Status of Recurrence Prevention Initiatives in Fiscal 2020

This section describes the status of initiatives in fiscal 2020 for preventing the recurrence of misconducts.

Case 1: Accounting irregularities in a Daiwa House affiliate in the People's Republic of China

As a measure to prevent recurrence, we are committed to enhancing our Group governance. In fiscal 2020, we established an Overseas Business Division and implemented the transition to a region management system overseas, in accordance with the policies formulated in fiscal 2019. For the building of management systems for respective regions (regional corporate functions), the Americas areas will be the first to begin operation in October 2021.

Amid the significant impact of the COVID-19 pandemic, in fiscal 2020 we developed remote environments and built a system to efficiently monitor from Japan, including internal audits remotely conducted by the Audit Department.

Case 2: Off-specification components in single-family houses and rental housing properties

1. We rebuilt the legal compliance system and strengthened functions for communication of risk information and internal auditing functions.

Led by the Legal Compliance and Quality Assurance Division established in August 2019, we are progressively strengthening functions for communication of risk information and auditing functions for design and construction work.

In February 2021, we established risk management regulations, which specify the location of responsibility relating to violations of technology-related laws, the establishment and operation of a liaison committee for technology-related legal risks, and the establishment of a hotline to accept information relating to legal or quality risks (started operation in October 2019). Through these, we seek to prevent, discover, and respond to legal risks and risks of defective products and services. In fiscal 2020, the Conformance in Specifications Department under the Legal Compliance and Quality Assurance Division conducted audits for 588 buildings to confirm design documents conformed to types and relevant laws. It also checked for all buildings on the operational status of the checklists used to ensure compliance with the type certification at the time of design.

2. We started operation of an internal qualification system to optimally assign personnel in charge of design.

Since August 2019, we have been conducting internal qualification tests related to the system of type-certified specifications and have appropriately assigned personnel in charge of design based on the results of the tests. The internal qualification tests are held annually in January. At the end of the test in January 2021, 1,066 personnel in charge of design had acquired qualifications to engage in design work using all the type-certified specifications.

3. W e engaged in strengthening the sharing of information between the head office and business offices, and reiteration of training.

We review the legal compliance trainings on a company-wide basis, and offer the opportunity to exchange opinions, whereby enhancing the communication between the head office and business offices. In addition to type specification training for 140 employees in their second or third year in the Company (fiscal 2020 results), we also incorporated details on type specifications in new recruit training and legal compliance training.

4. We are progressively strengthening internal check functions with BIM.

We have constructed and operated a system allowing legal conformity checks online. In addition, we are developing a design system featuring functions that support legal conformity checks, aiming at starting trial operation in fiscal 2021 and expanding its functions.

Case 3: Inadequate work experience criteria for qualifications tests

1. We established and began operating a systematic qualifications acquisition model plan.

We will utilize training sessions to show new employees for fiscal 2021 (Technology Division: 235 employees) a career enhancement model through acquiring the Qualifications they need to obtain in work linked with their academic background. With this, we will aim to encourage employees to acquire the appropriate qualifications on a planned basis.

2. We constructed and started operating a system allowing confirmation of work experience.

In July 2020, we established a department that manages the work experience criteria within the Technology Department, set a new rule that requires the head office to check the application for the tests, and started its operation. We constructed a work experience management system for engineers allowing both candidates for the tests and the department managing the requirements to confirm at a glance a candidate's academic background and work experience, and put it into operation in November 2020. Based on information in this system, we started confirming the work experience requirements for the candidates for fiscal 2021 (applications for first-class building operation and electrical work operation management engineers began to be accepted from January 29, 2021).

Management's Discussion and Analysis of Financial Position and Results of Operations

[MD&A summary]

Note: This section analyzes the financial position and results of operations during the ten fiscal years from fiscal 2011 to fiscal 2020. For the list of financial data, see "Financial Highlights" on pages 85 and 86.

Ⅰ. Financial position

Financial condition Figure 1

Total assets as of the end of fiscal 2020 increased by ¥425.6 billion from the end of the previous fiscal year to ¥5,053 billion. This was mainly due to the increase in property, plant and equipment resulting from the acquisition of investment properties, and the increase in inventories following the purchase of real estate for sale.

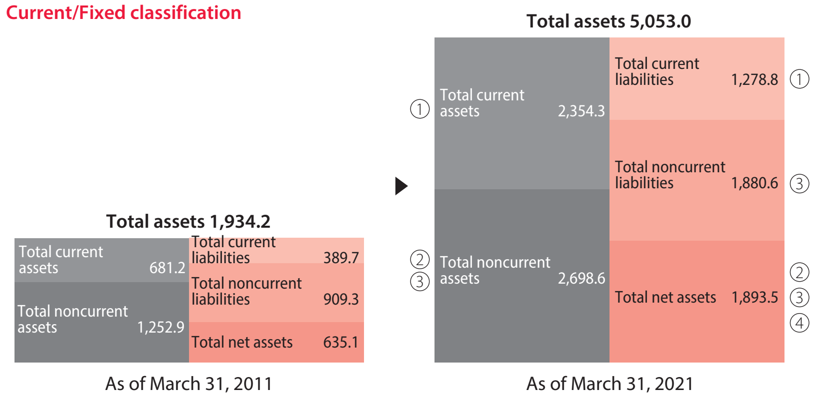
Total liabilities increased by ¥305.5 billion from the end of the previous fiscal year to ¥3,159.5 billion. This was mainly due to fund raising through borrowing and bond issuance for the purpose of acquiring inventories and investment properties, despite reduction of trade payables.

Total net assets increased by ¥120.1 billion from the end of the previous fiscal year to ¥1,893.5 billion. This was mainly because a net income attributable to owners of the parent of ¥195.0 billion was recorded, which offset the dividends paid to shareholders and the acquisition of treasury stock.

The balance of interest-bearing debt (excluding lease obligations) increased by ¥231.4 billion from the end of the previous fiscal year to ¥1,274.8 billion. Thanks to internal reserves and the fiscal 2013 capital increases, the debt-equity ratio improved for a time from 0.62 at the start of fiscal 2011, but at the end of fiscal 2020 had risen to 0.69. This was mainly due to the balance of real estate for rent being ¥1,245.4 billion, accounting for a large share in recent years. As assets are expected to grow in the future due to the acquisition of real estate for development and other factors, we will seek to maintain financial health by verifying the optimal capital structure.

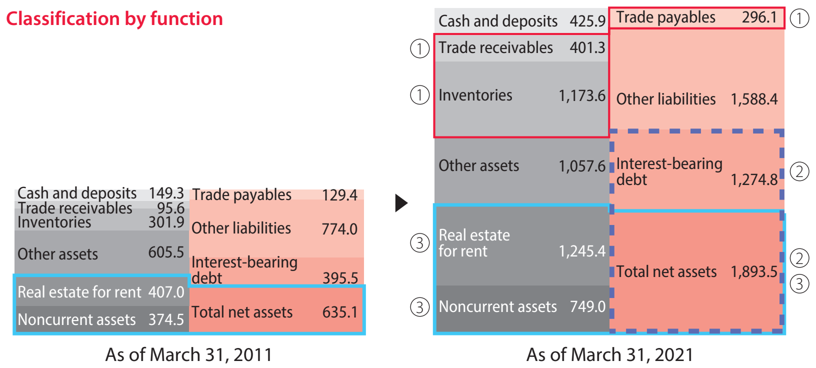
Figure 1 Comparison of balance sheets (¥ billion)

Current/Fixed classification



①The current ratio increased from 174% to 184%.
②The fixed ratio dropped from 197% to 147%.
③The ratio of fixed assets to long-term capital dropped from 81% to 72%.
④Net assets excluding non-controlling interests grew from ¥634.1 billion to ¥1,835.1 billion.

Classification by function



①Working capital (Trade receivables + Inventories - Trade payables) increased from ¥268.2 billion to ¥1,278.7 billion.
②Interest-bearing debt (excluding lease obligations) increased from ¥395.5 billion to ¥1,274.8 billion. As a result, the debt-equity ratio increased from 0.62 to 0.69.
③The ratio of real estate for rent and noncurrent assets to net assets excluding non-controlling interests fell from 1.23 to 1.08 while real estate for rent increased.

II. Cash flows

Basic approach

The basic approach to cash management is to invest in line with the amount of cash generated by business operations. With regard to attractive investment opportunities, investment is structured to include externally raised capital because of the need to actively pursue such opportunities. While this will result in the debt-equity ratio sometimes exceeding 0.5, we seek to balance investment in growth with financial soundness by controlling the level of interest-bearing debt to maintain a ratio of about 0.5 over the medium to long term.

Cash flow condition Figures 2 & 3

Cash flows from operating activities during fiscal 2020 increased by ¥280.6 billion from the previous fiscal year to ¥430.3 billion. The ratio of cash flows from operating activities to net assets excluding non-controlling interests has been approximately 23% which is an increase of 9 points from the previous period's 14%. This was mainly due to the change in payment dates and payment means for contract construction-related trade payable in the previous fiscal year to reduce cash flows from operating activities, while in fiscal 2020 ¥311.2 billion was recorded in income before income taxes, and the increase in advances received following progress in sales of condominiums overseas. Cash flows from investment activities were - ¥389.9 billion, due to the acquisition of real estate for rent, etc. and the implementation of the ¥303.0 billion investment into the real estate development business based on the investment plan under the Sixth Medium-Term Management Plan. As a result, free cash flows (cash flows from operating activities + cash flows from investment activities) were ¥40.3 billion, while cash flows from financial activities were ¥102.7 billion due to fund raising through borrowing and bond issuance for the purpose of acquiring inventories and investment properties. For fund raising, hybrid loans (subordinated loans) were implemented to help improve the debt-equity ratio, and green bonds were issued as a form of fund raising to minimize environmental impacts, such as developing environmentally conscious facilities and utilizing renewable energy.

As a result of the above, the balance of cash and cash equivalents at the end of fiscal 2020 was ¥416.3 billion, an increase of ¥140.2 billion from the end of the previous fiscal year.

Enterprise value/Ability to generate cash Figures 4 & 5

Our ability to generate cash was maintained despite the impact of COVID-19 as earnings before interest, taxes, depreciation and amortization (EBITDA)*1 as an indicator of ability to generate cash were ¥435.5 billion.

We will further enhance the ability to generate cash and improve enterprise value by continuing the policy of maintaining interest-bearing debt at a certain level and aggressively investing in favorable investment projects, as well as by developing new revenue streams.

The enterprise value (EV)*2 at the end of fiscal 2020 was ¥3,008.1 billion, the sum of the market capitalization of ¥2,159.2 billion and the net interest-bearing debt (excluding lease obligations) of ¥848.9 billion.

The EV/EBITDA ratio, as an indicator of enterprise value to the ability to generate cash, was 6.9 as of the end of fiscal 2020.

Figure 2 Cash flows

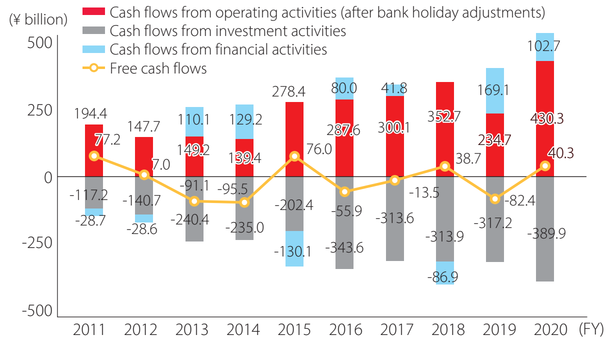


Figure 3 Indices to net assets excluding non-controlling interests (as a ratio where net assets excluding non-controlling interests is equal to 1)

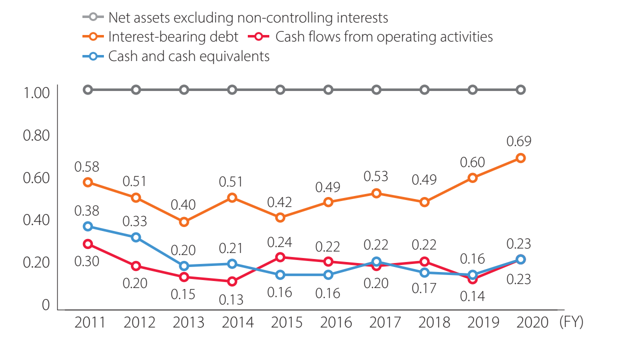
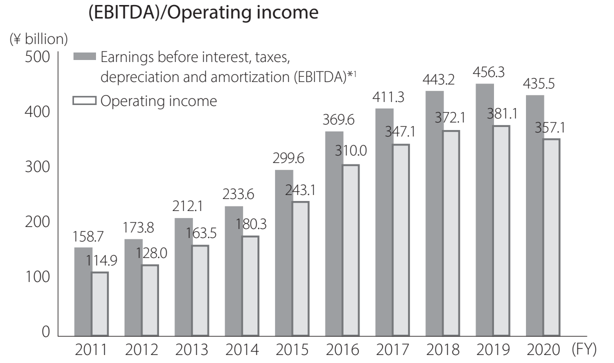
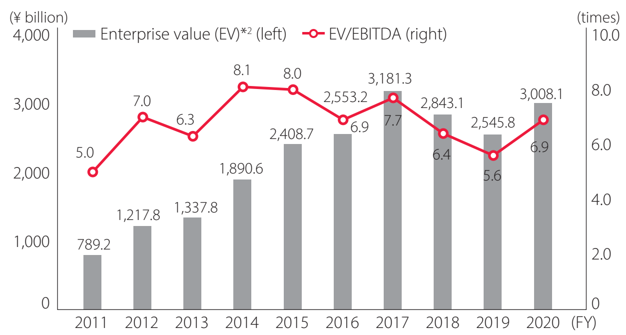


Figure 4 Earnings before interest, taxes, depreciation and amortization (EBITDA)/Operating income



*1 Earnings before interest, taxes, depreciation and amortization (EBITDA) = Operating income + Depreciation

Figure 5 Enterprise value (EV)/EV/ EBITDA



*2 Enterprise value (EV) = Market capitalization + Net interest-bearing debt

III. Profits and losses

Net sales/Total asset turnover ratio Figure 6

Net sales amounted to ¥4,126.7 billion and the average growth rate for the period of ten years starting from fiscal 2011 was 9.3%.

In terms of the total asset turnover ratio*3, it had been around 1.0 in the years from fiscal 2011 to fiscal 2019, but in fiscal 2020 it declined due to the ongoing impact of COVID-19 leading to decreased sales in some businesses such as hotels and sports facilities management, and the implementation of active investment in real estate development accompanying the increase in opportunities for investing in business facilities, centering on logistics facilities.

To improve the turnover ratio, we will continually seek to ensure the effective utilization of assets through measures that may include encouraging the sale of inventories and also selling investment properties and strategically held shares.

*3 Average during the fiscal year.

Gross profit/Operating income margin Figure 7

Gross profit amounted to ¥826.8 billion and the average growth rate for the period of ten years starting from fiscal 2011 was 9.0%. The gross margin increased by 0.1 points from the previous fiscal year to 20.0%. Operating income was ¥357.1 billion and the average annual growth rate for the period from fiscal 2011 was 13.4%.

The operating income margin was unchanged from the previous fiscal year, at 8.7%. The cost-of-sales ratio rose 0.1 point despite the impact of COVID-19. We were able to continue to raise sales per employee through improved productivity, among other means, and thereby push down the SG&A ratio. In this way, we have striven to prevent the operating income margin from decreasing substantially.

Return on invested capital (ROIC)/Return on equity (ROE) Figures 8 & 9

Net operating profit after tax (NOPAT)*4 was ¥247.9 billion and return on invested capital (ROIC), a ratio of NOPAT to the invested capital (= Net assets excluding non-controlling interests + Interest-bearing debt) of ¥2,940.2 billion*5, was 8.4%. Under the Company's Sixth Medium-Term Management Plan, one of our business objectives was to earn an ROE of 13% or more. Since we are expanding our businesses by means of loans and the like where the debt-equity ratio of 0.5 is used as a guide, we make a conscious effort in our business investments to ensure that the return on the total invested capital will exceed the weighted average cost of capital (WACC), which is the weighted average of the cost of shareholders' equity and cost of liabilities. We will seek to maintain and improve the return on equity (ROE), a ratio of net income to shareholders' equity by maintaining and improving the ROIC.

*4 Net operating profit after tax (NOPAT) = Operating income × (1 - Effective corporate income tax rate)
*5 Average during the fiscal year.

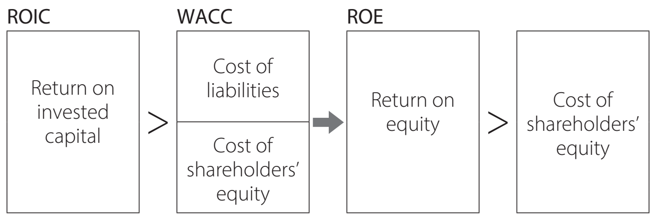


Figure 6 Net sales/Total asset turnover ratio

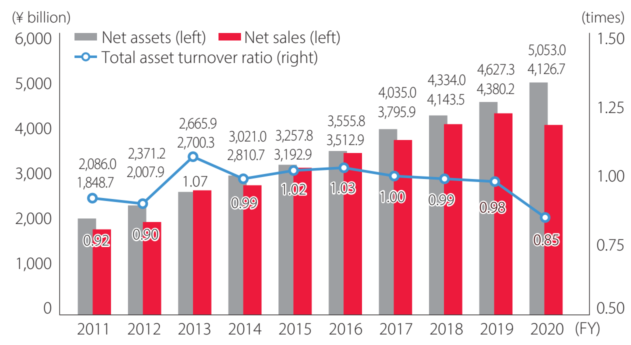


Figure 7 Gross profit/Operating income margin

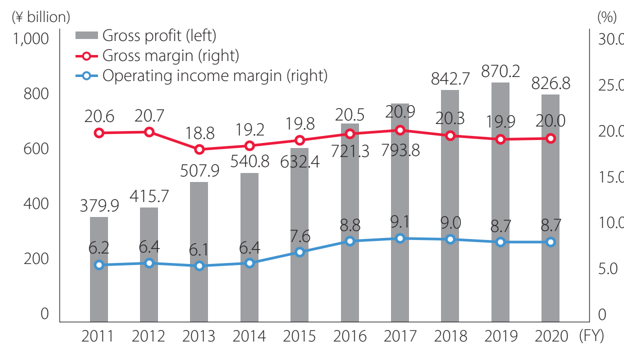


Figure 8 Return on invested capital (ROIC)

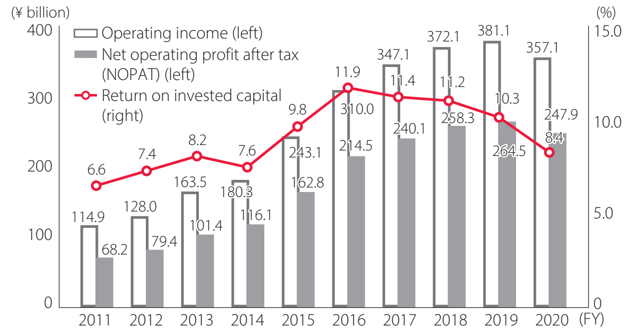
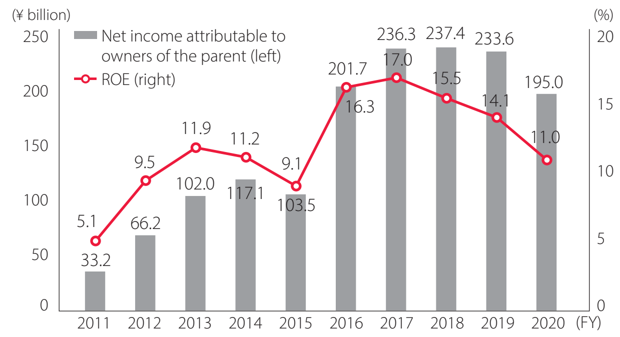


Figure 9 Net income attributable to owners of the parent/ROE



Note: By changing the discount rate used to calculate retirement benefit obligations from 1.7% to 0.8% in fiscal 2015, the Company posted extraordinary losses of ¥84.9 billion. As a result, the ROE dropped by approximately five points.

Management's Discussion and Analysis of Financial Position and Results of Operations

[Business segments]
Single-Family Houses / Rental Housing / Condominiums
Existing Homes / Commercial Facilities
Logistics, Business and Corporate Facilities / Other Businesses

IV. Business results by segment

Growth potential analysis Figure 10

The profit growth rate for fiscal 2020 over fiscal 2011 showed an over four-fold increase in Logistics, Business and Corporate Facilities segments, an over three-fold increase in Commercial Facilities segment, and an over two-fold increase in Existing Homes segment. Since the Rental Housing segment had been already at a high level of profit ten years ago, its profit growth rate over fiscal 2011 was relatively low, but remained at a high profit rate.

One of the Company's strengths is its ability to make business proposals that leave no gaps between the business areas. As society changes at an accelerated pace, we anticipate that multiple products and services held by individual business segments will be combined in order to cope with diversified construction needs and that there will be a further increase of new business opportunities through business development in peripheral areas. In order to ensure that these new markets will lead the company-wide growth rate, we will make an effort to grow in view of a balance with overall profitability.

Profitability analysis Figure 11

In terms of operating income, three segments, Rental Housing, Commercial Facilities, and Logistics, Business and Corporate Facilities, accounted for 80% of the total. The Existing Homes segment constituted 2.9% of net sales, but its profit rate and capital efficiency were high (Figure 12). We are making active use of "Livness", the group-wide brand that we launched primarily for the existing homes market, a sector where market growth is anticipated. In terms of Single-Family Houses and Condominiums segments, we will seek to improve their profit rates by selecting areas and clarifying targets as new housing starts are decreasing in number due to falling population.

Operating income margin to segment assets Figure 12

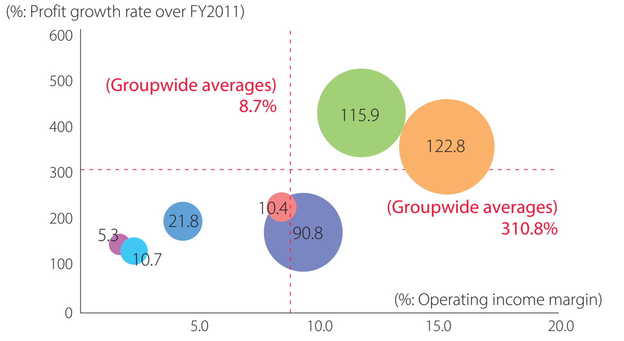
The Existing Homes, Rental Housing, and Commercial Facilities segments showed higher operating income margins to segment-specific assets.

In the Logistics, Business and Corporate Facilities segment we are making aggressive investments to address the rapidly growing market for logistics facilities. The current return on assets is at a low level because we are progressing with construction investment in land we have acquired, but this segment is expected to significantly contribute to cash flows at the time of payback in the future.

Investments in businesses Figure 13

With regard to investments in businesses, we are aggressively investing in the Logistics, Business and Corporate Facilities segment, which is highly profitable and shows a high growth rate. We are also investing in the Commercial Facilities and Rental Housing segments, both of which are the second-most profitable. In addition, investments in new businesses and overseas businesses, etc. are being made to develop new revenue streams through the use of funds generated by the above-mentioned core segments.

Figure 10 [Business segments] Operating income*[1]/Operating income margin/Profit growth rate over FY2011



*1 The size of the circle depends on the relevant amount of operating income (¥ billion) for FY2020.

Figure 11 [Business segments] Operating income margin/Net sales ratio by segment (FY2020)

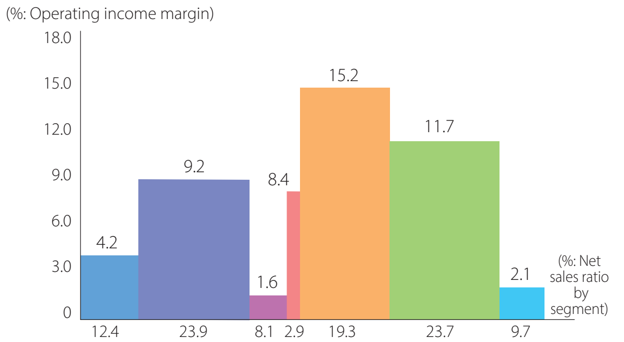
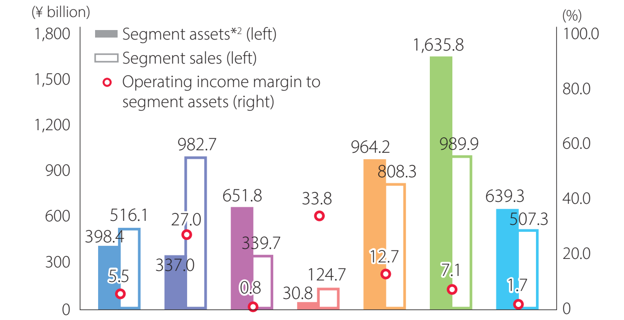
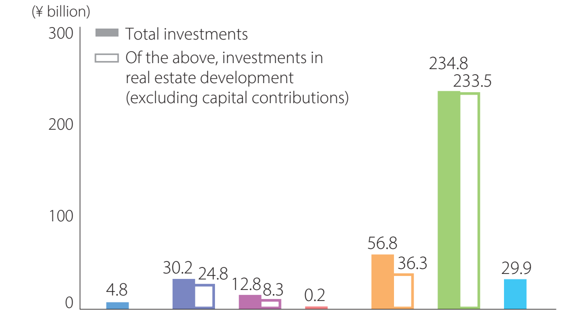


Figure 12 Operating income margin to segment assets (FY2020)



*2 Segment assets are averages during the fiscal year.

Figure 13 [Business segments] Total investments (FY2020)



V. Investments

Investments and returns for employees Figures 14 & 15

One of the essential elements for sustaining growth is to invest in the development of human resources and to maintain and improve the living environment of employees.

The human resources development costs*3 for fiscal 2020 were ¥340 million (on a non-consolidated basis), which is lower compared to fiscal 2019, as a result of the impact of COVID-19 and the shift from in-person group training to online training, but still 131% up from fiscal 2011 (Figure 15). Employee salaries on a nonconsolidated basis increased by ¥42.4 billion from fiscal 2011 (an average increase of 13% or ¥1,031,000 per employee).

Meanwhile, the ratio of employee salaries to operating income*4 decreased from 61% in fiscal 2011 to 39% in fiscal 2020, and the growth rate of profits significantly exceeded the rate of increase in personnel costs. As a result, we have successfully secured funds for growth investments and increased returns to shareholders, and will actively promote investments in human resources, which are the most important source for growth.

*3 Personnel costs on training, etc. + Transportation costs on training
*4 Employee salaries/(Operating income + Employee salaries)

Investments in research and development (R&D) Figure 15

R&D expenditures in fiscal 2020 were ¥10.2 billion, of which ¥4.7 billion was for the housing business, ¥5.4 billion for the construction business and other businesses. Our research and development activities range from basic and applied research to the development of new technologies and new products, and further to utilization and verification of these new technologies in architectural structures and urban development.

Capital investments Figure 16

Capital investments of ¥69.8 billion (excluding investments in real estate development) were mainly for constructing training centers that can be used by employees inside and outside Japan as a place to develop global human resources, for replacing production lines in plants to increase production efficiency and for renovating plant facilities.

Well-planned investments in production lines are carried out based on market trends, order trends, and other factors. With regard to major assembly processes in particular, which are a significant element affecting the cost-of-sales ratio and quality improvement, we will work on further increasing the rate of automation.

IT-related investments Figure 17

IT-related investments involve significant elements that may lead to revenue increases and cost reductions in the future, such as through the enhancement of added value in products and services, through utilization in marketing, and through the achievement of higher efficiency in production processes and operations. Therefore, we will actively work on such investments by combining the injection of more funds with the improvement of the organizational structure.

Figure 14 Ratio of employee salaries to operating income (non-consolidated)

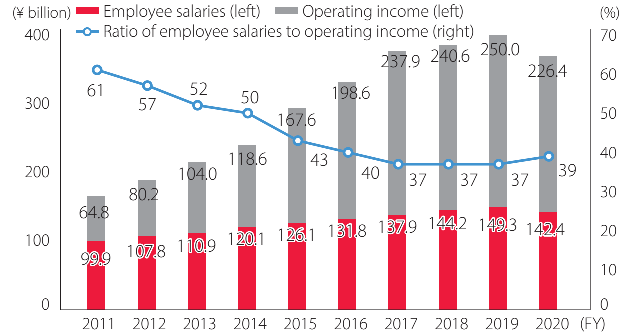


Figure 15 Research and development expenditures/Human resources development costs

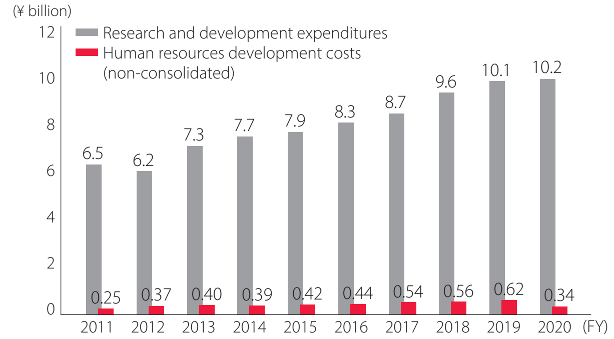
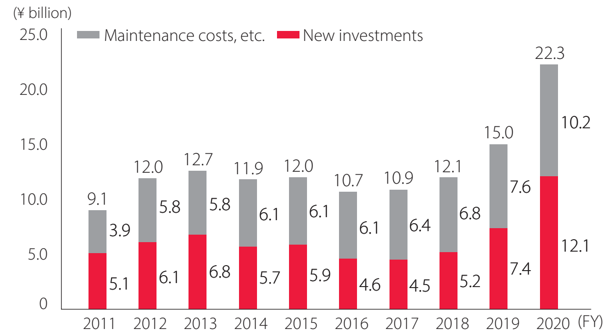


Figure 16 Capital investments (excluding investments in real estate development)

Figure 17 IT-related investments



Financial Highlights

(¥ million)

Fiscal Year	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net sales	2,007,989	2,700,318	2,810,714	3,192,900	3,512,909	3,795,992	4,143,505	4,380,209	**4,126,769**
Gross profit	415,771	507,903	540,868	632,417	721,312	793,832	842,767	870,206	**826,883**
Gross margin (%)	20.7	18.8	19.2	19.8	20.5	20.9	20.3	19.9	**20.0**
Selling, general and administrative expenses	287,746	344,326	360,516	389,316	411,220	446,690	470,571	489,091	**469,761**
Operating income	128,024	163,576	180,352	243,100	310,092	347,141	372,195	381,114	**357,121**
Operating income margin (%)	6.4	6.1	6.4	7.6	8.8	9.1	9.0	8.7	**8.7**
Ordinary income	145,395	176,366	202,628	233,592	300,529	344,593	359,462	367,669	**337,830**
Net income attributable to owners of the parent	66,274	102,095	117,133	103,577	201,700	236,357	237,439	233,603	**195,076**
Return on equity (ROE) (%)	9.5	11.9	11.2	9.1	16.3	17.0	15.5	14.1	**11.0**
Return on total assets (ROA) (%)	3.0	4.1	4.1	3.3	5.9	6.2	5.7	5.2	**4.0**
Total assets	2,371,238	2,665,946	3,021,007	3,257,805	3,555,885	4,035,059	4,334,037	4,627,388	**5,053,052**
Net assets	734,883	992,686	1,112,817	1,181,986	1,329,901	1,513,585	1,643,717	1,773,388	**1,893,504**
Net assets excluding non-controlling interests	733,623	986,518	1,105,628	1,170,278	1,308,290	1,474,539	1,595,991	1,726,995	**1,835,196**
Net assets ratio (%)	30.9	37.0	36.6	35.9	36.8	36.5	36.8	37.3	**36.3**
Interest-bearing debt	374,788	393,568	563,530	491,964	640,671	780,574	778,546	1,043,478	**1,274,886**
Debt-equity ratio (times)	0.51	0.40	0.51	0.42	0.49	0.53	0.49	0.60	**0.69**
Net debt-equity ratio (times)	0.17	0.18	0.29	0.26	0.32	0.31	0.31	0.44	**0.46**
Current ratio (%)	136.8	127.2	138.7	136.5	137.5	144.4	137.0	162.2	**184.4**
Fixed ratio (%)	189.4	161.2	158.3	164.8	164.4	156.3	151.2	146.1	**147.1**
Net cash provided by operating activities	164,247	78,451	139,465	278,497	287,691	382,365	355,599	149,651	**430,314**
Net cash used in investing activities	(140,736)	(240,439)	(235,027)	(202,447)	(343,643)	(313,664)	(313,989)	(317,273)	**(389,980)**
Net cash provided by (used in) financing activities	(28,633)	110,131	129,202	(130,185)	80,086	41,804	(86,979)	169,128	**102,731**
Market capitalization	1,091,856	1,156,397	1,565,858	2,109,310	2,129,297	2,731,576	2,344,492	1,783,852	**2,159,278**
Stock prices (FYE) (yen)	1,820	1,751	2,371	3,166	3,196	4,100	3,519	2,677	**3,241**
Per share of common stock (yen):									
Earnings per share (EPS)	114.52	161.08	177.74	156.40	304.14	355.87	357.29	351.84	**297.18**
Book-value per share (BPS)	1,267	1,496	1,678	1,762	1,971	2,218	2,404	2,600	**2,805**
Cash dividends*1	35	50	60	80	92	107	114	115	**116**
Dividend payout ratio (%)	30.6	31.0	33.8	51.2	30.2	30.1	31.9	32.7	**39.0**
Price earnings ratio (PER) (times)	15.89	10.87	13.34	20.24	10.51	11.52	9.85	7.61	**10.91**
Price to book value ratio (PBR) (times)	1.44	1.17	1.41	1.80	1.62	1.85	1.46	1.03	**1.16**
Number of employees (FYE)*2	30,361	32,628	34,903	37,191	39,770	42,460	44,947	47,133	**48,807**
Number of group companies	113	129	145	172	196	317	387	360	**444**
Consolidated to non-consolidated net sales ratio (times)	1.62	1.89	1.91	1.94	2.04	2.09	2.15	2.22	**2.21**
Consolidated to non-consolidated net income ratio (times)	1.35	1.26	1.21	1.26	1.37	1.19	1.30	1.19	**1.07**

*1 Cash dividends for fiscal 2015 include a commemorative dividend of ¥10 to mark the 60th anniversary of the Company's foundation.
*2 Regular employees only.

Fiscal Year	2012	2013	2014	2015	2016	2017	2018	2019	2020
Sales by segments (consolidated)*3 (¥100 million)									
Single-Family Houses	3,511	3,944	3,753	3,783	3,903	3,853	3,838	4,978	**5,161**
Rental Housing	5,925	6,887	7,729	8,801	9,772	10,308	10,613	10,059	**9,827**
Condominiums	1,567	2,427	2,313	2,793	2,628	2,850	2,805	3,727	**3,397**
Existing Homes	764	867	916	955	1,055	1,121	1,145	1,456	**1,247**
Commercial Facilities	3,472	4,219	4,562	4,955	5,697	6,208	6,939	8,067	**8,083**
Logistics, Business and Corporate Facilities	2,514	5,921	5,815	7,363	8,284	8,502	10,223	11,523	**9,899**
Other Businesses	3,353	3,939	4,265	4,588	5,135	6,371	7,161	5,300	**5,073**
Adjustment	(1,030)	(1,205)	(1,248)	(1,311)	(1,349)	(1,256)	(1,293)	(1,311)	**(1,423)**
Total	20,079	27,003	28,107	31,929	35,129	37,959	41,435	43,802	**41,267**
Operating income by segments (consolidated)*3 (¥100 million)									
Single-Family Houses	125	133	88	165	192	215	199	180	**218**
Rental Housing	522	642	695	819	942	1,066	1,022	985	**908**
Condominiums	99	107	108	157	134	133	135	158	**53**
Existing Homes	61	93	99	112	130	132	159	167	**104**
Commercial Facilities	459	607	672	803	1,007	1,141	1,377	1,406	**1,228**
Logistics, Business and Corporate Facilities	206	269	384	680	789	889	989	1,206	**1,159**
Other Businesses	96	140	102	95	168	230	325	192	**107**
Adjustment	(291)	(358)	(348)	(403)	(265)	(337)	(486)	(487)	**(209)**
Total	1,280	1,635	1,803	2,431	3,100	3,471	3,721	3,811	**3,571**
Housing starts*4 (thousands of units)									
Housing starts	893	987	880	921	974	946	952	883	**812**
Custom-built houses	317	353	278	284	292	282	288	283	**263**
Houses in housing development projects	125	134	124	126	135	138	145	146	**129**
Rental housing	321	370	358	384	427	410	390	334	**303**
Condominiums	124	124	110	118	112	108	120	111	**108**
Sales of houses in Japan (non-consolidated) (units)									
Sales of houses	43,203	46,018	49,087	51,207	54,925	51,641	48,410	43,703	**38,991**
Custom-built houses	7,965	8,088	7,280	6,999	7,106	6,907	6,524	5,917	**5,178**
Houses in housing development projects	1,916	2,433	2,614	2,333	2,180	2,320	2,192	2,066	**1,841**
Rental housing	30,514	32,424	36,757	38,903	43,428	40,254	37,905	33,502	**29,488**
Condominiums	2,808	3,073	2,436	2,972	2,211	2,160	1,789	2,218	**2,484**
Reference : Cosmos Initia Co., Ltd.*5 Condominiums for sale	—	799	772	896	744	558	414	325	**455**
Single-Family Houses Business									
Average sales per unit (¥ million)									
Custom-built houses	30.1	31.1	32.7	33.7	34.3	35.9	37.3	39.6	**39.6**
Houses in housing development projects	23.8	23.5	24.0	24.5	25.3	24.0	24.3	22.4	**23.1**
Rental Housing Business									
Number of rental housing units sold	30,514	32,424	36,757	38,903	43,428	40,254	37,905	33,502	**29,488**
Average sales per unit (¥ million)									
Rental housing	10.7	11.2	11.4	11.6	11.4	12.0	12.4	12.3	**12.4**
Steel-frame (low-rise)	10.3	10.9	11.1	11.3	11.1	11.6	12.0	11.7	**11.6**
Steel-frame (high- and mid-rise)	14.0	14.4	14.9	15.2	16.6	17.8	18.1	20.2	**19.8**
Number of rental housing units managed									
Rental housing units managed	346,068	391,778	435,515	471,342	510,208	543,124	572,238	595,182	**611,874**
Lump-sum contracted units (occupancy guarantee)	305,808	352,341	397,282	433,628	471,845	505,313	531,356	552,625	**568,679**
Occupancy rates (%)	97.6	97.2	97.5	97.4	97.1	97.3	96.9	97.6	**98.2**
Condominiums Business									
Sales (non-consolidated) (¥ million)									
Average sales per unit	34.4	41.1	37.9	44.2	48.4	53.2	55.8	62.2	**49.2**
Number of condominium units managed									
Condominium units managed	295,002	309,330	320,488	332,299	341,705	353,026	360,619	371,524	**376,168**
Commercial Facilities Business									
Subleasing areas of commercial facilities									
Total leasing floor space (m^2)	4,701,563	4,829,902	5,134,274	5,441,604	5,736,312	6,157,287	6,375,278	6,765,150	**6,871,560**
Leasing floor space occupied (m^2)	4,656,848	4,791,228	5,087,813	5,399,137	5,684,372	6,099,232	6,311,331	6,684,037	**6,766,557**
Tenants	7,936	8,524	8,989	9,532	10,038	10,843	11,220	12,032	**12,149**
Occupancy rates*6 (%)	99.0	99.2	99.1	99.2	99.1	99.1	99.0	98.8	**98.5**

*3 Including intersegment transactions. *4 Statistics for housing starts are from Housing Starts Survey by Ministry of Land, Infrastructure, Transport and Tourism.
*5 Cosmos Initia became a consolidated subsidiary in June 2013. *6 Leasing floor space occupied/ Total leasing floor space.

Non-Financial Highlights (Key results and targets of the Medium-Term Plan)

The Daiwa House Group measures the results of our activities for the environment and society to make improvements to activities in these areas.

Along with the start of the Sixth Medium-Term Management Plan, we formulated Endless Green Program 2021 and Endless Social Program 2021. Progress is managed annually by each related department using indices to assess the results of the plan (implementation period: fiscal 2019 to fiscal 2021), with the goal of achieving performance objectives and strengthening management foundations.

The results of our self-assessment for fiscal 2020, the second year of the plan, are as follows. For the factor analysis, also see our Sustainability Report 2021.

Key results and targets of the Social Medium-Term Plan (Endless Social Program 2021)

(FY)

Base	Priority issues	Assessment indices (KGI) Indices	2018 results	2019 results	2020 results	2021 targets
Human resources base	Work style reform for employees (by creating workplace environments that both maximize results and ensure health and safety)	Improvement in "motivation" of entire workforce (Calculated based on question about "motivation" on a sustainability survey.)	65%	65%	**71%**	80%
	Upgrade human resource development and recruitment (by building programs based on projected 2030 group requirements)	Retention rate of young employees (3 years after joining the company)	73.9%	75.4%	**78.6%**	90%
	Promote diversity and inclusion	① Percentage of women managers	3.6%	4.1%	**4.5%**	5%
		② Percentage of line leaders amongst women managers	24.1%	25.0%	**21.5%**	40%
		③ Percentage of women engineers	4.6%	4.9%	**4.9%**	6%
		④ Percentage of women sales reps	9.9%	10.2%	**9.9%**	13%
		⑤ Percentage of women amongst new college recruits	27.2%	24.8%	**23.5%**	30%
Customer base	Upgrade corporate communications (new customers)	Interbrand Japan's Best Domestic Brand/ Brand monetary value	668 million USD	700 million USD	**700 million USD**	1,000 million USD
	Promote customer support to maintain long-term relationships	Order rate using our customer base (Housing sales by referral)	38.7%	37.4%	**39.9%**	70%
Technology and manufacturing base	Enforce safety/security at construction sites	Frequency of worksite industrial accidents (Number of industrial accidents related fatalities/injuries per 1 million hours of work) (Injuries requiring 4 or more days-off)	0.23	0.19	**0.16**	0.21
	Improve productivity in manufacturing operations with the cooperation of business partners	Number of days off per annum for construction site workers	77 days	88 days *1	**100 days *2 (7 days-off for every 4 weeks)**	112 days (8 days-off for every 4 weeks)
		Number of days off per annum for factory workers	108 days	111 days	**114 days**	117 days
	Promote and improve the efficiency of CSR procurement across the Group	① Percentage of important suppliers that comply with our CSR Procurement Guidelines (Scores of 80 or higher are judged as compliant)*3	—	42.4%	**44.2%**	70%
		② Reply rate to CSR Procurement Guidelines self-check sent to all suppliers	—	19.7%	**43.5%**	70%
Risk countermeasures base	Prepare business continuity plans on the premise of natural disasters/extreme weather	Business continuity plan score (points)*4 (Scoring based on status of efforts in six themes, as assessed by the BCM Subcommittee)	—	44 points	**66 points**	100 points
	Establish corporate ethics and compliance rules	Internal control system attainment score*5	408.1	397.4	**705.2**	447

Key results and targets of the Action Plan for the Environment (Endless Green Program 2021)

(FY)

Environmental theme	Focal themes		Management indicator (KPI)	2018 results	2019 results	2020 results	2021 targets
General	Products and services	Pursue both environmental stewardship and corporate earnings by developing and selling products/ services that are tied to the environment	Sales of environmental contribution business	1,117.2 billion yen	1,227.7 billion yen	**1,256.4 billion yen**	1,400.0 billion yen
Mitigating and adapting to climate change (energy)	Business activities	• Continue ZEB practices with new constructions, and energy-efficiency improvements and systematic equipment replacement with existing facilities • Expand power generation projects driven by renewable energy (wind, solar, hydro and biomass)	GHG emissions (from the fiscal 2015 level, per unit of sales)	26.3% reduction	31.9% reduction	**39.3% reduction**	35% reduction
			Energy efficiency (EP100) (from the fiscal 2015 level)	1.27 times	1.34 times	**1.46 times**	1.4 times
			Renewable energy utilization rate (RE100)	0.23%	0.30%	**8.5%**	10%
			Renewable energy rate	84.5%	96.4%	**133%**	100%
	Products and services	Promote ZEH, ZEB and Green Building certification	GHG emissions derived from use of products (from the fiscal 2015 level, per area)	20% increase	19% increase	**14% increase**	6% reduction
			ZEH sales rate	29%	41%	**58%**	70%
			ZEB sales rate	22%	33.4%	**39.6%**	40%
			Rate of Green Building Certification obtained	15%	5%	**75.5%**	80%
Environmental education		Develop human resources for environmental management and improve environmental awareness and knowledge of the entire workforce	Number of those who acquired the Eco Test certification	4,402	8,218	**11,818**	15,000

*1 Results for fiscal 2019 construction site target days off of 88 days are unconfirmed. For fiscal 2018, 93% of partners had obtained the 77 target days off (from questionnaire survey for business partners 2019)

*2 Total of sites adopting a face recognition access control system. Approx. 80% of sites on average took holidays as scheduled.

*3 Important supplier: Suppliers with 300 or more employees

*4 Calculated based on the degree of progress in six indices ① Ensuring employee safety ② Ensuring power and backing up information systems ③ Upgrading aftersales support services for customers ④ Maintaining production purchasing capacity ⑤ Keeping the group functional as a whole ⑥ Establishing a development system based on the long-term risks of customers

*5 Calculated from the below

1. Completeness of internal control system ① Systems for collecting and sharing information (Reporting and sharing of risk information, etc.) ② Management and supervisory systems (Operation of Internal Control Committee and other organizations) ③ Training and awareness programs (Implementation of internal training programs and awareness activities via internal notices, etc.)
2. Degree of damages and losses ① Degree of financial losses and occurrence of serious incidents, etc.

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Corporate Data

Corporate Data (as of June 29, 2021)

Corporate name:	Daiwa House Industry Co., Ltd.
Founding:	April 5, 1955 (Established: March 4, 1947)
Paid-in capital:	¥161,699,201,496
Employees: (consolidated)	48,807 (as of March 31, 2021)
Securities traded:	Tokyo stock exchange
Securities code:	1925
Head office:	3-3-5 Umeda, Kita-ku, Osaka 530-8241, Japan Phone: +81-6-6346-2111
Tokyo Head office:	3-13-1 Iidabashi, Chiyoda-ku, Tokyo 102-8112, Japan Phone: +81-3-5214-2111

Offices (37):

Hokkaido	Saitama-higashi	Niigata	Kobe
Kita- Tohoku	Chiba	Gifu	Nara
Sendai	Kashiwa	Nagoya	Okayama
Fukushima	Chiba-chuo	Okazaki	Hiroshima
Tsukuba	Joto	Aichi-kita	Fukuoka
Ibaraki	Musashino	Yokkaichi	Kita-Kyushu
Utsunomiya	Yokohama	Shiga	Kumamoto
Gunma	Kawasaki	Kyoto	
Saitama	Atsugi	Sakai	
Saitama-nishi	Kanazawa	Hokusetsu	

Branches:	32
Factories:	9
Research center:	Central Research Laboratory (Nara)
Training centers:	Osaka and Tokyo
Overseas offices/ Representative offices:	Shanghai (China), Taipei (Taiwan), Jakarta (Indonesia), Manila (Philippines), Hanoi (Vietnam), Ho chi minh (Vietnam), Yangon (Myanmar), Mexico city (Mexico)
Contact:	Daiwa House Industry Co., Ltd. IR Department, Management Administration Headquarters Phone: +81-6-6225-7804 Fax: +81-6-6342-1419 e-mail: dh.ir.communications@daiwahouse.jp
Website:	https://www.daiwahouse.com/English

Board of Directors, Audit & Supervisory Board and Executive Officers (as of June 29, 2021)

Board of Directors

Representative Director and President, CEO	Keiichi Yoshii
Representative Director and Executive Vice President, CFO	Takeshi Kosokabe
Director and Executive Vice President	Yoshiyuki Murata
Director and Managing Executive Officers	Hirotsugu Otomo Tatsuya Urakawa Kazuhito Dekura Yoshinori Ariyoshi Keisuke Shimonishi Nobuya Ichiki
Outside Directors	Kazuyoshi Kimura Yutaka Shigemori Yukiko Yabu Yukinori Kuwano Miwa Seki

Audit & Supervisory Board

Audit & Supervisory Board Members	Tomoyuki Nakazato Tadatoshi Maeda
Outside Audit & Supervisory Board Members	Shonosuke Oda Akihisa Watanabe Tatsuji Kishimoto

Managing Executive Officers

Keigo Okada	Yuji Yamada
Mikio Sasaki	Takashi Miyatake
Kohei Yamasaki	Tetsuya Tamura
Takaki Hiromori	Toshiya Nagase
Eiichi Shibata	

Senior Executive Officers

Yasuo Nakamura	Moritaka Noumura
Koji Harano	Yoshinori Hashimoto
Hirofumi Hama	Hiroshi Kono
Nobuhito Ishibashi	Takafumi Nakao
Yukikazu Kataoka	Hirotaka Najima
Isao Mizutani	Shigeki Ochiai
Yoshin Minagawa	Kazunori Nibe
Tetsuro Wada	Yukio Takamatsu

Executive Officers

Yuichi Sugiura	Katsunori Nobe
Hideharu Hashimoto	Kazumi Suwa
Ryuichi Oyaide	Ryuzo Matsuyama
Taro Kawamura	Masao Kita
Norio Togashi	Keiichi Moteki
Masataka Kanai	Nobuhiko Watanabe
Keitaro Takebayashi	Hideto Tamiya
Yoshinori Iwabuchi	Tadahiro Takayoshi
Masatoshi Hatta	Kazuya Mukai
Keisuke Izumoto	Yoshimune Morizumi
Masafumi Sugimoto	Akira Matsuba
Kenichi Yoshioka	Tetsuo Hatta

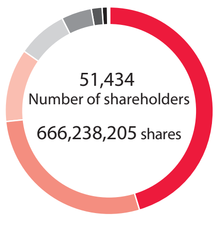
Share Information (as of March 31, 2021)

Authorized	1,900,000,000 shares
Issued	666,238,205 shares
Number of shareholders	51,434

Principal shareholders	Thousands of shares*1	Equity stake*2 (%)
The Master Trust Bank of Japan, Ltd. (trust account)	71,075	10.86
Custody Bank of Japan, Ltd. (trust account)	38,502	5.88
Sumitomo Mitsui Banking Corporation	16,117	2.46
Custody Bank of Japan, Ltd. (trust account 7)	15,875	2.43
Daiwa House Industry Employee Shareholders Association	13,326	2.04
Nippon Life Insurance Company	11,944	1.83
MUFG Bank, Ltd.	10,829	1.66
STATE STREET BANK WEST CLIENT - TREATY 505234	9,135	1.40
Custody Bank of Japan, Ltd. (trust account 5)	8,879	1.36
The Dai-ichi Life Insurance Company, Limited	8,682	1.33

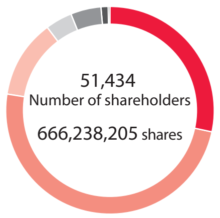
*1 Number of shares held is rounded down to the nearest thousand. The Company holds 11,917 thousand shares of treasury stock but is not listed as a principal shareholder above.
*2 Equity stake is calculated excluding treasury stock. Equity stake is rounded down to three decimal places.

Shareholdings by shareholders



	Number of shareholders	Shares	Equity stake (%)
Financial institutions	187	305,824,984	45.90
Foreign investors	973	189,529,357	28.45
Individuals and others	48,824	74,988,818	11.26
Other corporations	1,389	53,611,820	8.05
Securities companies	41	30,363,055	4.56
Treasury stock	1	11,917,171	1.79
Government and local governments	1	3,000	0.00

Shareholdings by scale



	Number of shareholders	Shares	Equity stake (%)
10 million or more	8	189,587,510	28.46
1 million or more	106	327,339,971	49.13
100 thousand or more	293	81,235,276	12.19
10 thousand or more	1,088	28,747,360	4.31
1 thousand or more	15,289	31,856,822	4.78
1 hundred or more	29,189	7,306,234	1.10
Less than 1 hundred	5,461	165,032	0.02

Note: Equity stake shows the percentages of the total outstanding shares.

Editorial Postscript

Rethinking our social purpose, becoming a group that can turn dreams into reality

Thank you for reading our report.

Amid a changing operating environment, in the field of corporate management we at the Daiwa House Group face the need to constantly evolve through optimal leverage of our core competencies. In pursuit of our corporate vision of realizing a society where people can live fulfilling lives, we are working to integrate ESG factors to strengthen the sustainability of the Group's management.

Yuji Yamada
Managing Executive Officer
General Manager, Finance Department and IR Department

Nobuo Ishibashi, the founder of Daiwa House Industry, spent much time thinking about what kind of company would be of service to society, and this very same attitude informs the Group's present judgment criteria. It is my belief that we must maintain our founder's business stance and have the firm determination to help create a better society in the future through the launching of new businesses. In fact, since its founding, through the planning and construction of large-scale housing developments and the proposal of mortgage loan plans, among other products, Daiwa House Industry has helped bring about a society in which many people can buy their own homes. Additionally, through our retail & wholesale facilities business – which has constructed large numbers of roadside stores to meet the growing needs of an increasingly motorized society – and our development of resort hotels and other business activities, we have supplied new value to the market and have contributed to the building of a new society. Going forward, we will ensure that these concepts run through our whole business. We will also inaugurate our Future Dream project as a means to rethink our corporate social purpose and re-identify the issues that are material to the Group's prosperity and continued existence.

We are accelerating our efforts in the field of SDGs to bring into being a truly sustainable society and address the urgent issue of climate change. To strengthen the ability to look beyond the immediate future horizons and respond promptly and urgently when faced with the emergence of unforeseen factors, we are to fostering a workplace where diverse human resources can participate actively. We are also embarking on a radical reform of our working practices to optimally leverage digital technology, and are taking steps to further enhance the Group's governance in both the environmental and social fields. We believe our stakeholders can justly be confident about the Group's future.

In closing, I would like to thank all those who gave us their assistance in the making of this report, in addition to everyone who has taken the trouble to read it. I hope that it has succeeded in increasing your understanding of the Daiwa House Group's business operations, and that we will continue to receive your support as we go forward.

The word "dream" encompasses a wide range of meanings.
When we go to sleep at night, we dream.
We also often refer to the past as "seeming like a dream."
But for us at the Daiwa House Group, these definitions of the word can be put to one side.
When we use the word "dream," which to us is very important, we are referring to hopes for the future.
Dreams are the driving force behind great achievements.
Managers must be a good judge of the capabilities of their staff.
Employees, too, must have a dream in their hearts.
Companies grow along with the realization of such dreams.
A company's management and staff must all keep on trying to make their dream reality, and must never give up.

Our founder, Nobuo Ishibashi