

Daiwa House Industry Co., Ltd.

Q&A Session at Presentation on Management Policies (Summary)

Date and time: From 14:30 to 15:30, Monday, November 13, 2017

Speakers: Keiichi Yoshii, President and COO

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

Yuji Yamada, Senior Executive Officer and General Manager of
Finance and IR Departments

[Q1]

On your continuing quest to become a ¥10 trillion company, where do you see business growth over the next five to 10 years?

[Answer]

- We think we still have room to grow in our three core businesses over the next five to 10 years.
- Our Rental Housing Business has been experiencing challenges in securing orders recently. However, group company Daiwa Living is maintaining high occupancy rates between 96 and 97 percent.
- Our strengths lie in city planning, commercial facilities, medical and nursing facilities, rental housing, condominiums, logistics, and other businesses, including infrastructure, railroad/tunnels, redevelopment, and replotting. Accordingly, we are able to engage in business in a comprehensive manner.
- The Takao SakuLa City Project in Tokyo is one such example. Here, our ability to provide a comprehensive plan allowed us to appeal to our strengths among the various proposals.
- We believe there is still room for growth in our existing home business, hotel business, overseas business.

[Q2]

Can you describe the strategies for your three growth drivers in your domestic business?

[Answer]

- We will strengthen our presence in the medium- and high-rise sector of the Tokyo area in the Rental Housing Business. We also plan to allocate employees to areas in which we expect increased population and growth.
- We expect to see relocations of logistics facilities across Japan, which will have an impact on the Logistics, Business & Corporate Facilities Business. Recently, acca international Co., Ltd. joined the Daiwa House Group. Our plan is to introduce value-added services to the logistics facilities themselves.
- The position of the Commercial Facilities Business has changed. The orders ratio of stores has fallen to about 40 percent, and we intend to increase the number of tenants in new fields. Projects related to logistics and senior housing are also increasing. The price per unit today exceeds ¥300 million.

[Q3]

Tell us more about your strengths in, and approach to, the Overseas Business.

[Answer]

- Our strengths in the Overseas Business is the ability to respond to change.
- We grow our businesses by identifying what is needed and what is most appreciated in each country.

[Q4]

You have said one of the goals is be the top company in every business segment. As you aim for the No.1 spot in single-family houses, what do you think you have been lacking to date, and what will you be putting more efforts into in the future?

[Answer]

- The gap between us and the No.1 company in the market is an annual 3,000 houses. That works out to 250 houses per month, or three houses per month per business location. This has been the case for many years.
- One of the most important things in the Single-Family Houses Business is strength of product. Thanks to the efforts of all parties, recognition of our xevo Σ product is on the rise. This is a product with which we can take the fight to the leader.

- Another important factor is the number of salespeople. Other companies employ between 200 and 250 salespeople in the Tokyo area. We employ somewhere around 100. While we have allocated employees to other businesses, we believe staff allocation is an issue.

- I believe that other businesses will grow precisely because of our housing business. I say that every employee is a housing salesperson. We will work extremely hard in our Single-Family Houses Business.

[Q5]

It looks like real estate development will be an increasing part of your balance sheet. What should we understand about balance sheet strategy and turnover ratio?

[Answer]

- Basically, we would like to purchase while selling our stock.

[Q6]

Are you falling behind the general contractors in BIM and the use of IT in design? Do you have plans to strengthen you design capacity to compete globally?

[Answer]

- We have been investing in BIM.
- We do not believe we are behind the general contractors in our design capabilities.
- We are helping auto makers expand in Mexico through Fujita, and we believe we in no way compare unfavorably with the general contractors.

[Q7]

More recently, the construction industry in Japan has been changing, as housing manufacturers acquire general contractors, etc. What are your thoughts on the future of Japan's construction industry?

[Answer]

- We think BIM will be indispensable, given the revolution in working styles and other changes. Adopting BIM will present numerous benefits to our customers.

- We also feel that as a country, comprehensive Japanese quality is in demand overseas.

[Q8]

You are already No.1 among construction, housing, and real estate companies in terms of sales and operating income. You are also No.1 in terms of market cap. How do you plan to grow operating income and share prices in the future?

[Answer]

- We actually do not believe we are No.1 at present. In the end, we want to focus on being No.1 in each business segment.
- For operating income, please take a look when we publish our Sixth Medium-Term Management Plan.

[Q9]

What is your approach to incorporating the Daiwa House and Japanese business style in your Overseas Business?

[Answer]

- Basically, we want to continue to build things. We intend to continue to construct buildings, which is our specialty, mainly in the construction industry.
- In Changzhou, China, Fujita is engaged in construction, while Daiwa House conducts development. We conduct logistics operations management through a joint venture. In so doing, we maintain our comprehensive approach and quality. We think the Chinese values and loves Japanese products over any in the world. We plan to continue to build with Japanese quality, delivering the unique Daiwa House and Japanese style.
- We have undertaken industrial parks in Indonesia and Vietnam, where we have already established construction companies.
- In the United States, we have already built buildings under our own name. Our acquisition of Stanley-Martin proves the importance of working with a good partner in expanding business overseas. Lincoln, our partner in the United States, is doing a solid job of performing amidst challenging circumstances.

[Q10]

• Please tell us about your strategy to maximize shareholder value. Recently, we have seen public pensions and other similar institutions purchase your shares. Some shareholders are asking that you increase dividends. We believe your shareholders are beginning to include those who aren't interested in simply selling your stock for the highest price.

[Answer]

• We want to maintain a solid dividend payout ratio of 30 percent. We have made no changes to our shareholder return policy as achieving dividend increase by increasing EPS through growth investments.

• We intend to hold to our selected hurdle rate for investment decisions. We believe this will answer the expectations of our shareholders.

[Q11]

What is the most significant risk concerning you? Some shareholders consider it a significant risk for strong Japanese companies to expand overseas. Tell us more about risk and how you address risk in Japan and overseas.

[Answer]

• Overseas, political risk is one risk that cannot be avoided. Political stability is the most important thing.

• Next, we ascribe to very stringent investment standards during the investment stage. We only invest in carefully selected projects. I visit the location personally as part of a careful investigation. Of maybe 10, 20, or 30 potential projects from our Overseas Business, we may only approve one.

• Overseas investment is not merely necessary; it is an indispensable part of our growth strategy.

• We at Daiwa House are confident that we can provide a number of services in areas in which the population is growing.

[Q12]

What differences do you see between yourself as president, the prior president of the company, and the chairman?

[Answer]

• I am 20 years younger than the chairman and 10 years younger than the prior president. The chairman and the prior president were formerly superior and subordinate, in complete sync with each other. Accordingly, I intend to travel to Osaka twice weekly to discuss the history of our company and our philosophies with the chairman.

• I'm also confident in my physical stamina.

• I will leave judgments of my abilities for you to make.

(End)

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