

2015/12/2
Nomura Investment Forum 2015

Creating value for Individuals, Communities, and People's Lifestyle

The Daiwa House Group
Business Development Strategic Initiatives

Daiwa House Industry Co.,Ltd.

Disclaimer regarding business forecasts, etc.

(Notes regarding forward-looking statements)

The above business forecasts are based on information available as of the date of announcement of this material, and are subject to factors of uncertainty that may possibly impact the future results of operations and are not a guarantee of the achievement of those results. The Company's actual results may differ significantly from those presented herein as a consequence of numerous factors such as financial market trends, economic conditions, competitor situations and fluctuations in land prices.

(Notes regarding overseas business)

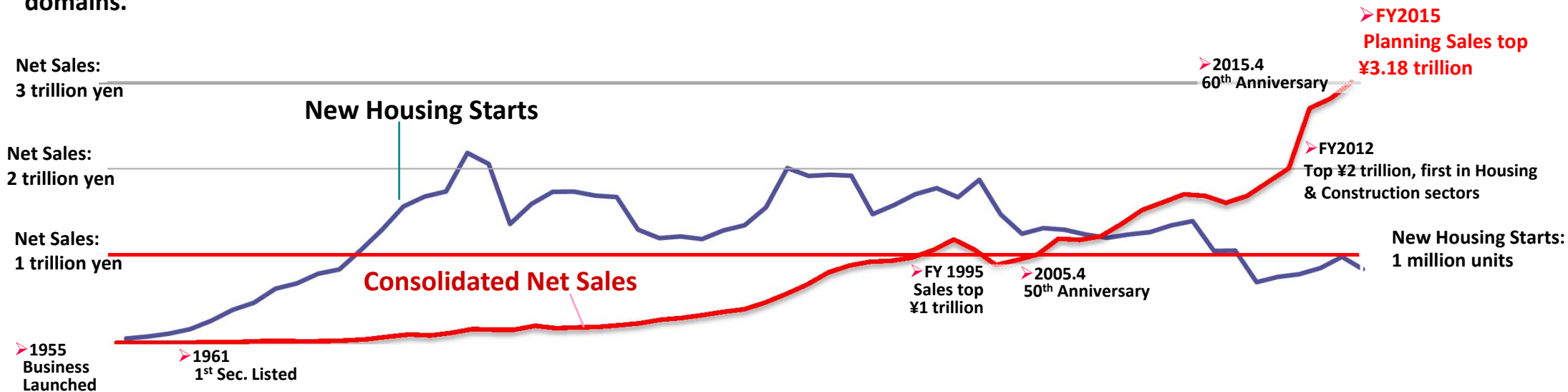
These materials reflect the situation as of the time of writing in Dec. 2, 2015. The Group's businesses and plans contained herein, may subsequently be revised in the light of changes in circumstances, including the enactment by the countries of laws and regulations relating to urban real estate development.

(Notes regarding numerical values)

Management figures contained in these materials, unless otherwise specified, relate to the situation in Sept. 30, 2015.

Business History and Changes in Management Environment

Founded with the corporate philosophy of “industrialization of construction,” we grew dramatically as a prefabricated housing supplier. We built up our businesses through diversified expansion centered on the construction sector. In FY2015, the final fiscal year of the 4th Medium-Term Management Plan, targeting net sales of more than ¥3 trillion, first in industry, we will further expand our business domains.



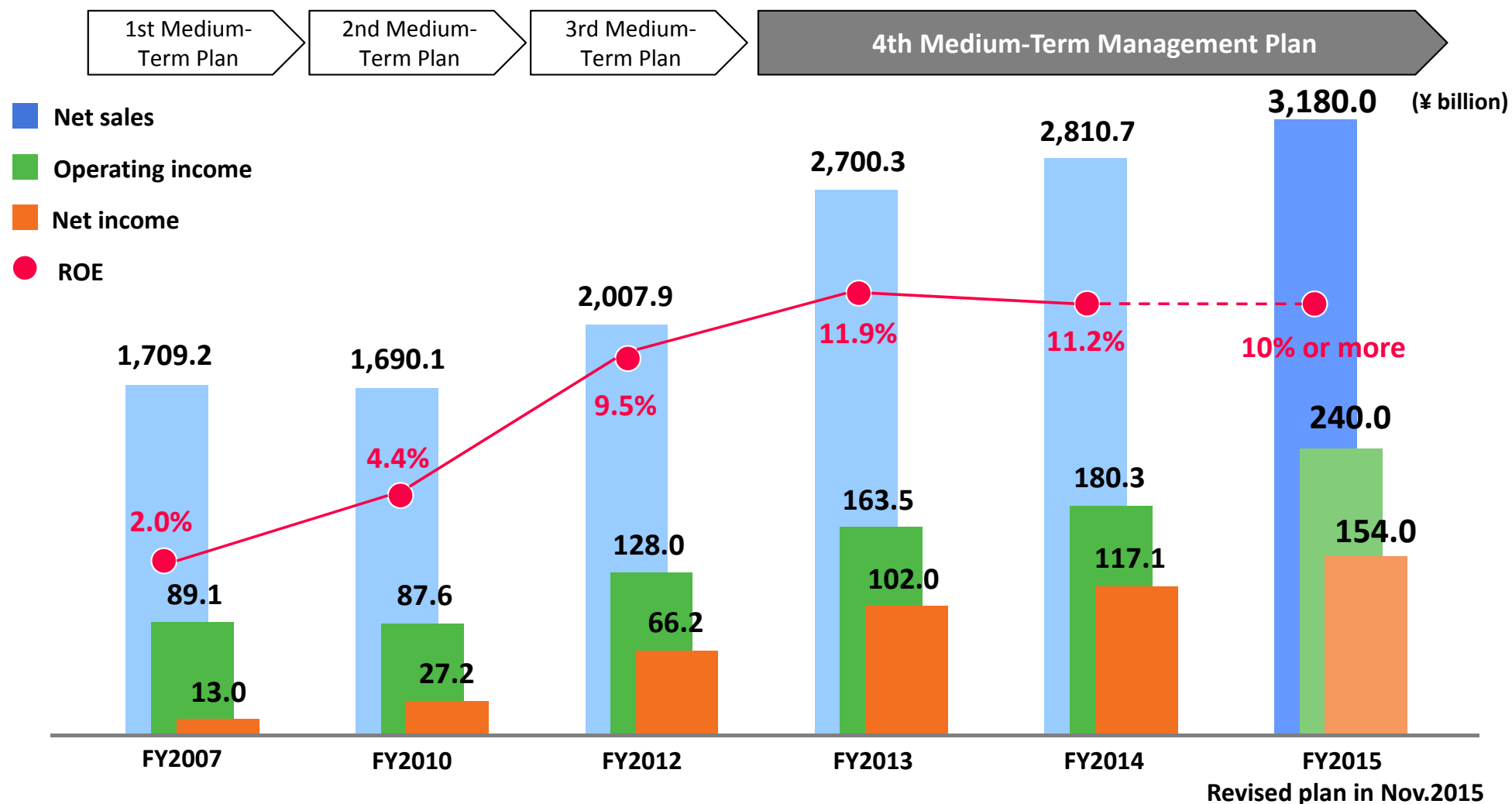
4th Medium-Term Management Plan: Final Year Performance Goals

In FY2014 results: Net sales were 2,810.7 billion yen, operating income was 180.3 billion yen, and net income was 117.1 billion yen.

Achieved final goals for 4th Medium-Term Management Plan one year ahead of schedule.

FY2015 earnings were strong in the first half and we conducted an upward revision for our full-year forecast.

We will continue the strategies of the 4th Medium-Term Management Plan and aim to further expand business.



4th Medium-Term Management Plan: Business Forecast by Segment

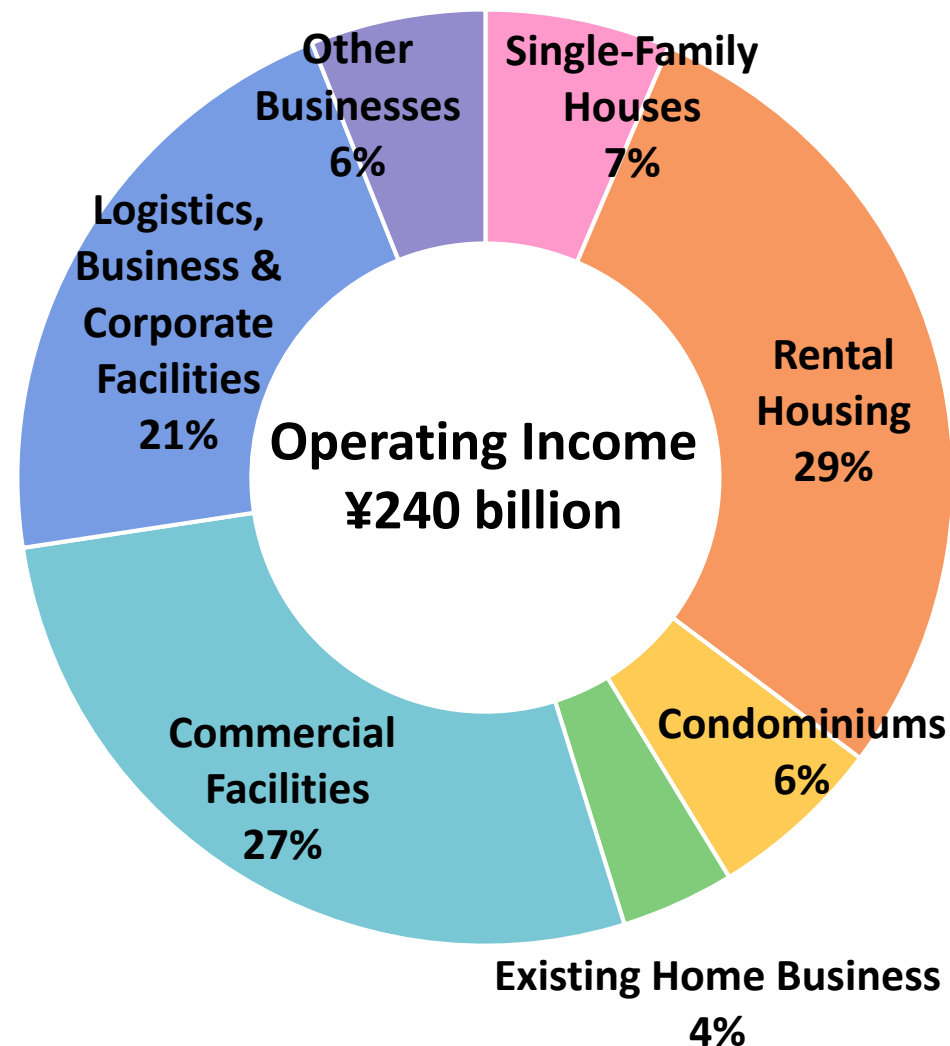
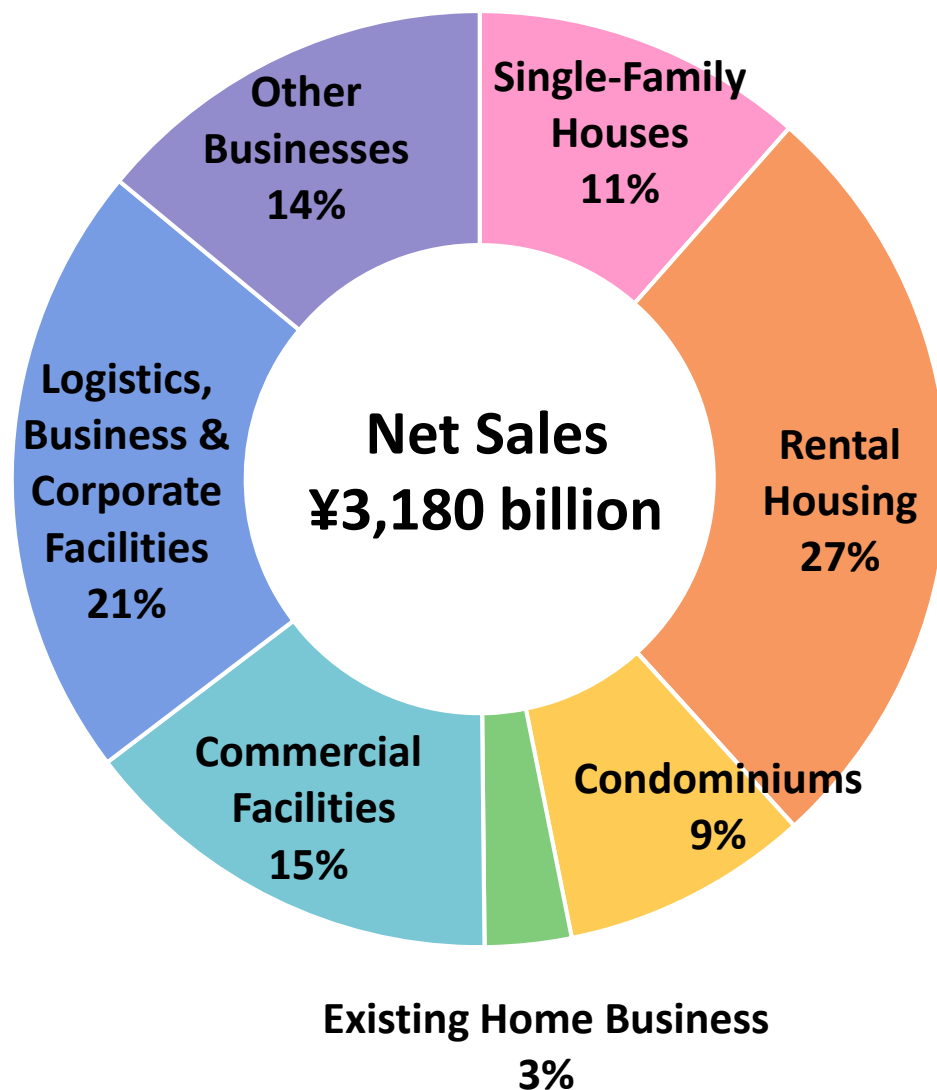
The three core investment segments identified in the 4th Medium-Term Management Plan – Rental Housing Business, Commercial Facilities Business, Logistics, Business & Corporate Facilities Business – have become solid growth drivers.

(¥ billion)

| | | FY2012 Final FY of 3rd MTP | FY2013 | FY2014 | FY2015 Plan | 3-Year Growth Rate Compared to FY2012 |
|--|------------------|-------------------------------|---------|---------|----------------|--|
| Single-Family Houses | Net Sales | 351.1 | 394.4 | 375.3 | 381.0 | 8.5% |
| | Operating Income | 12.5 | 13.3 | 8.8 | 18.0 | 44.0% |
| Rental Housing | Net Sales | 592.5 | 688.7 | 772.9 | 887.0 | 49.7% |
| | Operating Income | 52.2 | 64.2 | 69.5 | 81.0 | 55.2% |
| Condominiums | Net Sales | 156.7 | 242.7 | 231.3 | 284.0 | 81.2% |
| | Operating Income | 9.9 | 10.7 | 10.8 | 17.0 | 71.7% |
| Existing Home Business | Net Sales | 76.4 | 86.7 | 91.6 | 99.0 | 29.6% |
| | Operating Income | 6.1 | 9.3 | 9.9 | 11.0 | 80.3% |
| Commercial Facilities | Net Sales | 347.2 | 421.9 | 456.2 | 491.0 | 41.4% |
| | Operating Income | 45.9 | 60.7 | 67.2 | 77.0 | 67.8% |
| Logistics, Business & Corporate Facilities | Net Sales | 251.4 | 592.1 | 581.5 | 707.0 | 181.2% |
| | Operating Income | 20.6 | 26.9 | 38.4 | 60.0 | 191.3% |
| Other Businesses | Net Sales | 335.3 | 393.9 | 426.5 | 464.0 | 38.3% |
| | Operating Income | 9.6 | 14.0 | 10.2 | 17.0 | 77.1% |
| Adjustments | Net Sales | -103.0 | -120.5 | -124.8 | -133.0 | - |
| | Operating Income | -29.1 | -35.8 | -34.8 | -41.0 | - |
| Total | Net Sales | 2,007.9 | 2,700.3 | 2,810.7 | 3,180.0 | 58.4% |
| | Operating Income | 128.0 | 163.5 | 180.3 | 240.0 | 87.5% |

Segment Composition Ratio

FY2015 Plan



(Including intersegment transactions)

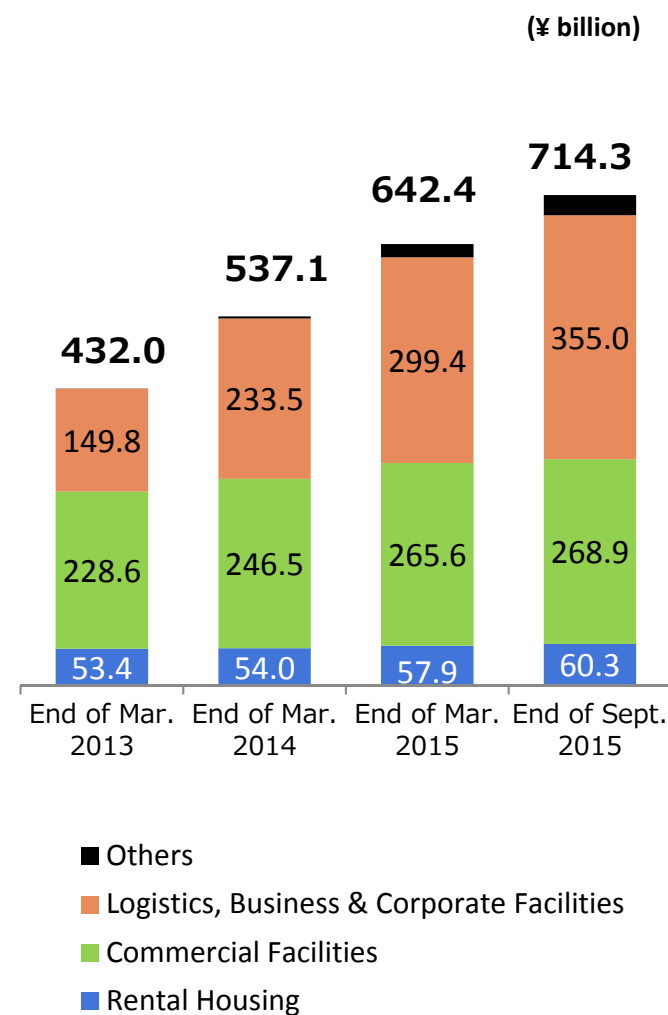
Real Estate Development Investment: Status of Investments and Rental Real Estate Balance

Real estate development investments and capital investments were favorable, and rental real estate balances increased.

Status of investments (¥billion)

| | | | | | | Revised plan |
|-------------------------|--|---------------|---------------|------------------|-------------------------------------|--------------|
| | | FY2013 Result | FY2014 Result | FY2015 1H Result | Two and a half year-total (Results) | |
| | Rental Housing | 6.9 | 27.7 | 5.9 | 40.4 | 60.0 |
| | Commercial Facilities | 41.5 | 43.7 | 9.4 | 94.6 | 130.0 |
| | Logistics, Business & Corporate Facilities | 108.6 | 119.3 | 50.8 | 278.7 | 310.0 |
| Real estate investments | | 157.0 | 190.7 | 66.1 | 413.7 | 500.0 |
| Capital investments | | 60.4 | 68.0 | 21.7 | 150.1 | 170.0 |
| Overseas | | 5.3 | 30.1 | 13.6 | 49.0 | 50.0 |
| M&A | | 14.3 | 1.8 | 16.7 | 32.8 | 50.0 |
| Total | | 237.0 | 290.6 | 118.1 | 645.6 | 770.0 |

Rental real estate balance transitions



Real Estate Development Investment: Development Achievements

Logistics, Business & Corporate Facilities



D Project Wako (Saitama)



DPL Misato (Saitama)

Commercial Facilities



iias Tsukuba (Ibaragi)



Foleo Ohtsu Ichiriyama (Shiga)

Rental Housing

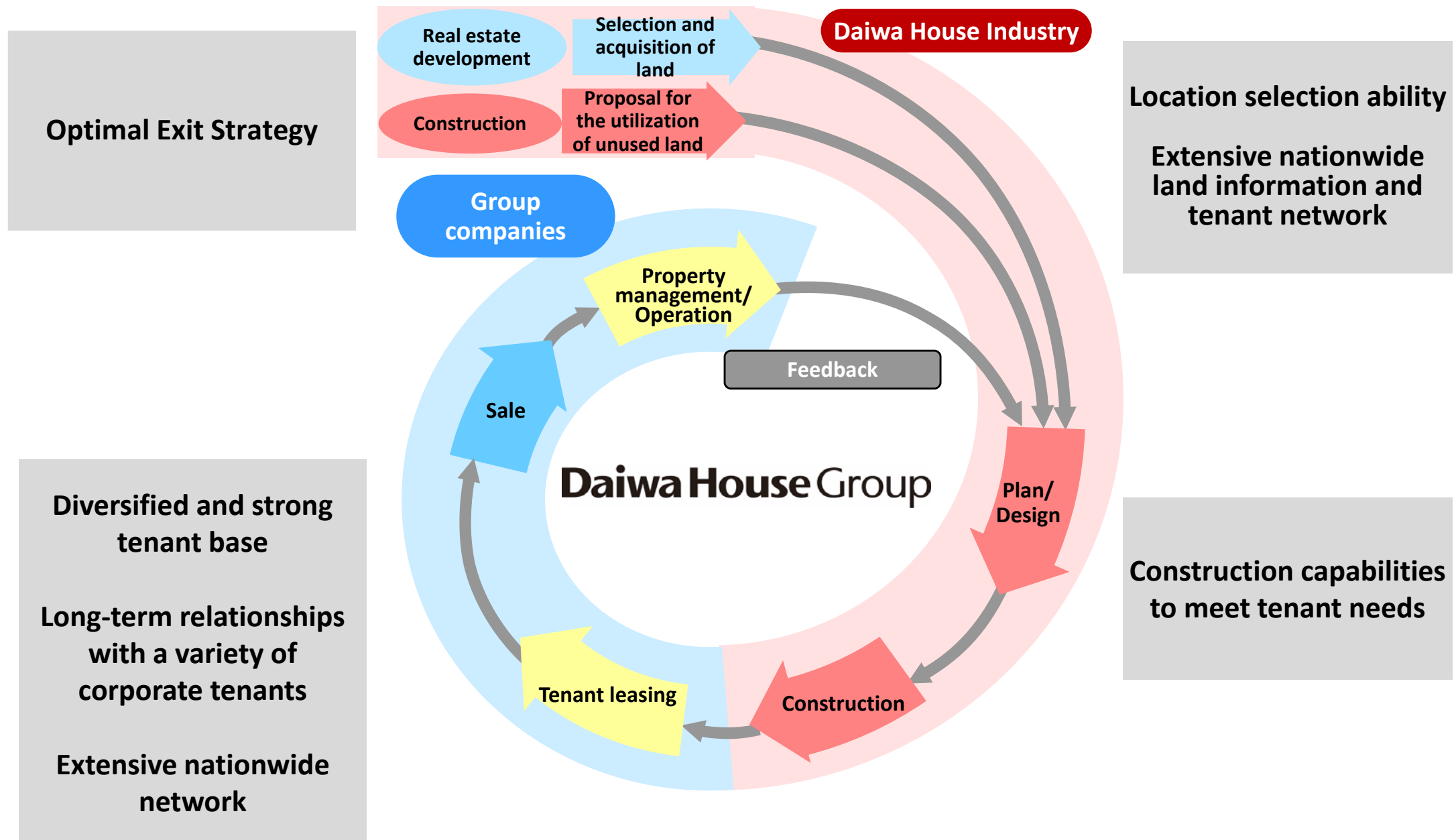


Royal Parks Ogikubo (Tokyo)



Royal Parks ER Sasashima (Nagoya)

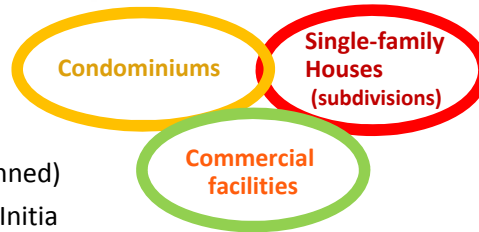
Real Estate Development Investment: Daiwa House Group Value Chain



Multi-Function Development Achieved through Business Value Chain

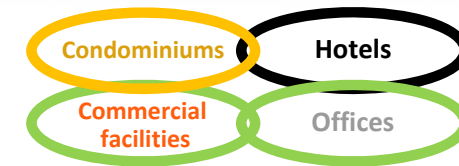
■ Hachioji Takao Project

- Single-family subdivisions:
Sales launched in Jan. 2015
- Condominiums: Completion in 2016 (planned)
JV project with Cosmos Initia
- A convenient area with easy access to the city.
Development of a large-scale commercial facility also planned for FY2017.



■ Omoromachi Ryu:X City

- Commercial facility/hotel: Completed in 2011
- Condominiums: Completed in 2013 and 2015
- Located in popular area of Naha. Representing one of the largest and tallest twin tower condominium projects in Okinawa, the multi-function development is combined with a commercial facility (3 tenants) that includes offices and Daiwa Roynet Hotel



Logistics, Business & Corporate Facilities Business: Logistics Facilities

■ Composition of development

BTS:
70 to 80%

Multiple:
20 to 30%

■ BTS-type Logistics Facilities:

Development of highly functional order-made logistics facilities that maintain a high degree of customer satisfaction.



■ Multi-tenant-type (general-purpose) Logistics Facilities:

Flexibly adapt to changing distribution markets and logistics needs, including the rise of internet businesses

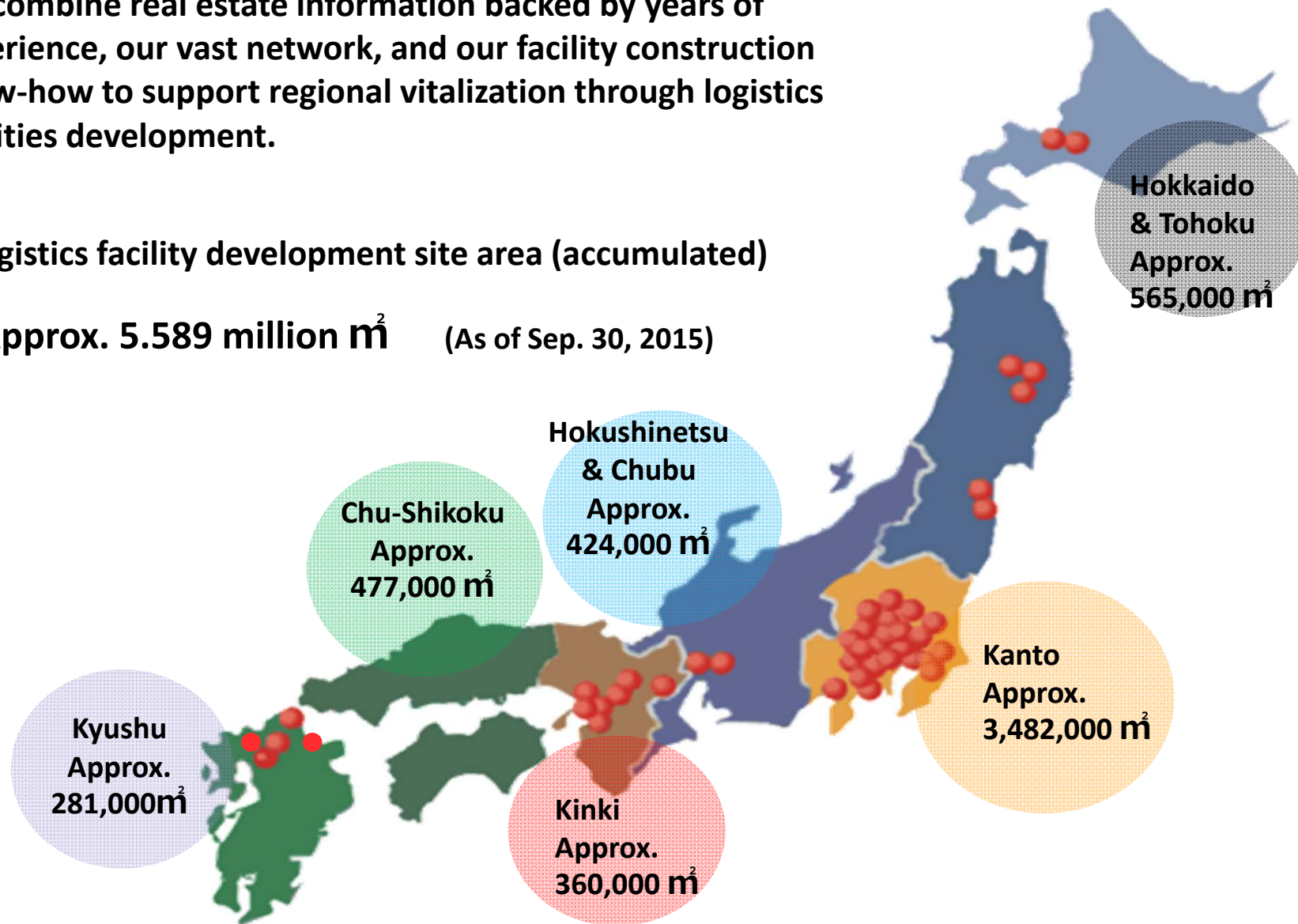


Logistics, Business & Corporate Facilities Business: Logistics Facility Development Site Area

We combine real estate information backed by years of experience, our vast network, and our facility construction know-how to support regional vitalization through logistics facilities development.

- Logistics facility development site area (accumulated)

Approx. 5.589 million m² (As of Sep. 30, 2015)



Commercial Facilities Business: Construction and Development Achievements

Construction and development achievements that underpin information networks for both owners and leading tenants nationwide

■ Road-side retailers/shops/commercial facilities

☆ Construction contracts



■ Commercial complex, shopping centers

☆ Real estate development, construction contracts, property management, property sales

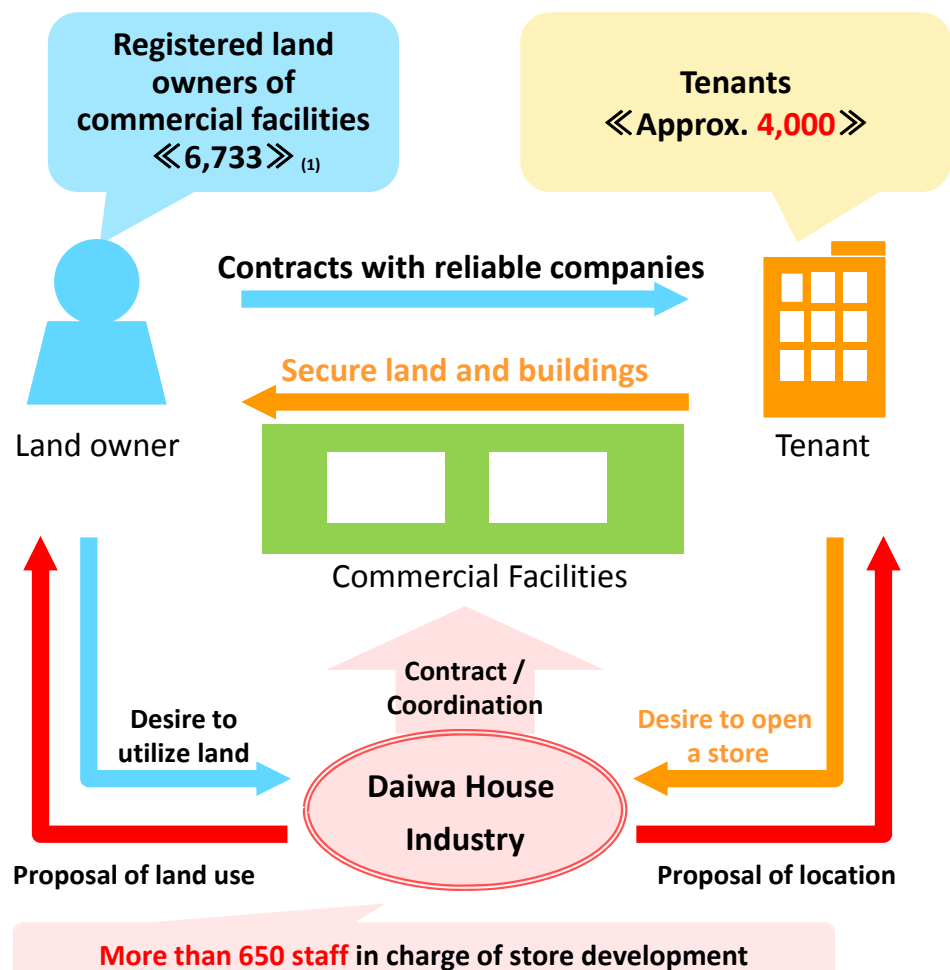


Commercial Facilities Business: Business Model for Roadside Stores

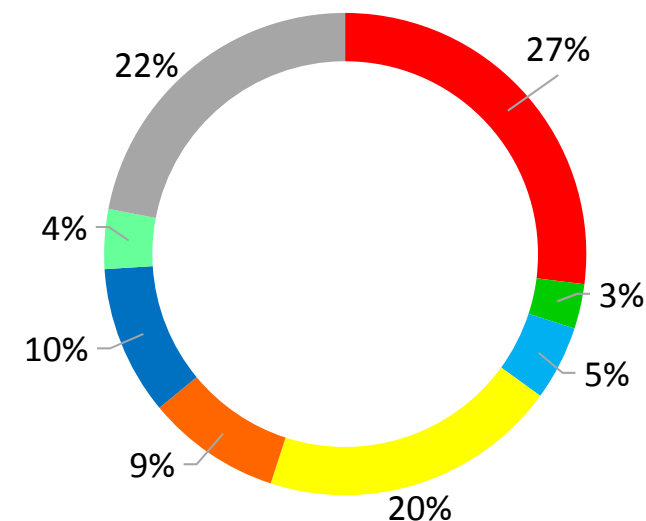
■ LOC System

Development of commercial facilities that connect owners who want to utilize their land and corporate tenants that want to open stores

■ Order received breakdown by retailer type (non-consolidated)



(As of September 30, 2015)



- Merchandise stores
- Restaurants
- Neighbourhood shopping center
- Corporate facilities
- Showroom and other service outlets
- Medical/Nursing care facilities
- Educational and sports facilities
- Small works, SCs, and others

Note: The land owners are the total number of land owners registered to the land owner group of Daiwa House Industry.

Rental Housing Business: Construction and Development Achievements

Using product development to expand share

Low-rise (two/three-story) rental housing

☆Contract construction /Sale for properties



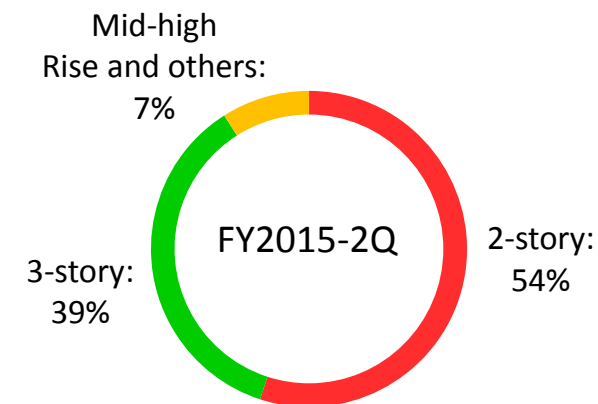
3-story housing Séjour OTT's αJT



2-story housing Séjour WIT

Orders by building type

(non-consolidated; unit basis)



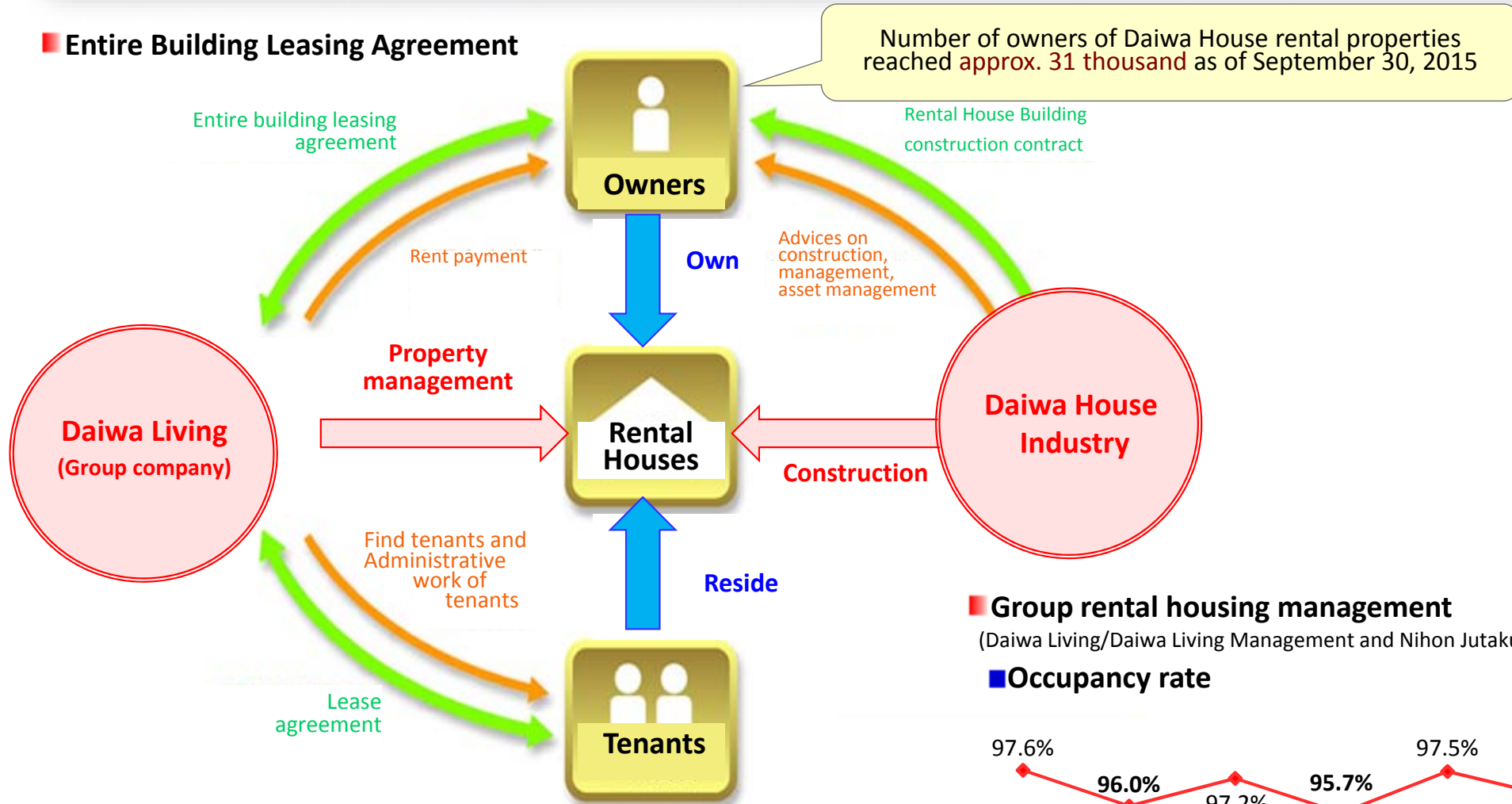
Mid to High-rise rental housing buildings (Royal Parks building, etc.)

☆Real estate development/ Rental management/ Sale for properties



Rental Housing Business: Business Model for Low-rise (two/three story) Rental Housing

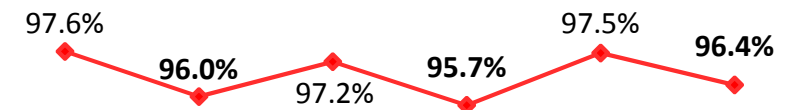
■ Entire Building Leasing Agreement



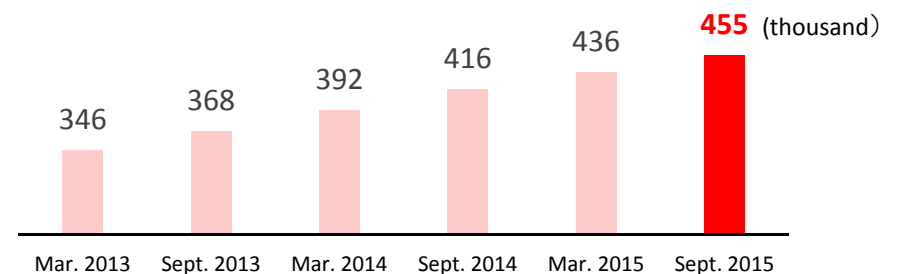
■ Group rental housing management

(Daiwa Living/Daiwa Living Management and Nihon Jutaku Ryutsu)

■ Occupancy rate



■ Number of management units



Rental Housing Business: Product Strategy for Low-rise (two/three story) Rental Housing

■ Product strategy ① Anti-crime rental housing products (S/SW type)

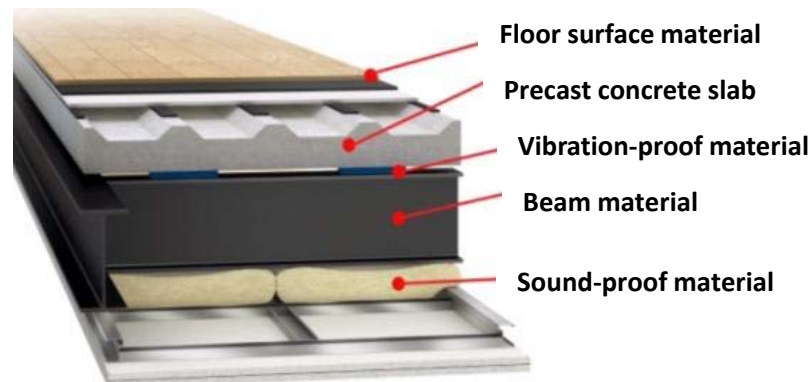


**Security-feature type
(S+SW) homes : 86.7%**
(order unit basis; for
FY2015-2Q)

- Comes equipped with anti-crime equipment and 24 hour online home security system as standard (S type)
- Plus, fully equipped with essentials such as kitchen, toilets, and storage areas designed with women in mind (SW type)

② SILENT HYBRID SLAB 50

Sound insulating floor that combines the lightweight steel-frame and the high-strength concrete. By utilizing high-strength concrete slabs, we realized the noise barrier performance, the first in the wooden and lightweight steel structure housing in the rental housing industry (internal data as of October 22, 2012)



③ 2-story Japanese-style rental housing Séjour Wit – Kyoto Style



Real Estate Development Investment: Exit Strategies/J-REIT①

■ Rental residences

Daiwa House Residential Investment Corporation

| | |
|--------------------------|---|
| Listed | March 22, 2006 |
| Investment* | ¥256.3 billion (as of November 2, 2015) |
| Properties | Residences: 142 incl. 2 for the elderly; as of November 2, 2015) |
| Portfolio occupancy rate | 96.0% (as of September 30, 2015) |
| Average NOI margin | 5.42% (for the term ended August 31, 2015) |

*Based on acquisition price

【Pacific Royal Court Minatomirai Urban Tower】



【Aburatsubo Marina Hills】



Real Estate Development Investment: Exit Strategies/J-REIT②

■ Logistic facilities and commercial facilities

Daiwa House REIT Investment Corporation

| | |
|--------------------------|--|
| Listed | November 28, 2012 |
| Investment* | ¥203.8 billion (as of October 31, 2015) |
| Properties | 41 (32 logistics facilities, 9 commercial facilities; as of October 31, 2015) |
| Portfolio occupancy rate | 99.95% (as of October 31, 2015) |
| Average NOI margin | 5.6% (for the term ended August 31, 2015) |

*Based on acquisition price

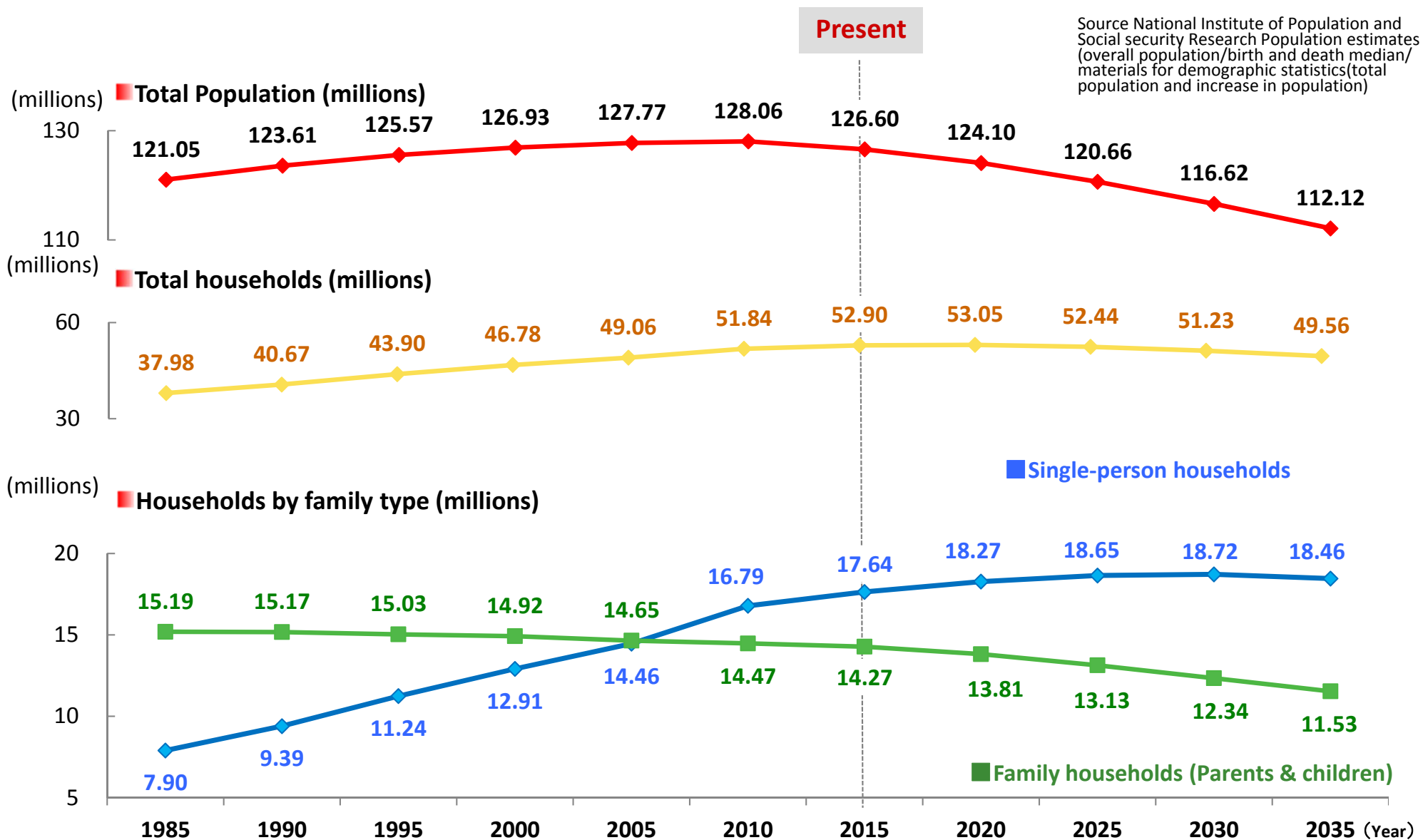
【D Project Urayasu II】



【Foleo Sendai-Miyanomori】



Projections for the Operating Environment: (1) Japan's Demographic and Household Trends

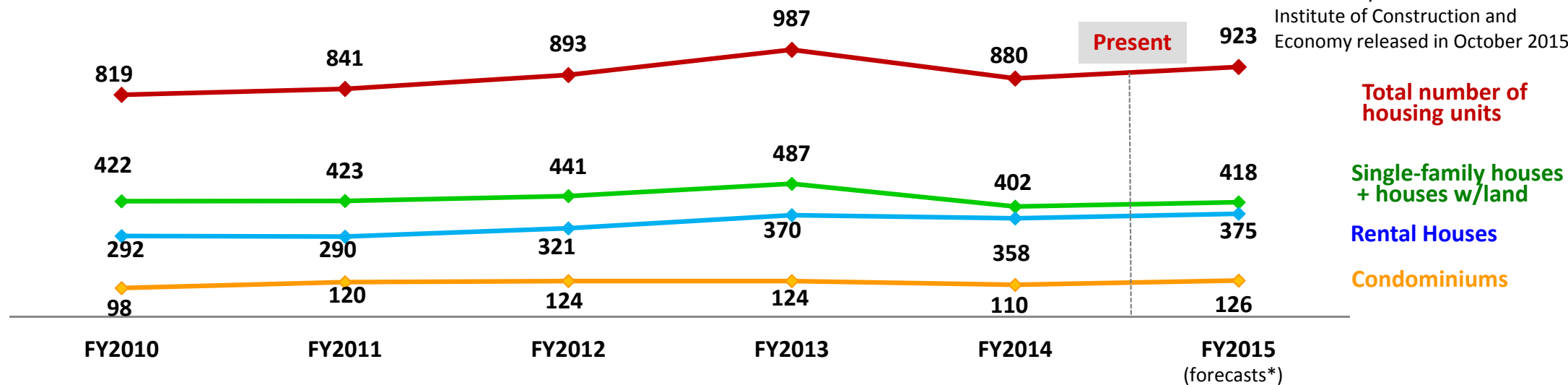


Projections for the Operating Environment: (2) Housing Construction Starts

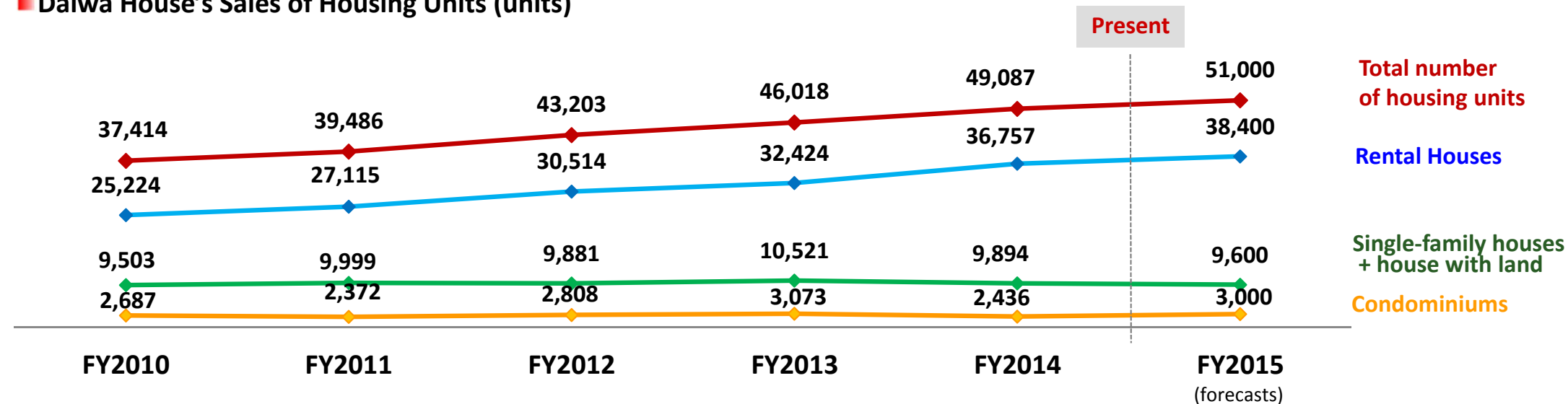
Japan's Housing Construction Starts (thousand units)

Source: Produced by Daiwa House Industry based on data from the Research Institute of Construction and Economy

*The figures in FY2015 are the forecasts by the Research Institute of Construction and Economy released in October 2015.



Daiwa House's Sales of Housing Units (units)



Japanese Housing Trends

Japan's Housing Stock (as of Oct. 1, 2013)

Total houses: 60.63 million

Total households: 52.46 million

Number of houses with households in residence: 52.10 million

Number of houses without households in residence: 8.53 million units

└ Vacant houses: 8.20 million

Year of Construction

Prior to the new anti-seismic standards (1981):
14.15 million units
(Approx. 29.5% of total houses)*

After the new anti-seismic standards
(1981-2013): 33.75 million units
(Approx. 70.5% of total houses)*

Source : Insufficiently anti-seismic housing, 2013 Housing and Land Statistical Survey, Ministry of Internal Affairs and Communications;

Current Ministerial Trend in Housing Production (Housing Bureau, Ministry of Land Infrastructure Transport and Tourism) released in July 2013

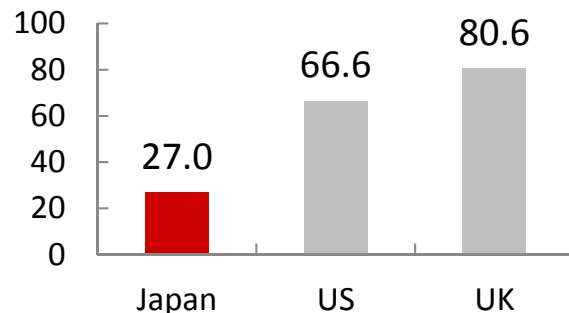
Figures for units are produced by Daiwa House Industry based on the above survey.

*Not included unknown building time

Houses needing to be anti-seismic:
Approx. 10.50 million

International Comparison of the Average Life of Houses (Sources from MLIT)

(Number of Years)



High-Quality, Long-Term Housing Law (enacted June 2009)

Reduction of environmental impact, and maintenance of high-quality housing stock

Certification standards for high-quality, long-term housing

| | | |
|---|-----------------------|---------------------------------------|
| Anti-degradation measures | Anti-seismic measures | Maintenance management and renovation |
| Energy conservation: Next-generation measures | | Housing environment measures |

Tax breaks for High-Quality, Long-Term Housing

(Income tax reduction with mortgage loans, fixed asset tax rates, etc.)

Consumption Tax Hike and Government Housing Support Policies

Consumption taxes

8% tax rate purchase deadline

Custom-built housing:

Construction contract is signed by the end of September 2016 or property is delivered by the end of March 2017.

Houses in housing development projects:

Property is delivered by the end of March 2017.

■ Main government housing purchasing support policies (as of October 2015)

Subsidies

Residential subsidy / residence reconstruction subsidy

Consumption taxes 8%: Maximum 300,000 yen
Consumption taxes 10%: Maximum 500,000 yen
*Varies depending on purchaser income

Enefarm subsidy { SOFC: Maximum 350,000 yen
PEFC: Maximum 300,000 yen }

Solar power generation feed-in tariff system

{ Lower than 10 kW: 33 yen/kWh (no output limits)
35 yen/kWh (output limits in place)
10kW and higher: 29.16 yen/kWh }

Interest

[Flat 25] S interest rate lowered

(Initial 10-year interest lowered 0.6%)

Reduced taxes

Tax reductions for taxes related to housing acquisition

(Reduced housing loan taxes, fixed asset taxes,
real estate income taxes, etc.)

Gift tax non-assessment limit

(non-taxed limit: 15 million yen)

Liquidation taxes at time of inheritance

(non-taxed limit: 25 million yen)

Inheritance Tax Rate Pre/Post Revision Comparison Tables (Applicable period: from Jan. 2015)

| | Pre-revision | | Post-revision | |
|---|---|----------------|--|----------------|
| | Tax rate | Deduction | Tax rate | Deduction |
| Inheritance tax assessment basic deductions | 50 million yen +10 million yen x number of legal heirs | | 30 million yen +6 million yen x number of legal heirs | |
| 10 million yen and below | 10% | — | 10% | — |
| Above 10 million yen up to 30 million yen | 15% | 500,000 yen | 15% | 500,000 yen |
| Above 30 million yen up to 50 million yen | 20% | 2 million yen | 20% | 2 million yen |
| Above 50 million yen up to 100 million yen | 30% | 5 million yen | 30% | 7 million yen |
| Above 100 million yen up to 200 million yen | 40% | 17 million yen | 40% | 17 million yen |
| Above 200 million yen up to 300 million yen | | | 45% | 27 million yen |
| Above 300 million yen up to 600 million yen | 50% | 47 million yen | 50% | 42 million yen |
| Above 600 million yen | | | 55% | 72 million yen |

Single-Family Houses Business: Product Improvements ①

Product improvement achieved by introducing the prehab housing industry's highest ceilings at over 3 m.
Increasing per house unit price to aim for NO. 1 share in housing industry.

Product improvements

- ▶ Light-weight steel-framed single-family housing top tier product **xevo Σ** (xevo sigma)



Single-Family Houses Business: Product Improvements ②

■ New product ∼Skye∼

Nationwide sales launched on October 1 with particular focus in Kanto, Tokai, and Kinki areas.
Heavy-weight steel-framed 3, 4, and 5-story construction



High ceilings and wide open-air space

【Panorama lounge】
【Built-in garage】

Friction D – the industry's first friction brake-style damping system for use in 5-story structures



Single-Family Houses Business: Housing Development Project (Smart house towns)

Smart cities by Daiwa House



SMA x ECO TOWN Harumidai, Osaka



Securea Sakuradai, Tokyo

【SMAxECO Charge】

D-HEMS



Lithium-ion storage batteries for housing by ELIY Power (6.2kW)

Photovoltaic power generation system

【xevo B】 Sales started in Sept 2014



High quality prefabricated houses at reasonable price

Condominiums Business

Strengthen brand in metropolitan areas and establish a portfolio of good locations



Premist Takao Sakura City (Tokyo)

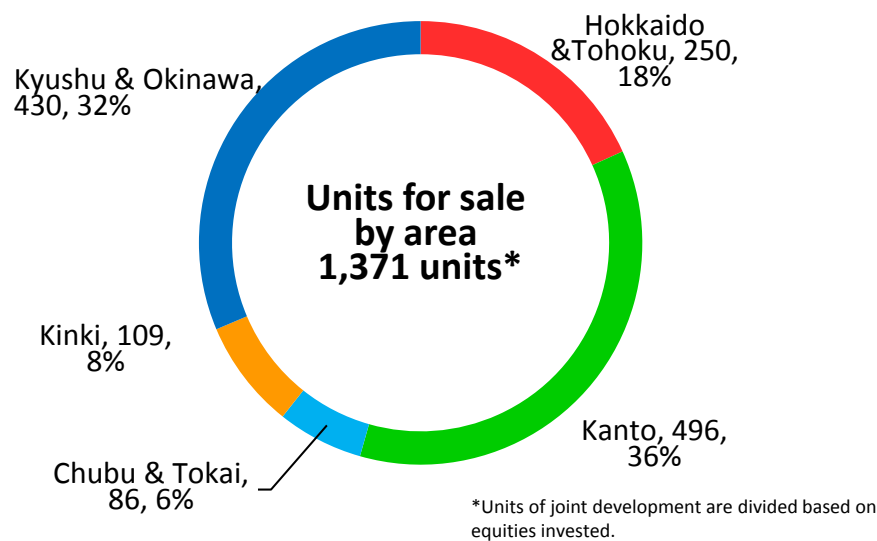


Premist Kyoto Karasuma Oike (Kyoto)



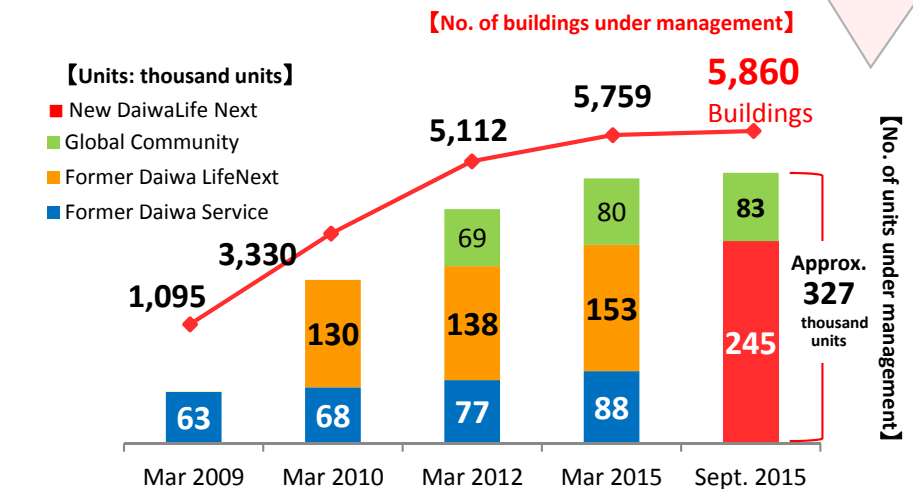
The Ocean Terrace Toyosaki (Okinawa)

FY2015-2Q Results (non-consolidated) (units, share (%))



Condominiums management of the Group

In FY2014: Group to rank **4th*** among Japan's condo managers



*Compiled by Daiwa House, based on the data of FY2014 on Mansion Management Paper (May 25, 2015)

Overseas Business: Entering the Global Market

The inclusion of the Fujita Corporation in the Daiwa House Group in January 2013 has further expanded overseas business areas.

Expand contracting construction business

In addition to condominium business and industrial park development projects, dramatically expand contracting construction business through Fujita

Maximize customer advantages

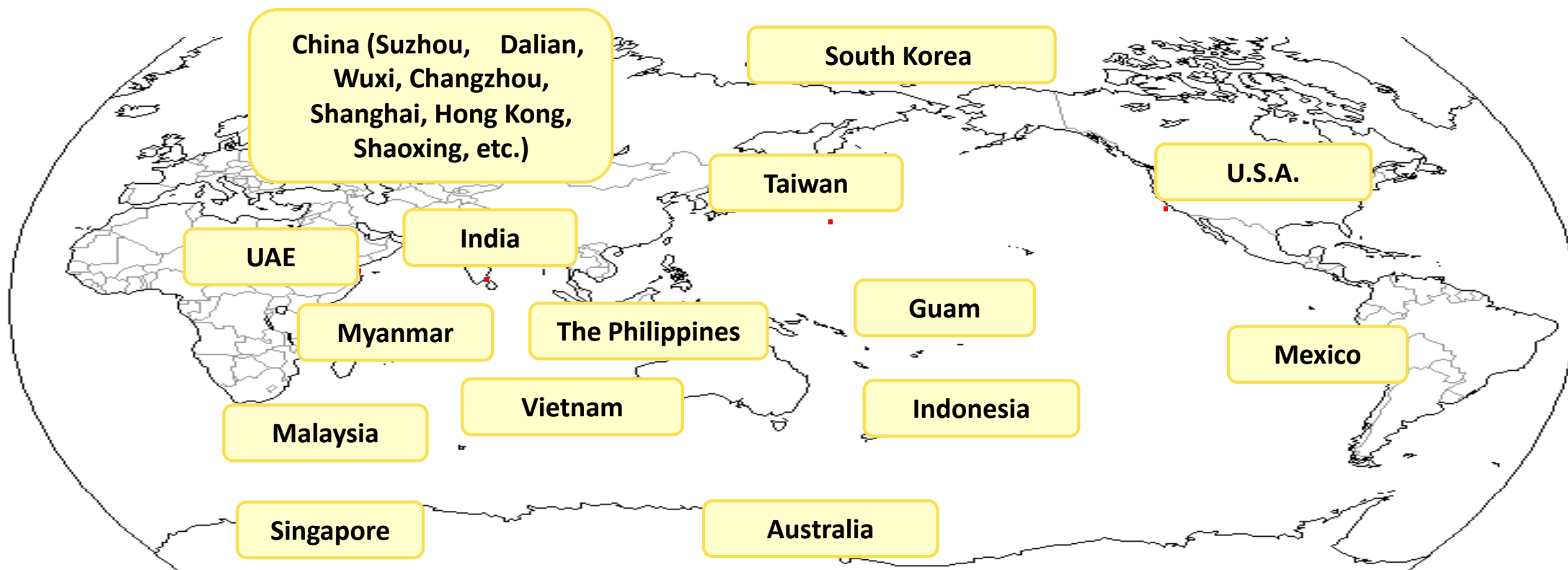
Maximize customer advantages by helping to facilitate the customers' business by providing production, logistics, and lifeline infrastructure support for companies entering emerging markets

Focus broadly on Asia

Steadily respond to demand for factory equipment and logistics in the ASEAN region which is further advancing as it becomes increasingly borderless

Upgrade overseas bases

At overseas bases, which have been upgraded and expanded thanks to synergies with Fujita, we will gather more wide-ranging business information and speed up business expansion



Data of Map
<http://www.craftmap.box-i.net/>

(As of June 30, 2015)

Overseas Business: USA — Rental Housing Business

■ Berkeley (Fort Worth, Texas, USA)



Total units: 716, Total area: 105,170 m²

Berkeley I (Photo): 406 units, Operating ratio: 96.2%

Berkeley II : 310 units (under-construction, completion plan: Jan. 2016)

■ Waters Edge (Dallas, Texas, USA)



Total units: 582, Total area: 115,899 m²

Waters Edge I (Photo): 281, Operating ratio: 93.3%

Waters Edge II : 301 (under-construction, completion plan: Dec. 2016)

■ North Clark (Chicago, Illinois, USA)



Located close to central business and commercial district in Chicago, targeting at mid-to-high income tenants, we plan to develop and manage a high tower residential building for rent with 31 stories and 373 units in total



Overseas Business: ASEAN — Industrialized Housing

■ Launched Single-Family House Business in Malaysia

- Prefabricated single-family house development and sales
- Joint business with Sunway Berhad, Developer Giant in Malaysia
- Development of housing area within *Iskandar Malaysia*, sponsored by Malaysian national and local government



A trial verification industrialized house in Malaysia (Photo in June 2014)



Housing development project within *Sunway-Iskandar Malaysia*, (images)



【Project Plan Outline】

- Seller: Daiwa Sunway Development Sdn Bhd (70% stake by Daiwa House)
- Construction start in January 2016 (plan); Sales start from 2016 to 2018; Total units: 100

Overseas Business: ASEAN — Condominiums for Sale Development

■ Mid-Town Project (tentative name) (“Phu My Hung” area, Hồ Chí Minh, Vietnam)

A large development project for condominiums for sale of total units of 2,100 at Phu My Hung area, a high-class residential area with a local developer, Phu My Hung Development, Nomura Real Estate, and Sumitomo Forestry.



Phu My Hung area scenery



Condominiums for sale for 1st and 2nd term development
(plan, as of Sept. 2015)

Overseas Business: ASEAN — Logistics Facilities and Rental Factories

■ Industrial Parks Development in East Asia (Vietnam and Indonesia)

■ Duc Industrial Park

- Near Ho Chi Minh City, Vietnam; total development area: 270ha



Rental logistics (completion in May 2015)



■ Daiwa Manungal Industrial Parks

- Near Jakarta, Indonesia;
total development area 1,350ha



Rental factories (completion in Dec. 2014)

Overseas Business: Australia — Condominiums for Sale Development

■ Summer Hill Project (Sydney, Australia)

Real estate complex development including condominiums for sale and commercial facilities embarked near Sydney with a local major real estate developer EG Fund, Cosmos Initia and others



Overall view (plan, as of Sept. 2015)



Condominiums for sale (plan, as of Sept. 2015)

- Site area: 24,789m²
- Total number of units: 360

【1st and 2nd term plan】

- Construction starts: August 2015; completion: Dec. 2016; sales units: 127 (sold out)

【2nd and 3rd term plan】

- Construction starts: June 2016; completion: April. 2018; sales units: 233 (as of Sept. 2015)

Overseas Business: China — Condominium for Sale Development



Yihe Xinghai, Dalian

| | |
|----------------------|--|
| Start/ Completion | July 2009/ Sep. 2012 and 2017 |
| Facilities | Condominiums, retailers service apartment |
| Site/building area | 156,440m ² /521,400m ² |
| Sales units | 2,121 (condominiums only) |
| Contract ratio | 78.7% (Number of units on sale: 2,108) |

The Grace Residence, Changzhou, Jiangsu

| | |
|----------------------------|--|
| Start/ Completion(plan) | Apr. 2013/ in 2016 |
| Facilities | High-rise condominiums, service apartment, retailers |
| Site/building are | 74,480m ² /186,200m ² |
| Sales units | 1,178 units (condos only) |
| Contract ratio | 67.4% (Number of units on sale: 420) |

Moonlit Garden, Wuxi, Jiangsu

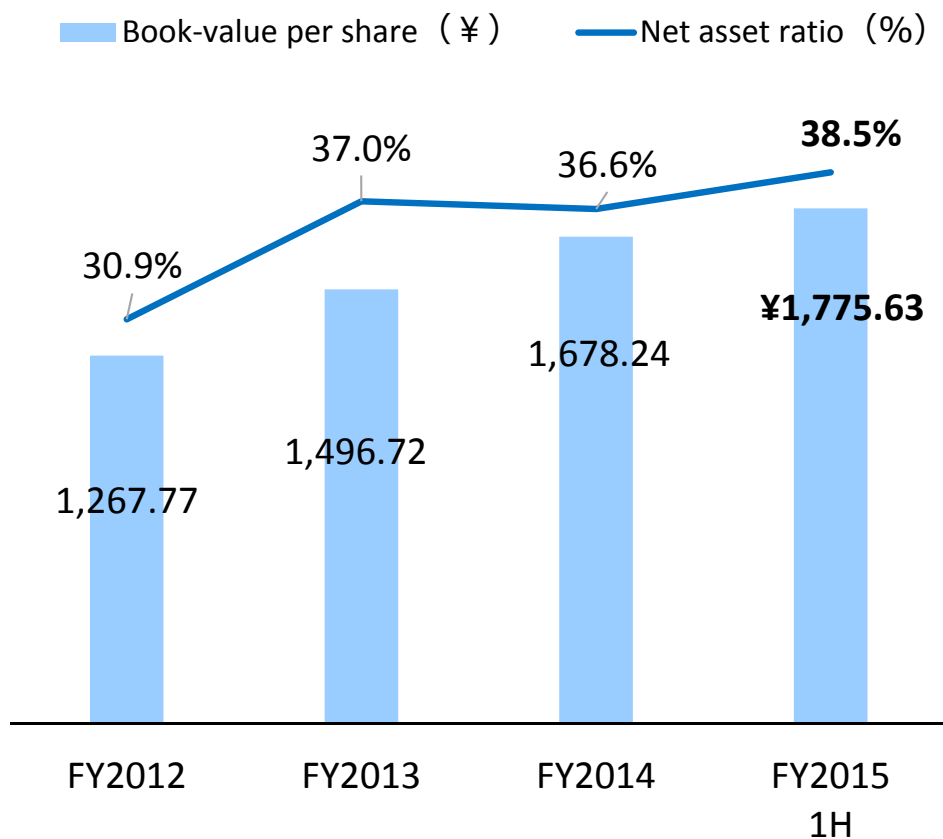
| | |
|----------------------|--|
| Start/ Completion | Dec. 2012/ Sep. 2015 |
| Facilities | Condominiums, town houses |
| Site/building area | 81,751m ² /156,503 m ² |
| Sales units | Condominiums: 295 Town houses: 141 |
| Contract ratio | 61.5% (Number of units on sale: 109) |

(Housings for sale contract ratio as of October 31, 2015)

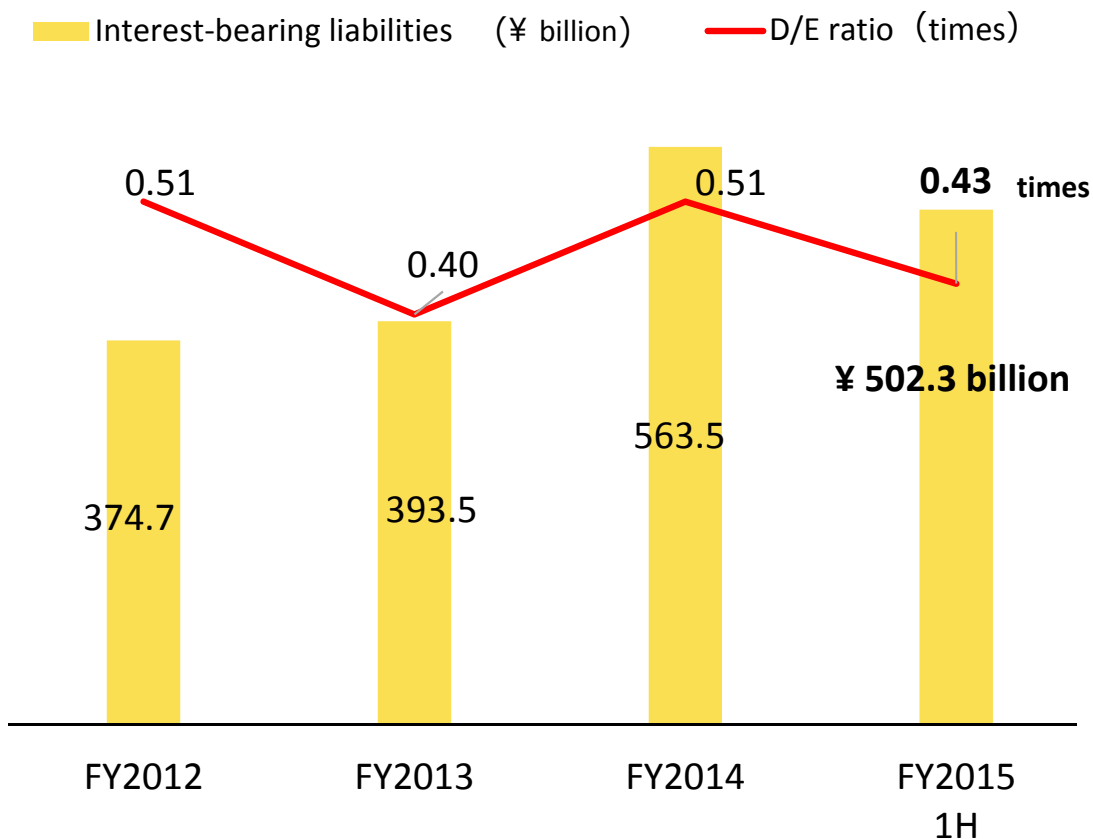
Financial Strategy

Aim for ROE of 10% or higher to maintain rating. Our optimal capital structure is a D/E ratio of around 0.5.

Book-value per share and net asset ratio

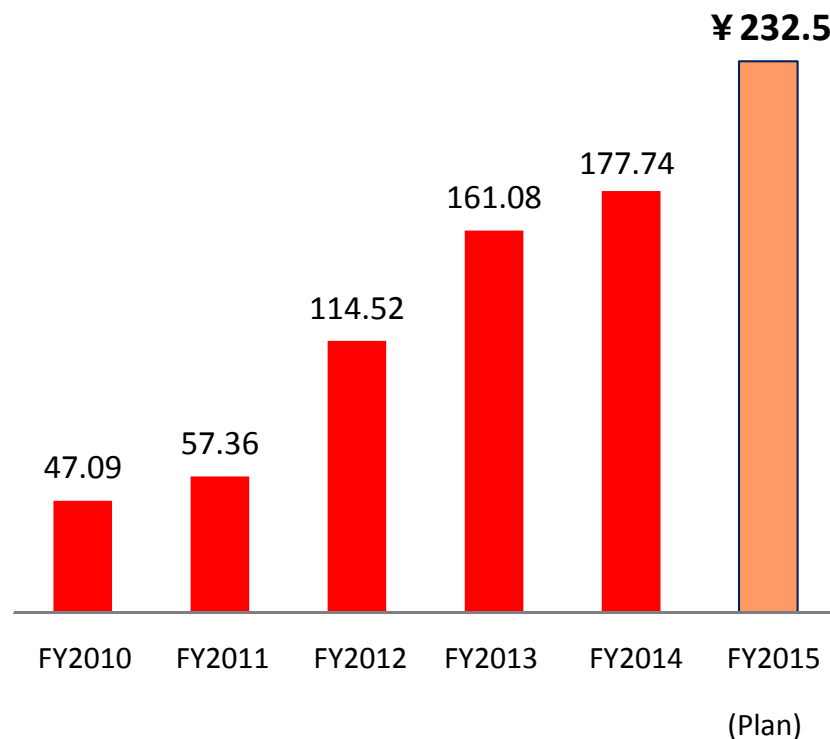


Interest-bearing liabilities and D/E ratio

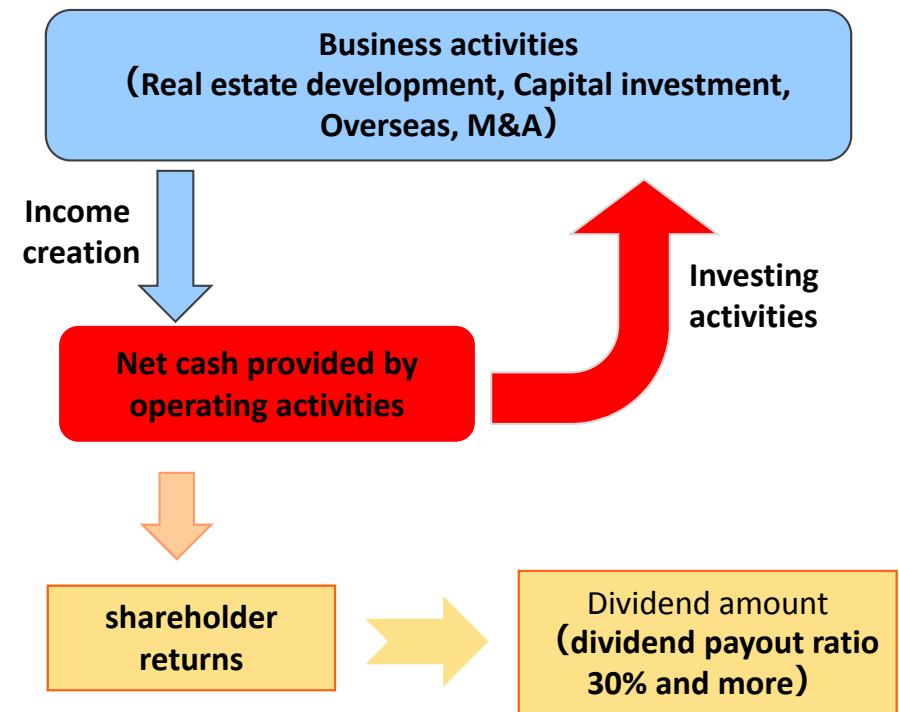


Approach to Income Dividends

Earnings per share (¥)

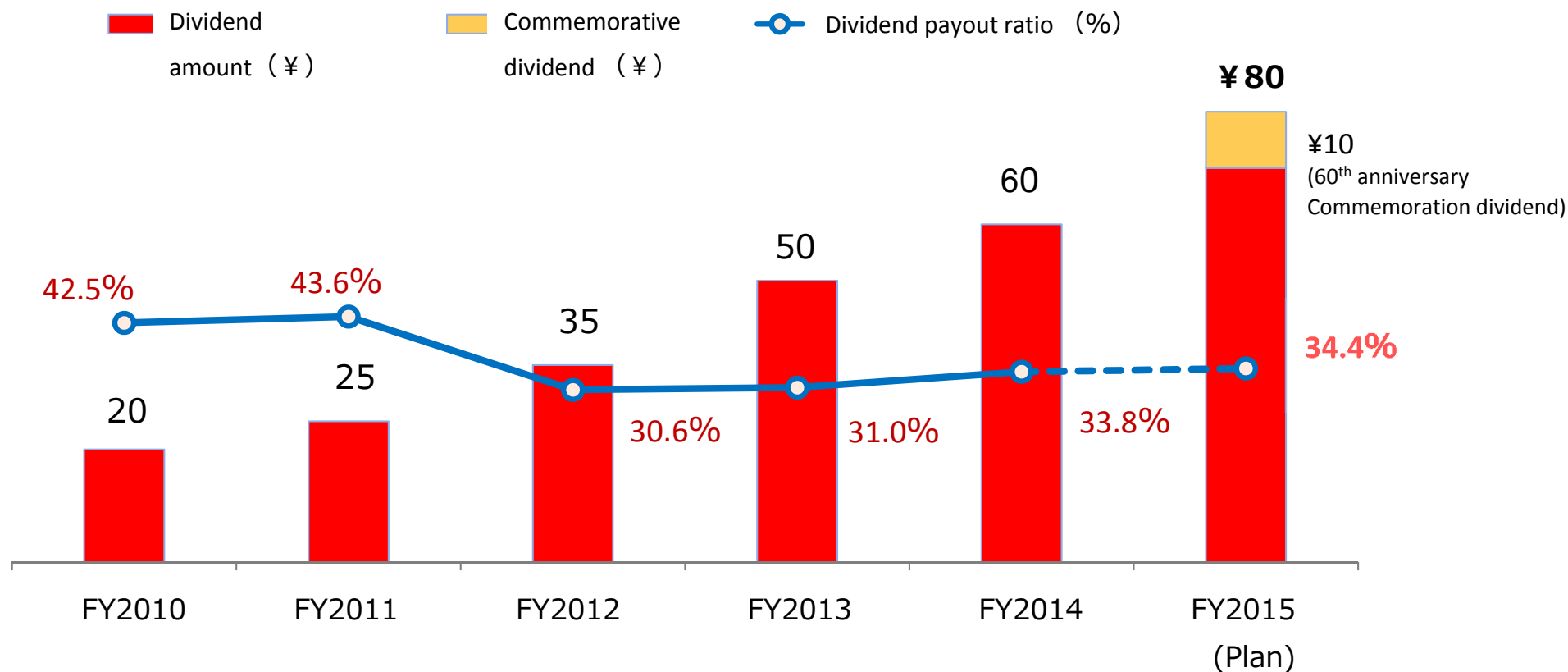


Approach to income dividends



Our basic shareholder return policy is to provide shareholder returns through income generated from business activities as well as to enhance our shareholder value by increasing net income per share through conducting the growth investments that will maximize our medium to long-term corporate value.

Dividend Amount and Dividend Payout Ratio



For the dividend payout ratio, we will strive to conduct earnings-linked shareholder returns based on a return ratio of at least 30% for the consolidated net income and maintain stable dividends.