



Creating Dreams, Building Hearts



Our founder, Nobuo Ishibashi (1921-2003)

1955

Everything started with this

Our Founder's Spirit

**Don't do things because they will make a profit,
but because they will be of service to society.**

"Don't start off from the thought: 'What can I do that will make a profit?' A company is a public organ of society, and we must ask ourselves what kind of product – or what kind of business – will be of use to the world around us and make people happy."

The above is what Nobuo Ishibashi, the founder of Daiwa House Industry, often used to say to the Company's employees. This is the concept from which the Daiwa House Group started.



Daiwa House®
Group

2005

Guided by our founder's spirit

Group's Symbol Message

Creating Dreams, Building Hearts

The Daiwa House Group symbol—the Endless Heart— represents our vision of building endless emotional connections with each and every one of our customers, as well as the solidarity of the Daiwa House Group.

As a group that co-creates value for individuals, communities and people's lifestyles, we aim to think outside the box and always to create new value in each successive generation. We will continue to pass on the ideals on which the Company was founded, and work to help realize a sustainable society.

The Focus of the Daiwa House Group

The Daiwa House Group focuses its efforts on three tasks—creating value by offering solutions to social issues, resolving issues of particular importance (materiality), and enhancing governance. By these means, we aim to achieve continued growth and raise the Group's corporate value over the medium-to-long term.



As a group that co-creates value for individuals, communities, and people's lifestyles, we have constantly worked together with our customers and society as a whole to realize new value in each successive generation. The Endless Heart—the Daiwa House Group symbol—represents the bonds between the Group and its stakeholders and the solidarity of the Group, as well as our vision of continuous growth and development.

In line with the Daiwa House Group's Sixth Medium-Term Management Plan, a three-year plan which commenced in fiscal 2019, we have been focusing our efforts on aggressive real estate development projects as well as on expanding the Business Segment in which we are engaged and speeding up our developments in overseas markets. However, our prospects for fiscal 2020 have been rendered increasingly uncertain by the COVID-19 pandemic, and the Group's future course is becoming more and more unclear.

Despite this operating environment, we at the Daiwa House Group are working to resolve priority issues we have identified. We will do this by leveraging the strengths that we have accumulated to address social issues by developing our businesses, and by strengthening our bases through stronger ties with stakeholders. By repeating these initiatives to realize a virtuous cycle, we aim to continually create new value in pursuit of our management vision—to realize a society in which people can live fulfilling lives. To achieve this, we are enhancing governance as an issue of the utmost importance.

I hope that this report will help readers to understand the management stance of the Daiwa House Group, which is to aim for continued growth and enhanced corporate value over the medium-to-long term.

Keiichi Yoshii
Keiichi Yoshii
President, CEO and COO

Principal Contents of the Daiwa House Group 2020 Integrated Report

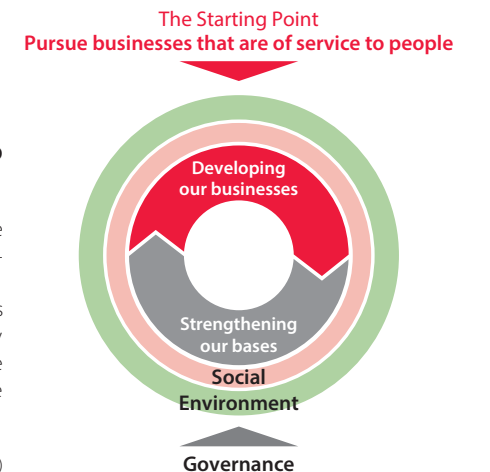
1 Continuing to create value by offering solutions to social issues

Starting from the basic idea of “pursuing businesses that are of service to people,” we will realize continuous enhancement of our corporate value

The core characteristic of the Group's business model is our value-creation process, whereby we develop our businesses—which are involved with individuals, communities, and people's lifestyles—to strengthen our bases, and then leverage those bases to give birth to new business opportunities.

In addition, we coordinate this value-creation process, which supports the Group's continuous growth, from the social and environmental perspectives over the medium-to-long term, thereby contributing to society via our business operations. By developing businesses that are of service to people, and by strengthening our bases, we realize a virtuous cycle that enables us to achieve continuous enhancement of the Group's corporate value.

P.07-08 (The Group's value-creation process)



2 Measures to resolve issues of particular importance

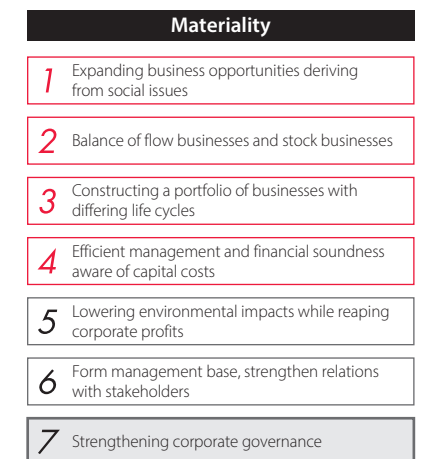
Working toward our corporate vision—realizing a society in which people can live fulfilling lives

In full recognition of the Group's operating environment and following the four management items laid down by our Corporate Governance Guidelines, we have identified a number of issues of particular importance that we must address in the areas of business, society, and the natural environment.

By taking measures in line with the basic policy established by the Group's Sixth Medium-Term Management Plan, we aim to resolve issues of material importance and realize our corporate vision.

P.31-32 (Social issues affecting our businesses and their actions for adapting)

P.45-46 (Our Three Bases and ESG engagement)



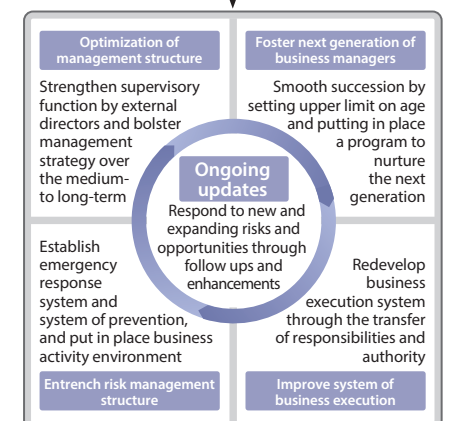
3 Enhancing governance

Redeveloping our business execution system to effectively manage diversifying risks and take advantage of diversifying opportunities

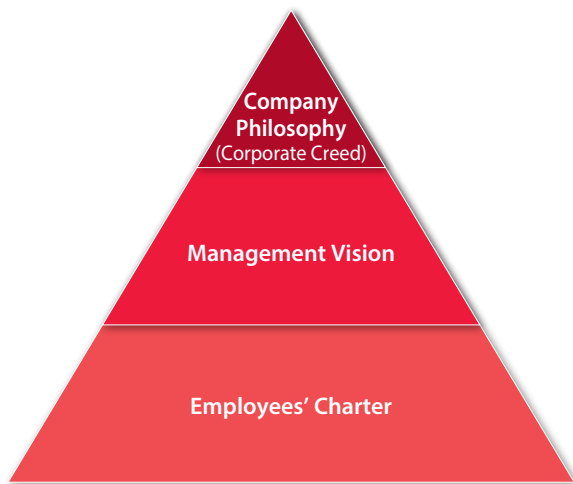
Restructuring our governance is the top-priority issue under the Sixth Medium-Term Management Plan, a three-year plan that commenced in fiscal 2019.

To facilitate growth going forward in pursuit of our corporate vision, we are taking steps to manage risks, which are diversifying, and to take optimal advantage of business opportunities, which are also diversifying. These steps include optimizing our management structure, fostering the next generation of business managers, improving our system of business execution, entrenching a risk management structure, and pursuing greater flexibility throughout the whole Group. And by continuously updating these processes, we aim to build a solid management base capable of supporting business activities across a wide range of fields.

P.53-62 (Management Structure)



The Daiwa House Group's Core Philosophy



Company Philosophy (Corporate Creed)

- Develop people through business.
- A company's progress depends directly on ensuring a good working environment for its employees.
- Products created in good faith by honest labor through modern facilities will contribute to society in general.
- Our Company will develop thanks to the complete solidarity and tireless efforts of all executives and employees.
- Through mutual trust and cooperation, by always reflecting deeply on past mistakes, valuing responsibility, and actively engaging in mutual criticism, we will advance along the road to growth and success.

Management Vision

Connecting Hearts
The Daiwa House Group aims to create, use and enhance new values together with its customers as a group that co-creates value for individuals, communities and people's lifestyles. In doing so, we hope to realize a society in which people can live fulfilled lives. In addition, we cherish our ties with each and every customer, and continue to strive to build life-long trust as a partner in experiencing the joys of a lifetime.

Employees' Charter

As employees of a group that co-creates value for individuals, communities, and people's lifestyles, we pledge the following:

- Strive to improve quality, skill and communications to provide safe, reliable products that are in harmony with the environment, and help create comfortable, relaxing living spaces for our customers.
- Serve our customers in good faith, and share their excitement and joy.
- Work to improve society's evaluation of our company and increase its corporate value by conducting ourselves fairly according to society's expectations and rules.
- Aim to grow and develop with our business partners by never forgetting our gratitude to them and dealing with them fairly.
- Pursue our own growth and happiness through our work.
- Help people gain fulfillment in their lives and build a better society, with co-creation of a brighter future as our basic aim.

Editorial policy

This report has been produced for our shareholders, investors and other stakeholders. In the Story of the Daiwa House Group's Value Creation, we integrate financial information on our business and financial strategies and non-financial information about what we see as our primary corporate value. We also introduce the three management bases essential for such processes (our human resources base, customer base, and technology and manufacturing base) and our strengths (comprehensive business proposals), summarizing how we pursue our management vision that embodies the spirit of our founder.

Referential guidelines

In the production of this document, we have referenced the International Integrated Reporting Framework (IIRC), as well as the Guidance for Collaborative Value Creation issued by the Japanese Ministry of Economy, Trade and Industry.

Scope of this report

This report provides information on the Daiwa House Group overall (317 consolidated subsidiaries, 40 equity method affiliated companies, and 2 affiliated companies not accounted for by equity method as of March 31, 2020), with a focus on Daiwa House Industry Co., Ltd.

Notice regarding financial data
(numerical data in graph form or otherwise)

Amounts less than one unit are omitted in this report. With regards to overseas business included in Other Businesses segment, we will reclassify the segments from FY2019, altering how facts are indicated for the segments based on business operations.

Forward-looking statements

This Integrated Report contains future estimates, targets, plans and strategies of the Daiwa House Group. These are based on judgments employing information available at the time of writing. For various reasons, actual results may differ substantially from these estimates.

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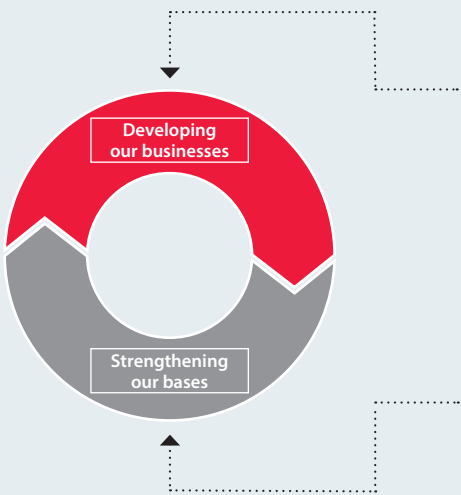
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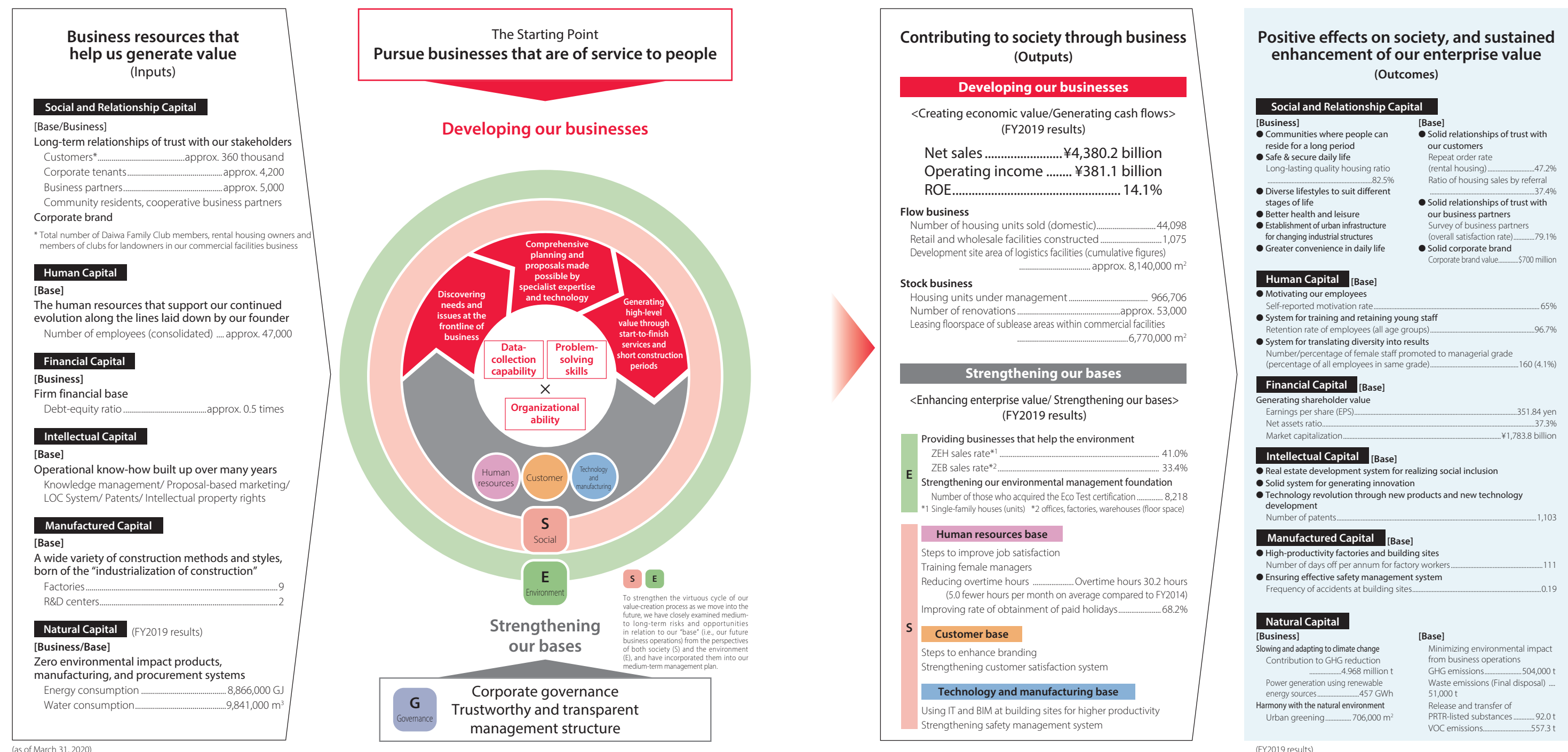


Chapter 1 The Story of the Group's Value Creation

1 The Group's value-creation process

We solve social problems by operating a cyclic relationship between “developing our businesses,” which are of service to the public, and “strengthening our bases.”

By reinforcing this virtuous cycle, we aim to realize both a sustainable society and continuous growth for the Daiwa House Group.



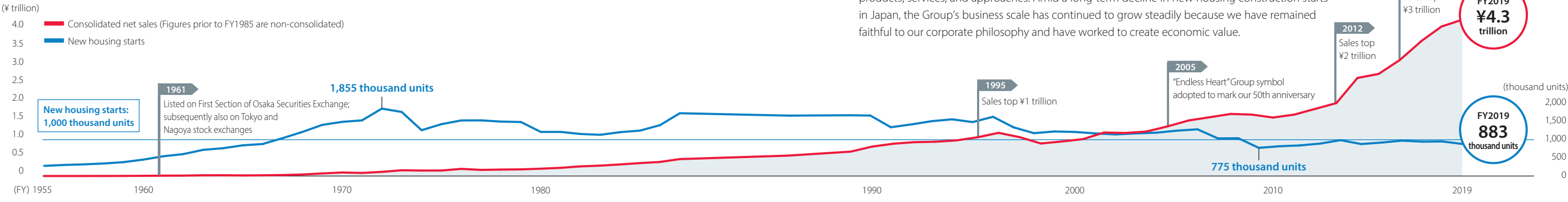
(as of March 31, 2020)

(FY2019 results)

2 The history of the Daiwa House Group

“Doing things because they will be of service to society”—this is our guiding motto, and with these words always in our minds, we have responded to changing social issues by launching many new products and services onto the market, thereby constantly generating economic value.

Consolidated net sales and new housing starts



Social issues	1955	1970s	1980s	2000s	2010s
	Postwar housing and materials shortage	Progressive motorization of Japanese society	Preparing for advent of aging population	Retailing revolution with advent of Internet dominated society	Diversification of real estate investment methods

Developing our businesses

Solutions through our businesses

Industrial construction

Extensive land-use database, relationships with customers

Real estate development

Solving the postwar materials shortage problem



1955—the Pipe House, our first product

Mr. Ishibashi conceived the idea of a steel-pipe structure, and this led to Daiwa House becoming a pioneer in the industrialization of construction, which revolutionized Japan's construction industry.

Solution to housing space shortage caused by rising birthrate



1959—Midget House developed

The sounds of children at play gave Mr. Ishibashi the idea for the Midget House, which could be erected in only three hours and used as a children's study room. This proved immensely popular, laying the groundwork for Japan's prefabricated housing industry.

Developments in the business of utilizing land holdings alongside major roads



1976—The birth of the LOC System

In our retail & wholesale facilities business, we began matching landowners who wished to generate revenue from hitherto idle plots with prospective corporate tenants in the wholesale and retail sectors, and a whole new market was born.

Providing a safe and secure housing environment for senior citizens



1989—Silver Age Research Center established

This was a unique research institution dedicated to market surveys and analysis of problems relating to medical and nursing care facilities. This was an example of our expansion into the business of linking construction proposals with facility-management proposals.

Development of large-scale logistics facilities



2003—Start-up of “D Project”

We began offering a one-stop service encompassing everything from selection, purchase and preparation of site, through design and construction of facilities, to start-to-finish management support. We thus became an indispensable part of the logistics sector, which supports the industrial infrastructure and the public's standard of living.

Helping address global environmental issues



2007—Entered wind power electricity business

Recognizing the importance of environmental issues, we expanded our sphere of operations through a fully-fledged entry into the field of generation of electric power using renewable energy sources such as solar power and wind power.

Real estate securitization



2012—Daiwa House REIT Investment Corporation listed on REIT market

Anticipating an acceleration in real estate investment, we devised stronger exit strategies. By developing high-quality properties that promise a stable cash flow, we contributed to the growth of the J-REIT market.

Popularizing natural disaster-resistant housing



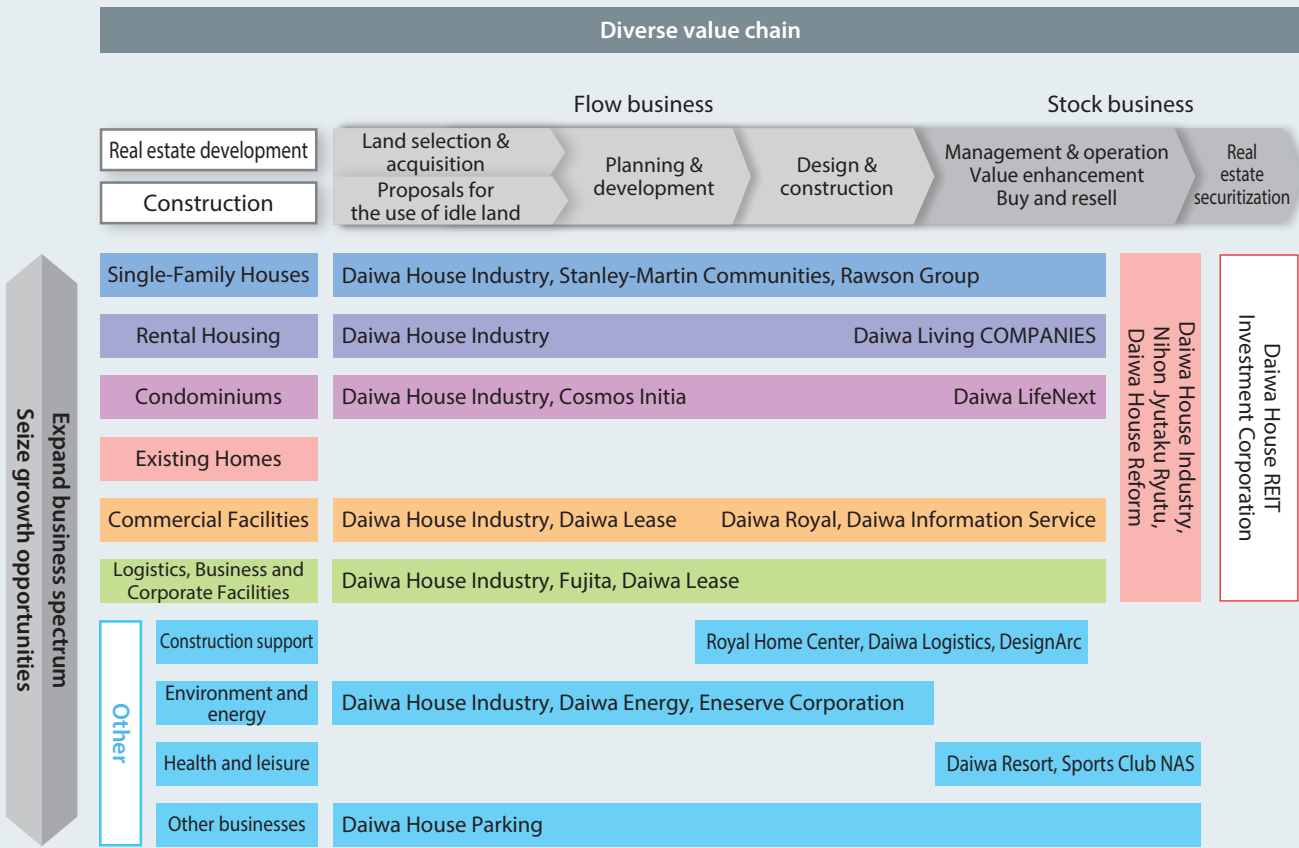
2014—Launched the xevoΣ

We helped popularize long-lasting, high-quality homes that can resist damage from natural disasters such as repeated massive earthquakes and that offer high ceilings and spacious rooms.

Strengthening our bases	Human resources	<div>1955</div> We adopted “Developing people through business” as our Company Philosophy (Corporate Creed)	<div>1962</div> Corporate pension plan introduced to improve employee benefits program	<div>1963</div> First edition published of “The Future of the Daiwa House Group,” a training manual that serves as a signpost for our employees.		<div>2007</div> Introduction of support system (leave-of-absence system enabling staff to take care of elderly relatives or engage in baby care) to help employees achieve a good work-life balance	<div>2008</div> “Daiwa House Juku” commenced—a training program to produce the next generation of top managers
	Customers		<div>1962</div> We devised Japan's first residential mortgage loan system to address the issue of home-seekers' difficulty in securing funds to buy their own homes.	<div>1972</div> To enhance our after-sales service system, we established customer service sections under the direct control of the head of each business office.	<div>1984</div> We strengthened our long-term relationships with land owners by establishing clubs for the owners of rental housings.	<div>1995</div> We supplied thirty percent of the total amount of emergency temporary housing for victims of the Great Hanshin Earthquake of 1995.	
	Technology and manufacturing		<div>1962</div> We set up a joint occupational training center within our Sakai Plant to improve our business partners' training systems for technical staff and strengthen their on-site construction systems.	<div>1965</div> We built Japan's first plant for the production of prefabricated housing, making it possible to mass-produce prefabricated houses.	<div>1980</div> We established the Central Research Laboratory and commenced research on the central theme of living in harmony with the natural environment. This research would lead to the adoption of our catchphrase <i>Asu Fukaketsuno.</i>		<div>2013</div> Second-tier general-construction contractor Fujita joins the Group, helping speed up our expansion overseas

3 Evolving our business by strengthening and expanding our value chain (Developing our businesses)

While anticipating people's future needs, we will strengthen and expand our value chain so as to evolve a business model focused on addressing social issues. In this way, we aim to capture more new business opportunities.



Examples of our multi-purpose developments, made possible by our wide business spectrum



Takao SAKULa City (Tokyo)
Single-Family Houses, Condominiums, Commercial Facilities, Parking

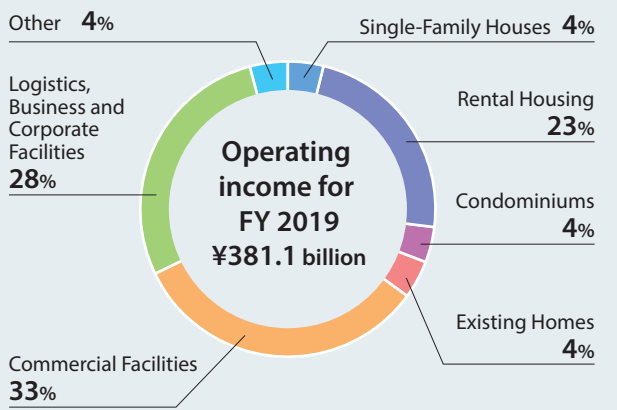
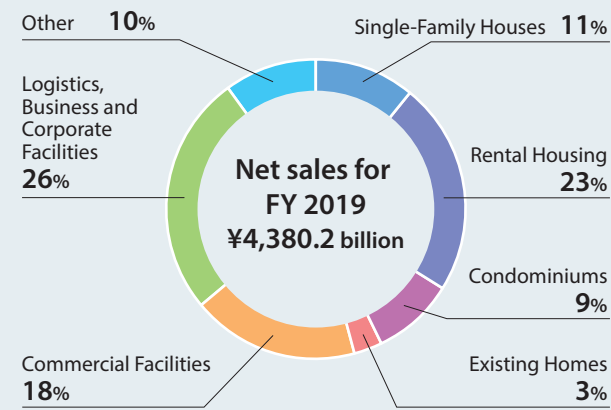


GRANODE Hiroshima
Offices, Commercial Facilities, Hotels, Parking

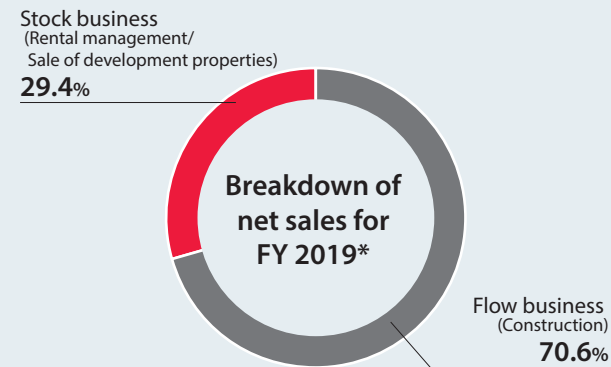
The business in which the Group is engaged began with construction contracting based on the industrialization of construction. Since that start, we have diversified into a wide range of business schemes. These include making optimal use of land holdings by leveraging our accumulated store of land-usage data and our relationships with our customers, as well as real estate development. In these ways, we have expanded the variety of our construction formats by addressing a large number of pressing social issues. We simultaneously engage in flow business and stock business. These two business categories operate on differing cycles, and this helps expand our value chain, which in turn lets us capture a wide range of new business opportunities. Currently, real estate development is steadily growing into a more important revenue-earner compared with the situation back when Daiwa House began doing business.

Going forward, by strengthening our capabilities in the field of multi-purpose developments—made possible by our abundance of different business categories—and by leveraging our extensive customer relationships to expand our Livness business and speeding up the development of our operations overseas through geographical expansion of our business, we will create new value for people all over the world in many different areas of life.

Our business categories (segment breakdown of sales & operating income)



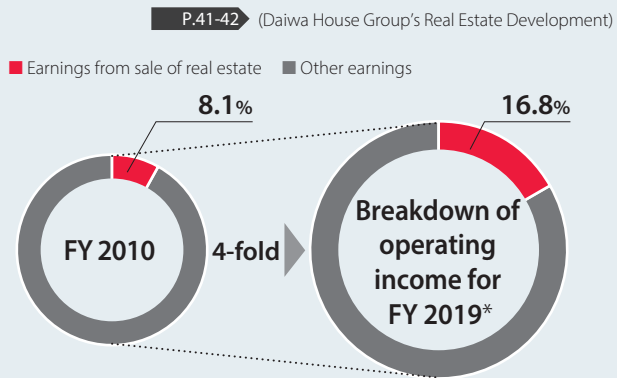
Our value chain (breakdown by flow business and stock business)



* excluding other businesses

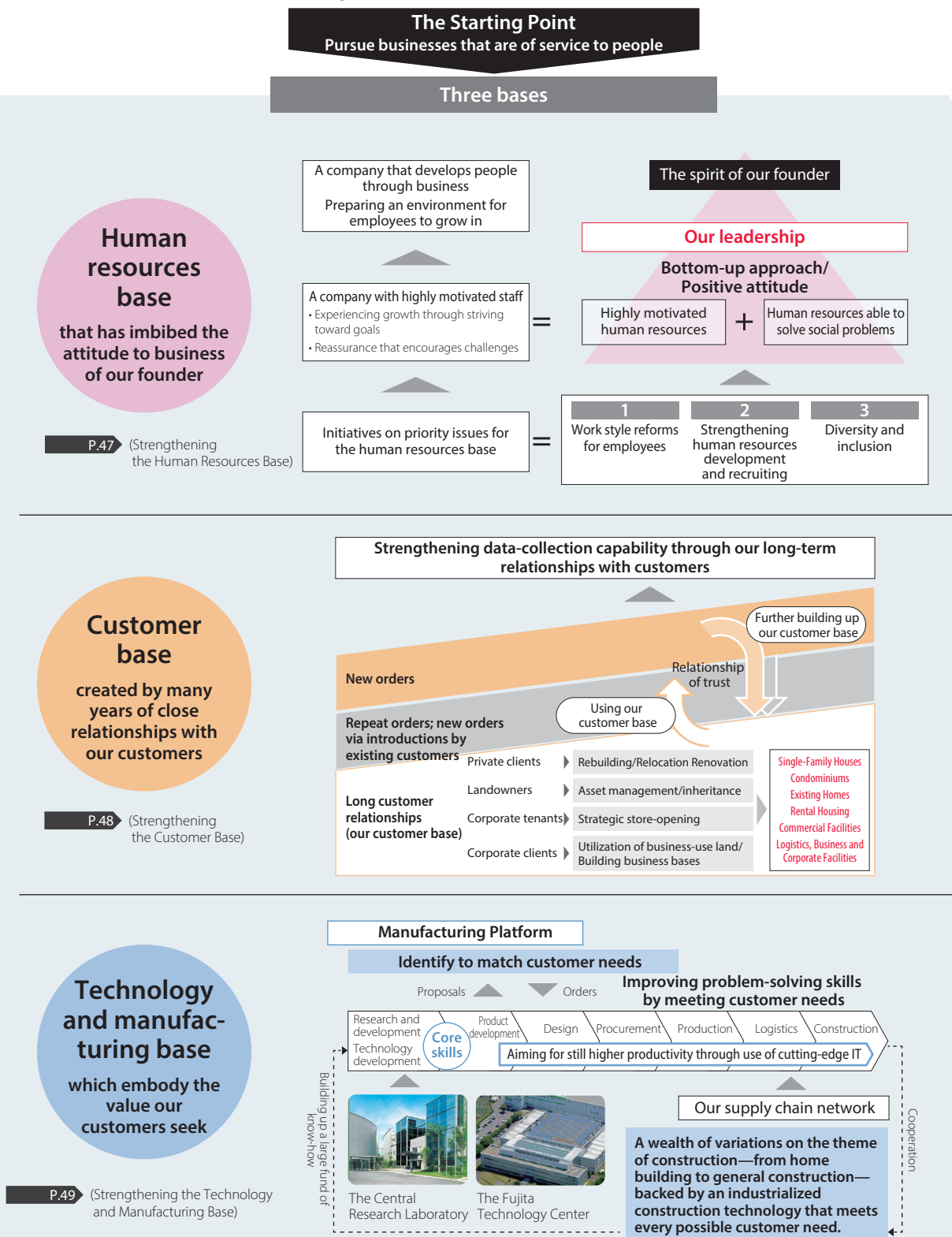
Changes in earnings from sale of real estate

Operating income for FY 2019 was fourfold that in FY 2010, while earnings from sale of real estate were eight times larger (growth from 8.1% to 16.8% of total earnings), contributing to the generation of cash flow.



4 The source of our value creation (Strengthening our bases)

The source and origin of our value creation consists of our three “bases”—human resources base, customer base, and technology and manufacturing base—as well as our two strengths—data-collection capability and problem-solving skills, the organizational ability that we derive from the three-in-one matrix formed by our offices and branches, our business divisions, and our Group-member subsidiaries and affiliates.



Our human resources base has inherited the business stance of the founder of Daiwa House, and has been the main driving force behind the Group's continual evolution. Our solid customer base is the product of close long-term relationships with our customers. And our technology and manufacturing base is what has enabled us to incorporate the value desired by customers into our products and services. Finally, our two “strengths”—our data-collection capability and our problem-solving skills—which are derived from the three bases, have been built up over many years of business operation, and constitute the Group's most important intangible asset.

At the same time, the Group's organizational ability—the fruit of our measures to strengthen and expand our value chain, and to expand the variety of different businesses in which we engage—is born of our branches and offices (which are intended to practice a “front-line-centered business style” and speedy operation), our business divisions (which optimally leverage our unique set of specialist skills, such as proprietary technology and know-how), and Group-member subsidiaries and affiliates (which deploy the unique characteristics of their business fields, and work in close collaboration). We are currently working to restructure our business execution system—which takes into account the unique characteristics of each business and geographical region—as a means of further strengthening the comprehensive power of our three-in-one matrix.

The combination of these important intangible assets and strong organizational ability forms to driving force for value-creation, which supports the process of “evolving our businesses.” By utilizing as our greatest strength our ability to make effective multi-purpose project proposals—which have come into being as a result of the elements described above—we will be able to offer a full start-to-finish service that will contribute to society through urban development.



*1 as of April 1, 2020

*2 This report shows Daiwa House Industry's eight business divisions (Single-Family Houses, Rental Housing, Condominiums, Livness, Commercial Facilities, Logistics, Business and Corporate Facilities, Environment and energy, Overseas).

5 A vision of the Daiwa House Group's future

We will continue flexibly adapting to social changes and addressing social issues.

We will expand our sphere of business to pursue further continuous growth, will co-create value “for individuals, communities, and people’s lifestyles” so as to lead the way to a brighter future, and will work to realize our management vision.

Our founder, Nobuo Ishibashi, believed that we should become an enterprise that is essential to a sustainable society, and expressed a strong desire to make a major contribution to solving society's problems. As part of this, he passed down to us the dream of achieving ¥10 trillion in net annual sales by the Company's 100th anniversary in 2055.

We aim to achieve the dream expressed within our corporate vision —“to realize society where people can live truly fulfilling lives”—in order to continuously enhance the Group's enterprise value going forward by grappling with materially important issues and creating a continuous virtuous cycle through the two processes of “developing our businesses” and “strengthening our bases.” In addition, we will contribute to the achievement of sustainable development goals (SDGs), centered on our catchphrase “Asu Fukaketsuno” (Indispensable for Tomorrow), which we see as our key issue going forward.



Enhanced governance and compliance, the cornerstone of our growth strategy
Facing social issues head on to generate new opportunities for growth



Keiichi Yoshii
President, CEO and COO

On behalf of the Daiwa House Group, I would first like to express our appreciation for the understanding and support shown by all of our shareholders and investors.

First of all, I sincerely apologize for the anxiety caused to our stakeholders by the series of improprieties that came to light during the fiscal 2019 business year. We have taken the occurrence of this series of improprieties very seriously, and in addition to redesigning our compliance system, in November last year we announced a number of measures to enhance governance. We consider it the mission of top management to steadily execute these measures, and to provide ongoing updates in line with our process toward growth.

What I would like to emphasize here is that enhancing governance is an initiative critical to building a foundation for future growth. Together with ensuring that all employees, from top management downward, are fully acquainted with this point, in the event that a violation of compliance occurs we will squarely

face this issue, that is to say, we will confront the matter head on and deal with it appropriately. We will firmly adhere to this stance throughout the Group, and ingrain “maintaining a good balance between vigorous growth and stability.”

New appointment of two outside directors
Expectations for the Board of Directors’
enhanced diversity and effectiveness

Following the June 2020 General Meeting of Shareholders, we added two new outside directors to the Board. The first was Mr. Yukinori Kuwano. Rising up from the technical field and possessing management experience, Mr. Kuwano is a former outside auditor of the Company. The other is Ms. Miwa Seki, who brings to the Company her international experience and currently serves as a university associate professor. In addition, Mr. Nobuya Ichiki, formerly a managing executive officer with international experience

and who got his start at a trading company, was appointed as director in charge of Overseas Business. By enhancing the Board of Directors with such human resources who offer experience we previously did not possess, we expect that the Board of Directors will reach new levels of diversity and effectiveness. Moreover, by setting age limits for inside directors, the nurturing of management talent will become an increasingly important issue, and in this way we will continue to strengthen our approach to such matters.

Introduction of a business division system to balance
strengthened “stability” with fast-paced “growth”

The basic stance we have with regard to the measures to enhance governance announced last November is that reinforcing governance is a vital foundation upon which we will realize future growth. Back when the Group’s net sales exceeded the ¥1 trillion mark, the management at that time announced their goal as “maintaining a good balance between vigorous growth and stability.” This is the foundation we have built to achieve our growth to date.

Today, as we expand both our range of businesses and the number of Group companies, we humbly admit that our governance system is not keeping pace with our rapid operational growth, and understand the importance of looking back to “maintaining a good balance between vigorous growth and stability.” We will share the concept of “stability also leads to growth” with all, from top management downward, and will make concerted efforts to enhance governance.

From this April we shifted our structure of business execution to

a business division-based system. This transformation represents an enormous reform as we look toward our long-term vision for our centennial anniversary. Our founder, Nobuo Ishibashi, told of “speed as the ultimate service,” and at every opportunity the Company has seized upon this strength to continue the growth that we enjoy today. Going forward as well, this is a strength that we must pass along to the future. It is for this very reason that we shifted to a new business execution structure, namely a business division-based system, with the intent to move forward on business operations that emphasize swift action at each respective business site. Full-fledged operations are set to commence from fiscal 2021, although given the enormous impact on the business environment exerted by the spread of COVID-19, we are conducting trials of the business division system to see whether or not it functions properly. Based on the new organizational structure, we will produce results through the efforts of all executives and employees. In this way, the Board of Directors have a firm hand on management and supervisory functions.

Fiscal 2019 sees new record high net sales and
operating income, driven by steady growth in
Business Segment and property sales, in line with
sustained, enhanced real estate investments

Until the third quarter of fiscal 2019, the first year of the Sixth Medium-Term Management Plan, the housing business field was in the midst of a severe market environment on account of the impact exerted by the increase to the consumption tax, and from the fourth quarter, the COVID-19 pandemic cast a shadow over the entirety of business operations. However, owing to brisk

Basic policy: Governance Materiality ⑦: Enhancing corporate governance

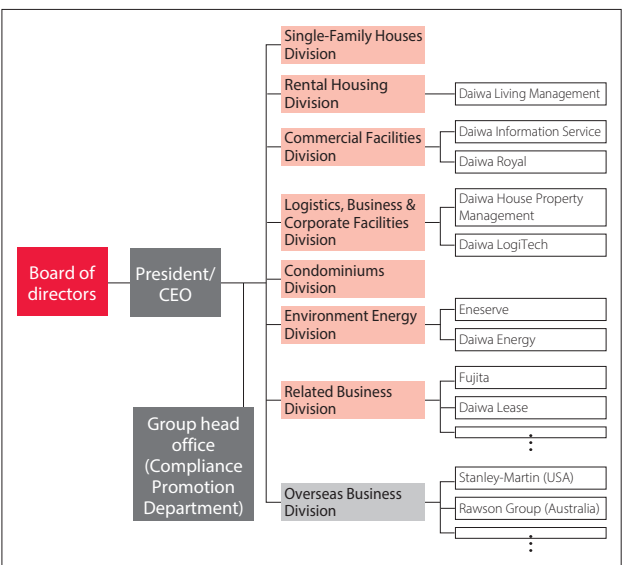
Revision of management and oversight systems, such as proposed appointment of outside directors to ratio of one-third or more of the Board

Action-item details based on the basic policy on measures to enhance governance (March 31, 2020)

- 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**
 - Adopt a business division-based system to the business execution structure in Japan
 - 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

Determination made to introduce a business division-based system set to start from fiscal 2021

Business division-based system



business in Commercial Facilities and Logistics, Business and Corporate Facilities Businesses, and as we moved development property sales along in line with the basic policy for continued and enhanced real estate investment, the result was fiscal 2019 net sales that amounted to ¥4,380.2 billion, and operating income stood at ¥381.1 billion, representing new record highs.

At the start of the year, I gave my attention to reform, transformation and innovation. Today, having been directly confronted with the impact of the COVID-19 pandemic, I am again reminded of the importance of taking action with regard to these three tenets.

We leverage Commercial Facilities and the Logistics, Business and Corporate Facilities Businesses, which currently account for approximately 40% of our net sales, to the maximum extent possible by spreading their business horizontally throughout the Group, while we aggressively work to grow our urban redevelopment business at a range of locations. However, in addition to our housing and commercial facilities, in the future we would like to expand to new possibilities by also becoming involved with multi-purpose development set for logistics facilities as well.

In our overseas business, we are moving along with the development of logistics facilities in Southeast Asia, and our business scale is expanding overall by working on logistics facilities that meet local needs for “cold chain” logistics, whereby both fresh food and frozen food are transported at pre-determined temperatures from producing areas to the locations where they are consumed. Nonetheless, whatever the area, and that means America and Australia as well, in fiscal 2020 the impact of the COVID-19 pandemic is inescapable. Based on our medium to long-term vision, we are ascertaining the needs of each specific area, and while supplementing human resources, we are working to accelerate the pace of business expansion.

Against a backdrop of firm demand in logistics facilities, we are making ongoing and concerted efforts at real estate development

We are currently working to put together a portfolio able to secure revenue streams from a variety of sources, keeping an eye on the balance between flow and stock businesses, while also taking into account our response to the impact of the COVID-19 pandemic. In addition to the contract-based flow business, we believe that development of a stable stock business, namely real estate development, will become increasingly important. Every year the real estate development projects the Group is engaged in increase in scale, not to mention the rising opportunities associated with queries by new customers, leading to business growth. We will not rest on our laurels with regard to the current situation, but will earnestly address the needs of customers.

In addition, while we are undertaking nationwide development of multi-tenant logistics facilities that can meet the logistics needs of a variety of customers, those properties that have been completed over a year ago are entirely occupied. We will focus our efforts on multi-tenant logistics facilities where needs continue to be high.

Sales of the developed logistics facilities are proceeding steadily, and results for fiscal 2019 were net sales of ¥140.6 billion and operating income of ¥50.0 billion. For fiscal 2020, we project net sales of ¥146.3 billion and operating income of ¥44.0 billion.

Seeking to achieve new growth in the Housing Segment, we are working to without delay grasp changes in ways people work and live

The Rental Housing Business, which accounts for 23% of net sales, is continuing to face a severe business environment due

to the apartment loan regulations recently put in place by financial institutions, and other factors. We are working to shore up this situation by basing our contract business strategy on area attributes and through such efforts as introducing new products that both property owners and residents will find appealing. Our management operations business maintains an extremely high-level occupancy rate of 97%, a strength of the Company. As a response to the impact of the spread of COVID-19, so as to give even a small comfort to both tenants and owners, we have initiated a measure whereby those tenants who experience income instability are allowed to defer payment of their rent by up to three months, with repayment that can be spread out over a maximum of two years. We will continue to move forward on reinforcing our rental housing business from the perspectives of both construction and rental management.

In Single-Family Houses Business, our flagship brand “xevo” earns high praise, but one issue for us is to enhance the lineup. In November of last year, we launched our “Lifegenic” products which offer a website-based home designing experience. Given that in-person sales activities are limited due to the COVID-19 pandemic, these products have been hugely well received and have generated an enthusiastic response. There has also been an increasing number of customers who hope for living spaces that can accommodate working from home. We will be taking the initiative to make new proposals and develop products that are quick off the mark in addressing the transformation of working and living styles of people following containment of the COVID-19 pandemic.

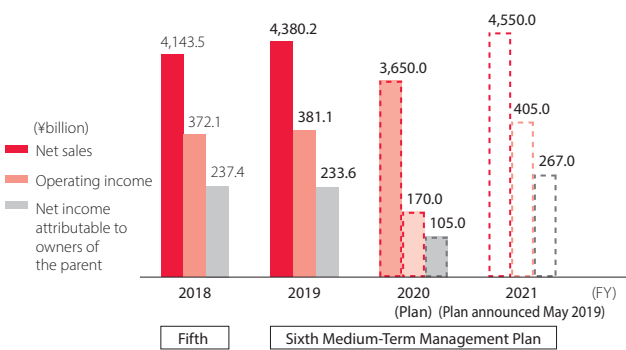
In addition, we are promoting the business development of “Livness,” which was launched in 2018 as a new stock business

brand, in recognition of it being trusted as a Groupwide “housing removal expert.” The housing stock business currently makes up only 3% of overall net sales, however, by being engaged in not only the housing field, but also areas such as renovation in the commercial facilities and business facilities fields, we aim for even further business growth in the future.

Moreover, while working to expand our business operations under the Livness brand name, we believe that these operations will play an important role in addressing the various social issues of concern in cities across Japan, namely, a falling birthrate with a declining, increasingly elderly population. Specific examples include the Livness Town Project, in which we tackle the redevelopment of suburban housing developments. Currently, such housing developments include sites in the municipality of Miki in Hyogo Prefecture, as well as the major city of Yokohama. These locations, which were long ago developed by Daiwa House, vary widely in type and are of an experimental nature, and are intended to raise the appeal of their communities while facilitating the relocation of people to these areas. Going forward, as teleworking becomes more commonplace, we expect that such a change to working styles will have the knock-on effect of altering the way people live. For people who are rearing children, in particular, it is conceivable that they may relocate from homes concentrated in convenient city centers or in close proximity to railway stations to single-family houses or new housing developments in the suburbs where workspace can be secured. Looking toward the day when the advantages of suburban living are reassessed, we at Daiwa House will continue to propose, and endeavor to create, residential communities that meet these needs.

Results

- New records set in fiscal 2019 for net sales, operating income, and ordinary income
- As for fiscal 2020 earnings, we calculate our business forecasts based on the assumption that the impact of the COVID-19 pandemic on operations and results will have mostly tapered off by around the end of September 2020, but that some businesses such as hotels will continue to be affected even after the pandemic has been contained.
- Business forecasts for fiscal 2021, the final year of the plan, are scheduled to be announced in the next fiscal year in light of conditions in fiscal 2020.



Basic policy of the Sixth Medium-Term Management Plan

Developing our businesses	Business	Expanding operations in the field of Business (Commercial Facilities, Logistics, Business and Corporate Facilities)	
	Investment	Achieving new growth in the field of Housing (Single-Family Houses, Rental Housing)	
	Financial	Accelerating our overseas expansion	
		Enhancing value-added of customers' assets	P. 41-42
Strengthening our bases	Environment	Maintaining management efficiency and financial soundness	P. 65
	Social	Pursuing energy conservation, new energy creation, and reduction of CO ₂ emissions to meet the targets set by the SBT, EP100, and RE100	
	Governance	Building a management base that anticipates social changes, and strengthening relations with our stakeholders	
		Review management structure and state of management and supervision	

- Basic policy: Investment
- Materiality ①: Expand business opportunities based on social issues
- ②: Balance of flow businesses and stock businesses
- ③: Constructing a portfolio of businesses with differing life cycles

Strengthening multi-use and large-scale project development

Aggressively develop multi-use/large-scale projects leveraging the width of our business domain

Development results



The Large-scale commercial facility with an aquarium in Okinawa Toyosaki

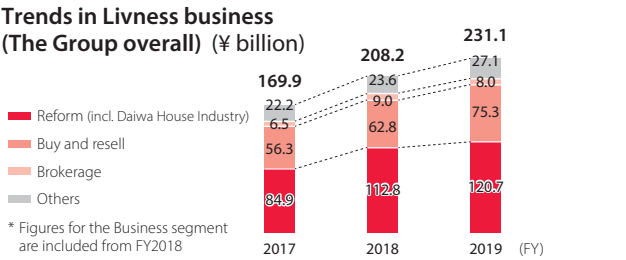


The largest earthquake-resistant multi-tenant logistics facility in Shizuoka Prefecture with a nursery center DPL Shin-Fuji II (completed in April 2020)

Business expansion leveraging our customer base and stock of existing properties

Enhancing value-added of customers' assets (Livness business)

Livness business



Livness Town Project

Activities in Kamigo Neopolis

We opened a community center with an attached convenience store run by residents, and began operation of resident-organized mobile sales vehicles that make rounds in the complex. We also plan to introduce “Daiwa House Energy” from fiscal 2020.



We will build a more robust business portfolio by seizing the chance to achieve management innovation in fiscal 2020

The management environment in fiscal 2020, needless to say, is going to be incredibly harsh. That said, however, in light of all the things that we have experienced up until now, we will steadily carry out those actions that should be completed in fiscal 2020, and we are prepared to move our business forward.

As a matter of course, a positive management environment will nurture business growth. However, we should not merely accept a situation in which performance declines when things deteriorate, but rather, it is important that we review a variety of management scenarios and take the stance that will propel business forward. We must seize upon business opportunities, whether they come in a management environment of fair weather or turbulent storms; endeavoring to raise corporate value is a task that will remain unchanged. Fiscal 2020, without doubt a time of sobering management challenges, is at the forefront of my mind as a year that will test the genuine worth of the Group.

The Group has a history of looking to the future and seeking out new routes to success, no matter how severe the times, giving rise to opportunities for new growth. This time will be no different. This confrontation with crisis has spurred an array of insights, and to continue our growth, we believe that we will need to revise our portfolio from a variety of perspectives, making it ever more robust. Given this, as senior management, I will not hesitate to drive business forward by taking the proper actions.

With the addition of the environmental energy business, we will create communities across the nation by bringing together the comprehensive strengths of the Group

As a new initiative, we plan to create communities interlaced with elements of the environment business. Named *Ko "Re" kara City*, this project for community development flies the banner of our "3 Rs" catchphrase, namely, "Reality," "Renewables," and "Resilience." We believe that in addition to our Environmental Energy business, creating communities through start-to-finish services that leverage our wide-ranging business portfolio will lead to the generation of new value.

A prime example is Funabashi Grand Oasis, a large-scale multi-purpose development started up in July 2019 in the city of Funabashi in Chiba Prefecture. This is the first urban development project in Japan to use electric power generated entirely from renewable sources, right from the start of construction up to post-completion residence. The Daiwa House Group is mobilizing all its resources to provide everything from the construction of buildings to the environmental energy business that supplies electric power generated from renewable sources to the entire development.

The challenge here is to make dreams come true, and bring the future to reality. Not only will we absolutely make this project a success, but we will make those "dreams" that have come true even more appealing as we take the project nationwide and cultivate new possibilities for the Group.

Seriously confronting the risk of climate change, and nurturing environment-friendly businesses

Many institutional investors have positioned the impact brought about by climate change as a major risk factor. At Daiwa House, however, we consider "lowering environmental impacts while reaping corporate profits" as one part of materiality.

The basic idea underlying this is to leverage our knowhow in the fields of energy conservation and the generation of energy from renewable sources—acquired in our business operations—to create new business opportunities. The Group is participating in international initiatives such as the EP100, RE100, and SBT (Science-Based Targets), under which we are improving energy conservation measures at existing facilities and building new "net zero energy" facilities. Additionally, we have taken the decision to generate in-house from renewable sources all the electric power we consume by the target year of 2040. While this is a high bar to clear, we are steadily working toward a target that has been calculated by working backward from vision of the Company we want to become in the future. At the same time, with respect to our products, we are accelerating our initiatives, such as the application of ZEH (net zero energy house) specifications to all single-family houses from April of this year. Going forward, we will promote ZEH and ZEB (net zero energy buildings), will expand the scope of our environmental energy business, and will develop the *Ko "Re" kara City* and Livness Town Projects. By facilitating collaboration among these various efforts, we will focus on expanding our environment-friendly business operations.

Continuing to pass along our founding spirit, and sharing the Company's long-term vision with stakeholders

The concept of stakeholder capitalism, which since last year has become a topic at Business Roundtable, comprised of CEOs at major U.S. companies, as well as the conference at Davos, appears to be becoming more prevalent, and now more than ever I feel like the society in which we operate is taking on a long-term perspective. Daiwa House also has a long-term perspective, being that of our founder, which is "to become a corporate group with net sales of ¥10 trillion in our 100th anniversary year of 2055." That said, our path to reaching that objective remains unclear. We currently announce a medium-term management plan every three years, but we should probably let our employees and all our stakeholders know about the road the Group will take over a somewhat longer span, like a decade or so, and based on that, think about and present how we should face the three-year period to reach that goal.

The Group places the concept of materiality at the top of the list of areas in which we plan to expand business opportunities deriving from social issues. This is at the root of all the operations we have single-mindedly pursued for the sixty-five years of our corporate existence. Now, as the global economy reels under the COVID-19 pandemic, we must once again take to heart the spirit of our founder and tackle the problems of society head-on. On the basis of these efforts, we are resolved to achieve growth over the medium and long term. I would like to pass the baton of management to the next generation in even better condition.

In conclusion, I would like the Group to continue to seriously address all of our stakeholders. We value opportunities to have dialogue with all of our shareholders and investors, and will demonstrate management that is highly reliable and transparent. While promoting work-style reform for our employees, we will put in place a structure whereby they can all feel that they are achieving growth. We will continue to recover the trust of our customers, and to work with our business partners in the spirit of coexistence and coprosperity. Moreover, we will always continue to consider what we can do to contribute to regional society.

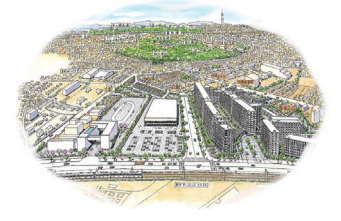
We will continue to look further ahead into the future, and will work with sincerity to enhance our corporate value through business operations that help solve social issues. As we do so, I hope that we will continue to receive your unwavering support.

Basic policy: Environment Materiality ⑤: Lowering environmental impacts while reaping corporate profits

	FY2019 Results	FY2021 Targets
Environment	Greenhouse gas emissions per sales unit from the FY 2015 levels	
	32% reduction	35% reduction



"DREAM Wind Ehime Seijo," capable of producing energy equivalent to that used by approximately 8,000 households (16MW)

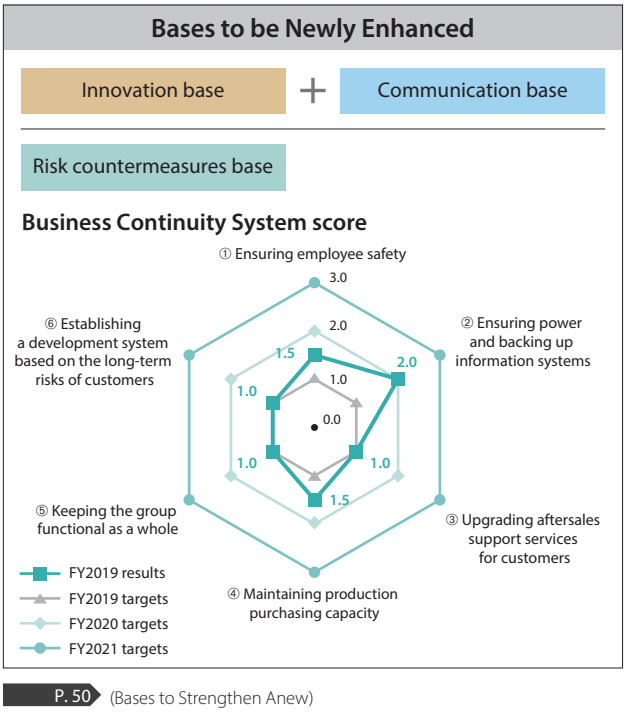


Funabashi Grand Oasis, large-scale mixed purpose development with 100% renewable energy

P. 51-52 (Efforts at Environment)

Basic policy: Social Materiality ⑥: Form management base, strengthen relations with stakeholders

	FY2019 Results	FY2021 Targets
Human resources base	Improvement in "motivation" of entire workforce	
	65%	80%
* Calculated based on question about "motivation" on a sustainability survey.		
	P. 47 (Strengthening the Human Resources Base)	
Customer base	Interbrand Japan's Best Domestic Brand Brand monetary value is	
	700 million USD	1,000 million USD
P. 48 (Strengthening the Customer Base)		
Technology and manufacturing base	Number of days off per annum for construction site workers	
	88 days* (6 days-off for every 4 weeks)	112 days (8 days-off for every 4 weeks)
* Results for fiscal 2019 construction site target days off of 88 days are unconfirmed. For fiscal 2018, 93% of partners had obtained the 77 target days off (from questionnaire survey for business partners 2019)		
	P. 49 (Strengthening the Technology and Manufacturing Base)	



Our response to and impact of COVID-19

Recognizing the COVID-19 pandemic as a material risk, we take prompt and appropriate measures

The Company established the Daiwa House Group Risk Management Regulations, in which risks are defined as “events that may cause harm to the Group, those that may affect its management, or other events that may affect its future earnings.” Based on this definition, we set out response to be taken during normal times and in emergency situations and have in place necessary organizations.

For emergency conditions, we define risks that may significantly affect the management of the Group as “material risks” in the Detailed Rules for Establishing and Operating Emergency Headquarters, which are subordinate rules of the Regulations. These rules stipulate the establishment flow of emergency headquarters in cases where a material risk is manifested, as well as members and operations of the headquarters, whereby a system is in place to take prompt and appropriate actions.

Having deemed the current COVID-19 pandemic to be a “material risk,” we set up an emergency headquarters in an effort to minimize the adverse effect to our business operations.

Our response to COVID-19

Date (2020)	Details
January 23	Raised an internal alert following the World Health Organization (WHO)’s announcement on the novel coronavirus disease that emerged in Wuhan, China.
January 31	In light of the WHO’s emergency declaration, provided employees with infection prevention measures and instructions on how to act if they or those around them are infected.
February 26	Set up a COVID-19 response HQ led by Head of Management Administration Headquarters.
March 2	Based on various responses to COVID-19 that had been internally directed, established Guidelines on Response to COVID-19 and ensured that employees are fully aware of them.
April 8	Temporarily closed 26 offices located in Tokyo, as well as seven prefectures of Kanagawa, Saitama, Chiba, Osaka, Hyogo and Fukuoka, in response to the state of emergency declarations in these areas.
April 15	Decided temporary shutdowns of construction sites nationwide for a two-week period from April 20 to May 10 in principle in order to prevent the spread of COVID-19, regardless of whether the state of emergency had been declared in each area.
April 18	In light of the state of emergency declaration that had been extended throughout the nation, closed all sales sites, including domestic offices and the 229 model house exhibitions we operate in Japan, and adopted telecommuting. Temporarily closed also facilities where people gather, such as commercial facilities, hotels and sports clubs that we own and operate.
May 9	Gradually resumed operations after having implemented infection prevention measures in line with instructions and orders outlined by the government and local municipalities, in areas other than those designated as “specified warning 13 prefectures” (Hokkaido, Ibaraki, Tokyo, Kanagawa, Saitama, Chiba, Ishikawa, Gifu, Aichi, Kyoto, Osaka, Hyogo and Fukuoka). Resumed in steps operations of the offices located in the “specified warning prefectures” in the same manner.
May 11	Gradually reopened construction sites whose operations had been suspended.
May 25	With the lifting of the emergency declaration nationwide, reviewed our infection prevention measures, including avoiding 3Cs (Closed spaces, Crowded places and Close-contact settings), as a “new working style” in anticipation of an upcoming second wave. Had those measures shared among business sites nationwide and requested their adherence.
July 14	With Tokyo reporting over 100 infection cases for consecutive days, prohibited transfers and trips between Tokyo/ Saitama and other prefectures to prevent the spread of infections.

Infection clusters occurred at construction sites of other companies. Given the situation, gave instructions to take thorough measures to prevent infections at our own sites as well as to install COCOA, a COVID-19 contact-confirming app on each one’s devices. In order to entrench telecommuting, established a work-style reform project in July that prepares necessary working environment.

We prioritize protecting the lives and health of all our stakeholders, including our customers, business partners, employees and their families.

For the three bases that are vital to the Group, we have taken the following measures prioritizing protection of the lives and health of all our stakeholders, including our customers, business partners, employees and their families. Additionally, as consideration to local communities, we give attention to the residents close to our construction sites and offer accommodations to support healthcare workers.

Our future tasks include personnel evaluation and other systems adapted to teleworking, as well as investigations on our suppliers’ manufacturing sites that form our components supply chains. Based on this current view, we are taking steps to resolve these issues.

Measures for three bases against COVID-19		
Base	Measures taken	Supplementary information
Human resources base (Safety of employees)	<ul style="list-style-type: none">Established local response HQ.Closed offices under the state of emergency declaration (76 offices nationwide)Promoted telecommutingAdopted staggered commuting to avoid congestion in public transportationQuarantined those had been in close contact with infected people, or those equivalent thereto (defined internally as “surrounding persons”)Distributed masks and sanitizers to employees and workers at construction sites and plants	<p>The following measures are additionally taken for employees needing special consideration.</p> <ul style="list-style-type: none">“Special leave” system available for employees who need to take care of their children of 6th graders or lower at elementary school (including preschoolers) due to school closures.Placing utmost priority on considering pregnant employeesResponse to foreign workers wishing to return home
Customer base (Consideration and proposals to customers)	<ul style="list-style-type: none">Temporarily closed model house exhibitions and showrooms under the state of emergency declarationProvided repairs and replacement services at no cost to customers whose products’ warranty or retroactive guarantee periods had expired due to suspension of periodic inspectionsGave a grace period for payment of rent (up to a maximum of three months’ worth) to tenants of rental housing whose income had significantly fellLaunched housing products suitable for teleworkingProposed makeshift medical facilities	<p>In order to secure safety of both customers and employees, model house exhibitions and showrooms resumed operations by taking thorough measures to prevent infections, such as accepting only one group at a time and taking visitors’ temperatures at the entrance.</p> <p>In marketing activities aimed at corporate customers, we use various means of communication, including telephone, e-mail and websites to cater to an increase in the companies adopting telecommuting.</p>
Technology and manufacturing base (Consideration to business partners and construction sites)	<ul style="list-style-type: none">Temporarily shut down construction sites nationwide (from April 20 to May 10, 2020) (approx. 3,500 sites)Paid compensation to business partners for the construction works scheduled during the closure	<p>(An excerpt from April 2020 internal notification)</p> <p>Under the current critical conditions, what we must prioritize before everything is people’s lives. The Company has a responsibility to protect the lives of employees and their families, as well as onsite workers and their families. Thankfully, no one within the Company has died from COVID-19 up to this time; however, if by any possibility we were to lose a precious life of someone at the Company, we must scale down or halt our business operations. In order for us to pre-empt such a situation, the management has thoroughly deliberated on actions that can be taken proactively as a corporate entity. As a result of this discussion, we decided to temporarily shut down the construction sites nationwide for a certain period of time. We also decided as follows the payment of compensation to our business partners supporting the Company for the construction works that are scheduled during the closure.</p> <ol style="list-style-type: none">Compensate for a decrease in piecework wage resulting from construction site closurePay off-work compensations for on-site workers and others

Accelerating initiatives for digital construction to reform the way of working at construction sites, in anticipation of a post-corona era

For Daiwa House Industry, a construction company doubling as a house builder and general contractor, technical innovation is one of the priority themes. As such, we allocate a budget of ¥100 billion in reforming working practices and reinforcing technology base in the Sixth Medium-Term Management Plan.

The Company launched digital construction projects last year to consider such themes as redesigning construction sites, securing health and safety of skilled workers, and addressing labor shortages in the future. In response to the COVID-19 pandemic, we are accelerating initiatives to reform the way of working at construction sites, including innovation in our technologies.

Focal themes in digital construction projects

① Labor-saving and automation of management and supervision

② Labor-saving and automation of operation

③ Labor-saving and automation of design

④ Development of a next-generation industrialization system

⑤ System construction and operation, and human resources development

Initiatives we accelerate in anticipation of a post-corona era

① Labor-saving and automation of management and supervision

- Visualize construction sites
Centralize on-site information and share it with relevant parties by using Properties Portal Site and Dashboard
- Open a Smart Control Center (remote control room)
Accumulate data to realize automation at construction sites

Establish technologies to reduce manpower for, or automate quality inspection, safety control, process management and budget management with the goal of achieving labor-saving on-site management and automation of related operations.

② Labor-saving and automation of operation

- Utilize IoT devices
Optimize the number of workers at site, increase accuracy and record quality automatically
- Increase the use of prefabrication method
Shorten construction period with reduced operations

Promote labor-saving of construction sites and automation of unskilled work by pursuing further industrialization of construction, based on robotics technology, supportive technology and increased use of prefabrication method.

Under the other three focal themes, initiatives are in progress to increase efficiency and proposal capability in design work with the use of BIM and digital technologies. Also, by putting laws and bylaws into a database, we work to reduce the time required to check the conformance to laws, thereby facilitating elimination of legal violations. We will establish AI-driven automatic design technology and optimize environment for design work to achieve labor-saving in the design phase and automation of related operations.

Daiwa House Group New Training Center (tentative name) featuring the Group's advanced technologies (architectural rendering; completion scheduled in June 2021)

Impacts on each business in fiscal 2020 (announced in May 2020)

We calculated as below the impacts of the COVID-19 pandemic on our business operations and performance in fiscal 2020, assuming that the pandemic will be largely contained by the end of September 2020, despite lingering effects on some businesses such as hotel business even after the containment.

			Impacts of COVID-19 (¥ billion)	
Segments	Impacts		Net sales	Operating income
Single-Family Houses	Impacts on sales activities	Temporary closure of model house exhibitions Refrain from business meetings with customers and visits to owners	-130.0	-20.0
	Impacts on construction period	Suspension of operation at construction sites		
Rental Housing	Impacts on sales activities	Cancellation of seminars and site visits for customers Postponement of business meetings with land owners	-153.0	-41.0
	Impacts on construction period	Suspension of operation at construction sites		
	Impacts on rental housing management	Possible decline in occupancy rates		
Condominiums	Impacts on sales activities	Temporary closure of showrooms for condominiums, postponement of the sale of new properties	-85.0	-14.0
Existing Homes	Impacts on sales activities	Refrain from periodic inspections for existing owners, and from new sales activities	-37.0	-11.0
	Impacts on construction period	Suspension of operation at construction sites		
Commercial Facilities	Impacts on sales activities	Postponement of business meetings with land owners Postponement/cancellation of store openings by tenant companies and requests for rent discount	-113.0	-42.0
	Impacts on construction period	Suspension of operation at construction sites		
	Impacts on facility operation	Temporary closure of the facilities managed and operated by the Group, suspension of tenants' operation, postponement of new openings of commercial facilities		
	Impacts on city hotels	Substantial decrease in guests, temporary closure of business hotels		
Logistics, Business and Corporate Facilities	Impacts on sales activities	Postponement of business meetings with client companies, postponement/cancellation of capital investment plans, such as plant construction	-220.0	-31.0
	Impacts on construction period	Suspension of operation at construction sites		
Other Businesses	Construction support	Shorten opening hours/set fixed holidays of home centers	-92.0	-36.0
	Health and leisure	Substantial decrease in guests at resort hotels, temporary closure Temporary closure of sports clubs		
Total			-830.0	-190.0

Risks associated with infectious diseases

If there is a large-scale epidemic of an infectious disease that causes serious health problems, the Company may need to suspend its business activities and operation of construction sites from the perspective of preventing the spread of infections. Also, the Company's businesses, such as real estate acquisition and development, may be negatively affected by deterioration in the real estate market conditions. Likewise, the Group companies may also need to suspend their operations, among which their hotel business and sports club management business may confront substantial declines in customers.

All these are attributed to external factors, and it is therefore difficult to reasonably estimate the degree of possibility that these risks would be materialized, or the extent of their impacts on our business performance. In cases where the risks are materialized, the Group will, as its policy, place utmost priority on minimizing the health damage to its stakeholders. In order to prevent the spread of infections, the Group is currently taking measures including the prohibition of travel to countries and areas with a high risk of infection, closure of its business offices and adoption of telework.

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The Story of the Group's Value Creation
Message from the CEO
Developing our Businesses
Strengthening our Bases
Message from the CFO
Data Section

Risks and opportunities

To further strengthen the virtuous cycle of our value-creation process, we respond to risks appropriately and seize opportunities aggressively



Major risks and opportunities	
Risks associated with legal regulations <ul style="list-style-type: none">• The risk of revision or abolition of existing laws and regulations, or the creation of new laws.• Risks associated with legal violations• The risk of penalties, punishment, or other sanctions, or defamation of social credibility or image.	[Countermeasures] Focal theme (base) ⑨ <p>Diverse laws and regulations pertain to the widespread business operations of the Daiwa House Group. As such, we have a system in place to monitor in advance the trends in regulations to adapt to or take measures against the revision or abolition of applicable laws and regulations, or creation of new laws. We also prevent actualization of the risks by developing a groupwide risk management system. For employees, we actively offer trainings on knowledge of relevant laws and regulations and have them informed, and promote creation of various manuals and checklists.</p>
Risks associated with competitive activities <ul style="list-style-type: none">• The risk that the Group may fail to demonstrate an advantage over competitors in one or more of its business areas in respect of product quality or price, the nature of its services, or the effectiveness of its marketing activities.	[Countermeasures] Focal theme (base) ⑤⑥⑦⑧ <p>In order to maintain and develop the business model of the Daiwa House Group, we engage in policies and investment to strengthen our bases. This enhances our comprehensive business proposal capability and heightens our superiority over rivals. We see resolving social issues as one of the Company's objectives. Based on a belief that delivering values to its stakeholders will lead to strengthened competitiveness over the medium-to-long term, we enhance our systems to enable business and real estate development to keep pace with the times, while creating new added value in our business.</p>
Risks associated with business and Group strategies <ul style="list-style-type: none">• The risk that the Group may fail to achieve projected earnings in its business strategies as a result of the acquisition of companies or businesses, reorganization and other plans that fail to go as expected, leading to the synergy between Group companies failing to gain the anticipated business result.	[Countermeasures] Focal theme (base) ⑧ <p>The Daiwa House Group's basic policy is to expand into new business fields where we can put to use the competitive superiority that we have built up and the know-how that we have acquired in business fields peripheral to our existing businesses. Our first step is to consider what we have to offer and what sort of partner would best help us achieve that. Our priority is to respect the other company's history and human resources while enabling the sharing of our mindset and corporate philosophy. In cases in which the Group intends to move into a business field in which it has comparatively little experience, it is our policy firstly to form joint ventures with other companies, to invest in venture companies, and/or to engage in joint research, so as to build up sufficient knowledge relating to the new field in question, and to examine the feasibility of the proposed project.</p>
Risks associated with overseas business operations <ul style="list-style-type: none">• The risk of delays or inability in the conduct of business or collection of receivables, or restrictions in remittance due to sudden inflation, exchange rate fluctuations, conflict caused by political and economic uncertainties, disturbances, the risk of litigation, deteriorating diplomatic relations, legal restrictions, etc.• The risk attributable to external factors, such as a decline in consumers' willingness to purchase as a result of tightened policies on real estate and other revisions in legal systems and government policies.• The possibility of a violation of local laws or wrongful business practices occurring, or delayed discovery of a risk due to geographical remoteness.	[Countermeasures] Focal theme (base) ⑨ <p>We formulated guidelines in order to be better prepared for the risks associated with investments in overseas businesses. The flow of the invest management is as follows: 1. Confirm prerequisites to the business investment (conduct preliminary investigations, formulate strategies, develop organizations); 2. Examine investment and business plans (study and formulate concrete plans); 3. Make a decision (consult with Overseas Strategy Committee, make a decision at Real Estate Investment Committee or the Board of Directors, or via collective decision-making); and 4. Develop a business structure. To prepare for the case where a joint venture partner is a prerequisite for tapping into a certain region, we clearly define items to be confirmed before reaching an agreement on terms and conditions. Once the business is launched, we manage risks in the daily business operation under a system based on business investment management (managing progress against plans, judging whether to continue business investment) and operational management (corporate management, financial and tax affairs, compliance, information system security).</p>
Business opportunities deriving from social issues <ul style="list-style-type: none">• Capture changes in the market and link them to business opportunities based on our capabilities to cope with unforeseen circumstances and to innovate new trends, which are the key to growth	[Countermeasures] Focal theme (business) ①④⑥ <p>In the face of the COVID-19 pandemic—one example of an unforeseen circumstance, we capture changes in the market and promote our business by constantly focusing on what we can offer to the society, based on our capabilities to cope with contingencies and to innovate new trends.</p> <p>Housing segment</p> <ul style="list-style-type: none">• Changes in lifestyles caused by increasingly diverse working styles such as telecommuting• Invigoration of the existing homes (stock) market driven by anxiety about income• Rental housing owners shifting to centralized property management and warranty <p>Business segment</p> <ul style="list-style-type: none">• Expansion of the logistics-related market with the rising demand for e-commerce• Growing appetite for capital investment among companies not affected by the COVID-19 pandemic, like those in the food, medical and drugs sectors• Expansion of demand for the "cold chain" market, such as freezer and refrigerated warehouses

To resolve materiality, the Daiwa House Group is conducting business operations in accordance with the focal themes of the Group's Sixth Medium-Term Management Plan. Issues that may possibly impact our business as a whole and our management base involve a variety of risks and opportunities. Below, we lay out the main risks (issues to be addressed) and opportunities that may have the greatest impacts on the Group.

Major risks and opportunities	
Risks associated with climate change <ul style="list-style-type: none">• The risk of greater workloads and costs for the houses and buildings we offer due to stronger regulations of the Building Energy Efficiency Act or carbon tax hikes and expansion of emissions trading affecting more business operations and properties.• The risk of higher maximum temperatures in summer causing lower quality and efficiency on construction worksites or increased worksite accidents.	[Countermeasures] Focal theme (base) ① <p>In expectation of higher operating costs due to tougher regulations, we are taking the policy of "maximizing sales increase and minimizing profit decrease with early development of ZEH and ZEB, and cost reduction pushed forward." Work on construction sites will be minimized by increasing the proportion of prefabricated components, while thoroughgoing measures against heatstroke will be taken.</p>
Risks associated with human resources base <ul style="list-style-type: none">• The risk that the Group may lose new business opportunities due to its diverse human resources being unable to fully utilize their abilities• The risk that the Group may lack vibrancy as an enterprise and lose competitiveness due to not having in place a personnel system and working environment attuned to changing times	[Countermeasures] Focal theme (base) ⑤ <p>Responding agilely to changes in society and employees' awareness, we actively develop and offer a personnel system and working environment whereby our group-wide workforce of approximately 47,000 employees can fully demonstrate their abilities. We improve their motivation by enhancing their trust in the Company, solidarity with each other and pride in their work, in order to build a solid human resources base.</p>
Risks associated with technology and manufacturing base <ul style="list-style-type: none">• The risk of poor operational management due to a shortage of site supervisors caused by the shrinking workforce in Japan• The risk that a trouble in one part of our supply chain may significantly affect the entire business performance	[Countermeasures] Focal theme (base) ⑦ <p>By keeping close relationships with business partners, we work to thoroughly manage this risk in terms of safety, quality and compliance. Particularly, with active utilization of ICTs, we earnestly strive to eliminate worksite accidents, while managing supply chains appropriately in each phase of procurement, production and operation.</p>
Risks associated with natural disasters <ul style="list-style-type: none">• Direct damages to employees, facilities and equipment• The risk that the Group may be damaged indirectly by an interruption or disruption in information systems, communication networks, and logistics/supply networks• The risk that the Group may incur expenses to recover from damages, losses due to suspension of business activities, and expenditures to provide inspections and temporary repairs to customers' properties	[Countermeasures] Focal theme (base) ⑨ <p>As it is difficult to estimate the likelihood of the risks of natural disasters, or the severity of their impact to our performance, we implement proactive measures that would allow us to take proper and quick actions in the case of disasters. For this purpose, we developed regulations and manuals regarding business continuity management (BCM). One such example is the drills we conduct to confirm the safety of our employees, communications between sites, and recovery of our core system.</p>
Opportunities associated with climate change <ul style="list-style-type: none">• Increase in demand for houses and building with low greenhouse gas emissions• Expansion of environmental energy business due to rising demand for renewable energy	[Countermeasures] Focal theme (base) ① <p>The Japanese government has indicated a policy target to achieve net-zero energy for new houses (ZEHs) and buildings (ZEBs) by 2030, and should incentives to support achievement of this target be continued and expanded, it is possible that demand for ZEHs and ZEBs, which have high unit prices per building, will increase. In view of this, we are enhancing our product lineup that supports ZEHs and ZEBs.</p>
Opportunities associated with building of a management base <ul style="list-style-type: none">• Increase in operational efficiency and productivity through building a management base to keep pace with the times	[Countermeasures] Focal theme (base) ⑤⑥⑦⑧⑨ <p>In light of a society coexisting with the COVID-19, we are developing a management base that can adapt to new ways of working and living. We aim for sustained growth by accelerating reforms in our business and management base.</p> <p>Increase operational efficiency and productivity</p> <ul style="list-style-type: none">• Increase efficiency by telecommuting freed from the constraints of time and place• Review personnel evaluation systems to adapt to new working styles• Develop new forms of marketing, such as online business meeting and virtual reality (VR)• Further promote industrialization of construction• Increase on-site productivity by labor-saving and automation of operations

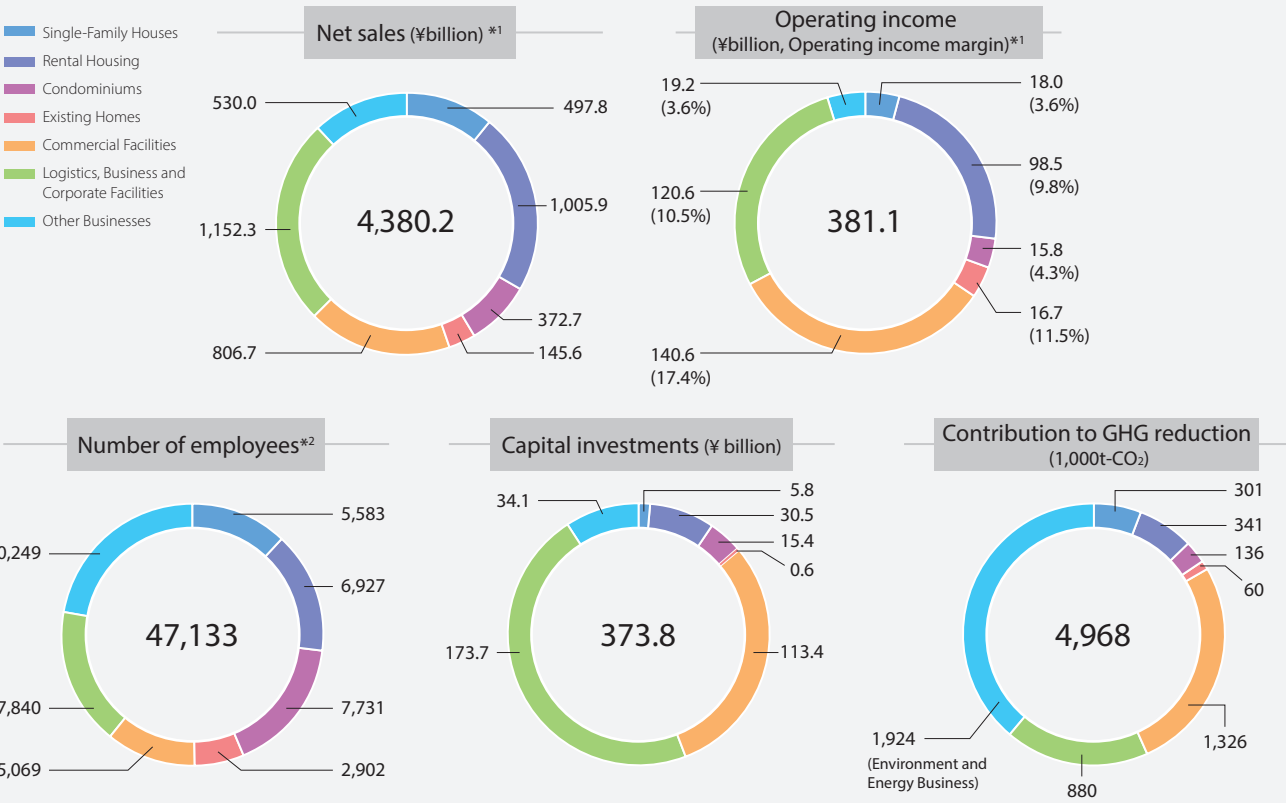
Reference	(Japanese only) Securities report: Business risks P.16-19 Sustainability Report 2020: Response to the Task Force on Climate-related Financial Disclosures (TCFD) P.44-46	Human resources base P.95-97 Technology and manufacturing base P.109-111 Risk countermeasures base P.137-139, P.141-142
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Business Overview

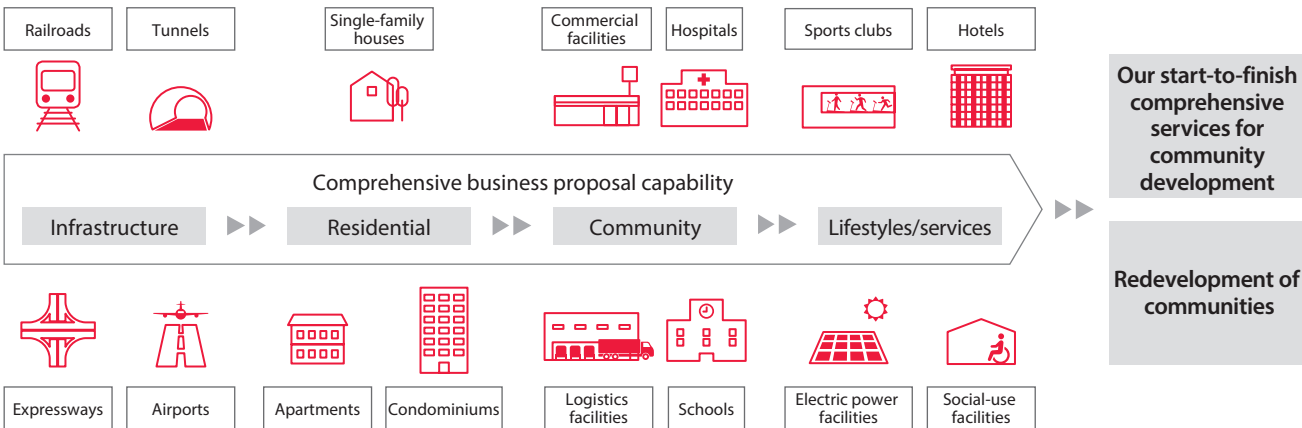
Bolstering competitiveness by expanding business opportunities deriving from social issues

Daiwa House Industry has evolved a distinctive business portfolio by addressing social issues through enhanced and expanded value chains and broader product variations anticipating future needs. This diverse portfolio and the ability it gives us to draw on Group synergies enable us to offer customers comprehensive business proposals, the ultimate strength that drives our performance and growth. Leveraging this strength, we contribute to society by redeveloping existing communities as well as building whole new ones with a consistent vision.

FY2019 principal performance indices by business segment



Redevelopment of communities born of our comprehensive business proposal capability



Summary of business		Annual performance
Single-Family Houses	 <p>As a pioneer of industrialized construction, we build housing infrastructure—the homes so essential to people's wellbeing. Offering a rich product lineup designed to accommodate all thinkable needs for safe and enriching living environments, we build both subdivisions and custom houses.</p>	<ul style="list-style-type: none">Houses sold (Domestic)<ul style="list-style-type: none">Single-family houses (contracting) 5,917Single-family houses (subdivision) 2,066ZEH ratio 41%
Rental Housing	 <p>Our Rental Housing Business accommodates diversifying rental-housing needs. Our services feature vertically integrated support from soil evaluation to design, construction, and handover for landowners and quality living spaces reflecting the residents perspective, thus ensuring owners of stable, long-term rental income.</p>	<ul style="list-style-type: none">Rental housing units sold (Domestic)<ul style="list-style-type: none">Rental housing (low-rise) 31,334Rental housing (medium- to high-rise) 2,168Units under management 595,182Occupancy ratio 97.6%
Condominiums	 <p>We develop, sell, and manage properties nationwide, supplying comfortable and safe living spaces that keep their asset value over time. Our condominiums feature added value appropriate to local attributes, and our Group synergies-leveraging multiuse developments are active senior-friendly and help reinvigorate urban communities.</p>	<ul style="list-style-type: none">Condominium units sold (Domestic) (including Cosmos Initia) 2,543Units under management 371,524
Existing Homes	 <p>We work to vitalize the market for quality housing stock, buying, renovating, and reselling existing homes and helping homeowners find buyers with services including relocation support and renovations to maintain building value. We are also expanding the scope of our services to provide corporate clients with renovation and maintenance solutions.</p>	<ul style="list-style-type: none">Renovations Approx. 53,000*3Percentage of involvement in resale of existing single-family houses*4 Approx. 24%
Commercial Facilities	 <p>We match landowners and corporate tenants to one another to develop commercial facilities meeting their respective expectations. We marshal our wealth of data on land usage and survey the market to accurately gauge the vicinity's needs so we can provide facilities finetuned to local residents' preferences and help townscapes facilitate the flow of people.</p>	<ul style="list-style-type: none">Construction projects 1,075*5Leasing floorspace of sublease areas within commercial facilities 6,765,150 m²
Logistics, Business and Corporate Facilities	 <p>We leverage diverse plans to produce logistics facilities to accommodate corporate customers' needs. We were proactive in developing facilities customize for e-commerce during its rapid rise, and we also provide medical, care, social welfare, and nursing care facilities, food-industry facilities, offices, and factories.</p>	<ul style="list-style-type: none">Development site area of logistics projects 8,138,620m²Orders received for contract-based medical and nursing care facilities 578*6
Other Businesses	 <p>We provide value through businesses that help make people's lives more pleasant in a spectrum of areas: hotels, fitness, and health and leisure; and construction support ranging from comprehensive energy solutions to home centers, logistic services, and interiors.</p>	<ul style="list-style-type: none">Customer visits to our home centers 28,192,000Generating capacity of solar power, wind power, and hydroelectric power generation facilities 379MW/ 278 sites

*1 Figures include intersegment transactions.
*2 Regular employees only, total figures include all personnel in the Company (joint).
*3 Figures for Daiwa House Reform only
*4 Percentage of involvement is the proportion of existing-owner property deals (intermediary or direct sales) in which the Daiwa House Group was involved.
*5 Number of facilities constructed by the commercial facilities business of Daiwa House Industry (non-consolidated).
*6 Total for Daiwa House Industry (non-consolidated), Daiwa Lease, and Fujita

Social issues affecting our businesses and their actions for adapting

We are moving sustainably improve corporate value by pushing ahead with businesses working to address materialities

Social issues/Megatrends	The SDGs on which we will focus			
Sixth Medium-Term Management Plan Period (to FY2021)		Medium term (to FY2025)	75th anniversary (FY2030)	
Japanese market	Demographic trends	<ul style="list-style-type: none"> • Changes in the number of households in Japan Declining new housing starts/Lower desire to own a house • Increase in untenanted houses Expansion of the existing housing market • Labor shortage, decline in skilled construction workers Decreasing working-age population/Decline in skilled construction workers/Necessity of systematically securing human resources in quantitative–qualitative balance / Enhancing productivity and leveraging the talents of human resources regardless of age, gender, or nationality 	<ul style="list-style-type: none"> • Regional depopulation, urban population concentration Compact cities in regions/Increasing demand for housing redevelopment/Developments regarding smart cities • Shrinking and aging population Greater social acceptance of the elderly and people requiring nursing care/Increasing elderly participation in society/Increasing demand for health and care in work styles 	<div>11 SUSTAINABLE CITIES AND COMMUNITIES</div> <div>3 GOOD HEALTH AND WELL-BEING</div> <div>7 AFFORDABLE AND CLEAN ENERGY</div> <div>8 DECENT WORK AND ECONOMIC GROWTH</div> <div>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</div> <div>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</div> <div>13 CLIMATE ACTION</div> <div>15 LIFE ON LAND</div> <div>17 PARTNERSHIPS FOR THE GOALS</div>
	Economic & industry factors	<ul style="list-style-type: none"> • 2020 Tokyo Olympics and Paralympics • Broader hiring of foreign labor • Consumption tax hikes depressing consumer confidence • Coexisting with COVID-19 Lower domestic GDP growth / Changes in consumer behavior and tastes (burgeoning online activity) / Changes in corporate capital investment patterns (increased teleworking) 	<ul style="list-style-type: none"> • Shifts in interest rates due to domestic economic stagnation • Linear Chuo Shinkansen starts operation Enhanced competition between cities • Holding of Expo 2025 Osaka/Kansai, attracting IR to Japan • Accelerating involvement in open innovation 	
	Changes in business environment	<ul style="list-style-type: none"> • Intensifying social issues Increase in ethical consumption/Full-scale social impact evaluation of business and real estate investment • Greater disclosure of management information Standardization of non-financial information disclosure by securities exchanges and Financial Services Agency/Progress in sustainable finance/Stronger leverage of ESG engagement by institutional investors 	<ul style="list-style-type: none"> • Resource depletion Deregulation leading to the launch of new markets/Diversification of the sharing economy • Changing values pertaining to living and working styles Ownership-eschewing consumer behavior (sharing economy) / Diversifications of working styles (more use of virtual offices, relocation away from urban centers, employment, hours, compensation) / Diversification of lifestyles and preferences / Heightening desire to belong to communities • Frequent and large-scale natural disasters Greater awareness for BCP/Intense heat become normalized 	
Overseas markets		<ul style="list-style-type: none"> • Slowdown of China's economy impacts on the global economy • Advent of the AI/IoT/big data society Progressively more advanced and efficient business via digitalization/Cyber-attack threats/Progressive use of ICT in real estate/Spread of connected homes/Further expansion of i-Construction, 5G commercial services, and the e-commerce market 	<ul style="list-style-type: none"> • Economic growth of the emerging nations • Stronger international rules centered on Europe Increased business opportunities for solutions to deepening social issues typified by SDGs/Greater concern over preventing corruption in the value chain/Expanded influence of international codes of conduct concerning human rights, establishment in various countries/Expanded influence of institutional investors and UN institutions on markets • Coping with environmental impacts Greater consumer awareness of environmental performance/Expanded percentage of renewable energy 	<ul style="list-style-type: none"> • Increasing global population, China's population peaks Much greater demand for resources, energy, water, food • Increased income in emerging countries • Encouraging generational changeover Millennials taking central roles/Rise of Generation Z • Progressive social divisions Full-scale acceptance of immigrants/Expanding poorer class • Age deterioration of social infrastructure

Daiwa House Industry is working to sustainably enhance corporate value in line with the four management items defined in our Corporate Governance Guidelines (Secure a stable level of profits and maintain or improve growth rates. Maintain and improve profitability based on an optimal capital structure. Strengthen the management base required to realize sustained growth. Lower capital cost by enhancing the Group's trustworthiness and management transparency.) as we move to address materialities identified out of a clear awareness of the externalities that will affect the company up to around 2030. In our implementing our Sixth Medium-Term Management Plan, we will be taking action aligned with our basic policy with particular attention to dealing with contingencies like living with COVID-19, domestic demographic dynamics, and climate change-driven changes in business conditions. We intend to contribute to achieving SDGs, which are globally shared challenges, by focusing on Goal 11: Sustainable cities and communities, with regard to items related to our business and in-house SDG initiatives.

Materiality

1 Expanding business opportunities deriving from social issues

1 Grow share in core businesses

4 Redevelopment of communities and home

2 Expanding field of business

5 Leveraging our customer base and stock of existing properties

3 Expanding geographic business area

2 Balance of flow businesses and stock businesses

3 Constructing a portfolio of businesses with differing life cycles

4 Efficient management and financial soundness aware of capital costs

5 Lowering environmental impacts while reaping corporate profits

The Starting Point
Pursue businesses that are of service to people

Developing our businesses

Human resources

Customer

Technology and manufacturing

Strengthening our bases

Social

Environment

Corporate governance
Trustworthy and transparent management structure

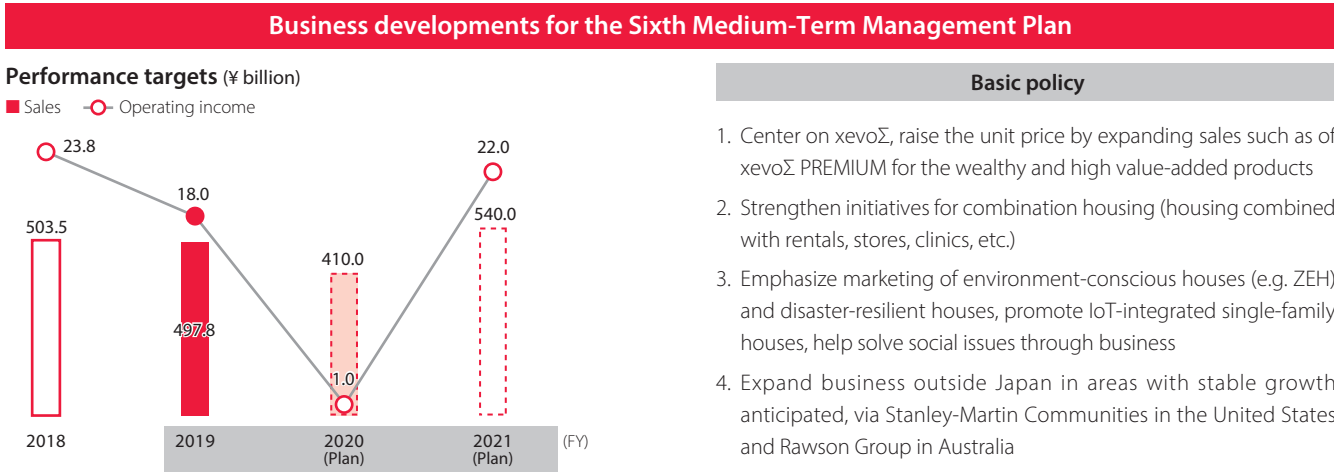
Social issues and six core segments' actions

	Social issues	Actions	Strengths
Segments driving growth	Commercial Facilities <ul style="list-style-type: none"> Changing values pertaining to living spaces and working styles Changing consumer behavior and tastes 	<ul style="list-style-type: none"> Diversification of tenants reflecting social trends and local attributes Steps up involvement in large-scale projects 	<ul style="list-style-type: none"> LOC System Organization for expanding possibilities with greater ability to gather intelligence and offer innovative solutions
	Logistics, Business and Corporate Facilities <ul style="list-style-type: none"> Advances in business sophistication and efficiency due to digitalization Economic growth in developing countries 	<ul style="list-style-type: none"> Business establishes itself as Japan's No. 1 retail developer Acquires customers through strengthening of new businesses 	<ul style="list-style-type: none"> Ability to identify promising tracts and diverse business schemes Track record building logistics facilities and accumulated know-how
Segments reorganizing their foundations to achieve renewed growth	Single-Family Houses <ul style="list-style-type: none"> More frequent and intensifying natural disasters Declining new housing starts Growing world population Changing values pertaining to living and working styles 	<ul style="list-style-type: none"> Uptake of ZEH Increased unit price per house through combination housing Expansion of overseas areas through M&A Ideas on housing adapted for working at home 	<ul style="list-style-type: none"> Technical capabilities for ensuring safety and security
	Rental Housing <ul style="list-style-type: none"> Changes in household numbers in Japan Changing values pertaining to living and working styles 	<ul style="list-style-type: none"> Strengthening of ideas-driven activities Roll out of local needs-oriented products Ideas for living spaces adapted for working from home 	<ul style="list-style-type: none"> Vertically integrated management leveraging Group strengths Full range of peripheral services conducive to high occupancy
	Condominiums <ul style="list-style-type: none"> Shift toward more compact regional cities Advancing societal aging and falling birthrate Changing values pertaining to living and working styles 	<ul style="list-style-type: none"> Diversification of revenue streams from large-scale multi-use development, redevelopment, and rebuilding projects Accommodation of health and environmental concerns Ideas for living spaces adapted for working from home 	<ul style="list-style-type: none"> Roll out of local business locations in mid-tier cities Ability to take on redevelopment and rebuilding projects leveraging specialized business units and intra-Group collaboration
	Existing Homes <ul style="list-style-type: none"> Rising demand for redevelopment of housing complexes Expanding existing housing market Changing values pertaining to living and working styles 	<ul style="list-style-type: none"> Increase involvement of existing customers Expansion into business fields Ideas for living spaces adapted for working from home 	<ul style="list-style-type: none"> Track record creating living spaces and accumulated know-how Livness brand (comprehensive solution)

P.45-46 (Our Three Bases and ESG engagement)

Single-Family Houses Business Principal companies: Daiwa House Industry (non-consolidated), Stanley-Martin Communities, Rawson Group

Strengthening competitiveness with a know-how–leveraging lineup as well as rebuilding our organization for ensuring stable quality



Note: FY2018 figures for post-reorganization segments

Looking back at FY2019 and actions going forward

Single-family houses sales rankings (FY2019)

Ranking	Company name	Number of sales units
1	Sekisui House	12,606
2	SEKISUI CHEMICAL	10,200
3	Asahi Kasei Homes	9,111
4	Daiwa House Industry	7,983
5	Sumitomo Forestry	7,738

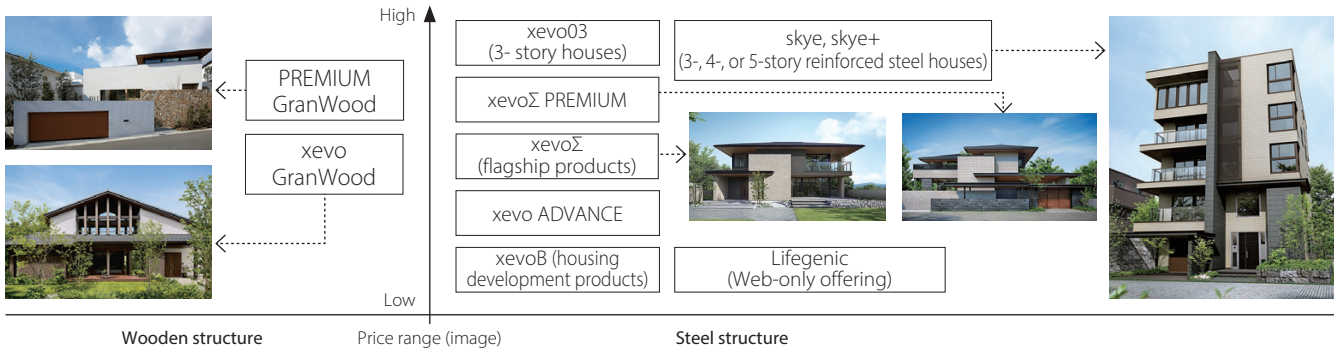
* Compiled from data published by the companies concerned



Web-only offering
Lifegenic

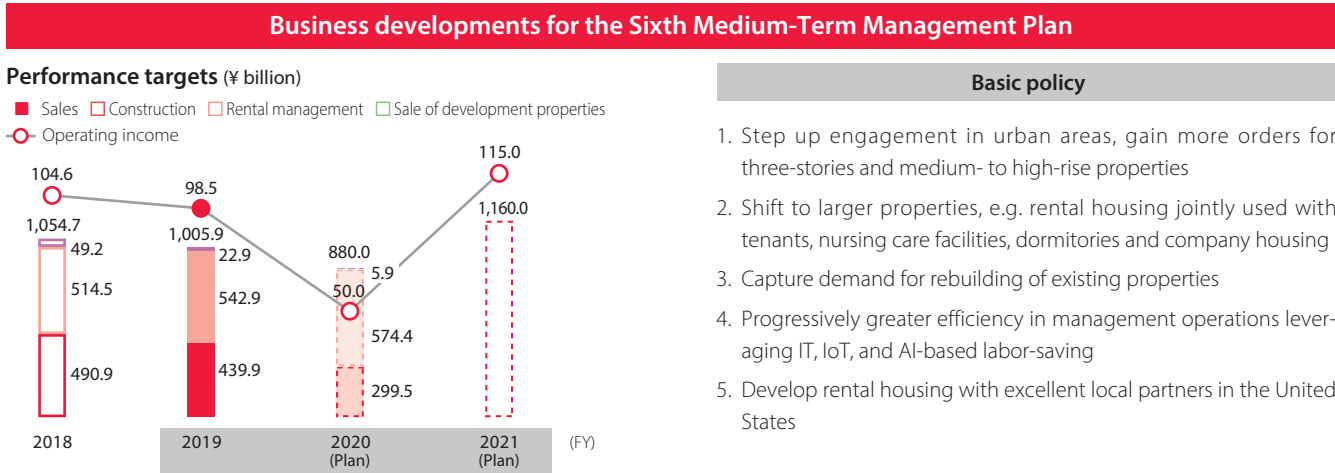
Product lineup

- Diverse lineup tailored to customer attributes
- Building out high-end offerings for the well-to-do



Rental Housing Business Principal companies: Daiwa House Industry (non-consolidated), Daiwa Living COMPANIES

Expanding share by identifying promising tracts of land and providing quality living spaces with a tenant perspective



Note: FY2018 figures for post-reorganization segments

Looking back at FY2019 and actions going forward

Product lineup

Proposing local needs-oriented rental-housing products

Suburban Urban

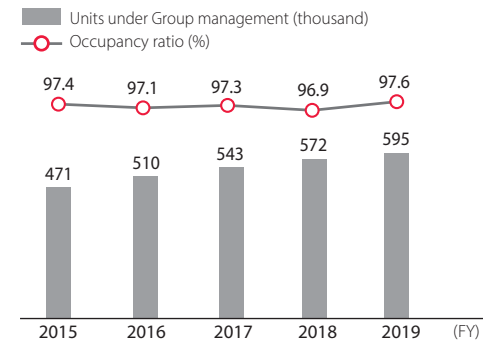


Rental housing (low-rise)
In suburban areas, we are helping owners secure stable revenue streams and reduce their tax burdens with two- and three-story products that contribute to refined townscapes and make effective use of plot space.



Rental housing (medium- to high-rise)
In urban centers, we offer high-revenue properties that fully leverage site advantages with three-story and medium-rise buildings

Units under Group management/ Occupancy ratio



Fiscal 2019 sales were ¥1,005.9 billion (-4.6% YoY) and operating income ¥98.5 billion (-5.8%). The order environment remained challenging as financial institutions tightened their lending criteria. Fiscal 2019 rental housing starts totaled 330,000 (-14% YoY). In our contracting business, we extended our efforts beyond pure residential properties, with business proposals including mixed retail and medium- to high-rise rental housing in urban areas and city centers and medical and welfare facilities. In our management and operations business, we are also expanding our services to meet diversifying tenant needs and boosting the value of existing properties. We have roughly 590,000 units under management, and maintain a high 97.6% occupancy rate. We sold 47% of our property stake in the Aurelien rental housing development in the US, which has maintained occupancy of over 90% since opening, to Daiwa House Global REIT Investment Corporation.

For fiscal 2020, we forecast sales of ¥880.0 billion and operating income of ¥50.0 billion. This factors in the impact on marketing from event cancellations and postponed business talks due to COVID-19. We expect construction used as an inheritance tax strategy to stay firm, and will continue to bolster our product line-up to meet local needs and work to grow orders in areas such as repair and rebuilding.

Rental housing sales rankings (FY2019)

Ranking	Company name	Number of sales units	Share
1	Daito Trust Construction	53,307	Approx. 15%
2	Daiwa House Industry	33,502	Approx. 10%
3	Sekisui House	27,981	Approx. 8%

* Compiled from data published by the companies concerned

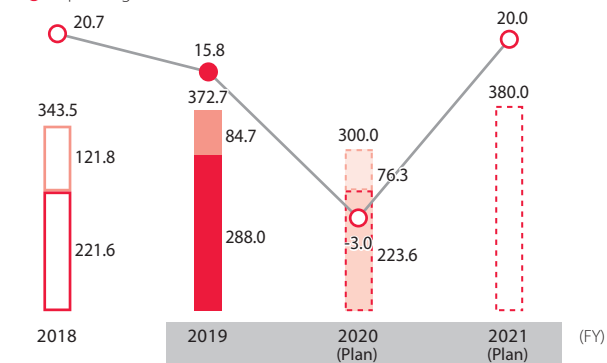
Condominiums Business Principal companies: Daiwa House Industry (non-consolidated), Cosmos Initia, Daiwa LifeNext

We are diversifying revenue sources by undertaking large-scale multi-use development, redevelopment, and rebuilding projects in regional mid-tier cities leveraging Group synergies

Business developments for the Sixth Medium-Term Management Plan

Performance targets (¥ billion)

■ Sales ■ Construction ■ Rental management
○ Operating income



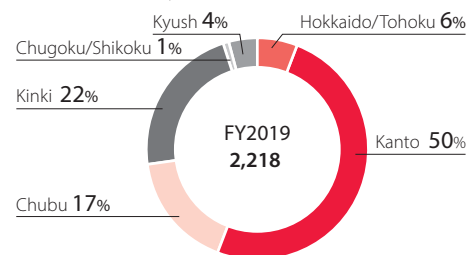
Note: FY2018 figures for post-reorganization segments

Basic policy

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

Looking back at FY2019 and actions going forward

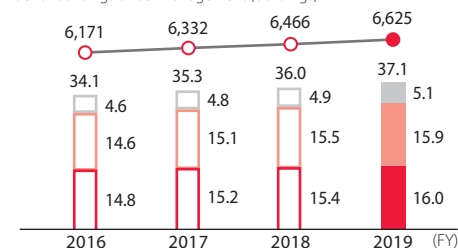
Condominium units for sales by area (Daiwa House Industry, non-consolidated)



Condominium buildings and units under management by area

Units under management (10 thousand units)

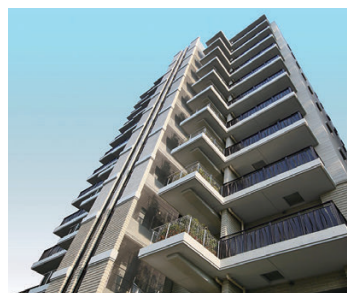
■ Kanto ■ Kinki ■ Other area
○ Number of buildings under management (buildings)



Project sampling



Premist Tower Osaka
Shinmachi Laurel Court (Osaka)



Premist Shiroganedai (Tokyo)



Initia Gran Sapporo Naebo (Cosmos Initia)
(Hokkaido)



Selesage Nakameguro (Cosmos Initia)
(Tokyo)

Fiscal 2019 sales were ¥372.7 billion (+8.5% YoY) and operating income ¥15.8 billion (-23.4%). In Japan, new building supply numbers fell for the first time in three years and selling prices remained high. We are engaged in mixed use residential/commercial developments incorporating single-family houses, commercial facilities, and medical and nursing care facilities. We launched sales of projects such as Premist Funabashi Tsukada (Chiba) and Premist Tower Sapporo Naebo (Hokkaido). Sales at Livness More Ibaraki (Osaka), entailing the complete renovation of entire buildings under our Livness project to stimulate sales of existing residential properties, are going smoothly. Group company Cosmos Initia sold all the units on offer in Selesage Omotesando (Tokyo), an investment property. The management and operations business had 370,000 units under management.

For fiscal 2020, we forecast sales of ¥300.0 billion and an operating loss of ¥3.0 billion, as COVID-19 impacts marketing through the temporary closure of display condos. We plan to review marketing methods and grow business opportunities by means such as virtual tours of properties and sales of completed inventory and multi-use developments drawing on the Group's full range of competencies.

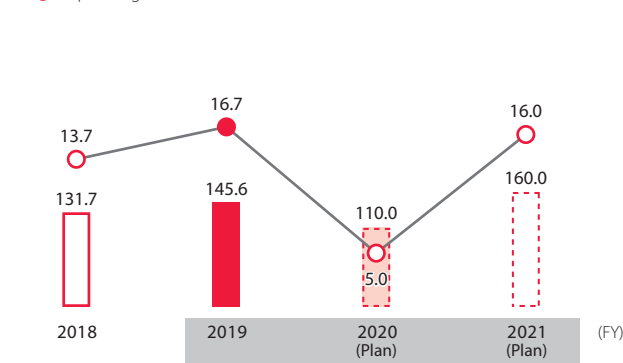
Existing Homes Business Principal companies: Daiwa House Reform, Nihon Jyutaku Ryutu, Daiwa House Industry (non-consolidated)

Working to expand business by actively advancing our Livness comprehensive solution brand building on our accumulated experience and know-how in creating living spaces

Business developments for the Sixth Medium-Term Management Plan

Performance targets (¥ billion)

■ Sales
○ Operating income



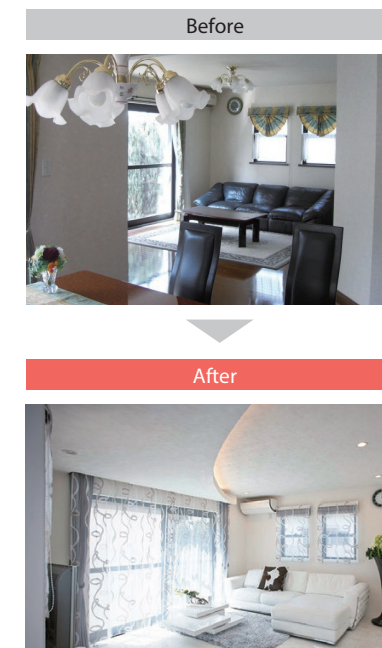
Note: FY2018 figures for post-reorganization segments

Basic policy

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

Looking back at FY2019 and actions going forward

Example renovation project

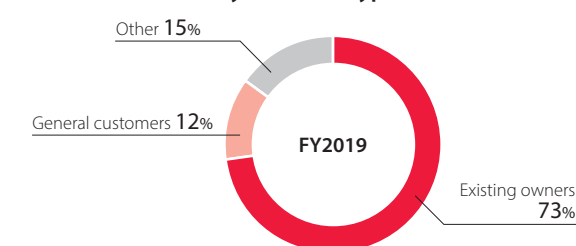


Fiscal 2019 sales were ¥145.6 billion (+10.5% YoY) and operating income ¥16.7 billion (+22.1%). We stepped up inspections (regular inspections at appropriate intervals) to strengthen relations with owners of single-family houses and rental properties the Company has built and proposed renovations to extend warranty periods. We also sold household power storage batteries to single-family house owners approaching the end of purchase periods for renewable energy under the feed-in tariff scheme. We also focused on offering maintenance services to business assets of corporate customers to grow orders.

As part of the Livness project to stimulate sales of high-quality existing housing, we held nationwide seminars and sales campaigns for owners of single-family houses and condos. In fiscal 2019, we were involved in 24% of resale transactions of our single-family houses through brokerage or purchase and resale.

For fiscal 2020, we forecast sales of ¥110.0 billion and operating income of ¥5.0 billion. This works in restraint in carrying out marketing activities such as regular inspections of existing owners' properties due to COVID-19.

New deals closed, by customer type



Housing renovation sales ranking (FY2018) (¥ billion)

Ranking	Company name	Sales
1	Sekisui House Group	141.4
2	Sumitomo Realty & Development Group	124.3
3	Daiwa House Group	114.5
4	Sekisui Chemical Group	95.0
5	Sumitomo Forestry Group	70.3

* Compiled from data of Reform Sangyo Shimbun

Commercial Facilities Business

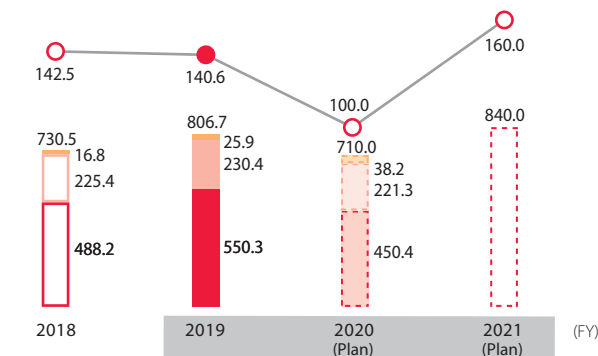
Principal companies: Daiwa House Industry (non-consolidated), Daiwa Lease, Daiwa Royal, Daiwa Information Service

Helping invigorate communities and accommodate diversifying work- and life-styles with intelligence-gathering and solution-formulation capabilities cultivated with our distinctive LOC system

Business developments for the Sixth Medium-Term Management Plan

Performance targets (¥ billion)

■ Sales ■ Construction ■ Rental management ■ Sale of development properties
○ Operating income



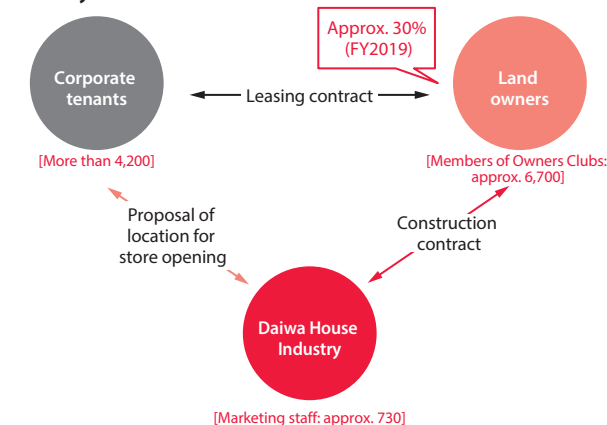
Note: FY2018 figures for post-reorganization segments

Basic policy

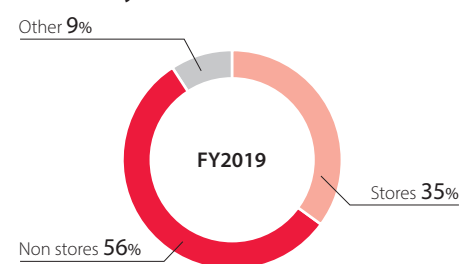
1. Leverage area characteristics to expand commissions for large projects, e.g. logistics facilities, offices, medical and nursing care facilities, and hotels
2. Expand the profit-earning real estate business by purchasing existing properties
3. Expand the development and sale of investment properties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

Looking back at FY2019 and actions going forward

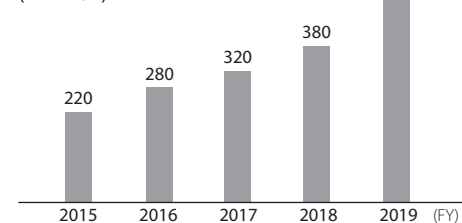
LOC System



Ratio of contracts by facilities (based on contract amount)



Price per building trend (¥ million)



Fiscal 2019 sales were ¥806.7 billion (+10.4% YoY) and operating income ¥140.6 billion (-1.4%). We were proactive in construction projects for various uses outside retail, and we developed hotels and commercial complexes in the central areas of major cities in Japan. Contracts for childcare facilities and medical and nursing care facilities were solid in areas with convenient lifestyle amenities. We are stepping up our efforts for buildings that are increasingly larger and multi-use in nature. The average price per building increased from ¥380 million in fiscal 2018 to ¥490 million in fiscal 2019. Large projects of ¥1.0 billion or more accounted for about 30% of total contracts, helping drive sales growth.

Stock business growth is being driven by in-house developments of mixed-use properties. In April 2019, we opened GRANODE Hiroshima, a commercial/office/hotel building, and in June 2020, we opened a large commercial facility in Okinawa, iias Okinawa Toyosaki. Overseas, we acquired Trade, a commercial facility in California, in October 2019.

For fiscal 2020, we forecast sales of ¥710.0 billion and operating income of ¥100.0 billion. This allows for the impact of COVID-19 on marketing activities such as delayed negotiations and its effect on business operations at city hotels and commercial facilities operated by the Group. We will redouble our efforts in major projects and work to grow the business.



Mixed-use property



Nursery school

Logistics, Business and Corporate Facilities Business

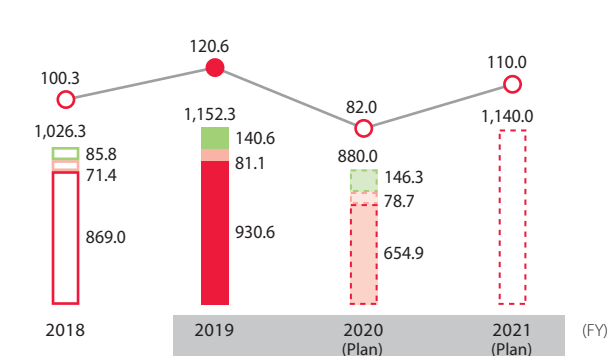
Principal companies: Daiwa House Industry (non-consolidated), Fujita, Daiwa Lease

Producing facility construction leveraging our ability to identify promising sites and diverse business schemes to accommodate digitalization-driven advances in logistics-facility sophistication and efficiency

Business developments for the Sixth Medium-Term Management Plan

Performance targets (¥ billion)

■ Sales ■ Construction ■ Rental management ■ Sale of development properties
○ Operating income



Note: FY2018 figures for post-reorganization segments

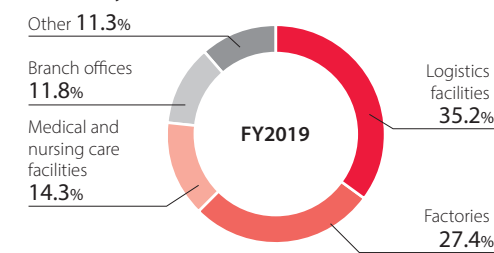
Basic policy

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 and rapid development of multi-use facilities
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

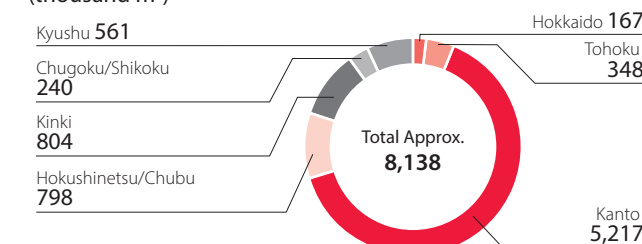
Looking back at FY2019 and actions going forward

Orders received, by segment

(Daiwa House Industry, unconsolidated)



Aggregate logistics-facility floorspace developed under the D Project real estate securitization scheme* (thousand m²)



* Includes 251 facilities under construction (of which 203 are BTS and 48, multi-tenant facilities)



Logistics facility



Hospital

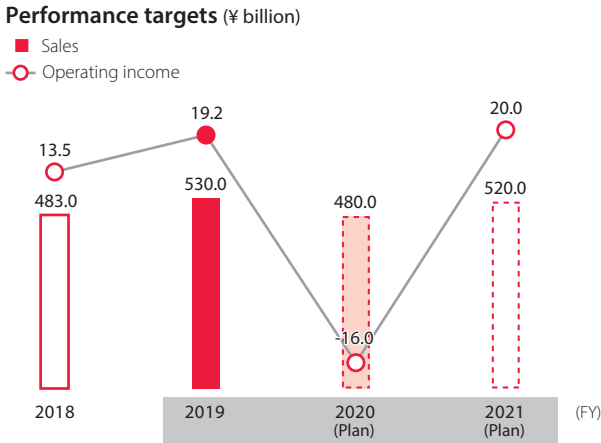
Expressway (Fujita)
(March 2019 photo by and courtesy of Yokkaichi Construction Office, NEXCO Central)

Gymnasium (Daiwa Lease)

Other Businesses

Providing value in a spectrum of area related to people’s lives like construction support, environment and energy, and health and leisure

Business developments for the Sixth Medium-Term Management Plan



Note: FY2018 figures for post-reorganization segments

Looking back at FY2019 and actions going forward

Fiscal 2019 sales were ¥530.0 billion (+9.7% YoY) and operating income ¥19.2 billion (+42.4%). The Environment and Energy and Construction Support businesses performed strongly, but from February 2020 onward, occupancy rates in the Resort Hotel business declined significantly and fitness clubs were closed temporarily due to COVID-19.

For fiscal 2020, we forecast sales of ¥480.0 billion and an operating loss of ¥16.0 billion due to the ongoing impact of the pandemic on resort hotels and fitness clubs. We aim to tap into domestic tourist demand in the hotel business.

Features and strengths

Construction Support

Principal companies:
Royal Home Center, Daiwa Logistics, DesignArc

Home centers

Royal Home Center has 57 locations across Japan offering their communities unique services and local needs-tailored selections of DIY, interior, gardening, and pet goods, as well as renovation and professional grade building materials.



Home center business

Logistics services

Daiwa Logistics operates a logistics network with a massive 94 bases throughout Japan to deliver logistics services tailored to customers’ business models.



Logistics business

Interiors business

DesignArc creates spaces embodying contemporary trends and customer needs for the interiors of hotels, offices, and other commercial spaces as well as living spaces in single-family houses, condominiums, and housing showrooms.



Interiors business

Environment and Energy

Principal companies: Daiwa House Industry (non-consolidated), Daiwa Energy, Eneserve Corporation

Daiwa House Industry, Daiwa Energy, and Eneserve Corporation provide environmental and energy solutions from energy creation, energy saving, and power storage to electricity generation and retailing. Taking a strategic approach to climate change, we are working to transform our successes in saving, creating, and storing energy to enhance our competitiveness. Currently our 278 solar, wind, and hydroelectric generating facilities have 379MW of capacity.



Photovoltaic power generation business



Wind generation business

Health and Leisure

Principal companies: Daiwa Resort, Sports Club NAS

Resort hotels

Daiwa Resort operates 27 resort hotels under the Daiwa Royal Hotel brand and seven city hotels under the D-CITY brand. Its hotels are all designed to serve their communities as well as please guests.



THE HAMANAKO
(Hamanako Royal Hotel)



THE KASHIHARA
(Kashihara Royal Hotel)

Fitness clubs

Sports Club NAS operates 71 facilities nationwide. Designed to satisfy the people’s growing interest in getting exercise and maintaining health and beauty, they provide spaces where people of all ages can have fun staying (or getting) in shape.



Sports Club NAS

Other Businesses

Principal companies:
Daiwa House Parking, Daiwa House Financial,
Daiwa House Insurance

Daiwa House is also involved in the parking business, which contributes to society by providing profitable, 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. Our range of financial services is also developing, including credit cards and insurance agencies.

The Company is also working on creating model working styles reforms utilizing robotics technologies, for use in hospitals, care facilities, factories, and construction sites.



Car parking business

Committed to securing profits and maximizing investor value by creating quality, competitive properties

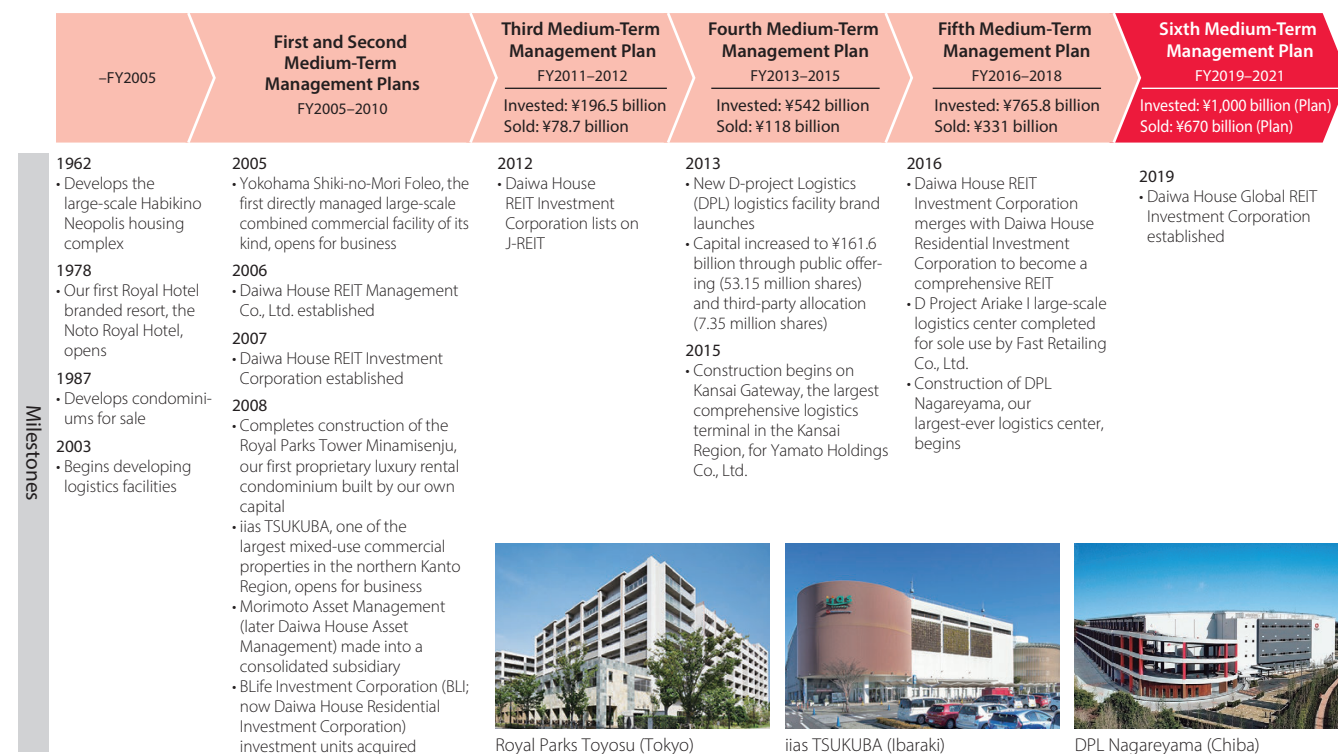
Mid-Term Management Plan and Real Estate Development

Real estate development at Daiwa House Industry starts with ascertaining the value of potential sites, selecting a site, and then planning a building optimized for site conditions and local needs, then screening the potential development project according to proprietary investment criteria set by the Real Estate Investment Committee. Only projects that meet these criteria move forward. Since its founding Daiwa House Industry has accumulated technology and expertise leveraging our strengths as a developer of large-scale residential subdivisions, resorts, condominiums, and like projects and our strengths as a general contractor constructing buildings and structures for diverse uses.

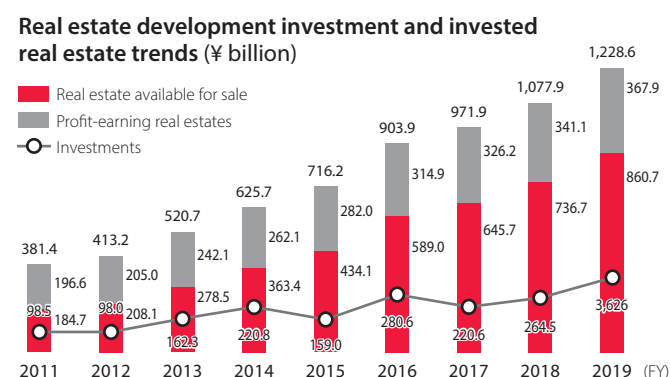
The theme of our Second Mid-Term Management Plan of 2008 was to "strengthen our comprehensive real estate business

through cross-segment collaboration," and we bolstered our asset management functions in order to actively invest in real estate development and expand our own property rental and rental property management businesses. Prompted by the 2012 J-REIT listing of Daiwa House REIT Investment Corporation, we began building a capital-recirculating business model in which recovered investment capital is used to finance a new round of development. And leveraging the relationships we have built with tenants, we are expanding the scope of support for corporate customers.

Our real estate development business's modus of securing profits and maximizing investor value by creating quality, competitive properties, is now one of Daiwa House Industry's stalwart business models.



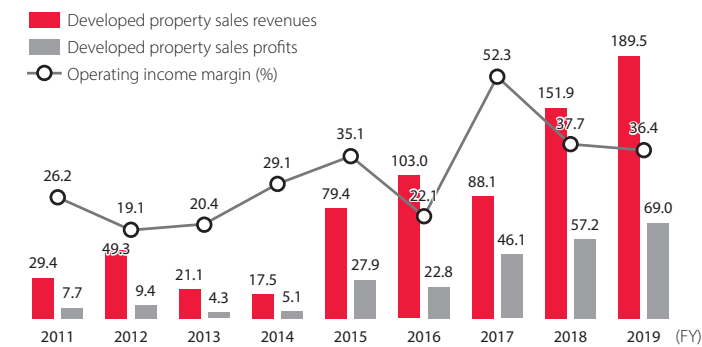
Real estate development investment and invested real estate trends



Having actively invested in real estate developments to ensure future growth, at the end of March 2019 we achieved a ¥1 trillion balance on investment real estate intended as a future revenue source. At present, since the value of properties being rented among real estate available for sale is just over ¥300.0 billion, we are actively investing in construction of properties for occupancy. Moving forward, while achieving stable income gains by maintain a constant 70% or so occupancy rate at the balance of our investment real estate, we will be working to achieve a balance that, depending on conditions, will yield capital gains as well.

Status on sale of development properties

Developed property sales (recovery of investment) (¥ billion)



The Daiwa House Group takes three factors into consideration to ensure the optimal timing when selling real estate available for sale: 1) growth of our Group's REITs; 2) our earnings; and 3) cash flows. We set a hurdle rate internal rate of return (IRR) as one of the investment criteria for property development. In the Fifth Medium-Term Management Plan, we were able to realize larger-than-expected gains that exceeded net operating income (NOI, effective rental income) due to rising property-market prices and falling property cap rates.

At the land acquisition or entry stage, we keep a close eye on trends in the real estate market, and look for the best sites. At the construction stage we offer a rich variety of buildings and exploit our construction capabilities as a general contractor to maintain and extend our competitive advantage.

Investments in Real Estate Development and Risk Management

Establishment of Real Estate Investment Committee

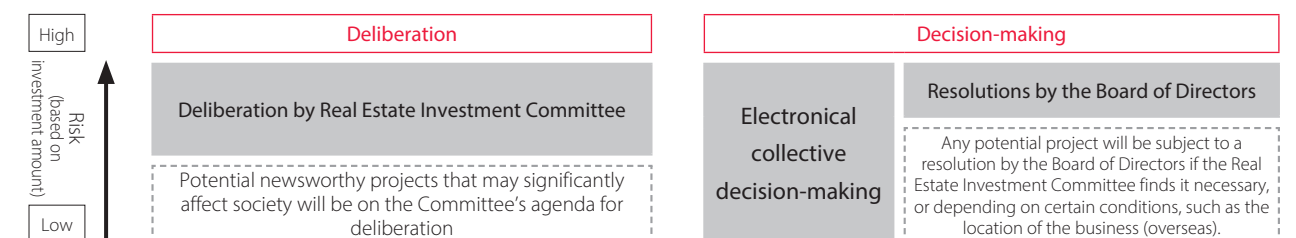
The Company's Real Estate Investment Committee is established to ensure that appropriate decisions will be made about potential investments in the real estate development business after sufficient deliberations and discussions through assessments of their feasibility and risks. As a rule, a meeting of the Committee will be held once in every 10 days or so and chaired by the president of the Company. The Company's decisions will be made through an electronic collective decision-making process, which will proceed in parallel with the Committee, and will be resolved by the Board of Directors.

The Committee will deliberate over potential domestic or overseas investment projects of a certain amount or more, according to the investment amount classifications, to facilitate the collective decision-making process and the Board of Directors' resolutions. However, regardless

of the amounts, any projects related to the 2020 Tokyo Olympics and Paralympics Games, projects involving operation of highly public facilities or the like (concessions pertaining to airports, parks, roads or other similar infrastructure), and other potential newsworthy projects, which may significantly affect society, will be on the Committee's agenda for deliberation, whether the land or facilities are owned publicly or privately. Furthermore, if a potential project poses a significant reputational risk to the Company, or if the Company may essentially take total responsibility for a potential project due to the structure of its business partners even though the Company's investment ratio is low, then the project will be deliberated, regardless of the investment amount requirement.

The Committee has been sitting since 2008 and had considered a total of 341 projects as of the end of fiscal 2019.

Deliberation and decision-making process according to impact of risk (based on investment amount)

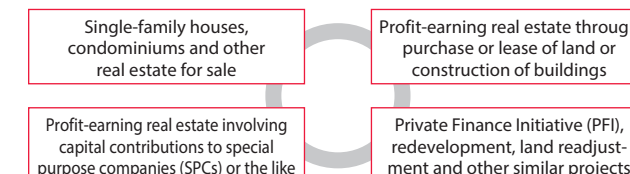


Deliberation based on unique criteria

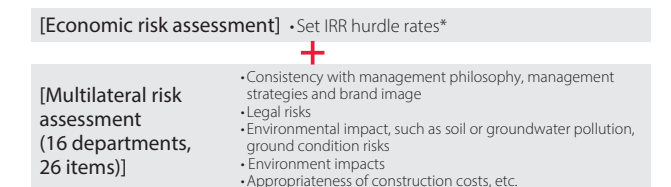
The Real Estate Investment Committee deliberates potential projects based on explanations given by the drafting and related departments. The Company has set hurdle rates for the internal rate of return (IRR) as investment criteria. The implementation of a potential investment will be adopted if the relevant rate requirement is met. At the same time, the Committee's deliberations involve risk assessments (16 departments, 26 items) from multiple perspectives, including social and environmental ones (legal risks and risks associated with soil or

groundwater contamination, soil conditions, proneness to flooding and other disasters, environmental impacts and appropriateness of construction costs) as well as whether going ahead with the investment is consistent with the Company's management philosophy, management strategies, and brand image. Thus, a project that is economically viable as an investment might not go ahead if other aspects significantly conflict with the Company's overall goals or vision, or has a significant environmental impact. In fiscal 2019 the Committee considered 50 projects, of which two were put on hold.

Major real estate development projects subject to deliberation



Risk assessment for investment decisions



* To be set based on the WACC (weighted average cost of shareholders' equity and liabilities) by taking into consideration additional factors such as risk premiums.

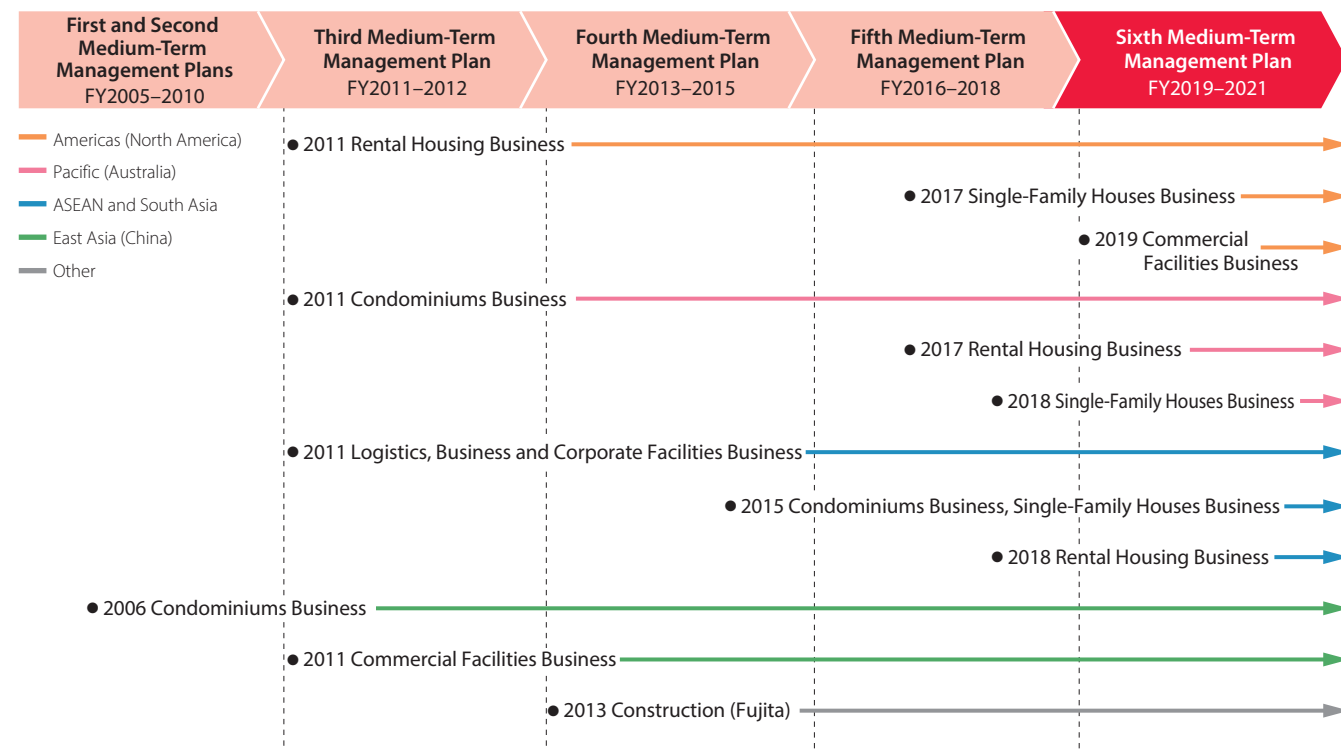
Feature What you need to know Daiwa House Group's Overseas Businesses

Delivering quality construction and services to people all over the world while sharpening our business acumen and lowering risk for the whole Group

Mid-Term Management Plan and Overseas Businesses

Desiring to bring Daiwa House Industry's quality architectural workmanship and services to people around the world, we began venturing outside Japan in the 1960s. Maximizing on business resources they have accumulated since then, the Group's overseas interests now span 21 countries and territories where we concentrate most of our efforts to grow overseas.

Internally, we organize our spheres of overseas activity into five administrative areas: East Asia, ASEAN and South Asia, Pacific, Americas, and Europe. Maximizing on the strengths of the Group and continuing to make sustainable project investment, we are working to achieve overseas sales of ¥400 billion in FY2021, the final year of the Sixth Medium-Term Management Plan.

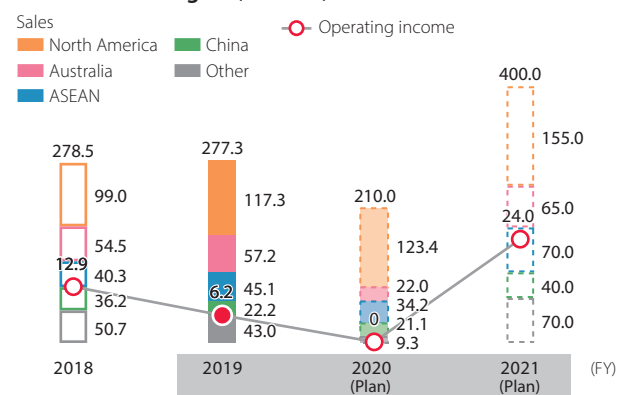


Sixth Medium-Term Management Plan Progress

Investment in real estate overseas is progressing smoothly and we have formed a global REIT as an overseas business investment exit strategy

We are pursuing M&A deals to expand our sales coverage in the robust US single-family houses market

Performance targets (¥ billion)



Daiwa House Global REIT Investment Corporation

We established the Daiwa House Global REIT Investment Corporation in September 2019 to function as a strategy for exiting overseas project investments going forward. Something unprecedented in Japan, the private REIT allows incorporation of overseas real estate into the mix.



Rental housing property Aurelien Apartments (Chicago, Illinois, USA)

By region

The Americas (North America)

Daiwa House Industries is working to expand the geographical presence of its housing businesses in the US through M&A and by accumulating experience in rental housing. We hope to eventually extend coverage nationwide.

In FY2019, we sold a portion of our Aurelien Apartments, a rental housing property with stable occupancy, to Daiwa House REIT Investment Corporation, our REIT investment arm.

At the Single-Family Houses Business, in February 2020 our Stanley-Martin Communities, LLC, subsidiary acquired the North and South Carolina interests of Essex Homes Southeast, Inc., and in the same month Trumark Companies, LLC, a west-coast single-family home builder, joined the Group fold as well. Both developments helped us further extend our presence in a "smiling curve" joining the US east, south, and west.

We also purchased TRADE, an existing mall in Irving, California, which lies in the middle of an area experiencing rapid population growth. We intend to acquire mall operating and management know-how from local partners and provide incentives for Japanese businesses to move in.



A Stanley-Martin single-family house (architectural rendering)



An Essex Homes single-family house (architectural rendering)

Pacific (Australia)

Providing quality living spaces drawing on residential housing and real estate development knowhow accumulated in Japan

In Australia's housing market, the Rawson Group pressed forward with house building and land development amid an improvement in house buying sentiment following the July 2019 elections. It is now working to fill its order books after having reworked its pricing strategies to better fit potential homeowners' needs.

In 2018 we launched in the suburbs of Sydney, New South Wales, the Box Hill Project, a large-scale subdivision development encompassing some 1,500 lots.

And our Flour Mill of Summer Hill and Tempo (Drummoyne Project) development projects outside Sydney have also sold out.

ASEAN and South Asia

Daiwa House Industry contribute to economic growth in ASEAN countries by developing industrial parks, condominiums, hotels, and other infrastructure.

In Indonesia, Vietnam, and Thailand we develop logistics facilities leveraging the experience and technologies we have cultivated in Japan. One of the particular strengths of our logistics facilities is their capacity to provide storage in the four temperature bands (frozen, refrigerated, dry, and ambient) indispensable to the food industry. Moving forward we will be working to expand business and recover our investments efficiently by selling the developed properties to Daiwa House Global REIT Investment Corporation.

Further, in Vietnam we are pressing ahead with work on The Midtown, a multi-use project being developed jointly with Nomura Real Estate Development, Sumitomo Forestry, and a local partner, Phu My Hung Group. Units built during the first phase are now being offered to the public, with sales contracts concluded for 84% at the end of June 2020. Handover is scheduled for completion in 2022.



D Project Malaysia I (logistics facility)

East Asia (China)

Providing the trust and confidence of Japanese brands through the full suite of services from development to post-move-in customer care

A Grace Residence condominium development is under construction in Nantong, Jiangsu province. Of 1,480 units, 1,054 were already on sale by the end of June 2020 with a closing rate of 65%. Meanwhile, another Grace Residence being built in Changzhou, also a Jiangsu city. Here, 636 of 900 units were on the market by the end of June with a 99% closing rate. Both are sited in areas popular with the local upper and upper-middle segments. They have won acclaim for their dependable quality and are slated for completion in fiscal 2022.

To date we have been involved in the construction of over 5,000 condominium units in China and have begun providing post-move-in customer care like that in Japan to enable us to build long-term relationships with our overseas customers as well.



The Grace Residence condominium develop in Changzhou, Jiangsu (architectural rendering)

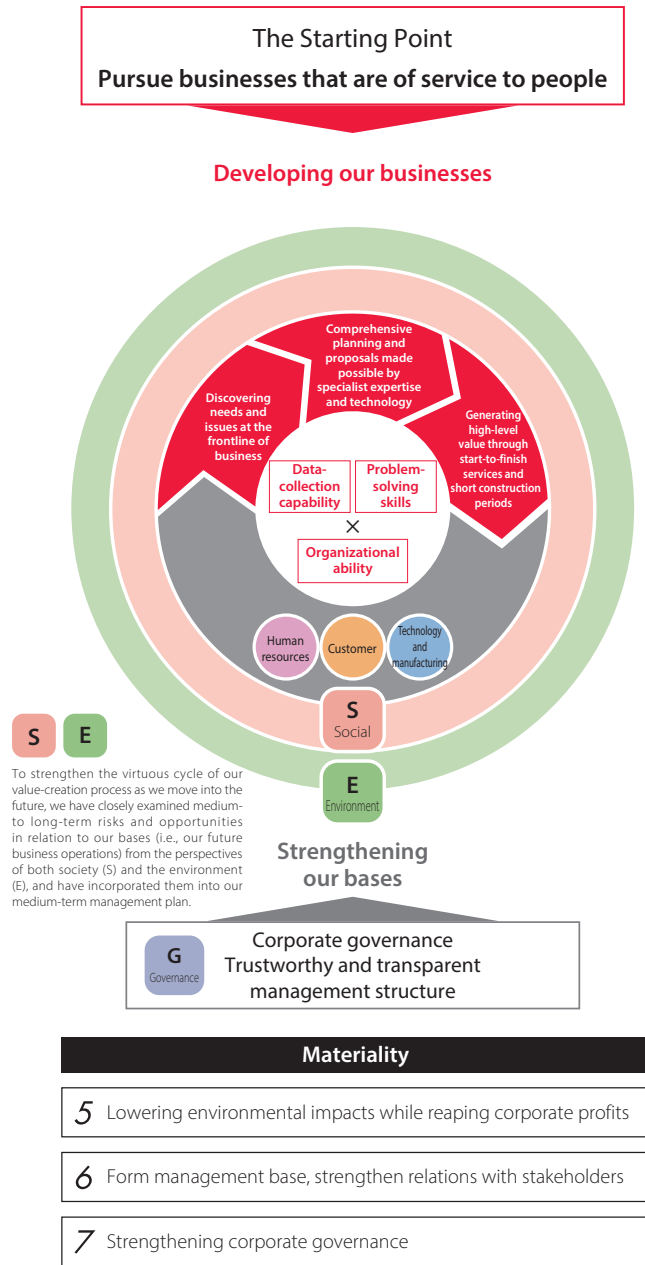
Chapter 4 Strengthening our Bases

Our Three Bases and ESG engagement

The Company’s value generation originates from our three bases, and strengthening these, together with the promotion of ESG, works to accelerate a virtuous cycle that drives the process in which we create value.

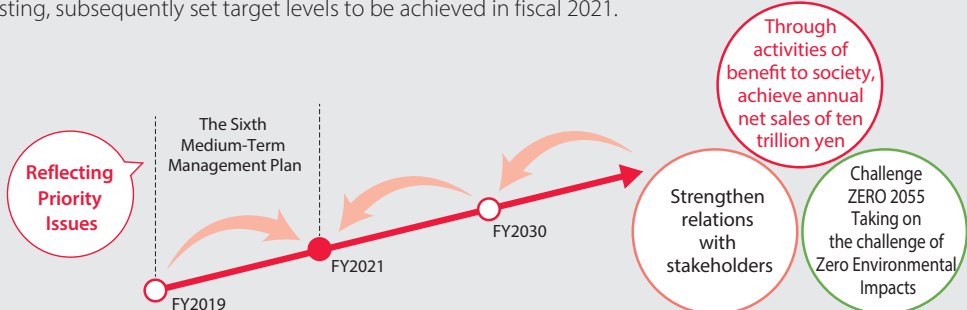
Cultivated over many years, our human resources base, customer base, and technology and manufacturing base are the three bases that form the source of the Group’s value creation. By reinforcing these, we determine the risks and opportunities for the Group with regard to social (S) and environment (E), and enables us to set our goals so as to accelerate the virtuous cycle that powers our value creation process.

Of the seven items of materiality identified to raise the Group’s sustainable corporate value, three pertain to ESG. These are interwoven and promoted through the basic policy of the Sixth Medium-Term Management Plan in our pursuit of achieving sustainable growth for the Company and of finding solutions to social issues.



Setting Goals by Backcasting

Keeping in mind the vision of what the Daiwa House Group should be over the long term leading up to 2030 and 2055 with regard to the priority issues for social (S) and environment (E) matters, we have identified issues to be addressed over the next three years, and through backcasting, subsequently set target levels to be achieved in fiscal 2021.



The Endless Social Program 2021 is underway as a program to raise our social engagement. Over the last three years in particular, we will focus on the three bases as the source of value creation, observing changes in the external environment while identifying bases to strengthen for the future.

Our plan for the environment, “Endless Green Program 2021,” promotes “carbon-free” initiatives from the dual perspectives of our products and corporate activities, with an eye toward both lowering environmental impacts while reaping corporate profits.

Social, environment and governance initiatives in the Sixth Medium-Term Management Plan

S Form management base, strengthen relations with stakeholders Social Medium-Term Plan (Endless Social Program 2021)

We take a long-term perspective of social (S) matters and anticipate that society will undergo a transformation. In addition to the endeavors made for the three bases, we specify and move forward on initiatives for the bases we should reinforce with an eye toward the future.

Key policies		Main key goal indicators
Human resources base	Build an organization with a diversified motivated workforce that retains the young people it develops	Improvement in “motivation” of entire workforce
Customer base	Build long-term relations with customers and establish corporate brands that bring in new customers	Brand monetary value
Technology and manufacturing base	Enhance productivity and promote responsible procurement together with business partners, on the premise of ensuring construction site safety and quality	Annual holidays on a worksite

Bases to strengthen anew	The three bases to strengthen anew are the innovation base to continue to create innovative businesses to solve social issues, the communication base to ensure proper communication with our stakeholders, and the risk countermeasures base to thoroughly implement internal controls and foster corporate ethics among executives and employees. We will promote efforts along these lines.	
Innovation base	Strengthen systems to promote business and real-estate development that helps solve social issues	Percentage developed of large projects based on Community Development Guidelines and large-scale construction by our divisions
Communication base	Upgrade both financial and nonfinancial corporate communications and train the workforce for the information age	Establish a system and practices for financial and nonfinancial communications, and promote understanding that these are fully integrated
Risk countermeasures base	Hone business continuity plans for natural disasters, etc., and establish corporate ethics, human rights and compliance rules including overseas bases	Business continuity plan score

E Lowering environmental impacts while reaping corporate profits Action Plan for the Environment (Endless Green Program 2021)

Our long-term environmental vision, “Challenge ZERO 2055,” focuses on the environment (E), and offers up the goal of realizing “zero environmental impact.” Under this recently formulated Action Plan for the Environment, we are accelerating the “promotion of environmental management that integrates the Group’s global supply chain,” and within this, move forward on initiatives with an emphasis on decarbonization.

Key policies		Main key goal indicators
Environmentally conscious products	Promoting the development and dissemination of environmentally conscious products and services for boosting business competitiveness	Sales of environmental businesses
Slowing and adapting to climate change	Promoting “carbon-free” in the fields of products and manufacturing for achieving SBT, EP100, and RE100	Greenhouse gas emissions (per sales unit) Energy efficiency Renewable energy rate /Renewable energy utilization rate

G Strengthening corporate governance

- Optimization of management structure
- Foster next generation of business managers
- Improve system of business execution
- Entrench risk management structure

Strengthening the Human Resources Base

Materiality 6 (Focal theme ⑥) Building management base and strengthening relations with stakeholders (Improve motivation and diversity)

Develop human resources that contribute to society, and create a motivational workplace that employees are proud of, through a thorough “bottom-up approach” and “positive attitude.”

Business developments for the Sixth Medium-Term Management Plan

Build an organization with a diversified motivated workforce that retains the young people it develops

Current issues

- A decline in the labor force population is making it difficult to secure the human talent capable of meeting business expansion needs
- There is insufficient shared recognition within the Company of a “view of human resources” and “how to provide nurturing” in light of the younger generation’s characteristics

Objectives of policy formulation

- To design and implement systems for “ways of working” and “hiring and developing” in tune with the labor market, human resources, ICT and other transformations, and that take into account a business model situated upon our human resources base.
- To create an organization capable of responding to dramatic changes in society through diversity and inclusion (D&I) of human resources, including with gender and generation.

Priority issues and key goal indicators (KGI) for the human resources base

Initiatives toward priority issues

1 Work style reform for employees

Going beyond merely endeavoring to reduce working hours, we concentrated on identifying problems in current methods and exploring new ways of working conducive to making work gratifying and a source of joy. Efforts focused on fostering three major outcomes: work environments conducive to trust in the company, pride in work, and solidarity with colleagues. For example, we surveyed employees about the scheme for assessing contributions to achieving organizational goals and how benchmarks they are happy with are assessed, then used the post-analysis results to examine them more closely. In fiscal 2020, we will be applying the issues we have looked into in fiscal 2019 to our project proposals, from planning to program design.

2 Upgrade human resource development and recruitment

We undertook a number of initiatives to enhance human resources development and recruitment. We launched a project studying ways to enhance young-employee retention, advancing it to the program design and proposal development stage. To be better able to find the talent we need, we proactively participated in recruiting events to increase contact with college students, a main source of new hires, and raise the profile of our corporate brand among them, as well as working to support them through our recruiters more effectively. And in personnel training, we looking into succession planning for branch and equivalent managers along with continuing the Daiwa House Juku for nurturing future managerial personnel.

With ideas developed to enhance young-employee retention in mind, in fiscal 2020 we will be working on hiring and placement schemes designed to avert employee-to-job mismatches.

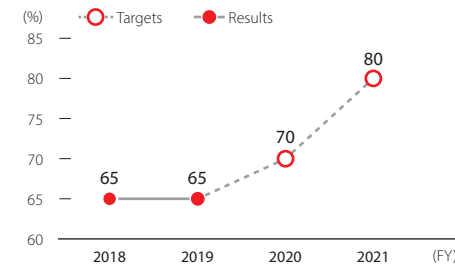
3 Promote diversity and inclusion

We moved to improve the diversity and inclusion (D&I) situation at the organization level, experimented with a number of new ways of working, and provide training for female managers, sales reps and engineers. Training initiatives during the year included managerial seminars for female managers, seminars for female sales staff at the Single-Family Houses and Logistics, Business and Corporate Facilities Division, district-level meetings of and forums with the Working Group of Women Active in Business of the Daiwa House Group’s Construction Technology Committee, and unconscious bias training for newly appointed managers, male as well as female. In July 2019 we also started participation in telework days and telework trials and, building on the experience gained, instituted work-from-home in response to the COVID-19 pandemic. And we launched a trial program to support employees balancing work and childcare or sickness, with our Kagawa Branch serving as model.

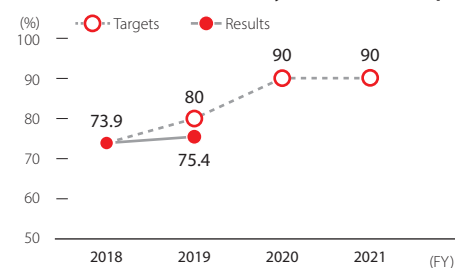
In fiscal 2020 we will be implementing the trial programs and continuing the training programs for D&I. And we will move to tackle issues that surface through analysis of our achievements are measured by D&I composite scores (business-location diversity scores) in the Evaluations of Branch Management Soundness implemented in fiscal 2019.

Key goal indicators and progress

Improvement in “motivation”



The retention of young employees (who have worked for less than three years at the company)



General indices for diversity and inclusion

KGIs		Female managers	Line leaders amongst female managers	Female engineers	Female sales reps	Female amongst recruits
	Results (FY)					
Results (FY)	2017	3.3%	27.6%	4.3%	9.1%	28.4%
	2018	3.6%	24.1%	4.6%	9.9%	27.2%
	2019	4.1%	25.0%	4.9%	10.2%	24.8%
Targets (FY)	2019	4.0%	30.0%	5.0%	11.0%	30%
	2020	4.5%	35.0%	5.5%	12.0%	30%
	2021	5.0%	40.0%	6.0%	13.0%	30%

Reference Sustainability Report 2020: Human resources base P.95-108

Strengthening the Customer Base

Materiality 6 (Focal theme ⑥) Building management base and strengthening relations with stakeholders (Improve CS and corporate brand)

We are sincere in our communication with customers, and put our full efforts into offering high-quality products and services. We do our best to satisfy our customers and win their trust.

Business developments for the Sixth Medium-Term Management Plan

Build long-term relations of trust with customers, establish a corporate brand leading to encounters with new customers

Current issues

- The Group’s primary business model is to provide “solutions” to customers by supporting with complex business proposal capabilities, and to emphasize the corporate brand, in addition to product brands
- Future expectations for business demand originating from existing customers, such as with the Livness business

Objectives of policy formulation

- Among customers and consumers, to secure in their minds a brand image capable of reminding them “what kind of company this is”
- To provide proposals in sync with customers’ lifecycles and to utilize unoccupied homes, which are an issue facing society, by further strengthening the long-held relationships of trust with existing customers

Priority issues and key goal indicators (KGI) for the customer base

Initiatives toward priority issues

1 Upgrade corporate communications

Concerning the problem of off-specification components in and remedial work on Daiwa House single-family houses and apartments, we investigated the cause and overhauled governance, and then presented an explanation to our customers and all stakeholders. Top management took the lead throughout this process, and worked to share the Daiwa House Group’s corporate philosophy as symbolized by “Endless Heart.” In terms of advertising and promotional activities, we have defined our basic policy of “redevelopment,” and striving to restore the trust from all of our stakeholders, we pressed forward on communications that put a spotlight on the products and technologies that will become solutions for societal issues. In addition, we have concentrated support on the Livness business that embodies the value of a new lifestyle, and have made great endeavors to strengthen our customer base.

In addition, we engage in cherry tree preservation activities on the slopes of Mt. Yoshino in Nara Prefecture, the region where our founder was born and raised. We have positioned this “Daiwa Sakura Aid” as an activity that brings our corporate philosophy to life. By increasing opportunities to interact with our stakeholders, we strove to demonstrate the Company’s corporate stance to society.

In fiscal 2020, together with implementing ongoing measures to strengthen governance, we will work to spread our corporate philosophy so as to foster among customers the idea that the behavior of each and every employee represents the Daiwa House Group brand.

2 Promote customer support to maintain long-term relationships

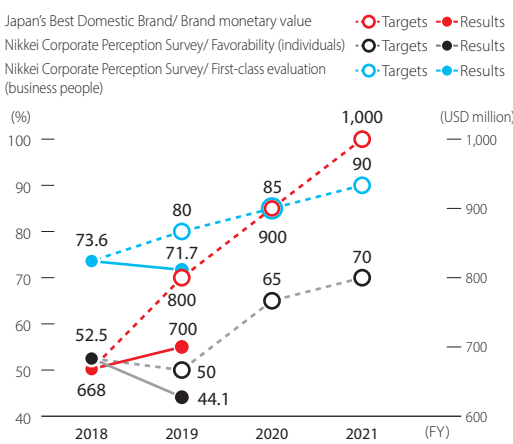
We received numerous requests and expectations from customers on account of the aforementioned off-specification component problem, as well as with issues such as the major Typhoon Hagibis, the 19th named typhoon of the year. With regard to the off-specification components, we apologized to customers, provided an explanation and pressed ahead with corrective action on relevant properties. To deal with the typhoon damage, we visited the owners of homes that had been hit by the disaster, and are moving forward on inspections. While taking these customer satisfaction (CS) initiatives, we also took action for our Livness business, which is a business that starts with customers with whom we have existing relationships. In this way, we built a framework that made it easy for customers to contact the Company.

In fiscal 2020, as regular inspections and impromptu visits are postponed in order to prevent the spread of COVID-19, this elicits the question of what new form of relationship will we have with customers. We will continue to endeavor at nurturing long-term relationships, and will go forward while taking appropriate measures during emergencies.

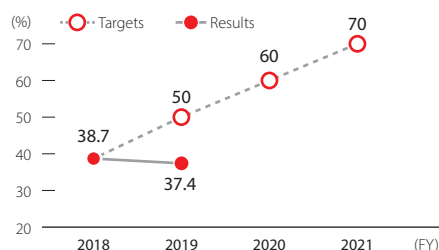
Reference Sustainability Report 2020: Customer base P.121-126

Key goal indicators and progress

Brand Value, Perception Survey Results



Order rate using our customer base



Strengthening the Technology and Manufacturing Base



Materiality 6 (Focal theme ⑦) Building management base and strengthening relations with stakeholders (enforce safety and quality)

We foster distinctive technologies that match customer needs to create both value for customers and value for society.

Business developments for the Sixth Medium-Term Management Plan

Enhance productivity and promote responsible procurement together with business partners, on the premise of ensuring construction site safety and quality

Current issues

- In Japan, given that we are a top-class company in terms of the number of construction sites held, the declining labor population, and along with this, an insufficient number of supervisors, entails the risk that management of construction will cease to function sufficiently
- We produce construction materials at our plants, and construct them at construction sites in a hybrid-type business model. Such characteristics drive a necessity to strengthen this base.
- Rising social needs to address CSR procurement

Objectives of policy formulation

- To sweep away the negative image of being “difficult, dirty and dangerous” that the construction industry bears, and to make for an on-site environment that is easy to work in for those upon whose shoulders the future of the construction industry will rest—females, senior citizens, foreign workers and the younger generation
- To further strengthen collaboration with the companies that we partner with in undertaking construction tasks, and to work toward enhanced productivity through utilization of IoT, thus lowering risk
- To avoid risk by practicing responsible procurement, and to link to a stronger and differentiated supply chain

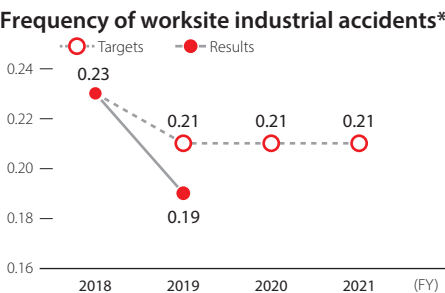
Priority issues and key goal indicators (KGI) for the technology and manufacturing base

Initiatives toward priority issues

1 Enforce safety/security at construction sites

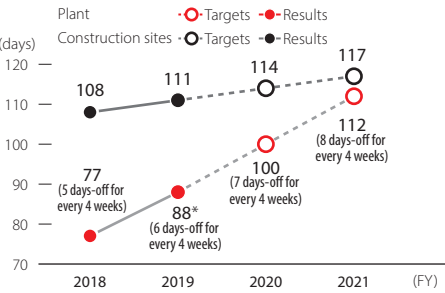
We revised our educational methods and undertook efforts to strengthen our management system in order to enhance the safety and health of skilled workers on site (employees of our business partners). Safety education includes the adoption of interactive VR teaching materials, non-verbal videos for foreign workers, creation of signs in foreign languages, and special training for fall prevention devices (full harness type). For our safety management system, we have introduced meetings via tablets or smartphones and remote supervision devices via ITV for the sake of greater operational efficiency based on ICT. As a result, we achieved our KGI target, specifically, the frequency rate for construction site accidents for fiscal 2019, which was 0.19. Fiscal 2020 will see a further entrenching of efforts, as well as the promotion of measures to prevent the spread of COVID-19, among other initiatives and efforts on the fundamentals of safety.

Key goal indicators and progress



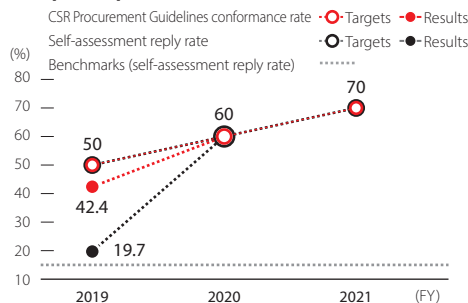
* The number of industrial accidents that have occurred involving worker injury or death per one million hours worked.

Number of days off per annum



* Results for fiscal 2019 construction site target days off of 88 days are unconfirmed. For fiscal 2018, 93% of partners had obtained the 77 target days off (from questionnaire survey for business partners 2019).

Group CSR procurement



3 Promote and improve the efficiency of CSR procurement across the Group

We took steps to make our CSR Procurement Guidelines known among our business partners and share our thinking. An Ethics Card for Partner Employees was prepared and distributed as a tool for repeated learning of the key points for responsible behavior. Letters of consent to the CSR Procurement Guidelines were once again collected following the institution of the guidelines in fiscal 2015, reaching 52.2% in submission rate (2,910 out of 5,574 companies). Online self-assessments were also implemented as a way to confirm how far our partners are engaged in initiatives and building systems for CSR procurement. In fiscal 2020, our intention is to continue dialogues with our business partners in order to promote CSR procurement.

Reference Sustainability Report 2020: Technology and manufacturing base P.109-120

Bases to Strengthen Anew

Materiality 6 (Focal theme ⑧ ⑨) Building management base and strengthening relations with stakeholders (Upgrade innovation and corporate communications/ Strengthen risk management)



Innovation base Reference Sustainability Report 2020: Innovation base P.83-94

Base	Policy	Priority issues	Key goal indicators
Continuously comes up with innovative solutions to social issues	Strengthen systems to promote business and real estate development that helps solve social issues	(1) Build platforms for innovating solutions to social issues (2) Promote social inclusion in real estate development	Cooperative innovation creation for new business ventures or joint research projects Percentage developed of large projects based on Community Development Guidelines and large-scale construction by our divisions

70%

Initiatives toward priority issues, and issues with regard to achieving goals

Our business development activities included participation in Open Innovation Base “Xport,” sponsored by the Osaka Chamber of Commerce and Osaka Institute of Technology. At “Daiwa House Future Labo,” we conducted programs in our pursuit of collaboration with our corporate partners, and from initial considerations commenced “Housing IoT Project.” In fiscal 2020, together with narrowing down topics that have a high likelihood of being realized, targeting open innovation programs, we will work not only with venture companies, but also plan to endeavor at business

innovation that includes alliances with major corporations.

In addition, to check whether or not development plans were based on Community Development Guidelines as of the planning stage in the real estate development process, we made plans and prepared for a “planning assistance tool.” In fiscal 2020, by initiating use of the “planning assistance tool” for properties applicable to the Company’s Real Estate Investment Committee’s deliberations, we will make known throughout the Company our stance on social inclusion in the development of real estate.

Communication base Reference Sustainability Report 2020: Communication base P.127-136

Base	Policy	Priority issues	Key goal indicators
Multi-channel communications with stakeholders	As a company, upgrade both financial and non-financial corporate communications and train the workforce for the information age	(1) Integrate and upgrade financial and non-financial communications (2) Keep pace with rapidly evolving communication environments	Establish a system and practices for financial and non-financial communications, and promote understanding that these are fully integrated Establish a base for system construction and employee literacy regarding rapidly evolving ICT

Initiatives toward priority issues, and issues with regard to achieving goals

Together with conducting 13 dialogue sessions with institutional investors pertaining to ESG so as to enhance our ESG engagement activities, in December 2019 we held ESG small group meetings where the CFO spoke about our integrated thinking-based business strategy. In fiscal 2020, we will work to disclose integrated financial and nonfinancial information in our securities reports, and will also take action to improve understanding of the concepts of integrated thinking and integrated management among managers and executives, as well as deepen awareness of materiality.

In addition, to revamp our information systems as part of our communications reform, we improved our MyPortal intranet site for managing important internal information, and also ran verification and evaluation tests of a cross-organizational search feature for internal company data. We also built a website, Bukken Site which aggregates data on projects (buildings) needed for collaboration with suppliers and other external stakeholders in one place and began proof of concept (POC) testing. In fiscal 2020, we will commence operations of these systems.

Risk countermeasures base Reference Sustainability Report 2020: Risk countermeasures base P.137-156

Base	Policy	Priority issues	Key goal indicators
Effective internal control and executives/all employee leadership in corporate ethics	Hone business continuity plans for natural disasters, etc., and establish corporate ethics, human rights and compliance rules including overseas bases	(1) Prepare business continuity plans on the premise of natural disasters/extreme weather (2) Establish due diligence for human rights at plants (3) Establish corporate ethics and compliance rules (4) Build management base for global business development from a long-term perspective	Business Continuity Plan score 100 pts/100 pts (Score based on initiatives for employee safety, backup for information systems and securing power, customer support systems, production purchasing system, maintaining overall group functioning, development systems, etc.) Establish a process of due diligence for human rights at plants Internal control system attainment score 15% improvement Improved score on CSR awareness surveys at overseas bases

Initiatives toward priority issues, and issues with regard to achieving goals

Carrying out verification of BCM operations dealing with the water damage from Typhoon No.19 and other natural disasters, we have further enhanced BCM through the BCM Subcommittee that plays a role in each of the divisions involved across the Company’s value chain. In addition, with the intent to more appropriately and swiftly aggregate risk information, we have clarified risk information reporting standards for the Risk Management Committee. From the perspective of preventing harassment and with the full commitment of top management, in fiscal 2018 we established the Power Harassment Preventive Measures Office where

we offer dedicated and specialized consulting with regard to power harassment, and also conduct expert-led harassment prevention training to those in management level positions. Moreover, in order to strengthen the medium- to long-term management base in our overseas business, we set up our Overseas Business Division, and intending to construct an administrative framework for each region, have begun to consider putting in place corporate functions, starting with North America. We will continue to move forward to address such priority issues in fiscal 2020.

Efforts at Environment

Materiality 5 Pursue both minimization of environmental impacts and corporate earnings

E
Environment

The Daiwa House Group tries to make zero environmental impacts within our Group, globally, and through supply chains, with the aim of realizing a sustainable society.

Business developments for the Sixth Medium-Term Management Plan

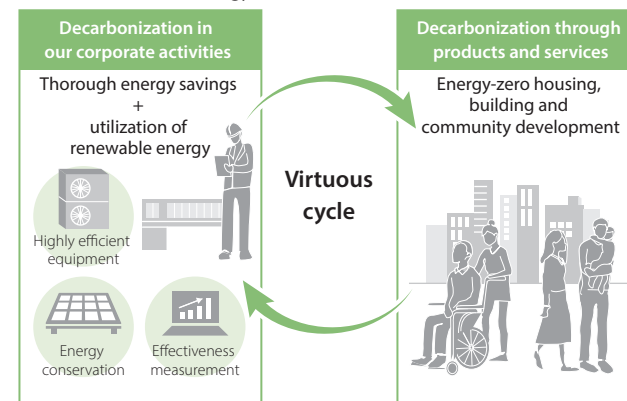
In the Daiwa House Group, we have established one materiality as “lowering environmental impacts while reaping corporate profits,” and together with this, have raised “efforts at the environment” as one basic policy in the Sixth Medium-Term Management Plan. We focus on the promotion of decarbonization in both our products as well as manufacturing endeavors.

Key policies of Endless Green Program 2021

- 1 Promoting “carbon-free” in the fields of products and manufacturing for achieving SBT, EP100, and RE100
- 2 Promoting win-win cooperation for reducing environmental risks in supply chains
- 3 Promoting the development and dissemination of environmentally conscious products and services for boosting business competitiveness
- 4 Advancing strategic eco communication for improving environmental brand and ESG assessment
- 5 Enhancing integrated environmental management within the Group and globally for advancing environmental management

Activity achievements improve business competitiveness

We put the expertise gained at our own facilities in energy conservation, renewable energy and energy storage to use in business, while developing and increasing the prevalence of zero-energy housing, buildings and communities, as well as promoting the expansion of our environmental energy business.



Response to the Task Force on Climate-related Financial Disclosures (TCFD)

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Daiwa House specifies risks and opportunities in accordance with the framework set forth by TCFD, and then assesses impact on business based on multiple scenarios, with verification of strategy appropriateness as pertains to decarbonization.

The impact of climate change deepens year by year. The frequency of abnormal weather, natural disasters and the like is one of the factors behind climate change, and these pose a threat to the safety and security of homes and day-to-day life, which is at the foundation of our value offering. On another front, since the adoption of the Paris Agreement, nations and governments around the

world have dramatically altered course toward “decarbonization,” and expectations for the role that the private sector should play are undergoing enormous change.

Uncertainties are high with regard to change in the external environment associated with climate change, and as such, it is important that we move forward by properly dealing with risk based on multiple anticipated scenarios, and that we make efforts to seize upon business opportunities. Continuing on from this, we will proactively disclose information and hold constructive dialogues with investors and others, and this will lead to a honing of our strategy.

Main Risks and Opportunities Related to Climate Change

Near-term (0-3 years), mid-term (3-10 years), and long-term (10-30 years)

Type			Details	Period of impact	Level of financial impact
Risks	Transitions	Policy, laws and regulations	Increased costs on account of specification changes in line with strengthening of Japan's Building Energy Efficiency Act	Short term	Medium
			Rising operational costs due to expansion of carbon tax or emissions trading system	Medium term	Small
	Physical changes	Chronic	Higher maximum summer temperatures lead to increased risk of heat stroke at construction sites	Short term	Small
		Acute	Damage to our facilities due to natural disasters and increase in insurance premiums	Medium term	Small
			Impact on supply chain due to natural disasters	Short term	Medium
Opportunities	Transitions	Products and services	Increase in demand for houses and building with low greenhouse gas emissions	Present time	Large
			Generation of carbon credits through provision of low-carbon houses and buildings	Long term	Medium
			Expansion of environmental energy business due to rising demand for renewable energy	Medium term	Large
	Physical changes	Products and services	Rising demand for houses and buildings equipped for natural disasters	Medium term	Medium

Reference Sustainability Report 2020: Response to the Task Force on Climate-related Financial Disclosures (TCFD) P.44-46

Initiatives toward priority issues

1 Development and dissemination of environmentally conscious products and services

Viewing environment as a business opportunity, we designated sales of environmental contribution business as a key management indicator, to clearly and quantitatively publish our stance that we contribute to the environment through our business and make environmental stewardship an added value to our businesses. We are taking action to achieve our target of expanding growth in environmental contribution business sales at a pace greater than that of the business as a whole. In fiscal 2019, we took initiatives such as enhancing the lineup of ZEH standardization products in the housing business as eco-friendly buildings became more prevalent, and we expanded the scale of the environmental energy business primarily through the design and construction of photovoltaic generation facilities. As a result, net sales in the environmental contribution business rose 10% from the same period of fiscal 2018.

2 Reduction of greenhouse gas emissions in our business activities, enhancing energy efficiency

We acquired SBT certification, an international initiative for greenhouse gas emissions reduction, to be consistent with the Paris Agreement's 2°C temperature target. In addition, we joined EP100 and RE100, international initiatives that seek to raise energy efficiency and to increase renewable energy use, respectively, as the world's first-ever construction industry company, and have been accelerating activities in terms of a medium- to long-term vision. In principle, we will pursue ZEB for our newly constructed facilities, and along with that, we are working to raise energy efficiency by systematically investing in energy conservation measures at our existing facilities.

In fiscal 2019, we were certified as “ZEB Ready” for the newly constructed “Frespo Hibirigaoka.” As a result of thoroughly implementing measures to improve operations such as by utilizing a proprietary check sheet for energy conservation at our existing facilities, greenhouse gas emissions (per sales unit) fell 32% from fiscal 2015 levels, and similarly, energy efficiency rose to 1.34 times.



EP 100 °C

RE 100 °C



3 Development of renewable energy and expansion of its use

We are moving forward on expanding the use of renewable energy, and have positioned the period up until 2030 as a “volume expansion” phase, and following that, as a “usage expansion” phase.

Our “volume expansion (creation)” phase in fiscal 2019 included the 56 new photovoltaic power plants we put into operation, as well as the large-scale wind-power plant (16MW) in the city of Seiyō, Ehime Prefecture. Moreover, the Daiwa House Group operates 328 renewable energy power plants across Japan for 380MW of power (including power consumed internally), and that annual power generation capacity accounted for 96.4% of our power consumption. Going forward, we aim to achieve a renewable energy generation rate of 100% in fiscal 2020, a full 10 years ahead of schedule.

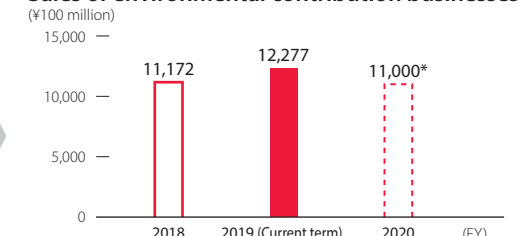
On the other hand, for “usage expansion (use),” we have introduced a self-consumption-type photovoltaic power generation system, and on top of that, have begun to provide renewable energy at new construction sites. In the future, we will be accelerating the switch to renewable energy originated from renewable energy power plants operated by the Group at our primary in-house facilities. Our aim is to have a renewable energy utilization rate of 10% in fiscal 2021.



DREAM Wind Ehime Seiyō wind-power plant (Ehime)

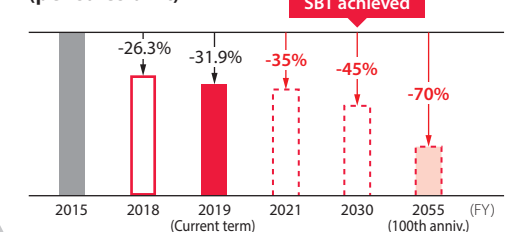
Key goal indicators and progress

Sales of environmental contribution businesses

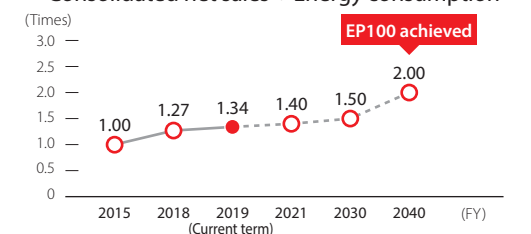


* Revised based on earnings forecasts announced in “FY2020 Presentation on Management Policies.” We plan to announce FY2021 targets in accordance with the situation that unfolds in FY2020.

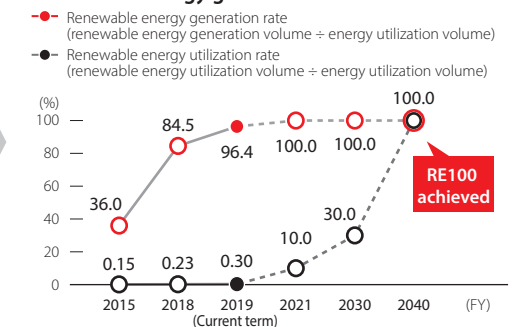
Greenhouse gas emissions (per sales unit)



Energy efficiency = Consolidated net sales ÷ Energy consumption



Renewable energy generation rate/utilization rate



Funabashi Grand Oasis, Japan's first community development with 100% renewable energy

Leveraging the results gained through our in-house efforts to streamline energy efficiency for our business, and to expand renewable energy utilization, we will continue on with community development that gives consideration to the environment.

Currently under-development “Funabashi Grand Oasis” is comprised of single-family houses, rental housing, condominiums and commercial facilities that make up a business area of 57,000m² of large-scale complex development. Together with deploying advanced energy conservation, renewable energy and energy storage technologies to each facility, the energy used when construction started and at completion of the community is provided primarily from power originated from renewable energy generation facilities managed by the Group nationwide, and signifies the realization of Japan's first community development powered 100% by renewable energy, from “construction start” to “residence.”

We will continue to undertake this kind of community development all across Japan, and take our efforts to the next level to realize the spread of renewable energy and a carbon-free society.

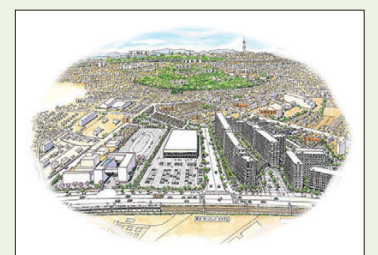


Illustration of Funabashi Grand Oasis development

Reference Sustainability Report 2020: Implementation Report Environment P.20-63

* Explanations of “Harmony with the natural environment” (protecting biodiversity), “Conservation of natural resources/Water resource conservation” (long life/reduction of waste), “Prevention of chemical pollution”

Measures to Enhance Governance

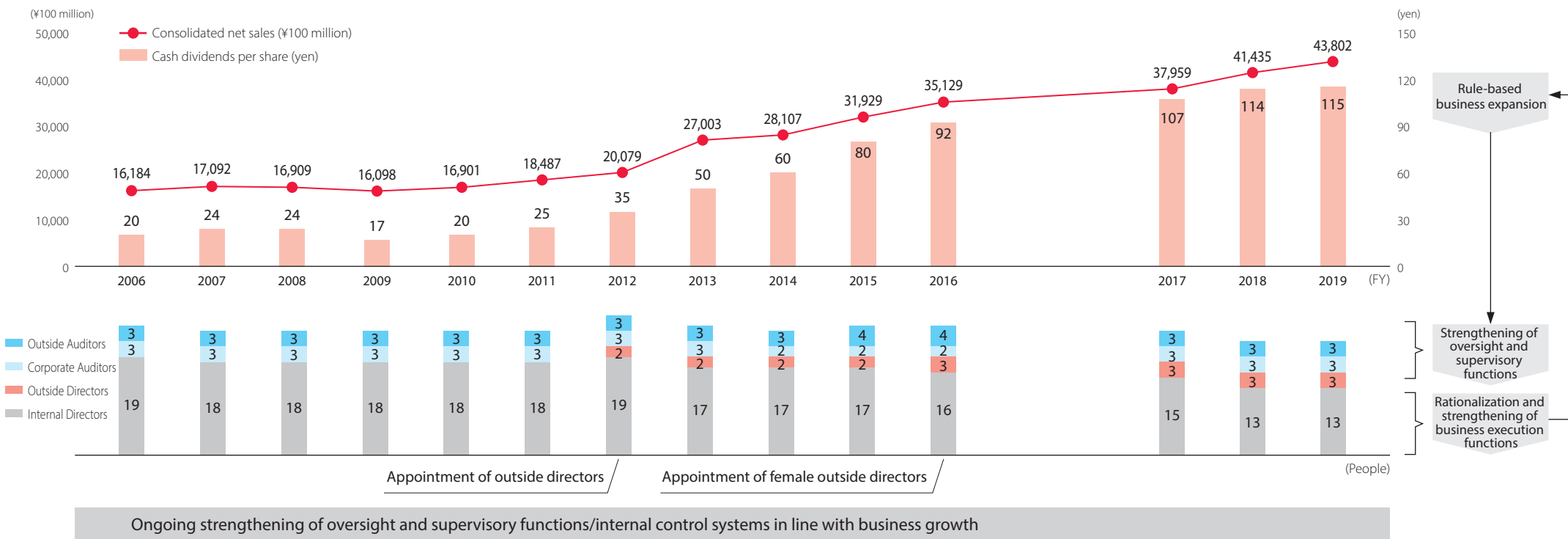
The Daiwa House Group positions enhancing its structure of governance as a priority issue for management so that we may continue to be a company that earns the trust of society. We take the basic stance of working to construct a system of accurate and timely decision making and business execution, as well as a

framework of appropriate oversight and supervision.

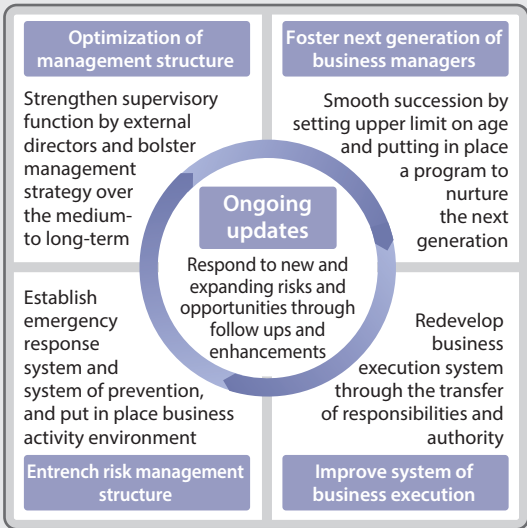
Along with transforming our vision in tune with expanding business operations and the management environment, we are building a structure for governance based on diverse viewpoints and long-term perspectives.

	-2010	Third Medium-Term Management Plan 2011-	Fourth Medium-Term Management Plan 2013-	Fifth Medium-Term Management Plan 2016-	Sixth Medium-Term Management Plan 2019-	(FY)
Board of Directors/ Audit & Supervisory Board	•The term of office of directors shortened to one year (2001)	•Appointment of outside directors (2012) * 2 outside directors		•Appointment of female outside director (2016) * 3 outside directors •Evaluation of effectiveness of Board of Directors (2015-)	•Setting age limits for inside directors (2019)	
Board Committees/ Management Committees	•Establishment of the Companywide Environment Committee (1997) •Establishment of the Risk Management Committee (1999) •Establishment of the Real Estate Investment Committee (2008)	•Establishment of the Corporate Governance Committee (2012)		•Establishment of the Nomination Advisory Committee (2015) •Establishment of the Remuneration Advisory Committee (2015) •Establishment of the Internal Control Committee (2015)	•Establishment of the Sustainability Committee (2017)	
Other systems, measures, etc.	•Introduction of executive officer system (2007)	•Issuance of performance-based stock options for value (2013/2016) •Attendance by independent officers at shareholder opinion-voicing sessions (debriefing session for independent officers) (2012)	•Corporate Governance Guidelines established (2015)	•Introduction of stock compensation plan (2016) •Introduction of employee stock ownership plan (2016) •Introduction of corporate auditors' whistle-blowing system (2016)	•Newly established Legal Compliance and Quality Assurance Promotion Division, and Compliance Promotion Department (2019) •Established an internal reporting (whistleblower) system with an external law office (2019) •Developing a system to promote SDGs and ESG (2018)	

Transition of Board of Directors and Audit & Supervisory Board composition

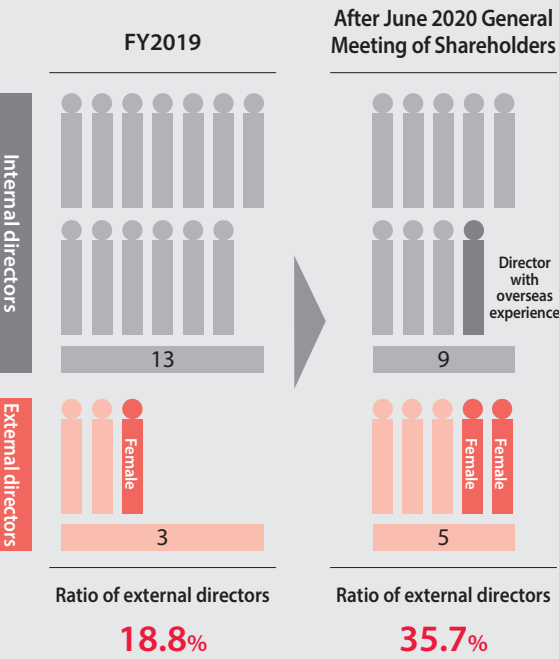


2020
Initiatives to enhance governance



Improvements to management structure

We have increased the number of outside directors in order to enhance the Board of Directors' supervisory function. We are also heightening diversity by appointing a female director and a director with experience of being stationed outside of Japan.



Corporate Governance System

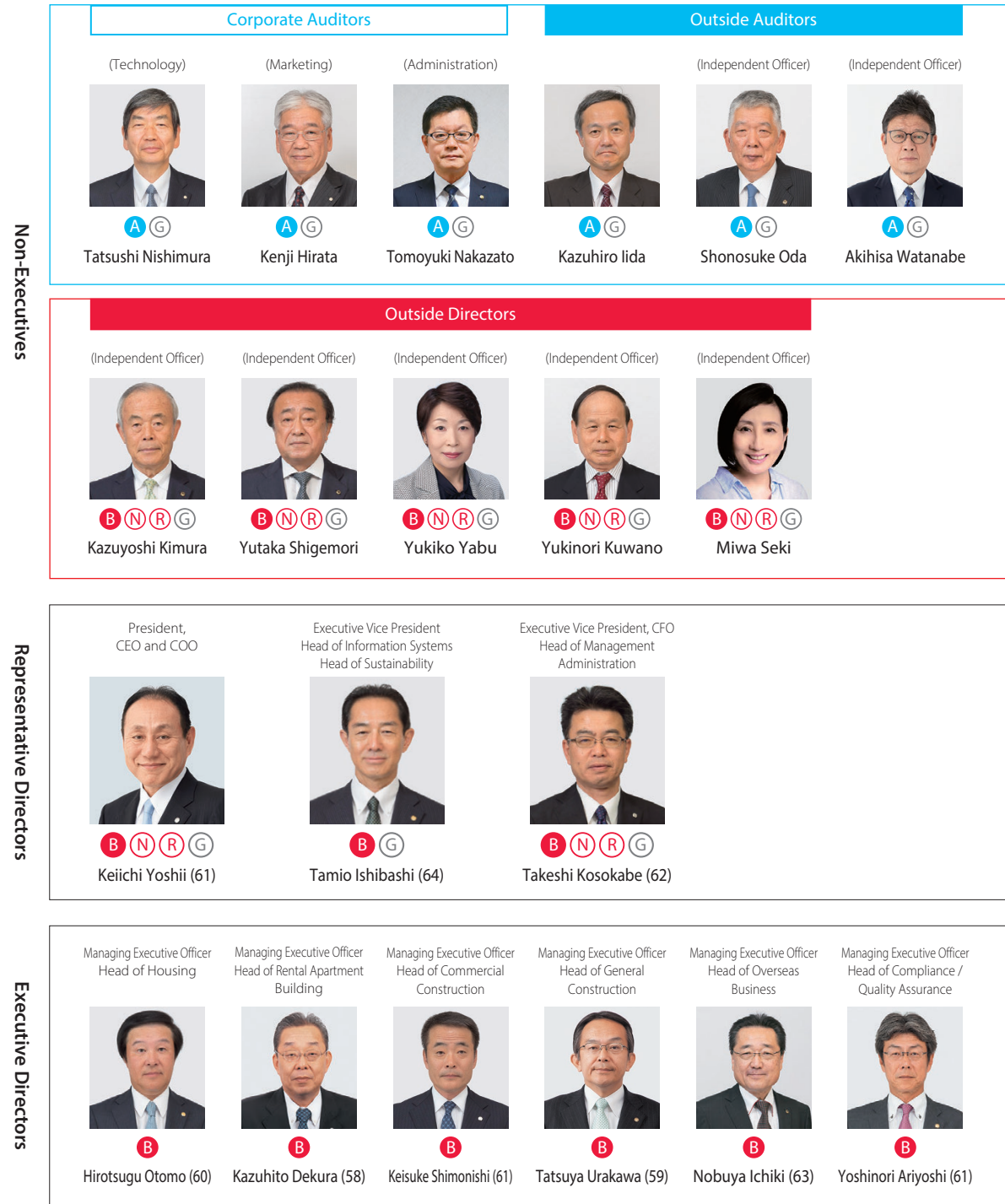
Concept of Board of Directors structure

Based on a long-cherished concept from the day of founding to promote a business that “will be useful to people and that will make them happy,” the Company’s Board of Directors upholds this concept in its management vision of being a group that co-creates value for individuals, communities, and people’s lifestyles. The Board’s mission is to embody the statement and to develop human resources that will carry on this mission into the future.

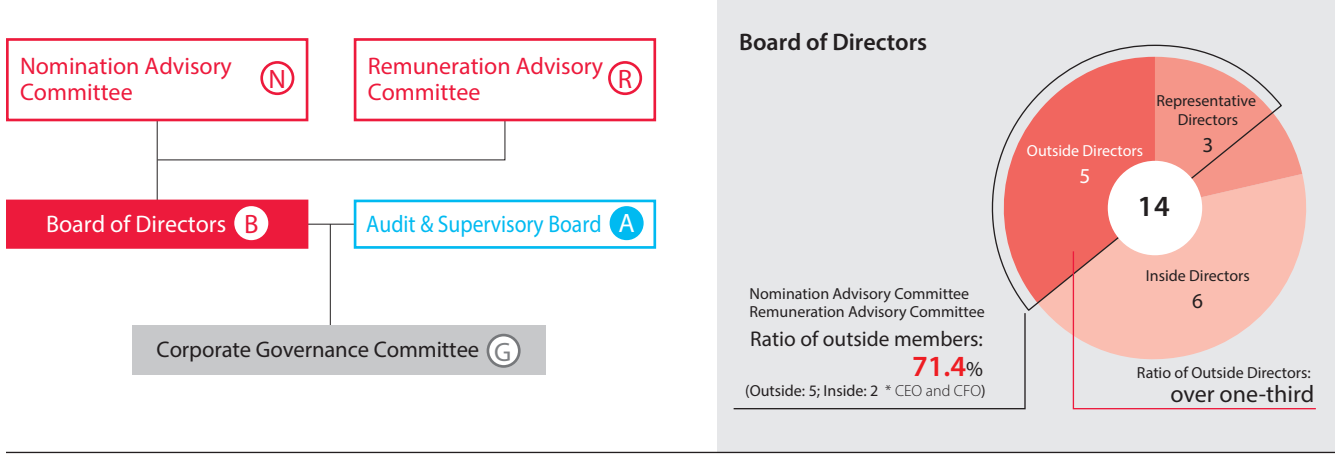
To realize the management vision, executive management must always explore the needs of society based on the attitude of a

bottom-up approach while the Board of Directors deliberates and decides how to embody such needs as a business, and quickly grasps reported risks regarding business execution to control and oversee these risks.

The Board of Directors has outside members who account for over one-third of the Board. By making greater use of diverse and external knowledge, experience and know-how possessed by Outside Directors, we aim for trustworthy and transparent management.



Structure of Committee for strengthening monitoring function of Board of Directors



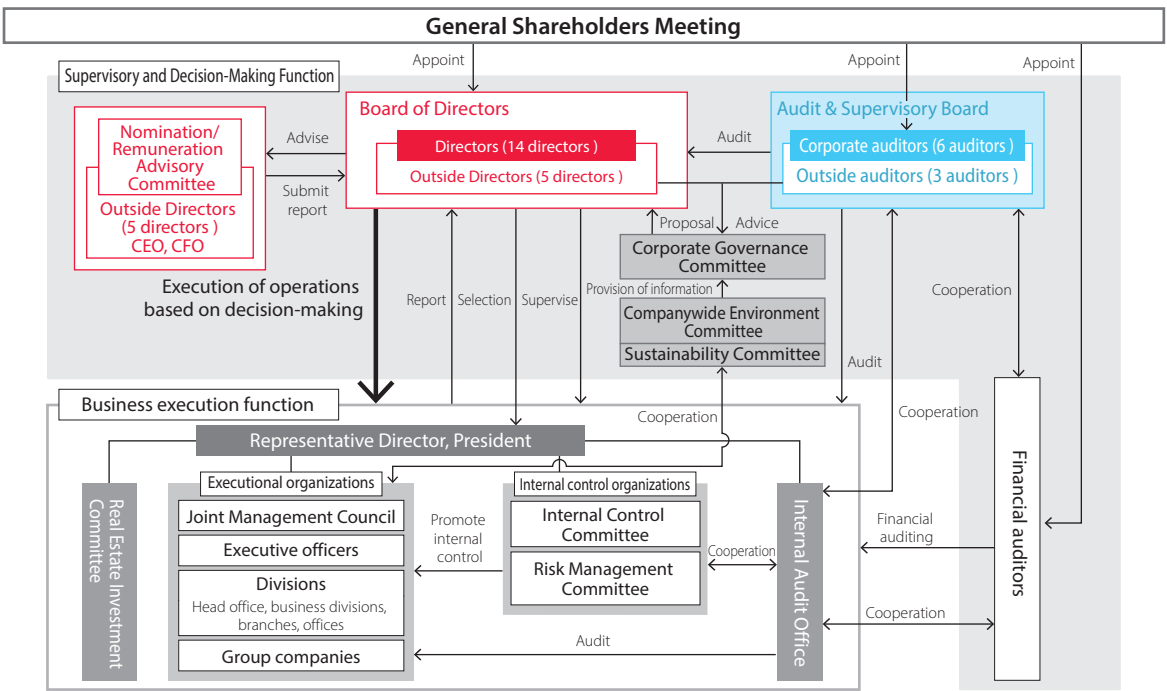
Expertise, experience and reasons for selection of Outside Directors

Name	Reasons for selection	Years in office	Nomination/Remuneration Advisory Committee	Expertise and experience			
				Corporate management	Audit	Investment/Finance	Marketing, planning, development
Kazuyoshi Kimura	Utilizing his extensive knowledge of corporate management cultivated over many years through his abundant experience as a business manager, he has played an important role in strengthening governance by providing opinions and remarks from various perspectives. Accordingly, the Company expects that he will continue supervising the Company's management from an independent standpoint.	8	●	●		●	
Yutaka Shigemori	Utilizing his extensive knowledge of corporate management cultivated over many years through his abundant experience as a business manager, he has played an important role in strengthening governance by providing opinions and remarks from various perspectives. Accordingly, the Company expects that he will continue supervising the Company's management from an independent standpoint.	8	●	●	●		
Yukiko Yabu	Utilizing her abundant experience in planning, development, market research, etc., of general consumer merchandise over many years, she has played an important role in strengthening governance by providing useful advice from the perspective of consumers. Accordingly, the Company expects that she will continue supervising the Company's management from an independent standpoint.	4	●				●
Yukinori Kuwano	Utilizing his abundant knowledge and experience as a corporate manager, he has been conducting highly effective audits as Independent Outside Audit & Supervisory Board Member of the Company for many years. Accordingly, the Company expects that he will supervise the Company's management from an independent standpoint through providing opinions and remarks from various perspectives to strengthen governance by utilizing his extensive knowledge in the future.	0	●	●	●		
Miwa Seki	She has entrepreneurial experience and has worked as a branch manager at a foreign financial institution. Accordingly, the Company expects that she will supervise the Company's management from an independent standpoint through providing opinions and remarks from not only an investor's viewpoint but also various perspectives by utilizing her extensive global knowledge cultivated through her experience as an educator and as a translator at present.	0	●		●	●	

* Figures in parentheses are the ages as of April 2020

Corporate Governance System

Corporate Governance System



Advisory Committees of Board of Directors (Board Committees)

Nomination Advisory Committee

Receives information from directors or executive officers in charge of human resources on individual director assessments and on proposals at the General Meeting of Shareholders relating to the appointment of directors, discusses the appropriateness of these, and presents an opinion, in order to ensure objectivity in the nomination of directors.
(Chair: an independent outside director; Meeting frequency: once a year in principle) / (Major past agenda) Draft of candidates for directors to be proposed at the General Meeting of Shareholders, etc.

Remuneration Advisory Committee

Receives advice on policy for decisions concerning director remuneration and details of individual remuneration, etc., and presents an opinion to ensure objectivity in the function concerning director remuneration. In addition, deliberates appropriateness of the decision-making process of remuneration by actively using external investigation data, etc.
(Chair: an independent outside director; Meeting frequency: once a year in principle)
(Major past agenda) Officers' remuneration system, etc.

Corporate Governance Committee

Meets for the primary goal of contributing to the medium- and long-term growth in corporate value. Exchanges views on vision, strategies, and other items pertaining to corporate governance and overall management, considering diverse viewpoints and taking a long-term perspective. Aims to make the company better by fully incorporating into management the knowledge and expertise possessed by Outside Directors and Outside Auditors. (Chair: President; Meeting frequency: twice a year in principle)
In addition, the Committee exchanges views on the initiatives for SDGs and ESG upon having informed of important matters by the Companywide Environment Committee and Sustainability Committee.
(Major past agenda) Measures to enhance governance of the Daiwa House Group, etc.

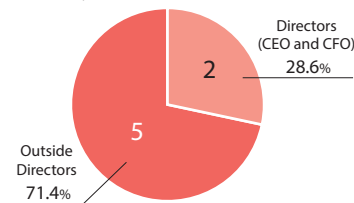
Committees concerning operational execution (Management Committees)

Joint Management Council

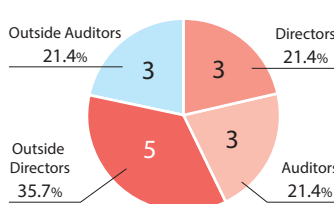
The Joint Management Council is established for appropriately executing the decisions made by the Board of Directors through having the Board of Directors and executive officers fulfill their respective duties and communicate each other. Deliberates and reports on important matters relating to business execution and evaluates internal control and risk management systems.
(Chair: President) / (Major past agenda) Report on progress of each business, report on progress in product development and research divisions, etc.

* Held 7 times in FY 2019

Members of Nomination Advisory Committee and Remuneration Advisory Committee



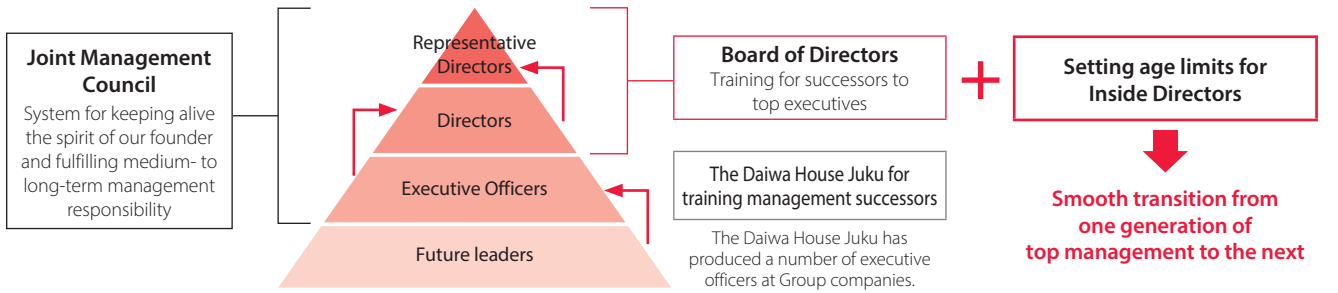
Members of Corporate Governance Committee



Putting in place a program to nurture the next generation

To ensure further business growth under a rapidly changing operating environment, the Company has set age limits for Inside Directors (Representative Directors: sixty-nine; Directors: sixty-seven), thereby promoting smooth transition from one generation of top management to the next.
In nurturing management successors, we believe that seamlessly passing down managerial experience and accumulated know-how is indispensable for sound and sustainable development. We

intentionally create opportunities for employees at each grade to interact with staff in higher positions, such as Joint Management Council, who are in this way constantly reminded of their responsibility to prepare their successors for promotion, while striving to expand the pool of human resources who demonstrate remarkable abilities to innovate and are capable of challenging new business fields and responding to the expansion in the range and operating regions of our businesses.



Procedures for director nominations and proposed dismissal

The procedures for director nominations and proposed dismissal are determined on the basis of Principle 3.1 of the Corporate Governance Code, which was revised in June 2018.

When a director nomination is made, the matter is discussed by a Nomination Advisory Committee made up of five outside directors and two inside directors to ensure independence and objectivity, and the decision is made by the Board of Directors with reference to the outcomes of this discussion.

When the dismissal of a director is proposed, the matter is decided by the Board of Directors.

Criteria for candidate directors	
1. They should have excellent personality and wisdom, excel in management sense, and possess expertise in various management issues.	5. They should be highly motivated to improve their own abilities.
2. They should excel in the ability to analyze and judge objectively from the perspective of the whole company.	6. They should be capable of actively stating the opinion from the perspective of the whole company.
3. They should excel in foresight and insight.	7. They should not fall under the grounds for disqualification of Directors stipulated in Article 331, paragraph 1 of the Companies Act.
4. They should be capable of accurately grasping the trends of the time, business conditions, and changes in the market.	

Criteria for director dismissal	
1. In case the director has committed an act that violates public order and morality.	
2. In case the director is unable to continue the execution of duties in the cause of health problems.	
3. In case the director has caused tremendous corporate value damage by its laziness.	
4. In case the director has fallen under the grounds for disqualification of Directors stipulated in Article 331, paragraph 1 of the Companies Act.	
5. In case the director is considered to be lack of motivations and abilities stipulated in Selection criteria.	

Procedures for director nominations	Nomination Advisory Committee	Board of Directors
	Discuss whether the candidate satisfies the above criteria and present conclusions to the Board of Directors	Decisions regarding director nominations

[Procedure for CEO dismissal]

The procedures for CEO dismissal are determined on the basis of Supplementary Principle 4.3.3 of the Corporate Governance Code, which was revised in June 2018.
The Nomination Advisory Committee meets and deliberates, considering quantitative assessments of financial performance targets and other circumstances, and debates whether a proposal to dismiss should be put before the Board of Directors.

When the proposal is subsequently put before the Board of Directors, the CEO shall be dismissed if a majority vote to do so. The CEO shall not take part in any of these deliberations or decisions.

Sale of cross-shareholdings

The Company owns cross-shareholdings to strengthen its relationships and collaboration with partner companies. The Board of Directors conducts an annual comprehensive review of each cross-shareholding in terms of the risks and benefits of maintaining it, based on conditions of trade, financial statements, external ratings and the required profit figure for cross-shareholding calculated from the WACC (weighted average cost of capital). As a result, the number of cross-shareholdings has fallen from 98 at the end of fiscal 2014 to 66 at the end of fiscal 2019.

[Criteria for sale of cross-shareholdings]

The purposes for which the shares are held are categorized into "increasing sales", "relationship building (with suppliers, etc.)", "business collaborations", and "other reasons", and the reasons for continuing to hold cross-shareholdings are reviewed once a year with reference to current dealings with the company concerned. Shareholdings are sold if there are no longer good reasons for holding them.

Actual sales of cross-shareholdings over past three financial years

FY	Number of shareholdings sold
2017	6 companies (sale of entire holding), 2 companies (partial sale of holding)
2018	6 companies (sale of entire holding), 1 company (partial sale of holding)
2019	4 companies (sale of entire holding), 4 company (partial sale of holding), 1 newly listed company

Policy on Remuneration and Evaluation on Effectiveness of Board of Directors

Remuneration policies

Objective

The Company's director remuneration*1 is designed to cultivate and secure superior management personnel and contribute to its sustainable development as a listed company by including a portion linked to operating performance and an appropriate remuneration system in consideration for corporate value creation.

A balanced remuneration system has been developed to ensure that appropriate management decisions are made by managers of a listed company—in response to changes in the operating environment—to primarily enhance the medium- to long-term corporate value.

*1 Excluding Outside Directors.

Details

The remuneration shall be as follows.

(i) Fixed remuneration

Fixed remuneration shall be paid in cash as compensation for fulfilling job responsibilities, to all Directors and Audit & Supervisory Board Members. By resolution of the General Meeting of Shareholders, the limit on remuneration for Directors is 70 million yen per month, and for Audit & Supervisory Board Members 18 million yen per month.

(ii) Annual incentive bonus

Directors (excluding Outside Directors) will be paid in cash as performance-based remuneration within 0.5% of consolidated ordinary income for “generating profits and fostering the Company's growth and development.” (KPI: consolidated ordinary income)

(iii) Stock compensation

Directors (excluding Outside Directors) will be paid two types of stock compensation as follows as performance-based remuneration in shares. The aim of this is to increase still further the connection to shareholders' profits, and to heighten incentives to raise corporate value over the medium to long term.

(1) Performance-based remuneration of transfer-restricted stocks (hereinafter “Transfer-restricted stock remuneration”)

This is paid to encourage commitment to achieving medium-term performance targets and raising shareholder value. This is a system to grant company shares with restrictions on transfer up to retirement from the said position, at the start of the Medium-Term Management Plan, and according to attainment of consolidated operating income each fiscal year in the Medium-Term Management Plan. (KPI: consolidated operating income in the Medium-term Management Plan period)

(2) Stock issuance trust

This is paid as compensation for long-term shareholder value creation.

This system puts cash in trust and acquires company shares to the limit decided at the General Meeting of Shareholders, to grant shares to Directors, according to attainment of ROE (return on equity). (KPI: ROE for each fiscal year)

Regarding the amount to be paid, in principle efforts will be made to secure approximately 10% as stock remuneration to act as an incentive to raise corporate value in the medium and long term.

Determination process

To ensure the transparency and objectivity of these decisions, decisions are made by the Board of Directors following deliberation by the Remuneration Advisory Committee, which is chaired by an outside director and has outside directors making up more than half of its members.

And also to ensure that the annual incentive bonus amount provided to Directors in relation to operating performance in the subject fiscal year is in accordance with the will of the shareholders, this amount is tabled as a proposal at the annual General Meeting of Shareholders.

Initiatives to further share value with our shareholders

The Company recommends to its executives to own company shares through shareholders associations and so forth, to encourage a sense of shared profit awareness with shareholders and behavior respecting shareholder value.

The Shareholding Guidelines below in principle require the holding of a certain number of company shares at the minimum by members (or future members) of management, in recognition of the important role they play in sustainable growth and greater corporate value over the medium and long term for the Company.

<Shareholding Guidelines>

Directors:	In principle to own 6,000 or more company shares within 3 years of appointment
Executive Officers:	In principle to own 3,000 or more company shares within 3 years of appointment
Directors of Group companies*2:	In principle to own 2,000 or more company shares within 3 years of appointment

*2 Only for Directors of 100% subsidiaries.

Directors' remuneration structure

Period	Type of remuneration	KPI
Short-term (monetary)	Fixed remuneration	Not more than 70 million yen per month
	Annual incentive bonus	Consolidated ordinary income (paid within 0.5%)
Medium- and long-term (share)	Transfer-restricted stock remuneration	Performance targets of the Medium-Term Management Plan Operating income for the three-year period under the Sixth Medium-Term Management Plan (FY2019: 378.0 billion yen FY2020: 390.0 billion yen FY2021: 405.0 billion yen)
	Stock issuance trust	The number of shares issued changes according to actual ROE figures ROE: 13% or higher = 1, 8% or higher but less than 13% = 0.5 Less than 8% = 0

Fixed remuneration		Performance-based remuneration	
Basic remuneration Approx. 42% (not more than 70 million yen per month)	Annual incentive bonus Approx. 47%	Stock compensation Approx. 10%	
		Performance-based remuneration of transfer-restricted stocks	Stock issuance trust
(KPI: Consolidated ordinary income)		(KPI: Consolidated operating income)	(KPI: ROE)

* As the ratios are rounded off to the decimal point, the sum total of them may be less than 100%.

Remuneration paid

Director remuneration	FY2017*3	FY2018	FY2019	FY2019 Composition of remuneration
Directors' fixed remuneration (excluding outside directors)	735 (19 directors)	742 (16 directors)	710 (13 directors)	42.2%
Directors' annual incentive bonus	986 (15 directors)	836 (16 directors)	798 (13 directors)	47.4%
Stock compensation	129 (15 directors)	145 (16 directors)	175 (13 directors)	10.4%

*3 Excludes ¥100 million in special bonuses awarded to retiring directors through a resolution of the 79th General Meeting of Shareholders held on June 28, 2018.

Overview of evaluation on effectiveness of Board of Directors

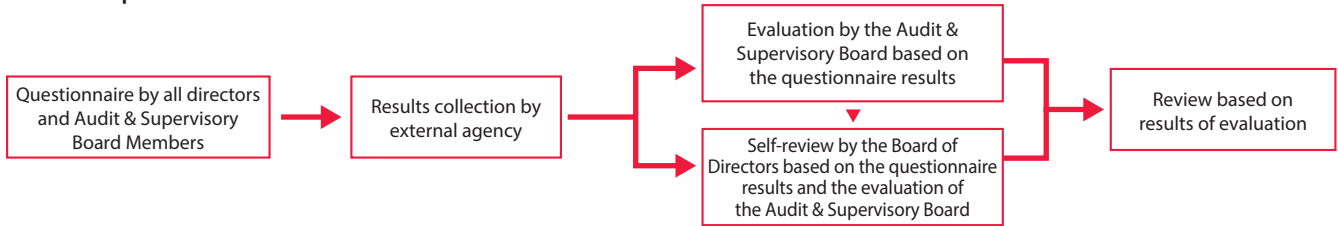
Based on the Corporate Governance Guidelines, the Company has, since 2015, conducted evaluations of the effectiveness of the Board of Directors with the aims of improving the functions and effectiveness of the Board of Directors.

Questionnaire-based surveys of directors and Audit & Supervisory Board members are conducted, and the effectiveness evaluations are

made on the basis of the results of these together with the evaluation of the Board of Directors made by the Audit & Supervisory Board.

While question selection and results collation were undertaken by the Company in 2015 and 2016, an external agency has been engaged to conduct the survey since 2017, with responses being provided directly to the external agency to ensure anonymity.

Evaluation process



Evaluation items

The survey was made up of 32 multiple-choice questions and 10 questions requiring written answers about items on the right.

The multiple-choice questions asked for rankings on a one-to-five scale (where 5 = highest ranking, 1 = lowest ranking).

Although the evaluation of the Board of Directors as a whole was relatively high, a low ranking was given to the composition of the Board of Directors.

Evaluation items	Average score
Composition of Board of Directors	3.7
Operation of Board of Directors	4.4
Support structures for directors and Audit & Supervisory Board members	4.1
Training	3.8
Dialogue with shareholders	4.1
Attitude of directors and Audit & Supervisory Board members to their duties	4.3
Evaluation of the Board of Directors as a whole	4.4

Summary of evaluation results for 2019

Based on the status of each evaluation item, the effectiveness of the Board of Directors was evaluated as being fully satisfactory.

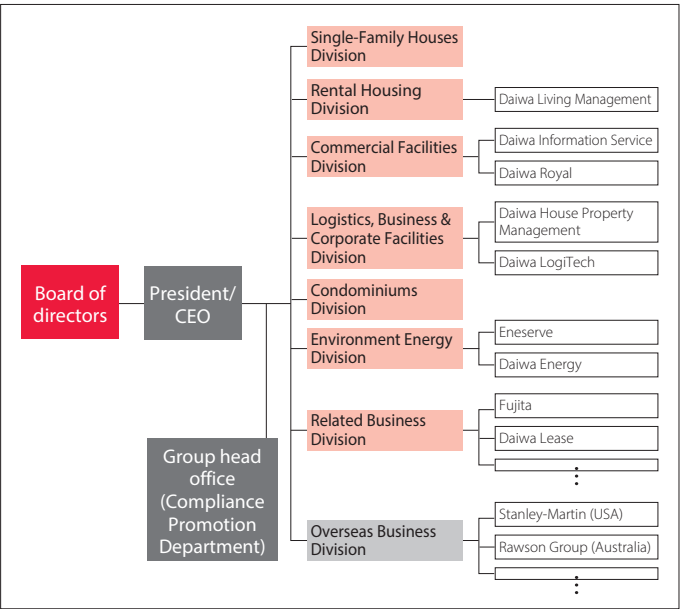
The Company recognizes the need to ensure a balance of knowledge, experience, expertise, genders, internationalism and other factors in the composition of the Board of Directors, for the sake of greater business expansion. In order to further enhance governance, we have shared issues such as rebuilding of the risk management system.

Management Structure



Introduction of a Business Division-based System

As an initiative to enhance agile business execution and risk response structure, in April 2020, we reorganized the business operations in Japan into seven business divisions, and relevant Group companies were positioned within their purview. Toward the full-scale operation of the system set to commence in fiscal 2021, we are developing an organizational structure and operational method. We also established a Compliance Promotion Department in November 2019 to promote effective risk management as well as legal and ethical compliance at worksites operated by the Group. During the current fiscal year, we established an Overseas Business Headquarters to develop a management system for each respective region, with the intent to transition to a region management system overseas, in line with the full-fledged fiscal 2021 start of operation of the business division-based system. We also work to optimize organizations and functions for overlapped Group businesses and reorganize the Group Head Office function to ensure reliable and effective Group management and enhance Group governance.



Structuring and Operating the Internal Control System

To ensure that all officers and employees conduct efficient work performance in compliance with laws and regulations and that the Daiwa House Group can achieve sustainable growth, the Company has created the system as described below, under the authority of the president and the Internal Control Committee.

Operating the Internal Control Committee

We have established and operated the Internal Control Committee as an organ that aims and functions to receive report on the status of internal control of the entire Group, and to assess and promote correction of flaws or deficiencies thereof.

The Committee meets once a quarter. Major agendas for fiscal 2019 were improvement plans devised by each division in light of the reports on risk management activities, review on internal audits, and results of internal audits. One of the Committee's functions is to assess and correct flaws or deficiencies of internal control. To make this function further effective, we adopt a process of conducting a survey on internal control issues for the Committee members. Then, the issues identified in the survey are assessed by relevant divisions to make improvements.

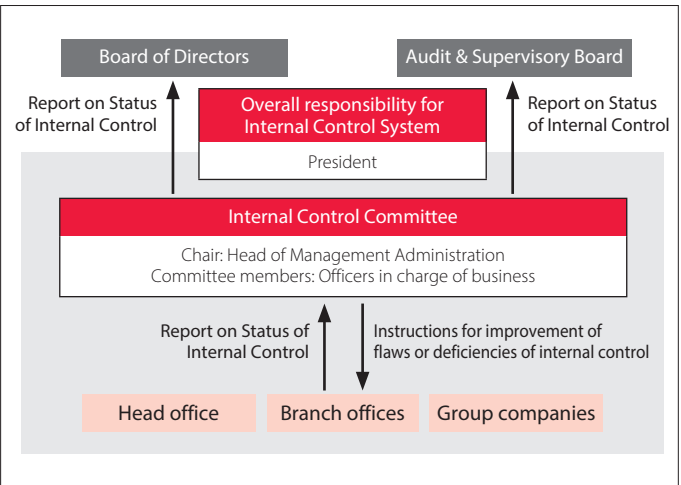
Systems for compliance with laws and regulations and risk management

1. Collecting and utilizing risk information

We have made it mandatory to report any risk information identified by the Head Office, worksites, or Group companies (including those outside Japan) immediately to the Head Office Risk Management Committee. The Risk Management Committee discusses and determines measures to prevent the materialization of the risk based on the reported risk information, and issues concrete instructions to the operational worksites. The risk information reported to the Risk Management Committee is promptly communicated to the Executive Officers and managers in relevant departments, and from them to the Internal Control Committee and the Board of Directors. For the purpose of collecting risk information properly, in fiscal 2019, risk information reporting standards were further clarified and concretized, and were notified to the Company and Group companies.

In order for the information to be communicated to the Board in a more appropriate and expeditious manner, we revised the standards

Internal control system



for bringing risk information before the Board of Directors.

We also established a new Compliance Promotion Department in fiscal 2019 to promote effective risk management as well as legal and ethical compliance at worksites operated by the Group. Utilizing risk information, we work to prevent the materialization of risks.

Furthermore, the Risk Management Committee meets not only at the Head Office but also at worksites once a month to discuss risks that have come to light and measures to deal with them or prevent their recurrence. Branch Office Risk Management Committee builds a management system within each worksite, shares the contents of proceedings of Head Office Risk Management Committee meetings across each worksite, and makes proposals in terms of business improvements to the Head Office. These two types of Risk Management Committees at the Head Office and Branch Offices are

operating by complementing each other, making the Company's risk management systems more robust.

2. Whistleblower system

For the purpose of early detection and correction of events that may inhibit sustainable growth of the Group, we have established and operated various whistleblower systems, which receive reporting not only from domestic sites but also from overseas offices in the languages of each region.

Not to discourage whistleblowers from reporting in fear of retaliation and detrimental treatment, we formulated rules to keep names of whistleblowers and the content of their reports strictly confidential, and to prohibit discriminatory treatment of them. Also, we make it mandatory to appoint a person who has no interests with the reported cases as an investigator to ensure that the reported events are properly processed.

In fiscal 2019, a new Lawyer Hotline connecting to a legal office was set up, thereby the risk information collection channel was expanded (The hotline receives reports not only from the Company but also from the Group companies.) A Risk Management Subcommittee was also set up, consisting of the departments in charge of these hotlines. These systems allow for regular monitoring of the actions that were taken for the reported events.

3. Response in cases where a material risk is manifested

In cases where a material risk is manifested, we have devised countermeasures against the issue by establishing emergency headquarters under the Risk Management Committee. In fiscal 2019, we formulated the Detailed Rules for Establishing and Operating Emergency Headquarters, which are more concrete and clarified rules with regard to the establishment and operation of the emergency headquarters. Specifically, the rules stipulate standard for establishing the emergency headquarters, establishment flow, and members and operations of the headquarters. Under these rules, the emergency headquarters is quickly set up with bare minimal members to take actions in order to minimize the effects on the Group and its stakeholders.

4. Compliance training

We proactively conduct compliance training with a view to enabling employees to improve their knowledge of relevant laws and regulations as well as their understanding of risk management. Specifically, we provide training programs for each employee grade to cultivate the knowledge and background needed for each employee grade,

including new recruits, mid-career employees and those in supervisory and managerial positions, and training programs organized for departments to enable employees to gain knowledge of the laws and regulations concerning their respective department.

5. Internal audits

The Internal Audit Office is a department specializing in internal audit, and verifies and evaluates whether operations comply with laws and corporate rules by conducting hearings of officers and employees of branch offices and Group companies and confirming documents. If any problem is discovered as a result of the audit, the office requests the submission of an improvement plan for such problem and a progress report on the improvement plan six months after submission.

Group management system

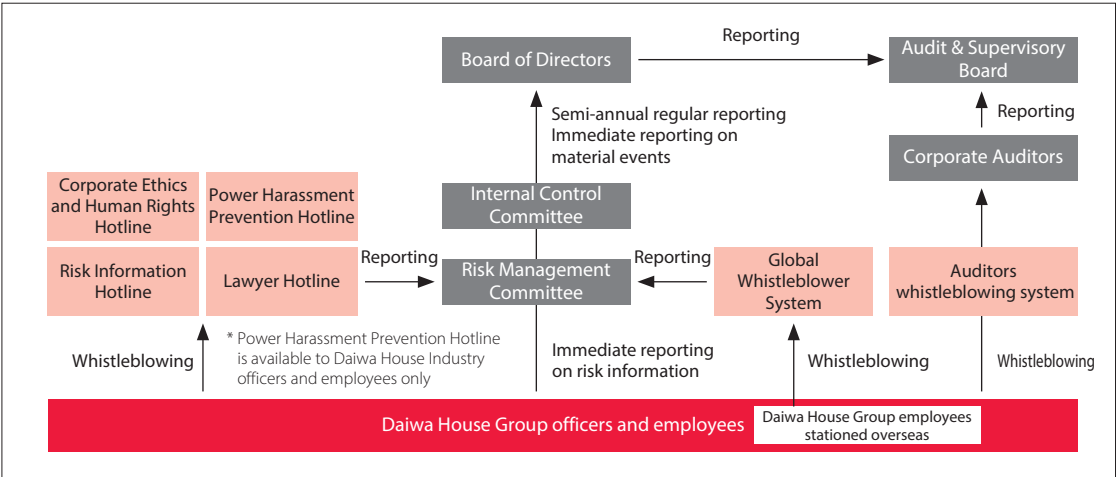
Group Management Rules has been established as rules for the management of Group companies under which the Group companies are requested to report important matters to the Company while maintaining the basic policy calling for Group companies to achieve business development with a spirit of independence and autonomy. In addition, each division of the Company is granted the Group head office function to support the operation of the Group companies within their purview. Details of this function are precisely provided in the Rules. These systems ensure the appropriateness of operations through adoption of control and discipline by the Company while respecting the flexible and efficient work performance of Group companies.

In addition, the Risk Management Committee convenes monthly at Group companies to discuss action policies and recurrence preventive measures for the risks materialized at Group companies. Through these meetings, the proceedings of the Risk Management Committee of the head office are implemented throughout the Group.

Audit system by Audit & Supervisory Board Members

Audit & Supervisory Board Members attend not only meetings of the Board of Directors but also other meetings, including meetings of the Real Estate Investment Committee and Corporate Governance Committee, and exchange opinions with financial auditors four times a year. These initiatives systemically ensure that important information relating to the Company's execution of operations is reported in detail to Audit & Supervisory Board Members.

Risk information communication flowchart



Progress of Recurrence Prevention Measures

We are steadily implementing the measures we have formulated to prevent the recurrence of misconducts.

Case 1: Accounting irregularities in a Daiwa House affiliate in the People’s Republic of China

Measures to prevent recurrence	Efforts in fiscal 2019	Status
Enhancement of Group governance	1. We made it a rule to appoint one or more directors with overseas business experience, and also formulated policies concerning the transition to a region management system overseas, establishment of an Overseas Business Headquarters, and building of management systems for respective regions (regional corporate functions).	Complete
	2. While individually addressing issues requiring immediate response, such as deposit account management and appointment of an auditor, we formulated investment management guidelines with a basic policy for joint venture management, and promoted other concrete actions.	Complete
	3. In fiscal 2020, we strive to enhance risk management and ensure governance and internal control by implementing each measure, building a business execution system for our overseas businesses, and operating investment management guidelines.	In progress

- Dalian Dahezongsheng Estate Co., Ltd., an equity-method affiliate, ceased its operation on December 31, 2019. As a result, in the fiscal 2019 financial results, an equity method loss of ¥7.3 billion was recorded under non-operating expenses . Then, in April 2020, we filed a petition for compulsory liquidation to wind up the company.

Case 2: Off-specification components in single-family houses and rental housing properties

Measures to prevent recurrence	Efforts in fiscal 2019	Status
Rebuilding the legal compliance system	We established the Legal Compliance and Quality Assurance Division, an independent division under direct control of the president, in August 2019. While strengthening functions for collection and communication of risk information, the Division rebuilds the system for supervising design and construction work in the technology divisions, and confirms and evaluates the operation, in an effort to enhance the legal compliance system.	Complete
Introduction of an internal qualification system	We conducted an internal qualification test related to the system of type-certified specifications in August 2019, and assigned appropriate personnel in charge of design starting from October 2019. The second test was held in January 2020, and personnel in charge of design were appropriately assigned in the same manner. We will annually conduct the internal qualification test in January, and respond to revisions of the system of type-certified specifications.	Complete
Strengthening of functions for communication of risk information	We established a mechanism whereby the risk information of each worksite is reported to the Legal Compliance and Quality Assurance Division without delay, mainly by worksite managers (branch managers and branch office managers) and design managers. The operation started in October 2019.	Complete
Strengthening of internal auditing functions	The Conformance in Specifications Department under the Legal Compliance and Quality Assurance Division has conducted individual design audits and conformity check with bylaws since October 2019. In addition, 100% of our properties go through inspections to verify their conformity to internal rules in the design process.	Complete
Appropriate evaluation of the state of legal compliance of business offices	The state of compliance with building laws and regulations including the system of type-certified specifications has been reflected in the performance evaluations of business offices since October 2019.	Complete
Strengthening the sharing of information between the head office and business offices, and reiteration of training	We reviewed our training program and started in August 2019 a course to provide professional expertise directly related to the design division's work, as well as a general training on basic knowledge in building laws and regulations. We review the legal compliance trainings on a companywide basis, and offer the opportunity to exchange opinions, whereby enhancing the communication between the head office and business offices.	Complete
Strengthening of internal check functions	We reestablished internal standard design rules (design guidelines), and rebuilt rules enabling long-term storage of plans, whose operation started in October 2019. We also began developing a Building Information Modeling (BIM) slated for full-fledged operation in October 2021 to strengthen functions for checking conformity to laws and regulations.	In progress (The operation will start in fiscal 2021.)

- In the Sixth Medium-Term Management Plan, ¥100 billion will be invested in reinforcing technology infrastructure and reforming work practices.

Case 3: Inadequate work experience criteria for qualifications tests

Measures to prevent recurrence	Efforts in fiscal 2019	Status
Establish a systematic qualifications acquisition model plan	We will show the Technology Division employees a career enhancement model through acquiring the Qualifications they need to obtain in work linked with their academic background. With this, we will aim to encourage employees to acquire the appropriate qualifications on a planned basis. The operation of this will start with new employees in fiscal 2021.	In progress (The operation will start in fiscal 2021.)
Build an internal check structure concerning the work experience criteria	1. We established a department that manages the work experience criteria within the Technology Division. The department supervises and manages the work experience criteria of operation and management engineers, and notifies and alerts employees belonging to the Technology Division. The department was already established in July 2020.	Complete
	2. We will prepare a tool by which both the candidates for qualifications tests and a department managing the work experience criteria within the Technology Division will be able to confirm the work experience of candidates. This will build a system that allows us to confirm at a glance a candidate's academic background, record in the company, qualifications held and work experience. Also, work experience accumulated by operation and management engineers will be registered with the system. The system has been under construction since July 2020, whose operation will start with those planning to take tests in fiscal 2021.	In progress (The operation will start in fiscal 2021.)
	3. To accurately confirm the work experience possessed by the candidates for Qualifications tests, the department that manages the work experience criteria within the Technology Division will check what is filled out by the candidates in the Work Experience Certificates. We will also establish a new rule by which candidates will not be able to apply to receive the Company's seal to be affixed to their Work Experience Certificates without a check by the head office. The operation of this will start with those planning to take tests in fiscal 2020.	Complete
Provision of checklist to confirm work experience	A checklist will be prepared that allows candidates to confirm for themselves the work experience criteria sought by the Test Guidebook at the time the candidate applies to take the test. The operation of this will start with those planning to take tests in fiscal 2020.	Complete

Other general measures

Measures to prevent recurrence	Efforts in fiscal 2019	Status
Refining our human resources' sensitivity to risks	To enhance the sharing of information between the head office and business offices, compliance reinforcement groups were set up in each business division. The groups are revamping manuals and creating an environment to learn laws and regulations that are relevant to respective onsite operations. In addition, misunderstanding of rules among employees has been often pointed out in internal audits, owing to the head office's instructions coming in via multiple media that complicated the understanding. To resolve the issue, we are providing information by organizing error-prone items, and also developing a new communication system led by the Compliance Promotion Department, which will centralize and transmit the instructions to business offices.	Complete

Note: Items that are already in operation are shown as "Complete."

Reference

- Case 1:**
June 2019: Notice of Receipt of Third-Party Committee Report Concerning Irregularities in the Accounts of a Daiwa House Affiliate in the People's Republic of China (https://www.daiwahouse.com/English/about/release/pdf/release_20190618e.pdf)
November 2019: Recurrence Prevention Measures Concerning Irregularities in the Accounts of a Daiwa House Affiliate in the People's Republic of China (Japanese only) (https://www.daiwahouse.com/about/release/house/pdf/release_20191108-2.pdf)
- Case 2:**
June 2019: Identification of Causes of Off-Specification Components in Daiwa House Single-Family Houses and Rental Housing, and Measures to Prevent Recurrence (https://www.daiwahouse.com/English/about/release/pdf/release_20190608-4e.pdf)
November 2019: Progress of Recurrence Prevention Measures Concerning Off-Specification Components (Japanese only) (https://www.daiwahouse.com/about/release/house/pdf/release_20191101.pdf)
- Case 3:**
December 2019: Notice Concerning Inadequate Work Experience Criteria for Qualifications Tests (Main Recurrence Prevention Measures) (https://www.daiwahouse.com/English/about/release/pdf/release_20191218e.pdf)
April 2020: Notice Concerning the Receipt of an Investigation Report from an External Investigation Committee (https://www.daiwahouse.com/English/about/release/pdf/release_20200417e.pdf)

Rebuild governance to restore the trust from stakeholders, and achieve sustainable management with financial strategies ensuring a good balance between vigorous growth and stability



Takeshi Kosokabe

Takeshi Kosokabe
Executive Vice President and CFO

I would first like to take this opportunity to thank all of our shareholders and investors for the support they have extended to the Daiwa House Group. Being engaged in initiatives for governance and society as Executive Vice President and CFO, I am reminded of the increasing importance of ESG for corporate sustainable growth.

In fiscal 2019, the Company discovered a series of violations of its compliance rules. I would like to again sincerely apologize to all our stakeholders for the trouble and concern caused by these events. Facing up to the serious consequence that has shaken your confidence in the Group, we will steadily implement measures to enhance our governance and exert our utmost efforts to regain the trust in the Group. The progress of the measures will be reported to the stakeholders on a periodic basis.

Heighten diversity and further enhance the effectiveness of the Board with outside directors accounting for over one-third of the Board

Last year, we set up a project team led by myself, and announced four basic policies to enhance governance in November. The policies have been steadily implemented at all Group companies both in Japan and abroad, with an aim to rebuild the Groupwide governance largely during the three years under the Sixth Medium-Term Management Plan.

First of all, under Basic Policy No. 1—Review management structure and state of management and supervision—the ratio of outside directors to the Board is now over one-third, based on the resolution at the June 2020 General Meeting of Shareholders. Accordingly, we have nine inside directors and five outside directors in the Board. In addition, we introduced a mandatory retirement age for officers. The maximum age for serving as inside representative directors shall be sixty-nine, while that for inside directors and auditors as well as executive officers shall be sixty-seven. By setting the age limits, we seek to secure diversity of the Board, encourage more lively discussion, and ensure a smooth transition from one generation of top management to the next. Our future task is to optimize management structure through reorganizing managerial decision-making function and management and supervision functions and improving corporate value with medium- to long-term management strategies and a stronger supervisory function.

Reviewing risk management and governance systems toward enhancing corporate governance

Under Basic Policy No. 2—Enhance agile business execution and risk response structure, we established eight Divisions following the introduction of a business division-based system in April 2020. Business operations in Japan were reorganized into seven

business divisions, namely, Single-Family Houses, Rental Housing, Commercial Facilities, Logistics, Business and Corporate Facilities, Condominiums, Environment Energy, and Related Businesses, while relevant Group companies were positioned within their purview. The head of each division has comprehensive authority over and responsibility for business performance and risk management, while all divisions support all business divisions in a cross-sectoral manner. In these ways, we will work to enhance the functioning of our governance system. Toward the full-scale operation of the system set to commence in April 2021, fiscal 2020 is positioned as a year in which the Company develops an organizational structure and operational method. In addition, we set up a Compliance Promotion Department in November 2019. The department works to preempt the emergence of risks and non-compliance by facilitating better communication between the head office and the business front line, while also playing its part in realizing an improved working environment.

In our global business, we established an Overseas Business Division, under which management systems were established for our respective five global business areas—North America, Australia, member nations of ASEAN and South Asia, Europe, and East Asia. Officers exercising comprehensive authority over each area will manage business performance, risks, and compliance in their respective areas.

Going forward, we will optimize organizations and functions, etc. for overlapped Group businesses and reorganize the Group head office function, so as to manage the Group in a sustained and efficient manner and enhance the Group-wide governance.

Regarding Basic Policy No. 3—Strengthen risk information gathering and sharing, we clarified risk reporting standards and established a new external whistleblowing hotline. Working to have them gain foothold, we will make ongoing improvements to the risk management system in line with the new business execution system.

Strengthen management base with investment in work-style reforms and technological infrastructure development

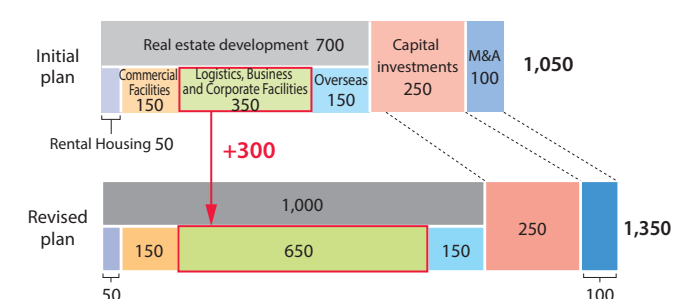
Finally, under Basic Policy No. 4—Strengthen environment for supporting sustainability and implementation, we continue risk and compliance training for executives and employees and strengthen the Group's internal audit system and risk approach. We will maintain these compliance-related activities while making further efforts to enhance efficient business bases to raise our operational effectiveness. To achieve sustainable growth over the medium- to long-term, it is vital to make investment for strengthened management base. In the Sixth Medium-Term Management Plan, of the ¥250 billion in capital investment, ¥100 billion is set to be invested in reforming work styles and

Basic policy: Investment Materiality ④: Efficient management and financial soundness aware of capital costs

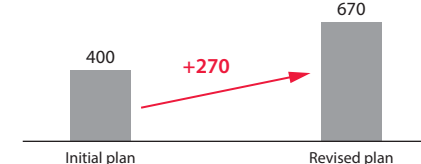
Investment Plan under the Sixth Plan

Revised upward investment plans for Logistics, Business and Corporate Facilities in view of solid demand for logistics facilities and robust market conditions of logistics real estate trading

Investment Plan (¥ billion)

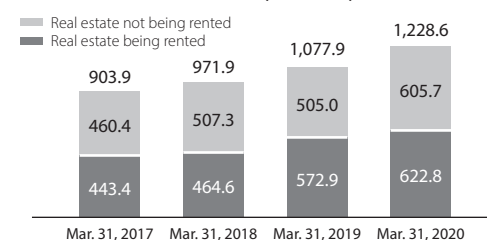


Plans for development properties sale (¥ billion)



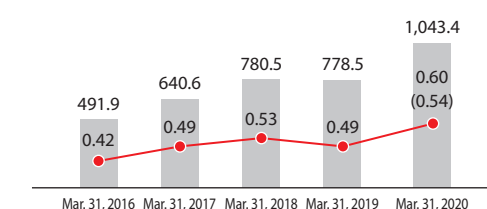
Status of real estate investment

Real estate investment (¥ billion)



Interest-bearing debts

Interest-bearing debts (¥billion) — Debt-equity ratio (times)
(Reference: after factoring in the hybrid bonds)



reinforcing technology infrastructure.

Due mainly to shrinking population, Japan is predicted to see decreases in demand for housing and the number of skilled builders by approximately 40% and 60%, respectively, in a decade to come. I believe the day is coming in sight when digitizing technologies—building technique itself in addition to diversifying marketing methods with the use of IT—will determine the competitive superiority in the industry.

To follow this trend, it is essential to strengthen our operational systems through a digital transformation (DX) process. One such effort is the adoption of Building Information Modeling (BIM) to check conformity to laws and regulations with greater efficiency. Labor saving and automation of construction sites using operational robots will also help us increase the competitive superiority.

Maintain financial soundness with an emphasis on cash flows considering the balance between real estate investment and collection

With respect to financial condition, development property sales have been steadily progressing, but interest-bearing debt increased by ¥264.9 billion over the past year, with the year-end balance of ¥1,043.4 billion. The debt-equity ratio came to 0.60, higher than the appropriate financial leverage of around 0.5 times set out in the Sixth Medium-Term Management Plan. However, anticipating an increase in real estate investment, we issued hybrid bonds (subordinated bonds) with a public offering amounting to ¥150 billion in September 2019 to maintain financial soundness. The issuance intended to improve the debt-equity ratio from the perspective of capital reinforcement, and when factoring in the equity credit attributes of the hybrid bonds, the debt-equity ratio stood at 0.54.

For us to remain financially sound, we must place greater emphasis on cash flows in our business operations. I consider improving the turnover ratio of assets, especially that of real estate for sale, as one of the priority issues for the Company's financial strategies. Based on this understanding, we want to raise the annual turnover ratio of single-family houses to 1.0, which is currently hovering at around 0.6. Also, the year-end balance of land and buildings for sale for condominiums amounted to approximately ¥390 billion, which I believe to be rather excessive compared with net sales. We will devise measures not to retain and accumulate these assets on hand.

The turnover ratio of real estate for commercial facilities, as well as logistics, business and corporate facilities, remains relatively high. We will keep an eye on and respond agilely to the respective market conditions.

In terms of real estate development, investments in the first year of the Sixth Plan were ¥362.6 billion. Given the

faster-than-expected progress of the investments in logistics, business and corporate facilities with a focus on logistics facilities, we revised our investment plans for these facilities to ¥650 billion, an increase of ¥300 billion from the initial plan. This revision increased our investment plans for real estate development from ¥700 billion to ¥1,000 billion.

The balance of real estate development as of March 31, 2020 was ¥1.2 trillion, the majority of which were logistics facilities. While the world has been impacted by the COVID-19 pandemic, logistics volume for e-commerce is increasing due to growing demand among consumers choosing to stay at home. At the same time, manufacturing companies are facing inventory buildup for materials and products. As markets work to rebuild supply chains, the demand for multi-tenant logistics facilities remains high in major urban areas, and there is significant latent need in core rural cities and surrounding areas. We expect this demand will remain firm going forward, so we will continue to focus on it. In addition, the Company continues investing in multi-use development and urban redevelopment projects, the areas in which the Company can demonstrate its strengths. We intend to invest in new real estate development projects more carefully than ever, but it is under such a market condition that new investment opportunities may emerge. We plan to closely examine all investment opportunities that would benefit our operation.

As to sale of development properties, we sold properties amounting to ¥189.5 billion in the first year of the Plan, an addition of ¥86.4 billion to the initial plan, and ¥190 billion worth of sale is scheduled for the second year. Having reviewed plans for sale for the three years in line with the upward revision in the investment plans, we revised initial sales plans to ¥670 billion, an increase of ¥270 billion. We will generate contributions to cash flow by accelerating facility construction on previously acquired land and by achieving the rapid launch of operations on real estate currently not being used. Holding some additional properties ready for sale, the Company will seek the right timing by keeping a close watch on circumstances, including its cash flows, degree of profit attainment and growth of REITs it manages, though it is a little hard to predict how the spread of COVID-19 will affect the real estate market in the future.

Developing Livness, a highly capital-efficient business, into a new growth driver

Having constantly adopted financial strategies that were a step ahead of the times, Daiwa House Industry has solidified its stable management foundation. Taking the publicly offered hybrid bonds mentioned earlier as an example, we timely procured funds that would contribute to financial soundness at a low interest rate before the market was affected by the COVID-19

pandemic, while the risk of rising interest rates in the market is not anticipated at this point.

As the balance of investment real estate increases, we are exploring various purchasers by organizing a private placement REIT and a private placement fund, in addition to a listed REIT we manage. The Company develops a diverse type of assets based on relationships with a wide variety of tenant companies, which is one of its strengths in real estate development. By leveraging this strength, we will determine the timing that would be appropriate to sell the properties.

Meanwhile, to promote business operations with an emphasis on cash flows in this difficult market environment, we need to think of a way to raise financial efficiency. In 2018, we launched Livness, a new group-wide brand to strengthen the housing stock business, under which we offer real estate agency intermediary services, the purchase and resale of homes, renovation work, and so on irrespective of business types. Without involving facility investment, this business is highly capital-efficient and also accords with our founder's spirit, "being of service to society." Developing Livness into a new growth driver will be the key to riding out the current difficulties.

Shareholder returns

The Company's capital policy consists of three indicators, namely, return on equity (ROE) of 13% or higher; debt-equity ratio of around 0.5; and dividend payout ratio of 30% or higher combined with flexible acquisition of own shares. The current shareholders' equity cost of the Company is approximately 6.5%, while ROE, one of the important indicators, has been more than 13% since fiscal 2017.

Nonetheless, assuming deterioration in the operating environment due to the COVID-19 pandemic, I believe it is important to devise financial strategies with both growth and stability in mind by further balancing these three indicators.

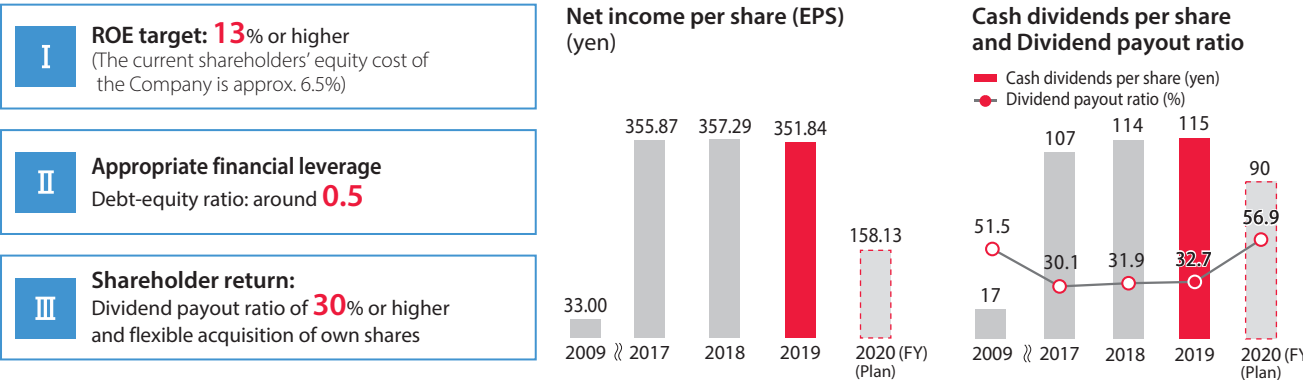
In terms of cash dividends, as a result of increasing earnings per share (EPS), we achieved an annual dividend of ¥115 and a payout ratio of 32.7%, representing the 10th consecutive term of increase in fiscal 2019. In fiscal 2020, we plan an annual dividend of ¥90 and a payout ratio of 56.9% from the perspective of maintaining stable dividends, despite a projection for decreased sales and income on account of the impact of COVID-19. We are currently repurchasing our own shares with a maximum of 10 million shares for a total acquisition price of ¥30 billion. Additional acquisitions will be discussed according to situations after the containment of COVID-19, and for the time being, we will secure funds on hand given the larger-than-projected decrease in operating cash flow.

Amid the COVID-19 pandemic, we will undoubtedly have to contend with an extremely serious business environment during the current fiscal 2020. But it is precisely in such circumstances that we will continue steady efforts, and the true worth of the Daiwa House Group—which we owe to the example set by our founder Nobuo Ishibashi—will be revealed.

Continuing dialogue with all our stakeholders, including shareholders and investors, and listening to their opinions, and promoting businesses that will be of service to society guided by the Group's Endless Heart symbol—to create bonds of empathy—all employees and executives of Daiwa House Group will unite to achieve continuous growth. I look forward to the continued support of all our stakeholders.

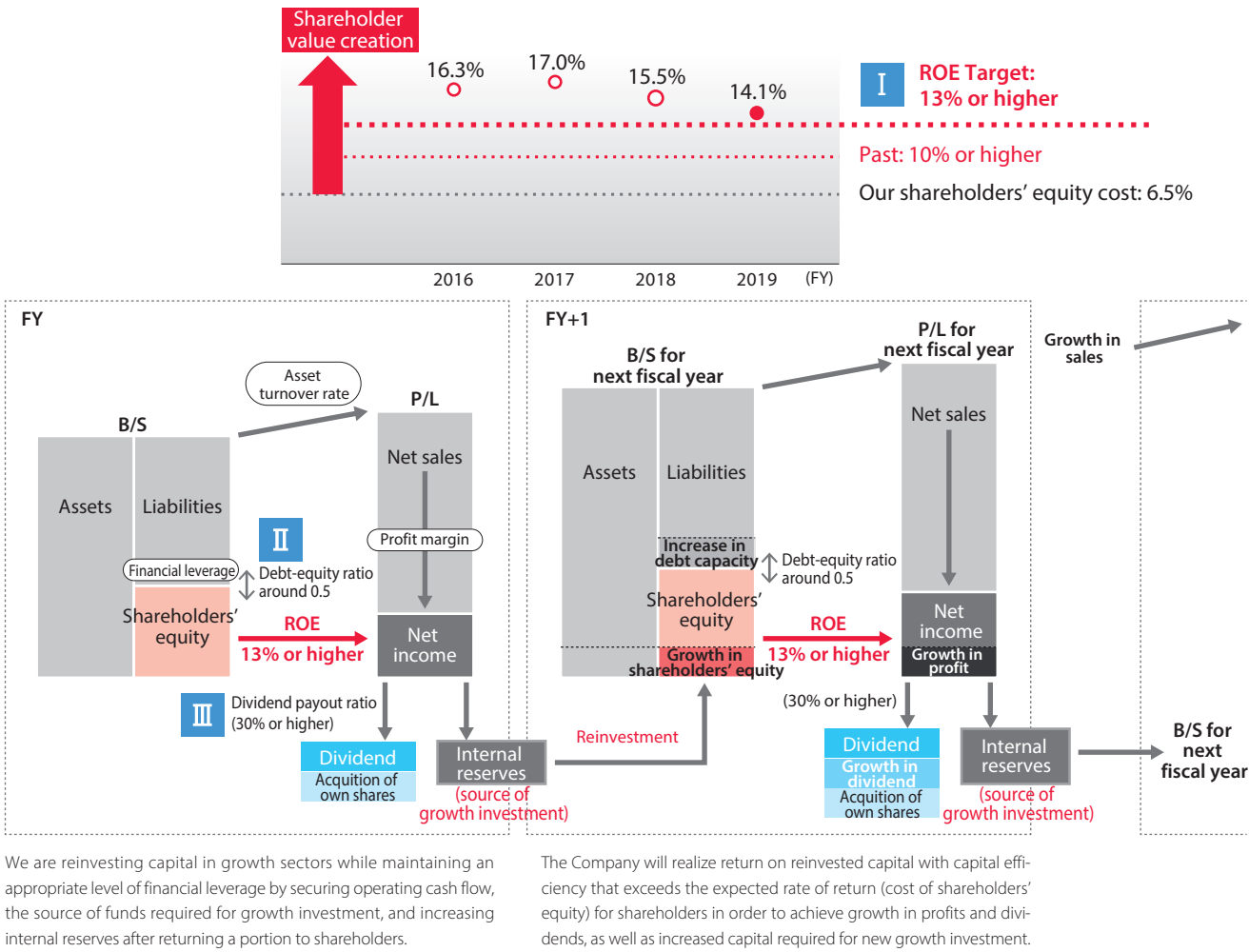
Basic policy: Financial

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.

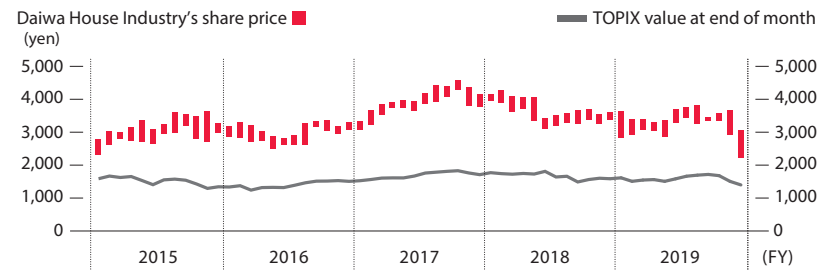


Basic Strategy for Capital Policy

Conceptual diagram of basic strategy for capital policy



Trends in share price of Daiwa House Industry and TOPIX



	2015	2016	2017	2018	2019
Market capitalization (¥ million)*1	2,109,310	2,129,297	2,731,576	2,344,492	1,783,852
Total shareholder return (%)*2	136.9	142.0	184.7	165.0	134.4
Share price high (yen)	3,654.0	3,367.0	4,594.0	4,293.0	3,647.0
Share price low (yen)	2,326.0	2,500.5	3,096.0	3,119.0	2,230.5

*1 At the end of the fiscal year
*2 Numerical yield value incorporating both dividends and capital gains on shares

Management's Discussion and Analysis of Financial Position and Results of Operations

[MD&A summary]	
I. The financial health for sustaining growth remained at the target level.	<Financial position> P.70
II. The ability to generate cash steadily improved as free cash flows turned positive despite strong investment opportunities.	<Cash flows> P.71
III. Ensuring the effective utilization of capital led to improvement of the turnover rate and profit margin, and the ROE was at a high level.	<Profits and losses> P.72
IV. From the perspective of growth potential and profitability, we are building an optimal portfolio.	<Business results by segment> P.73
V. We are actively engaged in investment to expand our revenue opportunities and to strengthen the business foundation.	<Investments> P.74

Note: This section analyzes the financial position and results of operations during the ten fiscal years from fiscal 2010 to fiscal 2019. For the list of financial data, see "Financial Highlights" on pages 77 and 78.

I. Financial position

Financial condition Figure 1

Total assets as of the end of fiscal 2019 increased by ¥293.3 billion from the end of the previous fiscal year to ¥4,627.3 billion. This was mainly due to the increase in inventories following the strengthening of the overseas business and the increase in property, plant and equipment resulting from the acquisition of investment properties. Total liabilities increased by ¥163.6 billion from the end of the previous fiscal year to ¥2,853.9 billion. This was mainly due to fund raising through borrowing and hybrid bond issuance for the purpose of acquiring inventories and investment properties, despite payment of trade payables.

Total net assets increased by ¥129.6 billion from the end of the previous fiscal year to ¥1,773.3 billion. This was mainly because a net

income attributable to owners of the parent of ¥233.6 billion was recorded, which offset the dividends paid to shareholders associated with the previous fiscal year.

The balance of interest-bearing debt (excluding lease obligations) increased by ¥264.9 billion from the end of the previous fiscal year to ¥1,043.4 billion. Thanks to internal reserves and the fiscal 2013 capital increases, the debt-equity ratio improved from 0.74 at the start of fiscal 2010 to 0.60. In terms of the breakdown of assets, the balance of real estate for rent was ¥1,126.1 billion and accounted for a large share in recent years. As assets are expected to grow in the future due to the acquisition of real estate for development and other factors, we will seek to maintain financial health by verifying the optimal capital structure.

Figure 1 Comparison of balance sheets (¥ billion)

Current/Fixed classification

Total assets 1,916.9		Total assets 4,627.3	
Total current assets	678.7	Total current assets	2,103.8
Total noncurrent assets	1,238.1	Total noncurrent assets	2,523.5
Total current liabilities	344.6	Total current liabilities	1,297.2
Total noncurrent liabilities	954.5	Total noncurrent liabilities	1,556.7
Total net assets	617.7	Total net assets	1,773.3

As of March 31, 2010

As of March 31, 2020

- ① The current ratio dropped from 197% to 162%.
- ② The fixed ratio dropped from 200% to 146%.
- ③ The ratio of fixed assets to long-term capital dropped from 78% to 76%.
- ④ Net assets excluding non-controlling interests grew from ¥616.8 billion to ¥1,726.9 billion.

Classification by function

As of March 31, 2010		As of March 31, 2020	
Cash and deposits	179.7	Cash and deposits	281.4
Trade receivables	75.8	Trade receivables	433.0
Inventories	300.0	Inventories	1,094.8
Other assets	562.6	Other assets	978.1
Real estate for rent	427.5	Real estate for rent	1,126.1
Noncurrent assets	371.3	Noncurrent assets	713.7
Trade payables	113.8	Trade payables	360.3
Other liabilities	727.0	Other liabilities	1,450.1
Interest-bearing debt	458.3	Interest-bearing debt	1,043.4
Total net assets	617.7	Total net assets	1,773.3

- ① Working capital (Trade receivables + Inventories - Trade payables) increased from ¥262.0 billion to ¥1,167.5 billion.
- ② Interest-bearing debt increased from ¥458.3 billion to ¥1,043.4 billion, but the debt-equity ratio fell from 0.74 to 0.60.
- ③ The ratio of real estate for rent and noncurrent assets to net assets excluding non-controlling interests fell from 1.29 to 1.06 while real estate for rent increased.

II. Cash flows

Basic approach

The basic approach to cash management is to invest in line with the amount of cash generated by business operations.

With regard to attractive investment opportunities, investment is structured to include externally raised capital because of the need to actively pursue such opportunities. While this will result in the debt-equity ratio sometimes exceeding 0.5, we seek to balance investment in growth with financial soundness by controlling the level of interest-bearing debt to maintain a ratio of about 0.5 over the medium to long term.

Cash flow condition Figures 2 & 3

Cash flows from operating activities during fiscal 2019 decreased by ¥117.9 billion from the previous fiscal year to ¥234.7 billion. The ratio of cash flows from operating activities to net assets excluding non-controlling interests has been approximately 14% which is a decrease of 8 points from the previous period's 22%. In spite of recording ¥349.6 billion in income before income taxes, the decrease in cash flows was mainly due to the change in payment dates for contract construction-related trade payable, the impact from abolishing most payments made by promissory notes and, in addition, the last day of the prior fiscal year falling on a holiday which caused a reduction in trade payables and the payment of income taxes and other payments.

Cash flows from investment activities were - ¥317.2 billion, due to the acquisition of real estate for rent, etc. and the implementation of the ¥289.5 billion investment into the real estate development business based on the investment plan under the Sixth Medium-Term Management Plan. As a result, free cash flows (cash flows from operating activities + cash flows from investment activities) were - ¥82.4 billion, while cash flows from financial activities were ¥169.1 billion due to fund raising through borrowing and hybrid bond issuance for the purpose of acquiring inventories and investment properties.

As a result of the above, the balance of cash and cash equivalents at the end of fiscal 2019 (after bank holiday adjustments) was ¥276.0 billion, an increase of ¥84.9 billion from the end of the previous fiscal year.

Enterprise value/Ability to generate cash Figures 4 & 5

Our ability to generate cash steadily grew as earnings before interest, taxes, depreciation and amortization (EBITDA)*¹ as an indicator of ability to generate cash were ¥456.3 billion. We will further enhance the ability to generate cash and improve enterprise value by continuing the policy of maintaining interest-bearing debt at a certain level and aggressively investing in favorable investment projects, as well as by developing new revenue streams.

The enterprise value (EV)*² at the end of fiscal 2019 was ¥2,545.8 billion, the sum of the market capitalization of ¥1,783.8 billion and the net interest-bearing debt of ¥762.0 billion.

The EV/EBITDA ratio, as an indicator of enterprise value to the ability to generate cash, was 5.6 as of the end of fiscal 2019.

Figure 2 Cash flows

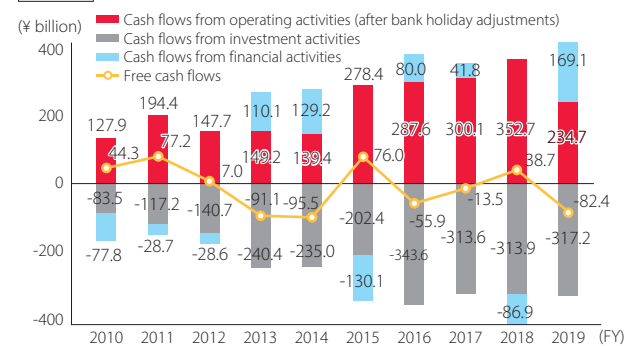


Figure 3 Indices to net assets excluding non-controlling interests (as a ratio where net assets excluding non-controlling interests is equal to 1)

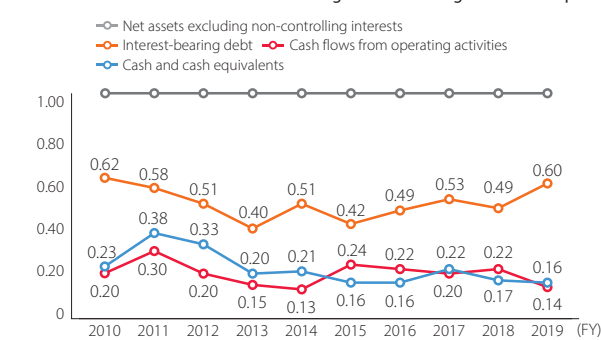
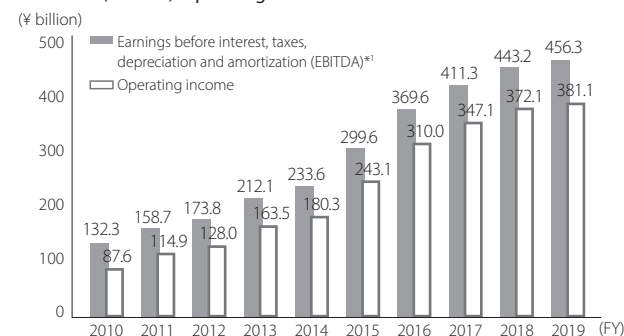
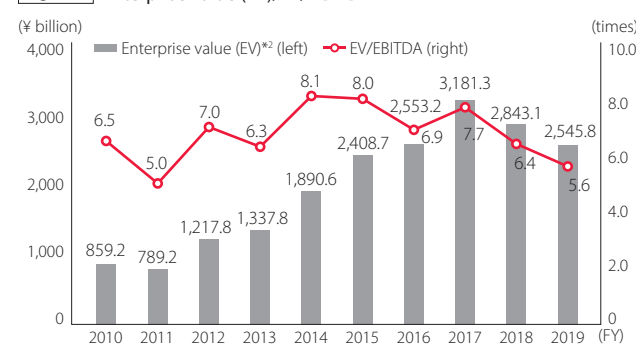


Figure 4 Earnings before interest, taxes, depreciation and amortization (EBITDA)/Operating income



*1 Earnings before interest, taxes, depreciation and amortization (EBITDA) = Operating income + Depreciation

Figure 5 Enterprise value (EV)/EV/ EBITDA



*2 Enterprise value (EV) = Market capitalization + Net interest-bearing debt

III. Profits and losses

Net sales/Total asset turnover ratio Figure 6

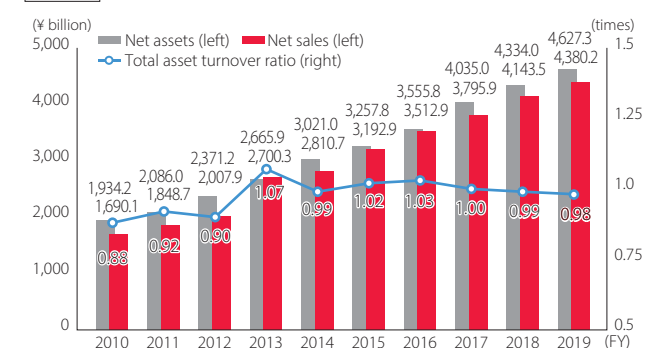
Net sales amounted to ¥4,380.2 billion and the average growth rate for the period of ten years starting from fiscal 2010 was 11.2%.

In terms of the total asset turnover ratio*³, the period of seven years from fiscal 2013 to fiscal 2019 shows a tendency of slight improvement in comparison to the performance in the period of three years from fiscal 2010 to fiscal 2012.

To further improve the turnover ratio, we will continuously seek to ensure the effective utilization of assets through measures that may include encouraging the sale of inventories and also selling investment properties and strategically held shares.

*3 Average during the fiscal year.

Figure 6 Net sales/Total asset turnover ratio



Gross profit/Operating income margin Figure 7

Gross profit amounted to ¥870.2 billion and the average growth rate for the period of ten years starting from fiscal 2010 was 11.1%. The gross margin decreased by 0.5 points from the previous fiscal year to 19.9%. Operating income was ¥381.1 billion and the average annual growth rate for the period from fiscal 2010 was 17.7%. The operating income margin was 8.7%, a decrease of 0.3 points from the previous fiscal year.

This is because, although the cost-of-sales ratio declined by 0.5 points due to soaring construction material and labor costs, we were able to raise sales per employee through improved productivity, among other means and thereby push down the SG&A ratio. In this way, we have striven to prevent the operating income margin from decreasing substantially.

Figure 7 Gross profit/Operating income margin

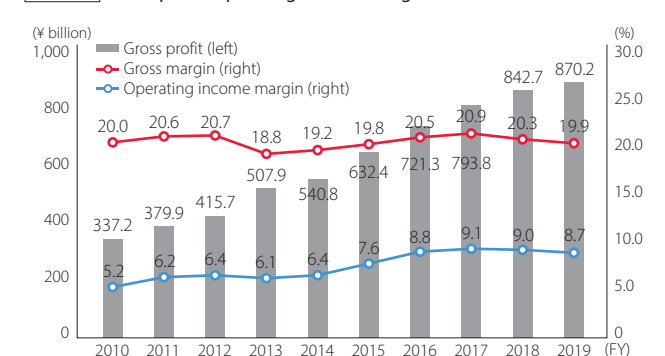


Figure 8 Return on invested capital (ROIC)

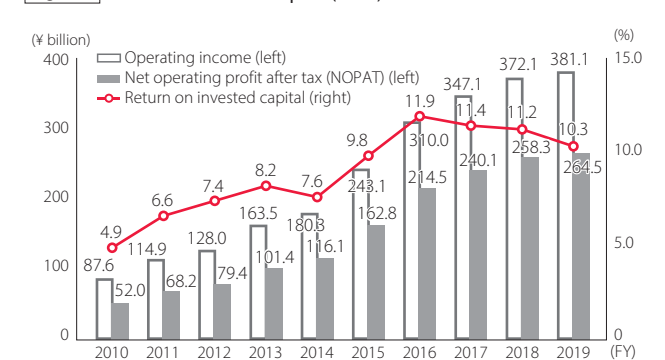
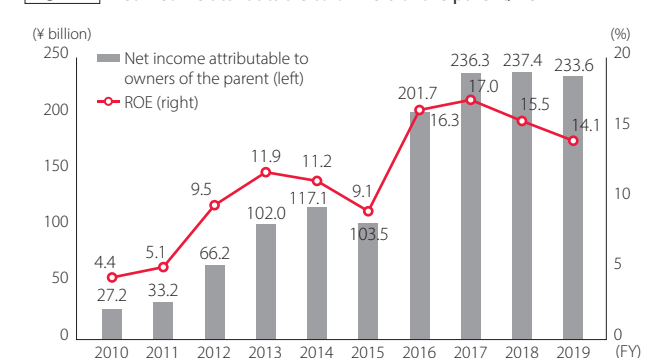


Figure 9 Net income attributable to owners of the parent/ROE



Note: By changing the discount rate used to calculate retirement benefit obligations from 1.7% to 0.8% in fiscal 2015, the Company posted extraordinary losses of ¥84.9 billion. As a result, the ROE dropped by approximately five points.

IV. Business results by segment

Growth potential analysis Figure 10

The profit growth rate for fiscal 2019 over fiscal 2010 showed an over ten-fold increase in the Logistics, Business and Corporate Facilities segments, an over seven-fold increase in the Other Businesses segment, an over four-fold increase in the Commercial Facilities segment, an over three-fold increase in Existing Homes segment. Since the Rental Housing segment had been already at a high level of profit ten years ago, its profit growth rate over fiscal 2010 was relatively low, but remained at a high profit rate.

One of the Company's strengths is its ability to make business proposals that leave no gaps between the business areas. As society changes at an accelerated pace, we anticipate that multiple products and services held by individual business segments will be combined in order to cope with diversified construction needs and that there will be a further increase of new business opportunities through business development in peripheral areas. In order to ensure that these new markets will lead the company-wide growth rate, we will make an effort to grow in view of a balance with overall profitability.

Profitability analysis Figure 11

In terms of operating income, three segments, Rental Housing, Commercial Facilities, and Logistics, Business and Corporate Facilities, accounted for 80% of the total. The Existing Homes segment constituted 3.2% of net sales, but its profit rate and capital efficiency were high (Figure 12). We are making active use of "Livness", the group-wide brand that we launched primarily for the existing homes market, a sector where market growth is anticipated. In terms of the Single-Family Houses and Condominiums segments, we will seek to improve their profit rates by selecting areas and clarifying targets as new housing starts are decreasing in number due to falling population.

Operating income margin to segment assets Figure 12

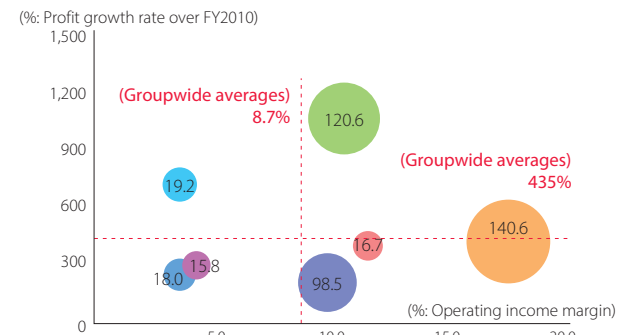
The Existing Homes, Rental Housing, and Commercial Facilities segments showed higher operating income margins to segment-specific assets. The current return on assets in the Logistics, Business and Corporate Facilities segment is at a low level because we are making aggressive investments to address the rapidly growing market for logistics facilities. However, this segment is expected to significantly contribute to cash flows at the time of payback in the future.

Investments in businesses Figure 13

With regard to investments in businesses, we are aggressively investing in the Logistics, Business and Corporate Facilities segment, which is highly profitable and shows a high growth rate. We are also investing in the Commercial Facilities and Rental Housing segments, both of which are the second-most profitable. In addition, investments in new businesses and overseas businesses, etc. are being made to develop new revenue streams through the use of funds generated by the above-mentioned core segments.



Figure 10 [Business segments] Operating income*/Operating income margin/Profit growth rate over FY2010



*1 The size of the circle depends on the relevant amount of operating income (¥ billion) for FY2019.

Figure 11 [Business segments] Operating income margin/Net sales ratio by segment (FY2019)

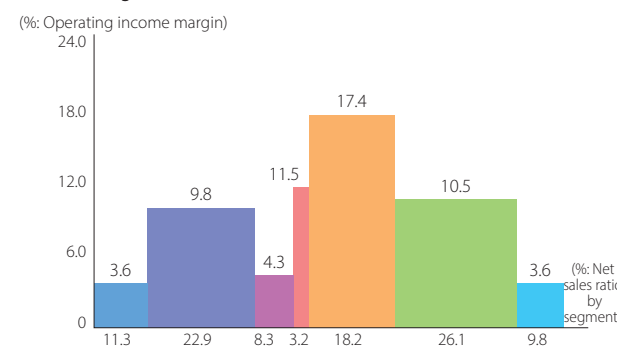
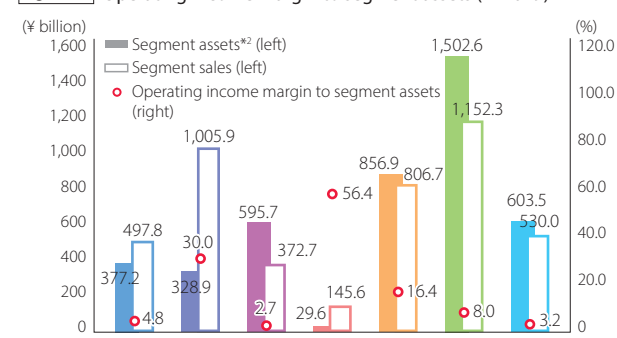
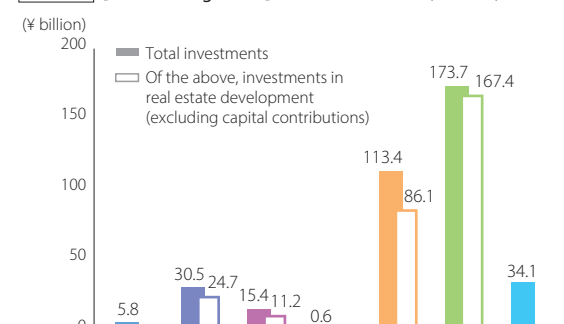


Figure 12 Operating income margin to segment assets (FY2019)



*2 Segment assets are averages during the fiscal year.

Figure 13 [Business segments] Total investments (FY2019)



V. Investments

Investments and returns for employees Figures 14 & 15

One of the essential elements for sustaining growth is to invest in the development of human resources and to maintain and improve the living environment of employees. The human resources development costs*3 for fiscal 2019 were ¥620 million (on a non-consolidated basis), 146% up from fiscal 2010 (Figure 15). Employee salaries on a non-consolidated basis increased by ¥54.8 billion from fiscal 2010 (an average increase of 28% or ¥2,035,000 per employee).

Meanwhile, the ratio of employee salaries to operating income*4 decreased from 62% in fiscal 2010 to 37% in fiscal 2019, and the growth rate of profits significantly exceeded the rate of increase in personnel costs. As a result, we have successfully secured funds for growth investments and increased returns to shareholders, and will actively promote investments in human resources, which are the most important source for growth.

*3 Personnel costs on training, etc. + Transportation costs on training

*4 Employee salaries/(Operating income + Employee salaries)

Investments in research and development (R&D)

Figure 15

R&D expenditures in fiscal 2019 were ¥10.1 billion, of which ¥4.9 billion was for the housing business, ¥5.1 billion for the construction business and other businesses. Our research and development activities range from basic and applied research to the development of new technologies and new products, and further to utilization and verification of these new technologies in architectural structures and urban development.

Capital investments Figure 16

Capital investments of ¥84.2 billion (excluding investments in real estate development) were mainly for replacing production lines in plants to increase production efficiency and for renovating plant facilities. Well-planned investments in production lines are carried out based on market trends, order trends, and other factors. With regard to major assembly processes in particular, which are a significant element affecting the cost-of-sales ratio and quality improvement, we will work on further increasing the rate of automation.

IT-related investments Figure 17

IT-related investments involve significant elements that may lead to revenue increases and cost reductions in the future, such as through the enhancement of added value in products and services, through utilization in marketing, and through the achievement of higher efficiency in production processes and operations. Therefore, we will actively work on such investments by combining the injection of more funds with the improvement of the organizational structure.

Figure 14 Ratio of employee salaries to operating income (non-consolidated)

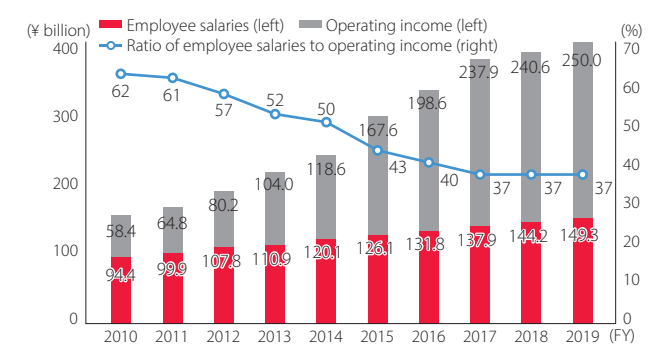


Figure 15 Research and development expenditures/Human resources development costs

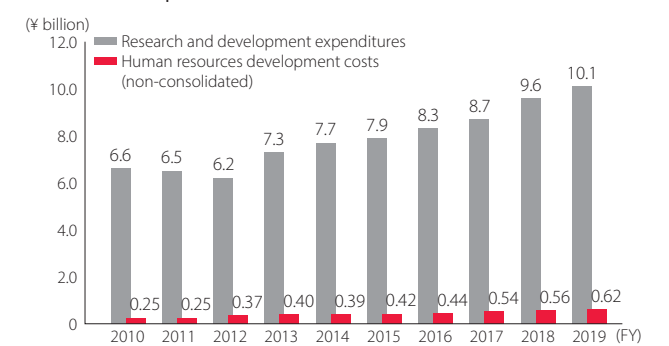


Figure 16 Capital investments (excluding investments in real estate development)

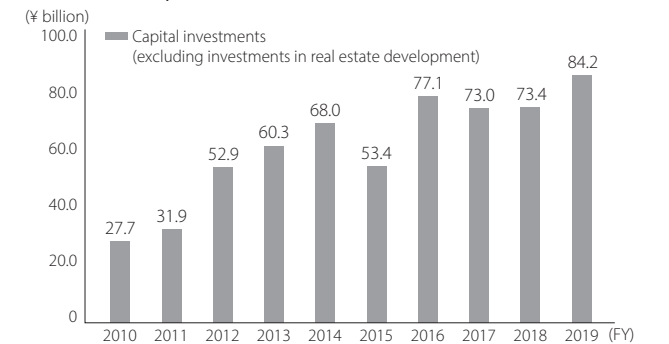
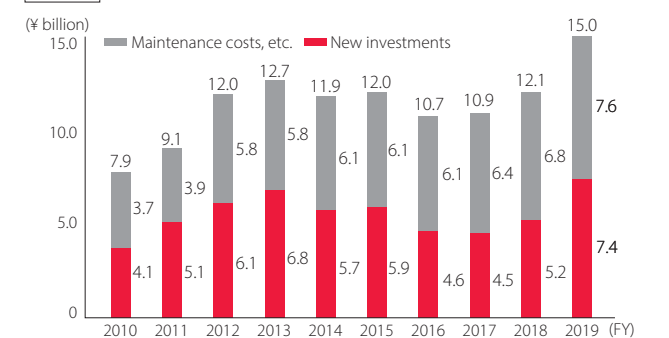


Figure 17 IT-related investments



Dialogue with Shareholders and Investors

To realize purposeful dialogue with our shareholders and investors, we constantly work to enhance mutual communication in the spirit of “co-creating a brighter future,” which is embedded within our management vision.

We strive to disclose information that will enable our shareholders and investors to assess our corporate value over the medium and long term.

In addition, our directors, executive officers, and outside officers receive timely and appropriate feedback in the form of the opinions and desires of shareholders and investors, as obtained through this dialogue. In this way, we facilitate a shared awareness of issues facing the Group, and work to realize sustained growth and improvement in corporate value.

Our activities for FY2019

General meeting of shareholders (June 26, 2020)

Shareholder attendance

165

Percentage of voting rights exercised

85.70%

Communication with institutional investors and analysts

Total 678 companies

Face-to-face and telephone interviews with Japanese and overseas institutional investors	As needed	306 companies
Financial results briefing session via teleconferencing	4 times	190 companies
Briefing sessions from top management	Twice	99 companies
Tours of our facilities for institutional investor representatives	3 times	37 companies
Dialogue on ESG	As needed	46 companies
Overseas roadshows by top management	Europe, North America, Singapore, Hong Kong	



Communication with individual shareholders and investors



Total 1,693 investors

Tours of our facilities for individual shareholders (Nara, Tokyo)	3 times	125 shareholders
Online explanatory sessions for individual investors	Once	1,568 investors

Feedback on shareholder and investor opinions and requests obtained through IR activities

Reports on IR activities at Board meetings	Annually
Reports on IR activities to outside directors	Semi-annually
Opinions on business performance and market trends exchanged with business divisions	Quarterly





Small meeting on ESG

ESG small meeting held as a tool for communication with investors on the 2019 Integrated Report.

Date

Dec. 16, 2019

Attendees

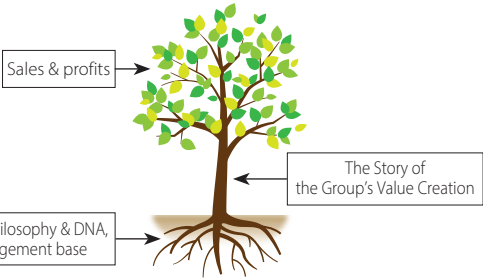
28 institutional investors

Daiwa House departments represented

CFO, IR officer, General Affairs, Environment, Sustainability Planning Department, IR

Sales & profits

Corporate philosophy & DNA, and management base



The Story of the Group's Value Creation

Board of Directors on the environmental KPI; “What is your view on the linkage between the environmental KPI and remuneration for directors?”; “What are your priorities in the governance initiatives going forward?”; and “We will be closely monitoring how the new governance reforms will function.”

As we promote ESG initiatives, we are aware that achieving sound management and governance system, and fulfilling accountability with enhanced disclosure of both financial and non-financial information must be realized in pairs. Based on this recognition, we strive to lower capital costs with a trustworthy and transparent management structure. The IR Department will continue proactive information disclosure and dialogue with our shareholders and investors so that they find it rewarding to communicate with the Company.

Data Section

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Data Section

Financial Highlights

(¥ million)									
Fiscal Year	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net sales	1,848,797	2,007,989	2,700,318	2,810,714	3,192,900	3,512,909	3,795,992	4,143,505	4,380,209
Gross profit	379,952	415,771	507,903	540,868	632,417	721,312	793,832	842,767	870,206
Gross margin (%)	20.6	20.7	18.8	19.2	19.8	20.5	20.9	20.3	19.9
Selling, general and administrative expenses	264,996	287,746	344,326	360,516	389,316	411,220	446,690	470,571	489,091
Operating income	114,955	128,024	163,576	180,352	243,100	310,092	347,141	372,195	381,114
Operating income margin (%)	6.2	6.4	6.1	6.4	7.6	8.8	9.1	9.0	8.7
Ordinary income	108,506	145,395	176,366	202,628	233,592	300,529	344,593	359,462	367,669
Net income attributable to owners of the parent	33,200	66,274	102,095	117,133	103,577	201,700	236,357	237,439	233,603
Return on equity (ROE) (%)	5.1	9.5	11.9	11.2	9.1	16.3	17.0	15.5	14.1
Return on total assets (ROA) (%)	1.7	3.0	4.1	4.1	3.3	5.9	6.2	5.7	5.2
Total assets	2,086,097	2,371,238	2,665,946	3,021,007	3,257,805	3,555,885	4,035,059	4,334,037	4,627,388
Net assets	657,891	734,883	992,686	1,112,817	1,181,986	1,329,901	1,513,585	1,643,717	1,773,388
Net assets excluding non-controlling interests	657,111	733,623	986,518	1,105,628	1,170,278	1,308,290	1,474,539	1,595,991	1,726,995
Net assets ratio (%)	31.5	30.9	37.0	36.6	35.9	36.8	36.5	36.8	37.3
Interest-bearing debt	383,625	374,788	393,568	563,530	491,964	640,671	780,574	778,546	1,043,478
Debt-equity ratio (times)	0.58	0.51	0.40	0.51	0.42	0.49	0.53	0.49	0.60
Net debt-equity ratio (times)	0.20	0.17	0.18	0.29	0.26	0.32	0.31	0.31	0.44
Current ratio (%)	133.7	136.8	127.2	138.7	136.5	137.5	144.4	137.0	162.2
Fixed ratio (%)	188.9	189.4	161.2	158.3	164.8	164.4	156.3	151.2	146.1
Net cash provided by operating activities	248,771	164,247	78,451	139,465	278,497	287,691	382,365	355,599	149,651
Net cash used in investing activities	(117,226)	(140,736)	(240,439)	(235,027)	(202,447)	(343,643)	(313,664)	(313,989)	(317,273)
Net cash provided by (used in) financing activities	(28,766)	(28,633)	110,131	129,202	(130,185)	80,086	41,804	(86,979)	169,128
Market capitalization	656,313	1,091,856	1,156,397	1,565,858	2,109,310	2,129,297	2,731,576	2,344,492	1,783,852
Stock prices (FYE) (yen)	1,094	1,820	1,751	2,371	3,166	3,196	4,100	3,519	2,677
Per share of common stock (yen):									
Earnings per share (EPS)	57.36	114.52	161.08	177.74	156.40	304.14	355.87	357.29	351.84
Book-value per share (BPS)	1,135	1,267	1,496	1,678	1,762	1,971	2,218	2,404	2,600
Cash dividends*1	25	35	50	60	80	92	107	114	115
Dividend payout ratio (%)	43.6	30.6	31.0	33.8	51.2	30.2	30.1	31.9	32.7
Price earnings ratio (PER) (times)	19.07	15.89	10.87	13.34	20.24	10.51	11.52	9.85	7.61
Price to book value ratio (PBR) (times)	0.96	1.44	1.17	1.41	1.80	1.62	1.85	1.46	1.03
Number of employees (FYE)*2	27,130	30,361	32,628	34,903	37,191	39,770	42,460	44,947	47,133
Number of group companies	89	113	129	145	172	196	317	387	360
Consolidated to non-consolidated net sales ratio (times)	1.66	1.62	1.89	1.91	1.94	2.04	2.09	2.15	2.22
Consolidated to non-consolidated net income ratio (times)	1.84	1.35	1.26	1.21	1.26	1.37	1.19	1.30	1.19

*1 Cash dividends for fiscal 2015 include a commemorative dividend of ¥10 to mark the 60th anniversary of the Company's foundation.

*2 Regular employees only.

Fiscal Year	2011	2012	2013	2014	2015	2016	2017	2018	2019
Sales by segments (consolidated)*3 (¥100 million)									
Single-Family Houses	3,363	3,511	3,944	3,753	3,783	3,903	3,853	3,838	4,978
Rental Housing	5,267	5,925	6,887	7,729	8,801	9,772	10,308	10,613	10,059
Condominiums	1,288	1,567	2,427	2,313	2,793	2,628	2,850	2,805	3,727
Existing Homes	681	764	867	916	955	1,055	1,121	1,145	1,456
Commercial Facilities	3,069	3,472	4,219	4,562	4,955	5,697	6,208	6,939	8,067
Logistics, Business and Corporate Facilities	2,570	2,514	5,921	5,815	7,363	8,284	8,502	10,223	11,523
Other Businesses	3,129	3,353	3,939	4,265	4,588	5,135	6,371	7,161	5,300
Adjustment	(881)	(1,030)	(1,205)	(1,248)	(1,311)	(1,349)	(1,256)	(1,293)	(1,311)
Total	18,487	20,079	27,003	28,107	31,929	35,129	37,959	41,435	43,802
Operating income by segments (consolidated)*3 (¥100 million)									
Single-Family Houses	110	125	133	88	165	192	215	199	180
Rental Housing	529	522	642	695	819	942	1,066	1,022	985
Condominiums	37	99	107	108	157	134	133	135	158
Existing Homes	45	61	93	99	112	130	132	159	167
Commercial Facilities	331	459	607	672	803	1,007	1,141	1,377	1,406
Logistics, Business and Corporate Facilities	258	206	269	384	680	789	889	989	1,206
Other Businesses	82	96	140	102	95	168	230	325	192
Adjustment	(246)	(291)	(358)	(348)	(403)	(265)	(337)	(486)	(487)
Total	1,149	1,280	1,635	1,803	2,431	3,100	3,471	3,721	3,811
Housing starts*4 (thousands of units)									
Housing starts	841	893	987	880	921	974	946	952	883
Custom-built houses	305	317	353	278	284	292	282	288	283
Houses in housing development projects	118	125	134	124	126	135	138	145	146
Rental housing	290	321	370	358	384	427	410	390	334
Condominiums	120	124	124	110	118	112	108	120	111
Sales of houses in Japan (non-consolidated) (units)									
Sales of houses	39,486	43,203	46,018	49,087	51,207	54,925	51,641	48,410	43,703
Custom-built houses	8,323	7,965	8,088	7,280	6,999	7,106	6,907	6,524	5,917
Houses in housing development projects	1,676	1,916	2,433	2,614	2,333	2,180	2,320	2,192	2,066
Rental housing	27,115	30,514	32,424	36,757	38,903	43,428	40,254	37,905	33,502
Condominiums	2,372	2,808	3,073	2,436	2,972	2,211	2,160	1,789	2,218
Reference : Cosmos Initia Co., Ltd.*5 Condominiums for sale	—	—	799	772	896	744	558	414	325
Single-Family Houses Business									
Average sales per unit (¥ million)									
Custom-built houses	29.7	30.1	31.1	32.7	33.7	34.3	35.9	37.3	39.6
Houses in housing development projects	24.0	23.8	23.5	24.0	24.5	25.3	24.0	24.3	22.4
Rental Housing Business									
Number of rental housing units sold	27,115	30,514	32,424	36,757	38,903	43,428	40,254	37,905	33,502
Average sales per unit (¥ million)									
Rental housing	11.3	10.7	11.2	11.4	11.6	11.4	12.0	12.4	12.3
Steel-frame (low-rise)	10.1	10.3	10.9	11.1	11.3	11.1	11.6	12.0	11.7
Steel-frame (high- and mid-rise)	12.2	14.0	14.4	14.9	15.2	16.6	17.8	18.1	20.2
Number of rental housing units managed									
Rental housing units managed	306,586	346,068	391,778	435,515	471,342	510,208	543,124	572,238	595,182
Lump-sum contracted units (occupancy guarantee)	265,219	305,808	352,341	397,282	433,628	471,845	505,313	531,356	552,625
Occupancy rates (%)	97.4	97.6	97.2	97.5	97.4	97.1	97.3	96.9	97.6
Condominiums Business									
Sales (non-consolidated) (¥ million)									
Average sales per unit	35.8	34.4	41.1	37.9	44.2	48.4	53.2	55.8	62.2
Number of condominium units managed									
Condominium units managed	283,457	295,002	309,330	320,488	332,299	341,705	353,026	360,619	371,524
Commercial Facilities Business									
Subleasing areas of commercial facilities									
Total leasing floor space (m ²)	4,453,785	4,701,563	4,829,902	5,134,274	5,441,604	5,736,312	6,157,287	6,375,278	6,765,150
Leasing floor space occupied (m ²)	4,387,426	4,656,848	4,791,228	5,087,813	5,399,137	5,684,372	6,099,232	6,311,331	6,684,037
Tenants	7,593	7,936	8,524	8,989	9,532	10,038	10,843	11,220	12,032
Occupancy rates*6 (%)	98.5	99.0	99.2	99.1	99.2	99.1	99.1	99.0	98.8

*3 Including intersegment transactions. *4 Statistics for housing starts are from Housing Starts Survey by Ministry of Land, Infrastructure, Transport and Tourism.

*5 Cosmos Initia became a consolidated subsidiary in June 2013. *6 Leasing floor space occupied/ Total leasing floor space.

Non-Financial Highlights (Medium-Term Plan Self-Assessment Indices)

In fiscal 2006, the Daiwa House Group introduced a CSR self-assessment index to measure and “visualize” the results of our activities for the environment and society. This has been beneficial in making improvements to CSR activities.

Along with the start of the Sixth Medium-Term Management Plan, we formulated Endless Green Program 2021 and Endless Social Program 2021. Progress is managed annually by each related department using indices to assess the results of the plan (implementation period: fiscal 2019 to fiscal 2021), with the goal of achieving performance objectives and strengthening management foundations.

The results of our self-assessment for fiscal 2019, the first year of the plan, are as follows. For the factor analysis, also see our Sustainability Report 2020.

Key results and targets of the Social Medium-Term Plan (Endless Social Program 2021) (FY)

Base	Priority issues	Assessment indices (KGI)	2018 results	2019 targets	2019 results	2021 targets
		Indices				
Human resources base	Work style reform for employees (by creating workplace environments that both maximize results and ensure health and safety)	Improvement in “motivation” of entire workforce * Calculated based on question about “motivation” on a sustainability survey.	65%	65%	65%	80%
	Upgrade human resource development and recruitment (by building programs based on projected 2030 group requirements)	Retention rate of young employees (3 years after joining the company)	73.9%	80%	75.4%	90%
	Promote diversity and inclusion	① Percentage of women managers	3.6%	4%	4.1%	5%
		② Percentage of line leaders amongst women managers	24.1%	30%	25.0%	40%
		③ Percentage of women engineers	4.6%	5%	4.9%	6%
		④ Percentage of women sales reps	9.9%	11%	10.2%	13%
Customer base	Upgrade corporate communications (new customers)	Interbrand Japan’s Best Domestic Brand/ Brand monetary value	668 million USD	800 million USD	700 million USD	1,000 million USD
	Promote customer support to maintain long-term relationships	Order rate using our customer base (Housing sales by referral)	38.7%	50%	37.4%	70%
Technology and manufacturing base	Enforce safety/security at construction sites	Frequency of worksite industrial accidents * Number of industrial accidents related fatalities/ injuries per 1 million hours of work (Injuries requiring 4 or more days-off)	0.23	0.21	0.19	0.21
	Improve productivity in manufacturing operations with the cooperation of business partners	Number of days off per annum for construction site workers	77 days	88 days (6 days-off for every 4 weeks)	88 days*1	112 days (8 days-off for every 4 weeks)
		Number of days off per annum for factory workers	108 days	111 days	111 days	117 days
	Promote and improve the efficiency of CSR procurement across the Group	① Percentage of important suppliers that comply with our CSR Procurement Guidelines (Scores of 80 or higher are judged as compliant) * Important supplier: Suppliers with 300 or more employees	—	50%	42.4%	70%
		② Reply rate to CSR Procurement Guidelines self-check sent to all suppliers	—	50%	19.7%	70%
Risk countermeasures base	Prepare business continuity plans on the premise of natural disasters/extreme weather	Business continuity plan score (points)*2 (Scoring based on status of efforts in six themes, as assessed by the BCM Subcommittee)	—	30 points	44 points	100 points
	Establish corporate ethics and compliance rules	Internal control system attainment score*3	408.1	376	397.4	447

*1 Results for fiscal 2019 construction site target days off of 88 days are unconfirmed. For fiscal 2018, 93% of partners had obtained the 77 target days off (from questionnaire survey for business partners 2019)

*2 Calculated based on the degree of progress in six indices ① Ensuring employee safety ② Ensuring power and backing up information systems ③ Upgrading aftersales support services for customers ④ Maintaining production purchasing capacity ⑤ Keeping the group functional as a whole ⑥ Establishing a development system based on the long-term risks of customers

*3 Calculated from the below 1. Completeness of internal control system ① Systems for collecting and sharing information (Reporting and sharing of risk information, etc.) ② Management and supervisory systems (Operation of Internal Control Committee and other organizations) ③ Training and awareness programs (Implementation of internal training programs and awareness activities via internal notices, etc.) 2. Degree of damages and losses ① Degree of financial losses and occurrence of serious incidents, etc.

Key results and targets of the Action Plan for the Environment (Endless Green Program 2021) (FY)

Environmental theme	Focal themes		Management indicator (KPI)	2018 results	2019 targets	2019 results	2021 targets	
General	Products and services	Pursue both environmental stewardship and corporate earnings by developing and selling products/ services that are tied to the environment	Sales of environmental contribution business	1,117.2 billion yen	1,250.0 billion yen	1,227.7 billion yen	— *4	
Slowing and adapting to climate change (energy)	Business activities	• Continue ZEB practices with new constructions, and energy-efficiency improvements and systematic equipment replacement with existing facilities • Expand power generation projects driven by renewable energy (wind, solar, hydro and biomass)	GHG emissions (from the fiscal 2015 level, per unit of sales)	26.3% reduction	28% reduction	31.9% reduction	35% reduction	
			Energy efficiency (EP100) (from the fiscal 2015 level)	1.27 times	1.28 times	1.34 times	1.4 times	
			Renewable energy utilization rate (RE100)	0.23%	0.30%	0.30%	10%	
			Renewable energy rate	84.5%	85%	96.4%	100%	
	Products and services	Promote ZEH, ZEB and Green Building certification	GHG emissions derived from use of products (from the fiscal 2015 level, per area)	20% increase	2% reduction	19% increase	6% reduction	
			ZEH sales rate	29%	50%	41%	60%	
			ZEB sales rate	22%	25%	33.4%	35%	
			Rate of Green Building Certification obtained	15%	30%	5%	70%	
	Environmental education		Develop human resources for environmental management and improve environmental awareness and knowledge of the entire workforce	Number of those who acquired the Eco Test certification	4,402	5,000	8,218	12,000

*4 Goals for fiscal 2021 are scheduled to be disclosed in the next fiscal year, in accordance with conditions in the current fiscal year.

Reference Sustainability Report 2020: Medium-Term Plan Self-Assessment Indices P.179-182

Corporate Data

Corporate Data (as of June 26, 2020)

Corporate name:

Daiwa House Industry Co., Ltd.

Founding:

April 5, 1955 (Established: March 4, 1947)

Paid-in capital:

¥161,699,201,496

Employees:

47,133 (as of March 31, 2020)

(consolidated)

Securities traded:

Tokyo stock exchange

Securities code:

1925

Head office:

3-3-5 Umeda, Kita-ku, Osaka 530-8241, Japan
Phone: +81-6-6346-2111

Tokyo Head office:

3-13-1 Iidabashi, Chiyoda-ku, Tokyo 102-8112, Japan
Phone: +81-3-5214-2111

Offices (37):

Hokkaido	Saitama-higashi	Niigata	Kobe
Iwate	Chiba	Gifu	Nara
Sendai	Kashiwa	Nagoya	Okayama
Fukushima	Chiba-chuo	Okazaki	Hiroshima
Tsukuba	Joto	Aichi-kita	Fukuoka
Ibaraki	Musashino	Yokkaichi	Kita-Kyushu
Utsunomiya	Yokohama	Shiga	Kumamoto
Gunma	Kawasaki	Kyoto	
Saitama	Atsugi	Sakai	
Saitama-nishi	Kanazawa	Hokusetsu	

Branches:

37

Factories:

9

Research center:

Central Research Laboratory (Nara)

Training centers:

Nara, Osaka and Tokyo

Overseas offices/

Representative

offices:

Shanghai (China)	Hanoi (Vietnam)
Taipei (Taiwan)	Ho chi minh (Vietnam)
Jakarta (Indonesia)	Yangon (Myanmar)
Manila (Philippines)	Mexico city (Mexico)

Contact:

Daiwa House Industry Co., Ltd.
IR Department, Management
Administration Headquarters
Phone: +81-6-6225-7804
Fax: +81-6-6342-1419
e-mail: dh.ir.communications@daiwahouse.jp

Website:

<https://www.daiwahouse.com/English>

Share Information (as of March 31, 2020)

Authorized	1,900,000,000 shares
Issued	666,238,205 shares
Number of shareholders	51,605

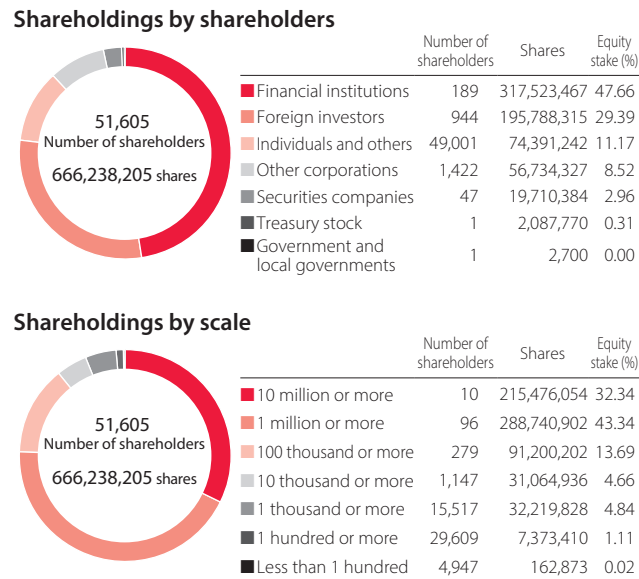
Principal shareholders	Thousands of shares*1	Equity stake*2(%)
The Master Trust Bank of Japan, Ltd. (trust account)	64,449	9.70
Japan Trustee Services Bank, Ltd. (trust account)	39,323	5.92
Japan Trustee Services Bank, Ltd. (trust account 7)	16,453	2.48
Sumitomo Mitsui Banking Corporation	16,117	2.43
MUFG Bank, Ltd.	15,470	2.33
JP MORGAN CHASE BANK 385151	13,856	2.09
Japan Trustee Services Bank, Ltd. (trust account 5)	12,638	1.90
Daiwa House Industry Employee Shareholders Association	12,623	1.90
Japan Trustee Services Bank, Ltd. (trust account 9)	12,599	1.90
Nippon Life Insurance Company	11,944	1.80

*1 Number of shares held is rounded down to the nearest thousand.

*2 Equity stake is calculated excluding treasury stock.
Equity stake is rounded down to three decimal places.

Board of Directors, Audit & Supervisory Board and Executive Officers (as of June 26, 2020)

Board of Directors		Managing Executive Officers	
President, CEO and COO	Keiichi Yoshii	Makoto Yamamoto	Takaki Hiromori
Executive Vice Presidents	Tamio Ishibashi	Yoshiaki Tanabe	Eiichi Shibata
	Takeshi Kosokabe	Keigo Okada	Yuji Yamada
Director and Managing Executive Officers	Hirotsugu Otomo	Mikio Sasaki	Takashi Miyatake
	Tatsuya Urakawa	Kohei Yamasaki	Tetsuya Tamura
	Kazuhiro Dekura		
	Yoshinori Ariyoshi		
Outside Directors	Keisuke Shimonishi	Senior Executive Officers	
	Nobuya Ichiki	Yasuo Nakamura	Yoshin Minagawa
	Kazuyoshi Kimura	Koji Harano	Tetsuro Wada
	Yutaka Shigemori	Hirofumi Hama	Moritaka Noumura
	Yukiko Yabu	Kazuhiro Tada	Toshiya Nagase
Audit & Supervisory Board	Yukinori Kuwano	Nobuhito Ishibashi	Yoshinori Hashimoto
	Miwa Seki	Naoki Hayashi	Hitoshi Fukushima
		Naoki Nishioka	Hiroshi Kono
		Yukikazu Kataoka	Takafumi Nakao
Audit & Supervisory Board Members	Tatsushi Nishimura	Isao Mizutani	Hirokata Najima
	Kenji Hirata		
Outside Audit & Supervisory Board Members	Tomoyuki Nakazato	Executive Officers	
	Kazuhiro Iida	Kazuhiro Kotaka	Keitaro Takebayashi
	Shonosuke Oda	Shigeki Ochiai	Yoshinori Iwabuchi
	Akihisa Watanabe	Kazunori Nibe	Masatoshi Hatta



Note: Equity stake shows the percentages of the total outstanding shares.

Editorial Postscript

The Daiwa House Group—imagining the future, creating the future

Thank you for reading our report.

The Daiwa House Group has set itself the goal of achieving ¥10 trillion in net annual sales by 2055, the 100th anniversary of the Company's founding, and as such, we have drawn up a corporate vision of realizing a society in which people can live fulfilling lives. To make this possible, we are working to integrate ESG factors to strengthen the sustainability of the Group's management. The business environment is constantly changing, and is dominated by a number of factors, including the unprecedented series of natural disasters that has recently hit Japan, the necessity to live always with the threat of COVID-19 infection, the rapidly increasing use of digital technologies, and a global situation that is difficult to foresee. In these circumstances, I believe it is becoming more and more important for us to foster the ability to look beyond the immediate future horizons and to respond promptly and urgently when faced with the emergence of unforeseen factors.

Now is the time for us to deeply reflect on the true meaning of the philosophy of "being of service to people." This is the dream of the future that Nobuo Ishibashi, the founder of Daiwa House, passed on to us. It seems to me that if we are to think in an integrated manner, we must ask ourselves: "What ideals or philosophy is it based on, what is it for, and what will it give rise to?" Translated into the specific case of the Daiwa House Group, we must go back for inspiration to the corporate philosophy and business spirit propounded and demonstrated by Mr. Ishibashi, which constitute the starting point for Daiwa House, and think about what sort of future society would be ideal. On this basis, we should ask ourselves what role the Group can play in realizing this ideal. We must then ask ourselves further questions. How can we strengthen and make effective use of our business base and our capabilities toward that end? How can we handle the positive effects and negative impacts on society of these changes, rather than solely considering the financial aspects ("value," i.e. sales and profits) of our business operations? If we do these things, the future that we imagine will be a future that the Daiwa House Group has helped create.

In closing, I would like to thank all those who gave us their assistance in the making of this report, in addition to everyone who has taken the trouble to read it. I hope that it has succeeded in increasing your understanding of the Daiwa House Group's business operations, and that we will continue to receive your support as we go forward.

The word "dream" encompasses a wide range of meanings.

When we go to sleep at night, we dream.

We also often refer to the past as "seeming like a dream."

But for us at the Daiwa House Group, these definitions of the word can be put to one side.

When we use the word "dream," which to us is very important, we are referring to hopes for the future.

Dreams are the driving force behind great achievements.

Managers must be a good judge of the capabilities of their staff.

Employees, too, must have a dream in their hearts.

Companies grow along with the realization of such dreams.

A company's management and staff must all keep on trying to make their dream reality, and must never give up.

Our founder, Nobuo Ishibashi

Our Communications at a Glance

	Dialogue	Reports	WEB
Financial information	<ul style="list-style-type: none"> • Release of financial results • Presentation on Management Policy • Guided tours of building sites, plants, etc. • Teleconferencing with securities analysts and institutional investors • General Meeting of Shareholders 	<ul style="list-style-type: none"> • Securities report • Business result report 	 <p>Investor relations https://www.daiwahouse.com/English/ir/</p>
Non-financial information	<ul style="list-style-type: none"> • Experts' dialogue • Stakeholders' meeting 	 <p>• Integrated Report Integrated report on selected financial and non-financial information judged to be material</p>  <p>• Sustainability Report (incl. Data Section / Third-Party Assurance) Japanese-language edition English-language edition</p> <ul style="list-style-type: none"> • Corporate governance report 	 <p>Sustainability https://www.daiwahouse.com/English/sustainable/</p>

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