for volunteer activities was more or less unchanged at 12.5%, which was short of our 20% target. However, we were actively involved in supporting the areas affected by the earthquake, through operations including the construction of temporary housing. The performance of our Endless Fund, which accepts donations from employees each month, fell short of our target.

In fiscal 2012, we will continue with our activities to support the devastated areas, in cooperation with NPOs, NGOs, and regional organizations, as well as activities that make the maximum use of our core operations.

### Activities to support the recovery effort

Immediately after the Great East Japan Earthquake, we mobilized a Group internal organization and devoted our collective efforts to supporting the recovery effort, drawing on our experience of playing a central role in the construction of temporary housing at the time of events such as the Great Hanshin-Awaji Earthquake.

The Group as a whole supplied 11,051 temporary homes, around one-third of the total. As of March 15, 2012, in areas that experienced tremors of magnitude 5 or higher on the Japan Meteorological Agency seismic intensity (shindo) scale, we had built 481 temporary commercial facilities/plants/warehouses, etc., 127 temporary schools, 99 temporary government buildings, etc., and 25 temporary healthcare facilities, etc. The number of personnel dispatched to the disaster-hit area reached a total of 23,727 persons.

The Group as a whole provided relief funds totaling ¥160 million, donated funds for education, provided relief supplies including blankets and water, and loaned “PARO®” therapeutic robot baby seals to facilities for the elderly, among other support activities. We will continue to support the recovery of the devastated areas over the long term.

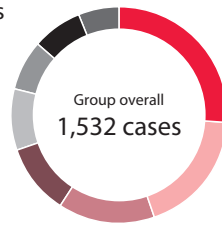


### Principal activities by the Daiwa House Group in support of the reconstruction of the disaster-hit region

Donations (Matching Gift System*)	We gave donations in the amount of ¥160 million via the Osaka Chamber of Commerce and the Japanese Red Cross Society
We give donations to the Momokaki Orphans Fund (donations scheduled every year from FY2011 to FY2015)	¥1,000 donated for each house sold (Daiwa House Industry) ¥500 donated for each new vehicle leasing contract (Daiwa Lease) (For FY2011, ¥9,999,000 donated by Daiwa House Industry, ¥897,500 donated by Daiwa Lease)
Delivering relief supplies	We delivered 1,400 blankets, 7,000 bottles of water, and 4,300 size AA batteries, among other supplies
Green Curtain Project	We participated in the planning of this project with an NPO, and provided support for the installation of green curtains at temporary housing sites.
DIY Project	We provided tools and materials to enable DIY work such as making shelves and benches.
Donation of LED streetlights	We donated 29,871 streetlights for installation in the devastated region
Loaning of PARO® therapeutic robot baby seals	Fifty PARO® robots were loaned free-of-charge to facilities for the elderly in the disaster-hit region

\* Matching Gift System: Under this system, the Company matches each donation made by an employee with a donation of the same amount.

### Community support activities



Support for schools	26.2%
Being a good neighbor (street sweeping)	18.6%
Being a good neighbor (activities other than street sweeping)	14.4%
International cooperation	10.6%
Humanitarian activities	9.2%
Support for the disaster-hit region	7.5%
Social welfare	7.4%
Environmental protection	6.1%

### Supporting children in Japan and Asia

In fiscal 2011, we conducted educational activities to support learning opportunities for children in a way that facilitates independent thought.

Since February 2007, Daiwa Energy has provided elementary school children with the opportunity for on-site, hands-on learning about the environment. Our Sendai branch has taken part in an educational support project, run by the Ministry of Economy, Trade & Industry since 2007 and entrusted to regional coordinators, in which business people visit schools to bring learning to life with their “real world” experience. To date, we have visited around 20 elementary schools in Miyagi Prefecture to hold special science-related events.

Since fiscal 2007, we have also taken part in Shanti-International Charity’s “Campaign to Deliver Picture Books” to support children in Cambodia, Myanmar and Laos, sending 208 picture books in fiscal 2011. In Cambodia, we made a donation for the construction of a school in fiscal 2011, following the construction of a school in fiscal 2008. Following the school’s opening in March 2012, we plan to implement a project, in cooperation with an NGO, to deepen international understanding with junior high school children in Miyagi Prefecture, one of the areas affected by the 2011 earthquake.



Campaign to Deliver Picture Books

Photo courtesy of Shanti-International Charity

### Contributing to the greening of local areas

As part of our social contribution activities focused on the environment, we are engaged in various environmental protection activities around Japan with the goal of living in harmony with nature. Among these activities, in fiscal 2010 we launched the SAKURA PROJECT. In this project, for each “xevo” eco-friendly single-family house that is built, a portion of the sales is used for the planting of cherry (Sakura) trees by staff together with children at local kindergartens and elementary schools. In fiscal 2011, this project was carried out at our six branches.

Since May 2011, our Yokohama branch has been involved in the Smile School Project that promotes the greening of elementary schools. The cost of tree planting is donated by staff, and in fiscal 2011 trees were planted at three schools. We will continue to protect Japan’s natural scenery and further extend activities that contribute to the greening of local areas.



SAKURA PROJECT



Smile School Project

# Environment

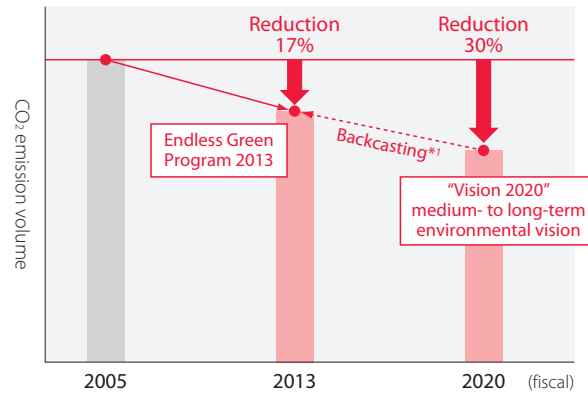
The Daiwa House Group has drawn up its “Vision 2020” medium- to long-term environmental vision. The central message is “to live in harmony with the environment, to work toward the realization of a society in which people can live rich and truly fulfilling lives, and to aim at lowering the environmental burden of the homes and buildings we construct to zero over their whole life cycle.” This can not be attained through a simple extension of our current path: we have set ourselves a higher and more difficult target.



## Endless Green Program 2013

The current “Endless Green Program 2013,” an environmental action program commenced in fiscal 2011, aims to bring us closer to targets under the “Vision 2020” medium- to long-term environmental vision. The program’s top-priority themes are realizing more efficient energy usage and helping retard global warming. By FY2013, the total CO<sub>2</sub> emissions of the Group are to be reduced by 17% from FY2005. At the same time, we have also set a priority target of raising the contribution to CO<sub>2</sub> emissions reduction made by housing and other structures constructed by the Group to six times or more the actual volume of CO<sub>2</sub> emissions from the Group’s business operations.

In line with this, at the Daiwa House Group, we are pioneering the reduction of CO<sub>2</sub> emissions across the Group’s business operations, as well as developing and popularizing eco-friendly products. In fiscal 2011 we launched the SMA×Eco ORIGINAL house, the industry’s first model fitted with lithium ion storage batteries controlled by a home energy management system (HEMS). In Sakai City, Osaka Prefecture, we have begun development of a “net zero energy town” with net CO<sub>2</sub> emissions of zero.



\*1 Backcasting: Backcasting is a method of setting goals by first defining a desirable future, and then working backward to identify the measures necessary to realize such a future.

## Environmental Management Policies

### Increasing sales of eco-friendly products by strengthening CO<sub>2</sub> savings proposals

— Turning the environment into the driving force behind business expansion —

### Establishing leading environment-friendly brand by realizing examples of CO<sub>2</sub> savings

— Early realization of ZEH & ZEB\*<sup>2</sup> —

\*<sup>2</sup> ZEHs (net zero energy houses) and ZEBs (net zero energy buildings; they produce at least as much energy as they consume) net energy consumption is thus zero.

Basic policies	Priority strategies
Seek further global warming countermeasures	Develop energy conservation programs based on Groupwide energy management system Expand handling of eco-friendly products across all business segments
Pursue measures to protect biodiversity	Propose communities created by people and nature Utilize natural resources with consideration for ecosystems
Conduct technological development for realization of ZEH & ZEB	Combine energy conservation, new energy sources, and energy storage technologies Develop new eco-friendly products in the construction field
Engage in effective communication with stakeholders	Employ communication strategies that involve stakeholders in the Group’s activities Raise the level of environmental awareness among all directors and employees and practice environmental action



The Premist Inage-Kaigan eco-friendly condominium



Eco-friendly office: Frame-type "green curtains" fitted to the south side of our Aichi-Kita branch office

## Combating global warming through our products

The private sector — homes, shops, offices, etc. — accounts for a sharply growing percentage of total energy consumption in Japan, and there is a pressing need for the development of eco-friendly single-family houses and condominiums. In February 2012 we began selling residential units at the Premist Inage-Kaigan (Mihama Ward, Chiba), the first condominium to incorporate our system combining new energy sources with energy conservation measures. In this condominium, the cost of supply of utilities — electricity, gas, and water — is held down through the use of Japan's first\*<sup>3</sup> comprehensive energy management service, realizing lower energy bills. The condominium features a system combining photovoltaic power generation and gas cogeneration, enabling partial electric power self-sufficiency

together with energy conservation. We have also developed a "smart office" incorporating the latest environmental technology, and are conducting practical tests by employing it as one of our actual offices. At our Aichi-Kita branch office, constructed in December 2011, as interior lighting we have installed LEDs with light guide plates, thereby achieving a 54.7% reduction in CO<sub>2</sub> emissions compared with an office building constructed to 1990 specifications. Meanwhile, Group member Daiwa Lease has begun leasing "frame-type wall greening systems."

\*<sup>3</sup> Based on Tokyo Gas Co, Ltd. study  
(for existing and newly built condominiums as of Dec. 2010)

## Helping preserve biodiversity through products and services

In October 2010 the Group drew up its Biodiversity Declaration, in which we pledged to work toward a society where people and nature could live together in harmony. We also formulated the basic principles and behavior guidelines. Based on the biodiversity guidelines covering product development and urban development, we propose communities created by people and nature.

### Basic Principles

As a member of global society, the Daiwa House Group recognizes that a healthy natural environment characterized by a high level of biodiversity is a blessing for mankind. We therefore pledge to take ecological considerations carefully into account in all our business operations, with the goal of helping to create a society capable of sustainable development, where people and nature can live together in harmony.

### Behavioral Guidelines

1. Pursue business operations that enable people and nature to live together in harmony
2. Propose communities created by people and nature
3. Use natural resources carefully, mindful of the impact on the ecosystem
4. Contribute to biodiversity through research and development
5. Communicate and collaborate with our stakeholders

### Specific Biodiversity Guidelines

#### Development & community creation

1. Ascertain the potential of the natural environment
2. Preserve and plant greenery
3. Be careful to preserve sufficient natural environment as a habitat for small animals
4. Take care to create a connected network of habitable environments for the ecosystem
5. Take steps to minimize the environmental impact of construction work
6. Pay adequate consideration to ecological maintenance and management

#### Procurement of wooden materials

Wooden materials in the following categories may be procured:

1. Certified forest timber  
(timber certified by an independent third-party institution)
2. Recycled wooden materials  
(materials recycled from construction-site waste)
3. Wooden materials recommended by the Company  
(wood from sources other than 1. and 2. above that is deemed to reach acceptable levels of legality and sustainability)

## Priority environmental activity themes, and principal measures taken

### Countermeasures against global warming

At the Daiwa House Group, we have committed ourselves to reducing CO<sub>2</sub> emissions by more than the amount of CO<sub>2</sub> emitted as a result of our business operations. As a gauge, we have devised the "CO<sub>2</sub> Reduction Indicator"<sup>\*4</sup>.

In fiscal 2011, both CO<sub>2</sub> emissions from the Group's business processes and the contribution to reduction in CO<sub>2</sub> emissions made by our products and services exceeded our target levels, and thus the CO<sub>2</sub> Reduction Indicator recorded a sharp improvement over the previous year, at 5.3 times. This result is attributable to energy conservation and power-saving efforts at offices, shopping centers, and other facilities, as well as growth in the installation and operation of housing equipment that reduces CO<sub>2</sub> emissions.

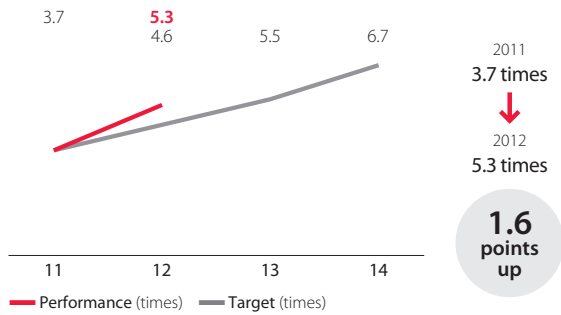
<sup>\*4</sup> Contribution (volume) made by products and services to reduction of CO<sub>2</sub> emissions ÷ CO<sub>2</sub> emissions volume from business processes

### Protection of resources

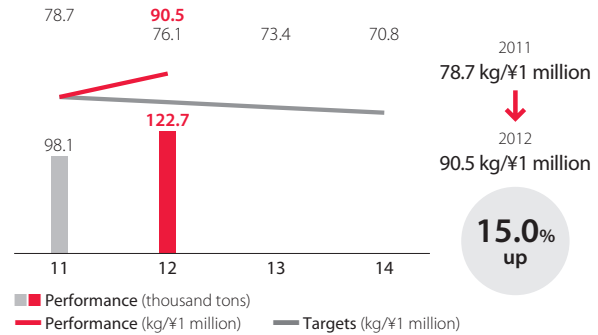
To reduce the environmental load from the disposal of industrial waste and make the most effective use of limited natural resources, the Group is promoting the 3Rs, Reduce, Reuse, and Recycle, as our way of helping realize a more sustainable society.

In fiscal 2011, to reduce the volume of waste generated from construction work, we promoted the increased use of pre-cut plasterboard and roof tiles at our building sites for both houses and buildings. At our materials manufacturing plants we took steps to raise production yield rates, as well as to find applications for left-over materials such as wood chips and exterior wall materials. Despite these efforts, the volume of waste from construction work rose by 15% over the previous year, due to the construction of temporary housing following the earthquake and tsunami on March 11.

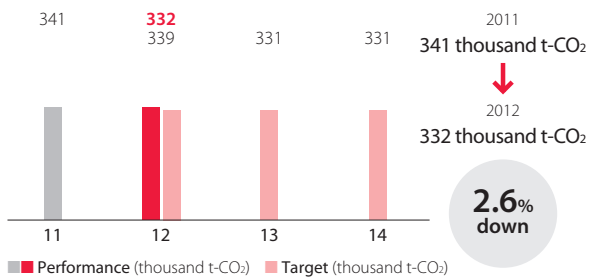
CO<sub>2</sub> Reduction Indicator<sup>\*4</sup>



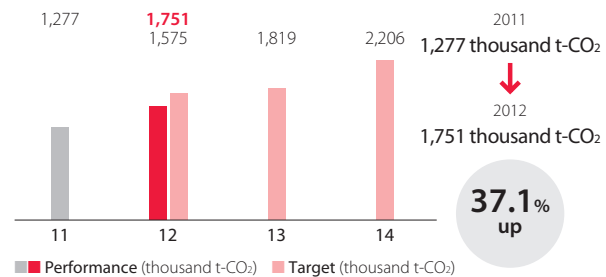
Volume of waste from construction work — total volume, and amount per ¥1 million in sales



CO<sub>2</sub> emissions from business operations



CO<sub>2</sub> savings from delivery of products & services



### Preventing pollution by harmful chemical substances

We are taking steps to reduce our use of harmful chemical substances and to either adopt alternatives or to manage their use carefully to avoid accidents. With the aim of reducing the amount of harmful substances contained in the paints and adhesives employed in the production of materials for home building and other construction, we are putting a high priority on cutting down highly toxic substances such as VOCs (volatile organic compounds) and heavy metals.

In fiscal 2011 we made progress in the use of alternative substances for spray-painting stairways, and reduced the emission and movement volume of such substances. At Daiwa Lease, however, demand rose for building materials for use in post-disaster reconstruction, and thus the volume of paints and similar substances used registered an increase. As a result, the volume of harmful substances listed in the PRTR\*5 used by the Group in fiscal 2011 increased 20.7% over the previous year.

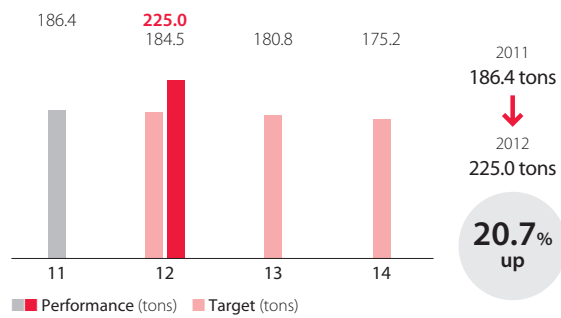
\*5 PRTR is the abbreviation of Pollutant Release and Transfer Register. Under this system, companies are required to report to the authorities once each year on the environmental release and transfer of harmful chemical substances. The authorities collate and publish this information.

### Harmonizing our activities with the natural environment

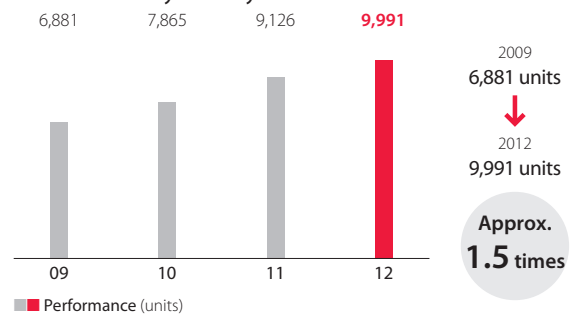
The Daiwa House Group has drawn up a Biodiversity Declaration and commenced comprehensive measures to preserve the biological diversity of ecosystems. From here onward, in the process of procurement of natural resources by the Group for use in urban development or the construction of homes, we will take great care to protect ecosystems and help maintain biodiversity needed by such ecosystems. In this way, we believe, we will also contribute to the sustainability of human societies.

In fiscal 2011, thanks to our efforts to acquire certifications of environmental friendliness for products in our single-family house subdivision development and condominium businesses, the number of housing units certified as environmentally friendly came to 865. With this, Daiwa House took first place in the Japanese home building industry (in all housing categories) for the fifth consecutive year. For fiscal 2011, the Company's Product Development Division recorded a 92.4% rate of conformity with our voluntary biodiversity standards, while the Urban Development Division recorded a rate of 61.9%. Both figures were on target.

PRTR environment release and transfer figures

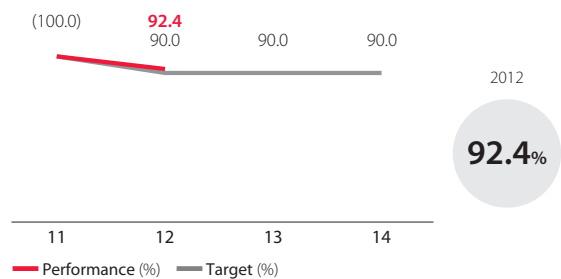


Cumulative number of housing units certified as environmentally friendly

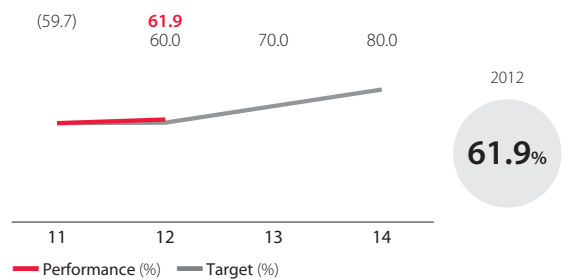


Rates of conformity with voluntary biodiversity standards\*6

Product Development



Urban Development



\*6 The figures in brackets are results of sample surveys.



