

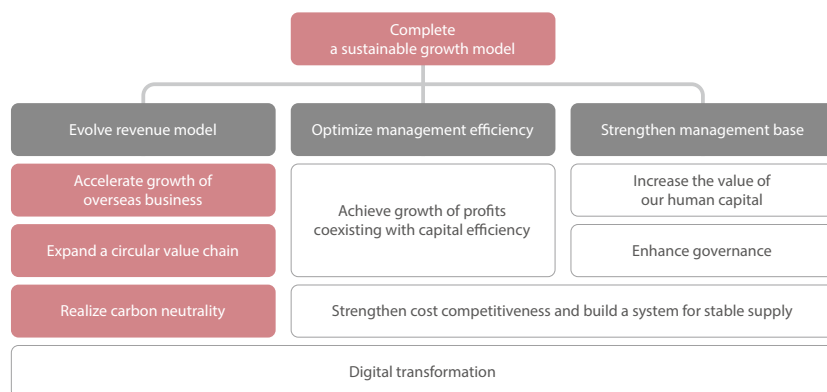
Seventh Medium-Term Management Plan

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Chapter



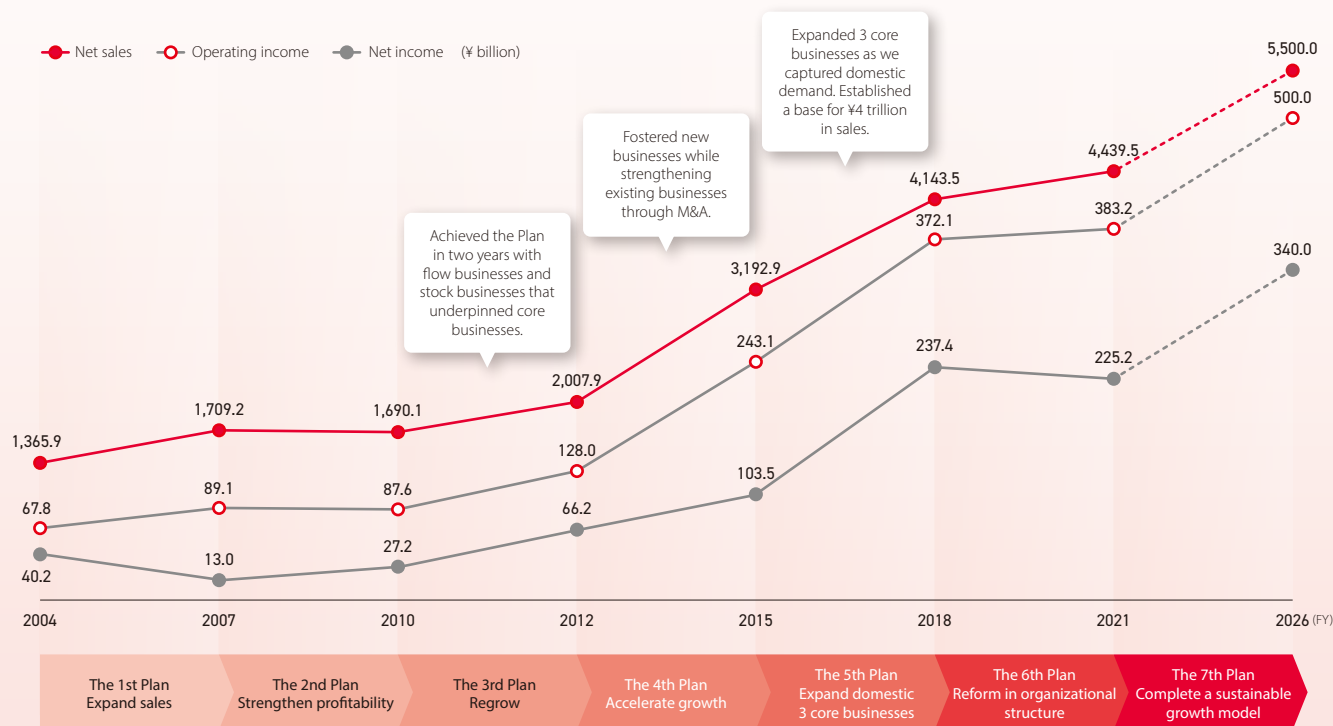
Policies and focal themes of the Seventh Medium-Term Management Plan



Chapter 3 Seventh Medium-Term Management Plan (2022-2026)

Results of the past medium-term management plans and the positioning of the Seventh Medium-Term Management Plan

We have steadily achieved the performance targets under the medium-term management plans by constantly anticipating changes in business environment. With regard to the 6th Plan, results fell short of the initial forecasts due to COVID-19, but both sales and operating income hit new record highs. This was the result of a reform in organizational structure, including an overhaul of governance and a shift in the business execution structure, along with the development of products and services adapted to the New Normal. We position the next five years under the 7th Plan as a period in which we complete a sustainable growth model that maximizes both business value and social value over the long-term based on the reformed organizational structure.



Looking back at the 6th Plan

Developing our businesses

Rolled out products and services adapted to the New Normal and emerging needs. Developed a base for expanding the US housing businesses through M&A. Generated profit with aggressive real estate investment and sale of properties.

Value creation in the 6th Plan

Trust and sympathy of stakeholders

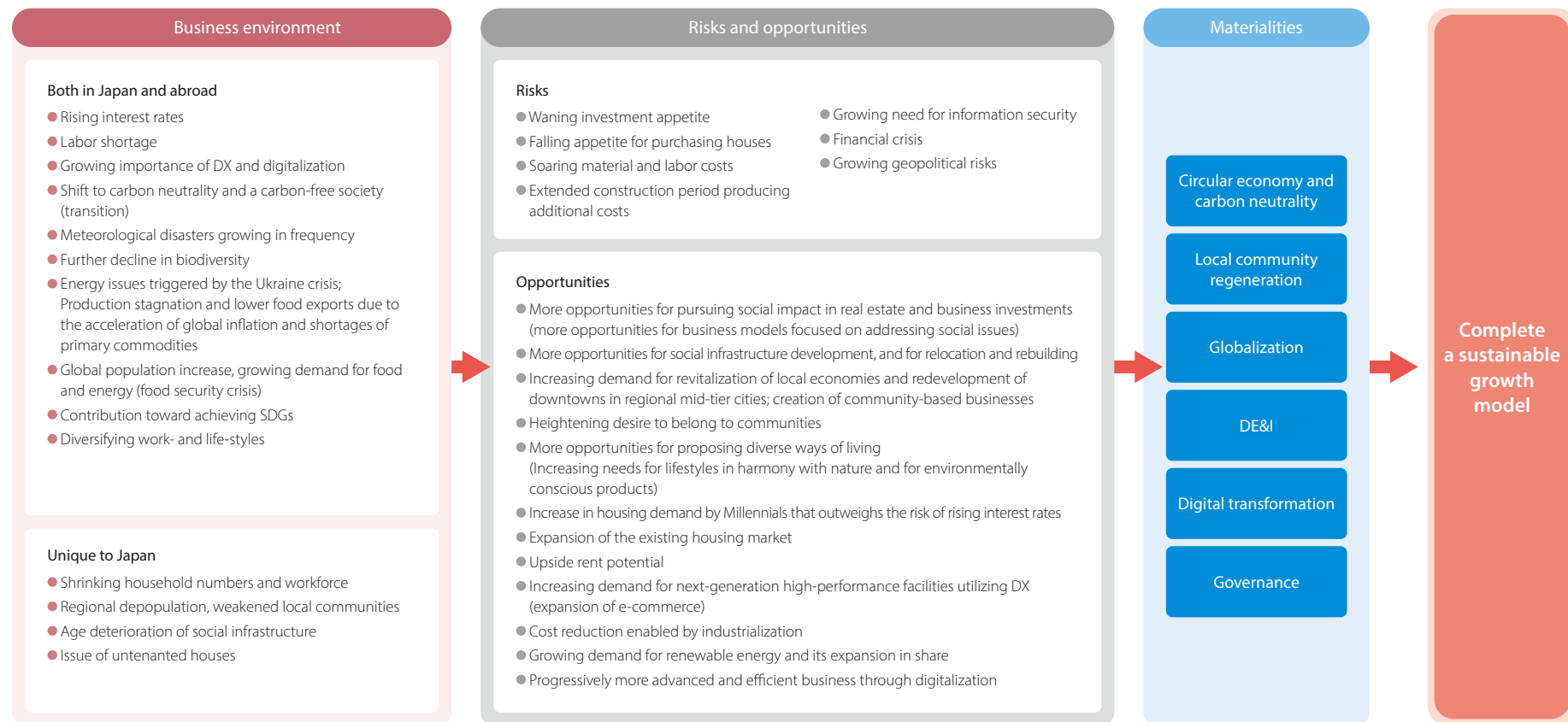
Expanded repeat orders and business opportunities. Received also high recognition from external agencies for improvement in employee motivation and enhanced retention of construction technicians.

Strengthening our bases

With a business division-based system put in place, carried out the delegation of authority and improved a management base. Promoted work style reforms, including a flextime program and teleworking arrangements. On the environmental front, achieved renewable energy rate of over 100%.

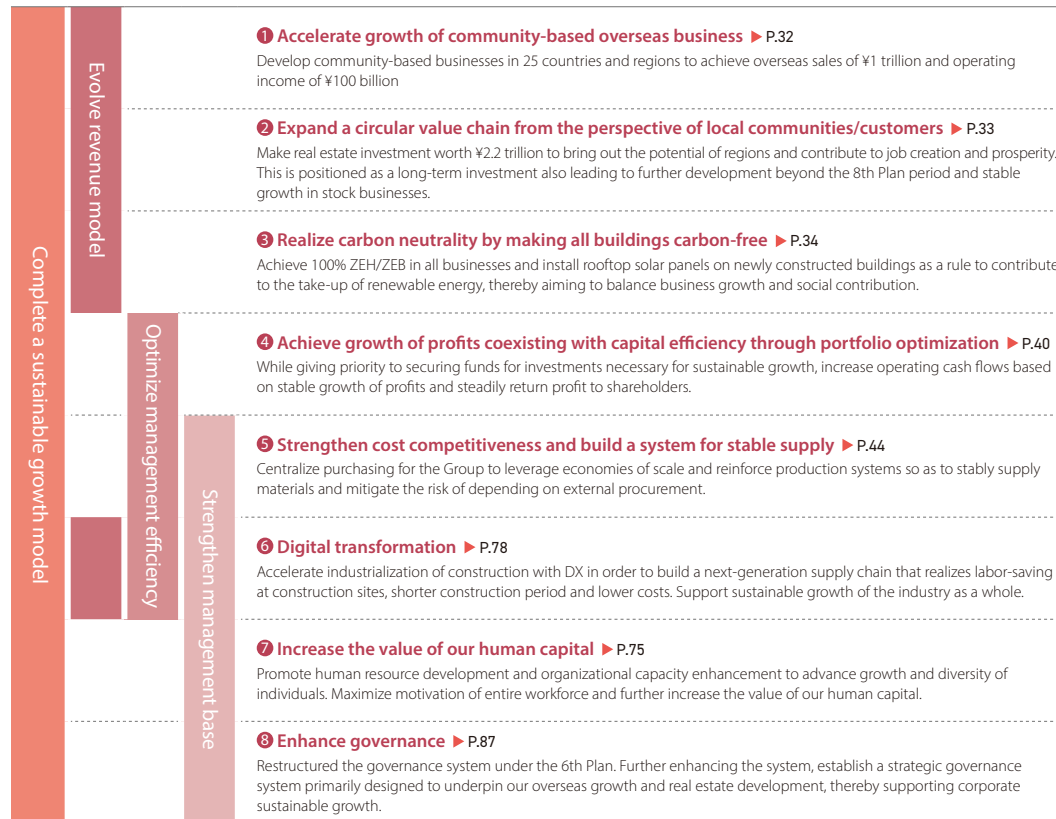
Business environment, risks and opportunities

In the Seventh Medium-Term Management Plan, we will complete a sustainable growth model by addressing issues of particular importance (Materialities), while identifying risks and opportunities in an ever-changing business environment both in Japan and abroad.



Three management policies and eight focal themes of the Seventh Medium-Term Management Plan

In the Seventh Medium-Term Management Plan, we uphold three management policies: Evolve revenue model, Optimize management efficiency, and Strengthen management base. Under the policies, we tackle eight focal themes toward maximizing corporate value with a view to growth beyond the 8th Plan period.



KPIs for FY2026 Developing our businesses (Financial information)

Net sales	¥5.5 trillion	ROE	13% or higher
Operating income*1	¥500 billion	Dividend payout ratio	35% or higher and dividend per share of ¥130 or more
Net income attributable to owners of the parent	¥340 billion	Debt-equity ratio	Around 0.6 times

KPIs for FY2026 Strengthening our bases (Non-financial information)

Endless Green Program 2026	Zero CO2 emissions in community development Scope 3 Category 11	Reduce GHG emissions by 54%*2 by making all buildings ZEH/ZEB and installing solar power generation equipment on them
	Zero CO2 emissions in business activities Scopes 1 and 2	Reduce GHG emissions by 55%*2 by promoting energy efficiency, renewable energy and electrification
	Zero CO2 emissions in supply chains Scope 3 Category 1	90% or higher in principal suppliers' setting rates of GHG reduction targets in SBT level
Maximize motivation of entire workforce *3		

*1 Exclusive of amortization of actuarial differences of retirement benefits *2 vs FY2015
*3 Indicators for the Social Medium-Term Plan are under consideration.

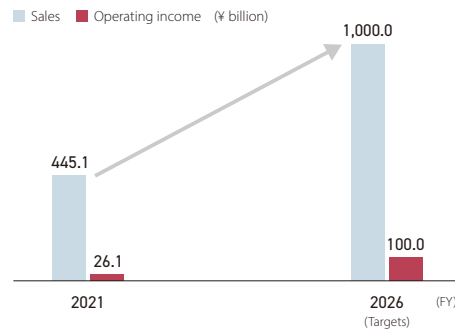
Globalization

Management policy: Evolve revenue model **1 Accelerate growth of community-based overseas business**

With STAY & EXPAND as a watchword, we develop community-based businesses in 25 countries and regions.

We aim for overseas sales of ¥1 trillion and operating income of ¥100 billion as the first Japanese company operating in the housing and construction sector.

Sales and operating income of overseas business



Sales by region

(¥ billion)

	FY2021 Results	FY2026 Plan
The US	267.8	730.0
East Asia (China)	47.5	130.0
Australia	41.2	50.0
ASEAN	39.5	50.0
Other *	48.9	40.0
Total overseas sales	445.1	1,000.0
Operating income margin	5.9%	10.0%

*"Other" areas for FY2026 plan are for Europe only.

Focal Area 1

The US: Housing business

Steadily supply quality housing with values



Examples of properties developed by Stanley Martin Holdings

We engage in subdivision development and housing sales in the eastern, southern and western parts of the nation ("smile zone") and expand the number of houses we supply to 10,000 units in FY2026. To address labor shortage and soaring personnel cost, we increase supply chain efficiency and offsite processes, which would also lead to stable quality.

Overseas development ▶ P.50

Focal Area 2

China: Condominiums business

Development investment in tune with real demand in the Yangtze delta area, aiming to widely offer Japanese quality especially in terms of services



In China, we offer a one-stop business covering from land selection through development to management and after-sale services by drawing on our know-how we cultivated in business for many years, beginning with the one in Suzhou City in 2007. Boosting the awareness of the Daiwa House brand, we steadily secure returns on investments.

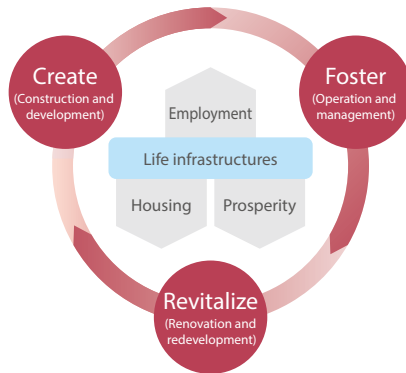
Condominium development projects in China ▶ P.54

Local community regeneration

Management policy: Evolve revenue model **2** Expand a circular value chain from the perspective of local communities/customers

In Japan, we build a circular value chain, a new business model that generates value on an ongoing basis. Expanding development that gives residents the JOYS OF LIFE, we contribute to revitalizing local communities. Staying in close to the life of each customer, we develop long-term businesses that would also benefit future generations, and redefine housing as "a place to live in."

Circular value chain



KPIs for each business

	(¥ billion)		
	FY2021 Results	FY2026 Plan	CAGR
Create Sales of development properties	290.0	450.0	9.2%
Foster Sales of stock business*	1,200.0	1,600.0	5.9%
Revitalize Livness Town Project	8 sites	10 sites	—

* Rental income from the Company-owned properties + Operation/management fee income from third parties' properties

Investments and visions

Total investment scale* Approx. ¥2.2 trillion

Develop next-generation infrastructure and create jobs



Advanced logistics facility



Data center

Redevelop and raise the value of aged facilities



Public wholesale market



Neighborhood shopping center

Promote complex redevelopment centering on regional mid-tier cities



Urban redevelopment



Livness Town

* Total amount of investment in real estate development during the 7th Plan

Circular economy and carbon neutrality

Management policy: Evolve revenue model **③ Realize carbon neutrality by making all buildings carbon-free**

We continue efforts to reduce CO2 emissions in each of the stages of business activities, the usage of buildings sold, and supply chains. Our aim is to establish a system where the more buildings Daiwa House builds, the more renewable energy is generated. This will accelerate decarbonization of a society and contribute to the realization of carbon neutrality.

Realize carbon neutrality



Main approach for reducing CO2 emissions

		FY2026 Targets	FY2030 Targets
Business activities (Scopes 1 and 2)	With renewable energy mainly generated in-house, achieve RE100 in FY2023	-55% vs FY2015	-70% vs FY2015
	Make our newly constructed facilities into ZEBs in principle with solar power generation equipment		
Usage of buildings sold (Scope 3)	Install rooftop solar power generation equipment in all businesses	-54% vs FY2015	-63% vs FY2015
	As a rule, 100% ZEB/ZEH		
Supply chains (Scope 3)	Use digital technology to visualize CO2 emitted by our products	-	-
	Cooperate with suppliers by sharing emissions reduction targets and offering solutions		

Construction of facilities/equipment supplying renewable energy

By FY2026, we build facilities worth 4,200 MW or more to cover the electricity needs for 1 million households.

Construction results and targets of facilities/equipment supplying renewable energy (Cumulative power generation output*)

