

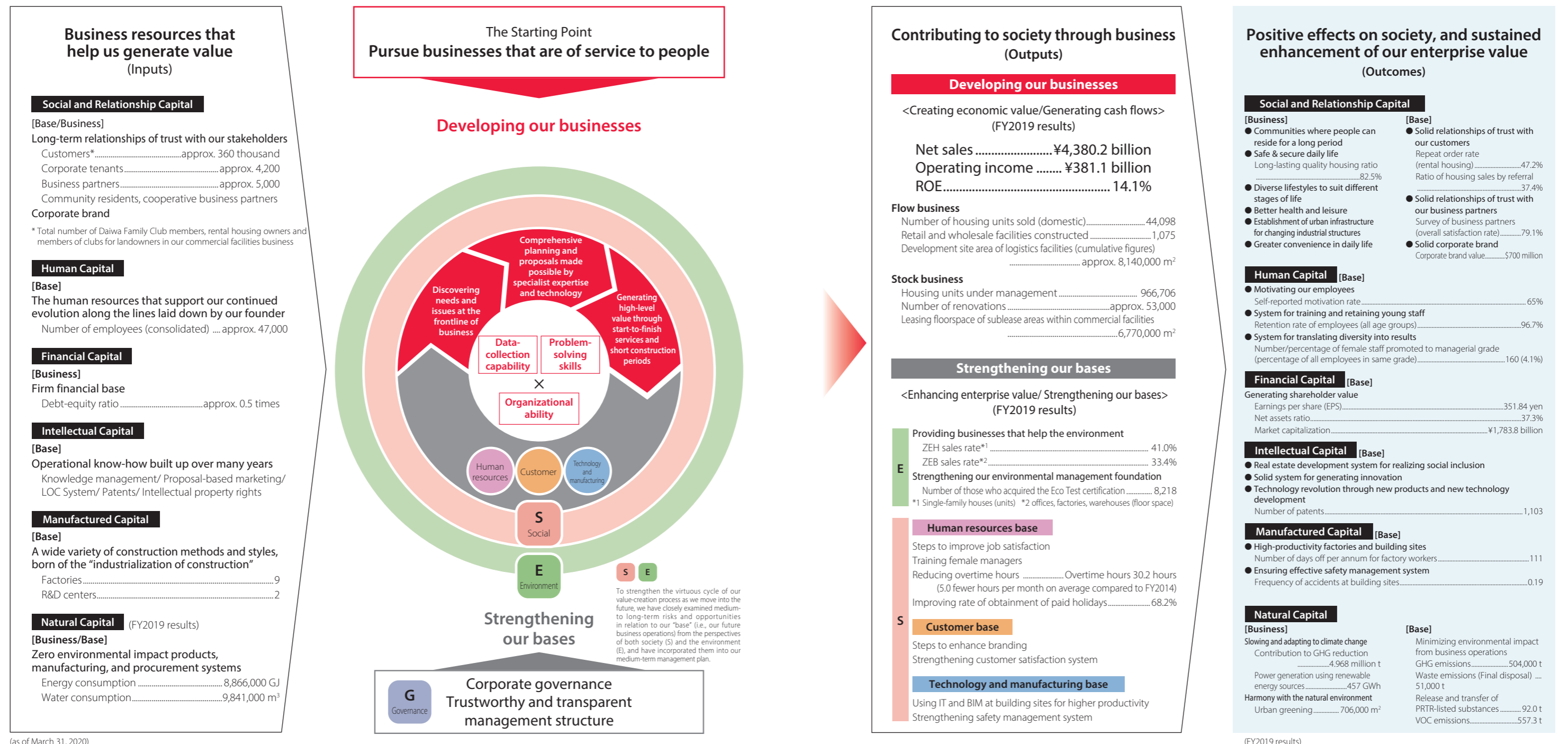
1 The Group's value-creation process

We solve social problems by operating a cyclic relationship between “developing our businesses,” which are of service to the public, and “strengthening our bases.”

By reinforcing this virtuous cycle, we aim to realize both a sustainable society and continuous growth for the Daiwa House Group.

By “developing our businesses,” we mean employing the technologies and know-how that we have developed to address needs and problems at the frontline of our business, as well as new concepts, to draw up multi-functional plans and make proposals to our customers, and to generate valuable, high-quality products with short construction periods. By developing our businesses in this way, we will maintain our long-term relationships with our customers, our manufacturing expertise (*monozukuri*), through which we pursue safe, high-quality products, and the nurturing of qualified human resources, and will strengthen our three core bases, which generate value. We aim to leverage these strong bases to create new business opportunities and continually generate new value.

The Group's operating environment—both the natural environment and the social environment—is undergoing rapid change. I believe that it will be difficult to continually create value if we do not constantly anticipate the results of such changes and identify the risks and opportunities for the Group's management posed by them. To enable us to contribute to realizing a sustainable society and to achieve sustained growth for the Group, we continue to employ effective governance to simultaneously minimize risks and maximize opportunities.



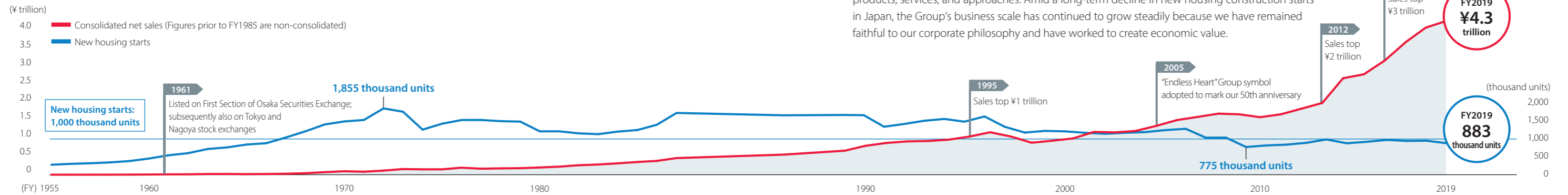
(as of March 31, 2020)

(FY2019 results)

2 The history of the Daiwa House Group

“Doing things because they will be of service to society”—this is our guiding motto, and with these words always in our minds, we have responded to changing social issues by launching many new products and services onto the market, thereby constantly generating economic value.









Consolidated net sales and new housing starts



Social issues

| | | | | |
|---|--|--|--|---|
| 1955 Postwar housing and materials shortage | 1970s Progressive motorization of Japanese society | 1980s Preparing for advent of aging population | 2000s Retailing revolution with advent of Internet dominated society | 2010s Diversification of real estate investment methods |
|---|--|--|--|---|

Solutions through our businesses

| | | | | | | | |
|---|--|---|--|--|--|---|--|
| Industrial construction | | Extensive land-use database, relationships with customers | | Real estate development | | | |
| Solving the postwar materials shortage problem  1955—the Pipe House, our first product Mr. Ishibashi conceived the idea of a steel-pipe structure, and this led to Daiwa House becoming a pioneer in the industrialization of construction, which revolutionized Japan's construction industry. | Solution to housing space shortage caused by rising birthrate  1959—Midget House developed The sounds of children at play gave Mr. Ishibashi the idea for the Midget House, which could be erected in only three hours and used as a children's study room. This proved immensely popular, laying the groundwork for Japan's prefabricated housing industry. | Developments in the business of utilizing land holdings alongside major roads  1976—The birth of the LOC System In our retail & wholesale facilities business, we began matching landowners who wished to generate revenue from hitherto idle plots with prospective corporate tenants in the wholesale and retail sectors, and a whole new market was born. | Providing a safe and secure housing environment for senior citizens  1989—Silver Age Research Center established This was a unique research institution dedicated to market surveys and analysis of problems relating to medical and nursing care facilities. This was an example of our expansion into the business of linking construction proposals with facility-management proposals. | Development of large-scale logistics facilities  2003—Start-up of “D Project” We began offering a one-stop service encompassing everything from selection, purchase and preparation of site, through design and construction of facilities, to start-to-finish management support. We thus became an indispensable part of the logistics sector, which supports the industrial infrastructure and the public's standard of living. | Helping address global environmental issues  2007—Entered wind power electricity business Recognizing the importance of environmental issues, we expanded our sphere of operations through a fully-fledged entry into the field of generation of electric power using renewable energy sources such as solar power and wind power. | Real estate securitization  2012—Daiwa House REIT Investment Corporation listed on REIT market Anticipating an acceleration in real estate investment, we devised stronger exit strategies. By developing high-quality properties that promise a stable cash flow, we contributed to the growth of the J-REIT market. | Popularizing natural disaster-resistant housing  2014—Launched the xevoΣ We helped popularize long-lasting, high-quality homes that can resist damage from natural disasters such as repeated massive earthquakes and that offer high ceilings and spacious rooms. |

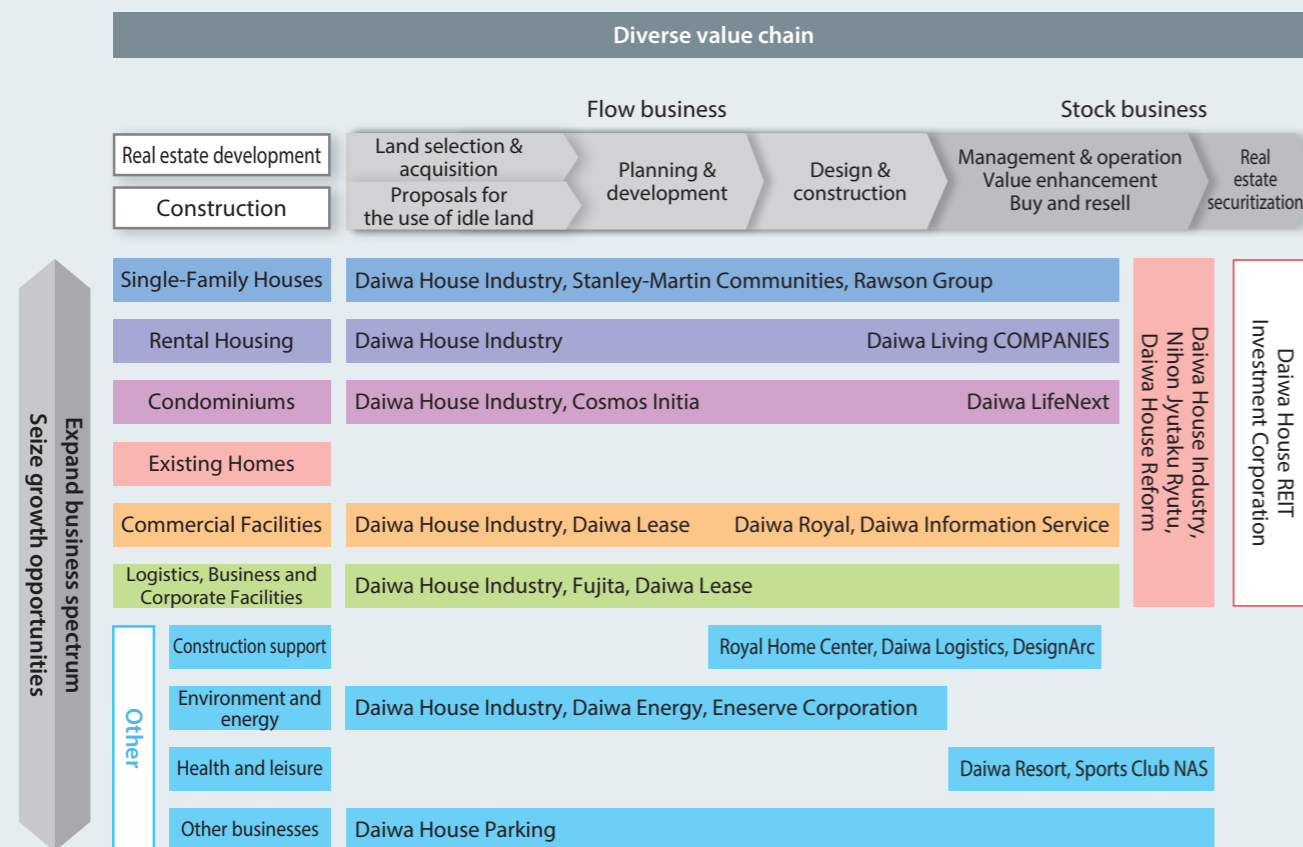
| | | | | | | |
|-------------------------|------------------------------|--|--|---|--|---|
| Strengthening our bases | Human resources | 1955 We adopted “Developing people through business” as our Company Philosophy (Corporate Creed) | 1962 Corporate pension plan introduced to improve employee benefits program | 1963 First edition published of “The Future of the Daiwa House Group,” a training manual that serves as a signpost for our employees. | 2007 Introduction of support system (leave-of-absence system enabling staff to take care of elderly relatives or engage in baby care) to help employees achieve a good work-life balance | 2008 “Daiwa House Juku” commenced—a training program to produce the next generation of top managers |
| | Customers | 1962 We devised Japan's first residential mortgage loan system to address the issue of home-seekers' difficulty in securing funds to buy their own homes. | 1972 To enhance our after-sales service system, we established customer service sections under the direct control of the head of each business office. | 1984 We strengthened our long-term relationships with land owners by establishing clubs for the owners of rental housings. | 1995 We supplied thirty percent of the total amount of emergency temporary housing for victims of the Great Hanshin Earthquake of 1995. | |
| | Technology and manufacturing | 1962 We set up a joint occupational training center within our Sakai Plant to improve our business partners' training systems for technical staff and strengthen their on-site construction systems. | 1965 We built Japan's first plant for the production of prefabricated housing, making it possible to mass-produce prefabricated houses. | 1980 We established the Central Research Laboratory and commenced research on the central theme of living in harmony with the natural environment. This research would lead to the adoption of our catchphrase <i>Asu Fukaketsuno</i> . | 2013 Second-tier general-construction contractor Fujita joins the Group, helping speed up our expansion overseas | |

During the postwar reconstruction period, it was expected that Japan would need large amounts of timber for use as buildings materials. At that time, Nobuo Ishibashi—who would become the founder of Daiwa House Industry—strongly desired to protect Japan's forestry resources. A major typhoon had recently devastated parts of the country, and Mr. Ishibashi noticed that bamboo and rice plants in the fields had been largely unaffected by the typhoon. This was because their hollow-tube structure allowed them to bend with the wind without breaking. Seeing this, he was inspired to create the Company's first product—the Pipe House. Rather than using timber, Mr. Ishibashi came up with the concept of the “industrialization of construction,” in which the structural framework of a house consisted of factory-made steel pipes assembled on site. This made possible high-quality housing with a short construction period, constituting a revolution in the construction industry of Japan.

Since then, following our founder's guiding principle of “doing things because they will be of service to society,” we at Daiwa House have employed a flexible mindset to invent and launch a stream of new products, services, and approaches. Amid a long-term decline in new housing construction starts in Japan, the Group's business scale has continued to grow steadily because we have remained faithful to our corporate philosophy and have worked to create economic value.

3 Evolving our business by strengthening and expanding our value chain (Developing our businesses)

While anticipating people's future needs, we will strengthen and expand our value chain so as to evolve a business model focused on addressing social issues. In this way, we aim to capture more new business opportunities.



Examples of our multi-purpose developments, made possible by our wide business spectrum



Takao SAKULa City (Tokyo)
Single-Family Houses, Condominiums, Commercial Facilities, Parking

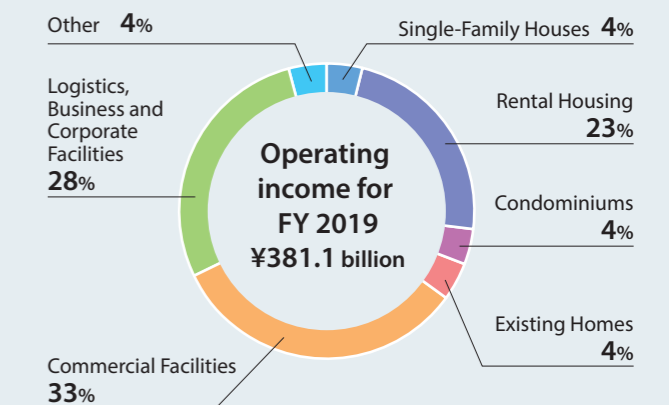
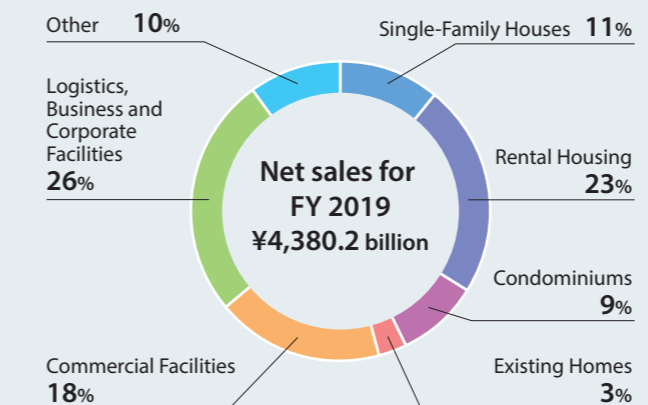


GRANODE Hiroshima
Offices, Commercial Facilities, Hotels, Parking

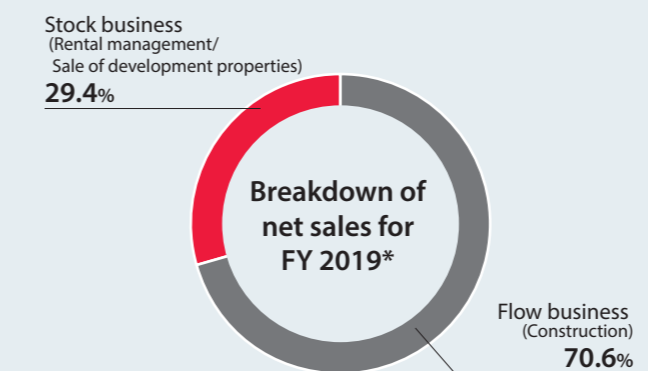
The business in which the Group is engaged began with construction contracting based on the industrialization of construction. Since that start, we have diversified into a wide range of business schemes. These include making optimal use of land holdings by leveraging our accumulated store of land-usage data and our relationships with our customers, as well as real estate development. In these ways, we have expanded the variety of our construction formats by addressing a large number of pressing social issues. We simultaneously engage in flow business and stock business. These two business categories operate on differing cycles, and this helps expand our value chain, which in turn lets us capture a wide range of new business opportunities. Currently, real estate development is steadily growing into a more important revenue-earner compared with the situation back when Daiwa House began doing business.

Going forward, by strengthening our capabilities in the field of multi-purpose developments—made possible by our abundance of different business categories—and by leveraging our extensive customer relationships to expand our Livness business and speeding up the development of our operations overseas through geographical expansion of our business, we will create new value for people all over the world in many different areas of life.

Our business categories (segment breakdown of sales & operating income)



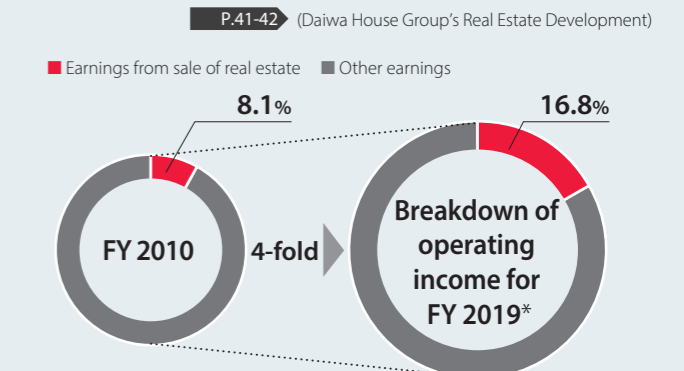
Our value chain (breakdown by flow business and stock business)



* excluding other businesses

Changes in earnings from sale of real estate

Operating income for FY 2019 was fourfold that in FY 2010, while earnings from sale of real estate were eight times larger (growth from 8.1% to 16.8% of total earnings), contributing to the generation of cash flow.



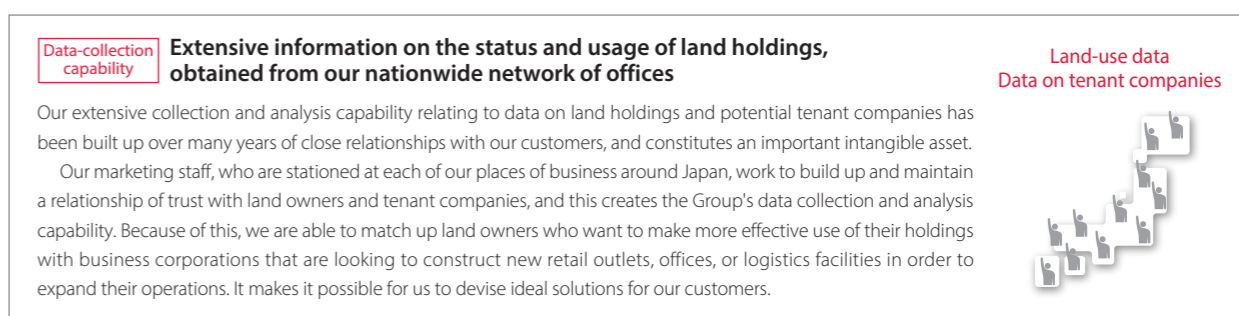
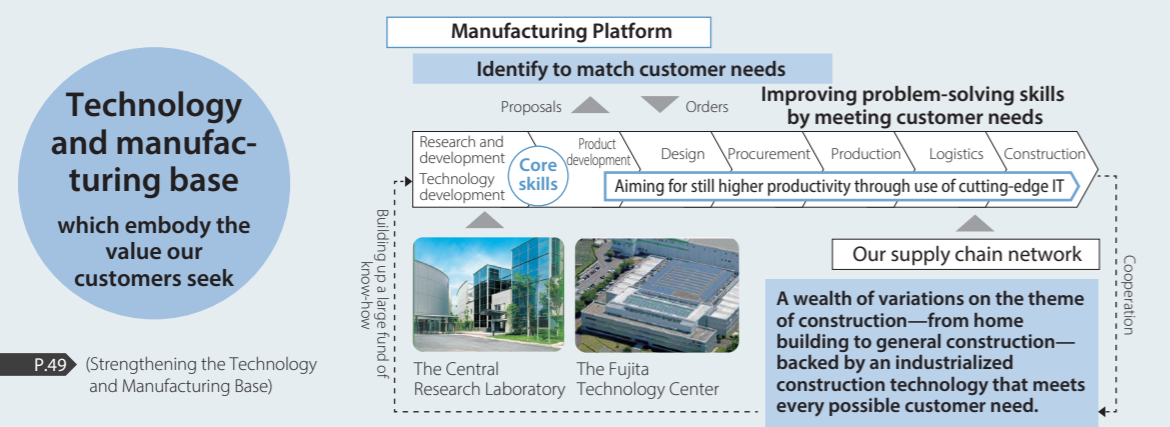
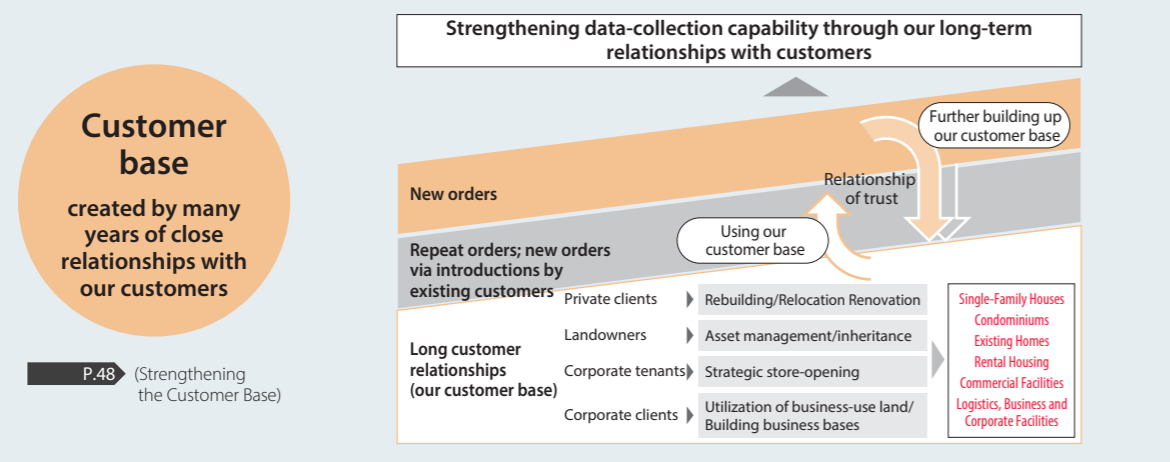
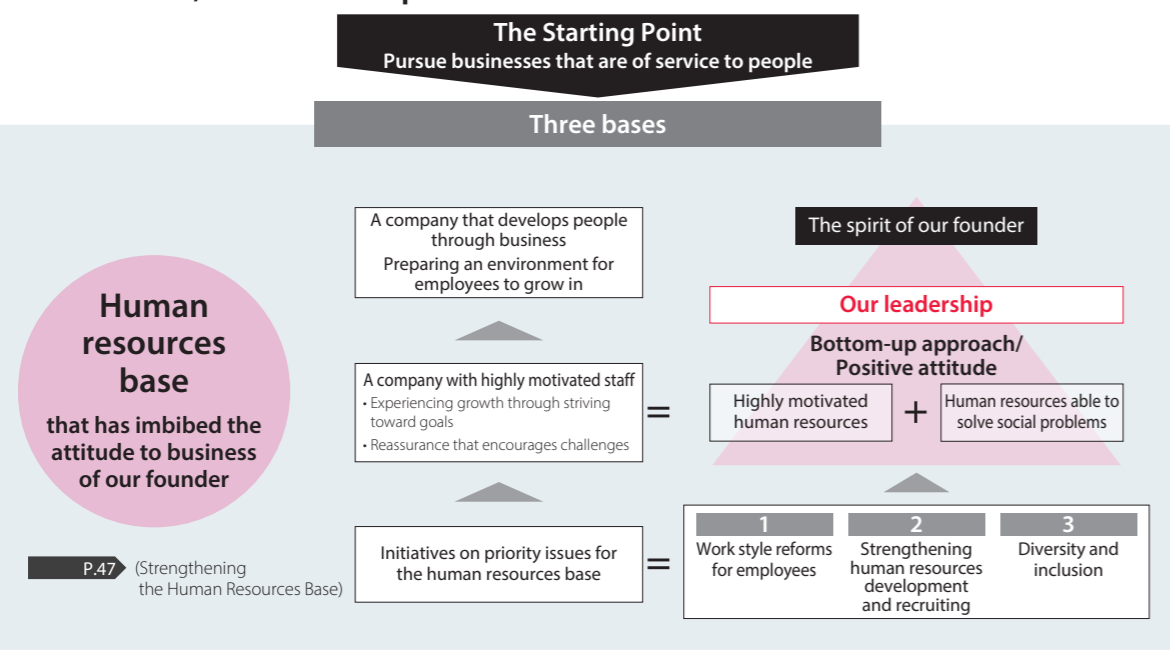
4 The source of our value creation (Strengthening our bases)

The source and origin of our value creation consists of our three “bases”—human resources base, customer base, and technology and manufacturing base—as well as our two strengths—data-collection capability and problem-solving skills, the organizational ability that we derive from the three-in-one matrix formed by our offices and branches, our business divisions, and our Group-member subsidiaries and affiliates.

Our human resources base has inherited the business stance of the founder of Daiwa House, and has been the main driving force behind the Group's continual evolution. Our solid customer base is the product of close long-term relationships with our customers. And our technology and manufacturing base is what has enabled us to incorporate the value desired by customers into our products and services. Finally, our two “strengths”—our data-collection capability and our problem-solving skills—which are derived from the three bases, have been built up over many years of business operation, and constitute the Group's most important intangible asset.

At the same time, the Group's organizational ability—the fruit of our measures to strengthen and expand our value chain, and to expand the variety of different businesses in which we engage—is born of our branches and offices (which are intended to practice a “front-line-centered business style” and speedy operation), our business divisions (which optimally leverage our unique set of specialist skills, such as proprietary technology and know-how), and Group-member subsidiaries and affiliates (which deploy the unique characteristics of their business fields, and work in close collaboration). We are currently working to restructure our business execution system—which takes into account the unique characteristics of each business and geographical region—as a means of further strengthening the comprehensive power of our three-in-one matrix.

The combination of these important intangible assets and strong organizational ability forms to driving force for value-creation, which supports the process of “evolving our businesses.” By utilizing as our greatest strength our ability to make effective multi-purpose project proposals—which have come into being as a result of the elements described above—we will be able to offer a full start-to-finish service that will contribute to society through urban development.



—Our greatest strength—
Comprehensive business proposal capability that contributes to society from start to finish



*1 as of April 1, 2020

*2 This report shows Daiwa House Industry's eight business divisions (Single-Family Houses, Rental Housing, Condominiums, Livness, Commercial Facilities, Logistics, Business and Corporate Facilities, Environment and energy, Overseas).

Large-scale complex development Funabashi Grand Oasis

5 A vision of the Daiwa House Group's future

We will continue flexibly adapting to social changes and addressing social issues.

We will expand our sphere of business to pursue further continuous growth, will co-create value “for individuals, communities, and people’s lifestyles” so as to lead the way to a brighter future, and will work to realize our management vision.

Our founder, Nobuo Ishibashi, believed that we should become an enterprise that is essential to a sustainable society, and expressed a strong desire to make a major contribution to solving society's problems. As part of this, he passed down to us the dream of achieving ¥10 trillion in net annual sales by the Company's 100th anniversary in 2055.

We aim to achieve the dream expressed within our corporate vision —“to realize society where people can live truly fulfilling lives”—in order to continuously enhance the Group's enterprise value going forward by grappling with materially important issues and creating a continuous virtuous cycle through the two processes of “developing our businesses” and “strengthening our bases.” In addition, we will contribute to the achievement of sustainable development goals (SDGs), centered on our catchphrase “Asu Fukaketsuno” (Indispensable for Tomorrow), which we see as our key issue going forward.



* Figures revised upward in June 2020