



Creating Dreams, Building Hearts

Our Founder's Spirit

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



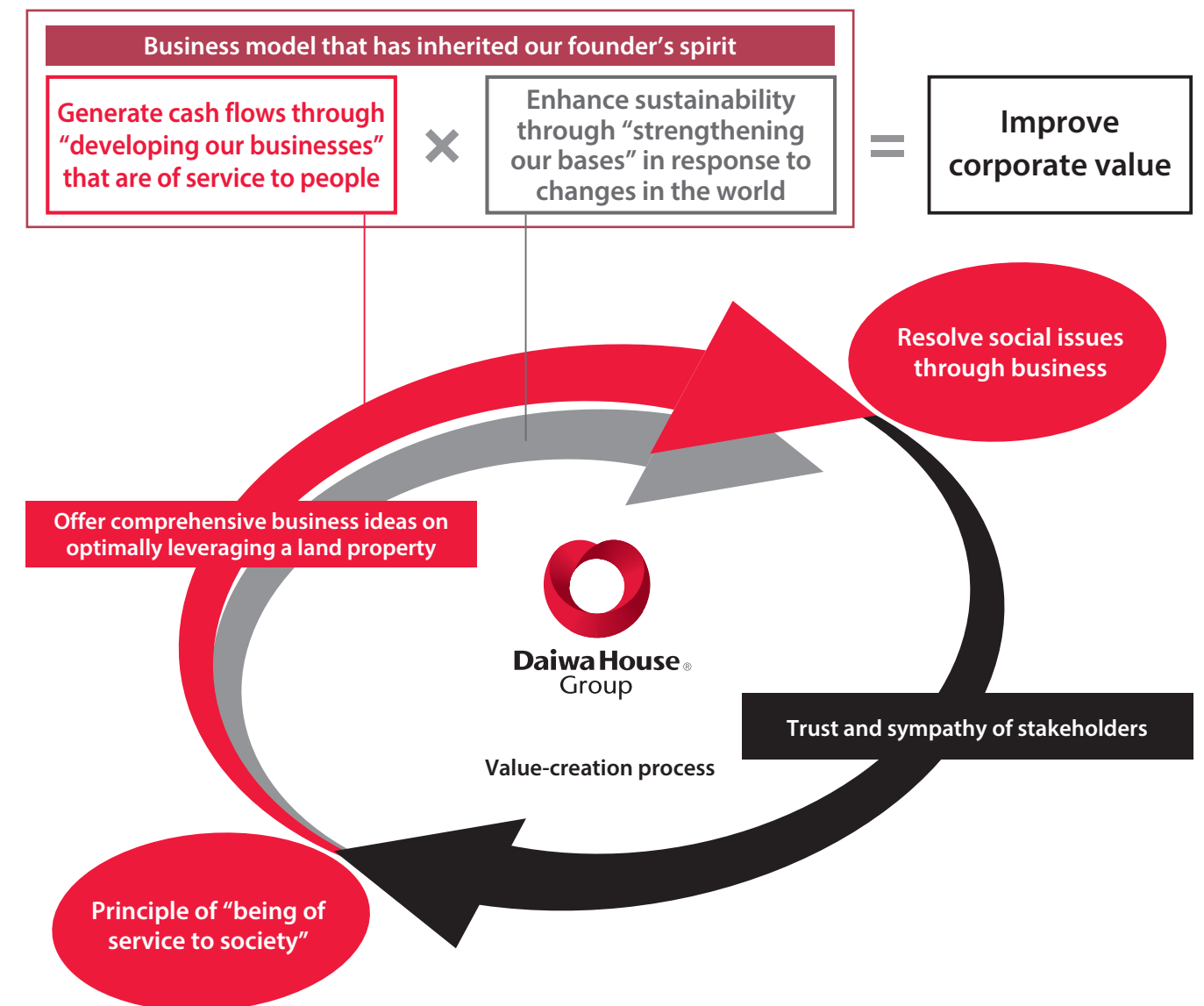
Our founder, Nobuo Ishibashi (1921-2003)

"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. With this concept as a starting point, Daiwa House Industry has always been offering new value to society ever since its founding in 1955.

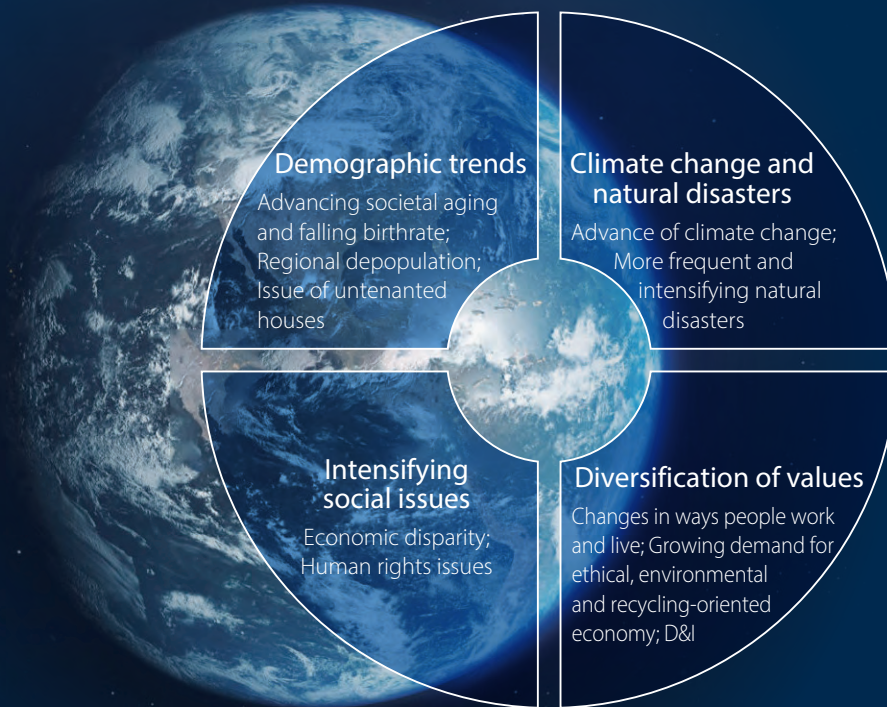
Views on value creation (Basic stance of the Daiwa House Group)

Creating Dreams, Building Hearts



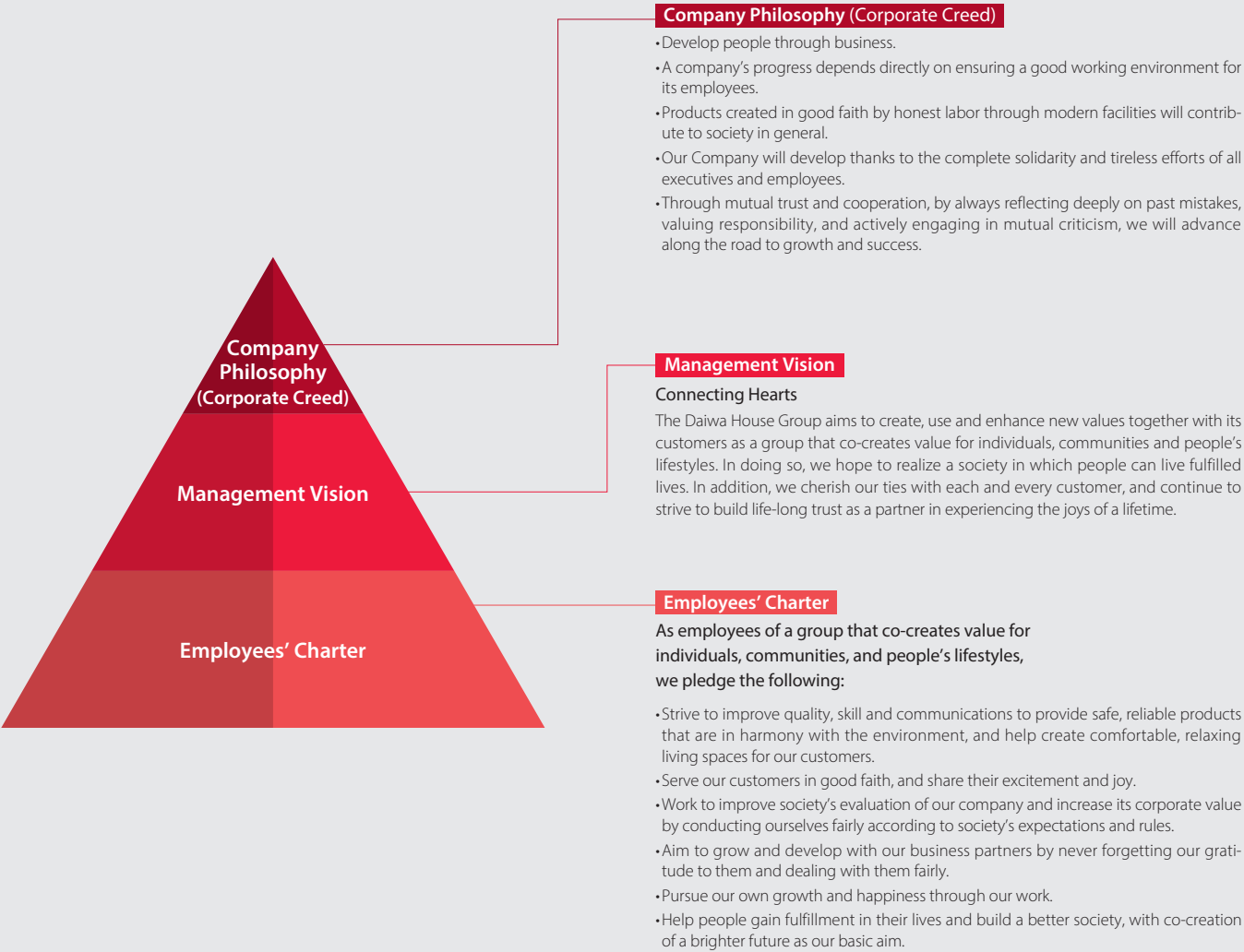
In 2005, we adopted the Endless Heart—the Daiwa House Group symbol—to mark our 50th anniversary. The spirit of "Creating Dreams, Building Hearts" is a basic aim of the Daiwa House Group, which represents its views on how it should create value.

Leveraging our capacity to offer comprehensive business ideas on optimally utilizing a land property, we devise solutions to social issues with our business model that embodies the spirit of our founder. By so doing, we earn trust and sympathy of stakeholders, which leads to improved corporate value.



Daiwa House Group Tackles Challenges Confronting Society

—Approaching *living* with sincerity and humility to create new value—



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, customer, and technology and manufacturing) 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 (381 consolidated subsidiaries, 61 equity method affiliated companies, and 1 affiliated company not accounted for by equity method as of March 31, 2021), with a focus on Daiwa House Industry Co., Ltd.

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

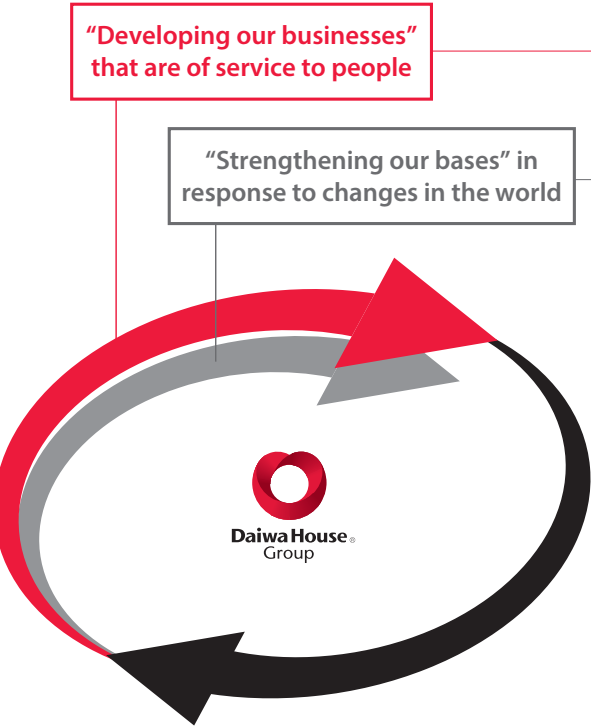
Amounts less than one unit are omitted in this report. Figures in the financial data are for FY2020 or as of March 31, 2021, unless otherwise specified.

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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Keiichi Yoshii

Keiichi Yoshii
President, CEO

Taking the long view to co-create value for individuals, communities, and people's lifestyles and help solve social issues through business

FY2020: Looking back

With "living" as our byword, adapting business strategy and foundations to the New Normal

The COVID-19 pandemic in FY2020 sparked huge lifestyle changes. It made me keenly aware of the importance of life itself and caused me to re-examine our Group mission and raison d'être. By providing housing, we play a part in supplying the necessities of life (food, clothing, and shelter). Our Group has renewed its resolve to co-create value for individuals, communities, and people's lifestyles through all of our businesses around the keyword—life.

Results exceed initial forecast as we adapt flexibly to societal changes

During the pandemic, our top priority was to safeguard all of our stakeholders' lives and health. While affected by restrictions on face-to-face sales activities, we worked quickly to roll out new products and services adapted to the New Normal and sales using our websites. As a result, fiscal 2020 sales were ¥4,126.7 billion and operating income ¥357.1 billion, significantly above our initial forecasts.

In the Single-Family Houses Business, subdivision sales were strong in some areas as people returned to the suburbs and worked from home. I expect further changes going forward as other new ways of living emerge. We are also seeing changes in house purchasing approaches. Prospective buyers used to first go to a housing showroom and investigate a property they found interesting. With movements restricted during the pandemic, they are increasingly looking online. More than 200,000 prospective customers have accessed the website for our online-only offering, Lifegenic, in some months, and aggregate contract closings continue to rise steadily every month. Lifegenic is a new way of selling homes we launched as a business before the pandemic. I think we need to be increasingly proactive in responding to emerging developments going forward.

Orders slumped in the Logistics, Business and Corporate Facilities Business due to waning corporate capex appetite, but logistics facility investment and sales were strong amid growing e-commerce volume during the pandemic. Logistics facilities not only create local jobs; we have agreements with local governments to use them as temporary refuges during disasters. Their contribution to local communities is becoming more significant every year.

In recent years we have seen increasing needs for data centers as information volume grows. As our first project in this area, we invited data center operators to land we bought to develop an industrial park, and are constructing a facility. I think this is a prime example of where our vast store of land data has enabled us to make a proposal suited to societal needs. We plan further developments going forward, with an eye on local characteristics.

In the past year, we were confronted by many unforeseen events during the pandemic. I was reminded of the strengths of our people, who always have ideas about the future, a proactive spirit, and the initiative to take one or two steps forward, no matter what difficulty they face. We moved quickly to postpone rents for housing tenants and temporarily halt work and compensate business partners at construction sites during the April 2020 state of emergency. I was reminded of our Group's mission as we walked hand-in-hand with all of our stakeholders over the year.

Progress in digital transformation and workstyle reform

Turning to digital transformation (DX), we launched a digital construction project during our Sixth Medium-Term Management Plan, revolving around automation and laborsaving at worksites. In fiscal 2020, we shifted to using Building Information Modeling (BIM) for all design processes at business and commercial

facilities. For fiscal 2021, we have targeted a 30% improvement in productivity through further digitizing the construction process. This was initially a way to cope with the shortage of construction engineers in the industry. Now we also see it as an important response to the New Normal. We aim to promote reviews of existing rules by demonstrating groundbreaking technologies and worksite management systems to the authorities with the hope of industry-wide digital transformation. We have advocated the concept of “industrialization of construction” since our inception. This means doing things quickly, well, and at low cost. We would like to contribute to the advancement of the overall construction

industry while returning to that spirit.

Also around the theme of living, we are taking decisive steps to reform work practices so employees can live well. Switching on and off can be difficult when we work and live in the one location. As part of our commitment to living well, we believe work-life boundaries should be distinct. We will make it easier for employees to switch between the two, such as enabling them to work from the most conveniently accessible company office as well as from home. We aim to attract a diverse workforce and improve their motivation while retaining our company’s unique characteristics.

linkages with business divisions, retaining our ability to pitch the most appropriate proposals for individual areas. The UN’s Sustainable Development Goal 12 is all about “responsible consumption and production.” We think that we are responsible for producing (and having produced) buildings and towns in line with these goals. Our business divisions will not only tap into business opportunities but work to enhance value from a long-term

perspective based on our approach of fulfilling our social responsibility through business.

These institutional changes bolster both the growth and the stability aspects of our business, and should underpin sustainable growth. In my role as CEO, I will monitor business division managers closely to ensure they operate with a robust vision.

Reinforcing our foundations for another growth stage

Implementing a business division-based system to achieve balance between vigorous growth and stability

We have devised a range of creative ideas to make us the company of choice for our customers, which is always at the forefront of our thinking. We solve problems by visiting the front lines, talking to our customers, and identifying their needs at an early stage. This is the essence of the Daiwa House Group.

Over the past decade, three businesses have been the key growth drivers: Rental Housing, Commercial Facilities, and Logistics, Business and Corporate Facilities. With the addition of significant moves in property development, we were able to achieve dramatic growth, becoming the first company in the housing, construction, and real estate industry to generate more than ¥4 trillion in sales. However, rapid growth in our businesses and Group company numbers made it hard for senior managers to make all the necessary decisions quickly. With sincere regret, we acknowledge that it was unclear where responsibilities lay and our corporate governance setup were insufficient to cope with rapid growth. In April 2021, our business division-based system got fully up and running to serve us in the new stage of our growth.

Clearly placing responsibility with division heads to address the challenge of creating fully integrated value chains

The main difference between the business division-based and the business/ branch-based system is that business division heads’ responsibility extends beyond just earnings to encompass the entire business. Simply put, authority has been delegated to the division heads, clarifying responsibilities. I think a setup that can forestall potential risks are essential for a robust governance structure. Going forward, division heads will be responsible for building a risk management system that functions throughout the Group. I feel we are already seeing early results. We will work to make all employees risk sensitive through compliance training.

Further, Group companies are now under the umbrella of relevant business divisions, enabling us to work more closely with them than ever before. This will allow us to make swifter, more unified efforts across the entire value chain. Meanwhile, offices and branches will carry on their traditional role of horizontal

Training next-generation leaders

Developing people through business with a view to growth

My mission as CEO: Develop successors who will carry on our founder’s spirit

The Daiwa House Corporate Creed leads with our aim to “develop people through business.” Training human resources is our first priority. We are committed to keep growing into the future, but still lack the personnel to drive this growth.

People spanning a wide range of ages, abilities and disabilities, and over 30 different nationalities work at the Daiwa House Group. We want to build an organization that can foresee risks from all perspectives and capture new business opportunities by leveraging the skills of our diverse workforce. This is not simply a matter of blindly meeting numerical targets by increasing numbers. We want to train our people and bring out the best in them. While this is taking time, I feel that our efforts are starting to bear fruit. Going forward, we will work to train a diverse workforce (regardless of gender) and create an environment where all can bring their unique strengths to bear.

Management talent and succession planning

Succession planning is an important mission for the Board. As part of our moves to strengthen governance, we have an upper age limit for inside directors to enable a smooth transition to the next

generation. Business division heads will also be responsible for positioning their businesses for sustainable long-term growth by training their own successors.

Our Chief Advisor, Takeo Higuchi, always told his employees to be ethical and self-disciplined, to cultivate the ability to keep in touch with the changing times, business environment, markets, and demonstrate a strong capacity for innovation. I promised him that I would train the next generation to be exceptional managers before passing the baton to them. I think they should be able to surmount any difficulty and tackle things speedily. I want our people to inherit the spirit of our founder, Nobuo Ishibashi, who was fond of saying that speed is the greatest service. I think it is necessary to prepare our employees by exposing them to a variety of experiences as branch or block managers so they can look at management from a cross-company perspective. We aim to develop managers with a range of experiences and skills by training them from a long-term viewpoint. We run D-Succeed (succession planning) and Daiwa House Juku (management training classes) for management candidates. Our efforts to enhance human resources development through effective training programs and systematic evaluation of results will be unstinting.

Toward 2055:
Long-term
prospects

Addressing societal issues through business to pass on the founder's spirit

**Founder's exhortations to follow:
Be a business that is of service to society**

Since Mr. Higuchi retired as Chairman in 2020, we have been revisiting our history repeatedly as we ponder the Daiwa House Group's future and how and what it should be. We have been entrusted with achieving our founder's dream of ¥10 trillion in sales by 2055, our 100th anniversary; so we have been asking ourselves what sort of road we want to travel and what our future destination should look like, and I sense that the aspiration is now at a critical juncture. With these thoughts in mind, I looked to the sayings of our founder for insights.

The first is, "don't do things because they will make a profit, but because they will be of service to society." This spirit infuses every aspect of the way we do business. A company must be needed by society if it is to survive. We always have to keep in mind how we can help solve social issues.

The second is to "look beyond the immediate future to far-off horizons." The ever-changing needs of society demand our ability to respond flexibly. Amid mounting uncertainty, we will always approach management with an eye beyond the immediate future, while establishing a business platform that can respond nimbly to emerging developments.

The third is simply "dream." The preface to our founder's book *"The Future of the Daiwa House Group,"* states that "where there is a dream, there is progress, and our company will grow with the dream." In line with these words, we have dreams which we share with all stakeholders and will spare no effort to make these come true.

September 2021 marked the 100th birthday of our founder, Nobuo Ishibashi. To express our gratitude to stakeholders who have shared our journey, we plan to pay a commemorative dividend of ¥10 per share in fiscal 2021. We will carry on the spirit of Nobuo Ishibashi, in thinking about people and society and

pursuing dreams while running businesses that are useful and pleasing to many people.

**New community development approach for
sustainable living**

Amid rapid changes in society, we are confronted with a variety of issues daily, but a critical issue shared the world over is our response to climate change and decarbonization. We see this as one of our most important management priorities from a long-term perspective. Mitigating and adapting to climate change is one of the key themes in our Long-Term Environmental Vision. In light of the Japanese government's October 2020 policy announcement, we revised our target to zero net greenhouse gas emissions by 2050. Initiatives include generating renewable energy using wind, solar, and hydro power at our sites nationwide. In fiscal 2020, we generated more electricity using renewables than our group consumed, reaching this milestone 10 years ahead of our 2030 target. In collaboration with our Environmental Energy business's new style of community development, we are rolling out our *Ko"Re"ka City*, a suburban housing development, under our 3Rs catchphrase, which stands for Reality, Renewables, and Resilience. The first installment was a large-scale complex we developed in Funabashi, Chiba. All facilities were completed by March 2021, and a community with 100% renewable energy got fully up and running. We are currently developing the system and deploying it in projects with a view to nationwide rollout. We will continue pioneering new community development approaches so as to create and offer customers sustainable lifestyles.

We are also working to solve social problems in Japan. Neopolis branded suburban residential complexes we previously developed face issues such as the declining birthrate/ageing population and vacant houses. We have launched Livness Town Projects



in two locations in Japan to redevelop them so that people will want to remain or return to live there.

The challenges cities face are as varied as the regions themselves. Through dialogue with residents and local governments and new technologies, we will work together to address such issues and make communities more attractive and livable. We plan to extend these efforts and ultimately want to redevelop 61

Neopolis locations nationwide.

For a company that creates towns where people live as well as lifestyles, the most momentous changes—and massive challenges—involve demographics. While Japan's population is shrinking, some areas overseas face explosive growth. We will continue to identify what value we can bring to each region, cognizant of country risk, as we develop our businesses.

**To our valued
stakeholders**

To remain a beloved company

In *The Future of the Daiwa House Group*, our founder talks about Daiwa House being a beloved company. How shall we earn the love of all of our stakeholders? First, our employees need to love and be proud of the Daiwa House Group. I take this to mean employees being sincere in their dealings with customers. To be of service to society, we have pursued and realized many dreams and goals. Going forward, we will keep trying to deliver on these

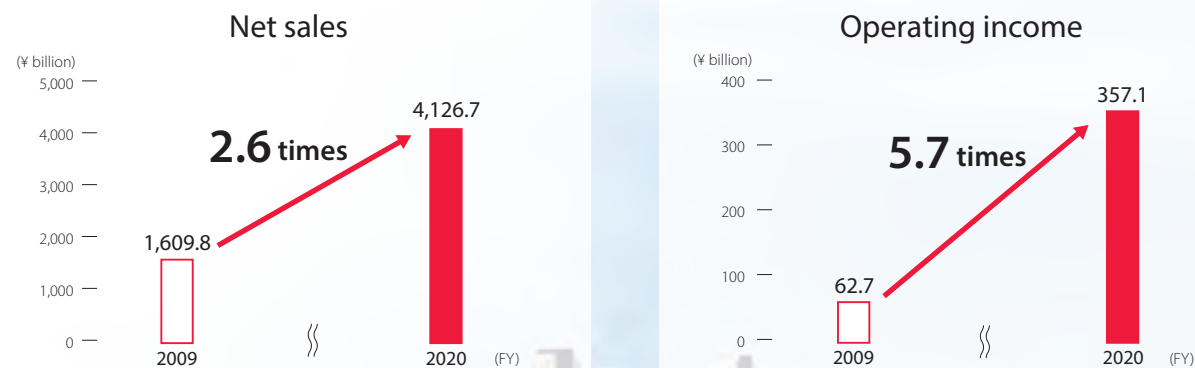
aspirations so that all our stakeholders are glad to be associated with the Daiwa House Group.

Looking ahead to our 100th anniversary in 2055 and beyond, by facing head on the issues confronting society, we will continue to work toward our management vision of a society where people can live truly fulfilling lives. We look forward to your continued support for the Daiwa House Group.

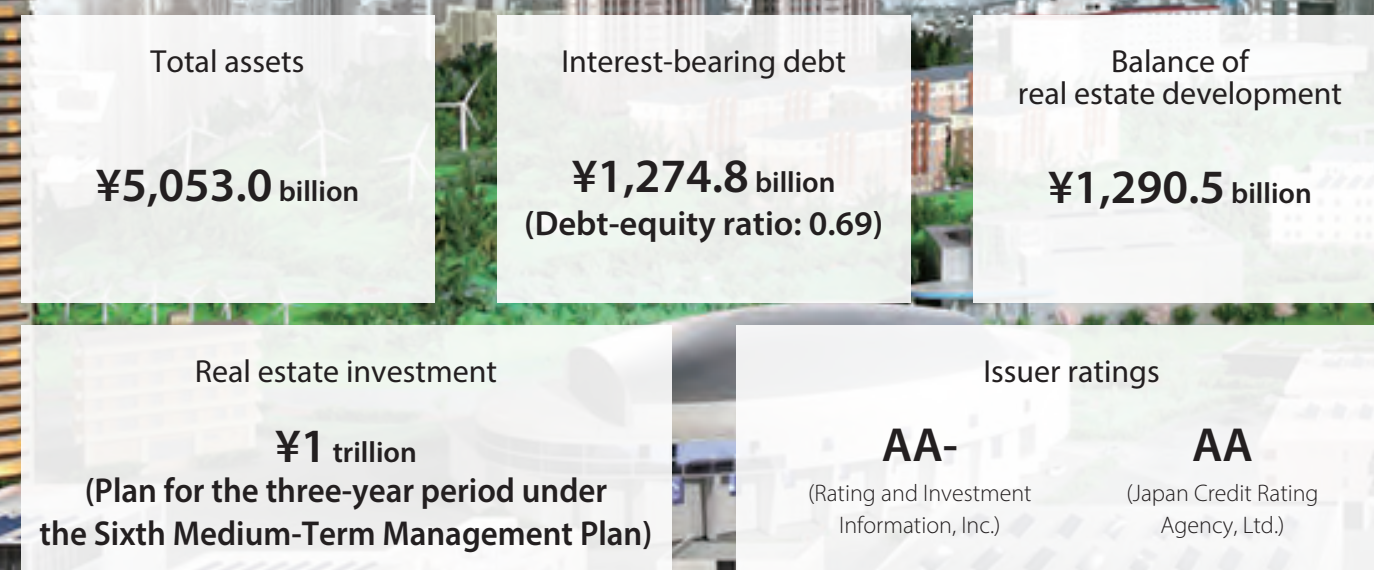
What kind of company is Daiwa House?

Daiwa House is a corporate group that, working to co-create value for individuals, communities, and people's lifestyles, transcends the narrow boundaries of "home builder" to pioneer the future.

A company leading the housing, construction and real estate industries



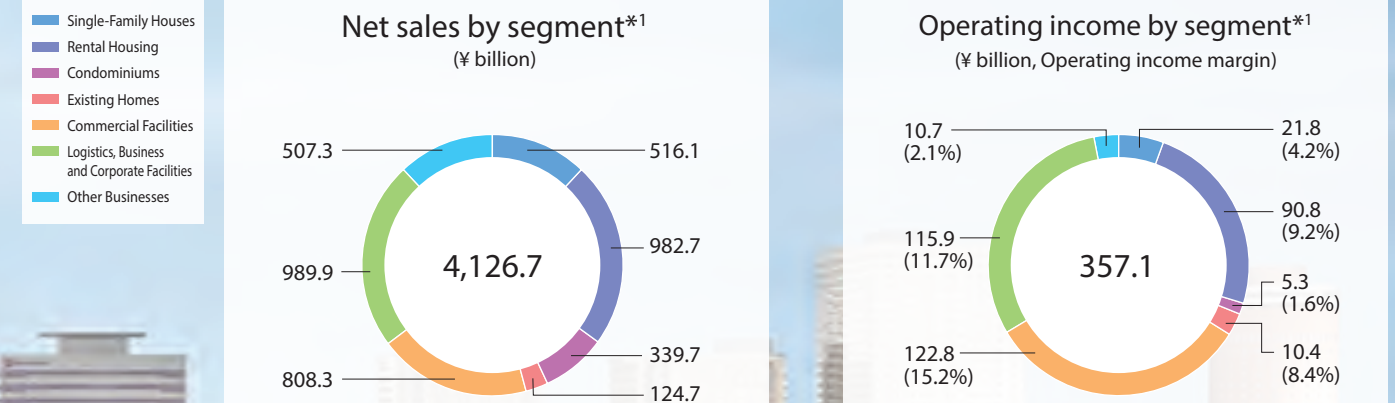
Promote aggressive real estate development while maintaining financial soundness



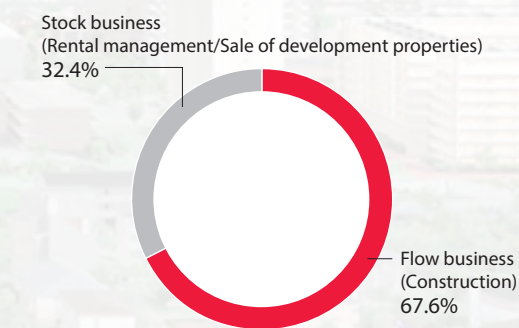
Contributions to the global environment



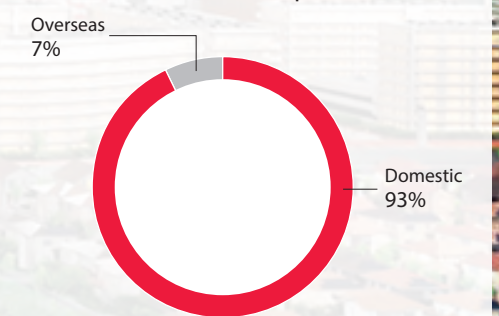
Diverse business portfolio



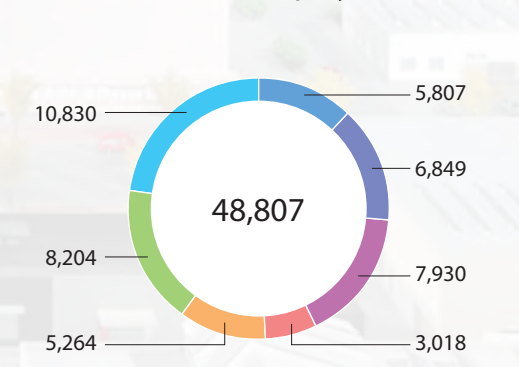
Flow business and stock business*2



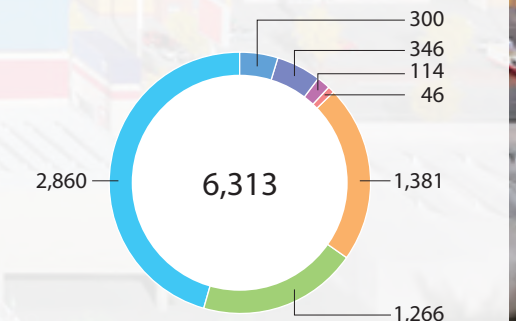
Domestic and overseas sales (Overseas is for the 24 countries in which Daiwa House operates)



Number of employees *3



Contribution to GHG reduction (GHG: Greenhouse gas) (1,000t-CO₂)



*1 Figures include intersegment transactions.

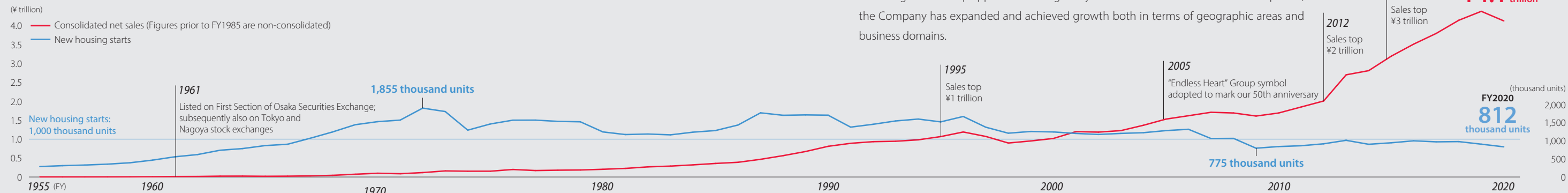
*2 Other businesses are excluded.

*3 Regular employees only. Total figures include all personnel in the Company (joint).

Does Daiwa House have a track record of co-creating value for individuals, communities, and people's lifestyles?

Yes! Daiwa House has grown by generating products and services that anticipate changes in what society wants and needs, in line with our founder's exhortation to do things because they will be of service to society.

Consolidated net sales and housing starts



Business development to optimally leverage a land property



1955 — Pipe House

Mr. Ishibashi conceived the idea of a steel-pipe structure, which contributed to resolving the lack of lumber during the postwar reconstruction period.

Response to society



1959 — Midget House

The product was developed as a children's study room that could be erected in only three hours. It also served as a solution to housing space shortage caused by rising birthrate.

Advancement of steel-pipe structured construction



1976 — The birth of the LOC System

We launched the Commercial Facilities Business to develop business of utilizing land holdings alongside major roads.

1989 — Silver Age Research Center

This was a unique research institution dedicated to market surveys and analysis of problems relating to medical and nursing care facilities, with the goal of providing a safe and secure housing environment for senior citizens.

1962 — Habikino Neopolis

With the sale of a large-scale housing complex as the first in the private sector in the nation, we devised Japan's first residential mortgage loan system in cooperation with a private financial institution.

Response to environment

1994 Central Research Laboratory

With the central theme of living in harmony with the natural environment, the laboratory is engaged in research to make a better future for individuals, communities, and people's lifestyles.



2007 — Sadamisaki wind power plant

The Company entered wind power electricity business based on the belief that businesses relevant to wind, solar, and hydro would be demanded in the twenty-first century.



2003 — Start-up of D Project

We embarked on development of large-scale logistics facilities, offering a one-stop service encompassing everything from selection, purchase and preparation of site, through design and construction, to start-to-finish management support.

Diversification of tenants Development of large-scale commercial facilities

2016 — Multi-tenant logistics facilities overseas

Logistics warehouse development started in the ASEAN region, beginning with the one in Indonesia.

2016 — Proposing Kaji Share House that helps reduce household labor

As a new way of living, we proposed a set of fixtures and room plans to ease the temporal and psychological burden of "invisible labor" felt by dual-earner households.

2017 — The birth of Livness brand for existing homes

This was launched as a new group-wide brand to establish a quality existing housing market. We offer comprehensive solutions based on the know-how possessed by Group companies.

2012 — Daiwa House REIT Investment Corporation listed on 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 also to the growth of the J-REIT market.

2019 Livness town projects

We redevelop Neopolis housing complexes that were initially constructed by Daiwa House, to redefine the appeal of them and turn them into communities where people can reside for a long period.

2011 SMA-Eco Original launched

This is a smart house fitted with the industry's first lithium-ion battery controlled through HEMS.

2011 Development of D's SMART series

We launched D's SMART offices and factories as next-generation facilities aiming for zero environmental impacts.

2018 — Disaster-ready homes

As a response to more frequent natural disasters, the homes were developed as the Japan's first housing line engineered to better cope with disasters capable of powering for about 10 days even in cloudy weather.

2020 Funabashi Grand Oasis

We developed a 100% renewables-powered community from the construction through the habitation stage.



2020 Dream Solar Isewan II

The Daiwa House Group constructed and operates its largest-scale mega solar installation.

Accumulation of data on the land usage and tenants across the nation

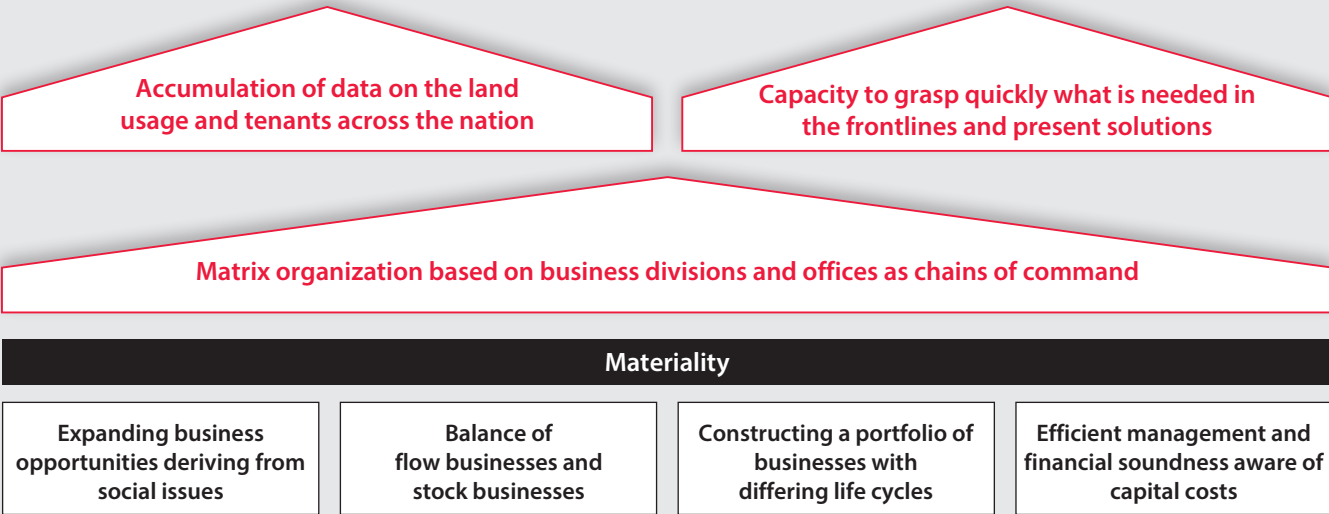
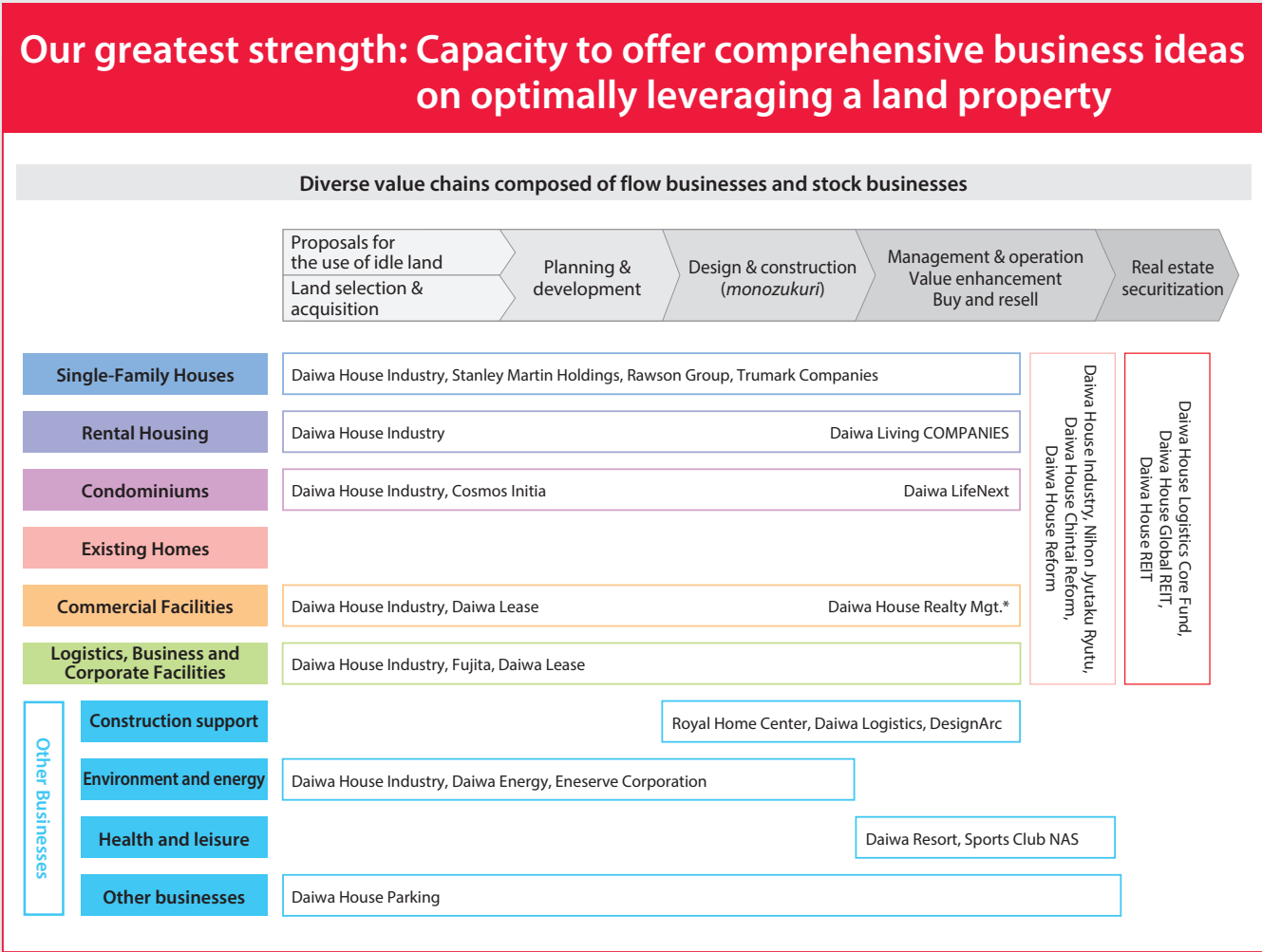
Capacity to grasp quickly what is needed in the frontlines and present solutions

Daiwa House Industry was founded by Nobuo Ishibashi in 1955 with "industrialization of construction" as a corporate philosophy. A major typhoon had recently devastated parts of the country, and he noticed that bamboo and rice plants in the fields had been largely unaffected by the typhoon. This was because their hollow-tube structure allowed them to bend with the wind without breaking. Inspired by this, he created the Company's first product—the Pipe House. Using cylindrical steel pipes in place of wooden ones, the product also contributed to resolving the lack of lumber, a pressing issue faced by Japan that needed large amounts of timber for use as buildings materials during the postwar reconstruction period.

Since then, following our founder's guiding principle of "doing things because they will be of service to society," we at Daiwa House have been creating both business value and social value. As we developed businesses to optimally leverage a property, we accumulated data on the land usage and tenants across the nation and refined our problem-solving skills through a thorough bottom-up approach. Seeking always foothold for further business development, the Company has expanded and achieved growth both in terms of geographic areas and business domains.

What gives the Daiwa House Group its competitive advantage in developing its businesses?

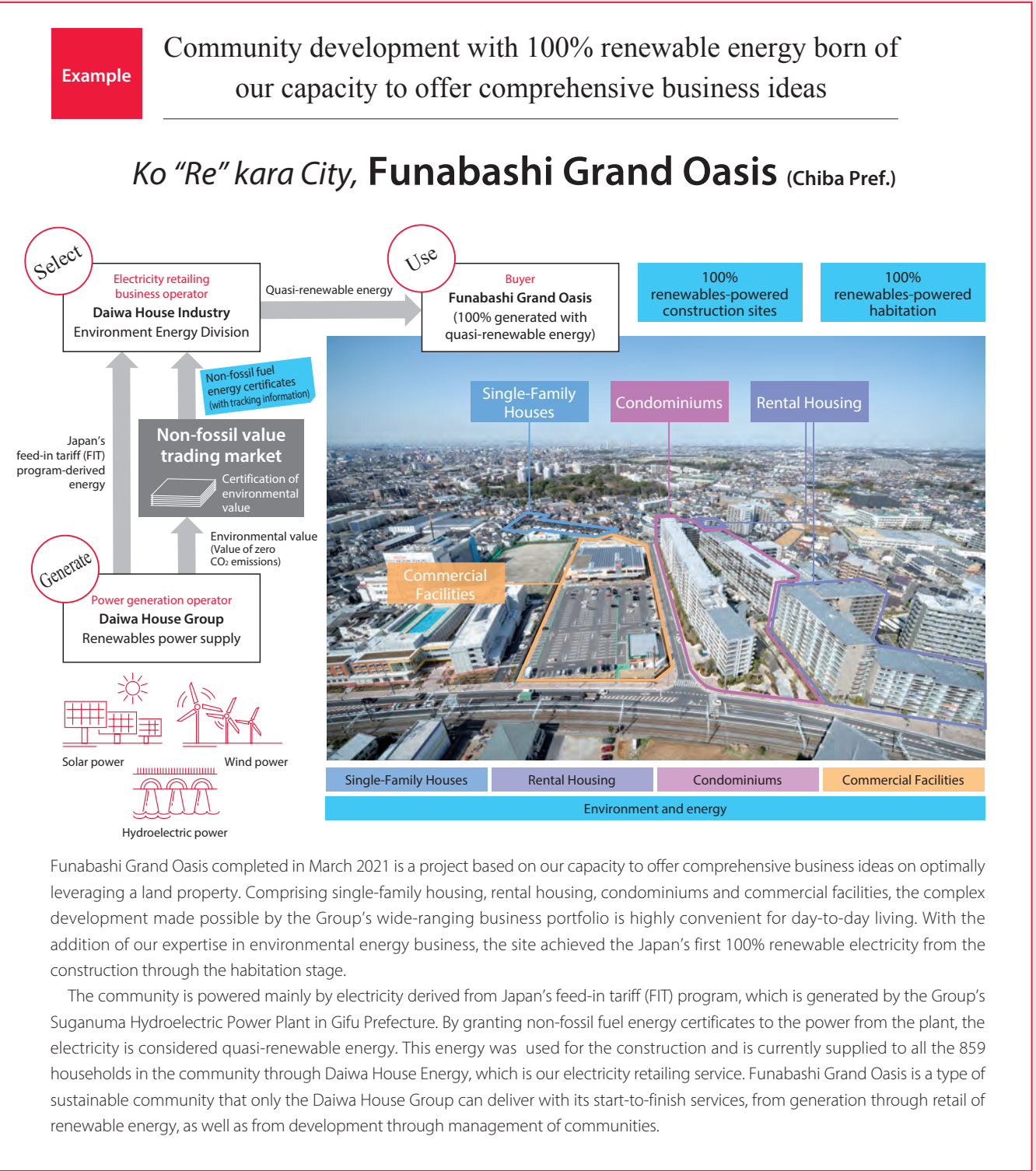
Our capacity to offer comprehensive business ideas on optimally leveraging a land property is a foremost element. Our diverse value chains are built on our organization and its capabilities in aggregating data into solutions.



* Established through the management integration of Daiwa Information Service and Daiwa Royal on October 1, 2021.

Our capacity to develop and offer customers comprehensive business ideas on optimally leveraging a land property is a foremost element. This capacity is underpinned by our three capabilities. The first is a wealth of data on the land usage and tenants across the nation that we have aggregated over years. The second is our ability to grasp quickly what is needed in the frontlines and present solutions to the issues faced by customers and society. The third is our matrix organization supported by our 71 branches and offices rooted in communities across the nation, with a business division-based system that can optimally and agilely leverage our specialist skills serving as a main chain of command.

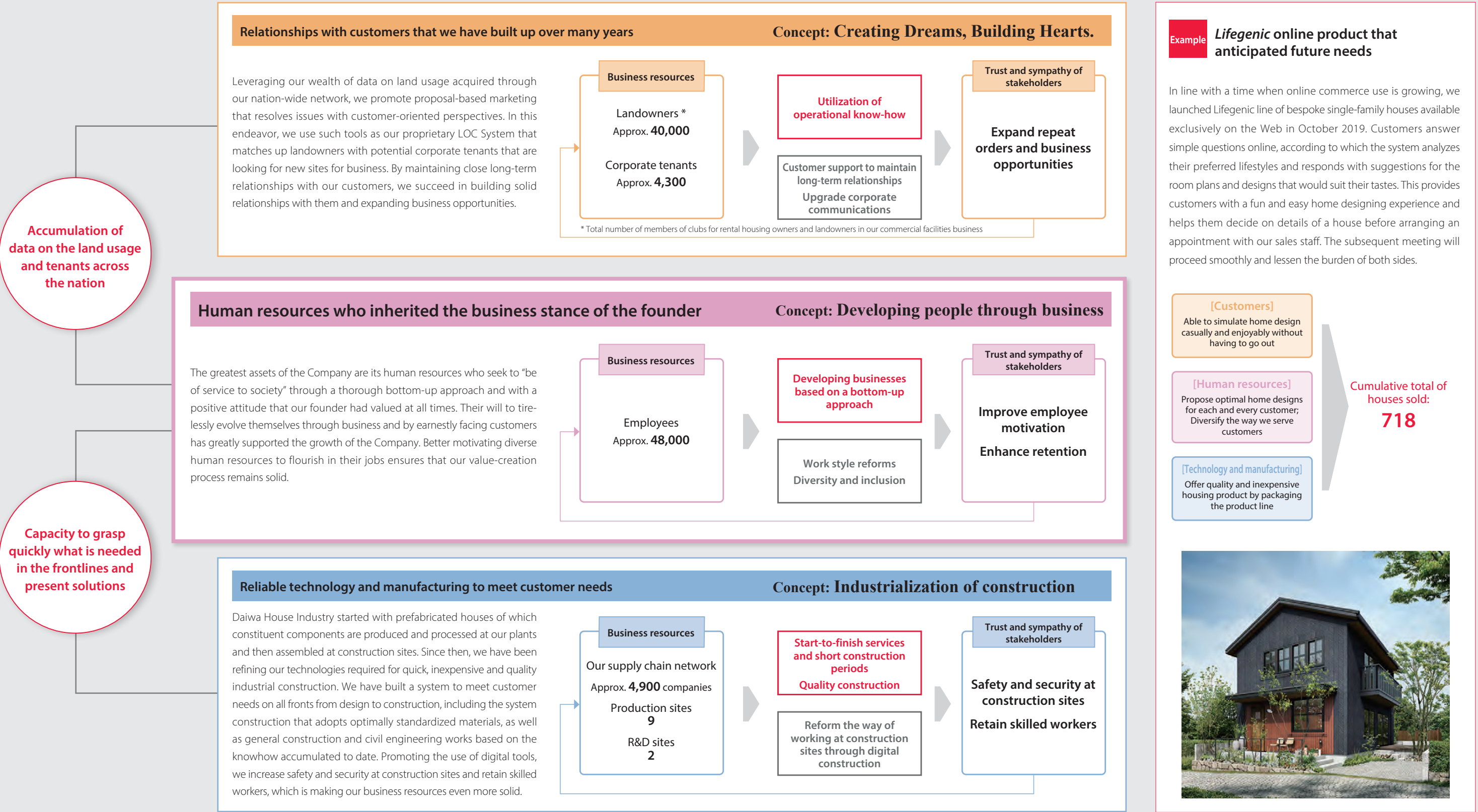
The Group's such capacity to offer comprehensive business ideas—which is being applied to new community development—is born of its diverse value chains, and is the competitive advantage unique to it that no other home builders and developers possess.



What's the source of Daiwa House Group's ability to create value?

Our three business resources: human resources, customers, and technology and manufacturing expertise.

Our data-collection capability to aggregate information on the land usage and tenants across the nation and problem-solving skills to grasp quickly what is needed in the frontlines and present solutions are born of our three types of business resources, namely, human resources who inherited the business stance of the founder; relationships with customers that we have built up over many years; and technology and manufacturing to meet customer needs. Leveraging these solid business resources, we create both business value and social value and develop them into new business opportunities.



Example

Lifegenic online product that anticipated future needs

In line with a time when online commerce use is growing, we launched Lifegenic line of bespoke single-family houses available exclusively on the Web in October 2019. Customers answer simple questions online, according to which the system analyzes their preferred lifestyles and responds with suggestions for the room plans and designs that would suit their tastes. This provides customers with a fun and easy home designing experience and helps them decide on details of a house before arranging an appointment with our sales staff. The subsequent meeting will proceed smoothly and lessen the burden of both sides.

[Customers]

Able to simulate home design casually and enjoyably without having to go out

[Human resources]

Propose optimal home designs for each and every customer; Diversify the way we serve customers

[Technology and manufacturing]

Offer quality and inexpensive housing product by packaging the product line

Cumulative total of houses sold:
718



What does the Daiwa House Group consider crucial for improving corporate value?

We believe strengthening our bases for adapting to changes in the social and business environment is essential for improving corporate value. They serve to reduce risk and achieve sustainability.

Materiality

Pursue both minimization of environmental impacts and corporate earnings

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.

Long-term environmental vision

Challenge ZERO 2055

Taking on the challenge of Zero Environmental Impacts

Mitigating and adapting to climate change (Energy)

Harmony with the natural environment (Preservation of biodiversity)

Closed-loop resource sourcing and conservation of aquatic environments (Greater durability and waste reduction)

Prevention of chemical pollution

Efforts at Environment P.55-60

Materiality

Form management base, strengthen relations with stakeholders

Long-Term Social Vision

Strengthen relations with stakeholders

Customers

Employees

Business partners

Community residents

Shareholders

Efforts at Social P.61-66

Materiality

Strengthening corporate governance

Enhancing governance

Optimization of management structure

Foster next generation of business managers

Entrench risk management structure

Improve system of business execution

Ongoing updates

Management Structure P.67-78

The Daiwa House Group views ESG engagement as consisting of two elements: lowering risk to ensure corporate viability and creating business opportunities to generate cash flows. We closely examine the risks and opportunities present in an ever-changing social environment and move forward on various initiatives. In addition, we are increasing the effectiveness of our corporate governance by following the four basic policies under the measures to enhance governance. Through these efforts, we achieve sustainability of the Group and a virtuous cycle of our value-creation process.

Example

A power self-sufficient office by renewable energy
Daiwa House Saga Building (Saga Pref.)

Issue: Climate change

To reduce energy consumption in our business operations, we have pursued a policy of developing ZEB for our own facilities since fiscal 2017. A prime example is Daiwa House Saga Building completed in February 2018, which achieved energy self-sufficiency by introducing a power self-sustaining system that combined solar power generation and storage batteries. The building is a ZEB that can cover 100% of the electricity consumed at the office with renewable energy.

Generate cash flows

Enhance sustainability

Propose eco-friendly buildings by showrooming its own facilities

Respond to tougher regulations to help realize a carbon-free society

Serve as a business continuity plan (BCP)

Daiwa House Saga Building

(Saga Office, Daiwa House Industry)

Example

Reduce operational burden with digitalization
Smart Control Center

Issue: Serious labor shortages and aging of workforce in the construction industry (more than 30% of the workforce is 55 years old or above)

To cope with a decrease in skilled workers and to advance the work style reform for builders at construction sites (reduction of working hours), we have been pushing ahead with digitalization initiatives to reduce onsite operational burden. As part of this effort, we established Smart Control Centers in October 2020, each of which can monitor remotely five of our construction sites of single-family houses at a time. The images of the sites are analyzed by AI to increase operational efficiency and safety.

Enhance sustainability

Labor saving of construction sites

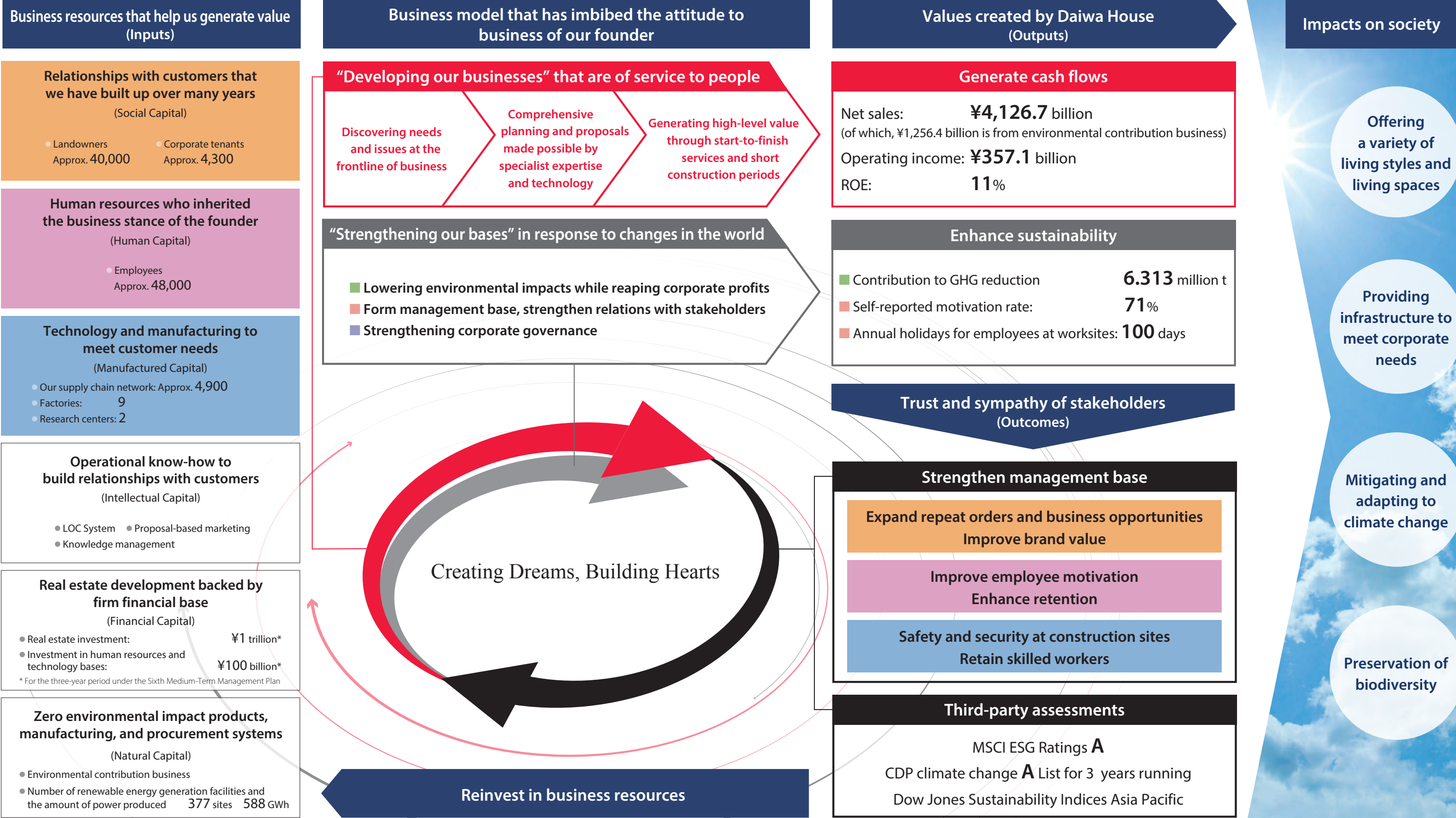
Increase operational efficiency and safety

Smart Control Centers

(Established at 10 locations nationwide including Tokyo Head office and Fukuoka Office to consolidate the management of construction sites in the aspect of safety and quality.)

The Daiwa House Value Creation Process

Making maximum use of the three types of business resources that underpin our value creation, we have been creating values based on our stance that “we do things because they will be of service to society,” which constitutes the starting point for Daiwa House. Our value creation is built on a business model that generates cash flows through “developing our businesses” and enhances sustainability through “strengthening our bases.” With the value we create in this way, Daiwa House seeks to earn the trust and sympathy of stakeholders, which make our management base even stronger. By making reinvestments that would open up new business opportunities, we aim to realize both “society where people can live truly fulfilling lives” as expressed within our management vision, and continuous enhancement of our corporate value.



What kind of tomorrow is the Daiwa House Group working towards?

Our vision is to help bring about a society where people can live fulfilling lives. To that end the Daiwa House Group wants to be indispensable member of society that helps address the issues society faces.

As the pace of social change is accelerating and customer needs are becoming more diverse and sophisticated, the role that corporations must play has grown increasingly important.

Building a bond with stakeholders through business, we at the Daiwa House Group are working to offer houses and buildings in which people with diverse values can lead their lives in safety and with peace of mind, and developing communities where people wish to reside for a long period. Staying in close to those living in the spaces we build, we aim to achieve continued growth and raise the Group's corporate value over the medium-to-long term, toward realizing a society where people can live fulfilling lives.



How we pursue our management vision

A society where we collaborate with stakeholders and partners

A new training facility, the Daiwa House Group MIRAI KACHI KYOSO Center scheduled to be opened in the autumn of 2021 is a facility intended to foster our human resources that contribute to society. The center is to serve also as a base for publishing information to parties both inside and outside the Company including the local community, and to facilitate collaborations with stakeholders with a view to seizing upon new business opportunities.

A society that adapts to climate change where people can live safely and in peace

A society with increased convenience with technology revolution

In an effort to "decarbonize" our operations, we press forward with initiatives for "energy efficiency, energy generation and energy storing." We leverage the outcomes to seize upon business opportunities and enhance our business competitiveness, thereby contributing to the realization of a carbon-free society.

EP100 (Energy efficiency) + RE100 (Renewable energy) → SBT (Reduction of CO₂ emissions)

Responding to needs of society, we pursue DX initiatives that drive innovations with "diverse working styles" and "manufacturing."

Digital transformation (DX) initiatives P.51-52

An inclusive society where diverse human resources can live to their fullest

We are redeveloping the Kamigo Neopolis town (Yokohama, Kanagawa Prefecture) so that values of the building itself as well as life quality for the people living there will increase with the passage of time. With a view to developing it into a digital smart town, validation experiments have been underway, of which outcomes will be applied to the redevelopment of 61 Neopolis towns across the nation.

Relationship between issues of material importance (“Materiality”), risks and opportunities

Creating both business value and social value, Daiwa House Industry is working to sustainably enhance corporate value, based on recognition of changes in the operating environment over a short, medium and long term and from the perspective of risks and opportunities.

Medium- to long-term changes in operating environment (Megatrends)		
	Short and Medium term (to FY2025)	Medium and Long term (to FY2030)
Demographic trends	<ul style="list-style-type: none">Changes in the number of households in Japan Declining new housing startsLabor shortage, decline in skilled construction workers Decreasing working-age population/ Necessity of systematically securing human resources/ Leveraging the talents of diverse human resourcesGrowing importance of digitalization and DX Enhancing productivity/ Progressively more advanced and efficient business/ Expansion of i-Construction	<ul style="list-style-type: none">Regional depopulation, urban population concentration Compact cities in regions/ Increasing demand for revitalization of local economies and redevelopment of housing complexes/ Development of smart citiesShrinking and aging population Greater social acceptance of the elderly and people requiring nursing care/ Increasing elderly participation in society/ Increasing demand for nursing care
Climate change	<ul style="list-style-type: none">Meteorological disasters growing in frequency and intensity Intense heat become normalized/ Increasing demand for rebuilding and relocation/ Growing importance of BCP preparednessShift to carbon neutrality and a carbon-free society (Transition) Lowering environmental impacts (Uptake of ZEH and ZEB, etc.)/ Expanded percentage of renewable energy/ Stronger international rules	
Changing values	<ul style="list-style-type: none">Coexisting with the COVID-19 Burgeoning online activity/ Diversifications of working styles (increased and entrenched teleworking, more use of virtual offices)/ Changing values pertaining to living styles (more relocation to local regions, country life and dual residence, and diversification of lifestyles and preferences)/ Heightening desire to belong to communitiesGrowing demand for ethical, environmental and recycling-oriented economy Increase in ethical consumption/ Full-scale social impact evaluation of business and real estate investment/ Diversification of the sharing economy/ Shift to circular economyInitiatives and contributions toward achieving SDGs More opportunities for business models focused on addressing social issues	
Intensifying social issues	<ul style="list-style-type: none">Increase in untenanted houses Expansion of the existing housing marketPromotion of earthquake resistance	<ul style="list-style-type: none">Age deterioration of social infrastructureGrowing and intensifying economic disparity
Overseas markets	<ul style="list-style-type: none">Advent of the AI/IoT/big data society Progressive use of ICT in real estate/ Spread of connected homesAccelerating involvement in open innovationAdvancement of information disclosure 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 <hr/> <ul style="list-style-type: none">Increasing global populationEconomic and income growth in developing countriesEncouraging generational changeover (Rise of Generation Z)Progressive social divisionsFull-scale acceptance of immigrantsChanging importance of “Business and Human Rights” <ul style="list-style-type: none">Rapid urbanization/ Increase of megacitiesGrowing demand for food and energyFurther decline in biodiversity	

Daiwa House Industry identified issues of particular importance (Materiality) 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; and lower capital cost by enhancing the Group's trustworthiness and management transparency).

In full recognition of our operating environment, we are creating both business value and social value from the perspective of risks and opportunities, working to sustainably enhance corporate value.

	Materiality	Focal themes of the Sixth Medium-Term Management Plan	Major opportunities	Major risks
	<div>Expanding business opportunities deriving from social issues</div> <div>Balance of flow businesses and stock businesses</div> <div>Constructing a portfolio of businesses with differing life cycles</div> <div>Efficient management and financial soundness aware of capital costs</div>	<div>Grow share in core businesses</div> <div>Expanding field of business</div> <div>Expanding geographic business area</div> <div>Redevelopment of communities and home</div> <div>Leveraging our customer base and stock of existing properties</div>	<div>Business opportunities deriving from social issues</div> <ul style="list-style-type: none">Adapting to the age of the new normalCapture 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	<div>Risks associated with legal regulations</div> <div>Risks associated with competitive activities</div> <div>Risks associated with business and Group strategies</div> <div>Risks associated with overseas business operations</div>
Environment	<div>Lowering environmental impacts while reaping corporate profits</div>	<div>Mitigating and adapting to climate change</div> <div>Harmony with the natural environment</div> <div>Closed-loop resource sourcing and conservation of aquatic environments</div> <div>Prevention of chemical pollution</div>	<div>Climate change</div> <ul style="list-style-type: none">Increase in demand for houses and building with low greenhouse gas emissionsExpansion of environmental energy business due to rising demand for renewable energy	<div>Climate change</div> <ul style="list-style-type: none">Risks associated with the strengthening of Japan's Building Energy Efficiency ActRisk of heat stroke at construction sites due to higher maximum summer temperatures
Social	<div>Form management base, strengthen relations with stakeholders</div>	<div>Improve motivation and diversity</div> <div>Improve CS and corporate brand</div> <div>Enforce safety and security at construction sites</div> <div>Upgrade innovation and corporate communications</div> <div>Strengthen risk management</div>	<div>Seize business opportunities through building a management base</div>	<div>Risks associated with human resources base</div> <div>Risks associated with technology and manufacturing base</div> <div>Risks associated with natural disasters</div>
Governance	<div>Strengthening corporate governance</div>	<div>Optimization of management structure</div> <div>Foster next generation of business managers</div> <div>Improve system of business execution</div> <div>Entrench risk management structure</div>		

Response to major opportunities and risks

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

Generate cash flows through promoting business		
Strategies to seize opportunities		
Business opportunities deriving from social issues <ul style="list-style-type: none">• Capture changes in the market and link them to business opportunities by constantly focusing on what we can offer to the society, based on our capabilities to cope with contingencies and to innovate new trends, which are the key to growth	Social issues in Housing segment <ul style="list-style-type: none">• Changes in lifestyles caused by increasingly diverse working styles such as teleworking• More frequent and intensifying natural disasters• Changes in household numbers in Japan• Expanding existing housing market• Advancing societal aging and falling birthrate• Shift toward more compact regional cities Social issues in Business segment <ul style="list-style-type: none">• Changing consumer behavior and tastes• Rising demand for e-commerce• Advances in business sophistication and efficiency due to digitalization• More frequent and intensifying natural disasters• Economic growth in developing countries	Strategies and initiatives in Housing segment <ul style="list-style-type: none">• Development and roll out of customer and local needs-oriented products• Ideas on housing adapted for working at home• Uptake of ZEH• Initiatives for combination housing (housing combined with those for other uses)• Diversification of revenue streams from large-scale multi-use development, redevelopment, and rebuilding projects leveraging Group strengths Strategies and initiatives in Business segment <ul style="list-style-type: none">• Diversification of tenants reflecting social trends and local attributes• Development of high-performance logistics facilities and promotion of digitalization• Development of data centers• Propose capital investments and a review on the network of bases to transform our supply chain• Seize demand for the “cold chain” market
Risk countermeasures		
Legal regulations <ul style="list-style-type: none">• Risks associated with revision or abolition of legal regulations or the creation of new laws• The risk of penalties, punishment, or other sanctions, or defamation of social credibility or image resulting from legal violations	Diverse legal regulations pertain to the widespread business operations of the Group. As such, we have a system in place to monitor in advance the trends in regulations to adapt to or take measures against their revision or abolition or creation of new laws, while also preventing actualization of the risks. To prevent the risk associated with legal violations, we actively offer trainings to employees on knowledge of relevant laws and regulations to heighten their awareness, and promote creation of various manuals and checklists.	
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.	In order to maintain and develop our business model, 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 society 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.	
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.	Our 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 priority in M&A 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.	
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.	For investments in overseas businesses or expansion overseas, we make a decision at Investment Committee and the Board of Directors, and via collective decision-making, after consulting with Overseas Strategy Committee pursuant to the Investment Management Guidelines. Business development with a joint venture partner is not adopted, unless the Company can take a majority stake. In terms of a business execution system, we built management systems for respective regions overseen by regional corporate functions. When political and economic circumstances deteriorate, we take timely actions by placing priority on the safety of employees.	

Enhance sustainability through strengthening our bases (Risk countermeasures that help lower capital cost and compatibility with society)		
Strategies to seize opportunities		
Climate change <ul style="list-style-type: none">• Increase in demand for houses and buildings with low greenhouse gas emissions• Expansion of environmental energy business due to rising demand for renewable energy	<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 and proposals that support ZEHs and ZEBs.</p> <p>Toward achieving the targets under the Paris Agreement, the Japanese government has indicated a policy target to increase the ratio of renewable energy in electricity generation in Japan. There has been also an increase in the number of companies committed to going '100% renewable' both at home and abroad. As the environmental energy business involved in the development and supply of renewable energy is expected to expand going forward, the Group promotes generation and retailing businesses of renewable energy.</p>	
Building of a management base <ul style="list-style-type: none">• Increase operational efficiency and productivity and seize business opportunities through building a management base to keep pace with the times	<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> <ul style="list-style-type: none">• Remove constraints of time and place to increase efficiency by introducing teleworking and flextime program• 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	
Risk countermeasures		
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 heatstroke that may delay construction periods and lower productivity on construction worksites	<p>In expectation of higher operating costs due to tougher regulations, efforts have been made pursuant to the policy of maximizing sales increase and minimizing profit decrease with early development of ZEH and ZEB, as well as cost reduction. We evaluate the risks based on hazard information upon developing new projects, and for construction sites, we compiled manuals to prevent heatstroke, ensure installation of shaded rest areas, and introduce environmental sensors that measure the wet bulb globe temperature (WBGT), so as to protect workers from heatstroke.</p>	
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 an optimal personnel system and working environment	<p>We actively develop and offer a personnel system and working environment whereby our employees can fully demonstrate their abilities. We conduct the Sustainability Survey annually as an effort to confirm the level of employees understanding and permeation of Daiwa House Group Principles of Corporate Ethics, through which we identify issues and work for improvement. Creating a sound organizational climate where each employee can fully demonstrate their capabilities, we offer them a motivating work environment, in order to build a solid human resources base.</p>	
Technology and manufacturing base <ul style="list-style-type: none">• The risk of poor operational management due to the shrinking workforce in Japan and a shortage of site supervisors• The risk that a trouble in one part of our supply chain may significantly affect the entire business performance	<p>By keeping close relationships with business partners, we work to thoroughly manage this risk in terms of safety, quality and compliance. At construction sites, in particular, 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>	
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	<p>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>	



Continue growth investment while maintaining financial soundness and execute management strategy with focus on capital efficiency

Takeshi Kosokabe

Takeshi Kosokabe
Executive Vice President and CFO

Financial strategy balances financial soundness and growth investment

Maintained financial discipline despite debt-equity ratio over 0.5

In fiscal 2020, our debt-equity ratio was 0.69*, above our financial discipline benchmark of 0.5. This was in response to demand for working capital during the pandemic from Group companies that manage hotels and sports facilities, and upfront investment in real estate developments that will be the source of future earnings. We think that bringing the ratio back down to about 0.5 over the next year will be difficult, as we expect conditions to be largely unchanged in fiscal 2021. Our financial strategy is based on the idea that we should seize new business opportunities even if we temporarily exceed our leverage benchmark. Our commitment to certain KPIs—ROE for shareholders and debt-equity ratio for creditors—is unwavering. We will continue working to reduce leverage to about 0.5 in the Seventh Medium-Term Management Plan from fiscal 2022, taking into account the operating environment and individual businesses' investment/divestment plans.

* 0.59 after factoring in the equity credit attributes of hybrid bonds and hybrid loans

Flexible fundraising to maintain financial soundness

I see a healthy balance sheet as critical for sustainable growth. We have raised funds to lower our debt-equity ratio, including ¥150 billion worth of hybrid bonds in a public offering in September 2019 and ¥100 billion via a hybrid loan in October 2020, aimed at maintaining our AA credit rating. Having witnessed the difficulty that companies rated A or lower had in raising funds and issuing bonds in the wake of the 2009 Lehman Brothers collapse, I think that maintaining our credit rating is important to ensure we have ample leeway to make investments even in tough economic times.

In September 2020, we issued ¥20 billion worth of green bonds to fund our efforts to reduce our environmental impact, such as developing eco-friendly facilities and using renewable energy. Amid rising awareness of environmental issues around the world, we are building environmentally conscious businesses as evinced by our long engagement in reducing CO₂ emissions and energy consumption. We intend to redouble our efforts going forward.

Solid progress in real estate investment and sales during pandemic

Increased real estate investment with focus on logistics facilities

We have a proactive approach to real estate investment. We foresaw increased demand for logistics facilities as e-commerce drove logistics volume amid mounting stay-at-home demand during the pandemic. In June 2020, we boosted our budget for investment in logistics facilities during the Sixth Medium-Term Management Plan by ¥300 billion to ¥650 billion. We are developing properties on sites we have purchased and aim to have these completed, occupied, and sold as soon as possible.

Diversified asset categories to spread risk

In our investment real estate portfolio, occupancy rates for hotels, serviced apartments, and commercial facilities have temporarily worsened due to the pandemic, but occupancy at logistics facilities—which comprise the lion's share of our real estate portfolio—remains solid and they continue to draw enquiries about availability. We nevertheless recognize that this overdependence on logistics assets also carries certain risks and think a balance across our traditional areas of rental housing, commercial facilities, and nursing care facilities would be ideal. Going forward, we will extend investment other types of properties, such as data centers, to diversify our asset portfolio.

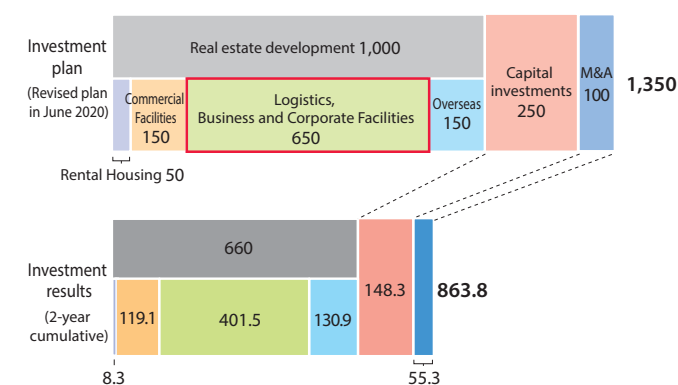
Diversified exit strategies to bolster our ability to generate cash

We use the internal rate of return (IRR) as a benchmark for new investments. Our hurdle rate is set above our cost of capital, which is about 6.5%. The Overseas Strategy Committee considers whether overseas investments meet investment management guidelines for the overseas business, and a country risk premium is added to reflect country-specific circumstances.

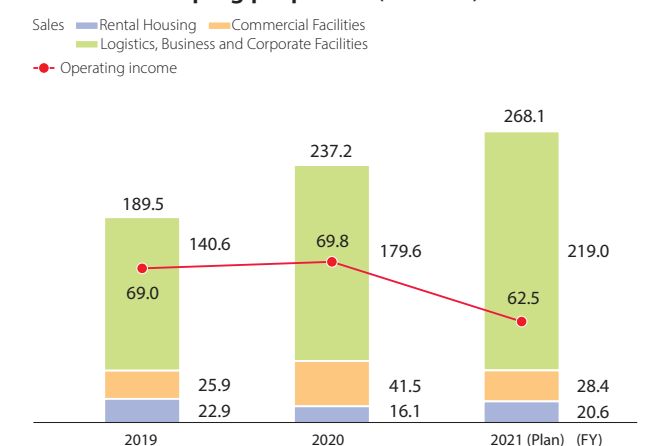
In terms of property sales plan, we lifted our payback expectations when we increased our investment plans, and progress is solid as expected. The Daiwa House Logistics Core Fund started operating in December 2020, and we plan to build its asset portfolio, focusing on logistics facilities in Japan's three major metropolitan areas around Tokyo, Osaka, and Nagoya. Our approach is to operate and manage prime properties within our Group from a long-term perspective. We will raise funds flexibly with a focus on Daiwa House REIT Investment Corporation, which has preferential negotiating rights on property acquisitions; Daiwa House Global REIT Investment Corporation, established to provide an exit for properties developed abroad; and the recently launched Daiwa House Logistics Core Fund.

We want to gradually increase the number of tenanted properties to build up our portfolio of revenue-generating properties in parallel to accelerating sales so as to strike a balance between capital and income gains. About 50% of the investment properties on our balance sheet are either still under construction or yet to be occupied, so we will be working to maintain a robust construction program and strike a balance in our investment

Investment plan (¥ billion)



Sale of developing properties (¥ billion)



properties, with a steady 70% ready for occupancy or occupied to generate stable revenue, while retaining scope for capital gains. We believe this will help stabilize long-term earnings.

Daiwa House Group changing via management and work-style reforms

Adopted business division-based system, changed course to ROIC management

We moved to a business division-based system in April 2021. There are three main changes from the previous business-based structure. First, business divisions will be in charge of the entire supply chain, including design and construction, in addition to sales; second, they will manage Group companies, strengthening the value chain; third, management will be mindful of balance sheet issues as well as profit. Much of the authority previously concentrated in the CEO will be delegated to the division heads, each of whom will be responsible for overall management.

As part of the new arrangements, we introduced a new benchmark of return on invested capital (ROIC). In essence, management will be based on capital efficiency targets for each business division. In my role as CFO I have until now focused on financing operations from cash flow, and as we branch out from primarily contracting into more stock businesses such as rental management and property development, we hope more stringent management of capital efficiency at the business level will maintain and improve companywide ROE. We are looking into incorporating ROIC into internal evaluations and plan to instill this approach at the workplace level.

As our management structure changes, we have a powerful internal management reform project looking into a range of issues, including a review of our business portfolio. We have already spun off the renovation business and integrated the business-hotel operations; aiming to run the Group in a more capital-efficient manner, moving ahead we will be examining our businesses for overlap that can be eliminated through further consolidation and similar steps.

Accelerated work-style reform to encourage diverse human resources to fulfil their potential

The Sixth Medium-Term Management Plan already called for investing ¥100 billion in technological infrastructure and work-style reform, and the pandemic prompted a significant

acceleration of work-practice changes. Prioritizing employee safety, we responded swiftly to pressing issues and reconfigured our operations to reduce face-to-face interactions. We intend to maintain 50% of the current teleworking arrangements post-pandemic while continuing to bolster information security. We introduced a flextime system beginning in April 2021. Fewer constraints on work location and hours enabled employees to choose to work in ways that increased their efficiency and productivity.

Value creation for Daiwa House springs from human resources development—our corporate creed opens with a call to “develop people through business.” By passing on this corporate culture, built up and nurtured over decades, we will continue to provide a working environment where people of diverse backgrounds can make the most of their personal talents.

Shareholder returns

11th consecutive dividend hike in fiscal 2020

Our shareholder returns policy is to maintain a stable dividend and dividend payout ratio of 30% or higher. In fiscal 2020, we stuck to this policy despite lower sales and profit during the pandemic, enabling us to pay an annual dividend of ¥116 per share, the 11th consecutive annual increase.

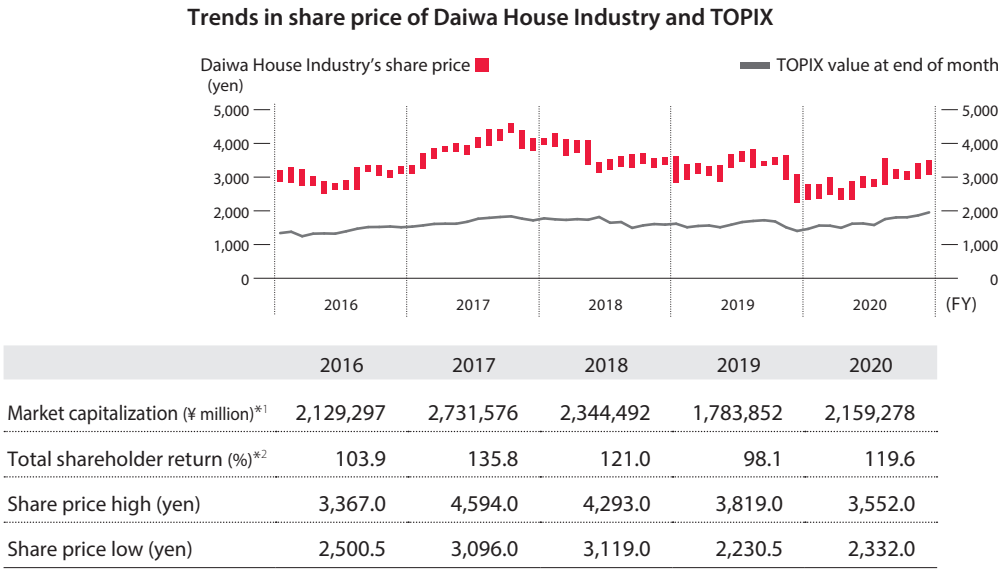
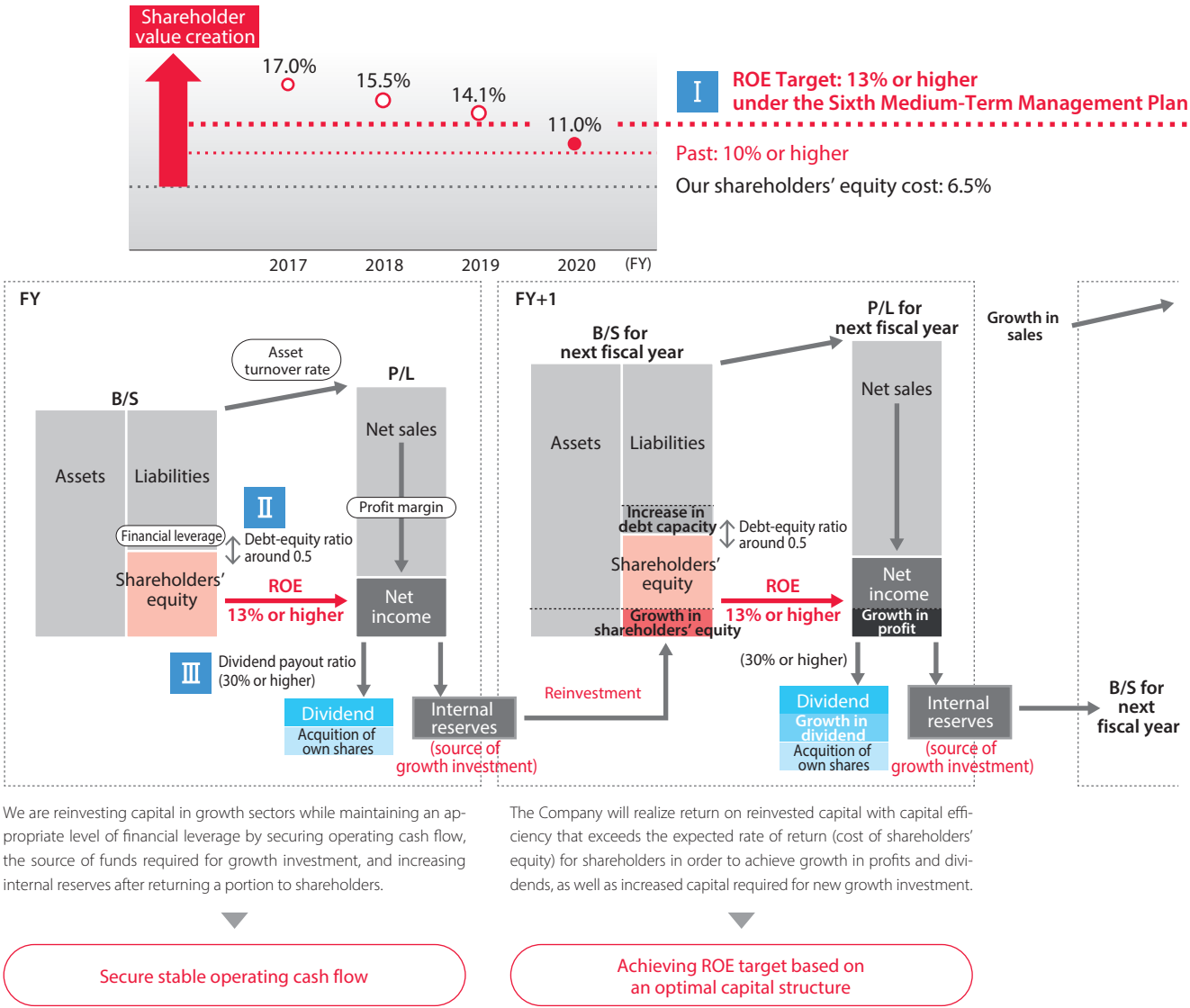
In fiscal 2020, we bought back 10 million shares for a total outlay of ¥26 billion. Looking ahead, our short-term cash flow is declining during the pandemic, so we aim to deploy surplus funds to growth investment while keeping ample cash on hand, and will take a flexible approach toward share buybacks while keeping an eye on the company's share price.

To our stakeholders

We announced several unfortunate incidents which caused considerable concern and inconvenience to our valued stakeholders prior to the start of our Sixth Medium-Term Management Plan. We view these matters with the utmost gravity. Over the past two years we worked to further strengthen governance and undertook a variety of corporate reform initiatives. While reforms are still at the halfway point, progress has been solid. We hope you will watch the Daiwa House Group as we bring about changes and a renewed awareness across the entire group.

Basic Strategy for Capital Policy

Conceptual diagram of basic strategy for capital policy



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

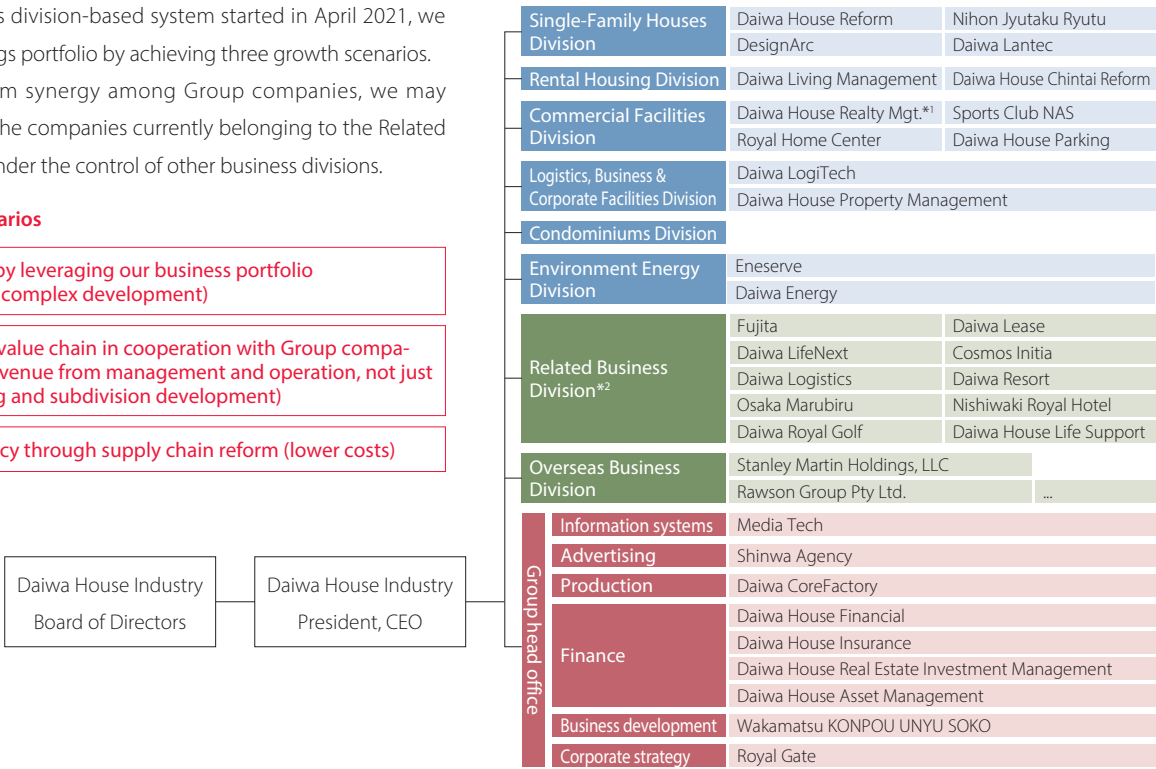
Aiming to maximize future value through business division-based management

Under the business division-based system started in April 2021, we diversify our earnings portfolio by achieving three growth scenarios.

Toward optimum synergy among Group companies, we may consider bringing the companies currently belonging to the Related Business Division under the control of other business divisions.

Three growth scenarios

- ❶ Create synergy by leveraging our business portfolio (large-scale and complex development)
- ❷ Strengthen our value chain in cooperation with Group companies (increase revenue from management and operation, not just from contracting and subdivision development)
- ❸ Increase efficiency through supply chain reform (lower costs)



*1 Established through the management integration of Daiwa Information Service and Daiwa Royal on October 1, 2021.

*2 Head of Management Administration Headquarters doubles as the head of Related Business Division.

Single-Family Houses Division



Head of Single-Family Houses Division

Head of Livness Business

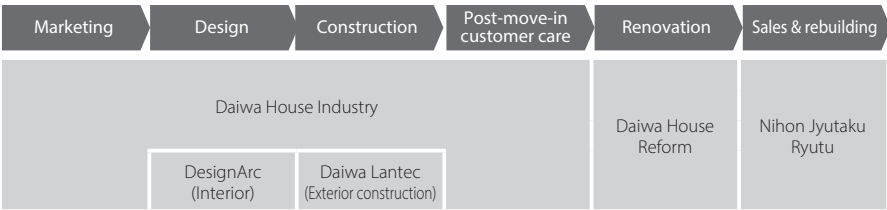
Hirotsugu Otomo

Director and Managing Executive Officer

Three key themes

- Accelerate development of new products that serve as the foundation of customers' lives
- Open lifestyle proposal site as a joint platform of the Group
- Strengthen Livness business that offers follow-up lifestyle proposal services

Value chain



Transforming your house from a residence to a place where you truly live your life

At the Single-Family Houses Division—our core business since the founding of Daiwa House Industry—we have constantly evolved our home designs and technologies to keep pace with changes in lifestyles. The COVID-19 pandemic has brought drastic changes in the way people live and work, and we must adapt to a new set of demands by home buyers. Working from home is becoming the "new normal," and home designs must cater to wage earners' desire to spend quality time with their families in spaces that provide a refreshing change of pace when they are not working while also giving them an environment where they can concentrate on their work. We see these lifestyle changes as a business opportunity, and aim to provide new value by becoming more than just a builder of houses. We will focus on the needs of home owners and will offer solutions to future problems that we foresee, involving both day-to-day living and society as a whole.

Rental Housing Division



Head of Rental Housing Division

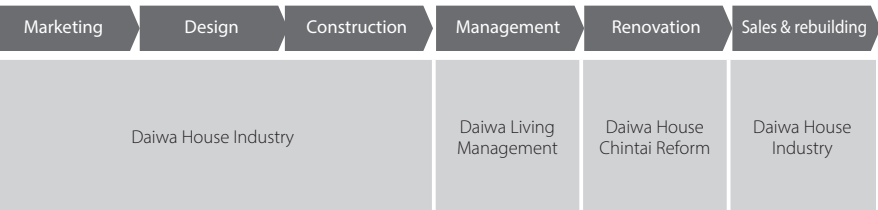
Kazuhito Dekura

Director and Managing Executive Officer

Three key themes

- Increase the number of rental housing units managed by Daiwa Living
- Extend the maintenance cycle of buildings
- Enhance the value of D-room properties based on proposals to boost the value of existing properties

Value chain



Co-creating new value

At our Rental Housing Division, we aim to continue offering rental housing products that appeal to all sorts of people and make possible new modes of day-to-day life. For rental housing property owners, we work to ensure the long-term stability of their assets, and are reinforcing intra-Group collaboration to further enhance property values. We offer start-to-finish support for rental housing, from construction through tenant and property management, regular property inspections, and maintenance and repair. Our products have been, and we ensure that they continue to be popular with both tenants and owners.

Commercial Facilities Division



Head of Commercial Facilities Division

Keisuke Shimonishi

Director and Managing Executive Officer

Three key themes

- Reinforce next-generation roadside specialty stores
- Focus on development of power centers assembling specialty discount stores
- Develop more neighborhood shopping centers (NSC) with food supermarket as core tenant

Value chain



Still creating new markets from nothing

Since its establishment in 1976, our Commercial Facilities Division has worked constantly to develop and provide products that meet the needs of an ever-changing society, in line with our business goal of creating new markets where none existed before. The division's objective is to create the infrastructure needed for the flourishing of both individual consumers and industries in each local area, and we are currently working to still further strengthen cooperation among Group companies. Based on original ideas free from the restrictions of convention, and from a long-term standpoint, we seek to determine what people need in their lives and what kind of proposals will most fully satisfy our customers. This division is working to expand its business to overseas markets, in addition to those at home.

Logistics, Business & Corporate Facilities Division



Head of Logistics, Business & Corporate Facilities Division

Tatsuya Urakawa
Director and Managing Executive Officer

Three key themes

Create logistics needs through developing land for business use

Actively develop data centers as a new growth area

Work in public-private partnerships to create a next-generation wholesale market

Value chain



Note: Although Daiwa House REIT, Daiwa House Global REIT, and Daiwa House Logistics Core Fund are not under the control of the Logistics, Business & Corporate Facilities Division, information about these companies is included here in view of their importance in the Division's value chain.

Tackling issues faced by society

The Group's Logistics, Business & Corporate Facilities Division primarily tackles four major issues, as follows. (1) We develop, design, and make active use of seismic mitigation systems to protect lives and property from earthquakes centered on the Nankai Trough. (2) We are promoting a central role for logistics facilities in the rejuvenation of regional economies through a transformation in the structure of industry made possible by development and construction. (3) In anticipation of a decline in Japan's rate of food supply self-sufficiency, we are constructing the international cold chain, involving six Asian nations. (4) We are vigorously building infrastructure—including the development of data centers—in response to the ongoing socio-economic digital transformation on a global scale.

Condominiums Division



Head of Condominiums Division

Norio Togashi
Executive Officer

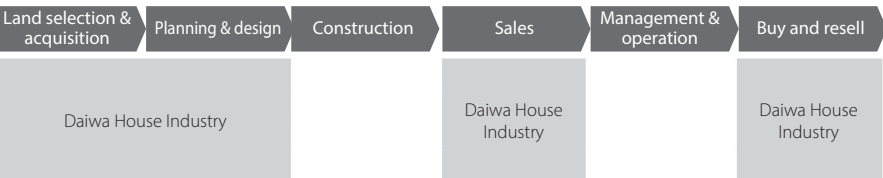
Three key themes

Reform sales approach to generate cash flows

Strengthen multi-use development projects, such as large-scale redevelopment and rebuilding of condominiums

Strengthen the Livness business domain to address diverse needs for real estate development

Value chain



Note: The Condominiums Division is working in cooperation with Cosmos Initia and Daiwa LifeNext to strengthen and expand its value chain. The two companies are currently under the control of the Related Business Division.

Change is opportunity—turning an adverse situation to our advantage

The Condominiums Division, as the Group's development business, plays an important role in our overall urban development business. Including our redevelopment and multipurpose project development operations, the staff of this division engage in development, planning, and proposal-based marketing aimed at acquiring land for condominium construction, with business decisions informed by a long-term perspective and careful consideration of all factors from a wide range of angles. By these means, we aim to contribute to the realization of SDGs and environmental preservation, as well as to optimize the value of real estate assets. In addition to developing condominiums that offer a high degree of convenience in day-to-day life, we also respond to ongoing changes in values by making proposals for new ways to utilize the residences for both work and leisure. Additionally, we operate an "area management" marketing strategy in which we seek to realize a continuous, self-generating cyclical business encompassing the rebuilding of condominiums, and the development of real estate for optimal applications—not limited to the field of condominiums. In such ways, we help address a wide range of social issues through our business activities.

Environment Energy Division



Head of Environment Energy Division

Toshiya Nagase
Managing Executive Officer

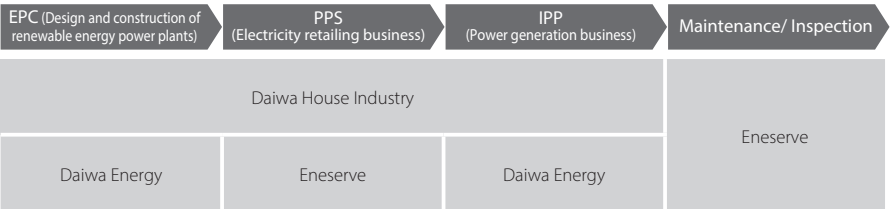
Three key themes

Strengthen initiatives in view of the termination of Japan's feed-in tariff (FIT) program's purchasing term (EPC)

Establish internal systems in a way that avoids business risks (PPS)

Expand projects actively as a stable stock business (IPP)

Value chain



Helping popularize renewable energy

The government of Japan has officially adopted a target of reducing the country's net emissions of greenhouse gases to zero by the year 2050. The United States, which withdrew from the Paris Agreement—an international treaty on climate change—in 2020, has now rejoined. The global movement toward realization of a carbon-free economy has thus gained momentum, and the importance of our environmental energy business is rising year by year. The Environment Energy Division is engaged in the business of offering solutions to clients' needs via such means as EPC (engineering, procurement, and construction of power plants for renewable energy), PPS (electricity retailing business as a power producer and supplier), and IPP (power generation business as an independent power producer). By helping spread the use of renewable energy sources, the division contributes to the realization of a carbon-free economy.

Overseas Business Division



Head of Overseas Business Division

Nobuya Ichiki
Director and Managing Executive Officer

Key theme

Placing the Americas and ASEAN as areas for future growth and set up focal segments by region to expand business

By region



Made-in-Japan quality for the world

At Daiwa House Group, we commenced our overseas operations in the 1960s to provide high-quality construction and other services to people all over the world. We aim to optimally leverage the business resources acquired to date, and are expanding our overseas services, centered on the twenty-four countries and territories where we currently operate. To expand our operations still further, we have constructed a management system under which the world is divided into five regions—East Asia, ASEAN & South Asia, Pacific, the Americas, and Europe, and while leveraging the Group's strengths, we are conducting sustained investment. We will engage in selection & concentration as well as area management, and will further enhance the Group's governance system to increase revenue.

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.

Business Overview		
Summary of business		
Single-Family Houses		As a pioneer of industrialized construction, we offer living environment based on our evolving, leading-edge technologies. Under the vision of “Shifting homes from where to return to a place to live in” announced in April 2021, not only do we continue providing comfortable and safe living spaces to return, but we also work to offer a wider variety in their functions with a focus on customer lifetime value.
		<div>▶ Houses sold (Domestic) Single-family houses (contracting) 5,178 Single-family houses (subdivision) 1,841 ▶ ZEH ratio 58%</div>
Rental Housing		To provide living spaces of choice for residents where they wish to reside for a long period, we propose to landowners quality rental housings satisfying both marketability and customer needs, thus supporting both residents’ comfortable and safe living spaces and landowners’ stable, long-term rental income.
		<div>▶ Rental housing units sold (Domestic) Rental housing (low-rise) 26,772 Rental housing (medium- to high-rise) 2,716 ▶ Units under management 611,874 Occupancy ratio 98.2%</div>
Condominiums		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.
		<div>▶ Condominium units sold (Domestic) (including Cosmos Initia) 2,939 ▶ Units under management 376,168</div>
Existing Homes		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.
		<div>▶ Renovations Approx. 49,000*1 ▶ Percentage of involvement in resale of existing single-family houses*2 Approx. 30%</div>
Commercial Facilities		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.
		<div>▶ Construction projects 916*3 ▶ Leasing floorspace of sublease areas within commercial facilities 6,871,560 m²</div>
Logistics, Business and Corporate Facilities		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. We are actively developing data centers and municipal markets as well recently.
		<div>▶ Development site area of logistics projects 10,052,722m² ▶ Orders received for contract-based medical and nursing care facilities 672*4</div>
Other Businesses		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.
		<div>▶ Customer visits to our home centers 29,270,000 ▶ Generating capacity of solar power, wind power, and hydroelectric power generation facilities 314 sites/ 426MW*5</div>

*1 Figures for Daiwa House Reform only

*2 Percentage of involvement is the proportion of existing-owner property deals (intermediary or direct sales) in which the Daiwa House Group was involved

*3 Number of facilities constructed by the commercial facilities business of Daiwa House Industry (non-consolidated)

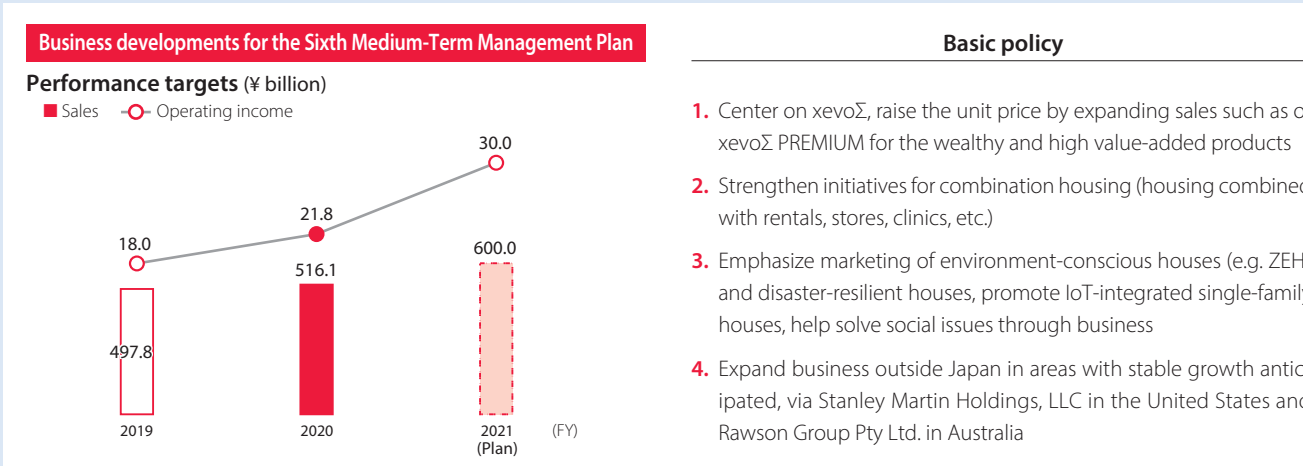
*4 Total for Daiwa House Industry (non-consolidated), Daiwa Lease, and Fujita

*5 Generating capacity of facilities in operation excluding the power consumed internally



Principal companies: Daiwa House Industry (non-consolidated), Stanley Martin Holdings, LLC, Rawson Group Pty Ltd., Trumark Companies, LLC

Delivering without delay products and services that customers truly need by grasping changes in society and lifestyles

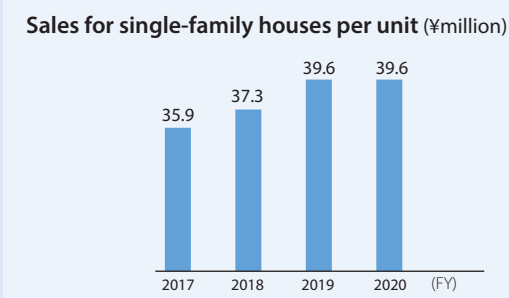


Looking back at FY2020 and actions going forward

Single-family houses sales rankings (FY2020)

Ranking	Company name	Number of sales units
1	Sekisui House	9,831
2	SEKISUI CHEMICAL	9,555
3	Asahi Kasei	8,331
4	Sumitomo Forestry	8,047
5	Daiwa House Industry	7,019

* Compiled from data published by the companies concerned



3-story house skye3

Fiscal 2020 sales were ¥516.1 billion (+3.7% YoY), and operating income was ¥21.8 billion (+20.7%). In the domestic market, capturing quickly changes in society and lifestyles caused by COVID-19, we started offering living solutions for a new normal, such as “Kaiteki Work Place” and “Tsunagari Work Pit” that enable customers to work from home in comfort. We also launched proposals such as “Antivirus fresh air package plan” verified by Nara Medical University as reducing viruses by 99% and “Nekolet” bath unit dedicated for cats helpful in decreasing owners’ stress, to address increasing demand for pets during pandemic.

We also accelerated the sale of our “Lifegenic” product which offers a fun and easy home designing experience online, which was introduced to the market ahead of the times prior to the current pandemic. We addressed customer needs with a varied product lineup including “skye3,” a new, 3-storied housing product with larger open interior spaces and wider wall openings, along with the enhanced ability to fit on various sites, and housing combined with stores, clinics, etc. (combination housing). As a result of the foregoing and applying ZEH (net zero energy house) specifications to all products, average unit price was up ¥30 thousand to ¥39,630 thousand.

In the US where changes in lifestyles caused by COVID-19 were prominent, Stanley Martin Holdings, LLC, which operates mainly in the East Coast area, exceeded its initial plan and continued to expand from fiscal 2019, driven by growing demand for housing in suburban areas and continued low interest rates on housing loans.

For fiscal 2021, we forecast sales of ¥600.0 billion and operating income of ¥30.0 billion. While the impact of COVID-19 remains unpredictable, we project that the impact of a steep rise in prices of lumber and other materials will be negligible.



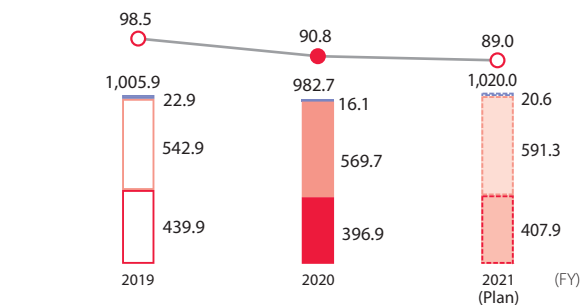
Principal companies: Daiwa House Industry (non-consolidated), Daiwa Living COMPANIES

Offering quality rental housings satisfying both marketability and customer needs, while supporting owners' stable, long-term rental income

Business developments for the Sixth Medium-Term Management Plan

Performance targets (¥ billion)

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



Basic policy

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

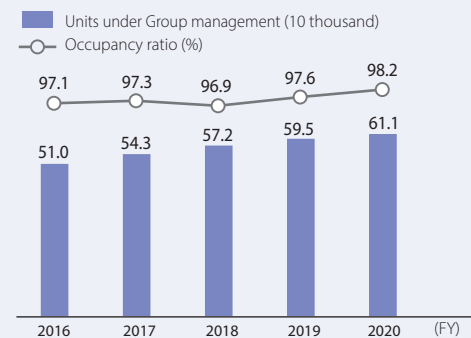
Looking back at FY2020 and actions going forward

Rental housing sales rankings (FY2020)

Ranking	Company name	Number of sales units	Share
1	Daito Trust Construction	38,261	Approx. 12%
2	Daiwa House Industry	29,488	Approx. 9%
3	Sekisui House	26,033	Approx. 8%

* Compiled from data published by the companies concerned

Units under Group management/ Occupancy ratio



SEJOUR OTT's GT

Fiscal 2020 sales were ¥982.7 billion (-2.3% YoY) and operating income was ¥90.8 billion (-7.9%). On the back of restraint in events and in-person sales activities to prevent the spread of COVID-19, rental housing starts in the market declined to approx. 300,000. Number of our housing starts decreased over 30 consecutive months since September 2018, representing the challenging order environment.

We worked to build continuous relationships with customers by holding regular online seminars targeted at landowners looking for ways to utilize the land they own, and by providing useful information in a timely manner, such as trends in the market and changes in tenant needs under the pandemic.

Daiwa Living Management allowed the residents living in its properties to defer rent payment if they were economically affected by the pandemic, and actively provided information on administrative grants and benefits in an effort to protect the livelihoods of tenants. As a result, as of March 31, 2021, occupancy rate of its properties was 98.2%, among the highest in the industry.

For fiscal 2021, we forecast sales of ¥1,020.0 billion and operating income of ¥89.0 billion. We will bolster our product line-up to meet local needs and further strengthen collaboration with Group companies to propose a variety of land-use solutions to landowners and offer rental housing of choice for residents.



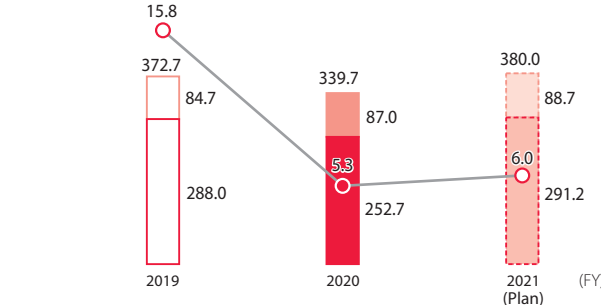
Principal companies: Daiwa House Industry (non-consolidated), Cosmos Initia, Daiwa LifeNext

Offering safe and comfortable residential experience to condominium customers with our highly value-added condominiums designed to minimize environmental impact

Business developments for the Sixth Medium-Term Management Plan

Performance targets (¥ billion)

■ Sales ■ Construction ■ Rental management
○ Operating income

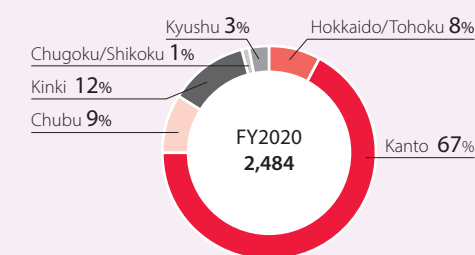


Basic policy

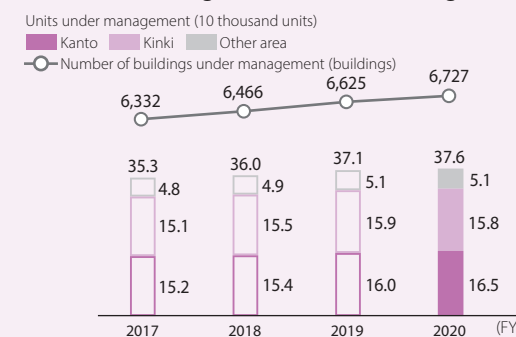
1. Expand large-scale, multi-use development projects highlighting Group synergy
2. Redeveloping and rebuilding in major cities nationwide
3. Development of condominiums for small households or for the elderly
4. Redeveloping and raising the value of office buildings and rental condominiums, expanding their sale

Looking back at FY2020 and actions going forward

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



Condominium buildings and units under management by area



PREMIST Funabashi Tsukada (Chiba)



Initia Yokohama Sakuragicho (Kanagawa)

Fiscal 2020 sales were ¥339.7 billion (-8.8% YoY) and operating income was ¥5.3 billion (-66.0%). The order environment was tough due to restraint in events and delays in the sale of new properties in the face of the pandemic. We are engaged in development of highly value-added condominiums designed to achieve customer comfort and minimize environmental impact. We also worked to improve the condominium management service by our Group to offer a safe and comfortable residential experience to condominium customers.

Daiwa House Industry's "PREMIST Bunkyo Sengoku" (Tokyo), a condominium rebuilt under the new quakeproof standard, was sold out in a short time for its accessibility to central Tokyo and its surrounding historic streetscape. Its "PREMIST TOWER Utsubohonmachi" (Osaka) was selected as a "ZEH-M Ready" building by the Ministry of Economy, Trade and Industry, in recognition of its improved basic performance with the use of double sashes and high-performance heat insulation materials, as well as the high-efficiency built-in systems such as Eco-Jozu, Eco-Farm, and underfloor heating, all of which were aimed at reducing environmental impact. The sales are also steadily progressing for its favorable location, comfortable living space adopting IoT and the view from the tower.

Cosmos Initia promoted online marketing and in-person sales activities based on customers' preference and proceeded with sales largely as planned. It also encouraged the sale of renovated condominiums by launching new plans that meet emerging needs, such as the addition of a workspace within a living room.

For fiscal 2021, we forecast sales of ¥380.0 billion and operating income of ¥6.0 billion. We ongoingly review marketing methods and sell completed inventory, while diversifying revenue sources by undertaking large-scale multi-use development, redevelopment, and rebuilding projects in regional mid-tier cities leveraging Group synergies.



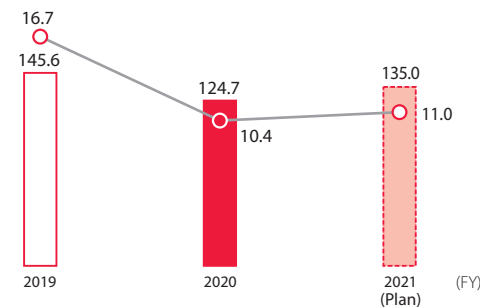
Principal companies: Daiwa House Reform, Nihon Jyutaku Ryutu, Daiwa House Industry (non-consolidated)

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

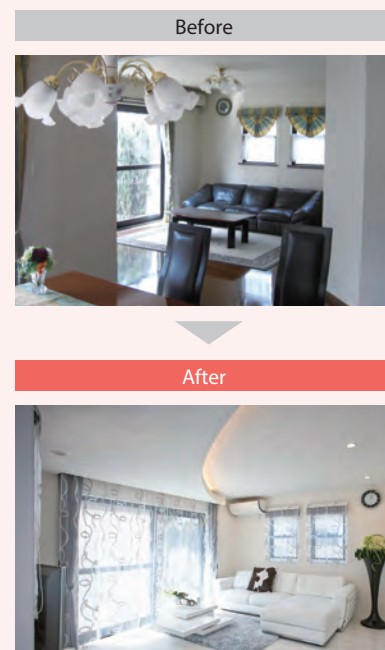


Basic policy

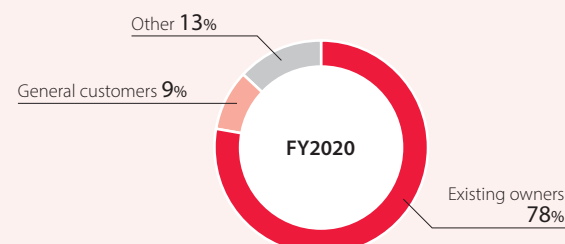
1. Raise the profile of the Livness brand to raise our involvement in brokerage, purchase, or resale of our own properties
2. Actively expand our purchasing and resale business utilizing our customer stock and new construction sales networks
3. Increase our renovation workforce via active recruiting 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 FY2020 and actions going forward

Example renovation project



New deals closed, by customer type



Fiscal 2020 sales were ¥124.7 billion (-14.4% YoY) and operating income was ¥10.4 billion (-37.6%). Under the state of emergency declaration, we temporarily stopped offering inspections (regular inspections at appropriate intervals) of single-family houses and rental properties the Company has built, resulting in fewer opportunities to propose renovations to owners.

However, we continue to strengthen relations with owners through inspections and propose renovations to extend warranty periods. We also focus on offering maintenance services to business assets of corporate customers to grow orders. During the pandemic, we were active in proposing solutions adapting to new lifestyles, such as renovations suitable for teleworking, use of antibacterial/sterilizing materials, and installation of a hand wash basin at home entrance and indoor ventilation systems.

As part of the Livness project to stimulate sales of high-quality existing housing, we actively held campaigns and online seminars for owners of single-family houses and condos nationwide. In fiscal 2020, we were involved in 30% of resale transactions of our single-family houses through brokerage or purchase and resale. We expanded our Livness business premises to 60 locations across the nation to address a wide range of concerns the customers face, particularly home owners.

For fiscal 2021, we forecast sales of ¥135.0 billion and operating income of ¥11.0 billion.

Housing renovation sales ranking (FY2019) (¥ billion)

Ranking	Company name	Sales
1	Sekisui House Group	152.7
2	Sumitomo Realty & Development Group	124.6
3	Daiwa House Group	120.6
4	Sekisui Chemical Group	95.0
5	Sumitomo Forestry Group	70.2

* Compiled from data of The Japan Journal of Remodeling (announced in September 2020)



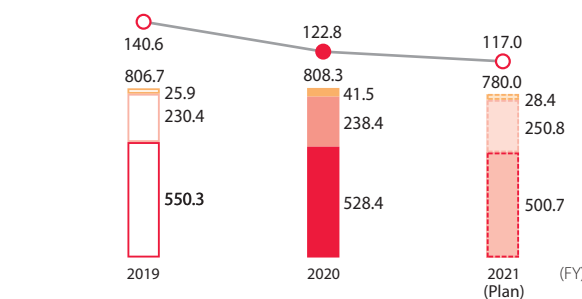
Principal companies: Daiwa House Industry (non-consolidated), Daiwa House Realty Mgt., Daiwa Lease

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

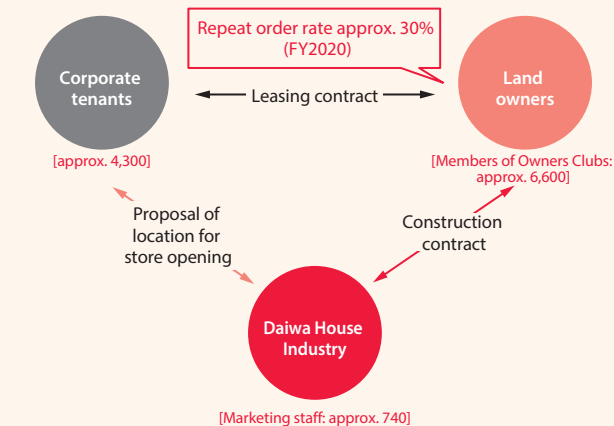


Basic policy

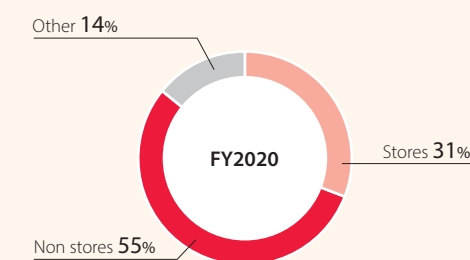
1. Leverage area characteristics to expand commissions for large projects, e.g. logistics facilities, offices, medical and nursing care facilities, and hotels
2. Expand the profit-earning real estate business by purchasing existing properties
3. Expand the development and sale of investment properties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

Looking back at FY2020 and actions going forward

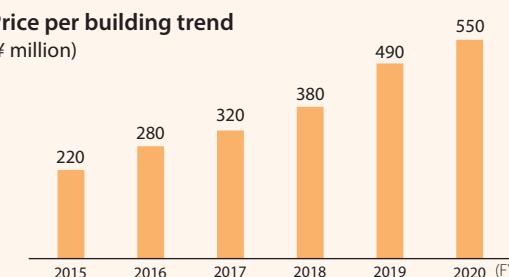
LOC System (Land Owner and Company)



Ratio of contracts by facilities (based on contract amount)



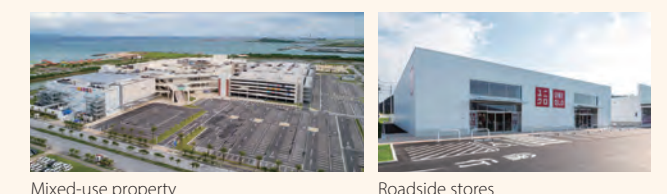
Price per building trend (¥ million)



Fiscal 2020 sales were ¥808.3 billion (+0.2% YoY) and operating income was ¥122.8 billion (-12.6%). Contract construction works declined as the spread of COVID-19 depressed hotel construction demand. The city hotels operated by our Group companies also remained in a severe condition with declining occupancy rates, despite a temporary recovery supported by a subsidy program aimed at promoting domestic tourism. Meanwhile, we designed and proposed store-opening plans that matched tenant corporations' strategic needs and offered various plans to make the best of the particular characteristics of each region. As a result, contracts grew with drugstores, supermarkets, home electronics stores and other consumer products companies with a strong appetite for opening stores in regional living areas.

In terms of large projects, we promote development of multipurpose facilities such as iias Kasugai (Kasugai, Aichi Prefecture) and a large-scale renewal of the shopping center "ALPARK" (Hiroshima, Hiroshima Prefecture) operated by our group company, Daiwa Information Service.

For fiscal 2021, we forecast sales of ¥780.0 billion and operating income of ¥117.0 billion. Seeking to meet the various needs of our tenants and maximize operational synergies, we decided to merge two of our Group companies Daiwa Royal and Daiwa Information Service in October 2021 to launch Daiwa House Realty Mgt. The integration is intended to grow the business by rationalizing corporate management and establishing a business structure with enhanced profitability.



Logistics, Business and Corporate Facilities Business

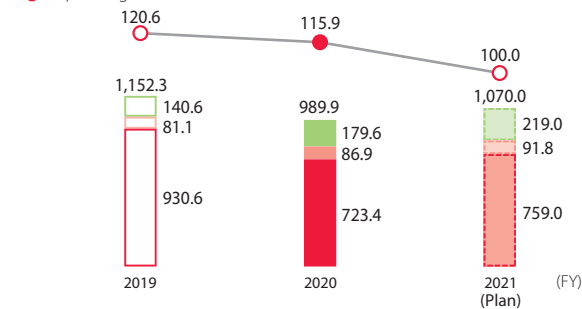
Principal companies: Daiwa House Industry (non-consolidated), Fujita, Daiwa Lease

Expanding sphere of operations by producing facility construction that accommodate various needs of corporate customers and providing total support for effective utilization of their assets

Business developments for the Sixth Medium-Term Management Plan

Performance targets (¥ billion)

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

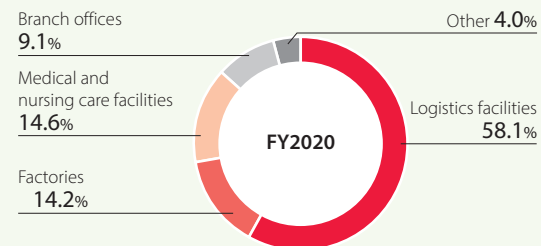


Basic policy

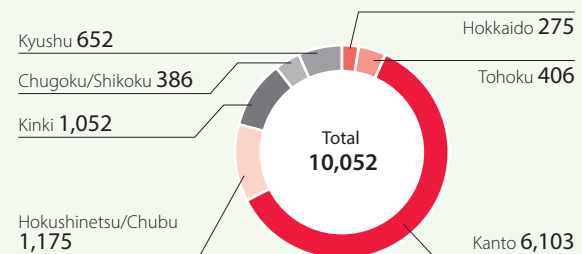
1. Developing logistics facilities incorporating multiple functions like offices, R&D, etc., or high value-added logistics facilities adopting the IoT/AI
2. Maintaining current build-to-suit (BTS) logistics facilities accurately meeting tenant needs and rapid development of multi-use facilities
3. Promoting 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 FY2020 and actions going forward

Orders received, by segment (Daiwa House Industry, non-consolidated)



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



* Includes under construction, as of March 31, 2021



Logistics facilities



Data centers



Gymnasium (Fujita)



Driving license testing site (Daiwa Lease)

Fiscal 2020 sales were ¥989.9 billion (-14.1% YoY) and operating income was ¥115.9 billion (-3.9%). Contract construction works of existing orders progressed steadily, but the order environment remained tough as corporations remained cautious about capital investment during the pandemic. Meanwhile, we are accelerating the construction of logistics facilities to meet the increasing demand for them with the expansion of the e-commerce market demanded by consumers staying at home. The number of logistics facilities we developed came to approx. 300 sites and its total floorspace achieved 10 million m², both marking the highest in Japan. To survive the intensifying competition due to an increase of new entrants, we work to differentiate our facilities with solutions for automation and labor-saving of on-site work and by developing high-performance facilities.

Targeting clients in outdated facilities and hospitals that did not meet earthquake resistance standards, we stepped up our proposals to rebuild and relocate. We also strengthened our lineup of solutions to meet the management needs of healthcare corporations, such as those operating homes for senior citizens or multipurpose nursing care facilities. To the "Hofu No.2 Techno-Town" in Hofu, Yamaguchi Prefecture, which is currently under development, we succeeded in attracting first companies. In data centers, a field of potential for growth, we are developing a data center park, which will be the largest in Japan, in Inzai, Chiba Prefecture.

For fiscal 2021, we forecast sales of ¥1,070.0 billion and operating income of ¥100.0 billion. In addition to logistics facilities and industrial parks, we are expanding into new fields including data centers, redevelopment of regional wholesale markets and closed onshore aquaculture facilities.

Daiwa House Group's Real Estate Development

Investments in Real Estate Development and Risk Management

Establishment of Business Investments Committee

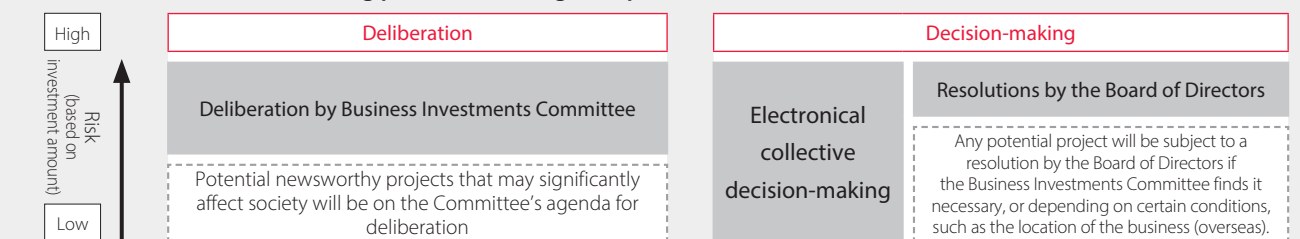
The Company's Business Investments Committee is established to ensure that appropriate decisions will be made about important potential investments in the real estate development business and other businesses after sufficient deliberations and discussions through assessments of their feasibility and risks. As a rule, a meeting of the Committee is 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 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, regardless of whether the land or facilities are owned publicly or privately. Furthermore, if a potential project may pose 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 383 projects as of the end of fiscal 2020.

Note: The Real Estate Investment Committee was renamed Business Investments Committee in October 2020. Potential investments in all types of projects are subject to its deliberation so as to conduct careful risk assessment and strengthen monitoring.

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

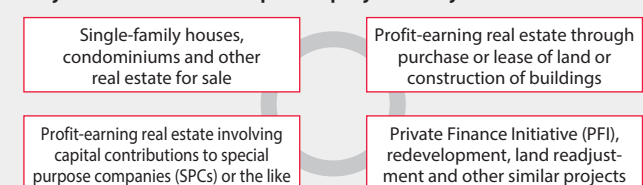


Deliberation based on unique criteria

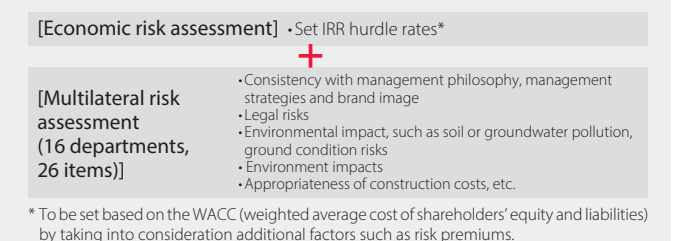
The Business Investments Committee deliberates potential projects based on explanations given by the drafting and related departments. The Company has set hurdle rates for the internal rate of return (IRR) as investment criteria for investments in the real estate development. The implementation of a 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 the ESG viewpoints (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. The risk assessment items are subject to periodic review. The criteria for other business investments are according to those for real estate development. In fiscal 2020 the Committee considered 42 projects, of which four were put on hold after thorough deliberation.

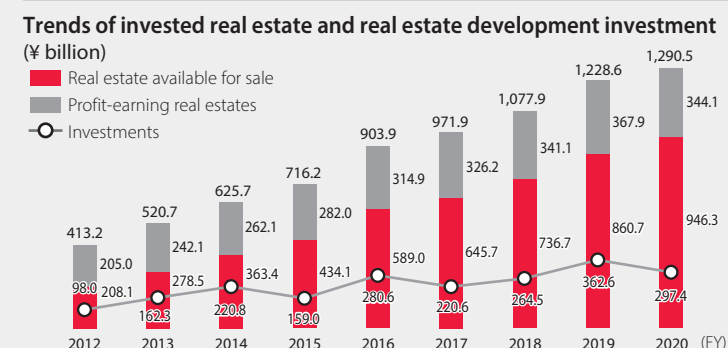
Major real estate development projects subject to deliberation



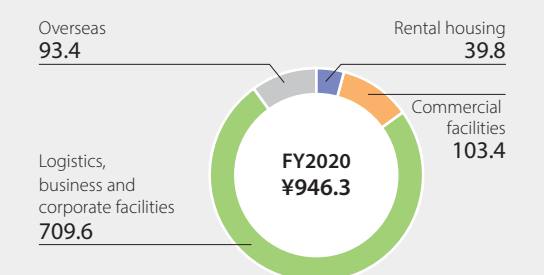
Risk assessment for investment decisions



Trends of invested real estate and real estate development investment



Breakdown of real estate available for sale (¥ billion)

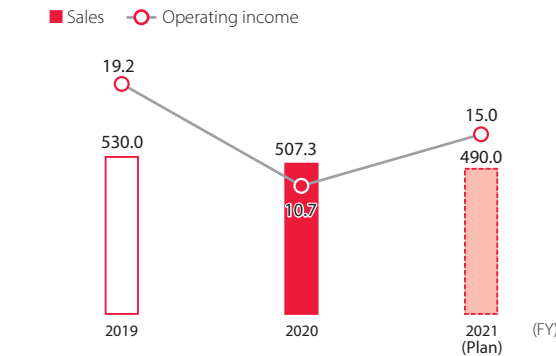




Providing value in a spectrum of area related to people's lives like construction support, environment and energy, and health and leisure

Business developments for the Sixth Medium-Term Management Plan

Performance targets (¥ billion)



Looking back at FY2020 and actions going forward

The Home Centers' business developed stores useful in the lives of various customers by capturing the stay-at-home consumption, and the Logistics Services business developed logistics bases optimal for each customer's business, both of which performed strongly. However, as the Resort hotels and Sports clubs businesses were largely affected by COVID-19, sales were ¥507.3 billion (-4.3% YoY) and operating income was ¥10.7 billion (-44.1%).

For fiscal 2021, we forecast sales of ¥490.0 billion and operating income of ¥15.0 billion, despite the ongoing impact of the pandemic on the Resort hotels and Sports clubs businesses.

Features and strengths

Construction support

Principal companies:
Royal Home Center, Daiwa Logistics, DesignArc

Home centers

Royal Home Center has 59 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 97 bases throughout Japan to deliver logistics services tailored to customers' business models.

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.

Health and leisure

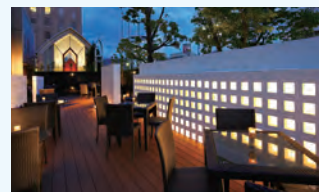
Principal companies: Daiwa Resort, Sports Club NAS

Resort hotels

Daiwa Resort operates 27 resort hotels under the Daiwa Royal Hotel brand, offering quality services. Its hotels are all designed to drive the community development.



THE HAMANAKO



THE KASHIHARA

Sports 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.



Sports Club NAS

Environment and energy

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

Contributing to the spread of renewable energy to realize a carbon-free society

Our environmental energy business provides environmental and energy solutions with our technology, planning, and comprehensive capabilities.

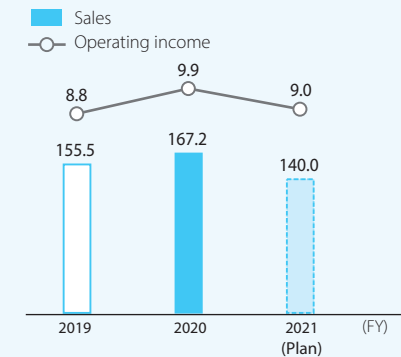
As a provider of EPC (engineering, procurement, and construction of power plants for renewable energy), we construct renewable energy power plants centering on photovoltaic generation facilities and mega solar farms, accumulating a solid track record nationwide.

We also provide PPS (electric power retail business as a power producer and supplier) to both corporate customers such as offices and factories and for individual customers including single-family houses and rental housing.

In the field of IPP (electric power generation business as an independent power producer), we develop and operate renewable energy plants such as mega solar farms and wind-power plants leveraging the Group's idle land and building roofs. Currently our solar, wind, and hydroelectric generating facilities have 427MW of capacity.

With the world rapidly going carbon-free, renewable energy continues to grow in importance, and the Group works actively to help popularize the use of renewable energy.

Environmental energy business (¥ billion)



Photovoltaic power generation business



Wind generation business

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.

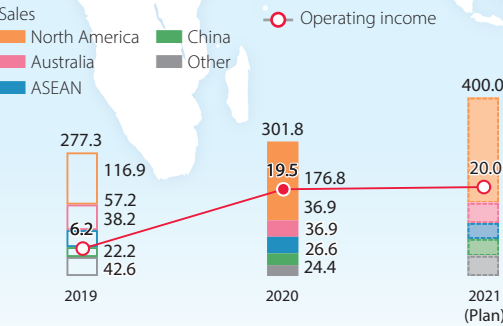


Car parking business

Feature 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

Performance targets (¥ billion)



Note: Totals include consolidation adjustments

To bring Daiwa House Industry’s quality architectural workmanship and services to people around the world, we have developed overseas interests spanning 24 countries and territories, maximizing on business resources we have accumulated to date.

In fiscal 2020, the US housing businesses performed strongly, and housing demand has been expanding in China following a quick recovery from the pandemic. Meanwhile, ASEAN countries and others remained in difficult economic conditions as the spread of infections became severe. The overseas business sales were ¥301.8 billion and operating income was ¥19.5 billion. For fiscal 2021, we continue to make sustainable project investment, working to achieve sales of ¥400.0 billion and operating income of ¥20.0 billion.

By region

The Americas (North America)

Producing results of M&A in single-family houses, focus also on rental housing and condominiums to eventually extend coverage nationwide

In fiscal 2020, Stanley Martin Holdings, LLC operating the Single-Family Houses Business mainly in the East Coast area steadily expanded earnings, driven by growing demand for housing in suburban areas and continued low interest rates on housing loans. In recognition of its aggressive business development despite the pandemic, Stanley Martin was named BUILDER magazine’s prestigious 2021 national “Builder of the Year.”

In the Rental Housing Business, we completed as planned the sale of Cooper Street , a rental housing property which had been in stable operation in a suburb of Boston. In the Condominiums Business, we are advancing 100 Claremont Avenue Project of 41 stories above the ground in Manhattan, New York. In Houston, Texas which has experienced remarkable population growth, we are developing the Block 98 Project , a property with 43 stories aboveground jointly with Nishi-Nippon Railroad Co., Ltd. Both of these buildings are slated for completion in fiscal 2023.

While there are concerns for a steep rise in prices of lumber and other materials , Trumark Companies, LLC, a west-coast single-family home builder joined the Group in February 2020 is forecast to fully contribute to the performance from fiscal 2021.



A type of single-family house offered by Stanley Martin Holdings, LLC

Launching the housing business in Texas, one of the largest markets in US

In the US market, where strong housing demand is expected due to population growth, the Group has been developing its single-family houses business in the eastern, southern and western parts of the nation, which have particularly robust economies. In the course of expanding business opportunities in the nation, we affiliated CastleRock Communities LLC (“CastleRock”) engaged in the single-family houses business in Texas in September 2021.

CastleRock specializes in the development of residential land and the development and sale of single-family houses in Texas, where the housing market is expected to expand, delivering 1,628 homes in 2020. Its growth-oriented, customer-centric, and human-oriented management approach of developing talent internally has a close affinity with the Group’s culture and values. Having determined that CastleRock is an appropriate partner for the development of our business in Texas, we conducted this M&A. By sharing and mutually utilizing the know-how and experience of both companies, we aim to expand sales channel in the southern US and collaborate in a wide range of housing-related businesses.



Architectural rendering of the 100 Claremont Avenue Project (high-rise on right)

By region

Pacific (Australia)

Meeting homeowners’ needs by combining our knowhow in residential housing and real estate development in the market heading for recovery

The Australia’s housing market is picking up backed by the government’s housing affordability package and economic stimulus measures after the downturn of recent years. A quick economic recovery from the pandemic that left only a minor impact is also supporting the current growth.

In fiscal 2020, orders for the Box Hill Project, a large-scale subdivision development encompassing some 1,500 lots underway in the suburbs of Sydney from 2018, dropped temporarily due to the pandemic. Driven by the government’s economic stimulus measures, however, sales then progressed steadily and orders outpaced our initial plan.

Rawson Group Pty Ltd. is now working to fill its order books after having reworked its pricing strategies to better fit potential homeowners’ needs, aiming to achieve profitability in fiscal 2021.

ASEAN and South Asia

Contributing to economic growth in ASEAN countries by developing industrial parks, serviced apartments , hotels, and other infrastructure

While ASEAN countries’ economic growth rates varied widely in the pace of recovery from the pandemic, our logistics facilities development progressed steadily leveraging our strengths accumulated in Japan. In Malaysia, we began construction of D Project Malaysia II in September 2020, the second multi-tenant logistics facility in the nation that follows the D Project Malaysia I, which was developed from 2019 and fully occupied before its completion. In Vietnam where economic growth continues, we established Daiwa Logistics Vietnam Co., Ltd. to focus on developing logistics facilities capable of providing storage in the four temperature bands, accommodating needs for sophisticated logistics services.

In the Water Front City Project , which was being developed in Vietnam jointly with our subsidiary Fujita to seize post-covid opportunities, we opened Roygent Parks Hai Phong , a long-stay hotel with 152 guest rooms, in April 2020. We will meet accommodation needs leveraging its favorable location close to an industrial park. In Indonesia, we opened in August 2021 serviced apartments via alma KOTA DELTAMAS for Japanese families, which were jointly developed with Sojitz Corporation.



Architectural rendering of D Project Malaysia II

East Asia (China, Taiwan)

Providing the full suite of services from condominium development to post-move-in customer care, all in high quality drawing on knowhow accumulated in Japan

We develop the condominiums business in China where a real GDP growth rate remains high even during the pandemic. At a Grace Residence being built in Changzhou, Jiangsu province, all of its 636 units were already sold, waiting for its completion in March 2022. Another Grace Residence in Nantong, also a Jiangsu city, had its 1,480 units all sold out. The first phase of the project is slated for completion in November 2021, which will contribute to earnings from fiscal 2022. Currently, preparations are underway to start construction of the third condominium development project in Changzhou in October 2021. We focus our efforts on post-move-in customer care and management service of condominiums in recent years. The number of properties under our management is projected to exceed 10,000, including those slated for completion.

In Taiwan, the Kaohsiung project (tentative name) is underway, a multi-purpose development consisting of a hotel and a condominium. Sale of its 227 residential units has been strong, with a closing rate of approx. 90%. The project is slated for completion in July 2023.

Europe

Expanding into the European market at full scale, aiming to offer better lives around the world

In Europe , with the population growth in its major countries, there arise issues such as a shortage of housing, a lack of craftsmen and the soaring building material prices. As a stepping stone in our full-fledged entry into the area, we made Flexbuild Holding B.V. specialized in sales and rents of modular building products in the Netherlands, and its operating company, the Jan Snel Group, into our subsidiaries in January 2021, and started operation as Daiwa House Modular Europe.

We will work to create synergies and expand our business in the European market by combining the Group’s expertise in high-quality industrialized housing and the technologies and sales network Jan Snel Group possesses in Europe, so as to be able to supply the housing needed in the continent.

Feature Digital transformation (DX) initiatives

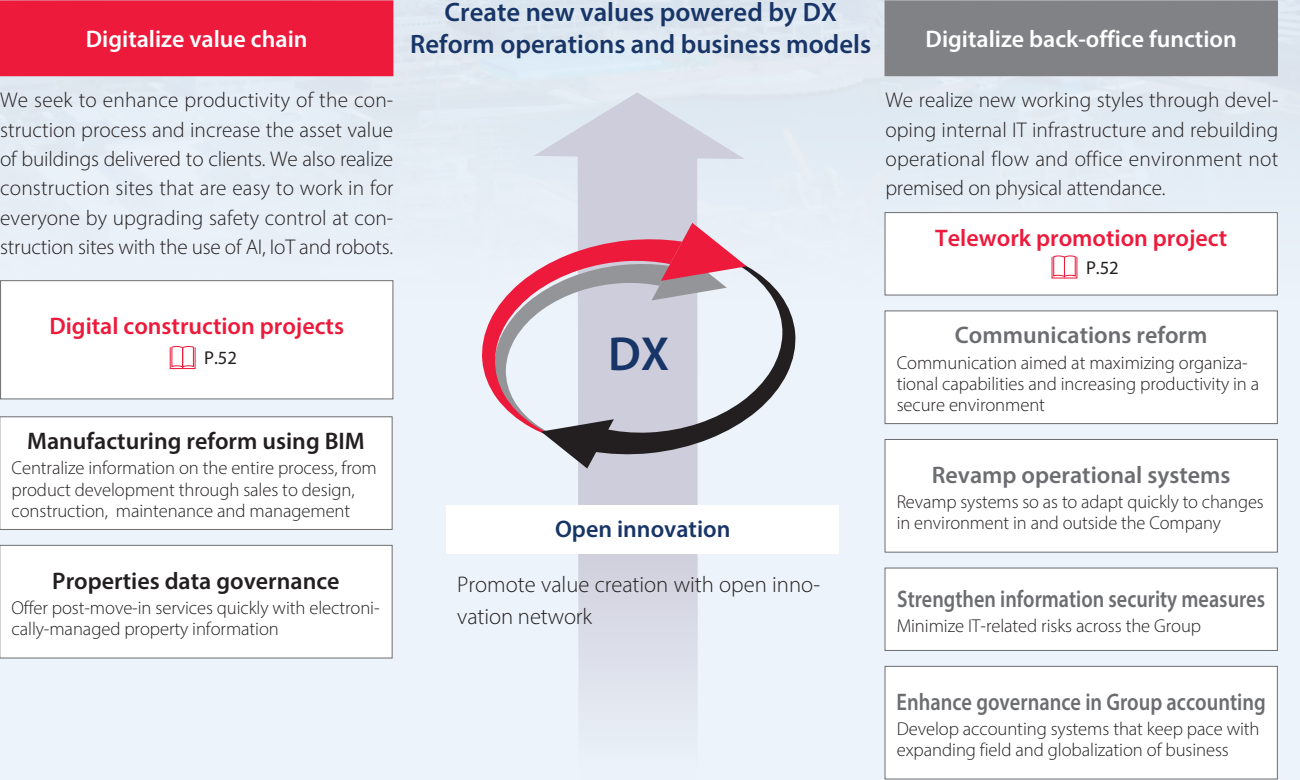
Promoting DX initiatives to drive innovations with our diverse working styles and manufacturing expertise, in response to society's needs

In the construction industry where a decline and aging of skilled workers are progressing, technical innovation based on digitalization is expected to grow in importance. Moreover, with a shift to new lifestyles and business models in line with the pandemic, digitalization will pick up speed across the society.

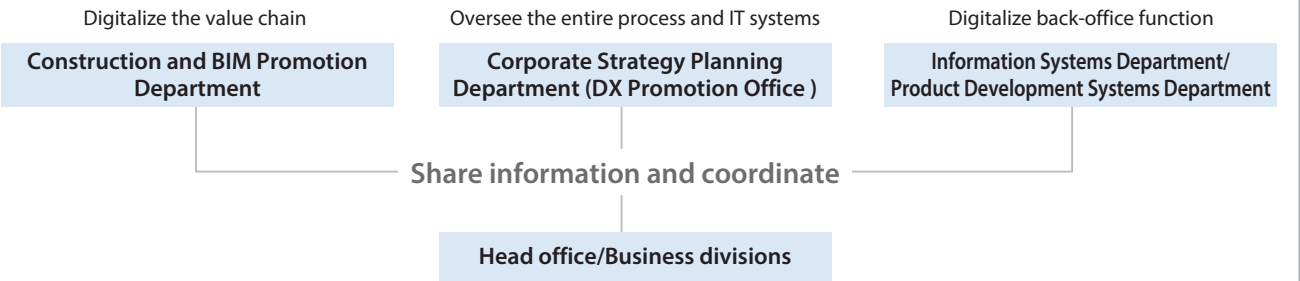
Looking ahead to changes in the social environment, the Daiwa House Group has become the first in the industry to launch digital construction projects in fiscal 2019 and a telework promotion project in fiscal 2020, in an effort to digitalize our value chains and back-office function.

We promote digitalization in both our businesses and bases to adapt to social changes, and by developing an environment to foster open innovation, aim to create new value.

Initiatives and vision in DX promotion

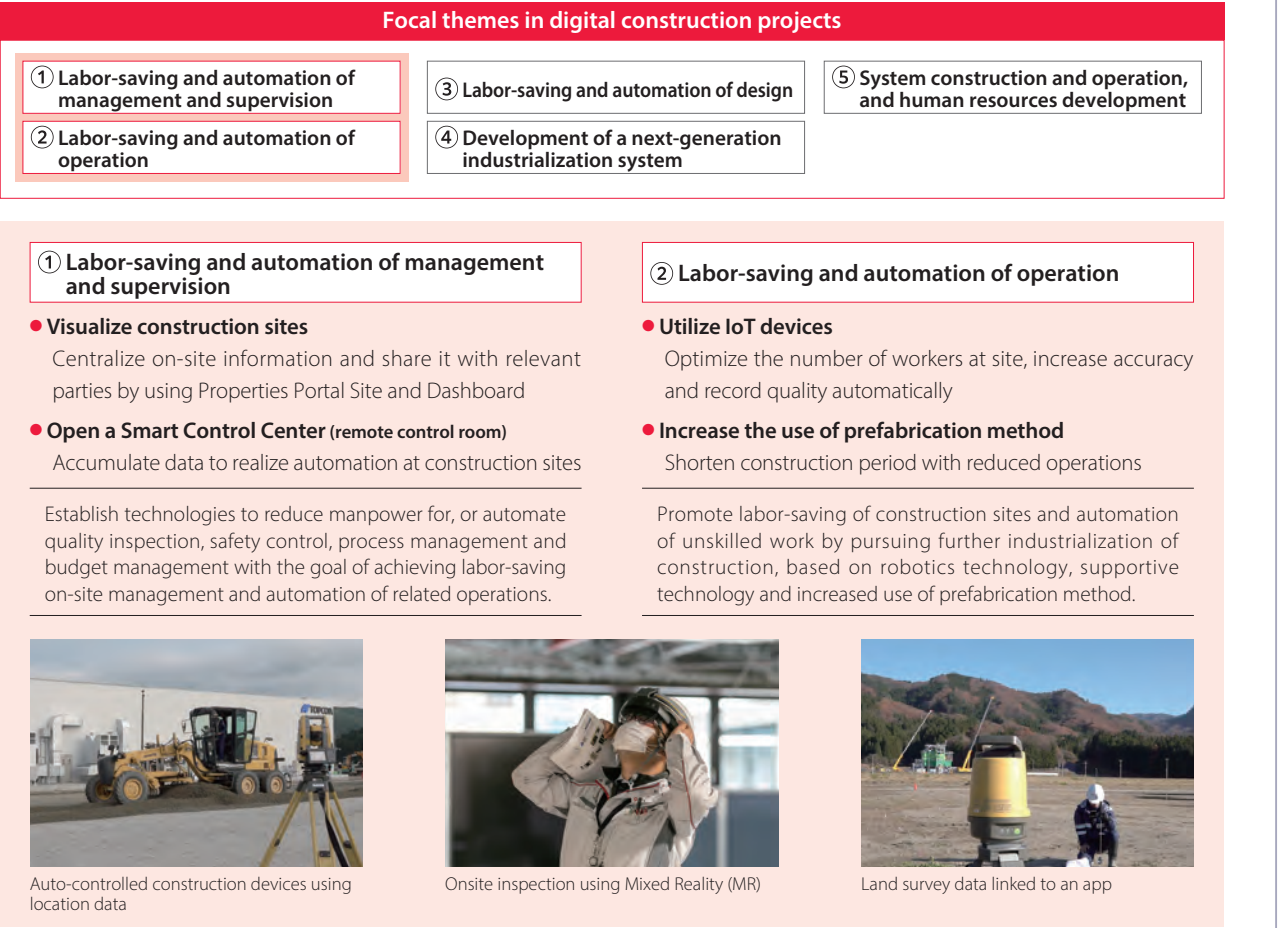


Organizations to support DX promotion



Digital construction projects

As a construction industry leader, we are, with the promotion of digital transformation (DX), tackling the challenge of overhauling the way our people work at construction sites so that duties can be an even more satisfying experience for them. Transforming the past “difficult, dirty and dangerous” image, we will, through the digital construction projects, pursue worksites that become the “dream” of the younger generation upon whose shoulders rests the future of the construction industry. By merging real and virtual worlds with the use of digital technologies, we will offer an exciting experience to customers, while at the same time exploring new sources of revenue by leveraging information relating to our manufacturing expertise (*monozukuri*).



Telework promotion project

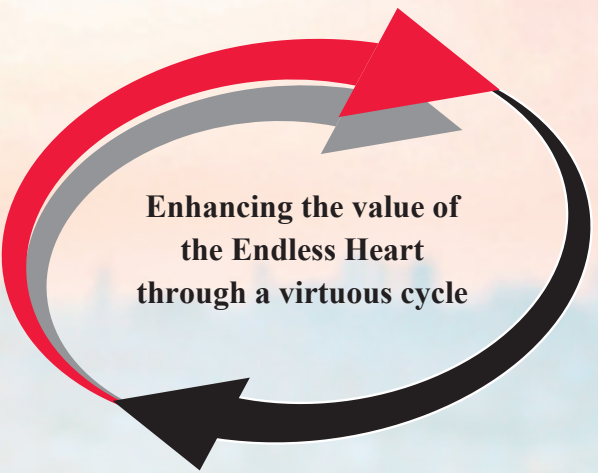
We are digitalizing our back-office function to realize new, flexible working styles through rebuilding the office environment. The effort includes development of internal IT infrastructure and revision of operational flow where coming to the office will no longer be a prerequisite. For teleworking, in particular, we launched the program on a trial basis in 2018 and have built a new, company-wide mobile environment that provides secure and comfortable communication through internet connection at home and via Wi-Fi services. This has enabled all employees to access the in-house systems from home or construction sites using devices rented by the Company, and perform their duties in an environment equivalent to that in the office.

In the wake of the COVID-19 pandemic, we introduced teleworking at all domestic offices in April 2020, and launched a telework promotion project in September to accelerate our efforts to elevate it to permanent work style reform as an element of sustainable growth. We also adopted flextime arrangements, which are highly compatible with teleworking, in April 2021. Through the project, in tandem with workplace digitalization, we are reforming the way we communicate so as to maximize organizational capabilities and increase productivity in a secure environment. We also aim at maximizing results by having each and every employee to think for themselves how to work efficiently and productively, and achieve independent, proactive work styles.

Our ESG engagement

With the promotion of ESG, we work to accelerate a virtuous cycle that drives the process in which we create value

To strengthen the virtuous cycle of our value-creation process as we move into the future, we have closely examined medium-to long-term risks and opportunities in relation to our bases (i.e., our future business operations) from the perspectives of both the environment (E) and society (S), and have incorporated them into our medium-term management plan. With the promotion of ESG, we create opportunities for generating cash flows and lower risk to ensure corporate viability, thereby aiming to raise the Group's corporate value.



Environment, social and governance initiatives in the Sixth Medium-Term Management Plan

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

Our long-term environmental vision, "Challenge ZERO 2055," offers up the goal of realizing "zero environmental impact." Based on the Action Plan for the Environment (Endless Green Program 2021), a three-year plan that commenced in fiscal 2019, 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.

Our approach is characterized by the promotion of "carbon-free" initiatives undertaken at offices, factories, and other various facilities of the Group. We leverage our knowhow acquired through these efforts to develop new products and services, create business opportunities, and enhance our competitiveness.

Temperature rise and weather disasters caused by climate change may have an impact on our supply chains. We work to lower this risk by cooperating with suppliers in the promotion of decarbonization so as to help realize a sustainable society.

From the investment perspective as well, we are aware that the Group is keenly anticipated to minimize its environmental impact and make contributions to achieving a carbon-free society. We are therefore actively engaged in businesses designed to reduce environmental impact, such as development of environment-conscious facilities and community development with 100% renewable energy financed by green bonds.

Key policies		Main key goal indicators
Mitigating and adapting to climate change	Promoting "carbon-free" in the fields of products and business activities for achieving SBT, EP100, and RE100	Greenhouse gas emissions Energy efficiency, Renewable energy utilization rate ZEH sales rate, ZEB sales rate
Reducing environmental risks in supply chains	Promoting win-win cooperation for reducing environmental risks in supply chains	Assessment result of procured timber (Ratio of S-ranked timber, Ratio of C-ranked timber)
Popularizing environmentally conscious products	Promoting the development and dissemination of environmentally conscious products and services for boosting business competitiveness	Sales of environmental businesses
Improving environmental brand	Advancing strategic eco communication for improving environmental brand and ESG assessment	Improving ESG assessment
Promoting Environmental Management	Enhancing integrated environmental management within the Group and globally for advancing environmental management	Number of those who acquired the Eco Test certification

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

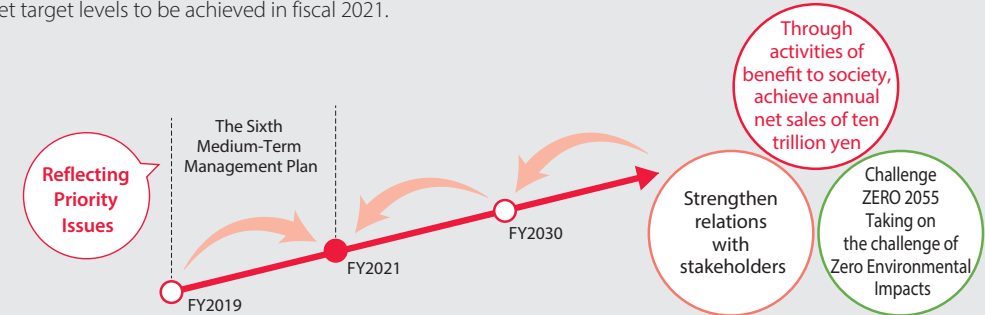
The Social Medium-Term Plan (Endless Social Program 2021) is underway as a program to form management base and strengthen relations with stakeholders. Taking a long-term perspective in anticipating a transformation that society will undergo, we have focused on the three bases as the source of value creation over the last three years in particular, while identifying bases to strengthen for 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 for overseas bases	Business continuity plan score

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.



G Governance Strengthening corporate governance

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

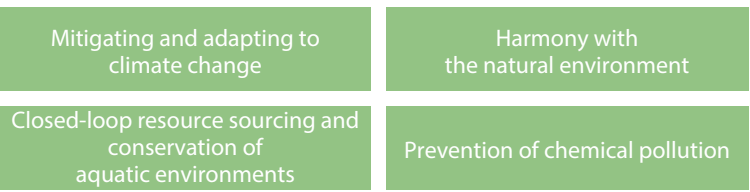
Daiwa House Industry is enhancing its governance to construct a system of accurate and timely decision making and business execution, as well as a framework of appropriate oversight and supervision to keep pace with its business expansion and changing operating environment.

By continuously updating the four steps above, namely, optimizing our management structure, fostering the next generation of business managers, improving our system of business execution, and entrenching a risk management structure, we are enhancing a structure for governance based on diverse viewpoints and long-term perspectives.

Efforts at 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.

Four themes

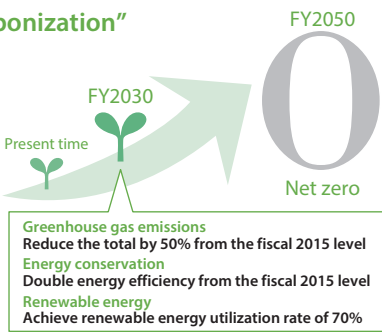


Three Phases



Topics Revising the long-term environmental vision to speed up “decarbonization”

In October 2020, the government of Japan declared that Japan would aim to reduce nationwide greenhouse gas emissions to net-zero to realize a carbon-neutral society by 2050 (Carbon Neutrality in 2050), which was then broken down into concrete actions called the Green Growth Strategy by the Ministry of Economy, Trade and Industry in December. In light of this trend, the Group resolved at its Board meeting to revise the mid- to long-term targets for mitigating and adapting to climate change set out in “Challenge ZERO 2055,” our long-term environmental vision that looks toward the centenary of the Daiwa House Industry’s foundation. We will accelerate our efforts by setting even higher goals to be achieved by 2030 for greenhouse gas emissions, energy conservation and renewable energy.



Efforts at Action Plan for the Environment

General

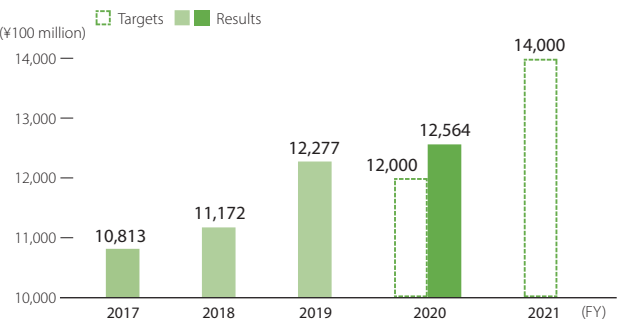
1 Development and dissemination of environmentally conscious products and services

Viewing environment as a future 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 2020, 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 2.3% from fiscal 2019 and achieved the target.



Key goals and progress

Sales of environmental contribution businesses



Mitigating and adapting to climate change

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

We acquired SBT certification, an international initiative for greenhouse gas emissions reduction, to be consistent with the target for keeping global temperature increase well below 2°C, as required by the Paris Agreement. 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 2020, we were certified as “ZEB Ready” and “Nearly ZEB” for the newly constructed commercial facilities, “Royal Home Center Toda Park” and “Royal Home Center Fujisawa Namikidai,” respectively. 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 (total) fell 24% from fiscal 2015 levels, and similarly, energy efficiency rose to 1.46 times, both achieving the targets.

3 Development of renewable energy and expansion of its use

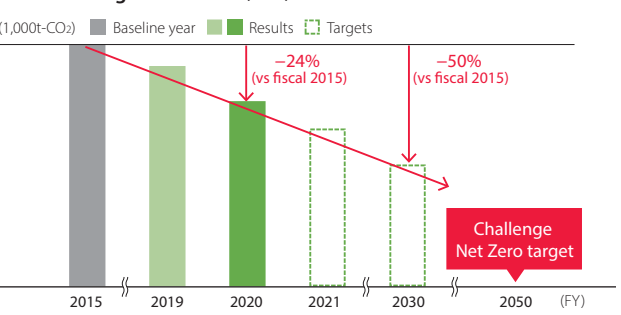
The Group is working to achieve “self-sufficiency in renewable energy” to fully cover the power it uses in its business operations with self-generated renewable energy. Accelerating the development of renewable energy power plants and obtaining certificates for the renewable energy value of the electricity generated, we are working to raise utilization rate of renewable energy. In fiscal 2020, the 49 new renewable energy power plants were put into operation, making the number of renewable energy power plants operated by the Group 377 sites across Japan for 427MW of power (including power consumed internally). As a result, the Group achieved a renewable energy generation rate of 133%, exceeding the power it consumes internally for the first time. Renewable energy utilization rates of the Company on a non-consolidated basis and of the entire Group came to 30% and 8.5%, respectively, also achieving targets.

4 Reducing greenhouse gas emissions from use of products

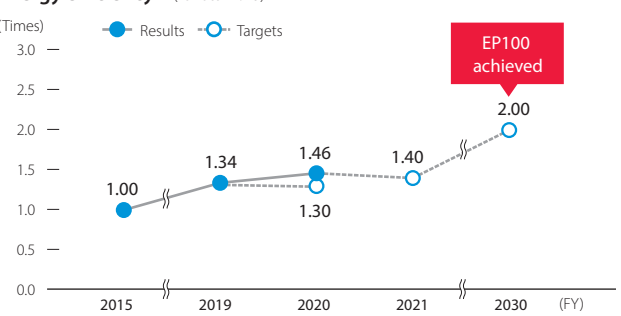
In our Group, greenhouse gas emissions derived from our business activities are as low as 1.2% for Scopes 1 and 2 and our Scope 3 emissions (indirect emissions from sources other than our company) account for the majority of 98.8%. In particular, greenhouse gas emissions generated in the “habitation and usage stage” of houses and buildings which tend to be used over a long period of time account for about 60%. It is for this reason that we focus our efforts on popularizing environmentally conscious products. In fiscal 2020, while improvements progressed for some applications, as the ratio of buildings with high energy use applications increased, we were unable to achieve our target for greenhouse gas emissions (per floor area unit), with a year-on-year decrease of only 4.7%. We will improve the energy-saving performances of buildings used as stores and offices, striving to provide buildings that are both comfortable and energy efficient.

Key goals and progress

Greenhouse gas emissions (Total)

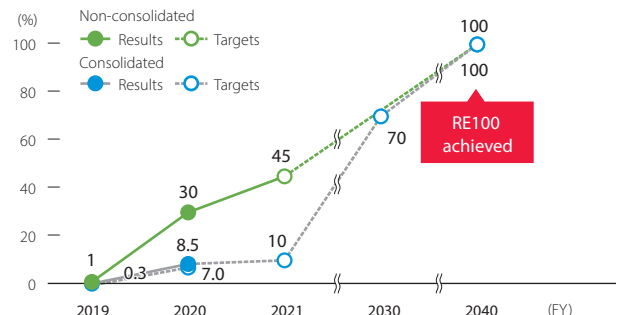


Energy efficiency*1 (vs fiscal 2015)



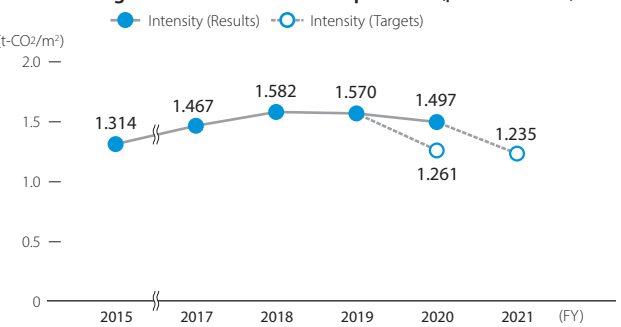
*1 Energy efficiency = Consolidated net sales ÷ Energy consumption

Renewable energy utilization rate*2



*2 Renewable energy utilization rate = renewable energy utilization ÷ electricity consumption

Greenhouse gas emissions from use of products (per floor area unit)



Efforts at Action Plan for the Environment

5 Developing and popularizing energy-zero housing and buildings

The Group works to develop and popularize energy-zero housing and buildings. In fiscal 2020, we enhanced the lineup of ZEH standardization products by launching xevo ADVANCE and skye3. We also strengthened our in-company system to promote ZEH proposals by providing inhouse training and developing tools to propose ZEH. As a result, we achieved our target for fiscal 2020.

In terms of ZEB sales rate, we enhanced our ZEB proposals by offering trainings for employees in sales and technical posts and online ZEB seminars for people outside the company. These efforts led to a higher ZEB rate in the large-scale logistics facilities we sold in fiscal 2020, achieving the target.

Harmony with the Natural Environment / Preservation of Biodiversity

6 Sustainable timber procurement

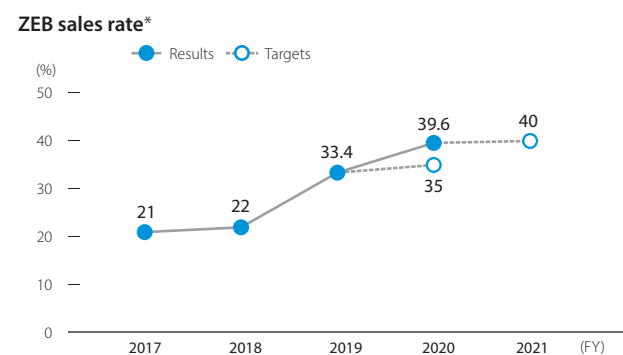
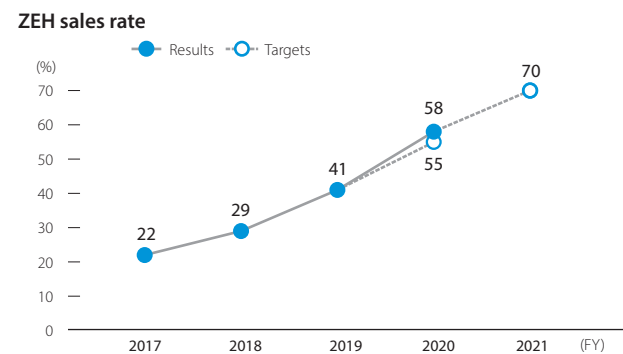
The structural materials and interior materials the Group utilizes for houses and buildings involve the consumption of large quantities of lumber sourced from countries of origin located around the world. In an effort to minimize global deforestation, we are encouraging the use of timber that is obtained legally and sustainably through our supply chain. For timber deemed in the previous year's survey to have a "C" rank and timber that we were unable to sufficiently confirm traceability back to its source area, our response was to change sources of procurement, among others, in our aim to conduct timber procurement that paid consideration to sustainability. As a result, in fiscal 2020, the rate of S-ranked timber was up 0.8 percentage points year on year to 95.1%, although falling short of the target, and the rate of C-ranked timber fell to 0.5%, an improvement that helped us reach our target.

Note: The Group evaluates and categorizes procured timber into four ranks of S, A, B, and C, according to the evaluation flow of survey results.

7 Promote the preservation and creation of green spaces in projects and community development

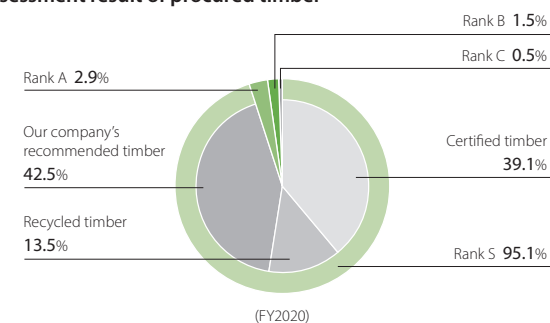
The Daiwa House Group, acknowledging the importance of contributing to the creation of a rich network of ecosystems, remains committed to minimizing its impact on biodiversity through its construction of large-scale real estate developments, housing and buildings in urban areas. We are therefore engaged in projects and community development in keeping with our voluntary standards. All applicable projects in fiscal 2020 complied with the voluntary standards and met the target.

Key goals and progress

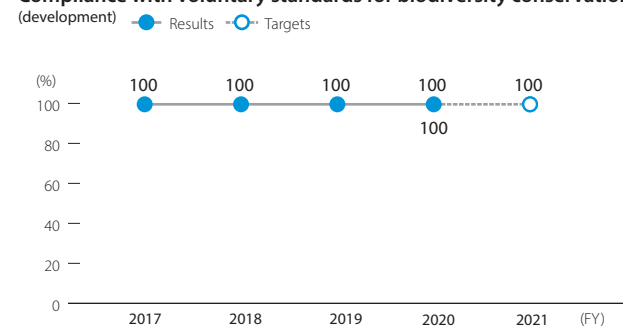


* Purposes of use are offices, plants and warehouses only

Assessment result of procured timber



Compliance with voluntary standards for biodiversity conservation



Closed-loop Resource Sourcing and Conservation of Aquatic Environments

8 Promote 3R activities with construction waste

The Group has established and operates mechanisms for properly managing and recycling the construction waste discharged from the tens of thousands of construction sites created every year. By doing so, we work to mitigate the risk of improper handling of waste, reduce waste emissions and improve the recycling rate. In fiscal 2020, the production division encouraged the effective use of end materials, which contributed to decreased waste emissions intensity and helped us achieve the target. At new construction sites, however, we were unable to attain our targets due to increased waste emissions intensity associated with specification changes, despite our efforts to reduce waste of roofing materials used in single-family houses. Meanwhile, we were able to achieve our target of recycling rate for construction waste with 97.7%.

9 Reduce water consumption

Our Group promotes water consumption reduction activities with a Groupwide target set for the reduction. During fiscal 2020, we achieved our target for reducing water consumption as water usage plummeted along with guest numbers at resorts, sports facilities, and hotels amid restrictions to suppress the spread of COVID-19.

Prevention of chemical pollution

10 Reduce the use of toxic chemicals in production stages

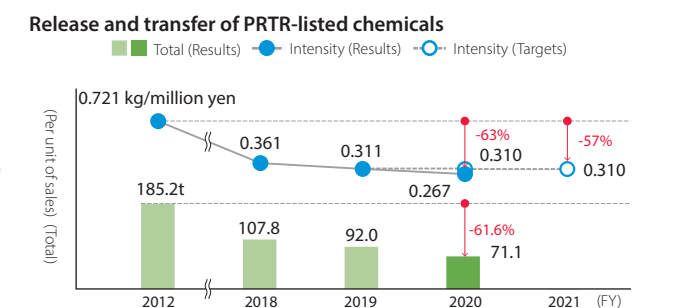
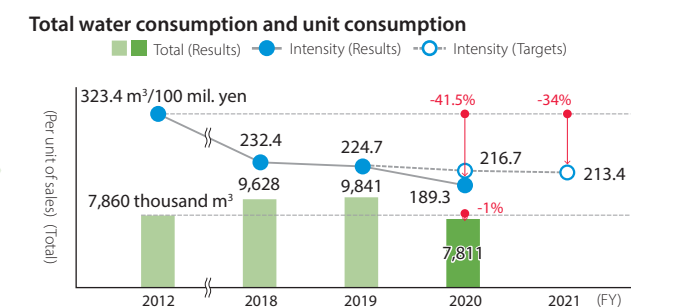
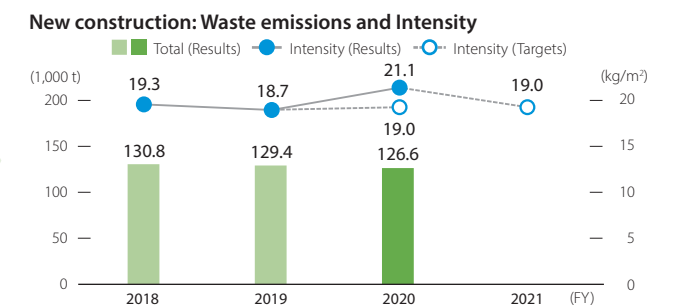
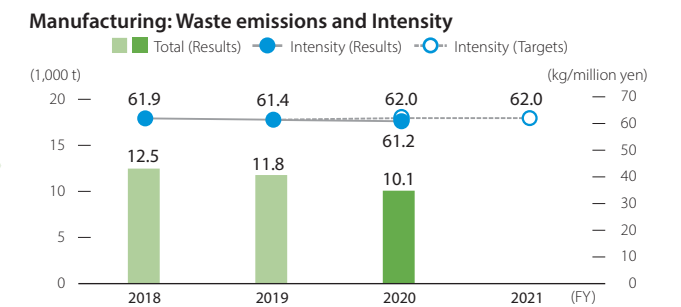
The plants and construction sites of the Daiwa House Group utilize various chemical substances. For this reason, we undertake thorough and appropriate management of chemical substances and minimize their impact by seeking to reduce their use or by adopting substitutes for hazardous chemical substances. In fiscal 2020, we changed some internal work processes, including the scope of coating conducted at our housing factories and welding methods adopted at our construction-related plants. As a result, we achieved our target for release and transfer of PRTR-listed substances.

Environmental management

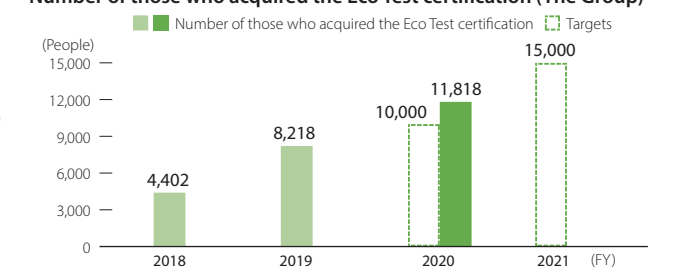
11 Develop human resources for environmental management

Eco Test certification is a good way to acquire basic knowledge regarding varied and complex environmental issues. We encourage our employees to take the test as part of our efforts to raise environmental awareness. The number of those who acquired the Eco Test certification in fiscal 2020 came to 11,818, achieving the target.

Key goals and progress



Number of those who acquired the Eco Test certification (The Group)



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



Supporting the TCFD Recommendations and Enhancing Disclosure

The impact of climate change is becoming more severe every year, and the frequent occurrence of extreme weather, natural disasters, and other events, for which climate change is thought to be a cause, threatens the safety and security of homes and living, which form the foundation for the value that the Daiwa House Group offers. Meanwhile, since the adoption of the Paris Agreement, nations and governments around the world have taken a sharp turn toward “decarbonization,” and expectations of the role that the private sector should play are changing significantly. Nevertheless, because the changes in the external environment accompanying climate change are highly uncertain, it is important to hypothesize multiple scenarios and respond to the risks appropriately while recognizing the business opportunities at the same time.

Therefore, in addition to utilizing the framework of items recommended for disclosures by TCFD as a tool for verifying the rationality of our initiatives on climate change, Daiwa House Industry intends to actively disclose information in line with the TCFD recommendations, paving the way to constructive dialogue with investors and others.

Governance

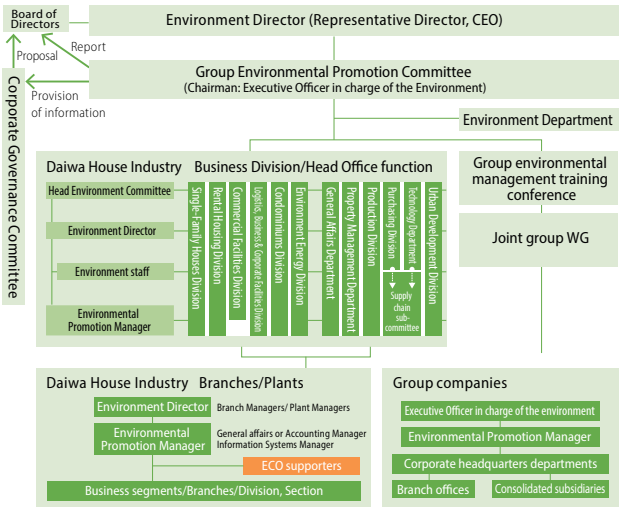
The Daiwa House Group has positioned mitigating and adapting to climate change as one of its key management issues and has appointed an Executive Officer in charge of the Environment with responsibility for implementing climate change strategy. We have established the Group Environmental Promotion Committee, which is chaired by the Executive Officer in charge of the Environment. The Committee, which meets biannually, deliberates and make decisions on fundamental matters related to the Group’s environmental activities, including climate change, as well as risks and opportunities related to the environment, and supervises Group-wide environmental activities.

In addition, the Endless Green Program, the environmental action plan formulated every three years alongside the Medium- Term Management Plan, contains the Group-wide strategy, performance targets, plans, and risk management policy on climate change issues, and important matters are reported to the Board of Directors following discussion by the Corporate Governance Committee. During the term of the program, the Executive Officer in charge of the Environment reports on progress to the Board of Directors once a year in time with the compilation of results for each of the management metrics and conducts a timely review of strategy, targets, and plans.

TCFD Recommended Disclosures

Governance	The organization’s governance around climate-related risks and opportunities The Board of Directors’ oversight of risks and opportunities and management’s role in assessing and managing climate-related risks and opportunities
Strategy	The impacts on the organization’s businesses, strategy, and financial planning Risks and opportunities over the short, medium, and long term, their impact on business, strategy, and financial planning, and resilience of strategy taking into consideration climate-related scenarios
Risk Management	The processes used to identify, assess, and manage climate-related risks Processes for identifying and assessing risks, processes for managing risks, and their integration into the organization’s overall risk management
Metrics and Targets	The metrics and targets used to assess and manage relevant climate-related risks and opportunities Metrics used by the organization in line with its strategy and risk management process, targets used to manage risks and opportunities and performance against targets

Environmental management system



Organs and committees for the environment

Conference body	Principal members	Principal roles in handling climate change	Conference frequencies
Board of Directors	Director, External Director	Supervision of climate change strategy	Monthly
Corporate Governance Committee	Representative Director, External Director, Auditor, External Auditor	Discussing and reporting important items about climate change strategy to the board of directors	Biannually
Group Environmental Promotion Committee	Executive Officer in charge of the environment, Environment Director (Business division), Head of Head Office function	Drafting and examining climate change strategy and adopting the final text, managing the progress of the Group management metrics	Biannually
Group environmental management training seminar	Group companies Executive Officer in charge of the Environment	Promoting climate change strategy across the Group	Biannually
Environment Committee (Business division)	Division heads, Environment Director, Environmental Promotion Manager	Implementing climate change strategy, managing the progress of individual management metrics	Biannually

Strategy

The risks and opportunities associated with climate change can be considered as those caused by “transitions,” such as the strengthening of regulations, advances in technology, and changes in the market that will occur with the move toward a decarbonized economy, and those caused by “physical change,” such as acute extreme weather and chronic temperature increases that will result from global warming. In addition, the impact could manifest not only in the short term, but also over the medium-to-long term. Therefore, we have classified the factors involved in the various changes in the external environment associated with climate change into “transitions” and “physical changes,” estimated the period that will be impacted, and assessed the financial impact at three levels—large, medium, and small—to identify the significant risks and opportunities.

Main Risks and Opportunities Related to Climate Change

Short-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 meteorological disasters and increase in insurance premiums	Medium term	Small
				Impact on supply chain due to meteorological disasters	Short term
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 meteorological disasters	Medium term	Medium

Sustainability Report 2021: Response to the Task Force on Climate-related Financial Disclosures (TCFD) P.39-41

Summary of Scenario Analysis Results

External Scenario	Reason for selection	Result of analysis	Reflection in policies and strategies
Nationally Determined Contribution (NDC)	This scenario is the most viable as the future vision for Japan, which accounts for the majority of our business, and it is a highly precise scenario.	An increase in operational costs due to strengthening of regulations is expected, which can be covered by revenue growth due to increased sales of ZEHs and ZEBs.	We have decided on a policy of “maximizing sales growth and minimizing profit decline with early development of ZEHs and ZEBs, and cost reductions pushed forward.” We monitor progress using the sales rates for ZEHs and ZEBs as key management metrics and reflect the results in our business strategies.
Representative Concentration Pathway (RCP 8.5)	The scenario with the biggest physical impact was selected to hypothesize the most extreme situation.	Additional costs could arise due to suppliers transport being cut off and asset impairment due to damage to our facilities caused by heavy rain and heavy snow, and construction delay damages as extremely hot days will increase, which can be covered by sales growth of products to mitigate and adapt to climate change.	We have decided on policies of “Thoroughgoing measures against heatstroke at construction sites” and “Development and popularization of products with low GHG emissions and products adapted to physical changes.” We monitor progress using the number of heatstroke cases, GHG emissions per unit of floor space through provision of products, and sales rates for ZEHs and ZEBs as key management metrics and reflect the results in our business strategies.

Sustainability Report 2021: Mitigating and adapting to climate change P.31-41

Risk Management

We recognize that climate change risk is one of the risks with a significant impact in the medium- and long-term, and we have integrated this risk into the Group-wide risk management process. We identify and assess risks and opportunities in order to conduct a careful analysis roughly every three years, which we apply to the identification of priority issues for the Medium-Term Management Plan and Action Plan for the Environment which are formulated every three years, with these issues reflected in the major policies and targets of these plans.

Metrics and Targets

Aiming to minimize the risks and maximize the opportunities associated with climate change, we have established short-, medium-, and long-term targets for the promotion of initiatives. We have established these targets as a set of metrics for the 6th Medium-Term Management Plan. We have also established more detailed management metrics and targets in our Endless Green Program, the action plan for the environment formulated to align with the period covered by the Medium- Term Management Plan, in order to accelerate our initiatives with the aim of striking a balance between earnings and environmental sustainability.

Key results and targets of the Action Plan for the Environment (Endless Green Program 2021) P.88

S Social
Efforts at Social

Strengthening
the Human Resources Base

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.”



Efforts at Social Medium-Term Plan

1 Work style reform for employees

Going beyond merely endeavoring to reduce working hours, we concentrate on identifying problems in current methods and exploring new ways of working conducive to making work gratifying and a source of joy. Efforts focus on fostering three major outcomes: work environments conducive to trust in the Company, pride in work, and solidarity with colleagues. For example, we examine how benchmarks they are happy with are assessed and the scheme for assessing contributions to achieving organizational goals based on the results of employee survey. In fiscal 2021, we will be applying the issues we have looked into so far to our project proposals, from planning to program design.

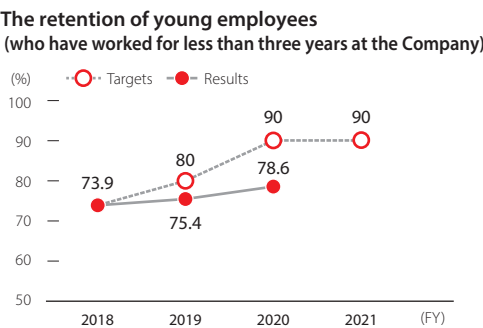
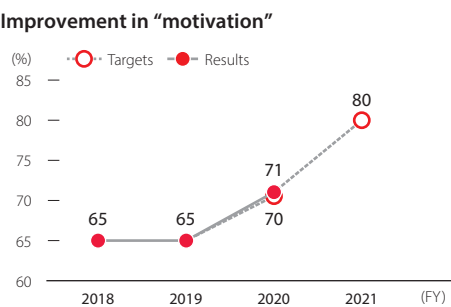
2 Upgrade human resource development and recruitment

We undertook a number of initiatives to enhance human resources development and recruitment. 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. We also launched a project studying ways to enhance young-employee retention, advancing it to the program design and proposal development stage. From fiscal 2021, we started specified employment of new graduates by business division and job type. Creating a system where they can be assigned duties they wish, we seek to retain young employees. And in personnel training, we introduced a succession planning named D-Succeed for branch and equivalent managers along with continuing the Daiwa House Juku for nurturing future managerial personnel.

3 Promote diversity and inclusion

We are working to improve the diversity and inclusion (D&I) situation at the organization level. In fiscal 2020, we introduced a teleworking system to offer diverse working style options. Training initiatives during the year included a seminar to increase the level of employees understanding of D&I, a training for women moving into managerial positions, 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 fiscal 2021 we will be stepping up our initiatives to increase flexibility in work styles, while continuing the training programs mentioned above. We will also improve office diversity scores which are D&I composite scores introduced in fiscal 2019 and business division diversity scores to be introduced in fiscal 2021, through analyzing our achievements.

Key goal indicators and progress



General indices for diversity and inclusion (%)					
	FY2018 results	FY2019 results	FY2020 results	FY2020 targets	FY2021 targets
Female managers	3.6	4.1	4.5	4.5	5
Line leaders amongst female managers	24.1	25	21.5	35	40
Female engineers	4.6	4.9	4.9	5.5	6
Female sales reps	9.9	10.2	9.9	12	13
Female amongst recruits	27.2	24.8	23.5	30	30

Sustainability Report 2021: Human resources base P.88-101

Foster human resources who create new value together with society (human resources for value co-creation)

The founder of Daiwa House Industry, Nobuo Ishibashi, believed that we should “conceive businesses and products that are of service to people.” Guided by his management philosophy, we at the Group have sought to anticipate future trends to offer new products and services demanded by society ever since its founding.

In order for the Group to remain essential to society in these volatile, uncertain, complex and ambiguous times and beyond, it is vital to foster human resources for value co-creation who are capable of creating new value hand in hand with various stakeholders. Based on a deeper appreciation on a broader range of views as never before, they are to create innovative value in the spirit of greater harmony—as indicated by the name of the Company. Based on this belief, in the autumn of 2021, the Company opens the Daiwa House Group MIRAI KACHI KYOSO Center, a new facility for developing human resources, in Nara Prefecture, the place of birth of the founder.

The center is intended to serve not only as a training facility for the Group employees both in Japan and abroad, but also a gathering

place for locals including children, students, and adults to learn and create new values together. Through such activities, the Company seeks to remain “a public organ of society” to foster human resources who will build a future.



Panoramic view of MIRAI KACHI KYOSO Center

Efforts to provide rewarding workplaces

We introduced a flextime program with no core hours in fiscal 2021 with the exception of a few divisions. Verifying the effect of the introduction, we will develop initiatives to establish and better exploit the program, in a bid to realize workplaces where diverse human resources can flexibly choose their preferred work styles appropriate to their circumstances.

In line with the business division-based system fully introduced in April 2021, we are currently reviewing our systems for personnel evaluations. In addition to evaluations at each worksite,

we are introducing evaluation systems considering the characteristics of each business division. Performance is evaluated based on business division-specific systems at each branch, while items other than performance, such as legal compliance, are continued to be evaluated at each office. Going forward, we will introduce evaluation systems for individual employees according to the business models of each business division, as well as those compatible with teleworking and other new working styles, so as to improve motivation of employees.

Human rights due diligence

In accordance with the “Daiwa House Group Human Rights Policy” instituted in 2018, the Company implements human rights due diligence and respects the human rights of its stakeholders. Striving to fulfill our commitment of contributing through our business to the realization of a society where human rights are respected, we stipulate respect for human rights as one of the Business Partner Code of Conduct. In this way, we are responding to human rights issues that occur in our supply chain in a responsible manner.

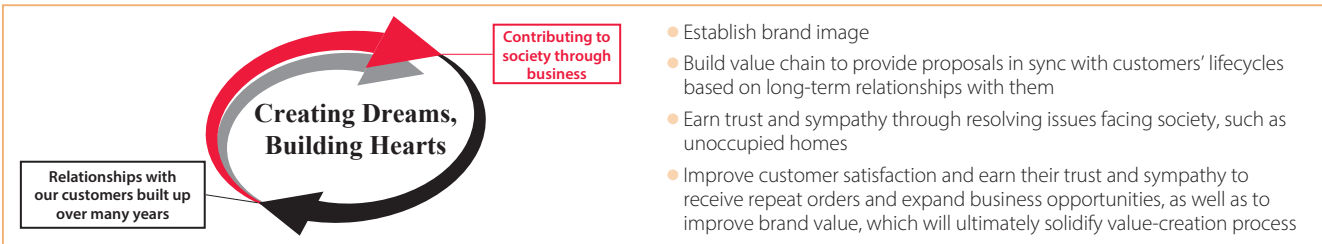
Specifically, we request all tier 1 suppliers to prohibit compulsory labor, child labor and harassment. On the procurement front as well, we ensure that no timber is sourced through illegal logging or procured from areas where the violation of the rights of indigenous people has been pointed out.

The Company develops its overseas business based on the technology and expertise it has accumulated in Japan to date, desiring to contribute to the growth of the local economy. We are therefore deeply concerned about the current situation in Myanmar, viewing the military coup as a regrettable incident. Paying utmost attention to the safety of the citizens of the country and those who involved in our business, the Company intends to proceed with its operation in a prudent manner through discussions with related parties. Aspiring to contribute through our business to the democratic development of Myanmar, and to conduct the business in a way that is beneficial to the will and interests of citizens of the country, we will continue a dialog with all those concerned based on our Human Rights Policy.

S
Social
Efforts at Social

Strengthening
the Customer Base

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.



Efforts at Social Medium-Term Plan

1 Upgrade corporate communications

With "Grow a new Life" as a unified theme for corporate communications in fiscal 2020, we have engaged in advertising and promotional activities. As a group that co-creates value for individuals, communities and people's lifestyles, we develop businesses to offer new value to customers' living and their lifestyles. In the year where society was dominated by the COVID-19 pandemic, the Company embarked on developing new businesses, products and services for adapting to New Normal, and Livness Town Project that embodies the value of a sustainable lifestyle by redeveloping existing housing complexes. Through these and other initiatives, we pressed forward on active communications that put a spotlight on voices of customers and other stakeholders, seeking to establish the image of our company that is be of service to society. 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 strive to demonstrate the Company's corporate stance to society.

In fiscal 2020, brand value survey, which is a key goal indicator, improved slightly but failed to achieve the target. In fiscal 2021, together with ongoing enhancement of governance system, 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

Fiscal 2020 was a year in which regular inspections and impromptu visits were postponed in order to prevent the spread and proliferation of infections, which elicited the question of what new form of relationship will we have with customers. In providing inspections to customers who were stricken by the earthquake off the coast of Fukushima, an aftershock to the Great East Japan Earthquake, we partially used remote tools to support the operation. We will explore a framework further to maintain relationships based on digital technologies and ways to connect with each customer digitally.

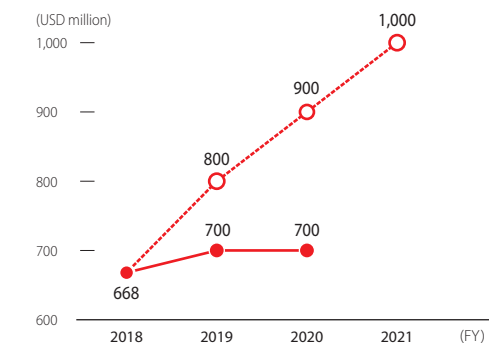
While taking these customer satisfaction (CS) initiatives, we also took action for our Livness business, which is a business that starts with customers with whom we have existing relationships. In this way, we are building a framework that makes it easy for customers to contact the Company.

Sustainability Report 2021: Customer base P.115-120

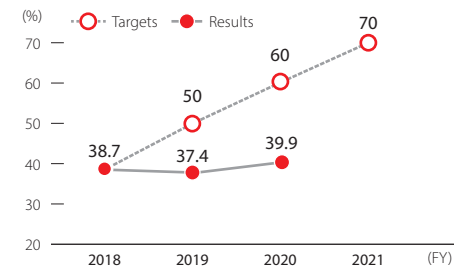
Key goal indicators and progress

Brand Value, Perception Survey Results

Japan's Best Domestic Brand/ Brand monetary value -○- Targets -●- Results



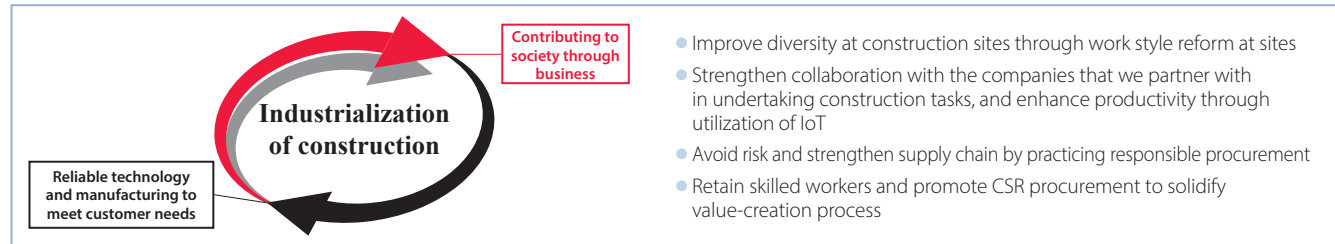
Order rate using our customer base



S
Social
Efforts at Social

Strengthening the Technology
and Manufacturing Base

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



Efforts at Social Medium-Term Plan

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 held remote meetings and various Community Councils, provided training, and supervised construction sites remotely via ITV (industrial TV) on an ongoing basis for the sake of greater operational efficiency based on ICT and prevention of the infections. As a result, we achieved our target for the frequency rate for worksite industrial accidents for fiscal 2020 at 0.16. Fiscal 2021 will see our continued efforts to prevent the spread of COVID-19 and develop new teaching materials for safety.

2 Improve productivity in manufacturing operations with the cooperation of business partners

We trialed in three locations a remote support initiative for information on construction with partner subcontractors, to improve productivity at sites, and along with this, have promoted digital construction projects. A total of 11 projects involving automation are to be implemented by fiscal 2021 in our plants, of which five (including concentrated welding lines for pillars and processing of surface elements) have already completed. In addition, under the Certification System for Skilled Engineers and Technicians, partner subcontractors certified as excellent or senior technicians were provided with financial support for their wages as part of an effort to develop human resources. Through these efforts, we have made scheduled holidays known to all plants and construction sites, and as a result, we largely achieved our plans for annual holidays in fiscal 2020. In fiscal 2021 as well, we will proceed with the verification and adoption of technologies, such as ICT and the IoT, and raise the skills and motivation of our partners' employees to ensure quality and reduce working hours.

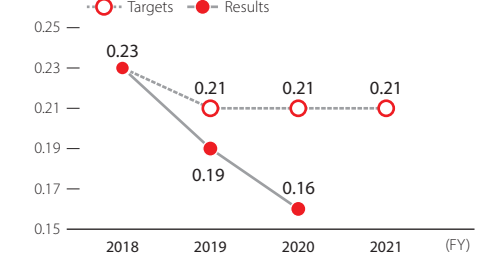
3 Promote and improve the efficiency of CSR procurement across the Group

We are taking steps to make our CSR Procurement Guidelines known among our business partners and share our thinking. Letters of consent to the CSR Procurement Guidelines have been once again collected since fiscal 2019, following the institution of the guidelines in fiscal 2015, reaching 93.4% in submission rate (5,074 out of 5,432 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. We also continue distribution of an Ethics Card for Partner Employees. Our intention is to continue dialogs with our business partners in order to promote CSR procurement.

Sustainability Report 2021: Technology and manufacturing base P.102-114

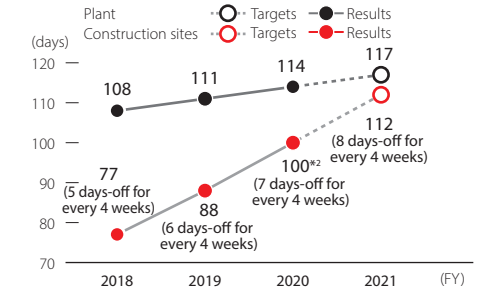
Key goal indicators and progress

Frequency of worksite industrial accidents*1



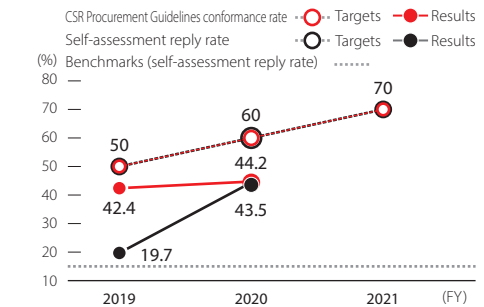
*1 The number of industrial accidents that have occurred involving worker injury or death per one million hours worked (injuries requiring 4 or more days-off).

Number of days off per annum



*2 Total of sites adopting a face recognition access control system. Approx. 80% of sites on average took holidays as scheduled.

Group CSR procurement



S
Social

Efforts at Social

Bases to
Strengthen Anew

We strengthen systems to promote business and real estate development that help solve social issues, while establishing corporate ethics, human rights and compliance rules including overseas bases.

Innovation base

Sustainability Report 2021: Innovation base P.77-87

Base	Policy	Priority issues	Key goal indicators (FY 2021Targets)
Continuously comes up with innovative solutions to social issues Innovation base	Strengthen systems to promote business and real estate development that helps solve social issues	(1) Build platforms for innovating solutions to social issues	Cooperative innovation creation for new business ventures or joint research projects
		(2) Promote social inclusion in real estate development	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

As part of our business development activities, at Open Innovation Base "Xport" sponsored by the Osaka Chamber of Commerce and Osaka Institute of Technology, we conducted programs themed on "future housing powered by digital technologies" in our pursuit of collaboration with corporate partners. Our Open Innovation Program is also soliciting ideas to accelerate the Livness Town Project currently underway. We will continue to offer up innovating solutions to social issues in fiscal 2021.

In real estate development, we are constructing a management framework geared toward instilling inclusion design in real estate development. It is made possible by the collaboration between the Sustainable Community Development Promotion Committee and Business Investments Committee that deliberates feasibility of investments in businesses. Now that a dedicated unit Livness Town Business Promotion Department was set up in fiscal 2021, it will redefine the appeal of existing towns by re-tilling them, while promoting social inclusion with new development projects.

Communication base

Sustainability Report 2021: Communication base P.121-128

Base	Policy	Priority issues	Key goal indicators (FY 2021Targets)
Multi-channel communications with stakeholders Communication base	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	Establish a system and practices for financial and non-financial communications, and promote understanding that these are fully integrated
		(2) Keep pace with rapidly evolving communication environments	Establish communications platforms to ready the workforce for the information age

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

We continued to enhance our ESG engagement activities in fiscal 2020. Our efforts included ESG small group meetings held in December, where the CFO, executive officers responsible for IR and managers of ESG divisions spoke about our integrated thinking-based business strategy. We will disclose integrated financial and nonfinancial information in our securities reports, and engage in other programs for shareholder relations. To realize constructive dialogues with our shareholders and investors, we work to enhance mutual communication.

In addition, to revamp our information systems as part of our communications reform, we introduced Microsoft365 to Group companies' offices to make best use of internal information. For further gains in workflow efficiency based on effective communication, we started sharing information among companies using Teams, a communications tool, in fiscal 2020. In fiscal 2021, we will study frameworks for information sharing with individual customers.

Dialogue with Shareholders and Investors (FY 2020 Results)

General meeting of shareholders (June 29, 2021)

- Shareholder attendance

147
- Percentage of voting rights exercised

85.65%

Communication with institutional investors and analysts

Total 820 companies

Face-to-face and telephone interviews with Japanese and overseas institutional investors	As needed	292 companies
Financial results briefing session via teleconferencing	4 times	245 companies
Briefing sessions from top management	Twice	110 companies
Business briefing sessions for institutional investors	4 times	126 companies
Dialogue on ESG	As needed	47 companies

Communication with individual shareholders and investors

Total 644 investors

Online explanatory sessions for individual investors

Once

644 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

Risk countermeasures base

Sustainability Report 2021: Risk countermeasures base P.129-145

Base	Policy	Priority issues	Key goal indicators (FY 2021Targets)
Effective internal control and executives/ all employee leadership in corporate ethics Risk countermeasures base (being complete in small things)	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	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.)
		(2) Establish due diligence for human rights at plants	Establish a process of due diligence for human rights at plants
		(3) Establish corporate ethics and compliance rules	Internal control system attainment score 15% improvement from the FY 2017 levels
		(4) Build management base for global business development from a long-term perspective	Improved score on CSR awareness surveys at overseas bases

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

Promoting telework given the COVID-19 pandemic in fiscal 2020 resultantly improved business continuity plans in case of emergency, including the formulation of work rules enabling employees to work safely even in the face of natural disasters or pandemics. Given the shift to the business division-based system, Risk Management Committees were established for each business division, thereby each business division takes charge of information collection and analysis, and building and operation of recurrence prevention systems.

An economic downturn expected in fiscal 2021 may lead to

deterioration of working environment for the employees of our partner subcontractors. Leveraging on-site and company-wide monitoring systems, we will continue our efforts to establish human rights due diligence at our plants. For overseas business, in order to strengthen the medium- to long-term management base, we set up our Overseas Business Division, preparing to construct an administrative framework for each region. Corporate functions are now ready to be put in place starting with North America. We will continue to move forward to address such priority issues in fiscal 2021.

Assisting civic life in time of disasters

Upon developing multi-tenant logistics facilities*, the Company signs agreements with local governments for providing assistance to civic life in time of disasters, whereby the facilities built by the Company can be served as temporary evacuation shelters or storage of relief supplies.

Major agreements signed in fiscal 2020

Name of local governments (Prefecture)	Contents of agreements
Kitakami City (Iwate)	Agreement on cooperation for storage of emergency provisions during earthquakes and other disasters
Tosu City (Saga)	Agreement on support for civic life during earthquakes and other disasters
Nagareyama City (Chiba)	Agreement on the use as a temporary evacuation shelter during disasters

* Logistics facilities designed to cater for a multiple number of tenant companies



Perspective view of multi-tenant logistics facility
DPL Iwate Kitakami III

Management Structure

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 more resilient structure for governance based on diverse viewpoints and long-term perspectives.

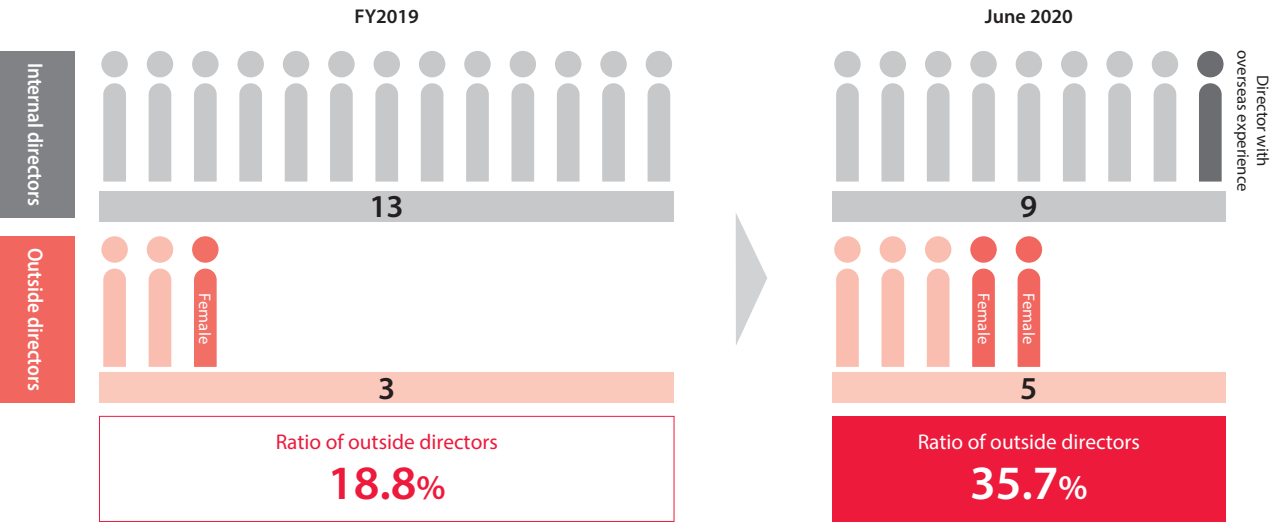
Fifth Medium-Term Management Plan		Sixth Medium-Term Management Plan
2016-		2019- (FY)
Board of Directors/ Audit & Supervisory Board	<ul style="list-style-type: none">• Appointment of female outside director (2016)• Evaluation of effectiveness of Board of Directors (2015-)	<ul style="list-style-type: none">• Setting age limits for inside directors (2019)• The ratio of outside directors to one-third or more (2020)
Board Committees/ Management Committees	<ul style="list-style-type: none">• Establishment of the Nomination Advisory Committee (2015)• Establishment of the Remuneration Advisory Committee (2015)• Establishment of the Internal Control Committee (2015)	<ul style="list-style-type: none">• Establishment of the Sustainability Committee (2017)
Other systems, measures, etc.	<ul style="list-style-type: none">• Issuance of performance-based stock options for value (2013/2016)• Corporate Governance Guidelines established (2015)	<ul style="list-style-type: none">• Newly established Legal Compliance and Quality Assurance Promotion Division, and Compliance Promotion Department (2019)• Established an internal reporting (whistle-blower) system with an external law office (2019)• Developing a system to promote SDGs and ESG (2018)

Measures to enhance governance

Basic policies	Main actions up to the fiscal 2020	Future initiatives
Review management structure and state of management and supervision	<ul style="list-style-type: none">• Revise the ratio of outside directors to one-third or more• Establish upper age limits on inside directors• Restructure standards for risk reporting to Board of Directors	<ul style="list-style-type: none">• Continuously strengthening and reviewing medium-and long-term management strategies and supervisory functions to raise the Group's corporate value
Enhance agile business execution and risk response structure	<ul style="list-style-type: none">• Adopt a business division-based system to the business execution structure• Establishment of the Compliance Promotion Department to respond to risk compliance requirements and improve the business environment• While establishing a risk compliance organization in each business division to promote preventive practices, we also established a business division risk management committee in each business division to handle general risk management throughout the business supply chain.• Provide education related to business division-based system for directors and employees• Start examination by top management of growth strategies from the Seventh Medium-Term Management Plan.	<ul style="list-style-type: none">• Review and transition of management reporting systems and processes in each business• Continuous improvement of organizations and functions for overlapping businesses within the Group• Continual improvement of the Group's head office functions and optimal allocation of human resources
Strengthen risk information gathering and sharing	<ul style="list-style-type: none">• Clarify risk reporting standards• Establish new external whistleblowing hotline• Reorganize incident response management flow• Build structures and systems to share overall risk information with business division risk management committees	<ul style="list-style-type: none">• Operation and continuous improvement of risk information coordination systems and its operation
Strengthen environment for supporting sustainability and implementation	<ul style="list-style-type: none">• Continue risk and compliance training for directors and employees• Strengthen the Group's internal audit system and risk approach, implement audits based on them• Improve the searchability of internal rules relating to risks and compliance• Implement the revision and automation of operational processes relating to serious risks in phases	<ul style="list-style-type: none">• Continuously strengthening the efficient business operating base to sustain risk management and compliance activities

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.



Messages from Outside Directors



Pressing on with vigorous debate at board meetings, ensuring that the Company is indispensable to society

Kazuyoshi Kimura
Outside Director

During my 45 years working at a securities house, I spent much time with numerous investors and analysts using the capital markets to gain an understanding of corporate value. In my current capacity as an outside director at an investment manager and as someone who runs a listed company as well, I believe a company's fair value is the corporate value capital markets assign it, and I believe that my duty as an outside director is to monitor and advise about how to sustainably maximize that fair value. Markets don't care much about past performance, but reflecting the certainty and size of investors' expectations, they are a frank yet fair barometer of companies' growth prospects and future competitiveness. And since the matters markets pay attention to and the yardsticks they use to gauge a company's fitness shift with the times, I believe a crucial element of corporate governance is maintaining an organization that innovatively and agilely adapts to business environment changes by focusing on the same matters and

using the same benchmarks as contemporary markets do.
Meetings of Daiwa House Industry's Board of Directors are characterized by reality- and fact-grounded discussions, and board members' uncompromisingly serious approach to the issues we face means they have been growing livelier and more candid with each passing year. We cover topics from formulation of business portfolio strategies conducive to sustainable growth and how the organization should be shaped and run, to progress on initiatives and making sure they are delivering the desired outcomes. Times of turbulent change demand debate for keeping business strategy flexible and fluid, and crucial to such debate is diversity. Since I believe that a diversity of perspectives expressed by directors with a diversity of skills is essential for enhancing an organization's ability to function, I would like to emphasize a highly transparent, diversity-conscious process for deciding Board of Directors makeup.
Daiwa House Industry has always honored the founder's exhortation to be a company indispensable to society. I am committed to extending that corporate culture, translating his aspiration into practice by continuously pursuing revenue growth (creating economic value) and providing solutions to society's problems (creating social value) in optimal proportion.

Messages from Outside Directors



We will keep taking on the challenge of being a company investors trust

Yutaka Shigemori
Outside Director

I believe that a corporation that wants investors to trust it must go beyond merely complying with legal frameworks. I believe it is crucial that it also continue taking on challenges for achieving sustainable future growth and achieve results while being profitable. The essential here are reliability, ability to learn, funding, and—for as long as it stays in business—addressing challenges.

We are currently pushing ahead with several initiatives that draw on two of Daiwa House Industry's strengths—speed and momentum—while working to further bolster governance. In today's drastically changing world, developing the Company's overseas businesses is another crucial focus for achieving ¥10 trillion in annual turnover. Working closing with local companies and people through locally rooted cooperation will be key to success particularly in Southeast Asia.

I believe that staying in constant contact with "fresh eyes" like those typical of venture enterprises can lead to further development in our current principal businesses. As for digital investment, another undertaking we are focusing resources on, the difference it makes and real substantial results in productivity gains are now just beginning to manifest.

I would like to see ESG initiatives expanded as I believe action on ESG issues is good for corporate value in the long run. It will not only benefit the Company directly but be positive for the environment and society as well. And to earn the long-term trust of customers, investors, and the public and be a company they hold in high regard, I believe we still have mountains of work to do, from providing a favorable environment for all who work for the company—trading partners as well as employees, to contributing positively to local communities.



Foster diverse human resources, contribute to sustainable growth and generating social value

Yukiko Yabu
Outside Director

Our wide-ranging business portfolio is closely connected with individuals, communities, and people's lifestyles. In this era of rapid change and uncertainty, the value we offer, including effective ESG management, is becoming increasingly important. Drawing on my experience in product development and consumer research at a consumer electronics company, I am eager to help our company grow sustainably and provide social value in my role as an outside director.

Diverse expert opinions, enhanced further by last year's appointment of more outside directors, have made our Board of Directors a forum to debate business risks and opportunities in an increasingly frank manner. However, we need deeper discussions on longer term initiatives where our group should take the lead—transforming our businesses to accommodate decarbonization and innovation

in community development. We must redouble our efforts going forward.

In April 2021, we restructured our organization, reworking it into business division-based system. We hope this will speed up customer-centric business development across the group, and from a risk perspective, strengthen internal controls and governance. Boosting employee engagement under new working arrangements is another important issue as the COVID-19 pandemic has altered their mindsets considerably. Our company's HR training approach stands out in the housebuilding and construction industry, which has tended to lag behind other sectors in this respect, with enthusiastic, persistent efforts to train younger employees and to open up a wider range of managerial and professional positions to women. I feel that we are fostering a positive corporate culture that values self-reliance and is fair and proactive.

It is vital for your board to work even harder to keep on top of developments, solve issues from a longer term perspective, and improve corporate value, and I will do my utmost as a director.



Actively embracing New Normal trends to help Daiwa House grow

Yukinori Kuwano
Outside Director

I was appointed an outside director last year after serving for 12 years as an outside auditor for Daiwa House. In my previous career, I was involved in new technology development and company management in the electronics industry. One of my roles as auditor was to chair an external investigation committee looking into the cause of compliance issues—namely the use of off-specification components in our single-family houses and rental housing business and qualifications acquired by employees with inadequate work experience—and recommend measures to prevent their recurrence. These were very serious issues for Daiwa House, and I and the entire company must do everything in our power to ensure that similar events do not ever happen again.

The current era is on the cusp of major changes, embodied in global movements such as SDGs, ESG, and DX, which call for a response from

us as well. In the context of SDGs and ESG management to address environmental issues, I have been involved in solar power generation for many years, and am delighted that the world is at last making great strides in these areas. At the behest of our founder, Nobuo Ishibashi, we tackled wind and solar generation at an early stage and have nurtured new businesses in the field into significant entities, and are an environmental leader. We have also made solid progress in international initiatives such as SBT, EP100, and RE100. We aim to continue to fulfil our corporate social responsibilities going forward.

Companies must significantly transform their business models to keep pace with the rapidly advancing digital (DX) era. In my previous position, I was in charge of digital product development, and am eager to play a role in helping the company take on board emerging trends and build a highly efficient business model where we can be most useful to our customers.

I will do my very best to help Daiwa House grow strongly and contribute to our shareholders.



ESG is crucial for sustainable corporate value enhancement. We will walk hand-in-hand to make the world a better place

Miwa Seki
Outside Director

The world's population is set to break through the 9 billion mark by 2050 as 100-year lifespans become a reality. While the number of people living in extreme poverty is steadily declining due to advances in healthcare and technology, the world's resources are being depleted and climate change is making life difficult for the world's most vulnerable. I feel that corporate social responsibility is becoming increasingly important.

I think Daiwa House Group is a rare entity that has not only inherited the DNA of its founder, Nobuo Ishibashi, but has grown profit while giving back to society. I am impressed that the ideals embedded in ESG and SDGs—buzzwords these days—have been our goals from our very inception. Daiwa House has been practicing ESG concepts on the understanding that they are not merely our contribution to

society but an essential element of sustainable corporate and economic growth.

Consideration for the environment, contributing to society, and sound corporate governance are neither charity nor fashion. They are essential in enabling us to adapt to all that awaits us as we open up new business growth opportunities, nip risks in the bud, and create the future.

While we may not notice small changes or feel progress, a long view of history shows us that the world is becoming a better place. The number of people living in extreme poverty and dying in disasters is declining, while lifespans are lengthening. Daiwa House can do many things to improve the world. I am very grateful for the opportunity to help create that future with everyone else on the Board.

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.

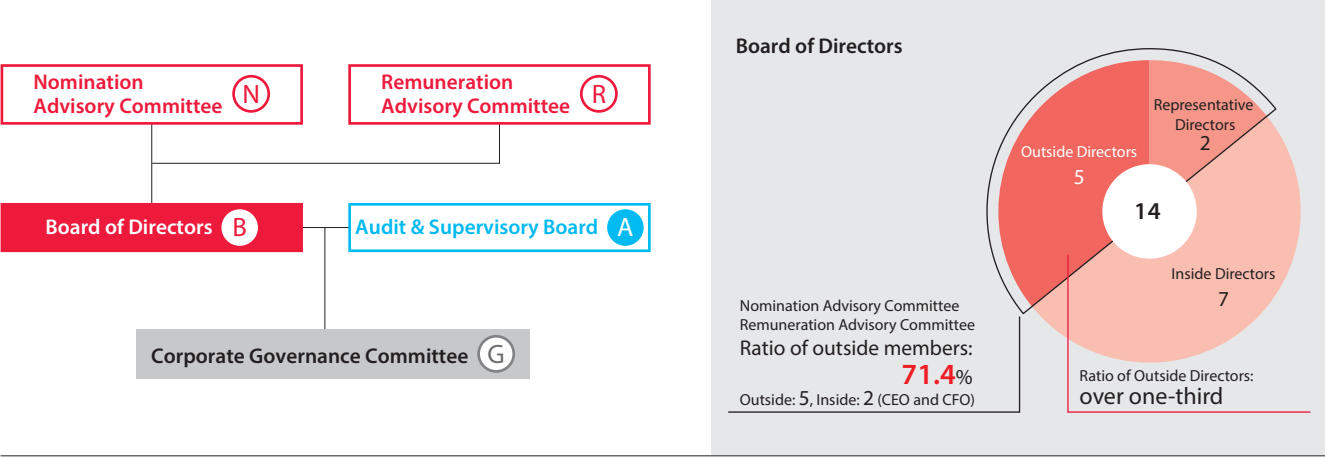
The Board of Directors has outside members who account for over one-third of the Board. By making greater use of diverse and external knowledge, experience and know-how possessed by outside directors, we aim for trustworthy and transparent management.

In FY2020, in addition to matters for resolution and reporting, we have set new matters for deliberation, revising rules to allow free discussions on issues over the medium and long term. We have developed network and paperless environments to allow the Board of Directors to continue meeting despite COVID-19. Advance briefings are provided to outside officers, and steps are taken to allow the meetings to be held wherever the officers are.



Note: Figures in parentheses are the ages as of April 2021

Structure of Committee for strengthening monitoring function of Board of Directors

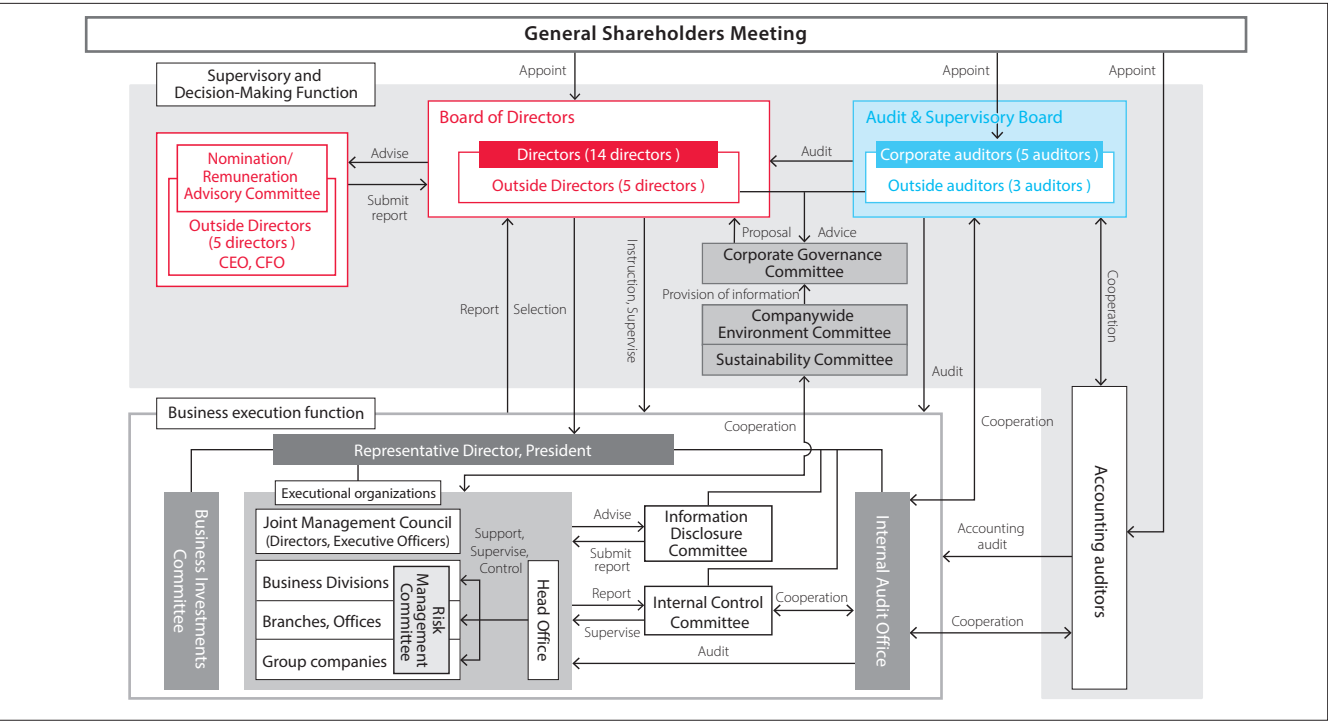


Expertise, experience of Directors (Skill Matrix)

Name	Position	Corporate Management	Finance/Accounting	Legal/ Risk Management	Technology/ R&D	Overseas Business	ESG
Keiichi Yoshii	Representative Director and President, CEO	●		●		●	●
Takeshi Kosokabe	Representative Director and Executive Vice President, CFO	●	●	●			●
Yoshiyuki Murata	Director and Executive Vice President	●		●	●		●
Hirotugu Otomo	Director and Managing Executive Officer	●		●			
Tatsuya Urakawa	Director and Managing Executive Officer	●		●			
Kazuhito Dekura	Director and Managing Executive Officer	●		●			
Yoshinori Ariyoshi	Director and Managing Executive Officer			●	●		
Keisuke Shimonishi	Director and Managing Executive Officer	●		●			
Nobuya Ichiki	Director and Managing Executive Officer	●		●		●	
Kazuyoshi Kimura	Outside Director	●	●				●
Yutaka Shigemori	Outside Director	●					●
Yukiko Yabu	Outside Director				●		●
Yukinori Kuwano	Outside Director	●			●		●
Miwa Seki	Outside Director	●	●			●	●

Note: The above displays those elements of knowledge held by directors for which we hold particular expectations. For the Legal/Risk Management item, with the full-scale operation of the business division-based system, we have particularly high expectations that risk management of business will be appropriately implemented by all inside directors, including business division heads, beyond just sales and marketing areas.

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: an independent outside director; 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.

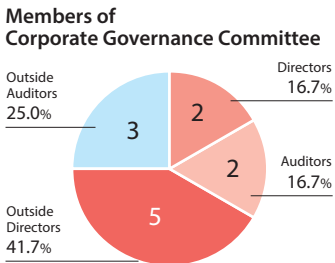
Committees concerning operational execution (Management Committees)

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; Meeting frequency: four times a year in principle) / (Major past agenda) Report on progress of each business, report on progress in product development and research divisions, etc.

Information Disclosure Committee

To build long-term relations built on trust with all shareholders, investors, and other stakeholders, we establish the committee tasked with announcing information pursuant to the basic policy for information disclosure (disclosure policy). (Chair: Head of Management Administration Headquarters)



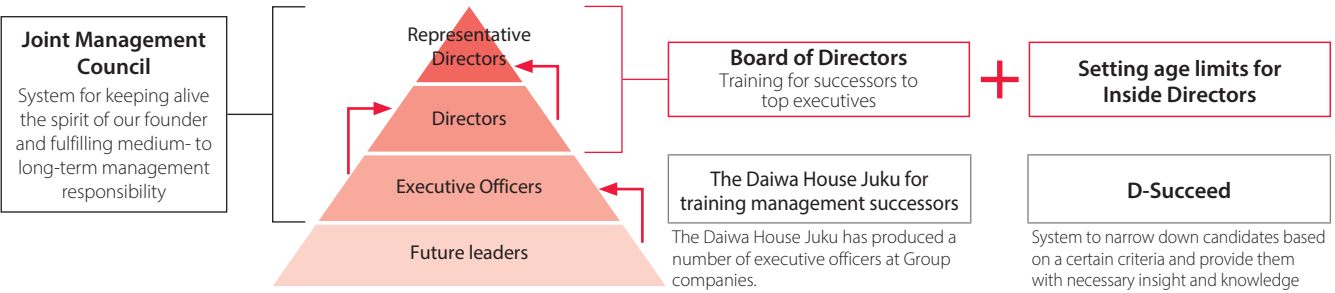
Putting in place a program to nurture the next generation

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, the Joint Management Council brings together directors, Audit & Supervisory Board members, and executive officers together to share management information as necessary and discuss issues, functioning as a place to maintain the spirit of

our founder and recognize roles to fulfill management responsibility.

Last year we have organized our selection method for future leaders (primarily branch office managers) and instituted a program (D-Succeed) to narrow down candidates based on a certain criteria and provide them with necessary insight and knowledge, thereby providing stable development of human resources. We have also developed a system to support human resources development in overseas businesses by launching a global management human resources program.



Procedures for director selections and proposed dismissal

The procedures for director selections and proposed dismissal are determined on the basis of Principle 3.1 of the Corporate Governance Code.

When a director selections 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.

[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. 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 64 at the end of fiscal 2020.

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

- 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.



[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
2018	6 companies (sale of entire holding), 1 company (partial sale of holding)
2019	4 companies (sale of entire holding), 4 companies (partial sale of holding), 1 newly listed company
2020	2 companies (sale of entire holding), 4 companies (partial sale of holding)

Policy on Remuneration and Evaluation on Effectiveness of Board of Directors

Remuneration policies

Our basic policy regarding remuneration for directors is to build a remuneration system that maintains a good balance against the responsibilities that directors fulfill for the sustainable growth of the Company. It consists of monetary remuneration (fixed remuneration and annual incentive bonus), and performance-based stock remuneration (a stock issuance trust and transfer-restricted stock remuneration).

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*: In principle to own 2,000 or more company shares within 3 years of appointment

* 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

Remuneration structure (excluding outside directors)

Fixed remuneration		Performance-based remuneration	
Basic remuneration Approx. 45% (not more than 70 million yen per month)	Annual incentive bonus Approx. 43%	Stock compensation Approx. 12%	
		Transfer-restricted stock remuneration	Stock issuance trust
(KPI: Consolidated ordinary income)		(KPI: Consolidated operating income)	(KPI:ROE)

Note 1. The percentage indicates the ratio of each type of remuneration to the whole remuneration for directors. (This is subject to change as it is calculated based on past performance.)
2. Stock remuneration is conditional on meeting all the performance-based indicators relating to the said remuneration.

Remuneration paid (excluding outside directors)

Director remuneration	FY2018	FY2019	FY2020
Directors’ fixed remuneration	742 (16 directors)	710 (13 directors)	500 (14 directors)
Directors’ annual incentive bonus	836 (16 directors)	798 (13 directors)	415 (14 directors)
Stock compensation	145 (16 directors)	175 (13 directors)	67 (14 directors)

Note: Consolidated operating income in FY2020 fell under the targets of the Sixth Medium-Term Management Plan, hence no transfer-restricted stock remuneration is to be provided.
As a result, the amount of stock remuneration for the current fiscal year is solely expenses incurred for the stock issuance trust.

Overview of evaluation on effectiveness of Board of Directors

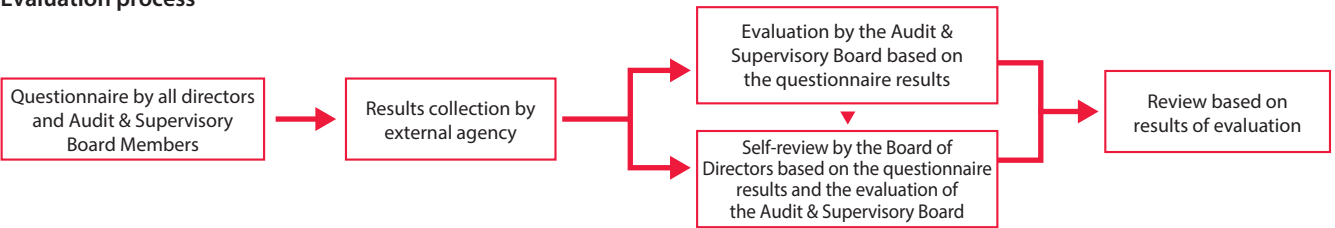
Based on the Corporate Governance Guidelines, the Company has, since 2015, conducted evaluations of the effectiveness of the Board of Directors with the aims of improving the functions and effectiveness of the Board of Directors.

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 38 multiple-choice questions and 11 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, training (opportunities to acquire the necessary knowledge) was rated low.

Evaluation items	Average score
Composition of Board of Directors	4.4
Operation of Board of Directors	4.3
Monitoring function of Board of Directors	4.4
Performance of inside directors	4.3
Performance of outside directors	4.6
Support structures for directors and Audit & Supervisory Board members	4.3
Training	4.1
Dialogue with shareholders	4.3
Attitude of directors and Audit & Supervisory Board members to their duties	4.3
Evaluation of the Board of Directors as a whole	4.5

Summary of evaluation results for 2020

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

At the same time, we shared issues such as strengthening group governance inclusive of subsidiaries. We also acknowledged the need for broad discussions on management issues for the medium to long term.

The Company will strive to increase the effectiveness of the Board of Directors and to enhance its management system in order to achieve sustainable growth and increase corporate value over the medium to long term.

Introduction of a Business Division-based System

To enhance our agile business execution and risk response structure for further growth, we shifted to a full-scale business division-based system from April 2021.

This change to our organizational structure shifts responsibilities and authority that had been concentrated in top management to the business divisions, while placing group companies highly related to each business under the business divisions. The business division heads are comprehensively responsible for the performance and risk management of their businesses, including the group companies, both to promote growth by pursuing synergy and to deal with business-specific risks. This allows the business divisions to take rapid management decisions with finesse, and at the same time enables top management to concentrate on monitoring overall strategy and execution. The Compliance Promotion Department was established in 2019 to support compliance activities in the business divisions, and promotes precautionary measures groupwide regarding compliance issues.

Under the business division-based system, there are block managers, branch managers and branch office managers that take charge of designated areas to maintain our strengths while promoting collaboration between businesses such as interorganizational multi-purpose developments.

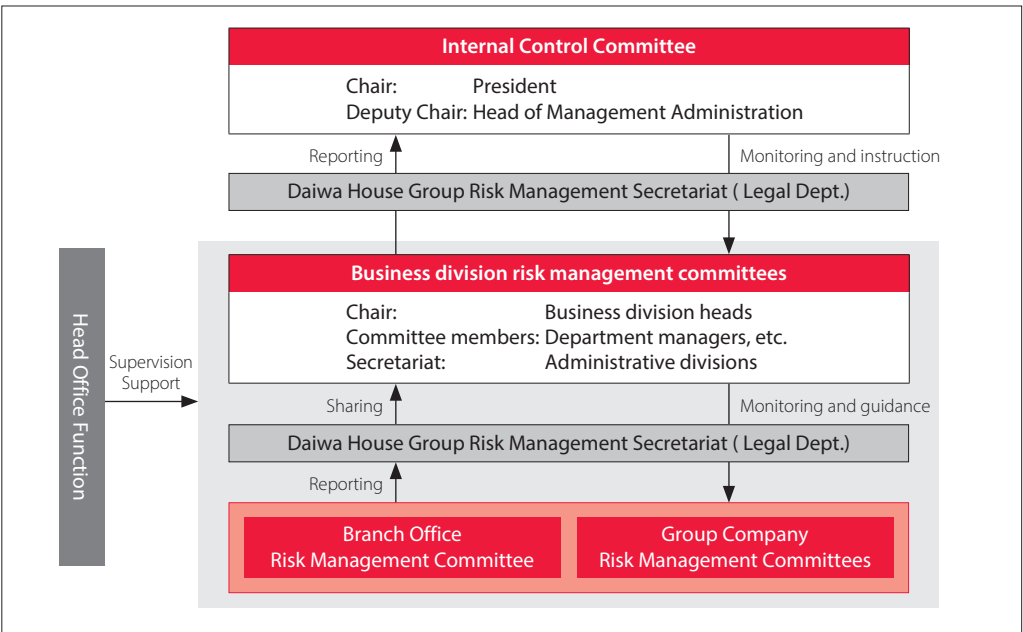
Structuring and Operating the Internal Control System

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 Internal Control Committee.

Operating the Internal Control Committee

We have established the Internal Control Committee as an organ that aims and functions to receive reports on the status of internal controls of the entire Daiwa House Group, and to assess and promote correction of flaws or deficiencies thereof. This Committee meets once a quarter.

Internal control system



Compliance and risk management structure system

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 Risk Management Officer (the Head of Management Administration) and the members of the business division risk management committees. Reported risk information is forwarded to the business division risk management committees for discussion and instructions on measures to deal with the risks

and prevent them occurring again. Particularly important risk information is forwarded to the Internal Control Committee and the Board of Directors.

Risk management committees also meet once a month in the worksites and group companies to discuss and give instructions relating to measures to deal with and prevent the recurrence of the risks revealed based on deliberations by the business division risk management committees.

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 both inside and outside the Company, 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.

3. Response in cases where a material risk is manifested

In cases where a material risk is manifested, emergency headquarters are established as a structure to minimize the adverse effect to our business operations. The Detailed Rules for Establishing and Operating Emergency Headquarters specify standards for establishing emergency headquarters, their members, operating procedures and tasks, as well as response and recurrence prevention measures for the material risks deliberated and implemented in an appropriate manner after the swift launch of the emergency headquarters.

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 Department 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

Since the institution of the Group Management Rules in 2007, we have adopted a rule under which the Group companies are requested to ask for the Company's approval of important matters and to report them to the Company while maintaining the basic policy calling for Group companies to achieve business development with a spirit of independence and autonomy.

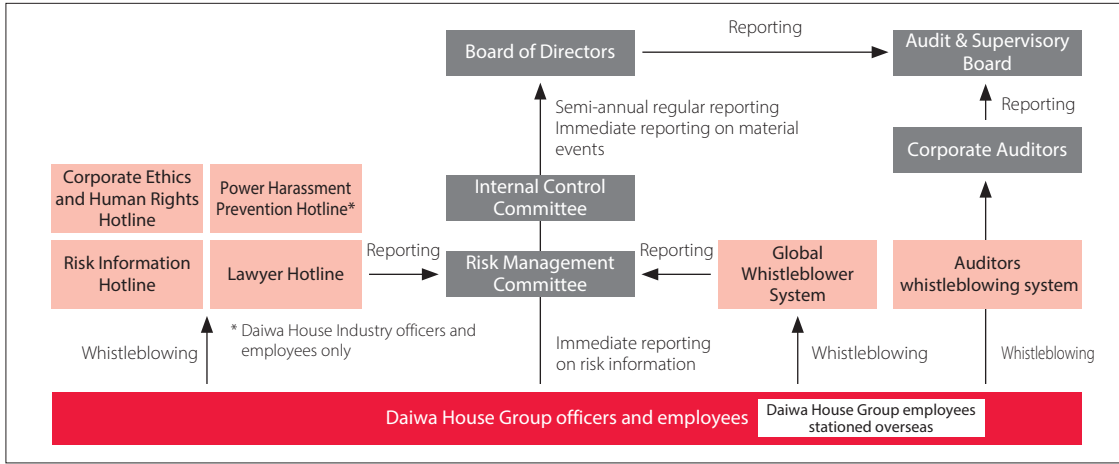
Following the full-scale shift to the business division-based system, the management of group companies is centralized vertically under the leadership of the business divisions. Based on the Group Management Rules, the departments of the Daiwa House Industry Head Office fulfill horizontal management functions within the purview of their respective operations.

For our overseas businesses, the Overseas Business Division has a regional control structure centered on corporate functions connecting head office departments and overseas offices in units of individual regions.

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 Business Investments Committee and the Corporate Governance Committee, and exchange opinions with representative directors as well as accounting auditors five or more times a year. In addition, the implementation status of internal audits is reported from the Internal Audit Office to the Audit & Supervisory Board members. 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



Status of Recurrence Prevention Initiatives in Fiscal 2020

This section describes the status of initiatives in fiscal 2020 for preventing the recurrence of misconducts.

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

As a measure to prevent recurrence, we are committed to enhancing our Group governance. In fiscal 2020, we established an Overseas Business Division and implemented the transition to a region management system overseas, in accordance with the policies formulated in fiscal 2019. For the building of management systems for respective regions (regional corporate functions), the Americas areas will be the first to begin operation in October 2021.

Amid the significant impact of the COVID-19 pandemic, in fiscal 2020 we developed remote environments and built a system to efficiently monitor from Japan, including internal audits remotely conducted by the Audit Department.

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

1. We rebuilt the legal compliance system and strengthened functions for communication of risk information and internal auditing functions.

Led by the Legal Compliance and Quality Assurance Division established in August 2019, we are progressively strengthening functions for communication of risk information and auditing functions for design and construction work.

In February 2021, we established risk management regulations, which specify the location of responsibility relating to violations of technology-related laws, the establishment and operation of a liaison committee for technology-related legal risks, and the establishment of a hotline to accept information relating to legal or quality risks (started operation in October 2019). Through these, we seek to prevent, discover, and respond to legal risks and risks of defective products and services. In fiscal 2020, the Conformance in Specifications Department under the Legal Compliance and Quality Assurance Division conducted audits for 588 buildings to confirm design documents conformed to types and relevant laws. It also checked for all buildings on the operational status of the checklists used to ensure compliance with the type certification at the time of design.

2. We started operation of an internal qualification system to optimally assign personnel in charge of design.

Since August 2019, we have been conducting internal qualification tests related to the system of type-certified specifications and have appropriately assigned personnel in charge of design based on the results of the tests. The internal qualification tests are held annually in January. At the end of the test in January 2021, 1,066 personnel in charge of design had acquired qualifications to engage in design work using all the type-certified specifications.

3. We engaged in strengthening the sharing of information between the head office and business offices, and reiteration of training.

We review the legal compliance trainings on a company-wide basis, and offer the opportunity to exchange opinions, whereby enhancing the communication between the head office and business offices. In addition to type specification training for 140 employees in their second or third year in the Company (fiscal 2020 results), we also incorporated details on type specifications in new recruit training and legal compliance training.

4. We are progressively strengthening internal check functions with BIM.

We have constructed and operated a system allowing legal conformity checks online. In addition, we are developing a design system featuring functions that support legal conformity checks, aiming at starting trial operation in fiscal 2021 and expanding its functions.

Case 3: Inadequate work experience criteria for qualifications tests

1. We established and began operating a systematic qualifications acquisition model plan.

We will utilize training sessions to show new employees for fiscal 2021 (Technology Division: 235 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.

2. We constructed and started operating a system allowing confirmation of work experience.

In July 2020, we established a department that manages the work experience criteria within the Technology Department, set a new rule that requires the head office to check the application for the tests, and started its operation. We constructed a work experience management system for engineers allowing both candidates for the tests and the department managing the requirements to confirm at a glance a candidate’s academic background and work experience, and put it into operation in November 2020. Based on information in this system, we started confirming the work experience requirements for the candidates for fiscal 2021 (applications for first-class building operation and electrical work operation management engineers began to be accepted from January 29, 2021).

Financial Results, Corporate Information

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.80
- II. The ability to generate cash steadily improved as free cash flows turned positive despite strong investment opportunities. <Cash flows> P.81
- 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.82
- IV. From the perspective of growth potential and profitability, we are building an optimal portfolio. <Business results by segment> P.83
- V. We are actively engaged in investment to expand our revenue opportunities and to strengthen the business foundation. <Investments> P.84

Note: This section analyzes the financial position and results of operations during the ten fiscal years from fiscal 2011 to fiscal 2020. For the list of financial data, see “Financial Highlights” on pages 85 and 86.

I. Financial position

Financial condition Figure 1

Total assets as of the end of fiscal 2020 increased by ¥425.6 billion from the end of the previous fiscal year to ¥5,053 billion. This was mainly due to the increase in property, plant and equipment resulting from the acquisition of investment properties, and the increase in inventories following the purchase of real estate for sale.

Total liabilities increased by ¥305.5 billion from the end of the previous fiscal year to ¥3,159.5 billion. This was mainly due to fund raising through borrowing and bond issuance for the purpose of acquiring inventories and investment properties, despite reduction of trade payables.

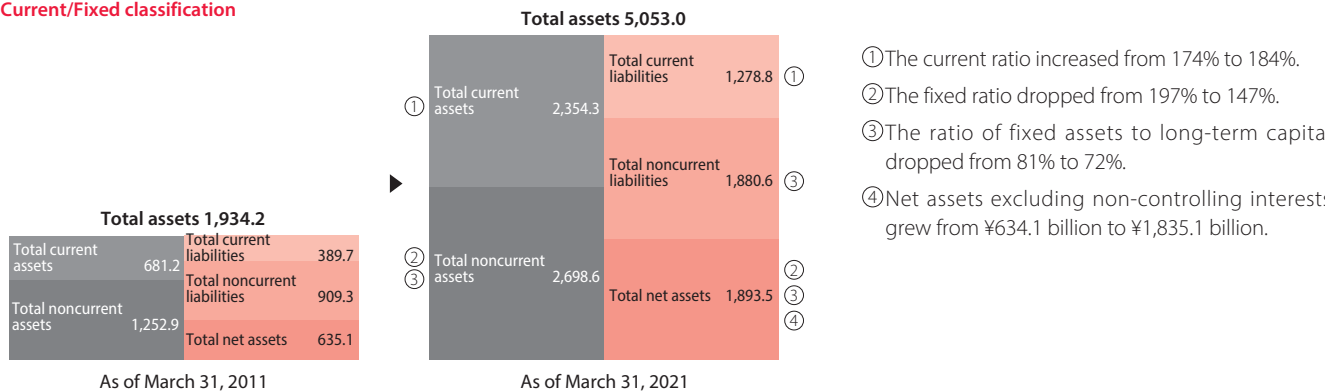
Total net assets increased by ¥120.1 billion from the end of the previous fiscal year to ¥1,893.5 billion. This was mainly because a net income attributable to owners of the parent of ¥195.0 billion

was recorded, which offset the dividends paid to shareholders and the acquisition of treasury stock.

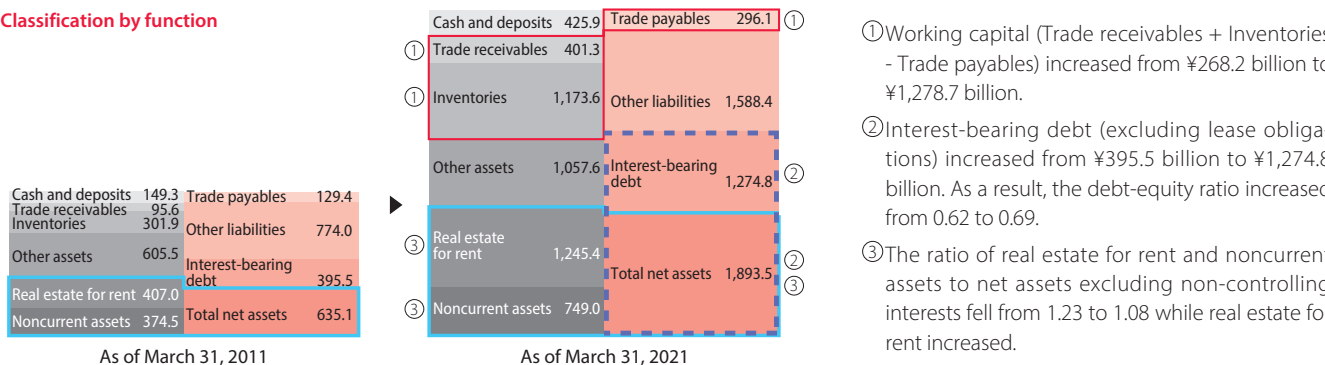
The balance of interest-bearing debt (excluding lease obligations) increased by ¥231.4 billion from the end of the previous fiscal year to ¥1,274.8 billion. Thanks to internal reserves and the fiscal 2013 capital increases, the debt-equity ratio improved for a time from 0.62 at the start of fiscal 2011, but at the end of fiscal 2020 had risen to 0.69. This was mainly due to the balance of real estate for rent being ¥1,245.4 billion, accounting 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



Classification by function



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 2020 increased by ¥280.6 billion from the previous fiscal year to ¥430.3 billion. The ratio of cash flows from operating activities to net assets excluding non-controlling interests has been approximately 23% which is an increase of 9 points from the previous period's 14%. This was mainly due to the change in payment dates and payment means for contract construction-related trade payable in the previous fiscal year to reduce cash flows from operating activities, while in fiscal 2020 ¥311.2 billion was recorded in income before income taxes, and the increase in advances received following progress in sales of condominiums overseas. Cash flows from investment activities were -¥389.9 billion, due to the acquisition of real estate for rent, etc. and the implementation of the ¥303.0 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 ¥40.3 billion, while cash flows from financial activities were ¥102.7 billion due to fund raising through borrowing and bond issuance for the purpose of acquiring inventories and investment properties. For fund raising, hybrid loans (subordinated loans) were implemented to help improve the debt-equity ratio, and green bonds were issued as a form of fund raising to minimize environmental impacts, such as developing environmentally conscious facilities and utilizing renewable energy.

As a result of the above, the balance of cash and cash equivalents at the end of fiscal 2020 was ¥416.3 billion, an increase of ¥140.2 billion from the end of the previous fiscal year.

Enterprise value/Ability to generate cash Figures 4 & 5

Our ability to generate cash was maintained despite the impact of COVID-19 as earnings before interest, taxes, depreciation and amortization (EBITDA)*¹ as an indicator of ability to generate cash were ¥435.5 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 2020 was ¥3,008.1 billion, the sum of the market capitalization of ¥2,159.2 billion and the net interest-bearing debt (excluding lease obligations) of ¥848.9 billion.

The EV/EBITDA ratio, as an indicator of enterprise value to the ability to generate cash, was 6.9 as of the end of fiscal 2020.

Figure 2 Cash flows

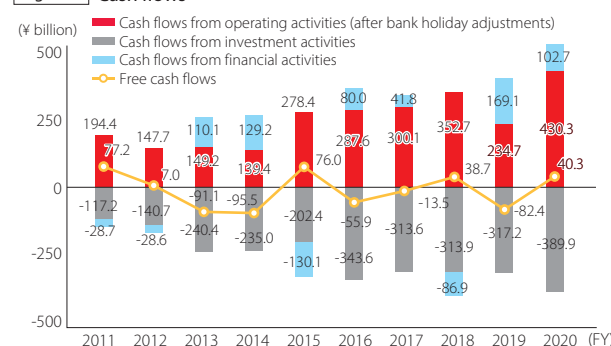


Figure 3 Indices to net assets excluding non-controlling interests (as a ratio where net assets excluding non-controlling interests is equal to 1)

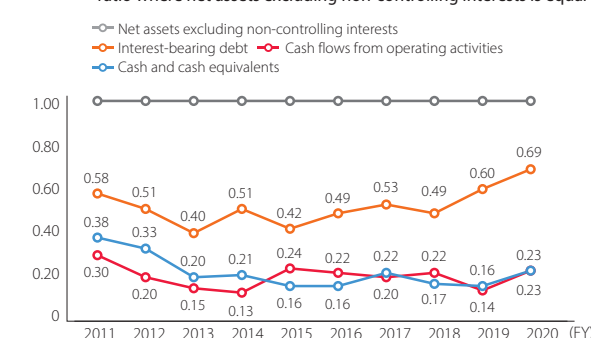
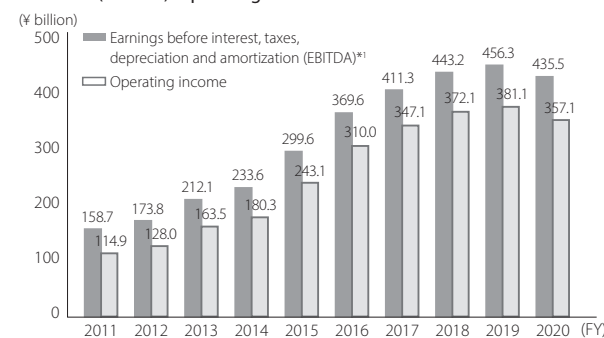
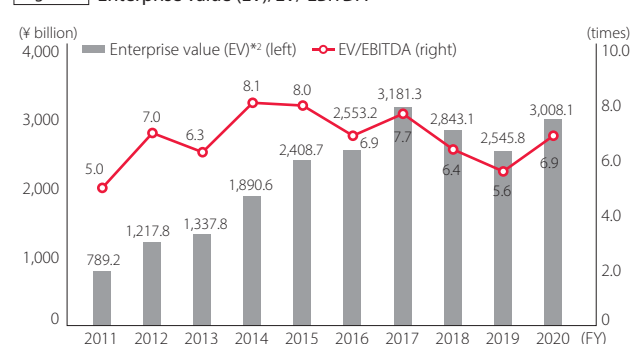


Figure 4 Earnings before interest, taxes, depreciation and amortization (EBITDA)/Operating income



*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 ¥4,126.7 billion and the average growth rate for the period of ten years starting from fiscal 2011 was 9.3%.

In terms of the total asset turnover ratio*³, it had been around 1.0 in the years from fiscal 2011 to fiscal 2019, but in fiscal 2020 it declined due to the ongoing impact of COVID-19 leading to decreased sales in some businesses such as hotels and sports facilities management, and the implementation of active investment in real estate development accompanying the increase in opportunities for investing in business facilities, centering on logistics facilities.

To 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.

Gross profit/Operating income margin Figure 7

Gross profit amounted to ¥826.8 billion and the average growth rate for the period of ten years starting from fiscal 2011 was 9.0%. The gross margin increased by 0.1 points from the previous fiscal year to 20.0%. Operating income was ¥357.1 billion and the average annual growth rate for the period from fiscal 2011 was 13.4%.

The operating income margin was unchanged from the previous fiscal year, at 8.7%. The cost-of-sales ratio rose 0.1 point despite the impact of COVID-19. We were able to continue 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.

Return on invested capital (ROIC)/Return on equity (ROE)

Figures 8 & 9

Net operating profit after tax (NOPAT)*⁴ was ¥247.9 billion and return on invested capital (ROIC), a ratio of NOPAT to the invested capital (= Net assets excluding non-controlling interests + Interest-bearing debt) of ¥2,940.2 billion*⁵, was 8.4%. Under the Company's Sixth Medium-Term Management Plan, one of our business objectives was to earn an ROE of 13% or more. Since we are expanding our businesses by means of loans and the like where the debt-equity ratio of 0.5 is used as a guide, we make a conscious effort in our business investments to ensure that the return on the total invested capital will exceed the weighted average cost of capital (WACC), which is the weighted average of the cost of shareholders' equity and cost of liabilities. We will seek to maintain and improve the return on equity (ROE), a ratio of net income to shareholders' equity by maintaining and improving the ROIC.

*4 Net operating profit after tax (NOPAT) = Operating income × (1 - Effective corporate income tax rate)

*5 Average during the fiscal year.

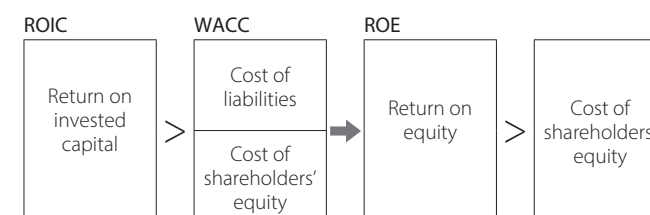


Figure 6 Net sales/Total asset turnover ratio

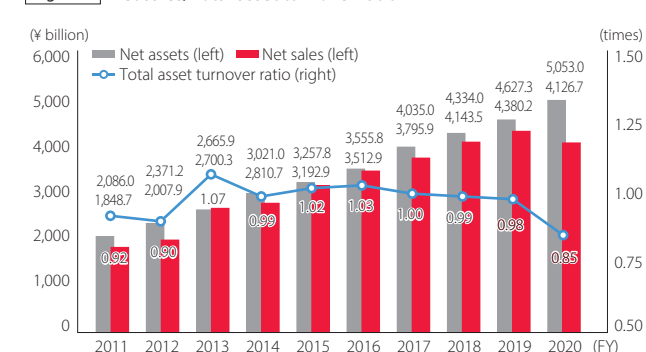


Figure 7 Gross profit/Operating income margin

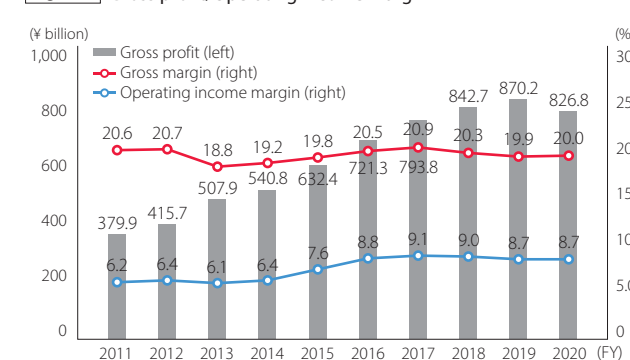


Figure 8 Return on invested capital (ROIC)

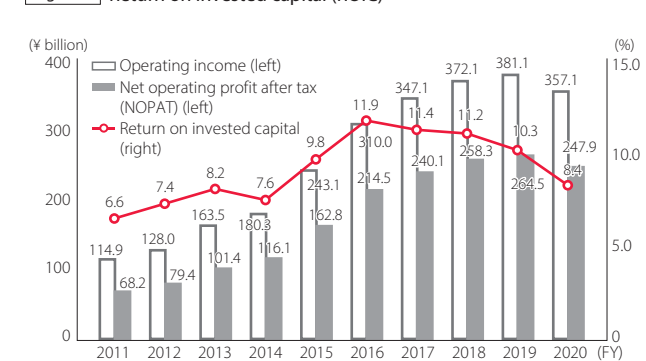
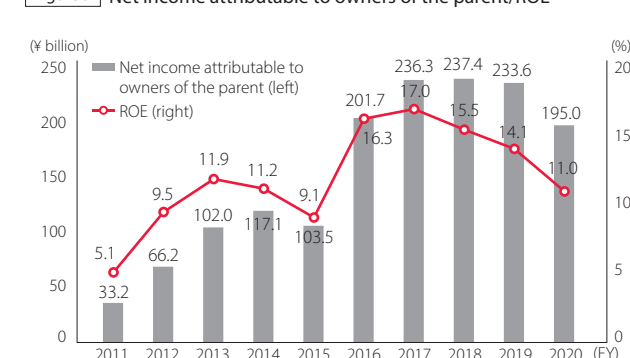


Figure 9 Net income attributable to owners of the parent/ROE



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.

[Business segments]
 ■ Single-Family Houses ■ Rental Housing ■ Condominiums
 ■ Existing Homes ■ Commercial Facilities
 ■ Logistics, Business and Corporate Facilities ■ Other Businesses

IV. Business results by segment

Growth potential analysis Figure 10

The profit growth rate for fiscal 2020 over fiscal 2011 showed an over four-fold increase in Logistics, Business and Corporate Facilities segments, an over three-fold increase in Commercial Facilities segment, and an over two-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 2011 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 2.9% 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 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

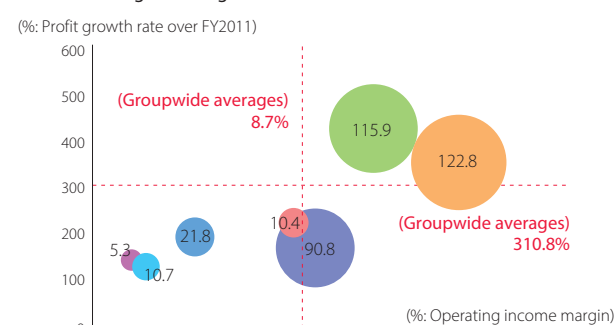
The Existing Homes, Rental Housing, and Commercial Facilities segments showed higher operating income margins to segment-specific assets.

In the Logistics, Business and Corporate Facilities segment we are making aggressive investments to address the rapidly growing market for logistics facilities. The current return on assets is at a low level because we are progressing with construction investment in land we have acquired, but 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 FY2011



*1 The size of the circle depends on the relevant amount of operating income (¥ billion) for FY2020.

Figure 11 [Business segments] Operating income margin/Net sales ratio by segment (FY2020)

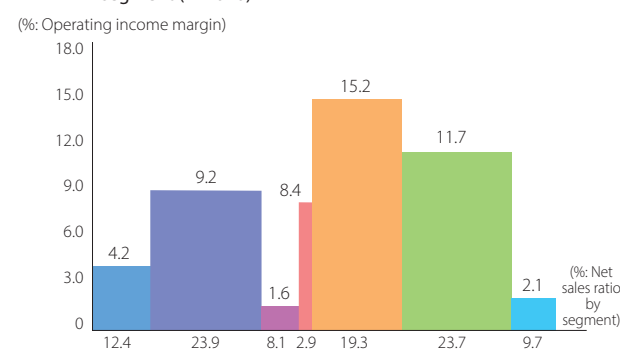
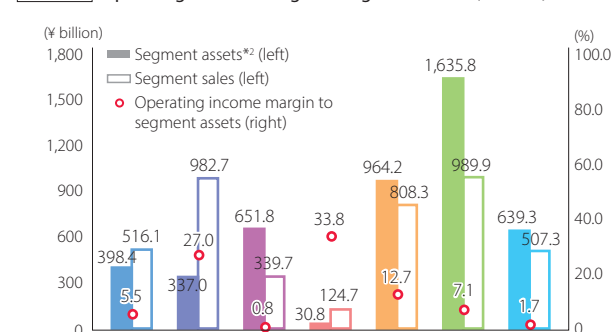
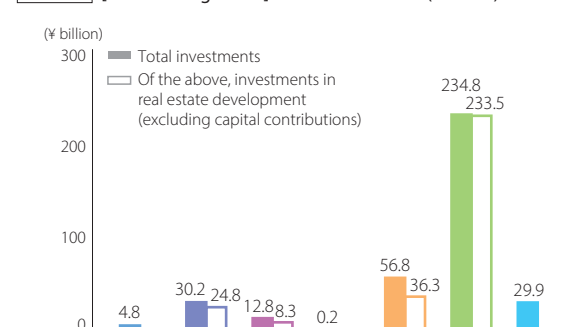


Figure 12 Operating income margin to segment assets (FY2020)



*2 Segment assets are averages during the fiscal year.

Figure 13 [Business segments] Total investments (FY2020)



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 2020 were ¥340 million (on a non-consolidated basis), which is lower compared to fiscal 2019, as a result of the impact of COVID-19 and the shift from in-person group training to online training, but still 131% up from fiscal 2011 (Figure 15). Employee salaries on a nonconsolidated basis increased by ¥42.4 billion from fiscal 2011 (an average increase of 13% or ¥1,031,000 per employee).

Meanwhile, the ratio of employee salaries to operating income*4 decreased from 61% in fiscal 2011 to 39% in fiscal 2020, 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 2020 were ¥10.2 billion, of which ¥4.7 billion was for the housing business, ¥5.4 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 ¥69.8 billion (excluding investments in real estate development) were mainly for constructing training centers that can be used by employees inside and outside Japan as a place to develop global human resources, 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)

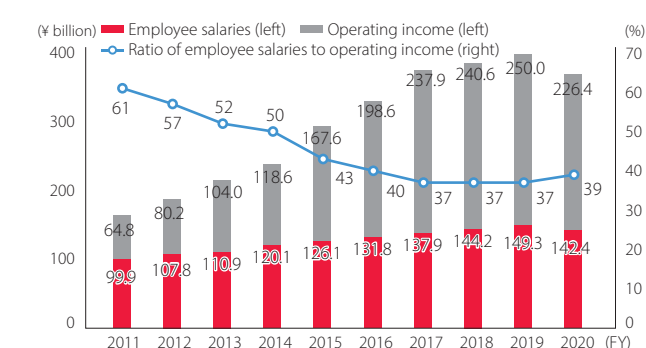


Figure 15 Research and development expenditures/Human resources development costs

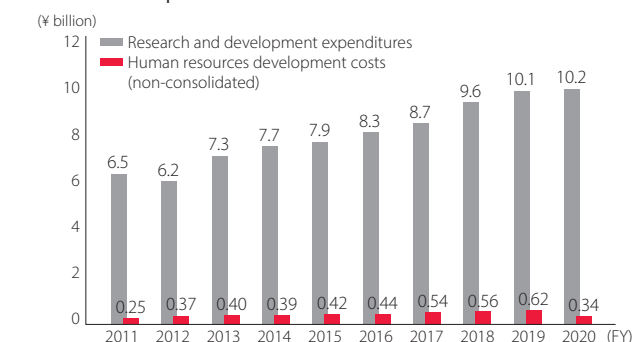


Figure 16 Capital investments (excluding investments in real estate development)

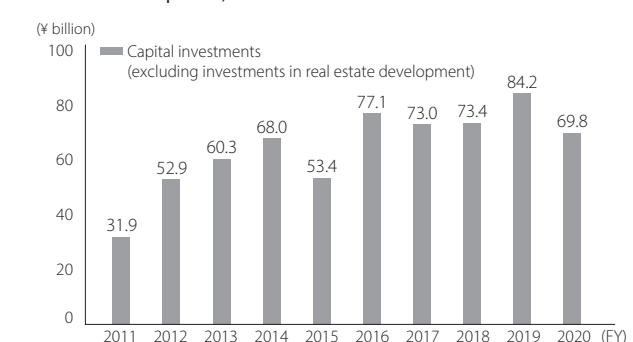
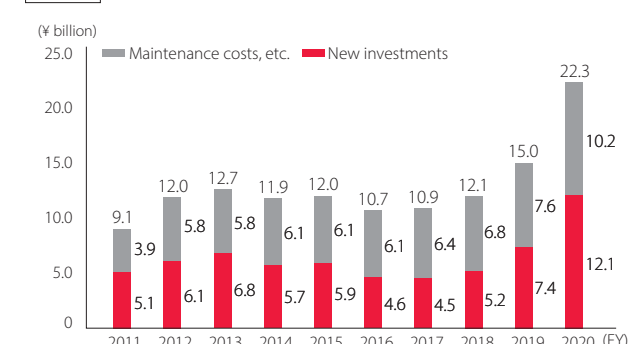


Figure 17 IT-related investments



Financial Highlights

(¥ million)									
Fiscal Year	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net sales	2,007,989	2,700,318	2,810,714	3,192,900	3,512,909	3,795,992	4,143,505	4,380,209	4,126,769
Gross profit	415,771	507,903	540,868	632,417	721,312	793,832	842,767	870,206	826,883
Gross margin (%)	20.7	18.8	19.2	19.8	20.5	20.9	20.3	19.9	20.0
Selling, general and administrative expenses	287,746	344,326	360,516	389,316	411,220	446,690	470,571	489,091	469,761
Operating income	128,024	163,576	180,352	243,100	310,092	347,141	372,195	381,114	357,121
Operating income margin (%)	6.4	6.1	6.4	7.6	8.8	9.1	9.0	8.7	8.7
Ordinary income	145,395	176,366	202,628	233,592	300,529	344,593	359,462	367,669	337,830
Net income attributable to owners of the parent	66,274	102,095	117,133	103,577	201,700	236,357	237,439	233,603	195,076
Return on equity (ROE) (%)	9.5	11.9	11.2	9.1	16.3	17.0	15.5	14.1	11.0
Return on total assets (ROA) (%)	3.0	4.1	4.1	3.3	5.9	6.2	5.7	5.2	4.0
Total assets	2,371,238	2,665,946	3,021,007	3,257,805	3,555,885	4,035,059	4,334,037	4,627,388	5,053,052
Net assets	734,883	992,686	1,112,817	1,181,986	1,329,901	1,513,585	1,643,717	1,773,388	1,893,504
Net assets excluding non-controlling interests	733,623	986,518	1,105,628	1,170,278	1,308,290	1,474,539	1,595,991	1,726,995	1,835,196
Net assets ratio (%)	30.9	37.0	36.6	35.9	36.8	36.5	36.8	37.3	36.3
Interest-bearing debt	374,788	393,568	563,530	491,964	640,671	780,574	778,546	1,043,478	1,274,886
Debt-equity ratio (times)	0.51	0.40	0.51	0.42	0.49	0.53	0.49	0.60	0.69
Net debt-equity ratio (times)	0.17	0.18	0.29	0.26	0.32	0.31	0.31	0.44	0.46
Current ratio (%)	136.8	127.2	138.7	136.5	137.5	144.4	137.0	162.2	184.4
Fixed ratio (%)	189.4	161.2	158.3	164.8	164.4	156.3	151.2	146.1	147.1
Net cash provided by operating activities	164,247	78,451	139,465	278,497	287,691	382,365	355,599	149,651	430,314
Net cash used in investing activities	(140,736)	(240,439)	(235,027)	(202,447)	(343,643)	(313,664)	(313,989)	(317,273)	(389,980)
Net cash provided by (used in) financing activities	(28,633)	110,131	129,202	(130,185)	80,086	41,804	(86,979)	169,128	102,731
Market capitalization	1,091,856	1,156,397	1,565,858	2,109,310	2,129,297	2,731,576	2,344,492	1,783,852	2,159,278
Stock prices (FYE) (yen)	1,820	1,751	2,371	3,166	3,196	4,100	3,519	2,677	3,241
Per share of common stock (yen):									
Earnings per share (EPS)	114.52	161.08	177.74	156.40	304.14	355.87	357.29	351.84	297.18
Book-value per share (BPS)	1,267	1,496	1,678	1,762	1,971	2,218	2,404	2,600	2,805
Cash dividends* ¹	35	50	60	80	92	107	114	115	116
Dividend payout ratio (%)	30.6	31.0	33.8	51.2	30.2	30.1	31.9	32.7	39.0
Price earnings ratio (PER) (times)	15.89	10.87	13.34	20.24	10.51	11.52	9.85	7.61	10.91
Price to book value ratio (PBR) (times)	1.44	1.17	1.41	1.80	1.62	1.85	1.46	1.03	1.16
Number of employees (FYE)* ²	30,361	32,628	34,903	37,191	39,770	42,460	44,947	47,133	48,807
Number of group companies	113	129	145	172	196	317	387	360	444
Consolidated to non-consolidated net sales ratio (times)	1.62	1.89	1.91	1.94	2.04	2.09	2.15	2.22	2.21
Consolidated to non-consolidated net income ratio (times)	1.35	1.26	1.21	1.26	1.37	1.19	1.30	1.19	1.07

*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	2012	2013	2014	2015	2016	2017	2018	2019	2020
Sales by segments (consolidated)* ³ (¥100 million)									
Single-Family Houses	3,511	3,944	3,753	3,783	3,903	3,853	3,838	4,978	5,161
Rental Housing	5,925	6,887	7,729	8,801	9,772	10,308	10,613	10,059	9,827
Condominiums	1,567	2,427	2,313	2,793	2,628	2,850	2,805	3,727	3,397
Existing Homes	764	867	916	955	1,055	1,121	1,145	1,456	1,247
Commercial Facilities	3,472	4,219	4,562	4,955	5,697	6,208	6,939	8,067	8,083
Logistics, Business and Corporate Facilities	2,514	5,921	5,815	7,363	8,284	8,502	10,223	11,523	9,899
Other Businesses	3,353	3,939	4,265	4,588	5,135	6,371	7,161	5,300	5,073
Adjustment	(1,030)	(1,205)	(1,248)	(1,311)	(1,349)	(1,256)	(1,293)	(1,311)	(1,423)
Total	20,079	27,003	28,107	31,929	35,129	37,959	41,435	43,802	41,267
Operating income by segments (consolidated)* ³ (¥100 million)									
Single-Family Houses	125	133	88	165	192	215	199	180	218
Rental Housing	522	642	695	819	942	1,066	1,022	985	908
Condominiums	99	107	108	157	134	133	135	158	53
Existing Homes	61	93	99	112	130	132	159	167	104
Commercial Facilities	459	607	672	803	1,007	1,141	1,377	1,406	1,228
Logistics, Business and Corporate Facilities	206	269	384	680	789	889	989	1,206	1,159
Other Businesses	96	140	102	95	168	230	325	192	107
Adjustment	(291)	(358)	(348)	(403)	(265)	(337)	(486)	(487)	(209)
Total	1,280	1,635	1,803	2,431	3,100	3,471	3,721	3,811	3,571
Housing starts* ⁴ (thousands of units)									
Housing starts	893	987	880	921	974	946	952	883	812
Custom-built houses	317	353	278	284	292	282	288	283	263
Houses in housing development projects	125	134	124	126	135	138	145	146	129
Rental housing	321	370	358	384	427	410	390	334	303
Condominiums	124	124	110	118	112	108	120	111	108
Sales of houses in Japan (non-consolidated) (units)									
Sales of houses	43,203	46,018	49,087	51,207	54,925	51,641	48,410	43,703	38,991
Custom-built houses	7,965	8,088	7,280	6,999	7,106	6,907	6,524	5,917	5,178
Houses in housing development projects	1,916	2,433	2,614	2,333	2,180	2,320	2,192	2,066	1,841
Rental housing	30,514	32,424	36,757	38,903	43,428	40,254	37,905	33,502	29,488
Condominiums	2,808	3,073	2,436	2,972	2,211	2,160	1,789	2,218	2,484
Reference : Cosmos Initia Co., Ltd.* ⁵ Condominiums for sale	—	799	772	896	744	558	414	325	455
Single-Family Houses Business									
Average sales per unit (¥ million)	30.1	31.1	32.7	33.7	34.3	35.9	37.3	39.6	39.6
Custom-built houses	23.8	23.5	24.0	24.5	25.3	24.0	24.3	22.4	23.1
Rental Housing Business									
Number of rental housing units sold	30,514	32,424	36,757	38,903	43,428	40,254	37,905	33,502	29,488
Average sales per unit (¥ million)									
Rental housing	10.7	11.2	11.4	11.6	11.4	12.0	12.4	12.3	12.4
Steel-frame (low-rise)	10.3	10.9	11.1	11.3	11.1	11.6	12.0	11.7	11.6
Steel-frame (high- and mid-rise)	14.0	14.4	14.9	15.2	16.6	17.8	18.1	20.2	19.8
Number of rental housing units managed									
Rental housing units managed	346,068	391,778	435,515	471,342	510,208	543,124	572,238	595,182	611,874
Lump-sum contracted units (occupancy guarantee)	305,808	352,341	397,282	433,628	471,845	505,313	531,356	552,625	568,679
Occupancy rates (%)	97.6	97.2	97.5	97.4	97.1	97.3	96.9	97.6	98.2
Condominiums Business									
Sales (non-consolidated) (¥ million)									
Average sales per unit	34.4	41.1	37.9	44.2	48.4	53.2	55.8	62.2	49.2
Number of condominium units managed									
Condominium units managed	295,002	309,330	320,488	332,299	341,705	353,026	360,619	371,524	376,168
Commercial Facilities Business									
Subleasing areas of commercial facilities									
Total leasing floor space (m ²)	4,701,563	4,829,902	5,134,274	5,441,604	5,736,312	6,157,287	6,375,278	6,765,150	6,871,560
Leasing floor space occupied (m ²)	4,656,848	4,791,228	5,087,813	5,399,137	5,684,372	6,099,232	6,311,331	6,684,037	6,766,557
Tenants	7,936	8,524	8,989	9,532	10,038	10,843	11,220	12,032	12,149
Occupancy rates* ⁶ (%)	99.0	99.2	99.1	99.2	99.1	99.1	99.0	98.8	98.5

*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 (Key results and targets of the Medium-Term Plan)

The Daiwa House Group measures the results of our activities for the environment and society to make improvements to activities in these areas.

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 2020, the second year of the plan, are as follows. For the factor analysis, also see our Sustainability Report 2021.

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

Base	Priority issues	Assessment indices (KGI)	2018 results	2019 results	2020 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%	71%	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%	75.4%	78.6%	90%
	Promote diversity and inclusion	① Percentage of women managers	3.6%	4.1%	4.5%	5%
		② Percentage of line leaders amongst women managers	24.1%	25.0%	21.5%	40%
		③ Percentage of women engineers	4.6%	4.9%	4.9%	6%
		④ Percentage of women sales reps	9.9%	10.2%	9.9%	13%
Customer base	Upgrade corporate communications (new customers)	Interbrand Japan's Best Domestic Brand/ Brand monetary value	668 million USD	700 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%	37.4%	39.9%	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	0.19	0.16	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 *1	100 days *2 (7 days-off for every 4 weeks)	112 days (8 days-off for every 4 weeks)
		Number of days off per annum for factory workers	108 days	111 days	114 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)*3	—	42.4%	44.2%	70%
		② Reply rate to CSR Procurement Guidelines self-check sent to all suppliers	—	19.7%	43.5%	70%
Risk countermeasures base	Prepare business continuity plans on the premise of natural disasters/extreme weather	Business continuity plan score (points)*4 (Scoring based on status of efforts in six themes, as assessed by the BCM Subcommittee)	—	44 points	66 points	100 points
	Establish corporate ethics and compliance rules	Internal control system attainment score*5	408.1	397.4	705.2	447

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 results	2020 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	1,227.7 billion yen	1,256.4 billion yen	1,400.0 billion yen	
Mitigating 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	31.9% reduction	39.3% reduction	35% reduction	
			Energy efficiency (EP100) (from the fiscal 2015 level)	1.27 times	1.34 times	1.46 times	1.4 times	
			Renewable energy utilization rate (RE100)	0.23%	0.30%	8.5%	10%	
			Renewable energy rate	84.5%	96.4%	133%	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	19% increase	14% increase	6% reduction	
			ZEH sales rate	29%	41%	58%	70%	
			ZEB sales rate	22%	33.4%	39.6%	40%	
			Rate of Green Building Certification obtained	15%	5%	75.5%	80%	
	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	8,218	11,818	15,000


*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 Total of sites adopting a face recognition access control system. Approx. 80% of sites on average took holidays as scheduled.

*3 Important supplier: Suppliers with 300 or more employees

*4 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

*5 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.

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Corporate Data

Corporate Data (as of June 29, 2021)

Corporate name:	Daiwa House Industry Co., Ltd.																																										
Founding:	April 5, 1955 (Established: March 4, 1947)																																										
Paid-in capital:	¥161,699,201,496																																										
Employees:	48,807 (as of March 31, 2021)																																										
(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):	<table><tr><td>Hokkaido</td><td>Saitama-higashi</td><td>Niigata</td><td>Kobe</td></tr><tr><td>Kita- Tohoku</td><td>Chiba</td><td>Gifu</td><td>Nara</td></tr><tr><td>Sendai</td><td>Kashiwa</td><td>Nagoya</td><td>Okayama</td></tr><tr><td>Fukushima</td><td>Chiba-chuo</td><td>Okazaki</td><td>Hiroshima</td></tr><tr><td>Tsukuba</td><td>Joto</td><td>Aichi-kita</td><td>Fukuoka</td></tr><tr><td>Ibaraki</td><td>Musashino</td><td>Yokkaichi</td><td>Kita-Kyushu</td></tr><tr><td>Utsunomiya</td><td>Yokohama</td><td>Shiga</td><td>Kumamoto</td></tr><tr><td>Gunma</td><td>Kawasaki</td><td>Kyoto</td><td></td></tr><tr><td>Saitama</td><td>Atsugi</td><td>Sakai</td><td></td></tr><tr><td>Saitama-nishi</td><td>Kanazawa</td><td>Hokusetsu</td><td></td></tr></table>			Hokkaido	Saitama-higashi	Niigata	Kobe	Kita- Tohoku	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	
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Branches:	32																																										
Factories:	9																																										
Research center:	Central Research Laboratory (Nara)																																										
Training centers:	Osaka and Tokyo																																										
Overseas offices/ Representative offices:	<table><tr><td>Shanghai (China)</td><td>Hanoi (Vietnam)</td></tr><tr><td>Taipei (Taiwan)</td><td>Ho chi minh (Vietnam)</td></tr><tr><td>Jakarta (Indonesia)</td><td>Yangon (Myanmar)</td></tr><tr><td>Manila (Philippines)</td><td>Mexico city (Mexico)</td></tr></table>			Shanghai (China)	Hanoi (Vietnam)	Taipei (Taiwan)	Ho chi minh (Vietnam)	Jakarta (Indonesia)	Yangon (Myanmar)	Manila (Philippines)	Mexico city (Mexico)																																
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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, 2021)

Authorized	1,900,000,000 shares
Issued	666,238,205 shares
Number of shareholders	51,434

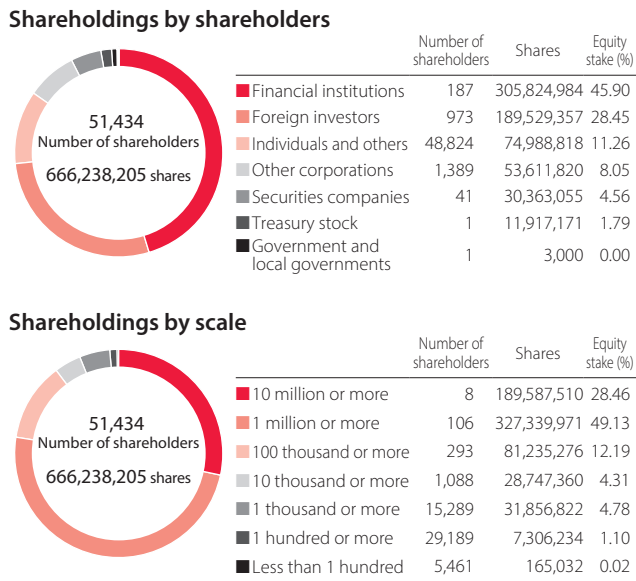
Principal shareholders	Thousands of shares*1	Equity stake*2(%)
The Master Trust Bank of Japan, Ltd. (trust account)	71,075	10.86
Custody Bank of Japan, Ltd. (trust account)	38,502	5.88
Sumitomo Mitsui Banking Corporation	16,117	2.46
Custody Bank of Japan, Ltd. (trust account 7)	15,875	2.43
Daiwa House Industry Employee Shareholders Association	13,326	2.04
Nippon Life Insurance Company	11,944	1.83
MUFG Bank, Ltd.	10,829	1.66
STATE STREET BANK WEST CLIENT - TREATY 505234	9,135	1.40
Custody Bank of Japan, Ltd. (trust account 5)	8,879	1.36
The Dai-ichi Life Insurance Company, Limited	8,682	1.33

*1 Number of shares held is rounded down to the nearest thousand.
The Company holds 11,917 thousand shares of treasury stock but is not listed as a principal shareholder above.

*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 29, 2021)

Board of Directors		Managing Executive Officers	
Representative Director and President, CEO	Keiichi Yoshii	Keigo Okada	Yuji Yamada
		Mikio Sasaki	Takashi Miyatake
		Kohei Yamasaki	Tetsuya Tamura
		Takaki Hiromori	Toshiya Nagase
		Eiichi Shibata	
Representative Director and Executive Vice President, CFO	Takeshi Kosokabe		
Director and Executive Vice President	Yoshiyuki Murata		
Director and Managing Executive Officers	Hirotsugu Otomo		
	Tatsuya Urakawa		
	Kazuhito Dekura		
	Yoshinori Ariyoshi		
	Keisuke Shimonishi		
	Nobuya Ichiki		
Outside Directors	Kazuyoshi Kimura		
	Yutaka Shigemori		
	Yukiko Yabu		
	Yukinori Kuwano		
	Miwa Seki		
Audit & Supervisory Board		Senior Executive Officers	
Audit & Supervisory Board Members	Tomoyuki Nakazato	Yasuo Nakamura	Moritaka Noumura
	Tadatoshi Maeda	Koji Harano	Yoshinori Hashimoto
Outside Audit & Supervisory Board Members	Shonosuke Oda	Hirofumi Hama	Hiroshi Kono
	Akihisa Watanabe	Nobuhito Ishibashi	Takafumi Nakao
	Tatsuji Kishimoto	Yukikazu Kataoka	Hiroataka Najima
		Isao Mizutani	Shigeki Ochiai
		Yoshin Minagawa	Kazunori Nibe
		Tetsuro Wada	Yukio Takamatsu
		Executive Officers	
		Yuichi Sugiura	Katsunori Nobe
		Hideharu Hashimoto	Kazumi Suwa
		Ryuichi Oyaide	Ryuzo Matsuyama
		Taro Kawamura	Masao Kita
		Norio Togashi	Keiichi Moteki
		Masataka Kanai	Nobuhiko Watanabe
		Keitaro Takebayashi	Hidetoshi Tamiya
		Yoshinori Iwabuchi	Tadahiro Takayoshi
		Masatoshi Hatta	Kazuya Mukai
		Keisuke Izumoto	Yoshimune Morizumi
		Masafumi Sugimoto	Akira Matsuba
		Kenichi Yoshioka	Tetsuo Hatta



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

Editorial Postscript

Rethinking our social purpose, becoming a group that can turn dreams into reality

Thank you for reading our report.

Amid a changing operating environment, in the field of corporate management we at the Daiwa House Group face the need to constantly evolve through optimal leverage of our core competencies. In pursuit of our corporate vision of realizing a society where people can live fulfilling lives, we are working to integrate ESG factors to strengthen the sustainability of the Group's management.

Nobuo Ishibashi, the founder of Daiwa House Industry, spent much time thinking about what kind of company would be of service to society, and this very same attitude informs the Group's present judgment criteria. It is my belief that we must maintain our founder's business stance and have the firm determination to help create a better society in the future through the launching of new businesses. In fact, since its founding, through the planning and construction of large-scale housing developments and the proposal of mortgage loan plans, among other products, Daiwa House Industry has helped bring about a society in which many people can buy their own homes. Additionally, through our retail & wholesale facilities business – which has constructed large numbers of roadside stores to meet the growing needs of an increasingly motorized society – and our development of resort hotels and other business activities, we have supplied new value to the market and have contributed to the building of a new society. Going forward, we will ensure that these concepts run through our whole business. We will also inaugurate our Future Dream project as a means to rethink our corporate social purpose and re-identify the issues that are material to the Group's prosperity and continued existence.

We are accelerating our efforts in the field of SDGs to bring into being a truly sustainable society and address the urgent issue of climate change. To strengthen the ability to look beyond the immediate future horizons and respond promptly and urgently when faced with the emergence of unforeseen factors, we are to fostering a workplace where diverse human resources can participate actively. We are also embarking on a radical reform of our working practices to optimally leverage digital technology, and are taking steps to further enhance the Group's governance in both the environmental and social fields. We believe our stakeholders can justly be confident about the Group's future.





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.



Yuji Yamada
Managing Executive Officer
General Manager, Finance Department and IR Department

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 	 <ul style="list-style-type: none"> • Integrated Report Integrated report on selected financial and non-financial information judged to be material  <ul style="list-style-type: none"> • Sustainability Report (incl. Data Section / Third-Party Assurance) Japanese-language edition English-language edition • Corporate governance report 	 <p>Sustainability https://www.daiwahouse.com/English/sustainable/</p>

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