

January 20th, 2014

Dear Sirs

The Strategic Capital, Inc.
President & CEO Tsuyoshi Maruki

Re: Shareholder Proposal to DAIWA INDUSTRIES LTD.

Strategic Capital, Inc. is pleased to announce that, on January 14, 2014, it notified DAIWA INDUSTRIES LTD (hereinafter referred to as "DAIWA INDUSTRIES") of its execution of the shareholders' right to propose at the shareholder meeting held in the coming March.

Strategic Capital, Inc. is a general partner of two partnerships, Japan-up Alpha and Japan-up Beta, which hold 4.5% of the outstanding share of DAIWA INDUSTRIES.

The brief detail of our proposal is as the following.

1. The Description of the proposal

① Revision of the provisions of articles

The current provision of articles of DAIWA INDUSTRIES provides that the board of directors (hereinafter referred to as the "board") determines the matters regarding dividend to its shareholders. We require the revision of the provisions of articles which modifies the decision-making authority from the board to shareholder's meeting.

② Increase in the dividend

Subject to the above mentioned revision of the provisions of articles, we require that the dividend per share of this fiscal year is increased to 75 yen, including 5 yen of interim dividend.

2. The background of the proposal

① Improper decision by the board regarding former dividend:

The board is required to determine the amount of dividend based on its fair judgment properly reflecting the shareholders' interests as long as the board has such authority. However, DAIWA INDUSTRIES keeps the dividend of 10

yen per share for several years, on the basis of the decision by the board, in spite of the fluctuation of net profit and huge cash and deposits in its balance sheet. Such decision by the board is far from properly reflecting the shareholders' interests.

② The huge amount of cash and deposits in its balance sheet:

DAIWA INDUSTRIES holds the huge cash and deposits of 36 billion yen and, at the same time, there is no interest-bearing debt in its balance sheet as of the end of September 2013. This amount of cash and deposits is equivalent to approximately 96% of its market cap as of January 10th, 2014. The amount of cash and deposits in its balance sheet continue to increase for several years from 13 billion yen in 2003 (19 billion yen of interest-bearing debt) and 17 billion yen in 2008 (no interest-bearing debt).

③ Low cash requirements:

DAIWA INDUSTRIES does not need a large amount of cash for the capital expenditure in the foreseeable future. Moreover, the leasing business conducted by its subsidiary, which demanded large amount of cash, was reduced in January 2013, and, therefore, it does not need to inject cash in the leasing business.

④ Low dividends on equity:

DAIWA INDUSTRIES' dividends on equity is extremely low (1.1%) since its net asset exceeds 47 billion yen and expected amount of dividends is 0.5 billion yen in this fiscal year.

⑤ Low stock price from the viewpoint of PBR:

PBR of DAIWA INDUSTRIES is 0.78 which is far below the average of companies listed in TSE 1, 1.46.

3. Conclusion

The Strategic Capital, Inc. is convinced that the increase in the dividend leads to the improvement of shareholder' value. Besides, since the amount of increased dividend is supposed to be within the current net profit, it will not give damage to the state of cash and deposits in its balance sheet.

Contact Information

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