Daiwa House® Group

OUR FUTURE LANDSCAPE – CELEBRATING THE JOYS OF LIFE.

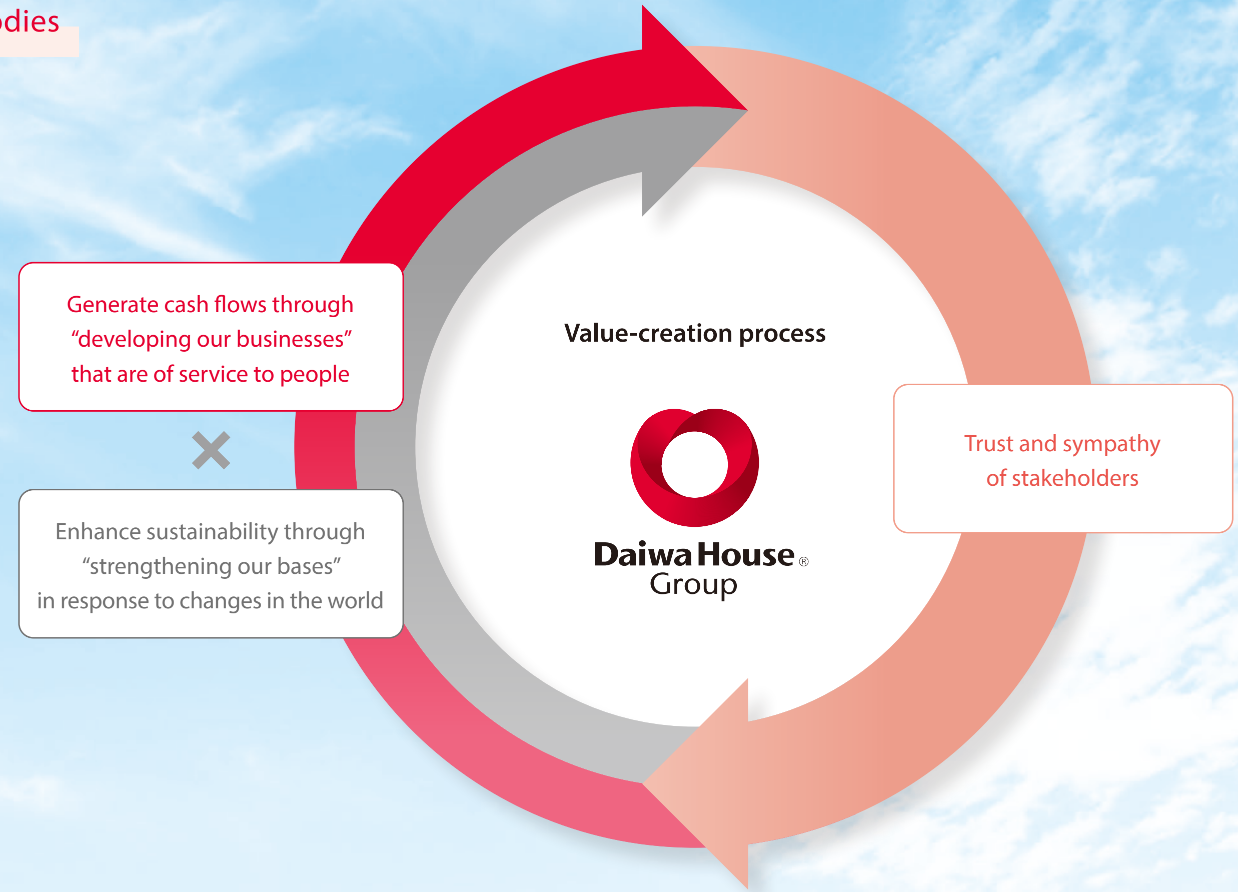
Daiwa House Group Integrated Report 2022

Our 2022 Integrated Report and Sentiment it Embodies

With the basic aim of Creating Dreams, Building Hearts, the Daiwa House Group has helped to address the issues society faces and earned the trust and sympathy of our stakeholders by developing our businesses that are of service to people and strengthening our bases in response to changes in the world. This is our value-creation process.

In May 2021, we launched a company-wide project and formulated a new Purpose, *Our Hopes for the Future*, to consider along with our stakeholders our continued significance to society.

We also initiated in fiscal 2022 our Seventh Medium-Term Management Plan, which will proceed with Our Hopes for the Future as its compass. Outlining our growth strategy and management structure based on the rework list of priority issues (materialities) we need to address, the Integrated Report before you is intended to give form to our employees' passion to contribute to society and their resolve to achieve continued growth.



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Daiwa House Group's Hopes

Our Hopes for the Future enable both individual and company growth

Daiwa House Group's founder, Nobuo Ishibashi, emphasized the importance of always being proactive and having big dreams for the future in order to remain viable in a new era. We carry on his ambitions of growing Daiwa House Group into ¥10 trillion enterprise by 2055, our centennial year.

To be a group of companies indispensable to society for a long time to come, we believe we must make a significant contribution by encouraging employees to have dreams and hopes for the future and enabling them to realize each and every one of them.

The calligraphy at left is the kanji for *yume*, Japanese for *dreams*, *aspirations*, or *hopes*.

Our Hopes for the Future—Our Compass to Our Centennial Year

2055

Creating the fundamental societal infrastructure and lifestyle culture rooted in regeneration, ensuring a world where we live together in harmony embracing the Joys of Life

Today, what we mean by "*Our Hopes for the Future*",
a world where we are our truest selves, respecting, and inspiring each other.
Living together in harmony with our planet –in harmony with People and Nature.

Daiwa House Group commits to co-create value for individuals, communities and people's lifestyles.
Together with you, connecting hearts to enable our future landscape,
nurturing communities that live together in vivid
and vibrant harmony with People and Nature.
We are Daiwa House Group.

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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 Hopes for the Future* that embodies the spirit of our founder. **Referential guidelines:** In the production of this document, we have referenced the International Integrated Reporting Framework (Value Reporting Foundation), 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 (421 consolidated subsidiaries, 57 equity method affiliated companies, and 1 affiliated company not accounted for by equity method as of March 31, 2022), with a focus on Daiwa House Industry Co., Ltd. **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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Chapter 1

Chapter 1 Message from the CEO

Keiichi Yoshii
President, CEO

Co-creating value with our stakeholders: Moving toward a world where, living in harmony, we embrace the Joys of Life

Looking back on our Sixth Medium-Term Management Plan

Organizational reform has led to record-high sales and dividend increases for 12 consecutive periods

Under our Sixth Medium-Term Management Plan, we initially aimed to build the foundations for renewed growth in the Single-Family Houses and Rental Housing Businesses, and to continue developing our business in the Commercial Facilities and Logistics, Business & Corporate Facilities Businesses. However, since January 2020, we have made protecting the lives and health of our stakeholders our highest priority amid the continued spread of COVID-19 infections. We were among the first in the industry to respond, temporarily closing down our construction sites following the declaration of the state of emergency in Japan in April 2020. Due to decreased opportunities to meet with our customers face-to-face, decreased capital investment by companies, and a slowdown in the hotel and sports club operation business, we were unable to achieve the targets set for fiscal 2021, the final year of the Sixth Medium-Term Management Plan. However, sales reached a record high thanks to new demand in response to the post-pandemic new normal, increased sales of development properties, and expansion of our single-family houses business overseas. Although we failed to achieve our ROE target of 13% due to a decline in profit levels, we were able to maintain a dividend payout ratio of more than 30% and we saw an increase in the dividend amount for 12 consecutive periods. However, following the discovery in fiscal 2019 of a problem related to inadequate work experience criteria for qualification tests for operation and management engineers, in December 2021 we were subject to a 22-day suspension of business operations, reminding us of the importance of obeying the law. A few incidents surfaced during the past three years, and these have caused great inconvenience and concern to you, our stakeholders. For that, we once again express our sincere apologies. Having learned from these lessons, we have thoroughly strengthened our Group's governance through organizational reform, but we remain committed to further strengthening and enhancing our governance and compliance.

Results of the past medium-term management plans and the positioning of the Seventh Medium-Term Management Plan ▶ P.29

Formulating our Seventh Medium-Term Management Plan

Back to our roots: Leveraging the joy we derive from our approach of putting each customer first to propel us forward

Our basic aim at Daiwa House Group is Creating Dreams, Building Hearts, and we have always worked with our stakeholders to achieve this through a wide variety of businesses that transcend the narrow boundaries of a home builder. These range from housing, including single-family houses and rental housing, to business used in business, including commercial facilities and logistics, business & corporate facilities business. In particular, our founder has always emphasized to our employees the importance of becoming a Daiwa House that is much-loved by our stakeholders and has worked with many customers towards that goal. The joy that we gain from working closely with our customers serves as the driving force behind our business.

We are currently aiming for even further growth not only by constructing buildings but also creating new value to support the lives of the people who live in those buildings and solving issues facing society across the entire lifestyle infrastructure. Our Group's greatest strength is its capacity to offer comprehensive business ideas on optimally leveraging a land property. However, we hope to further strengthen our capacity to offer comprehensive business ideas for the entire community, including lifestyle infrastructure and ways of living.

To respond to the needs of our customers not only in Japan but also across the globe, we will remain focused on the spirit of "together with our customers," which we have valued since our founding, and work with business partners and local communities. We will also leverage digital technologies to their full potential in order to create new value quickly.

Adopting *Our Hopes for the Future*, our compass for moving Daiwa House Group into a new era

Our Group has diversified its business interests to meet the diversifying needs of our customers in response to changes in time and society, based on our founder's spirit, *Don't do things because they will make a profit, but because they will be of service to society.* Owing to the rapidly advancing changes in values and other factors, however, it is unlikely that the success stories of the past will still hold in the future. We have therefore returned to our founder's conviction having hopes for the future enable both the individual and the company to grow: With our centennial year coming up in 2055, we launched Our Hopes for the Future project, which involved everyone who works for the Group from junior employees to the most experienced staff, to answer some key questions; namely, what kind of society do we want to build and what do we need to do to achieve it. Together with more than 70,000 employees of the Daiwa House Group, over the course of a year, we discussed these social issues and deliberated over the Group's purpose. We have defined Our Hopes for the Future, elicited through this process, as the Group's Purpose, and this will serve as a new compass that will lead the way to future growth for the Group.

We learned two key things through the project: employees of all ages are incredibly passionate about contributing to society, and they are strongly focused on hard numbers. Looking back, we notice that these two points are what have supported our growth in the past.

Our Hopes for the Future, comprised of the society we want to build and our role in realizing it, are to create the fundamental societal infrastructure and lifestyle culture rooted in regeneration, ensuring a world where, all living in harmony, we can all embrace the Joys of Life. We believe that we can only be happy when everyone around us is happy. To that end, at the heart of this, first and foremost, are our customers, as well as our employees and business partners. By sharing Our Hopes for the Future—the Daiwa House Group's Purpose—with stakeholders and realizing the ideals it embodies, we intend to enhance our corporate value as we develop our future as a much-loved business.

The six priority issues (materialities) for achieving our Purpose

We have defined the actions that our Group needs to take to achieve Our Hopes for the Future: create value premised on regeneration, use technology for real-world innovation, and help achieve diverse lifestyles true to people's selves. To this ends we have identified six priority issues:

(1) Circular economy and carbon neutrality
(2) Local community regeneration
(3) Globalization
(4) DE&I*
(5) Digital transformation
(6) Governance

* Diversity, equity and inclusion

Seventh Medium-Term Management Plan

Establishing a sustainable growth model that plays to our strengths, thereby creating the fundamental societal infrastructure and lifestyle culture rooted in regeneration

Under our Seventh Medium-Term Management Plan (the 7th Plan), we will keep our priority issues at the forefront of our minds as we establish a sustainable growth model with a view to maximizing growth and corporate value in the Eighth Medium-Term Management Plan and beyond. We will tackle several focal themes based on three management policies: evolve our revenue model, optimize management efficiency, and strengthen management base.

Through these efforts, we aim to further accelerate a virtuous cycle of developing our businesses and strengthening our bases. In developing our businesses, we will maintain our contracting- and development-type businesses, expand our overseas businesses and stock businesses, and advance businesses that feature regeneration and circularity as key concepts, thereby evolving our revenue model into one that enables us to achieve sustainable growth. To strengthen our bases, we will strive to increase the value of our human capital, leverage digital transformation to enhance the customer experience and strengthen technology and manufacturing base, and further strengthen corporate governance.

In fiscal 2026, the final year of the 7th Plan, we will work to achieve the following performance targets: sales of ¥5.5 trillion, operating income of ¥500 billion, net income attributable to owners of the parent company of ¥340 billion, and operating income of ¥100 billion or more in our four businesses (Single-Family Houses, Rental Housing, Commercial Facilities, and Logistics, Business & Corporate Facilities). We plan to achieve overall sales and operating income from our overseas businesses of ¥1 trillion and ¥100 billion, respectively. We believe that our housing business in the US will drive these earnings, but overall, these won't be difficult targets to achieve, with housing demand expected to outstrip concerns like rising interest rates and with plans to continue creating synergies with local Group companies to address the labor-shortage issue.

For shareholder returns, we have increased the dividend payout ratio from the previous 30% or more to 35% or more (the minimum dividend during the 7th Plan is 130 yen per share). Additionally, we plan to implement flexible share buybacks.

Since the D/E ratio has changed to approximately 0.6 times, under the 7th Plan, we will continue to strengthen shareholder returns and aim for an ROE—the most important indicator—

of 13% or higher while making effective use of leveraging.

Furthermore, we will maximize job satisfaction among employees while also achieving corporate profitability and reducing our environmental impact by advancing our environmentally conscious management with a new plan to achieve carbon neutrality by fiscal 2030.

The next five years: Evolving a revenue model that achieves sustainable growth

Our 7th Plan has been set for a period of five years. Although our Group's business has predominantly been in contracting, which requires no investment, the proportion of our business requiring upfront investment, such as the real estate development, has been increasing. Development projects take some time to produce results. This is because they start with the purchase of land that must then be developed over an extended period. While a revenue model premised on quick turnaround from development to sale would improve capital efficiency, it would also place an even greater strain on employees. This model is therefore unlikely to be sustainable in light of a shrinking workforce, and that is why we would like to evolve our revenue model towards value creation over the mid- to long-term in order to realize stakeholder capitalism that considers the interests of all stakeholders from customers and local communities to our employees and business partners. In line with the tenets set forth in of Our Hopes for the Future, we want to build a sustainable growth model by taking the time needed to strengthen our relationships with all stakeholders while also giving ample thought to the value we must provide to best satisfy customers.

Our efforts on materialities

(1) Circular economy and carbon neutrality: Environmental management geared toward circularity and regeneration

We recognize that environmental initiatives and addressing climate change are ways that we can support the livelihoods of future generations of children. This in mind, we have been quick to address environmental issues, and in August 2021 we announced our commitment to achieving carbon neutrality by 2050. Backcasting toward achieving this goal, we have set a target of reducing greenhouse gas emissions by 40% across our entire value chain by 2030 versus fiscal 2015 levels. In the 7th Plan, we will work on our carbon neutral strategy in all our businesses in order to achieve this target.

First, although we had initially aimed to achieve our RE100 initiative (100% renewable energy for electricity used in our business activities) by 2040, we have moved this forward by 17 years to fiscal 2023. The Daiwa House Group already generates 1.3 times more renewable energy than the energy we use, and we expect to gain value from these renewable energy supplies (purchasing non-fossil fuel energy certificates). We will work towards being self-sufficient in renewable energy by generating and using our own renewable energy, thereby both promoting renewable energy use and achieving RE100.

Meanwhile, in addition to our own newly constructed facilities, we will increase the uptake of ZEH and ZEB* across all our businesses, with the aim of making all new buildings we offer ZEH or ZEB by 2030. We will also advance the installation of photovoltaic panels on all buildings. We will provide customers with a thorough explanation of the environmental added value of these panels to win their understanding and make proposals on the premise that customers will install the panels themselves. If a customer's circumstances prevent them from installing their own panels, we will seek approval to install panels on the customer's roof on their behalf, aiming for installation of panels on all the buildings we build. By having customers use the electricity generated from these panels, we will contribute to the decarbonization of our customers and, by extension, the world. By engaging in a wide range of initiatives that leverage our strengths, we will aim to tackle environmental issues while also generating corporate profits and achieve carbon neutrality by 2050.

* ZEH: Net Zero Energy Houses; ZEB: Net Zero Energy Buildings

(2) Revitalizing local communities: Businesses for solving social issues in Japan

A number of social issues in Japan are growing increasingly serious, including the declining birthrate and aging population, vacant houses, and the decrease in population in regional and suburban areas. The Daiwa House Group recognizes that these issues must be addressed and, to that end, is developing businesses designed to help solve them.

Livness Town Project: Building communities where all generations can partake of the Joys of Life

The suburban housing complexes originally developed by Daiwa House Group (such as Neopolis) are facing challenges, including aging buildings, declining birth rates, and aging populations. The Livness Town Project is based on the idea that we have no business developing new communities if we do not engage in responsible consumption and production. The project involves redevelopment communities with the aim of redefining the vitality and appeal these communities

once had. We are proceeding with these efforts through a number of proof-of-concept demonstrations.

To achieve this, it is important that the people who have supported these communities are happy to live there and that new generations of residents want to move in. We are working with local authorities and other bodies to consider how we can help the elderly stay healthy and help families raise their children. Last year, in an effort to create a place for communication, we renovated a house to turn it into a meeting place and established a mechanism for addressing the problems and needs of the local area. Recently, the rapid uptake of remote work has reduced the need for towns to be located along train lines. We will propose new ways of living and create new markets in response to changing values brought on by social changes. We already have projects underway in eight locations across Japan, and we intend to increase the number of locations so that we can continue to build communities that will let all generations embrace the Joys of Life.

Leveraging strengths rooted in communities for multi-use developments and re-developments

We must work to revitalize local economies and create jobs congruent with redevelopment of regional cities and suburbs if we are to realize regeneration. We believe that maximizing the potential of the local communities through business will contribute to the revitalization of those localities. To date, we have been involved in the multi-use re-development of housing, commercial facilities, and hotels in Hiroshima, Sapporo, and other similar regional centers. In fiscal 2021, we also embarked on a project to reconstruct a public wholesale market in Toyama Prefecture as a way of contributing to development to ensure safe and secure distribution of food, leveraging our expertise from having provided many food processing plants and frozen and refrigerated warehouses since our founding. In the future, we will continue to aggressively advance multi-use developments and re-developments that leverage one of our Group's greatest strengths, our comprehensive resources.

Developing new townscapes that highlight local character

Daiwa House Group is currently pushing forward with building communities that make use of renewable energy. In 2021, we completed development of a 100% renewables-powered community, Funabashi Grand Oasis. We started using renewable energy to power the development's construction and now use it to power occupants' lives.

Logistics facilities will be an important factor going forward in the development of new townscapes. The construction of large-scale logistics facilities will create jobs and contribute to revitalization of local economies. We will install photovoltaic power generation systems on the roofs of logistics facilities that we develop to supply renewable energy, thereby simultaneously expanding our environmental energy business and moving forward society's use of renewable energy. The logistics facilities will be capable of supplying electricity even during power outages, and we are pushing forward with initiatives to make these facilities available to their localities when disaster strikes.

We will also focus on developing facilities that support infrastructure for daily life, including data centers for 6G/7G and the industrialization of agriculture and fisheries through plant factories and land-based aquaculture facilities. We will not only build communities for living, but also push forward with building communities that contribute to solving social issues and developing new townscapes that highlight local character.

(3) Globalization: Develop community-based businesses aimed at solving social issues overseas

In our overseas business, we have always believed that it is necessary to develop businesses rooted in local communities with a view to addressing social issues, such as providing higher value-added services tailored to the social issues, conditions, and phases prevalent in different countries and regions, and sharing expertise both domestically and overseas. As an example of our services meeting the needs of local customers, our Chinese condominium business, which we began developing in around 2008, has built a solid reputation for our ability to respond quickly and meticulously to customer complaints and problems by providing Japan-standard customer service.

We have positioned the US and East Asia as priority areas in the 7th Plan. In the US, we will develop our business, honoring the management policies of three companies (Stanley Martin, Trumark, and CastleRock) while also drawing on our knowledge and expertise from Japan. In particular, so that we can ensure a stable supply of high-quality products catering to local needs, we plan to introduce methods for industrialization in anticipation of labor shortages. These include looking into group purchasing and developing more efficient production systems. Through such efforts, we will improve our production systems as we work toward supplying over 10,000 houses.

(4) DE&I: Foster organizational culture that welcomes diverse values and uses them in value creation

The development and acquisition of human resources is currently one of the Group's most important challenges. To that end, we will continue to strengthen our human resources base, including open innovation, by creating value through sharing our expertise and collaborating with other companies.

In October 2021, we opened the Daiwa House Group MIRAI KACHI KYOSO Center (*Kotokurie*) in Nara Prefecture as a space for human resources development. The center is intended to serve as a facility that embodies the first tenet of our company philosophy, develop people through business. As such it is open to not only Daiwa House Group employees but also the wider community. We have designed various courses and activities to provide a space for people of all ages to learn and reflect together and inspire each other to grow. We hope the center will help foster human resources capable of co-creating future values and, by extension, an even better society.

As a Group we wear many hats, including housing construction, real estate development, and general contracting. We have been able to develop an unparalleled portfolio because we have not packaged our offerings. Rather, we have solved each customer's problems in a meticulous yet flexible manner. It is also because we have developed human resources with varied perspectives while also emphasizing employment of people of many diverse backgrounds, including mid-career recruits. One of our greatest assets is that we have furthered the development of the company by creating a diverse workforce with different attributes and skillsets, allowing us to deliver solutions to customer needs and social issues that change with the times, while also valuing our connections with our stakeholders. It is imperative that we maintain and continually improve this corporate culture in order to deliver unique products and services.

Going forward, it will be more vital than ever for future leaders in our Group to develop necessary skills that enable them to embrace diverse values (such as communication skills and the ability to formulate rules). We are also promoting diversity, equity & inclusion (DE&I) within the organization, ensuring that we have diversity in the managerial ranks, and proactively organizing exchanges of management personnel and interactions between our Group companies.

(5) Digital transformation: Maximize use of digital technologies for lifestyle innovation

Digital transformation (DX) at the Daiwa House Group focuses on maximizing value delivered to customers and ensuring safety, productivity, and quality in our manufacturing, with the overall goal of leveraging digital technologies to transform living and working styles. We are working to develop low-cost automated systems to accommodate the pressing challenges posed by the decline in the working population, the difficult challenges facing the construction industry, and regulations on working hours. We want to take a leading role in construction-sector DX, deploying labor-saving and automated systems while also ensuring the safety, productivity, and quality that are critical on construction sites.

We are also working to create new value by leveraging digital technologies to transform operational processes. We are taking a big-data approach to the wealth of information the Group has on our many customers and buildings. This is designed to enhance the value of our information assets, one of our Group's strengths, and allow us to deliver products and services better tailored to individual customer needs and in ways that enrich the ways people work and live.

(6) Governance to create the future

Strengthening corporate governance is critical for developing people through business and creating a sustainable future. To expand our next generation of management human resources, we introduced D-Succeed, a strategic succession plan, in fiscal 2020. The plan takes diversity into consideration in order to flexibly allocate management-level human resources commensurate to changes in the business environment. This fiscal year, we appointed nine employees as branch managers and presidents of affiliated companies. Branch managers, in particular, have traditionally been predominantly selected from the sales division; but this year they were also selected from the technology and administrative divisions to strengthen business management from diverse perspectives. The experience gained in managing branches and presiding over Group companies will enhance their management skills and perspectives, which in turn will lead to the development of management-track human resources as candidates for future executive management positions.

We are also proactively organizing opportunities for management-level human resources to interact and exchange with Group companies in order to accelerate growth of the entire Group through the creation of synergies. In April 2022, we appointed the president of a Group company as the Executive Officer in charge of Human Resources, which we expect will lead to changes in advancing diversity.

Under the business division-based system that we introduced in April 2021, we have developed an organizational structure under which certain authorities have been transferred to the heads of business divisions to facilitate faster decision-making. The system is functioning much quicker than we initially anticipated and is gradually yielding results.

To all our stakeholders

We will continue to be a company much-loved by all of our stakeholders

The spirit and corporate philosophy of our founder, Nobuo Ishibashi, will continue to withstand changes in the times and the Company. All our employees will work toward the future we envision in Our Hopes for the Future, and as an enterprise we will continue to support the lives of all people while growing into a corporation that meets the expectations of our customers and society as well as those of our shareholders. As a public organ of society, we are committed to fulfilling our social responsibilities and roles.

Adopting Our Hopes for the Future, sights firmly set on 2055

Aims of Our Hopes for the Future project

Working with all stakeholders to realize the goals embedded in Our Hopes for the Future, a marriage of employees' diverse perspectives and society's expectations

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We launched Our Hopes for the Future project in May 2021. In an era when all stakeholders question a company's purpose, we wanted to formulate one that would embody Daiwa House's commitment to corporate management that starts with addressing societal issues and is geared for sustainability. The project culminated in the adoption of *Our Hopes for the Future*, the Group's Purpose.

Our highest priority in moving the project forward was ensuring that every single Daiwa House Group employee would have a say in formulating Our Hopes for the Future. It was therefore essential that employees take a personal interest in helping envision and define, in line with our corporate philosophy and the spirit of our founder, this new Purpose: It is to integrate our pursuit of both business and social value. We also believe it is important to enhance our employees' motivation and corporate value by collaborating with all stakeholders to transform our hopes into reality.

Today stakeholders of all kinds closely question a company's purpose

Customers, local communities

Corporate responsibility to society and the global environment is in sharp focus. Companies' attitude to societal issues is a factor in consumers' purchasing decisions.

Suppliers, partners

More companies are looking for compliance with and contributions to ESG in business transactions.

Employees

Contributing to society can motivate. Social and environmental initiatives can play a part in choice of employer.

Investors

Investors are keen on the growth prospects of businesses that address societal issues. In four years from 2016, the value of ESG investments under management in Japan has risen about sixfold.

Practicing sustainable management with businesses that address societal issues

Social value

Management structure geared to fulfilling social responsibility

×

Business value

Building sustainable earnings model

×

Human capital

Creating employees' motivation and innovation

How Our Hopes for the Future came about

Our Hopes for the Future incorporates input from the full diversity of our stakeholders and a total of 22 deliberative sessions

Stakeholder input

Co-creating social value


Suppliers, partners


Investors

Shouldering the future


Students

Employee input

Envisioning the society we aspire to


Diverse employees


Scenario planning by employees


Our Hopes for the Future summit

Final discussion among directors

Final discussion themes

- Strengths that give us a competitive edge
- Sources of value creation to be passed on to the future
- Value creation rooted in management built on integrated thinking

Discussions between employees and directors

- Joys of Life, motivation
- Society we aspire to
- Toward digital society

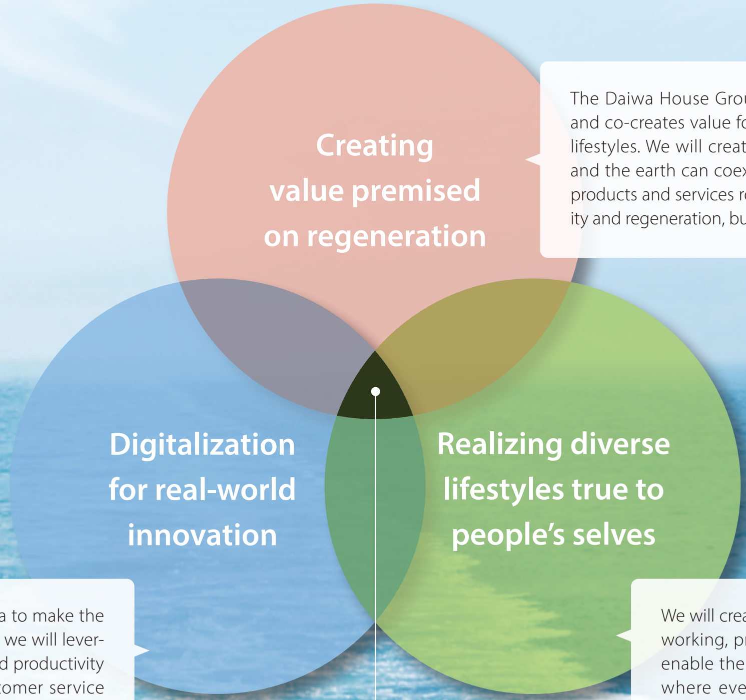
Adopting Our Hopes for the Future

Actions to realize Our Hopes for the Future

We will focus on three core actions as we realize Our Hopes for the Future

2055 Hopes for the Future

Creating the fundamental societal infrastructure and lifestyle culture rooted in regeneration, ensuring a world where we live together in harmony embracing the Joys of Life.



The Daiwa House Group spans a range of sectors and co-creates value for people, communities, and lifestyles. We will create new value so that people and the earth can coexist by evolving not only our products and services rooted in concepts of circularity and regeneration, but our very business.

We will maximize the potential of data to make the lives of all more fulfilling. For example, we will leverage IT to enhance workplace safety and productivity and data we collect to improve customer service quality and create new lifestyle spaces that go beyond physical constraints.

We will create new ways of living and working, products and services that enable them, and co-create a world where every person can live their own way.

Greatest value generated in region where the three overlap

Identifying materialities

We identified materialities after gathering opinions from inside and outside the company with a view to realizing Our Hopes for the Future

We thought the crucial element in identifying materialities was striking a balance between social and business value and the value of our human capital—that is, practicing sustainability-oriented management in businesses founded in addressing societal issues. First, we held discussions with a view to 2030, primarily among division heads, and prepared a draft in the context of two objective realities: future societal changes and developments among the rating agencies that assess companies. We then identified six materialities following intensive discussions among directors. This took account of global sustainability guidelines (GRI Standards) and feedback from external experts as well as feedback from employees solicited to check back with them on how they felt about the initial draft.

Internal

Discussing elements needed to achieve our hopes

Societal changes toward 2055

Developments among rating agencies

Key elements: Technologies, business developments, human resources, corporate governance, supply chains, quality and customer service, environment, links with society

Additional missing elements

- GRI standards
- Frank input from employees

Outside experts

Supplementation with outside experts' perspectives

Health, safety	Access to green spaces, health and well-being of housing and living environment, protecting biodiversity
Inclusion	Strengthening social ties, securing pedestrian space, flexible space changes tailored to demographics, affordable housing
Decarbonized and circular economy	Decarbonization across value chain, procuring renewable energy, energy savings, decarbonized building materials and equipment, zero waste across value chain, connections with public transport
Resilience	Disaster mitigation through solutions focused on nature, minimizing water use, recycling wastewater, generating more water than consumed, designing buildings to withstand rising sea levels and temperatures

Six materialities

Circular economy and carbon neutrality	Promoting environmental management to achieve regeneration
Local community regeneration	Deepen societal issue solutions businesses in Japan
Globalization	Develop community-based businesses aimed at solving social issues overseas
DE&I	Foster organizational culture that welcomes diverse values and uses them in value creation
Digital transformation	Maximize use of digital technologies for lifestyle innovation
Governance	Governance to create the future

Social value × Business value × Human capital

Corporate value

Positioning of Hopes for the Future and the Seventh Medium-Term Management Plan

Daiwa House Group's Hopes for the Future

Creating the fundamental societal infrastructure and lifestyle culture rooted in regeneration, ensuring a world where we live together in harmony embracing the Joys of Life.

2055

Action plan for realizing Our Hopes for the Future

- Creating value premised on regeneration
- Digitalization for real-world innovation
- Realizing diverse lifestyles true to people's selves

2030

Materialities

- Circular economy and carbon neutrality
- Local community regeneration
- Globalization
- DE&I
- Digital transformation
- Governance

-2026

Seventh Medium-Term Management Plan

Complete a sustainable growth model

- Evolve revenue model
- Optimize management efficiency
- Strengthen management base

The Story of the Group's Value Creation

Daiwa House Group at a glance 20

The story of the Group's value creation 21

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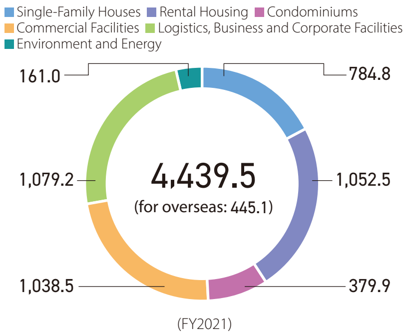
Chapter 2

Chapter 2 The Story of the Group's Value Creation

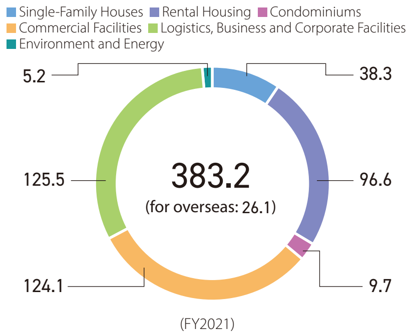
Daiwa House Group at a glance

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.

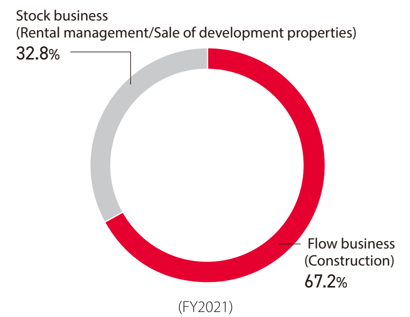
Net sales by segment* (¥ billion)



Operating income by segment* (¥ billion)



Flow business and stock business (Breakdown of sales)



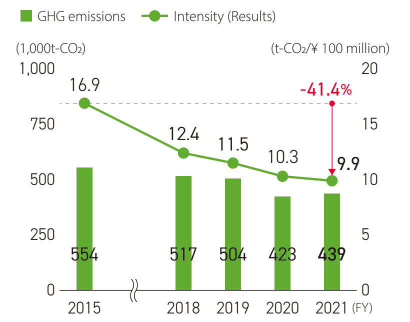
Balance of real estate development (¥ billion)

Real estate for investment
1,369.9

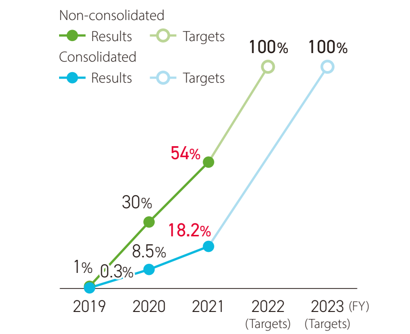
Real estate for sale
1,479.1

(as of March 31, 2022)

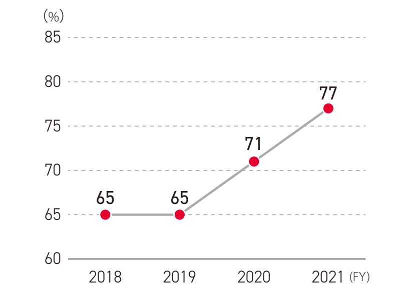
Reduction of greenhouse gas emissions in business activities



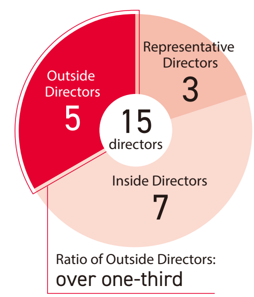
Renewable energy utilization rate



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.

Business model embodying the founder's spirit

Customer Base	Basic stance of Co-creating a Brighter Future with customers "Creating Dreams, Building Hearts"
Human Resources Base	Through bottom-up approach and positive attitude "Developing people through business"
Technology and Manufacturing Base	High-level value through short construction periods "Industrialization of construction"

2

Our business model 3 4

The history of the Daiwa House Group 1

The Starting Point: "Doing things because they will be of service to society"

Daiwa House Group

Foster strengths essential to our future

Daiwa House Group's role 6

Creating the fundamental societal infrastructure and lifestyle culture rooted in regeneration

Materialities

- Circular economy and carbon neutrality
- Local community regeneration
- Globalization
- DE&I
- Digital transformation
- Governance

Create business and social value

Business value 6

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

Our greatest strength 5

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

Social value (impact) 6

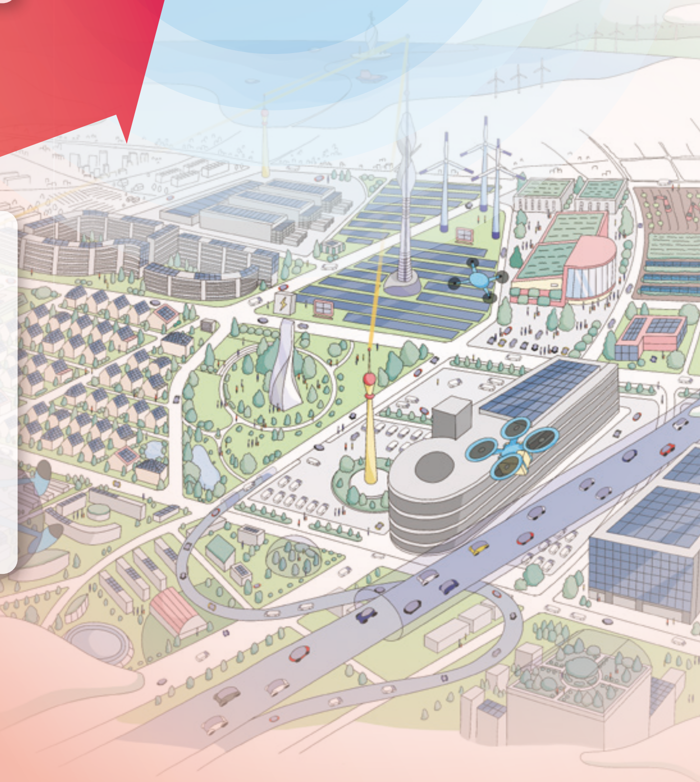
- Carbon-free society
- Offer a variety of living styles
- Providing infrastructures to meet corporate needs
- Revitalize local communities
- Preservation of biodiversity
- Contributions to SDGs

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

Advance to the society we aspire to in 2055

Toward the society we aspire to in 2055: Our Hopes for the Future 6

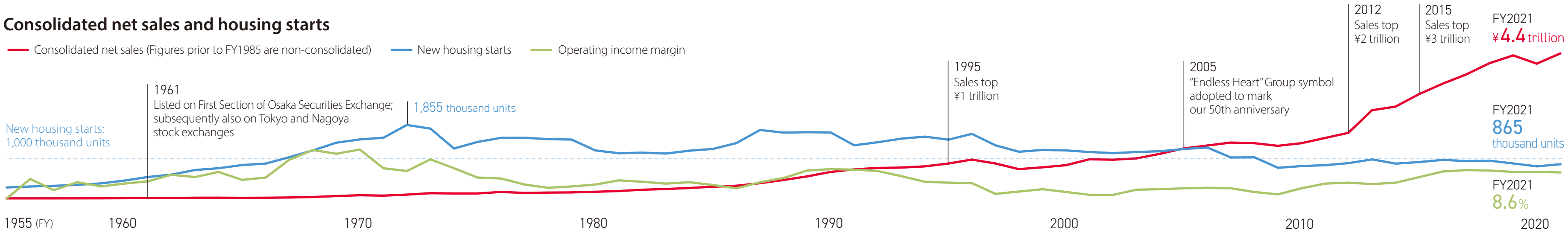
A world where we live together in harmony embracing the Joys of Life



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 / On the eve of motorization of Japanese society / Retailing revolution with advent of internet-dominated society / Coexistence with the environment and response to natural disasters / To achieve carbon neutrality

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.

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.

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.

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.

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.

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	Corporate tenants
Approx. 40,000*	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”

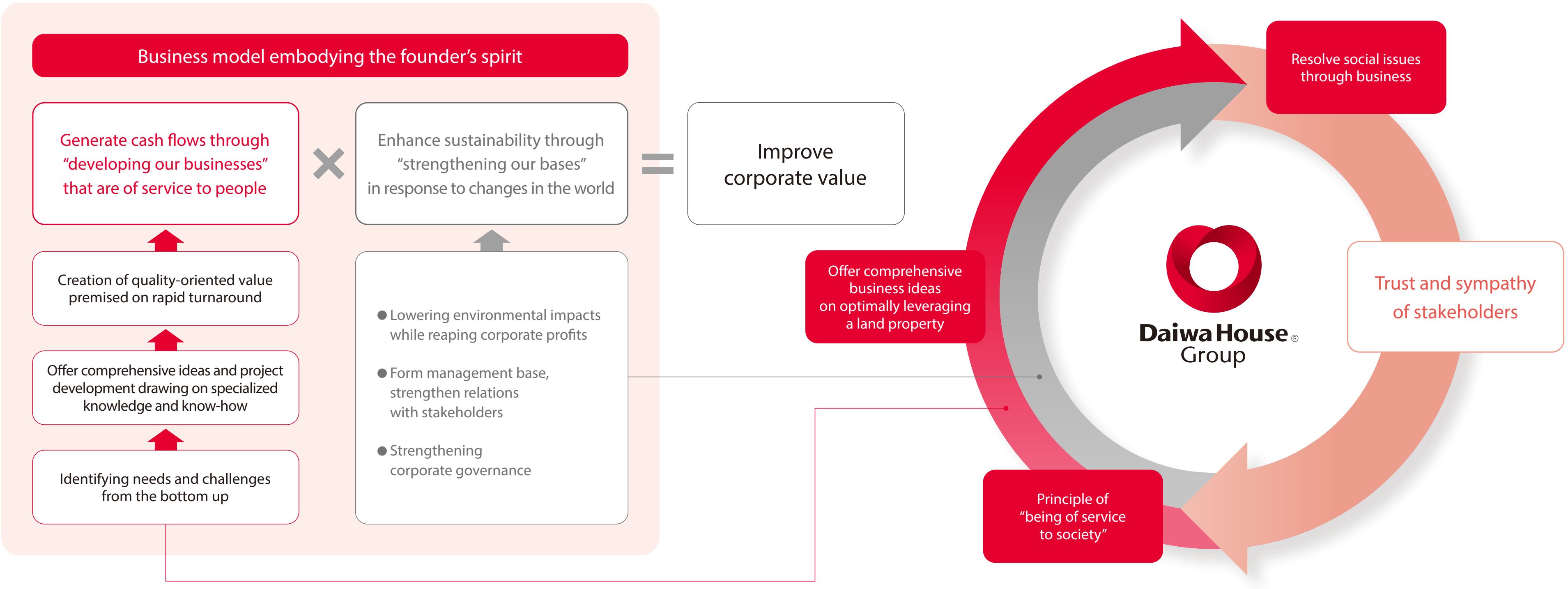
Our supply chain network	Production sites	R&D sites
Approx. 4,900 companies	9	2

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

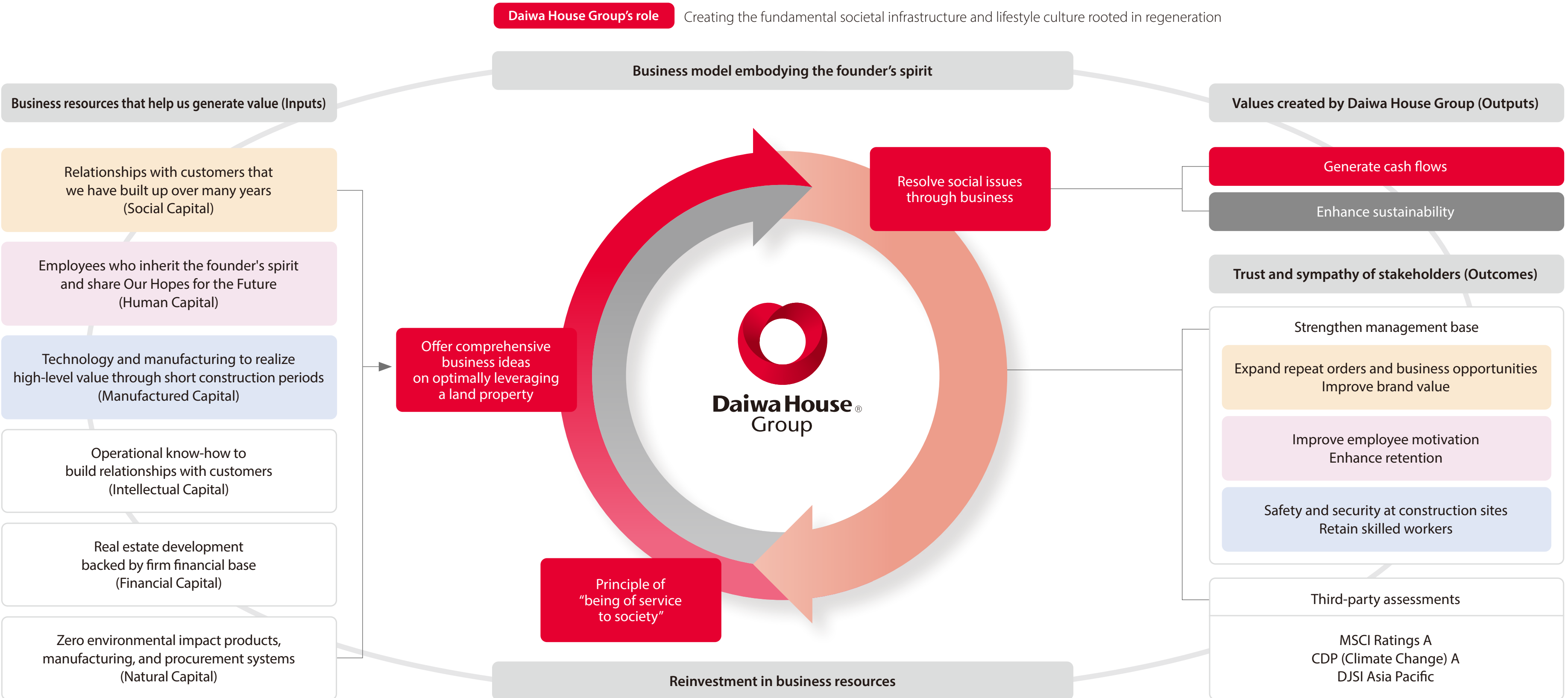
3 Business model embodying the founder's spirit

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.



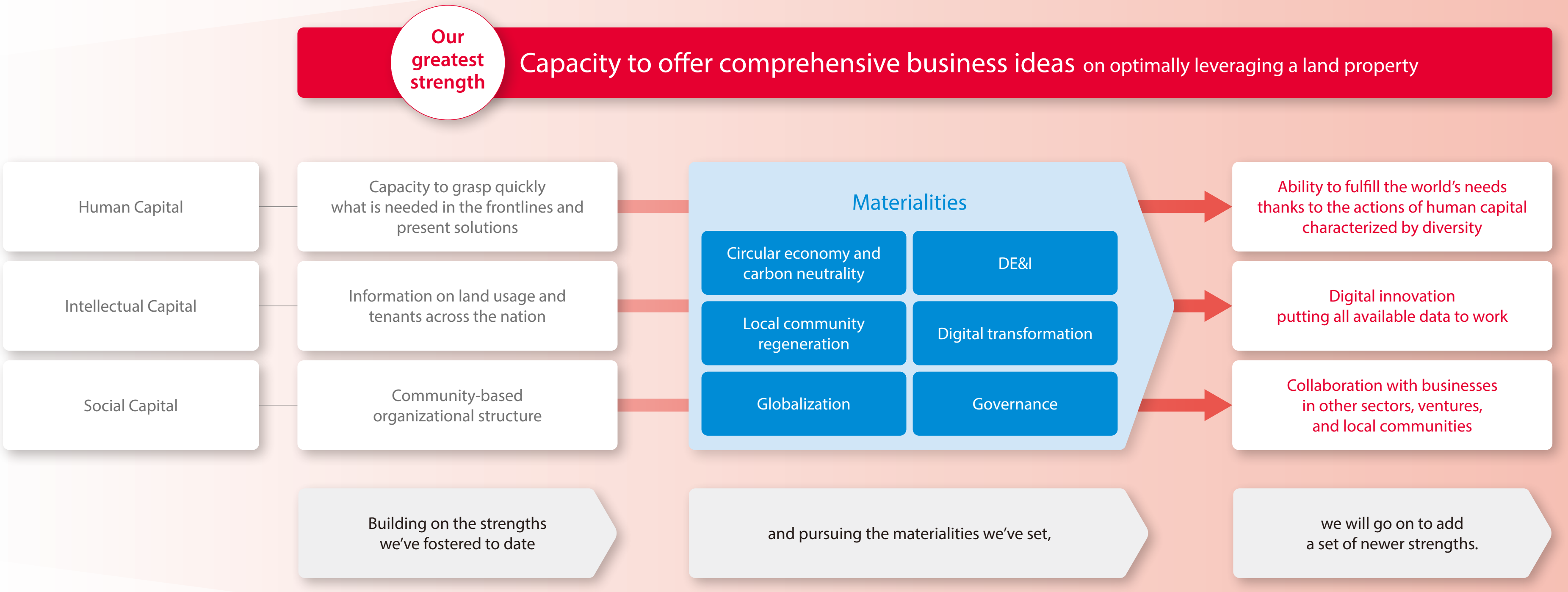
4 The Daiwa House value creation process

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

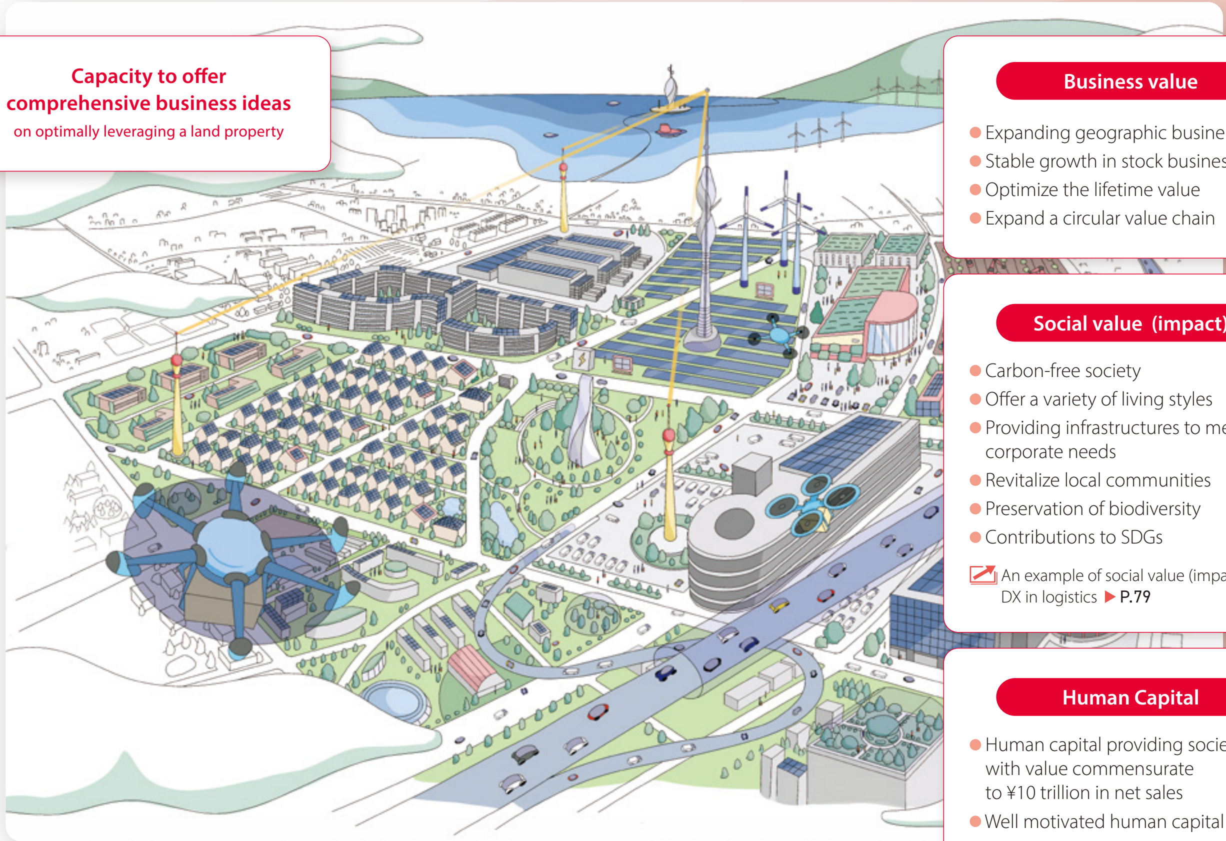
In addition to our current three strengths (ability to resolve issues, information on land and tenants, and community-based organizational structure), we will work on materiality to add new strengths and refine our greatest strength - "capacity to offer comprehensive business ideas on optimally leveraging 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

Seventh Medium-Term Management Plan

Results of the past medium-term management plans and the positioning of the Seventh Medium-Term Management Plan 29

Business environment, risks and opportunities 30

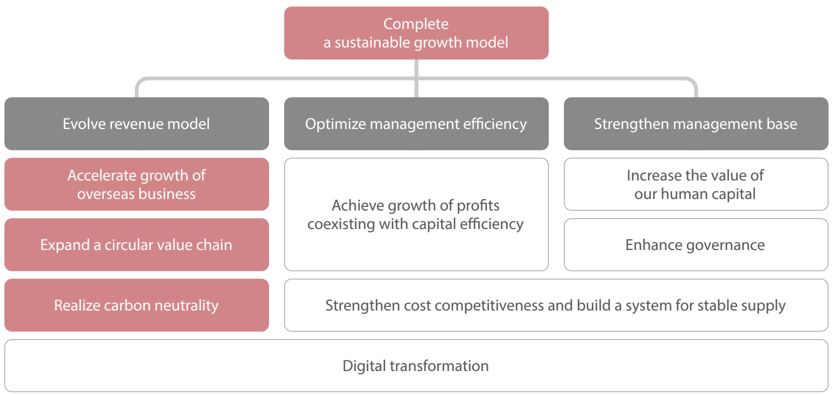
Three management policies and eight focal themes of the Seventh Medium-Term Management Plan 31

Management policy: Evolve revenue model 32

- ❶ Accelerate growth of community-based overseas business 32
- ❷ Expand a circular value chain from the perspective of local communities/customers 33
- ❸ Realize carbon neutrality by making all buildings carbon-free 34

Chapter 3

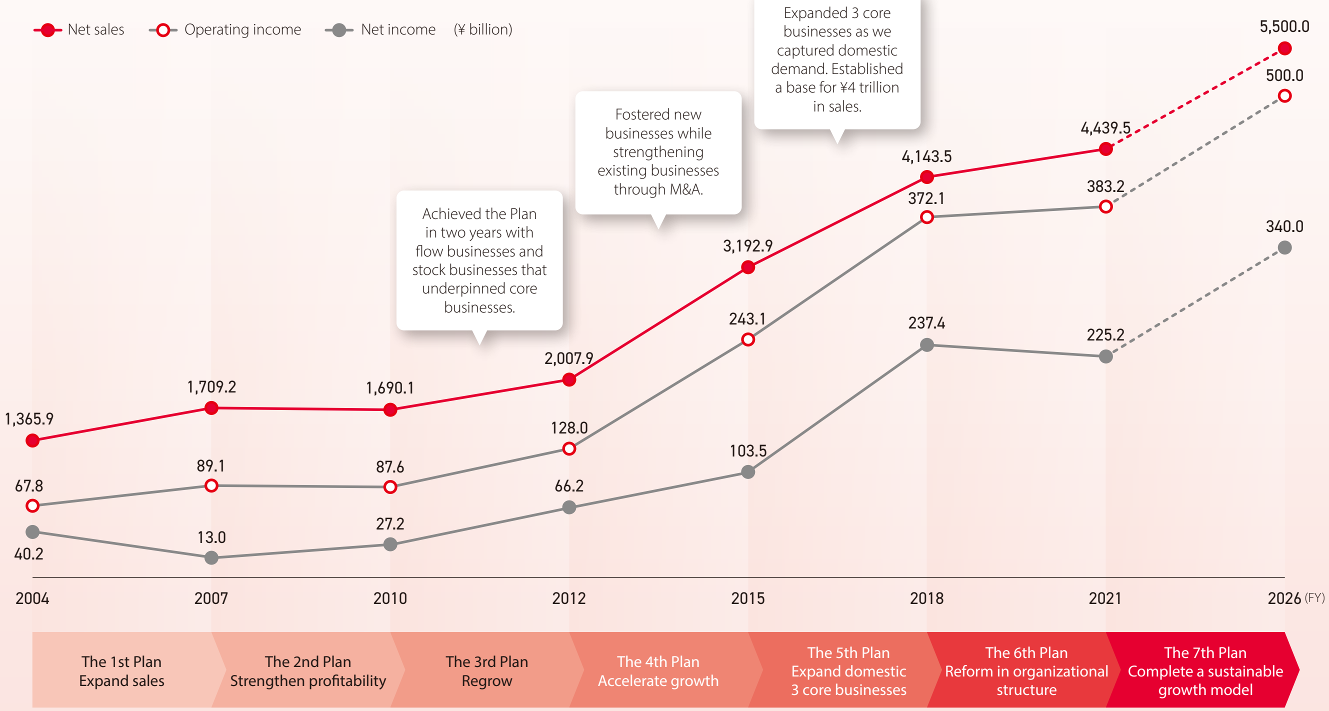
Policies and focal themes of the Seventh Medium-Term Management Plan



Chapter 3 Seventh Medium-Term Management Plan (2022-2026)

Results of the past medium-term management plans and the positioning of the Seventh Medium-Term Management Plan

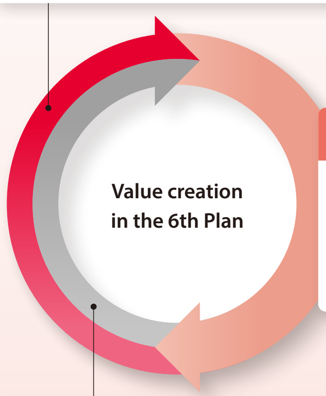
We have steadily achieved the performance targets under the medium-term management plans by constantly anticipating changes in business environment. With regard to the 6th Plan, results fell short of the initial forecasts due to COVID-19, but both sales and operating income hit new record highs. This was the result of a reform in organizational structure, including an overhaul of governance and a shift in the business execution structure, along with the development of products and services adapted to the New Normal. We position the next five years under the 7th Plan as a period in which we complete a sustainable growth model that maximizes both business value and social value over the long-term based on the reformed organizational structure.



Looking back at the 6th Plan

Developing our businesses

Rolled out products and services adapted to the New Normal and emerging needs. Developed a base for expanding the US housing businesses through M&A. Generated profit with aggressive real estate investment and sale of properties.



Trust and sympathy of stakeholders

Expanded repeat orders and business opportunities. Received also high recognition from external agencies for improvement in employee motivation and enhanced retention of construction technicians.

Strengthening our bases

With a business division-based system put in place, carried out the delegation of authority and improved a management base. Promoted work style reforms, including a flextime program and teleworking arrangements. On the environmental front, achieved renewable energy rate of over 100%.

Business environment, risks and opportunities

In the Seventh Medium-Term Management Plan, we will complete a sustainable growth model by addressing issues of particular importance (Materialities), while identifying risks and opportunities in an ever-changing business environment both in Japan and abroad.

Business environment

Both in Japan and abroad

- Rising interest rates
- Labor shortage
- Growing importance of DX and digitalization
- Shift to carbon neutrality and a carbon-free society (transition)
- Meteorological disasters growing in frequency
- Further decline in biodiversity
- Energy issues triggered by the Ukraine crisis; Production stagnation and lower food exports due to the acceleration of global inflation and shortages of primary commodities
- Global population increase, growing demand for food and energy (food security crisis)
- Contribution toward achieving SDGs
- Diversifying work- and life-styles

Unique to Japan

- Shrinking household numbers and workforce
- Regional depopulation, weakened local communities
- Age deterioration of social infrastructure
- Issue of untenanted houses

Risks and opportunities

Risks

- Waning investment appetite
- Falling appetite for purchasing houses
- Soaring material and labor costs
- Extended construction period producing additional costs
- Growing need for information security
- Financial crisis
- Growing geopolitical risks

Opportunities

- More opportunities for pursuing social impact in real estate and business investments (more opportunities for business models focused on addressing social issues)
- More opportunities for social infrastructure development, and for relocation and rebuilding
- Increasing demand for revitalization of local economies and redevelopment of downtowns in regional mid-tier cities; creation of community-based businesses
- Heightening desire to belong to communities
- More opportunities for proposing diverse ways of living (Increasing needs for lifestyles in harmony with nature and for environmentally conscious products)
- Increase in housing demand by Millennials that outweighs the risk of rising interest rates
- Expansion of the existing housing market
- Upside rent potential
- Increasing demand for next-generation high-performance facilities utilizing DX (expansion of e-commerce)
- Cost reduction enabled by industrialization
- Growing demand for renewable energy and its expansion in share
- Progressively more advanced and efficient business through digitalization

Materialities

- Circular economy and carbon neutrality
- Local community regeneration
- Globalization
- DE&I
- Digital transformation
- Governance

Complete a sustainable growth model

Three management policies and eight focal themes of the Seventh Medium-Term Management Plan

In the Seventh Medium-Term Management Plan, we uphold three management policies: Evolve revenue model, Optimize management efficiency, and Strengthen management base. Under the policies, we tackle eight focal themes toward maximizing corporate value with a view to growth beyond the 8th Plan period.

Complete a sustainable growth model

Evolve revenue model

Optimize management efficiency

Strengthen management base

❶ Accelerate growth of community-based overseas business ▶ P.32
Develop community-based businesses in 25 countries and regions to achieve overseas sales of ¥1 trillion and operating income of ¥100 billion

❷ Expand a circular value chain from the perspective of local communities/customers ▶ P.33
Make real estate investment worth ¥2.2 trillion to bring out the potential of regions and contribute to job creation and prosperity. This is positioned as a long-term investment also leading to further development beyond the 8th Plan period and stable growth in stock businesses.

❸ Realize carbon neutrality by making all buildings carbon-free ▶ P.34
Achieve 100% ZEH/ZEB in all businesses and install rooftop solar panels on newly constructed buildings as a rule to contribute to the take-up of renewable energy, thereby aiming to balance business growth and social contribution.

❹ Achieve growth of profits coexisting with capital efficiency through portfolio optimization ▶ P.40
While giving priority to securing funds for investments necessary for sustainable growth, increase operating cash flows based on stable growth of profits and steadily return profit to shareholders.

❺ Strengthen cost competitiveness and build a system for stable supply ▶ P.44
Centralize purchasing for the Group to leverage economies of scale and reinforce production systems so as to stably supply materials and mitigate the risk of depending on external procurement.

❻ Digital transformation ▶ P.78
Accelerate industrialization of construction with DX in order to build a next-generation supply chain that realizes labor-saving at construction sites, shorter construction period and lower costs. Support sustainable growth of the industry as a whole.

❼ Increase the value of our human capital ▶ P.75
Promote human resource development and organizational capacity enhancement to advance growth and diversity of individuals. Maximize motivation of entire workforce and further increase the value of our human capital.

❽ Enhance governance ▶ P.87
Restructured the governance system under the 6th Plan. Further enhancing the system, establish a strategic governance system primarily designed to underpin our overseas growth and real estate development, thereby supporting corporate sustainable growth.

KPIs for FY2026 Developing our businesses (Financial information)

Net sales	¥5.5 trillion	ROE	13% or higher
Operating income*1	¥500 billion	Dividend payout ratio	35% or higher and dividend per share of ¥130 or more
Net income attributable to owners of the parent	¥340 billion	Debt-equity ratio	Around 0.6 times

KPIs for FY2026 Strengthening our bases (Non-financial information)

Endless Green Program 2026

Zero CO_2 emissions in community development Scope 3 Category 11	Reduce GHG emissions by 54%*2 by making all buildings ZEH/ZEB and installing solar power generation equipment on them
Zero CO_2 emissions in business activities Scopes 1 and 2	Reduce GHG emissions by 55%*2 by promoting energy efficiency, renewable energy and electrification
Zero CO_2 emissions in supply chains Scope 3 Category 1	90% or higher in principal suppliers' setting rates of GHG reduction targets in SBT level

Maximize motivation of entire workforce *3

*1 Exclusive of amortization of actuarial differences of retirement benefits *2 vs FY2015
*3 Indicators for the Social Medium-Term Plan are under consideration.

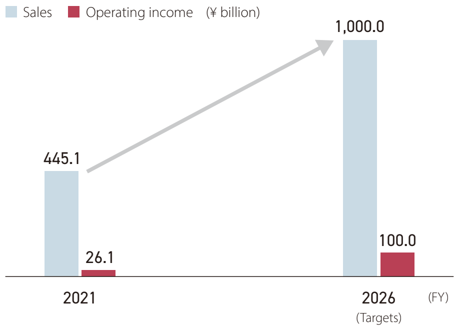
Globalization

Management policy:
Evolve revenue model

❶ Accelerate growth of community-based overseas business

With STAY & EXPAND as a watchword, we develop community-based businesses in 25 countries and regions.
We aim for overseas sales of ¥1 trillion and operating income of ¥100 billion as the first Japanese company operating in the housing and construction sector.

Sales and operating income of overseas business



Sales by region

(¥ billion)

	FY2021 Results	FY2026 Plan
The US	267.8	730.0
East Asia (China)	47.5	130.0
Australia	41.2	50.0
ASEAN	39.5	50.0
Other *	48.9	40.0
Total overseas sales	445.1	1,000.0
Operating income margin	5.9%	10.0%

* "Other" areas for FY2026 plan are for Europe only.

Focal Area 1

The US: Housing business

Steadily supply quality housing with values

Examples of properties developed by Stanley Martin Holdings

We engage in subdivision development and housing sales in the eastern, southern and western parts of the nation ("smile zone") and expand the number of houses we supply to 10,000 units in FY2026. To address labor shortage and soaring personnel cost, we increase supply chain efficiency and offsite processes, which would also lead to stable quality.

Overseas development ▶ P.50

Focal Area 2

China: Condominiums business

Development investment in tune with real demand in the Yangtze delta area, aiming to widely offer Japanese quality especially in terms of services

In China, we offer a one-stop business covering from land selection through development to management and after-sale services by drawing on our know-how we cultivated in business for many years, beginning with the one in Suzhou City in 2007. Boosting the awareness of the Daiwa House brand, we steadily secure returns on investments.

Condominium development projects in China ▶ P.54

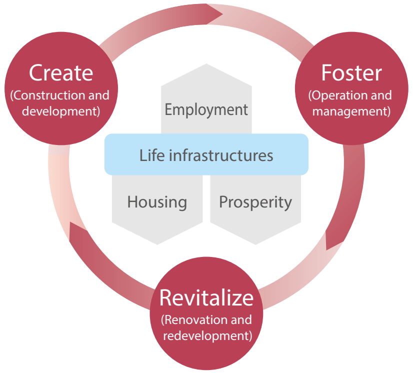
Local community regeneration

Management policy:
Evolve revenue model

❷ Expand a circular value chain from the perspective of local communities/customers

In Japan, we build a circular value chain, a new business model that generates value on an ongoing basis. Expanding development that gives residents the JOYS OF LIFE, we contribute to revitalizing local communities. Staying in close to the life of each customer, we develop long-term businesses that would also benefit future generations, and redefine housing as "a place to live in."

Circular value chain



KPIs for each business

(¥ billion)

	FY2021 Results	FY2026 Plan	CAGR
Create Sales of development properties	290.0	450.0	9.2%
Foster Sales of stock business*	1,200.0	1,600.0	5.9%
Revitalize Livness Town Project	8 sites	10 sites	–

* Rental income from the Company-owned properties + Operation/management fee income from third parties' properties

Investments and visions

Total investment scale* Approx. ¥2.2 trillion

Develop next-generation infrastructure and create jobs


Advanced logistics facility


Data center

Redevelop and raise the value of aged facilities


Public wholesale market


Neighborhood shopping center

Promote complex redevelopment centering on regional mid-tier cities


Urban redevelopment


Livness Town

* Total amount of investment in real estate development during the 7th Plan

Circular economy and carbon neutrality

Management policy: Evolve revenue model

❸ Realize carbon neutrality by making all buildings carbon-free

We continue efforts to reduce CO_2 emissions in each of the stages of business activities, the usage of buildings sold, and supply chains. Our aim is to establish a system where the more buildings Daiwa House builds, the more renewable energy is generated. This will accelerate decarbonization of a society and contribute to the realization of carbon neutrality.

Realize carbon neutrality

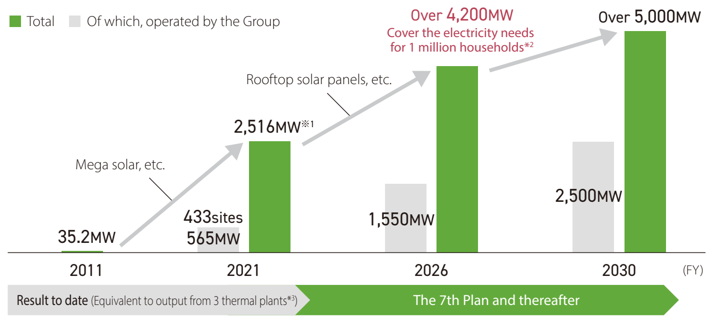
Main approach for reducing CO_2 emissions

		FY2026 Targets	FY2030 Targets
Business activities (Scopes 1 and 2)	With renewable energy mainly generated in-house, achieve RE100 in FY2023	-55% vs FY2015	-70% vs FY2015
	Make our newly constructed facilities into ZEBs in principle with solar power generation equipment		
Usage of buildings sold (Scope 3)	Install rooftop solar power generation equipment in all businesses	-54% vs FY2015	-63% vs FY2015
	As a rule, 100% ZEB/ZEH		
Supply chains (Scope 3)	Use digital technology to visualize CO_2 emitted by our products	–	–
	Cooperate with suppliers by sharing emissions reduction targets and offering solutions		

Construction of facilities/equipment supplying renewable energy

By FY2026, we build facilities worth 4,200 MW or more to cover the electricity needs for 1 million households.

Construction results and targets of facilities/equipment supplying renewable energy
(Cumulative power generation output *1)



*1 As of March 31, 2022; including construction/development projects undertaken by the Company for third parties.
*2 Calculated with average household power consumption of 4,322 kWh/year assuming that annual output is 1,100 kWh/kW.
*3 Calculated assuming that an output per thermal plant is 800 MW.

Chapter 4

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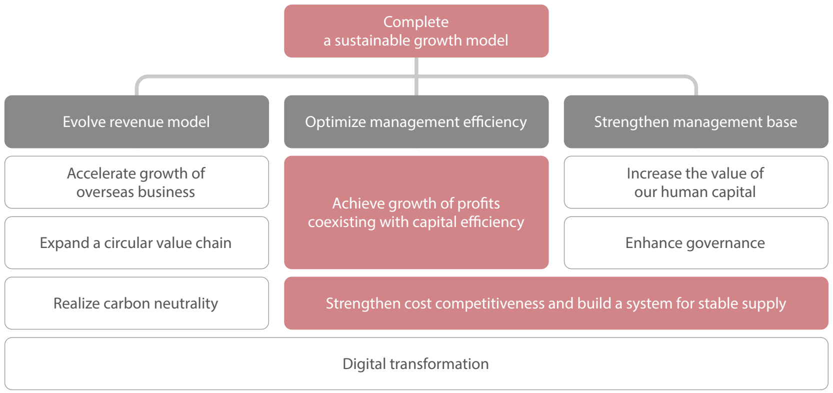
Policies and focal themes of the Seventh Medium-Term Management Plan



Chapter 4 Message from the CFO

Takeshi Kosokabe
Executive Vice President and CFO

Maximizing corporate value through ongoing investment in growth and balancing profit growth and capital efficiency

Looking back on Sixth Medium-Term Management Plan

Despite solid results from our investments, ROE came in at 11.7% due to the pandemic

Our Sixth Medium-Term Management Plan starting in fiscal 2019 initially set out to generate ROE above the cost of capital while maintaining a sound financial position, driven by growth in the Rental Housing, Commercial Facilities, and Logistics, Business and Corporate Facilities segments to improve shareholder value. However, the onset of the COVID-19 pandemic prompted us to do a rethink of our plans in early 2020: Stay-at-home demand and burgeoning e-commerce led us to increase our planned logistics facilities investment by ¥300 billion in June, and we ploughed a cumulative ¥1,058.7 billion into property development between fiscal 2020 to fiscal 2022. Our plans to crystallize gains in line with our exit strategy also went smoothly, enabling us to recoup ¥716.9 billion from sales over the three years; we see this as a demonstration of our investment success.

In fiscal 2021, the last year of the plan, we were able to achieve a historical high of ¥4,439.5 billion in net sales, but fell short of our 13% ROE target as the impact of the pandemic on our hotel and sports club operations continued.

Debt-equity ratio was around 0.6 times due to upfront growth investment and pandemic

Our debt-equity (D/E) ratio came in at 0.61 times in fiscal 2021 (taking into account hybrid finance) vs. our benchmark of 0.5 times, due to upfront growth investments, in addition to the impact from the pandemic. Fundraising over the three years comprised ¥150 billion in 2019 through a hybrid bond issue and ¥100 billion from a hybrid loan in 2020. Despite the uncertain outlook, fund providers appreciated our robust financial position, enabling us to obtain funds to invest in growth sectors while maintaining our AA credit rating.

Bolstered overseas management systems; continued business investment

Overseas, we established regional headquarters and management divisions to reinforce the management structure. We also continued to invest in the business with the acquisition of a US housing company and preparations for condominium developments in China. Net sales from our overseas business reached ¥445.1 billion. We expect sales growth from next fiscal year onward due to the promise of the US business and anticipate earnings from our Chinese condominium developments. Still, in my CFO role, I am overseeing the overseas business with an eye on interest rate movements and the global situation.

Ongoing investments in work-style reform and technological platform

The way our employees work changed dramatically over the past three years through human resources investments focused on digitalization, education, and recruitment, to enable work-style reforms. In September 2020, we issued ¥20 billion worth of green bonds to develop eco-friendly facilities and leverage renewable energy to reduce our environmental footprint. We deployed some of the funds to develop our MIRAI KACHI KYOSO Center, which opened in October 2021. One of the largest training facilities in western Japan, it is a world-class sustainable building using cutting-edge technologies to optimally harness the sun, the wind, and even water to achieve sustainability. Hand-in-hand with society at large, we aim to develop human resources who can co-create future value. Featuring collaborative educational activities with local children, it is a popular place for people to socialize.

Technological platform investment included the development of building information modeling (BIM), a platform for efficient end-to-end construction workflows spanning sales, design, and production through construction, maintenance, and management. We also invested in digital construction using information and communications technology (ICT), the Internet of Things (IoT), and robots to boost productivity and ameliorate on-site labor shortages.

Financial and capital strategy in Seventh Medium-Term Management Plan

Ongoing investment in human capital, intellectual capital, and the environment

Capital management in our Seventh Medium-Term Management Plan (the 7th Plan) aims to maximize corporate value through investment in future growth while striking a balance between profit growth and capital efficiency. Our key performance indicators remain a target ROE of at least 13% and revised targets of a D/E ratio of about 0.6 times and a dividend payout ratio of at least 35%.

We will carry on from the previous medium-term plan with active investment in real estate development and have earmarked ¥2.2 trillion over the plan's five years. We plan to cash flow of ¥650 billion in strategic investments, including overseas businesses (a growth area) and the environment, to achieve carbon neutrality.

We plan capex of ¥370 billion to build a next-generation business platform to be shared by our housing areas, bolster production sites in our business areas, develop an IT platform to facilitate digital transformation, and progress digital construction innovation. This of course includes investment in the human and intellectual capital that will carry our business forward.

Our first priority is investment in a sustainable growth model while increasing operating cash flows via steady profit growth and providing stable returns to shareholders.

ROE of at least 13%

We see the run of the 7th Plan as a growth investment phase. We will need to boost capital efficiency to achieve ROE of at least 13%, with an eye on growth under the 8th plan to come five years hence. To that end, we have a range of initiatives designed to use capital better. They include optimizing our business portfolio, enhancing governance at acquired businesses, overhauling low-margin businesses, and paring back inefficient assets.

Striking a balance between growth investment and capital management policies will be a challenge, but we plan to invest at the appropriate time with an eye on funding conditions so we can take advantage of growth investment opportunities as they arise.

Logistics facilities, data centers, and regeneration of commercial facilities drive growth among real estate development investments

Our focus in property development investment remains logistics facilities, with data center developments also on our radar. As part of our plans to diversify our investments, we intend to be proactive in developments rooted in regeneration such as value-adding regeneration of existing commercial facilities, neighborhood shopping centers in particular.

Our investment real estate portfolio already exceeds ¥1.3 trillion. In particular, properties not being rented in our real estate available for sale are increasing, but the majority are under construction. We will proceed with developing properties not being rented under the 7th Plan and intend to maximize income streams at occupied properties and sell them at the optimal timing to maximize profit. We envision our investment property portfolio standing at ¥2.1 trillion five years from now.

To enhance our exit strategy, Daiwa House Logistics Trust listed on the Singapore Stock Exchange in November 2021. We are aware that our investors have high expectations and plan to use the knowledge gained from developments in Japan to build logistics facilities in ASEAN countries. We intend to procure funds nimbly as well as build a cyclical business model, primarily plowing funds recovered from earlier development projects into new ones.

Real estate investment ▶ P.61

Improving ROIC and ROE through better asset turnover ratios

Total assets increased by 30% over the past three years, from ¥4.3 trillion at end-March 2019 to ¥5.5 trillion at end-March 2022. The increase is partly due to the acquisition of a housing company in the US and higher inventories associated with the ongoing development of condos in China. Going forward, we intend to continue deploying funds toward carefully selected earnings sources and generate stable cash flows by disposing of real estate for sale with an eye on asset turnover ratios.

Under our business division-based organizational structure, fully implemented in April 2021, we adopted ROIC as a key indicator. This is based on our strategy to enhance corporate value by increasing business efficiency and social value in addition to growing sales and profit. We plan to review our businesses and instill a management approach that emphasizes capital efficiency. Division heads will be responsible for balance sheets (including those of group companies) and we plan to strike a balance between one-time and recurring revenues in individual business divisions while increasing asset turnover ratios as required by the specific attributes of each business.

To improve business efficiency, we plan to enhance cost competitiveness and develop stable supply arrangements. The Group anticipates ongoing increases in resource prices and sees addressing this as a key priority. Currently, Daiwa House Industry (non-consolidated) spends some ¥400 billion annually on centralized purchases, and we intend to leverage the scale benefits of being No.1 in the building industry in centralized group procurement, aiming for 10% cost cuts from the elevated levels.

The thinking behind 0.6 times D/E ratio

We previously set a D/E ratio of about 0.5 times as a financial benchmark, thinking that maintaining our AA rating would be necessary to underpin stable fundraising capabilities amid the uncertain social and economic climate. We use our own balance sheet for investments such as real estate development that require time to recoup funds, and also thought that this would impose internal discipline to ensure that we stay focused on investments meeting capital efficiency criteria.

Interest rates are currently in an uptrend, and we face risks such as increasing material and labor costs. We have a particularly diligent approach to overseas investment decisions. We are also keenly aware of growth in the 7th Plan and beyond: The Group's business used to be primarily construction contracting, which did not entail investment, but areas that require upfront investment such as real estate development are increasing their share of the overall total. In light of this, we thought it important to maintain an optimal investment level enabling us to finance growth while complying with self-imposed guidelines, so we reset our financial yardstick at about 0.6 times (including hybrid finance). In the 7th Plan, we may exceed this benchmark temporarily due to frontloaded investment in growth; but think it will move back toward the benchmark in fiscal 2026, the final year of the plan. Note that, if we increase investment in line with progress, we also intend to sell investment properties and recoup more funds from our investments as well.

Shareholder returns

Looking for sustained growth in shareholder value through efficient use of equity

To return to shareholders the value it has created through its business activities, the Company's basic policy on shareholder returns is to enhance shareholder value by maximizing corporate value over the medium to long term. The Company invests in growth areas such as real estate development, overseas businesses, M&A, research and development and production facilities in a bid to augment earnings per share (EPS). In fiscal 2021, we increased our dividend for the twelfth year running, paying an annual dividend of ¥126 (including commemorative dividend of ¥10) and achieving a payout ratio of 36.6%.

Our policy is unchanged, and we will work to maintain steady dividends in the 7th Plan and beyond, with a payout ratio of at least 35% and a minimum annual dividend per share (DPS) of ¥130.

Turning to share buybacks, in fiscal 2020 we purchased 10 million shares for a total cost of ¥26 billion. We will nimbly execute share buybacks in line with on market conditions and capital efficiency.

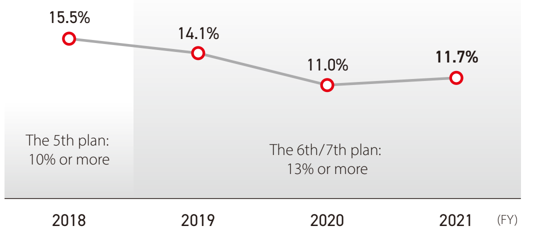
To our stakeholders

Aware of our position as industry leader, we will move to be everyone's first preference

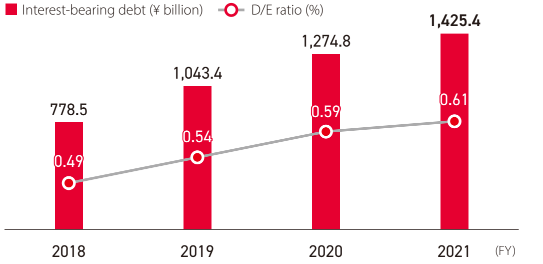
One other concept I think is crucial, is for us to become a preferred company in the wider community with full awareness of our position as an industry leader. To that end, we will update the way we evaluate performance of business sites and manage in a way that emphasizes full legal and regulatory compliance, quality technology, an accurate grasp of sound business practices, and human resources development. We are certain that our enhanced investment in people to improve motivation and accelerated work-style reforms to maximize results and establish healthy workplaces will become huge drivers of sustainable growth.

We at Daiwa House Group will work to maintain the trust of our stakeholders and continue to produce value as we strive to achieve Our Hopes for the Future (our Purpose) through co-creation. We trust you are as excited about this future as we are.

ROE Target: 13% or more

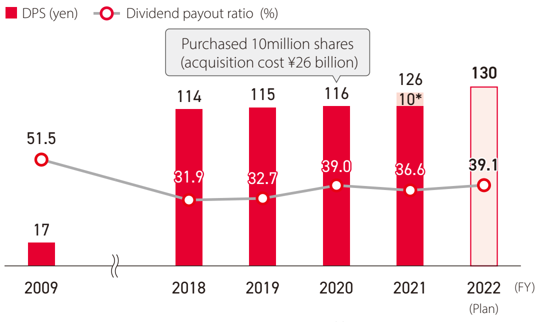


D/E ratio Target: about 0.6 times



Dividend, dividend payout ratio

Forecasting 13th consecutive year of dividend increase
Dividend payout ratio: at least 35%, minimum DPS of ¥130
Flexible share buybacks



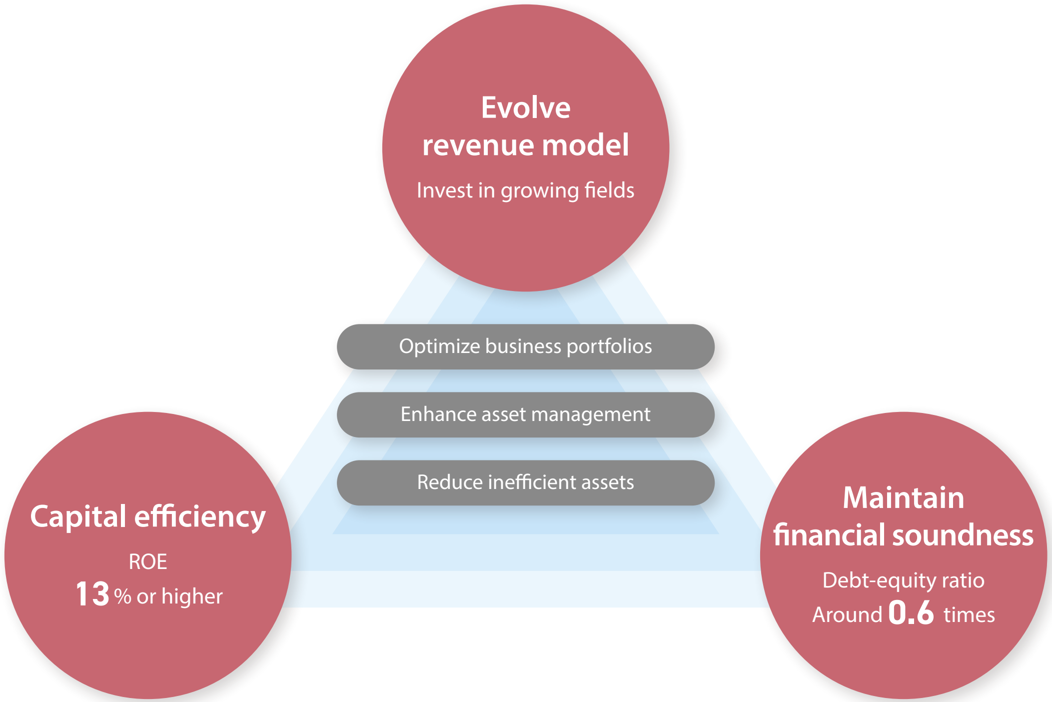
* Commemorative dividend to mark the 100th birthday of founder Nobuo Ishibashi

Management policy:
Optimize management efficiency

4 Achieve growth of profits coexisting with capital efficiency through portfolio optimization

We maximize corporate value by actively investing in growing fields and pursuing growth of profits coexisting with capital efficiency.

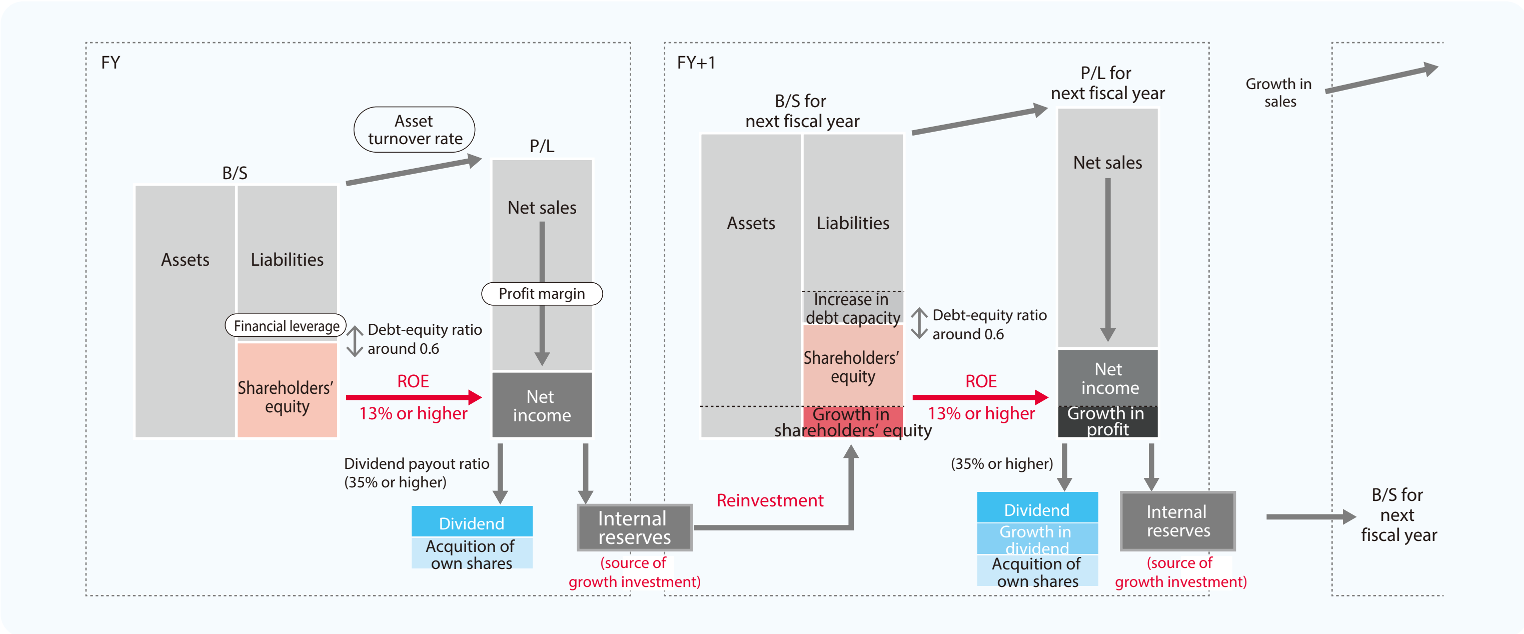
We implement management reforms to improve capital efficiency, while maintaining financial soundness with the debt-equity ratio of around 0.6, which is our financial discipline benchmark. Our aim is to achieve an ROE of 13% or higher to exceed the capital costs. With regard to a portfolio, we will focus our investment in businesses that drive the company's growth, and expand the size of such businesses. Meanwhile, businesses with problems in terms of growth potential and capital efficiency are subject to optimization. Reconsidering growth scenarios, we look into a restructuring or reorganization. In addition, we work to enhance asset management and reduce inefficient assets.



Management indicators	FY2021 (results)	FY2026 (targets)
ROE	11.7%	13% or higher
Debt-equity ratio (taking into account hybrid finance)	0.61 times	Around 0.6 times
Operating income margin (Excluded amortization of actuarial differences)	7.5%	9.1%

Basic Strategy for Capital Policy

Capital policy (conceptual diagram)



In addition to securing operating cash flow, the source of funds required for growth investment, we generate investment cash flow by reducing cross-shareholdings and inefficient assets. While increasing internal reserves after returning a portion to shareholders, we reinvest capital in growth sectors, factoring in an appropriate level of financial leverage.

Secure operating cash flow through steady growth of profits

The Company will realize return on reinvested capital with capital efficiency that exceeds the expected rate of return (cost of shareholders' equity) for shareholders in order to achieve growth in profits and dividends, as well as increased capital required for new growth investment.

Achieving ROE target based on an optimal capital structure

Efforts to Improve Return on Invested Capital (ROIC) at Sites

To realize return on invested capital with capital efficiency that exceeds the expected rate of return (cost of shareholders' equity) for shareholders, we strive to improve ROIC at the frontline of business, with an attitude of being complete in small things. Through various initiatives at sites, we will achieve the target of 13% or higher in ROE.

Management's Discussion and Analysis of Financial Position and Results of Operations ▶ P.102

ROIC		WACC*		ROE		Cost of shareholders' equity	
Return on invested capital	>	Cost of liabilities Cost of shareholders' equity	➡	Return on equity	>	Cost of shareholders' equity	(Our shareholders' equity cost: 7.0%)

* WACC is the weighted average cost of shareholders' equity and liabilities.

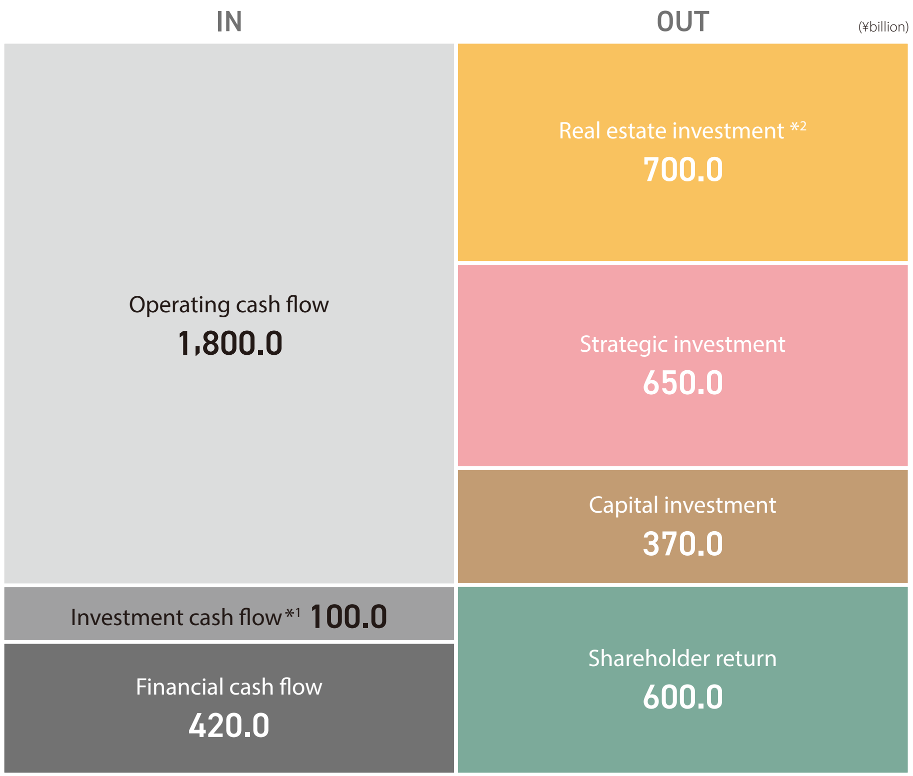
Return on invested capital ROIC

- **Increase profit margin**
  - **Increase profits through sales expansion**
    - Increase orders received
    - Expand overseas sales
  - **Improve cost-of-sales ratio (gross profit margin)**
    - Strengthen appeal of products and solution-formulation capabilities, and create added value
    - Improve quality
    - Improve operational efficiency
    - Secure an accurate construction period, mitigate seasonal fluctuations (concentration at the end of terms)
    - Promote centralized purchasing for the Group
  - **Reduce selling, general and administrative expenses**
    - Improve productivity
  - **Improve NOI yield of developed (owned) real estate**
    - Begin operation of unutilized real estate as soon as possible
    - Strengthen leasing
- **Improve asset turnover rate**
  - **Accelerate recovery of funds**
    - Collect receivables early
    - Increase the ratio of advances
  - **Improve turnover rate of inventories (real estate for sale)**
    - Sell land early with a turnover rate in mind
    - Shorten the time from land purchase to sale
  - **Maximize profits from real estate we invested/developed**
    - Shorten the time from land purchase to commercialization
    - Sell idle real estate

Capital Allocation and Shareholder Return

We engage in real estate development and strategic investments necessary for sustainable growth.
We also increase operating cash flows based on stable growth of profits and steadily return profit to shareholders.

Capital allocation in five years



*1 Reduction in cross-shareholdings and inefficient assets, etc. *2 Real estate properties for rent held for sale or holding purpose

Real estate investment

- **Development investment** in logistics facilities and commercial facilities, which are profit drivers
- **Investment in new fields,** such as data centers and public wholesale markets
- Investments to increase in steps **profit-earning real estate (stock assets)**

Strategic investment

- Upfront investment for **overseas growth**
- **Investment for realizing carbon neutrality,** such as solar power generation

Capital investment

- Build a next-generation platform common to the housing field and strengthen production sites for the business field
- Invest in IT platform to promote DX and invest in digital construction

Shareholder return

- **Dividend payout ratio of 35% or higher** and **dividend per share of ¥130 or more**
- Flexible acquisition of own shares

Management policy:
Optimize management efficiency

❺ Strengthen cost competitiveness and build a system for stable supply

The Daiwa House Group consolidates and integrates purchasing processes and systems to achieve cost competitiveness, fully leveraging the industry-leading economies of scale. We reinforce in-house production systems and build a more robust system for stable supply.

The Group expects material prices to stay high and views it as one of the important management challenges. The present amount Daiwa House Industry (non-consolidated) allocates to centralized purchasing (cost pool) is approx. ¥400 billion per year, but in the future, we will promote centralized purchasing for the Group, fully leveraging the construction industry-leading economies of scale. By consolidating and unifying the orders for parts and materials, which have been placed individually by each Group company, the cost pool will reach approx. ¥1 trillion. Our target is 10% cost reduction against soared costs. Meanwhile, toward stable supply of materials, we reinforce production systems by utilizing our strengths of having in-house steel fabrication capabilities. In the housing field, we plan to build a common next-generation platform, while in the business field, we increase production capacity by rebuilding the Chubu factory, which would also mitigate outsourcing risk. In addition, we actively promote standardization and unification of parts.

Centralized purchasing for the Group

Consolidate and integrate organizations, ordering process/authorities and systems
Streamline ordering and management operations across the Group

Daiwa House Industry (non-consolidated) cost pool
Approx. 0.4 trillion*

Cost increase due to soaring material prices
Focus on stable procurement of parts and materials

Daiwa House Industry | Fujita | Daiwa Lease | Daiwa House Reform | Daiwa Living | ...

Centralized purchasing for the Group Approx. ¥ 1 trillion*

Target is 10% reduction vs. soared costs

Integrated system

* Amount allocated to centralized purchasing by Daiwa House Industry (non-consolidated) in fiscal 2020

Reinforce production systems

Sharpen the advantage of purchase with steel fabrication capabilities
Increase the rate of in-house production to mitigate outsourcing risk

Housing field: Build a common next-generation platform
Business field: Increase production capacity by rebuilding the Chubu factory

New Chubu factory (image)

Standardization/unification of parts

Set standard specifications by property category

e.g. Sashes for logistics centers: Limit to 2 or 3 standards and ensure that designs are in accordance with standard specifications

Expand the scope of initiatives by increasing the types of property/construction

Developing our Businesses

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Chapter 5

Chapter 5 Developing our Businesses

Business Overview

Daiwa House Group has established a business portfolio capable of building communities with start-to-finish services.

Single-Family Houses


- Houses sold
  - Domestic 6,760 units
  - Overseas 4,857 units

Rental Housing


- Houses sold 31,202 units
- Units under management 630,555
- Occupancy ratio 98.2%

Condominiums


- Condominium units sold 3,249*1
- Units under management 377,747

Commercial Facilities


- Construction projects 912*2
- Leasing floorspace of sublease areas within commercial facilities 6,964,194 m²

Logistics, Business and Corporate Facilities


- Development site area of logistics projects (accumulated) 333 projects 11,987,923m²

Environment and Energy


- Number of renewable energy generation facilities and the amount of power produced 354 sites/561 MW*3

Note: Figures shown above are the results for FY2021.
*1 Total for Daiwa House Industry (non-consolidated) and Cosmos Initia *2 Number of facilities constructed by the commercial facilities business of Daiwa House Industry (non-consolidated)
*3 Generating capacity of facilities in operation excluding the power consumed internally

Financial Highlights (Business segments) ▶ P.116

Performance targets by business segment

In the Seventh Medium-Term Management Plan, we positioned the Single-Family Houses Business, Commercial Facilities Business, and Logistics, Business and Corporate Facilities Business as the fields for intensive investment. While pursuing their business expansion, we boost cash-generating ability of the Rental Housing Business and Environment and Energy Business in order to secure stable growth of profits.

(¥billion)

	Sales				Operating income (operating margin)*			
	FY2021		FY2026		FY2021		FY2026	
	Total	(for overseas)	Total	(for overseas)	Total	(for overseas)	Total	(for overseas)
Single-Family Houses	784.8	318.0	**1,250.0**	730.0	38.3 (5%)	23.4 (7%)	**100.0 (8%)**	75.0 (10%)
Rental Housing	1,052.5	32.5	**1,250.0**	60.0	96.6 (9%)	5.5 (17%)	**120.0 (10%)**	10.0 (17%)
Condominiums	379.9	20.3	**400.0**	150.0	9.7 (3%)	-2.3 (-%)	**25.0 (6%)**	18.0 (12%)
Commercial Facilities	1,038.5	1.2	**1,250.0**	25.0	124.1 (12%)	-1.1 (-%)	**160.0 (13%)**	5.0 (20%)
Logistics, Business and Corporate Facilities	1,079.2	68.8	**1,300.0**	90.0	125.5 (12%)	1.2 (2%)	**160.0 (12%)**	9.0 (9%)
Environment and Energy	161.0	0	**170.0**	2.0	5.2 (3%)	0	**10.0 (6%)**	0.2 (10%)
Other Businesses	63.0	4.0	**70.0**	8.0	-5.9	-0.6	**5.0**	-2.9
Total	4,439.5	445.1	5,500.0	1,000.0	332.2 (8%)	26.1 (6%)	500.0 (9%)	100.0 (10%)

* Operating income is exclusive of amortization of actuarial differences of retirement benefits.

Single-Family Houses Business

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

Summary of business

As a pioneer of industrialized construction, we offer living environment based on our evolving, leading-edge technologies. Our flexible and tailored home building is named LiveStyle Design, under which we cater to various needs of residents and fulfill their unique requirements. A place to live in is where they truly live their lives. Staying in close to the life of customers, we work to offer housing as a stage for them to achieve abundance in life.

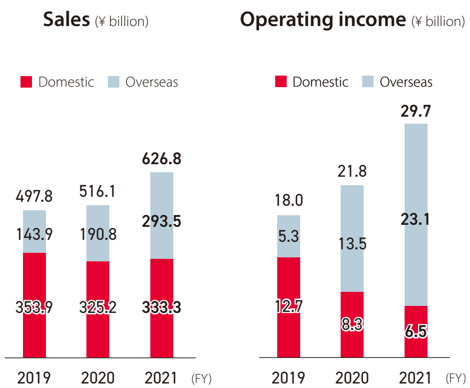
Strengths

Technical capabilities for ensuring safety and security

Principal companies

Daiwa House Industry, Daiwa House Reform, Nihon Jyutaku Ryutu, DesignArc, Stanley Martin Holdings, LLC, Trumark Companies, LLC, CastleRock Communities LLC, Rawson Group Pty Ltd., Daiwa House Modular Europe Jan Snel Holding B.V.

Looking back at the Sixth Medium-Term Management Plan

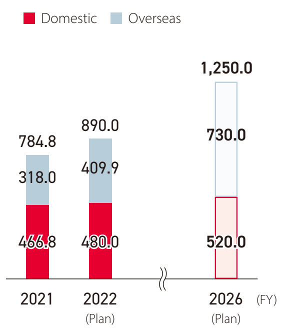


Note: Results of the 6th Plan are presented by former business segment.

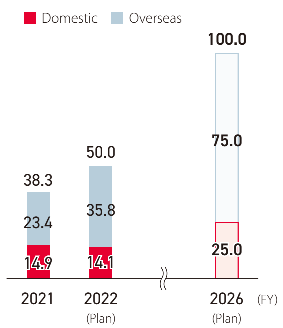
Sales were ¥626.8 billion and operating income was ¥29.7 billion in the final year of the 6th Plan. Notably, the overseas business progressed steadily on the back of growing demand for housing in suburban areas caused by COVID-19, and we achieved the initial forecasts of ¥540 billion in sales and ¥22 billion in operating income. In Japan, we diversified our product lineup and marketing methods adapted to the New Normal by offering "Kaiteki Work Place" and "Tsunagari Work Pit," as well as "Lifegenic" product which offers a fun and easy home designing experience online. Overseas, in the US where we mainly operate, we welcomed CastleRock operating in the southern part of the nation into the Group in September 2021, in addition to Stanley Martin in the east and Trumark in the west, thereby strengthening the base for business expansion.

Targets and strategies of the Seventh Medium-Term Management Plan

Sales (¥ billion)



Operating income (¥ billion)



Recognition of circumstances

Domestic

- Changes in lifestyles caused by COVID-19
- Progress in initiatives aimed at achieving carbon neutrality
- Long-term decrease in new housing starts due to declining size of households

Overseas (the US)

- Continued demand backed by population increase and stable economic growth
- Concerns for rising interest rates
- Labor shortage, soaring material costs

Business strategies

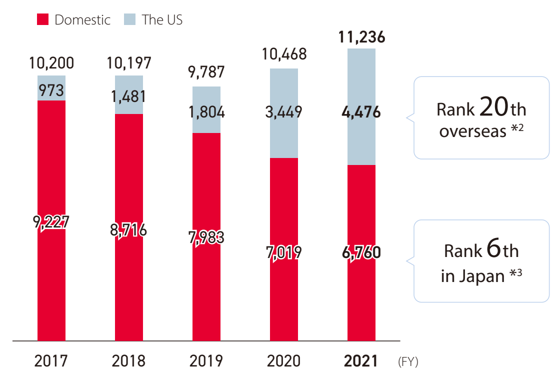
- Concept approach tailored to customer lifestyles
- Leverage digital tools to enhance proposal speed and operational efficiency
- Expansion of overseas business centering on the US

Under the 7th Plan, we will expand business centering on the US and aim to achieve sales of ¥1,250 billion and operating income of ¥100 billion in fiscal 2026.

In Japan, with progress in digitalization and in the wake of COVID-19, people's values are expected to become increasingly diversified. In this environment, we will strengthen proposals customized for the lifestyle of each customer (soft proposals) and comprehensive housing and living proposals as a Groupwide effort, covering the fields from new houses to renovation, leasing, purchase and resale. While pursuing cost reductions by closing housing showrooms whose operating efficiency declined, we will create new customer experiences using VR showrooms and social media and expand our information network. By fiscal 2026, with the use of digital tools, we aim to achieve 50% increase in the number of new information acquisition and 150% increase in the number of contract, compared to fiscal 2021.

As the revised Building Energy Efficiency Act is now in force and environmental awareness is on the rise, we will propose housing units designed to ZEH specifications as a standard both for contracting and subdivision development, aiming to achieve ZEH sales rate of 100% by fiscal 2030.

Houses sold[*1] (units)



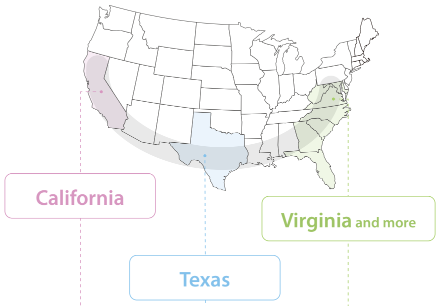
*1 The rank in Japan is for Daiwa House Industry (non-consolidated)
*2 When the figures for the 3 companies (Stanley Martin, Trumark and CastleRock) in the 2021 total closings on 2022 Builder 100 are combined. Data of CastleRock is for a 4-month period after consolidation.
*3 FY2021 Major house-builder ranking by Housing Industry News

Overseas development

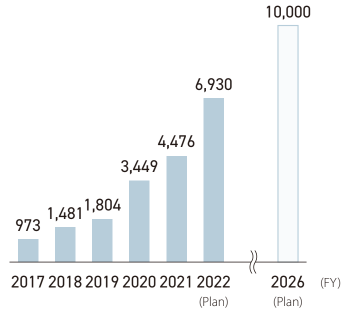
In the US, we continue our business with the three Group companies as the core, namely, Stanley Martin, Trumark and CastleRock in the eastern, southern and western parts of the nation ("smile zone"), where stable market growth is expected due to the demographics and industrial hubs in these areas. Our target is to supply over 10,000 housing units in the US in fiscal 2026, the final year of the 7th Plan.

Currently the market environment is sluggish owing to difficulty in securing materials due to supply chain disruptions, soaring material costs and rising interest rates. To tackle these issues, we will establish a joint procurement system by the three companies and look into the plant production of certain materials, aiming to shorten construction period and build a system for stable supply. Closely monitoring market trends, we will purchase lands for development to ensure sustainable growth and balance the mitigation of development risk and higher profit margin.

Our locations in the US



Houses sold (units)



Expand business based on three areas

Trumark Companies

Develops business in California, a state with a large economy with high growth potential

1988 Founded
February 2020 Joined the Daiwa House Group

Strength Has an extensive track record as a land developer in California, which is one of the most difficult areas in the nation to obtain a development permission

CastleRock Communities

Develops business in Texas with one of the largest housing markets in the US. Texas is the destination for many immigrants moving from other states, and housing prices are relatively affordable.

2004 Founded
September 2021 Joined the Daiwa House Group

Strength An employee-oriented management policy of "Developing people through business"

Stanley Martin Holdings

Headquartered in Virginia, expanding its area of business into West Virginia, Maryland, North Carolina, South Carolina, Georgia and Florida, the states with stable economies, while increasing sales.

1966 Founded
February 2017 Joined the Daiwa House Group
February 2018 Acquired Frontdoor Communities
February 2020 Acquired Essex Homes Southeast
September 2021 Acquired Avex Homes

Strength Focuses entirely on each of customers. Has an operating base deeply rooted in the local community for a long time.

Rental Housing Business

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

Summary of business

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.

Strengths

Vertically integrated management leveraging Group strengths

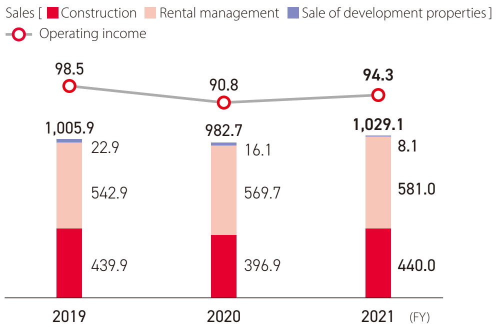
Full range of peripheral services conducive to high occupancy

Principal companies

Daiwa House Industry, Daiwa Living, Daiwa House Chintai Reform

Looking back at the Sixth Medium-Term Management Plan

Sales/Operating income (¥ billion)

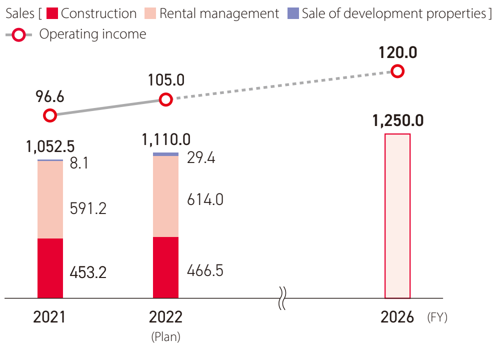


Note: Results of the 6th Plan are presented by former business segment.

Sales were ¥1,029.1 billion and operating income was ¥94.3 billion in the final year of the 6th Plan. In the rental management business, the occupancy rate as of March 31, 2022 remained high at 98.2%, steadily expanding earnings. Meanwhile, as the contracting business struggled, we failed to achieve our initial forecasts of ¥1,160 billion in sales and ¥115 billion in operating income. Although the contracting business had seen decreased opportunities for meetings with customers due to COVID-19, and the whole market remained stagnant, lending attitudes of financial institutions started to relax and the number of rental housing starts in fiscal 2021 increased for the first time in five years. In the real estate development business, we sold a total of two properties in the US, where we mainly operate.

Targets and strategies of the Seventh Medium-Term Management Plan

Sales/Operating income (¥ billion)



Recognition of circumstances

Domestic

- Continued demand for rental housing in urban areas
- Progress in initiatives aimed at achieving carbon neutrality
- Long-term decrease in housing starts due to declining size of households

Overseas (the US)

- Continued demand backed by population increase and stable economic growth
- Impact on selling due to rising interest rates

Business strategies

- Expand number of properties under management, build up the renovation business
- Expand market share in urban areas
- Continue development of rental housing in the US

Under the 7th Plan, we further strengthen the business collaboration among construction, rental management and renovation to secure stable growth of profits in the domestic business, aiming to achieve sales of ¥1,250 billion and operating income of ¥120 billion in fiscal 2026.

In the contracting business, we strengthen sales of ZEH-M housing and rental houses in housing development projects so as to expand market share in urban areas. ZEH-M sales rate will be raised to 50% by fiscal 2026 (based on units construction start).

In the rental management business and renovation business, we continue offering services that meet resident needs. As the number of properties we built more than 25 years ago is on the rise, we will strengthen renovation proposals to maintain high occupancy, thereby helping owners to increase the value of their assets. We plan to raise the number of units under management from 630 thousands units as of March 31, 2022 to 720 thousands units in five years.

Overseas, mainly in the US, we continue real estate development in collaboration with good local partner companies. During the term of the 7th Plan, ten properties are slated for sale. Paying close attention to trends in interest rates, we will determine the proper timing for sale.

Rental housing sales rankings (FY2021)

Ranking	Company name	Number of sales units	Share
1	Daito Trust Construction	38,958	Approx. 13%
2	Daiwa House Industry	31,202	Approx. 9%
3	Sekisui House	25,321	Approx. 8%

* Compiled from data published by the companies concerned

Condominiums Business

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

Strengths

Roll out of local business locations in major cities nationwide

Ability to take on redevelopment and rebuilding projects levering specialized business units and intra- Group collaboration

Principal companies

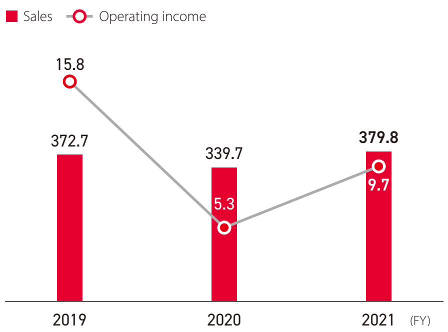
Daiwa House Industry, Cosmos Initia, Daiwa LifeNext

Summary of business

We develop, sell, and manage properties nationwide, supplying comfortable and safe living spaces that keep their asset value over time. We engage in Group synergies-leveraging complex developments and offer condominiums featuring added value appropriate to local attributes, such as urban communities redevelopments and active senior-friendly ones.

Looking back at the Sixth Medium-Term Management Plan

Sales/Operating income (¥ billion)



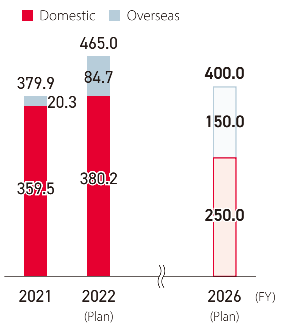
Note: Results of the 6th Plan are presented by former business segment.

Sales were ¥379.8 billion and operating income was ¥9.7 billion in the final year of the 6th Plan. In Japan, with teleworking taking root, sale of properties in suburban areas was favorable as they are highly convenient for day-to-day living. We also focused on sale of completed inventory, and achieved sales of ¥380 billion as initially planned, but failed to achieve the forecast of ¥20 billion in operating income.

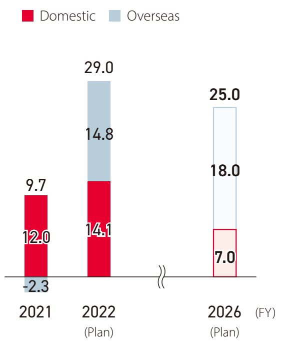
Overseas, COVID-19 has caused delays in development of condominiums in the ASEAN countries. Meanwhile, the condominium projects in Nantong and Changzhou, China steadily progressed, with all of their units already sold.

Targets and strategies of the Seventh Medium-Term Management Plan

Sales (¥ billion)



Operating income (¥ billion)



Recognition of circumstances

Domestic
- Land prices remaining high mainly in urban areas
- Changes in lifestyles caused by COVID-19
- Progress in initiatives aimed at achieving carbon neutrality

Overseas (China)
- Concerns over uncertainties in the real estate market
- Strong market conditions in tune with real demand

Business strategies

- Develop condominiums with high added value
- Accelerate redevelopment/resale businesses for investors

- Actively develop condominiums in countries where housing demand is expected

Under the 7th Plan, we remain focused on condominium development in China and aim to achieve sales of ¥400 billion and operating income of ¥25 billion in fiscal 2026.

Overseas, we provide a one-stop business covering from land selection through development to management and after-sale service mainly in the Yangtze delta area in China, aiming to offer Japanese quality widely. Four properties are currently under development in China, of which Nangtong Project and Changzhou Project II , whose units have been already sold, are slated for delivery in fiscal 2022-2023 and in fiscal 2022, respectively. We will focus on development and sale of Changzhou Project III and Suzhou Project II. Keeping with the dominant strategy in these regions, we will increase the brand value of our company.

In Japan, land prices remain high particularly in urban areas and profitability has been on a declining trend. Moreover, COVID-19 has accelerated diversification of lifestyles. To adapt these circumstances, we will focus on redevelopment in regional cities and complex development by leveraging the resources of the Group, which are the fields where we can put to use our competitive advantages, to improve profitability and contribute to the growth of local communities. We also strengthen development of environment-conscious buildings, aiming to have five properties ABINC certified (biodiversity conservation) during the term of the 7th Plan and achieve ZEH-M Oriented sales rate of 100% in fiscal 2026.

Condominium development projects in China

Project name	Number of residential units	Status of sale	Scheduled completion
Nangtong Project	1,480	Sold out	June 2022
Changzhou Project II	636	Sold out	January 2022
Changzhou Project III	967	To be offered for sale	April 2024
Suzhou Project II	984	To be offered for sale	June 2025

Commercial Facilities Business

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

Strengths

LOC System

Organization for expanding possibilities with greater ability to gather intelligence and offer innovative solutions

Principal companies

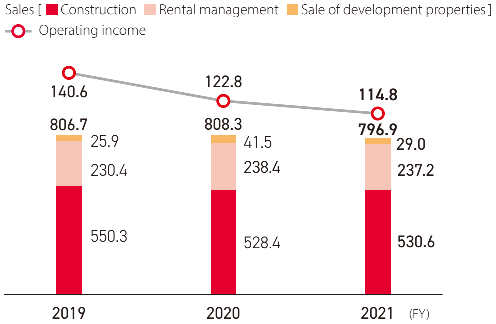
Daiwa House Industry, Daiwa Lease, Daiwa House Realty Mgt., Royal Home Center, Sports Club NAS, Daiwa House Parking

Summary of business

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 local attributes so we can provide facilities finetuned to local residents' needs and help townscapes facilitate the flow of people.

Looking back at the Sixth Medium-Term Management Plan

Sales/Operating income (¥ billion)

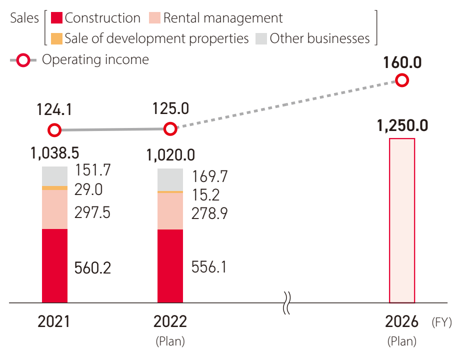


Note: Results of the 6th Plan are presented by former business segment.

Sales were ¥796.9 billion and operating income was ¥114.8 billion in the final year of the 6th Plan. Hotel construction demand, which had been driving orders in the contracting business, depressed by COVID-19, and appetite for opening stores was sluggish across the market. The city hotels operation also worsened in terms of occupancy rates and average daily rate. As a result, we failed to achieve our initial forecasts of ¥840 billion in sales and ¥160 billion in operating income. Meanwhile, as the stay-at-home consumption grew, construction demand from certain sectors was strong, including drugstores, grocery stores and small logistics facilities.

Targets and strategies of the Seventh Medium-Term Management Plan

Sales/Operating income (¥ billion)



Recognition of circumstances

Domestic

- Increasing needs for rebuilding and relocation of aged commercial facilities
- Changes in consumer behavior caused by COVID-19
- Recovery in demand for hotels in sightseeing areas
- Progress in initiatives aimed at achieving carbon neutrality

Business strategies

- Development to revitalize commercial and public facilities
- Profit growth of stock business
- Business development in Taiwan, the US and ASEAN

Under the 7th Plan, we focus our efforts on construction and development businesses centering on regional mid-tier cities, revolving around regeneration. Anticipating recovery in the city hotels operation from COVID-19, we aim to achieve sales of ¥1,250 billion and operating income of ¥160 billion in fiscal 2026.

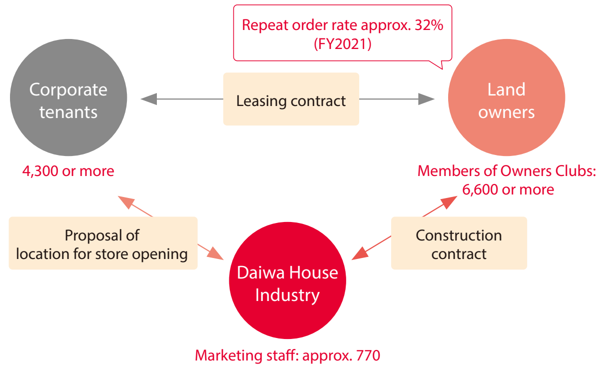
In the construction and development businesses, we will redevelop aged commercial facilities to raise their value as there will be an increasing number of over 20-year-old facilities. We are also active in public-private sector businesses and revitalization of infrastructure, including office building development. During the term of the 7th Plan, we forecast ¥500 billion worth of real estate investment. As a developer covering everything from construction to management, we will create lively spaces in communities.

In the city hotels operation included in other businesses, we will open hotels in sightseeing areas near metropolitan areas, anticipating recovery in tourism demand from domestic guests. In collaboration with the parking business and others, we work to raise asset value by developing services that meet local needs.

Overseas, we continue with construction and real estate development businesses in Taiwan and real estate development in the US, while starting on entry to new areas such as ASEAN. Using our network built up in Japan, we primarily support Japanese companies to establish their overseas business base and open local sites.

LOC System (Land Owner and Company)

In the LOC System, Daiwa House Industry brings together land owners and corporate tenants



Logistics, Business and Corporate Facilities Business

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

Summary of business

We leverage diverse plans to produce facilities to accommodate corporate customers' needs. We were proactive in developing logistics 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 plants. We are actively developing data centers and public markets as well recently.

Strengths

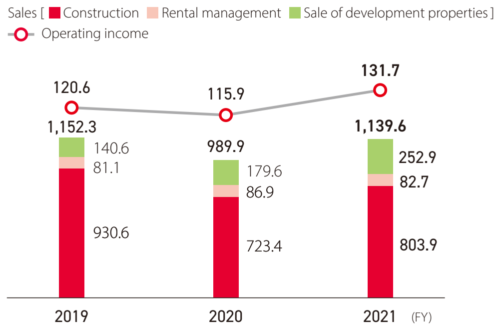
D Project/Ability to identify optimal land for each business/ Track record building logistics facilities and accumulated know-how

Principal companies

Daiwa House Industry, Fujita, Daiwa Logistics, Daiwa House Property Management, Daiwa LogiTech

Looking back at the Sixth Medium-Term Management Plan

Sales/Operating income (¥ billion)

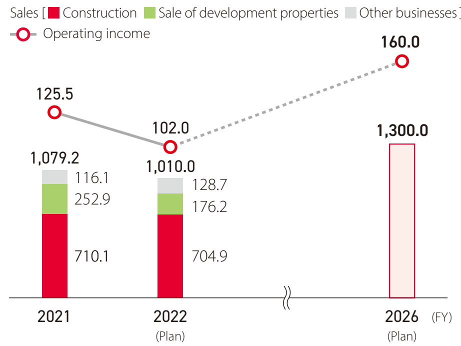


Note: Results of the 6th Plan are presented by former business segment.

Sales were ¥1,139.6 billion and operating income was ¥131.7 billion in the final year of the 6th Plan. While the order environment for the contracting business remained tough as corporations' capital investment decreased, orders for logistics facilities were brisk backed by stay-at-home consumption and the expansion of e-commerce demand, which led to an increase in sale of development properties. As a result, we posted sales as initially planned of ¥1,140 billion and operating income exceeding the initial forecast of ¥110 billion. Seeking to further diversify our exit strategies, in November 2021 we had Daiwa House Logistics Trust listed on the Singapore Stock Exchange, which is a REIT principally investing in logistics facilities both in Japan and abroad.

Targets and strategies of the Seventh Medium-Term Management Plan

Sales/Operating income (¥ billion)



Recognition of circumstances

Domestic

- Continued expansion in e-commerce demand, labor shortages in the logistics industry
- Expanding demand for data centers in step with digitalization
- Revitalizing needs of public wholesale markets

Overseas (ASEAN)

- Increasing needs for accommodating cold chain logistics
- Japanese companies' needs for overseas business expansion

Business strategies

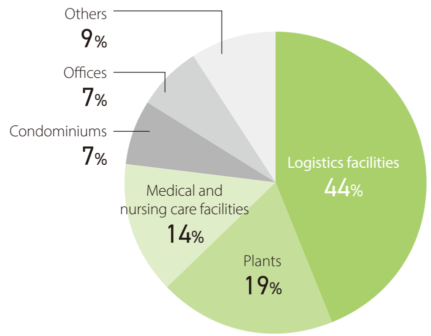
- Develop social infrastructure, such as logistics facilities and data centers
- Lead the industry with logistics DX
- Industrialization of agriculture and fisheries
- Develop businesses in ASEAN and the US

Under the 7th Plan, we continue developing real estate mainly logistics facilities, while embarking on new asset categories, and aim to achieve sales of ¥1,300 billion and operating income of ¥160 billion in fiscal 2026.

As the cost-of-sales ratio in the contracting business is showing deterioration given the soaring material costs, we work to strengthen cost competitiveness by shifting to centralized purchasing for the Group. We hone our ideas on optimally utilizing a land property, including attraction of enterprises to industrial parks. In addition to the foregoing, as an initiative to develop food infrastructure, we redevelop public wholesale markets and construct onshore aquaculture facilities and plant factories. Target for the cumulative total of orders received by fiscal 2026 is set at ¥50 billion.

We forecast stable demand continuing for logistics facilities development on the back of expansion in e-commerce. To maintain and strengthen our competitive advantages, we pitch proposals on logistics DX and install solar panels on them, thereby offering facilities with higher added value. We focus on development of logistics, business and corporate facilities in ASEAN and the US as well, so as to support Japanese companies to expand overseas and build global supply chains. As for data centers, there will be an expansion of demand for hyperscale data centers as the society is becoming increasingly digital. Considering the government policies to develop data centers in local cities, we will attract tenants to optimal sites and also enter the development business on our own. We plan real estate development worth ¥1.5 trillion during the term of the 7th Plan.

Orders received, by facility type (FY2021)



* Total for Daiwa House Industry and Fujita (Fujita only works on construction)

Environment and Energy Business

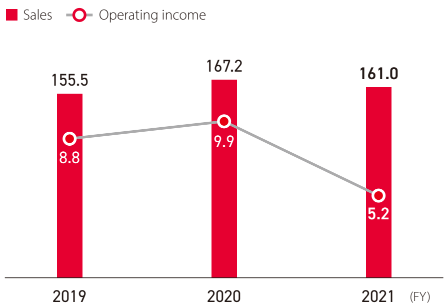
Contributing to the spread of renewable energy to realize a carbon-free society

Summary of business

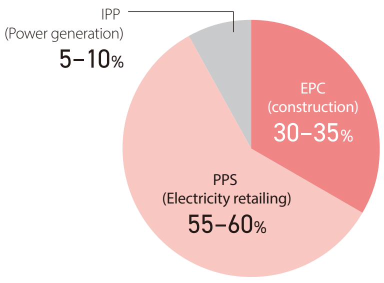
Our Environment and Energy Business provides environmental and energy solutions with our technology, planning, and the Group's comprehensive capabilities. The business consists of three pillars of EPC, which is engineering, procurement, and construction of power plants for renewable energy; PPS, which is an electric power retail business as a power producer and supplier targeted at corporate and individual customers; and IPP, an electric power generation business as an independent power producer generating solar, wind, and hydroelectric energies. Through the business, we help popularize the use of renewable energy with additionality.

With the world rapidly going carbon-free, renewable energy continues to grow in importance. Having positioned the Environment and Energy Business as one of the essential drivers of the Group's carbon neutrality strategy , we started disclosure of the Business as an independent segment in fiscal 2022.

Sales/Operating income (¥ billion)

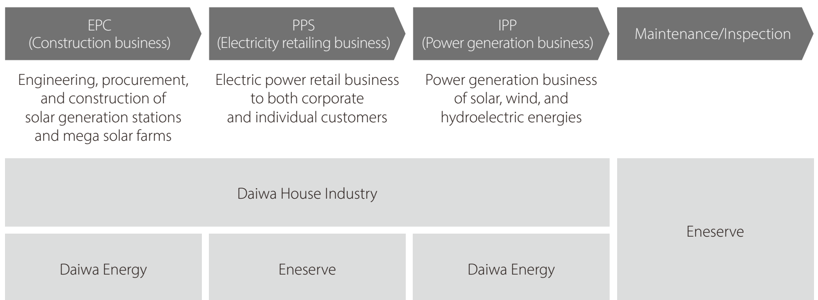


Sales by business model



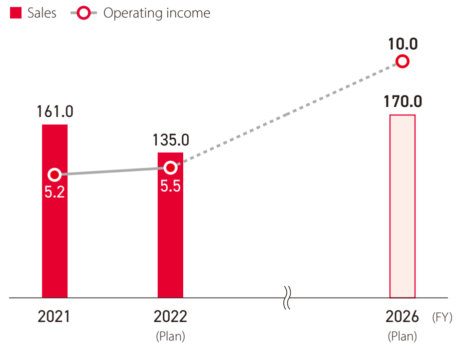
*Rough breakdown for FY2021

Value chain



Targets and strategies of the Seventh Medium-Term Management Plan

Sales/Operating income (¥ billion)



Under the 7th Plan, we focus our efforts on onsite and offsite PPA, aiming to achieve sales of ¥170 billion and operating income of ¥10 billion in fiscal 2026.

As large-scale development of renewable energy power plants has been slowing down with the termination of Japan's feed-in tariff (FIT) program, we boost initiatives for power purchase agreement (PPA) as a new business opportunity. Also called a third-party ownership structure , under this business model we install renewable energy power generation facilities on and off the premises of a facility owned by a customer and supply the generated electricity directly to the facility for consumption. The scheme seeks to help customers go carbon neutral and popularize the use of renewable energy with additionality. The total investment scale will be ¥70 billion under the 7th Plan, and during the term of the Plan, we target the power generation output of 450 MW for offsite PPA and 650 MW for onsite PPA.

Recognition of circumstances

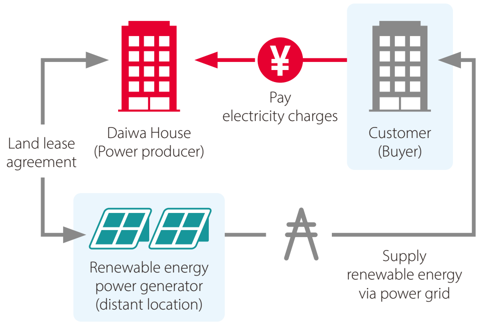
Domestic
- Progress in initiatives aimed at achieving carbon neutrality
- Slowdown in EPC business with the termination of Japan's feed-in tariff (FIT) program

Business strategies

- Strengthen efforts for "offsite PPA" to prepare for the end of FIT
- Expand "onsite PPA" by strengthening collaboration inside the Group
- Expanding power generation business overseas

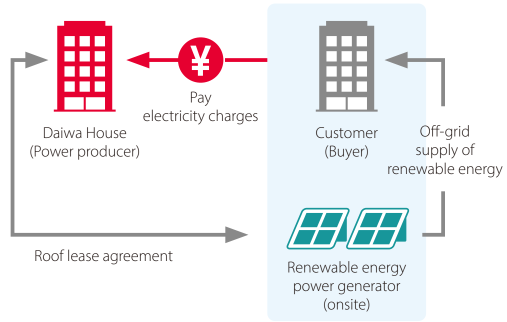
Business scheme of offsite PPA

- Install renewable energy power generation facilities off the premises of facilities
- Actively search for a land by taking advantage of our nationwide business development



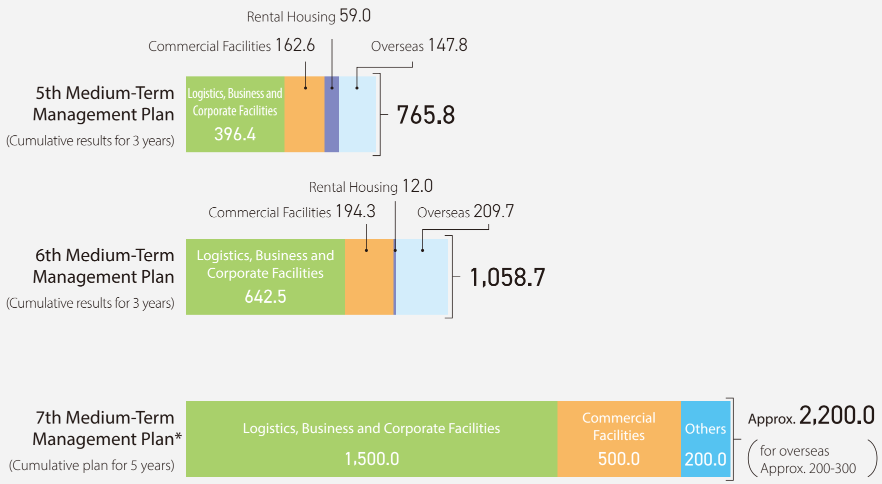
Business scheme of onsite PPA

- Install renewable energy power generation facilities onsite (e.g. on the rooftop)
- Install at new buildings constructed by the Company in cooperation with Commercial Facilities and Logistics, Business and Corporate Facilities businesses



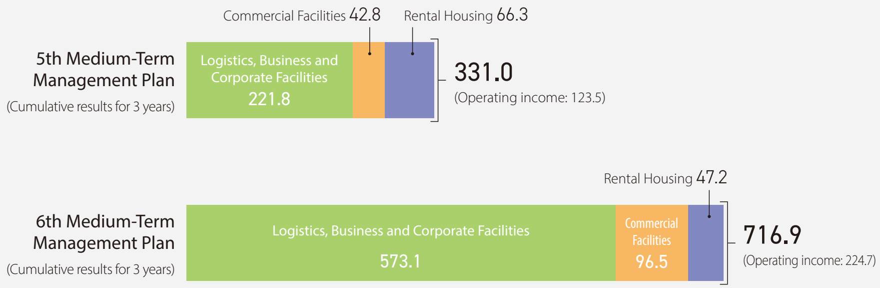
Real estate investment

Investments in real estate development Results and plan (¥ billion)



* Overseas investments are included in each business segment from the 7th Plan period.

Sale of development properties Results and plan (¥ billion)

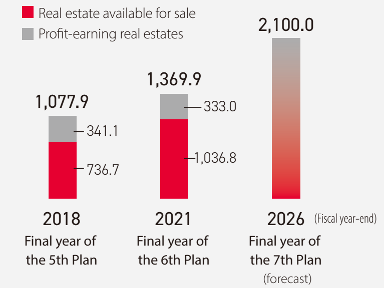


Under the 7th Plan, we plan to make a long-term investment leading to further development beyond the 8th Plan period and stable growth in stock businesses. The development investment will expand remaining focused on Logistics, Business and Corporate Facilities Business, centering on logistics facilities as a profit driver, and Commercial Facilities Business to bring out the potential of regions and contribute to job creation and prosperity. We will also invest in new fields, such as data centers and public wholesale markets. Investments in overseas real estate development will concentrate mainly on rental housing development in the US and logistics facilities development in the ASEAN region.

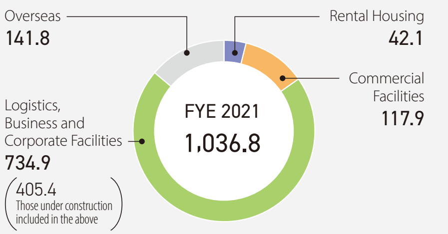
Under the 7th Plan, we sell properties at the right timing for maximizing profits, while increasing in steps profit-earning real estate (stock assets). In our exit strategy, four REIT funds that we sponsor are given priority for purchasing, namely, Daiwa House REIT Investment Corporation; Daiwa House Global REIT Investment Corporation (a private REIT that can invest in overseas properties); Daiwa House Logistics Core Fund (a private core fund exclusively investing in logistics facilities in Japan); and Daiwa House Logistics Trust (a REIT listed on the Singapore Stock Exchange planning on investment in logistics facilities in ASEAN). We are also open for sale to third parties considering the price and timing for sale.

Balance of real estate development Results and plan

Balance of real estate development (¥ billion)



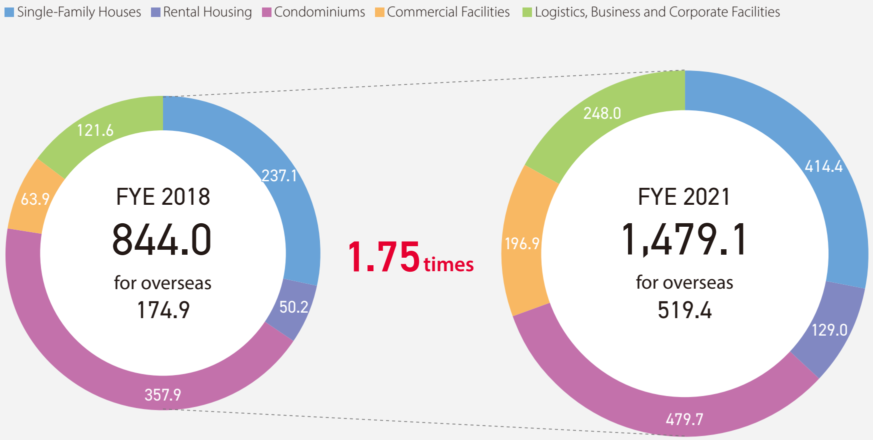
Breakdown of real estate available for sale (¥ billion)



The Group defines real estate that becomes readily salable after investment to earn capital gains as real estate available for sale, and defines real estate that we developed to earn income gains as profit-earning real estate. Some of rented properties as of March 31, 2022 showed a decline in NOI yield due to COVID-19, but we successfully earned gains on sale backed by robust trading market. Real estate development projects of a certain amount or more are subject to deliberation by the Business Investments Committee. As a general rule, each property is categorized either as real estate available for sale or profit-earning real estate in their development study phase.

FYE 2021	Book value of rented real estate (¥billion)	NOI yield
Real estate available for sale	334.9	4.6%
Profit-earning real estates	311.5	13.0%

Real estate for sale (¥ billion)



During the term of the 6th Plan, real estate for sale increased by 1.75 times. Contributing factors were an increase in real estate for sale in Japan, as well as the addition of overseas subsidiaries to the Group and continued investment in the condominium development in China.

Under the 7th Plan, we plan to make aggressive upfront investment for overseas growth. The investment areas will be strategically focused on overseas housing business mainly in the US, where population growth is expected, and condominium development in China based on real demand. Targets for strategic investment also include solar power generation equipment for realizing carbon neutrality.

Overseas Strategy Committee

As part of measures to enhance governance, the Group seeks advice of the Overseas Strategy Committee when considering expansion into new countries or new investments abroad. The Committee examines whether a project involves any risk pursuant to the investment management guidelines, and if so determined, checks if appropriate measures are to be taken. All these processes take place before group companies make a management decision at their Board of Directors or via collective decision-making.

Risk management in real estate development investments

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 436 projects as of the end of fiscal 2021.

Note: The Real Estate Investment Committee was renamed Business Investments Committee in October 2020.
All types of potential investments including real estate 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)

Risk (based on investment amount): High → Low

Deliberation	Decision-making	
Deliberation by Business Investments Committee	Electronical collective decision-making	Resolutions by the Board of Directors
Potential newsworthy projects that may significantly affect society will be on the Committee's agenda for deliberation		Any potential project will be subject to a resolution by the Board of Directors if the Business Investments Committee finds it necessary, or depending on certain conditions, such as the location of the business (overseas).

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 the ESG viewpoints (legal risks and risks associated with soil and groundwater contamination, soil conditions, proneness to flooding and other disasters and environmental impacts), 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 2021 the Committee considered 53 projects, of which two were put on hold after thorough deliberation.

Major real estate development projects subject to deliberation

- Real estate for sale in Single-Family Houses, Condominiums, etc.
- Profit-earning real estate through purchase or lease of land or construction of buildings
- Profit-earning real estate involving capital contributions to special purpose companies (SPCs) or the like
- Private Finance Initiative (PFI), redevelopment, land readjustment and other similar projects

Risk assessment for investment decisions

Economic risk assessment
- Set IRR hurdle rates*

+

Multilateral risk assessment
(16 departments, 26 items)
- Consistency with management philosophy, management strategies and brand image
- Legal risks
- Environmental impact, such as soil or groundwater pollution, ground condition risks
- Consideration for the environment such as climate change
- Appropriateness of construction costs, etc.

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

Strengthening our Bases

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- Strengthening the Customer Base 74
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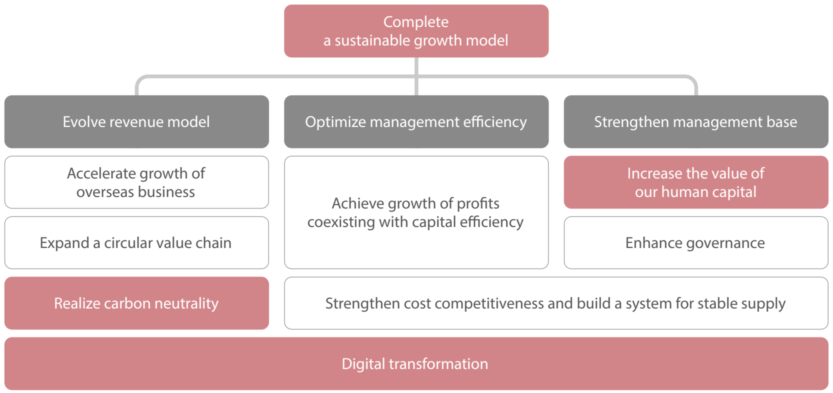
- Strengthen Relations with Stakeholders 81

Policies and focal themes of the Seventh Medium-Term Management Plan

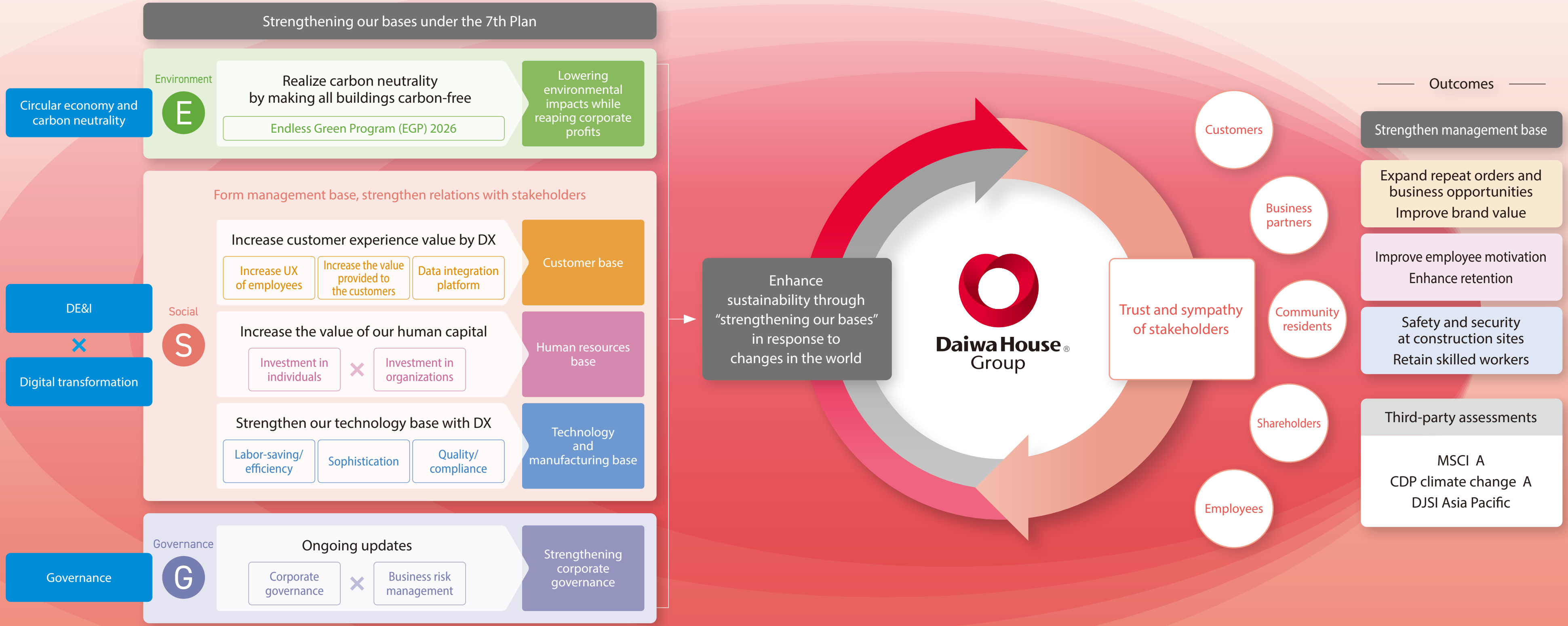


Chapter 6

Chapter 6 Strengthening our Bases

Stance on strengthening of our bases under the 7th Plan

With the promotion of ESG in light of newly identified Materiality, we work to accelerate a virtuous cycle that drives the process in which we create value.
In particular, we strengthen the three management bases of customers, human resource, and technology and manufacturing, which are the sources of value creation.
We strengthen these bases with the use of digital technologies, aiming to forge stronger relations with our stakeholders.



Circular economy and carbon neutrality

Environment

E Environmental Management

Promoting environmental management to achieve regeneration (vision/strategy/KPI)

Aiming to achieve Our Hopes for the Future, the Group announced an ultimate goal for 2055 and specific milestones for 2030 in our environmental initiatives.
In order to achieve these targets, we formulated the Action Plan for the Environment "Endless Green Program (EGP) 2026" upon compiling the Seventh Medium-Term Management Plan.
Through the Endless Green Program (EGP) 2026, we will steadily pursue circular economy and carbon neutrality, which are one of the materiality for 2030.

Our Hopes for the Future

Our Future Landscape—Celebrating the Joys of Life.

Creating the fundamental societal infrastructure and lifestyle culture rooted in regeneration, ensuring a world where we live together in harmony embracing the Joys of Life.

Long-Term Environmental Vision

Challenge ZERO 2055

The Daiwa House Group aims to realize a sustainable society as a group that co-creates value for individuals, communities, and people's lifestyles and tries to make "zero" environmental impacts within our Group, globally, and through supply chains.

Four themes:

- Mitigating and adapting to climate change
- 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

×

Three phases:

- Procurement
- Business activities
- Products and services

Seven Challenge ZERO

We set seven targets of particular importance as Challenge ZERO, and defined an ultimate goal for 2055 and milestones for 2030 to accelerate our initiatives.

1. Challenge ZERO for CO_2 in community development
2. Challenge ZERO for CO_2 in business activities
3. Challenge ZERO for CO_2 in the supply chain
4. Challenge ZERO Deforestation
5. Challenge ZERO Harm to Biodiversity
6. Challenge ZERO Waste and Reuse
7. Challenge ZERO Water-Associated Risks

* Prevention of chemical pollution is not defined as Challenge ZERO because it is already at the maintenance and management level.

Key policies of Endless Green Program (EGP) 2026

- Turning all buildings into ZEH/ZEB and installing solar power generation systems in all buildings in all our businesses in principle toward achieving "carbon neutrality in community development"
- Aiming to achieve RE100 in FY2023, as well as turning all the company's newly constructed facilities into ZEBs in principle, toward achieving "carbon neutrality in business activities"
- Sharing "carbon neutrality," "zero deforestation," and "zero waste emissions" policies with suppliers to strengthen our supply chains with the environment as a starting point
- Stepping up our efforts to satisfy expectations of society and stakeholders toward further improving ESG evaluation (expanding environmental contribution businesses, responding to climate change risk)
- Firming up the foundation of environmental management in order for us to implement faster the EGP2026 (enhancing the environmental management system, developing human resources for environmental management)

Carbon neutrality for individuals, communities, and people's lifestyles

Challenge 1
Challenge ZERO for CO_2 in community development

Ultimate goal for 2050

Through turning newly constructed buildings into net zero energy buildings and by improving energy efficiency and energy-generation installation at existing buildings, as well as through supplying renewable energy, we aim to achieve carbon neutrality by 2050.

Targets for FY2026 and FY2030

Management indicators		FY2021	FY2026	FY2030
GHG emissions from building use		vs FY2015 -30%	vs FY2015 -54%	vs FY2015 -63%
ZEH/ZEB rate	Single-Family Houses	53%	90%	
	Rental Housing	2%	50%	
	Condominiums	46%	100%, in principle	100%, in principle
	Commercial Facilities	27%	50%	
	Logistics, Business and Corporate Facilities	40%	70%	

Major initiatives

- Turning all new buildings into ZEH/ZEB in principle
- Installing solar power generation systems in all new buildings in principle

Challenge 2
Challenge ZERO for CO_2 in business activities

Ultimate goal for 2050

We implement thorough energy-efficiency measures, turn newly built facilities into ZEBs, and utilize renewable energy to achieve carbon neutrality by 2050 in all facilities and all business processes.

Targets for FY2026 and FY2030

Management indicators		FY2021	FY2026	FY2030
GHG emissions from business activities		vs FY2015 -20.8%	vs FY2015 -55%	vs FY2015 -70%
Energy-efficiency	Energy efficiency (= sales/energy consumption)	vs FY2015 1.47 times	vs FY2015 1.9 times	vs FY2015 2 times
Renewable energy	Renewable energy utilization rate (= renewable energy utilization / electricity consumption)	18%	FY2023 100%	100%
Electrification	Introduction rate of clean energy cars (= number of CEVs / company vehicles and privately owned permitted vehicles)	0.3%	15%	30%

Major initiatives

- Turning all the company's newly constructed facilities into ZEBs and installing solar power generation systems in principle
- Replacing equipment in the company's existing facilities with the energy-efficient one and electric heavy construction equipment
- Achieving RE100 by using electricity generated by the company-owned renewable-energy power stations
- Introducing vehicles fueled by clean energy for internal use

Challenge 3
Challenge ZERO for CO_2 in the supply chain

Ultimate goal for 2050

Through collaboration with suppliers, we aim to achieve carbon neutrality in the supply chain by 2050.

Targets for FY2026 and FY2030

Management indicators		FY2021	FY2026	FY2030
Setting rate of principal suppliers' SBT-level GHG reduction targets		34%	FY2025 90%	All principal suppliers to achieve GHG reduction targets
Environment and Energy business	The number of contracts for energy-efficiency and energy-generation solutions (cumulative from fiscal 2022)	–	50	

Major initiatives

- Strengthening engagement with principal suppliers (decarbonization WG, decarbonization dialogue)
- Strengthening proposals of energy-efficiency and energy-generation solutions for principal suppliers

Initiatives for Biodiversity

Challenge 4
Challenge ZERO Deforestation

Ultimate goal for 2055

Through collaboration with suppliers, we aim to achieve zero deforestation arising from materials procurement at all segments by 2055.

Targets for FY2026 and FY2030

Management indicators		FY2021	FY2026	FY2030
Ratio of C-ranked timber		2.7%	0%	0%
Adoption rate of sustainable plywood concrete form		–	20%	100%
Setting rate of suppliers' zero deforestation policy	Primary suppliers	–	90%	100%
	Secondary suppliers and beyond	–	50%	100%

Major initiatives

- Requiring suppliers to formulate zero deforestation policy to avert timber procurement with deforestation risk
- Promoting sustainable timber procurement by adding plywood concrete forms to the scope of survey

Zero deforestation policy

1. Purchase timber (lumber) and wood products only from suppliers with declared Zero Deforestation policies
2. Purchase timber and wood products only from suppliers that handle products harvested or manufactured with due consideration for the safety and rights of labor and indigenous peoples in the country of origin
3. Purchase only timber and wood products whose traceability is certain
4. Extend the scope of the survey on sources (added plywood concrete form; wood used in fixtures, fittings, doors, and windows; and wallpaper)

Challenge 5
Challenge ZERO Harm to Biodiversity

Ultimate goal for 2055

We aim to prevent any net loss of biodiversity by 2055 through sustainable business operation that takes into consideration the protection of biodiversity, and enhancement of the amount and quality of green space in housing, construction, and community development.

Targets for FY2026 and FY2030

Management indicators	FY2021	FY2026	FY2030
Eco-friendly surface area of green spaces (vs 2021, cumulative)	–	+ 1,000,000m²	+ 2,000,000m²
Ratio of formulation of protection plans of significant sites at the company's facilities	–	100%	100%

Major initiatives

- Promoting exterior planting with indigenous species in consideration of the network of ecosystems
- Completing biodiversity assessments of all the company's facilities and formulating biodiversity protection plans for significant sites

What is an eco-friendly surface area of green spaces?

The sum of surface area of green spaces in the exterior planting for properties, where the number of indigenous species accounts for 50% or more *

* 50% or more in each of tall trees and shrubs

Initiatives for resource use and water-associated risks

Challenge 6
Challenge ZERO Waste and Reuse

Ultimate goal for 2055

We will use only recyclable or recycled materials at our housing and construction businesses by 2055. Through extending the durability of our buildings, we aim to minimize the volume of resources used and waste emissions. We also aim to achieve zero waste emissions and total recycling of resources throughout supply chains across the Group.

Targets for FY2026 and FY2030

Sector	Management indicators	FY2021	FY2026	FY2030
Livness business	Number of assets subject to effective use	3,989	4,500	To be formulated in FY2026
	Number of assets subject to durability extension	3,246	4,900	
Factories	Recycling rate of waste plastics material	11%	30%	
Hotels	Recycling rate of items subject to the Plastic Resource Circulation Act	–	50%	100%
Supply chains	Achievement of zero waste emissions targets by principal suppliers	35%	90%	Achievement of zero waste emissions targets

Major initiatives

We step up our efforts to contribute to the long-term use and recycling of resources based on a circular economy approach (expanding Livness business, promoting greater durability, encouraging material recycling, zero waste emissions in supply chains).

Promoting effective use of aged assets by brokering and renovating existing properties

Challenge 7
Challenge ZERO Water-Associated Risks

Ultimate goal for 2055

We aim for sustainable utilization of water through reducing water consumption, total recycling of resources, and conservation of aquatic environments throughout supply chains across the Group by 2055.

Targets for FY2026 and FY2030

Management indicators	FY2021	FY2026	FY2030
Water-saving device adoption rate	90%	98%	100%
Water consumption per unit of sales	vs FY2012 -47% *1	vs FY2012 -40% *2	vs FY2012 -45% *2
Implementation rate of water risk surveys	–	100%	Completing response to water risks

*1 Affected by COVID-19 *2 Set based on the pre-pandemic results

Major initiatives

We work to reduce water consumption throughout supply chains across the Group and complete the survey and identification of water risks.

Waterless toilet (Sports Club NAS)

Developing human resources for environmental management

We encourage our employees to obtain the Eco Test certification as it is a good way to acquire basic knowledge regarding varied and complex environmental issues. We strive to raise environmental awareness internally and develop human resources engaged in this area.

FY2026 targets

Management indicators	FY2021	FY2026
Number of those who acquired the Eco Test certification	19,033	38,000

Major initiatives

By linking the certification with the employees evaluations, the Group aims to improve their environmental literacy and awareness. We have employees take to heart the Action Plan for the Environment (Endless Green Program 2026).

Voice of an Eco Test certification holder

When I was an elementary school student, economic development was given priority; the fog of pollution would often cover the sky, and I even heard a photochemical smog warning issued in the middle of class. Environmental issues are a pressing task that must be addressed immediately for the sake of our children and their children's children.

Katsuhiro Sugiyama
Saitama Branch Manager, Executive Officer
Daiwa House Industry Co., Ltd.
(Acquired the certification in August 2021)

Environmental management system

Governance

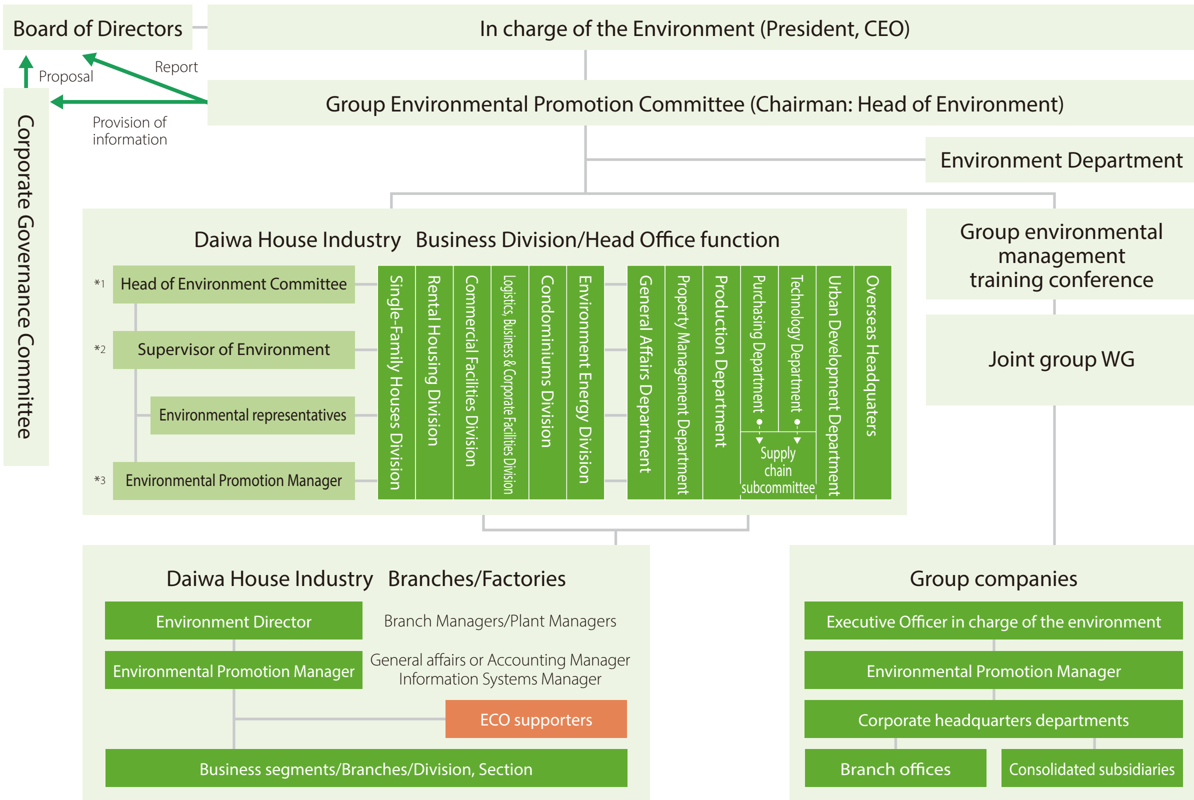
The Daiwa House Group has positioned mitigating and adapting to climate change as one of its key management issues and has appointed an Executive Officer in charge of the Environment with responsibility for implementing climate change strategy. We have established the Group Environmental Promotion Committee,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

In addition, the Endless Green Program, the environmental action plan formulated 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. 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.

In fiscal 2021, the Board of Directors deliberated a basic plan for Endless Green Program 2026, a new environmental action plan, and decided the levels of environmental goals for fiscal 2026. In line with the start of the Seventh Medium-Term Management Plan, the Board of Directors also reviewed the directors remuneration system in June 2022 to reflect the progress of our actions for climate change.

Sustainability Report 2022: Environmental management system ▶ P.24

Environmental management system



*1 Business divisions only *2 Appointed from the chief and deputy general manager class of the business management department in the business division
*3 One person each appointed from the administrative class of the sales, development, design, and construction departments

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

Supporting the TCFD Recommendations and enhancing disclwosure

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 "Governance," "Strategy," "Risk Management," and "Metrics and Targets" framework recommended for disclosures by TCFD as a tool for verifying the rationality of our initiatives on climate change, the Daiwa House Group intends to actively disclose information in line with the TCFD recommendations, paving the way to constructive dialogue with investors and others.

Sustainability Report 2022: Response to the TCFD ▶ P.40

Transition plan to achieve carbon neutrality

The Daiwa House Group has positioned mitigating and adapting to climate change as one of its key management issues and has continued efforts toward achieving carbon neutrality by 2050 as declared in the Long-Term Environmental Vision.

In the carbon-neutral strategy under the Seventh Medium-Term Management Plan that started in fiscal 2022, we set as a milestone a 40% reduction in GHG emissions by fiscal 2030 compared to fiscal 2015 throughout our value chain (scope 1, 2 and 3). Toward this target, we accelerate our initiatives in all aspects of the entire business.

Mitigation plan for reducing GHG emissions (by scope)

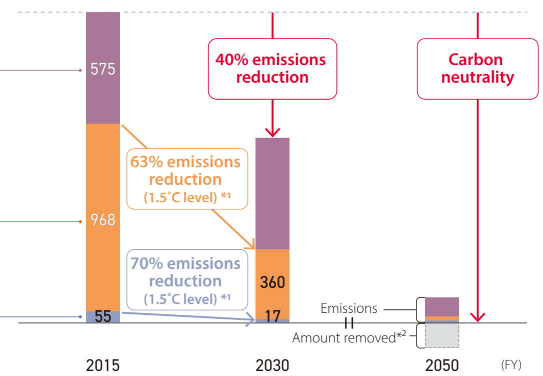
Key actions for achieving 2030 targets

Scope 3 (procurement, other)
- Setting and achieving SBT-level GHG reduction targets for major suppliers
- Helping major suppliers reduce GHG emissions by offering ideas for saving and generating energy

Scope 3 (Use of sold buildings)
- All buildings to be made ZEH/ZEB in principle
- All buildings to have solar panels installed in principle

Scope 1 and 2
- Upgrading to energy-saving equipment in our existing facilities
- Achieve RE100 through renewable energy generated by us (2023)
- Building all new owned facilities to be ZEB-ready as a rule, and equipping them all with solar panels
- Electric vehicles and heavy machinery

GHG emissions across the entire value chain



*1 Annual average of 4.2% or more
*2 As reducing emissions to absolute zero is impracticable, we will achieve net zero emissions by removing the commensurate amounts of GHGs whose emissions are inevitable.

Strategy

The risks and opportunities associated with climate change can be considered as those caused by "transitions," such as the strengthening of regulations, advance 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.

Steps for strategy development

STEP1
Assess the priorities of climate change risks
- List risk items
- Describe the impacts on business
- Assess the priority of risks

STEP2
Identify scenarios

STEP3
Evaluate the impacts on business
- Identify financial items that may be affected by risks and opportunities
- Consider calculation formulas and estimate financial impact

STEP4
Consider countermeasures and reflect them in policy and strategy
- Grasp our response to risks and opportunities
- Consider measures to respond to risks and to seize opportunities
- Reflect them in policy and strategy

STEP5
Disclose information

Main risks and opportunities related to climate change

Affected period: Short: less than 1 year; Medium: over 1 year but less than 5 years; Long: over 5 years
Degree of financial impact: Small: less than ¥10 billion; Medium: over ¥10 billion but less than ¥100 billion; Large: over ¥100 billion

Type			Details	Period of impact	Level of financial impact
Risks	Transitions	Policy, laws and regulations	Cost price increase due to change in specifications owing to tougher regulations of the Building Energy Efficiency Act	Short term	Medium
			Increase in operational costs due to expansion of carbon tax and emissions trading system	Medium term	Small
	Physical changes	Chronic	Increase in risk of heatstroke at construction sites due to rise in summer maximum temperatures	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	Small
Opportunities	Transitions	Products and services	Increase in demand for houses and buildings with low greenhouse gas emissions	Short term	Large
			Generation of carbon credits through provision of low-carbon houses and buildings	Long term	Medium
			Expansion of Environment and Energy business due to rising demand for renewable energy	Medium term	Medium
	Physical changes	Products and services	Rising demand for houses and buildings equipped for meteorological disasters	Medium term	Medium

Summarized results of scenario analysis

1.5°C scenario

A scenario under sustainable development
to limit global warming to 1.5°C above pre-industrial levels

Reason for selection	The scenario is aligned with Net Zero by 2050 (1.5°C goal) declared by Japan, in which we mainly operate, and involves relatively high transition risks.
Result of analysis	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, ZEH-Ms, ZEBs, and the environmental energy business.
Reflection in policies and strategies	Under the banner of "turning carbon neutrality into a growth engine for all businesses," we have decided on policies of making all new buildings into ZEH and ZEB as a rule, and installing solar power generations systems on all buildings. We monitor progress using sales rates for ZEH, ZEH-M and ZEB as key management metrics and reflect the results in our business strategies.

Main approach

We provide sales and design staff with education and seminars on ZEH and ZEB to improve their knowledge and marketing capabilities. To customers, we developed tools to convey the advantages and costs of environmentally conscious buildings in an easy-to-understand way, as well as energy calculation tools, thereby expanding our initiatives in the area. The targets set at the beginning of each year are reviewed quarterly to confirm progress. The achievement level of targets is reflected in the performance evaluation.

4°C scenario

A scenario with maximum GHG emissions
under fossil fuel-dependent development with no climate policies implemented

Reason for selection	The scenario with the biggest physical impact was selected to hypothesize the most extreme situation.
Result of analysis	Additional costs could arise due to supply chain disruptions 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.
Reflection in policies and strategies	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, etc. as key management metrics and reflect the results in our business strategies.

Main approach

We deployed environmental sensor at our construction sites in an effort to act promptly to prevent heatstroke or prepare for strong winds. We also formulated a business continuity plan for our supply chain, based on which we promoted measures, such as procuring materials from multiple suppliers and manufacturing sites. In the single-family housing business, we released the "Anti-Disaster House" equipped with the All-Weather Three Battery Linking System which can secure power, heating, and hot-water for some ten days in case of power outages even when it is raining. We have sold a total of roughly 450 such houses by the end of fiscal 2021. In fiscal 2021, roughly 70% of single-family homes had solar power generation systems and about 50% had storage batteries.

Social

S Efforts at Social

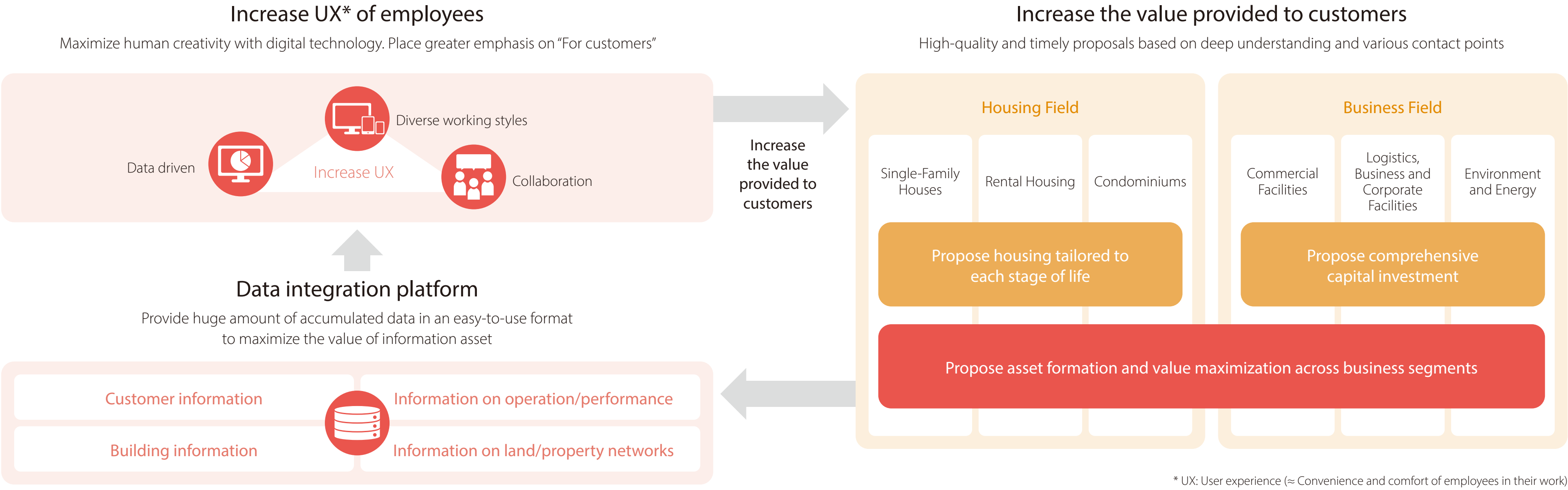
Strengthening the Customer Base

We promote proposal-based marketing that resolves issues based on customer-oriented perspectives. By maintaining close long-term relationships with our customers even after construction, we succeed in building solid relationships with them. Under the Seventh Medium-Term Management Plan, we develop an integrated platform to utilize information we gain through the largest business scale in the industry and maximize our employees' creativity with digital technology. Through these efforts, we enhance operational know-how to build relationships with customers—intellectual capital—so as to maximize the value we provide to customers, with an aim to further strengthen the customer base as social capital.

Customer Base

Landowners	Corporate tenants
Approx. 40,000	Approx. 4,300

Increase customer experience value with DX



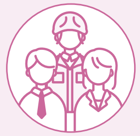
* UX: User experience (≈ Convenience and comfort of employees in their work)

Strengthening the Human Resources Base (1) Views on human capital management

Maximizing employees' motivation and pride in their work to build a base for value creation

Under the Seventh Medium-Term Management Plan, we actively invest in human capital and maximize individual and organizational values to build innovation base. While attracting a diverse workforce aligned with our business strategies, we provide growth opportunities for them with a focus on each individual's personality and set of values to support their self-directed career development. Our aim is to foster a sound and reassuring work environment where diverse individuals can fully exert their own characteristics and connect with colleagues through dialogue. Such a corporate culture will be conducive to our new value creation as an organization.

Human Resources Base

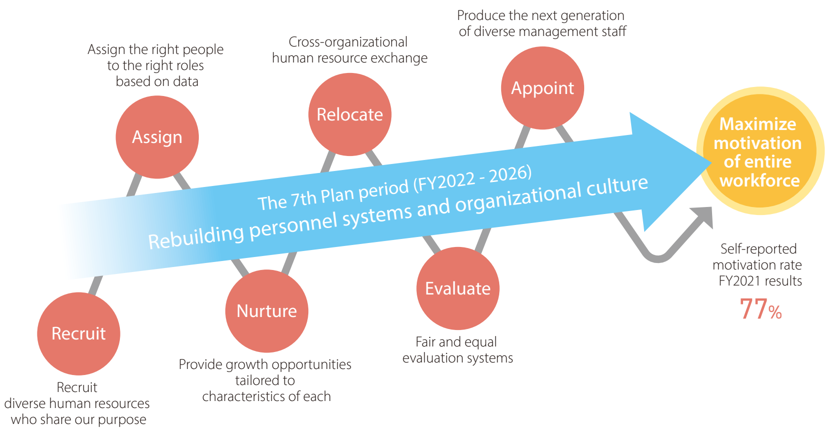


Employees who inherit the founder's spirit and share *Our Hopes for the Future*

Approx. **48,000**

Maximizing employees' motivation and pride

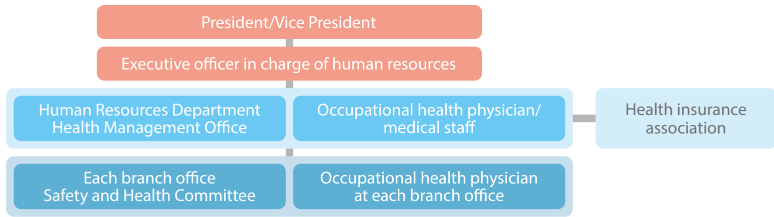
Under the 7th Plan, we boost employee engagement by thoroughly rebuilding and integrating the personnel systems and initiatives for each stage of career development. Establishing a system that encourages the fulfillment of Our Hopes of the Future (our Purpose), we build foundations of human capital management.



Health is the basis of everything

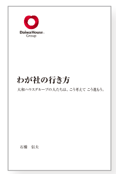
With "the foundation of home and community development starts with health" as its health management policy, the Company is making company-wide efforts to enhance employees' well-being—mental, physical and social health.

Health management promotion system



Raising awareness of our founder's spirit

"Develop people through business" is the first point of our corporate creed, based on which we have been developing human resources through resolving issues in a thorough bottom-up approach. With our founder's spirit as the underlying basis, we systematically provide educational and training programs to all employees from senior management to new recruits, using *The Future of the Daiwa House Group* as a textbook. We strive to nurture human resources who drive businesses that will be of service to society.



The Future of the Daiwa House Group by Nobuo Ishibashi

Strengthening the Human Resources Base
(2) Intensify recruitment and enhance human resources development

Intensively recruit diverse human resources who share our purpose, and support their self-directed career development through multi-track growth opportunities.

To enhance human capital, we intensify recruitment and enhance human resources development. Upon thoroughly reviewing the conventional recruiting method, we continue an annual recruitment of about 700 new graduates with an eye to the group's future in 2055. We also focus on employing mid-career recruits aligned with our business strategies, such as those with a high level of technical expertise, those versed in digital technologies, and talents from overseas. We have also embarked on designing a personnel system (for evaluation and remuneration) in order for us to be ready for accepting individuals with advanced experience and skills. Once employed, we will support their personal growth and fulfillment of their hopes for the future by providing multi-track growth opportunities conducive to their self-directed career development. We also facilitate exchange of people across organizational boundaries, aiming to increase the value of our human capital.

Attract a diverse human resource

We hire about 10 graduates of industrial high schools every year. They receive advanced special education for two years at the company's expense, and are assigned to construction sites. (Introduced in 2018)

Construction management jobs were long considered for men, but we actively assign female employees to that post, and a total of 146 women is active as of April 1, 2022. Increasing female supervisors has also improved the working environment of construction sites.

Views on human resources development

We aim to maximize the value of individuals by enhancing personality and capabilities of employees through the provision of multi-track growth opportunities. The Human Resources and Interpersonal Relationships Development Department takes the lead and cooperates with each business division. We implement a training program for each class of employees and supporting programs for the female employees belonging to sales and technology divisions. We also aim to maximize the value of the organization through dialogue, which would connect capabilities, ideas, and experiences possessed by individuals. The human resources development costs amounted to approx. ¥1.4 billion during the Sixth Medium-Term Management Plan. At MIRAI KACHI KYOSO Center (Kotokurie), a facility in which we invested to strengthen the human resources base, we started offering trainings to nurture personnel who inherit the founder's DNA and co-create value for the future.

Cross-border career support system (Introduced in FY2022)

The Company supports employees' self-directed career development and networking, as well as the acquisition of new skills and capabilities. We provide opportunities for them to engage in discussions and problem-solving in different fields and industries, such as through cross-border experience and working in a different sector, while maintaining their employment.

System menu

(As of April 1, 2022)

Company-arranged secondary employment
Work at another employer (a corporation or NPO) is arranged by the Company through an open call for each project

Self-arranged secondary employment
The employee themselves arranges to work at another employer (a corporation or NPO)

In-house secondary employment
The employee spends some of their working hours on a project or other work at a different department while remaining a member of their current department

Secondment to a different company
The employee can experience work that is different from their current employment by spending a fixed period working at a different company

DE&I

Strengthening the Human Resources Base
(3) Foster a working environment where diverse human resources can maximize their potential

Create an organizational culture where diverse human resources can perform to the best of their abilities in a fair environment, while deciding how to live by themselves

We believe that the source of innovation is a diversity in knowledge and experience possessed by diverse human resources. Based on this belief, we create an environment that supports human capital (DE&I)—an organizational culture where people mutually respect and leverage differences in terms of gender, disability, gender identity, sexual orientation, age, or nationality. For example, to the child-bearing and child-rearing generations, generous support is provided, including the one-time childbirth allowance introduced in 2005. With such an assistance, the Group aims to create a virtuous cycle in which child bearing and rearing experiences can be utilized in work. We also promote senior employees' active participation regardless of age. In addition, the Group introduced in 2021 a Same-sex Partnership Program, another system that is not bound by conventional framework.

Support for child-bearing and child-rearing generations

One-time childbirth allowance

Employees receive a one-time payment of ¥1 million for each child born; this allowance has already been used by over 10,000 people (for payments of ¥10 billion) in 2021

Childcare leave system

Extra childcare leave is available until the child turns three years of age, beyond the childcare leave system legally stipulated (up to one year of age in principle, until two years of age at maximum)

Reduced working hour system for childcare

Short-hours working (six or seven hours) is available during pregnancy and until the child is in the third grade of elementary school, beyond the legally stipulated period

Career support system for child-rearing employees

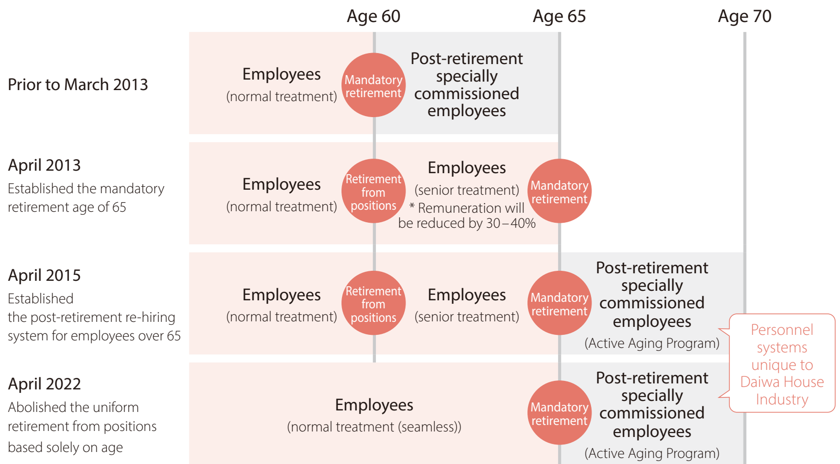
Support for early return from childcare leave and ensuring working hours after returning to work, by providing assistance in finding a nursery and babysitting subsidies

Same-sex Partnership Program

A program that allows LGBTQ employees to, by notifying their partner to the Company, receive the same benefits package offered to those with legal spouse

Promoting senior employees' active participation

In anticipation of an aging and decreasing population, the Company established the mandatory retirement age of 65 in 2013, ahead of industry peers. In 2022, we revamped the system to treat senior employees and developed a one so that highly experienced and skilled human resources can perform to the best of their abilities throughout their lives.



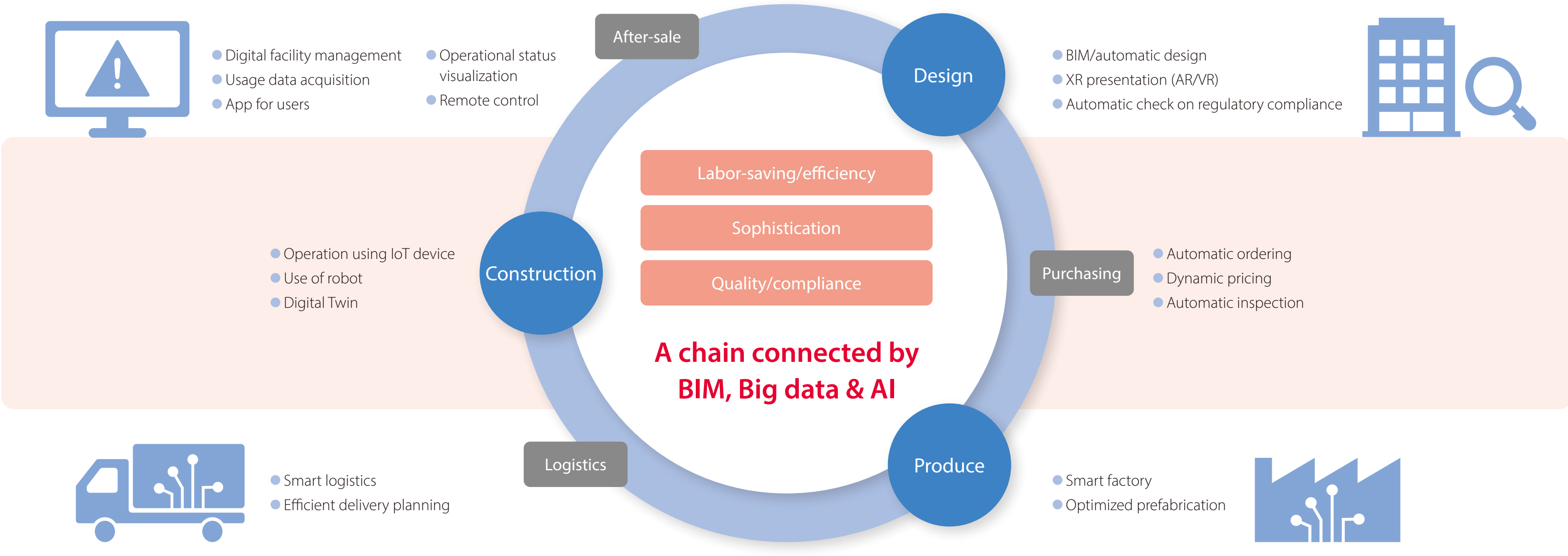
Digital transformation

Strengthening the Technology and Manufacturing Base

Daiwa House Group has pioneered manufacturing with "industrialization of construction" as its corporate philosophy. The construction industry is confronted with a variety of issues, such as shortage of younger workforce and soaring resource prices. Given the situation, the Group takes measures to evolve supply chains with digital technology. By making smarter the entire construction industry, we will help reform it to an attractive one for workers, and strengthen the technology and manufacturing base.

Technology and Manufacturing Base

Our supply chain network	Approx. 4,900 companies
Production sites	9
R&D sites	2



Creating Social Value (Impact)

As an example of social value (impact) created with the purpose as a starting point, we introduce our initiative in logistics development in the Logistics, Business and Corporate Facilities Business.

Social issues

- Labor shortage
- Build logistics DX
- Revitalization of local economies
- Growing need for disaster preparedness

Value creation

Develop logistics facilities serving as social infrastructure with inclusiveness in consideration

Investments in the 6th Plan (3-year results): ¥642.5 billion

Investment scale in the 7th Plan (5-year plan): Approx. ¥1.5 trillion

Outputs

Maximize logistics facilities value

Number/area of logistics facilities developed (cumulative)	333; approx. 12 million m² (No.1 in the industry)
Number of nurseries attached*	Opened: 3 locations; To be opened: 3 locations; both in Japan
Number of local governments signed agreements for receiving assistance to civic life in time of disasters*	10 cities and 1 prefecture
Automation and labor-saving through logistics DX	Number of cooperative projects: 6; Number of robots introduced: 650
Number of solar power generation equipment installed/power generation output (cumulative)	45 sites; approx. 60 MW

Sales of development properties during the 6th Plan (3-year results): ¥ 573.1 billion

* Results for multi-use facilities

Outcomes

Create jobs and upgrade facility functions by offering lifestyle support services and evacuation shelters

Anticipated indicators

- Growth in EC ratio (1.2% in 2005 → 8.1% in 2020)*
- Changes in working hours and employment in facilities
- Changes in the number of facility users and nursery users
- Number of logistics DX developments and validation experiments conducted with business partners
- Number of collaborations with startups
- CO_2 reduction rate

* From "E-Commerce Market Survey" by Ministry of Economy, Trade and Industry

Purposes

(Society we aspire to)

Towards a society where we live together in harmony embracing the Joys of Life

Impact

- Carbon-free society
- Providing infrastructures to meet corporate needs → Achieve disaster-resilient and sustainable business activities
- Revitalize local communities → Develop communities where people can reside for a long period with peace of mind; achieve inclusive local communities
- Contributions to SDGs

Anticipated indicators

- Satisfaction of local companies, residents, and workers (number of the Joys of Life)
- Range of age groups of workers at facilities (number of the Joys of Work)
- Number of days to restore from a disaster

Under the 6th Plan, the Company invested ¥642.5 billion in the development of logistics facilities, etc. that would serve as social infrastructure with consideration for inclusiveness. Maximizing the value of logistics facilities, we also helped resolve social issues and created social impacts, such as decarbonization of a society and revitalization of local communities.

Under the 7th Plan, the Company continues active development investment and logistics DX investment to achieve Our Hopes for the Future, "a society where we live together in harmony embracing the Joys of Life."

Our Future Landscape in 2055 created through logistics DX and revitalization of local economies

Daiwa House Industry has its operating sites across the nation. As such, our development of logistics facilities under the watchword "regeneration" should help revitalize local economies, exerting a massive impact on society.

In Japan, the ratio of the e-commerce market scale to the total amount of transactions is approx. 8%, which is lower than the global level and has room to grow. The progress in logistics DX has resulted in increased use of robots in facilities, which is still insufficient to keep pace with the growth in cargo volumes. To tackle labor shortage and ensure stable delivery and supply, the Company intensifies proposals related to logistics DX and accelerates cooperation and collaboration with a variety of startups with proprietary technologies.

Attracting tenants to developed facilities and creating jobs are ways to revitalize local economies. At DPL Nagareyama IV, a large-sized multi-tenant logistics facility constructed in 2021, we have an onsite nursery named mama square . With the nursery built within the facility, local residents of child-rearing generations can work with peace of mind, pursuing both work and childcare, while we secured the employment of that generations. Reassuring that there is a place to work would motivate the next generation of residents to rear their children, thus promoting "regeneration." We have also concluded an agreement with Nagareyama City for providing assistance to civic life in time of disasters. We believe that offering the facility as a temporary evacuation shelter and storage of emergency provisions helps ensure safety and security of local residents.

We also seek to maximize the "rooftop value" of logistics facilities. Offering value-added proposals, such as installation of solar panels, we contribute to the uptake of renewable energy toward realizing a carbon-neutrality.

Efforts in logistics facilities development

Daiwa House

Daiwa Logistics

Capital contributions

Capital contributions

Capital contributions to mama square

Aiming to reform the way people work, encourages employment of the child-rearing generation in their 20s and 30s and realizes a style "work and residence in close proximity," by which working mothers can work near their children.

Install rooftop solar panels

Collaborate with diverse startups

Daiwa LogiTech inc.
Holding company of logistics IT companies

Frameworx Inc.
Logistics system building, logistics consulting

monoplus, Inc.
Support for building cloud systems

acca international Co., Ltd.
Fulfillment business for online shopping

GROUND Inc.
Sale of automatic conveyance robots

Hacobu Corporation
Cloud-based vehicle dispatch and traffic control system

ABEJA, Inc.
Up-and-coming venture company in artificial intelligence development

Strengthen Relations with Stakeholders

Kotokurie, a place to learn and grow together with community residents

At Kotokurie, we are promoting the cutting-edge "provision of opportunities and environments for learning and connection" with a future mindset by integrating Daiwa House Group's employee education for the creation of new business value with activities focused on society, such as co-education activities centered around the children of local communities and co-creation activities with diverse stakeholders. These are to enhance the three values of Value for Living, under which everyone can be themselves and have lively and proactive lives, Economic and Social Value, to revitalize society as a whole, regions, towns and people, and Global Environmental Value, to enable the sustainable coexistence of humans and the Earth.

Co-educational activities

Junior Kotokurie DAY Orientation

Co-creation activities

Co-Creation Forum Smart Community Workshop

Inclusive community created together with community residents

■ Cooperation with residents to resolve community issues (Livness town)

As a way to redevelop the Neopolis branded suburban residential complexes we developed in the past, we are working on the Livness Town Projects in eight locations across the nation. In order to make communities more attractive and livable, not only do we need to upgrade hardware, but also must think together with home owners about how to operate and utilize the town on their own. We are working in coordination with our group companies to enhance the lifetime value of each home owner.

Midorigaoka Neopolis
(Miki City, Hyogo Prefecture)
Opened in January 2022 a satellite base where home owners can drop in casually

Hankyu-kita Neopolis
(Kawanishi City , Hyogo Prefecture)
Participated in a local event, aiming to build a relationship with home owners

■ Job creation in local areas (COCOLAN)

At Midorigaoka Neopolis, we are working to achieve social inclusion together with mentally challenged employees and part-timers living in local communities through the cultivation of COCOLAN, a miniature variety of moth orchid.

Sustainability Report 2022:
Community engagement in urban development ▶ P.81

Contribution to communities through business

■ Contribution to community revitalization through urban development business

From fiscal 2019 to 2021, we implemented initiatives that would revitalize communities for all the urban development projects that Daiwa House Industry involved in from the design stage. As components of these initiatives, we assisted residents in forming and activating community associations and built systems to finance community management with proceeds made from renewable energy sales.

At 14 forest-side towns around Japan, we have been engaged in community development and offering encouragement for relocation, under the Kurasu Mori (forest living) brand established in 2020. We are working to improve customer satisfaction and provide safe and secure living by opening Kurasu Mori Sharing Salon community spaces and an Owners Club Members' site, and by holding exchange events both online and offline.

■ Cooperation with local governments to improve resilience for communities

The Company is promoting initiatives for sustainable community development together with local governments while resolving local issues, taking steps with facility tenants to establish a system for supporting and accepting commuters who have difficulty going home when a disaster strikes. This includes agreements for cooperation during disasters with local governments upon developing new real estate projects, and agreements with the governments of towns in which Neopolis residential districts are located.

Sustainability Report 2022:
Collaboration with tenants and local community ▶ P.82

Governance

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Chapter 7

Chapter 7 Governance

Roundtable

Adopting our Purpose with eyes firmly set on our goals for 2055

Daiwa House Group after making OUR FUTURE LANDSCAPE—Celebrating the Joys of Life its Purpose
We invited two of our outside directors to talk about what we of the Daiwa House Group have in mind as we move toward achieving the society we aspire to bring about

Takeshi Kosokabe
Executive Vice President

×

Yukiko Yabu
Outside Director

×

Miwa Seki
Outside Director

The Motivations Embodied in Our Hopes for the Future Project

Executive Vice President Takeshi Kosokabe: After consulting the Board of Directors, we used backcasting to identify the materialities we need to address to develop a new long-term vision for 2055. The current cohort of young people will the people shouldering the future when, according to our previous corporate visions, we were to achieve ¥10 trillion in net sales by Daiwa House Industry's centennial in 2055. To serve as a compass guiding the Daiwa House Group forward, we adopted Our Hopes for the Future as our Purpose. We involved all employees in the process, with focus on the human assets who will shoulder that future but also our outside directors, of which you are two. The intent was to have everyone provide input for hammering out a Purpose that could serve as a guidepost for how the Group ought to be. Could you relate your impressions of the process up to the Purpose's adoption?

Outside Director Yukiko Yabu: Corporate purposes are usually statements based on a company's management philosophy or ideals; but I think what makes the Daiwa House Group's Purpose innovative is the process we followed to formulate and adopt it. Rather than imposing it from above, we took time to produce it in consultation with employees who will shoulder the future, college students who are potential employees, business partners, investors, and other stakeholders. Takashi Nawa, a visiting professor at Hitotsubashi University's School of International Corporate Strategy who is an expert on management based on corporate purpose, says three elements are essential to make a corporate purpose successful: something exciting, something unique, and something the company can do. In other words, it has to inspire employees to want to serve society through their company's business activities by making it their own personal purpose. I think Our Hopes for the Future does that all very well.

Outside Director Miwa Seki: I concur. Our Hopes for the Future's embodying the values that employees can make their guide as they go about doing their jobs, makes it vital. It also gives other stakeholders material to make decisions about the company: Customers, for why they should want to seek out the company's products and services; investors, for why they should want to own shares in the company; and suppliers, for why they should want to work with the company. And the project was impressive for how it let the younger-generation team do some straight-talking to management. I see its significance in the whole bottom-up process of taking the time needed to hash out details of Our Hopes for the Future. I was greatly impressed by how deeply the founder's spirit is imbued in the Daiwa House Group DNA: a surprisingly large number of survey respondents said that they wanted to help others or be of service to society. I think that's a strength other companies don't have and that Daiwa House employees have the mettle to carry through as a team.

Yabu: Something that surprised me when I was appointed outside director is one of the things the founder said: "Speed is the greatest service you can provide." I noticed that front-line employees involved in the company's business actually take personal initiative to speedily turn opportunities into a profit-generating businesses. I think their ability to gather relevant information and then move to make things happen, are a Group strength. Further, the content of Daiwa House Industry's businesses has acute social and customer relevance. The work we do is of palpable utility to society.

Seki: Indeed. It's clear that the things Daiwa House Industry has built have value, whether we're talking about single-family houses and condominiums or logistics facilities, data centers, and other pieces of social infrastructure so indispensable for maintaining people's affluent lifestyles. I feel a certain excitement at Daiwa House Industry's declaring its intent to accelerate their regeneration so they will become public utilities of service to everyone on a global scale.

Kosokabe: The Daiwa House Group's founder and its leaders since have left behind a lot of great words of wisdom. They're all great, but some need to be reinterpreted for today's world—like Ms. Yabu's "Speed is the greatest service you can provide." When the founder said that, Japan's rapidly rising urban population was facing a housing shortage and the times demanded affordable, quality housing that was quick to build and occupy. But today, though we still value speed, it is less urgent and our primary emphasis is on quality and services. Our Hopes for the Future carries on the dreams and aspirations of the founder, and the possibilities of making them happen are inherent in it. Nonetheless, sometimes you

will have to adjust such maxims to keep them relevant to new circumstances as the times change.

Yabu: Yes, we understand that. We in management need to watch carefully to be sure that what they're doing actually enhances corporate value and, when not, be ready to change tack.

Kosokabe: We're just getting started on ensuring that our new Purpose takes hold. As a member of management, I have to be vigilant that the running of the company remains true to our aspirational principles, and I think our Purpose has to be translated into practice at the frontlines of our businesses as well. I'm hoping that achieving ¥10 trillion in sales will be not just a number but a gift from our customers for having fulfilled the tenets of our Purpose.

Yabu: It would be really disappointing if the public, on seeing the Japanese title, were to think Our Hopes for the Future was just another slogan about simple dreams, because it is actually quite profound. We need to continue communicating its significance to us so the public will gain a deeper

understanding and come to appreciate that Our Hopes for the Future embodies the responsibility and resolve we at the Group share: We want to contribute to society through our businesses as we fulfill Daiwa House Group's raison d'être, as we have redefined it to fit current needs.

Seki: I think getting involved in societal issues that need solving globally will be key to enhancing Daiwa House Group's corporate value. We adopted a Purpose because there are business opportunities to be had. Further, by strengthening the foundations it has already built, I think the Group will be able to look for new opportunities to greatly expand business.

Kosokabe: Up till now we always went into businesses that involved pursuing material abundance; but from now on, I think we should aim for spiritually fulfilling—cultural, if you please—abundance. This, I think, is Daiwa House Group's ultimate mission. Together with defining specific key performance indicators (KPIs) for our materialities, as a business strategy we need to start defining KPIs for Our Hopes for the Future as well. And then our *real* work will begin!

The expectations on the Daiwa House Group apparent in our materialities

Yabu: Globalization counts among our materialities, and our overseas businesses feature large in the Seventh Medium-Term Management Plan.

Seki: Most companies in sectors catering to domestic markets chant the globalization mantra, have yet to make much progress. In contrast, Daiwa House Group proactively invests in overseas businesses, particularly in places like North America, China, and Asia, and has set ambitious globalization goals in its Seventh Medium-Term Management Plan. The Group's past achievements impress me as substantiating the potential and persuasiveness of those goals.

Kosokabe: In our domestic market-facing businesses, emphasis on regional revitalization—revitalization of localities outside the major urban areas. This, too, is very important. In fact, I think we ought to emphasize it more, given the rather high proportion (in comparison to other players in our sector) of the Group's sales coming from regional localities. As far as our overseas ventures are concerned, I think we need to further clarify the significance of what we want to do overseas and doing business abroad.

Seki: I think Daiwa House Group needs to train and nurture human assets overseas in the same way it has in Japan if it's to do business in the same way, and that of course includes building on the foundation it has built to date, sharing its DNA (the founder's spirit), and inculcating Our Hopes for the Future.

Yabu: I get the impression that Daiwa House Group has no shortage of human assets brimming with drive and the spirit of challenge! Meanwhile, it also has many personality-dependent business tasks—ones that can only be performed by specific individuals. The Group needs to rework these tasks so that they can be done by anyone with 70 to 80 percent success rates. To do that, it will have to first visualize what they do, then break down the tasks into elements, and finally systemize them. I think the Group also needs to advance digital transformation further and to look into assigning employees to jobs with specific descriptions requiring higher degrees of specialization.

Seki: I like how our materialities, as we've re-identified them, are not focused solely on the *E* of *ESG*. Of course we have strengths in the environmental area; but I think we can better display our advantages is in the *S* (societal) domain. Given our commitment to extending the Group's global reach, I think we will be diving into a world of diversity like none we've known before. That makes diversity, equity, and inclusion (DE&I)—which is an enumerated materiality—a crucial challenge; do you think the Daiwa House Group is making progress in DE&I?

Yabu: As a member of the construction industry, which in comparison to other sectors employs few women and is low on national diversity because of its internal-market bias, I think Daiwa House Group is doing a wonderful job in setting and pursuing ambitious diversity targets. And I believe that in fact the Group's engagement in giving women opportunities to let their abilities unfold is accelerating across the board, as evidenced by women's becoming officers and heads of business units and assuming other positions of authority, and this comes on top of the huge increase of recent years in female tradespeople and engineers it employs.

Kosokabe: I sense that we've made a lot of progress in DE&I itself. What I'm hoping we can do is move in ways premised on DE&I that will maximize employees' sense that their work is rewarding and spark exciting and interesting new innovations.

Yabu: I think the Daiwa House Group's traditional diversity mindset tended to emphasize individuals' specializations and the multiplicity of skills and experiences people brought with them. Although that remains important, moving forward I hope consideration for diversity in demographic measures, such as the ration of women to men among employees and officers, and equity in providing opportunities, and fair evaluation of abilities will count for more. To drive DE&I forward, I think fostering a company culture and an in-house atmosphere conducive to frank communication, regardless of gender or race, is crucial.

Seki: A book I recently read said that every organization comes to resemble the person who leads it. What this means is that organizations come to resemble their leaders not only in mentality and behavioral patterns, but also in terms of demographic attributes as well—a team led by an American of Indian descent will tend to draw other Americans with subcontinental origins, and a team with a woman at the top will tend to gain female members. The book also said that, to ensure team diversity, you have to remain vigilant about hiring people who are different from yourself—a point that I think is interesting. The implication is that minorities still have it hard, and I think bearing that in mind will lead to fairness in the true sense of the word: Enterprises that establish solid assessment criteria taking this into account are becoming the majority among globally active firms.

Kosokabe: Now that you mention assessment criteria—we also revisited our human resources management. We changed the weighting of performance benchmarks from about 80 percent to 20 percent so that personnel assessments would be based more on management integrity than pure business results. It seems that some business-location heads were somewhat flummoxed by the reduced weighting of results benchmarks, but we believe this is just a manifestation of the Group's being in the midst of reforms.

Governance up to the task of creating Our Future

Yabu: In 2021 Daiwa House Industry transitioned to a business division-based organizational structure. Our company has numerous Group companies, and I think they were all doing well with the high degree of autonomy they had. But that organizational model, though it also had its good side, also entailed a lot of wasteful reduplication of businesses and encumbered the proper and consistent running of the whole; so the move to strengthen governance by organizing Group companies by business segment is a good idea. And we want to monitor the situation at the Board level to ensure we have things firmly in grip overseas as well. And with the entire enterprise as big as it is, we hope to formulate and adopt succession plans at each level of management from the C Suite on down to department and section chiefs and for women in managerial positions—an area where I intend to provide full backing going forward.

Seki: Another thing I notice every time I attend a meeting of the Board or the Compliance committee is that compliance gets serious attention at Daiwa House Industry. The company has an upright corporate culture of discussing issues honestly and frankly, and it's palpable. I thought the recent incorporation of environmental indices into the remuneration scheme for directors was wonderful, also for how it demonstrates the Group's commitment to shifting society's focus to circularity. The company could improve compliance and governance even further if were to incorporate more S and G elements—and moreover a global perspective—into its personnel assessment mechanism.

Kosokabe: What is expected of you external directors changes with the times. Right now they demand that you keep a sharp eye on whether compliance and governance are working properly at the Daiwa House Group, which is itself a huge job. The number of outside directors has been expanded from the initial two to the current five among whom you two count. In preparation for the day when having outside directors occupy a majority of seats on corporate boards is the norm, I believe we have to clearly communicate to the rest of society what they expect of outside directors, and that at the same time we need to reform the Board of Directors.

Governance

S 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. The 7th Plan includes provisions to promote reinforcement of the restructuring of governance that was completed as a priority issue in the 6th Plan. Along with transforming our vision in tune with expanding business operations and the management environment, we are building a governance structure that shapes the future based on diverse viewpoints and long-term perspectives, thereby enhancing management resilience.

Concept of governance system enhancement

Approaches in the Sixth Medium-Term Management Plan	Initiatives in the Seventh Medium-Term Management Plan
(1) Optimization of management structure ● Revise the ratio of outside directors to one-third or more ● Restructure standards for risk reporting to Board of Directors	● Raise the proportion of stock remuneration in director remuneration and introduce non-financial evaluation indicators ● Strengthen monitoring function of the Board of Directors
(2) Foster next generation of business managers ● Establish upper age limits on inside directors ● Introduced the Daiwa House succession planning	● Build a succession process for Directors/Executive Officers
(3) Improve system of business execution ● Adopt a business division-based system	● Prepare and strengthen regional corporate functions overseas ● Strengthen asset management in line with asset increase ● 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
(4) Entrench risk management structure ● Clarify risk reporting standards ● Establish new external whistleblowing hotline ● Reorganize incident response management flow ● Establish the Compliance Promotion Department ● Establish a business division risk management committee ● Strengthen the Group's internal audit system and risk approach, implement audits based on them	● Effectively operate and continuously improve risk management structure ● Continuously strengthening the efficient business operating base to sustain risk management and compliance activities

1 Optimization of management structure

Create an optimal management structure for supervision of medium-to-long-term management strategies for enhancing corporate value

Concept of Board of Directors structure

Based on the philosophy of "Don't do things because they will make a profit, but because they will be of service to society" that the Daiwa House Group has valued since our founding, the Board of Directors sees its mission as being to put our management vision into practice and to foster the next generation who will take up the challenge in the future. To realize this, executive management must always explore the needs of society based on the attitude of a bottom-up approach while the Board of Directors, as a group that co-creates value for individuals, communities, and people's lifestyles 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 addition to matters for resolution and reporting, we have set matters for deliberation and discuss medium-to long-term issues such as the Medium-Term Management Plan. Moreover, we have developed network and paperless environments to allow board meetings to be held anywhere.

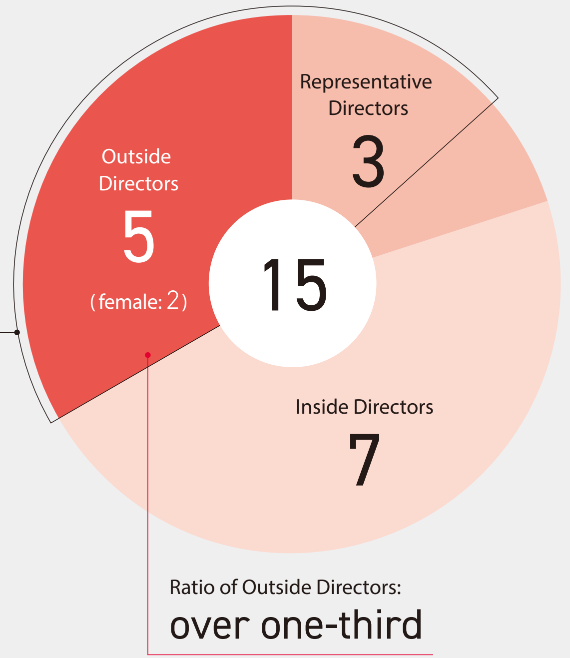
Board of Directors

Nomination Advisory Committee
Remuneration Advisory Committee

Ratio of outside members: 71.4%

Outside: 5, Inside: 2 (CEO and CFO)

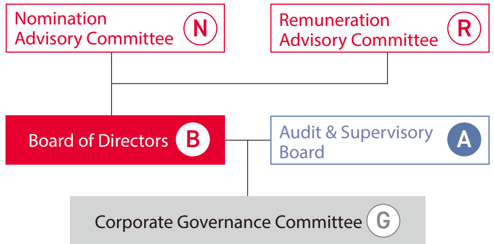
(Chair: an independent outside director)



Improvements to management resilience based on a multi-faceted and long-term approach so as to better suit our operating environment and the expanding scope of our business

Note: Figures in parentheses are the ages as of April 2022

Structure of Committee for strengthening monitoring function of Board of Directors



Reason for new appointments

Name	Reason for appointment
Toshiya Nagase	Environmental strategy is an important area of activity for the Daiwa House Group and the appointment of Mr. Nagase will allow us to benefit from his managerial abilities in the oversight of this area, drawing on the extensive knowledge and experience that he has acquired from working in the environmental energy business.
Kazuhiro Yoshizawa	Mr. Yoshizawa has served as a representative director at a major telecommunications company and was chosen for the extensive knowledge he has acquired during his career in the expectation that he will be able to provide oversight and advice for managing sustainable growth and the development of our information technology.
Yujiro Ito	Mr. Ito has served as a representative director at a major financial institution and was chosen for the extensive knowledge he has acquired during his career and the oversight he will be able to provide over measures for strengthening corporate governance.

Skill Matrix

Recategorize skills based on a management strategy that was devised with reference to the three actions for achieving Our Hopes for the Future

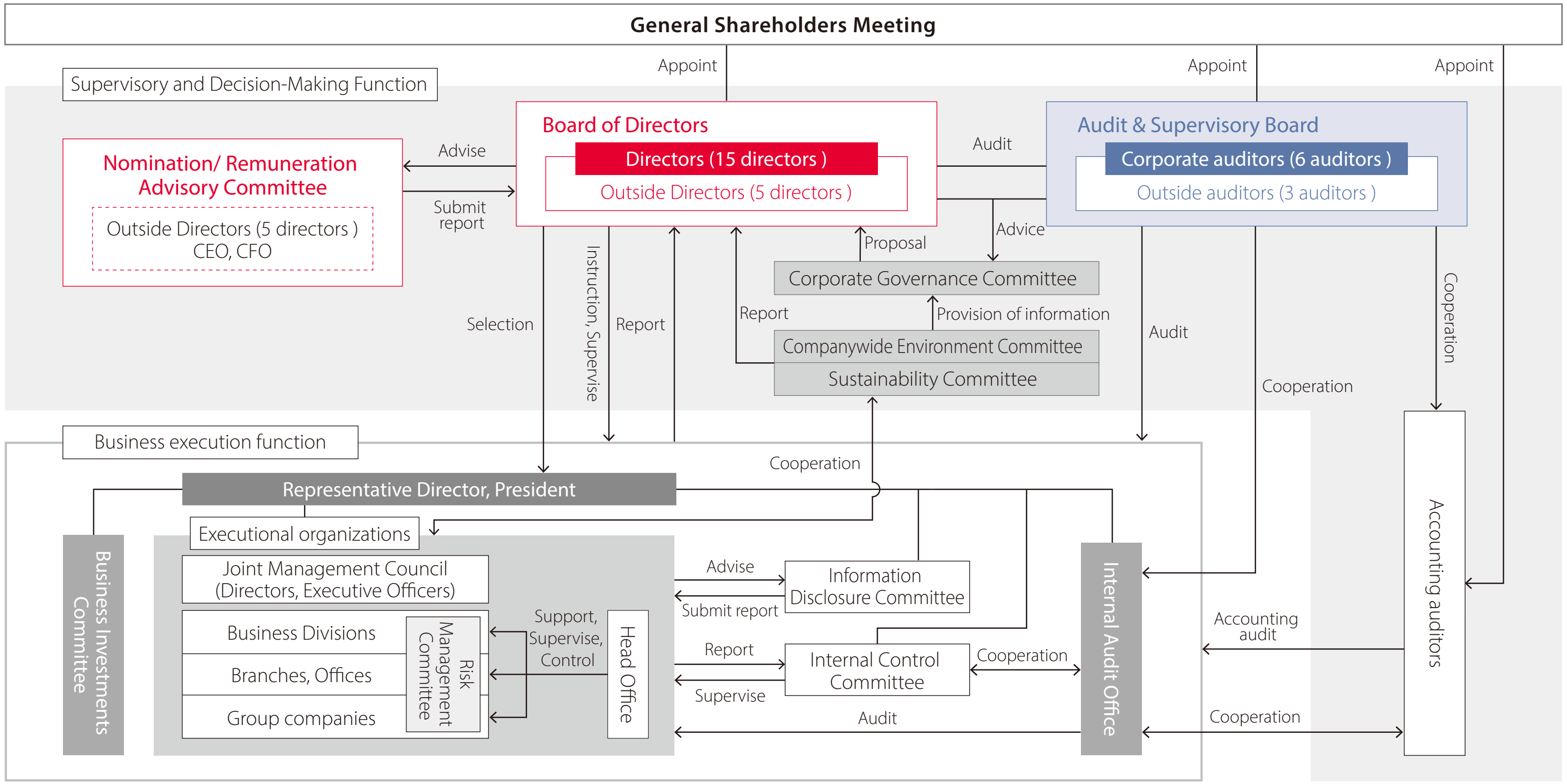
New skills have been added in recognition of how having extensive knowledge and experience in digital transformation (DX) and information technology (IT) is crucial if digital technology is to be used to accelerate the creation of new value. We also recognize that one of our upcoming challenges is to deepen our pool of managerial employees who have overseas business management experience and a depth of knowledge and experience of lifestyles and business environments outside Japan so that we will be better placed to formulate and administer growth strategies for our expanding overseas business.

Name	Position	Role	Corporate Management	Finance/ Accounting	Legal/ Risk Management	Technology/ R&D	Overseas Business	DX/IT	ESG
Keiichi Yoshii	Representative Director and President	CEO	●		●		●		●
Takeshi Kosokabe	Representative Director and Executive Vice President	CFO/Head of Management Administration	●	●	●				●
Yoshiyuki Murata	Representative Director and Executive Vice President	Head of Technology	●		●	●		●	●
Hirotsugu Otomo	Director and Managing Executive Officer	Head of Housing	●		●				
Tatsuya Urakawa	Director and Managing Executive Officer	Head of General Construction	●		●				
Kazuhito Dekura	Director and Managing Executive Officer	Head of Rental Apartment Building	●		●				
Yoshinori Ariyoshi	Director and Managing Executive Officer	Head of Compliance/ Quality Assurance			●	●			
Keisuke Shimonishi	Director and Managing Executive Officer	Head of Commercial Construction	●		●				
Nobuya Ichiki	Director and Managing Executive Officer	Head of Overseas Business	●		●		●		
Toshiya Nagase	Director and Managing Executive Officer	Head of Environment Energy	●		●				●
Yukiko Yabu	Outside Director					●			●
Yukinori Kuwano	Outside Director		●			●		●	●
Miwa Seki	Outside Director		●	●			●		●
Kazuhiro Yoshizawa	Outside Director		●			●		●	●
Yujiro Ito	Outside Director		●	●	●				●

Note: The above displays those elements of knowledge held by directors for which we hold particular expectations.

Corporate Governance System

In managing for sustainability, the Companywide Environment Committee and Sustainability Committee keep the Corporate Governance Committee updated about any important matters regarding action on ESG and on the SDGs, and also report directly to the Board of Directors.



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 a briefing from officers in charge of human resources on policy for decisions concerning director remuneration and details of individual remuneration, etc., discuss validity and presents an opinion to ensure objectivity of 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.

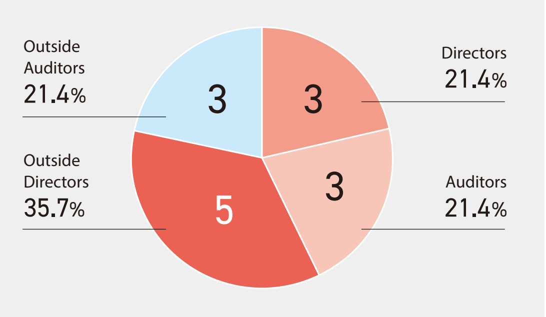
Corporate Governance Committee

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.

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.

- Chair: an independent outside director
- Meeting frequency: twice a year in principle
- Major past agenda:
  Measures to enhance governance of the Daiwa House Group, etc.

Members of Corporate Governance Committee



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: Representative Director, 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.

Business Investments Committee

The Company's Business Investments Committee is responsible for deliberating on and assessing the feasibility and risks of important potential investments in the real estate development business and other businesses to ensure that decision-making about the deployment of capital is reasonable and effective.

- Chair: Representative Director, President

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

Remuneration policy in Seventh Medium-Term Management Plan

Remuneration for directors is made up of monetary remuneration (fixed remuneration and annual incentive bonus) and stock compensation. In formulating the Seventh Medium-Term Management Plan, changes were made to the structure of the director remuneration system to raise the proportion of stock compensation in director remuneration. This was done to provide an incentive for sustainable improvements in corporate value and to encourage the further sharing of value with our shareholders.

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 the following stock-based compensation with transfer restrictions until retirement in order to further link their compensation to shareholders' interests and increase incentives to enhance corporate value over the medium to long term.

The maximum amount of stock-based compensation shall be 900 million yen per year for each of (1) and (2), or 1,800 million yen per year in total. The maximum number of shares of common stock to be delivered is 290,000 shares per year for each of (1) and (2), or 580,000 shares in total (equivalent to less than 0.1% of the 655,729,423 shares issued by the Company [excluding 10,508,782 shares of treasury stock; as of March 31, 2022]).

(1) Restricted stock compensation with post-issuance type transfer restrictions

A system in which the number of shares of the Company's common stock is delivered in proportion to the period of service.

(2) Performance-based remuneration of transfer-restricted stocks

A system in which the Company's common stock is delivered in proportion to the achievement of environmental indices set forth in the Seventh Medium-Term Management Plan.
(KPI: environmental index)

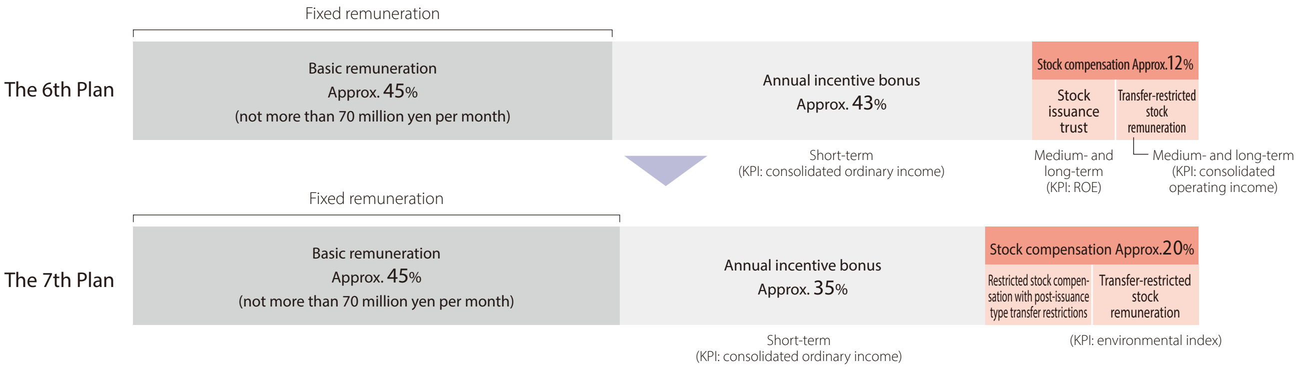
Also, an effort will be made to ensure that stock compensation accounts for about 20% of total remuneration for directors (excluding outside directors).

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.

Directors' remuneration structure (excluding outside directors)



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.

Environmental KPIs for performance-based remuneration of transfer-restricted stocks

The "CO_2 emissions reductions (vs. 2015)" and "CDP Climate Change score" environmental indicators specified in the 7th Plan will be used as the performance targets. These are defined in (1) to (3) below and the degree of target achievement will be calculated using the following formula based on data obtained for the performance assessment period.

Calculation formula

Performance goal achievement coefficient = [(1) CO_2 emissions reductions (business activities*1) + (2) CO_2 emissions reductions (building use*2)] × (3) CDP Climate Change score*3

*1 CO_2 emissions at Group offices, plants, construction sites, and business facilities. (Scopes 1 and 2)
*2 CO_2 emissions resulting from Group sales and the use of developed residential housing and buildings. (Scope 3)
*3 CDP, an international NGO, surveys more than 14,000 companies and other organizations from around the world and rates them corporations on an eight-point scale according to their actions and strategies for climate change.

	Management Indicators	FY2021	FY2026
(1)	Reduction of greenhouse gas emissions in business activities (vs FY2015)	-20.8%	-55%
(2)	Reduction of greenhouse gas emissions in building use (vs FY2015)	-29.8%	-54%

Performance goal achievement	Performance goal achievement coefficient
100% or more	0.5
80% to less than 100%	0.4
60% to less than 80%	0.3
40% to less than 60%	0.2
20% to less than 40%	0.1
less than 20%	0

(3) CDP Climate Change score

CDP Climate Change score	Performance goal achievement coefficient
A	1.20
A-	1.10
B	1.00
B-	0.95
C	0.90
C-	0.85
D	0.80
D-	0.75

We were awarded an A grade (top score) for its 2021 CDP Climate Change score.

Example for FY2026: 30% reduction for (1) and (2) and an A grade CDP Climate Change score: For (3), the result (30%) divided by the management indicator (55%) gives a score of 54.5% and an achievement coefficient of 0.2. Inserting the values into the overall formula gives an achievement coefficient of (0.2 + 0.2) × 1.2 = 0.48.

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*1: In principle to own 6,000 or more company shares within 3 years of appointment

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

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

*1 Excluding outside directors *2 Only for Directors of 100% subsidiaries

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 selection 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 outcome of this discussion. When the dismissal of a director is proposed, the matter is decided by the Board of Directors.

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.

Procedures for director selections

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

Overview of effectiveness evaluation 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 aim 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.

As in the past, an external agency was engaged to conduct the 2021 survey, with responses being provided directly to the external agency to ensure anonymity.

Evaluation process

Questionnaire by all directors and Audit & Supervisory Board Members
↓
Results collection by external agency
↓
Evaluation by the Audit & Supervisory Board based on the questionnaire results
→
Self-review by the Board of Directors based on the questionnaire results and the evaluation of the Audit & Supervisory Board
↓
Review based on results of evaluation

Evaluation items

The survey was made up of 38 multiple-choice questions and 11 questions requiring written answers about items below. 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	4.3
Operation of Board of Directors	4.2
Monitoring function of Board of Directors	4.1
Performance of inside directors	4.1
Performance of outside directors	4.3
Support structures for directors and Audit & Supervisory Board members	4.1
Training	3.7
Attitude of directors and Audit & Supervisory Board members to their duties	4.2
Evaluation of the Board of Directors as a whole	4.3

Evaluation results for FY 2021

Based on the status of each evaluation item, the effectiveness of the Board of Directors was evaluated as being satisfactory. However, the further strengthening of monitoring functions associated with the adoption of a business division-based system was highlighted as an issue to address.

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.

2 Foster next generation of business managers

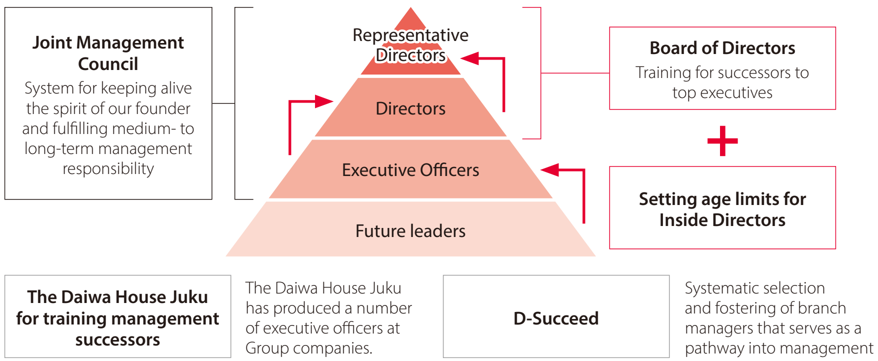
A succession process for directors and executive officers was established to help develop a deeper pool of future business managers.

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.

In addition to continuing the Daiwa House Juku established in 2008, the D-Succeed succession planning system for the next generation of managers (especially branch managers) was introduced in fiscal 2020. Along with putting in place an ecosystem for selecting, evaluating, nurturing, and promoting talented individuals as candidate managers, the system also facilitates ongoing fostering of the employees who will go on to become the next generation of managers through their secondment to off-site training opportunities that give them the chance to experience working in a different field. Furthermore, we are putting in place a global management human resources program and human resources training system to support our overseas businesses.

A program to nurture the next generation



Policy on cross-shareholdings

Each year, the Board of Directors reviews the medium-to-long-term economic rationality of the company's various cross-shareholdings and presents the results. An effort is being made to reduce cross-shareholdings by selling those shareholdings that are deemed to be no longer necessary. While cross-shareholdings accounted for only 3.4% of consolidated net assets at the end of the 2021 fiscal year (excluding listed REIT of the Daiwa House Group), the intention is to further reduce such holdings in order to slim the balance sheet and boost efficiency, as laid out in the Seventh Medium-Term Management Plan. Moreover, in the event that one of our cross-shareholding partners expresses an intention to divest their Daiwa House Industry shares, we will not engage in any actions intended to impede such sales, such as threatening to reduce our business with the company concerned.

Criteria for 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 62 at the end of fiscal 2021.

Actual sales of cross-shareholdings over past three financial years

FYE	Number of shareholdings sold	Number of shareholdings held
FYE2019	4 companies (sale of entire holding), 4 companies (partial sale of holding), 1 newly listed company	66
FYE2020	2 companies (sale of entire holding), 4 companies (partial sale of holding)	64
FYE2021	4 companies (sale of entire holding), 3 companies (partial sale of holding), 1 newly listed company, 1 new shareholding	62

3 Improve system of business execution

Introduction of a Business Division-based System

To enhance our agile business execution and risk management 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. Each business division is looking at how they can make ongoing improvements to teams or functions that duplicate activities elsewhere in the group.

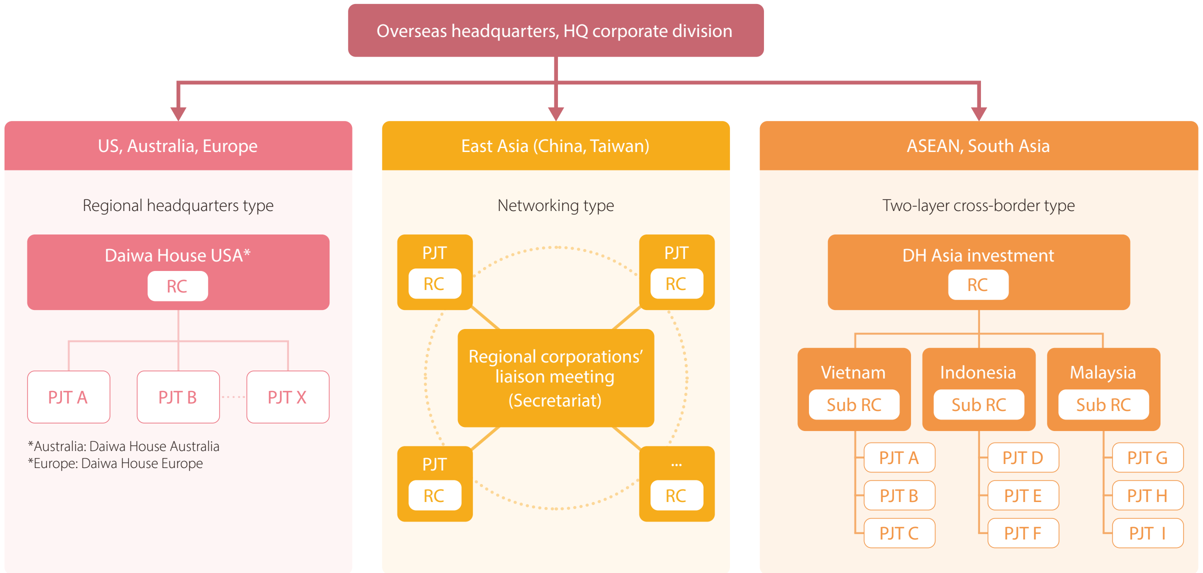
The Compliance Promotion Department was established in 2019 to support compliance activities in the business divisions, undertaking precautionary measures throughout the group.

Even in 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 complex developments.

Prepare and strengthen regional corporate functions overseas

To strengthen the governance of overseas businesses, regional corporate functions (RC functions) have been established for each area in a form that takes account of area characteristics and their business circumstances, with the overseas headquarters in Japan playing a central role. The overseas headquarters and HQ corporate division oversee the RC functions in each area.

In addition to strengthening legal compliance and risk management, we also believe that acquiring an understanding of the culture and history of each region and the sensitivities of the people will enable our businesses to become more deeply rooted in their respective communities. While the COVID-19 pandemic has delayed implementation, we intend to continue strengthening our system of business execution with its high standard of governance so as to keep pace with the further acceleration of overseas business laid out in the 7th Plan.



Policy on human rights

"Through our business, we strive to fulfill our commitment of contributing to the realization of a society where human rights are respected." To help put this commitment into practice, we established the Daiwa House Group Human Rights Policy in 2018 and we support international standards, including the Universal Declaration of Human Rights and the United Nations Global Compact (UNGC).

Sustainability Report 2022: Human rights management system ▶ P.70

Respect for the human rights of customers

We recognize that a stance of operating its businesses in a way that respects human rights and is not complicit in violating human rights is one that enables each and every employee to go about their duties in a fair manner. Accordingly, to ensure respect for the human rights of customers, we also understand that awareness-raising and education activities for employees are among the most important tasks for human rights management.

Based on the CS philosophy that is set forth as our policy, we conduct surveys using CS relationship questionnaires and other means and seek to make improvements through the CS Committee if any issues are identified.

Respect for human rights with regard to employees

Based on a conviction that companies have a responsibility to respect human rights, we have undertaken an ongoing program of awareness-raising activities for employees. The Human Rights Awareness-Raising Committee headed by the President periodically checks the implementation status of human rights awareness-raising activities across the entire Group and supervises the operation of the Daiwa House Group Human Rights Policy. Along with the thorough implementation of regular training, we have also put systems in place for timely reporting and action on individual human rights problems, including the establishment of a whistle-blowing system.

To assess employee human rights risks, we have since fiscal 2004 conducted an annual Sustainability Survey in an effort to confirm the level of employees' understanding and permeation of the Daiwa House Group Principles of Corporate Ethics, which include respect for human rights. Having received considerable feedback from this survey and through our Human Rights Hotline asking for improvements to our routine employment conditions, we have made improvements that include reviewing the way business should be conducted with the aim of respecting the basic employment-related rights of our employees.

Respect for human rights in our supply chain

Having established our own CSR Procurement Guidelines and highlighted respect for human rights in our Business Partner Code of Conduct, the Daiwa House Group strives to take responsible action on human rights problems in our supply chain. Specifically, this requires all primary suppliers to prohibit forced or compulsory labor, child labor, and harassment. In terms of procurement, this has included choosing not to use lumber from regions where illegal logging or violations of the human rights of indigenous inhabitants is alleged to take place.

Additionally, the Company carries out annual surveys by means of questionnaires toward subcontractors to check if there is any unfairness or inadequacy in the details of order placement to subcontractors or the attitude of our employees. In this way, we establish sound and good relationships, free from violations of human rights.

Human rights in our overseas businesses

We develop overseas business with the idea of using the technology and other expertise we have acquired in Japan to contribute to local development.

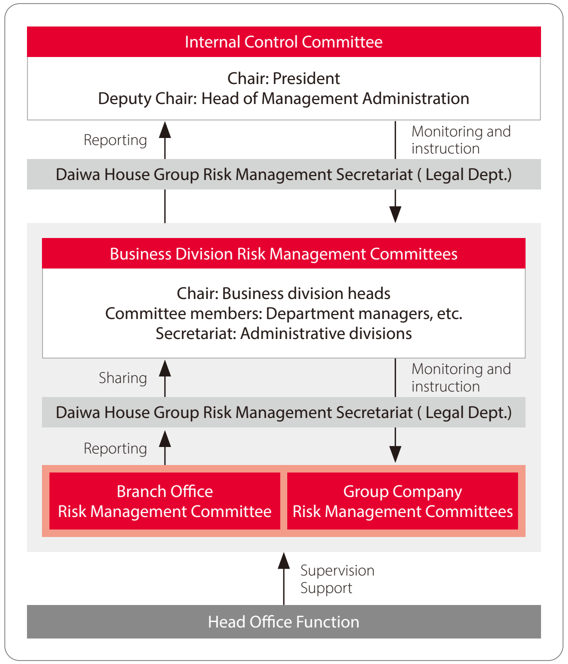
The Y Complex project is a large-scale mixed-purpose development in Myanmar that was the first such project to receive investment approval under the new Myanmar Investment Law. Our group company Fujita Corporation is part of a consortium of Japanese companies that undertook the project in partnership with a local project company. Located in central Yangon, the project commenced in 2017 with the aim of contributing to economic development in the region, including through local employment creation and infrastructure development. Since the declaration of a state of emergency in Myanmar on February 1, 2021, however, the project has been suspended with all work stopped to prioritize the safety of the people of Myanmar and everyone involved in the project and no further lease payments have been made to the land owner. With regard to restarting the project, the intention is to work with the relevant government agencies and project partners to consider what steps are necessary, including maintaining the suspension of this project until human rights in Myanmar reach a level that is acceptable to the international community.

4 Entrench risk management structure

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.

Internal control system



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.

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, branch offices, or Group companies (including overseas companies) immediately to risk management officer (the Head of Management Administration) and the members of the Risk Management Committee. Reported risk information is forwarded to the Risk Management Committee 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 Committee also meet once a month in principle in the branch offices 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 Risk Management Committee.

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. In addition to stipulating a rule whereby anyone who is an interested party in a reported case is prohibited from being appointed an investigator, a leniency system has also been introduced to facilitate the early detection and resolution of acts of dishonesty. The leniency system provides the discretion to waive or reduce disciplinary action when a person involved in an act of dishonesty self-reports the case or actively participates in the investigation.

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 department 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 or 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.

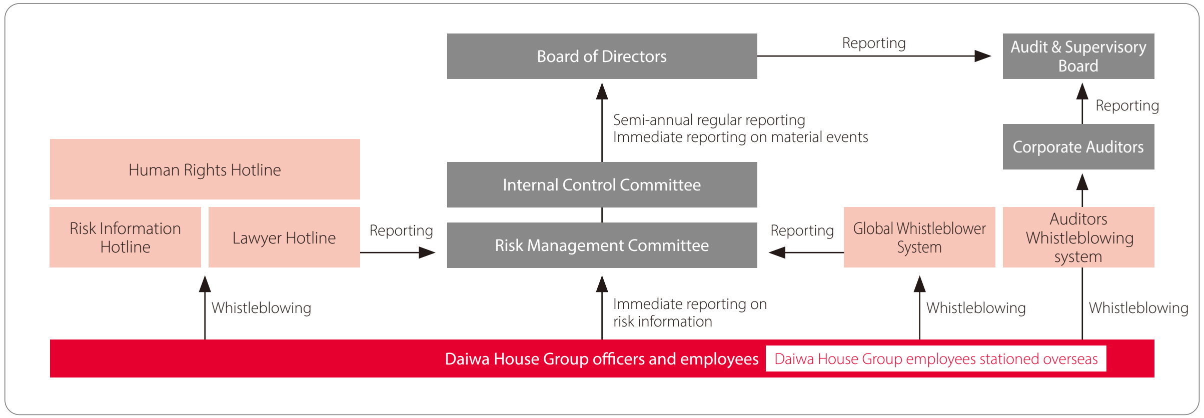
Following the full-scale shift to the business division-based system, the management of group companies is centralized vertically under the leadership of the business divisions. Based on the Group Management Rules, the departments of the Daiwa House Industry Head Office fulfill horizontal management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

For our overseas businesses, the overseas headquarters has regional 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 Corporate Governance Committee and the Business Investments 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 Department 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



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Chapter 8

Chapter 8 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.103

II. The ability to generate cash steadily improved as free cash flows turned positive despite strong investment opportunities. .... Cash flows P.104

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.105

IV. From the perspective of growth potential and profitability, we are building an optimal portfolio. .... Business results by segment P.106

V. We are actively engaged in investment to expand our revenue opportunities and to strengthen the business foundation. .... Investments P.107

Note: This section analyzes the financial position and results of operations during the ten fiscal years from fiscal 2012 to fiscal 2021. For the list of financial data, see "Financial Highlights" on pages 115 and 116.

I. Financial position

Financial condition

Total assets as of the end of fiscal 2021 increased by ¥468.6 billion from the end of fiscal 2020 to ¥5,521.6 billion. This was mainly due to the increase in inventories following the purchase of real estate for sale, and the increase in property, plant and equipment resulting from the acquisition of investment properties in Single-Family Houses and Condominiums segments.

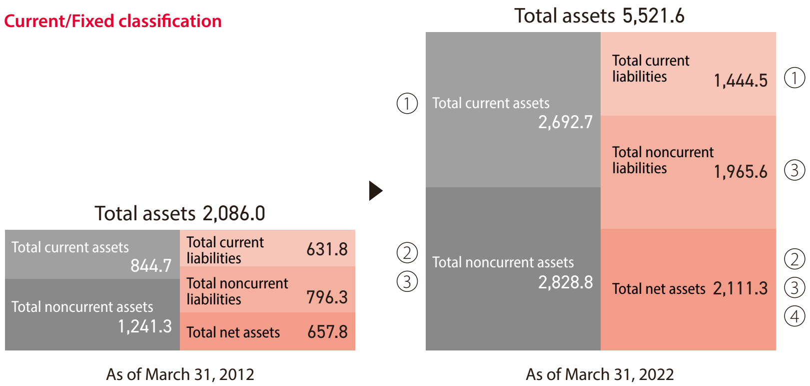
Total liabilities increased by ¥250.7 billion from the end of fiscal 2020 to ¥3,410.2 billion. This was mainly due to fund raising through borrowing and bond issuance for the purpose of acquiring inventories and investment properties.

Total net assets increased by ¥217.8 billion from the end of fiscal 2020 to ¥2,111.3 billion. This was mainly because a net income attributable to owners of the parent of ¥225.2 billion was recorded, which offset the ¥79.2 billion in dividends paid to shareholders.

The balance of interest-bearing debt (excluding lease obligations) increased by ¥150.5 billion from the end of fiscal 2020 to ¥1,425.4 billion. Thanks to internal reserves and the fiscal 2013 capital increases, the debt-equity ratio improved for a time from 0.58 at the start of fiscal 2012, but at the end of fiscal 2021 had risen to 0.61*1. At ¥1,562.4 billion, inventories account for the largest proportion of assets. As assets are expected to grow in the future due to the acquisition of inventories and investment properties, we will seek to maintain financial health by verifying the optimal capital structure.

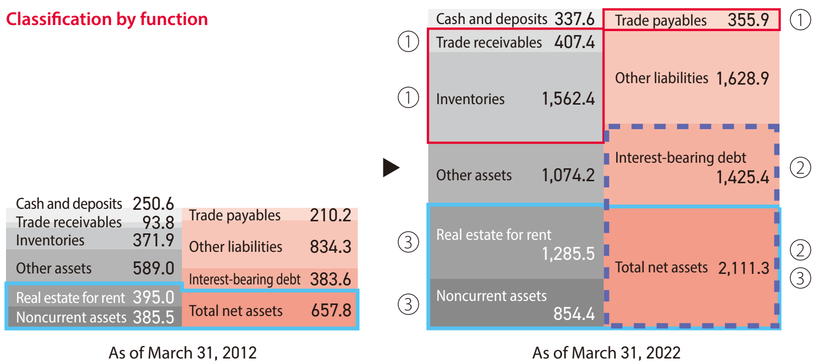
Figure 1 **Comparison of balance sheets** (¥ billion)

Current/Fixed classification



① The current ratio increased from 133% to 186%.
② The fixed ratio dropped from 188% to 140%.
③ The ratio of fixed assets to long-term capital dropped from 85% to 71%.
④ Net assets excluding non-controlling interests grew from ¥657.1 billion to ¥2,020.1 billion.

Classification by function



① Working capital (Trade receivables + Inventories - Trade payables) increased from ¥255.5 billion to ¥1,613.9 billion.
② Interest-bearing debt (excluding lease obligations) increased from ¥383.6 billion to ¥1,425.4 billion. As a result, the debt-equity ratio increased from 0.58 to 0.61 (after taking the hybrid financing into account).
③ The ratio of real estate for rent and noncurrent assets to net assets excluding non-controlling interests fell from 1.18 to 1.05 while real estate for rent increased.

*1 Calculated by taking into account the 50% equity credit in the hybrid financing (¥150 billion in hybrid bonds (subordinated bonds) issued in September 2019 and ¥100 billion in hybrid loans (subordinated loans) taken out in October 2020).

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. Note, however, that our Seventh Medium-Term Management Plan revised the criterion for financial discipline to a debt-equity ratio of about 0.6.

Cash flow condition

Cash flows from operating activities during fiscal 2021 decreased by ¥93.8 billion from fiscal 2020 to ¥336.4 billion. The ratio of cash flows from operating activities to net assets excluding non-controlling interests has been approximately 17% which is a decrease of 6 points from fiscal 2020's 23%. This was mainly due to the purchase of real estate for sale and the payment of corporate income tax, which offset the ¥353.3 billion recorded in income before income taxes.

Cash flows from investment activities were - ¥467.4 billion, due to the acquisition of real estate for rent, etc. and the implementation of the ¥317.8 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 - ¥130.9 billion, while cash flows from financial activities were ¥24.4 billion due to fund raising through borrowing and bond issuance for the purpose of acquiring inventories and investment properties.

As a result of the above, the balance of cash and cash equivalents at the end of fiscal 2021 was ¥326.2 billion, a decrease of ¥90.0 billion from the end of the previous fiscal year.

Figure 2 **Cash flows**

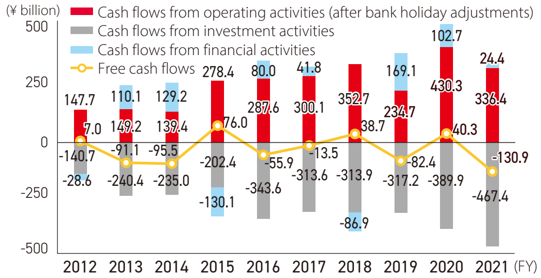
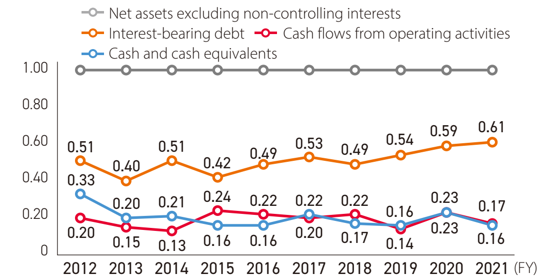


Figure 3 **Indices to net assets excluding non-controlling interests (as a ratio where net assets excluding non-controlling interests is equal to 1)**



Note: Since FY 2019, interest-bearing debt has been shown as an index after taking the equity of hybrid financing into account.

Enterprise value/Ability to generate cash

Our ability to generate cash was maintained despite the impact of COVID-19 as earnings before interest, taxes, depreciation and amortization (EBITDA)*2 as an indicator of ability to generate cash were ¥483.5 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)*3 at the end of fiscal 2021 was ¥3,220.4 billion, the sum of the market capitalization of ¥2,132.6 billion and the net interest-bearing debt (excluding lease obligations) of ¥1,087.7 billion. The EV/EBITDA ratio, as an indicator of enterprise value to the ability to generate cash, was 6.7 as of the end of fiscal 2021.

*2 Earnings before interest, taxes, depreciation and amortization (EBITDA) = Operating income + Depreciation
*3 Enterprise value (EV) = Market capitalization + Net interest-bearing debt

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

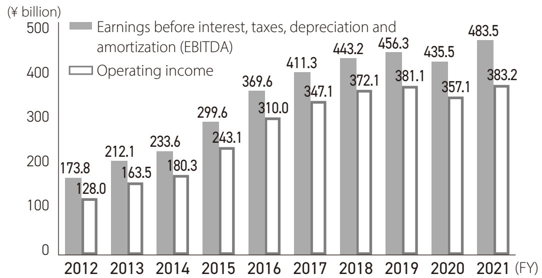
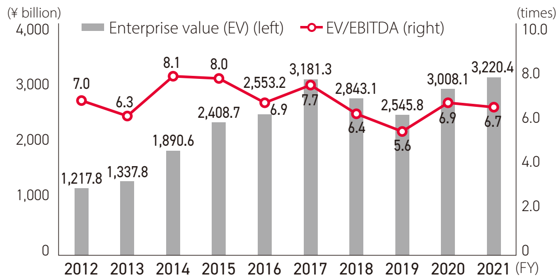


Figure 5 **Enterprise value (EV)/EV/ EBITDA**



III. Profits and losses

Net sales/Total asset turnover ratio

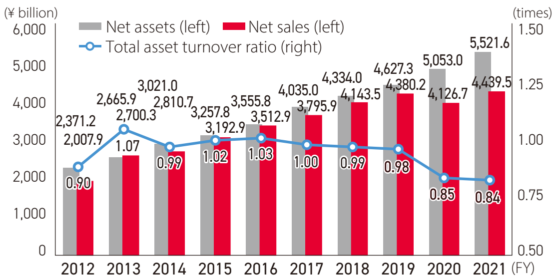
Net sales amounted to ¥4,439.5 billion and the average growth rate for the period of ten years starting from fiscal 2012 was 9.2%.

In terms of the total asset turnover ratio*4, it had been around 1.0 in the years from fiscal 2012 to fiscal 2019, but in fiscal 2021 it declined due to the ongoing impact of COVID-19 leading to decreased sales in some businesses such as hotels and sports facilities operation, 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 cross-shareholdings while maintaining a balance between the stock business and the flow business.

*4 Average during the fiscal year.

Figure 6 Net sales/Total asset turnover ratio

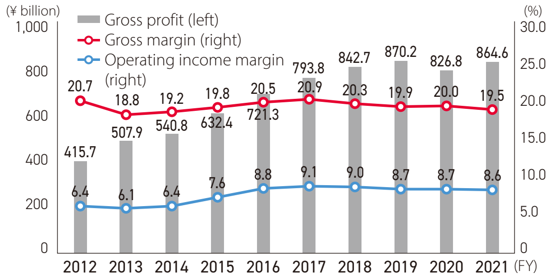


Gross profit/Operating income margin

Gross profit amounted to ¥864.6 billion and the average growth rate for the period of ten years starting from fiscal 2012 was 8.5%. The gross margin decreased by 0.5 points from the previous fiscal year to 19.5%. Operating income was ¥383.2 billion and the average annual growth rate for the period from fiscal 2012 was 13.0%.

The operating income margin was 0.1 points down from the previous fiscal year, at 8.6%. While the cost-of-sales ratio decreased by 0.5 points due to the rising cost of construction materials and labor, 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 will strive to prevent the operating income margin from decreasing substantially.

Figure 7 Gross profit/Operating income margin



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

Net operating profit after tax (NOPAT)*5 was ¥266.0 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 ¥3,278.4 billion*6, was 8.1%.

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.

*5 Net operating profit after tax (NOPAT) =
Operating income × (1 - Effective corporate income tax rate)
*6 Average during the fiscal year.

Figure 8 Return on invested capital (ROIC)

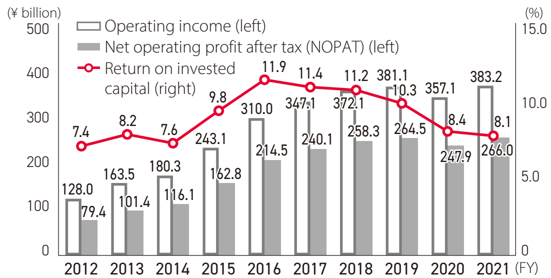
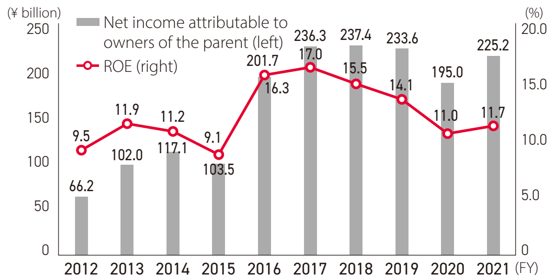


Figure 9 Net income attributable to owners of the parent/ROE



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

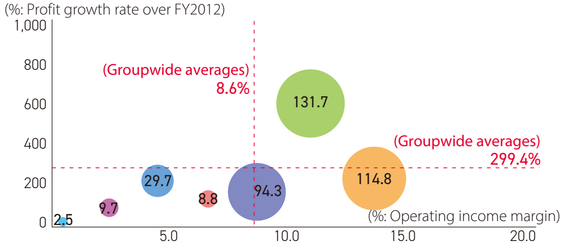
The profit growth rate for fiscal 2021 over fiscal 2012 showed an over six-fold increase in Logistics, Business and Corporate Facilities segment, an over two-fold increase in Commercial Facilities and Single-Family Houses segments.

Since the Rental Housing segment had been already at a high level of profit ten years ago, its profit growth rate over fiscal 2012 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.

Figure 10 [Business segments] Operating income/ Operating income margin/Profit growth rate over FY2012



Note: The size of the circle depends on the relevant amount of operating income (¥ billion) for FY2021.

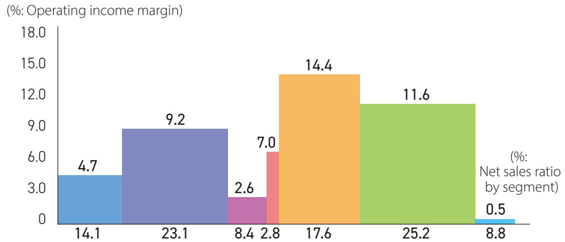
Profitability analysis

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 2.8% 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.

Figure 11 [Business segments] Operating income margin/ Net sales ratio by segment (FY2021)

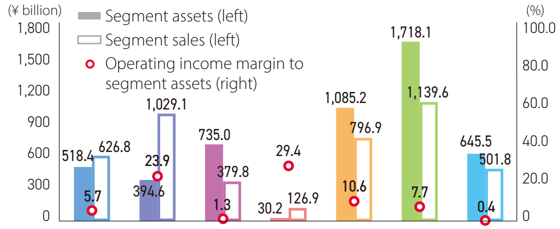


Operating income margin to segment assets

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.

Figure 12 Operating income margin to segment assets (FY2021)

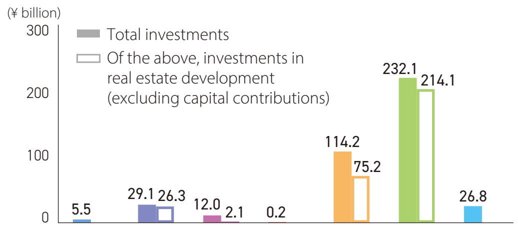


Note: Segment assets are averages during the fiscal year.

Investments in businesses

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 13 [Business segments] Total investments (FY2021)



V. Investments

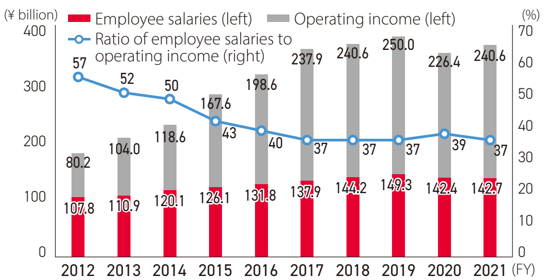
Investments and returns for employees

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*7 for fiscal 2021 were ¥430 million (on a non-consolidated basis), and still 16% up from fiscal 2012 (Figure 15). Employee salaries on a non-consolidated basis increased by ¥34.9 billion from fiscal 2012 (an average increase of 11% or ¥846,000 per employee).

Meanwhile, the ratio of employee salaries to operating income*8 decreased from 57% in fiscal 2012 to 37% in fiscal 2021, 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.

*7 Personnel costs on training, etc. + Transportation costs on training
*8 Employee salaries/(Operating income + Employee salaries)

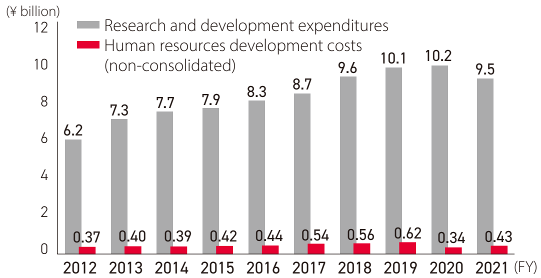
Figure 14 Ratio of employee salaries to operating income (non-consolidated)



Investments in research and development (R&D)

R&D expenditures in fiscal 2021 were ¥9.5 billion, of which ¥4.1 billion was for the housing business, ¥5.3 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.

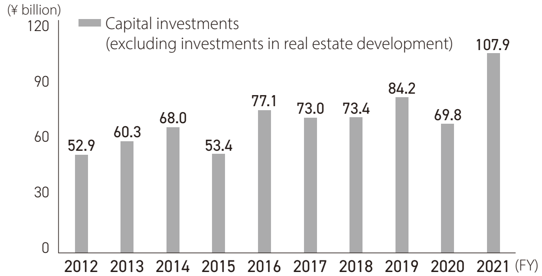
Figure 15 Research and development expenditures/Human resources development costs



Capital investments

Capital investments of ¥107.9 billion (excluding investments in real estate development) were mainly for constructing logistics facilities in anticipation of rising demand for logistics arising from the growth of e-commerce and other changes in consumer activity, and for constructing electric power generation systems driven by renewable energy for the realization of a carbon-free society. We also replaced production lines in plants to increase production efficiency and renovated 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.

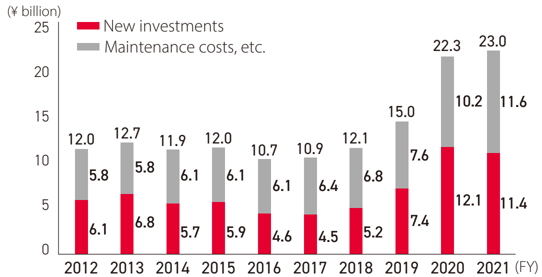
Figure 16 Capital investments (excluding investments in real estate development)



IT-related investments

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 17 IT-related investments



Environment

E Efforts at Environment

Overall picture

Four themes

Mitigating and adapting to climate change	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

×

Three phases

Procurement | Business activities | Products and services


ZEH single-family houses (image)


ZEH-M rental housing


DREAM Solar Natsumidai III (Nara Prefecture)


An office building embodies the ZEB concept

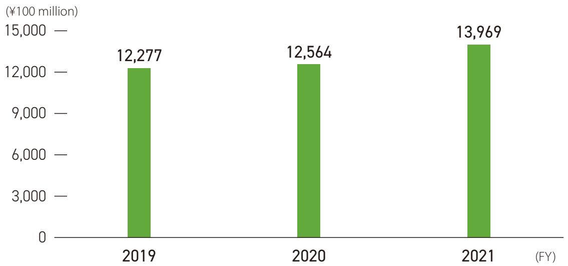
General

1 Promoting 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. Each company and division sets sales targets and does its best to achieve them. In fiscal 2021, we focused our efforts on popularizing ZEH in the Single-Family Houses Business, as well as ZEB in the Commercial Facilities Business and the Logistics, Business and Corporate Facilities Business. In the Environment and Energy business, we have installed new large-scale solar power plants and executed a number of projects based on the onsite PPA model*1. As a result, sales of the environmental contribution business amounted to ¥1,396.9 billion, with a year-on-year increase of approximately 11%.

*1 A business model in which we set up renewable energy power generation facilities at free of charge on the roofs of facilities owned by clients. The generated energy is supplied directly to their facilities.

Sales of environmental contribution businesses

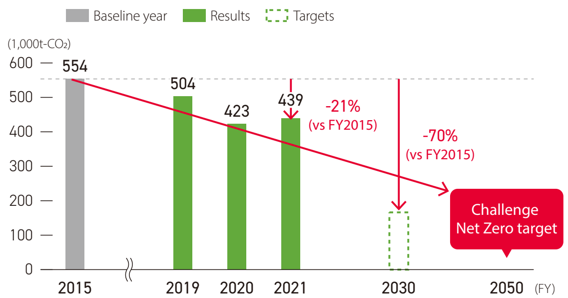


Mitigating and adapting to climate change

2 Reducing greenhouse gas emissions in business activities

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. We build our new facilities in ZEB specifications as a rule and install on them photovoltaic power generation systems for self-consumption, while working to raise energy efficiency at our existing facilities by systematically investing in energy conservation measures. As a result, greenhouse gas emissions (total) fell 21% from fiscal 2015 levels, and similarly, energy efficiency rose to 1.47 times.

Greenhouse gas emissions (Total)



Mitigating and adapting to climate change

3 Development of renewable energy and expansion of its use

The Group was working to achieve "self-sufficiency in renewable energy" by 2040 to fully cover the power it uses in its business operations with self-generated renewable energy. Now that we made a significant progress toward the goal by fully switching to renewable energy-derived electricity, we decided to attain it by 2023, 17 years ahead of the initial schedule. In fiscal 2021, the 56 new renewable energy power plants were put into operation, making the number of renewable energy power plants operated by the Group 433 sites*[1] across Japan for 565 MW*[1] of power. As a result, the Group achieved a renewable energy generation rate of 131%, and renewable energy utilization rates of the Company on a non-consolidated basis and of the entire Group came to 53.9% and 18.2%, respectively.

*1 Including power consumed internally

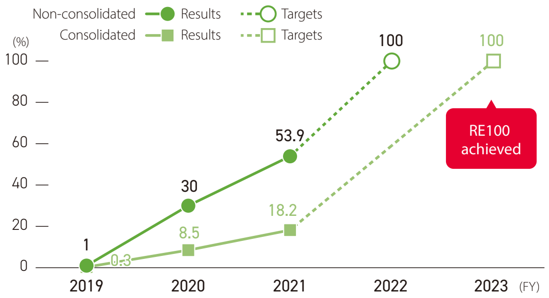
4 Reducing greenhouse gas emissions from use of products

In our Group, greenhouse gas emissions derived from our business activities are as low as 3% for Scopes 1 and 2, and indirect emissions from sources other than our company for Scope 3 account for the majority of 97%. 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 50%. In fiscal 2021 we developed tools to support marketing and design and provided training sessions, which lifted both the ZEH and ZEB sales rates from the previous fiscal year. As a result, greenhouse gas emissions (per floor area unit) declined 34.9% compared with the fiscal 2015 level. Through promoting ZEH sales for rental housing and holding ZEB seminars for customers, we will significantly improve the sales rates of ZEH and ZEB, striving to provide houses and facilities that are both comfortable and energy efficient.

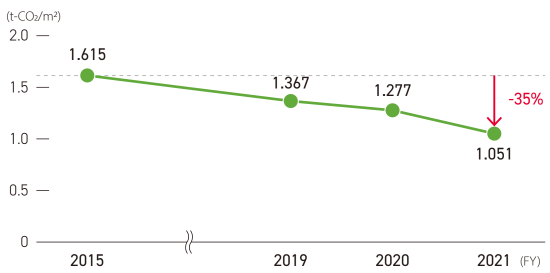
5 Developing and popularizing energy-zero housing and buildings

The Group works to develop and popularize energy-zero housing, rental housing, and buildings. In fiscal 2021, we launched Wood Residence MARE and promoted ZEH homes mainly for made-to-order projects. We held ZEH seminars on a regular basis for our personnel involved in design and sales to hone their ZEH pitching skills. As a result, the share of ZEH sales rose 5 percentage points from the previous fiscal year. We also promoted ZEH-M in rental housing and condominiums, and have developed 35 ZEH-M buildings* as of end-fiscal 2021. In terms of ZEB, we enhanced our ZEB proposals by offering online ZEB seminars and utilizing ZEB estimated cost sheet. These efforts led to a 4.5 percentage points increase in ZEB sales rate in fiscal 2021.

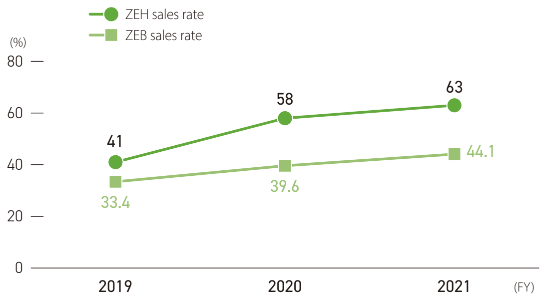
Renewable energy utilization rate



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



ZEH sales rate/ZEB sales rate



* ZEH: Newly contracted properties (order basis) for single family houses
ZEB: Newly designed and constructed properties (construction start basis) for offices, factories, and warehouses and company-developed properties (D Project)

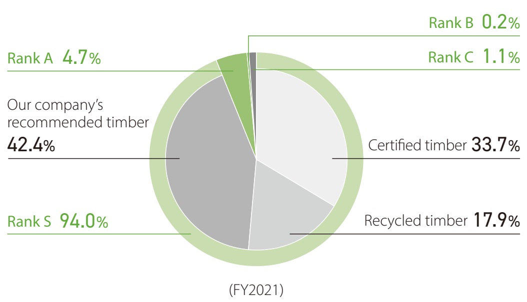
Harmony with the natural environment/Preservation of biodiversity

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. In fiscal 2021, the volume of timber procured from Sarawak, Malaysia increased due to the disruption in timber procurement caused by the global lumber shortage. As a result, our use of C-ranked timber rose to 1.1%, a deterioration of 0.6 percentage points from the previous fiscal year, while the use of S-ranked timber fell to 94.0%, a deterioration of 1.1 percentage points. Going forward, we will adopt the new evaluation criteria consistent with our zero deforestation policy and once again promote efforts to eliminate the use of C-ranked timber.

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.

Assessment result of procured timber



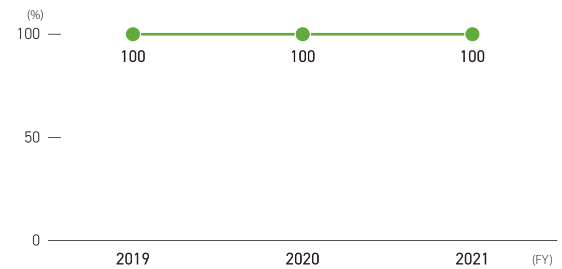
7 Promote the preservation and creation of green spaces in projects and community development

The 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 the six points in our guidelines as our voluntary standards. All applicable projects in fiscal 2021 complied with the voluntary standards.

Biodiversity Guidelines: Development & Community Creation

1. Ascertain the potential of the natural environment
2. Preserve and plant greenery
3. Be careful to preserve a sufficient natural environment as a habitat for small animals
4. Take care to create a connected network of habitable environments for the ecosystem
5. Take steps to minimize the environmental impact of construction work
6. Pay adequate consideration to ecological maintenance and management

Compliance with voluntary standards for biodiversity conservation (development)

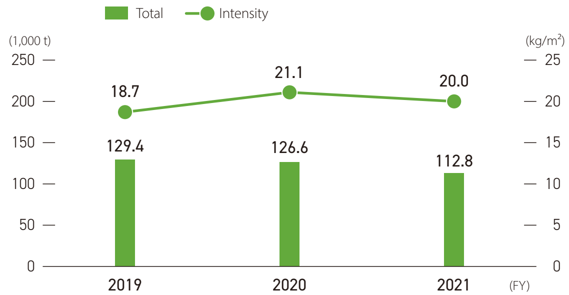


Closed-loop resource sourcing and conservation of aquatic environments

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 2021, at new construction sites, waste emissions showed a downward trend in both total amount and intensity. Meanwhile, emissions of plasterboard rose due to an increase in construction of nursing care facilities from the last fiscal year, which is apt to generate more waste emissions per floor area unit. Recycling rate for construction waste remained high at 97.7%.

New construction: Waste emissions and Intensity



Closed-loop resource sourcing and conservation of aquatic environments

9 Reduce water consumption

Our Group promotes water consumption reduction activities with a Groupwide target set for the reduction. In fiscal 2021, water consumption increased from the previous fiscal year due to a recovery in guest numbers at resorts, sports facilities, and hotels, which had declined amid the spread of COVID-19. However, water consumption per user decreased at these facilities as we made replacements with water-saving devices. As a result, water consumption per unit of sales in fiscal 2021 declined 46.8% compared with the fiscal 2012 level.

Prevention of chemical pollution

10 Reduce the use of toxic chemicals in production stages

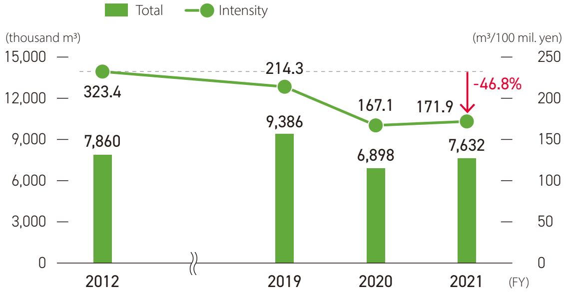
The factories of the Daiwa House Group utilize various chemical substances. In order to minimize the risk of chemical substances in our factories, we are focusing on those chemicals targeted by the PRTR and working to reduce them. In fiscal 2021, we changed some internal work processes, including the scope of coating conducted at our housing factories and welding methods adopted at our construction-related factories. As a result, we reduced release and transfer (per unit of sales) of PRTR-listed substances by 69.3% from fiscal 2012.

Environmental management

11 Develop human resources for environmental management

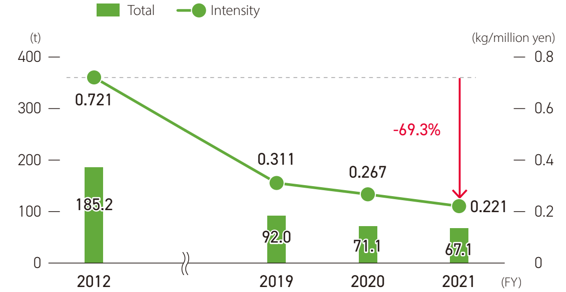
Eco Test certification is a good way to acquire basic knowledge regarding varied and complex environmental issues. We encourage our employees to take the test as part of our efforts to raise environmental awareness. In fiscal 2021, as a result of developing glossaries and prep tests in-house and providing them online as an assistance for test preparation, we had 19,033 certification holders as of end-March, 2022. By linking the certification with the employees evaluations, we aim to have 38,000 Eco Test certification holders across the Group by the end of fiscal 2026.

Total water consumption and unit consumption

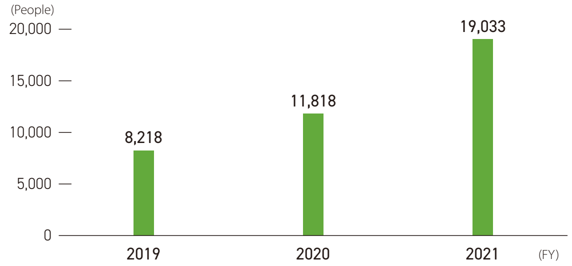


Note: The data has been revised to correct some errors in the overseas water consumption for fiscal 2019 and 2020.

Release and transfer of PRTR-listed chemicals



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



Social

S Efforts at Social

Customer base

1 Upgrade corporate communications

In fiscal 2021, we continued our advertising and promotional efforts that started in 2020 under the corporate communication theme of "Grow a new Life."

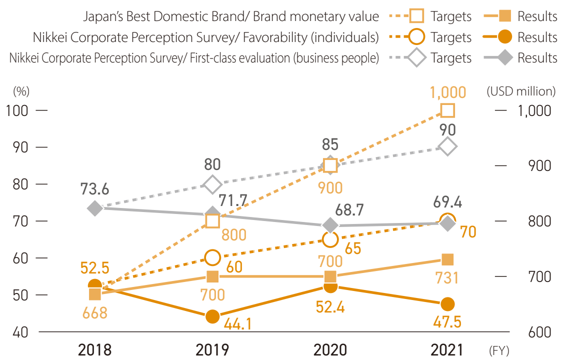
In the year where society was overshadowed by the COVID-19 pandemic, the Company embarked on developing new businesses, products, and services for adapting to New Normal, and Livness Town Project (redevelopment of existing housing complexes) that embodies the value of a sustainable lifestyle. Through 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.

2 Promote customer support to maintain long-term relationships

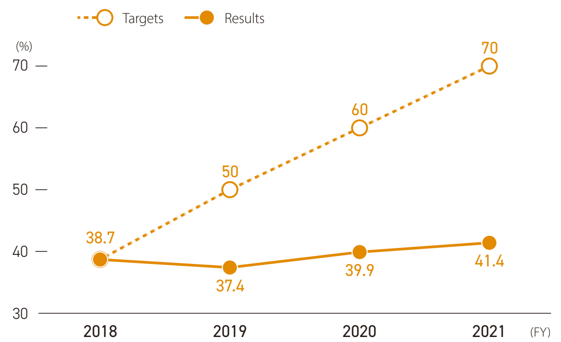
Fiscal 2021 was characterized by efforts to prevent the spread and proliferation of COVID-19, which had continued to impact lives from fiscal 2020, the subsequent establishment of a new type of relationship with customers, as well as regular inspections and impromptu visits. Following fiscal 2020, we will continue to use remote assistance tools for a number of our special post-disaster inspections and build a customer relationship system for customer satisfaction (CS) using digital technology.

While taking these 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.

Brand value, Perception survey results



Order rate using our customer base

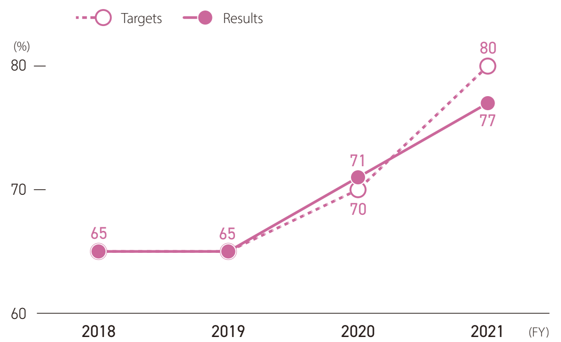


Human resources base

1 Work style reform for employees

Work style reform involved updating the system for performance evaluation and mentoring interviews targeted at chiefs and rank-and-file employees, focusing on fostering three major outcomes by which performing well at their work will make employees feel motivated and happy: work environments conducive to trust in the company, pride in work, and solidarity with colleagues. In addition to adding behavioral objectives (process), productivity, and contribution to the organization as evaluation criteria, we also changed from a standardized set of employee assessment criteria to different criteria that depend on the nature of each employee's work and their job type. To improve employee health and safety, we promoted health and productivity management practices. These included training managers in employee mental health supervision practices, and training young employees in self care.

Improvement in "motivation"

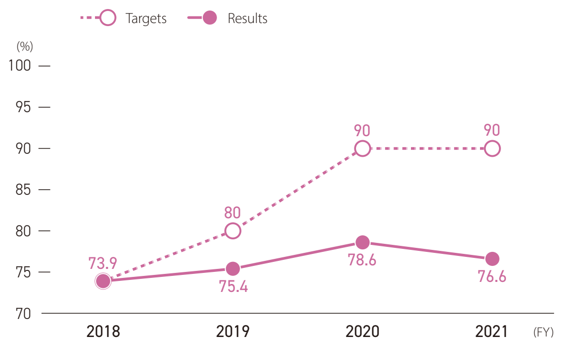


2 Upgrade human resource development and recruitment

In fiscal 2020 we introduced our D-Succeed succession plan to nurture new branch managers, and with effect from our new hirings in fiscal 2021 we have introduced a system of hiring for specified business divisions and job types. Building on these and other initiatives, we continue to invest actively in human capital, and are proposing a new system to enable us to create a base for innovation by maximizing the value of both individuals and organizations through the provision of workplaces and opportunities where employees can develop their capabilities.

In fiscal 2023, to deal with the ongoing COVID-19 pandemic, we will be adopting a new method for interviewing potential new hires that will combine face-to-face and online interviews, allowing us to interview a larger number of students.

Retention rate of young employees (3 years after joining the company)



3 Promote diversity and inclusion

In fiscal 2021, we held a training course for all employees on diversity and inclusion, in addition to a forum and other activities by the Working Group on Promotion of Female Employees within the Daiwa House Group's Construction Technology Committee. On top of our existing systems providing for teleworking from home and staggered work shifts, we also introduced a full flextime system, among various measures to improve work-style flexibility.

In fiscal 2022, we are taking continued measures to improve our Branch Diversity Scores and Business Division Diversity Scores, which are comprehensive Group diversity assessment indexes, as well as other such indexes. We will also continue to conduct training and dialogues, including the newly commenced D&I Meetings under the Daiwa House Group Construction Technology Committee.

General indices for diversity and inclusion

(%)

KGIs	FY2019 results	FY2020 results	FY2021 results	FY2021 targets
Female managers	4.1	4.5	**4.9**	5
Line leaders amongst female managers	25	21.5	**22.6**	40
Female engineers	4.9	4.9	**4.8**	6
Female sales reps	10.2	9.9	**10.2**	13
Female amongst recruits	24.8	23.5	**25.8**	30

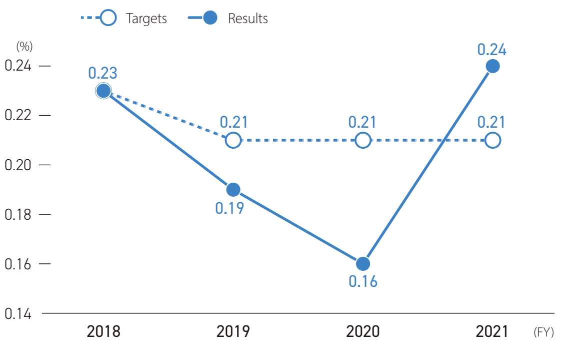
Technology and manufacturing base

1 Enforce safety/security at construction Sites

Continuing our initiatives in fiscal 2020, in fiscal 2021 we revised our health & safety educational methods targeted at skilled construction workers on site (employees of our business partners), and took steps to strengthen our management system.

We expect to see more changes in the health & safety environment at construction sites. We have introduced measures to minimize the spread of the COVID-19 virus, and are developing new teaching materials for safety. We will also continue our efforts relating to the fundamentals of safety, such as regularly issuing our safety management newsletter, promoting use of information panels on serious accident case studies, and installing environmental sensors to help cope with severe heat.

Frequency of worksite industrial accidents



* 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).

2 Raising construction efficiency through cooperation with our business partners

To raise the efficiency of operations at our construction sites, we continue to push forward with various digital construction projects, including remote site management. In human resources development, we are making increased use of certification for skilled engineers and technicians, and in addition to our existing conduct of surveys at the factories operated by our business partners, and our system enabling business partners to make reports, we are also working to build a system that allows employees to directly propose improvements to the work environment.

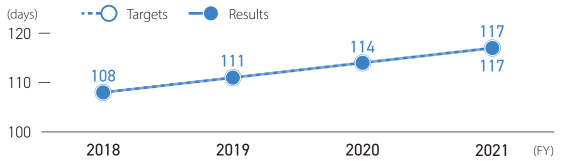
Going forward, we will continue to introduce new technologies. At the same time, by improving the skills and motivation of our business partners' employees, we aim also to ensure high product quality and reduce the time required for completion of tasks at the workplace.

Number of days off per annum for construction site workers

FY 2021 results	FY 2021 targets
112 days* (8 days-off for every 4 weeks)	112 days (8 days-off for every 4 weeks)

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

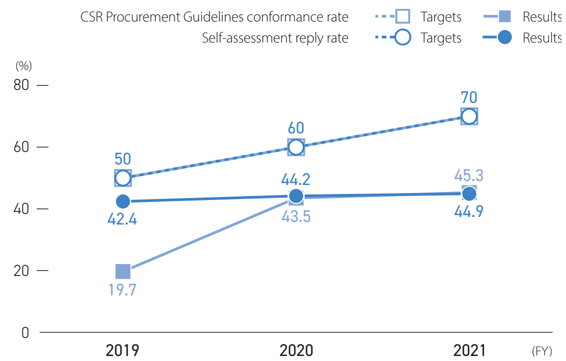
Number of days off per annum for factory workers



3 Promoting and raising the efficiency of CSR procurement across the Group

In fiscal 2021, we continued re-collecting letters of consent to our CSR Procurement Guidelines from our business partners, while promoting self-assessment via our website. We also distributed Ethics Cards to employees of our business partners, and we will maintain dialogue with our business partners and work to improve the rate of self-assessment submissions. To promote procurement in line with our CSR Guidelines, in fiscal 2010 we established the CSR Procurement Subcommittee, with representatives from departments involved in procurement and construction, among others. In fiscal 2021 the subcommittee shared information and held discussions on such themes as the Group's Zero Deforestation Policy, human rights in relation to procurement, timber procurement surveys result-sharing, and self-assessment result-sharing.

Group CSR procurement



Financial Highlights

(¥ million)

Fiscal Year	2013	2014	2015	2016	2017	2018	2019	2020	2021
Net sales	2,700,318	2,810,714	3,192,900	3,512,909	3,795,992	4,143,505	4,380,209	4,126,769	**4,439,536**
Gross profit	507,903	540,868	632,417	721,312	793,832	842,767	870,206	826,883	**864,682**
Selling, general and administrative expenses	344,326	360,516	389,316	411,220	446,690	470,571	489,091	469,761	**481,425**
Operating income	163,576	180,352	243,100	310,092	347,141	372,195	381,114	357,121	**383,256**
Operating income margin (%)	6.1	6.4	7.6	8.8	9.1	9.0	8.7	8.7	**8.6**
Net income attributable to owners of the parent	102,095	117,133	103,577	201,700	236,357	237,439	233,603	195,076	**225,272**
Return on equity (ROE) (%)	11.9	11.2	9.1	16.3	17.0	15.5	14.1	11.0	**11.7**
Total assets	2,665,946	3,021,007	3,257,805	3,555,885	4,035,059	4,334,037	4,627,388	5,053,052	**5,521,662**
Net assets	992,686	1,112,817	1,181,986	1,329,901	1,513,585	1,643,717	1,773,388	1,893,504	**2,111,385**
Net assets ratio (%)	37.0	36.6	35.9	36.8	36.5	36.8	37.3	36.3	**36.6**
Interest-bearing debt	393,568	563,530	491,964	640,671	780,574	778,546	1,043,478	1,274,886	**1,425,407**
Debt-equity ratio (times)	0.40	0.51	0.42	0.49	0.53	0.49	0.60	0.69	**0.71**
Net cash provided by operating activities	78,451	139,465	278,497	287,691	382,365	355,599	149,651	430,314	**336,436**
Net cash used in investing activities	(240,439)	(235,027)	(202,447)	(343,643)	(313,664)	(313,989)	(317,273)	(389,980)	**(467,423)**
Net cash provided by (used in) financing activities	110,131	129,202	(130,185)	80,086	41,804	(86,979)	169,128	102,731	**24,427**
Market capitalization	1,156,397	1,565,858	2,109,310	2,129,297	2,731,576	2,344,492	1,783,852	2,159,278	**2,132,628**
Stock prices (FYE) (yen)	1,751	2,371	3,166	3,196	4,100	3,519	2,677	3,241	**3,201**
Per share of common stock (yen):									
Earnings per share (EPS)	161.08	177.74	156.40	304.14	355.87	357.29	351.84	297.18	**343.82**
Book-value per share (BPS)	1,496	1,678	1,762	1,971	2,218	2,404	2,600	2,805	**3,081**
Cash dividends*1	50	60	80	92	107	114	115	116	**126**
Dividend payout ratio (%)	31.0	33.8	51.2	30.2	30.1	31.9	32.7	39.0	**36.6**
Price earnings ratio (PER) (times)	10.87	13.34	20.24	10.51	11.52	9.85	7.61	10.91	**9.31**
Price to book-value ratio (PBR) (times)	1.17	1.41	1.80	1.62	1.85	1.46	1.03	1.16	**1.04**
Number of employees (FYE)*2	32,628	34,903	37,191	39,770	42,460	44,947	47,133	48,807	**48,831**
Number of group companies	129	145	172	196	317	387	360	444	**480**

*1 Cash dividends for fiscal 2015 include a commemorative dividend of ¥10 to mark the 60th anniversary of the Company's foundation. Cash dividends for fiscal 2021 include a commemorative dividend of ¥10 to mark the 100th birthday of founder Nobuo Ishibashi.
*2 Regular employees only.

Fiscal Year	2013	2014	2015	2016	2017	2018	2019	2020	2021
Sales by segments (consolidated)*3 (¥100 million)									
Single-Family Houses	3,944	3,753	3,783	3,903	3,853	3,838	4,978	5,161	**6,268**
Rental Housing	6,887	7,729	8,801	9,772	10,308	10,613	10,059	9,827	**10,291**
Condominiums	2,427	2,313	2,793	2,628	2,850	2,805	3,727	3,397	**3,798**
Existing Homes	867	916	955	1,055	1,121	1,145	1,456	1,247	**1,269**
Commercial Facilities	4,219	4,562	4,955	5,697	6,208	6,939	8,067	8,083	**7,969**
Logistics, Business and Corporate Facilities	5,921	5,815	7,363	8,284	8,502	10,223	11,523	9,899	**11,396**
Other Businesses	3,939	4,265	4,588	5,135	6,371	7,161	5,300	5,073	**5,018**
Adjustment	(1,205)	(1,248)	(1,311)	(1,349)	(1,256)	(1,293)	(1,311)	(1,423)	**(1,617)**
Total	27,003	28,107	31,929	35,129	37,959	41,435	43,802	41,267	**44,395**
Operating income by segments (consolidated)*3 (¥100 million)									
Single-Family Houses	133	88	165	192	215	199	180	218	**297**
Rental Housing	642	695	819	942	1,066	1,022	985	908	**943**
Condominiums	107	108	157	134	133	135	158	53	**97**
Existing Homes	93	99	112	130	132	159	167	104	**88**
Commercial Facilities	607	672	803	1,007	1,141	1,377	1,406	1,228	**1,148**
Logistics, Business and Corporate Facilities	269	384	680	789	889	989	1,206	1,159	**1,317**
Other Businesses	140	102	95	168	230	325	192	107	**25**
Adjustment	(358)	(348)	(403)	(265)	(337)	(486)	(487)	(209)	**(85)**
Total	1,635	1,803	2,431	3,100	3,471	3,721	3,811	3,571	**3,832**
Housing starts*4 (thousands of units)									
Housing starts	987	880	921	974	946	952	883	812	**865**
Number of houses sold in Japan (non-consolidated) (units)									
Number of houses sold	46,018	49,087	51,207	54,925	51,641	48,410	43,703	38,991	**40,758**
Custom-built houses	8,088	7,280	6,999	7,106	6,907	6,524	5,917	5,178	**5,164**
Houses in housing development projects	2,433	2,614	2,333	2,180	2,320	2,192	2,066	1,841	**1,596**
Reference: Sales of houses (overseas)	—	—	—	—	973	2,621	2,875	4,184	**4,857**
Rental housing	32,424	36,757	38,903	43,428	40,254	37,905	33,502	29,488	**31,202**
Condominiums	3,073	2,436	2,972	2,211	2,160	1,789	2,218	2,484	**2,796**
Average sales per unit (¥ million)									
Custom-built houses	31.1	32.7	33.7	34.3	35.9	37.3	39.6	39.6	**41.0**
Houses in housing development projects	23.5	24.0	24.5	25.3	24.0	24.3	22.4	23.1	**24.2**
Rental Housing Business									
Rental housing units managed	391,778	435,515	471,342	510,208	543,124	572,238	595,182	611,874	**630,555**
Occupancy rates (%)	97.2	97.5	97.4	97.1	97.3	96.9	97.6	98.2	**98.2**
Commercial Facilities Business									
Subleasing floor space of commercial facilities									
Total leasing floor space (m^2)	4,829,902	5,134,274	5,441,604	5,736,312	6,157,287	6,375,278	6,765,150	6,871,560	**6,964,194**
Average orders received per building (¥ million)	138	160	222	281	324	381	488	551	**563**
Occupancy rates*5 (%)	99.2	99.1	99.2	99.1	99.1	99.0	98.8	98.5	**98.6**

*3 Including intersegment transactions. *4 Statistics for housing starts are from Housing Starts Survey by Ministry of Land, Infrastructure, Transport and Tourism.
*5 Leasing floor space occupied/ Total leasing floor space.

Corporate Data (as of June 29, 2022)

Corporate name	Daiwa House Industry Co., Ltd.
Corporate name	April 5, 1955 (Established: March 4, 1947)
Paid-in capital	¥161,699,201,496
Employees (consolidated)	48,831 (as of March 31, 2022)
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 (35)	Hokkaido, Kita-Tohoku, Sendai, Fukushima, Ibaraki, Utsunomiya, Gunma, Saitama, Saitama-nishi, Saitama-higashi, Chiba, Kashiwa, Chiba-chuo, Tokyo-nishi, Yokohama, Kawasaki, Kanagawa-nishi, Kanazawa, Niigata, Gifu, Nagoya, Okazaki, Aichi-kita, Mie, Shiga, Kyoto, Sakai, Kobe, Nara, Okayama, Hiroshima, Shikoku, Fukuoka, Kita-Kyushu, Kumamoto
Branches	22
Factories	9
Research center	Central Research Laboratory (Nara)
Training center	Daiwa House Group MIRAI KACHI KYOSO Center (Nara)
Overseas offices/ Representative offices	Shanghai (China), Taipei (Taiwan), Hanoi (Vietnam), Ho chi minh (Vietnam)
Contact	Daiwa House Industry Co., Ltd. IR Department, Management Administration Headquarters Phone: +81-6-6225-7804 e-mail: dh.ir.communications@daiwahouse.jp
Website	https://www.daiwahouse.com/English/

Board of Directors, Audit & Supervisory Board and Executive Officers (as of June 29, 2022)

Board of Directors

Representative Director and President, CEO	Keiichi Yoshii
Representative Director and Executive Vice President, CFO	Takeshi Kosokabe
Representative Director and Executive Vice President	Yoshiyuki Murata
Director and Managing Executive Officers	Hirotsugu Otomo Tatsuya Urakawa Kazuhito Dekura Yoshinori Ariyoshi Keisuke Shimonishi Nobuya Ichiki Toshiya Nagase
Outside Directors	Yukiko Yabu Yukinori Kuwano Miwa Seki Kazuhiro Yoshizawa Yujiro Ito

Audit & Supervisory Board

Audit & Supervisory Board Members	Tomoyuki Nakazato Tadatoshi Maeda Yoshinori Hashimoto
Outside Audit & Supervisory Board Members	Shonosuke Oda Akihisa Watanabe Tatsuji Kishimoto

Managing Executive Officers

Eiichi Shibata, Yuji Yamada, Takashi Miyatake, Tetsuya Tamur, Koji Harano, Yukikazu Kataoka, Moritaka Noumura, Junko Ishizaki

Senior Executive Officers

Hirofumi Hama, Nobuhito Ishibashi, Isao Mizutani, Yoshin Minagawa, Tetsuro Wada, Hiroshi Kono, Takafumi Nakao, Hirotaka Najima, Shigeki Ochiai, Yuichi Sugiura, Ryuichi Oyaide, Katsuyuki Murai

Executive Officers

Hideharu Hashimoto, Taro Kawamura, Norio Togashi, Masataka Kanai, Yoshinori Iwabuchi, Masatoshi Hatta, Keisuke Izumoto, Masafumi Sugimoto, Kenichi Yoshioka, Katsunori Nobe, Kazumi Suwa, Ryuzo Matsuyama, Masao Kita, Keiichi Moteki, Nobuhiko Watanabe, Hideto Tamiya, Tadahiro Takayoshi, Kazuya Mukai, Yoshimune Morizumi, Akira Matsuba, Tetsuo Hatta, Akira Kitamura, Eiji Saito, Katsuhiro Sugiyama, Masao Noshi, Masatoshi Sarashina, Takehiro Uchiyama, Masaaki Kikuchi, Shingo Suzuki, Akihiko Wada, Toshiyuki Suminaga, Toshiki Tanaka

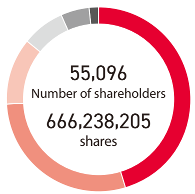
Share Information (as of March 31, 2022)

Authorized .... 1,900,000,000 shares
Issued .... 666,238,205 shares
Number of shareholders 55,096

Principal shareholders	Thousands of shares*1	Equity stake*2 (%)
The Master Trust Bank of Japan, Ltd. (trust account)	119,918	18.29
Custody Bank of Japan, Ltd. (trust account)	41,132	6.27
Sumitomo Mitsui Banking Corporation	16,117	2.46
Daiwa House Industry Employee Shareholders Association	13,635	2.08
Nippon Life Insurance Company	11,944	1.82
STATE STREET BANK WEST CLIENT - TREATY 505234	10,606	1.62
MUFG Bank, Ltd.	9,680	1.48
JPMorgan Securities Japan Co., Ltd.	9,420	1.44
SSBTC CLIENT OMNIBUS ACCOUNT	9,252	1.41
JP MORGAN CHASE BANK 385781	8,319	1.27

*1 Number of shares held is rounded down to the nearest thousand.
The Company holds 10,508 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.

Shareholdings by shareholders



	Number of shareholders	Shares	Equity stake (%)
Financial institutions	191	303,370,461	45.53
Foreign investors	988	192,484,792	28.89
Individuals and others	52,449	76,585,123	11.50
Other corporations	1,423	50,578,909	7.59
Securities companies	44	32,710,138	4.91
Treasury stock	1	10,508,782	1.58

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

Editorial Postscript

Breaking ground on our Future Landscape with a sense of mission

Yuji Yamada

Managing Executive Officer
General Manager, Finance Department and
IR Department

Thank you for taking the time and effort to read through our report.

Recent years have seen numerous corporations define a purpose and overhaul their management plans to align with them. We believe this trend is driven by calls for them to take initiative in working to address issues society faces. Daiwa House Industry has always sought to deal with society issues as laid out in our founding philosophy, "don't do things because they will make a profit, but because they will be of service to society." Formulating our Purpose, the latest iteration of our mission, was—we believe—a great opportunity to spell out what we stand for. All Group employees from the bottom up were involved. Deeply reflecting on our founding mission, they deliberated topics from corporate culture to how corporations and society ought to interact and the value our businesses provide. They stated clearly that we want to create fundamental societal infrastructure and lifestyle culture rooted in regeneration. Thus we have committed ourselves to bringing about a world where people can embrace the Joys of Life, all living together in harmony, as we face the many challenges ahead with the strong sense mission with Our Hopes for the Future as our compass.

In our Seventh Medium-Term Management Plan, which got underway in 2022, we committed to steadily moving forward on eight focal themes and to becoming the kind of corporation society will need in 2055, our centennial year. These include decarbonizing all our buildings to help achieve carbon neutrality as well as pursuing the plan's three major management policies for establishing a sustainable growth model: evolving our revenue model, optimizing management efficiency, and strengthening our management base.

In closing, we would like the express our appreciation to all who have taken an interest in and the time to read this report, as well as to those without whose involvement it would not have seen the light of day. We hope stakeholders, deepening their understanding of the Group's business activities, will provide the Daiwa House Group with even greater support as we break ground on our Future Landscape.

Our Communications at a Glance

Coordination

	Financial information	Non-financial information
Dialogue	• 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	• Experts' dialogue • Stakeholders' meeting
Reports	• Securities report • Business result report	• Corporate governance report

Integrated Report

Integrated report on selected financial and non-financial information judged to be material

Sustainability Report

(incl. Data Section / Third-Party Assurance)
Japanese-language edition
English-language edition

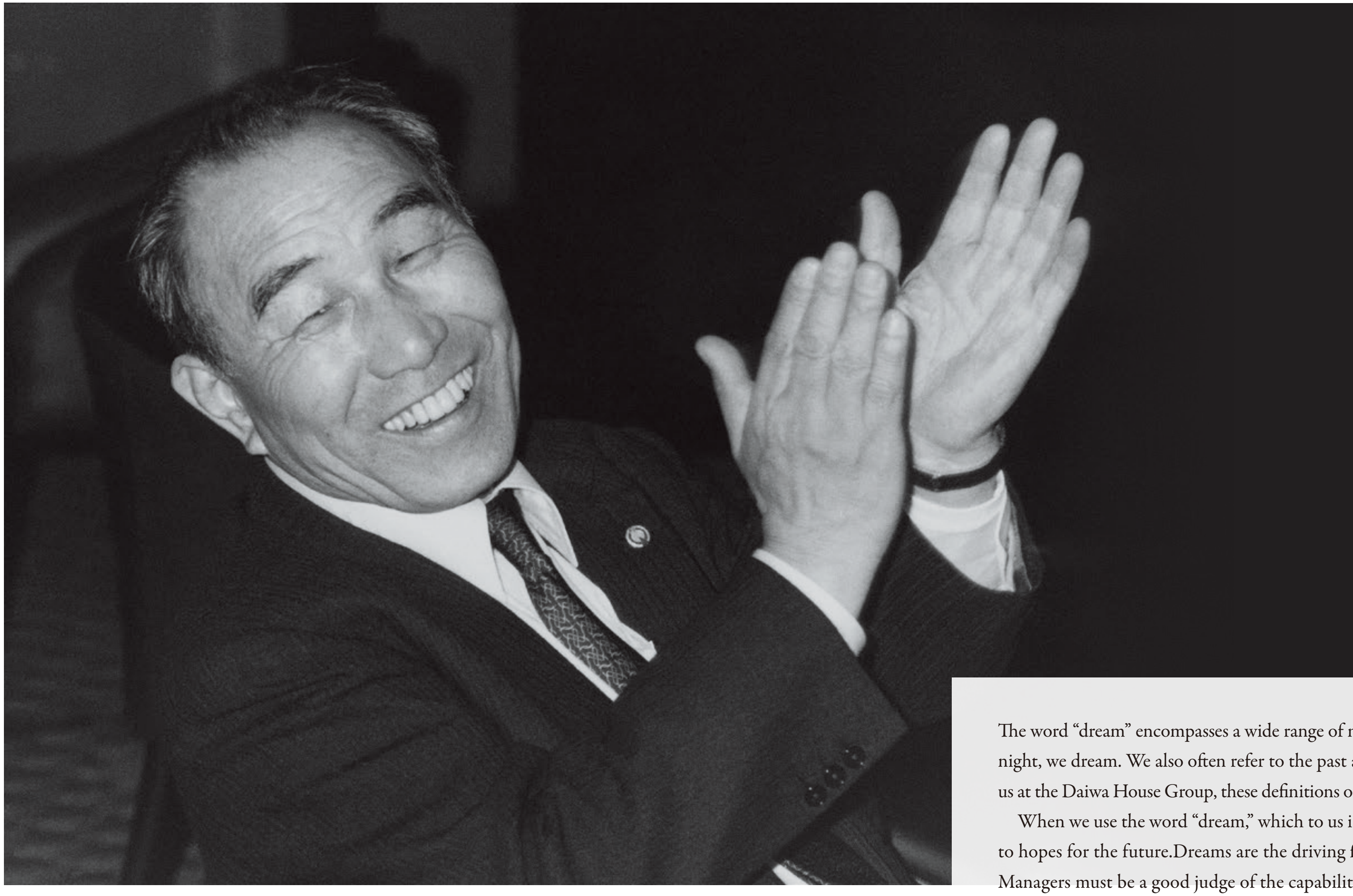
WEB

Investor Relations

https://www.daiwahouse.com/English/ir/

Sustainability

https://www.daiwahouse.com/English/sustainable/



Our founder, Nobuo Ishibashi (1921-2003)

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

Daiwa House Industry Co., Ltd.

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