



**Daiwa House**<sup>®</sup>  
Group

# Management Policies for FY 2010

Toward the Final Year of the 2nd Medium-Term Management Plan

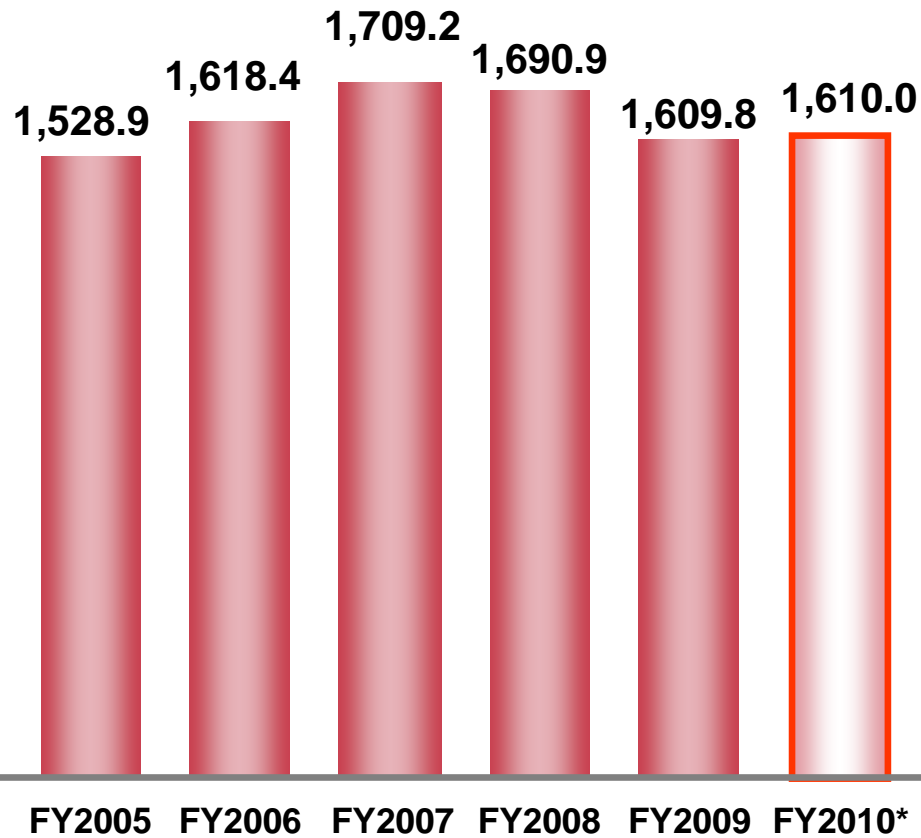
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May 14, 2010  
Daiwa House Industry Co., Ltd.

Daiwa House  
Group

## Net Sales

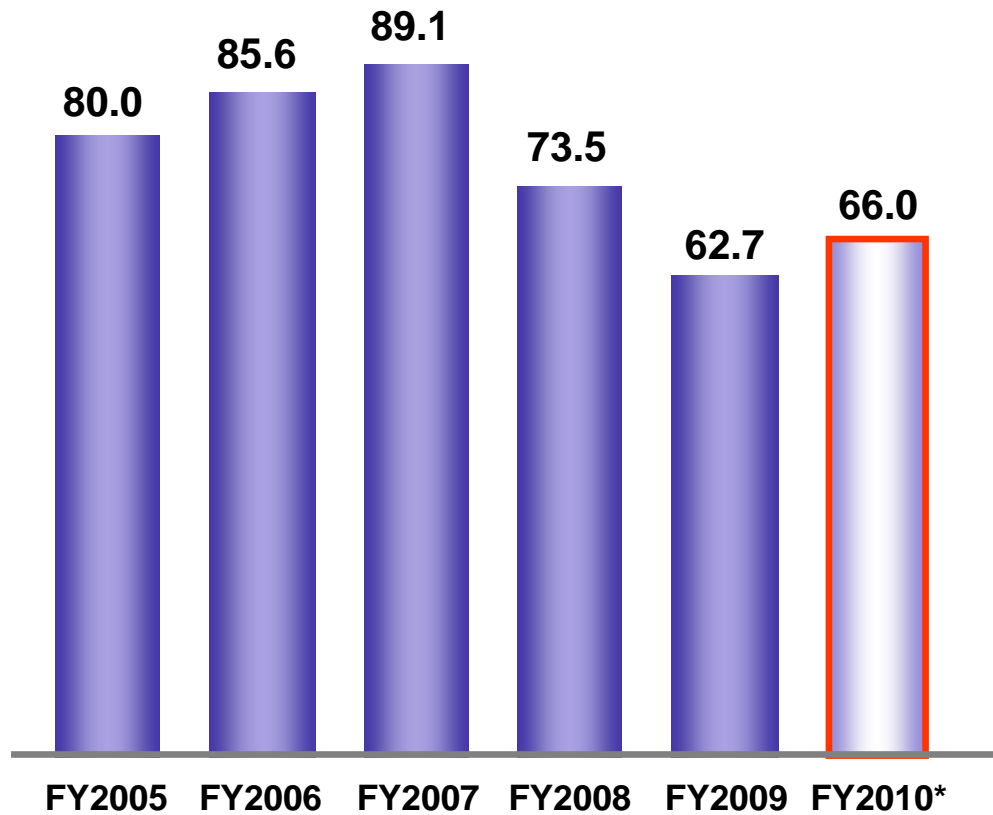
(¥ bn)



\* Initial target in the medium-term management plan: 1,850

## Operating Income

(¥ bn)



\* Initial target in the medium-term management plan: 115

Major strategies for FY2009	Details
<p>Business Reforms of the Single-Family Houses Business</p>	<ul style="list-style-type: none"> <li>➤ Improving the operating income to net sales ratio through reform projects (Previous year: 0.8% → Result: 1.9%)</li> <li>➤ Reduction of costs (Result: ¥6.4 bn)</li> <li>➤ Personnel rearrangement to growth businesses (Existing Home and Environment and Energy Businesses) (280 people to the Renovation Business and 110 to the Environment and Energy Business)</li> </ul>
<p>Restructuring market strategies in Condominiums Business</p>	<ul style="list-style-type: none"> <li>➤ Increasing the number of units of condominiums we manage (Acquisition of the former Cosmos Life → 197,882)</li> <li>➤ Introducing four wide-area business blocks (East, Center, West, and Kyushu)</li> </ul>
<p>Reinforcing Renovation Business structure</p>	<ul style="list-style-type: none"> <li>➤ Building new sales offices in the Renovation Business (69 sales offices → 81 sales offices)</li> <li>➤ Increasing sales, design and construction personnel (676 persons → 1,048 persons)</li> </ul>
<p>Expanding Environment and Energy Business</p>	<ul style="list-style-type: none"> <li>➤ Building sales offices for business expansion (28 sales offices across Japan)</li> <li>➤ Launching sales of the <i>reFbo Factory</i> and the LED Street Lights, and other initiatives</li> </ul>
<p>Setting tough investment standards</p>	<ul style="list-style-type: none"> <li>➤ Operating the Investment Committee (Investment: 1st year: ¥153.6 bn; 2nd year: ¥99.8 bn)</li> </ul>
<p>Cutting costs through consolidating business functions</p>	<ul style="list-style-type: none"> <li>➤ Cutting costs through improvements in business efficiency and consolidation of business functions, etc. (Selling, general and administrative expenses: ¥16.2 bn)</li> </ul>



[Foleo Sendai Miyanomori]

- Development of commercial facilities integrated with single-family houses for sale
- Opened in November 2009
- 142 lots, 32 stores

Comprehensive Real Estate Development

Environmentally-Friendly Products



[xevoFU]

- A reduction of up to approx.77% in the annual energy costs\*1
- Sales launched in August 2009
- Sales performance: 1,734 houses



[SÉJOUR ECOHA]

- Rental housing with photovoltaic power generation as standard equipment
- Sales launched in November 2009
- Sales performance: 14 houses



[LED Street Lights] Sales performance: 1,821 units

[reFbo Factory] Sales performance: 2,337 units

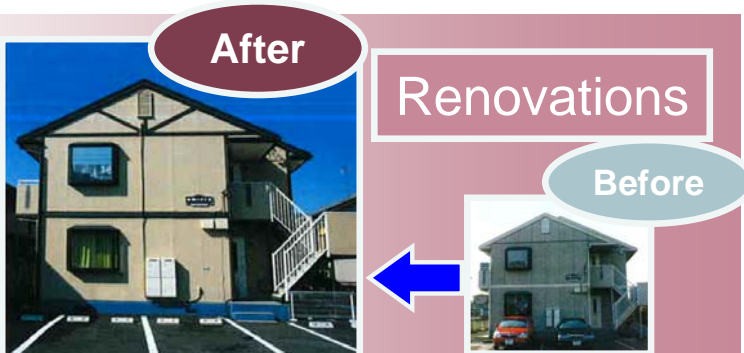


[DS Hybrid Quick Method]

- An environmentally-friendly method of large-scale renovation of condominiums with lower noise and less dust
- Number of orders received: 49 condo buildings

[Renovation of Rental Housing]

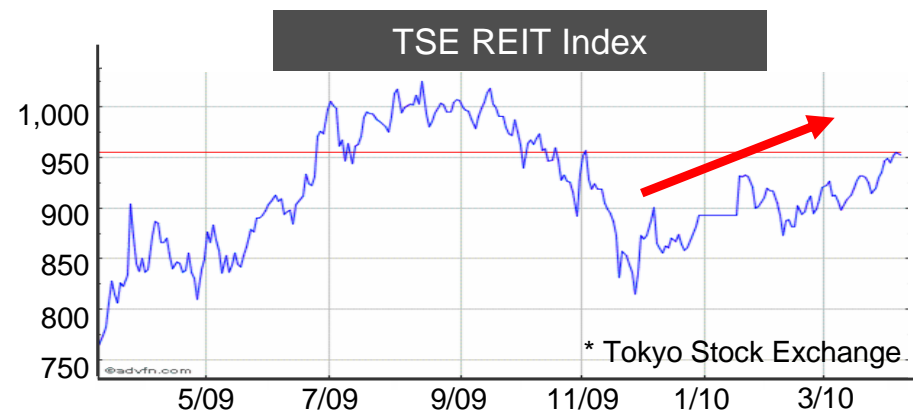
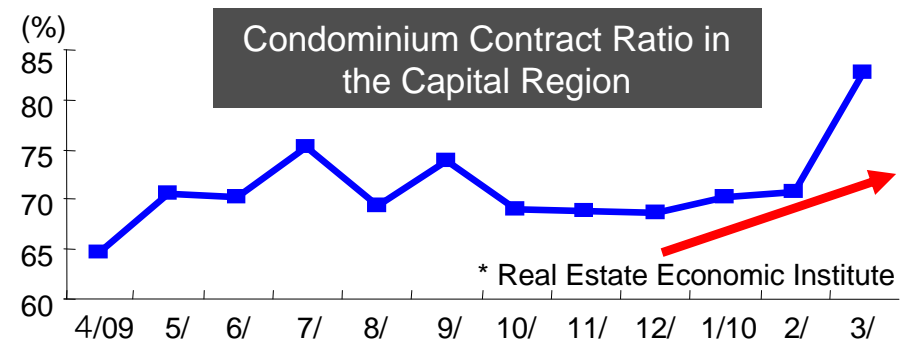
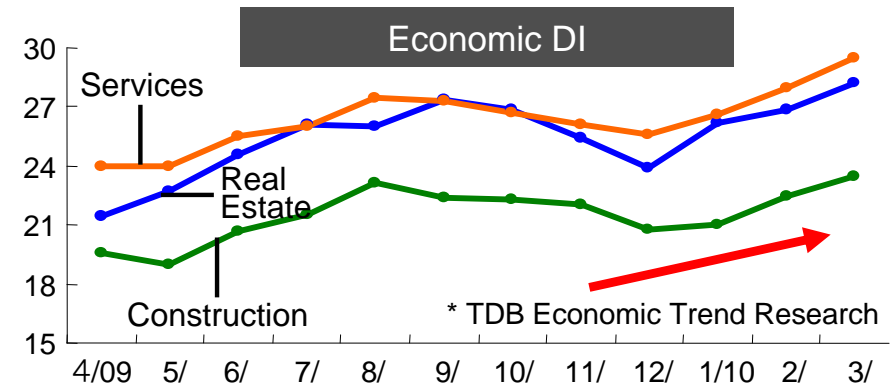
- Sales performance: ¥6.9 bn



## Renovation, Environment, Products for Seniors, and Overseas Business are the Growth Fields

Core Businesses	
Construction	Effects of policies, etc. expected for dwelling houses including single-family houses
Property Management	Unchanged or slight recovery
Real Estate Development	Recovery of condominium market and REIT market in the Tokyo area expected

Growth Market	
Renovation	Growth in demand for eco-friendly renovations
Environment and Energy	The market for eco-businesses continues to expand.
Aging Society	Expansion of market for active seniors, mainly postwar baby boomers
Overseas	China's GDP growth remains high.



## Basic policies of the 2nd Medium-term Management Plan

Achieve further growth through closer collaboration within the Group

Nurture new future earnings drivers

Conduct R&D for the growing renovation market and nursing care business, as well as take steps to help prevent global warming

Reinforce our business foundations

### Important Strategies for FY2010

- Bolstering the ability to propose core businesses focusing on the “environment” and “seniors”
- Expanding business in the renovation market (Renovation, condominium management, energy solutions)
- Promoting real estate development in China
- Rigorous cash flow management

## Establishing the strength of core businesses by expanding eco-friendly products and services



**The Residence  
CHITOSE FUNABASHI**

- Solar hot water system
- Car sharing system
- Total number of residences: 282



**xevo AI**

- Targeting families with small children
- An approx. 95% reduction in the yearly energy costs and an approx. 58% reduction in CO<sub>2</sub> emissions\*<sup>2</sup>
- Annual sales target: 2,500 houses



**D-TEC ECO+**

- Ground reinforcement using recycled plastic materials



**SÉJOUR ECOHA**

- Approx. 63% reduction in yearly energy costs\*<sup>3</sup>
- Sales target: 500 buildings



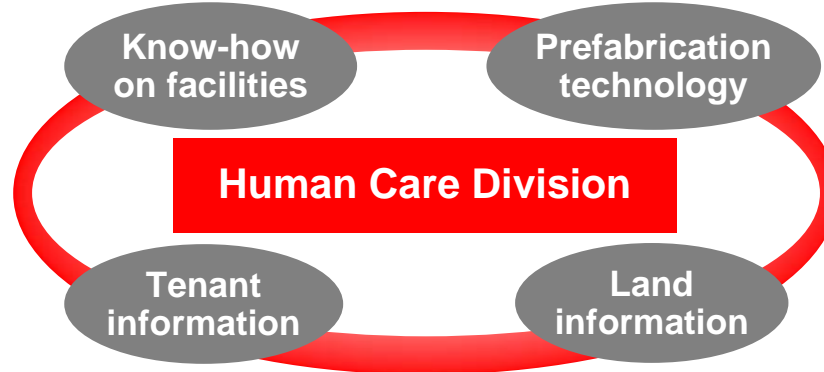
**Restore & Rebuild**

- For restaurants and convenience stores
- Approx. 70% of construction materials are reused
- Sales achieved in FY2009: 112 premises
- Sales target for FY2010: 150 premises

**Reinforcing and enhancing houses for the aged and medical and nursing care facilities by making comprehensive use of the Group’s strengths**



Home



**Nursing Care**



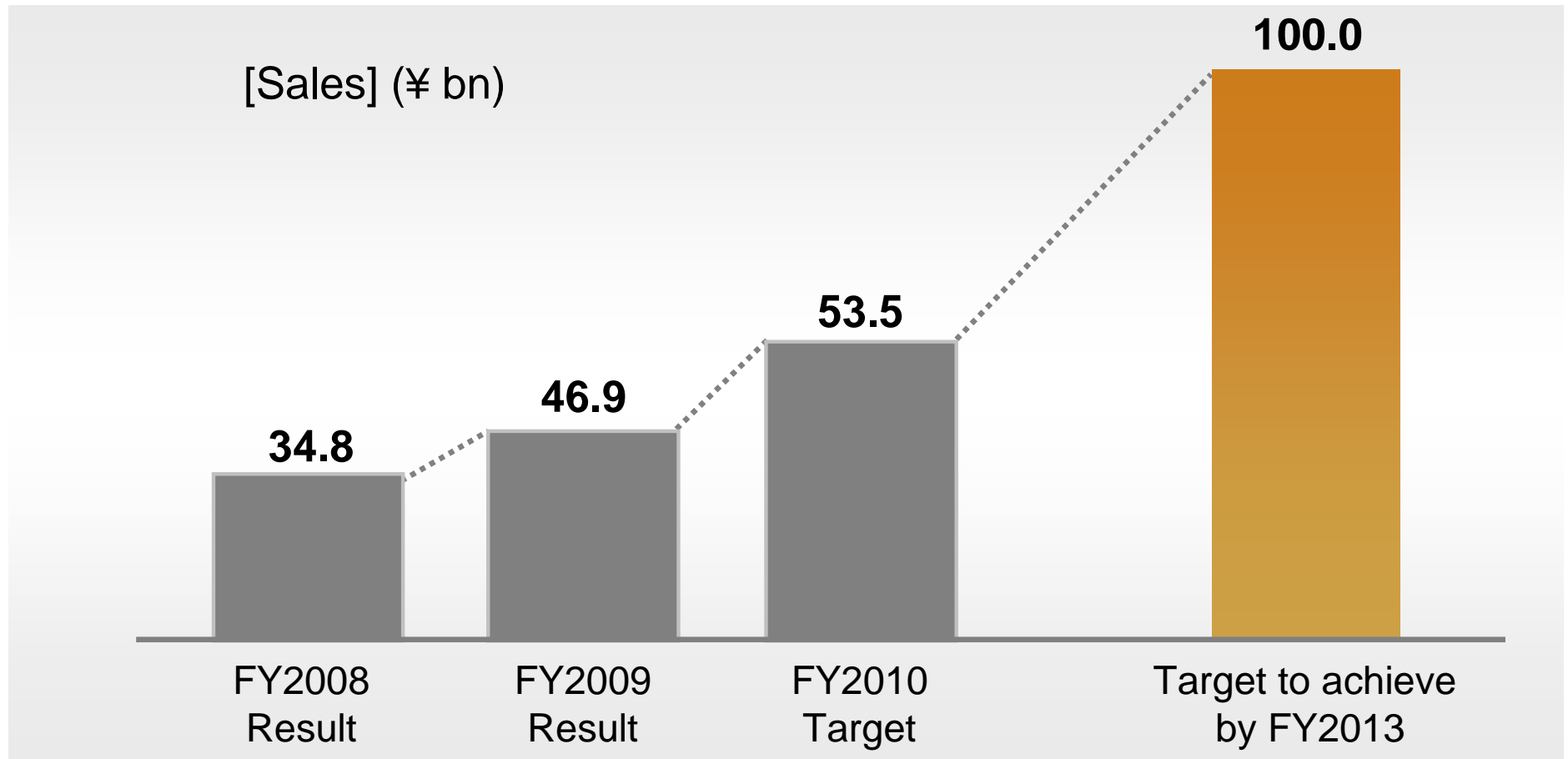
**Orders received in FY2009**  
226 facilities (¥35.3bn)  
**Accumulated total of orders received in the past**  
2,659 facilities (¥385.5bn)



**Medical Care**

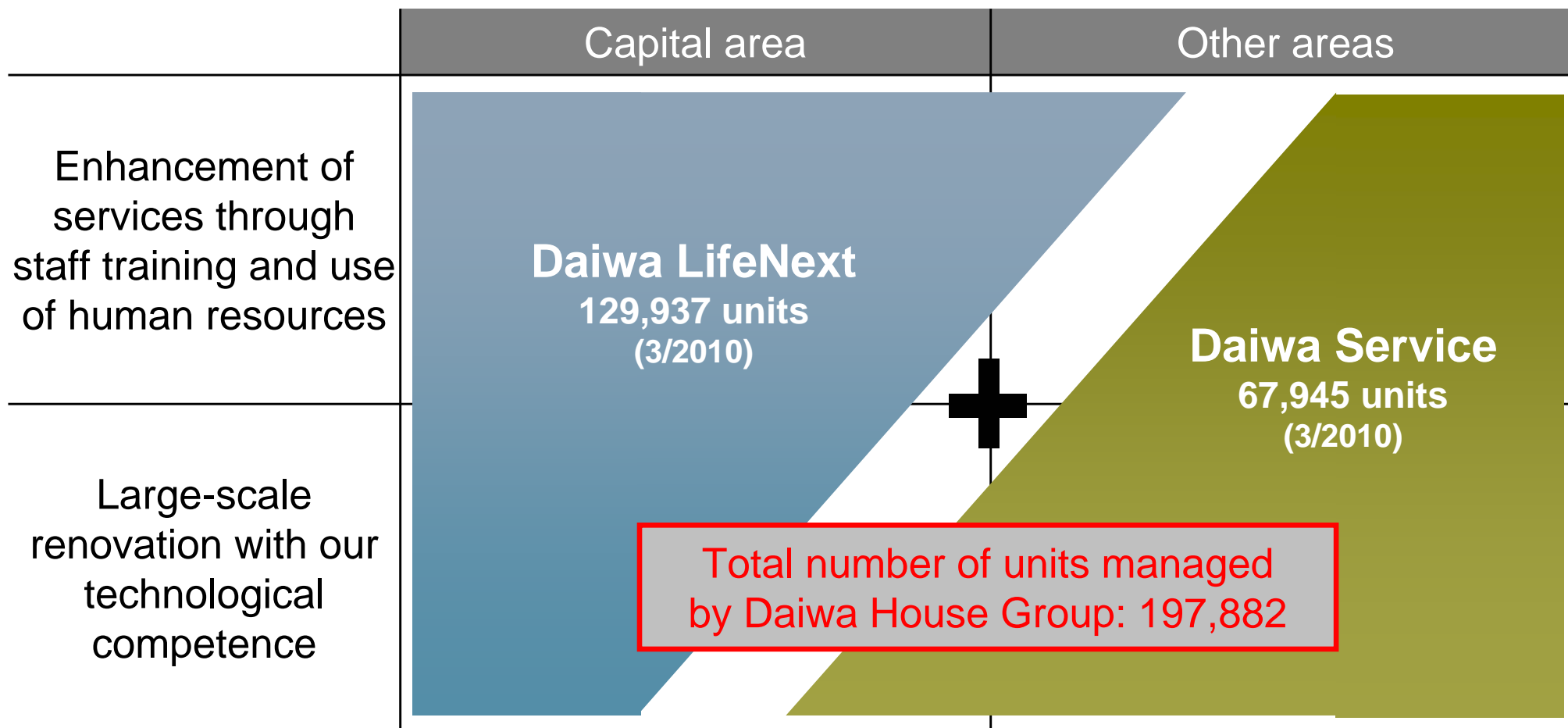


**Turning the business into a ¥100 bn operation as early as possible by increasing the workforce of the Existing Home Business and collaborations within the Group**



Planned number of personnel for Existing Home Business	676	1,048	1,145	➔	1,660

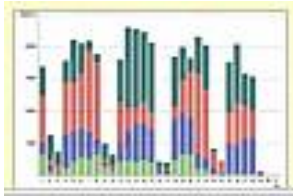

**Aim to be ranked 3rd or higher in the industry for our Condominium Management Business through synergies between the two Group companies**



# Aiming to create an optimal energy environment with the expansion of businesses based on suggested solutions for customers


Suggesting total solutions to customers

### Services

D-PowerMonitor  
Visualizing energy  
Compliance with the Energy Saving Act

### Energy Storage



Production of lithium-ion batteries started in April 2010 (To be launched this summer)

### Energy Creation

Photovoltaic power generation system



Wind power generation project at Sada Misaki



### Energy Saving

*grace lumino*  
Up to 53% reduction in power consumption and amount of CO<sub>2</sub> emission\*4



*reFbo*  
44% reduction in power consumption\*5



*reFbo Factory*  
(For plants and warehouses)  
48% reduction in power consumption\*6



LED lighting  
75% reduction in power consumption\*7



LED lighting  
87% reduction in power consumption



Energy-saving air-conditioning (For offices)  
50% reduction in power consumption\*8



## Yihe Champs-Elysees (Dalian)



Start / Completion Dates	Started in May 2007 Completed in June 2009
Developers	Dalian Dahezhongsheng Estate Co., Ltd. *Daiwa House Industry Co., Ltd.: 50% stake
Site Area / Building Area	63,550 m <sup>2</sup> / 117,533 m <sup>2</sup>
Number of Units	963 (852 residential facilities / 111 commercial facilities)
Amount of Investment	¥1.1 billion



Ratio of condominium units contracted : 98.5%  
 Ratio of commercial facilities contracted : 59.5%  
 (Unit basis as of May 4, 2010)

## Development of Large-Scale Projects Targeting High-Income Group

### The Grace Residence (Suzhou)



Start / Completion Dates	Started in May 2009 / To be completed in 2011
Developers	Daiwa House (Suzhou) Real Estate Development Co., Ltd. * Daiwa House Industry Co., Ltd.: 100% stake (First for a Japanese company)
Site Area / Building Area	76,572 m <sup>2</sup> / 122,501 m <sup>2</sup>
Number of Units to be Marketed	902
Marketing Start	May 2010 (scheduled)
Purpose	Condominiums for sale
Amount of Investment	¥8.8 billion

### Yihe Xinghai (Dalian)



Start / Completion Dates	Started in July 2009 / To be completed in 2011 and 2014
Developers	Dalian Dahezongsheng Estate Co., Ltd. * Daiwa House Industry Co., Ltd.: 50% stake
Site Area / Building Area	156,440 m <sup>2</sup> / 568,411 m <sup>2</sup>
Number of Units to be Marketed	2,190 (Residential facilities only)
Marketing Start	August 2010 (scheduled)
Purpose	Condominiums for sale, retail facilities, hotels
Amount of Investment	¥20.7 billion

## Establishment of a Wholly-Owned Investment Corporation in Suzhou

- Obtaining qualification to participate in bids for real estate in China
- Improving investment capability and funding efficiency by concentrating capital and funds
- Establishing a brand image and creditworthiness

(Affiliate) Beijing East Palace Apartment Co., Ltd. [Operation of houses for rent]

(Subsidiary) Tianjin Jiuhe International Villa Co., Ltd. [Operation of houses for rent]  
 (Subsidiary) Tewoo Daiwa House (Tianjin) Real Estate Development Co., Ltd. [Real estate consulting]

(Subsidiary) DH (Dalian) Administrative Management Consulting Center Co., Ltd. [Outsourcing]  
 (Affiliate) Dalian Fujiazhuang International Villa Co., Ltd. [Operation of rental housing]  
 (Affiliate) Dalian Acacia Town Villa Co., Ltd. [Operation of rental housing]  
 (Affiliate) Dalian Civil Aviation Hotel Co., Ltd. (Dalian Royal Hotel) [Management and operation of hotel and building]  
 (Affiliate) Dalian Dahezongsheng Estate Co., Ltd. [Development and sales of condominiums for sale]

(Subsidiary) Daiwa House (Suzhou) Real Estate Development Co., Ltd. [Development and sales of condominiums]

### (Subsidiary) Daiwa House (China) Investment Co., Ltd. [Holding company]

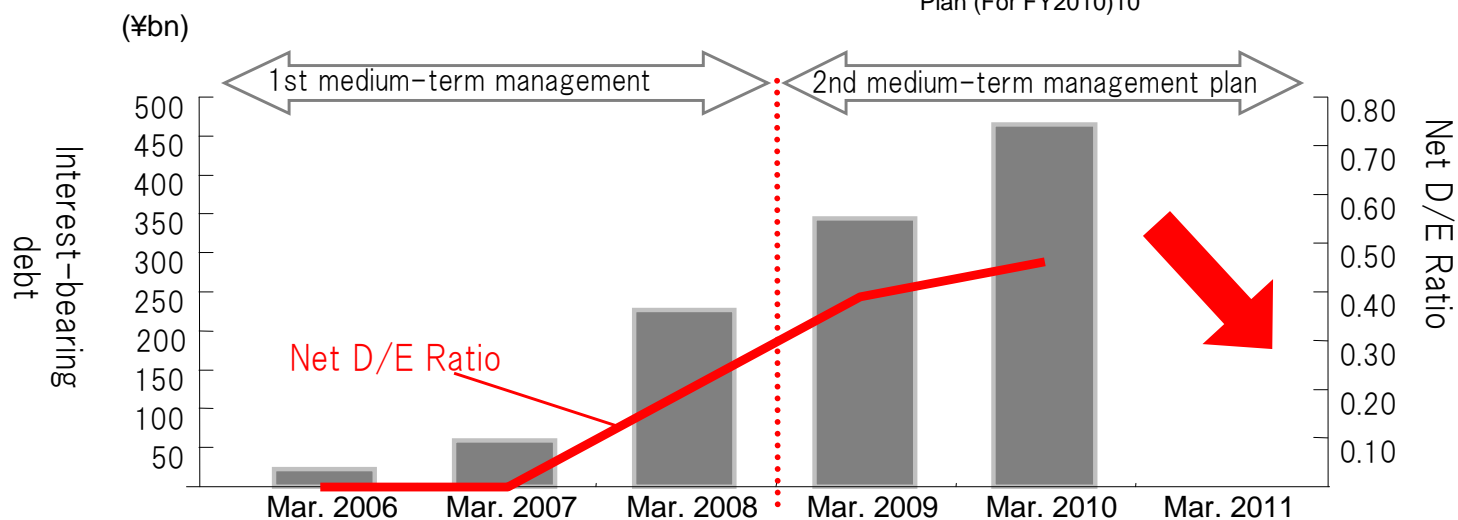
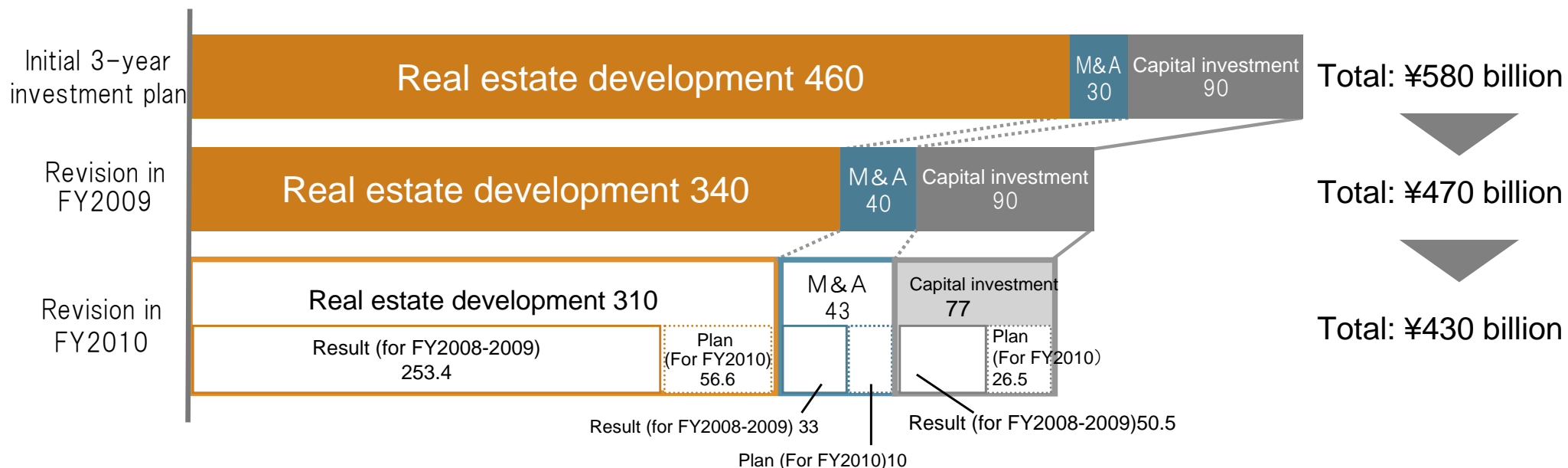
Capital composition	Daiwa House Industry Co., Ltd. (100% stake)	Capital	US\$30,000,000-
Established	July 10, 2009	Period	July 10, 2009 – July 8, 2034 (25 years)

➔ Aiming to develop real estate equivalent to approx. ¥300 billion in 10 years

(Parent company) Shanghai Representative Office, Daiwa House Industry  
 (Affiliate) Shanghai International Realty Co., Ltd. [Operation of houses for rent]



### Achieving Returns to Improve the D/E Ratio with the FY2009 Figure as the Peak



## Closer Links with REIT Market

### [Residential Facilities]

#### Enhancing the Portfolio of New BLife Investment Corporation

#### New BLife Investment Corporation (Asset value and scale after the merger)

Number of properties	129
Units available for rent	8,116
Asset size	¥202.7 billion
Number of investment units	118,735



### [Logistics Facilities]

#### Preparations underway for the listing of a REIT specializing in logistics

#### Private funds for logistics facilities (Asset value and scale at the end of April 2010)

Number of funds	3
Number of owned properties	22
Asset size	¥98 billion





# Plans for Each Segment in FY2010

(¥bn)

Business Segments	Sales		Operating Income		Major Policies for the Current Fiscal Year
	FY2009 Results	FY2010 Plan	FY2009 Results	FY2010 Plan	
Single-Family Houses	325.9	313.5	6.2	6.7	<ul style="list-style-type: none"> <li>◆ Enhancing sales promotion with the Company's original eco-point system</li> <li>◆ Strengthening sales of urban-type homes, including housing with rental spaces (xevo+R)</li> </ul>
Rental Housing	449.0	474.5	38.6	32.0	<ul style="list-style-type: none"> <li>◆ Reviewing the deployment of sales personnel</li> <li>◆ Strengthening sales of three-story homes for urban areas</li> </ul>
Condominiums	119.3	116.0	-18.3	0.1	<ul style="list-style-type: none"> <li>◆ Development of compact condominiums for active seniors and small families</li> <li>◆ Increasing the number of contracts for management and orders for large-scale renovation</li> </ul>
Existing Home Business	46.9	53.5	1.7	3.5	<ul style="list-style-type: none"> <li>◆ Increasing the number of renovations of single-family houses built by other companies and condominium complexes built by the Company</li> <li>◆ Promoting the unification of all operations for the Existing Home Business under Daiwa House Renew Co., Ltd.</li> </ul>
Commercial Facilities	285.6	279.5	34.4	31.0	<ul style="list-style-type: none"> <li>◆ Expansion of eco-friendly stores with the Restore &amp; Rebuild System</li> <li>◆ Promoting development of NSCs (neighborhood shopping centers)</li> </ul>
Business & Corporate Facilities	196.2	177.5	21.7	14.0	<ul style="list-style-type: none"> <li>◆ Strengthening operations in the environment and foodstuffs areas</li> <li>◆ Increasing orders for the renovation of facilities</li> </ul>
Health & Leisure	57.1	58.5	-0.5	0	<ul style="list-style-type: none"> <li>◆ Enhancing facilities for tourists from China and ASEAN countries (resort hotels)</li> <li>◆ Rebuilding the NAS (fitness club) brand</li> </ul>
Environment and Energy, Overseas, and Others	210.9	219.0	1.0	2.7	<ul style="list-style-type: none"> <li>◆ Expanding sales of the D-Power Monitor energy monitoring system</li> <li>◆ Promoting real-estate related business in China</li> </ul>
(Eliminations/Corporate)	(81.2)	(82.0)	(22.2)	(24.0)	
<b>Total</b>	<b>1,609.8</b>	<b>1,610.0</b>	<b>62.7</b>	<b>66.0</b>	



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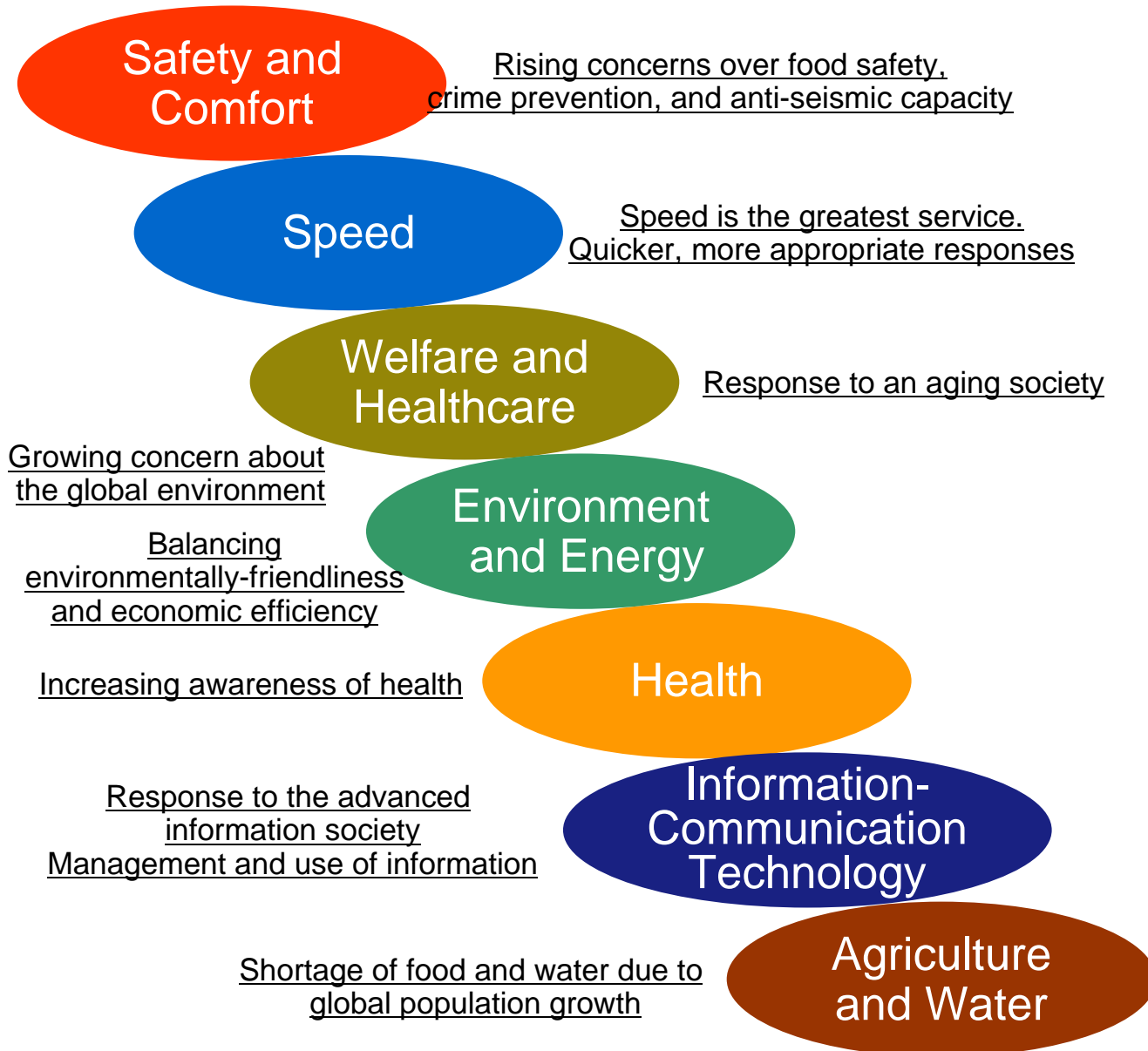
## **Daiwa House Group in the Years Ahead**

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May 14, 2010  
Daiwa House Industry Co., Ltd.

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## Keywords for Determining Priority Investment Areas



## Major Investments and Objectives

- Academic-industrial alliance with Chiba Institute of Technology  
Development of underfloor inspection robots
- Academic-industrial alliance with University of Tsukuba  
Development of robot suits
- Investment in ELIY Power Co., Ltd, Acquisition of Eneserve  
Enhancing energy-related solutions
- Collaboration with TOTO Ltd.  
Development of Intelligence Toilet
- Collaboration with NTT Communications Corp.  
Enhancing convenience by applying information technologies to houses
- Investment in Yukiguni Maitake Co., Ltd, and development of vegetable plant  
Promoting the industrialization of agriculture

\*Note: "This is based on Japanese syllables meaning "indispensable for tomorrow" that can also be read as abbreviations for Safety & Comfort, Speed/Stock, Welfare, Environment, Health, Information-Communication Technology and Agriculture.



- Joint development with TOTO Ltd.
- Toilet system complete with functions for measuring body temperature, urine sugar, blood pressure, and weight
- Integrated management of past measurement results



- Academic-industrial alliance with University of Tsukuba
- Self-support for senior citizens
- Cyberdyne Inc., in which the Company has an equity stake, begins commercial mass production



- Academic-industrial alliance with Chiba Institute of Technology
- Reduced labor for inspection personnel
- The inspection camera enables customers to monitor conditions under the floor.
- Adopted as a “Project for Assisting in the Creation of Service Robot Market” (Ministry of Economy, Trade and Industry)



**Smart House  
Demonstration Experiment**

- Investment in ELIY Power Co., Ltd.
- Completion of a factory with annual production capacity of 200,000 cells in Kawasaki
- Research into installation in individual residences underway



**D-Power Monitor**



- Joint development with NTT Communications Corporation
- Automatic control of household equipment and lighting equipment using mobile phone (iPhone application)
- Permits remote operation away from home
- Checking energy use via digital photo frame and TV



**Lithium Ion Battery**



- Visualization of energy (Measuring use of electricity, gas, and oil)
- Analyzing collected data for assisting in energy saving and making proposals for facility improvement
- 24-hour remote monitoring of electric power systems

\*1

Figures were calculated based on preliminary calculations resulting from the Daiwa House Group's own simulations. However, the calculated figures are only a rough estimate and cannot be guaranteed. These are preliminary figures in Daiwa House's model plan (xevoFu Type01) and provide a comparison with housing ( $Q = 4.2\text{W/m}^2$ ) that correspond to ANRE's new energy-saving standards. Preliminary calculation conditions: [Construction site] Osaka; [Total floor area] 136.58m<sup>2</sup>; [Family size] four; [Photovoltaic power generation systems] 6.6kW system on south side; [Hot water supply] EcoJozu®; [Cooking] gas range; [Air conditioning] electric air conditioner; [Unit price] unit price of electricity and gas distributor is applied in the areas that the houses are constructed. This does not include the basic price in accordance with the calculation.z

\*2

Figures were calculated based on preliminary calculations resulting from the Daiwa House Group's own simulations. However, the calculated figures are only a rough estimate and cannot be guaranteed. These are preliminary figures in Daiwa House's model plan (xevo AI Plan 02) and provide a comparison with housing that corresponds to new energy-saving standards. Preliminary calculation conditions: [Construction site] Osaka; [Total floor area] 134.46m<sup>2</sup>; [Family size] four; [Photovoltaic power generation systems] 3.2kW system on south side; [Hot water supply] EcoCute heat pump water heater; [Cooking] IH heater; [Air conditioning] electric air conditioner

\*3

Comparison between the Séjour ECOHA S808 Plan (houses built according to next-generation energy saving standards + EcoCute heat pump water heater + photovoltaic power generation systems) and Daiwa House rental housing (built according to previous energy-saving standards and combined gas and electricity use) in 1990. [Gas and electricity rate] in the case of Séjour ECOHA (all-electric): Daytime (summer) ¥33.37/kWh; Daytime (excluding summer) ¥28.28/kWh; Morning and evening ¥23.13 kWh; Nighttime ¥9.17/kWh. In the case of combined gas and electricity use: electricity ¥24/kWh; gas ¥118.51/m<sup>3</sup> \* The rate for Tokyo Electric Power Company's "Denka Jozu" as of April 1, 2009 assuming a unit price of ¥48/kWh for the selling of surplus electricity and an electric power selling rate of 54.2% for photovoltaic power generation systems. [Construction site] Tokyo; [Family size] three; [Building/unit conditions] One household in a single two household (duplex) Maisonette, total floor area of units: 98.30m<sup>2</sup>/household; [Insulation specification] Séjour ECOHA: houses built according to next-generation energy saving standards; Daiwa House rental housing: houses built according to new energy-saving standards; [Hot water supply equipment/heating appliances] Séjour ECOHA: All-electric (hot water supply equipment: EcoCute heat pump water heater; heating appliances: IH cooking heater) Daiwa House rental housing: combined electric and gas use (hot water supply equipment: gas water heater; heating appliances: gas stove); [Lighting fixtures] Séjour ECOHA: fluorescent light only; Daiwa House rental housing: combined fluorescent and incandescent light use; [Heater and air conditioner] electric air conditioner; [photovoltaic power generation systems] 2.92 kWh systems in each Séjour ECOHA unit only. Because this is only one example of simulation results, figures will vary depending on such conditions as the occupant's lifestyle. The figures were provided by the Daiwa House Industry Central Research Laboratory.

\*4

In cases where the fluorescent lighting in existing convenience stores (approx. 200m<sup>2</sup>) are to be changed over to this system and 70% of available lighting will be used. A light intensity sensor will be installed in stores and LED lighting will be automatically controlled in response to the weather, time of day and region. The light intensity sensor detects when sunlight is shining into the stores during the day and causes the lighting system to emit less light during that time, thereby maintaining an optimum level of lighting and preventing unnecessary energy consumption.

\*5

A per unit comparison when two 40W fluorescent bulbs are replaced by a single 32W bulb using *reFbo*. [Electricity cost] ¥21/kWh; lighting time: 3,000 hours/year (approx. 13 hours/day); [Annual maintenance cost] Electricity cost + lamp cost (not including replacement); [Lamp cost] FLR40W: ¥580/lamp; FHF32W: ¥1,400/lamp; [CO<sub>2</sub> emission coefficient] 0.55kg-CO<sub>2</sub>/kWh \*When a reflective panel is configured to affix directly to the ceiling (V-shaped type). For calculation simulations, actual results may vary due to fixture shape or configuration. Figures displayed are for standard Daiwa House construction. In some cases, overtime construction, disposal and other costs will be incurred. Costs shown do not include taxes.

\*6

Comparison between *reFbo* factory (190W ceramic metal halide lamp: 24 lamps) and conventional mercury lamps (power consumption: 415W x 24 lamps = 9.96kW). Height of installation: 8m; Reflectance: ceiling 50%, walls 30%, floor 10%; Maintenance factor: 0.63 for mercury lamps and ceramic metal halide lamps, 0.5 for metal halide lamps; lighting time: 3,000 hours/year (approx. 13 hours/day); CO<sub>2</sub> emission coefficient: 0.55kg-CO<sub>2</sub>/kWh. For calculation simulations, actual results may vary due to fixture shape or configuration. The *reFbo* factory combines high-efficiency reflective panels, lamps and stabilizers. Lamps and stabilizers can be prepared according to user requests. Installation is not possible in some cases due to the shape and/or size of existing fixtures.

\*7

A comparison between LED street lights (SL-B) and conventional 100W mercury crime prevention lamps (power consumption: 117W). [Input voltage] when input voltage is 100V; [CO<sub>2</sub> emission coefficient] 0.55kg-CO<sub>2</sub>/kWh; [lighting time] 1 year (365 days), 12 hours/day; [Fixture installation distance] When fixture is installed at a height of 4.5m. The specification of 100W mercury crime prevention lamps may vary slightly based on model.

\*8

When conventional model is a fixed speed motor type that was used 10 years ago. (Power consumption saving effects will vary depending on manufacturer and model)