



Daiwa House®
Group

FY2020 Presentation on Management Policies

May 15, 2020
Daiwa House Industry Co., Ltd.
Code No: 1925
(First section of the Tokyo Stock Exchange)

In response to the novel coronavirus pandemic we have prioritized protecting the lives and health of all our stakeholders, including our customers, our business partners, our employees and their families

- We established a response HQ in the head office and have setup local response HQ in our offices to ensure mutual cooperation and the implementation of appropriate measures. We are working to gather information on the pandemic and ascertain conditions in each location.

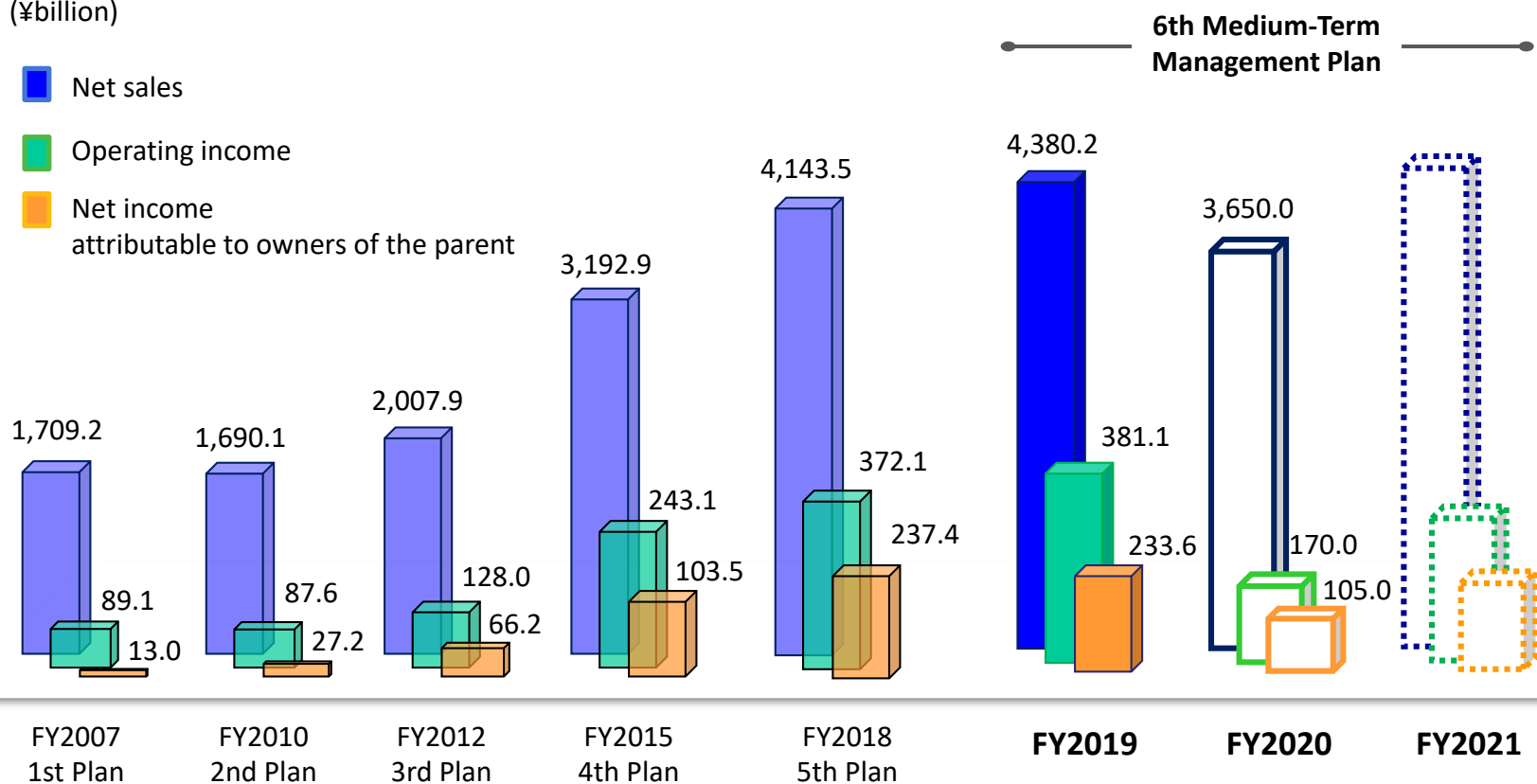
We will follow the guidance of the government and local municipalities to respond as much as possible to the needs of society and our customers. We also are rapidly implementing the necessary responses to minimize the impact on our business.

- We are providing clear advice and information sharing to employees and temporary workers, including ensuring that our employees wear masks, disinfect regularly, and take their temperatures daily. We are instructing the use of special leave in cases of employees for whom reporting to work is difficult due to the daycare and elementary school closures or stay home requests, as well as employees who are pregnant, employees with an underlying illness, and employees at high risk of infection.
- Following the state of emergency declaration, we closed all sales sites, including our domestic offices and the 229 model house exhibitions we operate throughout Japan. In response, we adopted telecommuting, suspended certain construction sites, and closed certain commercial facilities, hotels, sports clubs, and other facilities that we own and/or operate. The pandemic has also impacted Group orders received and production activities.
- Tenants of rental housing whose income has been sharply impacted by the epidemic will be given a grace period for payment of rent, up to a maximum of three months' worth (to be paid in installments within 24 months of applying).
- Since May 9, we have begun the gradual resumption of operations after having implemented infection prevention measures in line with instructions and orders outlined by the government and local municipalities. For construction sites throughout Japan, we suspended construction operations from April 20 through May 10 at sites for which we were able to receive consent from the customer but are gradually resuming operations beginning from May 11.

- In FY2019, net sales, operating income and ordinary income were record highs
- As for our FY2020 earnings, while we assume the impact of the novel coronavirus pandemic will largely dissipate by the end of September 2020, we will rapidly disclose any necessary revisions to our earnings forecast in the event the impact of the novel coronavirus pandemic lasts longer than expected
- We plan to announce our earnings forecast for FY2021, taking into account our business performance for the current fiscal year

(¥billion)

- Net sales
- Operating income
- Net income attributable to owners of the parent



Impact of COVID-19 in FY2020 (by segment)

Segments		Major impact for business activities	(¥ billion)		
			Net sales	Operating income	
			Total	-830.0	-190.0
Single-Family Houses	<ul style="list-style-type: none"> ■ Temporary closure of model house exhibitions ■ Refrain from seminars and site visits for customers ■ Refrain from business meetings with customers and visits to owners 		-130.0	-20.0	
Rental Housing	<ul style="list-style-type: none"> ■ Refrain from seminars and site visits for customers ■ Postponement of business meetings with land owners ■ Decline the occupancy rate of our hotels 		-153.0	-41.0	
Condominiums	<ul style="list-style-type: none"> ■ Decrease in number of visitors to showrooms, cancellation of application ■ Postpone the sale of new properties 		-85.0	-14.0	
Existing Homes	<ul style="list-style-type: none"> ■ Refrain from regular inspections of existing owners ■ Postponement of business meetings with customers ■ Refrain from events and seminars 		-37.0	-11.0	
Commercial Facilities	<ul style="list-style-type: none"> ■ Postponement of visits to owners ■ Postponement of business meetings with client companies ■ Decrease in rent income due to the temporarily closure of commercial facilities managed and operated by the Group 		-113.0	-42.0	
Logistics, Business & Corporate Facilities	<ul style="list-style-type: none"> ■ Postponement of business meetings with client companies ■ Change in construction plan ■ Investors postpone purchasing plans 		-220.0	-31.0	
Others	Environment energy	<ul style="list-style-type: none"> ■ Decrease in sale of retail electric power 		-92.0	-36.0
	Resort hotels and sports life	<ul style="list-style-type: none"> ■ Resort hotel operating rates decline due to drop in inbound tourism ■ Temporary closure of sports club; many memberships canceled 			

Taking into account the impact of COVID-19, we have drawn up the following plan

Net sales

Operating income

(¥ billion)

	FY2019		FY2020		YoY	FY2019	FY2020		YoY	
	Result	for overseas	Forecasts	for overseas			Result	for overseas		Forecasts
Single-Family Houses	497.8	143.9	410.0	137.9	-17.7%	18.0	5.3	1.0	6.6	-94.5%
Rental Housing	1,005.9	31.8	880.0	23.1	-12.5%	98.5	7.8	50.0	3.2	-49.3%
Condominiums	372.7	15.1	300.0	0.2	-19.5%	15.8	0.7	-3.0	-2.1	-
Existing Homes	145.6	-	110.0	-	-24.5%	16.7	-	5.0	-	-70.1%
Commercial Facilities	806.7	2.8	710.0	3.0	-12.0%	140.6	0.1	100.0	0.1	-28.9%
Logistics, Business & Corporate Facilities	1,152.3	80.2	880.0	44.9	-23.6%	120.6	-7.1	82.0	-4.5	-32.0%
Others	530.0	3.3	480.0	3.7	-9.4%	19.2	-0.6	-16.0	-0.2	-
Total	4,380.2	277.3	3,650.0	210.0	-16.7%	381.1	6.2	170.0	0.0	-55.4%

We believe that the ability to respond effectively to unforeseen circumstances and the ability to make transformative changes that match new environmental trends are the keys to growth. We will aim for a resumption of growth by accelerating our efforts in strengthening our business base and making innovative changes

Developing our Business (changes in the market)

■ Housing Segment

- Lifestyle changes due to the greater adoption of diverse working styles such as telework
- Revitalization of the existing housing market due to income insecurity
- We will shift the focus of our business model to all-inclusive guaranteed management services for rental housing owners

■ Business Segment

- Expansion of logistics-related market due to further increase in EC demand
- Increased willingness of enterprises not affected by COVID-19, such as food, medical equipment and pharmaceuticals, to make capital investments
- Expansion of demand in the cold chain market, such as refrigerated warehouses

■ Accommodation business

- Growing domestic demand due to measures to stimulate tourism demand
(recovery in inbound demand is expected to be prolonged)

Strengthening our Base

■ Business efficiency improvement / Increase Productivity

- Improving efficiency beyond time and space constraints through telework
- Review of evaluation system adapted to new ways of working
- Review sales methods, including online discussions and the use of VR
- Further promotion of industrialization of construction
- Improved productivity through labor-saving and automated construction on site

■ Management structure

- Shift to business division-centered organization (details to follow)
- Allocation of more responsibility and authority to head of the division, to provide more flexible response to changes in the environment

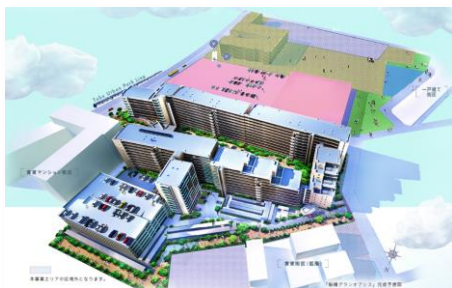
Active promotion of large-scale complex development and steady increase in available-for-sale investment properties

Development result



The Large-scale commercial facility with an aquarium *iias Okinawa Toyosaki*

*Postponed the opening from April 2020, to June 2020



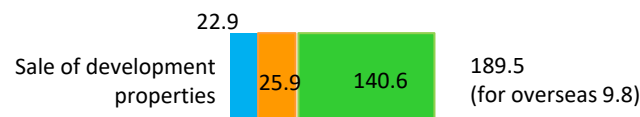
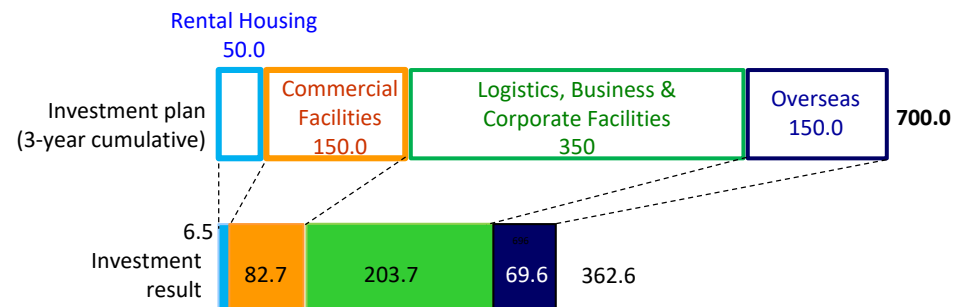
Large-scale complex development using 100% renewable energy *Funabashi Grand Oasis*



The largest earthquake-resistant multi-tenant logistics facility in Shizuoka Prefecture with a nursery center *DPL Shin-Fuji II* (completed in April 2020)

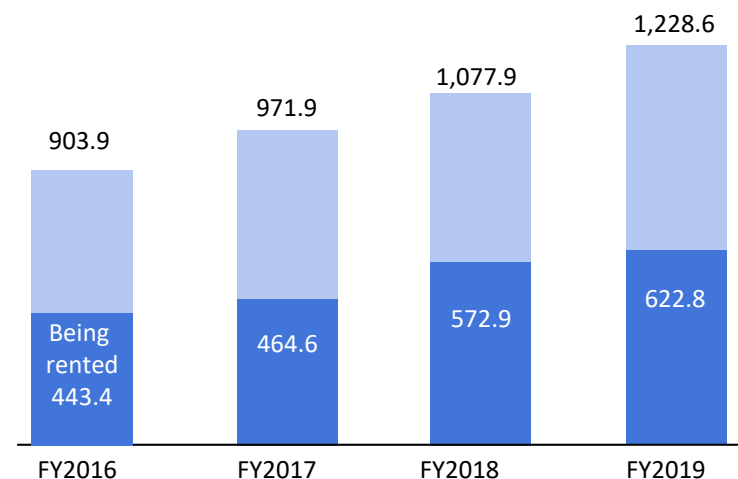
Real estate investments and sales results

(¥billion)



Investment balance

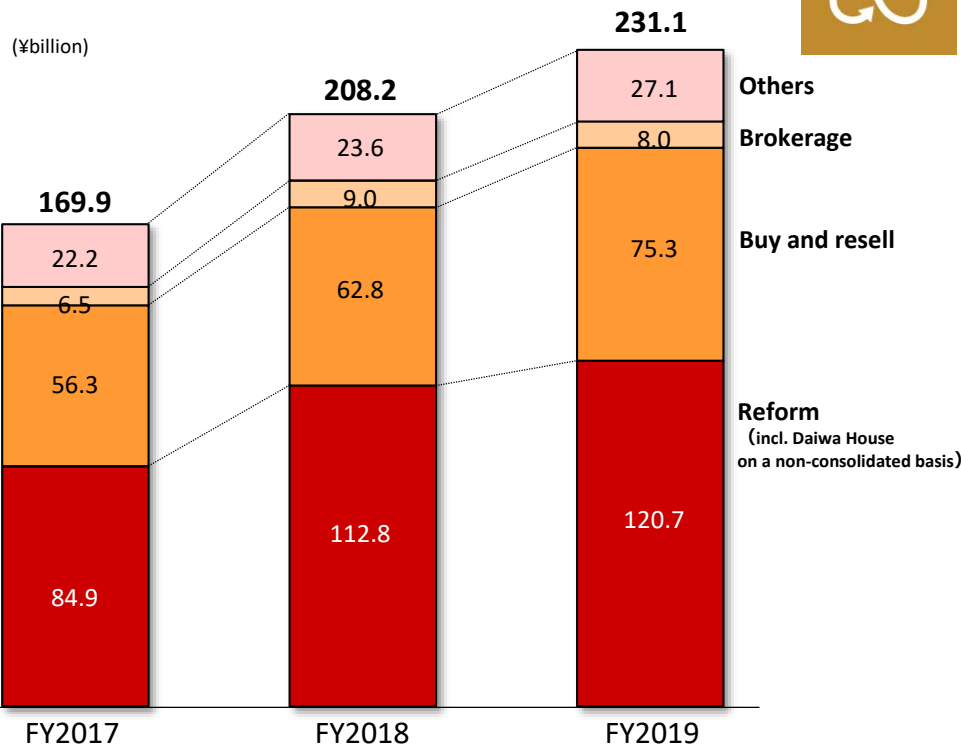
(¥billion)



Accelerate growth of Livness business by expanding operational bases and building stronger relationships with owners
 Leverage comprehensive strengths of Daiwa House Group to address social problems such as population aging and growing number of abandoned houses

Trends in Livness business

- ✓ Establish new Livness Section at each single-family houses sales office
- ✓ Increase our involvement ratio by strengthening owner relations
- ✓ Strengthen buy-and-resell business of condominiums, company housing and dormitories
- Net sales of the Group's Livness business



*Figures for the Business Segment are included from FY2018



Livness Town Project

Redevelopment of Neopolis suburban housing complexes that we constructed in the past
 Promoting the creation of safe, secure, and comfortable communities where people can continue to live in the future

Activities in Kamigo Neopolis

- Opened a community center with a convenience store run by residents
- Mobile sales vehicles that make rounds at five locations in the complex, organized by residents
- "Daiwa House Energy" scheduled to be introduced in FY2020



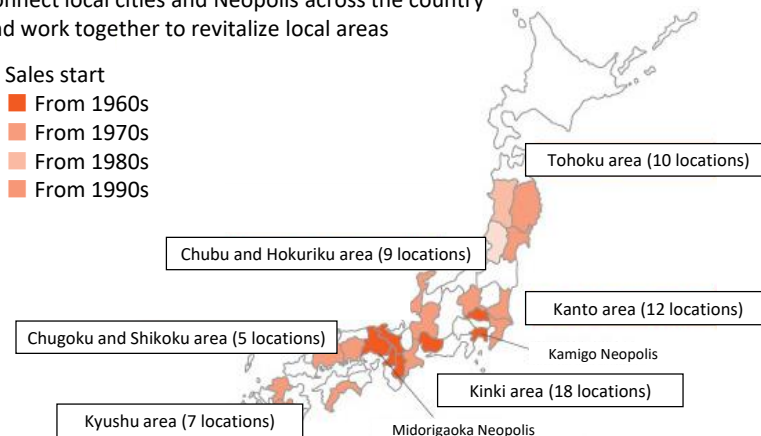
Neopolis developed in Daiwa House

(61 locations in Japan)

Connect local cities and Neopolis across the country and work together to revitalize local areas

Sales start

- From 1960s
- From 1970s
- From 1980s
- From 1990s

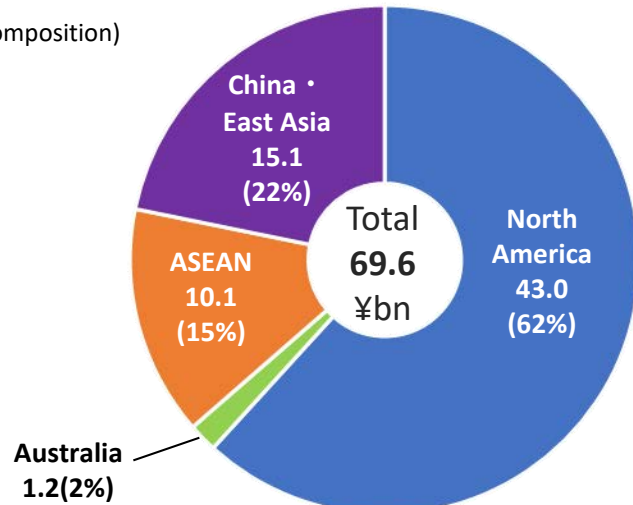


Steady progress in overseas real estate investment and setting up a global REIT as an exit strategy for overseas investment

The strong Single-Family Houses Business in the United States undertook M&A to expand sales areas

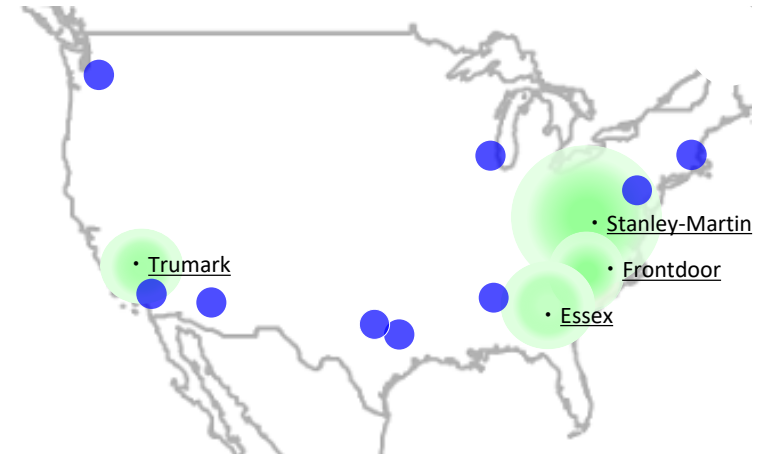
Investment results in overseas

(¥billion; composition)



Business expansion in the United States

- Development of Single-Family Houses Business through home builders acquisition
- The real estate development project



About the Global REIT

Exit strategy for overseas businesses

As an exit strategy for our overseas businesses, in September 2019, we have set up The Daiwa House Global REIT, Inc., a privately-placed overseas real estate investment trust that is the first such in Japan.



Example of property sold: Aurélien Apartments in Chicago



Essex's housing development

Revision of management and oversight systems, such as proposed appointment of outside directors to ratio of one-third or more of the Board; decision made to introduce business division-based system, to start in FY2021

Details of the implementation

1. Review management structure and state of management and supervision

- Drafting of proposal to appoint outside directors to one-third or more of seats on the Board
- Establish upper age limits on inside directors
- Restructure standards for risk reporting to Board of Directors

2. Enhance agile business execution and risk response structure

- Transfer of authority for operational decisions within Japan to business division-based system
- Establishment of the Compliance Promotion Department to respond to risk compliance requirements and improve the business environment

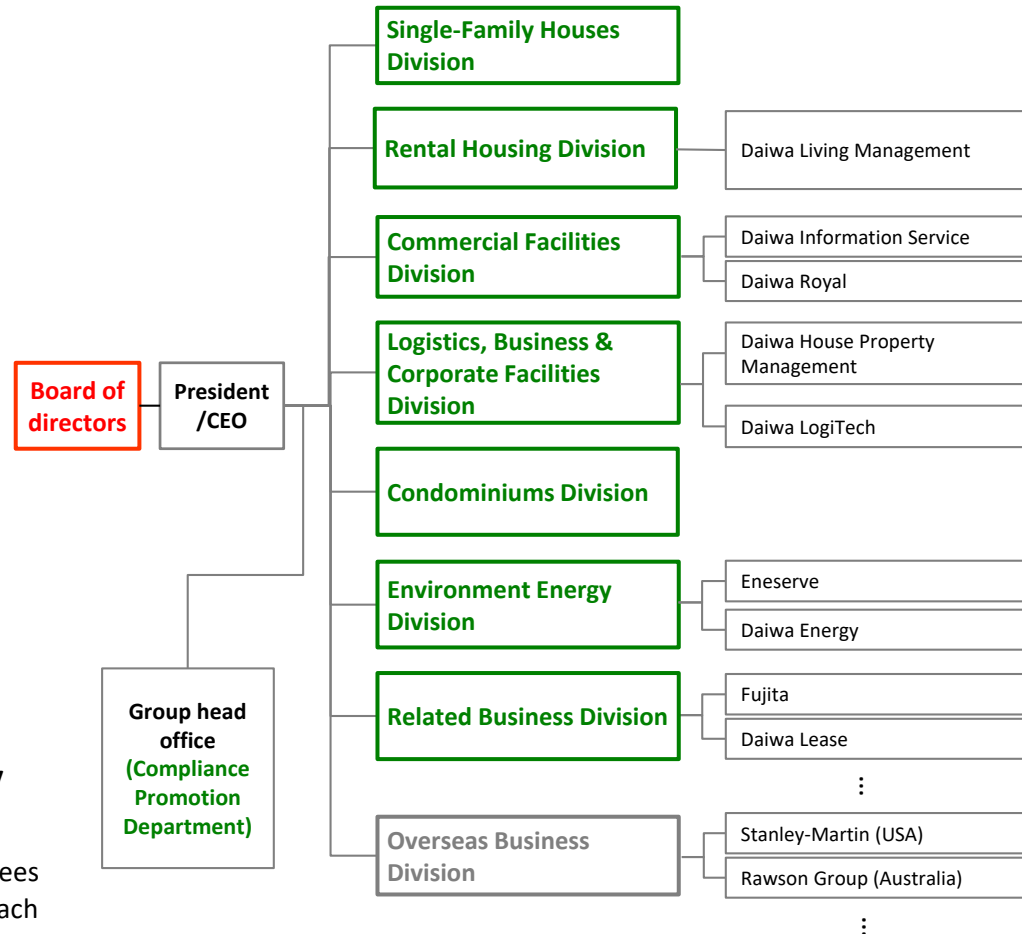
3. Strengthen risk information gathering and sharing

- Clarify risk reporting standards
- Establish new external whistleblowing hotline
- Reorganize incident response management flow

4. Strengthen environment for supporting sustainability and implementation

- Continue risk and compliance training for directors and employees
- Strengthening the Group's internal audit system and risk approach

Introduce business division-based system



Steady promotion of sustainable management and social contribution through efforts to mitigate climate change and work-style reform



Constructing a management base to meet anticipated social changes Strengthening relationships with stakeholders (Taken from the Endless Social Program 2021)			
[Initiatives for the human resources base]	FY2019 Result	FY2020 Target	FY2021 Target
Employees who feel job satisfaction	65%	70%	80%
Female manager rate	4.1%	4.5%	5.0%

Pursuing energy conservation, new energy creation, and CO2 emissions reduction to meet the targets set by the EP100, RE100, and SBT (Taken from the Endless Green Program 2021)			
	FY2019 Result *2	FY2020 Target *3	FY2021 Target
Energy efficiency *1	1.34 times	1.30 times	1.40 times
Renewables rate (usage ratio)	88%	100%	100%
(Initial target)		(85%)	(85%)
Renewable energy utilization rate	0.2%	7.0%	10.0%
(Initial target)		(1.0%)	(3.0%)
Greenhouse gas emissions per sales unit※1	30% reduction	30% reduction	35% reduction

*1 Compared with FY2015

*2 Results for FY2019 3Q

*3 For the energy efficiency and the greenhouse gas emissions per sales unit, we will revise the objectives.

While maintaining our financial soundness, we plan to realize an ROE in excess of capital cost and achieve an equity spread adequate to enhance shareholder value.

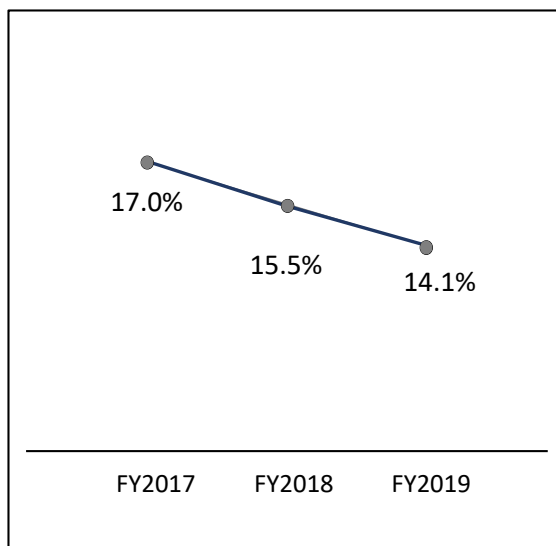
目標

- ❑ **ROE target: 13%** or higher (The current shareholders' equity cost of the Company is approximately 6.5%)
- ❑ **Appropriate financial leverage:** Debt-equity ratio around **0.5**
- ❑ **Shareholder return:** Dividend payout ratio of **30%** or higher and flexible acquisition of treasury stock

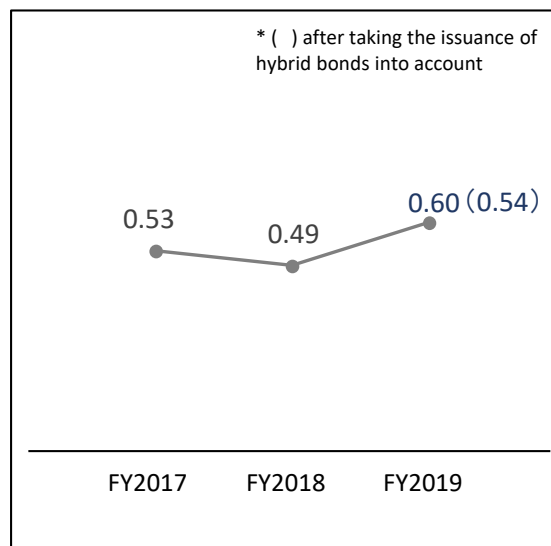
実施内容

- ❑ Issuance of the public offering hybrid bonds **¥150 billion**
- ❑ **Setting limits for acquisition of treasury stock (Up to 10 million shares or ¥30 billion)** *Released on March 13, 2020

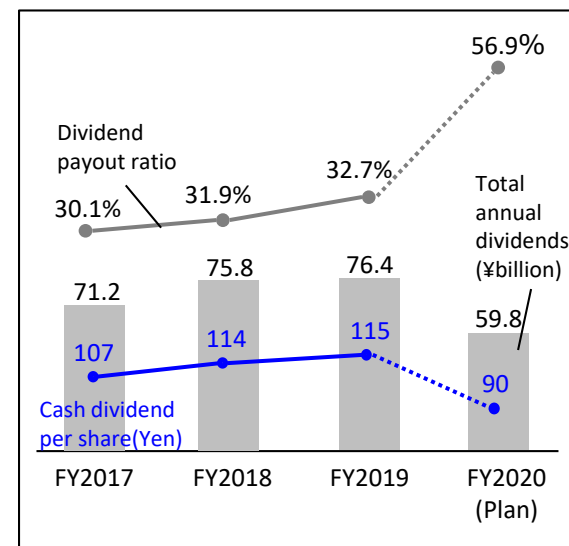
ROE



Dept-equity ratio



Dividend





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.

End