

Resource Allocation and Principal Management Items Required for Sustained Enhancement of Corporate Value

(Figures shown in the following text correspond to the figures in the diagram below.)

In order to maximize corporate value over the medium to long term, Daiwa House Group will utilize the capital supplied by our shareholders and acquired through appropriate leverage **1** to invest in businesses that include real estate development, overseas operations, M&A, and others **2**, and also to deploy these funds in ways that will strengthen the Group's management base through human resources development, research and development, and production facilities **3**. Utilizing investment criteria founded on capital efficiency and risk verification **4**, our business investments will be used to build up a portfolio of businesses with differing life cycles through the allocation of resource to the promotion of our core businesses, business diversification, and new business

development **5**. By providing products and services with a high level of compatibility with the need to preserve the natural environment, as well as the interests of local communities **6** and of a high added value needed by society **7**, we hope to help realize a society in which people can live fulfilling lives [Solving Social Problems through Business] **8**. As a result of these business activities, we are able to secure profits exceeding the capital costs **9**, to build even better relationships with our stakeholders **10**, and to increase shareholder value [Shareholder Value Creation] **11**. We will also reallocate resources to achieve even higher levels of shareholder value **12**.

To ensure the sustainability and correctness of these business cycles, we have created a corporate governance system with a balance of autonomy and heteronomy while engaging in initiatives with our assets to stimulate innovation from a medium- and long-term point of view, and are working to strengthen our management base (human resources base, customer base, and technology and manufacturing base) **13**.

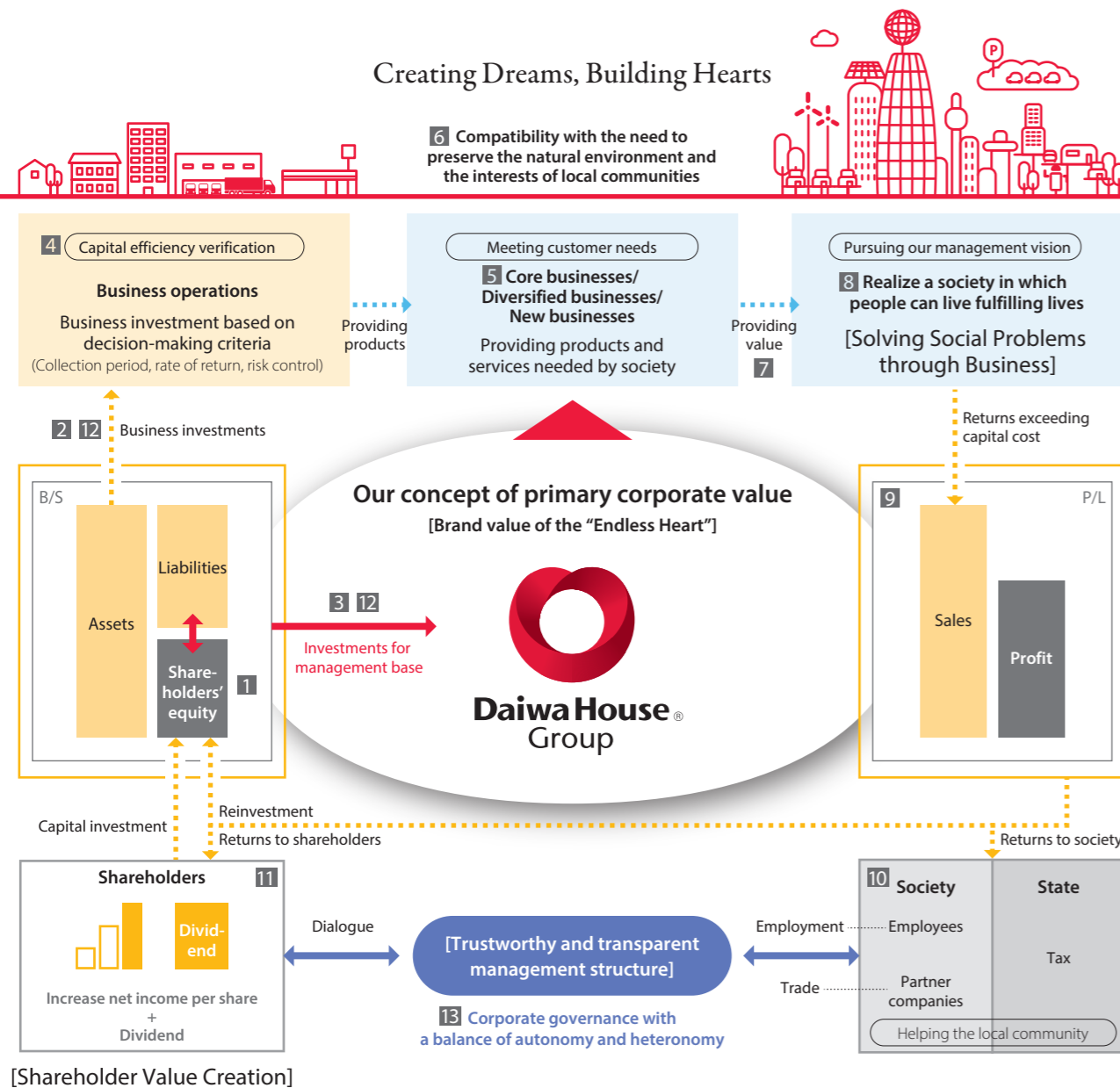
Additionally, in the spirit of "Creating Dreams, Building Hearts," we intend to operate our business in such a way that we give due consideration to how we can contribute to sustainable progress, including progress on those social issues represented by the sustainable development goals (SDGs), and to transform the feedback we receive

from society into a motive force behind our taking on new challenges.

With regard to the principal management items that need to be addressed to enhance corporate value, the factors that affect medium and long-term corporate value have been identified in the corporate governance guidelines published in May 2015, and are also reflected in our medium-term management plans.

Through these activities, we strive to improve our concept of primary corporate value [the brand value of the "Endless Heart"] to generate cash flow. Through the ever-changing business environment, our aim is the sustained improvement of our corporate value, through the correct allocation of resources to meet each situation.

Resource allocation and flow



Principal management items

