



## Business Overview


Materiality Business 1 Expand business opportunities based on social issues




**Single-Family Houses**




Single-family houses (contracting)




**Rental Housing**




Rental housing (low-rise)




**Condominiums**




Condominiums (for sale)




**Existing Homes Business**




Renovated home interior




**Commercial Facilities**




Commercial facilities




**Logistics, Business and Corporate Facilities**



Logistics facilities



**Other Businesses**



Environment and energy

### Summary of business

We are engaged in the housing contracting business, in which we build homes to meet the needs of each individual owner, and the housing subdivision business, in which we develop entire neighborhoods, including their immediate natural environment.

We provide tenants with comfortable homes and offer the owners a multifaceted support service to ensure long-term stable management.

We help protect asset values through the development and sale of safe condominiums that offer a pleasant living environment, plus the provision of comprehensive management and maintenance services.

We maintain home values through renovation work and provide agency services support for owners looking to sell their homes, passing on a stock of superior homes to the next generation.

We bring landowners and corporate tenants together, developing commercial facilities that invigorate the local communities.

We utilize a wealth of data on land usage to design and construct a wide variety of facilities that meet user needs.

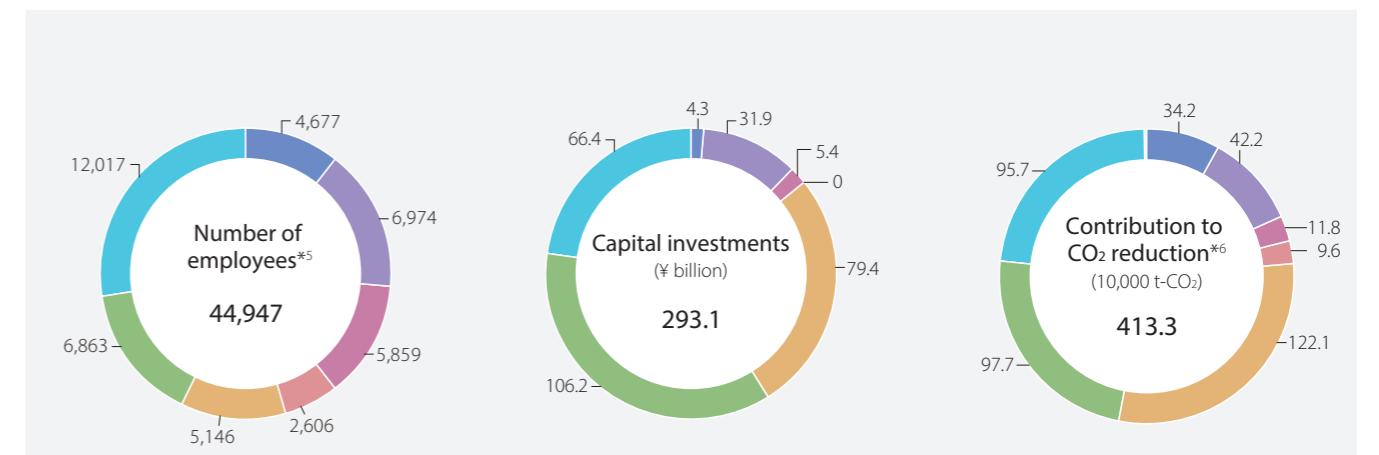
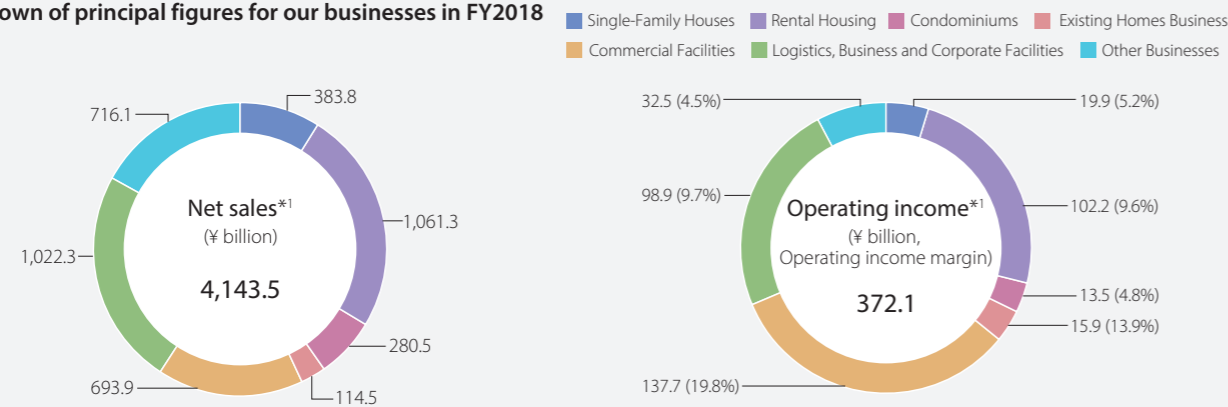
We are developing our business in a wide range of lifestyle-related fields, including comprehensive energy-usage solutions.

### Annual performance

<p>▶ Number of houses sold (Domestic)</p> <p>Single-family houses (contracting) <b>6,524</b></p> <p>Single-family houses (subdivision) <b>2,192</b></p>	<p>▶ Number of rental housing units sold (Domestic)</p> <p>Rental housing (low-rise) <b>34,481</b></p> <p>Rental housing (medium- to high-rise) <b>3,424</b></p> <p>▶ Units under management <b>572,238</b></p>	<p>▶ Condominium units sold (Domestic) (including Cosmos Initial) <b>2,203</b></p> <p>▶ Units under management <b>360,619</b></p>
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<p>▶ Number of renovations <b>Approx. 52,000</b><sup>*2</sup></p> <p>▶ Number of staff in sales <b>973</b><sup>*2</sup></p>	<p>▶ Number of constructions <b>43,662</b><sup>*3</sup></p> <p>(cumulative figures as of March 31, 2019)</p> <p>▶ Leasing floorspace of sublease areas within commercial facilities <b>6,375,278 m<sup>2</sup></b></p>	<p>▶ Development site area of logistics projects <b>6,697,496 m<sup>2</sup></b></p> <p>(cumulative figures as of March 31, 2019)</p> <p>▶ Orders received for contract-based medical and nursing care facilities <b>621</b><sup>*4</sup></p>	<p>▶ Customer visits to our home centers <b>Approx. 28,660,000</b></p> <p>▶ Guest stays at our resort hotels <b>Approx. 3,321,000</b></p> <p>▶ Members of our sport clubs <b>191,092</b></p>
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### Breakdown of principal figures for our businesses in FY2018



\*1 Figures include intersegment transactions. \*2 Figures for Daiwa House Reform only (as of March 31, 2019)

\*3 Number of facilities constructed by the commercial facilities of Daiwa House Industry. \*4 Total for Daiwa House Industry, Daiwa Lease, and Fujita

\*5 Regular employees only, total figures include all personnel in the Company (joint).

\*6 These figures indicate the degree of contribution to reduction in CO2 emissions made by the Group through its construction of housing and other structures and its solutions to issues involving energy conservation and renewable energy. (For details concerning the basis on which these figures have been calculated, see the Group's Sustainability Report 2019, P216).

Business Overview Single-Family Houses

Building systems to ensure consistent quality while reorganizing our supply chain for greater competitiveness



Deputy Head of Marketing Division  
Head of Housing  
Head of Livness Business  
  
**Hirotugu Otomo**  
Director and Managing Executive Officer

xevoΣ (xevo sigma)

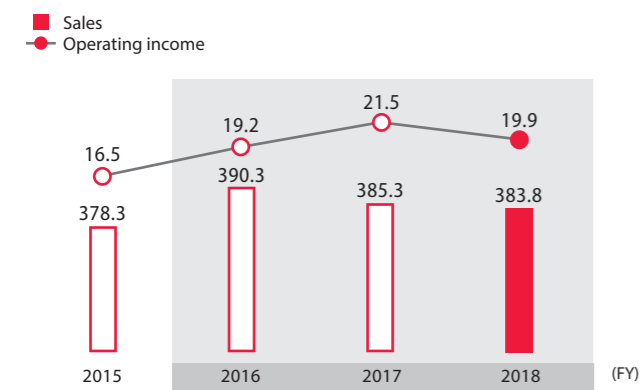
Features and strengths of our business operations

Providing a wide-ranging product lineup that anticipates future needs

Having honed its advanced technology as a pioneer of industrialized housing, Daiwa House's single-family houses supply infrastructure essential to people's wellbeing, namely the shelter that, along with food and clothing, forms one of the three necessities of life. To date, we have sold over 630,000 such houses. Despite the shrinking population and falling number of new housing starts in Japan, ways of living that are safe, secure, comfortable, and enriching are still in strong demand. Daiwa House is committed to expanding its share through our product lineup always at the forefront of the needs of the times and our expert teams of sales, architects, and construction engineers that stay close to our customers in every single process. We intend to continue working through our business to maintain the infrastructure of society.

Looking back at the Fifth Medium-Term Management Plan

Fifth Medium-Term Management Plan performance (¥ billion)

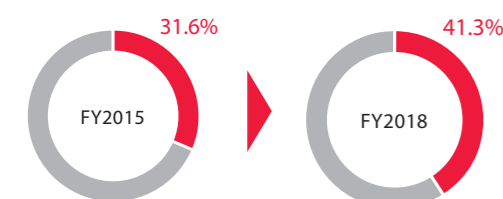


In our Fifth Medium-Term Management Plan, a shift in focus to our xevoΣ (xevo sigma) single-family houses led to a per-unit price of ¥37.3 million, an increase by ¥3.6 million from fiscal 2015. We also focused on sales of our "skye" houses available in 3-, 4-, and 5-story models in which a portion of the home can be rented out to a tenant or used as retail premises by the owner. In addition, the xevoΣ PREMIUM went on sale in October 2018 with a long-term 30-year guarantee, further expanding the solutions that we can offer.

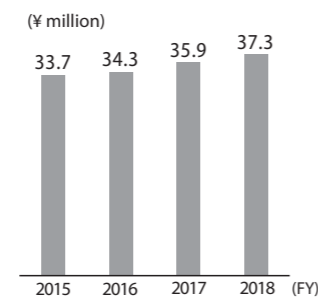
Daiwa House is also progressively helping to solve social issues with the release of our single-family "Kaji Share House" (chore-sharing house) that aims to reduce the time and psychological burden of housework for double-income households, and utilization of the Google Home that brings the IoT to single-family houses.

In fiscal 2018, the final year of the medium-term plan, sales were ¥383.8 billion, operating income was ¥19.9 billion, and the average growth rates for the three-year period were +0.5% and +6.4%, respectively.

xevoΣ ratio growth (based on units ordered)



Sales for single-family houses per unit



Single-family houses sales rankings (FY2018)\*1

Ranking	Company name	Number of sales units
1	Sekisui House	11,636
2	SEKISUI CHEMICAL	10,200
3	Asahi Kasei Homes	9,848
4	Daiwa House Industry	8,716
5	Sumitomo Forestry	7,900

\*1 Compiled from data published by the companies concerned

Business developments for the Sixth Medium-Term Management Plan

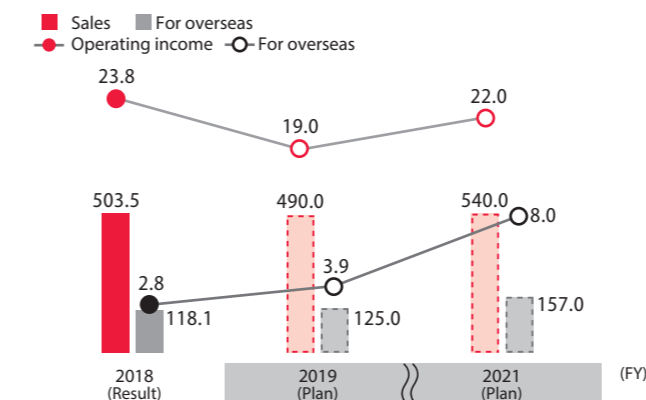
The business environment

The impact of the increase in consumption tax scheduled for October 2019 is a major point of focus for our business. The effects of a last-minute rise in demand could be seen in the consistent rise in the number of visitors to our showrooms increased for eight consecutive months from August 2018 to March 2019, and increased orders and contracts over the previous year. Yet overall there was not so much a surge as the previous time, due to more substantial supportive measures from the government than in the past. At the same time, consumers may be less willing to spend money after the increase in tax.

The housing market is expected to undergo structural changes accompanying long-term population decline, while the number of new housing starts will fall to approximately 600,000 by fiscal 2030\*2. Demand for homes and communities that can be safely lived in long term is growing with the spate of major typhoons, earthquakes, and other natural disasters in recent years. The construction industry is beset by an increasingly serious labor shortage. We must aim to improve our competitiveness with greater operational efficiency via labor-saving and automation while adopting tougher standards in our supply chain.

\*2. The Housing Market and its Challenges in FY2030, Nomura Research Institute

Performance targets of the Sixth Medium-Term Management Plan (¥ billion)



Note: Figures and plan are adapted to the reorganization of segments from FY2019.

Basic policies of the Sixth Medium-Term Management Plan

- Center on xevoΣ, raise the unit price by expanding sales such as of xevoΣ PREMIUM for the wealthy and high value-added products
- Strengthen initiatives for combination housing (housing combined with rentals, stores, clinics, etc.)
- Emphasize marketing of environment-conscious houses (e.g. ZEH) and disaster-resilient houses, promote IoT-integrated single-family houses, help solve social issues through business
- Expand business outside Japan in areas with stable growth anticipated, via Stanley-Martin Communities in the United States and Rawson Group in Australia

Principal companies

- Daiwa House Industry
- Stanley-Martin Communities
- Rawson Group



xevoΣ PREMIUM



Combined home and medical clinic



Single-family houses developed by Stanley-Martin Communities (Artist's impression)

Business Overview Rental Housing

Provide high-quality homes in select locations with an accurate grasp of area needs



Head of Rental Apartment Building  
**Kazuhiro Dekura**  
Director and Managing Executive Officer

Multi-function rental housing

Staff dormitories, company housing, official residence

Features and strengths of our business operations

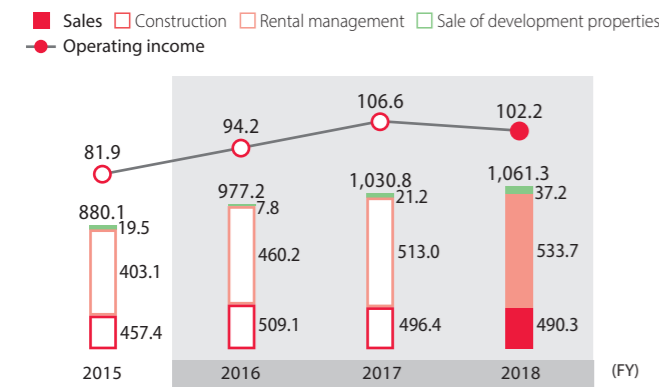
Expand share via product development from a tenant's perspective and stronger relations with property owners

Our rental housing business combines the twin strengths of developing high-quality housing from a tenant's perspective while also offering comprehensive support for managing rental housing for land owners, from site assessment, design, construction, up to delivery. The social contributions achieved through this have led to a high occupancy rate of around 97% for the 570,000 properties managed by the Group.

Our extensive product lineup satisfies the diversifying needs of rental housing, such as rental housing with security features, elderly-friendly housing, and medium- to high-rise rental housing that utilizes real estate securitization schemes. Our ability to provide such high value-added rental housing is driving expansion of our business.

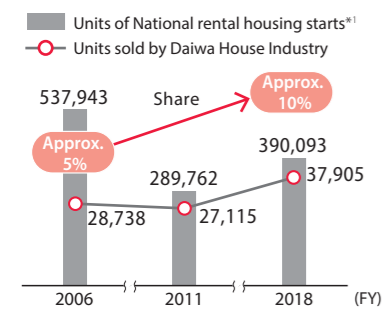
Looking back at the Fifth Medium-Term Management Plan

Fifth Medium-Term Management Plan performance (¥ billion)



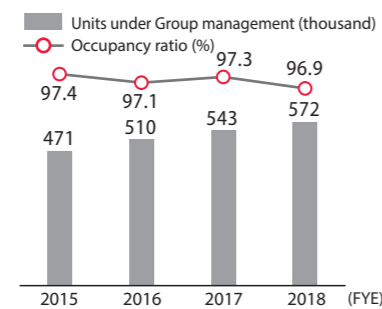
In our Fifth Medium-Term Management Plan, we emphasized three-story and medium- to high-rise rental housing, expanding orders for large-scale properties. We also released the Séjour Cube-II and Séjour Ott's Cube-III to make the most efficient use of the property layout, as well as offering the Du-Smica with a novel layout and facilities to minimize time required for chores for double-income families. Our three rental housing products are equipped with homes lithium-ion storage batteries as standard equipment for greater safety and security in case of disaster. These efforts to enhance our lineup and specifications resulted in sales of ¥1,061.3 billion and operating income of ¥102.2 billion in fiscal 2018, the final year of the plan, the average growth rates for the three-year period were +6.4% and +7.7%, respectively.

National rental housing starts and Daiwa House Industry sales



\*1 Source: National housing starts (MLIT)

Rental Housing units under Group management/ Occupancy ratio



Rental housing sales rankings (FY2018)\*2

Ranking	Company name	Number of sales units
1	Daito Trust Construction	60,343
2	Daiwa House Industry	37,905
3	Sekisui House	30,078

\*2 Compiled from data published by the companies concerned

Business developments for the Sixth Medium-Term Management Plan

The business environment

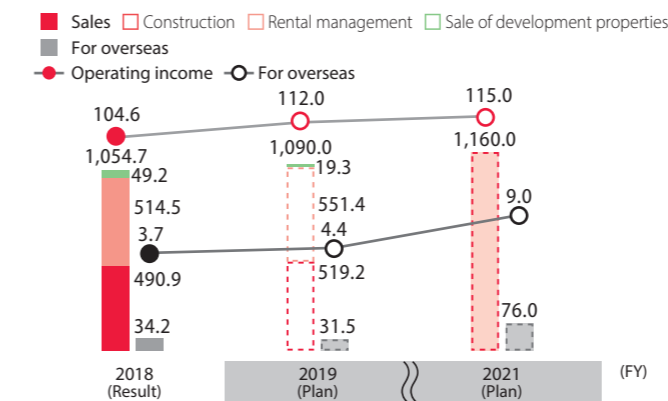
Following the revision of the Inheritance Tax Act in January 2015, construction of rental housing increased as more companies entered the market, rising to 427,000 new starts in fiscal 2016. However, financial institutions have adopted a much stricter attitude to financing due to press reports of vacancy rates and the failure of companies managing share houses, making it harder to gain orders in recent times.

While Japan's population continues to decline, the number of households is expected to increase up to fiscal 2025 with greater numbers of single or small households. Cabinet Office estimates

project potential demand for rental housing at around 350,000 households per annum\*3. In line with such expectations, Daiwa House will continue to expand its share by maintaining a high occupancy rate through providing high-quality housing backed by precise selection of locations to match area needs. We must also meet the needs of a wider range of tenants as numbers of elderly and non-Japanese increase.

\*3 Source: A Discussion Paper on Economic Policy Analysis (January 2017), Director General for Economic and Fiscal Management

Performance targets of the Sixth Medium-Term Management Plan (¥ billion)



Note: Figures and plan are adapted to the reorganization of segments from FY2019.

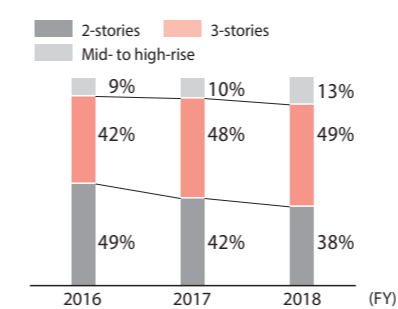
Basic policies of the Sixth Medium-Term Management Plan

1. Step up engagement in urban areas, gain more orders for three-stories and medium- to high-rise properties
2. Shift to larger properties, e.g. rental housing jointly used with tenants, nursing care facilities, dormitories and company housing
3. Capture demand for rebuilding of existing properties
4. Progressively greater efficiency in management operations leveraging IT, IoT, and AI-based labor-saving
5. Develop rental housing with excellent local partners in the United States

Principal companies

Daiwa House Industry  
Daiwa Living COMPANIES

Building type trends (Based on number of buildings ordered)



Medium- to high-rise rental housing



North Clark (Chicago)  
Rental housing business

Business Overview Condominiums

Utilize Group synergy to expand large-scale, multi-use development projects



Head of Condominiums  
**Norio Togashi**  
Executive Officer

Features and strengths of our business operations

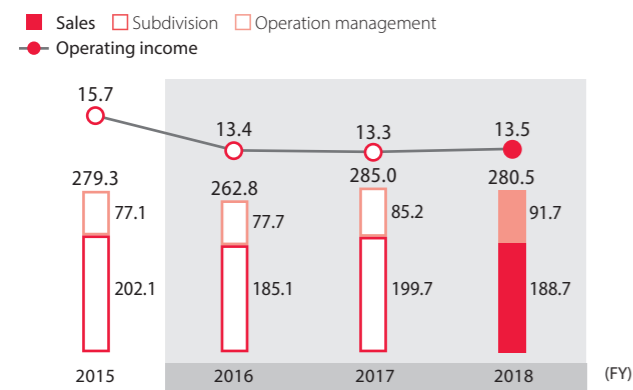
High value-added products tailored to suit unique characteristics of each region

We develop high value-added condominiums throughout Japan, sell the home units, and manage the properties. In this way, we offer home owners a pleasant and safe living environment, and help maintain their asset values over the long term. We leverage the capabilities of the whole Group in developing high value-added condominium projects that make optimal use of each region's particular characteristics, including multi-use development projects, town and neighborhood planning aimed at urban regeneration, and condominiums targeted at active seniors. Thanks to these initiatives, the number of condominium home units sold by the Group passed 199,000.

In our condominium management business, during the term under review we implemented various initiatives to enhance our long-term maintenance and repair support to condominium residents.

Looking back at the Fifth Medium-Term Management Plan

Fifth Medium-Term Management Plan performance (¥ billion)

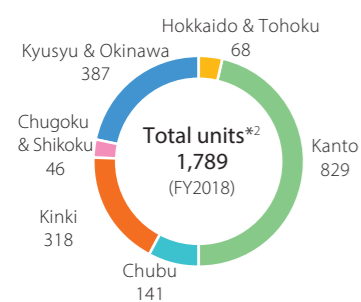


We have built condominiums with high added value for both society and its customers, as well as providing management services for comfortable and secure lifestyles.

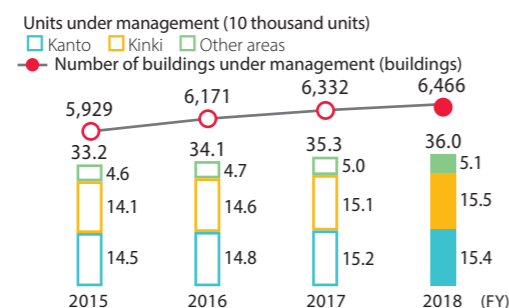
In fiscal 2018, sales proceeded steadily for PREMIST Tokyo Oji in the Tokyo metropolitan area and Cosmos Initia's Initia Kohoku New Town (Kanagawa Pref.) thanks to the excellent access to central Tokyo and the number of major commercial facilities easily accessible by residents.

As our management business grows, we now manage over 360,000 condominium units. In fiscal 2018, the final year of the medium-term plan, sales were ¥280.5 billion, operating income was ¥13.5 billion, and the average growth rates for the three-year period were +0.1% and -4.9%, respectively.

Condominium units for sales by area\*



Condominiums under management by area



Condominiums supply units ranking\*\* (Jan. 2018~Dec. 2018)

Ranking	Company name	Number of supply units
1	Sumitomo Realty & Development	7,377
2	Pressance Corporation	5,267
3	Nomura Real Estate Development	5,224
9	Daiwa House Industry	1,627
—	Cosmos Initia	330

\*\* Source: "National condominium market trends" from Real Estate Economic Institute Co., Ltd. Supply Units Ranking (Top 20 companies 2014~2018)

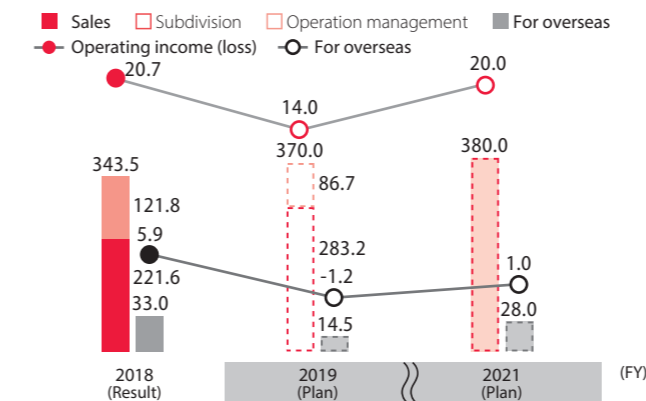
Business developments for the Sixth Medium-Term Management Plan

The business environment

Since the launch of Abenomics in 2013, the price of new condominiums in the Tokyo metropolitan area has markedly risen, remaining at high levels over the last three years. Factors in this include better incomes with business expansion, large-scale monetary easing for low interest levels, and higher construction work costs since the Great East Japan Earthquake.

Construction projects relating to the 2020 Olympic and Paralympic Games have also increased since the decision was taken to hold them in Tokyo. Inbound tourism demand driving the construction of more hotels has led to competition over suitable sites for them, making it more difficult to gain sites for building condominiums and placing strain on the supply of construction sites. Daiwa House will make use of its strengths in streamlined residential and commercial community development to adapt to these circumstances.

Performance targets of the Sixth Medium-Term Management Plan (¥ billion)



Note: Figures and plan are adapted to the reorganization of segments from FY2019.

Basic policies of the Sixth Medium-Term Management Plan

1. Expand large-scale, multi-use development projects highlighting Group synergy
2. Redeveloping terminal station areas in main provincial cities
3. Development of condominiums for small households or for the elderly
4. Raising the value of existing properties, expanding their purchase and resale
5. Adapting Japanese high-quality condominiums in Australia, China, and elsewhere

Principal companies

- Daiwa House Industry
- Cosmos Initia
- Daiwa LifeNext
- Global Community



PREMIST Funabashi Tsukada (Artist's impression)



Cosmos Initia GRAND COSMOS Musashirawa



Flour Mill of Summer Hill Condominiums development (Australia)

Business Overview Existing Homes Business

Expansion by active rollout of the Livness business



Features and strengths of our business operations

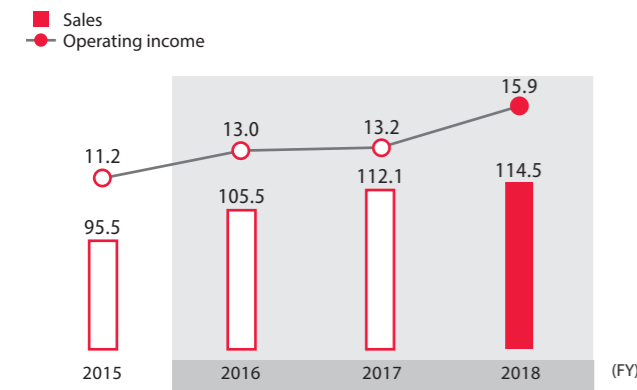
One-stop solutions to raise the value of customer assets using our customer base

In our Existing Homes Business, we make maximal use of the Group's extensive customer base—as well as the proprietary technology and experience we have built up over the years—to provide renovation services centered on regular inspection at appropriate intervals. Our renovation operations are targeted principally at single-family houses, condominiums, and rental housing, and we offer a one-stop service covering everything from initial design to construction. We are also working to expand our business lines, including starting to offer proposals for the renovation and maintenance of corporate-owned properties.

In another initiative to expand our Existing Homes Business, we have also started up a business in which we purchase existing housing, which we then renovate—including the addition of equipment with improved functions to add value—and sell on the general market.

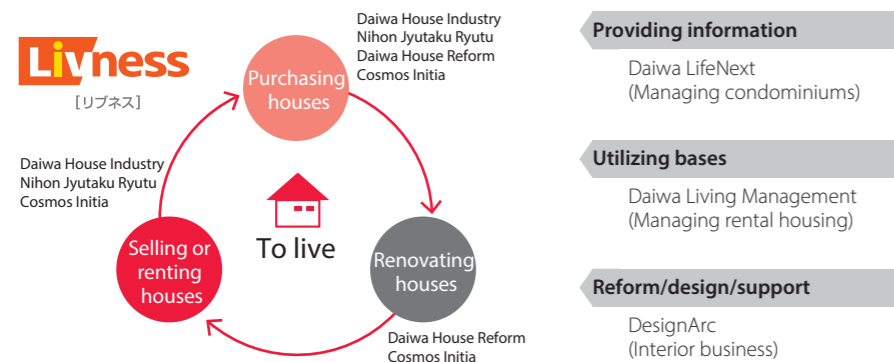
Looking back at the Fifth Medium-Term Management Plan

Fifth Medium-Term Management Plan performance (¥ billion)



As part of the Fifth Medium-Term Management Plan, we launched Livness as our new group-wide brand to rejuvenate distribution of superior quality existing housing. This involves consolidating information about the housing stock businesses operated by different group companies and taking full advantage of the resources of the Group, which include a nationwide network of sales offices, expertise as a real estate intermediary, and inspection and renovation skills, to supply a comprehensive one-stop service that suits customers' circumstances. Broadly attending to customer needs through purchase, sale, or renovation of existing housing, in fiscal 2018, the final year of the medium-term plan, sales were ¥114.5 billion, operating income was ¥15.9 billion, and the average growth rates for the three-year period were +6.2% and +12.4%, respectively.

Livness—the Daiwa House Group's business activities in solving social issues



Housing renovation sales ranking\* (FY2017)

Ranking	Company name	Sales (¥ billion)
1	Sekisui House Group	136.8
2	Sumitomo Realty & Development Group	122.2
3	Daiwa House Group	112.1
4	Sekisui Chemical Group	95.1
5	Sumitomo Forestry Group	67.3

\* Compiled from data of Reform Sangyo Shimbun



Business developments for the Sixth Medium-Term Management Plan

The business environment

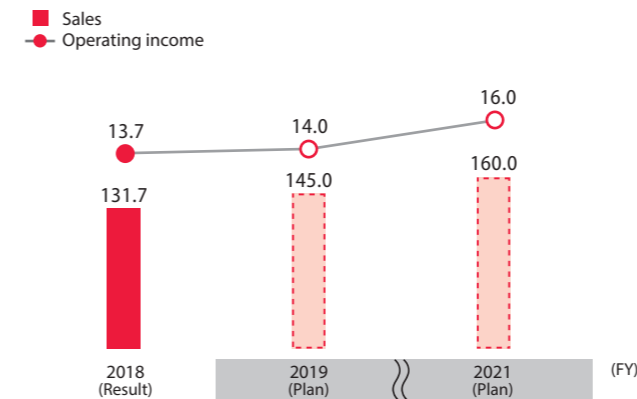
Based on a government plan for residential living embracing national policies, distribution of existing housing and utilization of vacant housing will be promoted to accelerate the shift to a market to actively put housing stock to work. Policies in place are working to double the size of the existing housing distribution and renovation market, to the level of ¥20 trillion.

In quantitative terms, existing housing stock meets the total number of households, but with the decrease in new housing starts, increased urbanization and graying population, the problem of

vacant houses in rural areas may attain even greater significance. Consumer needs are also diversifying, with expectations toward security and safety to cope with earthquakes and conserve energy, different types of homes, and a shift to preferring to purchase previously owned homes.

The entire Daiwa House Group believes in the necessity to solve social issues while working to rejuvenate the market for housing stock.

Performance targets of the Sixth Medium-Term Management Plan (¥ billion)



Note: Figures and plan are adapted to the reorganization of segments from FY2019.

Basic policies of the Sixth Medium-Term Management Plan

1. Raise the profile of the Livness brand to raise our involvement in brokerage, purchase, or resale of our own properties
2. Actively expand our purchasing and resale business utilizing our customer stock and new construction sales networks
3. Increase our renovation workforce via active recruiting activities
4. Construct marketing and construction systems in business fields to engage in maintenance and renovation of commercial properties
5. Raise the value of existing properties and expand resales
6. Promote the Livness town projects

Principal companies

- Daiwa House Reform
- Nihon Jyutaku Ryutu
- Daiwa House Industry

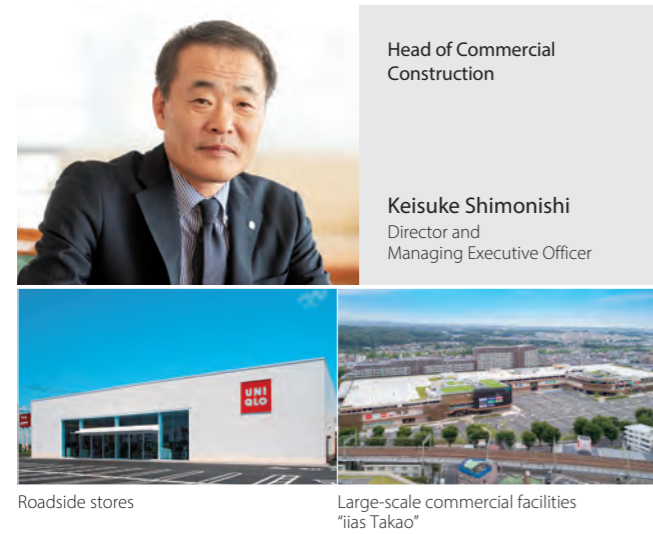
Number of customers and business properties (FY2018)

Housing		
Single-family houses	Rental housing	Condominiums
Number of households	Units under management	Units under management
420 thousand	570 thousand	360 thousand
<p>Percentage of involvement in resale of existing single-family houses originally built by the Company (Daiwa House estimate)</p> <p><b>18%</b> Raise our involvement in brokerage, purchase, or resale of our own properties</p>		

Business		
Commercial facilities	Corporate tenants	Logistics facilities
Number of constructions		developed area
43 thousand	4,200 and more	6.697 million m <sup>2</sup>
<p>Market for renovation of non-residential properties</p> <p><b>¥8.6 trillion</b></p> <p>Taken from FY2017 Ministry of Land, Infrastructure, Transport and Tourism survey of building renovation work</p>		

Business Overview Commercial Facilities

Expanding business by leveraging expertise in proposal design incorporating regional characteristics

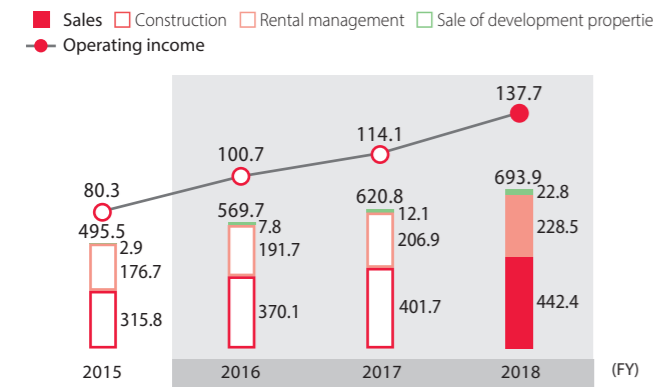


Features and strengths of our business operations

**Business closely coordinated with the needs of the times**  
Our Commercial Facilities Business was launched in 1976, when use of automobiles was growing at a rapid pace. It sought to invigorate communities by constructing stores and facilities people need, to encourage more movement.  
In this business, based on our unique LOC System, we bring landowners seeking an effective means of utilizing idle land holdings together with prospective corporate tenants seeking sites for new wholesale or retail outlets. Additionally, thanks to the deployment of our extensive land-use database and detailed market surveys, we are winning an increased volume of orders for the construction of a wide variety of facilities that make the most of the particular features of each geographical area. Group companies undertake the development of commercial facilities as a complete package covering everything from planning through construction to leasing, management, and day-to-day operations. We are also involved in the management of business and city hotels.

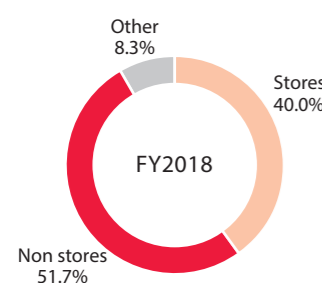
Looking back at the Fifth Medium-Term Management Plan

Fifth Medium-Term Management Plan performance (¥ billion)

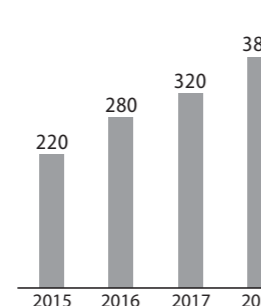


Working with changing needs, we make facility-opening proposals that match the business strategies of corporate tenants, as well as a wide variety of proposals that make optimal use of the unique characteristics. Currently the proportion of non-retail contracts exceeds 50%. As we actively engage in development projects for a variety of uses in the non-retail sector, in the period of the Fifth Medium-Term Management Plan our per-unit price increased 1.7 times from ¥220 million to ¥380 million. We also stepped up our engagement in major projects such as hotels and commercial buildings, while widening the scale of our business for customers considering the purchase of investment properties, such as by involving ourselves in acquiring land, constructing buildings, and tenant leasing as part of property sales.  
In fiscal 2018, the final year of the medium-term plan, sales were ¥693.9 billion, operating income was ¥137.7 billion, and the average growth rates for the three-year period were +11.9% and +19.7%, respectively.

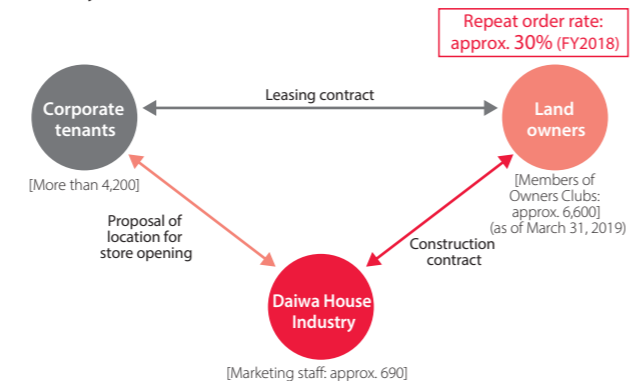
Ratio of contracts by facilities (based on contract amount)



Price per building trend (¥ million)



LOC System



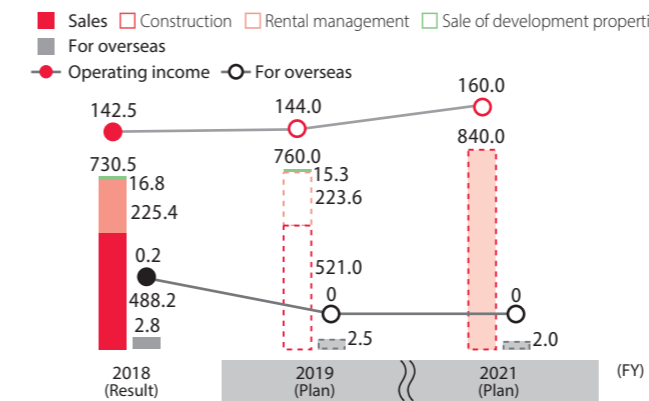
Business developments for the Sixth Medium-Term Management Plan

The business environment

This business seeks to provide the best possible construction proposals based on constantly accurate reading contemporary needs and taking into account the nature of the area or social circumstances. Accommodation facilities and services must be provided to meet the increased inbound tourism demand driven by the Tokyo Olympic and Paralympic Games scheduled for 2020, Expo 2025 Osaka, Kansai, Japan, integrated resorts and so forth. The construction of business and city hotels is increasing, with active demand forecast in the

future. The aging of Japan's society brings with it the demand for elderly care facilities, while there is also an increasing need for daycare and educational facilities to solve the problem of long waiting lists for admission to childcare, especially in the Tokyo metropolitan area.  
Growth in drugstores in particular remains robust. We also expect increasingly high demand for stores and facilities able to meet diverse needs as consumer lifestyles change.

Performance targets of the Sixth Medium-Term Management Plan (¥ billion)



Note: Figures and plan are adapted to the reorganization of segments from FY2019.

Basic policies of the Sixth Medium-Term Management Plan

1. Leverage area characteristics to expand commissions for large projects, e.g. logistics facilities, offices, medical and nursing care facilities, and hotels
2. Expand the profit-earning real estate business by purchasing existing properties
3. Expand the development and sale of investment properties
4. Strengthen our overseas business by entering the ASEAN and North American markets

Principal companies

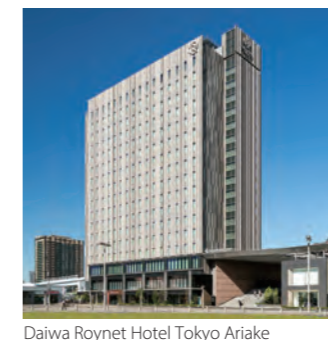
- Daiwa House Industry
- Daiwa Lease
- Daiwa Royal
- Daiwa Information Service

Business and City Hotels

66 business and city hotels

- Daiwa Roynet Hotels
- Royton Sapporo
- Osaka Marubiru (Osaka Dai-ichi Hotel)
- La'gent Hotel/Stay
- MIMARU

(as of March 31, 2019)



Business Overview Logistics, Business and Corporate Facilities

Promote mixed use development centering on high value-added logistics facilities via adoption of the IoT/AI



Features and strengths of our business operations

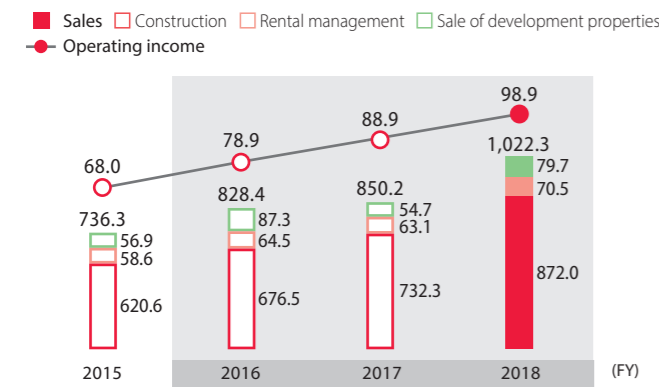
Proposal-based solutions leveraging customer relationships

In the field of Logistics, Business and Corporate Facilities, we are expanding our business both inside and outside Japan by making use of our extensive database on land usage to construct facilities meeting the needs of corporate clients. The business is also contributing to regional employment creation by building logistics facilities utilizing land where special procedures are needed for repurposing.

We also make optimal use of the synergy generated with Group member Fujita to enable flexible responses to customer needs, and are actively engaged in the proposal and construction of facilities in the fields of medical and nursing care facilities, welfare and housing for the elderly facilities, food-processing facilities, offices, and factories. In all cases, our business is driven by proposal-based solutions that optimally leverage our long-term relationships with customers.

Looking back at the Fifth Medium-Term Management Plan

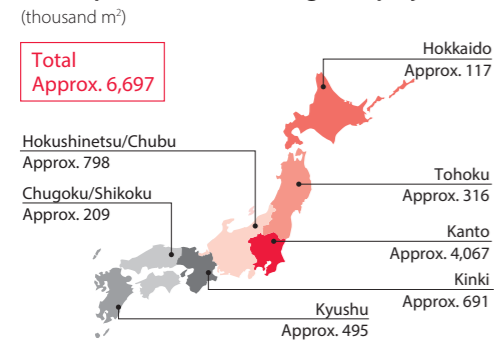
Fifth Medium-Term Management Plan performance (¥ billion)



During the period of the Fifth Medium-Term Management Plan, we actively engaged in development of logistics facilities with the rise in e-commerce facilities, providing backup to the logistics strategies of our tenants through our wide-ranging experience and know-how.

As we develop next-generation logistics facilities with high added value to alleviate the industry's labor shortages, we are also working on the construction of an Intelligent Logistics Center as a next-generation logistics platform utilizing AI and the IoT. We also opened a cutting edge showroom in DPL Ichikawa in April 2018. For hospitals that are age deteriorated or fail to meet earthquake standards, we propose reconstruction or relocation, as well as offering solutions to management issues facing medical corporations running elderly or mixed care facilities. In fiscal 2018, the final year of the medium-term plan, sales were ¥1,022.3 billion, operating income was ¥98.9 billion, and the average growth rates for the three-year period were +11.6% and +13.3%, respectively.

Development site area of logistics projects\*



\* Daiwa House Industry Figures are aggregates as of March 31, 2019 (including projects under construction and scheduled)



Business developments for the Sixth Medium-Term Management Plan

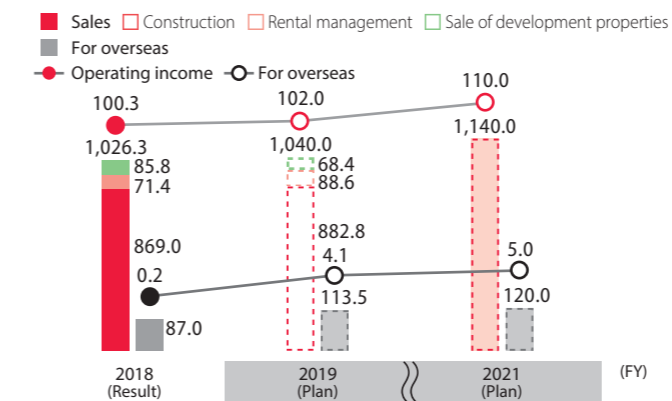
The business environment

In this business, demand for advanced logistics facilities will remain high with the continued expansion of e-commerce. The food self-sufficiency rate of Japan is on a downward trend, with shrinking workforces in the agriculture, forestry, and fisheries sectors. This means that maintaining the "cold chain" for the transportation of chilled and frozen food, mainly from Asia, is a pressing issue for modern-day Japan where much food is imported. Through a focus on the international cold chain and management of food quality and freshness, we believe it giving active support to Japanese companies operating both locally and overseas is a vital matter.

In the construction business, though there is a lull in orders for the Tokyo Olympic and Paralympic Games in 2020, we expect construction investment to remain firm as the Japanese economy follows a positive cycle with events such as Expo 2025 Osaka, Kansai, Japan.

Even so, the problem of labor shortages is anticipated to become increasingly serious as Japan's birthrate declines and its population ages. We believe it is essential to achieve greater operational efficiency and labor saving through the use of the IoT and robotics, while also reforming work styles and accepting foreign workers.

Performance targets of the Sixth Medium-Term Management Plan (¥ billion)



Note: Figures and plan are adapted to the reorganization of segments from FY2019.

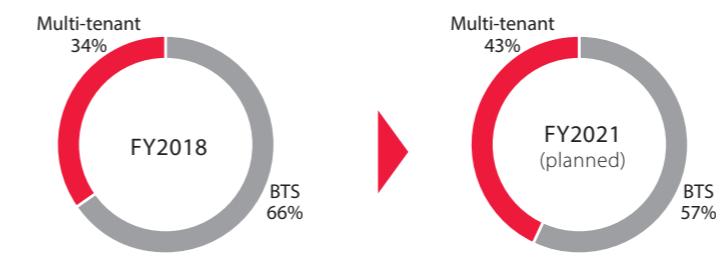
Basic policies of the Sixth Medium-Term Management Plan

1. Developing logistics facilities incorporating multiple functions like offices, R&D, etc., or high value-added logistics facilities adopting the IoT/AI
2. Maintaining current build-to-suit (BTS) logistics facilities accurately meeting tenant needs while focusing on multi-tenant development
3. Promoting mixed use development for large medical, care, or social welfare facilities
4. Widen destination countries overseas by developing logistics real estate and industrial parks

Principal companies

- Daiwa House Industry
- Fujita
- Daiwa Lease
- Daiwa Royal
- Daiwa Information Service

Developed area of logistics facilities by type



Note: As of March 31, 2019, including under construction

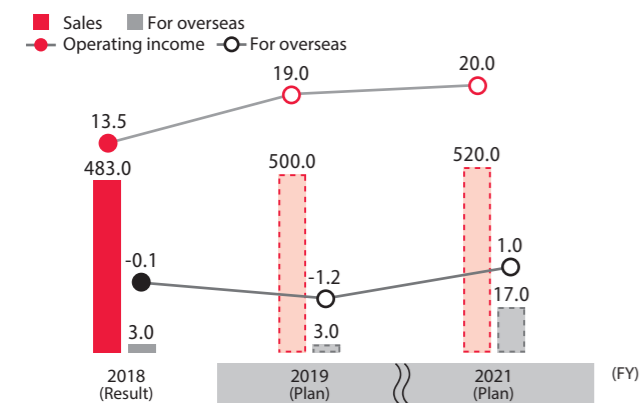
Note: Reflects only projects for which acquisition of the necessary land has already been completed



Business Overview Other Businesses

Provide value through lifestyle-related businesses over a wide range of fields, including construction support, the environment and energy, as well as health and leisure facilities

Performance targets of the Sixth Medium-Term Management Plan (¥ billion)



Note: Figures and plan are adapted to the reorganization of segments from FY2019.

Construction Support

Home centers

Provide original services designed to serve specific local needs

Royal Home Center offers a range of products and services to enhance comfort and convenience, including DIY, interiors, gardening, pets, and home renovation, as well as construction materials for professionals. The value-added services it provides include delivery and construction support for products purchased by individual customers, and discount services for the elderly. As well as construction materials and tools for professionals in the construction industry, it also has a full range of work clothes. The online store also provides a full range, serving as a home improvement center for local customers.



Home center business

Home center outlets  
**58** home centers  
(as of March 31, 2019)

Logistics services

Providing optimized logistics services matched to our customers' business models

Daiwa Logistics provides comprehensive logistics solutions for greater efficiency. It meets all the needs of customers operating in a wide range of industrial sectors, from construction materials through retailing to online clothing sales, offering services that are precisely tailored to each user's business model.



Logistics business

Interiors business

Creating spaces meeting the needs of customers and the changing times

Our interior design business has a nationwide network of coordinators who design spaces matching our customers' needs and current trends. Proposals utilize a wide range of products, including ready-made, built-in, and order-made furnishings, for spaces in single-family houses, condominiums, home showrooms, and model rooms. Interiors for commercial spaces such as hotels and offices are also covered, meeting customer demands for diverse types of spaces.



Interior business

Number of interior coordinators  
**490**  
(as of March 31, 2019)

Environment and Energy

Leveraging technological know-how, expertise in proposal design, and comprehensive capabilities to address energy issues

Daiwa House Industry, Daiwa Energy, and Eneserve are building an environment and energy solutions business centered on energy creation, energy saving, power storage, electric power supply, and power producing. The comprehensive capabilities of the entire Group are harnessed to actively promote the spread of renewable energy, including photovoltaic power generation and wind power. We also direct efforts toward expanding the electric power supply business. The role of this business is becoming increasingly important with the trend toward zero-carbon societies worldwide.

Generating capacity of solar power, wind power, and hydroelectric power generation facilities (currently in operation)\*

**298** MW / **217** sites

(as of March 31, 2019)

\* Total for 16 Group companies



Photovoltaic power generation business

Health and Leisure

Fitness clubs

Places where people of all ages can enjoy themselves

Sports Club NAS operates various clubs and other facilities that go beyond the conventional concept of fitness clubs – places where a wide range of people, from children up to seniors, can enjoyably spend their free time and realize interpersonal communication. With the opening of Sports Club NAS Nishikasai (Tokyo), the Company's first club to include a women-only floor called the Beauty Area, these clubs are addressing the growing public interest in sports, health, and beauty.

Fitness clubs & other facilities

**69** fitness clubs

(as of March 31, 2019)

Aesthetic salons

**26** aesthetic salons

Resort hotels

Offering resort experiences that make the most of each region's unique features

Daiwa Resort operates a network of Daiwa Royal Hotels covering the whole of Japan, from Okinawa in the south to Hokkaido in the north. Against the backdrop of the beautiful natural scenery for which Japan is renowned, the staff of each hotel play their part in supporting the economic development of the local region, by introducing their guests to unique natural features, local history, traditions, cuisine, and industries, and by incorporating the attractions of the changing seasons into their menu of services. New style hotels designed for ease of use by women and tourists such as Daiwa Royal Hotel D-CITY and Daiwa Royal Hotel Grande Kyoto are being opened that take into account the local and topographical features of their locations.

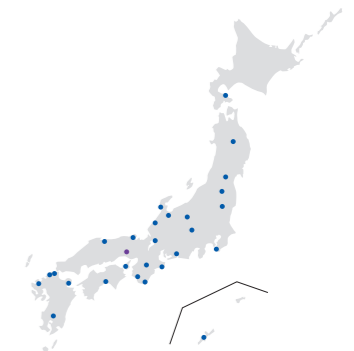
**27** hotels

● DAIWA ROYAL HOTEL

**1** hotel

● Nishiwaki Royal Hotel

(as of March 31, 2019)



Other Businesses

Daiwa House is also involved in the parking business, which contributes to regional development through high-convenience parking areas. We also manage private homes for the elderly and assisted-living residential facilities for seniors. These provide residential and other facilities where elderly people can live in comfort, thus contributing to the overall welfare of regional communities. Our range of financial services is also developing, including credit cards and insurance agencies. The Company is also working on creating model work style reforms utilizing robotics technologies, for use in hospitals, care facilities, factories, and construction sites.



Car parking business



Credit card business



Robot Suit HAL® Application at construction sites

©Prof. Sankai, University of Tsukuba / CYBERDYNE Inc. Robot Suit HAL® is a registered trademark of CYBERDYNE Inc.

Business Overview Overseas Business

### Enhancing groupwide accuracy while minimizing risk to provide people worldwide with high-quality Japanese construction and services

The Daiwa House Group's overseas businesses that began in the 1960s have now expanded to 20 countries worldwide, leveraging to the maximum the management resources built up over our many years in business. Stepping up the pace of overseas expansion was a basic policy of the Fifth Medium-Term Management Plan, and under this policy we made inroads primarily into the United States, Australia, and ASEAN.

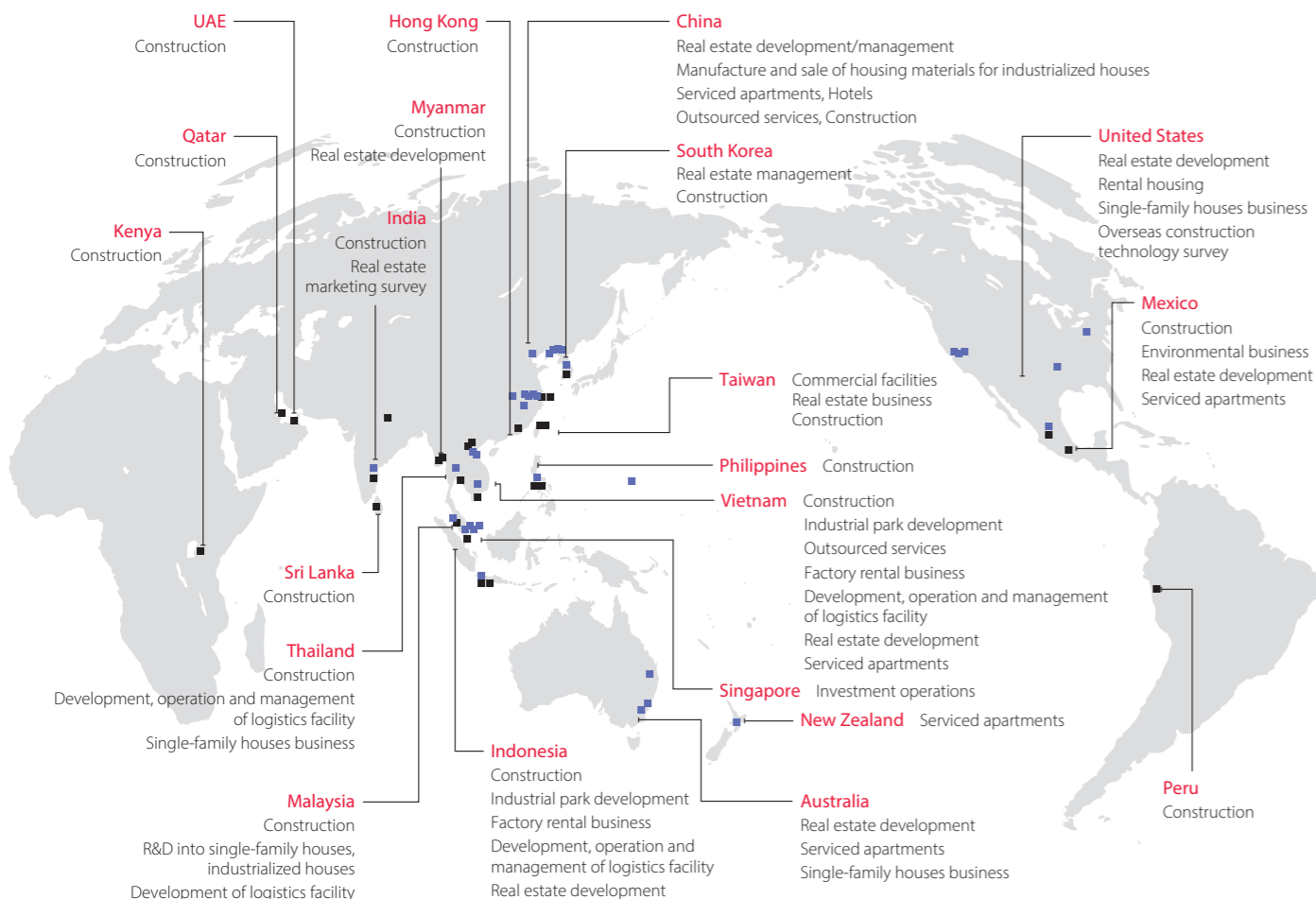
Under the Sixth Medium-Term Management Plan, we will strengthen our management structure while leveraging Group advantages to bring our high-quality construction and services to people worldwide. With ongoing business investments through the plan, we aim to achieve sales of ¥400 billion by the final year of fiscal 2021.

#### Establishment of an Overseas Strategy Committee

The Overseas Strategy Committee was established in February 2019 to strengthen governance and risk management for our overall business, and also to promote information sharing among Group companies and business divisions. The committee will deliberate on all overseas projects, then implement decision making based on the standard process. By concentrating and sharing throughout the organization experience from overseas, business procedures and know-how, the accuracy of the entire group will be improved while risks are minimized.

#### Our overseas business areas

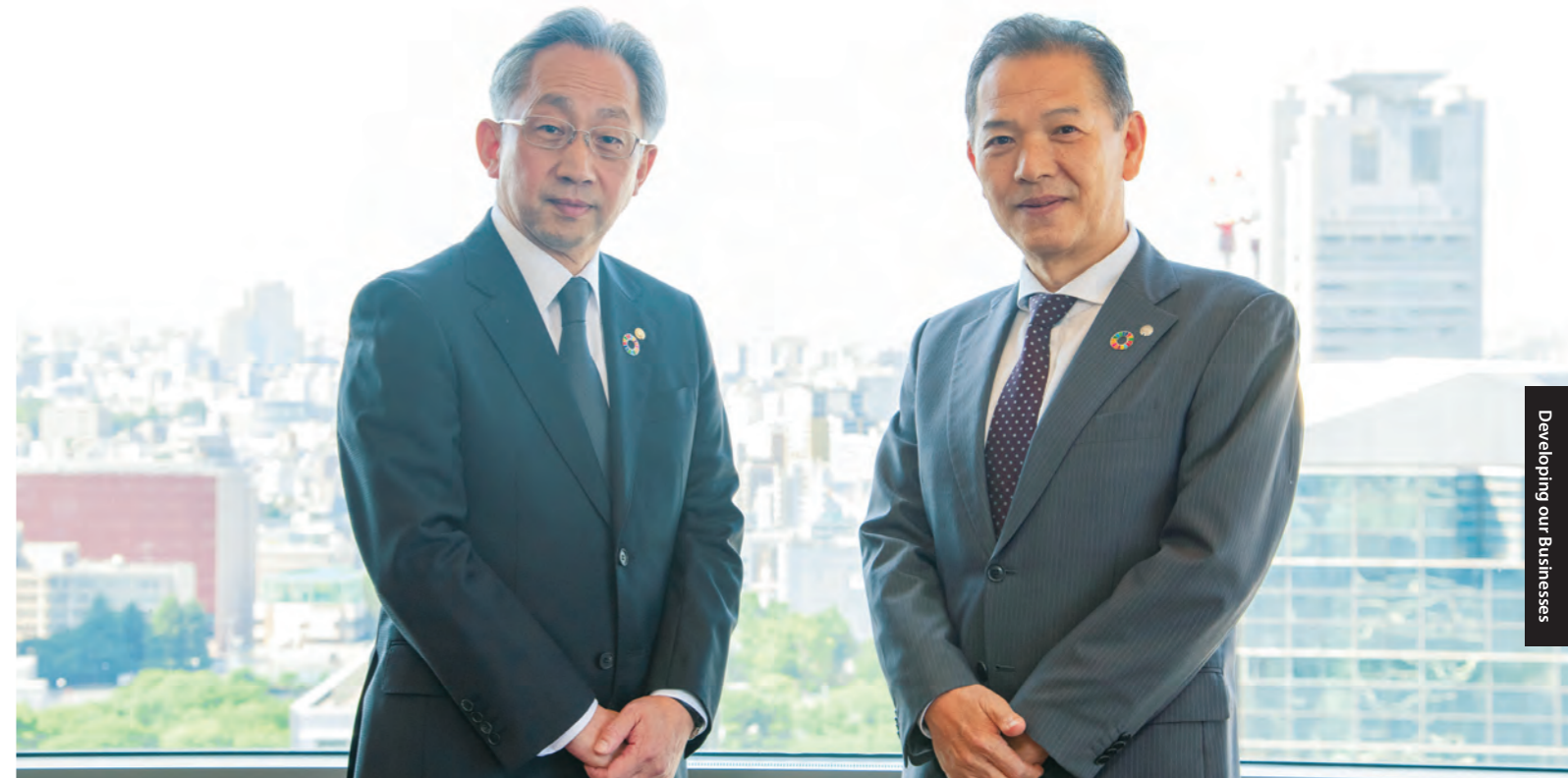
**20 countries** ■ Group companies overseas ■ Overseas businesses and representative offices (as of June 1, 2019)



Dialogue **Redeveloping Communities and Houses with the Future**

Materiality Business 1 (Focal theme ④) Expanding business opportunities based on social issues (Redeveloping Communities and Houses)

### Commitment to “Community Development with the Future” to address local needs as they change with the times



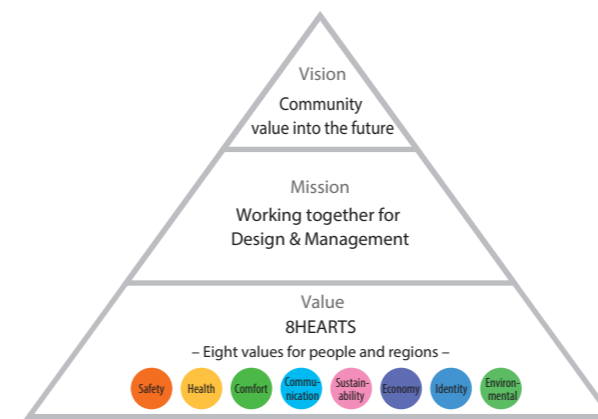
**Koji Harano**  
Senior Executive Officer  
General Manager, Urban Development Department

**Yukio Takamatsu**  
Executive Officer  
General Manager, Business Supervisory Department

Daiwa House formulated its Community Development Vision centered on sustainability on the occasion of its 60th anniversary, in 2015. Our Sixth Medium-term Management Plan incorporates the concepts of promoting the Livness Town Projects in terms of our business, while promoting social inclusion in development (applying the Community Development Guidelines to large projects and to all the divisions) in terms of our base. Through this, we intend to make our contributions to community development take a more concrete shape.

Senior Executive Officer Harano, Head of Urban Development Department, and Executive Officer Takamatsu, Head of the Business Supervisory Department, discuss together here the value to be generated both in terms of promoting our business and strengthening our base, through Daiwa House's concept of Community Development for the Future.

#### Community Development Vision centered on sustainability —Formulated in 2015 for our 60th founding anniversary



See the Group's Sustainability Report 2019▶ P.197 (Community Development Vision of the Daiwa House Group)

#### Basic policy (5) S (Social) Innovation base

##### Promote social inclusion in real estate development

Improve our housing planning and management abilities and promote inclusive and sustainable development based on long-term design and area management so that community and property values rise rather than fall in 2030 and 2050.

Introduce broad “inclusive design” concepts into all processes of urban development and large-scale construction handled by the Group.

KGI (Targets for FY2021)

Percentage development of large projects and large-scale construction by our divisions based on Community Development Guidelines.\*

**70%**

\* Calculated by number of projects/extended floor space  
\* Imaginable projects are community development projects under the Real Estate Investment Committee.

## Daiwa House Group urban development to address changing local needs

**Harano** Daiwa House's urban development business began with the development and subdivision of Habikino Neopolis—Japan's first private-sector large-scale housing development—in 1962. Seeking town development in harmony with nature, the creation of pleasant living environments, and always ensuring the optimal use of land for the future for the sake of the local people, we provide one-stop solutions tailored to local needs as they change with the times, from development planning to site preparation, hydraulic engineering, design and construction, and maintenance management.

**Takamatsu** In order to make the best possible use of our know-how accumulated over many long years, not just in urban development but in a wide range of business fields, the Business Supervisory Department engages in management from a long-term perspective for real estate development, and efforts to promote inclusive and sustainable communities.

## Sharing our vision for communities living on far into the future

**Harano** As a group that co-creates for individuals, communities, and people's lifestyles, we continue to strive to create new value. The value we have supplied in town development comes from practicing our founder's spirit and the values of safety and comfort, speed and stock, welfare, the environment, health, information communication technology, and agriculture. Our business divisions are interlocked together into a scrum to forge ahead, but as our business territory has widened out, differences in our community development concept have appeared. To counter this trend, we set up a task force-style committee to compose shared expressions within the Company along the lines of the SDGs. Our Community Development Vision was formulated based on the values we supply of comfort and economy, incorporating safety and security.

**Takamatsu** The eight values created by the community development committee, centered on sustainability, are the 8 Hearts: Safety, Health, Comfort, Communication, Sustainability, Environment, Economy, Identity. Like the targets of the SDGs, we decided on specifics in line with these values and have assessed them. To what extent can we provide people with a safe, comfortable, and healthy life? How far can we enhance the economy, environment, and identity of a community? We will soon see a time when properties themselves will be judged by the ESG perspective. So we should take firm action now in readiness for that.



Takao SakuLa City (Hachioji City, Tokyo)

**Harano** If you turn "8" on its side, it becomes "∞", the infinity symbol. The basic stance of co-creation contains within it the links between people and people, between people and communities, and the significance of aiming at community development carrying on into the future.

**Takamatsu** It was right around the time the SDGs were chosen, so the timing was good.

**Harano** After all, the 17 SDGs were really a reaffirmation of our founder's spirit. Town development at that time aimed at building infrastructure and buildings, without much attention to any services after completion. This was when we first began to talk about changing to start providing various services. It was certainly a little early to begin engaging in doing so, but the timing was extremely well chosen.

Later, I think it was this view of social values that inspired Miki City come to us with the issue of the increase in vacant houses and lots in Midorigaoka Town as the population aged. In response to that call, we started a project using public and private sector collaboration. A town cannot grow if people don't live there, so we transformed the old housing estate development in order to bring in new residents, including places where elderly people could be active, redeveloping it so that people could live in the community in safety and security over the long term. "Livness" means continuing to live somewhere over a long time, so together we're creating the Second Chapter of housing. We will make several new developments as we spread Livness towns like these.

**Takamatsu** Daiwa House is involved in community development from scratch, and redeveloping old communities into new ones. Since becoming involved in business supervision from last year, I'm constantly considering the social value we provide through business—questioning whether the development is good for society or whether the communities we make will be good for the residents to live in. That is why the three bases of human resources, customers, and technology and manufacturing are



absolutely vital. The Takao Project is something we've worked on since my appointment, though it doesn't involve redeveloping of a housing estate. It started by acquiring a former factory site, incorporating the nature of Mount Takao into people's lifestyles, and putting forward the idea of a new community development model with the three businesses of building condominiums and single-family houses centered on commercial facilities. We went beyond simply constructing the buildings to incorporate long-term perspectives on how all the people who reside there will live their lives.

**Harano** The bigger the company, the harder it is to make governance work sometimes, but I believe Daiwa House is the sort of company that can show its true power when its people put their strength together. The 11th SDG is "Sustainable cities and communities." The key point here is to build communities, not just cities. Your efforts seek to integrate business and reconnect bases in order to provide the best solutions for the members of the community. This vision of community development should be shared widely with more people to make it become a reality.

## Livness town projects connecting the story of a community to the future

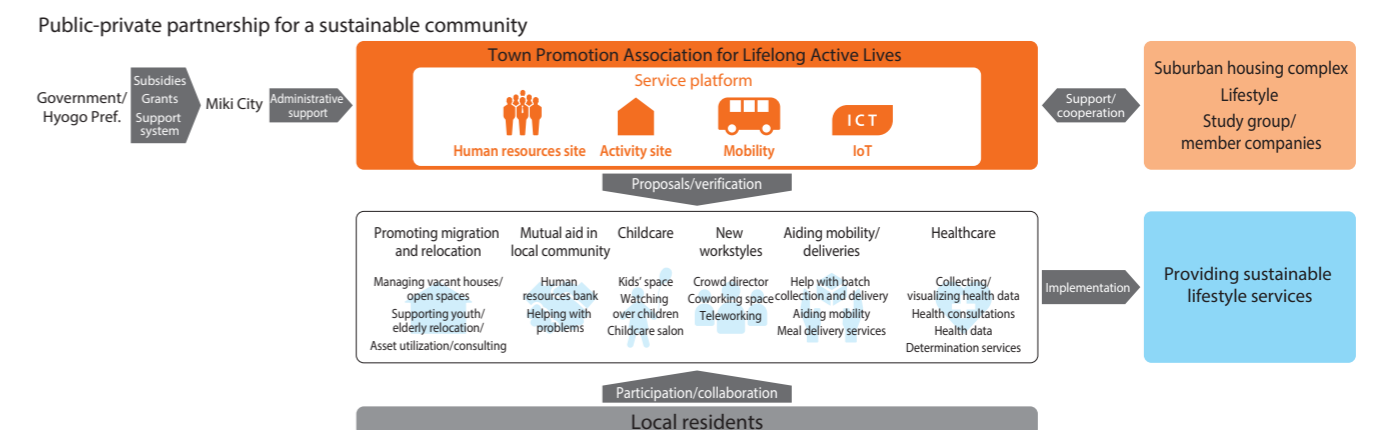
**Harano** The idea of Livness towns is to link the story of a community to its future. While we construct platforms with open innovation, we also want to incorporate ideas from people in various industries.

**Takamatsu** And at the same time we ask the people actually living in the community what they think.

**Harano** That's the most important thing. From my long experience of working in development, I know that a key factor preventing smooth progress is a lack of communication with the land owners and local residents. If you have staff able to fully engage the local people in dialogue, then the community development will go well.

**Takamatsu** Two examples of Livness town projects underway right now are Kamigo Neopolis (Yokohama City, Kanagawa Pref.) and Midorigaoka Neopolis (Miki City, Hyogo Pref.).

## Overall picture of redeveloping in Midorigaoka Neopolis (Miki City, Hyogo Pref.)



**Harano** In Kamigo we're building a community store with partial government funding. Work has begun on it to achieve both convenience and community revitalization. Once the facility is completed and senior people begin to actually work there, we're sure to get new ideas.

At Midorigaoka, we became involved after meeting with the mayor five years ago and hearing his fervent plea to do something for the town. In response to that we quickly set up the Suburban Housing Complex Lifestyle Study Group and began demonstration testing with academic, industry, and government cooperation. As the town's residents are aging, aiding mobility is necessary, so we are starting mobility support services including experiments with self-driving systems. We're also building houses for farming businesses. Miki City has set up a community base called the Midorigaoka Division, which is engaged in various projects such as healthcare, self-driving systems, satellites to utilize vacant houses, and crowdsourcing. Future plans include building single-family rental housing and serviced homes for the elderly.

**Takamatsu** We can look forward to these two projects becoming established as business models and growing through leveraging our strengths. To ensure this the design and management must have a far-sighted perspective to raise the value of the town and its properties over the long term. Residential planning and management functions need to be strengthened to ensure the town is both inclusive and sustainable. Use of planning aid sheets in the formulated Community Development Guidelines should be made mandatory for real estate investments or large projects in order to encourage greater adoption of the guidelines. The development rate of large projects and large-scale construction by our divisions based on the Community Development Guidelines is expected to reach 70% by fiscal 2021. The projects the Real Estate Investment Committee is looking at tend to be major investment proposals. We want to get involved in these as they will have a major impact on society. If we succeed in raising the value of communities, this will lead to a positive cycle calling for further real estate investments.

**Harano** The declining population makes it inevitable that the nature of communities will change. Without a long-term, and even a super-long-term perspective, we cannot keep up with the aging and diminishing population, with climate change, or with the fourth industrial revolution. Eventually, the Livness town projects will be put into action overseas.

The Daiwa House Group is able to provide a full range of services from upstream to downstream, allowing us to provide our management resources as a combined package.

**Dig up hidden community issues, implement a cycle of action**

**Takamatsu** In creating sustainable communities, new developments need business feasibility and to match conditions in the wider world. For redeveloping projects, we have to think of how to use what is already there, and how long we will be involved in it as a business. Work tends not to continue if motivation is lacking, so we see our role as giving that motivation to employees engaged in the work that needs to be done.

After actually visiting the Kamigo and Midorigaoka sites to see the level of motivation the workers there have, I strongly saw the need for backup from the head office. We need to have medium-term goals in terms of the balance of revenue and expenditure in order to persevere long term despite the difficulty of the task.

**Harano** Coordination inside the Group and between divisions of the Company is also becoming more important in order to achieve that. The first task is to bring the Community Development Vision to the front lines of our business operations.

**Takamatsu** I agree, we have to make sure the concept is fully spread throughout the Company first.

**Harano** Regarding risks and issues, community development needs the understanding of the government and the residents, and it must be resilient to disaster. We also have to comply with ESG evaluations while coordinating with the local government, but the key here is a customized approach fully configured to the regional community. That is why I personally think that ensuring the understanding of the people rooted in the local community is even more important than dealing with the government. Taking too long about it may not be so good, but we should spend a certain amount of effort and time from as early as possible to ensure sufficient understanding. The housing and systems must also be affordable and within people's reach.

Redeveloping means digging up various issues again, then planting new seeds and helping them to grow. Many issues won't be visible on the surface, so our basic approach must be to properly search out the issues facing each Neopolis and then implement a cycle of action to solve them.

**Strengthening our Bases**



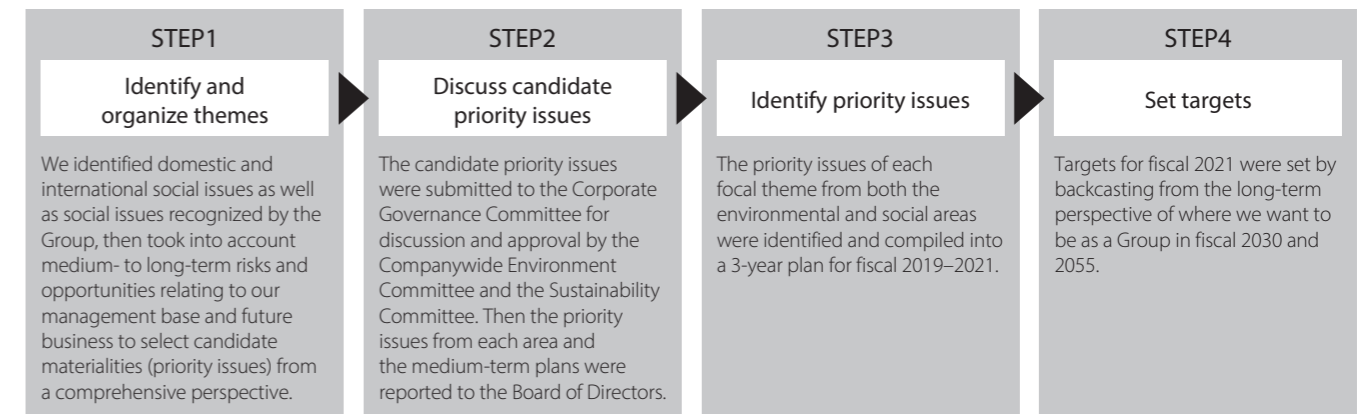
Concurrent with our Sixth Medium-term Management Plan, the Daiwa House Group formulated the Endless Social Program 2021 (to enhance our social involvement) and the Endless Green Program 2021 (action plan for the environment) both with FY2021 set as their final year, in order to strengthen its management base essential to the value creation process.

We use the following steps to identify particularly important issues in steering our Group toward our management vision and long-term vision. The value chains of our Group provide us with a basis for identifying materiality (priority issues) with a focus on megatrends and social issues and setting targets in regard thereto.

We aim to clarify target indices for each issue, and by trying to achieve them, we expect to strengthen the processes we use to conduct business and help enhance our social value through the business we do.

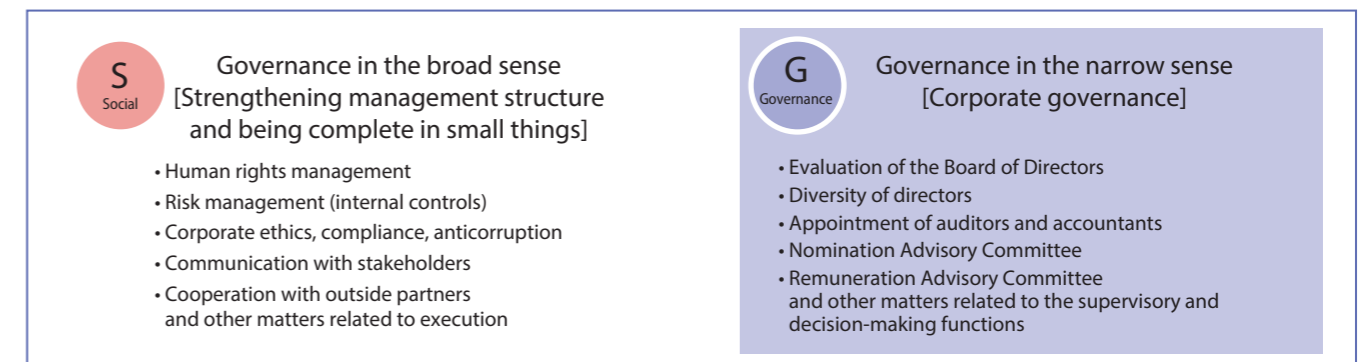
See the Group's Sustainability Report 2019 ▶ P.19-35 (Materiality of the Daiwa House Group)

**Environmental and social materiality (priority issues) identification steps**



**Where governance fits into the Social Medium-Term Plan**

Regarding the formulation of plans, corporate governance is governance in the narrow sense. However, when taken more broadly, the social connotations of governing a business are visible in things like risk management, corporate ethics and compliance.



Strengthening our Bases