



FY 2020 Summary of Management Policies

FY2020 2Q

November 16, 2020
Daiwa House Industry Co., Ltd.
Code No:1925
(First section of the Tokyo Stock Exchange)

(Additional explanation)

In light of the first-half results of the fiscal year 2020, I will explain the current situation of the Company and our future management policy.

**Strengthen measures for “New Normal” environment to live with COVID-19
placing the highest priority on protecting the lives and health of all our stakeholders**

Lifestyle changes

- Expansion of working at home
- Growing demand for suburban housing
- Self-restraint in going out
- Increase in home time
- Growing demand among consumers choosing to stay at home
- Acceleration of Digital Transformation (DX)



Our initiatives

- New products adapted for working at home
- Strengthening single-family houses and condominiums in suburban areas
- Conduct online meetings and webinars
- Launch of rental housing products with high sound insulation performance
- Strengthen development of logistics facilities
- Start data center development

(Additional explanation)

We are placing the highest priority on protecting the lives and health of all our stakeholders. Moreover, we are providing new products and services and conducting diversify sales activities in order to respond to lifestyle changes and to measure for “New Normal” environment to live with COVID-19.

Developing products that cater to new working and living styles
Offering also services such as web-based home designing and online housing exhibition tours

Providing products adapted for working at home



Single-family houses products for working at home
“Comfortable workplace” and “Connecting work pit”



Online home building



Online housing exhibition tours and home building simulations at our website

Providing comfortable living spaces and responding to increasing use of delivery services



New rental housing product with high sound insulation performance “GRACA”



Multifunctional delivery lockers for rental housing that allows residents to pick up packages using smartphones
“D-room BOX”

Condominiums located in the suburbs of major cities



Condominiums located in the suburbs of major cities
“PREMIST Shimura 3-chome”

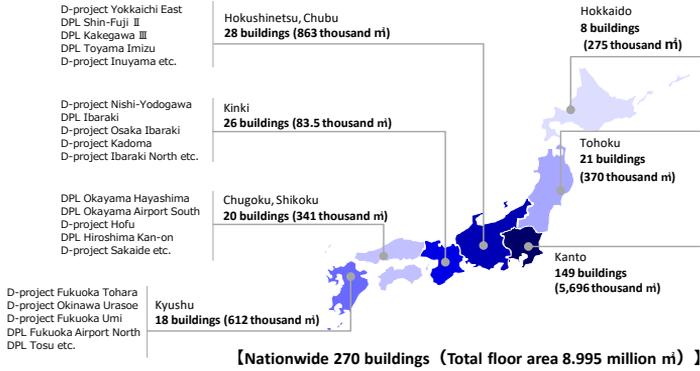
(Additional explanation)

In the Housing Segment, we proposed single-family houses products for working at home and sold housing complexes with high sound insulation performance so that people can spend their time at home more comfortably.

In addition, we developed products that meet new workstyles and living styles, strengthening sales of built for sale housing and condominiums to people who consider living in the suburbs of major cities, not sticking to the living at the city centers.

Accelerating logistics facility development for which demand is growing due to in-home consumption
Strengthening logistics solutions while developing facilities with higher performance

Developed area of logistics facilities (Japan) *As of Sept. 30, 2020, incl. under construction



Properties scheduled to be completed



<p>Frameworkx Logistics strategy Network optimization</p> <p>Digitization using blockchains</p>	<p>Hacobu Efficient transport and delivery</p> <p>Building a system infrastructure to provide optimal route creation through AI</p>	<p>QCCO Suburban Center</p> <p>Horizontal development of know-how such as proprietary automated warehouse systems</p>	<p>GROUND Logistics robotics muji</p> <p>Reduce variable delivery costs while maintaining service levels in response to demands for multi-product, multi-frequency delivery</p>
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(Additional explanation)

In the Business Segment, we have been further promoting the development of logistics facilities, whose market is expanding due to stay at home consumption.

We are also strengthening our efforts to develop logistics facilities with higher value added and higher performance, such as the commercialization of automated operations.

We have developed 270 buildings nationwide, with a cumulative total area of around 9 million square meters. We are the number one provider in the domestic market in terms of both the number of facilities and area.

Started development of Japan’s largest data center to capture the demand for digitization, given the progress in digitization among corporations due to COVID-19

Air Trunk TOK1(Tokyo-one) Data Center



Location	Inzai city, Chiba pref. (in Chiba New Town)
Total site area	Approx. 235,000m ²
Total floor area	Approx. 330,000m ²
Total construction period	From Oct. 2020 to 2030 (scheduled)

- It is located on the Shimosa plateau which has a solid ground
- Japan’s largest data center park (maximum 15 buildings)
- The total floor area is 330,000 square meters, which is equivalent to 7 Tokyo Domes
- The maximum capacity of electricity that can be supplied : 600MW
- Inviting an extra-high-voltage substation capable of supplying up to 1,000 MW of electricity within the park

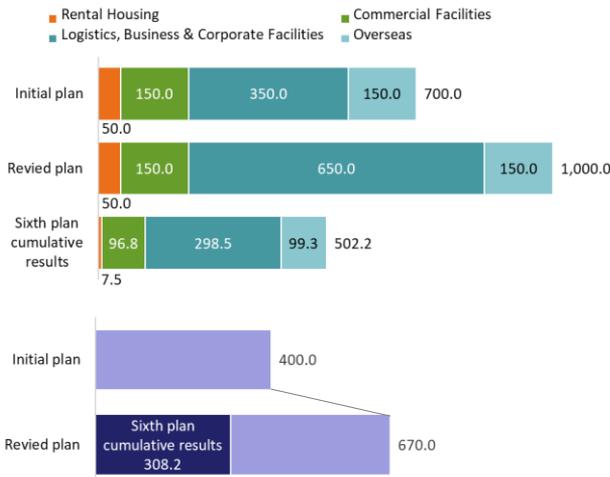
(Additional explanation)

We have also begun the development of data centers, for which demand is expected to grow due to the acceleration of digitization among corporations due to COVID-19.

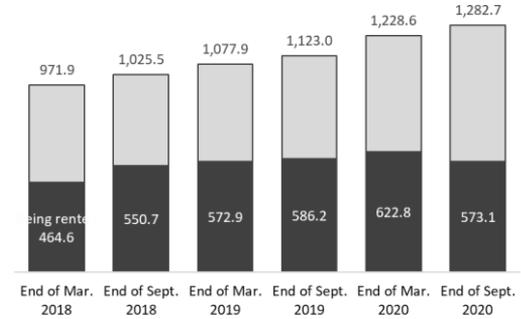
In Chiba New Town, where the ground is strong and many data centers are concentrated, we will develop a data center park that includes up to 15 data centers with the total floor area equivalent to seven Tokyo Domes, one of the largest data center parks in Japan. Over the next 10 years, we expect data centers to become larger and more integrated, and we will actively promote our data center development business.

Investment plans for logistics, business and corporate facilities were revised upward to meet changes in customer needs due to COVID-19
Plans for sale were also revised upward while securing new exit options

Real estate investment and sales (¥billion)



Investment balance (¥billion)



Outline of "Daiwa House Logistics Core Fund"

Asset size	¥300.0 billion (medium-term goal)
Asset composition	Logistics facilities (100%)
Target property	Next-generation logistics facilities and environmentally-friendly logistics facilities developed by Daiwa House Group
Date of establishment	2020 years (schedule)

(Additional explanation)

In order to strengthen these initiatives, we increased the maximum limit of real estate investments in the Logistics, Business & Corporate Facilities Business to JPY 650 billion.

In addition, as the balance of investments in real estate is steadily increasing, we will accumulate the real estate sales plan to JPY 670 billion.

Furthermore, we will strengthen our exit strategy by establishing an Open-End Private Placement Core Fund Specializing in domestic logistics facilities.

**The dividend amount was revised upward to 110 yen per share
in line with the revised earnings forecasts for FY2020**

(¥billion)	Previous Forecasts	Revised Forecasts	Change
Net sales	3,650.0	4,000.0	350.0
Operating income	170.0	258.0	88.0
Ordinarily income	164.0	243.0	79.0
Net income attribute to owners of the parent	105.0	130.0	25.0
Net income per share (Yen)	159.96	198.05	38.09
Dividend amount (Yen)	90.00	110.00	20.00
Dividend payout ratio	56.9%	55.5%	-1.4pt

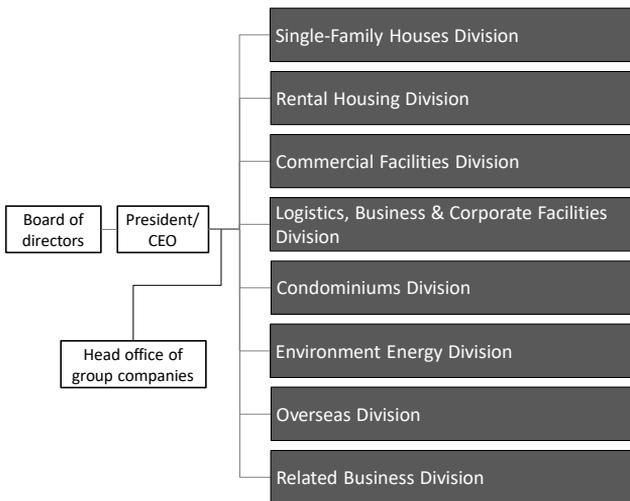
(Additional explanation)

As a result of these activities, we managed to reduce the negative impact on business performance compared to the initial forecast.

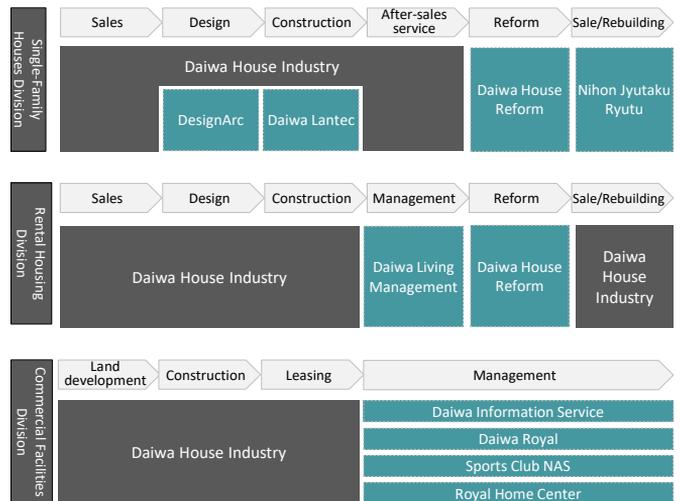
Therefore, we have revised our performance forecasts for the current fiscal year 2020 and decided to increase the per-share dividend amount from the initial forecasts to JPY110. The dividend payout ratio is expected to be 55.5%.

Enhancing governance while optimizing the supply chain and maximizing the value chain of the entire Group

Introduction of the business division-based system



Strengthening value chain for each business



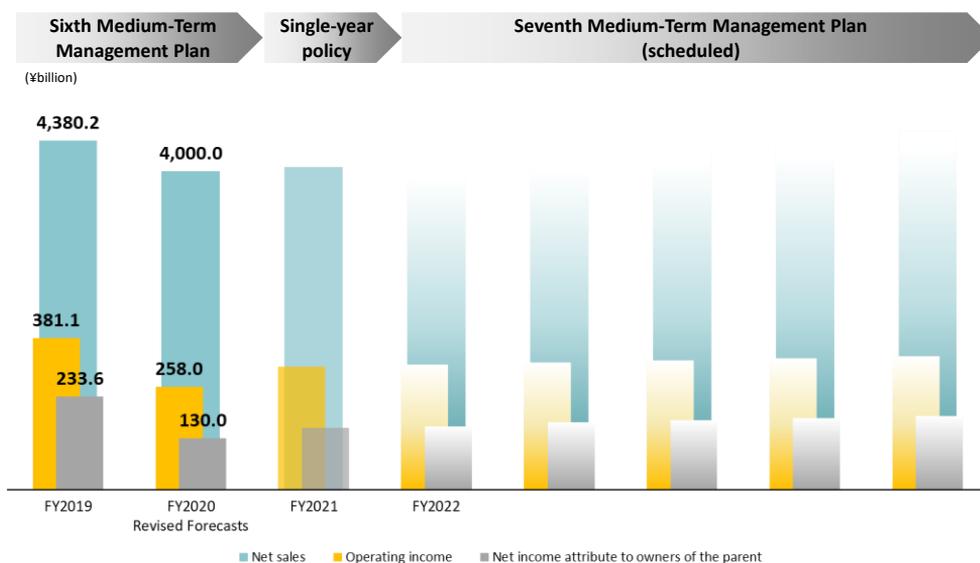
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(Additional explanation)

In addition, the business division-based system, which we have been working on since the previous fiscal year, was launched from the second half of the fiscal year, and it will be fully operational from the next fiscal year.

In addition to strengthening governance, we will optimize the supply chain and maximize the value chain for each business.

We plan to start a new medium-term management plan based on the division-based system in FY2022 in view of significant changes in the business environment



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(Additional explanation)

The performance targets for the next fiscal year, the final year of the Sixth Medium-Term Management Plan, will be announced in May next year based on the business environment going forward, as the assumptions have changed significantly.

Regarding the Seventh Medium-Term Management Plan, which will start in the fiscal year 2022, we plan to announce a growth strategy from a long-term perspective centered on the business division-based system that we are currently building.

Address social issues by continuing investment in reforming work styles and reinforcing technology infrastructure
Promoting digitization to improve work efficiency and safety at construction sites

Digitization of construction sites (image)



Smart Control Centers established at 10 locations nationwide



Construction site remotely managed at the Smart Control Center



(Additional explanation)

Finally, I would like to explain our ESG initiatives.

We have established Smart Control Centers at 10 locations nationwide for remote management of construction sites. The Smart Control Centers have been in operation since October this year.

We are working to eliminate labor shortages by realizing greater work efficiency through the digitization of construction sites, such as managing the progress of construction, improving the safety of workers, and managing their health.

Pursuing energy conservation, new energy creation, and reduction CO₂ emissions to meet the targets set by the SBT, EP100 and RE100

Progress of SBT, EP100 and RE100

Theme	KGI	2018 results	2019 results	2020 targets	2030 targets	Long-term goals
Reduction CO ₂ emissions (SBT)	Greenhouse gas emissions (per sales unit)	-26% from FY2015	-32% from FY2015	-30% from FY2015	-45% from FY2015	2050 year Challenge to achieve Net Zero
Energy conservation (EP100)	Energy efficiency (=Consolidated net sales ÷ Energy consumption)	1.27 times from FY2015	1.34 times from FY2015	1.3 times from FY2015	1.5 times from FY2015	2040 year 2.0 times
New energy creation (RE100)	Renewable energy generation rate (creation) (=Renewable energy generation volume ÷ energy utilization volume)	84%	96%	100%	100%	(To consuming internally)
	Renewable energy utilization rate (use) (=Renewable energy utilization volume ÷ energy utilization volume)	0.23%	0.3%	7%	30%	100%

Issuance of Green Bonds

Outline of "Daiwa House Green Bonds"

Total amount	20.0 billion yen
Issuance date	September 2020
Use of proceeds	Daiwa House Group New Training Center (tentative name) Community development with 100% renewable energy Environmentally-friendly logistics facilities



(Additional explanation)

In addition, our Group has launched the Endless Green Program 2021 as an initiative to contribute to the realization of a sustainable society, and we will promote environmental management on a Group-wide basis in order to realize both environmental conservation and corporate earnings.

In September this year, we issued Daiwa House Green Bonds for the purpose of reducing the environmental impact by developing environmentally friendly facilities and utilizing renewable energy.

In the future, as a Company that promotes environmental management, our Group will accelerate the proposals and dissemination of environmental impact reduction in order to realize a carbon-free society.

Expanding Ko “Re”kara City, a suburban multi-use community development, under the banner of our 3 “Re”s catchphrase to realize a more sustainable lifestyle

Ko “Re” kara City Project

Re ality
Embody future lifestyles promptly*
 *Making new community development a reality, not just a “dream”

Re newable energy
Use renewable energy not only for buildings but also for all energy in daily life

Re silience
Prepare for emergencies by increasing water and food self-sufficiency



First town development with 100% renewable energy “Funabashi Grand Oasis”

Location	Funabashi city, Chiba pref.
Building type	Single-family houses, rental housing, condominium, commercial facility
Total construction period	From Aug. 2018 to Mar. 2021



(Additional explanation)

As a specific initiative, we are expanding " Ko "Re" kara City," suburban multi-use community development, under the banner of three key words with "Re," namely Reality, Renewable energy, and Resilience.

As a representative example, in April last year we launched a large-scale complex development project, Funabashi Grand Oasis. This is Japan's first urban development, in which only electricity derived from renewable energy will be used from the time of construction of the buildings to the stage of residents' living after the construction.

Promoting the creation of attractive communities where residents can continue to live with peace of mind for a long time
 Attempt to redevelop communities into sustainable ones by increasing the added value of the entire town

Livness Town Project



リブネスタウン
Livness Town



Town-wide Tanabata Festival that strengthens bonds among residents while avoiding congestion (above) and mobile sales vehicles that make rounds in the complex (below) (Kamigo Neopolis, Kanagawa Pref.)

Moth orchid cultivation facility for job creation (Midorigaoka Neopolis, Hyogo Pref.)



(Additional explanation)

In addition, under the Livness Town Project, we are promoting the creation of attractive communities where residents can continue to live with peace of mind as we redevelop housing complexes that we built in the past.

At Midorigaoka Neopolis in Miki City, Hyogo Prefecture, we prepared a cultivation facility for moth orchids to create jobs so that residents stay healthy in mind and body.

In addition, at Kamigo Neopolis in Yokohama City, we held a town wide Tanabata Festival in cooperation with local residents' associations, while avoiding the 3Cs, closed spaces, crowded places, and close contact settings. Going forward, through initiatives such as the Livness Town Project, we will continue to develop businesses triggered by social issues as a group that co-creates value for individuals, communities, and people's lifestyles.



Disclaimer regarding business forecasts, etc.

(Notes regarding forward-looking statements)

The above business forecasts are based on information available as of the date of announcement of this material, and are subject to factors of uncertainty that may possibly impact the future results of operations and are not a guarantee of the achievement of those results. The Company's actual results may differ significantly from those presented herein as a consequence of numerous factors such as financial market trends, economic conditions, competitor situations and fluctuations in land prices.

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