



## **5th Medium-Term Management Plan**

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**(FY2016 –FY2018)**

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## Accelerated growth with a focus on core businesses and strengthened management foundation in the areas of finance and human resources.

### Core businesses

- ▶ Expanded construction contracting and invested 542 billion yen in real estate development, our highest ever for a 3-year period
- ▶ Expanded sales by enhancing our product lineup, including single-family houses based on a new construction system, xevoΣ(xevo sigma), and rental housing for women with a focus on crime prevention.
- ▶ Expanded business and strengthened market competitiveness by utilizing the synergy effect generated by adding Fujita Corporation, Cosmos Initia and Daiwa Odakyu Construction as consolidated subsidiaries.

### Diversified businesses

- ▶ Expanded energy business with a focus on megasolar business to achieve net sales of 80.2 billion yen in fiscal 2015.
- ▶ Launched parking garage business linked to our core businesses.
- ▶ Overseas expansion, mainly in Mexico, China, and Vietnam, resulted in fiscal 2015 net sales increasing to 72.6 billion yen.
- \*Fiscal 2012 (3rd Medium-Term Management Plan) net sales were 9.1 billion yen.

### Management foundation

- ▶ Procured 138.2 billion yen in capital through a public offering to strengthen our financial platform.
- ▶ Enhanced support for partner construction firms through the incorporation of the skilled engineer certification system, among other efforts, to secure construction force.
- ▶ Raise the retirement age to 65 and introduce a rehiring system with no age limit to secure and promote the utilization of senior human resources.
- ▶ Enhanced the system for supporting work-family balance and implemented level and position-based skills development to nurture and strengthen female managers (management positions 240 people, +193 people compared to fiscal 2012)

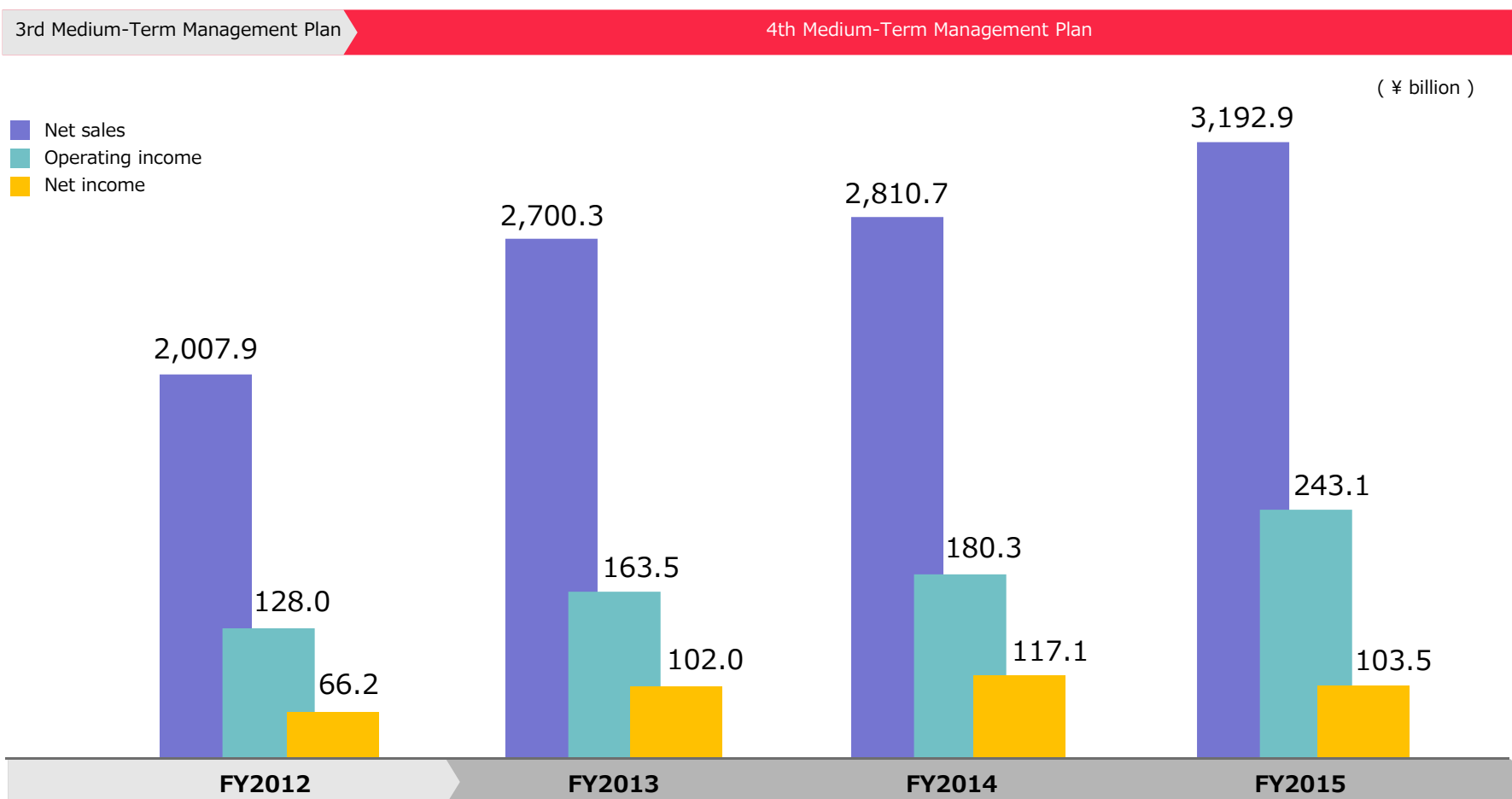
## 4th Medium-Term Management Plan Investment Results Total ¥758.2 billion



# Review of 4th Medium-Term Management Plan (transitions in earnings)

DaiwaHouse®

**Achieved record highs in net sales and operating income by utilizing diverse earnings drivers.**

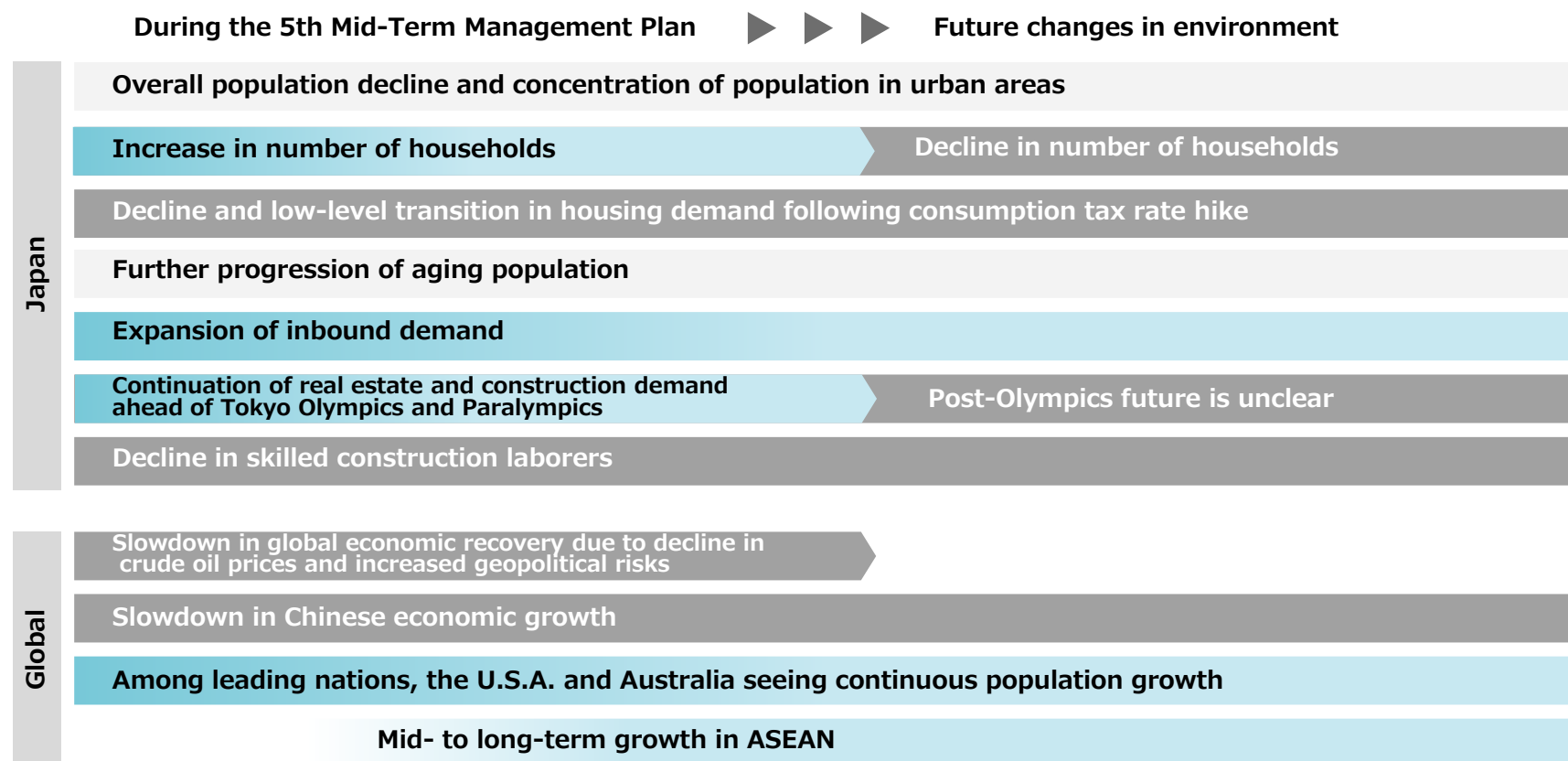


## Review of 4th Medium-Term Management Plan (transitions in earnings)

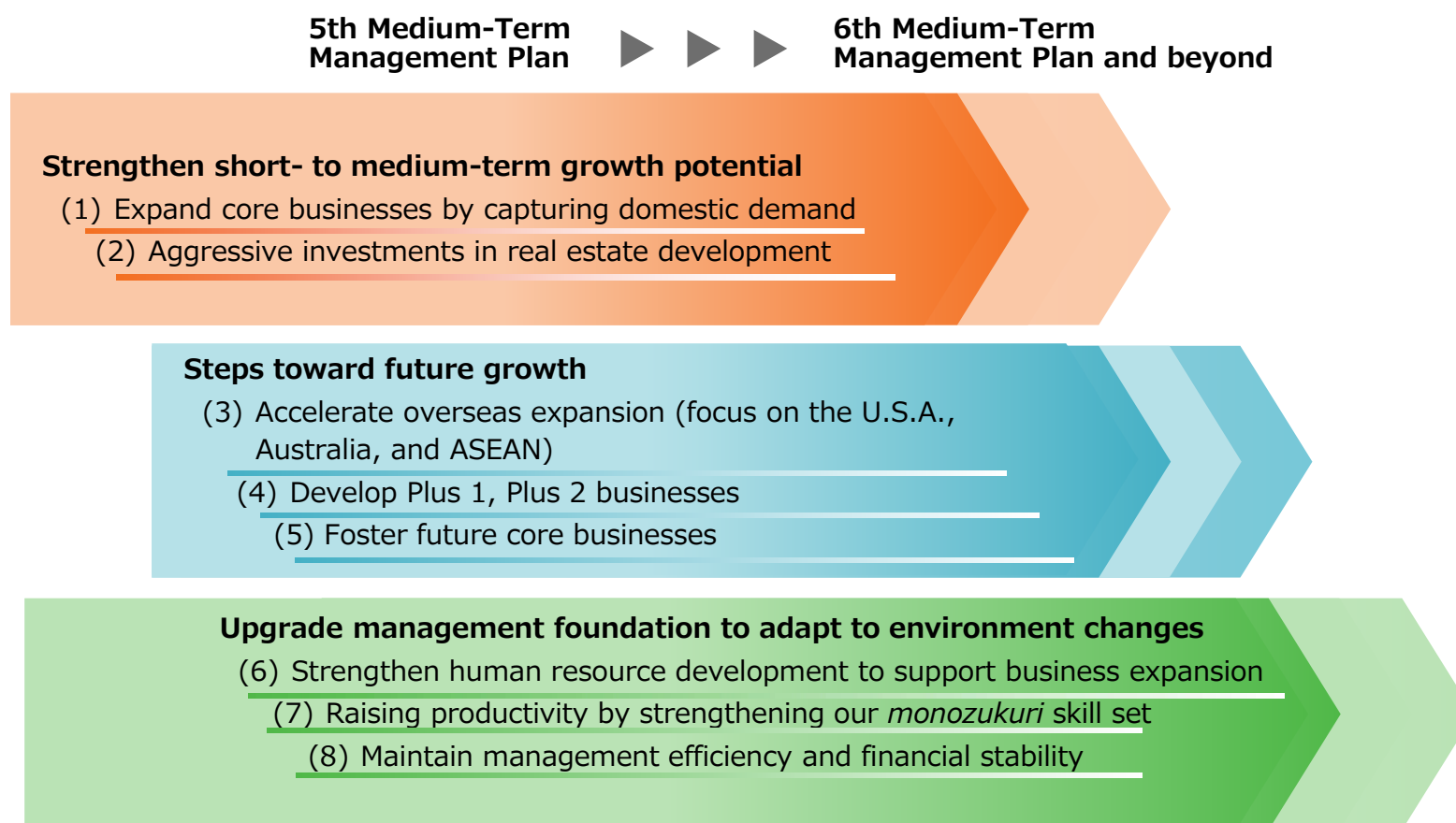
**Achieve net sales and operating income growth in all core businesses.  
In particular, Rental housing, Commercial facilities, and Logistics, business and corporate facilities businesses were growth drivers.**

Segment	Net sales (¥billion)			Operating income (¥billion)		
	3rd Medium-Term Management Plan	4th Medium-Term Management Plan	Change	3rd Medium-Term Management Plan	4th Medium-Term Management Plan	Change
	FY2012	FY2015		FY2012	FY2015	
Single-family houses	351.1	378.3	+27.1	12.5	16.5	+3.9
Rental housing	592.5	880.1	+287.5	52.2	81.9	+29.6
Condominiums	156.7	279.3	+122.5	9.9	15.7	+5.8
Existing home business	76.4	95.5	+19.0	6.1	11.2	+5.1
Commercial facilities	347.2	495.5	+148.2	45.9	80.3	+34.3
Logistics, business and corporate facilities	251.4	736.3	+484.8	20.6	68.0	+47.3
Other businesses	335.3	458.8	+123.4	9.8	9.5	(0.0)
Adjustment	(103.0)	(131.1)	-	(29.1)	(40.3)	-
Total	2,007.9	3,192.9	+1,184.9	128.0	243.1	+115.0

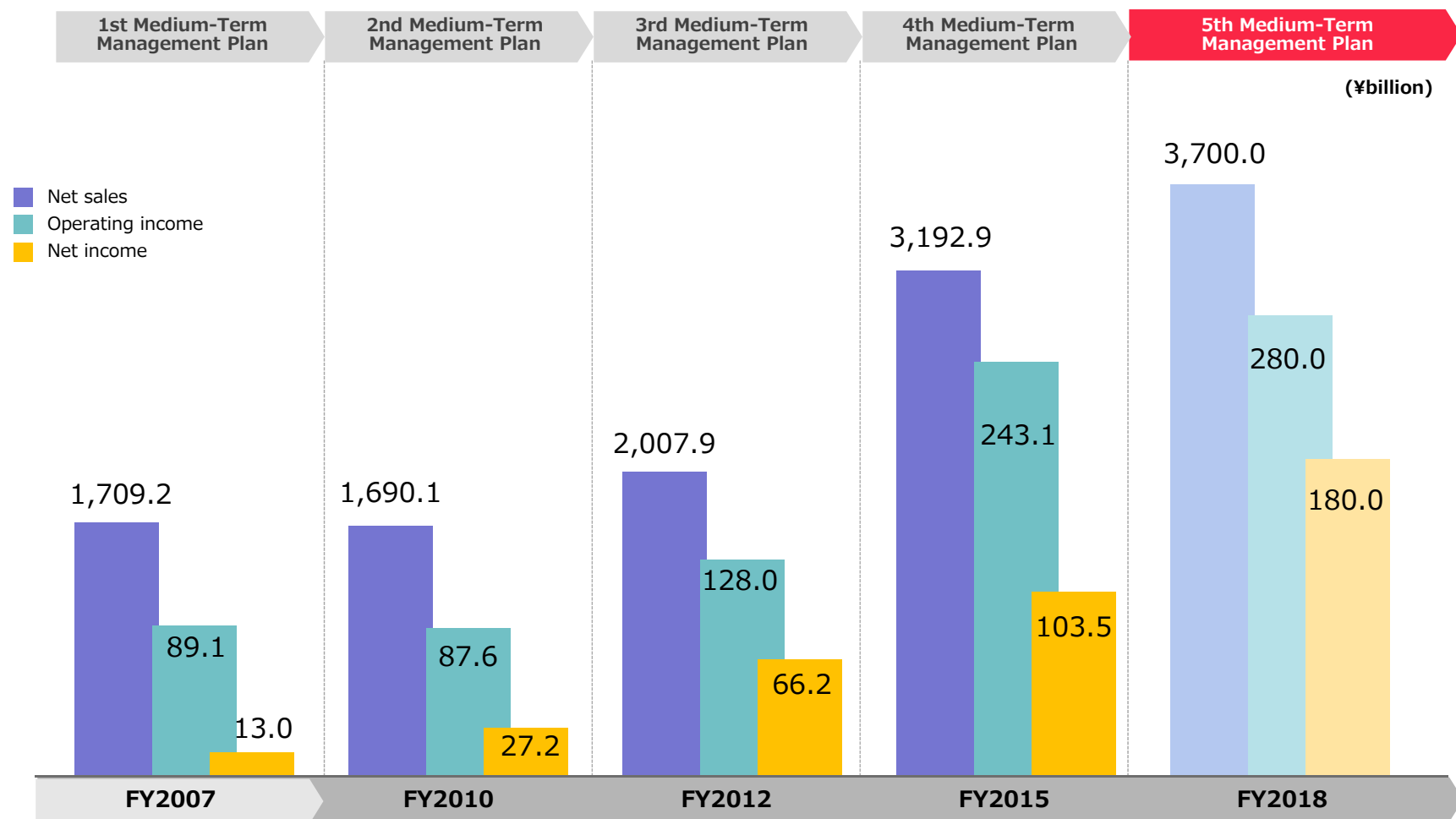
Although we expect to see construction and real estate demand as we head towards the Tokyo Olympics and Paralympics, we are unable to be optimistic about this 3-year period due to consumer consumption trends and instability in the Chinese economy, among other factors.



The theme of the 5th Medium-Term Management Plan is to capture domestic demand while **preparing** for future environment changes and **building** a platform for achieving 4 trillion yen in net sales.

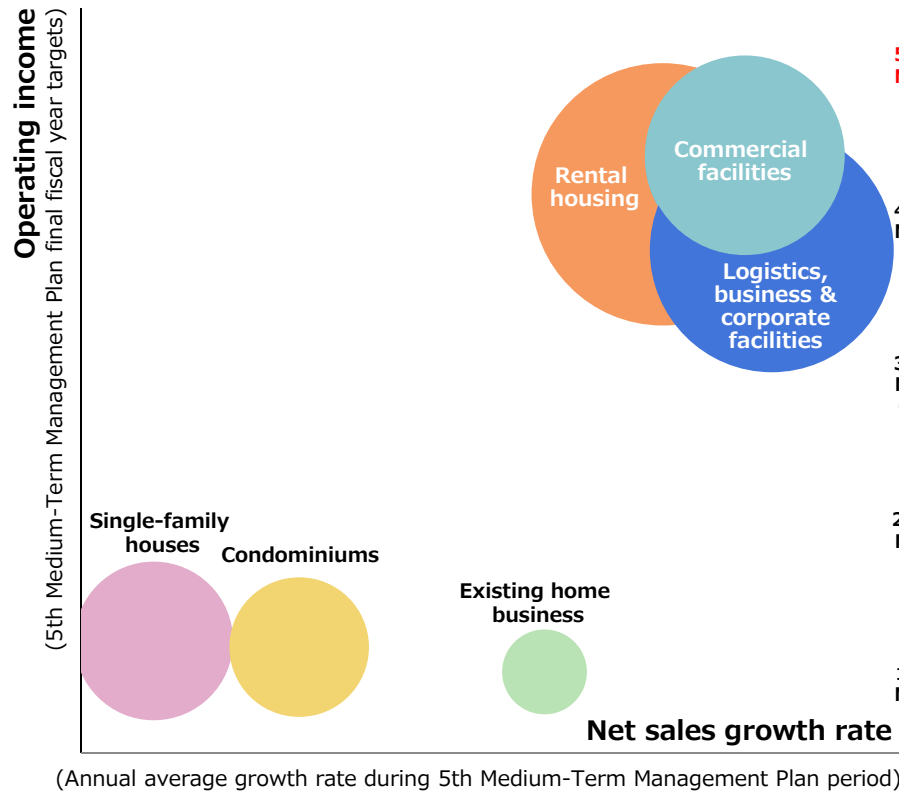


# Performance Goals of 5th Medium-Term Management Plan **DaiwaHouse®**



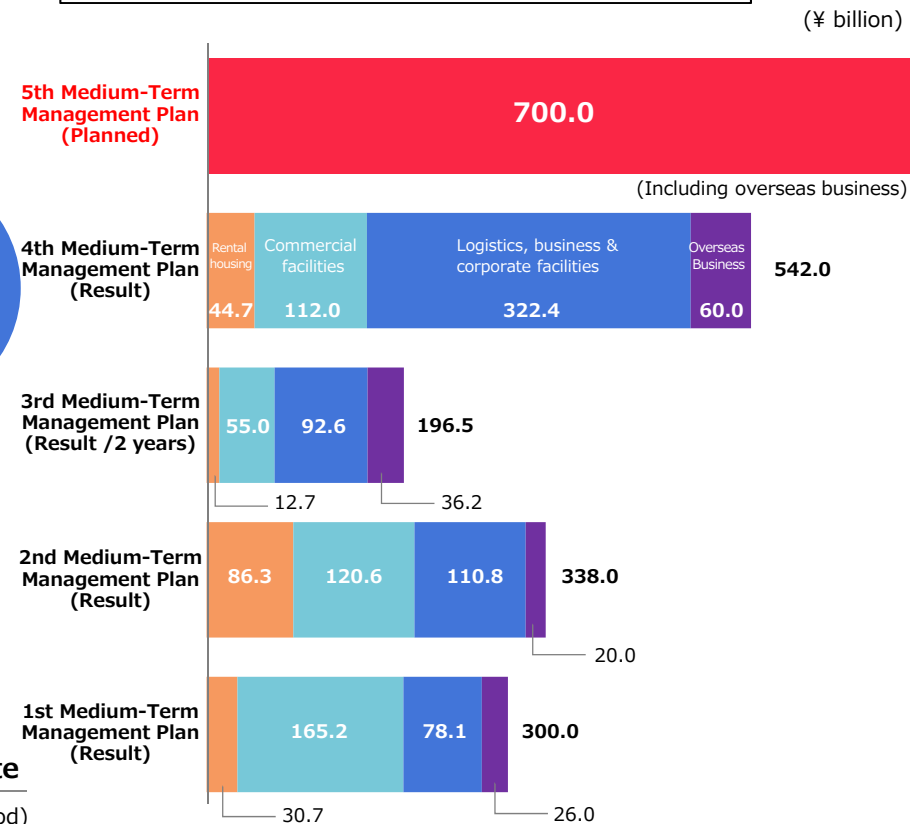
Further expand the scope of businesses by conducting real estate investments worth 700 billion yen over the 3-year period, with a particular focus on growth drivers Rental housing, Commercial facilities, and Logistics, business & corporate facilities, including overseas businesses.

Growth targets by business segment



\*Size of circle represents net sales target for final fiscal year of 5th Medium-Term Management Plan

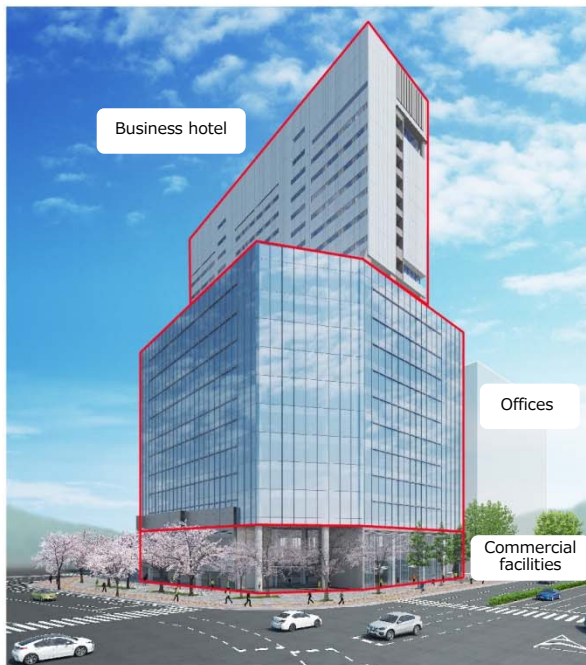
Transitions in real estate investment amount





**Promote the multi-use development in Tokyo, Osaka, and Nagoya, and major regional cities by utilizing diverse business resources.**

## Vertical multi-use development



(Provisional name) Hiroshima Futaba no Sato Project

- ▶ Commercial facilities: Commercial Facilities Dept., Daiwa House Industry
- ▶ Offices: Commercial Facilities Dept., Daiwa House Industry
- ▶ Business hotel: Daiwa Royal (Subsidiary)
- ▶ Parking lots: Daiwa House Parking (Subsidiary)

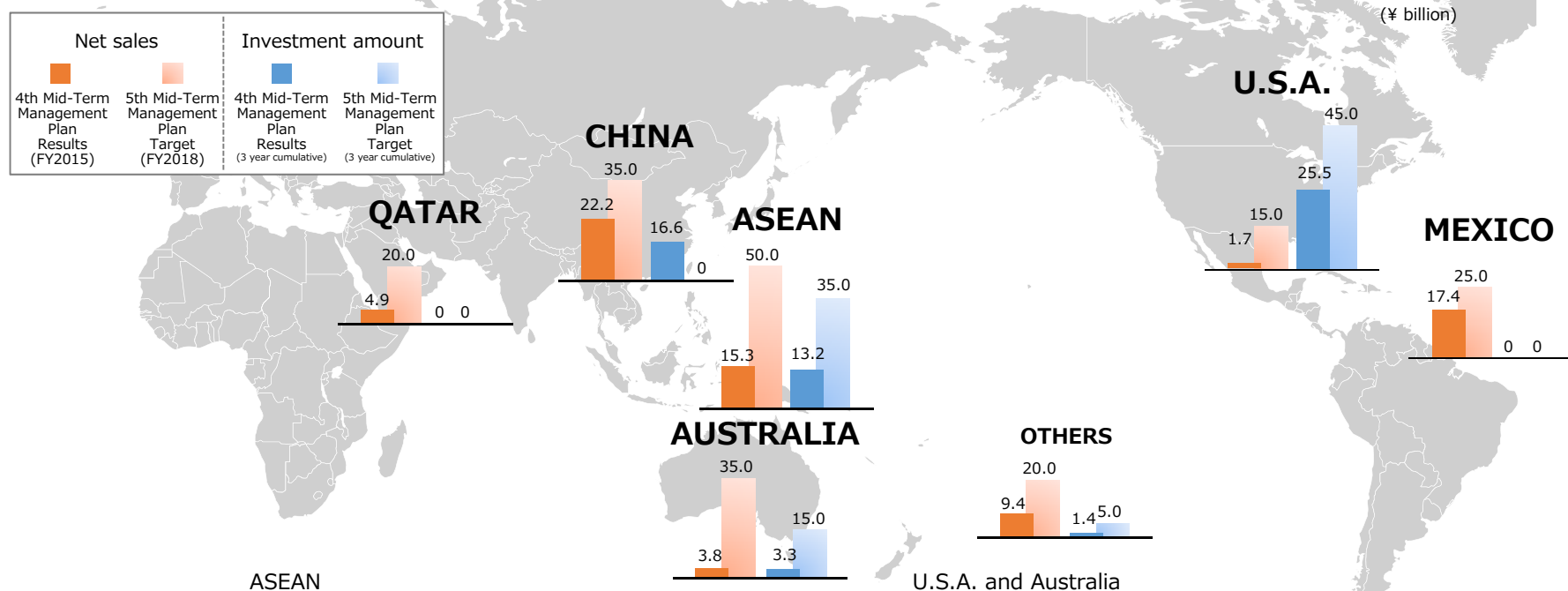
## Flat multi-use development



Takao SakuLa City, Tokyo

- ▶ Housing development projects: Housing Dept., Daiwa House Industry
- ▶ Condominiums: Condominiums Dept., Daiwa House Industry, / Cosmos Initia
- ▶ Commercial facilities: Commercial Facilities Dept., Daiwa House Industry
- ▶ Parking lots: Daiwa House Parking (Subsidiary)

**Expand overseas business to achieve net sales of 200 billion yen by focusing on ASEAN countries with strong growth and advanced nations with stable growth.**



Midtown Project (Vietnam)



Cooper Street Project (U.S.A.)



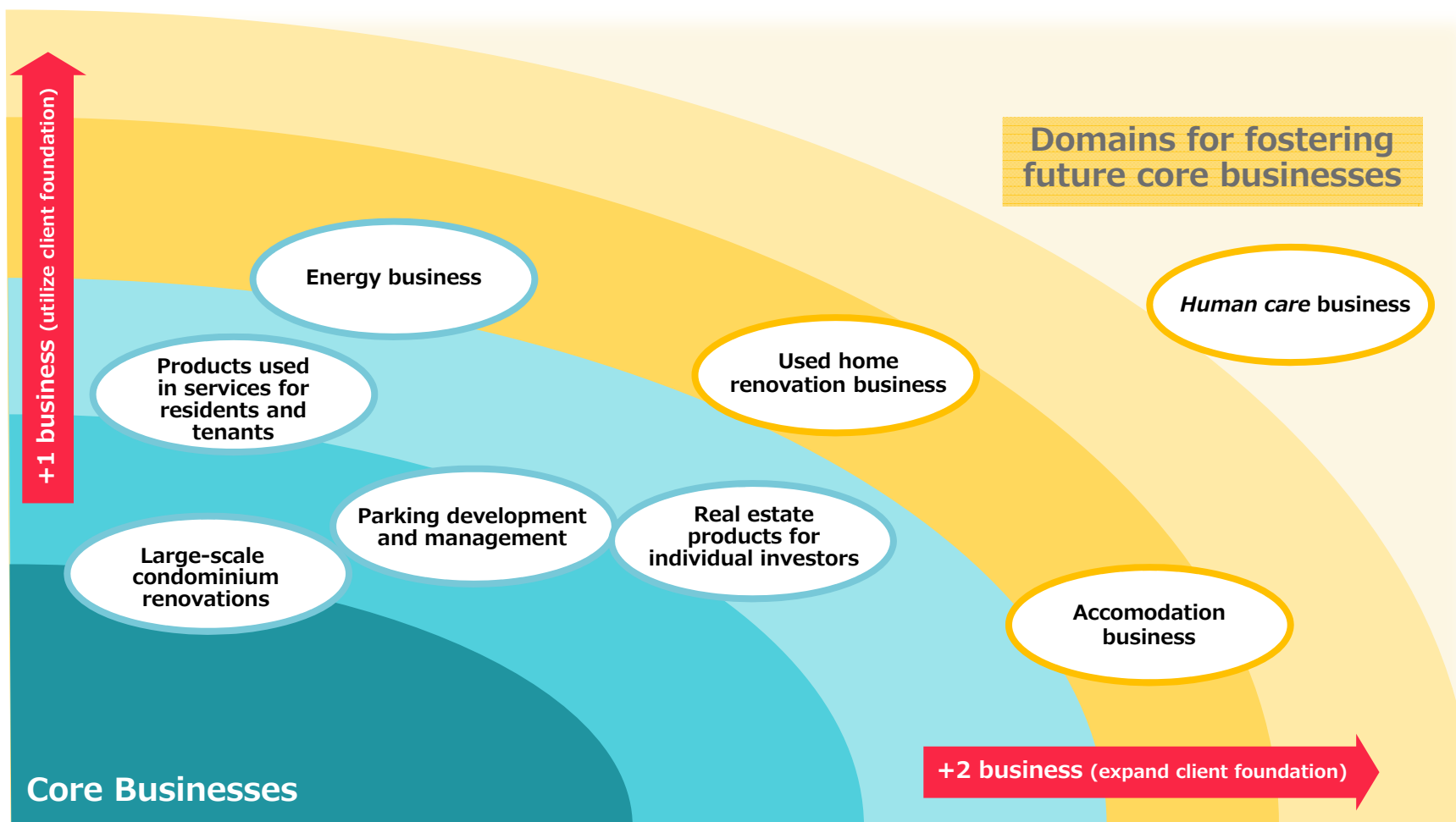
Chicago North Clark Project (U.S.A.)



Summer Hill Project (Australia)

## Develop Plus 1, Plus 2 Businesses / Foster Future Core Businesses

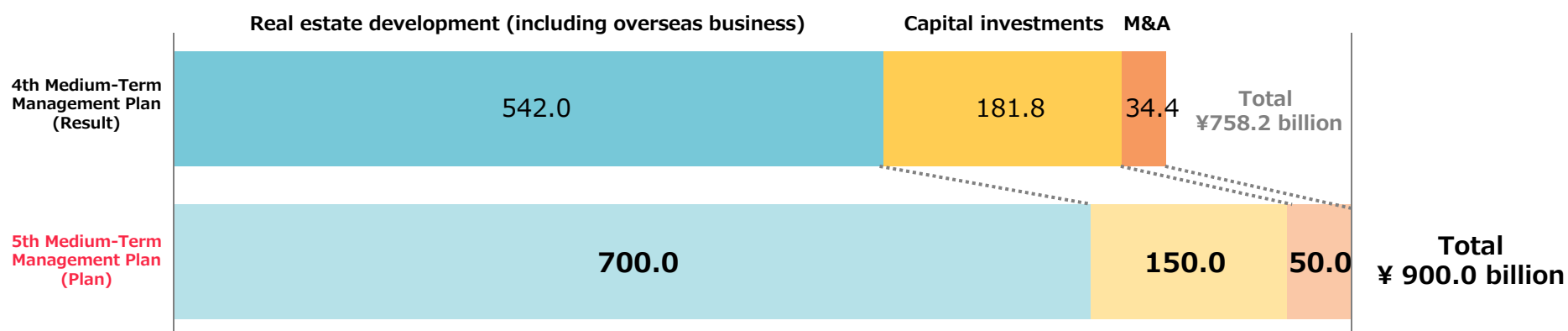
Develop Plus 1 and Plus 2 businesses, and foster future core businesses that meet the needs of society by using and expanding our client base.



**We will invest 900 billion yen, including our highest ever 700 billion yen in real estate investments, based on the aforementioned growth strategies.**

## Investments

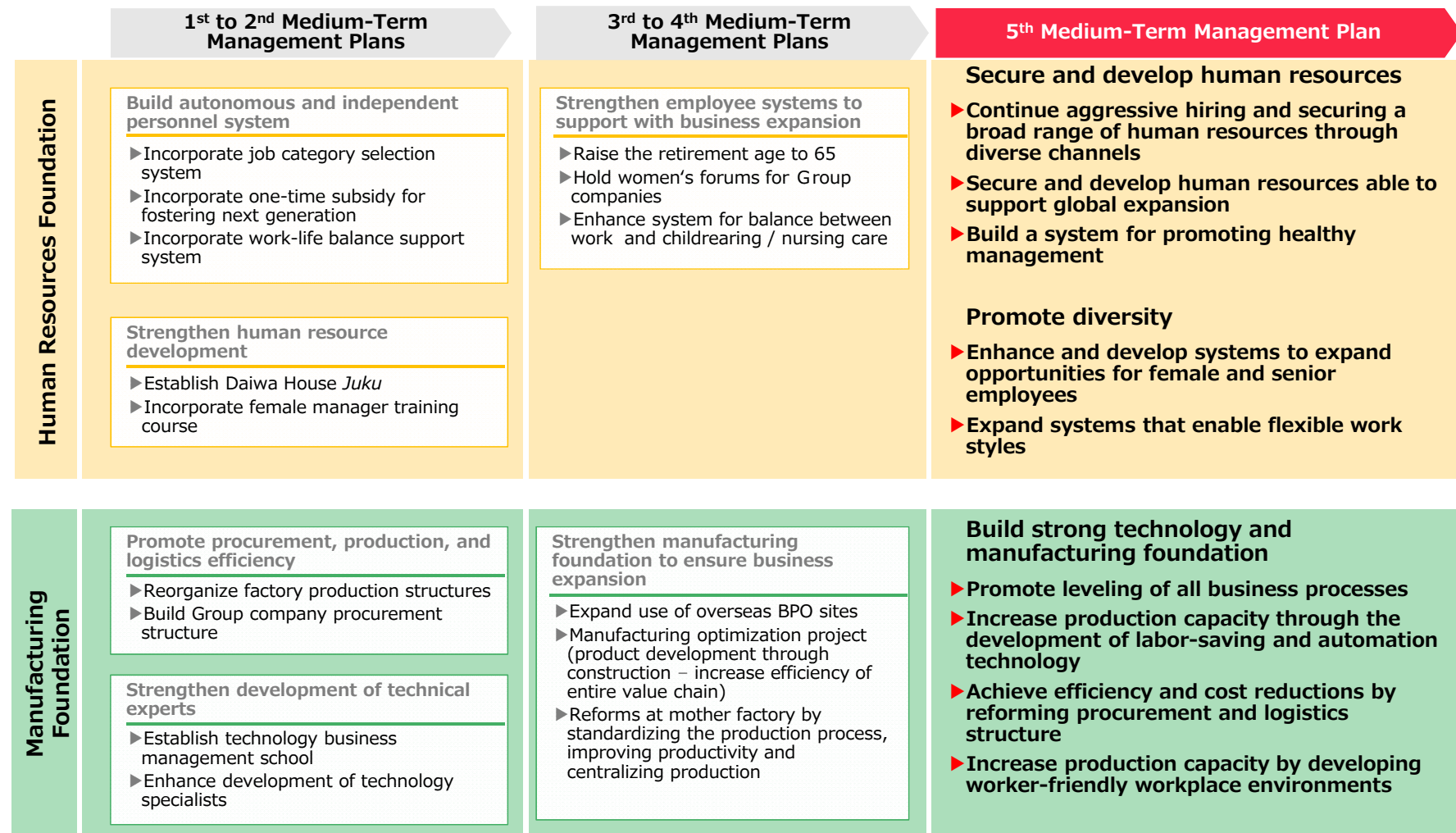
(¥ billion)



## Capital plan



## Strengthen human resources development by cultivating a work environment that engages a diverse range of personnel and increase productivity by achieving greater manufacturing efficiency.

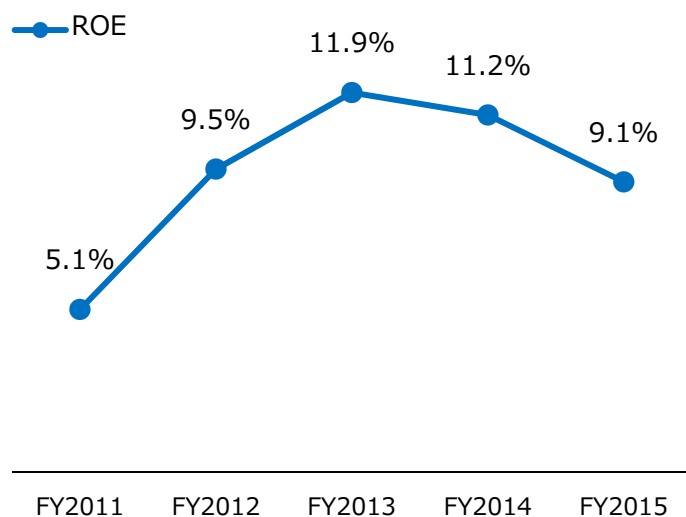




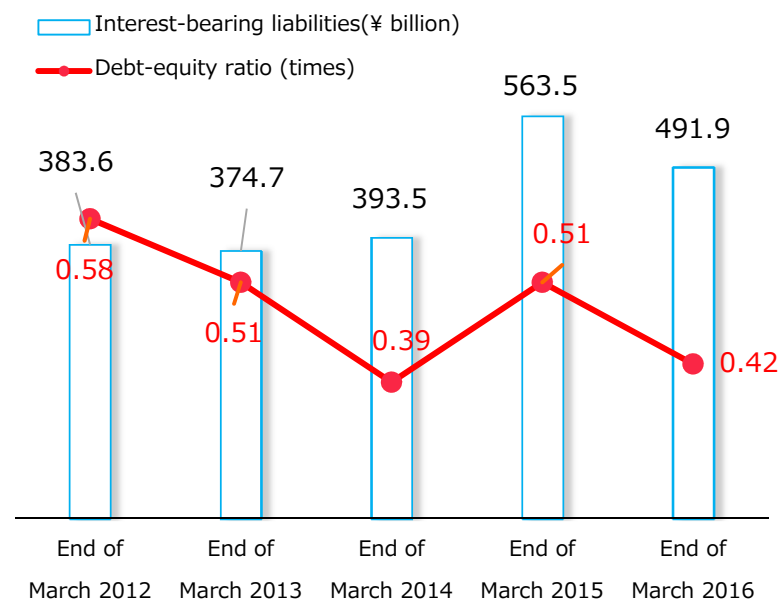
## Maintain Management Efficiency and Financial Stability

Aim to sustain the growth of value for our shareholders by effectively using shareholder capital while maintaining financial health.

**ROE 10% and higher**



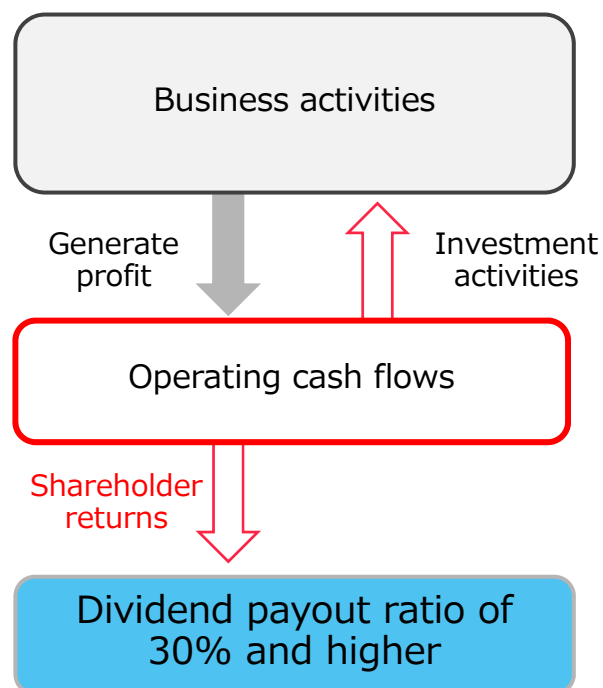
**Debt-equity ratio around 0.5**



\* By changing the discount rate used to calculate retirement benefit obligations from 1.7% to 0.8% in FY2015, the Company posted extraordinary losses of 84.9 billion yen. Due to its effect, the ROE dropped to approximately 5.0 points.

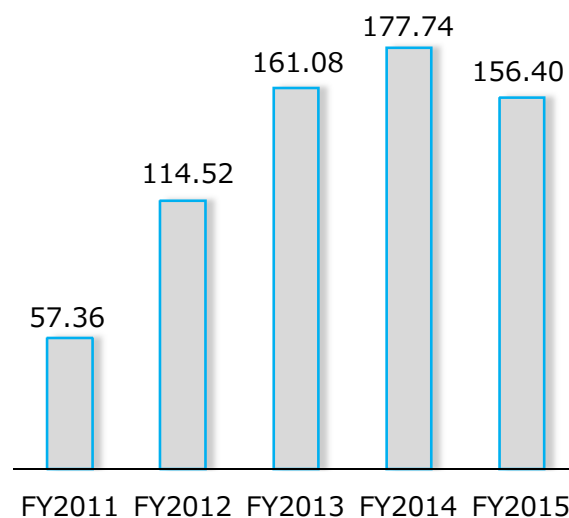
**By investing income created through business activities into growth areas, the Company enhances shareholder value by augmenting the net income per share. The Company aims to maintain stable dividends and return profits to shareholders in line with business performance through a dividend payout ratio of 30% or higher of consolidated net income attributable to owners of the parent.**

#### ■ Profit allocation policy



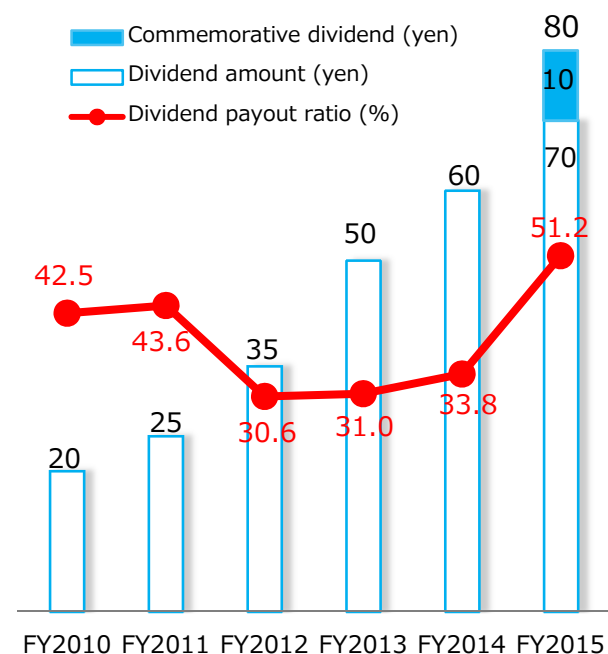
#### ■ Net income per share (EPS)

■ Net income per share (yen)



#### ■ Dividend amount & dividend payout ratio

■ Commemorative dividend (yen)  
 ■ Dividend amount (yen)  
 ● Dividend payout ratio (%)



# Earnings Goals by Business Segment

Daiwa House®

Segment	Net sales (¥billion)				Operating income (¥billion)			
	FY2015	5th Medium-Term Management Plan			FY2015	5th Medium-Term Management Plan		
		FY2016	FY2018	CAGR 2015-2018		FY2016	FY2018	CAGR 2015-2018
Single-family houses	378.3	383.0	388.0	0.8%	16.5	17.0	18.0	2.9%
Rental housing	880.1	945.0	1,060.0	6.4%	81.9	83.0	90.0	3.2%
Condominiums	279.3	258.0	300.0	2.4%	15.7	12.0	17.0	2.5%
Existing home business	95.5	101.5	111.0	5.1%	11.2	11.5	13.0	4.8%
Commercial facilities	495.5	525.0	613.0	7.3%	80.3	84.0	96.0	6.1%
Logistics, business and corporate facilities	736.3	824.0	918.0	7.6%	68.0	69.0	81.0	6.0%
Other businesses	458.8	520.0	566.0	7.2%	9.5	22.0	33.0	51.1%
Adjustment	(131.1)	(136.4)	(256.0)	-	(40.3)	(43.5)	(68.0)	-
Total	3,192.9	3,420.0	3,700.0	5.0%	243.1	255.0	280.0	4.8%



# Strategies for Core Business

– Single-Family Houses , Condominiums , and Existing Home Business –

Daiwa House®

[ View on operating environment ]

- ✓ Increased demand and subsequent reverse effect of additional consumption tax rate hike.
- ✓ Continuing trend towards population concentration in the Tokyo Metropolitan area.
- ✓ Expanding used home market caused by increase in vacant homes.

## Single-Family Houses

- Reduce number of parts and manufacturing steps, and shorten construction period to reduce costs and operating expenses
- Further expand sales of the single-family housing product xevoΣ, which is strong against repeated earthquakes and boasts high ceilings with a height of 2.72 m.
- Expand sales of skye, our series of multistory residences that enable to build owners' residence with rental units, stores, and hospitals.
- Enhance efficiency of the sales system, including dealing with the population shift to the Tokyo area, and concurrent sales of steel structure and wood structure housing



xevoΣ

## Condominiums

- Further strengthen sales and purchasing personnel structure in the Tokyo Metro area
- Promote multi-use developments such as large-scale condominiums with single-family home complexes or commercial facilities
- Promote redevelopment projects that take advantage of our nationwide network of business offices
- Strengthen system for conducting regional city property sales in Tokyo to fulfill demand from people looking to relocate outside of Tokyo



Suehiro-cho 1-Chome redevelopment (Oita Prefecture)

## Existing Home

- Expand single-family housing reform business based on regular inspections to respond to market need for "continued habitation".
- Expand orders received for the renovation of retained assets by strengthening relationships with rental housing owners
- Promote property purchase and resale business by expanding business involving purchasing existing homes and selling them as renovated homes with a long-term guarantee
- Capture general renovation market by expanding openings of renovation salons



Inspection

# Strategies for Each Core Business

– Rental Housing , Commercial Facilities, and Logistics, Business & Corporate Facilities –

**DaiwaHouse®**

[ View on operating environment ]

- ✓ **Increasing asset management needs due to tax revisions.**
- ✓ **Increasing needs for advanced land utilization and highly functional facilities.**
- ✓ **Expanding demand for ancillary services due to diversification of tenants needs.**

## Rental Housing

- Strengthen CRE / PRE strategy for promoting proposals for the utilization of dormant real estate held by companies and local municipalities
- Strengthen development and sales of rental condominiums for existing rental property owner customers and other individual investors
- Promote development of serviced apartments and hotels in areas expected to see inbound demand
- Expand business with an infrastructure and added-value for residents when they move in and while renting



Roygent Parks Akasaka

## Commercial Facilities

- Expand variation in planning proposals corresponding to market and area characteristics (business expansion in hotels, showrooms, industrial facilities, educational and nursery facilities, etc.)
- Expand commercial facilities for sale business through development and sale of investment properties and tax-strategy properties
- Strengthen development and management of commercial facilities that meet community needs by utilizing network of national tenant businesses



Daiwa Roynet Hotel Numazu

## Logistics, Business & Corporate Facilities

- Establish position as the No. 1 logistic developer and strengthen our stock business model by achieving national expansion of logistics facilities
- Expand development of facilities for the elderly with a focus on hospital rebuilding and construction of housing for the elderly with medical services
- Strengthen ability to capture private capital investment demand through development of industrial complex that are linked to regional revitalization



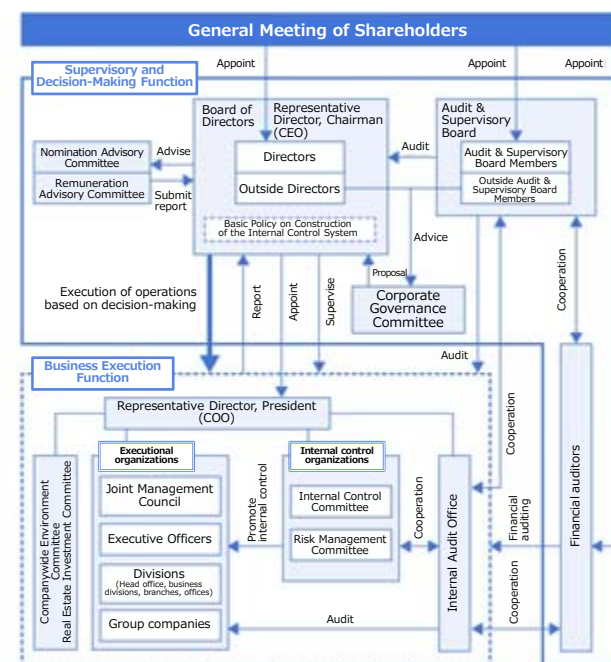
D Project Ariake I

**In May 2015, the Company formulated guidelines to achieve our management vision and remain a company that is trusted by society based on the principles of self-discipline centered on the Board of Directors, respecting the rights of shareholders, and ensuring management fairness and transparency.**

### Overview of corporate governance guidelines

- ▶ Directors and Audit & Supervisory Board Members work to achieve the Company's sustained growth and enhance medium and long term shareholder value.
- ▶ Enhance the viability of management supervision and decision-making transparency by the Board of Directors.
- ▶ The Company strives to create the corporate value by obtaining a rate of return (return on shareholders' equity) that exceeds the cost of shareholders' equity.
- ▶ Disclose management policies, financial data and business initiatives, as well as other information on business factors and the management environment needed for making investment decisions promptly, accurately and in a fair and impartial manner.

### Structure of corporate governance guidelines



**In the 5th Medium-Term Management Plan, we introduced a three-tier stock incentive plan for Group directors and its employees that is in line with their responsibilities.**

	Plan	Underlying indicator/ target	Goal
Daiwa House directors	<b>Performance-based stock compensation</b> [Newly introduced]	<b>ROE</b> (10% or higher)	<ul style="list-style-type: none"> <li>▶ Achieve management that has a high level of capital productivity that is stable and medium to long term</li> <li>▶ Assume a commensurate amount of risk as a director of the Company (full value of the share price)</li> </ul>
Group executives	<b>Stock options (purchase offer)</b> [Ongoing from the 4 <sup>th</sup> Medium-Term Management Plan*]	<b>Operating income</b> (3-year cumulative profit of 800 billion yen or higher)	<ul style="list-style-type: none"> <li>▶ Secure operating cash flow which is a source of shareholder returns and corporate growth</li> <li>▶ Improve commitment toward earnings growth</li> </ul>
Group employees	<b>Employee Stock Ownership Plan (ESOP)</b> [Newly introduced]	—	<ul style="list-style-type: none"> <li>▶ Encourage employees to participate in management</li> <li>▶ HR investments for sustainable development</li> </ul>

\* In the 4<sup>th</sup> Medium-Term Management Plan, the three-year cumulative operating income target was 480.0 billion yen. However, we cleared this, posting cumulative operating income of 587.0 billion yen.

\* Please refer to materials released on May 13, 2016 for details on each plan.



# Enriching lives around the world. Our never-ending challenge, together with society, together with people



Our founder Nobuo Ishibashi continuously thought about how to contribute to Japan and to society. And he continued to profess that the fundamental principle of corporate management is to foster people and develop society through business activities.

Moving forward, each of us in the Daiwa House Group will continue to embrace and pass on this fundamental principle as we work to further the growth of a mature Japan and pioneer a global market in which lies endless possibilities. We will continue our never-ending challenge of achieving a sustainable society.





### **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.