

The Story of the Group's Value Creation

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Chapter



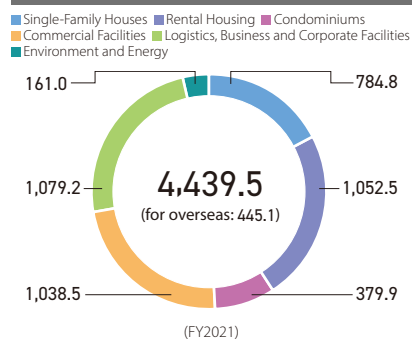
Chapter 2 The Story of the Group's Value Creation

Daiwa House Group at a glance

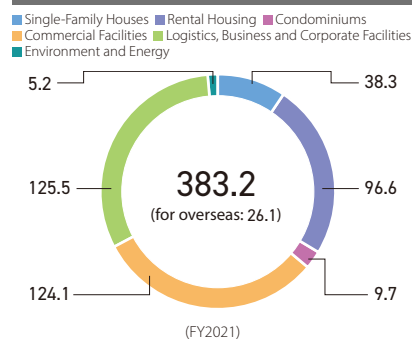
The Daiwa House Group operates in six core segments with interests across the spectrum from flow to stock businesses, with the Group's integrated products and services generating stable cash flow.

We also pursue greater sustainability as we work to spot risks and new opportunities on the social and business horizon.

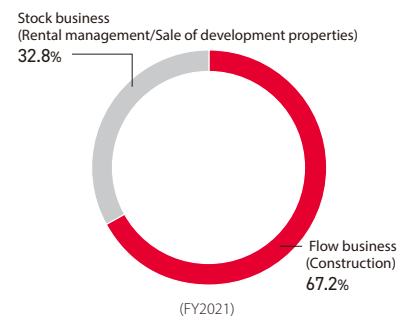
Net sales by segment* (¥ billion)



Operating income by segment* (¥ billion)



Flow business and stock business (Breakdown of sales)



Balance of real estate development (¥ billion)

Real estate for investment

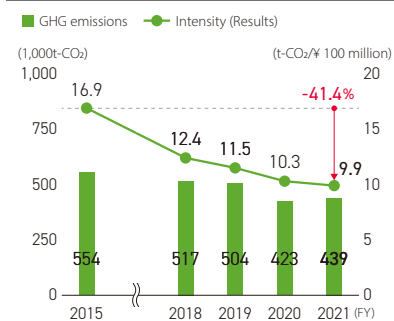
1,369.9

Real estate for sale

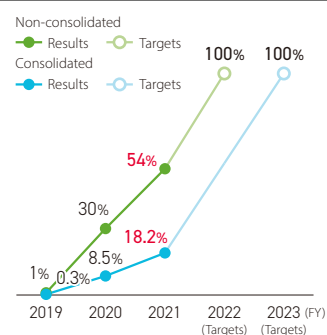
1,479.1

(as of March 31, 2022)

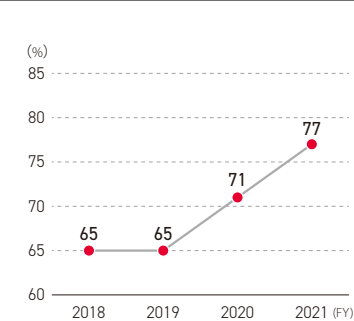
Reduction of greenhouse gas emissions in business activities



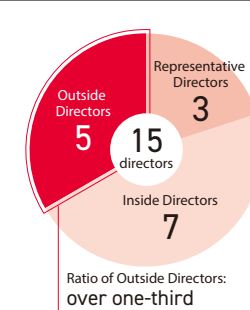
Renewable energy utilization rate



Improvement in employee motivation



Ratio of outside directors



*Total figures include other businesses and adjustments, but are not shown in the graph. Figures in segments include intersegment transactions.

The story of the Group's value creation

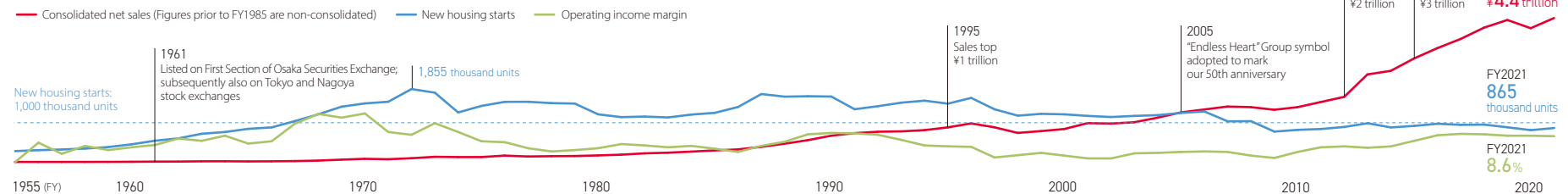
Our business model is the core of Daiwa House Group's value-creation story. It embodies the founder's spirit of fostering strengths essential to our future while investing in human capital, enabling us to create business and social value as we advance toward the society we aspire to in 2055.



1 The history of Daiwa House Group

With “Don’t do things because they will make a profit, but because they will be of service to society” as our byword, we have consistently delivered products and services that anticipate the needs of societal change. A Group that co-creates value for people, communities, and lifestyles, we are always pioneering fresh horizons as we expand our interests into new localities and business domains.

Consolidated net sales and housing starts



Our
founding
philosophy

Industrialization of construction

Supplier of prefabricated housing

Total lifestyle enterprise

Group that co-creates value for individuals, communities, and people's lifestyles

Elimination of postwar housing and materials shortage

Solving the timber resources shortage and creating a revolution in the construction industry of Japan

1955—the Pipe House, our first product



Following a major typhoon that destroyed and damaged large numbers of wooden structures, Nobuo Ishibashi noticed how both bamboo and rice, which have hollow stems, were able to bend flexibly and gracefully despite the fury of the wind, without breaking. This gave him the idea of a steel-pipe structure, and the Pipe House pioneered the subsequent industrialization of construction in Japan, by which the country's construction industry was revolutionized.

On the eve of motorization of Japanese society

The starting point for the construction of the prefabricated houses needed to meet the lack of living space caused by the rapid population increase

1959—the Midget House



Our founder, Nobuo Ishibashi realized that the average house was too small for the large families resulting from the rapid population increase, and he heard children complain that there was nowhere at home where they could study properly. In response, he conceived the Midget House, which could be erected in only three hours. This proved immensely popular, and laid the groundwork for today's prefabricated housing industry.

On the eve of motorization of Japanese society

Opening up of new market made possible by increased motorization

1976—startup of retail and wholesale facilities business



With the growth of motorization in Japan, we at Daiwa House saw possibilities opening up for a promising new market—retail outlets located along major roads leading into and out of major urban areas, known as “roadside shops” in Japan. Since then, we have been growing this new market by deploying our proprietary LOC System, which lets us match up landowners seeking effective ways to utilize their idle land holdings with prospective corporate tenants looking to open new outlets.

Retailing revolution with advent of internet-dominated society

The logistics revolution—playing a core role in the infrastructure revolution, for consumers and for industry

2003—development of large-scale logistics facilities



The logistics industry is a vital part of today's Japanese economy, and the Daiwa House Group has developed a large number of logistics facilities, centered on build-to-suit facilities, which are closely tailored to meet each individual tenant company's requirements. Our start-to-finish comprehensive services, from site proposal through facility design and construction to day-to-day operation, are now relied on by a large number of corporations.

Coexistence with the environment and response to natural disasters

Development of next-generation facilities aiming for zero environmental impacts and response to frequent natural disasters

2018—Disaster-ready houses



Daiwa House Group was early to launch environmentally conscious initiatives. In 1994 we began research on coexistence with the environment, developing next-generation facilities—offices and factories—to accelerate progress toward a zero-environmental impact society and, to cope with frequent disasters, launching disaster-ready housing. By 2007 we had also gone into the business of generating power using renewables.

To achieve carbon neutrality

Community development with 100% renewable energy

2021—Funabashi Grand Oasis



Leveraging our Group's diverse portfolio covering the gamut from single-family, rental, condominiums and commercial properties we build mixed-use developments offering occupants maximum convenience. And on top of that, in a first for Japan, they are sustainable communities powered from the construction phase with electricity from 100% renewable sources.

2 The source of our value creation

Three of the fundamental business resources our Group has cultivated since its founding—commitment to co-creating with customers; frontline-centric, proactive human capital; and quality- and speed-oriented technology and manufacturing—have and will always be the source of our value creation.

Customer Base



Basic stance of Co-creating
a Brighter Future with customers

"Creating Dreams, Building Hearts"

Landowners

Approx. **40,000***

Corporate tenants

Approx. **4,300**

We build long-term relationships with customers by considering their needs through their eyes. We start with insights and ideas for addressing the challenges they face and work to ensure they're happy with their purchases long after they've been built. This gives us a rich body of data from across the country, a strength that enable us to unearth new business opportunities.

Human Resources Base



Through bottom-up approach and
positive attitude

"Developing people through business"

Employees who inherit the founder's spirit and
share *Our Hopes for the Future*

Approx. **48,000**

The greatest of Daiwa House Industry's business resources is our human capital—people eager to serve society with their deeply held frontline-centric approach. Their dedication to improving themselves and working hard to address customer needs through our businesses makes them the most powerful asset underpinning the Company's growth.

Technology and Manufacturing Base



High-level value through
short construction periods

"Industrialization of construction"

Our supply chain network

Approx. **4,900** companies

Production
sites

9

R&D sites

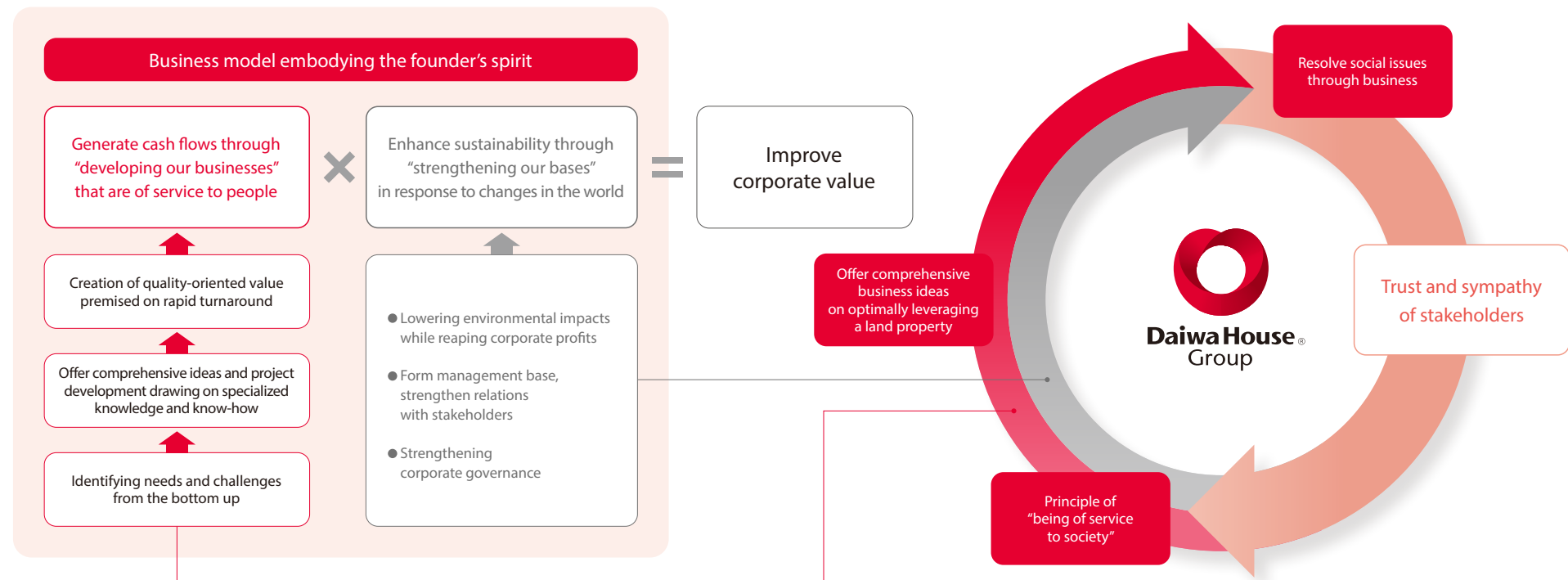
2

Our competitive advantage is underpinned by our ability to ourselves construct buildings of diverse types and for diverse applications using well-honed industrial techniques for quickly erecting low-cost, high-quality structures with focus on prefabricated housing units assembled on-site using factory-produced and -finished components.

*Total number of members of clubs for rental housing owners and landowners in our commercial facilities business

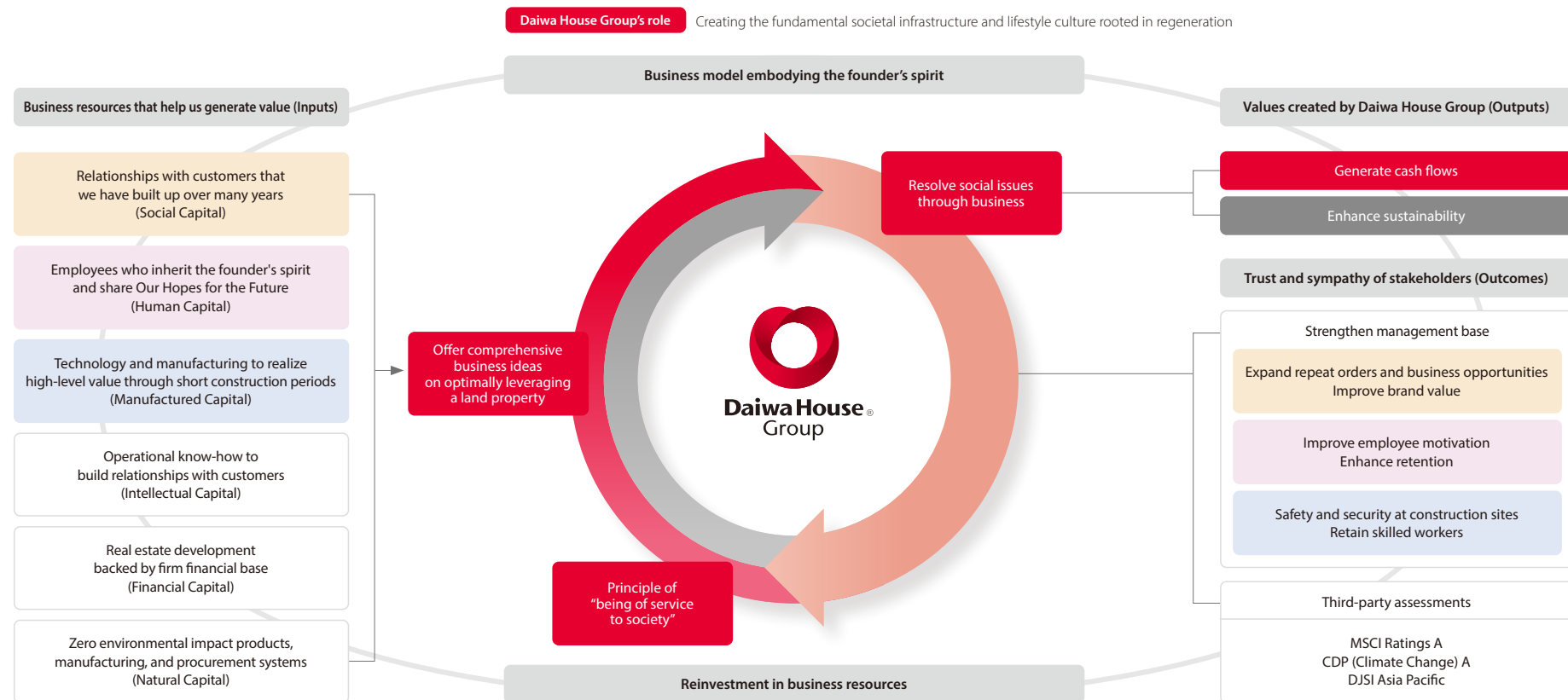
3 Business model embodying the founder's spirit

Our business model does double duty creating value and addressing societal issues. We strengthen our business foundations in an ESG-compatible manner while doing business that are of service to people, premised on quality-oriented manufacturing and offering customer needs-centric ideas developed from the bottom up and drawing on our broad business portfolio and deep bench of construction and real-estate knowledge.



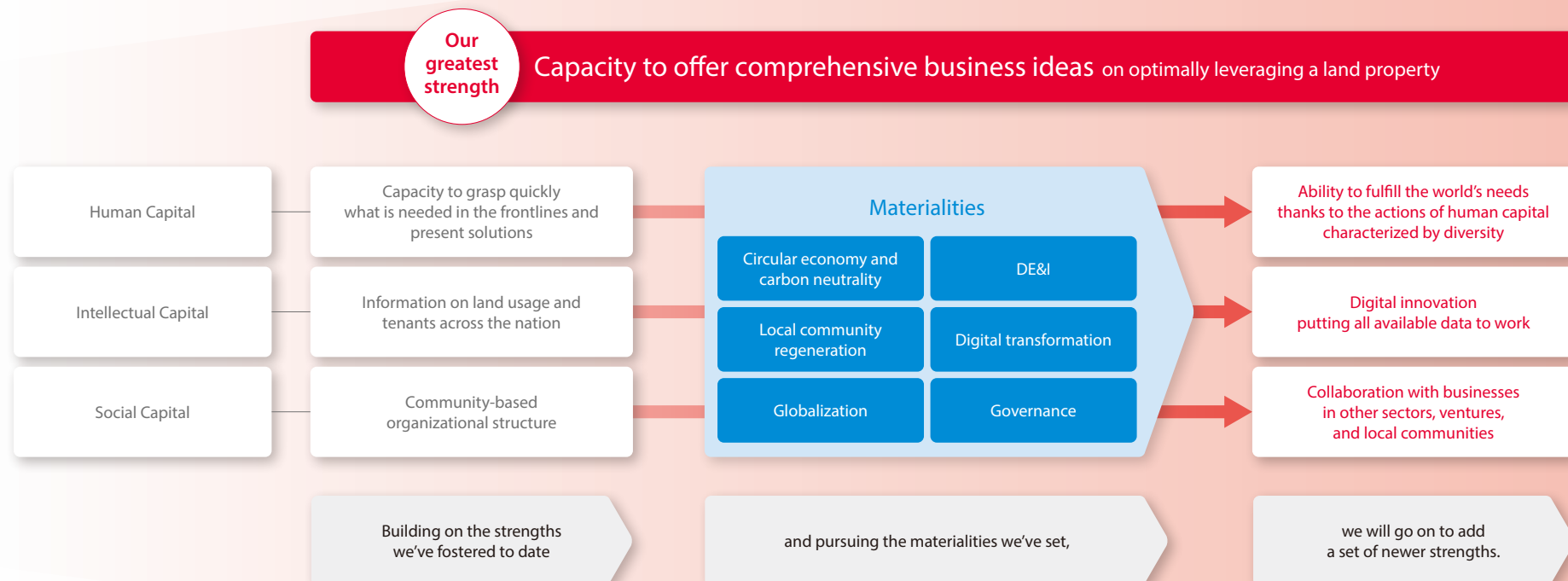
4 The Daiwa House value creation process

Leveraging the six business resources underpinning our value creation process, the Daiwa House Group earns the trust and empathy of stakeholders through the value thus created, thereby further enhancing these very resources and, by reinvesting in them, driving virtuous cycle creating new business opportunities.



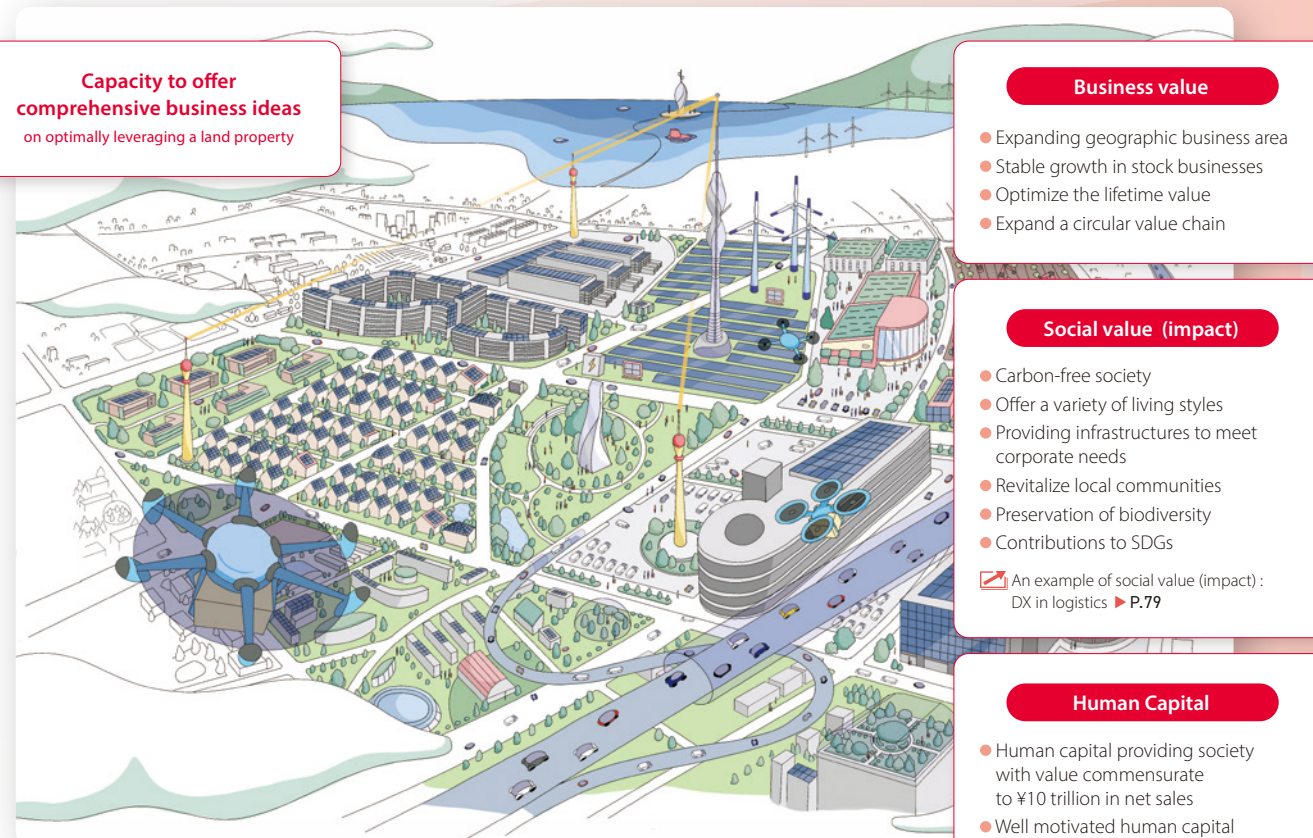
5 The Daiwa House Group's strengths

In addition to our current three strengths (ability to resolve issues, information on land and tenants, and community-based organizational structure), we will work on materiality to add new strengths and refine our greatest strength - "capacity to offer comprehensive business ideas on optimally leveraging a land property" - to promote complex development and redevelopment of infrastructure and entire communities.



6 The society we want to create and our role in creating it

The Daiwa House Group is committed to growing and improving corporate value sustainably while contributing effectively to achieving SDGs, creating societal infrastructure and a lifestyle culture rooted in regeneration and circularity to deliver business and societal value as we go.



Capacity to offer comprehensive business ideas
on optimally leveraging a land property

Business value

- Expanding geographic business area
- Stable growth in stock businesses
- Optimize the lifetime value
- Expand a circular value chain

Social value (impact)

- Carbon-free society
- Offer a variety of living styles
- Providing infrastructures to meet corporate needs
- Revitalize local communities
- Preservation of biodiversity
- Contributions to SDGs

☑ An example of social value (impact):
DX in logistics ▶ P.79

Human Capital

- Human capital providing society with value commensurate to ¥10 trillion in net sales
- Well motivated human capital
- Human capital able to think outside the box

**Toward the society we aspire to in 2055:
Our Hopes for the Future**

A world where we live together in harmony embracing the Joys of Life

The SDGs on which we will focus

SUSTAINABLE DEVELOPMENT GOALS

Environment



Society

