



News Release (translation only)

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## **Daiwa House Group's 4th Medium-Term Management Plan Formulated**

*—Targeting Net Income of ¥100 billion in Fiscal 2015 as We Prepare for Our 60<sup>th</sup> Anniversary —*

Daiwa House Industry Co., Ltd. (hereafter, the “Company”) announces that in order take its next step forward as it prepares for its 60th anniversary, on April 5, 2013 it formulated the Daiwa House Group's 4th Medium-Term Management Plan “3G & 3S” for the Next Step covering fiscal 2013 through fiscal 2015 (fiscal years ending March 31, 2014 to March 31, 2016).

### **1. Our Corporate Ideal**

Based on the management vision of “Connecting Hearts,” the Daiwa House Group aims to “co-create value for individuals, communities and people's lifestyles” through a wide portfolio of businesses that offer housing, business and lifestyle support.

In the 3rd Medium-Term Management Plan, “3Gs” for New Growth (April 2011 to March 2014), we strengthened the competitiveness of our core businesses and business relating to the existing stock of housing and facilities. Consequently, we achieved record-high sales, operating income, ordinary income, and net income in fiscal 2012, and reached the plan's target of ¥2 trillion in net sales and ¥120 billion in operating income in two years, one year earlier than initially planned.

In April 2013, we started the 4th Medium-Term Management Plan, “3G&3S” for the Next Step, which was formulated based on future growth strategies to enable the Daiwa House Group to grow and develop even further in the years ahead.

In our 3rd Medium-Term Management Plan, we took on the challenge of our 3G strategy (the three Gs are the initial letters of Group, Global, and Great, the three key words that define this strategy) of expanding our market share for Group growth, speeding up the pace of our global development activities, and aiming to become a “great” corporate group. In our 4th Medium-Term Management Plan, we added the basic 3S approach of Speed, Safety, and Sustainability that forms the basis of our implementation of the 3G strategy. Using both “3G & 3S,” we will ensure growth into the future.

## 2. Management Targets

	FY2012 Results	FY2015 Targets
Consolidated sales	¥2,007.9 billion	¥2,800.0 billion
Consolidated operating income	¥128.0 billion	¥170.0 billion* <sup>1</sup>
Net income	¥66.2 billion	¥100.0 billion
ROE	9.5%	10% or more

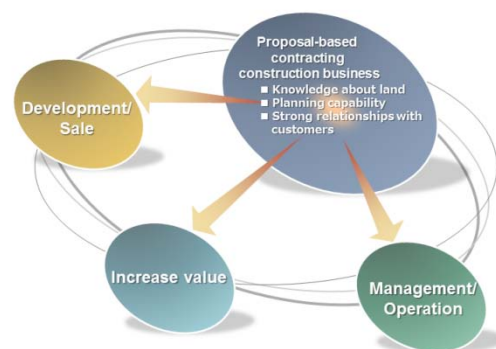
\*1. The 4th Medium-Term Management Plan targets consolidated operating income of ¥480 billion over a cumulative three-year period.

## 3. Basic Policies (Reinforce five growth strategies and two management foundations)

### Growth strategy

#### (1) Increase Profits by Augmenting Value Chains\*<sup>2</sup> for Each Core Business\*<sup>3</sup> Domain

① Expand upstream to downstream in each business by leveraging our advantages of extensive land information, planning capability, and strong relationships with customers developed in the proposal-based contracting construction business.

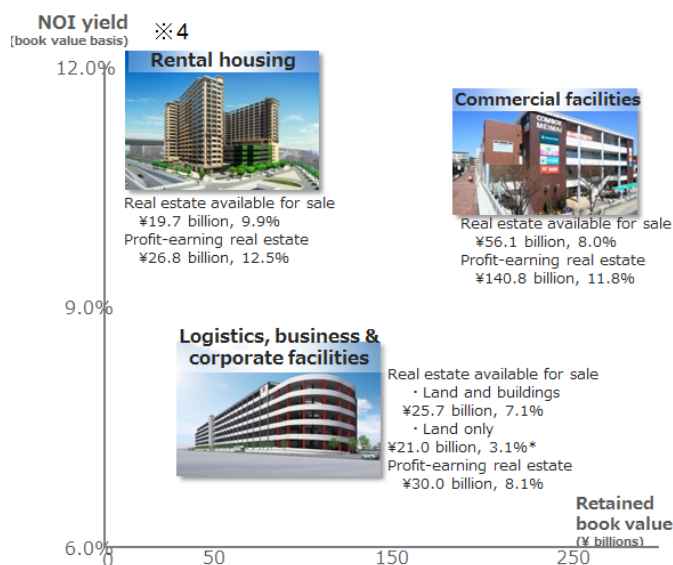


② Invest in real estate development focusing on Rental Housing, Commercial Facilities, and Logistics, Business & Corporate Facilities

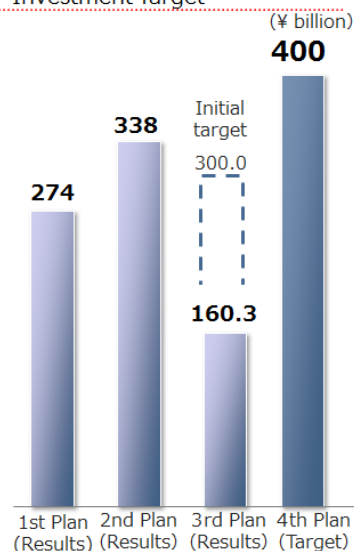
\*2. Value chain including management/operation, increased value, and development/sale, which are derived from proposal-type contracting construction

\*3. Core businesses are single-family houses, rental housing, condominiums, existing home business, commercial facilities, and logistics, business and corporate facilities.

Real estate being rented (as of September 30, 2013)



Real Estate Development Investment Target



\*4. NOI is net operating income after expenses related to real estate management and operation have been deducted from real estate income gain income. NOI yield is the value obtained by dividing NOI (net operating income) by real estate value. It is the benchmark for the earning capacity of real estate property.

\*5. Logistics, business & corporate facilities' real estate available for sale of "land only" has buildings that are off the balance sheets (transactions not recorded on the balance sheets)

**(2) Create Stronger Products and Services that are Compatible with Changes in Society such as Aging Population and Rising Safety and Environmental Consciousness**

Aiming for ¥180.0 billion in Group sales in businesses that deal with the elderly by taking advantage of know-how established through the construction of healthcare facilities and homes for the elderly.

Expand business domains including services such as home nursing care



**【Automatic Bedpan equipment Minelet Sawayaka】**

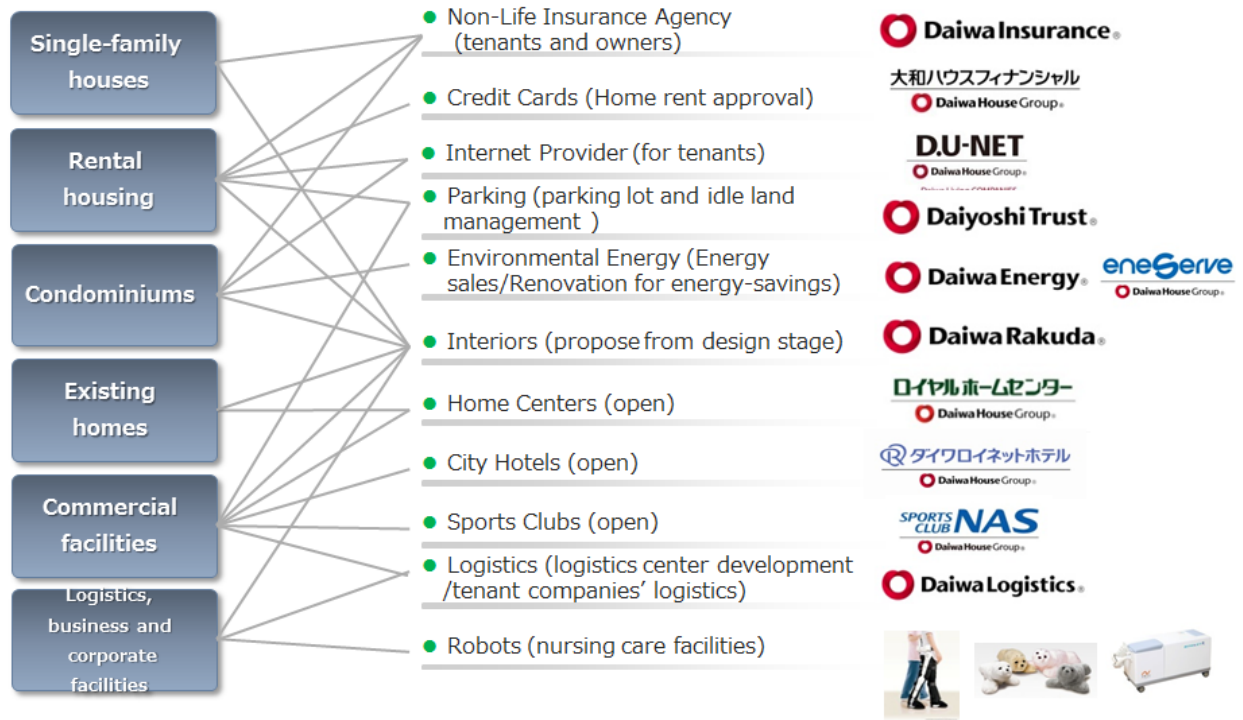


**【Home nursing care service】**

**(3) Expand Diversified Businesses through Stronger Collaboration between Core Businesses**

Expand Diversified Businesses by using business (customer) resources and know-how developed in core businesses

● **Correlation Diagram of Core Businesses and Group Companies**



**(4) Discover and Develop New Products and Services that Contribute to the Global Community**

More aggressively develop new businesses and products that solve problems in the global community and improve life.

**(5) Expand Overseas, Mainly in Emerging Countries**

Maximize synergistic effects generated with Fujita Corporation and target ¥100 billion in overseas sales in FY2015 by expanding in China and ASEAN countries.



**【Wuxi Moonlit Garden, Wuxi】**

## **Management foundation**

### **(6) Promote Efficiency by Redeveloping Production, Distribution, and Procurement Capabilities**

Review functions of product development, design, production, procurement, logistics, and construction, and lower costs by ¥10 billion in all manufacturing processes in housing-related businesses

### **(7) Strengthen Systems and Human Resource Development Associated with Business Expansion**

We will move aggressively to secure a wide-range of human resources using flexible personnel system while developing future manager and leaders capable of handling global business.

## **4. Planned Investment and M&A (Investment) Policy**

### **(1) Planned Investment**

The three-year investment target of our 4th Medium-Term Management Plan totals ¥650 billion (breakdown: ¥400 billion for real-estate development, ¥50 billion for overseas, ¥50 billion for M&A, and ¥150 billion for capital expenditures) and we are investing funds to achieve this policy.

### **(2) M&A (Investment) Policy**

Aggressively conduct M&A with the goal of expanding core business areas and markets and develop peripheral businesses for customers.

## **5. Strategies for Each Core Business (by Segment)**

### **(1) Single-Family Houses Business Domain**

**Net sales ¥351.1 billion (fiscal 2012) ⇒ ¥385.0 billion (fiscal 2015)**

- Expand sales channels in reconstruction market by launching new products made with new construction system
- Promote smart city development
- Lower costs through production, logistics, and procurement capabilities

### **(2) Rental Housing Business Domain**

**Net sales ¥592.5 billion (fiscal 2012) ⇒ ¥800.0 billion (fiscal 2015)**

- Enhance sales system in Tokyo area
- Expand sales of rental housing to women
- Strengthen services for rental housing tenants

### (3) Condominiums Business Domain

Net sales ¥156.7 billion (fiscal 2012) ⇒ ¥230.0 billion (fiscal 2015)

- Strengthen urban area sales by making Cosmos Initia a Group company
- Step up redevelopment and multi-use development in major regional cities
- Increase properties under management through greater condominium replacement

### (4) Existing Home Business Domain

Net sales ¥76.4 billion (fiscal 2012) ⇒ ¥95.0 billion (fiscal 2015)

- Improve proposal to Daiwa House home owners of more than 20 years
- Improve proposals through inspection <sup>\*6</sup>
- Strengthen general market sales channels

\*6. Refers to building diagnosis

### (5) Commercial Facilities Business Domain

Net sales ¥347.2 billion (fiscal 2012) ⇒ ¥425.0 billion (fiscal 2015)

- Strengthen proposals to existing owners and major tenant companies
- Strengthen operations in renewal of contracts
- Enhance real estate development and stock business

### (6) Logistics, Business and Corporate Facilities Business

Net sales ¥251.4 billion (fiscal 2012) ⇒ ¥600.0 billion<sup>\*7</sup> (fiscal 2015)

- In addition to BTS-type <sup>\*8</sup>, actively develop multi-tenant-type logistics facilities
- Strengthen reconstruction contracting work for hospitals using fund
- Strengthen proposals for food facilities compliant with Fssc22000<sup>\*9</sup>

\*7. Includes performance of Fujita Corporation.

\*8. BTS (Build to Suit)-type logistics facilities: Special-purpose logistics facilities for specific companies

\*9. An authorized standard instituted by the Global Food Safety Initiative (GFSI) that integrates ISO22000, an international standard for food safety management systems and the PAS 220 specification of the United Kingdom that promotes that standard.

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Cautionary note:

The business forecasts and future forecasts contained herein are our assumptions in light of the information available as of the date these forecasts were announced and include potential risks and uncertainties. As a result, the Group's actual results may differ significantly from the forecasts presented herein due to numerous factors.

Disclaimer:

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