Developing our Businesses

Chapter 5

Performance targets by business segment

In the 7th Medium-Term Management Plan, we aim to expand our business by positioning the Single-Family Houses Business, Commercial Facilities Business, and Logistics, Business and Corporate Facilities Business as the fields for intensive investment. In addition, we enhance our ability to generate cash in the Rental Housing Business and Environment and Energy Business to ensure stable profit growth.

(¥ billion)

	Sales			Operating income (operating margin)		
	FY2022 Results	FY2023 Plan	FY2026	FY2022 Results	FY2023 Plan	FY2026
Single-Family Houses	876.3	840.0	**1,250.0**	46.5(5.3%)	34.0(4.0%)	**100.0(8%)**
for overseas	430.1	366.2	730.0	36.8(8.6%)	17.6(4.8%)	75.0(10%)
Rental Housing	1,183.1	1,220.0	**1,250.0**	109.7(9.3%)	117.0(9.6%)	**120.0(10%)**
for overseas	63.8	67.8	60.0	2.7(4.3%)	6.1(9.0%)	10.0(17%)
Condominiums	484.3	430.0	**400.0**	40.8(8.4%)	21.0(4.9%)	**25.0(6%)**
for overseas	97.5	34.9	150.0	18.9(19.4%)	0.2(0.7%)	18.0(12%)
Commercial Facilities	1,092.1	1,150.0	**1,250.0**	132.9(12.2%)	143.0(12.4%)	**160.0(13%)**
for overseas	1.5	2.0	25.0	-1.0(–%)	-1.0(–%)	5.0(20%)
Logistics, Business and Corporate Facilities	1,130.2	1,190.0	**1,300.0**	99.6(8.8%)	124.0(10.4%)	**160.0(12%)**
for overseas	76.1	67.7	90.0	-2.4(–%)	0.5(0.8%)	9.0(10%)
Environment and Energy	188.6	140.0	**170.0**	6.2(3.3%)	6.3(4.5%)	**10.0(6%)**
for overseas	–	–	2.0	–(–%)	–(–%)	0.2(10%)
Other Businesses	81.8	60.0	**70.0**	5.4(6.7%)	2.0(3.3%)	**5.0(7%)**
for overseas	4.6	4.4	8.0	-0(–%)	-0.3(–%)	-2.9(–%)
Total	4,908.1	4,920.0	**5,500.0**	368.7(7.5%)	380.0(7.7%)	**500.0(9%)**
for overseas	673.9	540.0	1,000.0	52.9(7.8%)	20.0(3.7%)	100.0(10%)
for sale of development properties	222.2	301.3	450.0	74.6(33.6%)	81.7(27.1%)	
for Livness business	320.7	Approx. 300	Approx. 400			

Note: Effective from fiscal 2023, Daiwa House Modular Europe was reclassified from the Single-Family Houses segment to the Rental Housing segment. Accordingly, figures for fiscal 2022 have been restated based on this new classification.
Total operating income excludes the effect of actuarial differences.

Business Overview

The Daiwa House Group has built a portfolio of businesses for continually enhancing the value of fundamental societal infrastructure for a long time to come and creating lifestyle culture rooted in regeneration by leveraging our distinctive strengths to generate cashflow with a circular value chain that creates, fosters, and repeats across time to create once again.






	Single-Family Houses	Rental Housing	Condominiums	Commercial Facilities	Logistics, Business and Corporate Facilities	Environment and Energy
Create	● Houses sold In Japan 5,762 units Overseas 6,332 units	● Rental housing units sold (in Japan) 32,224 ● Overseas development properties 13	● Condominium units sold*1 In Japan 3,003 units Overseas 1,333 units	● Construction projects 812*3	● Development site area of logistics projects (accumulated) 319 projects 12,202,977m²	● Renewable energy generation equipment construction results (EPC) 2,706MW
Foster	● Customers with whom we have existing relationships (in Japan) Approx. 440,000	● Units under management 649,000 ● Occupancy ratio 98%	● Units under management 379,849	● Leasing floorspace of sublease areas within commercial facilities 6,795,700 m² ● Hotels under management 144	● Facilities under management (accumulated) (Daiwa House Property Management) 238	● Renewable energy power plants: development and operating results (IPP) 385 sites 602MW
Revitalize	● Number of Renovations 53,369	● Number of Renovations 25,420	● Number of redevelopment projects and other projects 46*2	● Main redevelopment projects ALPARK Hiroshima iias Kasugai	● Main redevelopment projects Toyama public wholesale market redevelopment project	

Note: Figures shown above are the results for FY2022.
*1 Total in Japan is for Daiwa House Industry and Cosmos Initia *2 Including projects for which a rights conversion plan has been approved *3 Number of facilities constructed by Daiwa House Industry (non-consolidated)

Financial Highlights (business segments) ▶ P.115

Single-Family Houses Business

▶ **Strengths** Technical capabilities for ensuring safety and security

▶ **Principal companies** Daiwa House Industry, Daiwa House Reform, Daiwa House Real Estate, DesignArc, Stanley Martin Holdings, Trumark Companies, CastleRock Communities, Rawson Group

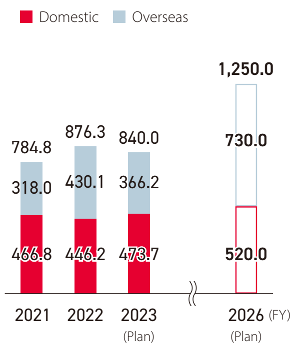
Delivering without delay products and services that customers truly need by grasping changes in society and lifestyles

Summary of business

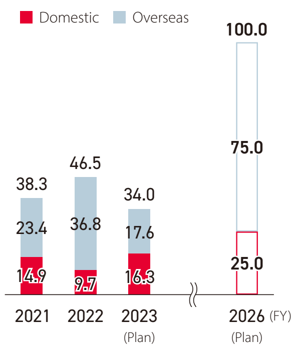
As a pioneer of industrialized construction, we offer living environment based on our evolving, leading-edge technologies. Our flexible and tailored home building is named LiveStyle Design, under which we cater to various needs of residents and fulfill their unique requirements. A place to live in is 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.

Seventh Medium-Term Management Plan Results and plan

Sales (¥ billion)



Operating income (¥ billion)



Note: Effective from fiscal 2023, Daiwa House Modular Europe was reclassified from the Single-Family Houses segment to the Rental Housing segment. Accordingly, figures for fiscal 2022 have been restated based on this new classification.

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 the number 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

- Strengthen ZEH proposals and expand wooden products
- Leverage digital tools to expand proposed plans and enhance operational efficiency
- Strengthen the built-for-sale housing business

- Expansion of overseas business centering on the US

Looking back at the first year of the 7th Plan and future outlook

In the first year of the 7th Plan, both sales and earnings increased due to the expansion of the US housing business.

In Japan, despite efforts in community-based business developments, both sales and earnings decreased amid harsh market conditions, reflecting 16 consecutive months of year-on-year declines in the number of owner-occupied housing starts from December 2021 to March 2023.

From January 2023, the Company worked to leverage digital technologies to strengthen its proposal-making capabilities, and it launched new initiatives, such as 3D plans when making initial proposals and the introduction of "LiveStyle Diagnosis" communication tool online. It also developed the industry's first single-family house-specific delivery box equipped with an intercom with 24-hour security camera functionality. We also offer custom-built houses and built-for-sale houses that solve customer issues and address changes in society, thereby expanding our renovation business.

Overseas, we operate the housing business in the smile zone which encompasses the eastern, southern, and western US states, where housing demand is expected to grow due to a rise in employment. During the second half of fiscal 2022, orders received slowed down due to repeated policy rate hikes. Nevertheless, given solid demand, we continued our sales activities and contributed significantly to our business performance, despite partial price adjustments.

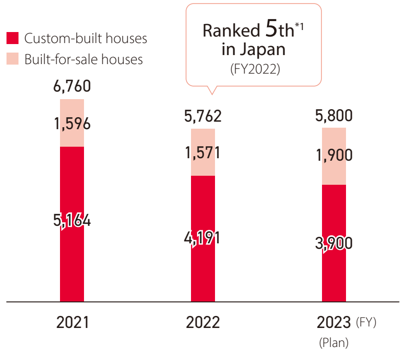
In fiscal 2023, despite our forecast for an increase in both sales and earnings in Japan, we expect overall sales and earnings to decline reflecting the impact of a rise in the number of cancellations and a weakening of orders in the US housing business due to mortgage rate hikes in the second half of fiscal 2022. Nevertheless, we see orders in the US housing business in 2023 are on a recovery trend.

Despite the tough market environment in Japan, we endeavoring to strengthen the built-for-sale housing business, expand our lineup of wooden products, and step up our marketing efforts in order to expand future performance.

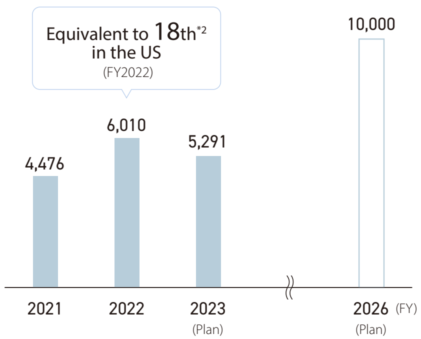
Our aims in strengthening the built-for-sale housing business are to increase profitability by improving operational efficiency and to further expand our customer base and gain market share through providing high-quality housing products to non-landowners at affordable prices.

In regard to expanding wooden products and stepping up our marketing efforts, we see a growing need for wooden houses as customers become more environmentally awareness. We will expand our wooden housing product lineup to meet various needs of customers and offer a greater range of solutions tailored to their values.

Houses sold in Japan (units)



Houses sold in the US (units)



*1 FY2022 Major house-builder ranking by Housing Industry News
*2 When the figures for the 3 companies (Stanley Martin, Trumark and CastleRock) in the 2022 total closings on 2023 Builder 100 are combined.

Overseas Single-Family Houses business

We plan sales of ¥730 billion (¥463.8 billion in fiscal 2022) and operating income of ¥75 billion (¥36.9 billion in fiscal 2022) in the overseas Single-Family Houses business centering on the US in fiscal 2026, the final year of the 7th Plan.

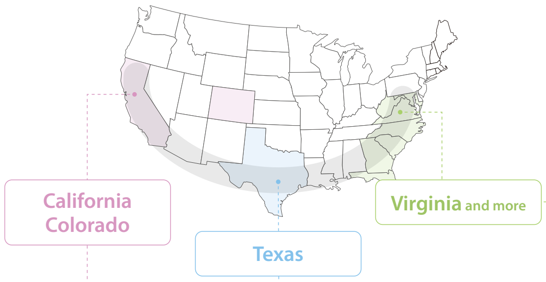
In the US, we operate our business with three Group companies as the core, namely, Stanley Martin, CastleRock and Trumark in the eastern, southern, and western parts of the nation ("smile zone") where stable market growth is expected due to demographics and industrial hubs in these areas.

Fiscal 2022 saw a sharp rise in housing prices and mortgage rates, causing customers to hold off on buying, but despite nationwide supply chain problems our companies responded to the situation and proceeded with deliveries, resulting in an increase of performance.

In 2023, despite a new risk factor of bank instability in addition to persistently high mortgage rates, orders received continue to be strong, exceeding the plans, reflecting appropriate and timely pricing based on company-specific market analysis, among other factors.

We continue to pursue business growth while utilizing our wealth of land information and business strategy planning and development, led by highly experienced management teams at each company.

Our business areas in the US



Expand business based on three companies

Stanley Martin Holdings

Operates in the eastern US states of Virginia, Maryland, West Virginia, North Carolina, Georgia, South Carolina, and Florida.


Founded in 1966. Awarded National Builder of the Year in 2021. Offers a broad range of products that include detached houses, townhomes, and townhome condominiums tailored to the location and market of the property. Seeks to expand their share of the existing market and increase investment in affordable locations, while also improving efficiency through off-site development.

Trumark Companies

Operates in the western US states of California and Colorado.


Founded in 1988. Holds extensive community development achievements as a developer with strengths in value-added housing and complex development, and is a winner of many awards including the Builder of the Year and the Developer of the Year for their creative design skills. Supports the construction of a water well for every 50 units sold as a partner of charity organizations providing clean and safe drinking water to people in developing countries.

CastleRock Communities

Operates in the southern US state of Texas. Established a fifth location in Phoenix, Arizona, and currently working to enter the Arizona market.


Founded in 2004. Developed more than 200 communities and delivered more than 15,000 houses in the past 18 years, and is a winner of many awards including the Top 50 National Builder Award. Seeks to improve customer service focused on Creating Raving Fans, while also promoting management focused on revenue quality and margins through flexible pricing and the control of construction schedules and procurement.

Rental Housing Business

▶ 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, Daiwa House Modular Europe

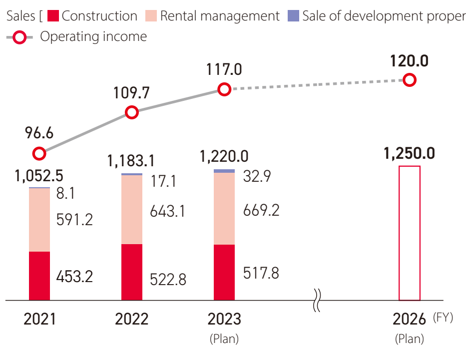
Offering the quality rental housing "D-ROOM" satisfying both marketability and customer needs, while supporting owners' stable, long-term rental income

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. We also develop rental housing in the US and conduct the contracting and rental business for houses and apartments utilizing modular construction system in Europe.

Seventh Medium-Term Management Plan Results and plan

Sales/Operating income (¥ billion)



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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 the number of households

Overseas (the US)

- Continued demand backed by population increase and stable economic growth
- Changes in investor trends due to rising interest rates

Business strategies

Construction
- Strengthen ZEH-M and expand market share

Rental management
- Expand the number of properties under management, build up the renovation business

- Stabilize operations of existing rental housing in the US and develop exit strategies

Looking back at the first year of the 7th Plan and future outlook

In the first year of the 7th Plan, the environment for orders in the contracting business remained firm on the back of strong demand from landowners, which led to an expansion of the built-for-sale housing business. Further, the number of units under management rose and occupancy rates remained high in our rental management businesses. As a result, overall sales and earnings in the Rental Housing segment increased. For fiscal 2023, we continue to plan an increase in sales and earnings.

In Japan, in an effort to promote eco-friendly rental housings that support energy saving and energy generation, the Company sought to popularize and promote ZEH-M properties by launching the "TORISIA" rental housing product that offers higher thermal insulation performance in October 2022. Daiwa Living maintains a high occupancy rate by providing specifications that meet the needs of tenants, such as standardizing the Internet service and delivery boxes in managed properties in responding to changing lifestyles. Daiwa House Chintai Reform worked to strengthen relationships with the owners of rental housings constructed by the Company by conducting building inspections and diagnoses periodically, while also continuing to promote work to extend warranty periods and submit renovation proposals.

Expansion of built-for-sale business

The built-for-sale business, in which we purchase land, build the rental housing, and then sell it to investors and existing owners, is expanding steadily. We are able to develop our business with high asset turnover ratios, which lead to the expansion of sales channels and the acquisition of new customers, including referrals of wealthy customers through financial institutions among others.

Growth of rental management businesses

In the Rental Housing business, the number of properties under management exceeded 649,000 units* (as of March 31, 2023), reflecting the strengthening of management contracts for the properties we built. We continue to achieve stable growth in rental management businesses.

We continue stepping up our efforts to strengthen intra Group collaboration in the areas of construction, management, and renovation and to pursue market-competitive products and services, as a partner for owners to ensure stable, long-term management.

* Total number of units managed by Daiwa Living and Daiwa House Real Estate

Rental housing sales rankings (FY2022) (units)

Ranking	Company name	Number of sales units	Share
1	Daito Trust Construction	35,840	Approx. 11%
2	Daiwa House Industry	32,224	Approx. 9%
3	Sekisui House	27,203	Approx. 8%

* Compiled from data published by the companies concerned

Overseas business development

In fiscal 2022, Rockville Town Center, our rental housing development in the US state of Maryland, was sold early with a favorable evaluation of its profitability. Although the market for revenue-generating properties continues to require close monitoring due to intermittent rises in interest rates affecting the funding of institutional investors and other buyers, we will focus on improving the occupancy rates and profitability of leasing while determining the timing to sell our development properties at a high profit.


Atelier (Texas, US)

Condominiums Business

▶ **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

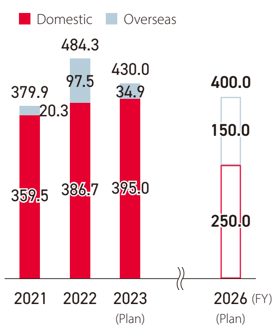
Offering safe, secure, and comfortable residential experience to condominium customers with our highly value-added condominiums considered for reduction of environmental impact

Summary of business

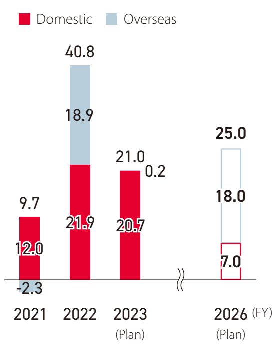
To meet the diverse lifestyles of our residents, we draw on our expertise as a house builder to seek to offer the basic housing performance, comfort, safety, and management systems that are essential for a long housing life. We also strive to create highly value-added condominiums that are environmentally and socially friendly and contribute to local communities, in addition to delivering asset value to our customers.

Seventh Medium-Term Management Plan Results and plan

Sales (¥ billion)



Operating income (¥ billion)



Recognition of circumstances

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

Overseas (China)
- Concerns over uncertainties in the real estate market
- Steady market conditions against real demand

Business strategies

Sales of condominiums
- Add value focused on environmental considerations and develop large-scale, highly profitable complexes

Management and operation
- Strengthen the condominium management business

- Promote sales in Changzhou Project III and expand properties under management in China

Looking back at the first year of the 7th Plan and future outlook

Sales in the first year of the 7th Plan progressed steadily on the back of a favorable order environment, mainly in the Tokyo metropolitan area. Overseas, the delivery of the Nangtong Project and Changzhou Project II in China also proceeded smoothly, resulting in an increase in both sales and earnings.

In the PREMIST condominium, a series of condominiums developed by the Company, the ZEH-M specification will be adopted for all buildings to be constructed in fiscal 2024 or later. Now that a nationwide development and sales system is in place as a result of starting condominium development with ZEH-M specifications in fiscal 2018, we have decided to move forward our efforts two years ahead of the initial target. In addition, sales of Cosmos Initia progressed steadily thanks to favorable evaluations of our properties sold for residents' convenient transportation and living environment. Daiwa LifeNext, a condominium management company, offers the L-Place Series, a series of quality corporate dormitory residences in 61 locations nationwide, as a corporate wellness program designed for employees' physical and mental well-being.

Our fiscal 2023 forecast assumes a decline in both sales and earnings due to a reactionary decline from the delivery of the Nantong Project and the Changzhou Project II in China.

Under the 7th Plan, we will step up our efforts in highly value-added projects focused on environmental considerations, while actively pursuing profitable large-scale complex development and redevelopment that revitalize local communities. We are also further expanding not only new construction projects but also revitalization and resale for revenue-generating properties which still have potential despite their declining profitability due to aging and other factors.

Going forward, we seek not only to reduce completed inventories but also increase asset turnover rates and tighten procurement standards. Also, by optimally assigning personnel to key areas of business, we intend to establish a structure that will further enhance profitability.

PREMIST Funabashi Tsukada

China: Condominiums business

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. Going forward, while working to develop Changzhou Project III and Suzhou Project II, we also intend to expand the number of condominium units under management, thereby increasing the brand value of the Group in the region.

Ongoing condominium development projects in China

Project name	Number of residential units	Status of sale	Scheduled completion
Nantong Project	1,480	Sold out	August 2022
Changzhou Project II	636	Sold out	August 2022
Changzhou Project III	967	Sales started in October 2022	December 2024 (planned)
Suzhou Project II	912	To be offered for sale	January 2026 (planned)

Commercial Facilities Business

▶ **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

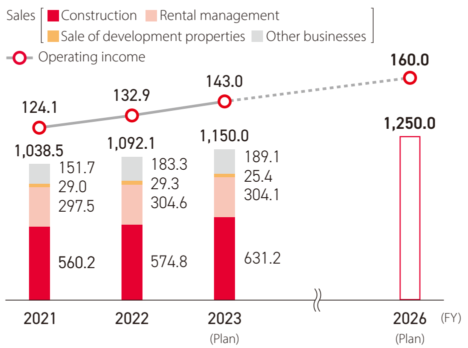
Helping invigorate communities and accommodate diversifying work- and life-styles with intelligence-gathering and solution-formulation capabilities cultivated with our distinctive LOC system

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 fine-tuned to local residents' needs and help townships facilitate the flow of people. We also undertake commercial facility development, offering a one-stop service from planning and construction to leasing, management, and operation, as well as urban hotel management.

Seventh Medium-Term Management Plan Results and 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 tourism and hotels following the rebound of inbound tourism
- Progress in initiatives aimed at achieving carbon neutrality

Overseas
- Recovery of Japanese companies' appetite for opening stores overseas, etc.

Business strategies

- Development to revitalize commercial and public facilities
- Expansion of initiatives to meet local office demand
- Profit growth of stock business such as hotels and sports clubs

- Business development in Taiwan, the US and ASEAN

Looking back at the first year of the 7th Plan and future outlook

In the first year of the 7th Plan, both sales and earnings increased due to a pickup in the hotel and sports club operation business, which was largely affected by COVID-19, and an improvement in the environment for orders as tenants' appetite for opening stores regained momentum that had waned during the COVID-19 pandemic.

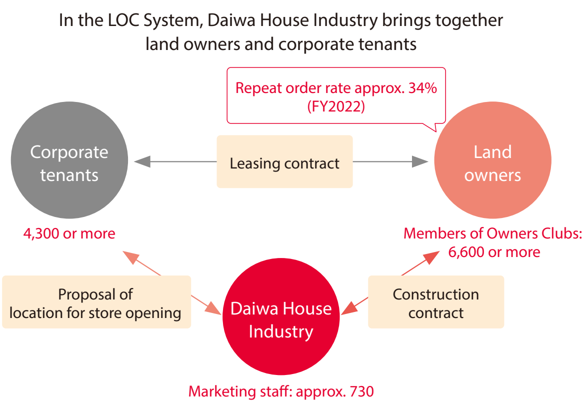
In the contracting business, the cost of sales ratio worsened as we were less successful than expected in passing on higher material prices to customers. Nevertheless, we focused our efforts on large-scale properties and the built-for-sale business, in which we sell properties to investors for which we have acquired the land, planned the development, designed the construction, and conducted tenant leasing.

The Urban hotels operation at Daiwa House Realty Mgt. is improving the occupancy rates, driven by the lifting of immigration restrictions on foreign tourists effective in October 2022 and the yen's historic depreciation, amid the strong pent-up demand and need for foreigners to travel Japan.

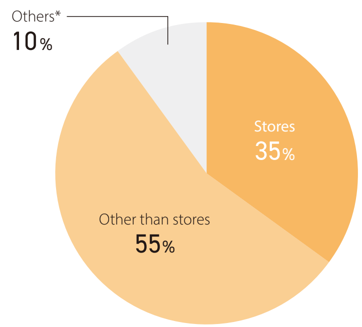
In fiscal 2023, we aim to increase sales and earnings by offering a range of plans that meet the needs of tenant companies, taking advantage of their business strategies and the characteristics of each region.

Going forward, we will also actively work to revitalize commercial and public facilities. Given a rise in the number of over 20-year-old commercial facilities and the growing demand to raise their value, we intend to continue revitalizing lifestyle infrastructure while leveraging our strength rooted in communities to offer property proposals suited to the needs of the times. We will increase its ability to appeal to customers by attracting tenants suited to the community's needs and create lively spaces in the community while responding society's focus to circularity by utilizing existing buildings. In the area of public facilities, we will also expand public-private sector businesses by utilizing its knowledge and expertise in public-private partnerships (PPP) and private finance initiatives (PFI).

LOC System (Land Owner and Company)

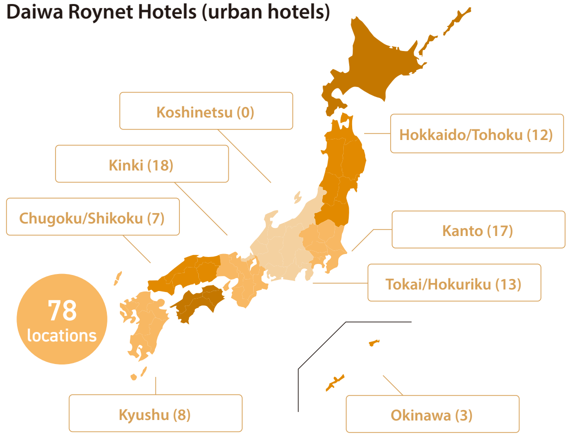


Orders received, by asset type (FY2022)



* Others includes projects with small amounts of work and shopping center, stock, overseas, and other businesses.

Daiwa Roynet Hotels (urban hotels)



Logistics, Business and Corporate Facilities Business

▶ 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

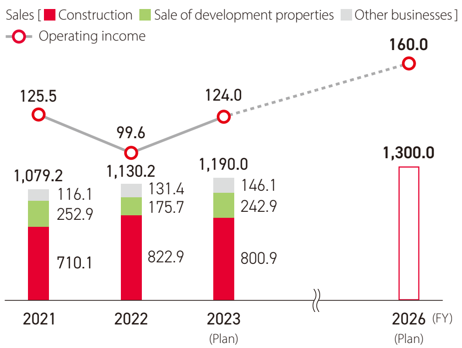
Pursuing products and quality that will be appreciated and needed by people around the world by quickly grasping the values that will become indispensable to international society with an eye on BCP and SDGs and by creating new business models and solutions

Summary of business

We leverage diverse plans to produce facilities to accommodate corporate customers' needs. We are proactive in developing logistics facilities in response to the expansion of the e-commerce market, and we also provide medical, care, social welfare, and nursing care facilities, food-industry facilities, offices, and plants. We are also actively developing data centers and revitalizing public markets.

Seventh Medium-Term Management Plan Results and 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

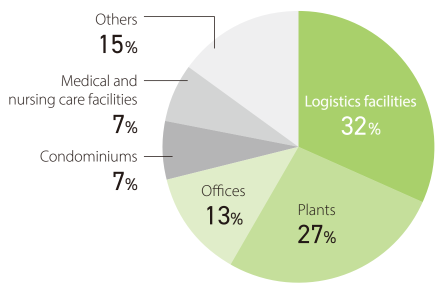
Looking back at the first year of the 7th Plan and future outlook

Sales for the first year of the 7th Plan increased due to a recovery of orders in the contracting business and aggressive development of an industrial park for sale by optimally utilizing the land property. However, sales of development properties progressed steadily and exceeded projections, but there was a reactionary decline from the previous fiscal year, and the price pass-through to customers was slower than expected due to soaring material prices, resulting in a decrease in earnings. Our plan for fiscal 2023 assumes a rise in the sale of properties and an improvement in the gross margin, thereby increasing both sales and earnings.

Specifically, in the area of logistics facilities, we leverage our extensive experience and expertise to support customers' logistics strategies. Utilizing its operation bases in regional area, one of our strengths, we are rapidly developing logistics facilities in regional areas targeting manufacturing industry, productions of which are returning to the domestic locations. In other businesses, the number of buildings managed by Daiwa House Property Management, which manages and operates logistics facilities developed by Daiwa House Group, amounted to cumulative 238, covering an area of approximately 9.38 million square meters. Fujita received orders for large-scale construction projects such as cleaning plants for reconstruction, logistics facilities and university facilities, as well as complex facilities and production facilities in an urban area redevelopment project, and orders in our civil engineering business including an order related to energy business. Reflecting these orders, the amount of orders received remained solid. In addition, sales significantly increased year on year, in line with steady progress in construction on hand at the beginning of the fiscal year and an increase in the sales of development properties.

In ASEAN, despite progress in easing COVID-19 regulations, Japanese companies' appetite for capital investment remains low level due to the weak yen in our logistics warehousing business currently underway in Indonesia, Vietnam, Malaysia, and Thailand. However, we will continue our marketing activities to foreign companies while closely monitoring Japanese companies' entry to the ASEAN market or resuming their business expansion going forward.

Orders received, by facility type (FY2022)



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

Logistics facilities

We believe the need for new logistics facilities will continue to increase given the further expansion of the e-commerce market in Japan. In addition, the logistics industry is facing a major challenge of long working hours due to labor shortages, making it essential to further improve logistics efficiency. To support our tenants in improving their logistics efficiency, we are pushing forward with the automation and mechanization of logistics facilities, centering on our subsidiary, Daiwa LogiTech, leveraging our track record as the No. 1 developer of logistics facilities in Japan. We also work on proposals for a vehicle dispatch system to eliminate extended waiting times for trucks at the facility. Further, we provide childcare facilities within the logistics facilities developed by Daiwa House Group as a way to support securing employment.

Industrial park development

The Company develops industrial parks and sell land subject to building conditions across the nation. We will continue to drive forward as a leading developer of industrial parks, drawing on our wealth of land information that enables us to purchase favorable land as well as our technical capabilities to meet the needs of a broad range of companies.

Approach to new assets

Currently, orders are also expanding to meet new demand for data centers, semiconductor plants, and other areas where market growth is expected in the future.

Environment and Energy Business

▶ **Strengths** Technical and planning capabilities, and synergies with each business

▶ **Principal companies** Daiwa House Industry, Daiwa Energy, Eneserve

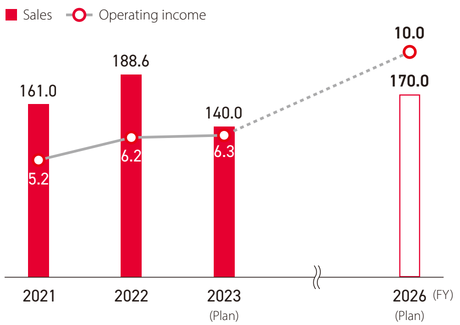
Contributing to the spread of renewable energy to realize a carbon-free society

Summary of business

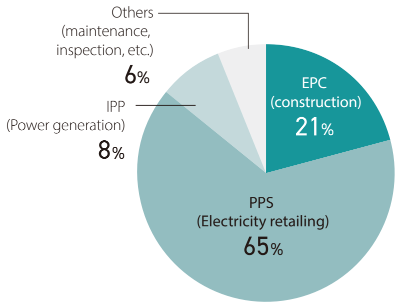
We leverage our technology, planning, and the Group's comprehensive capabilities to offer three pillars of EPC, which is engineering, procurement, and construction of renewable energy power plants centering on the construction of solar power plants; PPS, which is an electric power retail business targeted at corporate and individual customers; and IPP, which is a power generation business primarily for solar and wind power generation. With the world rapidly going carbon-free and growing need for renewable energy, we will actively contribute to the spread of renewable energy.

Seventh Medium-Term Management Plan Results and plan

Sales/Operating income (¥ billion)



Sales by business model



Note: Rough breakdown for FY2022

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

EPC
- Strengthen efforts for offsite PPA to prepare for the end of FIT
- Manage land for off-site PPA for early monetization and cultivate buyers, etc.
- Expand onsite PPA by strengthening collaboration inside the Group

PPS
- Set unit prices and introduce new rate plans to improve profitability

Looking back at the first year of the 7th Plan and future outlook

In the first year of the 7th Plan, sales of construction decreased due to a decline in FIT projects in EPC, the engineering, procurement, and construction of power plants for renewable energy business. Meanwhile, sales increased in PPS, the electric power retail business, due to measures taken to revise sales prices and introduce new rate plans. In IPP, a stock business for the electric power generation, we saw an expansion in the number of projects. As a result, both sales and earnings increased overall.

In the EPC business with the termination of Japan's feed-in tariff (FIT) program, we focused our efforts to expand two PPA businesses, off-site PPA*, which supplies power to buyers away from solar power plants, and on-site PPA, which supplies power directly from solar power plants installed on rooftops or on adjacent land. This led to a rise in the number of projects. In the PPS business, the wholesale electricity market is stabilizing even though electricity purchase prices have soared due to the rise in resource prices caused by the prolonged situation in Ukraine and by the depreciation of the yen. Further, profitability is improving as a result of measures taken not only to launch new rate plans for both low and high voltage, but also supply power in proportion to the number of power sources procured and cut back the ratio of power procured from the wholesale market. In the IPP business, we operate 385 power plants nationwide (excluding those for private consumption) primarily for solar power generation, as well as wind and hydroelectric power generation.

Our forecast for fiscal 2023 plans a decrease in sales due to a decline in PPS business, but we will aim to expand "off-site PPA" and "on-site PPA" in an effort to meet the growing need for renewable energy. Further, we will pursue efforts in each business to "install rooftop solar power generation equipment on newly constructed buildings in principle" and work together with customers to achieve carbon neutrality.

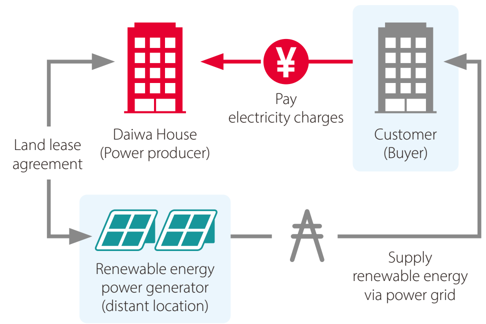
* Power Purchase Agreement.

Value chain

EPC (Construction business)	PPS (Electricity retailing business)	IPP (Power generation business)	Maintenance/Inspection
Engineering, procurement, and construction of solar generation stations and mega solar farms	Electric power retail business targeted at corporate and individual customers	Power generation and sales business of solar, wind, and hydroelectric energies	
Daiwa House Industry			Eneserve
Daiwa Energy	Eneserve	Daiwa Energy	

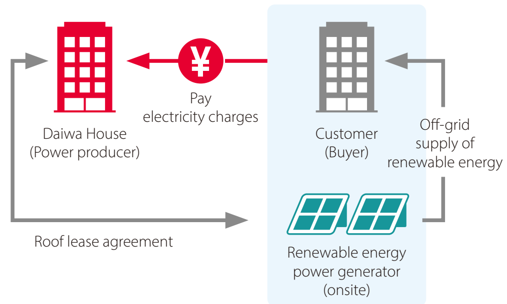
Business scheme of offsite PPA

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



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



Creating Social Impact

Revitalization business in every corner of the nation – Livness business initiatives –

Since our founding, we have been developing "businesses that will be of service to society" to solve social and environmental issues. The result is our creation of social value (impact). We are working nationwide to revitalize housing, social infrastructure, and community development which only Daiwa House can provide, with the aim of "ensuring a world where we live together in harmony embracing the Joys of Life" which is "Our Hopes for the Future" for 2055. We are committed to contributing to creating an impact through the Livness business*.

* Livness business is the collective name for renovation, reconstruction, brokerage, purchase and resale, and other businesses.

Creating value by leveraging Daiwa House's strengths

Value creation capabilities gained through co-creation

- Meeting the needs of local customers
- Ability to grasp quickly what is needed and provide solutions
- Capacity to offer comprehensive business ideas

Resolve social issues through business

Value creation capabilities gained through co-creation

Continuing to shoulder the responsibility for our customers and buildings

Principle of "being of service to society"

Trust and sympathy of stakeholders

Circular value chain expansion

Output

FY2022 results
Livness business sales ¥320.7 billion

Housing
- No. of renovations Approx. 79 thousand
- Management of vacant houses
- Brokerage of existing houses
- Purchase and resale, etc.

Social infrastructure
- Revitalization of commercial facilities (Shopping centers, etc.)
- Redeveloping of public facilities (markets, etc.)
- Reconstruction of aging hospitals, facilities

Community development
- Livness Town Project Projects currently underway: 8 locations

Outcomes

Creation of the fundamental societal infrastructure and lifestyle culture rooted in regeneration

- Creation of affluent living spaces —Raising customer satisfaction
- Creation of safety and security —housing, facilities
- Environmentally conscious response— energy saving/energy generation equipment, spreading development of buildings with high thermal insulation specifications, creation of green spaces
- Job creation and increased numbers of facilities users
- Enhanced lifestyle convenience
- Support for tenant companies to open new stores, area expansion
- Growth of business domains
- Accumulation of new business know-how
- Development of motivated employees

Impact

Social value

- Carbon-free society
- Offer a variety of living styles
- Infrastructure development to meet corporate needs
- Revitalization of local communities
- Preservation of biodiversity
- Contributions to SDGs
- Effective use of resources
- Increased value of our human capital

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

Social issues

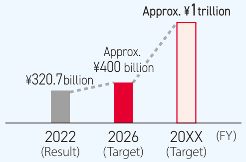
- Revitalization of local economies
- Aging houses and facilities
- Countermeasures to vacant houses
- Diversification of values
- Effective use of resources
- Increased frequency and scale of meteorological disasters

5-year plan for real estate development investments: ¥2.2 trillion
Balance of real estate for sale (actual as of March 31, 2023): Approx. ¥2 trillion

Of the real estate development investments, ¥500 billion is planned for commercial facilities, including investments related to revitalization projects. Within real estate for sale are included properties obtained through purchase and resale and land acquired from the Urban Renaissance Agency with fixed-term leasehold rights for residential use.

Revitalization of commercial facilities iias Kasugai

Sales of Livness business



Creating Social Impact

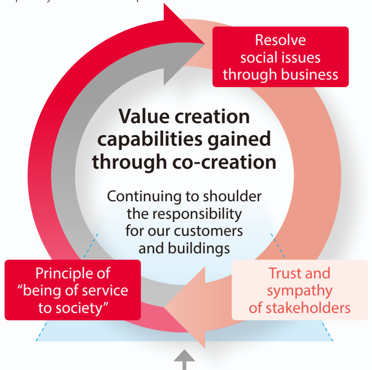
Social Infrastructure Development – Data center business initiatives –

Data centers are increasingly becoming a critical element of social infrastructure, with higher communication volumes anticipated going forward due to increases in video streaming services, automated driving, the spread of IoT and 5G, greater efforts to utilize DX by corporations, and auto-generated AI, among other applications. On the other hand, data center development in Japan is faced with any number of challenges, such as avoiding earthquake risk, ensuring transmission speed, and securing power supply networks. We will create an impact on society through our business by leveraging the ability to secure and commercialize land for projects, and to propose comprehensive projects such as the installation of photovoltaic power generation systems and the supply of renewable energy electricity.

Creating value by leveraging Daiwa House's strengths

Value creation capabilities gained through co-creation

- Meeting the needs of local customers
- Ability to grasp quickly what is needed and provide solutions
- Capacity to offer comprehensive business ideas



Entering the data center business

Output (results)

Made-to-order case study:
DPDC Inzai Park (conceptual image)

Development case study:
DPDC Shinagawa Konan Site (conceptual image)

Outcomes (results)

Creation of the fundamental societal infrastructure and lifestyle culture rooted in regeneration

- Ensuring data transmission speeds (Construction in areas with stable supply)
- Providing safety and security by avoiding earthquake risks to the maximum extent possible (Construction on stable ground with no active faults)
- Solutions to energy issues (Installation of photovoltaic power generation systems, supply renewable energy)
- Realization of aggregation benefits such as intercommunication and inter-facility collaboration (Leveraging relationship strength to attract extra-high-voltage substations)

Impact (long-term results)

Social value

Realizing Society 5.0*

- A completely different way of living using a digital twin
- Co-existence with humans and AI
- Development of automation for industry and services, and real-world innovation

* A human-centric society that balances economic development and the resolution of social issues through a system that highly integrates cyber and physical spaces

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

Social issues

- Growing demand for large-scale data centers due to increasing data and transmission volumes
- Energy management (reduction of greenhouse gas emissions)
- Securing transmission speeds
- Securing expansive land for data centers
- Ensuring special high-voltage power

Total project cost of ¥200 billion by 2030 (planned)

In October 2020, we embarked upon a project to develop one of Japan's largest data centers in Inzai City, Chiba Prefecture. The project was originally planned to be developed as an industrial park, but as it is well suited to be a data center, among other factors, it is a project that demonstrates our ability to make complex business proposals. In April 2022, we launched our data center brand, DPDC (DProject Data Center). At DPDC Inzai Park, we predominantly engage in construction business from AirTrunk, an Australian data center operator, and moving forward as DPDC Inzai Park, we intend to develop up to 14 data center buildings with a total floor area of approximately 330,000m². In addition, DPDC Shinagawa Konan Site is our first building-type data center development project in Tokyo with seven stories above ground, and we are developing these facilities to take full advantage of the convenience of the city center. Since the data center business is highly specialized in terms of technology, in addition to building a business base that can handle this, we are working to strengthen our technical base by accelerating the acquisition of know-how through the establishment of construction committees for each project.

Real estate investment

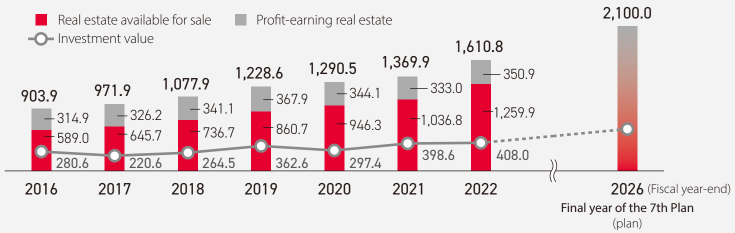
We continue to actively invest in real estate development, focused on the key concepts of developing next-generation infrastructure and creating jobs, revitalizing and enhancing the value of aging facilities, and promoting complex redevelopment centering on regional core cities.

Investments in real estate development Results and plan

Investments in real estate development Seventh Medium-Term Management Plan (¥ billion)

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

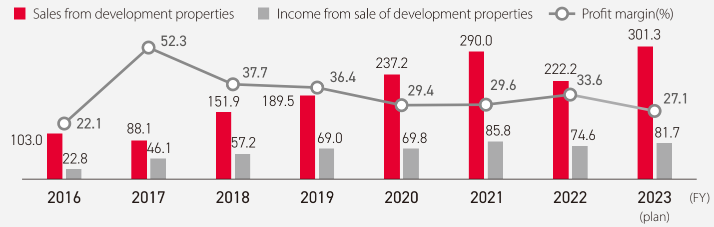
Trends in real estate development investment amount and investment real estate balance (book value) (¥ billion)



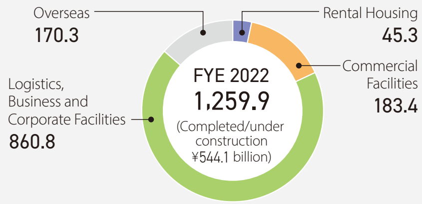
In fiscal 2022, the first year of the 7th Plan, we achieved investment results of ¥408 billion. The results were somewhat low compared to the annual average of ¥440 billion in the 5-year plan, but since there are strong investment opportunities, we will continue to focus on further development expansion after the 8th plan, and will make investments from a long-term perspective that will contribute to stable stock growth. The investment real estate balance is ¥1.6 trillion, and prime real estate is being accumulated toward the planned figure for the final year of ¥2.1 trillion.

Sale of development properties Results and plan

Sale of development properties (¥ billion)



Breakdown of real estate available for sale (¥ billion)



FYE 2022	Being rented, book value (¥ billion)	NOI yield
Real estate available for sale	474.5	5.0%
Profit-earning real estate	318.1	13.1%

The Group positions real estate available for sale as real estate that can be sold immediately after investment for the purpose of obtaining capital gains, and profit-earning real estate as real estate invested and developed for the purpose of obtaining income gains. The positioning of real estate is determined at the development consideration stage.

In the 7th Plan, we aim to gradually increase stock for profit and sell when the timing is right to maximize profit. In fiscal 2022, we were able to earn a profit on sales against the backdrop of a strong trading market.

Risk management in real estate development investments

Establishment of Business Investments Committee

The Company's Business Investments Committee has been established to ensure that appropriate decisions are made about important potential investments in the real estate development business and other businesses after sufficient deliberations and discussions through assessment of feasibility and risks. A meeting of the Committee, chaired by the president of the Company, is held once every 10 days or so in principle. The Company's decisions will be made through an electronic collective decision-making process, which will proceed in parallel with Committee meetings, and by the Board of Directors.

The Committee will deliberate on potential domestic or overseas investment projects of a certain amount or more as laid down in the Company's investment amount classifications, to facilitate the collective decision-making process and the resolutions of the Board of Directors. 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 have significant social impact, 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 discussed, regardless of the investment amount requirement. The Committee has been sitting since 2008, and had considered a total of 477 projects as of the end of fiscal 2022.

Note: The Real Estate Investment Committee was renamed the Business Investments Committee in October 2020. All types of potential investments including real estate projects are subject to deliberations by this committee, so as to ensure careful risk assessment and strengthen our monitoring system.

Deliberations based on unique criteria

The Business Investments Committee firmly deliberates on 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 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 standpoints of ESG (legal risks and risks associated with soil and groundwater contamination, soil conditions, susceptibility 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 if the project poses the risk of 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 2022, the Committee considered 41 projects, of which two were put on hold after thorough deliberation.

In addition, in light of the recent unstable financial environment, in February 2023 we raised the IRR hurdle rate, which is set as a criterion for real estate development investment, in preparation for possible future interest rate rises. In addition, in April 2023, we introduced an environmental IRR*[1] using ICP*[2] as a new evaluation index to promote investments that match the carbon neutral strategy (investments that contribute to CO_2 reduction) to which we are committed.

*1 IRR (internal rate of return) calculated by converting the environmental value of the investment property's CO_2 reduction into monetary value and adding it to the profit.
*2 ICP (internal carbon pricing) is a system in which companies set their own carbon prices for the purpose of promoting decarbonization.

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

Risk (based on investment amount)	Deliberation	Decision-making	
High	Deliberation by Business Investments Committee	Electronical collective decision-making	Resolutions by the Board of Directors
Low	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).

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*[3]

+

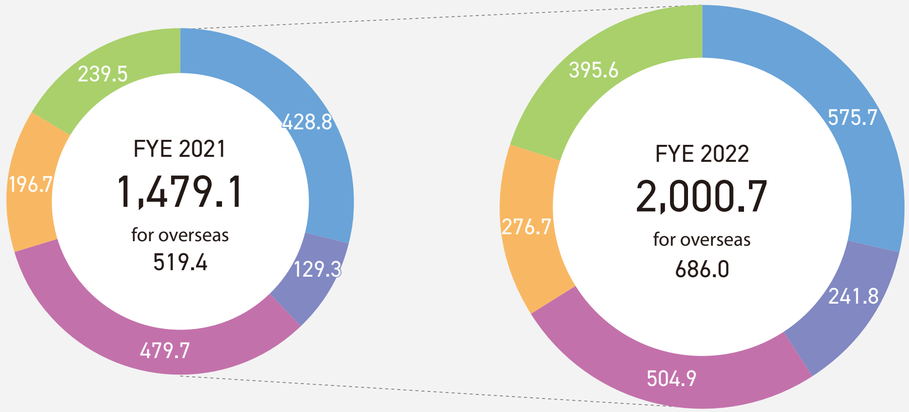
Multilateral risk assessment (16 departments, 26 items)
- Consistency with management philosophy, management strategies and brand image
- Legal risks
- Environmental impact, such as soil or groundwater pollution, ground condition risks
- Consideration for the environment such as climate change
- Appropriateness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

*3 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.

The expanding built-for-sale business

The balance of real estate for sale was approximately ¥2 trillion at the end of fiscal 2022, an increase of approximately ¥500 billion from the end of the previous fiscal year. We are expanding our built-for-sale business in each segment by leveraging our wealth of information on land and leasing capabilities, as well as the technological capabilities that enable us to meet the needs of diverse tenants and society as a whole.

Balance of real estate for sale at term-end (¥ billion)



Abundant information on land

Group collective strengths that enable large-scale and complex development projects, and the financial base to support such projects

At our sales offices across Japan, we obtain a wide range of information on land through close relationships with landowners. This enables us to secure land with superior business development prospects.

Technical capabilities that meet the needs of diverse tenants and society as a whole

Leveraging our strength in developing a variety of assets, we are steadily expanding our business while promptly and flexibly meeting the ever-changing needs of tenants and society as a whole.

Single-Family Houses Business

In Japan, we are strengthening our built-for-sale business with the aim of improving business efficiency. We plan aggressive business expansion in the United States in markets where growth is expected.

Rental Housing Business

We are steadily expanding our built-for-sale business for investors and existing owners. This also leads to the expansion of our total customer base through the introduction to us of wealthy customers by financial institutions.

Condominiums Business

In Japan, we are actively promoting high value-added condominiums. Overseas, mainly in China, we are expanding the business that we have cultivated in Japan.

Commercial Facilities Business

We develop a variety of assets that meet tenant needs, mainly in city center. We are also actively developing initiatives to increase the value of commercial facilities.

Logistics, Business and Corporate Facilities Business

We are developing industrial parks throughout Japan. Involving land-use proposals, these projects lead to sole-source construction orders and result in highly profitable business.