

Strategic Capital, Inc.
Tsuyoshi Maruki , President & CEO

February 1, 2016

Dear Sirs

Re: Shareholder Proposal to DAIWA INDUSTRIES LTD.

Strategic Capital, Inc. is under a discretionary investment contract with INTERTRUST TRUSTEES (CAYMAN) LIMITED SOLELY IN ITS CAPACITY AS TRUSTEE OF JAPAN-UP (hereinafter referred to as the "Fund") which holds 3.79% (sum of accounts represented by multiple standing proxies) of the outstanding share of DAIWA INDUSTRIES LTD (hereinafter referred to as "DAIWA INDUSTRIES")..

Strategic Capital, Inc is pleased to announce that, on January 25, 2016, the Fund notified DAIWA INDUSTRIES of its execution of the shareholders' right to make a proposal at the annual shareholder meeting held in March 2016 and confirmed that, on January 26,2016, DAIWA INDUSTRIES received the documents of the proposal.

A brief detail of the proposal of the Fund is as followings.

1. The Description of the proposal

① Revision of the provisions of articles

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

② Increase of the dividend

Subject to the above mentioned revision of the provisions of articles, we require that the dividend per share for this fiscal year is increased to 67 yen, including 5 yen of interim dividend.

2. The background of the proposal

① Improper decision by the board regarding former dividend policy:

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 has kept the dividend of 10 yen per share for several years on the basis of the decision of the board, in spite of the fluctuation of net profit and huge increasing cash and deposits on its balance sheet. Such decisions by the board are far from properly reflecting shareholders' interests.

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

The amount of cash and deposits on the balance sheet have continued to increase for several years from 12.9 billion yen in 2003 (19 billion yen of interest-bearing debt), 17 billion yen in 2008 (no interest-bearing debt), 36 billion yen in 2013, to 39.4 billion yen as of the end of September 2015. Adding to the above mentioned cash and deposits, it is presumed that DAIWA INDUSTRIES still keeps a long-term deposit, 6 billion yen, as confirmed as of the end of March 2015. The total amount of cash and deposits, 45.4 billion yen, is equivalent to approximately 103% of its market cap as of January 22nd, 2016. This is one of rare cases for Japanese listed companies.

③ Low cash requirements:

DAIWA INDUSTRIES does not need a large amount of cash for capital expenditure in the foreseeable future. Strategic Capital believes that the companies which have a large amount of idling cash should return them to shareholder to increase shareholder's value.

④ Low dividends on equity:

DAIWA INDUSTRIES' dividend on equity is extremely low (less 1%) since its net asset exceeds 53.2 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 0.82 which is far below the average of companies listed in TSE 1st Section, 1.15, as of January 22nd, 2016.

3. Conclusion

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

Contact Information

Dan Kato

81-3-5459-0380