

Overseas Business Gathers Momentum, Set to Emerge as a New Pillar of Growth

Daiwa House Industry boasts a group structure of 480 companies in Japan and overseas, and is forging ahead on a unique growth path. Overseas business has been the focus of efforts over the past 10 years and is now set to emerge as a new growth engine.





Single family homes developed by Stanley-Martin Homes, a Daiwa House Group company.

Overseas Business as a Growth Engine

“It has taken me 10 years, but I’ve finally grown our overseas business,” says Keiichi Yoshii, president and chief executive of Daiwa House Industry, Japan’s



Keiichi Yoshii
CEO of Daiwa House

predominant developer, construction and real estate enterprise.

Between FY 2011 and FY 2021, Mr. Yoshii oversaw an expansion in overseas sales by a multiple of ¥35 to ¥445.1 billion (\$3.64 billion), from approximately ¥13.5 billion (\$0.11 billion). The CEO has also witnessed overseas sales increase their share of total company sales to more than 10% from 0.6%.

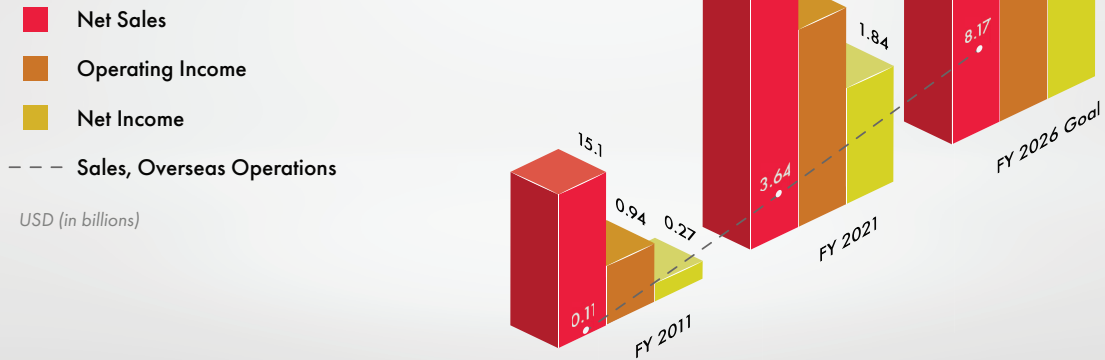
In 2011, Daiwa House entered the U.S. market, operating rental housing in California. Today, the company is developing rental condominium properties in six states, with a high-rise condominium development project underway in the state of New York. Sales from the North American market alone are expected to reach ¥730 billion (\$5.96 billion) by 2026.

Solid sales of single-family housing is driving strong growth in North America. Stanley-Martin Homes became a subsidiary in 2016, leading to an acceleration in residential land development projects, while Daiwa House also acquired Truemark Companies and Castle Rock Communities with a view to further U.S. expansion.

Europe, China and Southeast Asia on the Rise

In March 2020, Daiwa House Europe was established in the Netherlands. The company then acquired a majority stake in Jan Snel BV, a business that markets and rents

Daiwa House, Net Annual Sales and Projections



modular building products, and following a name-change to Daiwa House Modular Europe, the company is now developing an industrialized construction business. Such unit construction is attracting attention as a building method that combines the benefits of lower carbon emissions with short construction times.

Business in Asia is also making steady advances. In China, the Daiwa House condominium business, stretching from development to management, is prospering.

“Not only has the quality of our condominium construction been recognized, but our operational and management skills have also developed a firm reputation,” says Mr. Yoshii. “We have recruited human resources who are familiar with the Chinese industry and the foundation of our business is now in place.”

Going forward, by 2026 Daiwa House is aiming for sales of ¥130 billion from the East Asian market, mainly driven by its Chinese business.

Mr. Yoshii says he is also looking to speed up construction of logistics, business and corporate facilities as social infrastructure. This includes distribution centers, cold storage and refrigerated food warehouses that have developed a track record among Southeast Asia nations, such as Vietnam, Malaysia and Indonesia.

Improved Performance from Local Companies

Daiwa House Industry plans to supply more than 80,000 homes overseas over the next five years, including in North America and China.

In reference to overseas business development, Mr. Yoshii says, “what is important is that these businesses have become embedded in the local community. At the same time, we will also proactively share the know-how and group-based scale merits developed in Japan.”

One example is that while residential land development and material procurement for the three U.S. subsidiaries may increase in the future on investment from head office, by centralizing procurement it will be possible to purchase high-quality building materials at lower prices.

If the factory work rate for components is raised, as has been done with house building in Japan, then it will also be possible to look forward to such positive effects as shorter construction times, stable quality and a reduction of on-site waste materials.

“I would like to see our overseas group companies leverage our know-how and economies of scale and challenge higher goals,” says Mr. Yoshii.

One good example is Stanley-Martin Homes. The company has made rapid progress since becoming a Daiwa House subsidiary and has improved its industry ranking. In 2021, it was awarded the “Builder of the Year” from a leading industry publication.

Leaving a Sustainable Environment for the Next Generation

Daiwa House Industry is aiming for carbon neutrality throughout the entire value chain. Apart from reducing CO₂ emissions, the company plans to achieve RE100 status in 2023 by supplying all power via in-house sourced renewable energy.

RE100 is an international initiative to provide 100% of the power required for business operations with renewable energy, but what is most noteworthy is that the company aims to achieve this target 17 years ahead of schedule.

“Given the serious nature of climate change and natural disasters, the duty of this era is to leave an environment where the next generation can live with a sense of security,” says Mr. Yoshii.

Targeting Sales of ¥10,000 Billion

FY2021 consolidated sales recorded a historical high of ¥4,439.5 billion (\$36.27 billion) with an operating income of ¥383.2 billion (\$3.13 billion). Based on the overwhelming dominance the company enjoys in the Japanese market and business expansion overseas, Daiwa House is targeting even greater sales of ¥5,500 billion (\$44.94 billion) with an operating income of ¥500 billion (\$4.09 billion) by 2026.

Mr. Yoshii reveals his ambitions for Daiwa House when he says, “2055 marks the 100th anniversary of our company, and by that time I want to put our business firmly on course to become a ¥10,000 billion company, fulfilling the dream of Nobuo Ishibashi, our company founder.”

Currency conversion based on a rate of 1 USD = 122.39 JPY as of March 31, 2022.



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