



*Creating Dreams, Building Hearts*



Our founder, Nobuo Ishibashi (1921-2003)

Everything started with this

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Don't do things because they will make a profit,  
but because they will be of service to society.

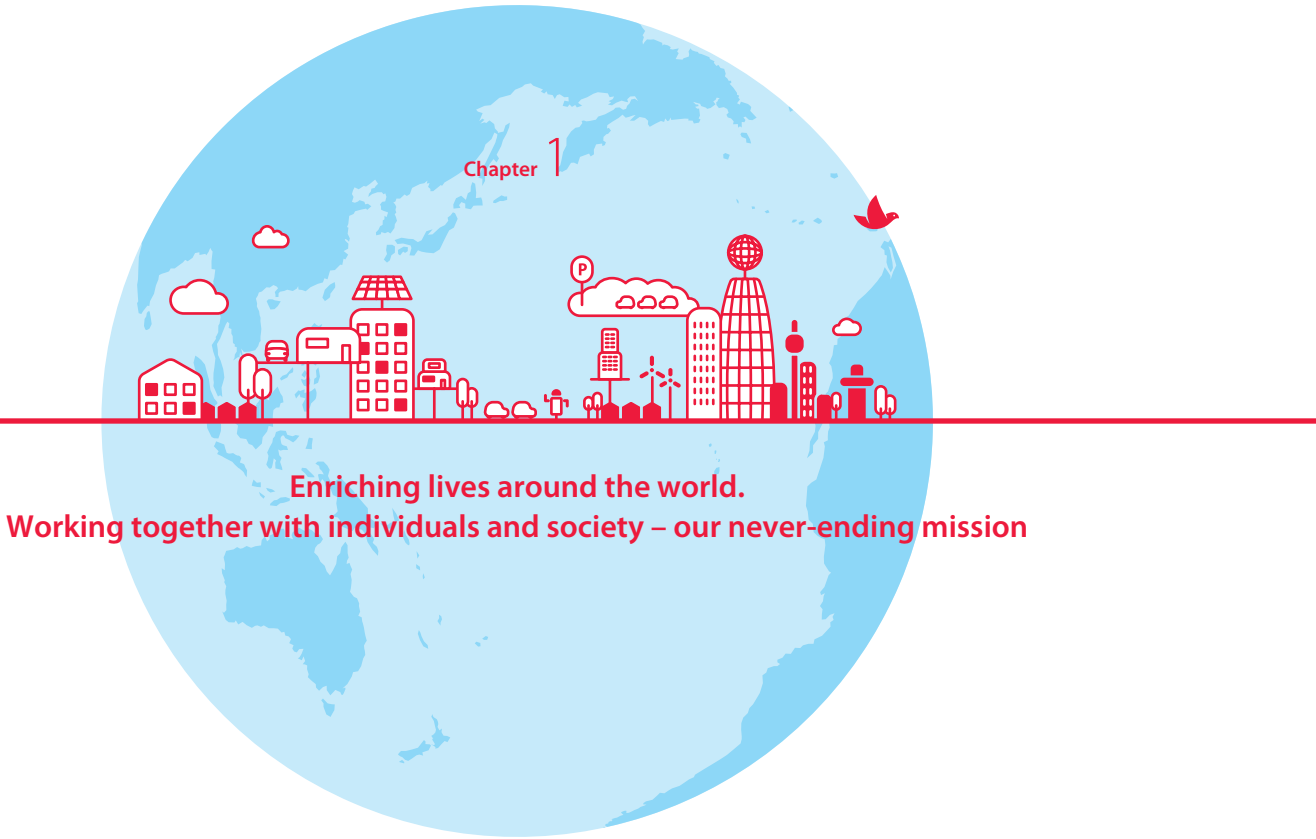
"Don't start off from the thought: 'What can I do that will make a profit?'  
A company is a public organ of society,  
and we must ask ourselves what kind of product –  
or what kind of business –  
will be of use to the world around us and make people happy."

The above is what Nobuo Ishibashi, the founder of Daiwa House Industry, often used to say to the Company's employees.  
This is the concept from which the Daiwa House Group started.

Management vision

Connecting Hearts

The Daiwa House Group aims to create, use and enhance new value together with its customers as a group that co-creates value for individuals, communities and people’s lifestyles. In doing so, we hope to realize a society in which people can live fulfilling lives. We cherish our ties with each and every customer, and strive to build life-long trust as a partner in experiencing the joys of a lifetime.



Editorial policy

The Daiwa House Group works together with its customers to help them realize fulfilling lifestyles, designs and constructs eco-friendly homes, and offers new value to the community in each succeeding generation. In keeping with our motto – “a group that co-creates value for individuals, communities, and people’s lifestyles” – we have always progressed together with our customers and society as a whole.

To enable our stakeholders – particularly our shareholders and investors – to fully understand our corporate philosophy, with effect from this year we have decided to publish this Integrated Report. The report is a comprehensive compilation comprising financial information on such matters as our business and financial strategies, and non-financial information including the views of the management on the Group’s primary corporate value (the brand value of the “Endless Heart”).

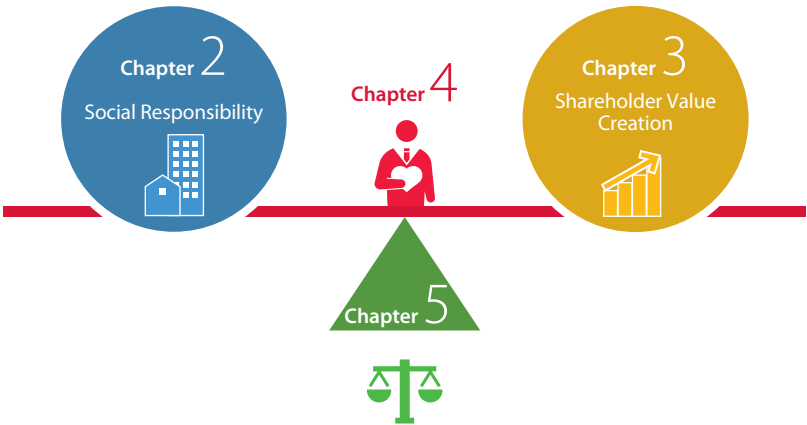
The Daiwa House Group aims to achieve sustained growth and enhanced corporate value over the medium to long term. I hope that this report will be instrumental in explaining the Group’s business stance.

The report provides information on the Daiwa House Group overall (142 consolidated subsidiaries and 25 equity method affiliated companies as of March 31, 2016), with a focus on Daiwa House Industry Co., Ltd.

Notice regarding financial data (numerical data in graph form or otherwise)  
Amounts less than one unit are omitted in this report.

Forward-looking statements  
This Integrated Report contains future estimates, targets, plans and strategies of the Daiwa House Group. These are based on judgments employing information available at the time of writing. For various reasons, actual results may differ substantially from these estimates.

Measures to create sustainable corporate value of the Daiwa House Group



Chapter 1	The Story of Value Creation – The Daiwa House Group’s mission and corporate DNA; the story of how Daiwa House has continually tackled social issues from its very foundation up to the present day, and our determination to continue this mission into the future
Chapter 2	Social Responsibility – Describing the Group’s business developments of a wide range of business sectors in which we harness proactive innovation to cultivate new fields where we can meet the needs of society
Chapter 3	Shareholder Value Creation – Fulfilling our role as a publicly listed company by generating economic value that consistently exceeds the medium- to long-term cost of capital
Chapter 4	Enhancing the Value of the Endless Heart – strengthening our primary corporate value by creating assets that give birth to innovation and constructing excellent relationships with all our stakeholders
Chapter 5	Management Structure – The trustworthy and transparent management structure necessary to realize social responsibility and shareholder value creation at a high level

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## Enriching lives around the world – our never-ending mission

Daiwa House Industry was founded in 1955 with the mission of undertaking the industrialization of construction. Since that start, the Company has grown into a corporate group encompassing 172 enterprises (as of March 31, 2016). At the Daiwa House Group, we have developed a wide variety of businesses that are intimately entwined with people's daily lives, and we always strive to live up to our motto of being "a group that co-creates value for individuals, communities, and people's lifestyles."

The wide variety of businesses that we now operate came into being thanks to the unwavering conviction of Nobuo Ishibashi, our founder, that we should think not about what will be profitable, but about what will be of service to society – what will make people happy. The Pipe House, our very first product, owes its origins to Mr. Ishibashi's observations of the heavy damage wreaked by a major typhoon on many of the wooden houses of Japan just after the end of the war. This came amid a severe shortage of timber, and he hit upon the original idea of building safer homes by using steel pipes for the structural framework. This idea became the foundation stone of the "industrialization of construction." A little later, against the background of an increase in the size of families amid the postwar baby boom, Mr. Ishibashi was talking to a group of children who were still playing outdoors even after dark, because their homes were so cramped they had no space for themselves. This gave him the idea for the Midget House – a children's study room that could be erected in only three hours. These two products led soon afterwards to the full-scale development of prefabricated housing. The ideas for the new value we offer came from talking to ordinary people. Because we have continued to follow our founder's advice to think outside the box and constantly ask ourselves what kind of products or services would be of service to the world in general, we have succeeded in building the wide range of businesses now operated by the Daiwa House Group.

What has made it possible to create such products and services that meet the needs of society is, above all, our staff. No company can grow and prosper without putting great effort into human resources development. The corporate creed of Daiwa House – "the cultivation of people through our businesses" – encapsulates our belief in the importance of qualified and well-trained staff. They are our greatest business resource, and they alone can perpetuate the "corporate DNA" handed down to us by our founder.

Mr. Ishibashi was determined to create a company that society would continue to regard as important and valuable for as long as it existed. In line with this, he also passed on to us his dream of reaching the major milestone of ¥10 trillion in annual sales by the year 2055 – the 100th anniversary of the founding of Daiwa House Industry. We have now passed the 60-year milestone, and our Group's annual sales have grown to ¥3 trillion, but the ¥10 trillion target remains a distant dream. Nevertheless, as we watch society and our operating environment change, I believe we can, indeed, reach that difficult goal. But to do so, we must continue to help improve the day-to-day life of every member of society, and must look beyond the immediate horizons in planning our business activities. All our management and staff must focus their efforts on addressing the various issues faced by society, so that the Group's corporate value can continue to grow.

We depend on the support of all our stakeholders, particularly our shareholders, and I would like to take this opportunity to express our deepest gratitude to you all for your unflagging support and encouragement. Going forward, you can rest assured that we will continue to aim for the Group's long-term growth and development, so as to fulfill our fiduciary responsibilities and be worthy of your trust.

Takeo Higuchi, Chairman and CEO

*Takeo Higuchi*





## Working together with individuals and society – our never-ending mission

The Daiwa House Group began life as a single construction company, and subsequently grew into a major corporate enterprise that it is today through our hard work and innovation in the housing field. Our corporate philosophy is and always has been to work together with society as a whole – and with the individual members of society – to become a group that people can rely on despite the changes each passing generation brings. Our business activities do not end when we have built a home or a facility and handed it over. The true worth of our operations lies in the after-sales services that we provide, as well as the long-term relationships we have built up with our customers. These services are driven by a vast fund of expertise acquired during our many years of experience in the housing business, which is the source and origin of our whole corporate culture. This fundamental business approach, which we have pursued ever since the founding of Daiwa House, has served as the driving force behind the steady growth of each of our many and varied businesses, and I believe it will continue to fuel the further growth of the Group in the years to come.

The world around us is changing constantly, and if we are to continue to be a sustainable enterprise, we must respond flexibly to these changes. Thus, we always attempt to project future developments and create new business models and schemes

– including the proposal of solutions to customers' logistics facility issues, and real estate securitization businesses that take all scenarios into account, right up to an exit strategy. We have also been developing Plus 1 and Plus 2 Businesses such as in the environment and energy field and expect these ventures to grow into new core businesses, generating new value for society in the coming generations.

At the Daiwa House Group, we adopt a stance of openness and sincerity in our relationship with society as a whole, and we therefore position corporate governance as a top-priority management issue. Going forward, we will continue to value our dialogue with our shareholders, and will do our best to raise our reputation for trustworthiness and transparency so as to continually enhance our corporate value and thereby provide new shareholder value.

Our Group symbol – the Endless Heart – is a visual embodiment of our determination to always work together with society as a whole and with its individual members, and a representation of the trust in which the Group is held by society. I hope that from here onward we will expand the circle of value-creation from Japan to the entire globe, and I look forward to receiving further support and encouragement from all our stakeholders, and in particular from our shareholders and investors.

Naotake Ono, President and COO

*Naotake Ono*



Creating Sustainable Corporate Value

The Daiwa House Group, in order to apply the right level of financial leverage to the funds we receive from our shareholders, invests those funds into growth investments such as real estate development, overseas businesses, M&As, research and development or production facilities, in order to maximize corporate value from a medium- and long-term view. Our business investments form a portfolio of businesses with differing life cycles, by promoting

core businesses, diversifying and creating new businesses, based on decision-making criteria founded on capital efficiency and risk verification. By providing products and services of a high value needed by society, and with a high level of affinity with the natural environment and local communities, we hope to help realize a society where people can live fulfilling lives. As a result of these business activities, we have secured a stable sales cash

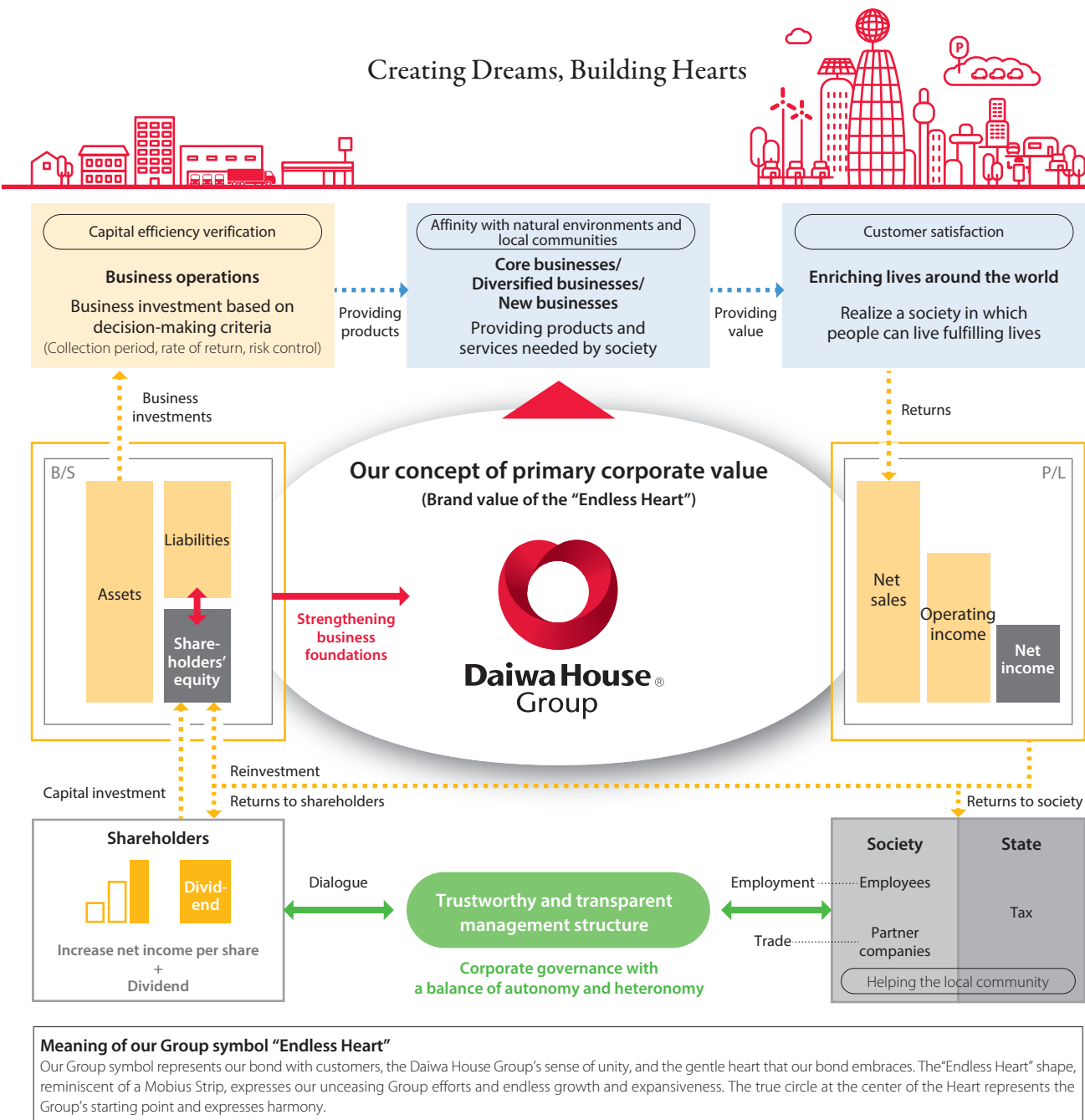
flow, to provide returns to society and to our shareholders, and to reallocate to resources for providing new value.

To ensure the sustainability and correctness of these operations, we have formed corporate governance with a balance of autonomy and heteronomy while engaging in initiatives with our assets to stimulate innovation from a medium- and long-term point of view, and are carefully building up good, smooth relations with

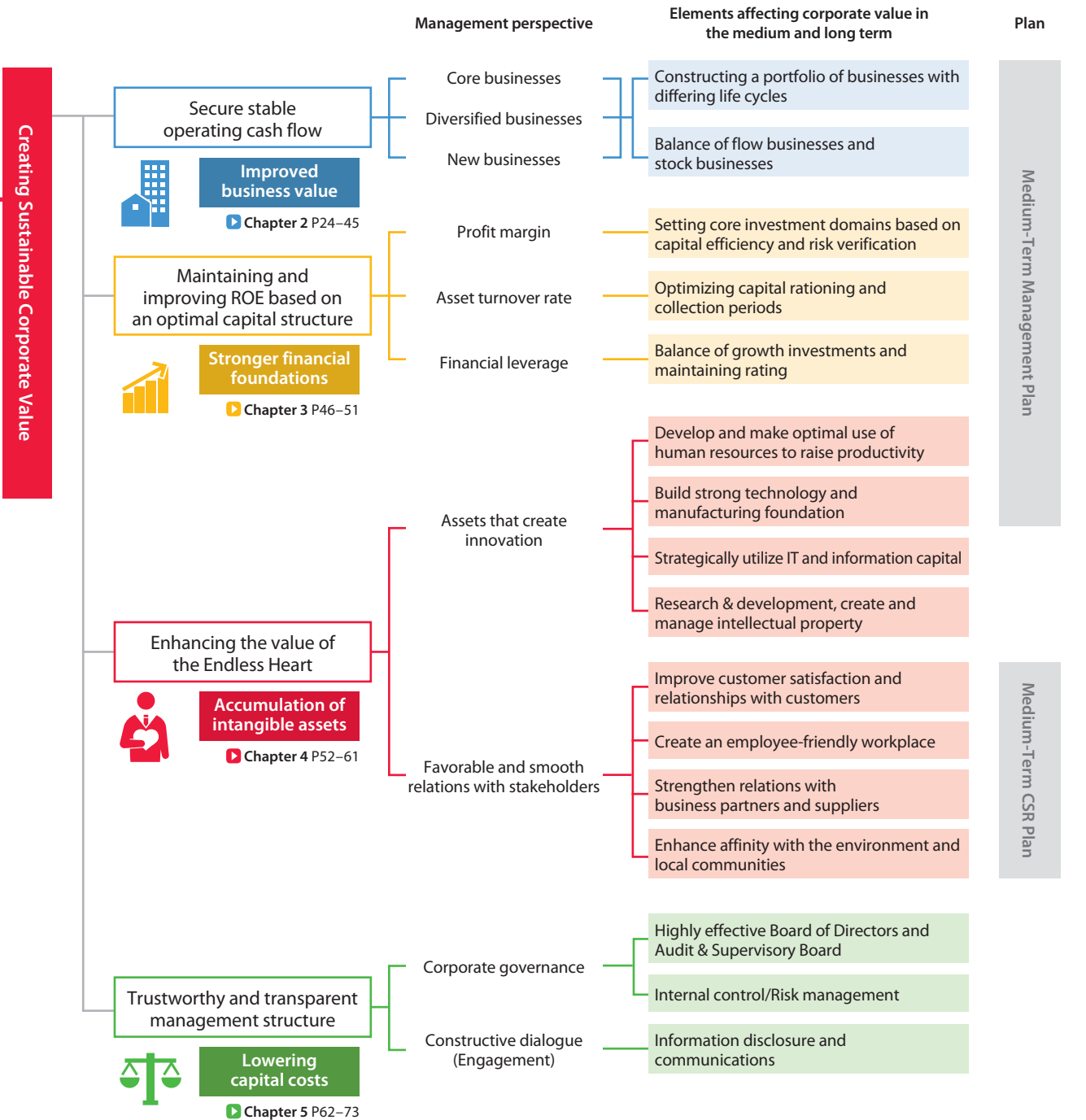
our stakeholders. Through this, we strive to improve our concept of primary corporate value (the brand value of the “Endless Heart”) to generate cash flow.

Through the ever-changing business environment, our aim is the sustained improvement of our corporate value, through the correct allocation of resources to meet each situation.

Resource allocation and flow



Principal management items



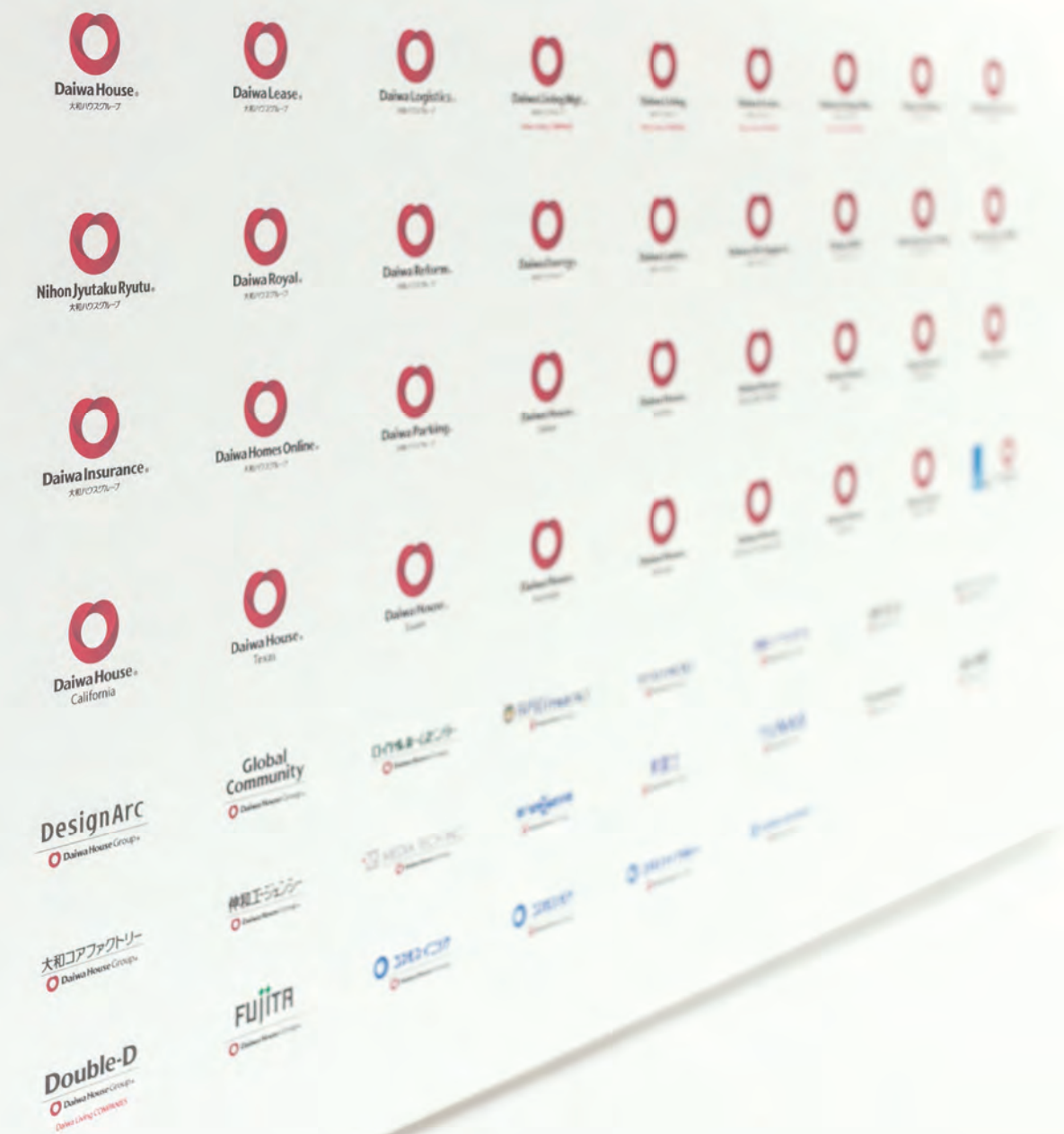




# Creating Dreams, Building Hearts

The Daiwa House Group symbol – the Endless Heart – represents our vision of building endless emotional connections with each and every one of our customers, as well as the solidarity of the Daiwa House Group.

As a group that co-creates value for individuals, communities, and people's lifestyles, we are working to create new value for society.



## The Story of the Daiwa House Group's Value Creation



What! Daiwa House built all this?

That's right. Everything you see is by Daiwa House.

In line with its motto "a group that co-creates value for individuals, communities, and people's lifestyles," Daiwa House operates in a wide variety of business areas.

These include businesses in the three broad fields of Housing (single-family houses, rental housing, condominiums, renovation, and more), Business (commercial facilities, logistics facilities, medical and nursing care facilities, real estate development, environment and energy, and others), and Life (resort hotels, home centers, fitness clubs, etc.).

Daiwa House creates new value for society through its activities in these three business fields, which go far beyond the Company's original categorization as a builder of single-family houses.



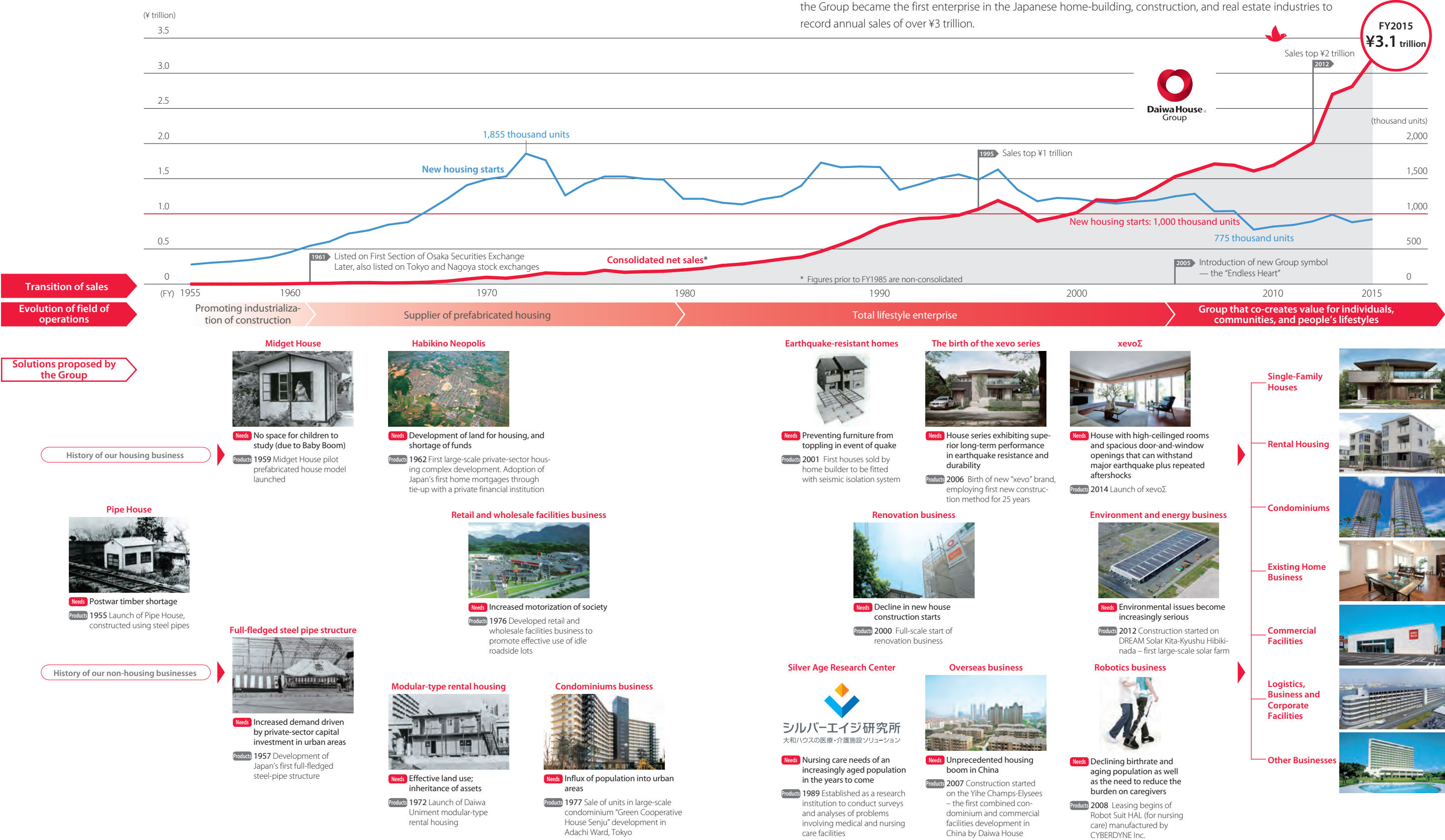


What sort of things does the Daiwa House Group do?

We are called the “Daiwa House Group,” but we don’t just build houses.  
We operate businesses in a wide range of areas, continually seeking to create new products and services that meet the changing needs of the times.

The history of the Daiwa House Group is one of overturning conventional wisdom through innovation that creates a “new normal.” As one generation has given way to the next, we have continued to anticipate the changing social and business environment, and to exhibit mental flexibility in creating a wide variety of new products and services, as well as developing new methods and systems.

Our very first product – the Pipe House – is a good example. Amid a severe shortage of homes and housing materials just after the end of the war, rather than rely on Japan's depleted timber resources, we hit on the idea of building houses with structural frameworks made of steel pipes. The pipes could be pre-processed at a factory and then simply assembled on site. This was the first realization of the “industrialization of construction,” and caused a revolution in the Japanese construction industry. Thereafter, the flexible thinking of Daiwa House staff led to the creation of a large number of products and services that were the first of their kind in Japan. Finally, in fiscal 2015 the Group became the first enterprise in the Japanese home-building, construction, and real estate industries to record annual sales of over ¥3 trillion.



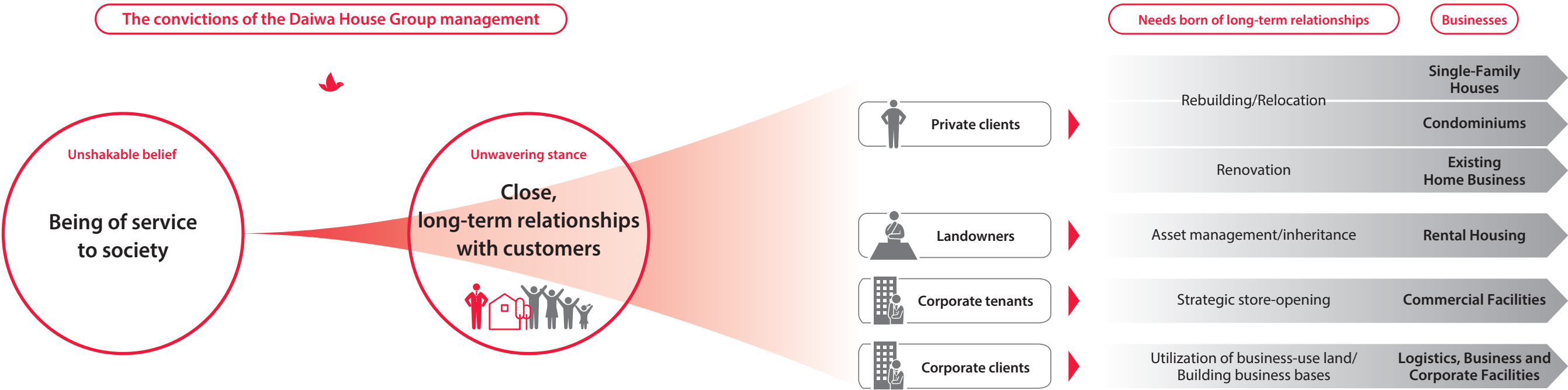
What convictions underlie the expansion of the Group's business operations?

It is our unshakable belief that we should be of service to society. In keeping with this, we do our utmost to improve people's daily lives and provide continuous, lifelong support for our customers.

At first sight, there seems to be no connection between any one of our businesses and the others. In fact, they all have two things in common. The first is that they are all based on the unshakable conviction that we should engage in certain businesses not because they will be profitable, but because they will be of service to society. The second point in common is that our basic mission of working to improve people's daily lives and provide our customers with continuous, lifelong support – which we initially developed in our housing business – has similarly become the core of *all* our businesses. A home is the most expensive purchase the average person will make in his or her lifetime, and for many of our customers it is a “dream” they have been looking forward to for many years. Our job is to help them make this dream come true, and to do this we form close relationships with our customers and exert our full efforts to be of service to them. The basic business stance of Daiwa House – to precisely meet the unique needs of each customer – manifests itself in our reputation for trustworthiness: this is the bedrock of all our operations and the ultimate driving force behind our business growth.

“Whatever issue you have related to daily life, Daiwa House will propose a solution.”

The aspiration to permanently remain indispensable to our customers lies at the core of all our business activities.



The Daiwa House Group – ever-closer relationships with our customers

Organization and human resources – the power behind the Daiwa House Group

Above all else, we place priority on a hands-on management approach, focusing on what is actually happening at the “front line” of our operations. The leading item in our corporate creed is “the cultivation of people through our businesses.” In line with this, since the founding of Daiwa House it has been our firm belief that the only truly correct way to perform our jobs is to personally examine the actual products on the factory floor or at the building site, and thereby confirm the reality of the situation with our own eyes. We are convinced that the best way to nurture the human resources we need is to have our staff persistently address issues until they find a solution.

Turning to the form of corporate organization best suited to nurturing such human resources, while pursuing the unique business value of each of our businesses, we delegate authority appropriately to the heads of our branches, and have adopted a system of management for each place of business that abolishes barriers between different business divisions. We practice management that is deeply rooted in each community where we operate, and is capable of swift decision-making.

By means of the practical, on-site training we give our employees, and through the combined use of various training systems – including educational texts that ensure that our staff understand the values for which the Group stands, and that the spirit of our founder is passed on to them, as well as our Daiwa House Juku management staff training school – we are able to produce staff who can drive our business operations in the right direction.

Educational texts which ensure that the spirit of our founder is passed on

**わが社の行き方**  
大塚建設グループの未来を語る  
大塚 誠

The Future of the Daiwa House Group  
Author: Nobuo Ishibashi

**創業精神の継承**  
大塚建設グループの創業精神  
大塚 誠

Passing on the Spirit of Our Founder  
Author: Takeo Higuchi

Staff training system includes separate courses for all promotion levels and job categories

The Daiwa House Juku, a training course aimed at discovering and nurturing future senior management staff



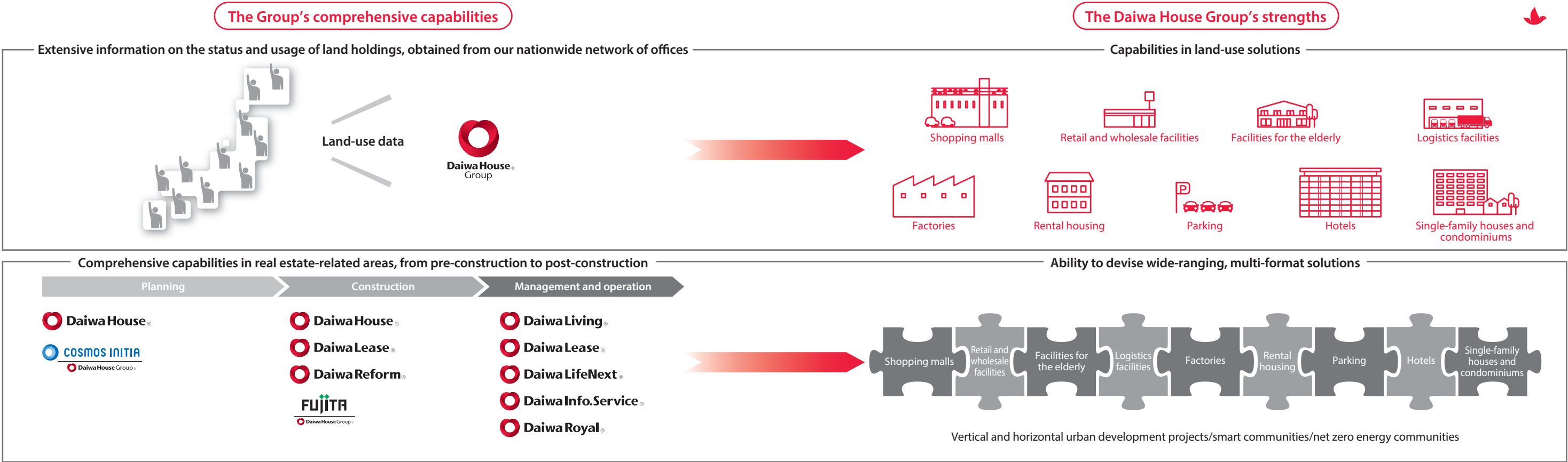
What are the strengths that lie behind the continued growth of the Daiwa House Group?

An extensive database on land usage in Japan, and the ability to propose a diverse range of complex solutions. This is made possible by the Group's comprehensive capabilities.

The Daiwa House Group has cultivated its strengths through the expansion of its business operations.

The Group's greatest competitive advantage is its extensive database on land ownership and usage in Japan, and the ability to propose effective solutions to customers' issues based on that information. Daiwa House brings together landowners who want to put their holdings to effective use, and prospective tenants corporations that are looking to build retail outlets, offices, or logistics facilities as part of their business expansion plans. This business model allows us to find optimum solutions to all our customers' needs, and it functions effectively because of the wide web of relationships based on trust that the Daiwa House Group has built up through the day-to-day efforts of its marketing staff, who are based at offices located all over Japan.

Another important strength possessed by the Group is its ability to propose "composite" solutions that cut across traditional business-sector boundaries. In addition to our core business fields of home building and non-residential construction under contract, we also operate a wide range of businesses covering pre-construction and post-construction activities such as in-house real estate development and the management of completed facilities. We make maximum use of our comprehensive capabilities in projects such as energy self-sufficient "smart" communities, "horizontal" urban development (single-family houses and other low-rise structures with a low population density) and "vertical" urban development (multi-unit dwellings, which have a high population density, plus commercial and other facilities), to make the sort of complex, multi-level proposals that are possible only for the Daiwa House Group, thanks to its nature as an organization operating in many different sectors.



The Daiwa House Group – ever-closer relationships with our customers

The Daiwa House Group – focusing comprehensive strength to create new communities

An overcrowded residential area in the Makishi-Asato district of Naha City, Okinawa Prefecture was confronted with a number of thorny problems. Many of the houses were becoming dilapidated, and the residents faced great difficulties in independently pursuing rebuilding plans. Meanwhile, the adjoining commercial area was going downhill, and the Asato River, which runs through the district, had many times burst its banks after heavy rains.

The Daiwa House Group, whose staff possess considerable expertise in civil engineering works, embarked on a project to redevelop the whole community while simultaneously conducting flood-prevention work on the Asato River. This was the first instance in Japan of flood-control work being undertaken as part of an urban redevelopment scheme rather than as a separate public works project.

The Daiwa House Group was able to undertake an entire urban development project independently, thanks to its ability to offer a package comprising the construction of condominiums, hotels, and commercial facilities, as well as flood-control work. The Group's proposal had the additional attraction of being designed to precisely meet the needs of the local landowners and promise the most effective use of the land involved. This is the kind of composite development project that only the Daiwa House Group is capable of implementing in Japan.



Saion Square, Naha, Okinawa

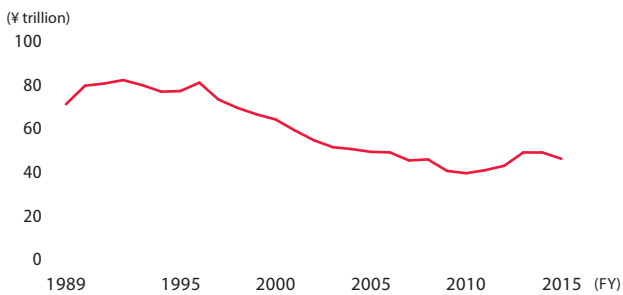
What is your future vision of the Daiwa House Group?

Our vision is of a corporate entity that continues to address new issues thrown up by social change.

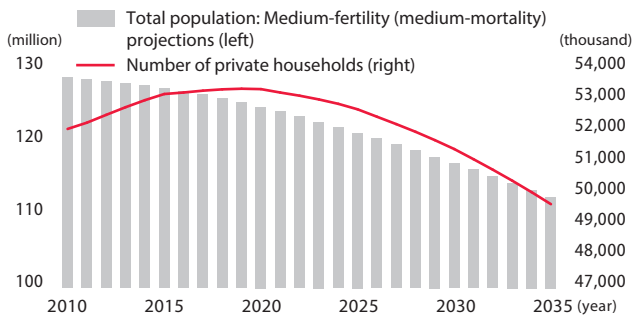
Not all the factors comprising the Daiwa House Group's operating environment are positive. The decline in Japan's population has already begun, and this means that we will also soon see a decrease in the number of households, which have shown constant growth up to now. Investment in construction, including non-residential construction, has already fallen to around 60% of its peak, and it is difficult to imagine any future expansion beyond the current level. It is also feared that the next increase in the consumption tax rate – scheduled for 2019 – may cause a downturn in consumer confidence and negatively impact the economy.

The operating environment of the Daiwa House Group

Estimate of Construction Investment\*1



Trends in total population and number of private households in Japan\*2



Further growth by the Daiwa House Group

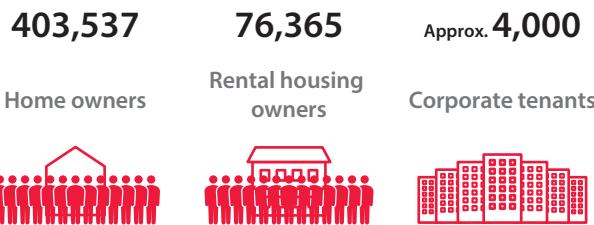
2016

Exploring business opportunities in the

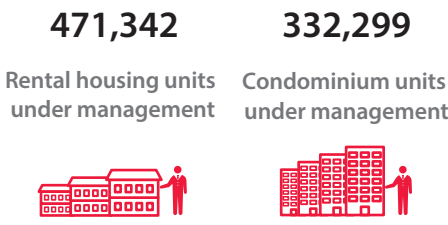


Creating new businesses by leveraging our existing customer base and gaining new customers

Daiwa House Group customer base



(as of March 31, 2016)



(as of March 31, 2016)



(aggregate figures as of March 31, 2016)

Applying experience and know-how gained in Japan to the global market  
fields for individuals, communities, and people's lifestyles

Enriching lives around the world.  
Working together with individuals and society – our never-ending mission

\*1 Source: "Estimate of Construction Investment (Released on October 2, 2015)," Ministry of Land, Infrastructure, Transport and Tourism  
\*2 Source: "Population Projections for Japan (January 2012 estimate)," National Institute of Population and Social Security Research  
\*3 Includes projects at the planning stage



The Daiwa House Group – ever-closer relationships with our customers



**Leveraging our customer base to create new businesses:**  
**From support for store openings to a joint logistics infrastructure project**

To help landowners effectively utilize their assets, at the Daiwa House Group we operate our LOC (Land-Owner-Company) System, in which we find companies seeking suitable locations for their retail and wholesale outlets, and then undertake the construction of such properties. Thanks to this system, we have built firm, long-term bonds of trust with a number of retailers and wholesalers. These include Fast Retailing Co., Ltd. (which operates the well-known UNIQLO and GU chains), for whom we have supported the development of approximately 600 outlets.

In September 2013 we recommended to Fast Retailing a plot of land that we had newly acquired in Ariake, Tokyo. After receiving the go-ahead from them, we constructed a dedicated logistics facility for them, which was completed in 2016. This facility currently serves as a logistics hub for the Tokyo area, enabling faster goods distribution and cost cutting. In this way, we are supporting Fast Retailing's efforts to develop new logistics mechanisms to meet its diverse needs.

Going forward, we will continue to collaborate with Fast Retailing in jointly creating a new logistics infrastructure, and we also look forward to active developments in this direction in overseas markets.



**Expanding business opportunities in our Asu Fukaketsuno fields:**  
**A floating solar power plant – one of the few examples in the world of a photovoltaic power generation facility utilizing the surface of a body of water**

The Group has been pursuing the renewable energy business, focusing on the effective utilization of wind power, solar power, and hydropower. In August 2015 we completed installation of the DREAM Solar Float No.1 @Kohnoyama, a floating solar power plant, at the Hojiike reservoir in Kishiwada City, Osaka Prefecture. This is one of the few examples in the world thus far of a photovoltaic power generation facility that utilizes the surface of a body of water. We have signed a contract with the city to maintain and operate this facility for a 20-year period.

A portion of the income derived from the retail sales of the power generated is being plowed back into the reservoir's operating costs, such as the power fees for operation of pumps. The use of this solar farm format is helping protect the local agriculture-use environment, including watercourses and farm roads.

This project has come to fruition thanks to the concerted efforts of the government, the local community, and the Daiwa House Group to meet the needs of the coming generations by building the infrastructure of a society that makes extensive use of renewable energy, while at the same time helping preserve the local farming environment. In the future, too, we aim to devise a wide variety of projects, employing diverse technologies and leveraging the Group's ability to offer a start-to-finish service from construction through to operation and maintenance, to grow our renewable energy generation business.



**Deploying experience and know-how acquired in the Japanese market on the global stage:**  
**Group's rental housing business gets into full swing in the United States**

In 2014 we teamed up with Lincoln Property Company, which holds the No.2 position in the United States in the number of rental housing units under management, and commenced the full-scale operation of a U.S. rental housing business jointly with Lincoln Property via our local subsidiary Daiwa House Texas.

Our first project in this business was the Berkeley Project, involving 716 housing units on a 100,000 square-meter site. Daiwa House Texas not only purchased this rental housing property from Lincoln Property, but also embarked on other development work on an adjacent site. The subsidiary has since been acquiring land for real estate development purposes from the American company, on which it has been building further rental housing properties.

At the Daiwa House Group, we plan eventually to extend our rental housing operations to the entire United States. To this end, in addition to the know-how we have built up and the technologies we have developed over our many years of experience in the Japanese rental housing and condominium markets, we are also taking steps to acquire know-how directly related to the U.S. rental housing market, via an asset management company established in November 2013. And to fully develop the U.S. market into a new earnings driver, we also plan to set up businesses handling logistics facilities and housing subdivision operations.



2

Social Responsibility



Naotake Ono  
President and COO

Preparing for future changes in the Group's operating environment, and building a platform to achieve ¥4 trillion in net sales and further growth

## Social Responsibility Business Strategy

### Our future vision, and the road map to that goal

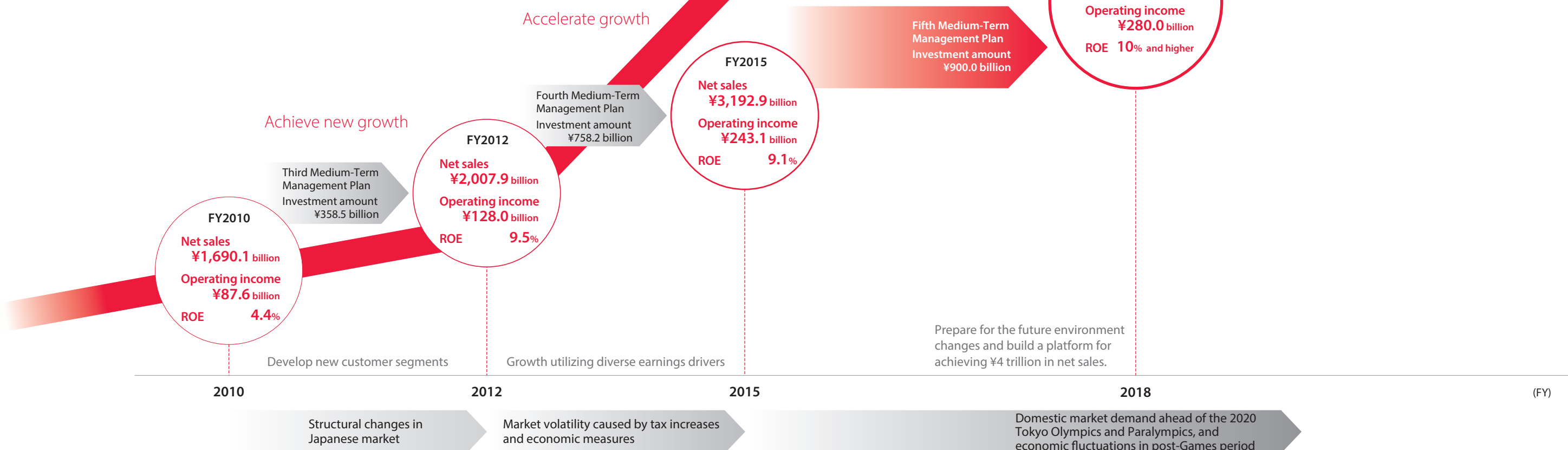
To make the Daiwa House Group into the kind of corporate group we want it to be, the first requirement is sustained growth over the long term. Under our current Fifth Medium-Term Management Plan, which commenced in April 2016, we have drafted a road map on the assumption that the Group will realize such sustained growth by always aiming for high targets.

We expect the pace of change in our operating environment to increase, and against the backdrop of customer needs that are constantly diversifying and becoming more sophisticated, we will have to play an even more crucial role if we are to live up to our motto of "a group that co-creates value for individuals, communities, and people's lifestyles."

During the period (fiscal 2016-2018) of the Group's Fifth Medium-Term Management Plan, we intend to work from day to day to create, use and enhance new values together with our customers, with the goal of realizing a society where people can live fulfilling lives.

Enriching lives around the world.  
Working together with individuals and society – our never-ending mission

Sustained growth





Looking back on our Fourth Medium-Term Management Plan

The Group's Fourth Medium-Term Management Plan commenced in fiscal 2013 under the main theme of "further acceleration of the pace of growth." For fiscal 2015, the final year under this plan, on a consolidated basis, we registered net sales of ¥3,192.9 billion (an increase of ¥1,184.9 billion over fiscal 2012), and operating income of ¥243.1 billion (up ¥115.0 billion over the same year). Despite the posting of an extraordinary loss due to increased retirement benefit obligations, net income attributable to owners of the parent came to ¥103.5 billion, for an increase of ¥37.3 billion over the fiscal 2012 level. These figures exceeded our initial targets under the Fourth Medium-Term Management Plan of ¥2,800 billion in net sales, ¥170 billion in operating income, and net income attributable to owners of the parent of ¥100 billion.

These results would not have been possible without the assistance of all our stakeholders – most notably our customers and the members of the local communities in which we do business, as well as our shareholders and investors, who have shown faith in our management decisions and given us their unstinting support – and I would like to take this opportunity to express my sincere gratitude.

While we posted growth in both income and profits in all our core businesses, the Group's overall growth was driven in particular by our priority business fields – Rental Housing, Commercial Facilities, and Logistics, Business and Corporate Facilities. Over the three-year period of the Fourth Medium-Term Management Plan, these three businesses

achieved strong growth in net sales and operating income. Specifically, between fiscal 2012 and fiscal 2015, net sales grew from ¥592.5 billion to ¥880.1 billion in Rental Housing; from ¥347.2 billion to ¥495.5 billion in Commercial Facilities; and from ¥251.4 billion to ¥736.3 billion in Logistics, Business and Corporate Facilities. Operating income grew from ¥52.2 billion to ¥81.9 billion in Rental Housing; from ¥45.9 billion to ¥80.3 billion in Commercial Facilities; and from ¥20.6 billion to ¥68.0 billion in Logistics, Business and Corporate Facilities. Factors behind these successes include the move by landowners – partly spurred by the January 2015 revision of the taxation system – to make more effective use of their holdings through the construction of rental housing or of retail and wholesale facilities, as well as the increased desire on the part of the companies who became tenants of such properties to make more use of logistics facilities, against the background of a rapid expansion in the e-commerce market, among other factors. At the Daiwa House Group, we were able to respond swiftly to the emerging needs of customers who had approached us for advice after having been impressed by our reputation for trustworthiness.

Under the Fourth Medium-Term Management Plan, while working on the theme of "further acceleration of the pace of growth," we took steps to strengthen its management foundation from the twin perspectives of human resources and finances. In particular, in the human resources sphere we introduced a rehiring system with no upper age

limit, to make greater use of senior human resources, and smoothed the way for increased promotion of female staff to management positions by enhancing our support system enabling them to more effectively balance work and family life. Additionally, against the background of a shortage of skilled construction workers due to rebuilding projects following the Great East Japan Earthquake of 2011, we strengthened our system of support for our partner companies in construction, through such means as introducing the "skilled engineer certification system." In this way, we assured ourselves of an adequate building-site workforce.

As we have seen, progress under the Fourth Medium-Term Management Plan was smooth, but we fully recognize there are a number of issues that must be addressed in the near future. These include expanding the market shares of our existing business operations, and, in addition to the need to nurture new staff and further train existing staff, the equal necessity of developing new products and technologies and of fostering new businesses.

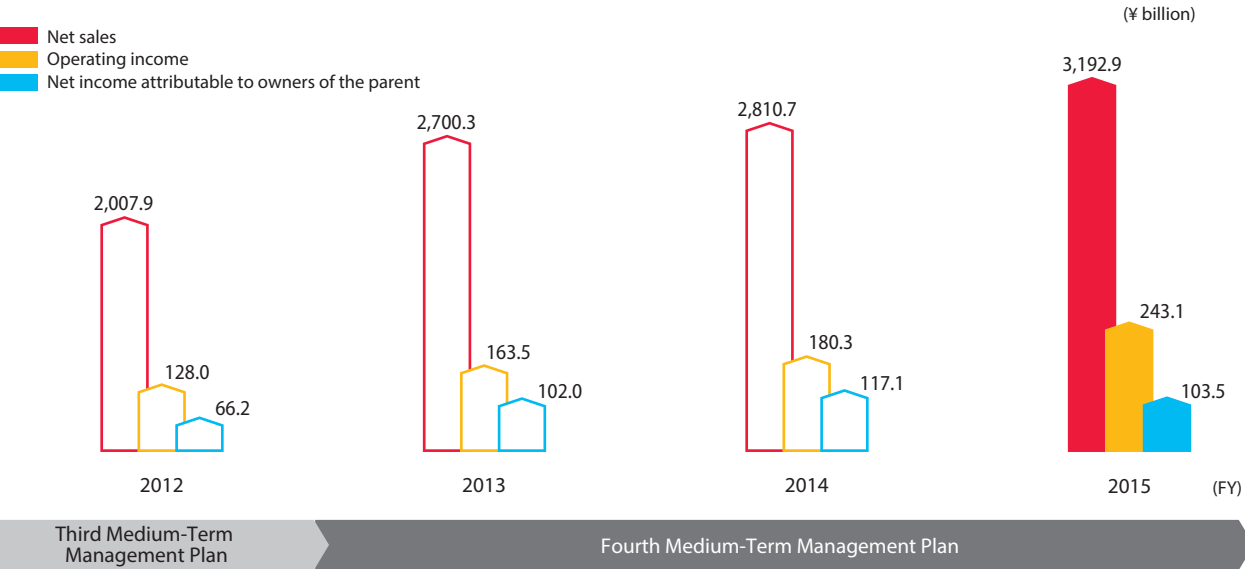
Japanese society is faced with many issues that require a solution, including a declining birthrate, an aging population, and various environmental problems. In these circumstances, we must construct a base that will allow us to realize sustained growth. This requires continued development and marketing of popular products as a way of growing the market shares of our various businesses – particularly our core housing business – into the No.1 position, and the nurturing of new

operational fields into our core businesses in the future.

Our corporate mission is to develop and put on the market the goods and services that society needs – that will be of use to many people and will make them happy. For this reason, we must continue to further refine and evolve the capabilities of our staff, our abilities in product development, and our expertise in providing solutions to customer needs.

Under the Daiwa House Group's current plan (the Fifth Medium-Term Management Plan), which commenced in April of this year, our actions will be impelled both by this corporate mission and by our recognition of the vital importance of responding effectively to the constantly changing business environment. As a result, we will provide the world with new value and continue to grow into a corporate entity that is truly needed.

Earnings trends

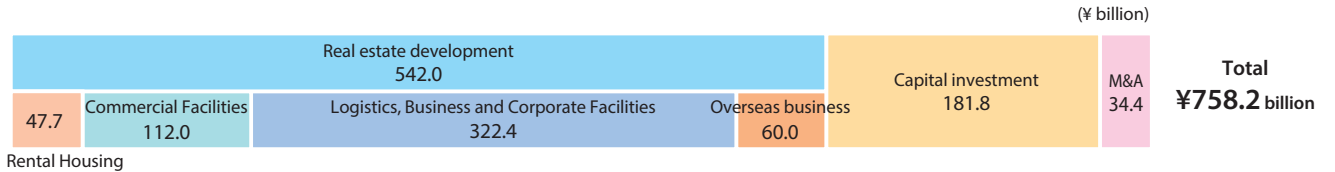


Accelerated growth with a focus on core businesses and strengthened management foundation in the areas of finance and human resources

Core businesses	Diversified businesses	Management foundation
<ul style="list-style-type: none"><li>Expanded construction contracting and invested ¥542.0 billion in real estate development, our highest ever for a 3-year period.</li><li>Expanded sales by enhancing our product lineup, including single-family houses based on a new construction system, xevoΣ (xevo sigma), and rental housing for women with a focus on crime prevention.</li><li>Expanded business and strengthened market competitiveness by utilizing the synergy effect generated by adding Fujita Corporation*1, Cosmos Initia and Daiwa Odakyu Construction*1 as consolidated subsidiaries.</li></ul>	<ul style="list-style-type: none"><li>Expanded energy business with a focus on large-scale solar farms to achieve net sales of ¥80.2 billion in fiscal 2015.</li><li>Launched parking garage business linked to our core businesses.</li><li>Overseas expansion, mainly in Mexico, China, and Vietnam, resulted in fiscal 2015 net sales increasing to ¥72.6 billion*2.</li></ul> <p>*2 Fiscal 2012 (Third Medium-Term Management Plan) net sales were ¥9.1 billion.</p>	<ul style="list-style-type: none"><li>Procured ¥138.2 billion in capital through a public offering to strengthen our financial platform.</li><li>Enhanced support for partner construction firms through the incorporation of the skilled engineer certification system, among other efforts, to secure construction force.</li><li>Raised the retirement age to 65 and introduced a rehiring system with no age limit to secure and promote the utilization of senior human resources.</li><li>Enhanced the system for supporting work-family balance and implemented level and position-based skills development to nurture and strengthen female managers (management positions 240 people, +193 people compared to fiscal 2012).</li></ul>

\*1 Fujita and Daiwa Odakyu Construction were merged with effect from October 1, 2015.

Fourth Medium-Term Management Plan investment results



Basic policies of the Fifth Medium-Term Management Plan

In the three-year period from fiscal 2016, we can expect considerable demand in the construction and real estate sectors related to the 2020 Olympics and Paralympics to be held in Tokyo, but causes for concern are also on the horizon, including trends in consumer spending and the instability of the Chinese economy. Amid this environment, the Daiwa House Group aims to prepare for future changes in its operating environment and build a platform to achieve ¥4 trillion in net sales, while capturing demand in the domestic market. For fiscal 2018, the final year of the current Medium-Term Management Plan, we expect to secure a return on equity (ROE) of 10% or higher, and aim to achieve net sales of ¥3,700 billion, operating income of ¥280 billion, and net income attributable to owners of the parent of ¥180 billion, for an increase in both income and profit.

The Group's basic policies are as follows:

Strengthen short- to medium-term growth potential

- (1) Further expand core businesses by capturing domestic demand
- (2) Aggressively invest in real estate development

Continuing our policy under the Fourth Medium-Term Management Plan, we have once again positioned the three businesses fields of Rental Housing, Commercial Facilities, and Logistics, Business and Corporate Facilities – in which we enjoy a particularly marked competitive

advantage – as our main growth drivers. We will be expanding these businesses in terms of contracting, management, and the scope of real estate development projects. Particularly notable is the ¥700 billion in investments over the three-year period that we have earmarked for real estate development, including both in Japan and overseas. We intend to maximally leverage the Group's major strength – its diversity of business resources – in undertaking multipurpose development projects in Tokyo, Osaka, and Nagoya as well as major regional cities.

Rental Housing

In our Rental Housing Business, for fiscal 2018 (the final year of our Fifth Medium-Term Management Plan) we target annual net sales of ¥1,060 billion (representing a compound annual growth rate of 6.4% for the 2015-2018 period), and operating income of ¥90 billion (for a 3.2% rate). Following the revision of the taxation system in January 2015, a growing number of our customers have started looking for more attractive ways of utilizing their assets and finding more effective methods of utilizing their land holdings. Moreover, the number of single-person households in Japan is rising, and this trend is forecast to continue until 2030. Demand for rental housing for such persons is thus likely to grow. In this situation, the Company has been expanding its menu of rental housing formats for construction under contract to include medium- to high-rise rental housing, which has the merit of more efficiently utilizing the

available ground space, as well as housing that combines a home for the owners with units for tenants. And our rental housing offering various home security features has proved especially popular. In these ways, we continue to meet the needs of both landowners and tenants.

Commercial Facilities

In our Commercial Facilities Business, for fiscal 2018 we target annual net sales of ¥613 billion (for a 2015-2018 compound annual growth rate of 7.3%), and operating income of ¥96 billion (for a 6.1% rate). We will make effective use of our nationwide network of tenant companies, and will expand the number of planning proposal variations to suit the characteristics of each particular local market and area. With regard to our operations targeted at landowners, we will expand the commercial facilities for sale business through the development and sale of investment properties and tax-strategy properties. Finally, we will be helping to revitalize regional communities through joint public-private projects involving the development and operation of commercial facilities specifically designed to meet local needs.

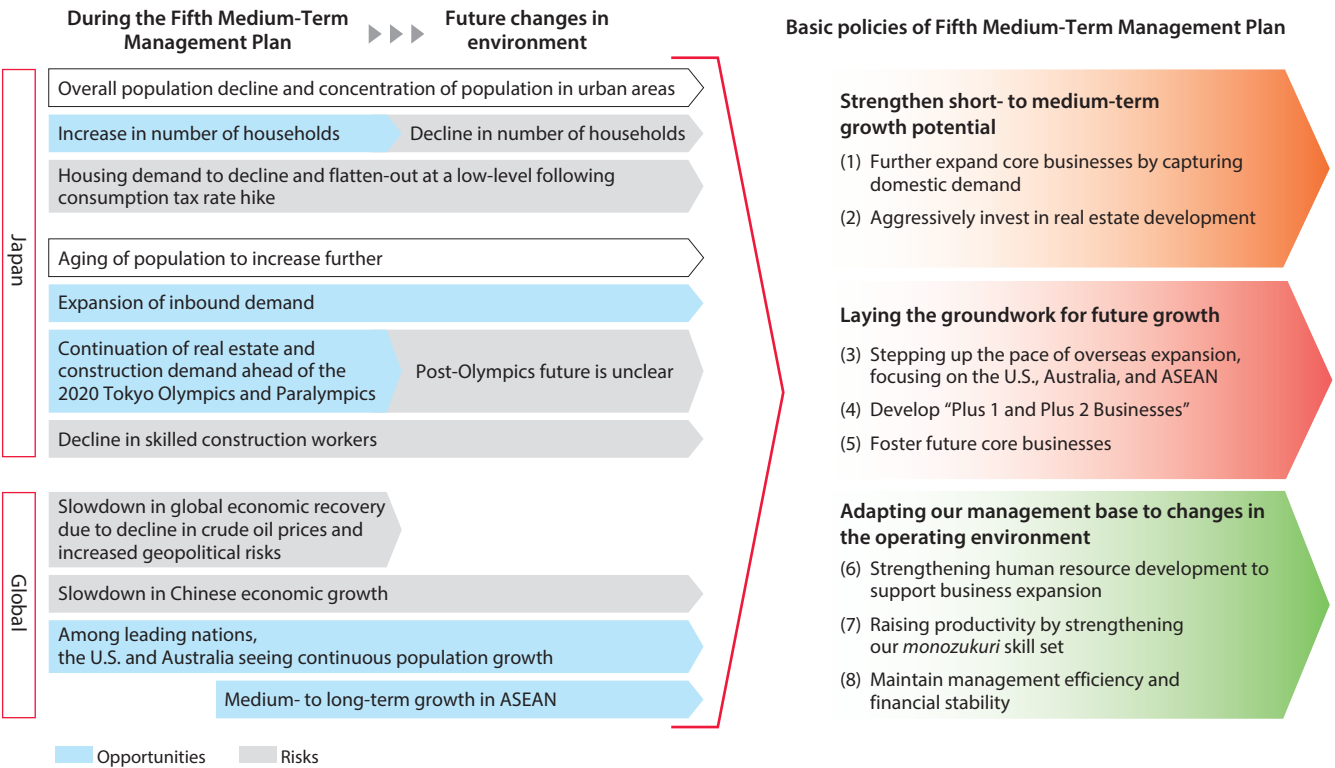
Logistics, Business and Corporate Facilities

In our Logistics, Business and Corporate Facilities Business, for fiscal 2018 we target annual net sales of ¥918 billion (for a 2015-2018 compound annual growth rate of 7.6%), and operating income of ¥81 billion (for

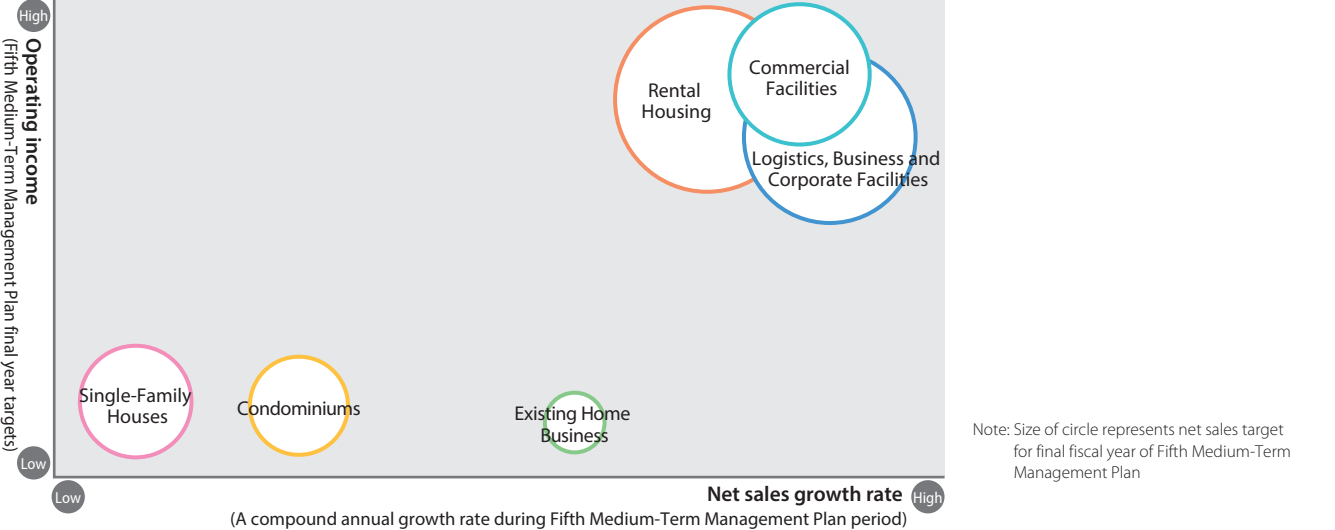
a 6.0% rate). We expect our performance to be driven primarily by the logistics facility business. Companies' requirements for logistics facility functions are becoming increasingly sophisticated amid a diversification in consumer spending habits and corporate activities, leading to a demand for facilities that can meet a wider range of needs. Such facilities are still in short supply, and we have the competitive advantage of being able to undertake orders for a comprehensive package of services – all handled in-Group – from selection of optimum sites for logistics facilities through ground preparation, construction, and management. As built-to-suit (BTS) logistics facilities are one of our strengths, we believe we will enjoy many opportunities to capitalize on market demand by winning orders. And for companies that need logistics facilities right away, we can offer tenancies at multi-tenant facilities. Despite some fears of a rising trend in real estate prices, we are confident that we can effectively leverage the relationships of trust we have built up with our customers – as well as our extensive experience in urban development and housing complex development projects – to acquire the necessary land at the initial development stage rather than immediately prior to the construction of logistics facilities. In this way, we can acquire land at excellent locations while holding the prices down to reasonable levels. We will continue to develop logistics facilities, widening our areas of operation to include major regional cities.

To expand our shares in these various markets, it is vital that we offer

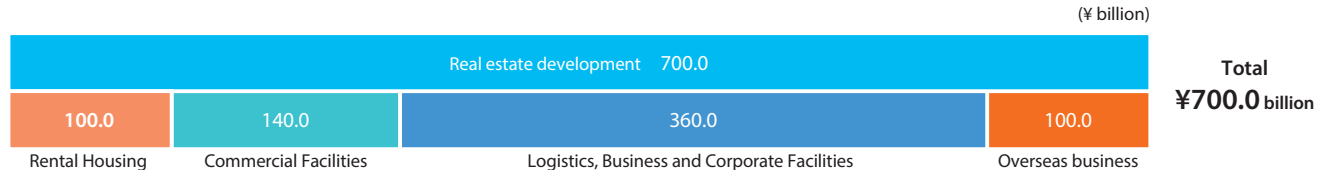
Changes in operating environment and basic policies of the Fifth Medium-Term Management Plan



Growth targets by business segment



Fifth Medium-Term Management Plan real estate investment (Plan)





goods and services that the world truly needs. In the field of rental housing, for example, we not only construct the sort of homes that our customers want to live in, we also provide full after-sales service over a long-term period. This is an example of the business stance that all the varied operations engaged in by the Daiwa House Group have in common. We will work to further grow the Group's core businesses while remaining true to this corporate philosophy.

In addition to growth by our core businesses, we also look forward to realizing the strong growth potential possessed by peripheral business fields. To ensure that we achieve our next milestone of ¥4 trillion in annual net sales against the backdrop of a declining and increasingly aging population, we have placed strategic priority on speeding up the growth of our overseas businesses – which we have deliberately cultivated as a compensation for the expected future decline in domestic market demand – and on nurturing new operational areas to become future core businesses.

Laying the groundwork for future growth

(3) Stepping up the pace of overseas expansion, focusing on the United States, Australia, and ASEAN

In our overseas business operations we place priority on the advanced nations, which are forecast to record stable growth, and the countries of

ASEAN, which are expected to grow strongly, and our target for net sales in fiscal 2018 is ¥200 billion. Since Daiwa House commenced overseas operations in the 1960s, we have taken great pains to get to know the culture of each country and to build a network of contacts. By devoting a great deal of time to these efforts, we have come to understand the unique characteristics of each country and region, and have worked to create the same long-term relationships of trust that we enjoy within Japan. In the United States we concluded a business tie-up with a major real estate company and commenced operations in the rental housing business in Texas in 2014. This was followed by rental housing projects in the suburbs of Chicago and Boston. In Australia, too, we have developed condominiums, commercial facilities, and others in collaboration with a number of partner companies, and are offering buyers high-quality housing, capitalizing on the excellent reputation enjoyed by “Made in Japan” products and services. In Vietnam and Indonesia, where good economic growth is forecast, we are engaged in the development of industrial parks and logistics facilities, as well as expanding our business scale by making the most of the Group's comprehensive strengths to offer support for Japanese enterprises looking to set up operations in those countries. Going forward, in overseas markets we will continue to make optimal use of the technologies and business models that the Group has developed in the course of its operations in Japan, allowing us to offer the products and businesses that those markets need. In these

ways, we plan to step up the pace of our overseas operations.

- (4) Develop “Plus 1 and Plus 2 Businesses”
- (5) Foster future core businesses

“Plus 1 and Plus 2 Businesses” is a term we use to collectively refer to new businesses that we expect to create by leveraging our existing customer base (Plus 1), and new businesses that will arise by expanding our customer base (Plus 2). We expect these new businesses to act as a driver of further growth in our existing operations. We aim to expand our operations by leveraging the know-how we have built up in our core businesses as well as our customer base, to sell products and services to the tenants of our rental housing and the owners of single-family houses built by us, in addition to the sale of investment products to holders of assets other than land. We also plan to focus resources on the nurturing of the human care business, the pre-owned home renovation business, and the accommodation (facilities and services) business, which we hope will grow into future core businesses.

Adapting our management base to changes in the operating environment

- (6) Strengthening human resource development to support business expansion
- (7) Raising productivity by strengthening our *monozukuri* skill set

Companies capable of generating innovations are those that are able to harness the sum total of their employees' ingenuity and efforts, and if the

Daiwa House Group is to achieve its goal of ¥4 trillion in annual net sales, nurturing the human resources needed will be key. This means maintaining a policy of actively hiring promising staff through a diverse range of channels. We are ensuring – through both hiring and training – that we have an adequate number of the kind of employees who can drive our global development, and we are also enhancing our employment system to enable female staff and senior staff to play a more active role.

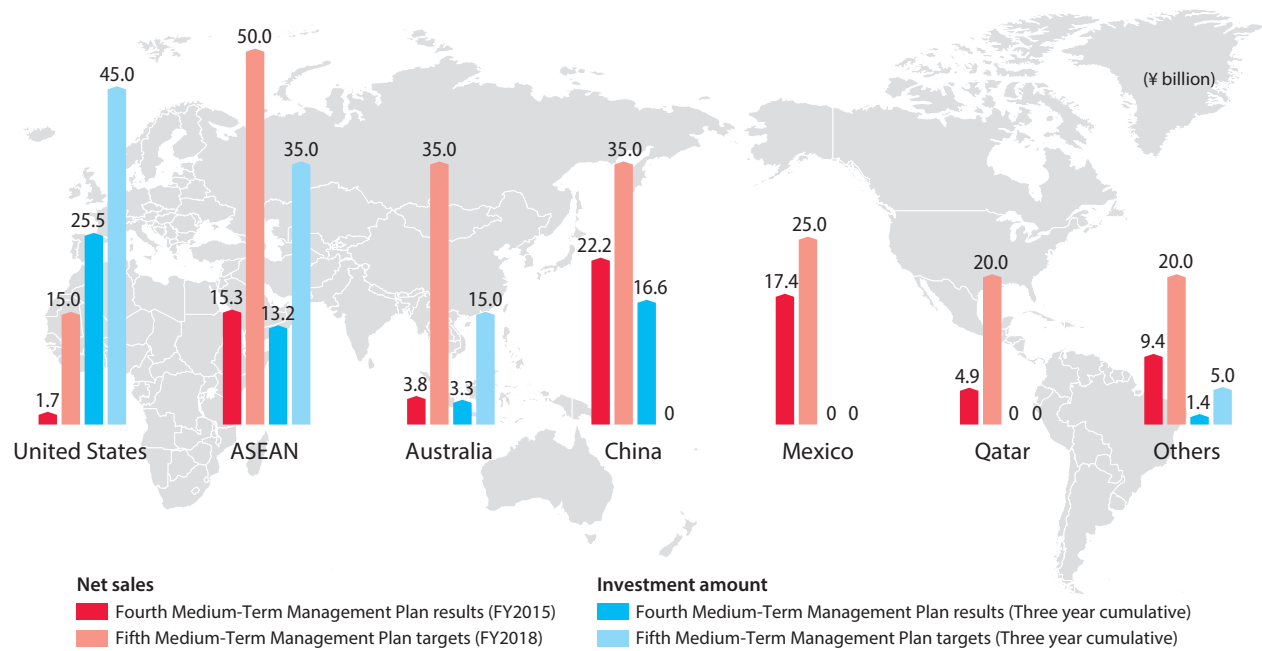
We will continue to further perfect our *monozukuri*-focused system, which prioritizes safety and product quality, and by promoting the leveling-out of production volume throughout the year across all our business processes, among other measures, we will achieve improved productivity and reduce total cost.

- (8) Maintain management efficiency and financial stability

At the Daiwa House Group, we position ROE as one of our most important management indicators. We have announced a target ROE level of 10% or higher, and are working to ensure effective utilization of shareholders' equity. Simultaneously, we will maintain financial health by holding the debt-equity ratio to approximately 0.5.

By adhering to these policies and implementing these strategies, we will reach our business performance goals under the Fifth Medium-Term Management Plan and lay down a framework for sustained growth into the foreseeable future.

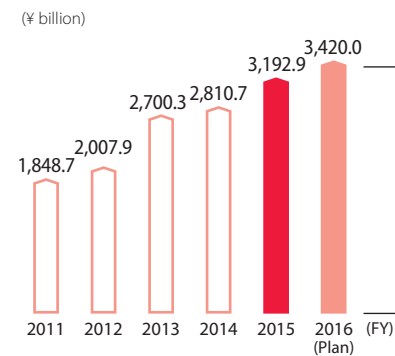
Expand overseas business to achieve net sales of ¥200 billion by focusing on advanced nations with stable growth and ASEAN countries with strong growth



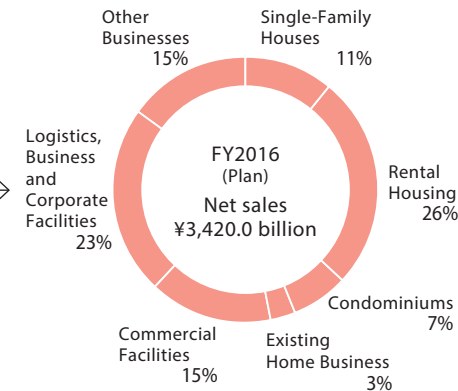
## Financial and Non-Financial Highlights

## Net sales

Net sales top ¥3 trillion after six straight years of revenue growth

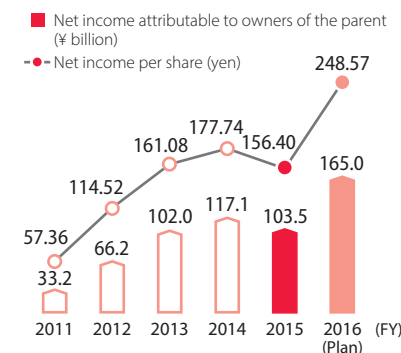


## Net sales by segment\*1



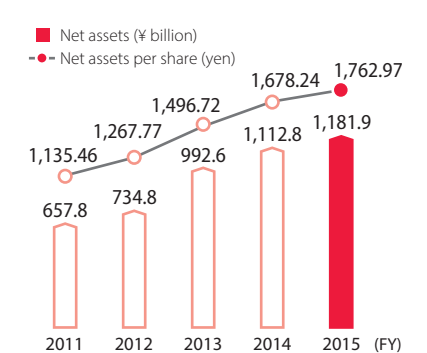
## Net income attributable to owners of the parent and net income per share

Aiming to increase shareholder value by boosting net income per share



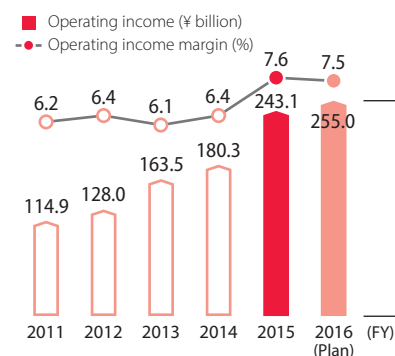
## Net assets and net assets per share

Enhancing corporate stability by increasing net assets per share

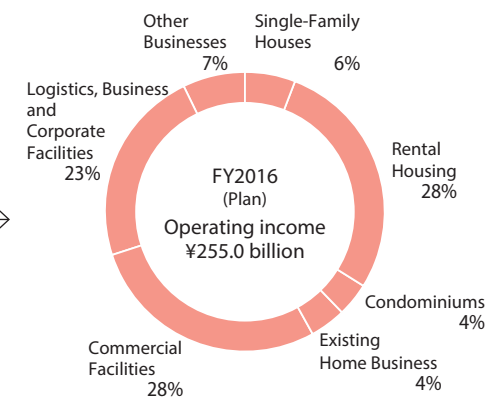


## Operating income and operating income margin

Operating income hits all-time high after six straight years of profit growth

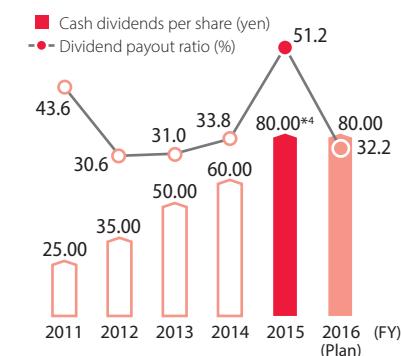


## Operating income by segment\*1



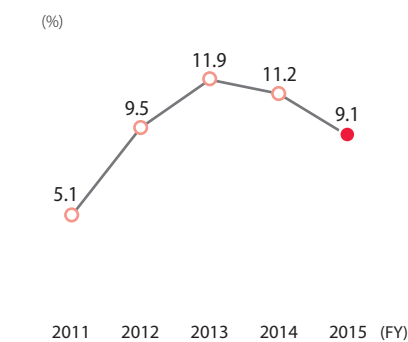
## Cash dividends per share and dividend payout ratio

Maintaining profit return linked to business performance and stable dividend payments by holding dividend payout ratio at 30% or higher



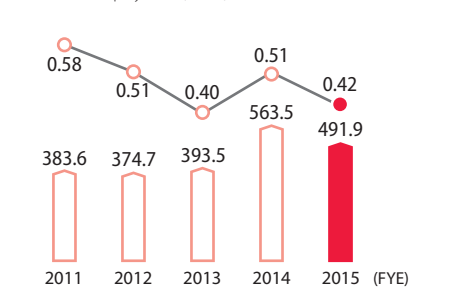
## ROE (return on equity)

To enable growth investment and hold shareholders' equity at an acceptable risk-tolerance level, targets have been set at 10% or more for ROE and approximately 0.5 for the debt-equity ratio

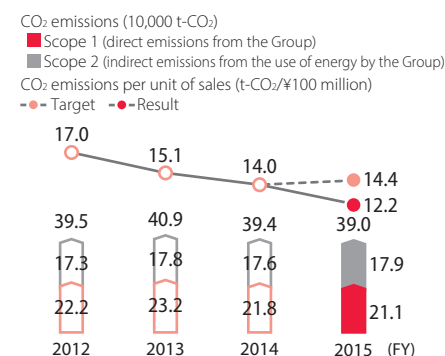


## Interest-bearing debt and debt-equity ratio

Interest-bearing debt (excl. lease obligations) (¥ billion)

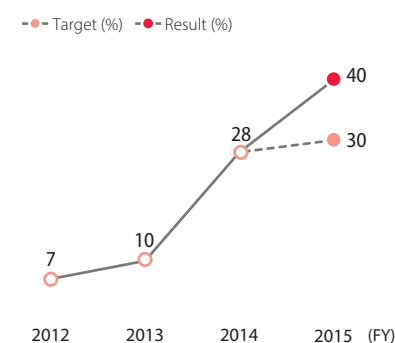
Total CO<sub>2</sub> emissions and emissions per unit of sales\*2

Energy usage declines, reaches target level



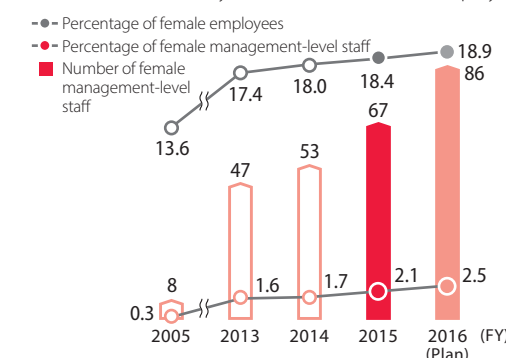
## Ratio of power generated from renewable energy sources to purchased power\*2, 3

Targets reached thanks to progress in large-scale solar farm operations and continuous energy conservation measures



## Percentage of female employees, and percentage and number of female management-level staff\*5

Training courses are being pursued and improved with the goal of raising the number of female management-level staff to 200 for Daiwa House Industry and 500 for the entire Group by fiscal 2020



## Utilization of the systems in fiscal 2015 (number of users)\*5

Holidays (leave) relating to childcare (e.g. childcare leave)	292
Nursing care leave	2
Reduced working hours for child birth and care	381
Reduced working hours for nursing care	87
Staggered work shift (for childcare/nursing care)	14,889
"Home Holidays" *6	140 (3,852 days)
Paid holiday accumulation	45.9%
Rate of obtainment of paid holidays	138 (246 times)
System to support taking care of parents *7	

\*1 Figures include intersegment transactions.

\*2 Environment-related data employed in this report was compiled on the basis of the Group's Environmental Report 2016. CO<sub>2</sub> figures in that report have been certified by third parties. (See page 83 of the Environmental Report 2016 for a third-party assurance report.)

\*3 Figures are for electric power sold on retail market generated from renewable sources, divided by electric power purchased from outside.

\*4 Figure includes a 60th anniversary commemorative dividend of 10 yen.











\*5 Daiwa House Industry, non-consolidated

\*6 This program allows an employee to take one day's planned paid leave each 3 months.

\*7 This system helps an employee to pay the costs of visits to parents' home or nursing facilities for parents who require nursing support.





	Single-Family Houses	Rental Housing	Condominiums	Existing Home Business	Commercial Facilities	Logistics, Business and Corporate Facilities	Other Businesses
Summary of business	We are engaged in the housing contracting business, in which we build homes to meet the needs of each individual owner, and the housing subdivision business, in which we develop entire neighborhoods, including their immediate natural environment.	We provide tenants with comfortable homes and offer the owners a multifaceted support service that ensures stable management.	We help protect asset values through the development and sale of safe condominiums that offer a pleasant living environment, plus the provision of comprehensive management and maintenance services.	We maintain home values through renovation work and provide agency services support for owners looking to sell their homes, passing on a stock of superior homes to the next generation.	We bring landowners and corporate tenants together, developing commercial facilities that invigorate the local economies.	We utilize a wealth of data on land usage to design and construct a wide variety of facilities that meet user needs.	We leverage the total strength of the Group to make proposals in a wide range of fields, including comprehensive energy-usage solutions and the robotics business.
Annual performance	<div>▶ Number of houses sold</div> <div>Single-family houses (contracting) 6,999</div> <div>Single-family houses (subdivision) 2,333</div> <div></div> <div>Single-family houses (contracting)</div> <div></div> <div>Single-family houses (subdivision)</div>	<div>▶ Number of rental housing units sold</div> <div>Rental housing (low-rise) 35,045</div> <div>Rental housing (medium- to high-rise) 3,849</div> <div>Units under management 471,342</div> <div></div> <div>Rental housing (low-rise)</div> <div></div> <div>Rental housing (medium- to high-rise)</div>	<div>▶ Condominium units sold 3,868</div> <div>▶ Units under management 332,299</div> <div></div> <div>Condominiums (for sale)</div> <div></div> <div>Condominiums (for sale)</div>	<div>▶ Number of renovations 46,232<sup>*4</sup></div> <div>▶ Number of staff in sales 993<sup>*4</sup></div> <div></div> <div>Renovated home interior</div> <div></div> <div>A "Reform Salon" renovation showroom</div>	<div>▶ Retail and wholesale facilities constructed 1,513</div> <div>▶ Leasing floorspace of sublease areas within commercial facilities 5,142,121 m<sup>2</sup></div> <div></div> <div>Roadside stores</div> <div></div> <div>Multipurpose commercial facilities</div>	<div>▶ Development site area of logistics projects Approx. 6,392,000 m<sup>2</sup> (Aggregate figures as of June 30, 2016)</div> <div>▶ Orders received for contract-based medical and nursing care facilities 432</div> <div></div> <div>Logistics facilities</div> <div></div> <div>Medical facilities</div>	<div>▶ Customer visits to our home centers Approx. 27,493,000</div> <div>▶ Guest stays at our resort hotels 3,436,759</div> <div>▶ Members of our fitness clubs 175,233</div> <div></div> <div>Environment and energy</div> <div></div> <div>Robots</div>

Breakdown of principal figures for our businesses in fiscal 2015 (YoY change)

Net sales (¥ billion) <sup>*1</sup>	378.3 (0.8% ↗ )	880.1 (13.9% ↗ )	279.3 (20.7% ↗ )	95.5 (4.2% ↗ )	495.5 (8.6% ↗ )	736.3 (26.6% ↗ )	458.8 (7.6% ↗ )
Operating income (¥ billion) <sup>*1</sup>	16.5 (86.8% ↗ )	81.9 (17.7% ↗ )	15.7 (46.0% ↗ )	11.2 (13.2% ↗ )	80.3 (19.4% ↗ )	68.0 (76.9% ↗ )	9.5 (7.0% ↘ )
Operating income margin (%) <sup>*1</sup>	4.4 (2.0pt ↗ )	9.3 (0.3pt ↗ )	5.7 (1.0pt ↗ )	11.8 (0.9pt ↗ )	16.2 (1.5pt ↗ )	9.2 (2.6pt ↗ )	2.1 (0.3pt ↘ )
Number of employees <sup>*2</sup>	4,655 (1.5% ↘ )	5,975 (7.5% ↗ )	4,405 (3.9% ↘ )	2,220 (3.9% ↗ )	4,017 (15.3% ↗ )	6,118 (19.6% ↗ )	9,045 (6.0% ↗ )
Capital investments (¥ million) <sup>*1</sup>	6,216 (23.6% ↗ )	19,910 (40.1% ↘ )	3,330 (27.2% ↘ )	70 (64.0% ↘ )	31,647 (32.5% ↘ )	100,246 (17.7% ↘ )	28,307 (32.8% ↘ )
Contribution to CO <sub>2</sub> reduction (10,000 t-CO <sub>2</sub> ) <sup>*3</sup>	65.2 (5.5% ↘ )	66.0 (3.9% ↗ )	6.5 (19.9% ↘ )	14.6 (29.0% ↘ )	48.9 (18.7% ↘ )	41.8 (17.2% ↘ )	128.2 (8.2% ↗ )

<sup>\*1</sup> Figures include intersegment transactions.  
<sup>\*2</sup> Regular employees only  
<sup>\*3</sup> These figures indicate the degree of contribution to reduction in CO<sub>2</sub> emissions made by the Group through its construction of housing and other structures and its solutions to issues involving energy conservation and renewable energy. (For details concerning the basis on which these figures have been calculated, see the Group's Environmental Report 2016, P60.)  
<sup>\*4</sup> Figures for Daiwa House Reform only. Number of staff in sales as of March 1, 2016.

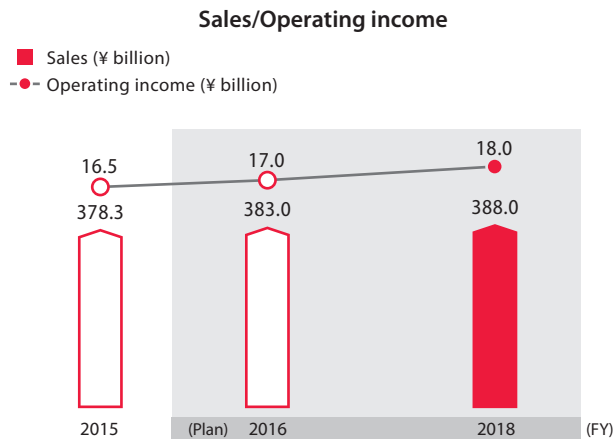


Single-Family Houses

Domestic share of single-family housing starts (FY2015) **2.46%**  
(Contracting business only)

Targets and Strategy under the Group's Fifth Medium-Term Management Plan

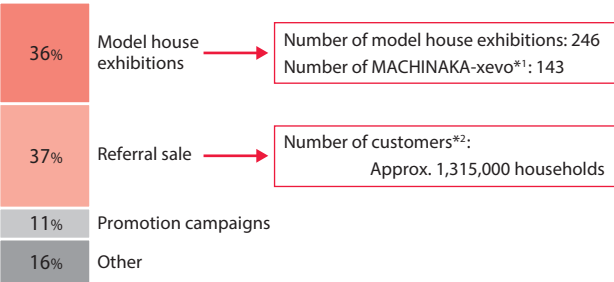
Building a platform that will enable us to capture the top market share in each region



- Strategy**
- Further expand sales of the single-family housing product xevoΣ, which is strong against repeated earthquakes and boasts high ceilings with a height of 2.72 m
  - Expand sales of skye, our series of multistory residences that enable to build owners' residence with rental units, stores, and hospitals
  - Reduce number of parts and manufacturing steps, and shorten construction period to reduce costs and operating expenses
  - Enhance efficiency of the sales system, including dealing with the population shift to the Tokyo area, and concurrent sales of steel structure and wood structure housing

Business operations

Order receipt channels (FY2015)



\*1 A community-based open house that lets potential buyers imagine living in a xevo house  
\*2 Total of customers living in single-family houses, rental housing and condominiums built by Daiwa House Industry

Pursuing community-based business operations to increase our market share

In its single-family housing business, Daiwa House has been a pioneer in the industrialization of housing production ever since its establishment, and has pursued the constant evolution of leading-edge technologies. We have constructed and sold over 590,000 single-family houses.

We design our products and marketing to meet the needs of each particular region of Japan – what we call “community-based business operations.” Currently, we are working to expand our market shares in the twin fields of single-family house contracting and lot-subdivision, leveraging an extensive lineup of single-family home products centered on our xevo series. This home-model series embodies the cream of our proprietary technological solutions in the fields of earthquake resistance, durability, and energy conservation. The members of our Team-xevo group – composed of marketing staff, architects, and construction technology specialists – handle all stages of the entire process from planning through to construction, and help build close relationships with our customers.

Features and strengths



► **Strong competitive position thanks to high-performance products**

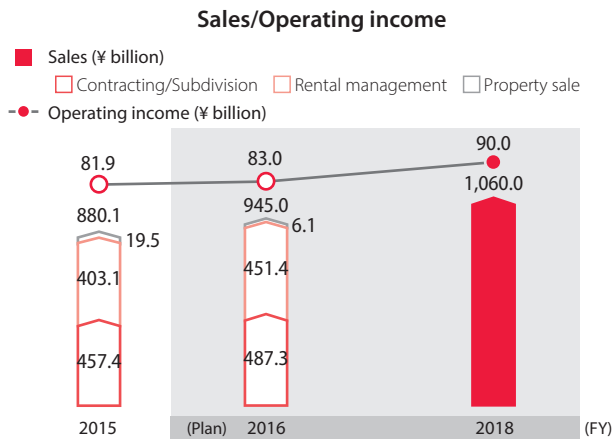
One of the main factors behind the competitive edge that we enjoy at the Daiwa House Group is our lineup of high-performance single-family home products, born of our unique technologies. Among these is the top-of-the-line xevoΣ, which boasts the ability to withstand repeated massive earthquakes and also meets customers' need for spacious living interiors with its 2.72-meter-high ceilings. Thanks to these features, the xevoΣ is enjoying continued growth in orders. We have also begun selling houses in our new “skye” series, which comes in 3-, 4-, and 5-story models and is designed to combine home units for the owners with rental units, or to combine a home with a retail outlet. These models feature some of the highest ceilings and widest window-and-door openings in Japan's home-building industry, and also employ advanced construction methods that enable efficient use of narrow home-building lots. They are likely to enjoy strong growth in sales to customers in urban areas, where demand for homes is forecast to rise.

Rental Housing

Domestic share of rental housing starts (FY2015) **10.14%**  
(Houses for rent only)

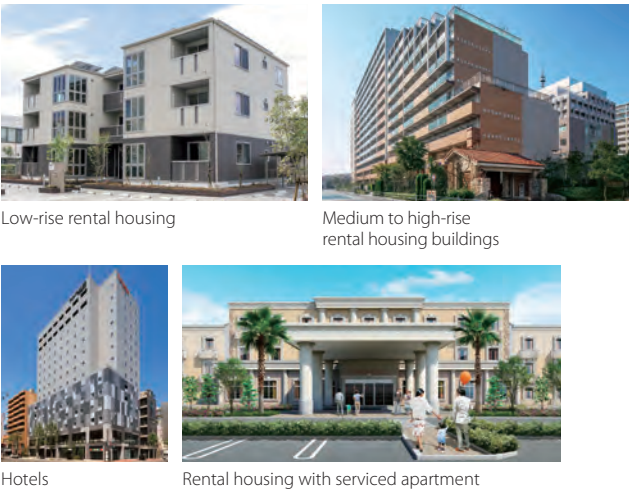
Targets and Strategy under the Group's Fifth Medium-Term Management Plan

Expanding orders through community-based marketing from network of 170 offices nationwide



- Strategy**
- Strengthen CRE\*1/PRE\*2 strategies for promoting proposals for the utilization of dormant real estate held by companies and local municipalities
  - Strengthen development and sales of rental condominiums for existing rental property owner customers and other individual investors
  - Promote development of serviced apartments and hotels in areas expected to see inbound demand
  - Expand business with an infrastructure and added-value for residents when they move in and while renting
- \*1 CRE: Corporate real estate, including all real estate properties owned or rented by a company  
\*2 PRE: Public real estate: real estate properties owned or rented by local governments or educational institutions

Business operations

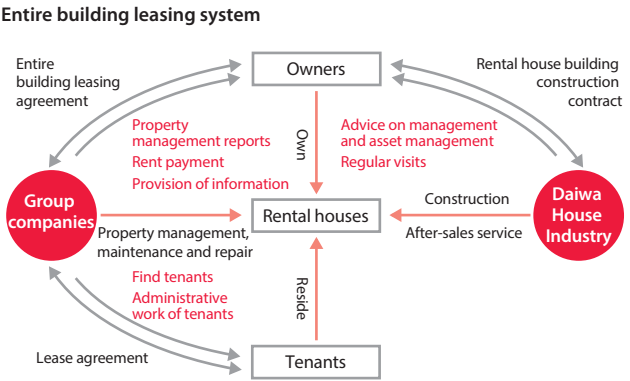


Pleasant living spaces for tenants, plus support for property owners' businesses

In the rental housing business we are working to expand our market share by leveraging comprehensive services – from site assessment through planning, design, and construction to management support – as well as the close relationships we have built up with property owners throughout Japan, and our share of the domestic market currently stands at over 10%. Amid continually diversifying tenant needs, apartments featuring home security arrangements – including installation of anti-burglary equipment as well as a 24/7 online home security system, all provided as standard – are our best-selling models, accounting for almost 90% of all rental housing products.

We are also continually expanding our lineup of products featuring new added value. These include the industry's first rental apartment building specifically designed to cope with power blackouts in the event of an earthquake or other natural disaster, with all home units fitted with lithium-ion storage batteries as standard specification. In addition, we are developing rental housing properties that make use of real estate securitization schemes.

Features and strengths



► **Helping property owners expand their businesses**

The total number of rental housing units under management by the Daiwa House Group surpassed 471,000 as of March 31, 2016, and these properties enjoyed a high occupancy ratio of 97.4%. The single biggest factor behind the growth recorded by this business consists of the strong relationships we have cultivated with a large number of property owners over many years. Daiwa House provides support for the Daiwa House Owners' Club, which has roughly 32,000 members. By facilitating the exchange of information among members of this association, as well as by holding study sessions, we enable owners to manage their rental apartment properties with an easy mind. We also work to enhance the value-added of rental apartments and improve occupancy rates by proposing renovation projects as well as the installation of new equipment and facilities at existing properties where the occupancy rate is below a certain level.

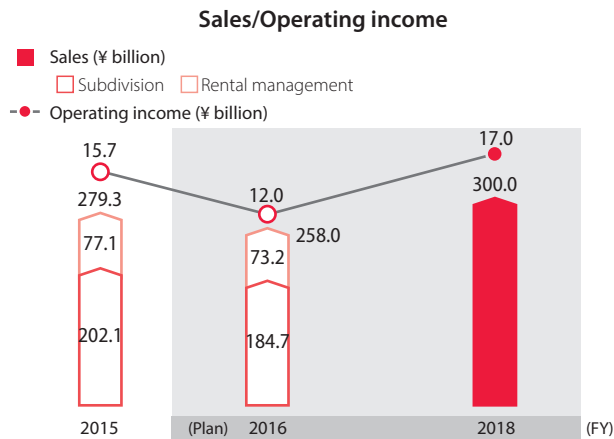




Condominiums

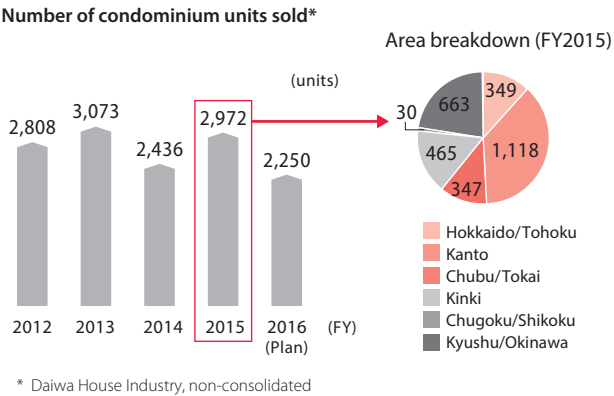
Targets and Strategy under the Group's Fifth Medium-Term Management Plan

Leveraging high value-added products and total Group strength to increase our market share



- Strategy**
- Further strengthen our sales and purchasing systems in the Tokyo area
  - Promote multi-use developments such as large-scale condominiums with single-family home complexes or commercial facilities
  - Promote redevelopment and rebuilding projects that take advantage of our nationwide network of business offices
  - Strengthen sales system in Tokyo area for selling regional properties to customers looking to relocate

Business operations



Features and strengths



PREMIST Takao SakuLa City

Developing condominiums nationwide that are tailored to suit local conditions

At the Daiwa House Group, we develop high value-added condominiums throughout Japan, sell the home units, and manage the properties. In this way, we offer home owners a pleasant and safe living environment, and help maintain their asset values over the long term. While working to raise the Group's brand image in Japan's metropolitan areas, we also put effort into development projects that serve to revitalize regional communities by optimally leveraging each region's particular characteristics. Such projects include town and neighborhood planning aimed at urban regeneration, as well as condominium development targeted at active seniors. Thanks to these initiatives, the number of condominium home units sold by the Group passed 87,000. In our condominium management business, we offer a comprehensive service to support long-term building management and help create a sense of community among residents. As a result, we have been enjoying growth in the number of home units under management, which has topped 330,000 for the entire Group, putting us in the No.4 position among condominium management companies in Japan.

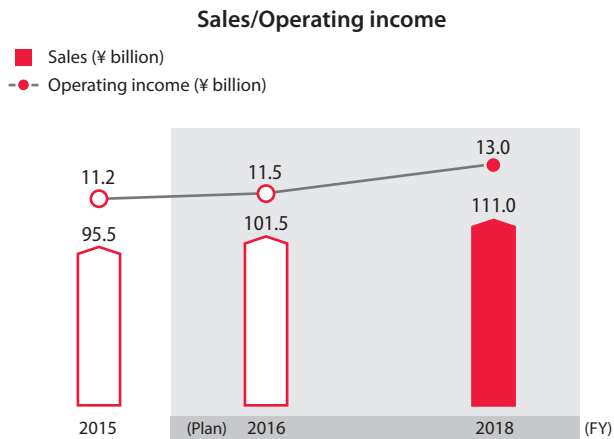
► Multi-use development that leverages the Group's diverse business resources

In June 2015 the sale commenced of home units in PREMIST Takao SakuLa City (Tokyo), a joint condominium project by Daiwa House Industry and Group member Cosmos Initia. Thanks to the unrivaled natural beauty of the environment, this property proved very popular, and all units were immediately sold out at each stage. We continue to make excellent progress in developing a wide variety of other properties in the immediate vicinity of the condominium – making full use of the Group's diverse business resources – including a single-family home residential development, large-scale commercial facilities, metered parking services. These initiatives have raised the overall daily-life convenience level of the condominium and contributed to its popularity among the home-buying public. PREMIST Takao SakuLa City employs energy-saving specifications and a computerized home energy management system that lets owners easily monitor their energy usage. In recognition of this, it has been certified by the Ministry of Economy, Trade and Industry as compliant with the ministry's project for promoting acceleration of introduction of "smart" condominiums.

Existing Home Business

Targets and Strategy under the Group's Fifth Medium-Term Management Plan

Strengthening brand power to capture increased orders



- Strategy**
- Expand single-family housing renovation business based on regular inspection and examination services to respond to market need for "continued habitation"
  - Expand orders received for the renovation by strengthening relationships with rental housing owners
  - Promote property purchase and resale business by expanding business involving purchasing existing homes and selling them as renovated homes with a long-term guarantee
  - Capture general renovation market by expanding openings of renovation showrooms

Business operations



A "Reform Salon" renovation showroom

Roof inspection

Underfloor space inspection

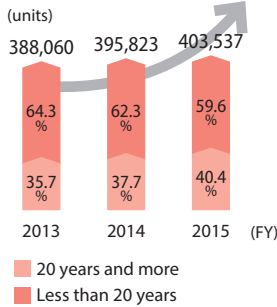
Underfloor inspection robot "moogle"

Expanding our existing home services by capitalizing on the reputation for trustworthiness we have established in residential construction

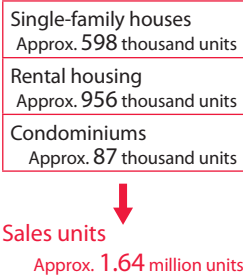
To protect the value of our customers' irreplaceable residential assets, we offer renovation services that harness our technological expertise and many years of experience in home construction. In our high-quality renovation services – underpinned by inspections conducted at appropriate intervals and optimally leveraging the Group's reputation for trustworthiness – we aim to establish ourselves at the top of the industry in the near future. As a result of Japan's declining birthrate combined with an aging population, the number of abandoned or vacant homes is expected to continue growing, and further demand growth is likely to be spurred by the need to renovate superannuated public housing developments. To deal with this demand, starting in fiscal 2014 we have been opening renovation-dedicated showrooms focused on meeting the unique needs of the particular region in which they are located, and we plan to have 20 such facilities operating by fiscal 2018. By providing each of our customers with a lifelong follow-up services, we plan to enhance the Group's brand awareness while expanding our existing homes operations.

Features and strengths

Number of Daiwa House single-family houses owners with whom we can build relationships



Number of the Company's sales units\* (April 1962 to March 2016)



\* The units from FY1962 to 1972 are estimated.

► Strong ties with our customers, built over many years

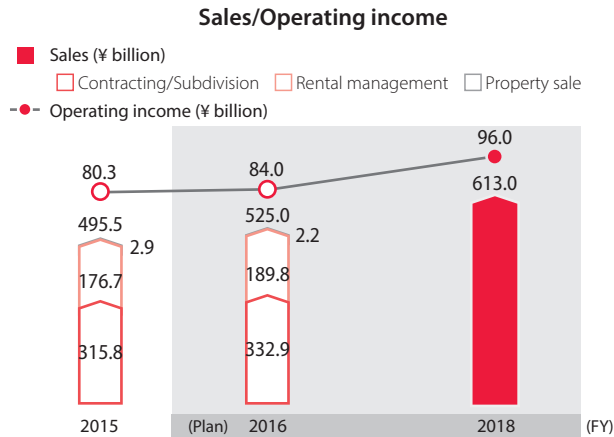
One of the Group's strengths in the renovation business is the large number of existing homes that were built by Daiwa House. During fiscal 2015 alone we provided the market with approximately 52,000 houses, including single-family houses, rental housing, and condominium units, and the aggregate number of homes sold since the founding of Daiwa House Industry now exceeds 1.6 million. We work to acquire increased orders for our renovation services from owners of single-family houses and condominium units by increasing our marketing efforts directed at owners of homes built by the Group, and offering inspection and examination services as appropriate. In our renovation services for rental housing, we are enjoying growth in orders by effectively mobilizing close relationships formed with roughly 30,000 rental housing owners throughout Japan, and by closely collaborating with Group companies responsible for managing around 470,000 rental housing units. The Daiwa House Group also has a solid track record in renovation work on hospitals, retail outlets, and other types of properties, and we are steadily expanding our activities to encompass properties not originally built by the Group.



Commercial Facilities

Targets and Strategy under the Group's Fifth Medium-Term Management Plan

Reinforcing intra-Group collaboration, capitalizing on the economies of scale



- Strategy
- Expand variation in planning proposals corresponding to market and area characteristics (business expansion in hotels, showrooms, industrial facilities, educational and nursery facilities, etc.)
  - Expand commercial facilities for sale business through development and sale of investment properties and tax-strategy properties
  - Strengthen development and management of commercial facilities that meet community needs by utilizing network of national tenant businesses

Business operations



Convenience stores



Drug stores



Shopping centers



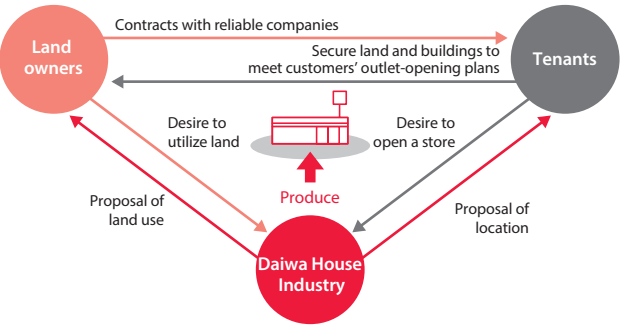
Outlet malls

**Leading the industry thanks to comprehensive services – from planning and development to post-completion management**

The commercial facilities business is one of the fields in which the Daiwa House Group has led the industry for many years. Beginning with the construction of roadside outlets in the 1970s, in the subsequent years we have continually ridden each new wave of fashion in developing this business. For example, we have actively developed large-scale shopping malls, among other retail formats, and we offer a comprehensive start-to-finish service based on our unique LOC System (see explanation in the following paragraph). To meet the needs both of the landowners and the prospective corporate tenants, we mobilize our extensive land-use database as well as individually tailored marketing approaches to attract suitable corporate tenants, to whom we propose suitable business plans. We are enjoying steady business growth thanks to our deployment of a total support service covering everything from planning and development to post-completion management.

Features and strengths

LOC System



► **Utilizing our unique LOC System to realize the potential of landholdings**

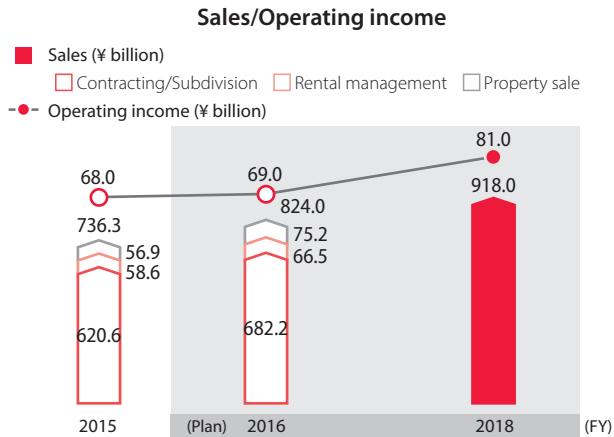
The Daiwa House Group's proprietary LOC System brings together landowners and prospective tenant companies whose needs can both be met by a well-designed business plan. Approximately 650 specialist retail outlet development staff – working at Group offices all around the country – make optimal use of a land-use database covering the whole nation to offer solutions that meet both the landowners' need for a means of effectively utilizing idle land holdings as a way of dealing with inheritance tax issues, and prospective corporate tenants' need for new outlets to drive further business growth. By appropriate matching up of the 6,775 members\* of our Owners Clubs with the approximately 4,000 companies with whom we have concluded business transactions, we are able to support the income and operational needs of both sides for many years to come.

\* As of March 31, 2016

Logistics, Business and Corporate Facilities

Targets and Strategy under the Group's Fifth Medium-Term Management Plan

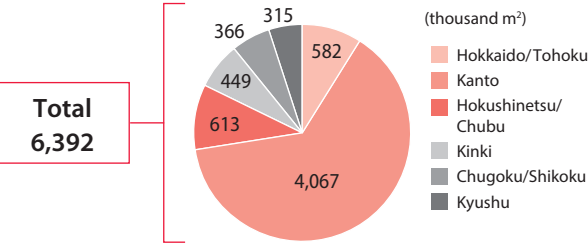
Growing orders by strengthening ability to design solutions in all specialized fields



- Strategy
- Establish position as the No. 1 logistic developer and strengthen our stock business model by achieving national expansion of logistics facilities
  - Expand development of medical and nursing care facilities with a focus on hospital rebuilding and construction of housing for the elderly with medical services
  - Strengthen ability to capture private capital investment demand through development of industrial complexes that are linked to regional revitalization
  - Strengthen ability to meet food processing sector's demand for rebuilding by providing total operational support services that leverage comprehensive capabilities in both facility construction and consulting

Business operations

Development site area of logistics projects\*



\* Daiwa House Industry, non-consolidated  
Figures are aggregates as of June 30, 2016  
(incl. projects under construction and scheduled)

**Deploying our extensive land-use database to design and construct a wide range of facilities**

In the logistics, business and corporate facilities business – our core field since the Company's founding – we are expanding our operations by making use of our extensive database on land usage to meet corporate clients' needs through the design and construction of a wide variety of built-to-suit facilities. In our D-Project logistics facilities business, started up in the year 2000, we propose ideally-located logistics facility solutions – enabled by close information exchange with our customers and other Group companies – that match each customer's needs at all stages of the process, from design through construction to operation and facility management.

The total floorspace of logistics facilities developed by the Group nationwide (including facilities under construction as of August 31, 2016) came to 4.6 million square meters. Additionally, 4,979 medical and nursing care facilities were developed, at a total value of ¥885.7 billion. We also offered a service to support corporate clients in developing nationwide networks of offices, factories, and other facilities. In these ways, we succeeded in expanding orders by leveraging the high-level specialist expertise of our staff as well as the close relationships we have built up with our customers.

Features and strengths



Ota-city General Gymnasium

► **Building a new business model through intra-Group synergy**

The current business environment surrounding the domestic construction sector exhibits both positive and negative aspects. On the one hand, public works demand is rising due to ongoing efforts to rebuild the regions devastated by recent major natural disasters, and an increase is expected in construction investment ahead of the 2020 Tokyo Olympics and Paralympics. On the other hand, the operating environment remains unclear due to a shortage of skilled workers and a possible accelerated rise in construction costs. It was against this backdrop that we merged Group members Fujita and Daiwa Odakyu Construction in October 2015. In view of predictions that construction investment in Japan will contract, we decided to merge the two managements to concentrate business resources and allow the optimal focusing of such resources, as well as to facilitate the streamlining of business processes. We aim to maximize the Daiwa House Group's profits by enhancing earnings capabilities in the domestic construction market while expanding and injecting increased investment into our overseas operations, among other measures.





Other Businesses

Environment and Energy

Providing comprehensive solutions to diverse energy-related issues

At Daiwa House Group, we leverage know-how in the fields of energy conservation, renewable energy, electric energy storage systems, and power generation – combined with the Group's construction technology and its unrivaled customer base – to offer corporate customers comprehensive solutions to their energy issues, including construction of photovoltaic power generation systems such as large-scale solar farms. Our "DREAM Solar" photovoltaic power generation business – in which we provide a one-stop service covering installation, operation, maintenance, and administration for solar power facilities erected on publicly- and privately-owned land – makes especially effective use of the Group's wide-ranging capabilities. We are also exploring various business possibilities opened up by the complete deregulation of retail electricity sales that has started from 2016, including a hydroelectric project currently underway.

The Group's achievements in installation and operation of photovoltaic, wind-power, and hydroelectric power generation facilities (figures include scheduled projects that have not yet commenced operation)\*

196 sites/247 MW

(as of June 30, 2016)

\* Total for 15 Group companies

Business and City Hotels

Working to raise the market profile and brand image of our hotel chain

Daiwa Roynet Hotels operates a nationwide network of 42 hotels, mainly located near railway stations in Japan's major cities. Noted for their high-class hospitality, these hotels boast high room occupancy and repeat business rates. We are taking an aggressive approach to developing our hotels into multi-attraction facilities – fully leveraging the Group's wide business scope – with the in-hotel installation of retail outlets, fitness clubs, and other attractive business formats. In this way, we plan to boost their drawing power by targeting a wider range of customers, including tourists from overseas. Going forward, we will continue to open new hotels all around Japan and will work to build a higher market profile for our hotel chain and further enhance its brand image by raising customer satisfaction levels.

44 business and city hotels

- Daiwa Roynet Hotels
- Royton Sapporo
- Osaka Marubiru (Osaka Dai-ichi Hotel)

(as of March 31, 2016)



Construction Support Business

Providing invaluable services and a wide range of products to the construction market

In our logistics business, we leverage our 50 years of experience to offer high-quality services in construction and construction materials logistics to companies nationwide. We employ information technology to cut costs and shorten lead times, enabling us to offer logistics services that make construction at site easier and impose less environmental load.

In our interior design business, we optimally leverage the largest number of qualified interior coordinators in Japan's homebuilding industry to create interior living spaces that meet our customers' needs and move with the trends of the times. We design and produce a wide variety of interior design marketing sets at industry events, and offer services that anticipate an expanding home renovation market.

In our home center business, the outlets operated by Royal Home Center offer a huge lineup of products catering to the needs of general customers in areas like DIY, interiors, gardening, pets, and home renovation, as well as construction materials for professionals. All stores and their lineups are designed to serve the specific needs of the region where they are located.



Overseas Operations

Expanding our business scale through aggressive investment

The Daiwa House Group's overseas operations commenced in the 1960s, and we have now expanded our activities to 15 countries around the world, making optimum use of business resources built up over the years. In the past few years we have been mainly involved in the development of condominiums in China, and are now investing aggressively in the development of rental housing operations in the United States, where stable growth is forecast for the near future, as well as in condominium development in Australia and other countries. At the same time, we are pushing ahead with the development of industrial parks to support Japanese enterprises seeking to set up operations in ASEAN member nations. Going forward, we will continue to offer the high-quality products for which the Daiwa House Group is known.



Flour Mill of Summer Hill Project (New South Wales, Australia)



Chicago North Clark Project (Illinois, United States)



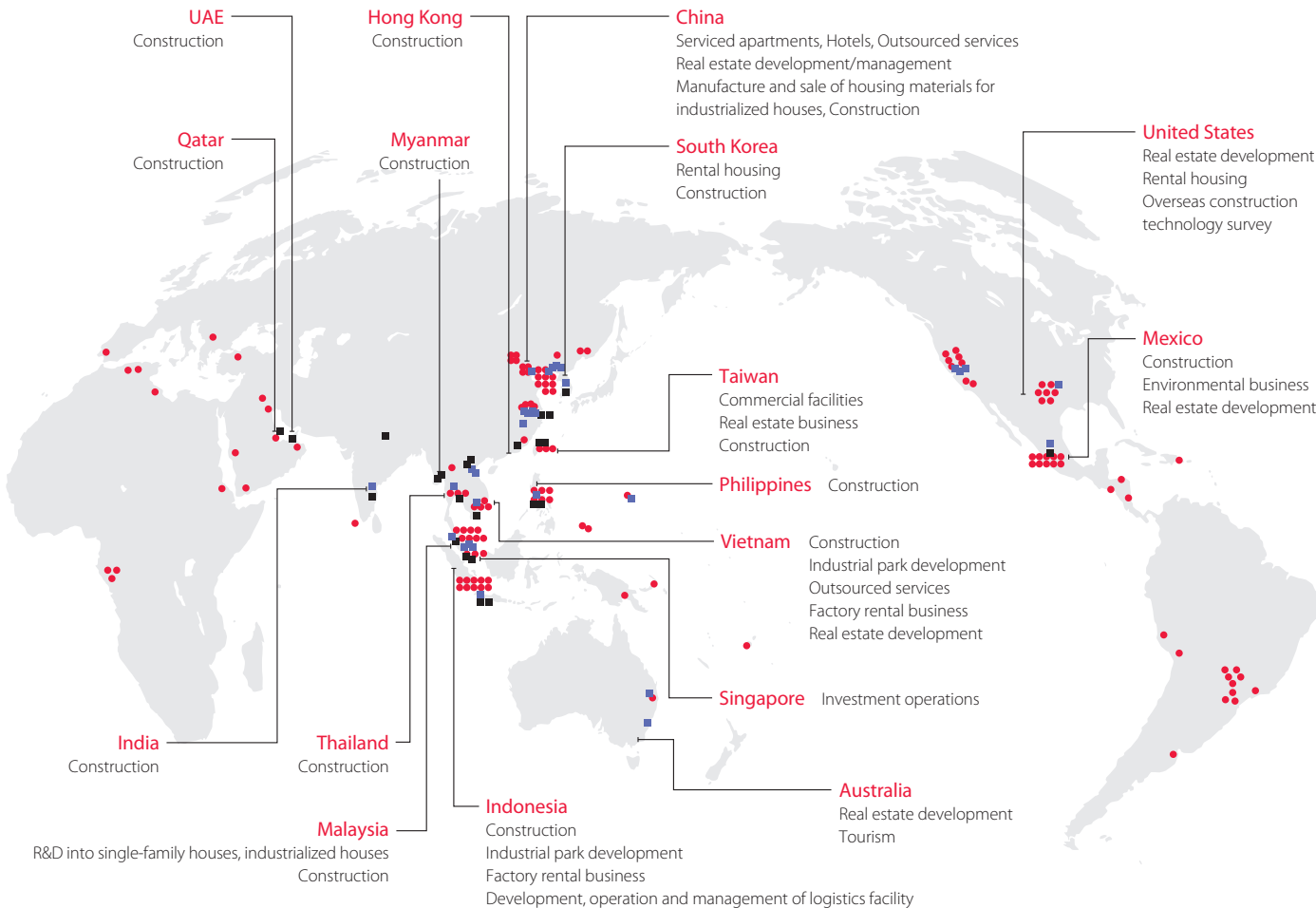
Long Duc Industrial Park (Dong Nai Province, Vietnam)

Our overseas business areas

15 countries

- Group companies overseas
- Overseas businesses and representative offices
- Projects completed

(as of August 1, 2016)





Health and Leisure Business

Pursuing business opportunities and offering fulfilling leisure activities

In our resort hotel business, Daiwa Royal Hotels operates a network of hotels all across Japan, while Nishiwaki Royal Hotel Co., Ltd. operates a hotel in Hyogo Prefecture. At all these hotels, guests can enjoy the unique natural scenery of each part of Japan, which offer distinct attractions with the changing seasons. Our hotels also highlight each region's unique cuisine, history, culture, traditions, and local industries. As well as giving guests a fulfilling resort experience, our hotels serve as a driving force for regional economic development by providing additional employment, among other benefits.

In our fitness club business, Sports Club NAS operates facilities all over Japan, offering activity menus that go beyond conventional fitness clubs, including courses for children, aesthetic salons, and others. These facilities work to create varied "communities" that enable members of all ages to enjoy themselves while keeping fit.

Robotics Business

Robotic equipment provides daily living support, for more fulfilling lives

The aging of Japan's population is becoming increasingly marked, and society is facing a severe shortage of workers in the medical and nursing care fields. At Daiwa House, we have formed collaborative relationships with companies engaged in the development and manufacture of robotics, with the goal of developing robotic equipment that can help elderly or physically disabled people become more independent and alleviate the burden on caregivers. We are also currently testing the Robot Suit HAL® for labor support (lumbar) developed by the robotics company CYBERDYNE Inc., primarily as a promising answer to the growing aging of the workforce in Japan's construction industry. We are seeking applications for our robotics technologies outside the fields of medical, nursing care, and welfare, too, in line with our mission of realizing a "harmonious coexistence between humans and robots."



Robotic assistive harness  
Robot Suit HAL® for labor support (lumbar)  
This robotic harness alleviates the strain on a worker's lower back.



HUMANY® automatic continence processing device  
This device automatically removes excess urine by suction, lightening the burdens on both the elderly or disabled user and on the caregiver.



COMUOON® communication support device (desktop type)  
This system enables easy communication for hearing-impaired persons.



Robot Suit HAL® is a registered trademark of CYBERDYNE Inc.  
HUMANY® is a registered trademark of Unicharm Humancare Corporation.  
COMUOON® is a registered trademark of UNIVERSAL SOUND DESIGN Inc.

3 Shareholder Value Creation



Sustained post-disaster reconstruction efforts

Unique Daiwa House scheme facilitates post-disaster recovery construction work

More than five years has passed since the Great East Japan earthquake of 2011, but work is still underway on the reconstruction of the communities devastated by that disaster. Initially, local authorities had difficulty in finding land on which to build permanent public housing for those who had lost their homes. To solve this problem, Daiwa House proposed a solution under which private-sector corporations would procure the required land and build the housing, which would then be purchased by the local authorities. Thanks to the adoption of this scheme, involving leveraging the unique know-how we have acquired in effective land use, as well as our experience in site preparation, housing construction, and community planning, construction of these homes has proceeded smoothly and rapidly. Going forward, we will continue to make useful proposals and put them into practice, so that those whose lives were interrupted by the terrible catastrophe of 2011 can resume their normal lives as soon as possible.



Orders received by the Company for public housing for victims of March 2011 disaster

Daiwa House Industry, non-consolidated  
(as of September 30, 2016)

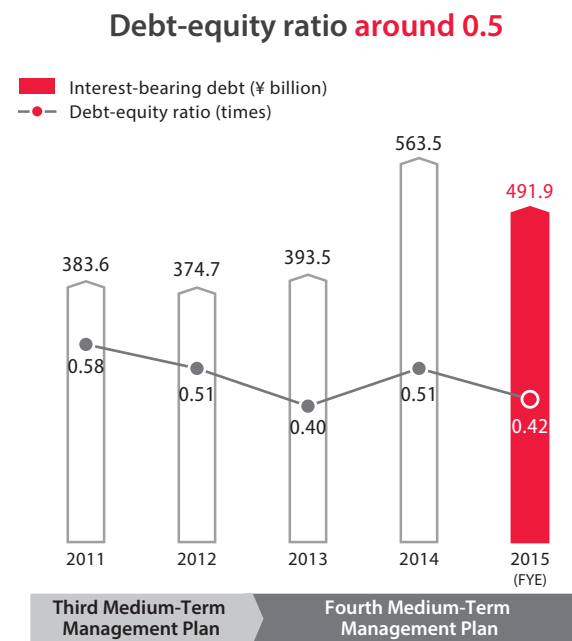
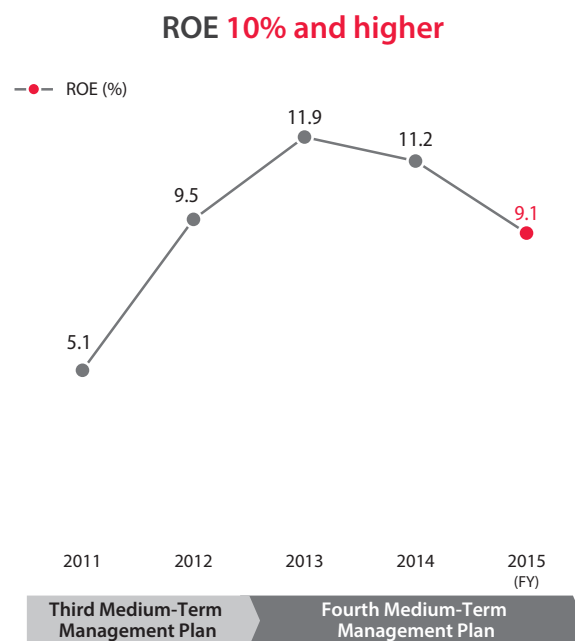
Prefecture	Number of housing units
Iwate	391
Miyagi	2,087
Fukushima	330





**Takeshi Kosokabe**  
Representative Director and  
Senior Managing Executive Officer and CFO

Aim to sustain the growth of value for our shareholders by effectively using shareholders' equity while maintaining financial health



Note: By changing the discount rate used to calculate retirement benefit obligations from 1.7% to 0.8% in fiscal 2015, the Company posted extraordinary losses of ¥84.9 billion. As a result, the ROE dropped to approximately five points.

## Shareholder Value Creation Financial Strategy

### Creating a corporate governance system that helps boost corporate value

In order for Daiwa House to continue enjoying the trust of society as a whole, corporate governance must occupy an important position among our management priorities. In May 2015 we issued our Corporate Governance Guidelines to clarify the specific tasks that we are required to tackle and fulfill our duty of accountability to our shareholders. We will continue to strengthen our governance on the basis of the Daiwa House corporate philosophy and management vision, while at the same time keeping a close watch on our operating environment and wider social trends.

### Basic strategy for capital policy

The Company considers sustained growth necessary to achieving increases in shareholder value over the medium to long term, and to realize such growth, we recognize the need to maintain a level of shareholders' equity that allows for investment in growth and a tolerance of risk. On this basis, the Company considers return on equity (ROE) to be one of its topmost management priorities, and aims to effectively utilize shareholders' equity to maintain an ROE level of 10% or higher. To ensure a robust financial base that allows funds for investment in growth to be raised in a stable manner, the Company has announced a target debt-equity ratio of approximately 0.5 to ensure financial soundness, and works to create the optimal capital structure for reaching this target. ROE exceeded its target level of 10% in fiscal 2013 (at 11.9%) and fiscal 2014 (at 11.2%), but in fiscal 2015 it was affected by trends on the interest rate market, and due to amortization of actuarial loss accompanying a change in the discount rate used to calculate retirement benefit obligations, the ROE was pushed down by five points, to 9.1%.

### Maintaining financial health and sustaining business growth

Under the Group's Fourth Medium-Term Management Plan (fiscal 2013-2015), through a capital increase of ¥138.2 billion we secured financial flexibility while ensuring our ability to expand opportunities for investment in real estate development. Meanwhile, in addition to the funds provided by the increase in capitalization, we utilized operating cash flow and funds provided by the sale of real estate to firmly hold down any increase in interest-bearing debt. As a result, we were able to hold the debt-equity ratio to 0.42 (below our benchmark maximum of 0.5) as of the end of fiscal 2015. I believe this shows that we succeeded in maintaining financial health while realizing steady growth.

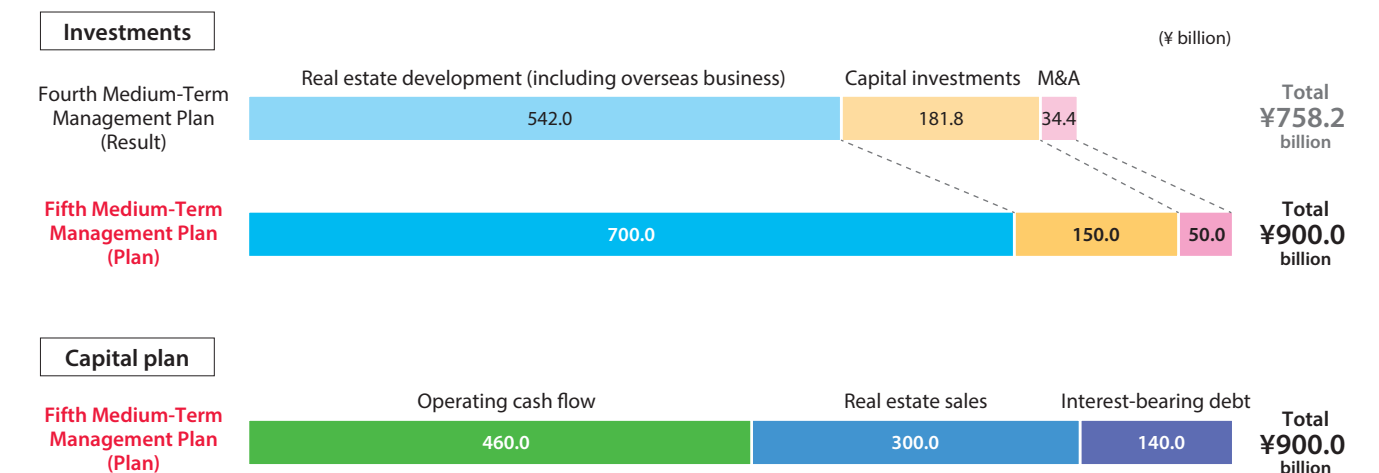
Under the Group's Fifth Medium-Term Management Plan, we aim to continue utilizing operating cash flow (¥460 billion) and income from the sale of real estate (¥300 billion) to provide the majority of the funds required for investment, which should enable us to restrain any undue increase in interest-bearing debt and thereby once again achieve our unchanging goal of maintaining financial health.

Having said that, to ensure we are prepared for changes in the Group's operating environment, and to build a platform for achieving ¥4 trillion in net sales, we reserve the possibility of taking flexible decisions on fund procurement – which may entail a temporary increase in interest-bearing debt – in the event that we are presented with good investment opportunities, promising M&A proposals, and so on.

### Investing aggressively to facilitate faster growth and further enhance corporate value

Under the Fourth Medium-Term Management Plan (fiscal 2013-2015), we proclaimed that one of the major themes of our growth strategy was to strengthen and expand the value chains involved in our priority investment fields – Rental Housing, Commercial Facilities, and Logistics,

### Planned investment



Business and Corporate Facilities. Accordingly, we implemented the largest-ever scale of investment in the Group's history, at ¥542 billion. Under the plan, we succeeded in boosting the Group's earning capacity. We did this by accurately discerning the trends of the times, and by leveraging the firm bonds of trust that we had built up with our customers and the landowners with whom we have done business to give us the ability to propose solutions that precisely match user needs. As a result, we enjoyed a steady inflow of orders. This led to an increase in the Group's total market capitalization as investors positively re-evaluated our stock.

Under the current Fifth Medium-Term Management Plan (fiscal 2016-2018), we plan a total investment of ¥900 billion, of which ¥700 billion will be allocated to real estate development, and we expect this to lead to a faster pace of business growth. In addition to real estate development in Japan, centered on the Rental Housing, Commercial Facilities, and Logistics, Business and Corporate Facilities businesses, we will also be investing aggressively in overseas businesses with the goal of realizing further growth outside Japan.

In deciding whether or not make any particular investment, we set a hurdle rate that takes the capital cost into consideration, to avoid a negative impact on shareholder value. Each investment proposal is strictly screened. The Real Estate Investment Committee, chaired by the Company's president, vigorously debates the business potential of each proposal and evaluates the level of risk, both from the medium- to long-term perspective. In particular, the Board of Directors has the final say on all proposals above a certain monetary value. In these ways, the Group's corporate governance system is effectively utilized.

### Shareholder return

The Daiwa House Group follows a basic policy of investing the profits generated by its business operations into growth areas, thereby increasing its shareholder value by raising net income per share (EPS). The Company's EPS stood at ¥114.52 in fiscal 2012, and as a result of profit growth during the Fourth Medium-Term Management Plan, this rose to ¥156.40. During the period of the Fifth Medium-Term Management Plan,

too, in accordance with our basic policy, we will continue to direct funds into investments required to support further growth. Through this, we aim to achieve continual growth in the Company's corporate value over the medium to long term and thereby satisfy the expectations of our shareholders and investors.

We maintain a dividend payout ratio of 30% and higher of net income attributable to owners of the parent, and cash dividends per share have been increased from ¥35 for fiscal 2012 to ¥80 for fiscal 2015 (including a commemorative dividend of ¥10 to mark the 60th anniversary of the Company's foundation). Going forward, we will continue to link shareholder return to business performance and maintain a stable level of dividend payments.

### To our shareholders and investors

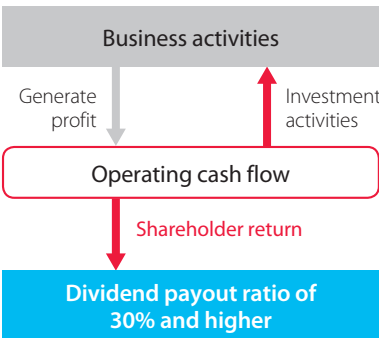
The Daiwa House Group aims to achieve growth over the medium to long term, and we are therefore putting our full efforts into reaching the targets set under our Fifth Medium-Term Management Plan, which we have positioned as the cornerstone of this future growth vision. My job as the Group's Chief Financial Officer is to support this growth strategy by taking steps to improve capital efficiency and effectively managing the risks involved. I aim to provide the necessary support for continued growth from the financial strategy side, while striking a good balance between investment for growth and financial discipline. I will also work to reinforce the Group's efforts to communicate our management strategy over the medium to long term to our shareholders and investors, without whose financial support it would not be possible, and will devote my efforts to building a management system capable of yielding high capital productivity.

It is my belief that our shareholders and investors can look forward with confidence to further growth by the Daiwa House Group.

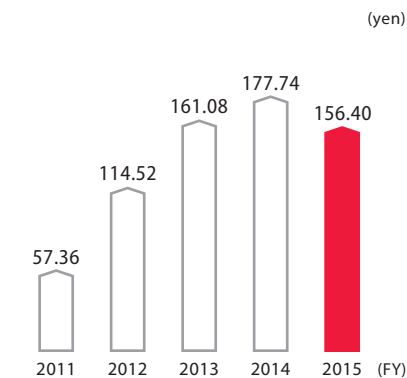
*Takeshi Kasohake*

Representative Director and  
Senior Managing Executive Officer and CFO

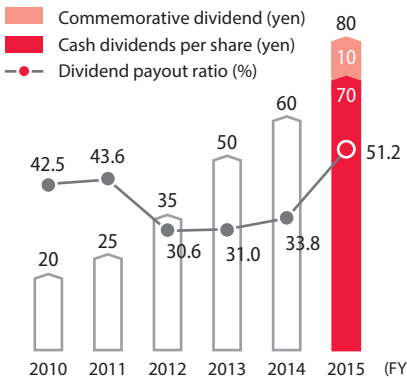
### Profit allocation policy



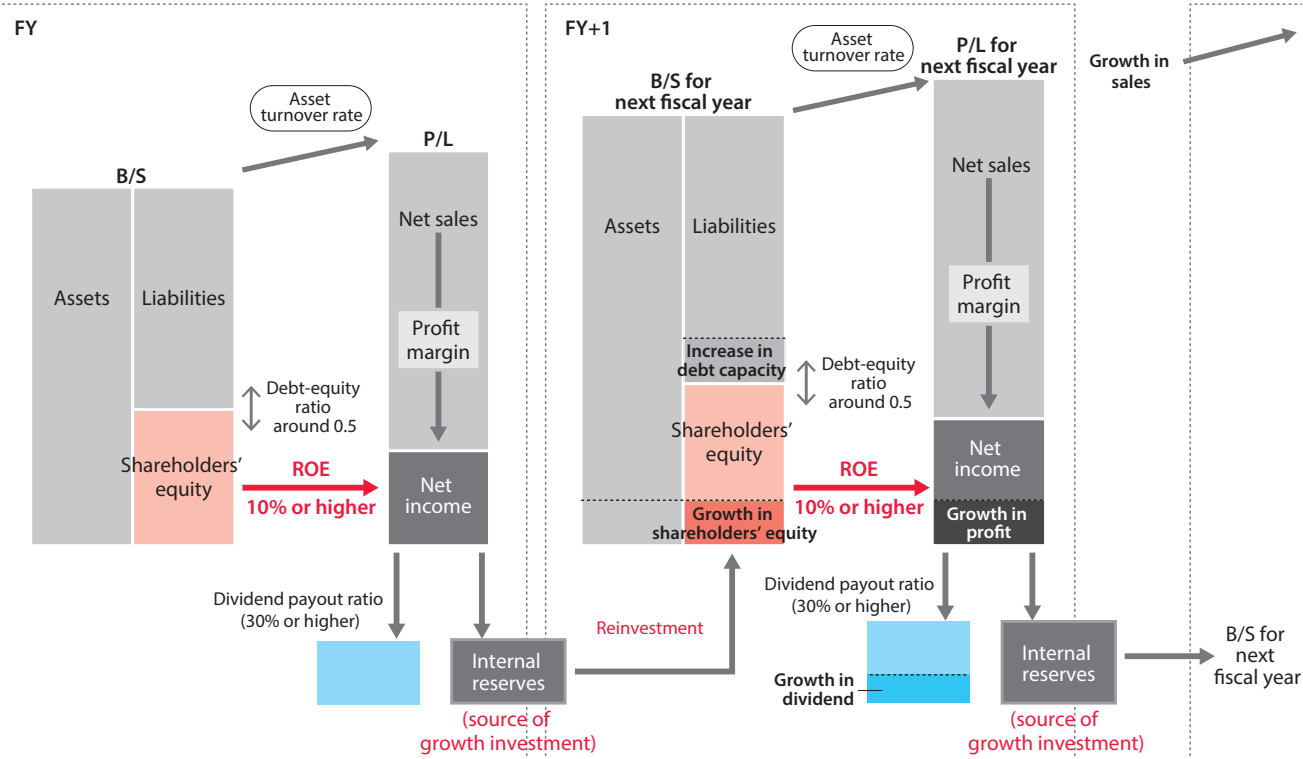
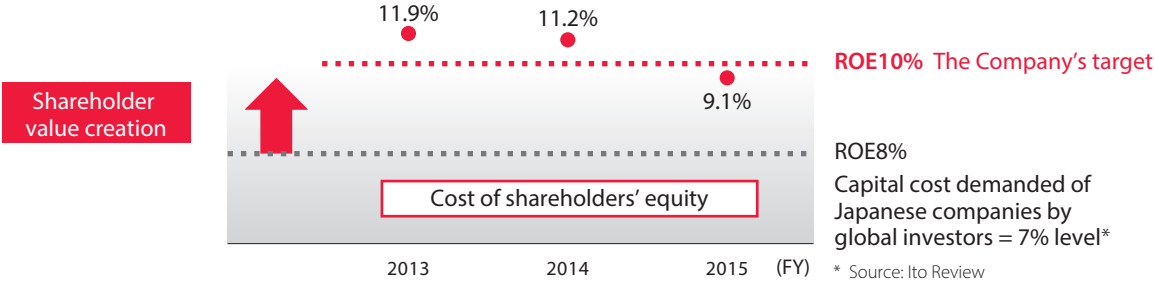
### Net income per share (EPS)



### Cash dividends per share and Dividend payout ratio



### Conceptual diagram of basic strategy for capital policy



### FY

We are reinvesting capital in growth sectors while maintaining an appropriate level of financial leverage by securing operating cash flow, the source of funds required for growth investment, and increasing internal reserves after returning a portion to shareholders.

Secure stable operating cash flow

### FY+1

The Company will realize return on reinvested capital with capital efficiency that exceeds the expected rate of return (cost of shareholders' equity) for shareholders in order to achieve growth in profits and dividends, as well as increase capital required for new growth investment.

Maintaining and improving ROE based on an optimal capital structure



Dividends paid

With respect to the dividend payout ratio (DPR), the Company is working to pay dividends in line with performance as 30% or more of the current net income attributable to owners of the parent company, and also to maintain a stable dividend.

The dividend on equity (DOE), which is the dividend ratio with respect to shareholder equity, is composed of two elements: the payout ratio, representing the allocation of profits to all shareholders, and the return on equity (ROE), representing the Company's capital efficiency.

By changing the discount rate used to calculate retirement benefit obligations following the decline in market interest rates in FY2015, the Company posted extraordinary losses of 84.9 billion yen and consolidated net income attributable to owners of the parent fell below the initial plan to 103.5 billion yen with ROE decreasing by 2.1 points year on year to 9.1%. However, the Company realized stable dividends and the initially planned dividend amount by setting a dividend payout ratio of 51.2%.

Dividend on equity (DOE)

=

Dividend payout ratio (DPR)

×

Return on equity (ROE)

÷ 100

Trends in PBR and PER

The price to book value ratio (PBR) as an evaluation indicator of the stock market has been above the accounting net assets (book value). PBR is subdivided into price earnings ratio (PER) and return on equity (ROE). The Company strives to create medium- to long-term market added value by being properly evaluated for its sustainable growth potential through constructive dialogue with capital markets and proactive information disclosure.

Price to book value ratio (PBR)

=

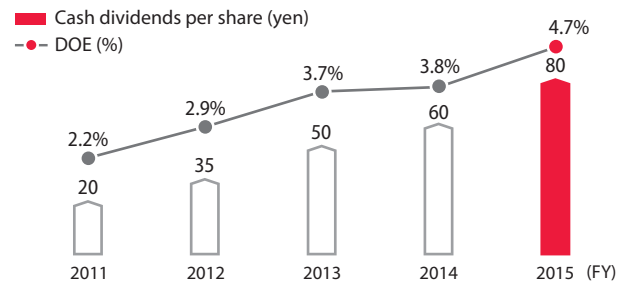
Return on equity (ROE)

×

Price earnings ratio (PER)

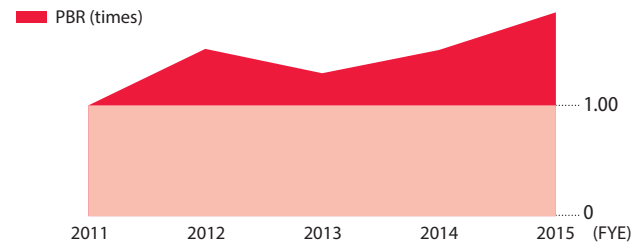
÷ 100

Cash dividends per share and DOE



	2011	2012	2013	2014	2015	Average
DPR (%)	43.6	30.6	31.0	33.8	51.2	38.0
ROE (%)	5.1	9.5	11.9	11.2	9.1	9.4
DOE (%)	2.2	2.9	3.7	3.8	4.7	3.5

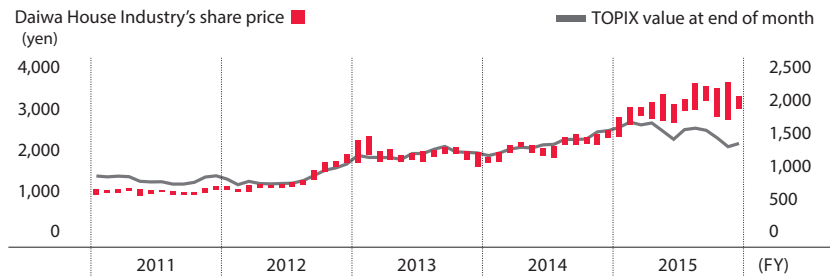
Trends in PBR



	2011	2012	2013	2014	2015	Average
PER (times)	19.07	15.89	10.87	13.34	20.24	15.88
ROE (%)	5.14	9.53	11.87	11.25	9.10	9.38
PBR (times)*1	0.98	1.51	1.29	1.50	1.84	1.43

\*1 The figures above are calculated using the average number of shares outstanding during the period.

Trends in share price of Daiwa House Industry and TOPIX



	2011	2012	2013	2014	2015
Market capitalization (¥ million)	656,314	1,091,857	1,156,398	1,565,860	2,109,310
TSR (%)*2	9.49	69.56	-1.04	38.83	36.90
Share price high (yen)	1,130.0	1,899.0	2,330.0	2,467.5	3,654.0
Share price low (yen)	881.0	967.0	1,592.0	1,673.0	2,326.0

\*2 Total shareholder return

Market capitalization ranking  
(construction/real estate sectors)

Securities code	Company name	Market capitalization*3 (¥ billion)
1 8802	Mitsubishi Estate Co., Ltd.	2,974.8
2 8801	Mitsui Fudosan Co., Ltd.	2,698.2
3 1925	Daiwa House Industry Co., Ltd.	2,143.3
4 8830	Sumitomo Realty & Development Co., Ltd.	1,474.9
5 1928	Sekisui House, Ltd.	1,409.4

\*3 Based on closing price on May 31, 2016

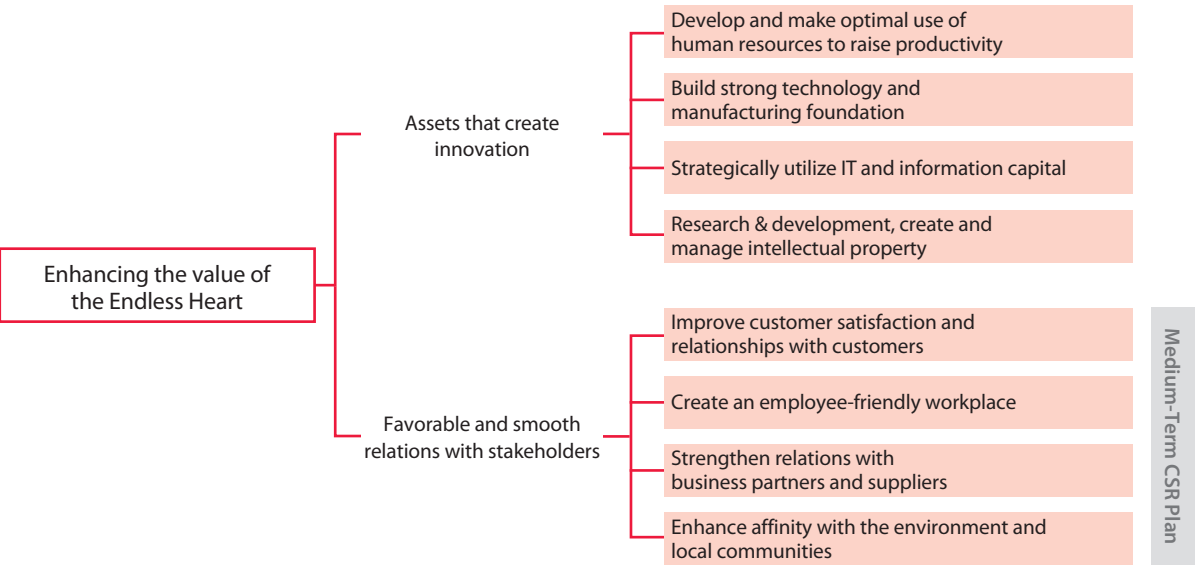


4

Enhancing the Value of the Endless Heart

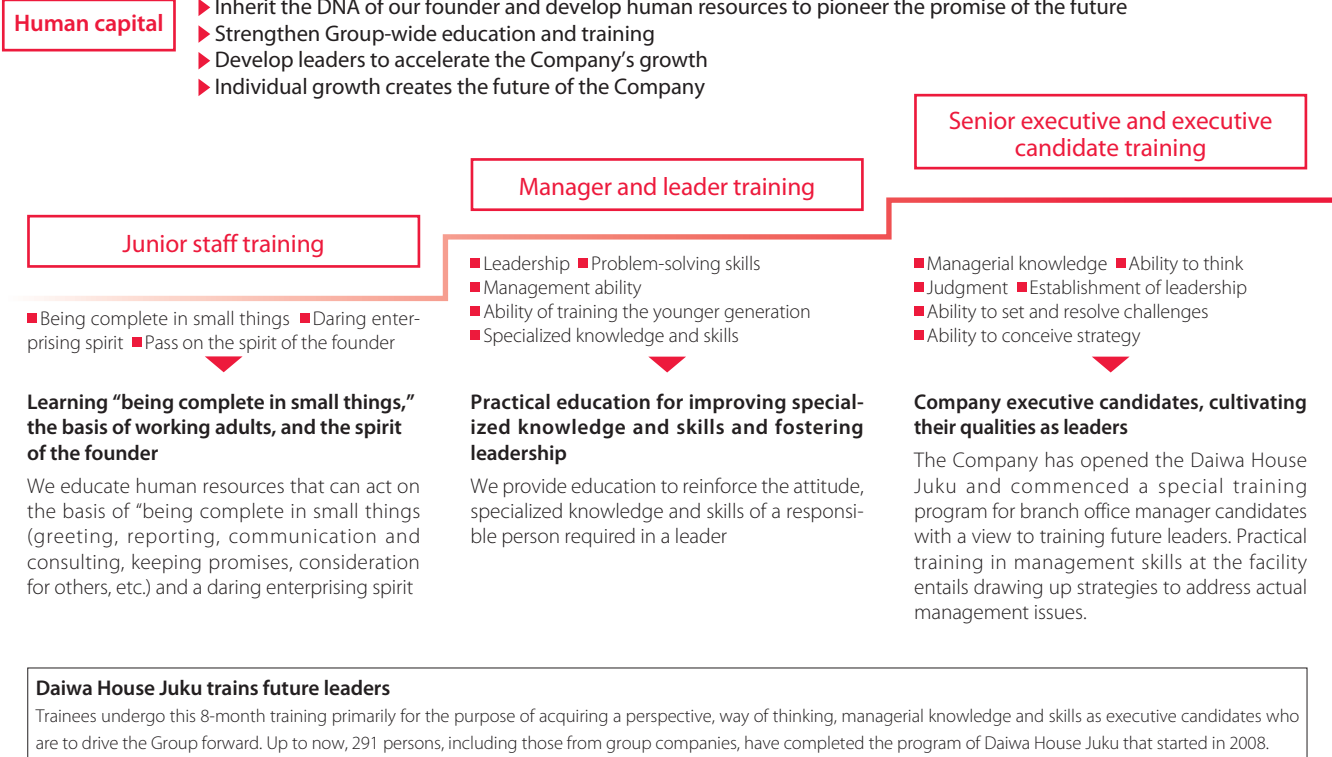
The Group is pursuing efforts with respect to intangible assets that have an impact on medium- to long-term cash flows with a view to augmenting sustained corporate value.

Listing the focused themes for each of the control items called “assets that create innovation” and “favorable and smooth relations with stakeholders” which are considered important perspectives, the Company strives to enhance what it perceives to be its primary corporate value (the brand value of the “Endless Heart”) as the ability to generate cash flow.



Assets that create innovation

Develop and make optimal use of human resources to raise productivity



Build strong technology and manufacturing foundation

- Production capital
- Establish a manufacturing structure that gives priority to safety and quality
  - Strengthen collaboration of manufacturing functions covering “product development, design, production, procurement, logistics, construction” and enhance improvement together with the sales division

Practical themes of manufacturing

- Promote leveling of operations and tasks
- Shorten lead time and reduce site construction burden
- Develop parts and materials with optimum efficiency
- Review the procurement structure

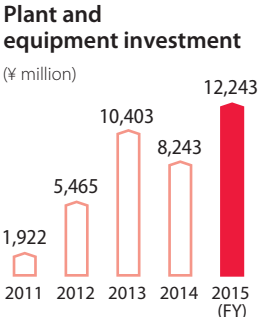


Number of factories 10 sites in Japan  
Number of employees 403  
(as of March 31, 2016)

Ryugasaki factory



Situation inside the factory



Strategically utilize IT and information capital

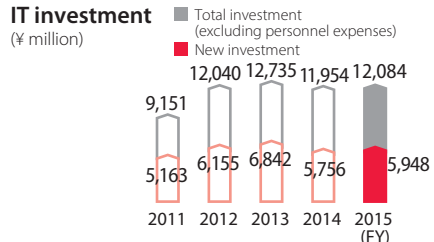
- IT/information capital
- Analyze and utilize information database accumulated through business activities
  - Initiatives for smart community leveraging information technology

Gather, accumulate and utilize management information

- Develop operation promotion foundation system (D-SMART) and management foundation system (DG-CORE)
- Turn the roles of technical experts into human resource development and personnel allocation through evaluation of their business promotion capability and technological capability.



On-site input of inspection results using a tablet terminal



SMAxECO TOWN Harumidai

Number of smart communities  
Number of properties sold 6 locations (537 houses)\*  
Planning for construction 1 location  
\* Including some that have been put up for sale  
(as of October 1, 2016)

Research & development, create and manage intellectual property

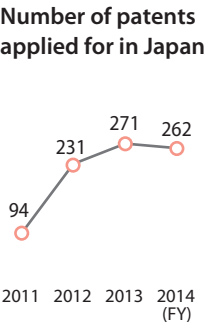
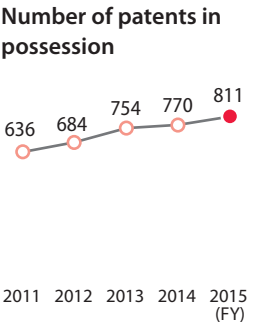
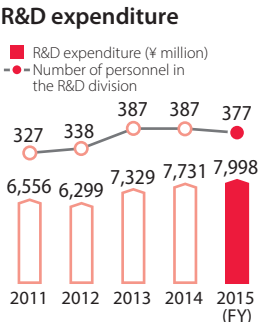
- Research & development
- R&D activities related to technologies that benefit society
- Intellectual property
- Strengthen intellectual property with priority on “securing competitive advantage,” “maintaining competitive order” and “utilizing intellectual property”
  - Determination and management of establishment, maintenance and licensing of intellectual property rights by the “Invention Committee” and the Intellectual Property Office

Priority technical issues

- Labor-saving technology (shorten construction period and automation)
- Technology supporting a super-aging society
- Zero energy and technologies that give consideration to health
- Technology that enables standalone product installation



The Central Research Laboratory (Nara Pref.)





## Favorable and smooth relations with stakeholders

Recognizing that the way we respond to issues related to sustainability, such as social and environmental concerns, would be an important factor in enhancing corporate value over the medium term, we have identified the CSR materiality to be addressed during the medium term. (For details, see P13 and onward of CSR Report 2016.)

### The selection process for CSR materiality

STEP  
1

**Identify and arrange the themes**  
The Group has added priority issues indicated in international codes of conduct, along with domestic and overseas primary social issues to the usual CSR activities, and extracted candidates for CSR materiality.

STEP  
2

**Confirmation of validity**  
In order to clarify whether there are any gaps between what the Company deems important and the level of importance seen by society, we hold stakeholders' meetings and dialogues with experts. This approach has deepened our understanding of each theme from a stakeholder perspective.



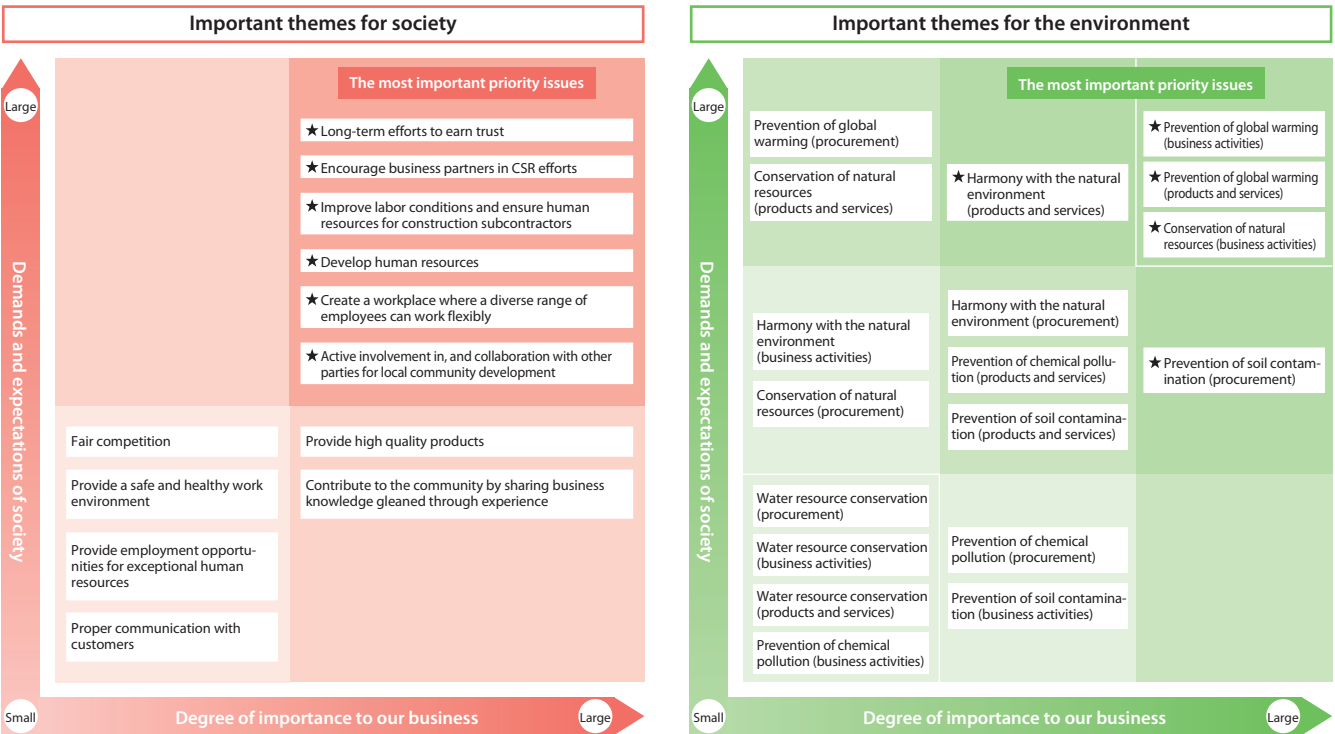
Stakeholders' meeting



Experts' dialogue

STEP  
3

**Identification of materiality (most important priority issues)**  
After Step 2, we performed validation within the Company, and identified 11 items (social: 6, environmental: 5) to be considered the CSR materiality that are the most important issues. (Also takes into account the degree of effort the Company makes for priority issues)



Customers

Vision and strategy

What the Daiwa House Group aims to achieve

We adhere to the spirit of fostering, and continue providing products that are loved for many years

At the Group, through CS (customer satisfaction) activities, we will reflect customer viewpoints in every aspect of our business activities. We go one step beyond “customer orientation” and put “each individual orientation” (thinking from the perspective of each customer) into actual practice. The approach of growing together with our customers to give shape to ideas through repeated face-to-face communication is the steadfast attitude the Group is aiming to achieve.

The purchase of the Group’s products and services is not the end of our relationship with customers, because customers will be using the products for a long period. We will enhance the quality of our buildings and services to continue being a trustworthy entity that is loved by customers.

Principal evaluation indicators

Percentage of implementation of special inspection regarding product performance and specifications

FY2015 results ▶ 90%

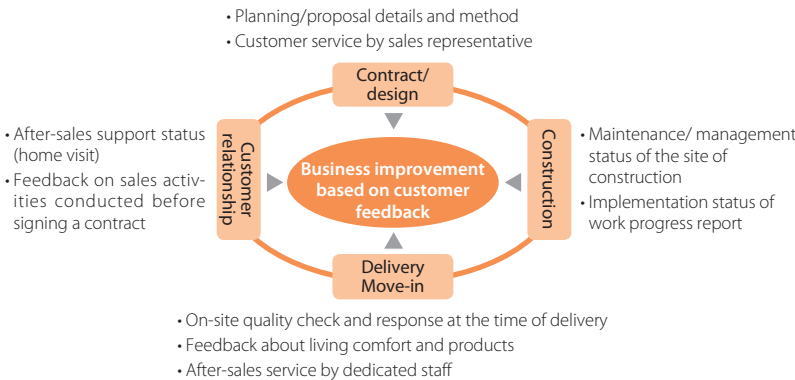
FY2018 targets ▶ 100%

Rate of highest evaluation of intention to introduce in one-month questionnaire (single-family houses)

FY2015 results ▶ 58%

FY2018 targets ▶ 70%

Initiatives to make use of customer feedback



24-hour Customer Center

Risks and opportunities for the Daiwa House Group

Although the housing market is expected to shrink in the future, since buildings are basically custom-built, diversifying needs and accelerated changes present both risks and opportunities. We will create new businesses and businesses which utilize our existing customer base.

We will enhance customer satisfaction by creating businesses and maintaining high quality in both hardware and software in an effort to increase profitability.

Risks

- Competition will intensify as the newly built housing market diminishes.
- Opportunities may be lost if we fail to rapidly respond to diversifying customer needs.

Opportunities

- Long-lasting favorable relationships can be established by acquiring profound trust from customers.
- New business opportunities can be created, such as businesses that leverage the existing customer platforms, and products and services that resolve social problems.

Employees

Vision and strategy

What the Daiwa House Group aims to achieve

Creating workplaces that are motivating and a source of pride using a bottom-up approach



The Group considers people to be the corporation’s greatest asset. Under our founder’s belief that “a company is built upon the energy of those who make things happen at ground level,” we instill in our employees the importance of a bottom-up approach to management that follows a company philosophy to “develop people through business.” The employees of the Group which is good at providing a solutions-based approach must work with optimism and a strong will to turn people’s dreams into reality for the purpose of solving issues faced by customers. In the process they themselves must grow.

We also actively promote diversity to bring in useful, new perspectives to solve issues with fresh ideas. We want all of our employees to feel a sense of mission and become aware of how the work they are doing serves society. By doing so, we aim to create workplaces that generate motivation and pride.

Principal evaluation indicators

Degree of satisfaction of employees to overall human resources training

FY2015 results ▶ 69%

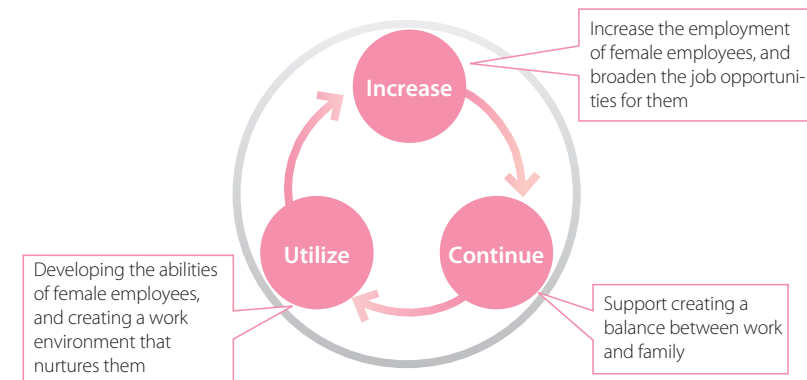
FY2018 targets ▶ 85%

Rate of hiring of new graduate females (general employees)

FY2015 results ▶ 24%

FY2018 targets ▶ 30%

Cycle of promoting women’s activities



D’s Women’s Forum aims to encourage women to play more active roles throughout the Group

Risks and opportunities for the Daiwa House Group

The Group has approximately 57,000 employees with a variety of personalities and diverse capabilities. If we are able to continue providing an environment that brings out the best in each employee, we can expect to maintain steady growth in the future. In contrast, if inadequacies appear in the work environment, we will lose our competitiveness. The Group works to create a personnel system and corporate culture that together encourages personal growth and promotes diversity that enables a variety of working styles.

Risks

- It will be difficult to attract and hold on to highly capable individuals unless we are flexible in meeting the needs of employees of all types from a range of backgrounds.
- Women’s loss of opportunity for advancement due to marriage or child-rearing is a significant loss to the Group.

Opportunities

- A workplace in which diverse personnel can work together facilitates the emergence of new ideas, which will lead to the development of products and services that accurately meet the diversified needs of customers.
- Allowing flexible working styles to support employees in different life stages leads to attracting and holding onto talented individuals.



Business Partners

Vision and strategy

What the Daiwa House Group aims to achieve

We will continue to construct quality buildings through mutual study, and realize co-existence and co-prosperity

Business partners are vital, and indispensable and valuable partners, for the Group which has established an expansive value chain. The Company has set up a robust supply chain comprising three membership organizations: the Trillion Club, the Confederation of Partner Companies, and the Setsuwa Club. Individual organizations strive to further gain the trust of customers by securing superior quality in accord with the spirit of co-existence and co-prosperity, through setting goals and addressing high priority themes to achieve the goals.

With trust and challenge as the keywords, the Group will create goods and services with real values together with business partners to create win-win relationships.

Principal evaluation indicators

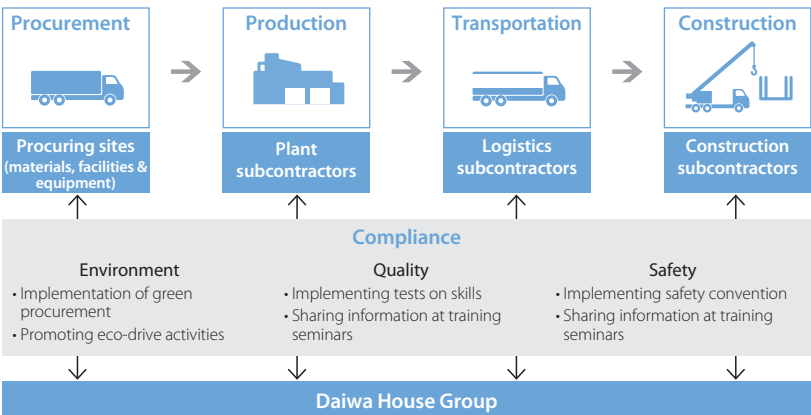
Questionnaire survey for business partners about Daiwa House Industry employees' conduct  
(Percentage of respondents who stated "no problem" with regard to Daiwa House Industry employees)

FY2015 results ▶ 72%  
FY2018 targets ▶ 75%

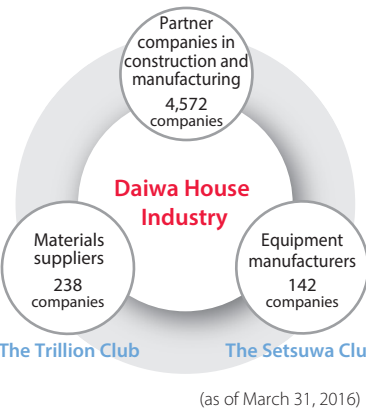
Number of the Confederation of Partner Companies

FY2015 results ▶ 4,572 companies  
FY2018 targets ▶ 4,800 companies

Supply chain in the business activities of the Daiwa House Group



The Confederation of Partner Companies



Risks and opportunities for the Daiwa House Group

Since we believe that business partners should have cooperative relations and enhance each other, we evaluate the business conditions of the material suppliers and point out any issues to be improved on an as-needed basis. This is because we believe that the strengthening of business management of the suppliers leads to a stable working environment for their employees, the improvement of safety and quality, and eventually the satisfaction of our customers. In addition, we build relations in which we respect each other and make management efforts together through the leveling of operation and other initiatives in order to improve competitive strength.

Risks

- Further shortage of site workers is expected in the future, and there is a concern that it causes problems as to quality and safety.
- Any occupational accident or illegal act involving our business partners can result in a delay or suspension of supply to our clients and also ruin our social credibility and a resultant decline in our corporate value.

Opportunities

- Mutual study and support and friendship sought through the supply chain network will enhance the construction system and human resources and contribute to the further improvement of safety and quality as well as cost reduction.

Local Residents

Vision and strategy

What the Daiwa House Group aims to achieve

Help solve issues in local communities through dialogue and cooperation that build "relationships"

With branches and factories across Japan, the Group develops business activities in close cooperation with local communities. Positioning social contribution activities in communities as "community co-creation activities," the Group endeavors to solve social issues in our hosting communities. In our community co-creation activities, we emphasize our "relationships" with community stakeholders by talking with them to first understand the issues, sharing wisdom with each other, and working with them on solving the issues at hand. Being involved in solving community issues and interacting with diverse stakeholders who have a different sense of values is expected to also have a secondary effect of enhancing management of the branch by presenting an opportunity for personal growth for each of our employees. As a corporate citizen, we will continue to seek to enable spiritually rewarding communities from a mid- to long-term perspective.

Principal evaluation indicators

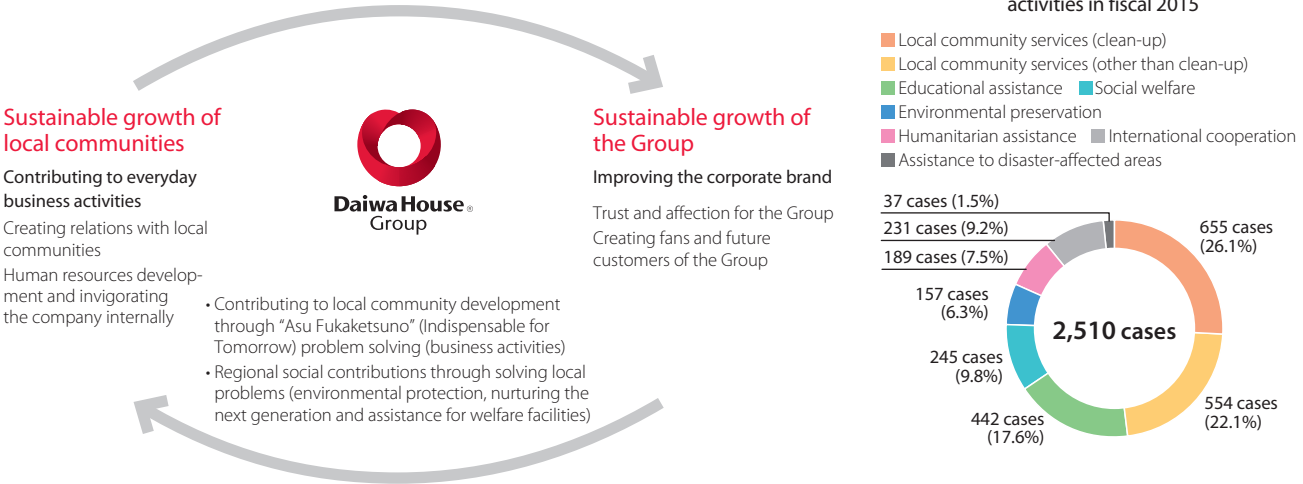
Amount conversion of community co-creation activities by branch offices

FY2015 results ▶ 137.114 million yen  
FY2018 targets ▶ 300 million yen

Number of cases of education support  
(Career education, on-site experience and others)

FY2015 results ▶ 55 cases (annual results)  
FY2018 targets ▶ 70 cases (annual results)

Approach to community co-creation activities



Risks and opportunities for the Daiwa House Group

Constructively developing and activating local communities both makes the areas where we do business more interesting and stimulates the market, therefore we view these practices as critical to our growth as a business group. And our workforce engaging in these practices out of their own volition creates new opportunities to grow.

Risks

- Unless issues afflicting a local community are resolved, the community becomes less interesting to buyers and shrinks as a market.
- Changes in the local market, social environment or other elements cannot be addressed unless identified and properly analyzed.

Opportunities

- Positive reactions to local communities we develop and relationships based on trust lead to smooth business.
- Growth is the result when our employees take a personal interest in addressing the issues of local communities.

Environment

Vision and strategy

What the Daiwa House Group aims to achieve

Addressing the challenge of zero environmental impacts with the aim of realizing a sustainable society

The Group has formulated the Long-Term Environmental Vision “Challenge ZERO 2055” with an eye to our 100th anniversary in 2055, and has set long-term goals in four environmental themes associated with its business that hold a high degree of interest for stakeholders to meet the challenge of achieving “zero environmental impacts” throughout the product life cycle.

Every three years, the Group formulates a program with concrete targets and plans. Known as the Endless Green Program, it is actively implemented on a schedule under the Medium-Term Management Plan toward achieving the goals of the Long-Term Environmental Vision. In the Endless Green Program 2018 for implementation the period fiscal 2016 to 2018, we are accelerating our environmental initiatives under the concept of promoting integrated environmental management within our Group and globally based on the life cycle approach to ensure that corporate profitability can coexist with environmental sustainability.



Principal evaluation indicators

Rate of decrease from the FY2005 figure in CO<sub>2</sub> emissions per unit of sales

FY2015 results ▶ -50%

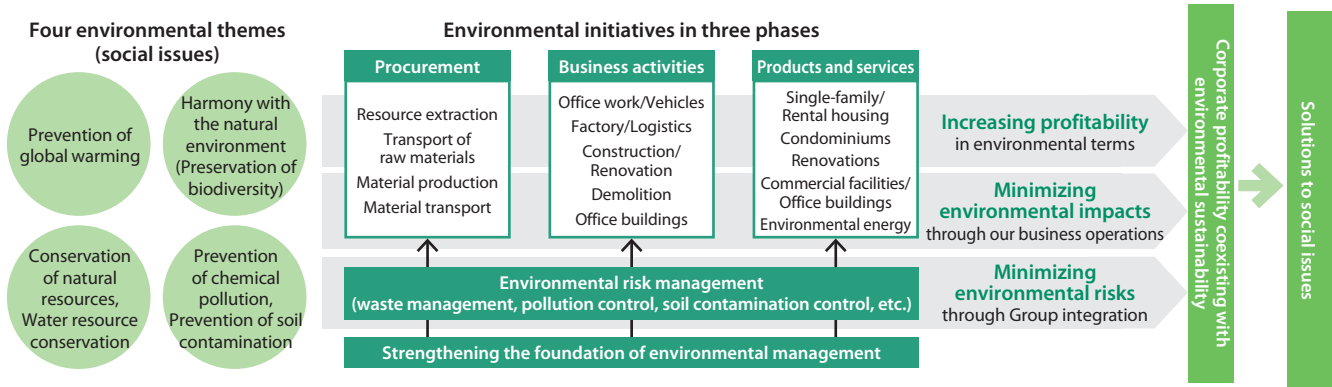
FY2018 targets ▶ -53%

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

FY2015 results ▶ 3,700 thousand t-CO<sub>2</sub>

FY2018 targets ▶ 3,900 thousand t-CO<sub>2</sub>

Overall action plan for the Endless Green Program 2018



Risks and opportunities for the Daiwa House Group

The Paris Agreement was adopted in the United Nations Framework Convention on Climate Change (COP 21), and greenhouse emission reduction targets were announced in Japan. We believe that control of CO<sub>2</sub> emissions will be strengthened, and the development and spread of energy-saving houses and buildings will further advance in the future. As the quantity of natural resources consumed globally increases, resource depletion worsens. Therefore, we extend service life of houses and buildings and conserve natural resources in an effort to reduce waste generation and increase the recycling ratio. We also build and strengthen systems for wood procurement and chemical substance management throughout the supply chain, which includes our business partners and customers, to minimize risks. In addition, we provide added value for new lifestyles, developing lush green towns that support biodiversity and create opportunities for expanding the greening business.

Risks	<ul style="list-style-type: none"><li>● Increase relevant investments by strengthening control of CO<sub>2</sub> emissions.</li><li>● Disruptions in supply of materials and increase in costs due to expanded demand for timber from sustainable logging, depletion of resources and a lack of water resources.</li><li>● Increase in costs due to added new regulations on chemical substances.</li></ul>
Opportunities	<ul style="list-style-type: none"><li>● Expansion of environmental real estate market due to growing needs for environmental consciousness.</li><li>● Expansion of the environmental greening business in response to increased need for urban greening.</li><li>● Growth of existing home business to achieve a longer life for houses and buildings.</li></ul>

5



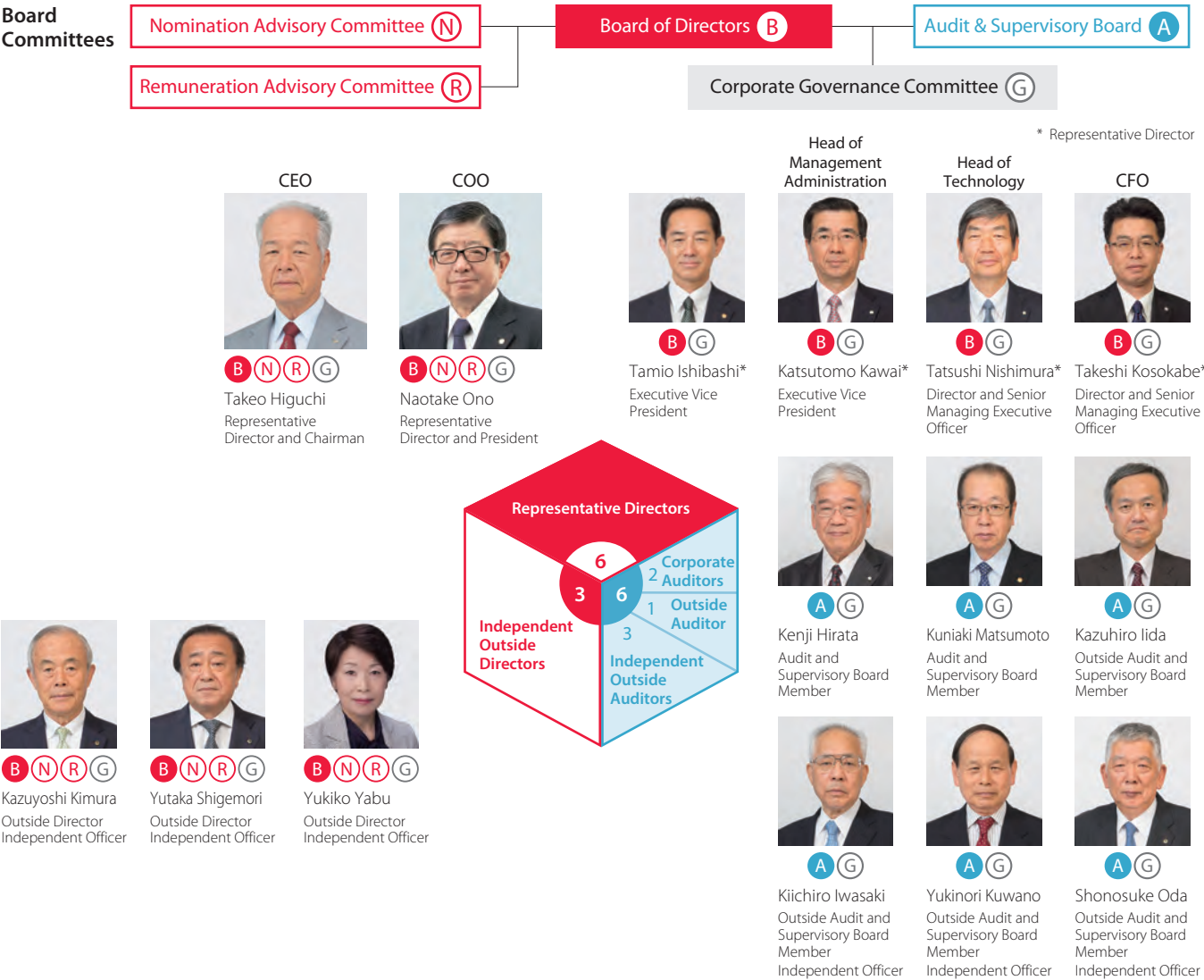
Management Structure



Outline of corporate governance system

To realize a group that co-creates value for individuals, communities, and people's lifestyles as stated in our management vision, executives in charge of operational execution must always explore the needs of society based on the spirit of focusing on worksites, and the Board of Directors must deliberate and decide on how to respond to society's needs through our business operations. In order to implement this in an accurate and swift manner, the Company's Board of Directors is mainly composed of executive directors who are able to handle the Group's scale of business and business segments.

Meanwhile, its monitoring function is performed by three independent outside directors and the Audit & Supervisory Board, composed of six corporate auditors including three independent outside auditors. In addition, to increase transparency in processes related to the nomination of directors and remuneration, we have established voluntary advisory committees and also have the Corporate Governance Committee to deliberate on medium- to long-term management issues.



Views on composition of Board Committees

The Board of Directors discharges the management function to respond to society's needs through our business operations based on the spirit of focusing on worksites adhered to by representative directors and executive directors, while the monitoring function is operated mainly by several independent outside directors, Audit & Supervisory Board Members who do not vote in the decision-making of the Board of Directors, and the Audit &

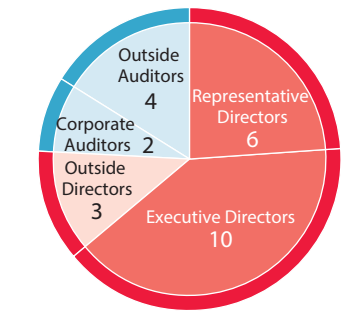
Supervisory Board. Regarding items related to nomination and remuneration, we have established voluntary advisory committees headed by an outside director to further increase transparency.

In addition, we have the Corporate Governance Committee to fully incorporate the knowledge of outside directors on medium- to long-term management issues for the Company's sustainable development.

Composition of Board Committees

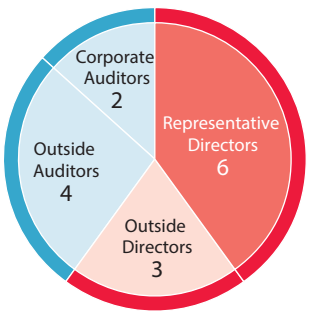
Name	Position	Independent Officer	Executive/ Non-Executive	Board of Directors	Audit & Supervisory Board	Nomination Advisory Committee	Remuneration Advisory Committee	Corporate Governance Committee
Takeo Higuchi	Representative Director and Chairman		Executive	Chairman		○	○	Chairman
Naotake Ono	Representative Director and President		Executive	○		○	○	○
Tamio Ishibashi*	Executive Vice President		Executive	○				○
Katsutomu Kawai*	Executive Vice President		Executive	○				○
Tatsushi Nishimura*	Director and Senior Managing Executive Officer		Executive	○				○
Takeshi Kosokabe*	Director and Senior Managing Executive Officer		Executive	○				○
Kazuyoshi Kimura	Outside Director	○	Non- Executive	○		Chairman	Chairman	○
Yutaka Shigemori	Outside Director	○	Non- Executive	○		○	○	○
Yukiko Yabu	Outside Director	○	Non- Executive	○		○	○	○
Kenji Hirata	Audit and Supervisory Board Member		Non- Executive	Attendance	Chairman			○
Kuniaki Matsumoto	Audit and Supervisory Board Member		Non- Executive	Attendance	○			○
Kazuhiro Iida	Outside Audit and Supervisory Board Member		Non- Executive	Attendance	○			○
Kiichiro Iwasaki	Outside Audit and Supervisory Board Member	○	Non- Executive	Attendance	○			○
Yukinori Kuwano	Outside Audit and Supervisory Board Member	Head of Independent Officers	Non- Executive	Attendance	○			○
Shonosuke Oda	Outside Audit and Supervisory Board Member	○	Non- Executive	Attendance	○			○

Composition of Directors and Audit & Supervisory Board Members



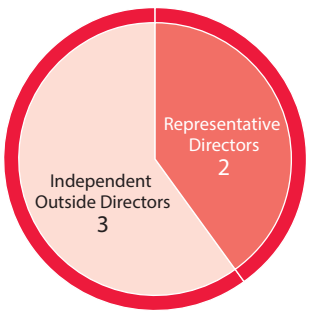
Percentage of Executives	64%
Percentage of Non-Executives	36%

Composition of Corporate Governance Committee



Percentage of Non-Executives	60%
Percentage of Outside Officers	46%
Percentage of Independent Officers	40%

Composition of Nomination/ Remuneration Advisory Committee



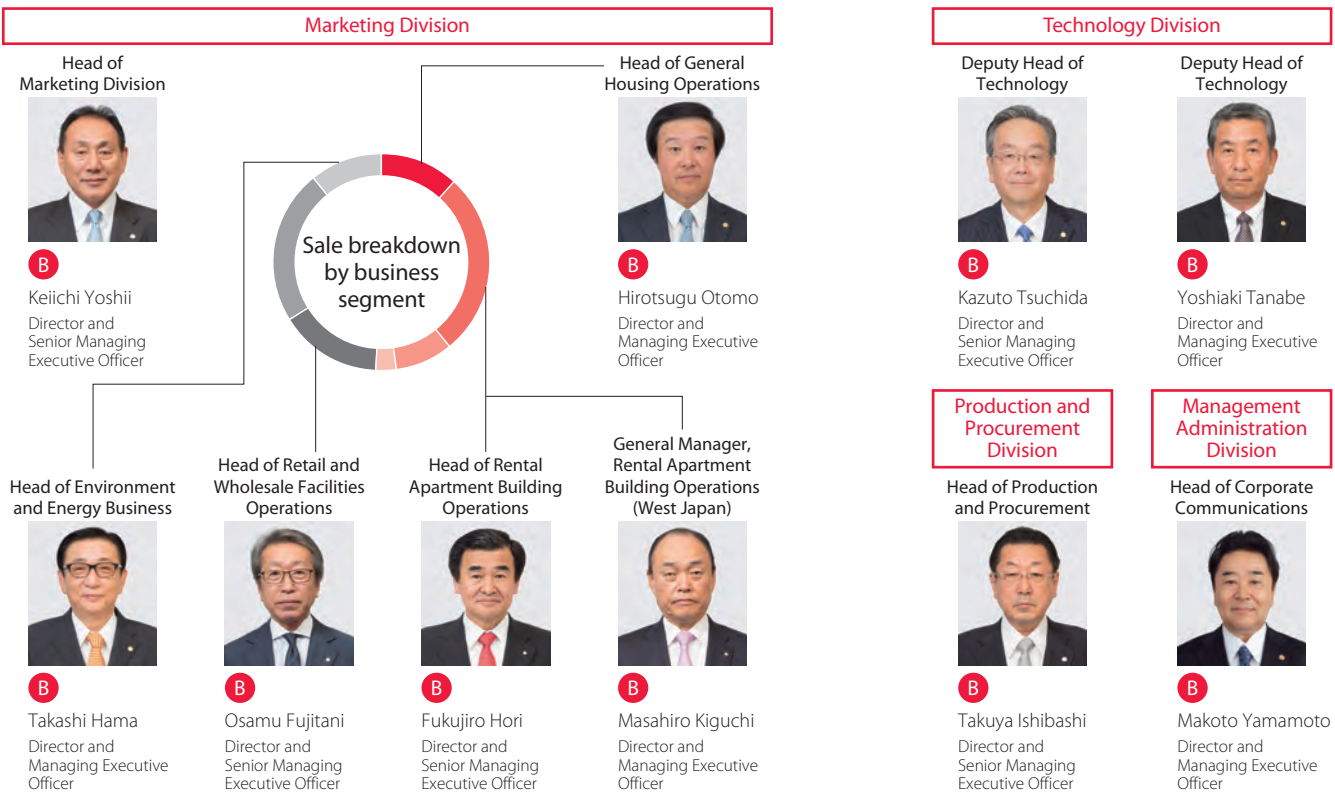
Percentage of Independent Outside Directors	60%
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Executive directors

The Company operates in a number of business fields, classified as three main categories – Housing (single-family houses, rental housing, condominiums, and renovation business), Business (commercial facilities, logistics facilities, real estate development, and medical and nursing care facilities), and Life (hotels, home centers, fitness clubs, and others).

To proactively grasp the social needs and any changes in economic climate in these business fields and gain business opportunities by effectively

utilizing the Company's management resources, the Company's Board of Directors appoints the following executive directors as board members, in addition to representative directors and outside directors. This system enables appropriate decision-making on and risk assessment of company-wide business development among board members, thereby allowing us to promote flexible and complex business development.



Committees concerning operational execution (Management Committees)

In conducting business development in a wide range of business fields, we have established committees concerning operational execution (Management Committees), including the Joint Management Council to swiftly and accurately put decision-making into practice by the Board of Directors, the Real Estate Investment Committee and the Companywide Environment Committee as bodies to deliberate on matters required for decision-making and steersmanship by the Board of Directors, the Internal Control Committee to ensure effective supervision and operation of the company-wide internal control system, and the Risk Management Committee, in an effort to conduct business development that balances an approach with a high level of certainty toward business opportunities and risk control.

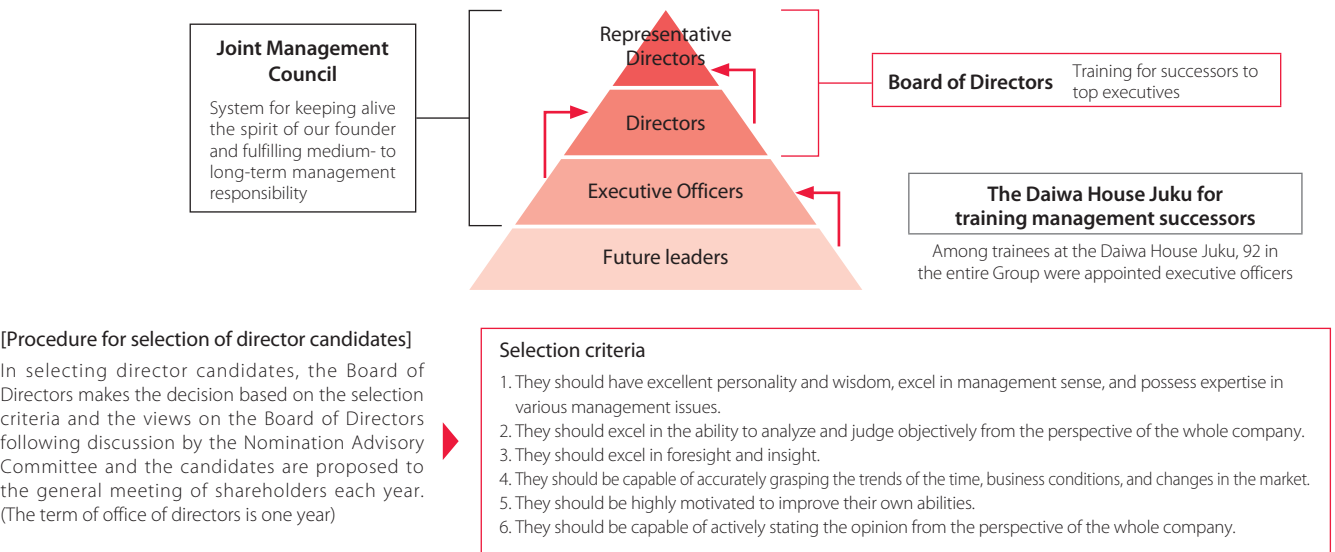
Joint Management Council	The Joint Management Council is established as a joint panel for appropriately executing the decisions made by the Board of Directors through communication between the Board of Directors and executive officers. (Chair: President and COO)
Internal Control Committee	The Internal Control Committee requests reports on the operation status of internal control and provides supervision for the purpose of appropriately implementing internal controls pursuant to the provisions of the Basic Policy on Construction of the Internal Control System. (Overall responsibility: President and COO) (Chair: Head of Management Administration)
Risk Management Committee	The Company establishes a Risk Management Committee as the organization to construct and maintain a risk management system to prevent and curtail the manifestation of risks related to the management of the Daiwa House Group, as well as to reduce the amount of damage when risks materialize. (Chair: Head of Management Administration)
Real Estate Investment Committee	The Company establishes a Real Estate Investment Committee for the purpose of assessing the feasibility of investments and evaluating risks, to contribute to decision-making of the rational and effective investment of capital in real estate development and investment business. (Chair: President and COO)
Companywide Environment Committee	The Companywide Environment Committee gives directions and conducts supervision of company-wide environmental activities for the purpose of realizing social responsibilities and roles to be fulfilled by the Company in relation to natural capital based on the environment philosophy. (Overall responsibility: President and COO) (Chair: Head of Technology)

Mechanism for training successors to realize sustainable development

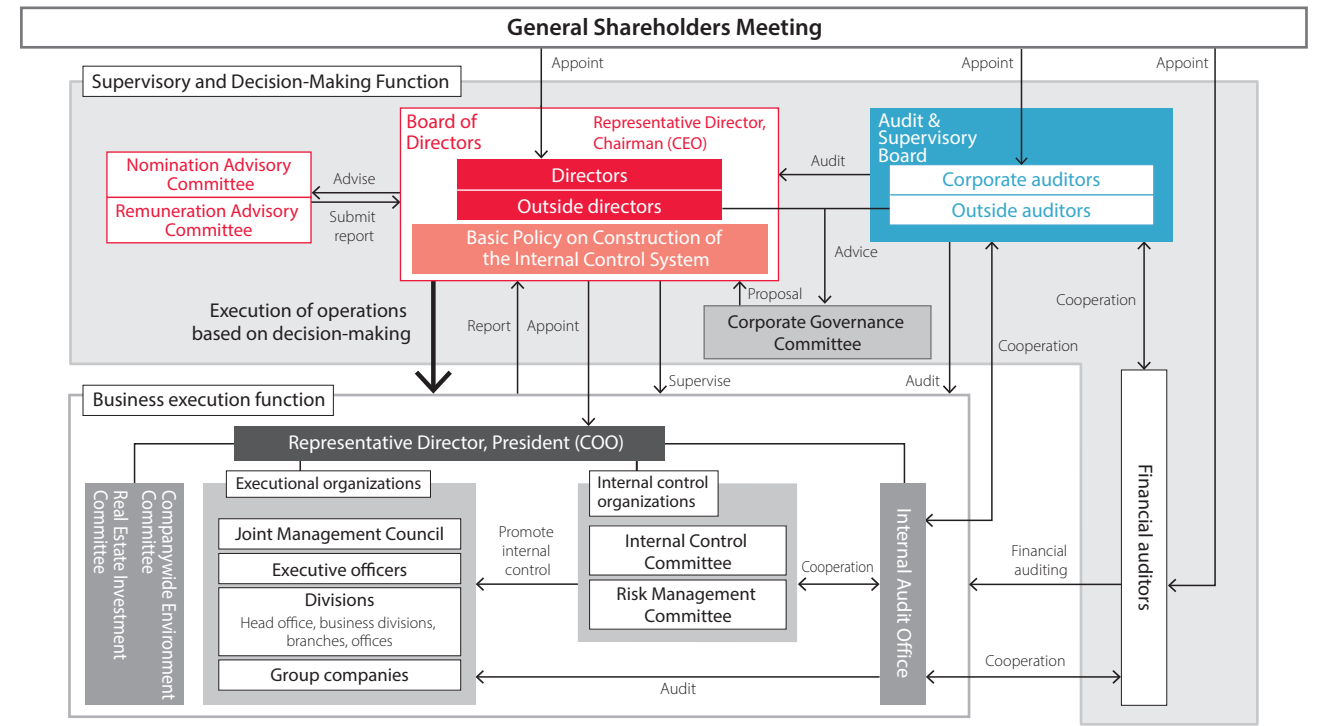
Human resource development is of utmost importance for the Company's sustainable development. Based on our founder's teaching that "a company is only as good as its people," we channel our energies into building a mechanism for human resource development by employee grade. We believe that seamlessly passing down managerial experience and accumulated know-how is indispensable for sound and sustainable development. Based

on this belief, we intentionally create overlaps among employee grades to expand the pool of human resources.

By doing so, we will strengthen the human resource base that can respond to challenges in new business fields and the expansion of business scale and business area, as well as build a system that immediately responds to emergencies and changes in the management environment.



Corporate governance system





Remuneration policies

Objective

The Company's executive remuneration is designed to cultivate and secure superior management personnel and contribute to its sustainable development as a listed company by including a portion linked to operating performance and an appropriate incentive plan (remuneration and investment plan) in consideration for corporate value creation.

The incentive plan consists of fixed remuneration and annual bonuses as short-term monetary remuneration, and compensatory stock subscription rights (stock options for value) as an investment plan linked to medium-term performance and share prices, as well as performance-based, stock compensation tied to long-term shareholder values. This initiative is intended to build an incentive plan that balances management responsibilities of directors over the short-term, medium-term, and long-term.

Details

The components consist of

(1) Fixed remuneration that is paid as consideration for fulfilling job responsibilities of the Company's managers in consideration of the scale of business;

- (2) Annual incentive bonus that is paid within 0.5% of consolidated ordinary income as performance-based remuneration for "generating profits and fostering the Company's growth and development";
- (3) Stock options for value that are established with the aim of enhancing the commitment to performance targets set in the Medium-Term Management Plan and to improving shareholder value; and
- (4) Performance-based, stock compensation that is paid with the aim of linking with shareholder value by using return on equity (ROE) as the performance-based indicator, in addition to increasing the number of the Company shares held by directors.

Determination process

To ensure the transparency and objectivity of these decisions, the Company makes decisions in consultation with the Remuneration Advisory Committee with outside directors making up more than the half of its members.

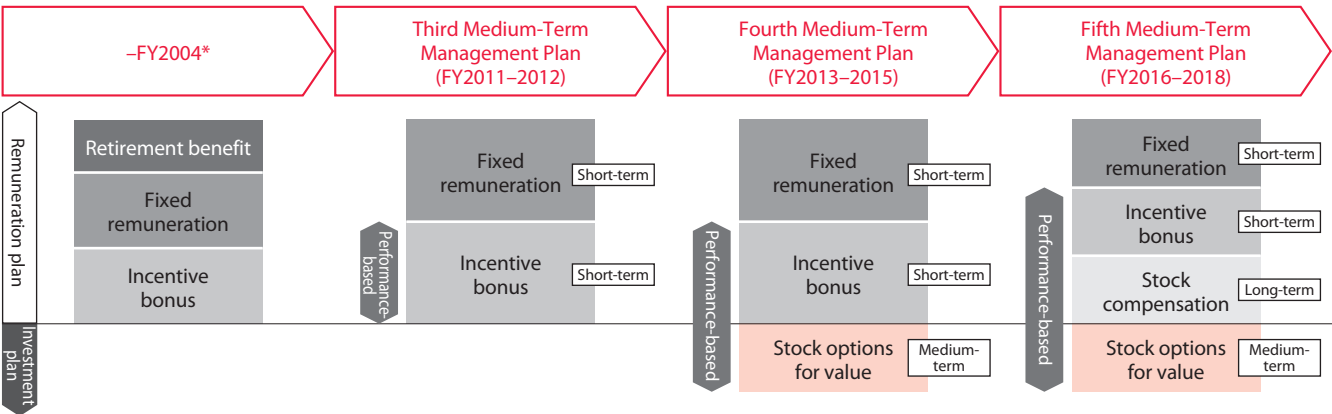
And also to ensure that the annual incentive bonus amount provided to Directors and Audit & Supervisory Board Members in relation to operating performance in the subject fiscal year is in accordance with the will of the shareholders, this amount is tabled as a proposal at the annual General Meeting of Shareholders.

Period	Type of remuneration	Indicator	Remark
Short-term (monetary)	Fixed remuneration	Not more than 70 million yen per month	Resolution of General Meeting of Shareholders in 1996
Short-term (monetary)	Annual incentive bonus	Within 0.5% of consolidated ordinary income	
Medium-term (share)	Stock options for value	Level of achievement of performance targets of Three-Year Medium-Term Management Plan (accumulated operating income of 800 billion yen)	Securing of operating cash flow
Long-term (share)	Performance-based, stock compensation	Number of shares to be delivered changes depending on ROE performance 10% or higher*1 = 1 8% or higher*2 less than 10% = 0.5 Less than 8% = 0	Maintain and improve ROE

\*1 Target set in the Fifth Medium-Term Management Plan.

\*2 The minimum target as a listed company proposed in the Ito Review.

Changes in remuneration structure

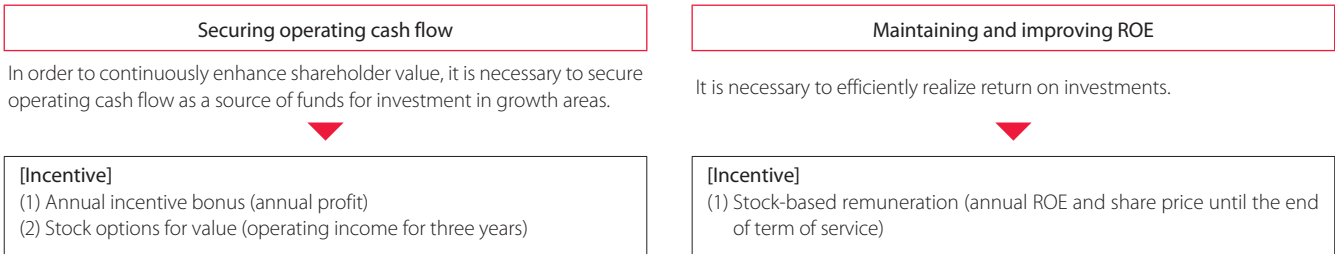


\* Resolved to abolish the retirement benefit plan at the 2005 annual General Meeting of Shareholders.

Link between shareholder value and remuneration/incentive plan

The Company's basic stance toward remuneration of directors is to build an appropriate incentive plan so that management decisions are always made based on overall optimization to increase earnings per share (EPS) by investing in growth areas as stated in the basic policy for returns to shareholders. At times there are situations that require management decisions to sacrifice short-term profit for sustainable development. A balanced incentive plan

has been developed by introducing a framework (stock compensation) for rewarding enhanced medium- to long-term corporate value, along with incentives to achieve the short-term performance targets, to ensure that appropriate management decisions are made by managers of a listed company to primarily enhance the medium- to long-term corporate value.



Remuneration paid

	(millions of yen)		
Directors' remuneration and shareholder value	FY2013	FY2014	FY2015
Directors' fixed remuneration*	738	729	758
Operating income	163,576	180,352	243,100
Ordinary income	176,366	202,628	233,592
Directors' bonus	537	648	818
Net income attributable to owners of the parent	102,095	117,133	103,577
Dividends in total	32,956	39,535	53,132
Cash dividends per share (yen)	50	60	80
TSR (Total shareholder return) (%)	-1.04	38.83	36.90

\* Excluding outside directors

Incentives for next generation of managers and employees

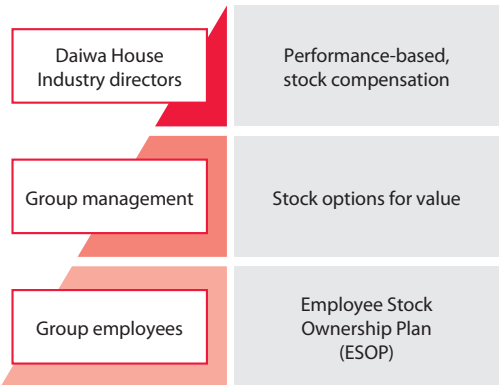
A stock incentive plan is introduced for all Group officers and employees according to the role required for each employee level for the purpose of the continuous development of directors and promoting an awareness of enhancing shareholder value over the medium to long term.

[Stock options for value]

Stock options for value are introduced as an incentive plan linked to the Group's Medium-Term Management Plan for approximately 600 persons, which account for about 2% of the Group officers and employees.

[Employee Stock Ownership Plan (ESOP)]

This plan is introduced as an investment in human resources with a view to contributing to the Group's sustainable development by raising awareness of participation in management and rewarding the results thereof, along with supporting employees' wealth building by promoting acquisition and holding of shares by employees through the Employee Shareholding Association.



Board of Directors Evaluation

Board of Directors duties

- 1. Through an optimal corporate governance system, the Board of Directors aims to realize the Company’s Corporate Philosophy, carry out the monitoring functions and perform the best possible decision-making based on fair judgment.
- 2. To realize the Management Philosophy and strive to enhance corporate value and the common interests of the shareholders over the medium to long term, after multifaceted and sufficient consideration the Board of Directors is responsible for judging fairly and taking action with regard to acts that could impair these interests.
- 3. To achieve performance targets, the Board of Directors confirms and investigates the state of progress, formulates countermeasures if necessary and conducts appropriate disclosure.
- 4. Under the keywords of “stability and safety, speed and stock, welfare, environment, health, communications and agriculture,” the Board of Directors promotes an internal culture oriented toward innovation, realizes the Management Vision and goes beyond structural and departmental boundaries, as well as supports management resources in order to contribute toward the development and provision of products and services that contribute to society.

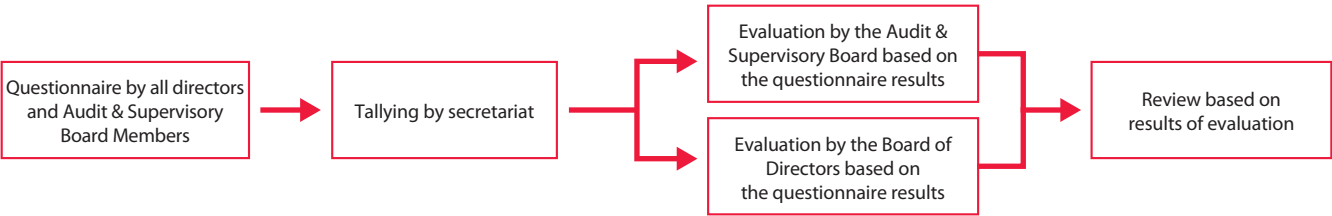
Status of meeting of the Board of Directors

In 2015		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	Total (Average)
Attendance	Directors	19/19	19/19	19/19	18/19	18/19	18/19	19/19	19/19	19/19	19/19	19/19	18/19	19/19	18/19	19/19	17/19	—
	Audit & Supervisory Board Members	5/5	5/5	5/5	5/5	5/5	5/5	5/5	5/6	6/6	6/6	6/6	6/6	6/6	6/6	6/6	6/6	—
	Attendance rate	100%	100%	100%	96%	96%	96%	100%	96%	100%	100%	100%	96%	100%	96%	100%	92%	98%
Number of proposals	Matters to be resolved	9	6	13	1	6	7	3	10	5	1	6	1	12	2	11	2	95 (5.9)
	Matters to be reported	—	—	2	—	3	2	—	3	2	—	—	—	—	—	—	—	12 (0.7)
Required time (minutes)		110	70	195	55	160	120	30	120	80	20	65	30	120	40	120	30	102

Outline of Board of Directors evaluation

The Company annually conducts the Board of Directors evaluation.

Evaluation process



Summary results of Board of Directors evaluation

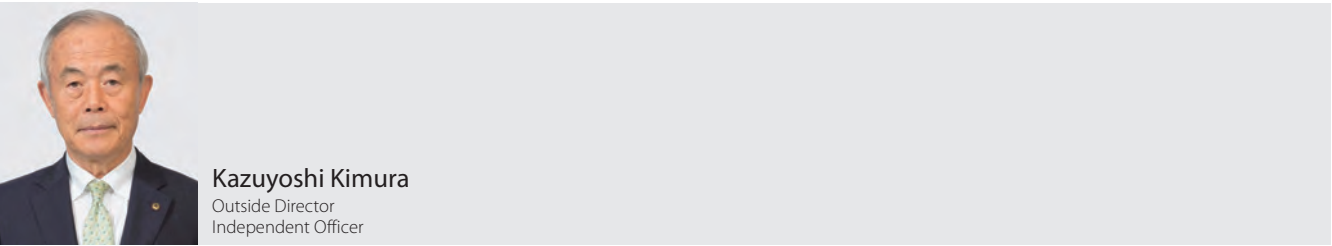
The Company analyzes and evaluates the Board of Directors as a whole by means of questionnaire-based self-evaluations by each Director as well as evaluations by the Audit & Supervisory Board and the Board of Directors itself. The Company evaluates the effectiveness of its Board of Directors to have been fully satisfactory in 2015 based on a review of the board’s operation, including its composition, decision-making process, and management of corporate performance, as well as the level of support provided to outside Directors and the performance of duties by the Directors.

At the present time no particular issues exist with regard to the composition of the Company’s Board of Directors. However, the Company is

considering securing additional human resources to assist in achieving the Daiwa House Group’s medium to long-term and global strategies, such as by appointing outside Directors with specialized knowledge, abundant experience, or other attributes.

We newly brought in from outside the Company one person who has a wealth of experience in product planning, development and marketing as a female independent outside director and one person who has cultivated a wealth of experience in global business development in a general trading company as a Senior Executive Officer.

Message from the Outside Directors



A corporate culture that welcomes the flexible incorporation of outside ideas

Generally speaking, it seems that companies appoint outside directors to monitor management activities in the areas of regulatory compliance and corporate governance, but I believe that the fundamental role of an outside director is to offer opinions that hopefully will enable the company to achieve sustainable growth. One of the biggest obstacles to sustainable corporate growth is the inability to deviate from established industry practices or to think outside the box. I personally have spent many years working in the securities industry, and thus the housing and construction sector is a completely different field for me. But I accepted the post of outside director at Daiwa House Industry out of my belief that, precisely because I hail from a different industrial sector, I would be able to offer the Company valuable proposals for realizing sustainable growth. Such proposals would be based on my observation of discrepancies between trends in society as a whole and the direction taken by the Company.

In that regard, the corporate culture that Daiwa House has fostered encourages members of its Board of Directors and Joint Management Council to eagerly seek outside opinions with respect to management issues across the board. Nobuo Ishibashi – the founder of Daiwa House – always used to say: “Don’t do things because they will make a profit, but because they will be of service to society.” This exhortation – which Chairman Takeo Higuchi and President Naotake Ono are fond of repeating – encapsulates Mr. Ishibashi’s conviction regarding the Company’s corporate mission, and I believe that it has been possible to foster such an open corporate culture because this conviction has thoroughly permeated the consciousness of both the Company’s executives and its staff on the front line. We tend to take it for granted that a company’s top management and its front-line staff will be on the same page, so to speak, but in fact this is often not the case, and it is a vital element in healthy corporate management, and proof that the Company’s governance system is functioning effectively.

The Group’s broad business portfolio is its greatest strength

It goes without saying that the management of a company must be prepared for changes in the business environment. This means that they must focus their efforts on operational diversification and investment in future development, so as to be able to respond to whatever changes may occur. From this perspective, I feel that one of the particular strengths of the Daiwa House Group is its possession of a broad business portfolio. The varied nature of the fields in which the Group operates allows it to take positive advantage of a rapidly changing business environment.

At the Daiwa House Group, the terms Plus 1 and Plus 2 Businesses are used to refer to new businesses that the management expects to create by leveraging their existing customer base, and new businesses that will arise by expanding their customer base. This is a new direction the Group has

taken in search of promising diversification avenues. At the same time, the management are narrowing the focus of their efforts to fields where they believe the Group can offer products and services that society really needs, as expressed in the catchphrase Asu Fukaketsuno – literally, “Indispensable for Tomorrow” – which sums up the Daiwa House Group’s ambitious future vision. In my role as an outside director, I will be closely examining all proposals placed before the Board of Directors or other top management bodies – particularly proposals for new businesses – to determine whether or not they conform to this vision. Thus far, I have not encountered any proposals that deviate from the policy path that the Group has chosen.

Issues to be faced in achieving sustainable growth

The Daiwa House Group currently appears to be realizing well-balanced growth, but I believe that a number of issues will require more deeply thought-out management strategies to deal with them. Japan’s population has already peaked out, and thus it remains an open question whether the Group’s current growth businesses can be expected to continue growing steadily over the next 5-10 years. The Group’s management plans will have to be further adjusted if they are to guide these business operations in the right direction. Even the Group’s overseas operations, which have been growing vigorously, will need to be further upgraded as an urgent priority, and this will require a clear vision of their global capabilities as well as the market possibilities open to them.

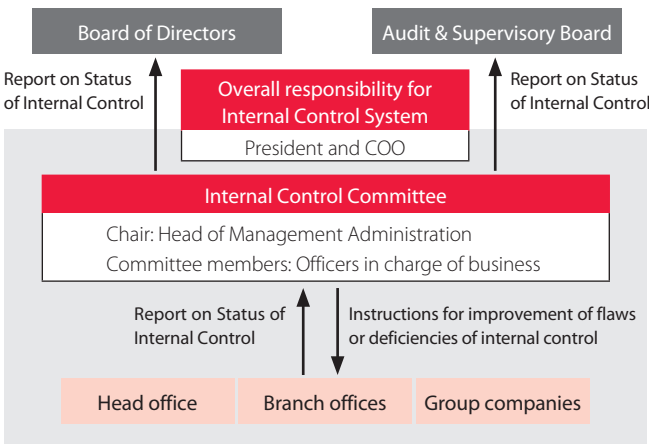
Moreover, it is precisely because the Group’s business portfolio is so wide-ranging that, when deciding to make investments that will not bear fruit for some time, or when deciding to continue operations that have thus far not made a profit, we must explain our reasons to the Company’s shareholders and seek their approval. I believe it is a vital part of the stewardship duties I bear toward the Company’s shareholders and investors to engage in close communication, and to clearly explain the reasons behind our decisions.

It is because the corporate DNA handed down to the management of Daiwa House by the Company’s founder has become so firmly embedded – in an ideal form – within the Group’s corporate culture, that the success or failure in passing on this legacy to the next generation can be said to constitute a risk factor that is unique to the Group. To achieve sustainable growth, the management must not only put the principles of their corporate DNA into practice, but must also pass them on to their successors. At the present moment, the Group’s personnel system is functioning fairly and impartially, and is characterized by the establishment of principles governing the appointment of directors, and structures aimed at nurturing a new generation of management staff from a long-term perspective, including the Daiwa House Juku (a management course). Going forward, I intend to watch closely to ascertain whether or not these systems that have been put in place are functioning adequately and are enabling the management of Daiwa House to pass on the core of their corporate culture to the next generation.



Structuring and operating the internal control system

The Company implements structuring of systems as described below under the discipline of the president and the Internal Control Committee to ensure that all officers and employees conduct efficient work performance in compliance with laws and regulations and that Daiwa House Group can achieve sustainable growth.



Systems for compliance with laws and regulations and risk management

(1) Risk Management Committee

We have a rule that requires any risk issues that arise at the head office, branch offices and Group companies (including overseas branches and companies) to be immediately reported to the secretariat of the Risk Management Committee of the head office. Risk-related information reported to the secretariat is promptly communicated to officers and managers of relevant departments, as well as reported to the Risk Management Committee of the head office which convenes once every month.

In addition, the Risk Management Committee convenes once a month not only at the head office but also at branch offices and Group companies. At the Risk Management Committee of branch offices and Group companies, the proceedings of the Risk Management Committee of the head office are implemented throughout the Group, and functions such as structuring the risk management system within branch offices and Group companies and proposing operational improvements to the head office are handled. The risk management system of the Group has become ever more robust as a result of two types of Risk Management Committee, namely the Risk Management Committee of the head office and the Risk Management Committee of branch offices and Group companies, complementing each other.

(2) Compliance training

We proactively conduct compliance training with a view to enabling employees to acquire knowledge of the laws and regulations and improve their awareness of risk management. Specifically, we provide training programs for each employee grade to cultivate the knowledge and background needed for each employee grade, including new recruits, mid-career employees and those in supervisory and managerial positions, and training programs organized for departments to enable employees to gain knowledge of the laws and regulations concerning their respective department.

(3) Internal audits

The Internal Audit Office is a department specializing in internal audit, and verifies and evaluates whether operations comply with laws and corporate rules by conducting hearings of officers and employees of branch offices and Group companies and confirming documents. If any problem is discovered as a result of the audit, the office requests the submission of an improvement plan for such problem and a progress report on the improvement plan six months after submission.

Group management system

Group Management Rules has been established as rules for the management of Group companies under which the Company is requested to report important matters while maintaining the basic policy calling for Group companies to achieve business development with a spirit of independence and autonomy. This system ensures the appropriateness of operations through adoption of control and discipline by the Company while respecting the flexible and efficient work performance of Group companies.

Audit by Audit & Supervisory Board Members

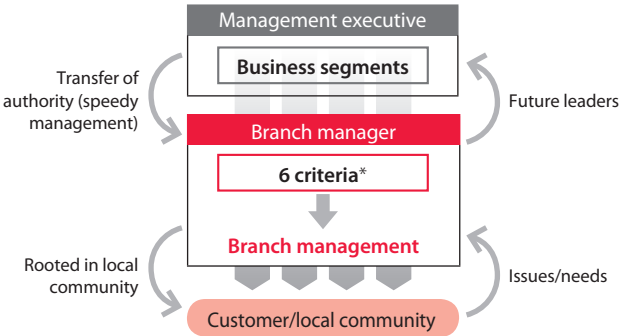
Audit & Supervisory Board Members attend not only meetings of the Board of Directors but also other meetings, including meetings of the Corporate Governance Committee and Nationwide Branch Managers' Meetings, and exchange opinions with financial auditors four times a year. These initiatives systemically ensure that important information relating to the Company's execution of operations is reported in detail to Audit & Supervisory Board Members.

Branch Management

Speedy management by transferring authority to branch managers (heads of our branches)

The Company clarifies in the organization that the branch manager is a representative of the president and transfers authority in the management of worksites to 83 branch managers across Japan. Branch managers grasp new issues and social needs by working hand in hand with customers and local communities with a community-based approach in carrying out speedy management by giving the greatest importance to the branch.

In addition, we realize sound management by sharing the criteria for branch management and introducing a branch evaluation system, while each employee supports the brand value of the Endless Heart through thorough compliance with the Principles of Corporate Ethics and the Code of Conduct.



\* 6 criteria: Engage in business activities that would make a good contribution to customers, the company, employees, shareholders and society into the future

Branch evaluation system

In order for the Group to continue sustainable growth in the future with the trust of society, in addition to the performance evaluations up to now, we have introduced Evaluation of Business Management Soundness to evaluate the essential factors for sustainable management from fiscal 2014 in an effort to improve management efficiency and strengthen management foundations.

Performance evaluation

- Branch profit per person/month
- Branch profit per person/hour
- Year-on-year growth rate
- Leveling ratio of number of completed units
- Leveling ratio of number of construction starts of main unit
- Special extra profit recorded for all business divisions

Evaluation of Business Management Soundness

- Cash flow
- CS activities
- Quality activities and results
- Safety activities
- Environmental activities
- Appropriate order placement to factories
- Risk compliance
- Community Co-Creation activities
- Compliance with accounting standards for orders
- Work environment, labor management, human resource development

Selection of Best Branch Management Prize (Ishibashi Nobuo Award)

Best Branch Management Prize (Ishibashi Nobuo Award) is awarded to the branch that demonstrates management excellence following review of both performance based on management indicators and soundness of management. The branch that receives this award is recognized at the Nationwide Branch Managers' Meeting held every March.



Chairman and head of branch that received the award in fiscal 2015

**Being complete in small things based on the Principles of Corporate Ethics and Code of Conduct**

In order to make sure that each employee practices the corporate philosophy and symbolic message "Creating Dreams, Building Hearts," we prepare CASE BOOK, an educational booklet that describes the Principles of Corporate Ethics and Code of Conduct, case studies, and the hotline for whistle-blower, once every two years and distribute it to all Group employees. We issued the 7th edition in 2016 and are working at being complete in small things by doing a read-through at the morning meeting in the workplace and other opportunities.

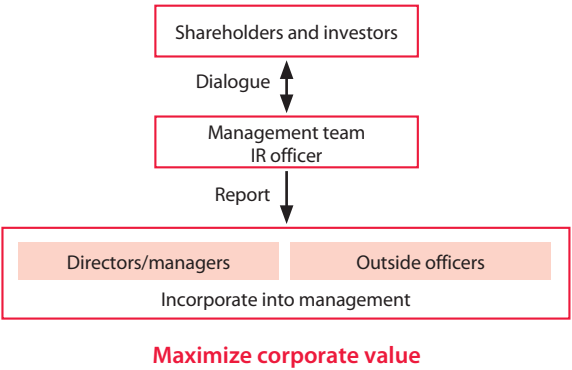
In the spirit of the company's Management Vision, "Co-creating a Brighter Future," we maintain close two-way communication with our shareholders. To ensure that the Company's dialogue with its shareholders contributes most effectively to its sustainable growth and medium- to long-term corporate

value enhancement, the Company's management team and the officer in charge of IR usually represent Daiwa House Industry in person at meetings with shareholders, which we view as precious occasions for accurately and smoothly communicating the Company's management strategies and plans.

Our dialogue with shareholders and investors – facts & figures	
<b>General meeting of shareholders (June 28, 2016)</b>	
• Shareholder attendance:	618
• Percentage exercising voting rights	84.33%
<b>Communication with Institutional Investors and analysts*</b>	
To promote public understanding of our Management Vision, business strategies, and policy for returning benefits to shareholders, we held IR sessions with 948 institutional investors and analysts in total in fiscal 2015. With respect to overseas IR, our top management team visited and had interviews with investors in the UK, Europe, North America, Singapore and Hong Kong. We will continue with these activities, honestly accept inputs and requests received through dialogue with investors and shareholders, as well as evaluations in capital markets, and incorporate those evaluations into our management.	
• Information sessions on financial results via telephone conference	4 times
• Briefing sessions from top management	Twice
• Individual meetings, telephone interviews	428 times
• Tours of our facilities	8 times
<b>Communication with Individual Investors*</b>	
An online corporate briefing was held for individual investors. A total of 285 participants logged in on the day of the event. Diverse questions were received from participants concerning growth drivers in our major business segments, overseas businesses and new businesses, measures for returning benefits to shareholders, and other topics, and the online meeting served as a lively platform for opinion exchange. We organized two facility tours, for the purpose of helping individual shareholders deepen their understanding of our business activities.	
• Online explanatory sessions	Once
• Tours of our facilities for individual shareholders	Once (2 facilities)
	
Management briefing session	Shareholders touring our facilities
* Data for FY 2015	

Initiatives for corporate value enhancement through IR activities

To gain the trust of shareholders and investors and obtain proper evaluation from the market, comments and requests received through dialogues are reported to management executives as required, and opportunities for reporting are provided once a year to directors and management executives also at meetings of the Board of Directors. In addition, the issues raised are shared from an independent and objective viewpoint mainly by holding briefings twice a year for outside directors and are incorporated into our management with a view to maximizing corporate value.



Inclusion of Daiwa House Industry in SRI indices

MEMBER OF  
**Dow Jones Sustainability Indices**  
In Collaboration with RobecoSAM



DJSI was jointly developed by the American publisher Dow Jones and the Swiss survey and rating firm Robeco SAM.

FTSE4Good is the SRI index developed by the FTSE, a joint venture between Pearson (which owns the *Financial Times*) of the UK and the London Stock Exchange Group.



MSCI Global Sustainability Indexes are representative stock indices developed by MSCI, USA, which provide exposure to companies with high Environmental, Social and Governance (ESG) performance.



MS-SRI is the Morningstar Socially Responsible Investment Index of Japanese corporations. It was developed by Morningstar Japan K.K. and the non-profit organization the Center for Public Resources Development.



Data Section



Consolidated Seven-Year Summary

Daiwa House Industry Co., Ltd. and Consolidated Subsidiaries

							(millions of yen)
Fiscal Year	2009	2010	2011	2012	2013	2014	2015
Net sales	¥1,609,883	¥1,690,151	¥1,848,797	¥2,007,989	¥2,700,318	¥2,810,714	¥3,192,900
Cost of sales	1,303,881	1,352,937	1,468,844	1,592,218	2,192,414	2,269,846	2,560,483
Selling, general and administrative expenses	243,288	249,516	264,996	287,746	344,326	360,516	389,316
Operating income	62,714	87,697	114,955	128,024	163,576	180,352	243,100
Operating income margin (%)	3.9	5.2	6.2	6.4	6.1	6.4	7.6
Ordinary income	60,036	79,049	108,506	145,395	176,366	202,628	233,592
Net income attributable to owners of the parent	19,113	27,267	33,200	66,274	102,095	117,133	103,577
Total assets	1,916,927	1,934,236	2,086,097	2,371,238	2,665,946	3,021,007	3,257,805
Net assets	617,769	635,186	657,891	734,883	992,686	1,112,817	1,181,986
Property, plant and equipment	778,610	760,123	748,548	802,634	943,886	1,070,121	1,190,704
Capital investments	99,786	93,874	103,604	121,383	217,358	274,990	188,312
Depreciation	43,917	44,613	43,790	45,836	48,533	53,283	56,515
Net cash provided by operating activities	133,314	127,957	248,771	164,247	78,451	139,465	278,497
Net cash used in investing activities	(138,237)	(83,594)	(117,226)	(140,736)	(240,439)	(235,027)	(202,447)
Net cash provided by (used in) financing activities	79,269	(77,834)	(28,766)	(28,633)	110,131	129,202	(130,185)
Issued and outstanding shares (thousands of shares)	599,921	599,921	599,921	599,921	660,421	660,421	666,238
Stock prices at the end of term (in yen)	1,055	1,022	1,094	1,820	1,751	2,371	3,166
Per share of common stock (in yen):							
Earnings per share (EPS)	33.00	47.09	57.36	114.52	161.08	177.74	156.40
Book-value per share (BPS)	1,065.15	1,095.62	1,135.46	1,267.77	1,496.72	1,678.24	1,762.97
Cash dividends* <sup>1</sup>	17.00	20.00	25.00	35.00	50.00	60.00	80.00
Dividend payout ratio (%)	51.5	42.5	43.6	30.6	31.0	33.8	51.2
Price earnings ratio (PER) (times)	31.97	21.70	19.07	15.89	10.87	13.34	20.24
Price to book value ratio (PBR) (times)	0.99	0.93	0.96	1.44	1.17	1.41	1.80
Return on equity (ROE) (%)	3.1	4.4	5.1	9.5	11.9	11.2	9.1
Net assets ratio (%)	32.2	32.8	31.5	30.9	37.0	36.6	35.9
Current ratio (%)	197.0	174.8	133.7	136.8	127.2	138.7	136.5
Fixed ratio (%)	200.4	197.3	188.9	189.4	161.2	158.3	164.8
Number of employees* <sup>2</sup>	26,542	26,310	27,130	30,361	32,628	34,903	37,191
Consolidated to non-consolidated net sales ratio (times)	1.56	1.60	1.66	1.62	1.89	1.91	1.94
Consolidated to non-consolidated net income ratio (times)	1.47	2.14	1.84	1.35	1.26	1.21	1.26

\*1 Cash dividends for fiscal 2015 include a commemorative dividend of ¥10 to mark the 60th anniversary of the Company's foundation.

\*2 Regular employees only.

Performance Indicators of Major Companies

									(millions of yen)
Company name (Voting rights)	Capital	Fiscal Year	Net sales	Operating income	Net income	Total assets	Net assets	Interest-bearing debt* <sup>5</sup>	
Daiwa House Industry	161,699	2014	¥1,470,975	¥118,665	¥96,956	¥2,069,958	¥908,137	¥424,960	
		2015	1,649,765	167,638	81,991	2,174,782	959,592	326,880	
Daiwa Living (100%)	100	2014	68,760	8,637	6,020	74,280	26,456	—	
		2015	78,109	6,499	4,386	48,217	29,033	—	
Daiwa Living Management (100%)	100	2014	310,745	787	2,499	55,931	11,897	—	
		2015	351,898	5,838	3,342	66,340	13,125	—	
Nihon Jyutaku Ryutu (100%)	729	2014	29,840	1,040	594	15,335	4,456	523	
		2015	33,067	1,501	428	14,963	4,705	200	
Daiwa LifeNext* <sup>1</sup> (100%)	130	2014	39,371	3,111	1,945	20,155	12,200	—	
		2015	69,666	3,856	2,160	35,871	21,456	—	
Daiwa Service* <sup>1</sup> (100%)		2014	26,433	959	8	14,949	7,751	—	
Daiwa House Reform* <sup>2</sup> (100%)	100	2014	75,180	6,805	4,455	23,417	7,774	—	
		2015	77,191	8,006	4,516	29,571	11,024	—	
Daiwa Lease (100%)	21,768	2014	172,367	12,926	7,943	379,772	127,756	57,500	
		2015	179,877	15,203	3,374	402,652	128,611	57,500	
Daiwa Information Service (100%)	200	2014	48,692	5,089	2,722	107,041	14,868	—	
		2015	54,213	6,498	3,663	118,418	17,715	—	
Daiwa Royal (100%)	500	2014	61,195	7,521	4,102	132,840	18,735	19,270	
		2015	68,093	10,106	6,179	139,834	23,684	17,070	
Fujita* <sup>3</sup> (100%)	14,002	2014	235,686	5,409	5,792	169,006	28,392	3,000	
		2015	310,224	14,556	14,956	261,161	55,539	12,726	
DesignArc* <sup>4</sup> (100%)	450	2014	51,319	1,872	711	41,520	23,059	—	
		2015	52,936	1,744	(565)	43,074	22,170	—	
Daiwa Logistics (100%)	3,764	2014	51,896	2,490	1,836	47,925	20,587	5,790	
		2015	51,895	3,038	850	46,034	20,776	5,620	
Royal Home Center (100%)	100	2014	73,176	1,562	(3,893)	52,088	30,555	10,000	
		2015	78,543	1,817	(116)	54,964	30,439	10,000	
Daiwa Resort (100%)	10,084	2014	43,990	44	(387)	45,408	1,231	950	
		2015	46,934	305	(5,188)	46,218	(3,955)	2,450	

\*1 Daiwa Service and Daiwa LifeNext were merged with effect from April 2015. The combined company now trades under the name of Daiwa LifeNext.

\*2 In April 2013, the Renovation Business of Daiwa House Industry was transferred to Daiwa House Reform.

\*3 Fujita became a consolidated subsidiary in January 2013, and merged with Daiwa Odakyu Construction in October 2015.

\*4 In October 2014, the business name changed to DesignArc from Daiwa Rakuda Industry.

\*5 Excluding lease obligations.

Principal Subsidiaries and Associated Companies

(as of September 1, 2016)

Japan

Daiwa House Industry Co., Ltd.

- Housing/ Commercial construction/ Urban development, etc.
- www.daiwahouse.co.jp

Daiwa Lease Co., Ltd.

- Building & vehicle leasing/ Land utilization/ Development & operation of commercial facilities/ Environmental greening, etc.
- www.daiwalease.co.jp

DesignArc Co., Ltd.

- Interior items/ Housing materials/ Rental
- www.designarc.co.jp

Daiwa Logistics Co., Ltd.

- Transportation/ Warehouse & storage
- www.daiwabutsuryu.co.jp

Daiwa Living Management Co., Ltd.

- Businesses related to rental housing
- www.daiwaliving-mgt.co.jp

Daiwa Living Co., Ltd.

- Management & operation of rental housing
- www.daiwaliving.co.jp

Daiwa Estate Co., Ltd.

- Real estate agency
- www.daiwaestate.jp

Daiwa Living Utilities Co., Ltd.

- Retail sale of electricity and gas
- www.daiwaliving-ut.co.jp

Daiwa LifeNext Co., Ltd.

- Management of condominiums & buildings/ Moving services
- www.daiwalifenext.co.jp

Global Community Co., Ltd.

- Management of condominiums & buildings
- www.glob-com.co.jp

Daiwa Information Service Co., Ltd.

- Land utilization/ Development & operation of commercial facilities
- www.dis-net.jp

Nihon Jyutaku Ryutu Co., Ltd.

- Real estate agency & property management services/ Appraisals/ Renovation work
- www.jyutaku.co.jp

Daiwa Royal Co., Ltd.

- Rental of commercial facilities/ Hotels
- www.daiwaroyal.com

Royal Home Center Co., Ltd.

- DIY/ Gardening/ Interior items
- www.royal-hc.co.jp

Daiwa House Reform Co., Ltd.

- Renovation design & execution/ Property inspection
- www.daiwahouse-reform.co.jp

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

- Resort hotels
- www.daiwaresort.jp

Daiwa Royal Golf Co., Ltd.

- Golf course operations
- www.daiwaroyalgolf.jp

Daiwa Energy Co., Ltd.

- New power generation business & ESCO business
- www.daiwa-energy.com

Eneserve Corporation

- Electrical equipment maintenance checks & Retail sale of electricity
- www.eneserve.co.jp

Daiwa Lantec Co., Ltd.

- Ground survey & reinforcement/ Construction & exterior construction
- www.daiwalantec.jp

Daiwa House Life Support Co., Ltd.

- Management & operation of fee-based nursing care facilities for the elderly
- www.mominoki-life.com

Osaka Marubiru Co., Ltd.

- Management of hotels/ Rental of commercial facilities
- www.marubiru.com

Nishiwaki Royal Hotel Co., Ltd.

- Hotels
- www.nishiwaki-royalhotel.jp

Sports Club NAS Co., Ltd.

- Fitness clubs
- www.nas-club.co.jp

Daiwa House Asset Management Co., Ltd.

- Asset management of an investment corporation
- www.dh-am.com

Daiwa House Real Estate Investment Management Co., Ltd.

- Asset management of an investment corporation Real estate investment advisory

Daiwa House Financial Co., Ltd.

- Credit card operations
- www.daiwahousefinancial.co.jp

Daiwa House Insurance Co., Ltd.

- Non-life insurance agency
- www.daiwahouse-ins.jp

Daiwa CoreFactory Co., Ltd.

- Manufacture of housing parts & materials

Shinwa Agency Co., Ltd.

- Advertising & travel agency
- www.shinwa-agency.co.jp

Media Tech Inc.

- Data systems/ Data services
- www.mediatech.jp

Daiwa Homes Online Co., Ltd.

- Real estate agency
- www.dhol.co.jp

D.U-NET Co., Ltd.

- ISP business
- www.dunet.co.jp

Double-D Co., Ltd.

- Planning, development and operation of information technology
- www.daiwa-dd.co.jp

Frameworkx, Inc.

- Development of logistics systems
- www.frame-wx.com

Fujita Corporation

- General construction/ Real estate
- www.fujita.co.jp

Cosmos Initia Co., Ltd.

- Real estate sales/ Real estate rental & agency services
- www.cigr.co.jp

Cosmos More Co., Ltd.

- Office relocation/ Construction of showrooms for condominiums
- www.cosmosmore.co.jp

Cosmos Life Support Co., Ltd.

- Total management of real estate
- www.cigr.co.jp/cls

Daiwa House Parking Co., Ltd.

- Parking lot operations and management/ Real estate sales & rental
- www.dh-parking.co.jp

Overseas

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

- Business process outsourcing (BPO)

Dalian Dahezhongsheng Estate Co., Ltd.

- Real estate development

Dalian Yihe Property Management Co., Ltd.

- Real estate management

Dalian Civil Aviation Hotel Co., Ltd.

- Management & operation of hotels

Tianjin Jiuhe International Villa Co., Ltd.

- Management of serviced apartments

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

- Real estate development

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

- Real estate development

Daiwa Baoye (Wuxi) Property Management Co., Ltd.

- Real estate management

Baoye Daiwa Industrialized House Manufacturing Co., Ltd.

- Production & sale of industrialized housing parts and materials

Daiwa House California Inc.

- Real estate development

Daiwa House Texas Inc.

- Real estate development

Daiwa House Guam Co., Ltd.

- Construction

Daiwa House Australia Pty Ltd

- Real estate development

Daiwa House Vietnam Co., Ltd.

- Industrial park development/ Business process outsourcing (BPO)

Daiwa House Real Estate Development Co., Ltd.

- Rental factories

PT Daiwa Manunggal Logistik Properti

- Development, operation & management of logistics facilities

Daiwa House Malaysia Sdn. Bhd.

- R&D of single-family houses and industrialized methods

KD Living, Inc.

- Rental housing

Daiwa Living California Inc.

- Rental housing

Fujita (China) Construction Co., Ltd.

- Construction

Fujita Research

- Research into overseas construction technology

Fujita Corporation Vietnam

- Construction/ Real estate development

Fujita Philippines Construction and Development, Inc.

- Construction

Fujita Engineering India Pvt., Ltd.

- Construction

Fujita Corporation Singapore Pte. Ltd.

- Investment business

Fujita Corporation (M) Sdn. Bhd.

- Construction

Fujita Integral Mexico S.A. de C.V.

- Construction/ Environmental business/ Real estate development

Fujita Corporation (Thailand) Ltd.

- Construction

Cosmos Australia Pty Ltd

- Real estate development/ Tourism

Board of Directors, Audit & Supervisory Board and Executive Officers

(as of September 1, 2016)

\* Representative Director

Board of Directors

Chairman and CEO

Takeo Higuchi\*

President and COO

Naotake Ono\*

Executive Vice Presidents

Tamio Ishibashi\*

Katsutomo Kawai\*

Director and Senior Managing Executive Officers

Tatsushi Nishimura\*

Takeshi Kosokabe\*

Takuya Ishibashi

Osamu Fujitani

Kazuto Tsuchida

Fukujiro Hori

Keiichi Yoshii

Director and Managing Executive Officers

Takashi Hama

Makoto Yamamoto

Masahiro Kiguchi

Yoshiaki Tanabe

Hirotsugu Otomo

Outside Directors

Kazuyoshi Kimura

Yutaka Shigemori

Yukiko Yabu

Audit & Supervisory Board

Audit and Supervisory Board Members

Kenji Hirata

Kuniaki Matsumoto

Outside Audit and Supervisory Board Members

Kazuhiro Iida

Kiichiro Iwasaki

Yukinori Kuwano

Shonosuke Oda

Managing Executive Officers

Keigo Okada

Tatsuya Urakawa

Mikio Sasaki

Mototsugu Takai

Kohei Yamasaki

Kazuhiro Dekura

Senior Executive Officers

Masaru Tsuchiya

Shinichi Hirose

Eiichi Shibata

Masaharu Chiba

Kenji Kinoshita

Takaki Hiromori

Tetsuya Tamura

Yasuo Nakamura

Keisuke Shimonishi

Yuji Yamada

Nobuya Ichiki

Executive Officers

Nobuhito Ishibashi

Kyoji Kato

Shoji Tanaka

Koji Harano

Naoki Hayashi

Naoki Nishioka

Yukikazu Kataoka

Kazuhiro Kotaka

Shigeki Ochiai

Kazuhiro Tada

Isao Mizutani

Yoshin Minagawa

Yoshinobu Shimotaira

Hiroshi Kono

Yoshinori Ariyoshi

Takashi Miyatake

Yoshito Iki

Takafumi Nakao

Moritaka Noumura

Hirofumi Hama

Michikazu Sora

Toshiya Nagase

Yoshinori Hashimoto

Tetsuro Wada

Kazunori Nibe

Shinji Fujita

Hiroataka Najima

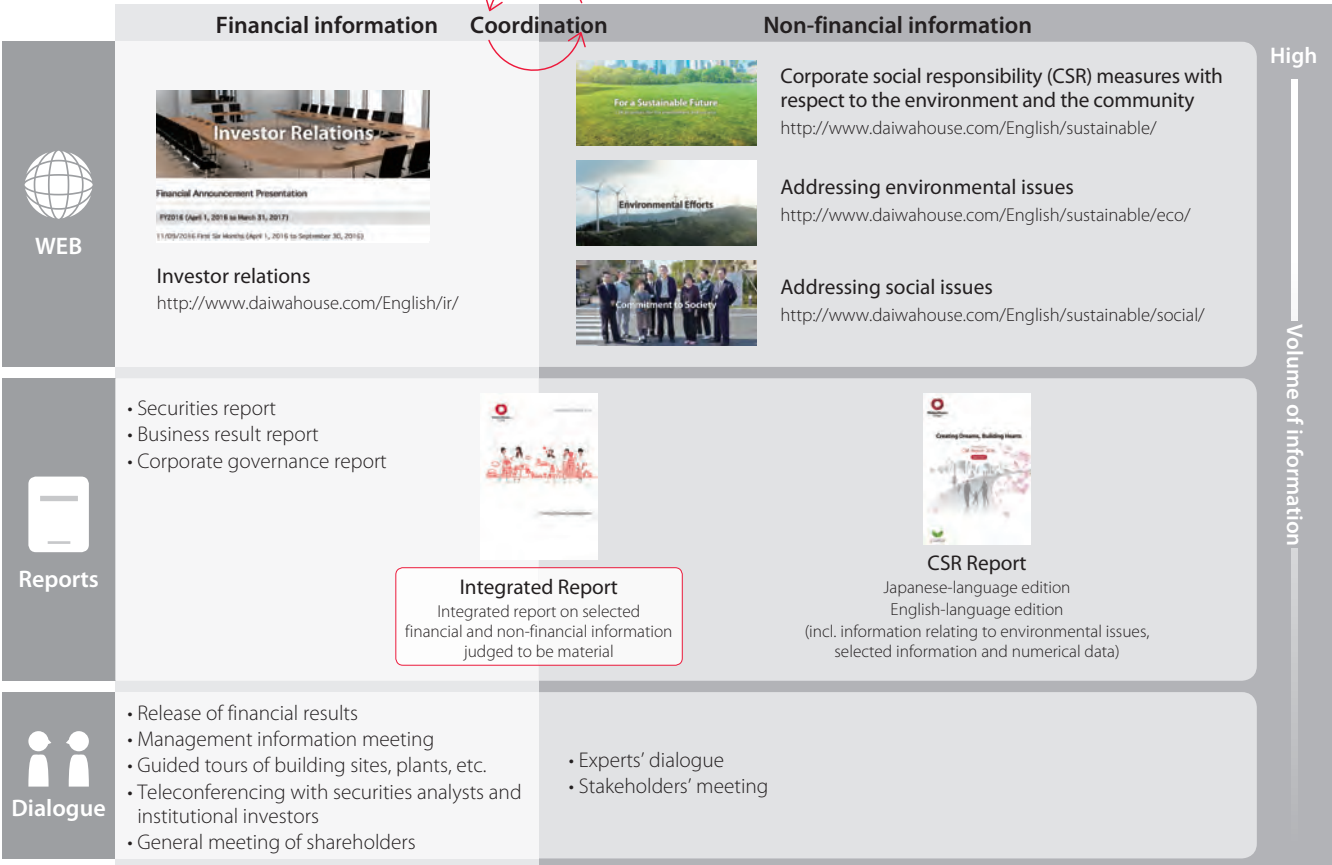


Corporate Data

(as of April 1, 2016)

<b>Corporate name:</b>	Daiwa House Industry Co., Ltd.	<b>Branches:</b>	57
<b>Founding:</b>	April 5, 1955 (Established: March 4, 1947)	<b>Factories:</b>	10
<b>Paid-in capital:</b>	¥161,699,201,496	<b>Research center:</b>	Central Research Laboratory (Nara)
<b>Employees (consolidated):</b>	37,191	<b>Training centers:</b>	Nara, Osaka and Tokyo
<b>Securities traded:</b>	Tokyo stock exchange	<b>Overseas offices/</b>	Shanghai (China)
<b>Securities code:</b>	1925	<b>Representative offices:</b>	Taipei (Taiwan)
<b>Head office:</b>	3-3-5 Umeda, Kita-ku, Osaka 530-8241, Japan Phone: +81-6-6346-2111		Johor Bahru (Malaysia)
<b>Tokyo Head office:</b>	3-13-1 Iidabashi, Chiyoda-ku, Tokyo 102-8112, Japan Phone: +81-3-5214-2111		Jakarta (Indonesia)
<b>Offices (24):</b>	Nagoya Sendai Fukushima Ibaraki Tsukuba (Ibaraki) Utsunomiya Gunma Saitama Saitama-nishi Saitama-higashi Chiba Kashiwa (Chiba)	Keiyo (Chiba) Yokohama Atsugi (Kanagawa) Yokohama-kita Kanazawa Gifu Kyoto Kobe Okayama Hiroshima Fukuoka Kita-Kyushu (Fukuoka)	<b>Contact:</b> Daiwa House Industry Co., Ltd. IR Department, Management Administration Headquarters Phone: +81-6-6342-1400 Fax: +81-6-6342-1419 e-mail: dh.ir.communications@daiwahouse.jp <b>Website:</b> http://www.daiwahouse.com/English

Information Disclosure at a Glance



Editorial Postscript

Passing on the spirit of our founder to realize further growth

Nobuo Ishibashi established Daiwa House Industry out of a desire to contribute to the development of Japanese society in the postwar period. The Company was founded with a mission to realize the “industrialization of construction,” and with a corporate philosophy of always addressing society’s needs, engaging in dialogue with the community and with its stakeholders, and being of service to as many people as possible. The management and staff of Daiwa House have constantly sought to use their business operations to make people happier by offering products and services that enable them to realize the lifestyles they are seeking.

The Daiwa House Group currently operates a wide variety of businesses in line with its motto of being “a group that co-creates value for individuals, communities, and people’s lifestyles.” The majority of the businesses that the Group has established during its growth up to the present day owe their origins to the interaction of staff with customers on the “front line” of business operations. This has been possible because every member of both management and staff has put into practice the exhortation of the founder of Daiwa House – Nobuo Ishibashi – to do things not because they will make a profit, but because they will be of service to society. I believe that the springhead of the development achieved by the Group lies in the transmission of its founder’s spirit to successive generations.

It has been our wish that all our stakeholders – particularly our shareholders and investors – should understand the corporate philosophy and corporate DNA of the Daiwa House Group, which have been passed on from one generation of management to the next, as well as the story of value creation. It is a story that binds past, present, and future into one narrative of how the Group has continually addressed society’s needs ever since the foundation of Daiwa House Industry. This is why, in July 2015, we set up a project in which representatives of every division across the whole Group get together to discuss, debate, and hammer out a consensus on what our values are and how we should realize our mission of “value creation.” The publication of this Integrated Report 2016 is the first substantial fruit of those efforts.

I hope that all our readers will give us feedback in the form of honest opinions and suggestions regarding the Group’s future business operations and CSR activities, as well as the contents of the next Integrated Report.

In closing, on behalf of the Daiwa House Group, I would like to express my sincere appreciation for the support and encouragement we have received from all our stakeholders. I hope that the present report proves effective in deepening understanding of the Group’s operations and CSR activities going forward, and leads to your continued support for our efforts into the future.

**Yuji Yamada**  
Senior Executive Officer  
General Manager, Finance  
Department and IR Department



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