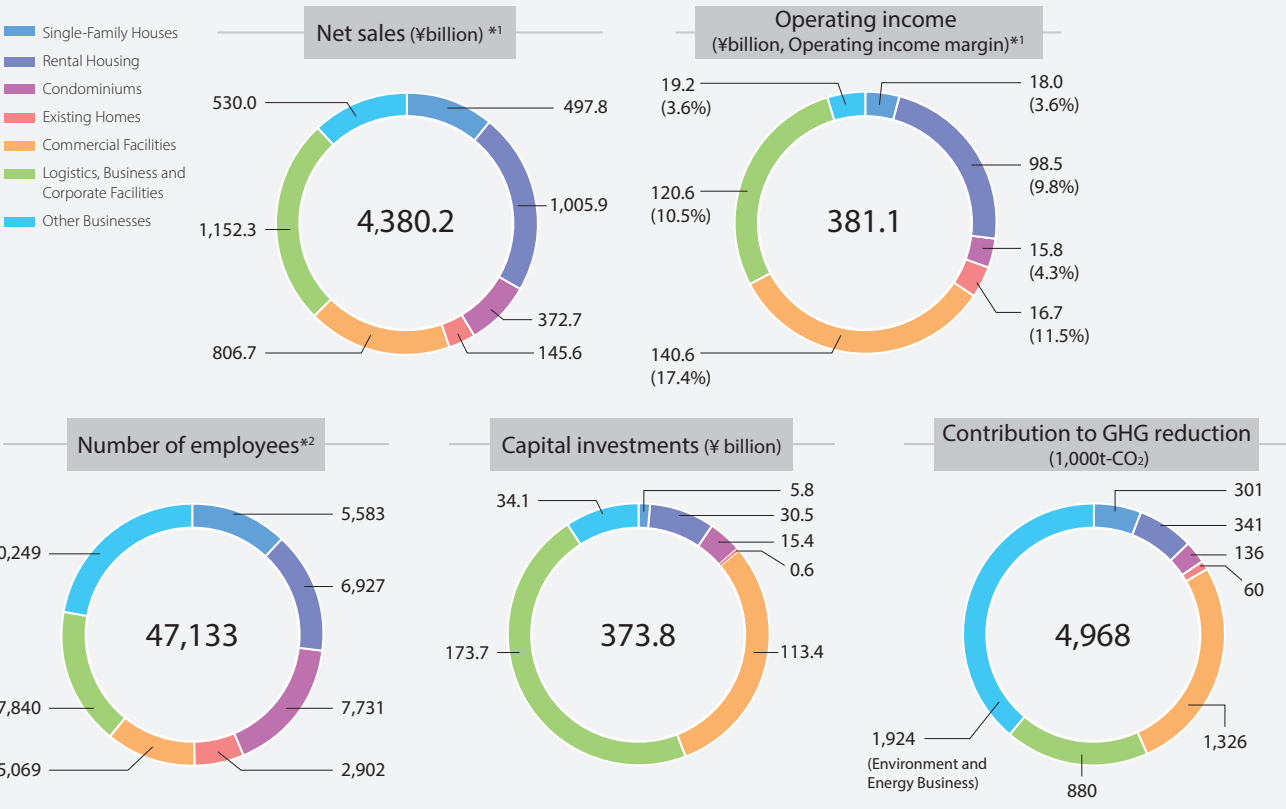


Business Overview

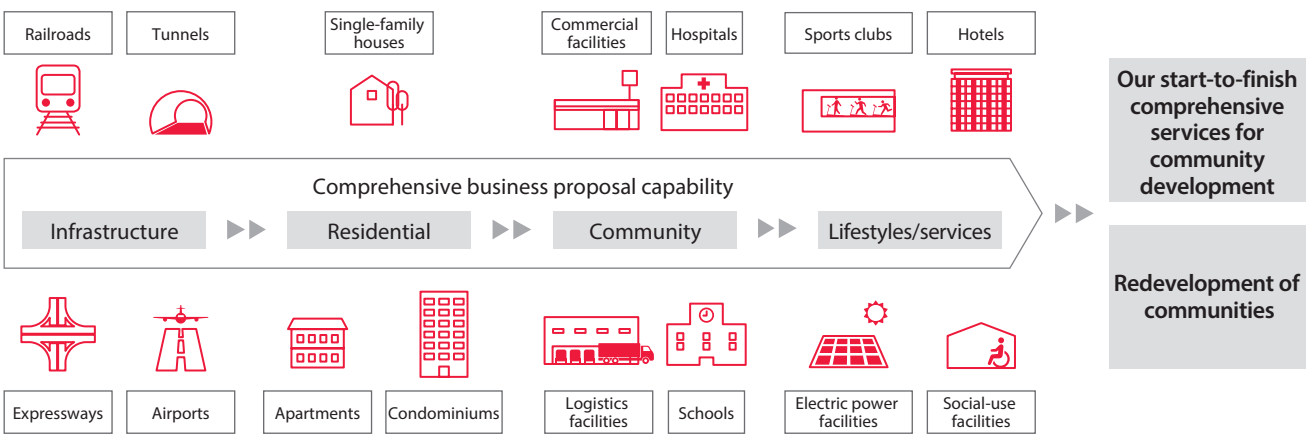
Bolstering competitiveness by expanding business opportunities deriving from social issues

Daiwa House Industry has evolved a distinctive business portfolio by addressing social issues through enhanced and expanded value chains and broader product variations anticipating future needs. This diverse portfolio and the ability it gives us to draw on Group synergies enable us to offer customers comprehensive business proposals, the ultimate strength that drives our performance and growth. Leveraging this strength, we contribute to society by redeveloping existing communities as well as building whole new ones with a consistent vision.

FY2019 principal performance indices by business segment



Redevelopment of communities born of our comprehensive business proposal capability



Summary of business		Annual performance
Single-Family Houses	 <p>As a pioneer of industrialized construction, we build housing infrastructure—the homes so essential to people's wellbeing. Offering a rich product lineup designed to accommodate all thinkable needs for safe and enriching living environments, we build both subdivisions and custom houses.</p>	<ul style="list-style-type: none"><li>Houses sold (Domestic)<ul style="list-style-type: none"><li>Single-family houses (contracting) 5,917</li><li>Single-family houses (subdivision) 2,066</li></ul></li><li>ZEH ratio 41%</li></ul>
Rental Housing	 <p>Our Rental Housing Business accommodates diversifying rental-housing needs. Our services feature vertically integrated support from soil evaluation to design, construction, and handover for landowners and quality living spaces reflecting the residents perspective, thus ensuring owners of stable, long-term rental income.</p>	<ul style="list-style-type: none"><li>Rental housing units sold (Domestic)<ul style="list-style-type: none"><li>Rental housing (low-rise) 31,334</li><li>Rental housing (medium- to high-rise) 2,168</li></ul></li><li>Units under management 595,182</li><li>Occupancy ratio 97.6%</li></ul>
Condominiums	 <p>We develop, sell, and manage properties nationwide, supplying comfortable and safe living spaces that keep their asset value over time. Our condominiums feature added value appropriate to local attributes, and our Group synergies-leveraging multiuse developments are active senior-friendly and help reinvigorate urban communities.</p>	<ul style="list-style-type: none"><li>Condominium units sold (Domestic) (including Cosmos Initia) 2,543</li><li>Units under management 371,524</li></ul>
Existing Homes	 <p>We work to vitalize the market for quality housing stock, buying, renovating, and reselling existing homes and helping homeowners find buyers with services including relocation support and renovations to maintain building value. We are also expanding the scope of our services to provide corporate clients with renovation and maintenance solutions.</p>	<ul style="list-style-type: none"><li>Renovations Approx. 53,000*3</li><li>Percentage of involvement in resale of existing single-family houses*4 Approx. 24%</li></ul>
Commercial Facilities	 <p>We match landowners and corporate tenants to one another to develop commercial facilities meeting their respective expectations. We marshal our wealth of data on land usage and survey the market to accurately gauge the vicinity's needs so we can provide facilities finetuned to local residents' preferences and help townscapes facilitate the flow of people.</p>	<ul style="list-style-type: none"><li>Construction projects 1,075*5</li><li>Leasing floorspace of sublease areas within commercial facilities 6,765,150 m<sup>2</sup></li></ul>
Logistics, Business and Corporate Facilities	 <p>We leverage diverse plans to produce logistics facilities to accommodate corporate customers' needs. We were proactive in developing facilities customize for e-commerce during its rapid rise, and we also provide medical, care, social welfare, and nursing care facilities, food-industry facilities, offices, and factories.</p>	<ul style="list-style-type: none"><li>Development site area of logistics projects 8,138,620m<sup>2</sup></li><li>Orders received for contract-based medical and nursing care facilities 578*6</li></ul>
Other Businesses	 <p>We provide value through businesses that help make people's lives more pleasant in a spectrum of areas: hotels, fitness, and health and leisure; and construction support ranging from comprehensive energy solutions to home centers, logistic services, and interiors.</p>	<ul style="list-style-type: none"><li>Customer visits to our home centers 28,192,000</li><li>Generating capacity of solar power, wind power, and hydroelectric power generation facilities 379MW/ 278 sites</li></ul>

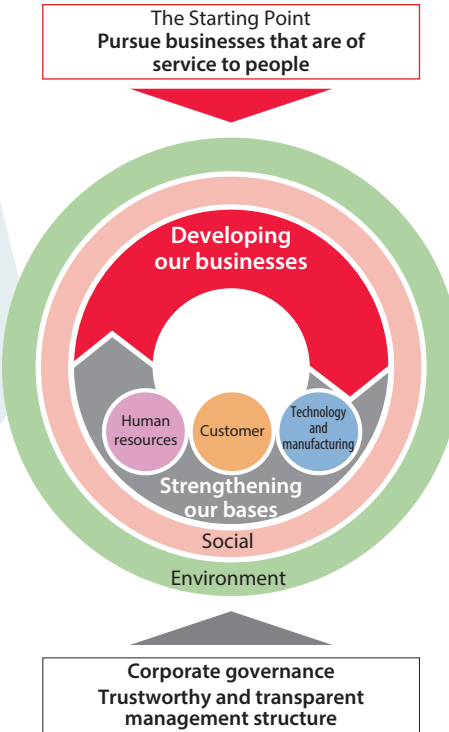
\*1 Figures include intersegment transactions.  
\*2 Regular employees only, total figures include all personnel in the Company (joint).  
\*3 Figures for Daiwa House Reform only  
\*4 Percentage of involvement is the proportion of existing-owner property deals (intermediary or direct sales) in which the Daiwa House Group was involved.  
\*5 Number of facilities constructed by the commercial facilities business of Daiwa House Industry (non-consolidated).  
\*6 Total for Daiwa House Industry (non-consolidated), Daiwa Lease, and Fujita

Social issues affecting our businesses and their actions for adapting

We are moving sustainably improve corporate value by pushing ahead with businesses working to address materialities

Social issues/Megatrends			The SDGs on which we will focus
Sixth Medium-Term Management Plan Period (to FY2021)	Medium term (to FY2025)	75th anniversary (FY2030)	
Japanese market	Demographic trends	<ul style="list-style-type: none"><li>• <b>Changes in the number of households in Japan</b> Declining new housing starts/Lower desire to own a house</li><li>• <b>Increase in untenanted houses</b> Expansion of the existing housing market</li><li>• <b>Labor shortage, decline in skilled construction workers</b> Decreasing working-age population/ Decline in skilled construction workers/ Necessity of systematically securing human resources in quantitative-qualitative balance / Enhancing productivity and leveraging the talents of human resources regardless of age, gender, or nationality</li></ul>	<ul style="list-style-type: none"><li>• <b>Regional depopulation, urban population concentration</b> Compact cities in regions/Increasing demand for housing redevelopment/ Developments regarding smart cities</li><li>• <b>Shrinking and aging population</b> Greater social acceptance of the elderly and people requiring nursing care/ Increasing elderly participation in society/ Increasing demand for health and care in work styles</li></ul>
	Economic & industry factors	<ul style="list-style-type: none"><li>• 2020 Tokyo Olympics and Paralympics</li><li>• Broader hiring of foreign labor</li><li>• Consumption tax hikes depressing consumer confidence</li><li>• Coexisting with COVID-19 Lower domestic GDP growth / Changes in consumer behavior and tastes (burgeoning online activity) / Changes in corporate capital investment patterns (increased teleworking)</li></ul>	<ul style="list-style-type: none"><li>• Shifts in interest rates due to domestic economic stagnation</li><li>• Linear Chuo Shinkansen starts operation Enhanced competition between cities</li><li>• Holding of Expo 2025 Osaka/Kansai, attracting IR to Japan</li><li>• Accelerating involvement in open innovation</li></ul>
	Changes in business environment	<ul style="list-style-type: none"><li>• Intensifying social issues Increase in ethical consumption/ Full-scale social impact evaluation of business and real estate investment</li><li>• Greater disclosure of management information Standardization of non-financial information disclosure by securities exchanges and Financial Services Agency/ Progress in sustainable finance/Stronger leverage of ESG engagement by institutional investors</li></ul>	<ul style="list-style-type: none"><li>• Resource depletion Deregulation leading to the launch of new markets/ Diversification of the sharing economy</li><li>• Changing values pertaining to living and working styles Ownership-eschewing consumer behavior (sharing economy) / Diversifications of working styles (more use of virtual offices, relocation away from urban centers, employment, hours, compensation) / Diversification of lifestyles and preferences / Heightening desire to belong to communities</li><li>• Frequent and large-scale natural disasters Greater awareness for BCP/ Intense heat become normalized</li></ul>
Overseas markets	<ul style="list-style-type: none"><li>• Slowdown of China's economy impacts on the global economy</li><li>• Advent of the AI/IoT/big data society Progressively more advanced and efficient business via digitalization/Cyber-attack threats/Progressive use of ICT in real estate/ Spread of connected homes/Further expansion of i-Construction, 5G commercial services, and the e-commerce market</li></ul>	<ul style="list-style-type: none"><li>• Economic growth of the emerging nations</li><li>• Stronger international rules centered on Europe Increased business opportunities for solutions to deepening social issues typified by SDGs/Greater concern over preventing corruption in the value chain/ Expanded influence of international codes of conduct concerning human rights, establishment in various countries/Expanded influence of institutional investors and UN institutions on markets</li><li>• Coping with environmental impacts Greater consumer awareness of environmental performance/Expanded percentage of renewable energy</li></ul>	<ul style="list-style-type: none"><li>• Increasing global population, China's population peaks Much greater demand for resources, energy, water, food</li><li>• Increased income in emerging countries</li><li>• Encouraging generational changeover Millennials taking central roles/ Rise of Generation Z</li><li>• Progressive social divisions Full-scale acceptance of immigrants/ Expanding poorer class</li><li>• Age deterioration of social infrastructure</li></ul>

Daiwa House Industry is working to sustainably enhance corporate value in line with the four management items defined in our Corporate Governance Guidelines (Secure a stable level of profits and maintain or improve growth rates. Maintain and improve profitability based on an optimal capital structure. Strengthen the management base required to realize sustained growth. Lower capital cost by enhancing the Group's trustworthiness and management transparency.) as we move to address materialities identified out of a clear awareness of the externalities that will affect the company up to around 2030. In our implementing our Sixth Medium-Term Management Plan, we will be taking action aligned with our basic policy with particular attention to dealing with contingencies like living with COVID-19, domestic demographic dynamics, and climate change-driven changes in business conditions. We intend to contribute to achieving SDGs, which are globally shared challenges, by focusing on Goal 11: Sustainable cities and communities, with regard to items related to our business and in-house SDG initiatives.



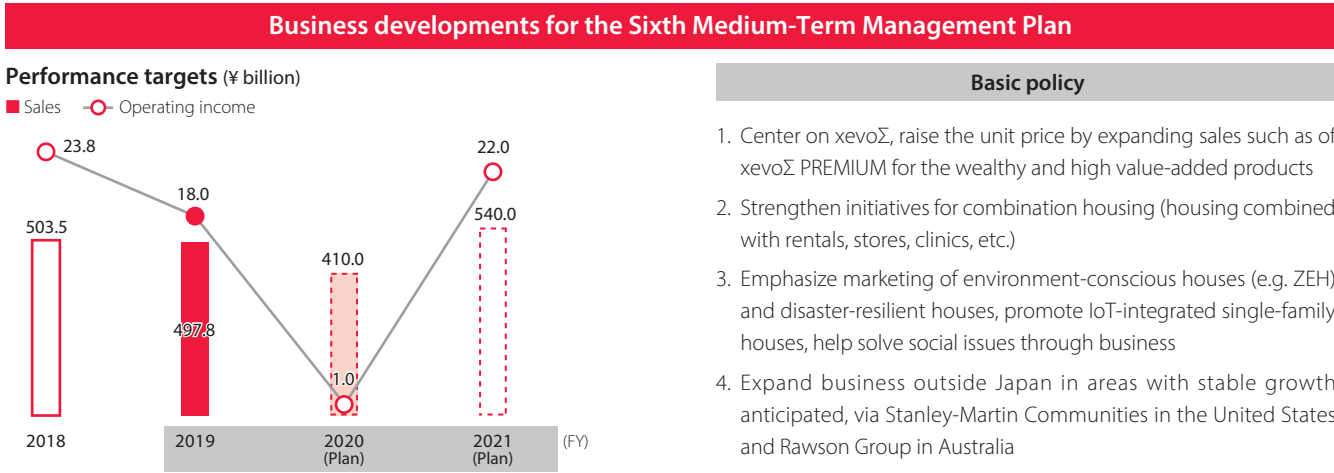
P.45-46 (Our Three Bases and ESG engagement)

Social issues and six core segments' actions				
		Social issues	Actions	Strengths
Segments driving growth	Commercial Facilities	<ul style="list-style-type: none"><li>● Changing values pertaining to living spaces and working styles</li><li>● Changing consumer behavior and tastes</li></ul>	<ul style="list-style-type: none"><li>▶ Diversification of tenants reflecting social trends and local attributes</li><li>▶ Steps up involvement in large-scale projects</li></ul>	<ul style="list-style-type: none"><li>● LOC System</li><li>● Organization for expanding possibilities with greater ability to gather intelligence and offer innovative solutions</li></ul>
	Logistics, Business and Corporate Facilities	<ul style="list-style-type: none"><li>● Advances in business sophistication and efficiency due to digitalization</li><li>● Economic growth in developing countries</li></ul>	<ul style="list-style-type: none"><li>▶ Business establishes itself as Japan's No. 1 retail developer</li><li>▶ Acquires customers through strengthening of new businesses</li></ul>	<ul style="list-style-type: none"><li>● Ability to identify promising tracts and diverse business schemes</li><li>● Track record building logistics facilities and accumulated know-how</li></ul>
Segments reorganizing their foundations to achieve renewed growth	Single-Family Houses	<ul style="list-style-type: none"><li>● More frequent and intensifying natural disasters</li><li>● Declining new housing starts</li><li>● Growing world population</li><li>● Changing values pertaining to living and working styles</li></ul>	<ul style="list-style-type: none"><li>▶ Uptake of ZEH</li><li>▶ Increased unit price per house through combination housing</li><li>▶ Expansion of overseas areas through M&amp;A</li><li>▶ Ideas on housing adapted for working at home</li></ul>	<ul style="list-style-type: none"><li>● Technical capabilities for ensuring safety and security</li></ul>
	Rental Housing	<ul style="list-style-type: none"><li>● Changes in household numbers in Japan</li><li>● Changing values pertaining to living and working styles</li></ul>	<ul style="list-style-type: none"><li>▶ Strengthening of ideas-driven activities</li><li>▶ Roll out of local needs-oriented products</li><li>▶ Ideas for living spaces adapted for working from home</li></ul>	<ul style="list-style-type: none"><li>● Vertically integrated management leveraging Group strengths</li><li>● Full range of peripheral services conducive to high occupancy</li></ul>
	Condominiums	<ul style="list-style-type: none"><li>● Shift toward more compact regional cities</li><li>● Advancing societal aging and falling birthrate</li><li>● Changing values pertaining to living and working styles</li></ul>	<ul style="list-style-type: none"><li>▶ Diversification of revenue streams from large-scale multi-use development, redevelopment, and rebuilding projects</li><li>▶ Accommodation of health and environmental concerns</li><li>▶ Ideas for living spaces adapted for working from home</li></ul>	<ul style="list-style-type: none"><li>● Roll out of local business locations in mid-tier cities</li><li>● Ability to take on redevelopment and rebuilding projects leveraging specialized business units and intra-Group collaboration</li></ul>
	Existing Homes	<ul style="list-style-type: none"><li>● Rising demand for redevelopment of housing complexes</li><li>● Expanding existing housing market</li><li>● Changing values pertaining to living and working styles</li></ul>	<ul style="list-style-type: none"><li>▶ Increase involvement of existing customers</li><li>▶ Expansion into business fields</li><li>▶ Ideas for living spaces adapted for working from home</li></ul>	<ul style="list-style-type: none"><li>● Track record creating living spaces and accumulated know-how</li><li>● Livness brand (comprehensive solution)</li></ul>



Single-Family Houses Business Principal companies: Daiwa House Industry (non-consolidated), Stanley-Martin Communities, Rawson Group

Strengthening competitiveness with a know-how–leveraging lineup as well as rebuilding our organization for ensuring stable quality



Note: FY2018 figures for post-reorganization segments

Looking back at FY2019 and actions going forward

Single-family houses sales rankings (FY2019)

Ranking	Company name	Number of sales units
1	Sekisui House	12,606
2	SEKISUI CHEMICAL	10,200
3	Asahi Kasei Homes	9,111
4	Daiwa House Industry	7,983
5	Sumitomo Forestry	7,738

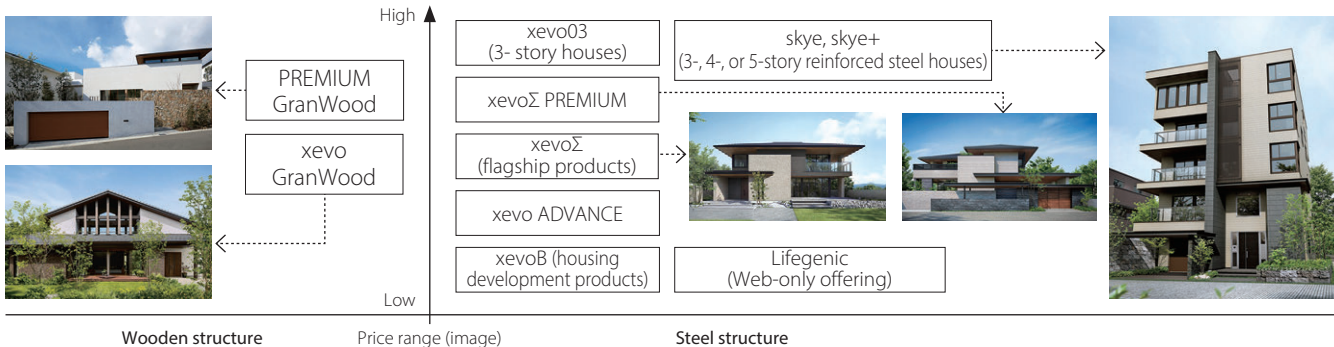
\* Compiled from data published by the companies concerned



Web-only offering  
Lifegenic

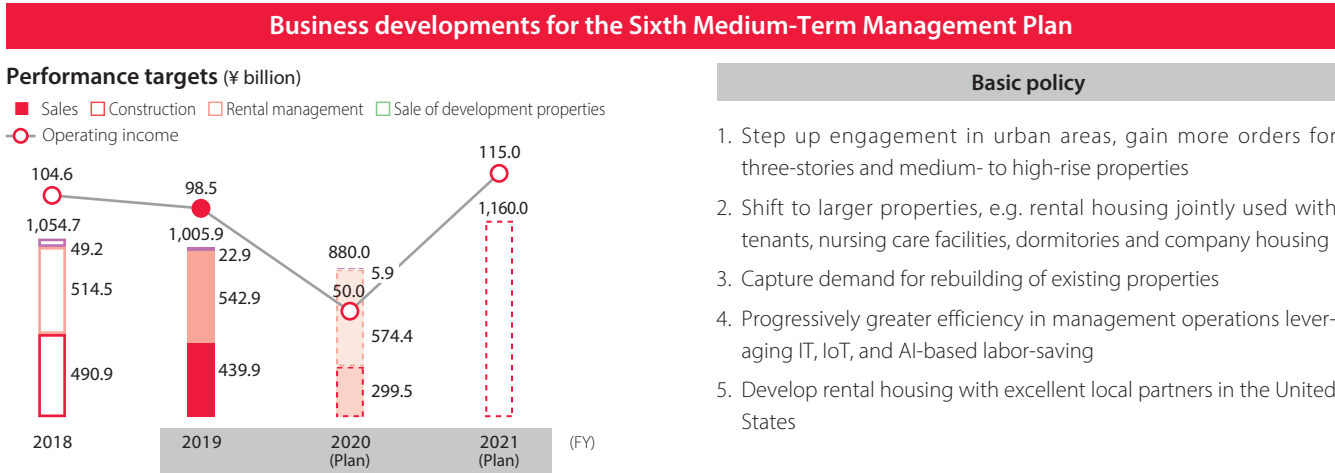
Product lineup

- Diverse lineup tailored to customer attributes
- Building out high-end offerings for the well-to-do



Rental Housing Business Principal companies: Daiwa House Industry (non-consolidated), Daiwa Living COMPANIES

Expanding share by identifying promising tracts of land and providing quality living spaces with a tenant perspective

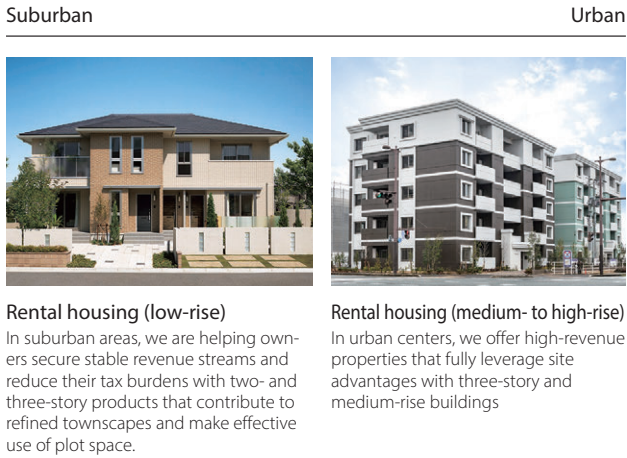


Note: FY2018 figures for post-reorganization segments

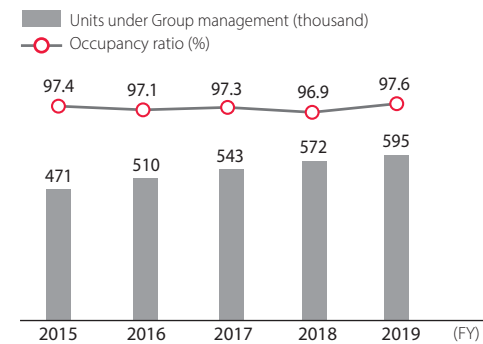
Looking back at FY2019 and actions going forward

Product lineup

Proposing local needs-oriented rental-housing products



Units under Group management/ Occupancy ratio



Fiscal 2019 sales were ¥1,005.9 billion (-4.6% YoY) and operating income ¥98.5 billion (-5.8%). The order environment remained challenging as financial institutions tightened their lending criteria. Fiscal 2019 rental housing starts totaled 330,000 (-14% YoY). In our contracting business, we extended our efforts beyond pure residential properties, with business proposals including mixed retail and medium- to high-rise rental housing in urban areas and city centers and medical and welfare facilities. In our management and operations business, we are also expanding our services to meet diversifying tenant needs and boosting the value of existing properties. We have roughly 590,000 units under management, and maintain a high 97.6% occupancy rate. We sold 47% of our property stake in the Aurelien rental housing development in the US, which has maintained occupancy of over 90% since opening, to Daiwa House Global REIT Investment Corporation.

For fiscal 2020, we forecast sales of ¥880.0 billion and operating income of ¥50.0 billion. This factors in the impact on marketing from event cancellations and postponed business talks due to COVID-19. We expect construction used as an inheritance tax strategy to stay firm, and will continue to bolster our product line-up to meet local needs and work to grow orders in areas such as repair and rebuilding.

Rental housing sales rankings (FY2019)

Ranking	Company name	Number of sales units	Share
1	Daito Trust Construction	53,307	Approx. 15%
2	Daiwa House Industry	33,502	Approx. 10%
3	Sekisui House	27,981	Approx. 8%

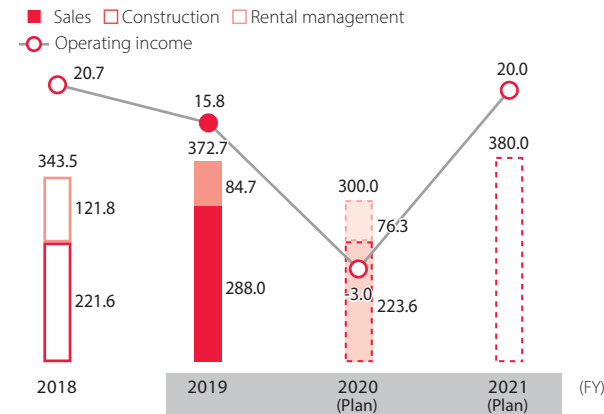
\* Compiled from data published by the companies concerned

## Condominiums Business Principal companies: Daiwa House Industry (non-consolidated), Cosmos Initia, Daiwa LifeNext

We are diversifying revenue sources by undertaking large-scale multi-use development, redevelopment, and rebuilding projects in regional mid-tier cities leveraging Group synergies

### Business developments for the Sixth Medium-Term Management Plan

#### Performance targets (¥ billion)



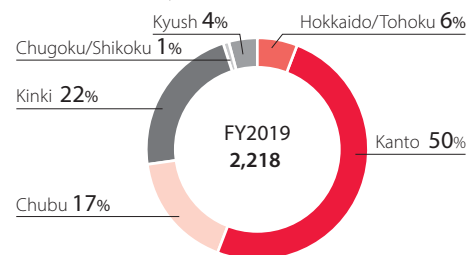
Note: FY2018 figures for post-reorganization segments

#### Basic policy

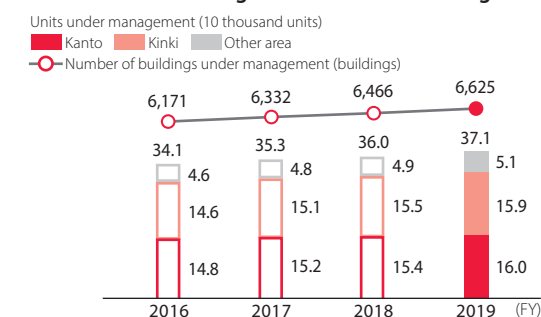
1. Expand large-scale, multi-use development projects highlighting Group synergy
2. Redeveloping terminal station areas in main provincial cities
3. Development of condominiums for small households or for the elderly
4. Raising the value of existing properties, expanding their purchase and resale

### Looking back at FY2019 and actions going forward

#### Condominium units for sales by area (Daiwa House Industry, non-consolidated)



#### Condominium buildings and units under management by area



#### Project sampling



Premist Tower Osaka  
Shinmachi Laurel Court (Osaka)



Premist Shiroganedai (Tokyo)



Initia Gran Sapporo Naebo (Cosmos Initia)  
(Hokkaido)



Selesage Nakameguro (Cosmos Initia)  
(Tokyo)

Fiscal 2019 sales were ¥372.7 billion (+8.5% YoY) and operating income ¥15.8 billion (-23.4%). In Japan, new building supply numbers fell for the first time in three years and selling prices remained high. We are engaged in mixed use residential/commercial developments incorporating single-family houses, commercial facilities, and medical and nursing care facilities. We launched sales of projects such as Premist Funabashi Tsukada (Chiba) and Premist Tower Sapporo Naebo (Hokkaido). Sales at Livness More Ibaraki (Osaka), entailing the complete renovation of entire buildings under our Livness project to stimulate sales of existing residential properties, are going smoothly. Group company Cosmos Initia sold all the units on offer in Selesage Omotesando (Tokyo), an investment property. The management and operations business had 370,000 units under management.

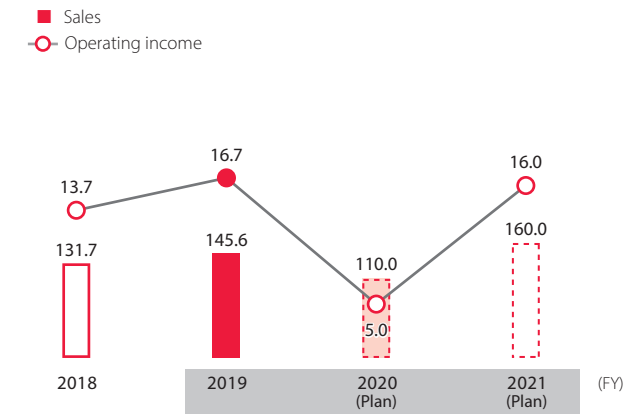
For fiscal 2020, we forecast sales of ¥300.0 billion and an operating loss of ¥3.0 billion, as COVID-19 impacts marketing through the temporary closure of display condos. We plan to review marketing methods and grow business opportunities by means such as virtual tours of properties and sales of completed inventory and multi-use developments drawing on the Group's full range of competencies.

## Existing Homes Business Principal companies: Daiwa House Reform, Nihon Jyutaku Ryutu, Daiwa House Industry (non-consolidated)

Working to expand business by actively advancing our Livness comprehensive solution brand building on our accumulated experience and know-how in creating living spaces

### Business developments for the Sixth Medium-Term Management Plan

#### Performance targets (¥ billion)



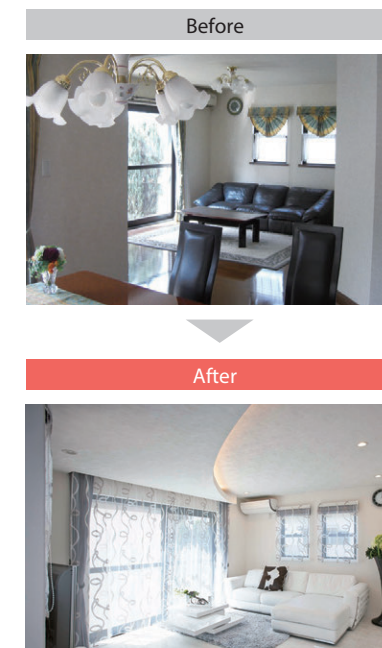
Note: FY2018 figures for post-reorganization segments

#### Basic policy

1. Raise the profile of the Livness brand to raise our involvement in brokerage, purchase, or resale of our own properties
2. Actively expand our purchasing and resale business utilizing our customer stock and new construction sales networks
3. Increase our renovation workforce via active recruiting activities
4. Construct marketing and construction systems in business fields to engage in maintenance and renovation of commercial properties
5. Raise the value of existing properties and expand resales
6. Promote the Livness town projects

### Looking back at FY2019 and actions going forward

#### Example renovation project

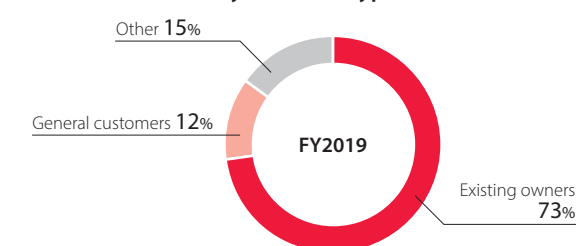


Fiscal 2019 sales were ¥145.6 billion (+10.5% YoY) and operating income ¥16.7 billion (+22.1%). We stepped up inspections (regular inspections at appropriate intervals) to strengthen relations with owners of single-family houses and rental properties the Company has built and proposed renovations to extend warranty periods. We also sold household power storage batteries to single-family house owners approaching the end of purchase periods for renewable energy under the feed-in tariff scheme. We also focused on offering maintenance services to business assets of corporate customers to grow orders.

As part of the Livness project to stimulate sales of high-quality existing housing, we held nationwide seminars and sales campaigns for owners of single-family houses and condos. In fiscal 2019, we were involved in 24% of resale transactions of our single-family houses through brokerage or purchase and resale.

For fiscal 2020, we forecast sales of ¥110.0 billion and operating income of ¥5.0 billion. This works in restraint in carrying out marketing activities such as regular inspections of existing owners' properties due to COVID-19.

#### New deals closed, by customer type



#### Housing renovation sales ranking (FY2018) (¥ billion)

Ranking	Company name	Sales
1	Sekisui House Group	141.4
2	Sumitomo Realty & Development Group	124.3
3	Daiwa House Group	114.5
4	Sekisui Chemical Group	95.0
5	Sumitomo Forestry Group	70.3

\* Compiled from data of Reform Sangyo Shimbun



## Commercial Facilities Business

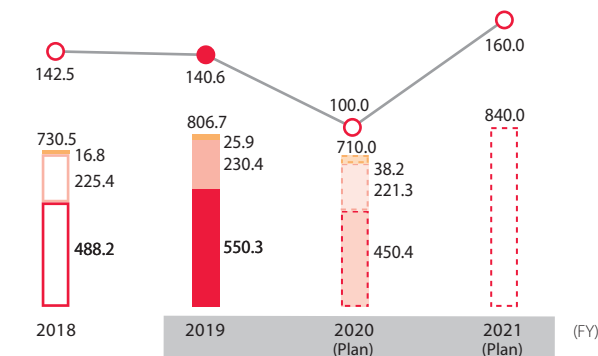
Principal companies: Daiwa House Industry (non-consolidated), Daiwa Lease, Daiwa Royal, Daiwa Information Service

### Helping invigorate communities and accommodate diversifying work- and life-styles with intelligence-gathering and solution-formulation capabilities cultivated with our distinctive LOC system

#### Business developments for the Sixth Medium-Term Management Plan

##### Performance targets (¥ billion)

■ Sales ■ Construction ■ Rental management ■ Sale of development properties  
○ Operating income



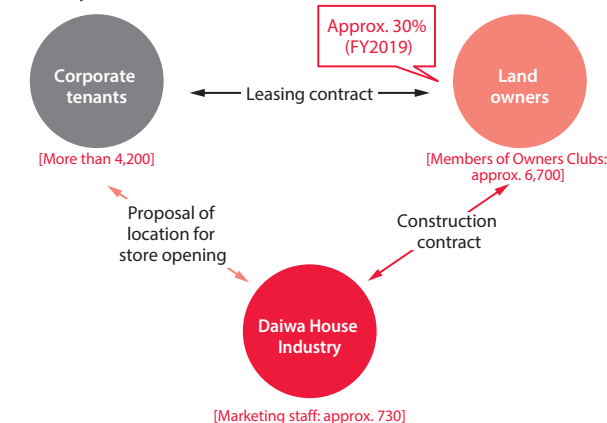
Note: FY2018 figures for post-reorganization segments

##### Basic policy

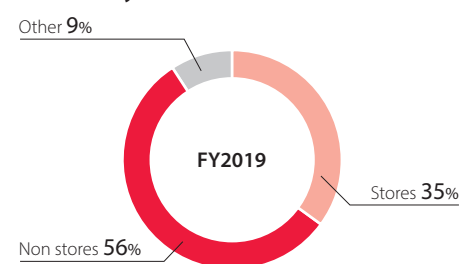
1. Leverage area characteristics to expand commissions for large projects, e.g. logistics facilities, offices, medical and nursing care facilities, and hotels
2. Expand the profit-earning real estate business by purchasing existing properties
3. Expand the development and sale of investment properties
4. Strengthen our overseas business by entering the ASEAN and North American markets

#### Looking back at FY2019 and actions going forward

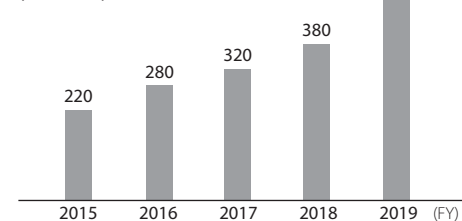
##### LOC System



##### Ratio of contracts by facilities (based on contract amount)



##### Price per building trend (¥ million)



Fiscal 2019 sales were ¥806.7 billion (+10.4% YoY) and operating income ¥140.6 billion (-1.4%). We were proactive in construction projects for various uses outside retail, and we developed hotels and commercial complexes in the central areas of major cities in Japan. Contracts for childcare facilities and medical and nursing care facilities were solid in areas with convenient lifestyle amenities. We are stepping up our efforts for buildings that are increasingly larger and multi-use in nature. The average price per building increased from ¥380 million in fiscal 2018 to ¥490 million in fiscal 2019. Large projects of ¥1.0 billion or more accounted for about 30% of total contracts, helping drive sales growth.

Stock business growth is being driven by in-house developments of mixed-use properties. In April 2019, we opened GRANODE Hiroshima, a commercial/office/hotel building, and in June 2020, we opened a large commercial facility in Okinawa, iias Okinawa Toyosaki. Overseas, we acquired Trade, a commercial facility in California, in October 2019.

For fiscal 2020, we forecast sales of ¥710.0 billion and operating income of ¥100.0 billion. This allows for the impact of COVID-19 on marketing activities such as delayed negotiations and its effect on business operations at city hotels and commercial facilities operated by the Group. We will redouble our efforts in major projects and work to grow the business.



Mixed-use property



Nursery school

## Logistics, Business and Corporate Facilities Business

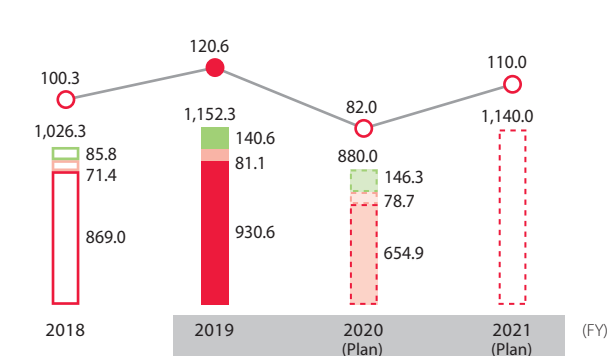
Principal companies: Daiwa House Industry (non-consolidated), Fujita, Daiwa Lease

### Producing facility construction leveraging our ability to identify promising sites and diverse business schemes to accommodate digitalization-driven advances in logistics-facility sophistication and efficiency

#### Business developments for the Sixth Medium-Term Management Plan

##### Performance targets (¥ billion)

■ Sales ■ Construction ■ Rental management ■ Sale of development properties  
○ Operating income



Note: FY2018 figures for post-reorganization segments

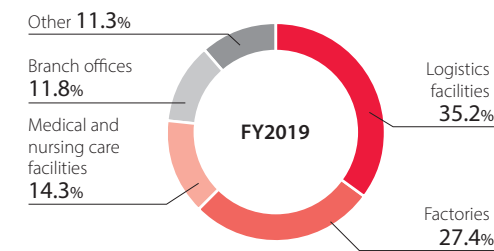
##### Basic policy

1. Developing logistics facilities incorporating multiple functions like offices, R&D, etc., or high value-added logistics facilities adopting the IoT/AI
2. Maintaining current build-to-suit (BTS) logistics facilities accurately meeting tenant needs and rapid development of multi-use facilities
3. Promoting mixed use development for large medical, care, or social welfare facilities
4. Widen destination countries overseas by developing logistics real estate and industrial parks

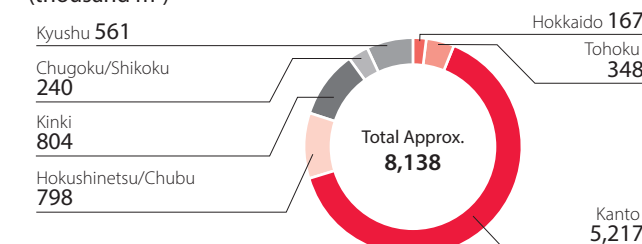
#### Looking back at FY2019 and actions going forward

##### Orders received, by segment

(Daiwa House Industry, unconsolidated)



##### Aggregate logistics-facility floorspace developed under the D Project real estate securitization scheme\* (thousand m<sup>2</sup>)



\* Includes 251 facilities under construction (of which 203 are BTS and 48, multi-tenant facilities)

Fiscal 2019 sales were ¥1,152.3 billion (+12.3% YoY) and operating income ¥120.6 billion (+20.2%). Amid solid demand from logistics facilities driven by growth in e-commerce, we developed multi-tenant and high-performance logistics facilities to meet the various needs of our tenants. Leasing proceeded smoothly and floor space at multi-tenant logistics facilities open for a year or more was virtually fully occupied. In medical/nursing care facilities, we stepped up our proposals to rebuild and relocate, targeting clients in outdated facilities and hospitals that did not meet earthquake resistance standards. In support for offices and factories, we started redeveloping the Hiroshima-Nishi Airport site into an industrial park, Hiroshima Innovation Techno Port, and started making moves to attract companies. We also made solid progress in selling development properties, and sales exceeded our initial forecasts.

For fiscal 2020, we forecast sales of ¥880.0 billion and operating income of ¥82.0 billion, in light of the impact of COVID-19 in delaying business negotiations and other marketing activities. We are boosting our proposals to sectors with prospects of capex growth and attracting companies to industrial parks to grow orders.



Logistics facility



Hospital

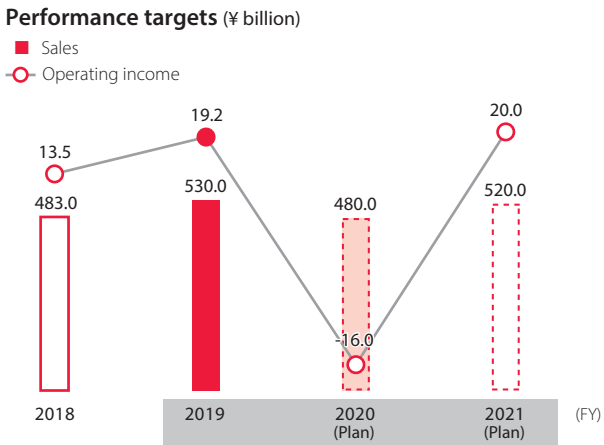
Expressway (Fujita)  
(March 2019 photo by and courtesy of Yokkaichi Construction Office, NEXCO Central)

Gymnasium (Daiwa Lease)

Other Businesses

Providing value in a spectrum of area related to people’s lives like construction support, environment and energy, and health and leisure

Business developments for the Sixth Medium-Term Management Plan



Note: FY2018 figures for post-reorganization segments

Looking back at FY2019 and actions going forward

Fiscal 2019 sales were ¥530.0 billion (+9.7% YoY) and operating income ¥19.2 billion (+42.4%). The Environment and Energy and Construction Support businesses performed strongly, but from February 2020 onward, occupancy rates in the Resort Hotel business declined significantly and fitness clubs were closed temporarily due to COVID-19.

For fiscal 2020, we forecast sales of ¥480.0 billion and an operating loss of ¥16.0 billion due to the ongoing impact of the pandemic on resort hotels and fitness clubs. We aim to tap into domestic tourist demand in the hotel business.

Features and strengths

Construction Support

Principal companies:  
Royal Home Center, Daiwa Logistics, DesignArc

Home centers

Royal Home Center has 57 locations across Japan offering their communities unique services and local needs-tailored selections of DIY, interior, gardening, and pet goods, as well as renovation and professional grade building materials.



Home center business

Logistics services

Daiwa Logistics operates a logistics network with a massive 94 bases throughout Japan to deliver logistics services tailored to customers’ business models.



Logistics business

Interiors business

DesignArc creates spaces embodying contemporary trends and customer needs for the interiors of hotels, offices, and other commercial spaces as well as living spaces in single-family houses, condominiums, and housing showrooms.



Interiors business

Environment and Energy

Principal companies: Daiwa House Industry (non-consolidated), Daiwa Energy, Eneserve Corporation

Daiwa House Industry, Daiwa Energy, and Eneserve Corporation provide environmental and energy solutions from energy creation, energy saving, and power storage to electricity generation and retailing. Taking a strategic approach to climate change, we are working to transform our successes in saving, creating, and storing energy to enhance our competitiveness. Currently our 278 solar, wind, and hydroelectric generating facilities have 379MW of capacity.



Photovoltaic power generation business



Wind generation business

Health and Leisure

Principal companies: Daiwa Resort, Sports Club NAS

Resort hotels

Daiwa Resort operates 27 resort hotels under the Daiwa Royal Hotel brand and seven city hotels under the D-CITY brand. Its hotels are all designed to serve their communities as well as please guests.



THE HAMANAKO  
(Hamanako Royal Hotel)



THE KASHIHARA  
(Kashihara Royal Hotel)

Fitness clubs

Sports Club NAS operates 71 facilities nationwide. Designed to satisfy the people’s growing interest in getting exercise and maintaining health and beauty, they provide spaces where people of all ages can have fun staying (or getting) in shape.



Sports Club NAS

Other Businesses

Principal companies:  
Daiwa House Parking, Daiwa House Financial,  
Daiwa House Insurance

Daiwa House is also involved in the parking business, which contributes to society by providing profitable, high-convenience parking areas. We also manage private homes for the elderly and assisted-living residential facilities for seniors. These provide residential and other facilities where elderly people can live in comfort. Our range of financial services is also developing, including credit cards and insurance agencies.

The Company is also working on creating model working styles reforms utilizing robotics technologies, for use in hospitals, care facilities, factories, and construction sites.



Car parking business



## Committed to securing profits and maximizing investor value by creating quality, competitive properties

### Mid-Term Management Plan and Real Estate Development

Real estate development at Daiwa House Industry starts with ascertaining the value of potential sites, selecting a site, and then planning a building optimized for site conditions and local needs, then screening the potential development project according to proprietary investment criteria set by the Real Estate Investment Committee. Only projects that meet these criteria move forward. Since its founding Daiwa House Industry has accumulated technology and expertise leveraging our strengths as a developer of large-scale residential subdivisions, resorts, condominiums, and like projects and our strengths as a general contractor constructing buildings and structures for diverse uses.

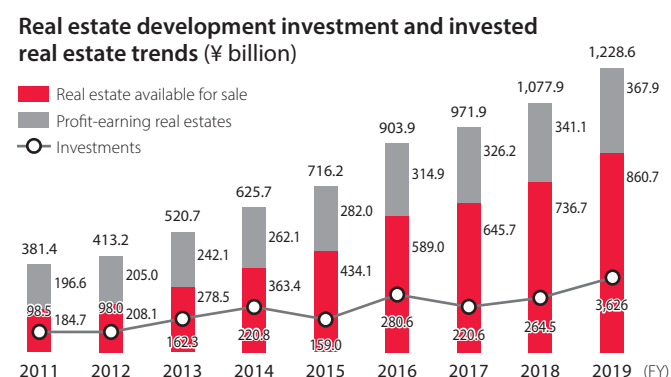
The theme of our Second Mid-Term Management Plan of 2008 was to "strengthen our comprehensive real estate business

through cross-segment collaboration," and we bolstered our asset management functions in order to actively invest in real estate development and expand our own property rental and rental property management businesses. Prompted by the 2012 J-REIT listing of Daiwa House REIT Investment Corporation, we began building a capital-recirculating business model in which recovered investment capital is used to finance a new round of development. And leveraging the relationships we have built with tenants, we are expanding the scope of support for corporate customers.

Our real estate development business's modus of securing profits and maximizing investor value by creating quality, competitive properties, is now one of Daiwa House Industry's stalwart business models.



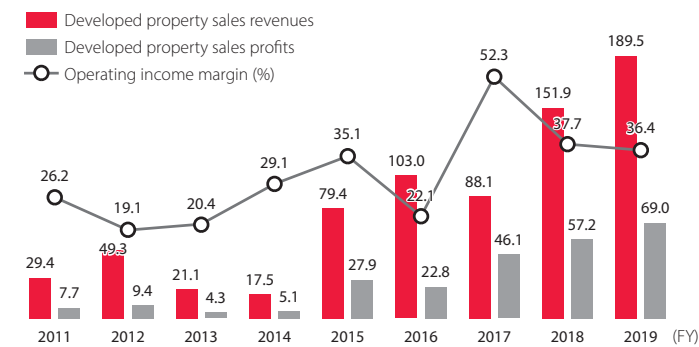
### Real estate development investment and invested real estate trends



Having actively invested in real estate developments to ensure future growth, at the end of March 2019 we achieved a ¥1 trillion balance on investment real estate intended as a future revenue source. At present, since the value of properties being rented among real estate available for sale is just over ¥300.0 billion, we are actively investing in construction of properties for occupancy. Moving forward, while achieving stable income gains by maintain a constant 70% or so occupancy rate at the balance of our investment real estate, we will be working to achieve a balance that, depending on conditions, will yield capital gains as well.

### Status on sale of development properties

#### Developed property sales (recovery of investment) (¥ billion)



The Daiwa House Group takes three factors into consideration to ensure the optimal timing when selling real estate available for sale: 1) growth of our Group's REITs; 2) our earnings; and 3) cash flows. We set a hurdle rate internal rate of return (IRR) as one of the investment criteria for property development. In the Fifth Medium-Term Management Plan, we were able to realize larger-than-expected gains that exceeded net operating income (NOI, effective rental income) due to rising property-market prices and falling property cap rates.

At the land acquisition or entry stage, we keep a close eye on trends in the real estate market, and look for the best sites. At the construction stage we offer a rich variety of buildings and exploit our construction capabilities as a general contractor to maintain and extend our competitive advantage.

### Investments in Real Estate Development and Risk Management

#### Establishment of Real Estate Investment Committee

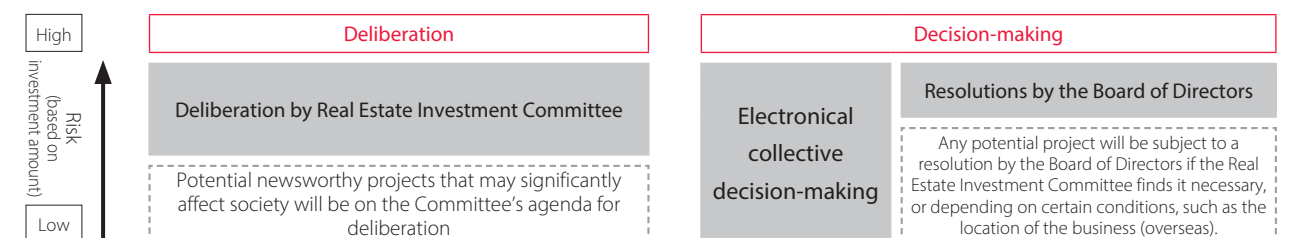
The Company's Real Estate Investment Committee is established to ensure that appropriate decisions will be made about potential investments in the real estate development business after sufficient deliberations and discussions through assessments of their feasibility and risks. As a rule, a meeting of the Committee will be held once in every 10 days or so and chaired by the president of the Company. The Company's decisions will be made through an electronic collective decision-making process, which will proceed in parallel with the Committee, and will be resolved by the Board of Directors.

The Committee will deliberate over potential domestic or overseas investment projects of a certain amount or more, according to the investment amount classifications, to facilitate the collective decision-making process and the Board of Directors' resolutions. However, regardless

of the amounts, any projects related to the 2020 Tokyo Olympics and Paralympics Games, projects involving operation of highly public facilities or the like (concessions pertaining to airports, parks, roads or other similar infrastructure), and other potential newsworthy projects, which may significantly affect society, will be on the Committee's agenda for deliberation, whether the land or facilities are owned publicly or privately. Furthermore, if a potential project poses a significant reputational risk to the Company, or if the Company may essentially take total responsibility for a potential project due to the structure of its business partners even though the Company's investment ratio is low, then the project will be deliberated, regardless of the investment amount requirement.

The Committee has been sitting since 2008 and had considered a total of 341 projects as of the end of fiscal 2019.

#### Deliberation and decision-making process according to impact of risk (based on investment amount)

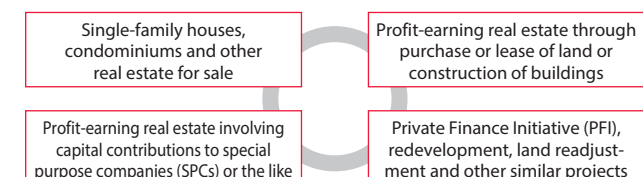


#### Deliberation based on unique criteria

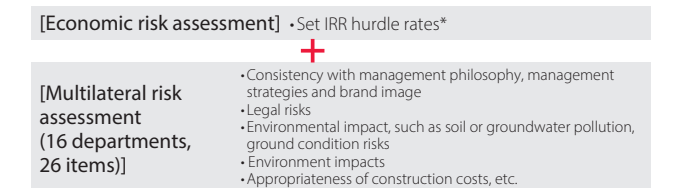
The Real Estate Investment Committee deliberates potential projects based on explanations given by the drafting and related departments. The Company has set hurdle rates for the internal rate of return (IRR) as investment criteria. The implementation of a potential investment will be adopted if the relevant rate requirement is met. At the same time, the Committee's deliberations involve risk assessments (16 departments, 26 items) from multiple perspectives, including social and environmental ones (legal risks and risks associated with soil or

groundwater contamination, soil conditions, proneness to flooding and other disasters, environmental impacts and appropriateness of construction costs) as well as whether going ahead with the investment is consistent with the Company's management philosophy, management strategies, and brand image. Thus, a project that is economically viable as an investment might not go ahead if other aspects significantly conflict with the Company's overall goals or vision, or has a significant environmental impact. In fiscal 2019 the Committee considered 50 projects, of which two were put on hold.

#### Major real estate development projects subject to deliberation



#### Risk assessment for investment decisions



\* To be set based on the WACC (weighted average cost of shareholders' equity and liabilities) by taking into consideration additional factors such as risk premiums.

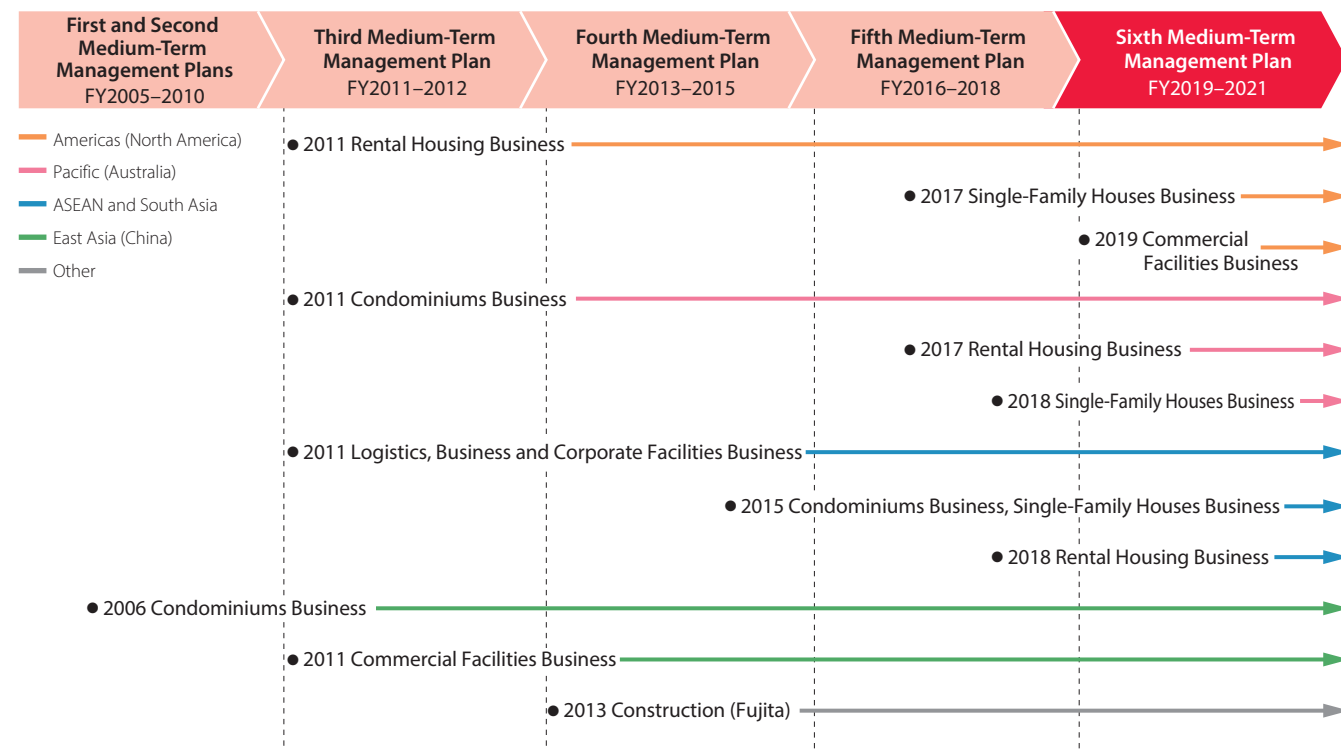
## Feature What you need to know Daiwa House Group's Overseas Businesses

### Delivering quality construction and services to people all over the world while sharpening our business acumen and lowering risk for the whole Group

#### Mid-Term Management Plan and Overseas Businesses

Desiring to bring Daiwa House Industry's quality architectural workmanship and services to people around the world, we began venturing outside Japan in the 1960s. Maximizing on business resources they have accumulated since then, the Group's overseas interests now span 21 countries and territories where we concentrate most of our efforts to grow overseas.

Internally, we organize our spheres of overseas activity into five administrative areas: East Asia, ASEAN and South Asia, Pacific, Americas, and Europe. Maximizing on the strengths of the Group and continuing to make sustainable project investment, we are working to achieve overseas sales of ¥400 billion in FY2021, the final year of the Sixth Medium-Term Management Plan.

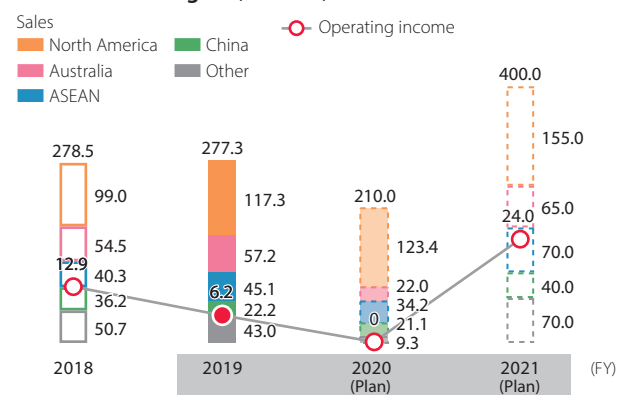


#### Sixth Medium-Term Management Plan Progress

Investment in real estate overseas is progressing smoothly and we have formed a global REIT as an overseas business investment exit strategy

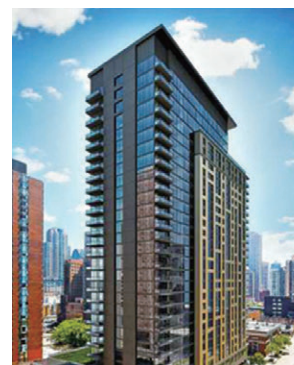
We are pursuing M&A deals to expand our sales coverage in the robust US single-family houses market

#### Performance targets (¥ billion)



#### Daiwa House Global REIT Investment Corporation

We established the Daiwa House Global REIT Investment Corporation in September 2019 to function as a strategy for exiting overseas project investments going forward. Something unprecedented in Japan, the private REIT allows incorporation of overseas real estate into the mix.



Rental housing property Aurelien Apartments (Chicago, Illinois, USA)

#### By region

##### The Americas (North America)

Daiwa House Industries is working to expand the geographical presence of its housing businesses in the US through M&A and by accumulating experience in rental housing. We hope to eventually extend coverage nationwide.

In FY2019, we sold a portion of our Aurelien Apartments, a rental housing property with stable occupancy, to Daiwa House REIT Investment Corporation, our REIT investment arm.

At the Single-Family Houses Business, in February 2020 our Stanley-Martin Communities, LLC, subsidiary acquired the North and South Carolina interests of Essex Homes Southeast, Inc., and in the same month Trumark Companies, LLC, a west-coast single-family home builder, joined the Group fold as well. Both developments helped us further extend our presence in a "smiling curve" joining the US east, south, and west.

We also purchased TRADE, an existing mall in Irving, California, which lies in the middle of an area experiencing rapid population growth. We intend to acquire mall operating and management know-how from local partners and provide incentives for Japanese businesses to move in.



A Stanley-Martin single-family house (architectural rendering)



An Essex Homes single-family house (architectural rendering)

##### Pacific (Australia)

Providing quality living spaces drawing on residential housing and real estate development knowhow accumulated in Japan

In Australia's housing market, the Rawson Group pressed forward with house building and land development amid an improvement in house buying sentiment following the July 2019 elections. It is now working to fill its order books after having reworked its pricing strategies to better fit potential homeowners' needs.

In 2018 we launched in the suburbs of Sydney, New South Wales, the Box Hill Project, a large-scale subdivision development encompassing some 1,500 lots.

And our Flour Mill of Summer Hill and Tempo (Drummoyne Project) development projects outside Sydney have also sold out.

##### ASEAN and South Asia

Daiwa House Industry contribute to economic growth in ASEAN countries by developing industrial parks, condominiums, hotels, and other infrastructure.

In Indonesia, Vietnam, and Thailand we develop logistics facilities leveraging the experience and technologies we have cultivated in Japan. One of the particular strengths of our logistics facilities is their capacity to provide storage in the four temperature bands (frozen, refrigerated, dry, and ambient) indispensable to the food industry. Moving forward we will be working to expand business and recover our investments efficiently by selling the developed properties to Daiwa House Global REIT Investment Corporation.

Further, in Vietnam we are pressing ahead with work on The Midtown, a multi-use project being developed jointly with Nomura Real Estate Development, Sumitomo Forestry, and a local partner, Phu My Hung Group. Units built during the first phase are now being offered to the public, with sales contracts concluded for 84% at the end of June 2020. Handover is scheduled for completion in 2022.



D Project Malaysia I (logistics facility)

##### East Asia (China)

Providing the trust and confidence of Japanese brands through the full suite of services from development to post-move-in customer care

A Grace Residence condominium development is under construction in Nantong, Jiangsu province. Of 1,480 units, 1,054 were already on sale by the end of June 2020 with a closing rate of 65%. Meanwhile, another Grace Residence being built in Changzhou, also a Jiangsu city. Here, 636 of 900 units were on the market by the end of June with a 99% closing rate. Both are sited in areas popular with the local upper and upper-middle segments. They have won acclaim for their dependable quality and are slated for completion in fiscal 2022.

To date we have been involved in the construction of over 5,000 condominium units in China and have begun providing post-move-in customer care like that in Japan to enable us to build long-term relationships with our overseas customers as well.



The Grace Residence condominium develop in Changzhou, Jiangsu (architectural rendering)