

Keiichi Yoshii

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President, CEO

Taking the long view to co-create value for individuals, communities, and people's lifestyles and help solve social issues through business

FY2020:  
Looking back

## With "living" as our byword, adapting business strategy and foundations to the New Normal

The COVID-19 pandemic in FY2020 sparked huge lifestyle changes. It made me keenly aware of the importance of life itself and caused me to re-examine our Group mission and raison d'être. By providing housing, we play a part in supplying the necessities of life (food, clothing, and shelter). Our Group has renewed its resolve to co-create value for individuals, communities, and people's lifestyles through all of our businesses around the keyword—life.

### Results exceed initial forecast as we adapt flexibly to societal changes

During the pandemic, our top priority was to safeguard all of our stakeholders' lives and health. While affected by restrictions on face-to-face sales activities, we worked quickly to roll out new products and services adapted to the New Normal and sales using our websites. As a result, fiscal 2020 sales were ¥4,126.7 billion and operating income ¥357.1 billion, significantly above our initial forecasts.

In the Single-Family Houses Business, subdivision sales were strong in some areas as people returned to the suburbs and worked from home. I expect further changes going forward as other new ways of living emerge. We are also seeing changes in house purchasing approaches. Prospective buyers used to first go to a housing showroom and investigate a property they found interesting. With movements restricted during the pandemic, they are increasingly looking online. More than 200,000 prospective customers have accessed the website for our online-only offering, Lifegenic, in some months, and aggregate contract closings continue to rise steadily every month. Lifegenic is a new way of selling homes we launched as a business before the pandemic. I think we need to be increasingly proactive in responding to emerging developments going forward.

Orders slumped in the Logistics, Business and Corporate Facilities Business due to waning corporate capex appetite, but logistics facility investment and sales were strong amid growing e-commerce volume during the pandemic. Logistics facilities not only create local jobs; we have agreements with local governments to use them as temporary refuges during disasters. Their contribution to local communities is becoming more significant every year.

In recent years we have seen increasing needs for data centers as information volume grows. As our first project in this area, we invited data center operators to land we bought to develop an industrial park, and are constructing a facility. I think this is a prime example of where our vast store of land data has enabled us to make a proposal suited to societal needs. We plan further developments going forward, with an eye on local characteristics.

In the past year, we were confronted by many unforeseen events during the pandemic. I was reminded of the strengths of our people, who always have ideas about the future, a proactive spirit, and the initiative to take one or two steps forward, no matter what difficulty they face. We moved quickly to postpone rents for housing tenants and temporarily halt work and compensate business partners at construction sites during the April 2020 state of emergency. I was reminded of our Group's mission as we walked hand-in-hand with all of our stakeholders over the year.

### Progress in digital transformation and workstyle reform

Turning to digital transformation (DX), we launched a digital construction project during our Sixth Medium-Term Management Plan, revolving around automation and laborsaving at worksites. In fiscal 2020, we shifted to using Building Information Modeling (BIM) for all design processes at business and commercial

facilities. For fiscal 2021, we have targeted a 30% improvement in productivity through further digitizing the construction process. This was initially a way to cope with the shortage of construction engineers in the industry. Now we also see it as an important response to the New Normal. We aim to promote reviews of existing rules by demonstrating groundbreaking technologies and worksite management systems to the authorities with the hope of industry-wide digital transformation. We have advocated the concept of “industrialization of construction” since our inception. This means doing things quickly, well, and at low cost. We would like to contribute to the advancement of the overall construction

industry while returning to that spirit.

Also around the theme of living, we are taking decisive steps to reform work practices so employees can live well. Switching on and off can be difficult when we work and live in the one location. As part of our commitment to living well, we believe work-life boundaries should be distinct. We will make it easier for employees to switch between the two, such as enabling them to work from the most conveniently accessible company office as well as from home. We aim to attract a diverse workforce and improve their motivation while retaining our company’s unique characteristics.

Reinforcing our foundations for another growth stage

## Implementing a business division-based system to achieve balance between vigorous growth and stability

We have devised a range of creative ideas to make us the company of choice for our customers, which is always at the forefront of our thinking. We solve problems by visiting the front lines, talking to our customers, and identifying their needs at an early stage. This is the essence of the Daiwa House Group.

Over the past decade, three businesses have been the key growth drivers: Rental Housing, Commercial Facilities, and Logistics, Business and Corporate Facilities. With the addition of significant moves in property development, we were able to achieve dramatic growth, becoming the first company in the housing, construction, and real estate industry to generate more than ¥4 trillion in sales. However, rapid growth in our businesses and Group company numbers made it hard for senior managers to make all the necessary decisions quickly. With sincere regret, we acknowledge that it was unclear where responsibilities lay and our corporate governance setup were insufficient to cope with rapid growth. In April 2021, our business division-based system got fully up and running to serve us in the new stage of our growth.

### Clearly placing responsibility with division heads to address the challenge of creating fully integrated value chains

The main difference between the business division-based and the business/ branch-based system is that business division heads’ responsibility extends beyond just earnings to encompass the entire business. Simply put, authority has been delegated to the division heads, clarifying responsibilities. I think a setup that can forestall potential risks are essential for a robust governance structure. Going forward, division heads will be responsible for building a risk management system that functions throughout the Group. I feel we are already seeing early results. We will work to make all employees risk sensitive through compliance training.

Further, Group companies are now under the umbrella of relevant business divisions, enabling us to work more closely with them than ever before. This will allow us to make swifter, more unified efforts across the entire value chain. Meanwhile, offices and branches will carry on their traditional role of horizontal

linkages with business divisions, retaining our ability to pitch the most appropriate proposals for individual areas. The UN’s Sustainable Development Goal 12 is all about “responsible consumption and production.” We think that we are responsible for producing (and having produced) buildings and towns in line with these goals. Our business divisions will not only tap into business opportunities but work to enhance value from a long-term

perspective based on our approach of fulfilling our social responsibility through business.

These institutional changes bolster both the growth and the stability aspects of our business, and should underpin sustainable growth. In my role as CEO, I will monitor business division managers closely to ensure they operate with a robust vision.

Training next-generation leaders

## Developing people through business with a view to growth

### My mission as CEO: Develop successors who will carry on our founder’s spirit

The Daiwa House Corporate Creed leads with our aim to “develop people through business.” Training human resources is our first priority. We are committed to keep growing into the future, but still lack the personnel to drive this growth.

People spanning a wide range of ages, abilities and disabilities, and over 30 different nationalities work at the Daiwa House Group. We want to build an organization that can foresee risks from all perspectives and capture new business opportunities by leveraging the skills of our diverse workforce. This is not simply a matter of blindly meeting numerical targets by increasing numbers. We want to train our people and bring out the best in them. While this is taking time, I feel that our efforts are starting to bear fruit. Going forward, we will work to train a diverse workforce (regardless of gender) and create an environment where all can bring their unique strengths to bear.

### Management talent and succession planning

Succession planning is an important mission for the Board. As part of our moves to strengthen governance, we have an upper age limit for inside directors to enable a smooth transition to the next

generation. Business division heads will also be responsible for positioning their businesses for sustainable long-term growth by training their own successors.

Our Chief Advisor, Takeo Higuchi, always told his employees to be ethical and self-disciplined, to cultivate the ability to keep in touch with the changing times, business environment, markets, and demonstrate a strong capacity for innovation. I promised him that I would train the next generation to be exceptional managers before passing the baton to them. I think they should be able to surmount any difficulty and tackle things speedily. I want our people to inherit the spirit of our founder, Nobuo Ishibashi, who was fond of saying that speed is the greatest service. I think it is necessary to prepare our employees by exposing them to a variety of experiences as branch or block managers so they can look at management from a cross-company perspective. We aim to develop managers with a range of experiences and skills by training them from a long-term viewpoint. We run D-Succeed (succession planning) and Daiwa House Juku (management training classes) for management candidates. Our efforts to enhance human resources development through effective training programs and systematic evaluation of results will be unrelenting.



**Toward 2055:  
Long-term  
prospects**

## Addressing societal issues through business to pass on the founder's spirit

**Founder's exhortations to follow:  
Be a business that is of service to society**

Since Mr. Higuchi retired as Chairman in 2020, we have been revisiting our history repeatedly as we ponder the Daiwa House Group's future and how and what it should be. We have been entrusted with achieving our founder's dream of ¥10 trillion in sales by 2055, our 100th anniversary; so we have been asking ourselves what sort of road we want to travel and what our future destination should look like, and I sense that the aspiration is now at a critical juncture. With these thoughts in mind, I looked to the sayings of our founder for insights.

The first is, "don't do things because they will make a profit, but because they will be of service to society." This spirit infuses every aspect of the way we do business. A company must be needed by society if it is to survive. We always have to keep in mind how we can help solve social issues.

The second is to "look beyond the immediate future to far-off horizons." The ever-changing needs of society demand our ability to respond flexibly. Amid mounting uncertainty, we will always approach management with an eye beyond the immediate future, while establishing a business platform that can respond nimbly to emerging developments.

The third is simply "dream." The preface to our founder's book *"The Future of the Daiwa House Group,"* states that "where there is a dream, there is progress, and our company will grow with the dream." In line with these words, we have dreams which we share with all stakeholders and will spare no effort to make these come true.

September 2021 marked the 100th birthday of our founder, Nobuo Ishibashi. To express our gratitude to stakeholders who have shared our journey, we plan to pay a commemorative dividend of ¥10 per share in fiscal 2021. We will carry on the spirit of Nobuo Ishibashi, in thinking about people and society and

pursuing dreams while running businesses that are useful and pleasing to many people.

**New community development approach for sustainable living**

Amid rapid changes in society, we are confronted with a variety of issues daily, but a critical issue shared the world over is our response to climate change and decarbonization. We see this as one of our most important management priorities from a long-term perspective. Mitigating and adapting to climate change is one of the key themes in our Long-Term Environmental Vision. In light of the Japanese government's October 2020 policy announcement, we revised our target to zero net greenhouse gas emissions by 2050. Initiatives include generating renewable energy using wind, solar, and hydro power at our sites nationwide. In fiscal 2020, we generated more electricity using renewables than our group consumed, reaching this milestone 10 years ahead of our 2030 target. In collaboration with our Environmental Energy business's new style of community development, we are rolling out our *Ko"Re"ka"ra City*, a suburban housing development, under our 3Rs catchphrase, which stands for Reality, Renewables, and Resilience. The first installment was a large-scale complex we developed in Funabashi, Chiba. All facilities were completed by March 2021, and a community with 100% renewable energy got fully up and running. We are currently developing the system and deploying it in projects with a view to nationwide rollout. We will continue pioneering new community development approaches so as to create and offer customers sustainable lifestyles.

We are also working to solve social problems in Japan. Neopolis branded suburban residential complexes we previously developed face issues such as the declining birthrate/ageing population and vacant houses. We have launched Livness Town Projects



in two locations in Japan to redevelop them so that people will want to remain or return to live there.

The challenges cities face are as varied as the regions themselves. Through dialogue with residents and local governments and new technologies, we will work together to address such issues and make communities more attractive and livable. We plan to extend these efforts and ultimately want to redevelop 61

Neopolis locations nationwide.

For a company that creates towns where people live as well as lifestyles, the most momentous changes—and massive challenges—involve demographics. While Japan's population is shrinking, some areas overseas face explosive growth. We will continue to identify what value we can bring to each region, cognizant of country risk, as we develop our businesses.

**To our valued  
stakeholders**

## To remain a beloved company

In *The Future of the Daiwa House Group*, our founder talks about Daiwa House being a beloved company. How shall we earn the love of all of our stakeholders? First, our employees need to love and be proud of the Daiwa House Group. I take this to mean employees being sincere in their dealings with customers. To be of service to society, we have pursued and realized many dreams and goals. Going forward, we will keep trying to deliver on these

aspirations so that all our stakeholders are glad to be associated with the Daiwa House Group.

Looking ahead to our 100th anniversary in 2055 and beyond, by facing head on the issues confronting society, we will continue to work toward our management vision of a society where people can live truly fulfilling lives. We look forward to your continued support for the Daiwa House Group.