



Launch of Landed Housing Business in Malaysia

On June 11th, 2015, Daiwa House Industry Co., Ltd. (Head office: Osaka, President: Naotake Ohno), entered into a business partnership with Malaysia's top property developer, Sunway Berhad (hereinafter, Sunway)*1, to collaborate on the development and sales of prefabricated landed houses. To this effect, we have established the joint venture company, Daiwa Sunway Development (hereinafter, DSD).

In summer 2015, DSD will begin construction on a total of 100 landed houses in Iskandar Malaysia (IM), located at the southern region of Johor, second largest state by population in Malaysia. These houses will be constructed on land spanning approximately 5.3 ha within Sunway Iskandar, a development zone within IM. In Japanese terms, this is equivalent to approximately 16,000 tsubo or roughly the size of the Tokyo Dome*2. Sales are scheduled to begin in 2016.

Since 1964, we have constructed seven plants owned by Japanese companies in Malaysia. In April 2012, we set our sights on the landed housing business in Malaysia and established an office in Kuala Lumpur, where we began research and development on industrialized housing that is suitable for Malaysia's unique tropical rainforest climate. In October 2013, we constructed a prototype prefabricated house (lightweight steel-reinforced frames) optimized for the Malaysian market in Sunway Eastwood, a residential development area that belongs Sunway and is located in Selangor, a state near Kuala Lumpur. The prototype was completed in March 2014. Tours by local customers have been conducted and feedback were used to conduct evaluations and validation on prefabricated housing.

Our decision to launch full-scale operations is based on the confidence in our ability to provide housing that appeals to Malaysian customers. This confidence is founded on our landed housing knowledge cultivated through our experience in Japan combined with validations using the prototype house in Malaysia.

In the future, we will expand operations beyond Malaysia as we strive to construct and sell landed houses in countries throughout the ASEAN region, including Thailand and Indonesia.

*1. Malaysian property and construction company established in 1974. Expanded from a mining company to become a group comprised of 12 business segments (property, construction, travel, retail, leisure, etc.). Total group employees: 12,000. A conglomerate with a total market value of approximately 200 billion yen.

*2. The size of Tokyo Dome is approximately 47,000 m².

Points

1. Collaboration project with Sunway, Malaysia's largest developer
2. Landed housing suitable for Malaysia's climate and natural environment
3. Sunway Iskandar Project
4. Malaysian national project: Iskandar Project

1. Collaboration project with Sunway, Malaysia's largest developer

We have partnered with Sunway, Malaysia's top developer, to operate a landed housing business in Malaysia. Malaysia boasts strong recent economic growth and has a highly favorable demographic bonus.

In 1986, Sunway launched Sunway Resort City*³, a large-scale integrated development project covering some 350 ha at Bandar Sunway within the district of Petaling Jaya, Selangor, an area that was once a tin-mining wasteland. It is the only fully integrated township in Malaysia with seven components and is served by Malaysia's first elevated BRT (Bus Rapid Transit).

In May 2014, Sunway launched Sunway Iskandar, the largest integrated development project ever undertaken by the company. This project is developed within Iskandar Malaysia (IM), a development project sponsored by the Malaysian government and the local administrative government of Johor.

In October 2014, we concluded a Feasibility Study Agreement aimed at advancing a joint venture on landed housing development with Sunway, which has vast real estate development experience in Malaysia. This led to the full-scale launch of a business for the development and sales of landed houses optimized for Malaysia, which is based on our prefabricated construction knowledge and experience cultivated in Japan.

*3. Development of an integrated city comprising of offices, commercial facilities, landed houses (approx. 7,000 houses), hospitals, academic institutions, hotels, theme parks, etc.



2. Landed housing suitable for Malaysia's climate and natural environment

The landed houses to be developed and built for Malaysia will bring the strengths of Japanese prefabricated housing - high quality houses built within a shortened construction time - to the Malaysian market. The majority of materials and equipment used in the construction of houses will be procured locally. Construction periods will be approximately 5 months, which is nearly half the time required as compared to local conventional construction methods.

For the main frame, we selected a structure that uses lightweight, steel reinforced beams with panels. Each house will have an original, standardized exterior wall system developed specifically for Malaysia. These walls will provide superior durability and energy conservation.

Ceiling height will be 3.4 m, nearly 1.5 times higher than typical Japanese ceilings. This will allow the moist air of the tropical rainforest climate to flow to the upper areas where ceiling fans mix warm air with cold air created by air conditioners to improve air conditioning efficiency.

The houses will also feature the latest Japanese technology, including our original HEMS*4 (Home Energy Management System) and Friendly Design fixtures*5.

*4. System that supports home energy management through the use of IT.

*5. Based on the philosophy of universal design, this is a Daiwa House original design concept that aims for "to create a fun and friendly living environment for the entire family." Friendly Design is based on four core functions: Convenience, Simplicity, Safety, and Beauty.



3.4 m ceiling height



Friendly design (finger protection function)



HEMS

3. Landed housing business in Malaysia, which is expected to see continued population growth

Malaysia has a population of approximately 30 million people, with the population of people under 24 accounting for more than 40%. It will be easy to reap the future benefits of the country's demographic bonus*6 and, among all ASEAN countries, Malaysia has the highest potential for growth.

Within Malaysia, the state of Johor has demonstrated particularly strong economic growth. The state has a population of nearly 3.5 million people, making it the second largest state by population in Malaysia. Future growth will be driven by population influx generated by the country's new industrial development, aggressive business solicitation efforts and Malaysia's complementary relationship with neighboring Singapore. Moving forward we may see a large number of Singaporeans purchasing residential properties in Iskandar Malaysia as Malaysia's residential property prices are more affordable compared to Singapore. As such, both population and immigration factors suggest a positive outlook on landed housing demand.

*6. Refers to a period with a large working-age population.

4. Customer targets include Malaysians, Singaporeans, and other citizens of ASEAN countries

Our main customer target will be Malaysians, where disposable income is projected to grow, neighboring Singapore, and the affluent members of ASEAN countries.

5. Sunway Iskandar Project

The Sunway Iskandar Project is a large-scale real estate development project located within in the Iskandar region of Johor, which is in the southern region of Malaysia (near the border between Malaysia and Singapore). This project is being developed through joint funding by Sunway and Khazanah, a Malaysian national investment fund.

The total surface area is 727 ha (approx. 2.2 million tsubo) and the master development plan include housing, offices, commercial facilities, resort facilities, hospitals, schools, theme parks, etc. Sales in certain development zones has already began in June 2014.

This project area is a special economic zone offering corporate tax exemptions for foreign companies, elimination of foreign investment restrictions, and other incentives. The area, which will be developed over the next 10 years, is in a prime location close to the Second Link Bridge connecting Malaysia and Singapore, making it a mere 5-minute drive by car to Singapore.



[Sunway Iskandar overview]

6. Malaysian national project: Iskandar Project

The Iskandar Project is an economic development project sponsored by the Malaysian government. From 2006 through 2025, the total investment amount will reach approximately 10 trillion yen and the planned population for 2025 is approximately 3 million people. This mega-project will give rise to a massive city (total surface area 2,217 km²)*7 in the development area located in Johor Bahru, the southernmost city in the Malaysian peninsula. The government is working to solicit companies from the finance, academic, medical, logistics, tourism, and creative industries. The area already features LEGOLAND Malaysia and Pinewood Iskandar Malaysia Studios, the largest film studio in Southeast Asia, and this new city is projected to see continued population and economic growth.

*7. Equivalent to three times the size of the land mass of Singapore (716 km²; the size of the 23 wards of Tokyo).

7. About the landed housing market in Malaysia

In Malaysia, landed houses are very popular and it is the only country in ASEAN that allows foreigners to own landed housing

Types of landed housing in Malaysia mainly consist of linked houses (row of homes: 100-200 m²), semi-detached houses (two attached homes: 200-400 m², comes with garden), cluster houses (four attached houses: 200-400 m², comes with garden), and bungalows (detached houses: exceeding 300 m², comes with garden). Bungalows and semi-detached houses with pools or golf club memberships, 24-hour on-site security, and other services are highly popular among affluent classes, but generally most houses are linked houses.

The landed houses we will be selling are houses that target affluent classes and consist of a mixture of bungalows and semi-detached houses.

As for prefabricated construction methods, currently the Malaysian government and the Malaysian Construction Industry Development Board (CIDB) are promoting Industrialized Building Systems (IBS). Their goal is to reduce dependence on foreign laborers, improve productivity, and improve quality and safety in the field of building construction. As such, housing construction based on the prefabricated method is aligned with Malaysia's national policies.

Therefore, we believe a landed houses business based on a partnership between Daiwa House Industry, with our vast knowledge and experience in prefabricated housing, and Sunway, which has developed a solid foundation in the Malaysian housing market, will be a vital platform for expanding prefabricated housing in the Malaysian market.

8. Specifications for prototype house in Malaysia

In October 2013, we began the construction of a prototype prefabricated house optimized for the Malaysian market in Sunway Eastwood, residential land belonging to Sunway and located in Selangor, a state near Kuala Lumpur. Completed in March 2014, the house achieved the strengths of Japanese prefabricated housing, which includes high quality and fast construction.

The prototype house is a three-story house using a lightweight, steel reinforced frame with a total construction area of 369 m² (approx. 111.62 tsubo) and have 3.4 m ceiling height. The house also features the latest Japanese environmentally conscious technology, including our original HEMS (Home Energy Management System), Friendly Design fixtures, and room temperature management based on a hybrid heat waste system.



[Prototype house]



[Interior]

■ Property overview

- Name : (provisional name) Daiwa Sunway Development subdivision
- Location : within Sunway Iskandar Project in the Iskandar region of Johor, Malaysia
- Total : 100 houses
number of
houses
- Land area : 5.3 ha (15,936 m²)
- Construction : Lightweight, steel reinforced (with panels)
- Construction : Planned for Summer 2015 (Stage 1) to Winter 2016 (Stage 3)
start
- Planned : Planned for 2016 (Stage 1) to 2018 (Stage 3)
completion
- Type : Semi-detached houses / cluster houses 200-400 m²) ... 90 houses (planned)
Bungalows (exceeding 300 m²) 10 houses (planned)
- Sale price : From 70 million yen to over 100 million yen (planned)

■ Local subsidiary overview

- Company : Daiwa Sunway Development Sdn Bhd
name
- Location : Sunway Southern Region Office
Plot F43. Lot Ptd, 183276 Medini Zone F. Mukim Pulai,
Daerah Johor Bahru, 81200 Johor Darul Takzim
- Investors : Daiwa House Malaysia Sdn Bhd (100% Subsidiary of Daiwa House Industry) (70%)
Sunway Iskandar Sdn Bhd (30%)
- Capital : 40,630,100RM (JPY: approx. 1.4 billion yen)
- Employees : 3 (2 dispatched from Daiwa House Industry)

Business : Real estate development, sales, and ancillary services
operations

Company : Daiwa House Malaysia Sdn Bhd
name

Location : Sunway Southern Region Office
Plot F43. Lot Ptd, 183276 Medini Zone F. Mukim Pulau,
Daerah Johor Bahru, 81200 Johor Darul Takzim

Investors : DH Asia Investment Pte. Ltd. (100% Subsidiary of Daiwa House Industry) (100%)

Capital : 36,441,000RM (JPY: approx. 1.2 billion yen)

Employees : 8 (5 dispatched from Daiwa House Industry)

Business : Consulting service for design, construction prefabrication of prefab house, etc
operations

●Daiwa House Industry

Daiwa House Industry has expanded its operations as a pioneer of the housing industry in Japan for more than half a century, offering single-family houses, rental housing, condominiums, commercial facilities, and general business-use buildings. To date, we have supplied 1.5 million single-family houses, over 30,000 commercial facilities, and over 60,000 medical/nursing care facilities. Going forward, we will continue to promote our business operations overseas, leveraging on the strengths we have cultivated such as competitive technologies and product lines.

In addition, we have entered new businesses fields including environmental energy, robotics, and agriculture and are putting our full efforts into expanding our business operations, not only in Japan but also in the global market.

About Daiwa House Industry Co., Ltd.

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