Daiwa House is a corporate group that, working to co-create value for individuals, communities, and people's lifestyles, transcends the narrow boundaries of "home builder" to pioneer the future.



^{*2} Other businesses are excluded.

^{*3} Regular employees only. Total figures include all personnel in the Company (joint)

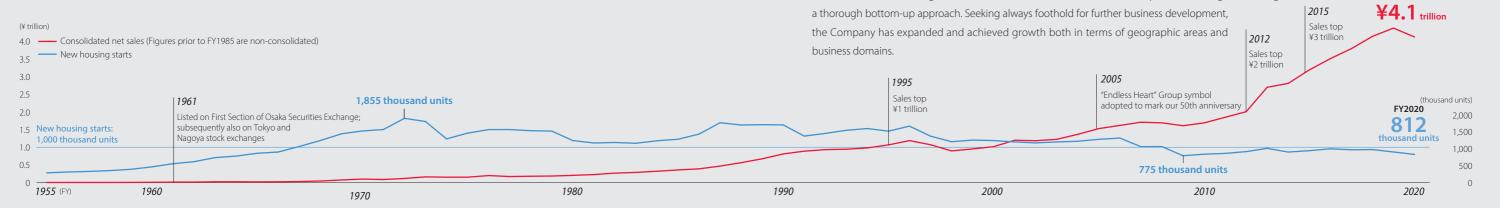
FY2020

Chapter 2 The Story of the Group's Value Creation

Does Daiwa House have a track record of co-creating value for individuals, communities, and people's lifestyles?

Yes! Daiwa House has grown by generating products and services that anticipate changes in what society wants and needs, in line with our founder's exhortation to do things because they will be of service to society.

Consolidated net sales and housing starts

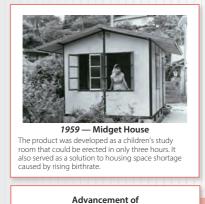


Business development to optimally leverage a land property



1955 — Pipe House

Mr. Ishibashi conceived the idea of a steel-pipe structure, which contributed to resolving the lack of lumber during the



steel-pipe structured construction

1962 — Habikino Neopolis

With the sale of a large-scale housing complex as the first in the private sector in the nation, we devised Japan's first residential mortgage loan system in cooperation with a

private financial institution



1976 — The birth of the LOC System We launched the Commercial Facilities Business to develop business of utilizing land holdings alongside major roads.

1989 — Silver Age Research Center

This was a unique research institution dedicated to market nursing care facilities, with the goal of providing a safe and



logistics facilities, offering a one-stop service encompassing everything from selection, purchase and preparation of site, through design and

onstruction, to start-to-finish management support

Diversification of tenants Development of large-scale commercial facilities

2016 — Multi-tenant logistics facilities overseas Logistics warehouse development started in the ASEAN region, beginning with the

Daiwa House Industry was founded by Nobuo Ishibashi in 1955 with "industrialization of construction" as a corporate philosophy. A major typhoon

had recently devastated parts of the country, and he 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. Inspired by this, he created the Company's

first product—the Pipe House. Using cylindrical steel pipes in place of wooden ones, the product also contributed to resolving the lack of lumber, a

Since then, following our founder's guiding principle of "doing things because they will be of service to society," we at Daiwa House have been

pressing issue faced by Japan that needed large amounts of timber for use as buildings materials during the postwar reconstruction period.

creating both business value and social value. As we developed businesses to optimally leverage a property, we accumu-

lated data on the land usage and tenants across the nation and refined our problem-solving skills through

2016 — Proposing Kaji Share House that helps reduce household labor As a new way of living, we proposed a set of fixtures and room plans to ease the temporal and psychological burden of "invisible labor" felt by dual-earne

2017 — The birth of Livness brand for existing homes

This was launched as a new group-wide brand to establish a quality existing housing market. We offer comprehensive solutions based on the know-hov

2012 — Daiwa House REIT Investment Corporation listed on market

Anticipating an acceleration in real estate vestment, we devised stronger exit strategies. By developing high-quality properties that promise a stable cash flow, we contributed also to the growth of the J-REIT market.

Livness town projects

We redevelop Neopolis housing complexes that were initially cor the appeal of them and turn them into communities where people can eside for a long period.

> Capacity to grasp quickly what is needed in the frontlines and present solutions

Accumulation of

data on the land usage

and tenants across

the nation

SMA-Eco Original launched This is a smart house fitted with the industry's

first lithium-ion battery controlled through HEMS.

2011 Development of D's SMART series We launched D's SMART offices and factories

nvironmental impacts.

2018 — Disaster-ready homes

lapan's first housing line engineered to bette

cope with disasters capable of powering for

hout 10 days even in cloudy weathe

As a response to more frequent natural

Funabashi Grand Oasis We developed a 100% renewables nowered community from the construction through the habitation

2020



Dream Solar Isewan II Daiwa House Group tructed and operates its larg

Central Research Laboratory

harmony with the natural environmer the laboratory is engaged in research to make a better future for individuals. communities, and people's lifestyles.

2007 — Sadamisaki wind power plant Company entered wind power electricity business pased on the belief that businesses relevant to vind, solar, and hydro would be demanded in the

What gives the Daiwa House Group its competitive advantage in developing its businesses?

Our capacity to offer comprehensive business ideas on optimally leveraging a land property is a foremost element. Our diverse value chains are built on our organization and its capabilities in aggregating data into solutions.

Ou	r greatest st	trength: Capacity to on optimall	offer compre y leveraging a					
		Diverse value chains composed of	flow businesses and stoc	k businesses				
		Proposals for the use of idle land Land selection & developm acquisition	/	Management & op Value enhance Buy and res	ment	Real estate securitization		
S	ingle-Family Houses	Daiwa House Industry, Stanley Martin Holdings	s, Rawson Group, Trumark Compa	nies	Daiw			
	Rental Housing	Daiwa House Industry	Dai	iwa Living COMPANIES	Daiwa House Logistics Core Fund Daiwa House Global REIT, Daiwa House REIT Daiwa House Reform, Daiwa House Chintal Reform, Daiwa House Reform			
	Condominiums	Daiwa House Industry, Cosmos Initia Daiwa LifeNext			se Industry, Nihon Jyu wa House Chintai Refo Daiwa House Reform	ouse Log va House Daiwa He		
	Existing Homes					Daiwa House Logistics Core Fund, Daiwa House Global REIT, Daiwa House REIT		
C	ommercial Facilities	Daiwa House Industry, Daiwa Lease	Dai	wa House Realty Mgt.*	yutaku R eform, m	re Fund,		
	gistics, Business and Corporate Facilities	Daiwa House Industry, Fujita, Daiwa Lease						
0	Construction support	Royal Home Center, Daiwa Logistics, DesignArc						
ther Bu	Environment and energy	Daiwa House Industry, Daiwa Energy, Eneserve						
Other Businesses	Health and leisure	Daiwa Resort, Sports C						
Sa	Other businesses	Daiwa House Parking]				
		n of data on the land ants across the nation		grasp quickly w				
	Matrix o	organization based on business	divisions and offices a	s chains of com	mand			
		Mat	eriality					
	xpanding business rtunities deriving fro social issues	Balance of m flow businesses and stock businesses	Constructing a port businesses wi differing life cy	th finan	icial sound	agement and dness aware of I costs		

Our capacity to develop and offer customers comprehensive business ideas on optimally leveraging a land property is a foremost element. This capacity is underpinned by our three capabilities. The first is a wealth of data on the land usage and tenants across the nation that we have aggregated over years. The second is our ability to grasp quickly what is needed in the frontlines and present solutions to the issues faced by customers and society. The third is our matrix organization supported by our 71 branches and offices rooted in communities across the nation, with a business division-based system that can optimally and agilely leverage our specialist skills serving as a main chain of command.

The Group 's such capacity to offer comprehensive business ideas—which is being applied to new community development—is born of its diverse value chains, and is the competitive advantage unique to it that no other home builders and developers possess.



Funabashi Grand Oasis completed in March 2021 is a project based on our capacity to offer comprehensive business ideas on optimally leveraging a land property. Comprising single-family housing, rental housing, condominiums and commercial facilities, the complex development made possible by the Group's wide-ranging business portfolio is highly convenient for day-to-day living. With the addition of our expertise in environmental energy business, the site achieved the Japan's first 100% renewable electricity from the construction through the habitation stage.

The community is powered mainly by electricity derived from Japan's feed-in tariff (FIT) program, which is generated by the Group's Suganuma Hydroelectric Power Plant in Gifu Prefecture. By granting non-fossil fuel energy certificates to the power from the plant, the electricity is considered quasi-renewable energy. This energy was used for the construction and is currently supplied to all the 859 households in the community through Daiwa House Energy, which is our electricity retailing service. Funabashi Grand Oasis is a type of sustainable community that only the Daiwa House Group can deliver with its start-to-finish services, from generation through retail of renewable energy, as well as from development through management of communities.

^{*} Established through the management integration of Daiwa Information Service and Daiwa Royal on October 1, 2021.

What's the source of Daiwa House Group's ability to create value?

Our three business resources: human resources, customers, and technology and manufacturing expertise.

Our data-collection capability to aggregate information on the land usage and tenants across the nation and problem-solving skills to grasp quickly what is needed in the frontlines and present solutions are born of our three types of business resources, namely, human resources who inherited the business stance of the founder; relationships with customers that we have built up over many years; and technology and manufacturing to meet customer needs. Leveraging these solid business resources, we create both business value and social value and develop them into new business opportunities.

Concept: Creating Dreams, Building Hearts. Relationships with customers that we have built up over many years Trust and sympathy of **Business resources** Leveraging our wealth of data on land usage acquired through our nation-wide network, we promote proposal-based marketing **Utilization of** Landowners * operational know-how that resolves issues with customer-oriented perspectives. In this Approx. 40,000 **Expand** repeat endeavor, we use such tools as our proprietary LOC System that orders and business matches up landowners with potential corporate tenants that are Corporate tenants opportunities Customer support to maintain looking for new sites for business. By maintaining close long-term Approx. 4,300 long-term relationships relationships with our customers, we succeed in building solid Upgrade corporate relationships with them and expanding business opportunities. communications * Total number of members of clubs for rental housing owners and landowners in our commercial facilities business

Accumulation of data on the land usage and tenants across the nation

Capacity to grasp quickly what is needed in the frontlines and

present solutions

Human resources who inherited the business stance of the founder

The greatest assets of the Company are its human resources who seek to "be of service to society" through a thorough bottom-up approach and with a positive attitude that our founder had valued at all times. Their will to tirelessly evolve themselves through business and by earnestly facing customers has greatly supported the growth of the Company. Better motivating diverse human resources to flourish in their jobs ensures that our value-creation process remains solid

Business resources

Employees Approx. 48,000 **Concept: Developing people through business**

Developing businesses based on a bottom-up approach

Work style reforms Diversity and inclusion Trust and sympathy of stakeholders

Improve employee motivation **Enhance retention**

Offer quality and inexpensive

Cumulative total of houses sold:

718

Reliable technology and manufacturing to meet customer needs

Daiwa House Industry started with prefabricated houses of which constituent components are produced and processed at our plants and then assembled at construction sites. Since then, we have been refining our technologies required for quick, inexpensive and quality industrial construction. We have built a system to meet customer needs on all fronts from design to construction, including the system construction that adopts optimally standardized materials, as well as general construction and civil engineering works based on the knowhow accumulated to date. Promoting the use of digital tools, we increase safety and security at construction sites and retain skilled workers, which is making our business resources even more solid.

Business resources

Our supply chain network Approx. 4,900 companies Production sites R&D sites 2

Start-to-finish services

Concept: Industrialization of construction

periods **Quality construction**

and short construction

Reform the way of working at construction sites through digital construction

Trust and sympathy of stakeholders

Safety and security at construction sites

Retain skilled workers

Lifegenic online product that anticipated future needs

In line with a time when online commerce use is growing, we launched Lifegenic line of bespoke single-family houses available exclusively on the Web in October 2019. Customers answer simple questions online, according to which the system analyzes their preferred lifestyles and responds with suggestions for the room plans and designs that would suit their tastes. This provides customers with a fun and easy home designing experience and helps them decide on details of a house before arranging an appointment with our sales staff. The subsequent meeting will proceed smoothly and lessen the burden of both sides.

Able to simulate home design casually and enjoyably without having to go out

[Human resources]

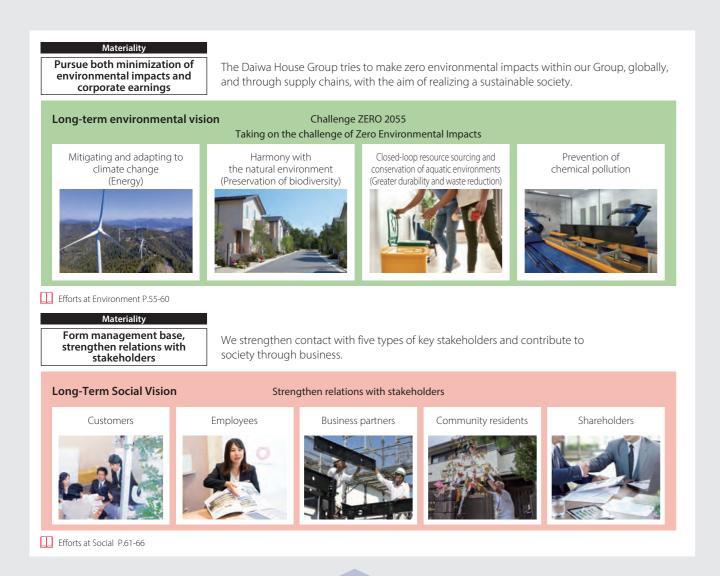
Propose optimal home designs for each and every customer; Diversify the way we serve

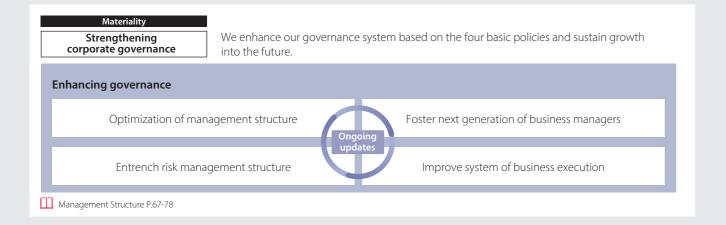
Technology and manufacturing

housing product by packaging the product line

What does the Daiwa House Group consider crucial for improving corporate value?

We believe strengthening our bases for adapting to changes in the social and business environment is essential for improving corporate value. They serve to reduce risk and achieve sustainability.





The Daiwa House Group views ESG engagement as consisting of two elements: lowering risk to ensure corporate viability and creating business opportunities to generate cash flows. We closely examine the risks and opportunities present in an ever-changing social environment and move forward on various initiatives. In addition, we are increasing the effectiveness of our corporate governance by following the four basic policies under the measures to enhance governance. Through these efforts, we achieve sustainability of the Group and a virtuous cycle of our value-creation process.

Example

A power self-sufficient office by renewable energy Daiwa House Saga Building (Saga Pref.)



Daiwa House Saga Building (Saga Office, Daiwa House Industry)

Issue: Climate change

To reduce energy consumption in our business operations, we have pursued a policy of developing ZEB for our own facilities since fiscal 2017. A prime example is Daiwa House Saga Building completed in February 2018, which achieved energy self-sufficiency by introducing a power self-sustaining system that combined solar power generation and storage batteries. The building is a ZEB that can cover 100% of the electricity consumed at the office with renewable energy.

Generate cash flows

 Propose eco-friendly buildings by showrooming its own facilities

Enhance sustainability

- Respond to tougher regulations to help realize a carbon-free society
- Serve as a business continuity plan (BCP)

Example

Reduce operational burden with digitalization Smart Control Center



Smart Control Centers

(Established at 10 locations nationwide including Tokyo Head office and Fukuoka Office to consolidate the management of construction sites in the aspect of safety and quality.) Issue: Serious labor shortages and aging of workforce in the construction industry

To cope with a decrease in skilled workers and to advance the work style reform for builders at construction sites (reduction of working hours), we have been pushing ahead with digitalization initiatives to reduce onsite operational burden. As part of this effort, we established Smart Control Centers in October 2020, each of which can monitor remotely five of our construction sites of single-family houses at a time. The images of the sites are analyzed by Al to increase operational efficiency and safety.

Enhance sustainability

- Labor saving of construction sites
- Increase operational efficiency and safety

The Daiwa House Value Creation Process

Making maximum use of the three types of business resources that underpin our value creation, we have been creating values based on our stance that "we do things because they will be of service to society," which constitutes the starting point for Daiwa House. Our value creation is built on a business model that generates cash flows through "developing our businesses" and enhances sustainability through "strengthening our bases." With the value we create in this way, Daiwa House seeks to earn the trust and sympathy of stakeholders, which make our management base even stronger. By making reinvestments that would open up new business opportunities, we aim to realize both "society where people can live truly fulfilling lives" as expressed within our management vision, and continuous enhancement of our corporate value.

Business resources that help us generate value (Inputs)

Relationships with customers that we have built up over many years

(Social Capital)

Approx. 40,000

Corporate tenants Approx. 4,300

Human resources who inherited the business stance of the founder

(Human Capital)

Employees Approx. 48,000

Technology and manufacturing to meet customer needs

(Manufactured Capital)

- Our supply chain network: Approx. 4,900
- Factories:
- Research centers: 2

Operational know-how to build relationships with customers

(Intellectual Capital)

- LOC System
 Proposal-based marketing
- Knowledge management

Real estate development backed by firm financial base

(Financial Capital)

- Real estate investment:
- Investment in human resources and
- technology bases:
 - ¥100 billion*

Zero environmental impact products, manufacturing, and procurement systems

(Natural Capital)

- Environmental contribution business
- the amount of power produced 377 sites 588 GWh

Business model that has imbibed the attitude to business of our founder

"Developing our businesses" that are of service to people

Discovering needs and issues at the frontline of business

Comprehensive planning and proposals made possible by specialist expertise and technology

Generating high-level value through start-to-finish services and short construction periods

"Strengthening our bases" in response to changes in the world

Lowering environmental impacts while reaping corporate profits

Creating Dreams, Building Hearts

- Form management base, strengthen relations with stakeholders
- Strengthening corporate governance

Values created by Daiwa House (Outputs)

Generate cash flows

¥4,126.7 billion Net sales:

(of which, ¥1,256.4 billion is from environmental contribution business)

Operating income: ¥357.1 billion

ROE: 11%

Enhance sustainability

■ Contribution to GHG reduction

6.313 million t

Self-reported motivation rate:

71%

Annual holidays for employees at worksites: 100 days

Trust and sympathy of stakeholders (Outcomes)

Strengthen management base

Expand repeat orders and business opportunities Improve brand value

> Improve employee motivation **Enhance retention**

Safety and security at construction sites **Retain skilled workers**

Third-party assessments

MSCI ESG Ratings **A** CDP climate change **A** List for 3 years running Dow Jones Sustainability Indices Asia Pacific

Impacts on society

Offering a variety of living styles and living spaces

Providing infrastructure to meet corporate needs

Mitigating and adapting to climate change

Preservation of biodiversity

 Number of renewable energy generation facilities and Reinvest in business resources

¥1 trillion*

What kind of tomorrow is the Daiwa House Group working towards?

Our vision is to help bring about a society where people can live fulfilling lives. To that end the Daiwa House Group wants to be indispensable member of society that helps address the issues society faces.

As the pace of social change is accelerating and customer needs are becoming more diverse and sophisticated, the role that corporations must play has grown increasingly important.

Building a bond with stakeholders through business, we at the Daiwa House Group are working to offer houses and buildings in which people with diverse values can lead their lives in safety and with peace of mind, and developing communities where people wish to reside for a long period. Staying in close to those living in the spaces we build, we aim to achieve continued growth and raise the Group's corporate value over the mediumto-long term, toward realizing a society where people can live fulfilling lives.



How we pursue our management vision

A society where we collaborate with stakeholders and partners

P.62

A new training facility, the Daiwa House Group MIRAI KACHI KYOSO Center scheduled to be opened in the autumn of 2021 is a facility intended to foster our human resources that contribute to society. The center is to serve also as a base for publishing information to parties both inside and outside the Company including the local community, and to facilitate collaborations with stakeholders with a view to seizing upon new business opportunities



A society that adapts to climate change where people can live safely and in peace

A society with ncreased convenience with technology revolution

In an effort to "decarbonize" our operations, we press forward with initiatives for "energy efficiency, energy generation and energy storing." We leverage the outcomes to seize upon business opportunities and enhance our business competitiveness, thereby contributing to the realization of a carbon-free society.

EP100 RE100 SBT
(Energy efficiency) (Renewable energy) (Reduction of CO₂ e

Responding to needs of society, we pursue DX initiatives that drive innovations with "diverse working styles" and "manufacturing."

An inclusive society where diverse human resources can live to their fullest

We are redeveloping the Kamigo Neopolis town (Yokohama, Kanagawa Prefecture) so that values of the building itself as well as life quality for the people living there will increase with the passage of time. With a view to developing it into a digital smart town, validation experiments have been underway, of which outcomes will be applied to the redevelopment of 61 Neopolis towns across the nation.



Digital transformation (DX) initiatives P.51-52

Relationship between issues of material importance ("Materiality"), risks and opportunities

Creating both business value and social value, Daiwa House Industry is working to sustainably enhance corporate value, based on recognition of changes in the operating environment over a short, medium and long term and from the perspective of risks and opportunities.

	Medium- to long-term changes in oper	ating environment (Megatrends)				
	Short and Medium term (to FY2025)	Medium and Long term (to FY2030)				
Demographic trends	 Changes in the number of households in Japan Declining new housing starts Labor shortage, decline in skilled construction workers Decreasing working-age population/ Necessity of systematically securing human resources/ Leveraging the talents of diverse human resources Growing importance of digitalization and DX Enhancing productivity/ Progressively more advanced and efficient business/ Expansion of i-Construction 	Regional depopulation, urban population concentration Compact cities in regions/ Increasing demand for revitalization of local economies and redevelopment of housing complexes/ Development of smart cities Shrinking and aging population Greater social acceptance of the elderly and people requiring nursing care Increasing elderly participation in society/ Increasing demand for nursing care				
Climate change	 Meteorological disasters growing in frequency and intensity Intense heat become normalized/ Increasing demand for rebuilding and relocation/ Growing importance of BCP preparedness Shift to carbon neutrality and a carbon-free society (Transition) Lowering environmental impacts (Uptake of ZEH and ZEB, etc.)/ Expanded percentage of renewable energy/ Stronger international rules 					
Changing values	 Coexisting with the COVID-19 Burgeoning online activity/ Diversifications of working styles (increased and entrenched teleworking, more use of virtual offices)/ Changing values pertaining to living styles (more relocation to local regions, country life and dual residence, and diversification of lifestyles and preferences)/ Heightening desire to belong to communities Growing demand for ethical, environmental and recycling-oriented economy Increase in ethical consumption/ Full-scale social impact evaluation of business and real estate investment/ Diversification of the sharing economy/ Shift to circular economy Initiatives and contributions toward achieving SDGs More opportunities for business models focused on addressing social issues 					
Intensifying	 Increase in untenanted houses Expansion of the existing housing market Promotion of earthquake resistance 	 Age deterioration of social infrastructure Growing and intensifying economic disparity 				
	 Advent of the Al/loT/big data society Progressive use of ICT in real estate/ Spread of connected homes Accelerating involvement in open innovation Advancement of information disclosure 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 Increasing global population Economic and income growth in developing countries Encouraging generational changeover (Rise of Generation Z) Progressive social divisions Full-scale acceptance of immigrants Changing importance of "Business and Human Rights" 					

Daiwa House Industry identified issues of particular importance (Materiality) 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; and lower capital cost by enhancing the Group's trustworthiness and management transparency).

In full recognition of our operating environment, we are creating both business value and social value from the perspective of risks and opportunities, working to sustainably enhance corporate value.

Materiality	Focal themes of the Sixth Medium-Term Management Plan	Major opportunities	Major risks		
Expanding business opportunities deriving from social issues	Grow share in core businesses	Business opportunities	Risks associated with legal regulations		
Balance of flow businesses and stock businesses	Expanding field of business	deriving from social issues Adapting to the age of the new	Risks associated with competitive activities		
Constructing a portfolio of	Expanding geographic business area	Capture changes in the market and link them to business opportunities based			
businesses with differing life cycles	Redevelopment of communities and home	on our capabilities to cope with unforeseen circumstances and to innovate new trends, which	Risks associated with business and Group strategies		
Efficient management and financial soundness aware of capital costs	Leveraging our customer base and stock of existing properties	are the key to growth	Risks associated with overseas business operations		
	Mitigating and adapting to climate change	Climate change	Climate change		
Lowering environmental mpacts while reaping corporate profits	Harmony with the natural environment	 Increase in demand for houses and building with low 	Risks associated with the strengthening of Japan's		
	Closed-loop resource sourcing and conservation of aquatic environments	greenhouse gas emissions • Expansion of environmental energy business due to rising demand for renewable energy	Building Energy Efficiency Act Risk of heat stroke at construction sites due to higher maxi-		
	Prevention of chemical pollution		mum summer temperatures		
	Improve motivation and				
	diversity		Risks associated with human resources base		
	Improve CS and corporate brand				
Form management base, strengthen relations with stakeholders	Enforce safety and security at construction sites	Seize business opportu- nities through building a management base	Risks associated with technology and manufacturing base		
	Upgrade innovation and corporate communications		Risks associated with		
	Strengthen risk management		natural disasters		
	Optimization of management structure				
Strengthening corporate governance	Foster next generation of business managers				
	Improve system of business execution				
	Entrench risk management structure				

Response to major opportunities and risks

To further strengthen the virtuous cycle of our value-creation process, we respond to risks appropriately and seize opportunities aggressively

Generate cash flows through promoting business

Strategies to seize opportunities

Business opportunities deriving from social issues

• Capture changes in the market and link them to business opportunities by constantly focusing on what we can offer to the society, based on our capabilities to cope with contingencies and to innovate new trends, which are the key to growth

Social issues in Housing segment

- Changes in lifestyles caused by increasingly diverse working styles such as teleworking
- More frequent and intensifying natural disasters
- Changes in household numbers in Japan
- Expanding existing housing market
- Advancing societal aging and falling birthrate
- Shift toward more compact regional cities

Social issues in Business segment

- Changing consumer behavior and tastes
- Rising demand for e-commerce
- Advances in business sophistication and efficiency due to digitalization
- More frequent and intensifying natural disasters
- Economic growth in developing countries

Strategies and initiatives in Housing segment

- Development and roll out of customer and local needs-oriented products
- Ideas on housing adapted for working at home
- Initiatives for combination housing (housing combined with those for other uses)
- Diversification of revenue streams from large-scale multi-use development, redevelopment, and rebuilding projects leveraging Group strengths

Strategies and initiatives in Business segment

- Diversification of tenants reflecting social trends and local attributes
- Development of high-performance logistics facilities and promotion of digitalization
- Development of data centers
- Propose capital investments and a review on the network of bases to transform our supply chain
- Seize demand for the "cold chain" market

Risk countermeasures

Legal regulations

- Risks associated with revision or abolition of legal regulations or the creation of
- The risk of penalties, punishment, or other sanctions, or defamation of social credibility or image resulting from legal violations

Diverse legal regulations pertain to the widespread business operations of the Group. As such, we have a system in place to monitor in advance the trends in regulations to adapt to or take measures against their revision or abolition or creation of new laws. while also preventing actualization of the risks. To prevent the risk associated with legal violations, we actively offer trainings to employees on knowledge of relevant laws and regulations to heighten their awareness, and promote creation of various manuals and checklists.

Competitive activities

• The risk that the Group may fail to demonstrate an advantage over competitors in one or more of its business areas in respect of product quality or price, the nature of its services, or the effectiveness of its marketing activities.

In order to maintain and develop our business model, we engage in policies and investment to strengthen our bases. This enhances our comprehensive business proposal capability and heightens our superiority over rivals. We see resolving social issues as one of the Company's objectives. Based on a belief that delivering values to society will lead to strengthened competitiveness over the medium-to-long term, we enhance our systems to enable business and real estate development to keep pace with the times, while creating new added value in our business.

Business and Group strategies

• The risk that the Group may fail to achieve projected earnings in its business strategies as a result of the acquisition of companies or businesses, reorganization and other plans that fail to go as expected, leading to the synergy between Group companies failing to gain the anticipated business result.

Our basic policy is to expand into new business fields where we can put to use the competitive superiority that we have built up and the know-how that we have acquired in business fields peripheral to our existing businesses. Our priority in M&A is to respect the other company's history and human resources while enabling the sharing of our mindset and corporate philosophy. In cases in which the Group intends to move into a business field in which it has comparatively little experience, it is our policy firstly to form joint ventures with other companies, to invest in venture companies, and/or to engage in joint research, so as to build up sufficient knowledge relating to the new field in question, and to examine the feasibility of the proposed project.

Overseas business operations

- The risk of delays or inability in the conduct of business or collection of receivables, or restrictions in remittance due to sudden inflation, exchange rate fluctuations, conflict caused by political and economic uncertainties, disturbances, the risk of litigation, deteriorating diplomatic relations, legal restrictions, etc.
- The risk attributable to external factors, such as a decline in consumers' willingness to purchase as a result of tightened policies on real estate and other revisions in legal systems and government policies.
- The possibility of a violation of local laws or wrongful business practices occurring, or delayed discovery of a risk due to geographical remoteness.

For investments in overseas businesses or expansion overseas, we make a decision at Investment Committee and the Board of Directors, and via collective decision-making, after consulting with Overseas Strategy Committee pursuant to the Investment Management Guidelines. Business development with a joint venture partner is not adopted, unless the Company can take a majority stake. In terms of a business execution system, we built management systems for respective regions overseen by regional corporate functions. When political and economic circumstances deteriorate, we take timely actions by placing priority on the safety of employees.

Enhance sustainability through strengthening our bases

Strategies to seize opportunities

Climate change

- Increase in demand for houses and buildings with low greenhouse gas
- Expansion of environmental energy business due to rising demand for renewable energy

The Japanese government has indicated a policy target to achieve net-zero energy for new houses (ZEHs) and buildings (ZEBs) by 2030, and should incentives to support achievement of this target be continued and expanded, it is possible that demand for ZEHs and ZEBs, which have high unit prices per building, will increase. In view of this, we are enhancing our product lineup and proposals that support ZEHs and ZEBs.

Toward achieving the targets under the Paris Agreement, the Japanese government has indicated a policy target to increase the ratio of renewable energy in electricity generation in Japan. There has been also an increase in the number of companies committed to going '100% renewable' both at home and abroad. As the environmental energy business involved in the development and supply of renewable energy is expected to expand going forward, the Group promotes generation and retailing businesses of renewable energy.

Building of a management base

 Increase operational efficiency and productivity and seize business opportunities through building a management base to keep pace with the times

In light of a society coexisting with the COVID-19, we are developing a management base that can adapt to new ways of working and living. We aim for sustained growth by accelerating reforms in our business and management base.

- Remove constraints of time and place to increase efficiency by introducing teleworking and flextime program
- Review personnel evaluation systems to adapt to new working styles
- Develop new forms of marketing, such as online business meeting and virtual reality (VR)
- Further promote industrialization of construction
- Increase on-site productivity by labor-saving and automation of operations

Risk countermeasures

Climate change

- The risk of greater workloads and costs for the houses and buildings we offer due to stronger regulations of the Building Energy Efficiency Act or carbon tax hikes and expansion of emissions trading affecting more business operations
- The risk of higher maximum temperatures in summer causing heatstroke that may delay construction periods and lower productivity on construction worksites

In expectation of higher operating costs due to tougher regulations, efforts have been made pursuant to the policy of maximizing sales increase and minimizing profit decrease with early development of ZEH and ZEB, as well as cost reduction. We evaluate the risks based on hazard information upon developing new projects. and for construction sites, we compiled manuals to prevent heatstroke, ensure installation of shaded rest areas, and introduce environmental sensors that measure the wet bulb globe temperature (WBGT), so as to protect workers from heatstroke.

Human resources base

- The risk that the Group may lose new business opportunities due to its diverse human resources being unable to fully utilize their abilities
- The risk that the Group may lack vibrancy as an enterprise and lose competitiveness due to not having in place an optimal personnel system and working

We actively develop and offer a personnel system and working environment whereby our employees can fully demonstrate their abilities. We conduct the Sustainability Survey annually as an effort to confirm the level of employees understanding and permeation of Daiwa House Group Principles of Corporate Ethics, through which we identify issues and work for improvement. Creating a sound organizational climate where each employee can fully demonstrate their capabilities, we offer them a motivating work environment, in order to build a solid human resources base.

Technology and manufacturing base

- The risk of poor operational management due to the shrinking workforce in Japan and a shortage of site supervisors
- The risk that a trouble in one part of our supply chain may significantly affect the entire business performance

By keeping close relationships with business partners, we work to thoroughly manage this risk in terms of safety, quality and compliance. At construction sites, in particular, with active utilization of ICTs, we earnestly strive to eliminate worksite accidents, while managing supply chains appropriately in each phase of procurement, production and operation.

Natural disasters

- Direct damages to employees, facilities and equipment
- The risk that the Group may be damaged indirectly by an interruption or disruption in information systems, communication networks, and logistics/
- The risk that the Group may incur expenses to recover from damages, losses due to suspension of business activities, and expenditures to provide inspections and temporary repairs to customers' properties

We implement proactive measures that would allow us to take proper and quick actions in the case of disasters. For this purpose, we developed regulations and manuals regarding business continuity management (BCM). One such example is the drills we conduct to confirm the safety of our employees, communications between sites, and recovery of our core system