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Chapter

5

Environment and Energy

Helping spread renewable energy
for carbon free society

Single-Family Houses

Creating comfortable, safe and secure lifestyles
with advanced steel- and timber-frame housing

Logistics, Business and Corporate Facilities

Building new social infrastructure
to support corporate logistics strategies

Rental Housing

Providing quality rental housing and
asset-inheritance support

Commercial Facilities

Intelligence gathering and solution capabilities
using proprietary LOC system

Condominiums

Providing high value-added,
eco-friendly condominiums

Net sales
¥5,202.9 billion
(FY2023)

Chapter 5 Developing our Businesses

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 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.

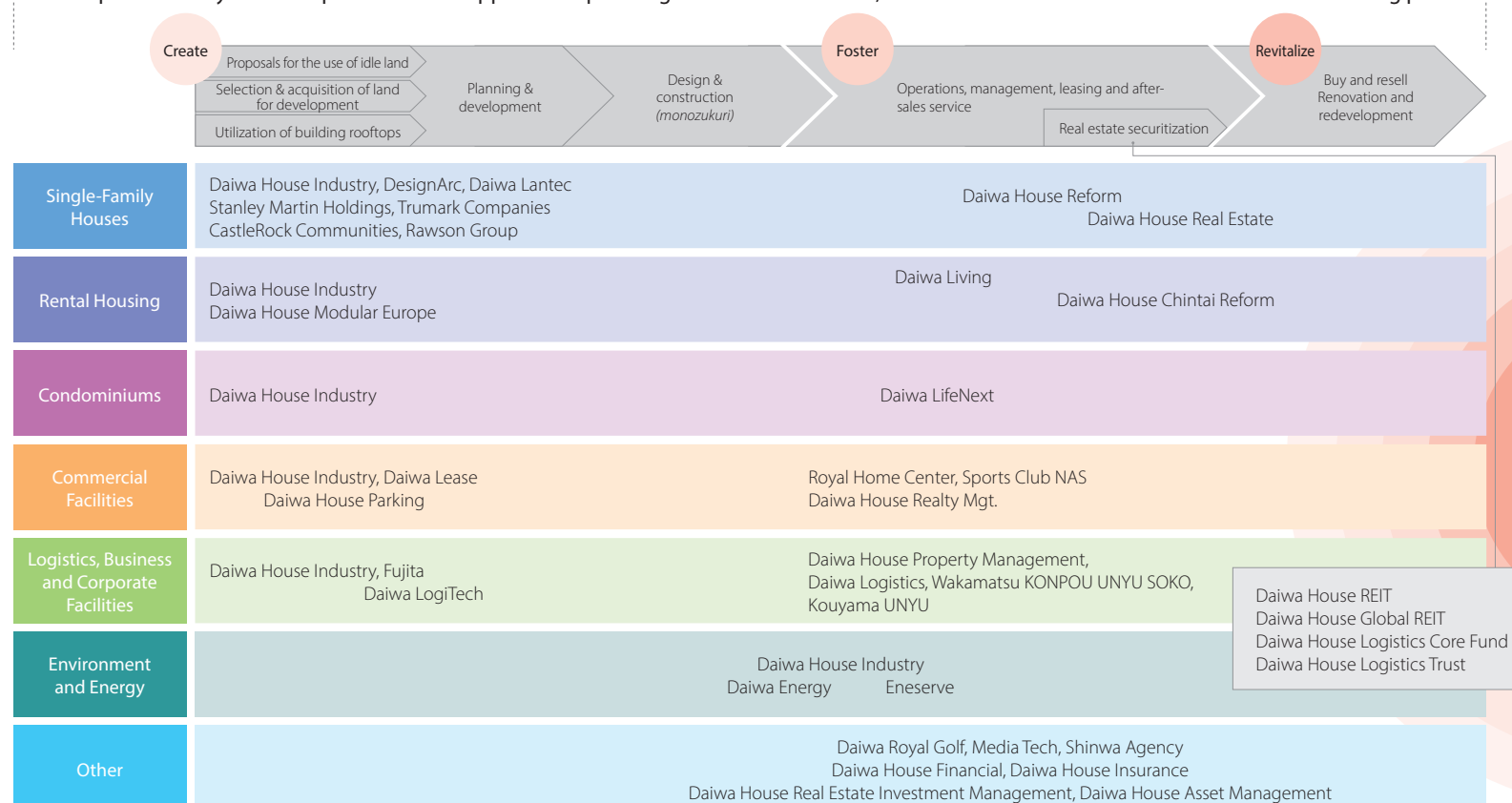
(¥ billion)

	Sales				Operating income (operating margin)		
	FY2023 Results	FY2024 Plan	FY2026		FY2023 Results	FY2024 Plan	FY2026
Single-Family Houses	951.0	1,112.0	1,250.0		35.1(3.7%)	58.0(5.2%)	100.0(8%)
for overseas	496.7	619.0	730.0		31.5(6.4%)	47.0(7.6%)	75.0(10%)
Rental Housing	1,250.2	1,340.0	1,250.0		115.7(9.3%)	138.5(10.3%)	120.0(10%)
for overseas	66.8	108.0	60.0		-8.4(-%)	13.6(12.6%)	10.0(17%)
Condominiums	441.8	264.0	400.0		37.3(8.5%)	17.0(6.4%)	25.0(6%)
for overseas	46.4	32.8	150.0		7.4(16.1%)	-1.7(-%)	18.0(12%)
Commercial Facilities	1,181.5	1,220.0	1,250.0		143.6(12.2%)	144.0(11.8%)	160.0(13%)
for overseas	3.9	24.5	25.0		0.2(5.6%)	0(-%)	5.0(20%)
Logistics, Business and Corporate Facilities	1,294.4	1,340.0	1,300.0		123.2(9.5%)	141.5(10.6%)	160.0(12%)
for overseas	87.0	88.1	90.0		2.3(2.7%)	3.2(3.6%)	9.0(10%)
Environment and Energy	139.4	148.0	170.0		9.1(6.5%)	9.2(6.2%)	10.0(6%)
for overseas	—	—	2.0		—(-%)	—(-%)	0.2(10%)
Other Businesses	68.0	52.0	70.0		2.4(3.6%)	0(-%)	5.0(7%)
for overseas	4.9	4.6	8.0		-0.4(-%)	-1.1(-%)	-2.9(-%)
Total	5,202.9	5,350.0	5,500.0		440.2(8.5%)	430.0(8.0%)	500.0(9%)
for overseas	705.9	877.0	1,000.0		30.4(4.3%)	57.5(6.6%)	100.0(10%)
for sale of development properties	263.5	369.1	450.0		82.0(31.1%)	111.9(30.3%)	
for Livness business	353.7		Approx. 400.0				

Note: Fiscal 2024 targets revised with August 2024 announcement

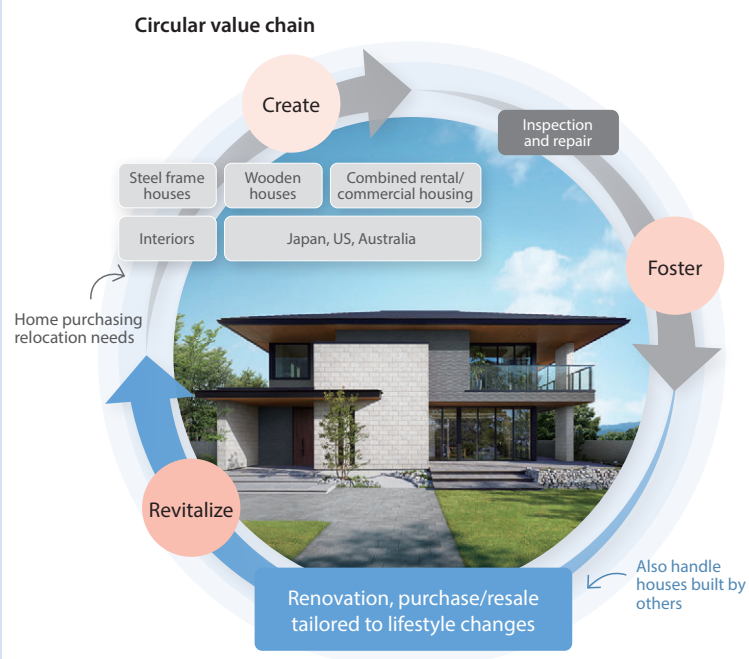
A diverse value chain for creating the fundamental societal infrastructure and lifestyle culture rooted in regeneration

A comprehensive system that provides total support from planning to after-sales services, with information on land and real estate as the starting point.



**The Group's
comprehensive
capabilities cover
a broad range of
business domains**

Single-Family Houses Business



Market environment and strategy

Japan

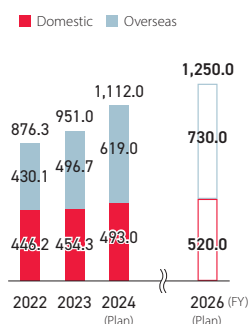
Strengthen built-for-sale business as housing starts continue to decline

Overseas

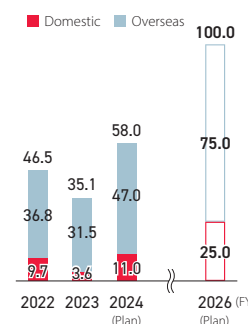
Expecting solid growth in US despite elevated mortgage rates due to population growth and low stock of used houses

Seventh Medium-Term Management Plan Results and plan

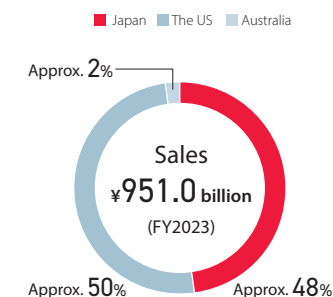
Sales (¥ billion)



Operating income (¥ billion)

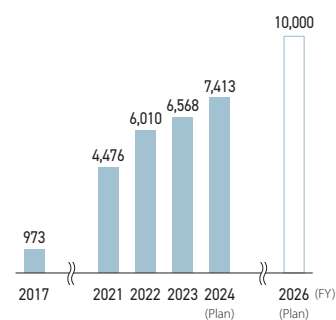


Regional breakdown



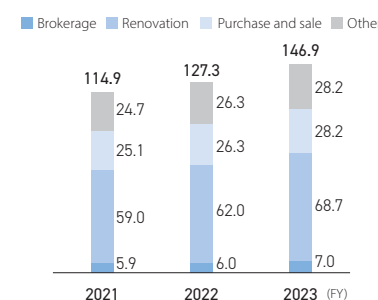
Note: Daiwa House Modular Europe transferred from Single-Family Houses to Rental Housing segment in FY2023. FY2022 figures restated based on new classifications.

US Houses sold (units)



Growth in Livness (single-family houses) business

Livness sales by transaction type (¥ billion)



Domestic focus on Livness as well as new build contracting and built-for-sale business

Renovation

Renovation to suit changes in customers' lifestyles

Brokerage

Harnessing Group's real estate intelligence to refer customers to new locations, home sites etc.

Purchase and resale

Selling with fresh value-added through renovation following purchase of existing home

Leveraging powerful customer base to expand business

Strengthening built-for-sale houses business

Reasonably priced, high quality built-for-sale housing

We launched “Ready Made Housing,” offering the best of custom-built and built-for-sale houses. More and more households are unable to buy homes of the desired quality or are avoiding detached house purchases due to soaring prices. Our mission is to buy land and construct built-for-sale houses at custom-built quality for a reasonable price to solve this societal issue. Our built-for-sale business harnesses Daiwa House’s design capabilities from delivering some 4,000 custom-built houses each year.



SMA x ECO TOWN Harumidai: Beautiful townscape free of utility poles and wires

Cutting indirect costs by stepping up built-for-sale business

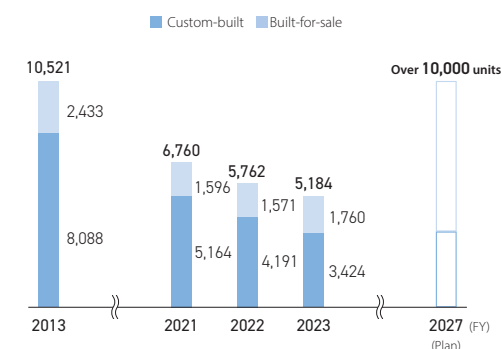
Meeting individual customer requirements for a single building in custom-built houses imposes a heavy burden on designers. Basing developments on market needs with built-for-sale houses enables us to deliver many buildings, greatly reducing the burden on designers per building.



Returning to 10,000 units annually due to strengthened built-for-sale business

In fiscal 2013, we supplied 10,000 single-family houses in Japan. This annual volume has declined to the 5,000 range amid reduced housing starts due to demographic changes. We are strengthening the built-for-sale business, and in custom-built houses, we are providing standard and semi-order products to meet customer needs and desired price points. We are stepping up these measures to return to the 10,000 unit level in FY2027.

House sales in Japan (units)



Expanding US housing business

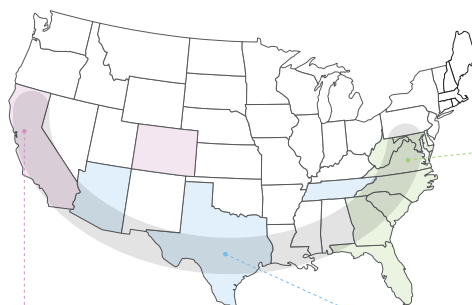
In the US, our business revolves around three builders in what we call the “smile zone” connecting the east, south, and west, with prospects of steady market growth due to demographics and industrial bases: Stanley Martin in the east, CastleRock (south), and Trumark (west). After climbing in 2022, mortgage rates remain elevated at around 7%. Conditions are tough in some of our markets but business is progressing steadily, leveraging the strategies devised by our experienced management team and powerful land information gathering capabilities. Our Japanese and American executives regularly gather to discuss Group strategy. The three US subsidiaries hold strategy meetings aimed at expanding the US business and cooperate to cut costs, starting group procurement* of some items in fiscal 2024.



Regular Japan-US management conference (Denver Colorado, April 2024. Managers from Australian and European subsidiaries joined online)

* Group procurement: Three US companies and Daiwa House Texas jointly procure common parts and equipment to cut costs through scale economies and strengthen supply chain.

Growth in existing areas and expanding business in new areas



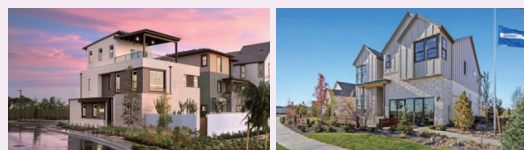
Stanley Martin Holdings



Expanding business in Charlotte metro area

In May 2024, the company invested in Prestige Corporate Development, LLC, a land development and general contracting company active in the Charlotte metropolitan area (North Carolina and South Carolina) in the US southeast. This was the US's seventh largest market in detached house building permits in 2023, with employment and population growth. The company aims for stable growth with Prestige, which has ample land holdings.

Trumark Companies



Entry into central California

In October 2023, we acquired the single-family houses business of JP Holdings LLC (commonly known as Wathen), which operates mainly in central California. Demand for single-family homes is solid as the region has a sound educational environment and many renowned universities, and major companies are developing facilities there. Trumark's forte is products for high-income earners, while Wathen serves first-time buyers and middle-income earners. Trumark will obtain Wathen's expertise in design and sales methods, expand its business territory, and diversify its lineup.

CastleRock Communities



First steps in Arizona and Tennessee

After entering Arizona for the first time in July 2023, in January 2024 we acquired the single-family housing business of The Jones Company of Tennessee, LLC, which operates a business mainly in the capital, Nashville. The population of Tennessee has been growing steadily for more than 30 years. This is expected to continue, mainly in the younger demographic. We aim for strong growth in the state using the Daiwa House Group's funding position and CastleRock's management expertise.

Rental Housing Business



Market environment and strategy

Japan

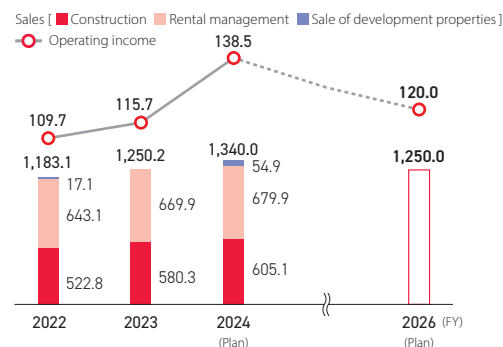
Japanese landowners will continue to need inheritance tax planning solutions, so we are strengthening sales in urban areas and stepping up eco-friendly ZEH-M product development.

Overseas

While the US property sales environment has not improved, we are operating steadily to sell when market recovers.

Seventh Medium-Term Management Plan Results and plan

Sales/Operating income (¥ billion)



Note: Daiwa House Modular Europe transferred from Single-Family Houses to Rental Housing segment in FY2023. FY2022 figures restated based on new classifications.

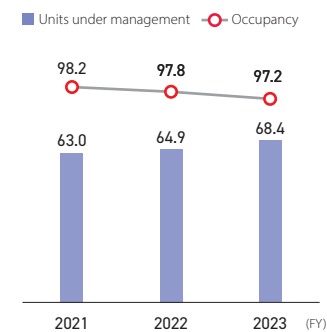
Sales in domestic built-for-sale business (¥ billion)



New customer base expanding due to strengthened built-for-sale business

Rental management business (Japan)

Units under management (10,000)/occupancy (%)



Overseas development properties (US)

Operating

Location	Total units	Completed	Occupancy
Illinois	368	July 2017	92.9%
Tennessee	420	March 2021	91.6%
Washington	664	March 2021	94.0%
Texas	417	July 2021	92.1%
Arizona	320	January 2022	64.3%
Texas	307	February 2023	68.4%

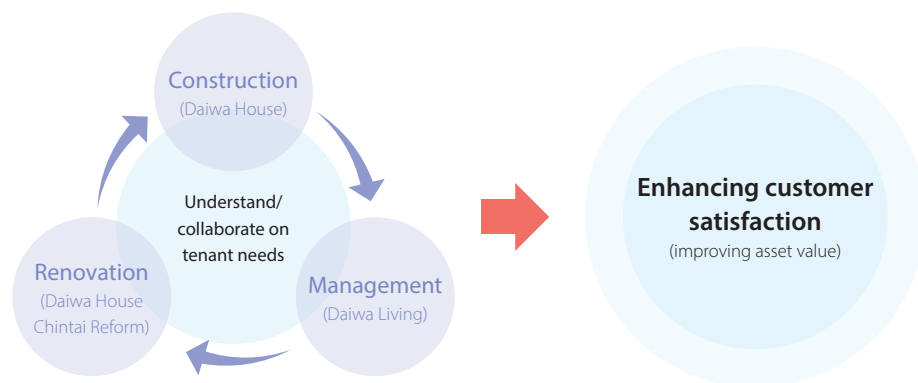
Under construction

Location	Total units	Scheduled completion
Texas*	289	June 2024
Maryland	276	February 2025
Texas	209	June 2025
Texas	181	July 2025

* Partially rented

Progressively building on track record centered on hotels in Japan, and overseas on rental housing in US

Enhancing customer satisfaction (asset value) through Group collaboration



**Stepping up collaboration among construction, management, and renovation businesses;
making integrated proposals as owners' long-term management partner.**

Working to maintain long-term asset value and boost customer satisfaction.

Construction

- Developing/providing high value-added products that meet market needs. ZEH-M products and floor plans that suit tenant needs in collaboration with management business

Management

- Enhancing tenant support services
- Increasing rents, primarily in prime urban areas
- Boosting management efficiency and occupancy using abundant rental property information on website

Renovation

- Boosting value-added by renovating existing properties and proposals for latest equipment for vacant properties



TORISIA launched in 2022
Standard ZEH-M oriented eco-friendly lineup

Overseas business

Launched super high-rise rental housing project in Australia

Melbourne Victoria has a burgeoning population and chronic housing shortage. The build-to-rent, super high-rise Melbourne Quarter West Project is under construction.



Overview: 45 stories aboveground, 797 units, scheduled construction period: August 2023–2026

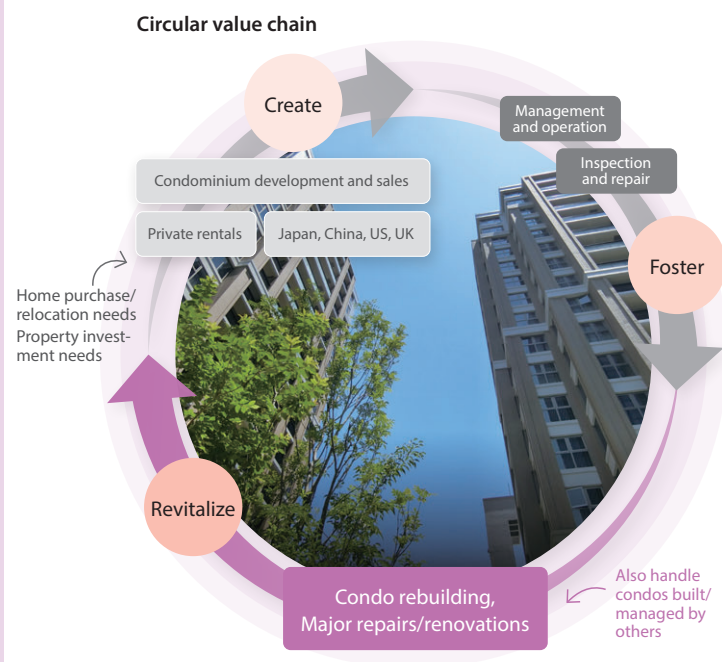
Prime location with convenient amenities

Close (5 minute walk) to Southern Cross Station, Melbourne's busiest. Twenty minutes by car to Melbourne Airport.

Eco-friendly development

In addition to greenery on site, plan to obtain Australian energy efficiency building certifications.

Condominiums Business



Market environment and strategy

Japan

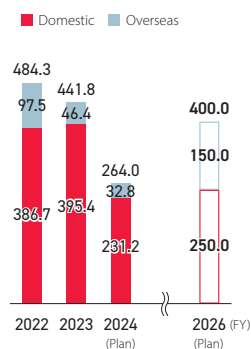
Sales remain strong in Japan, mainly in Tokyo metro region. Harnessing our strengths in redevelopment and complex development projects.

Overseas

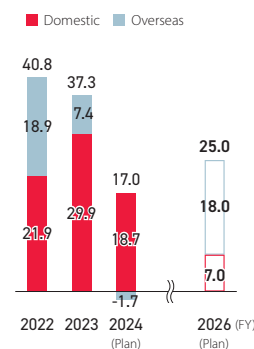
Analyzing customer needs and trends to sell amid ongoing property market slump in China.

Seventh Medium-Term Management Plan Results and plan

Sales (¥ billion)

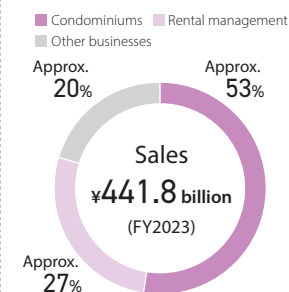


Operating income (¥ billion)

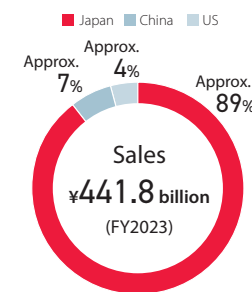


Sales breakdown

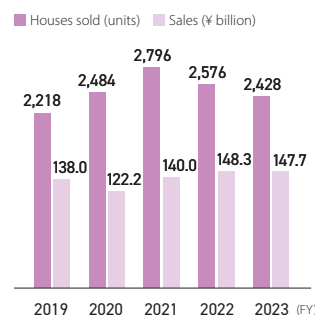
By business



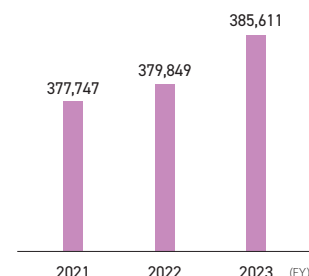
By region



Daiwa House Industry units sold and sales



Domestic condominium units under management (units)



Condominiums developed in China

Chinese development properties

Project	Number of units	Status	Completion
Changzhou Project I	1,178	Delivered	May 2017
Changzhou Project II	636	Delivered	August 2022
Changzhou Project III	967	Selling	August 2024
Nantong Project	1,480	Delivered	August 2022
Wuxi Project	295	Delivered	September 2015
Suzhou Project I	902	Delivered	October 2011
Suzhou Project II	912	Selling	January 2026

Construction technologies and expertise developed in Japan applied in China

Transforming portfolio in Condominiums business

Aggressive push into redevelopment and rebuilding businesses

As the selling environment remains strong, primarily in the Tokyo metro area, competition to acquire land is intensifying. We are moving beyond traditional condo development to address local community issues such as regional revitalization and aging condominiums with an aggressive move into the redevelopment and rebuilding businesses. We are harnessing our strengths of real estate intelligence and community-based initiatives to assist with sustainable regional community building.

Carefully selecting properties in prime locations to provide high value-added homes

We are carefully selecting properties in prime locations with an eye on return on capital in our community development activities, one of our strengths. We are also developing condominiums with shared amenities to suit residents' diverse lifestyles. All new PREMIST condominiums built from fiscal 2023 onward have ZEH-M specifications. We will continue eco-friendly initiatives aware of environmental conservation and biodiversity.



Redevelopment business
One Sapporo Station Tower



Rebuilding business
PREMIST Shirokane



PREMIST Akishima MoriPark (artist's impression)



Nearby facilities MORI TOWN



Shared facilities Work lounge (artist's impression)

Overseas business

China condominiums business

Our one-stop business spans land selection, development, and after-sale services, mainly in the Yangtze Delta region, aiming at Japanese quality standards. Currently, we are selling units from Changzhou Project III and Suzhou Project II.

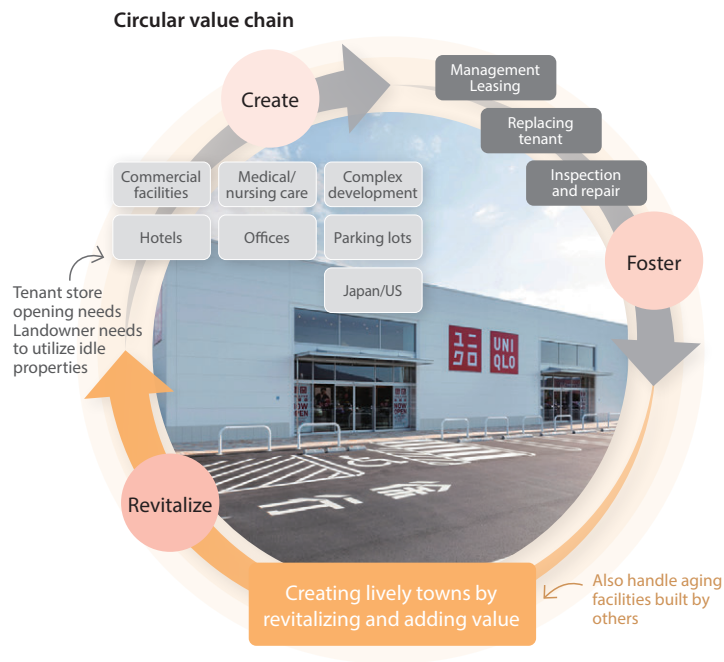


Changzhou Project III (The Grace Residence)



Suzhou Project II (He Feng Ya Xin Hua Yuan)

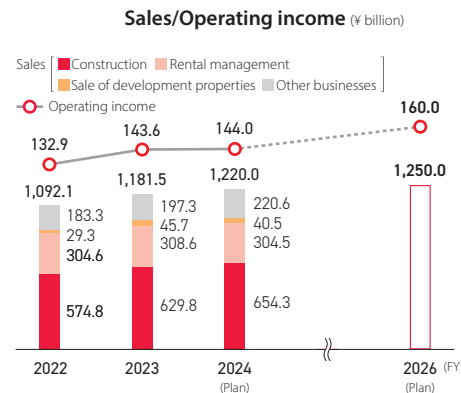
Commercial Facilities Business



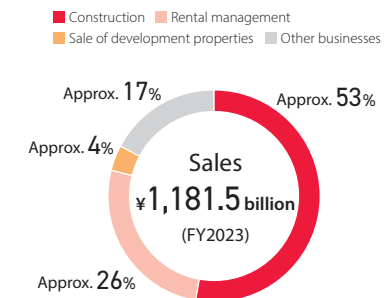
Market environment and strategy

Tenant store opening appetite recovering following pandemic slump. Hotel occupancy and room rates climbing due to recovery in inbound tourism. Focusing on Livness business targeting aging shopping centers and expansion of overseas business, mainly in US

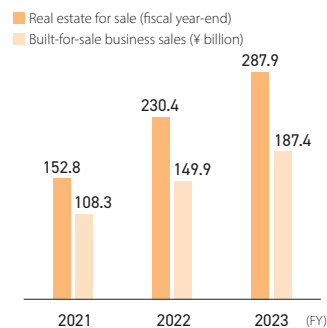
Seventh Medium-Term Management Plan Results and plan



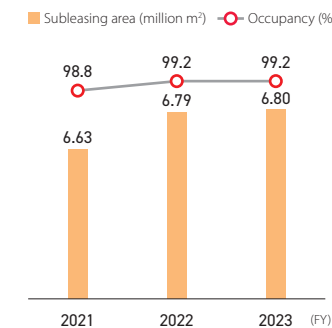
Sales breakdown



Domestic built-for-sale business sales

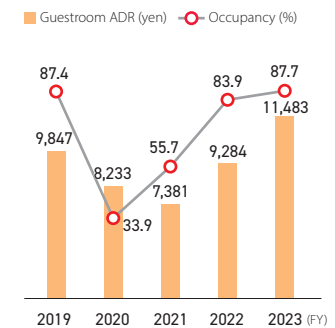


Domestic subleasing properties



Maintaining high occupancy through abundant tenant relationships

Occupancy and ADR at urban hotels



ADR, occupancy back to pre-pandemic levels

Our unique LOC system

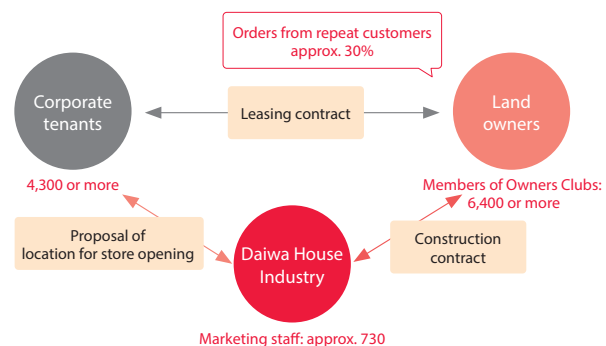
Our LOC system connects the needs of landowners wishing to make effective use of their properties and Companies looking for a place to roll out new businesses

Benefits for owners

- Stable long-term revenue, asset returns
- Effective usage and tax strategies
- Sound estate planning

Benefits for tenants

- Speedy site development support
- Proposals for ideal locations suited to store opening needs



Countrywide provision of tenant store opening needs

In addition to our LOC system we support land use and store opening needs with a range of schemes.

Handling a variety of locations and assets

Harnessing ample land information and robust tenant relationships to address tenant store opening needs with range of locations and assets and landowners' land use needs

Roadside stores

Attracting tenants that will delight regional communities, primarily in retail and restaurant sectors, from nationwide to community-based companies



Casual wear store



Supermarket

Commercial complexes

We develop commercial complexes that will be competitive over the long term, leveraging strong relationships with tenants in a range of sectors/formats and Group companies' commercial facility management expertise. Also involved in revitalizing aged shopping centers



Iias Tsukuba



Yokohama Shiki no Mori Foreo

Offices/business locations

Proposals to open offices that improve business efficiency



Office



Showroom

Hotels

We organize the construction and development of hotels to tap into the return of tourists and post-pandemic rebound in demand. We also serve growing needs to open luxury hotels in major cities and nearby tourism spots

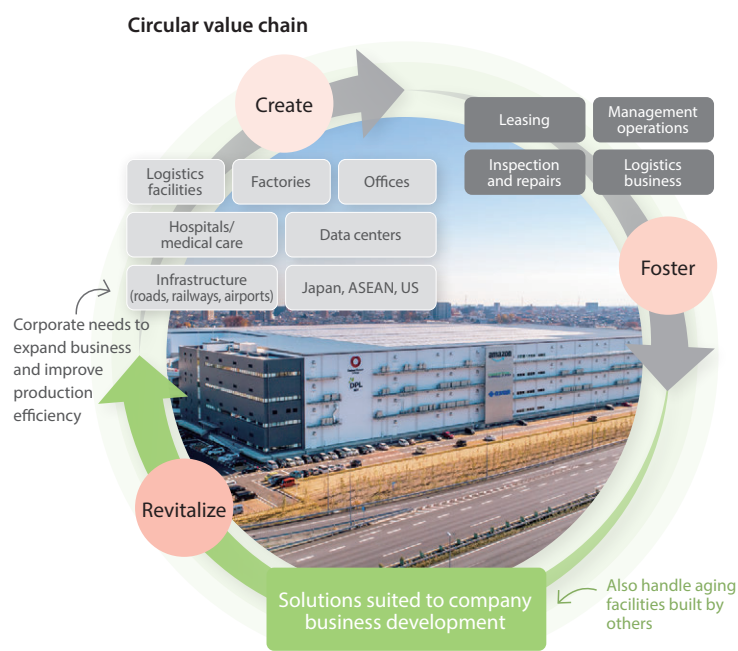


Daiwa Roynet Hotel Omiya-Nishiguchi



Daiwa Roynet Hotel Kobe-Sannomiya PREMIER

Logistics, Business and Corporate Facilities Business



Market environment and strategy

Japan

Needs to construct a range of assets are mounting amid ongoing growth of domestic e-commerce demand, and plants due to rising corporate capex appetite

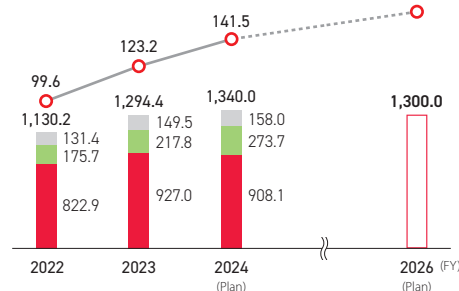
Overseas

Mounting cold chain needs in food logistics, primarily in ASEAN

Seventh Medium-Term Management Plan Results and plan

Sales/Operating income (¥ billion)

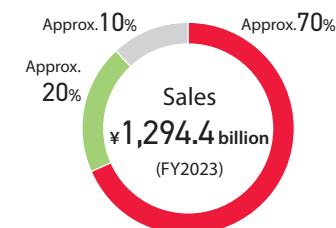
Sales [■ Construction ■ Sale of development properties ■ Other businesses]
○ Operating income



Sales breakdown

The Fujita group accounts for 60–70% of contracting/built-for-sale sales. Daiwa House (non-consolidated) developing industrial estates leveraging land intelligence gathering capability

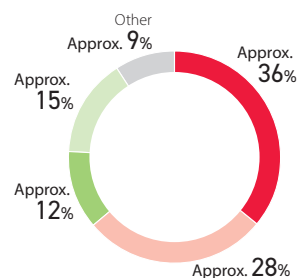
■ Construction ■ Sale of development properties ■ Other businesses



Order breakdown by facility type

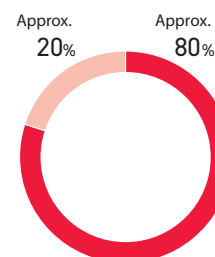
Daiwa House

■ Logistics facilities ■ Factories
■ Medical care and nursing facilities ■ Offices



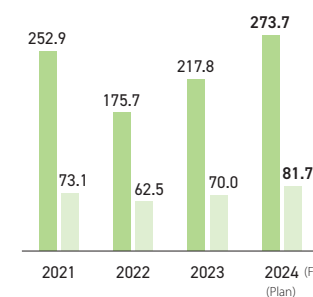
Fujita

■ Construction ■ Civil engineering



Sales and gains on sale of developed properties

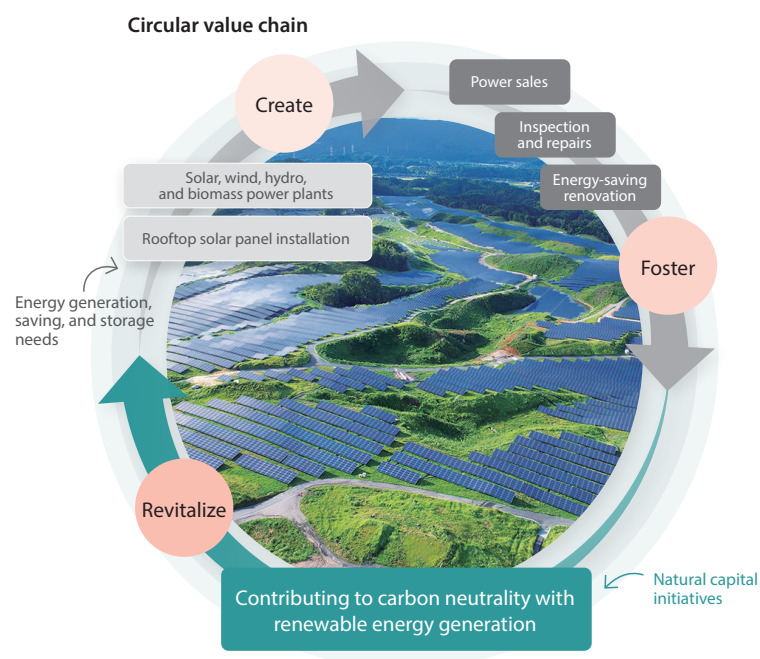
■ Sales (¥ billion) ■ Gain on sales (¥ billion)



Steady property sales, primarily logistics facilities

📈 Returns on investment properties ▶ P.59

Environment and Energy Business

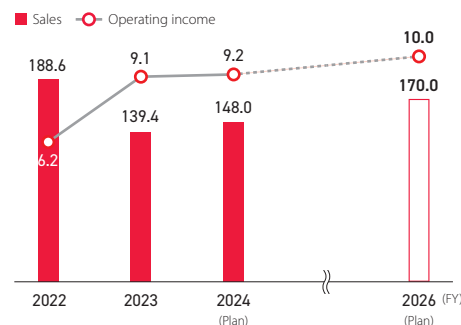


Market environment and strategy

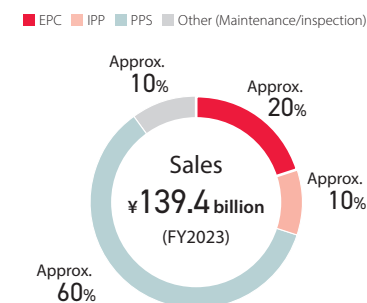
Mega solar farm building using the feed-in-tariff (FIT) scheme is declining, but the global decarbonization push is accelerating, and renewable energy needs are mounting. We are actively contributing to the spread of renewable energy with a three-pronged approach centered on EPC, IPP, and PPS businesses.

Seventh Medium-Term Management Plan Results and plan

Sales/Operating income (¥ billion)



Sales breakdown



EPC (Engineering, Procurement, and Construction)

- Design and construction of solar power plants, mega solar farms, and energy-saving facilities
- Sales declined in FY2022 and FY2023 due to fall in mega solar farm construction using the FIT scheme
- Focus is on off-site PPA businesses due to launch of feed-in-premium (FIP) system and growing needs for renewables

IPP (Independent Power Producer)

- Solar, wind, and hydro power generation business
- As demand for renewable energy expands sales have been steadily increasing in a recurring revenue business centered on solar power
- Plans to expand, harnessing synergies with solar power installed in buildings across businesses as part of carbon neutral strategy

PPS (Power Producer and Supplier)

- Power sales to companies and individuals
- Sales declined in FY2023 on cancellation of contract with major low-margin customer. Profit rose due to significant margin improvement as power procurement costs settled down with stable resource prices and procurement cost fee surcharge for customers
- Will continue to operate business with eye on resource prices

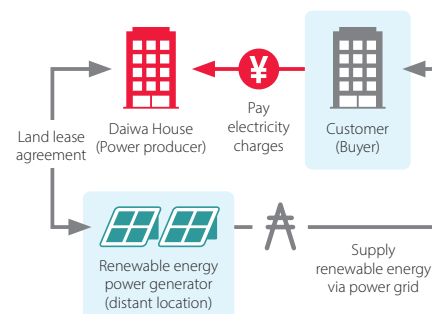
Off-site and on-site PPA initiatives

Off-site PPA business leveraging land information gathering ability

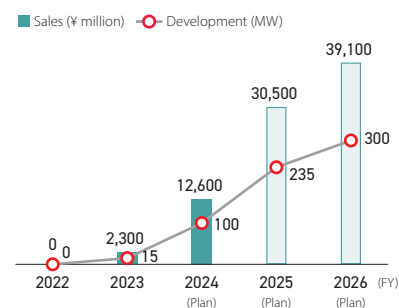
We developed solar power stations using nationwide land data built up since our founding. We have an off-site PPA business throughout Japan supplying renewable energy to remote consumers. Off-site PPA needs are increasing as companies become more environmentally aware and power prices surge, so in this focus business we will secure sites for solar power plants and obtain consumers through collaboration with major energy companies.

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



Off-site PPA business forecast



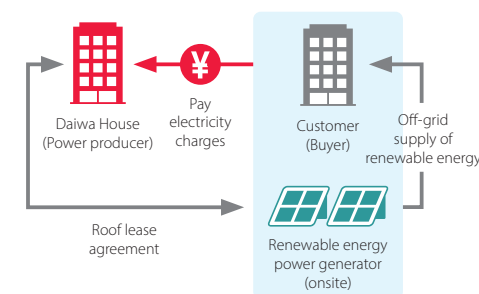
Our first ground mounted solar power plant for off-site PPAs DREAM Solar Ishikawa Hakui Horikawa Shinmachi (completed, operational from September 2023)

On-site PPA business leveraging synergies with other businesses

In our seventh medium-term management plan announced in May 2022, our goal is to have rooftop solar panels in all of our businesses in principle, as part of our efforts to have all of our buildings carbon free. We aim to leverage our strengths as a Group that delivers numerous buildings across a range of assets to collaborate with customers to promote carbon neutrality and expand our business.

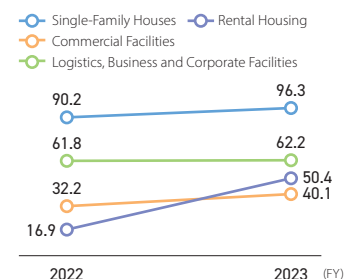
Business scheme of onsite PPA

- 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



Solar panel installation rate by business

(non-consolidated, %)



Note: Based on starts/number of buildings. Figures cover only 2H FY2022 for Commercial Facilities and Logistics, Business and Corporate Facilities businesses. Rental Housing business figures for FY2023 only cover low-rise properties



Logistics facility using on-site PPA DPL Misato II

Real estate investment

We actively invest in real estate throughout Japan and overseas, leveraging our wealth of information on land and the technological capabilities that enable us to meet the needs of diverse tenants and society as a whole.

Investment properties (¥ billion)

We develop large-scale commercial facilities, primarily logistics facilities in Japan, as well as rental housings and other facilities. After construction is completed and rental income has been accumulated for a certain time period (establishing a track record), real estate available for sale is sold to REITs, investors, etc. to secure income. As for profit-earning real estate, stable income is secured through continuous possession.

Investment progress in the 7th (five-year) Plan

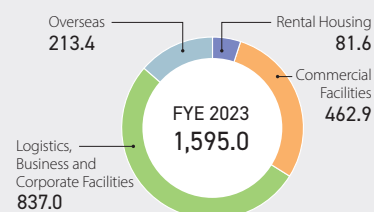


The two-year cumulative total for investment properties was ¥659.4 billion, representing 30% progress toward the medium-term management plan. As we plan to invest in logistics facilities in Japan, the number of players entering the logistics facility development market is increasing and the competitive environment is intensifying, but we are carefully selecting projects that can reliably generate earnings into the future and proceeding with securing properties.

Balance of investment properties

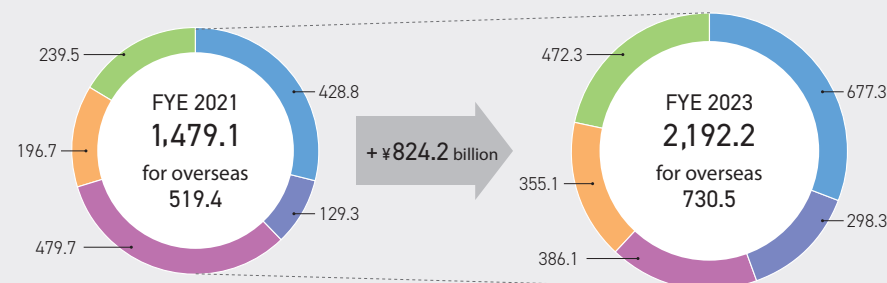


FYE 2023 balance of investment properties



Real estate for sale (¥ billion)

The company is developing its built-for-sale business in various locations to meet actual demand and for investors that are expected to sell immediately after development. The segment has increased by approx. ¥1 trillion over the first two years of the 7th Plan due to aggressive development in each business. Mindful of the turnover ratio, we generate short-term cash.



Single-Family Houses (+¥248.4 billion)	In addition to strengthening the built-for-sale business in Japan, we plan aggressive business expansion in the United States in markets where growth is expected.
Rental Housing (+¥169.0 billion)	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 (+¥93.6 billion)	In Japan, we are actively promoting high value-added condominiums. In China, the Nantong and Changzhou II projects have now been completed. We are currently pressing forward with the development and sales of the Suzhou II and Changzhou III projects.
Commercial Facilities (+¥158.4 billion)	We develop a variety of assets that meet tenant needs, mainly in city centers. We are also actively developing initiatives to increase the value of existing commercial facilities.
Logistics, Business and Corporate Facilities (+¥232.8 billion)	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.

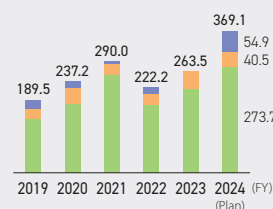
While aggressively investing for growth, we are also working to sell development properties and improve yields on properties in operation in order to improve the asset turnover ratio and increase profitability.

Sale of investment properties (¥ billion)

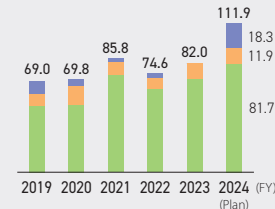
Capital gains (sale of real estate available for sale)

① Trends in sales of development properties

Sales

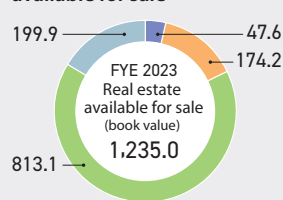


Operating income



② Pipeline for future sales

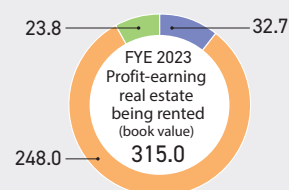
Book value of real estate available for sale



We have been implementing stable sales, mainly of logistics facilities. In terms of future sales, we have secured plenty of properties to sell and will continue to closely monitor business and market conditions in order to execute sales at the most appropriate time.

Income gains (rental income from profit-earning real estate)

Book value of profit-earning real estate being rented



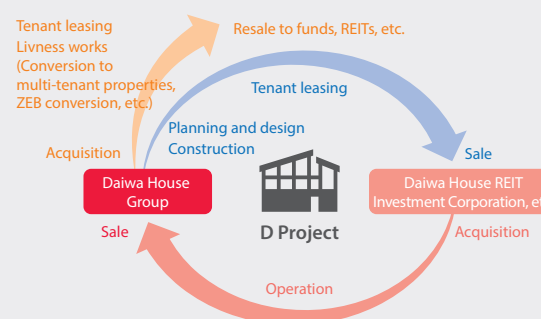
Trends in NOI yield of profit-earning real estate being rented (%)



Commercial properties account for about 80% of the book value of profit-earning real estate. We achieve stable earnings while leveraging our excellent tenant relations and extensive commercial facility management know-how.

Livness phase of investment properties

Livness business of D Project developed and sold in the past



We launched an initiative to re-acquire BTS logistics warehouses that have been sold to REITs in the past, carry out Livness works (such as conversion to multi-tenant properties, ZEB conversion, etc.), and then sell them to funds, REITs, etc. once again.

► Benefits for Daiwa House

- Creation of new business opportunities through the Livness business
- Provision (sale) of newly developed properties to Daiwa House REIT Investment Corporation

► Benefits for Daiwa House REIT Investment Corporation

- Optimization of the real estate portfolio made possible through the sale of operational properties after a certain period of time and acquisition of new properties.

► Benefits to the environment and society

- Meet the demands of many tenants through conversion to multi-tenant properties
- Reduction of GHG emissions through conversion to ZEB and saving of materials and resources by reusing existing buildings (compared to rebuilding)

We will strive for further growth by leveraging our **strong relationships** with tenants and our **track record as Japan's No. 1 developer of logistics facilities**.

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 512 projects as of the end of fiscal 2023.

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.

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



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 (17 departments, 27 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 2023, the Committee considered 35 projects, of which one was put on hold after thorough deliberation.

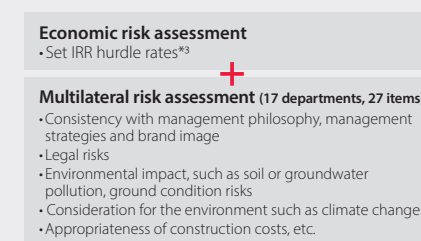
In addition, in light of the recent unstable financial environment, in February 2023 we raised the IRR hurdle rate, which is set as a criterion for real estate development investment, in preparation for possible future interest rate rises. In addition, in April 2023, we introduced an environmental IRR*1 using ICP*2 as a new evaluation index to promote investments that match the carbon neutral strategy (investments that contribute to CO₂ reduction) to which we are committed.

*1 IRR (internal rate of return) calculated by converting the environmental value of the investment property's CO₂ 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.

Major real estate development projects subject to deliberation



Risk assessment for investment decisions



*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.

Overseas business initiatives — Expanding to 25 countries and regions worldwide —

Swiftly grasping the on-the-ground economic situation and demand both in and outside of Japan, we promote our business in a broad range of areas

Europe

- Cultivating the European housing market with modular construction
- Utilizing our technology and knowhow, not only housing, but in a wide range of fields

East Asia

- Condominium development with a focus on the Yangtze Delta area
- One-stop business development, from land selection through development to management and after-sale service

The US

- Housing land development and sales expansion by three subsidiaries in the smile zone
- Rental housing development at various US locations
- Steady development of both commercial and logistics, business and corporate facilities

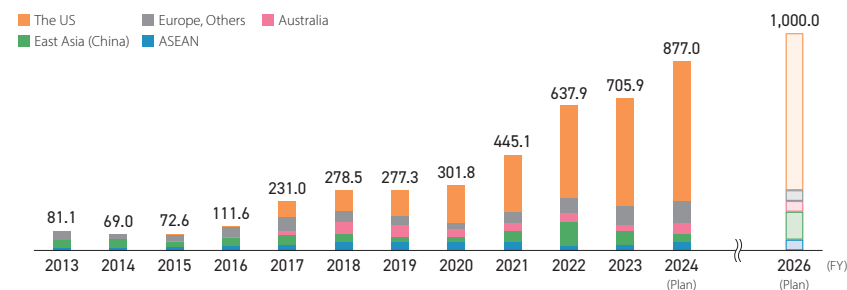
ASEAN and South Asia

- Infrastructure development and promotion of employment in developing countries through development of logistics, business and corporate facilities and other large-scale projects

Oceania

- In addition to the single-family housing business, newly commenced development of super high-rise rental housing

▶ Overseas business sales (¥ billion)




Overseas business — main initiatives in each area —

The US

In the US, in addition to the single-family houses business that continues a steady expansion, we are developing rental housing and condominiums, operating commercial facilities, and also, most recently, engaging in the development of logistics facilities.

As of March 2024, there were eight rental housing projects with 2,897 units in operation and three projects with 666 units under development. While interest rates remain high and the market for real estate sales has yet to recover, we are focusing on increasing NOI to improve the product value of our properties in operation.

 Single-Family Houses Business in the United States ▶ P.47

Main development and projects in operation

■ Rental Housing ■ Condominiums
■ Commercial Facilities ■ Logistics, Business and Corporate Facilities



In commercial facilities, we have purchased and are operating and managing two existing commercial properties in California. In the management of these facilities, we leverage the know-how and experience accumulated in Japan to improve facility value through tenant replacement and by renovating newly tenanted sections.



A 30-store multi-tenant commercial facility in Irvine, California


In logistics, business and corporate facilities, we are currently working to develop new logistics facilities in Houston, Texas. In tandem with rising EC demand associated with a growing population, this is leading to the acquisition of development and management expertise at logistics facilities in the US.



Houston, Texas
Five logistics facilities
(artist's impression)

East Asia

We have an abundant track record in East Asia with the development of condominiums in China. Furthermore, in Taiwan, in addition to contracted construction, we are engaging in complex development projects for condominiums and hotels in the city of Kaohsiung.

 China condominiums business ▶ P.51



Kaohsiung City, Taiwan
Complex development
(Completion: March 2024)
Hotel: 260 rooms
Condominium: 227 units
(Sold out)

In South Korea, the first overseas Roynet Hotel, the Roynet Hotel Seoul Mapo, opened in March 2022. In addition to guests from Japan, we aim to provide facilities that can be enjoyed by guests from Korea and the rest of Asia, Europe, the United States and other locations, and this is boosting high occupancy rates.



Seoul Special City,
South Korea
Hotel: 341 rooms
Opened March 2022

ASEAN and South Asia

In 2012, we started development of industrial parks in Vietnam and Indonesia, and in Thailand and Malaysia as well, we grew our logistics, business and corporate facility construction and development business.

Against the backdrop of rising populations and diversifying dietary customs, demand for cold chain logistics is growing in countries throughout ASEAN. Intending to respond to this demand, in addition to promoting logistics facilities in Malaysia equipped with freezing and refrigeration functions, in 2003 in Singapore, the Group welcomed low-temperature logistics solutions business Storbest Holdings Pte. Ltd.



External conceptual image of DPL Malaysia III, a large-scale multi-tenant logistics facility featuring a rampway



Delivery trucks held by Storbest Holdings Pte. Ltd., which joined the Group in June 2023

More than only logistics, business and corporate facilities, the Company is also developing a diverse array of businesses, including condominium development, and development and management of hotels and serviced apartments in Vietnam, and hotel development in Thailand.

In addition, recouping investments is also proceeding steadily, as in July 2024 the Company completed the sale of logistics facilities developed in Vietnam to a Singapore REIT.

Europe

As the population of major countries in Europe continues to grow, housing is in short supply, and social issues are mounting, such as worker shortages and soaring material prices.

Amidst all this, the Company is expanding its unit sales and rental business, mainly in the Netherlands, as well as in Germany, Belgium, the U.K., and other locations, with mainstay products based on modular construction. In 2023, we expanded our factory in the Netherlands and built a new factory in Germany to further increase the number of units supplied and to contribute to solving the social issue of housing shortages throughout the countries of Europe.



Affordable housing in Amsterdam, Netherlands

In addition, we have commenced work on “Elephant Park Plot H11B Project,” a new condominium development project in the U.K. This development offers a good location in the heart of London with convenient living facilities.



London, U.K. Condominiums
Total No. of units: 259
(Two separate store sections)

Oceania

In Australia, in addition to housing-related businesses such as the development and sale of single-family houses and condominiums, and the management of rental housing, mainly in the southeast, we are also engaged in complex developments, including commercial facilities. Furthermore, we are growing our rental housing management business in New Zealand as well.



New South Wales, Australia
Condominiums (164 units)
A complex development of commercial facilities and offices

Currently, Australia is facing a chronic housing shortage, which is becoming a social issue, as a result of population growth in major cities, although persistently high policy interest rates are discouraging new customers from buying.

We are also promoting our business by strengthening our built-for-sale houses and B2B businesses. In addition, in 2023, we commenced development of super high-rise rental housing in Melbourne.



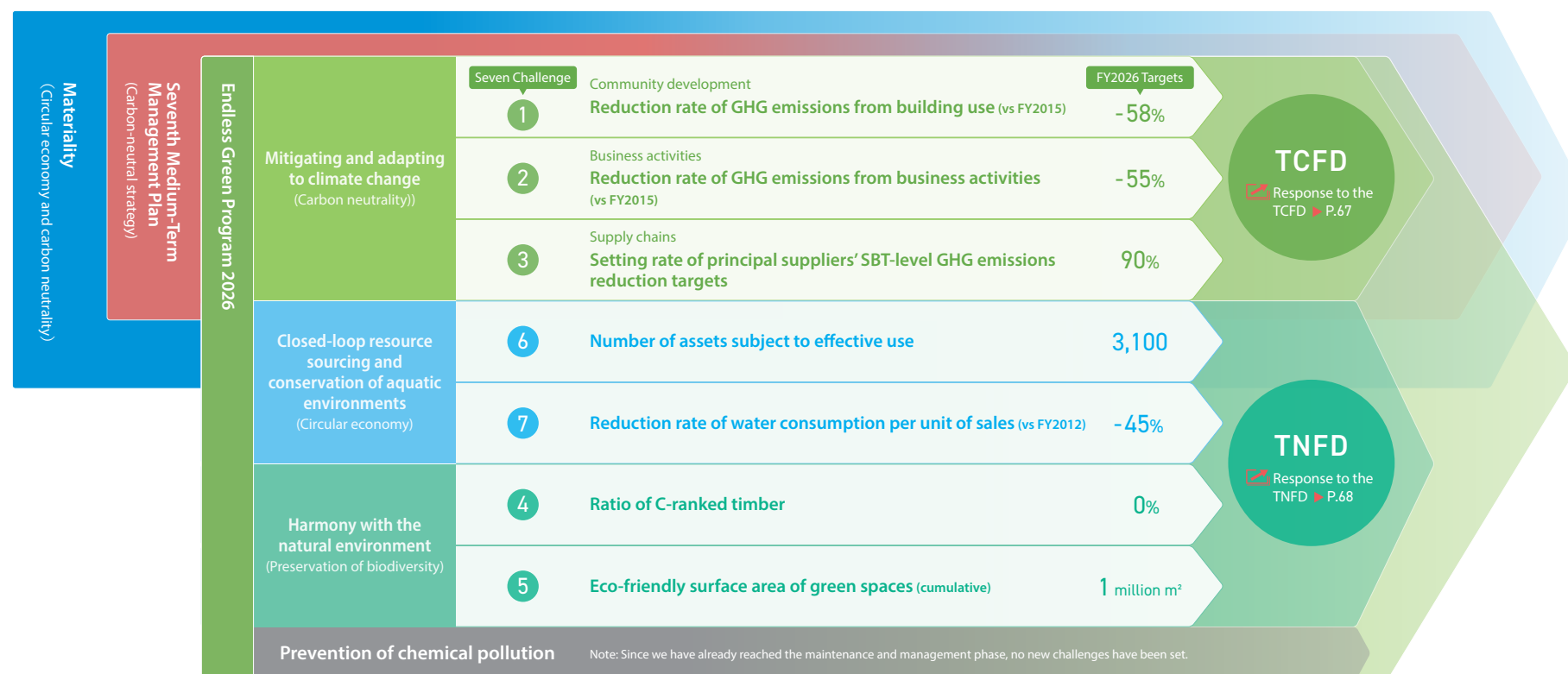
New South Wales, Australia
Total number of lots exceeds 1,500 in this large-scale housing land development project

Development of super high-rise rental housing in Melbourne ▶ P.49

Overall picture of environmental strategy and main KPIs

In order to realize Our Hopes for the Future (Purpose), the Daiwa House Group has set clear long-term goals to be achieved by 2055, along with interim milestone goals for 2030, under four environmental priority themes.

As part of efforts to address one of our priority issues (materiality), circular economy and carbon neutrality promotion, we aim to achieve both decarbonization (impact on society) and corporate profitability (impact on the economy). We are steadily advancing our initiatives under our Seventh Medium-Term Management Plan and Environmental Action Plan: Endless Green Program 2026.

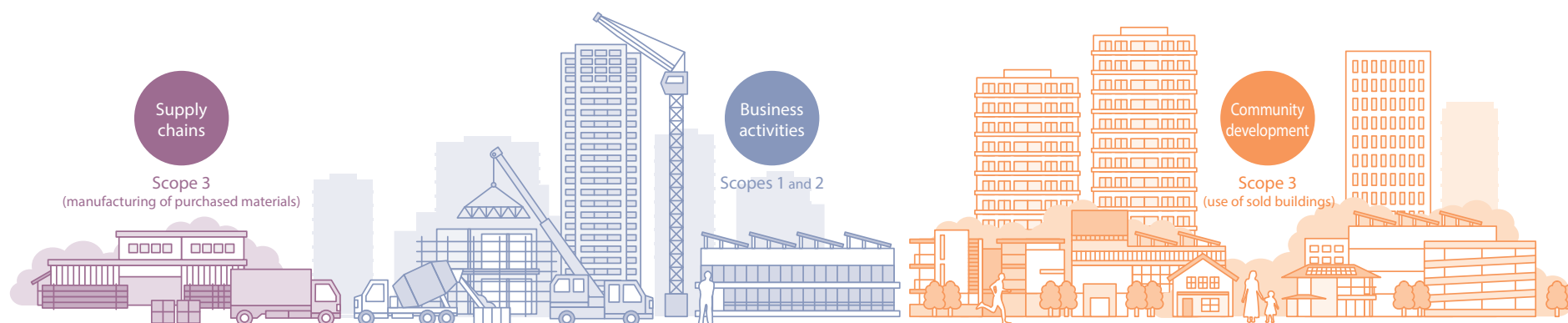


Sustainability Report 2024: Endless Green Program 2026 ▶ P.119-120

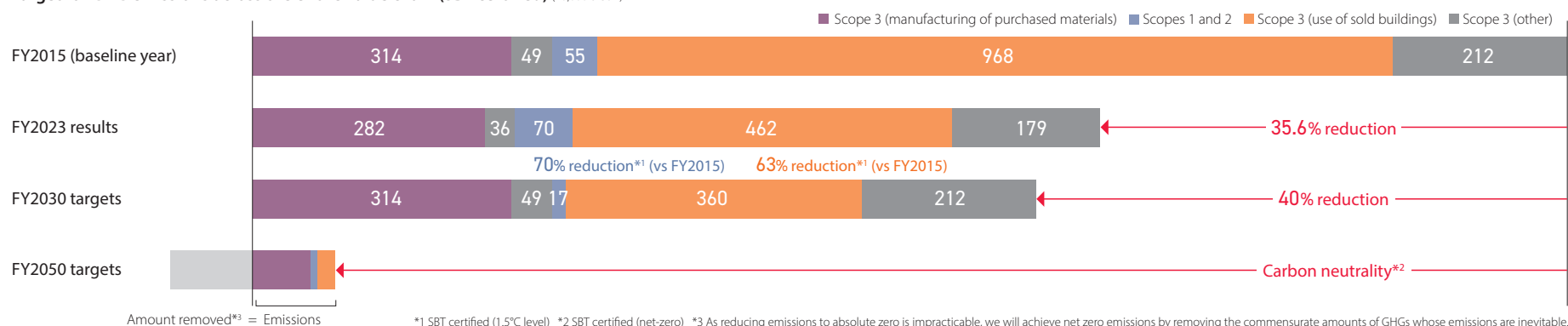
Roadmap for achieving carbon neutrality

The Group aims to be carbon neutral in 2050, and has set a goal of reducing greenhouse gas emissions across its entire value chain by 40% by 2030 (compared to fiscal 2015 levels).

To achieve this goal, we have set specific action plans in each phase of the supply chain, business activities, and community development that make up the value chain, and are promoting initiatives.



Target for GHG emissions across the entire value chain (SBT certified) (10,000 t-CO₂)



Key actions for achieving carbon neutrality

The actions to be taken in each stage have been established as KPIs under the Seventh Medium-Term Management Plan and the Endless Green Program 2026, and progress is being closely monitored.

Decarbonization in the supply chain



Scope 3
(manufacturing of
purchased materials)

■ Key actions

- Setting SBT-level GHG reduction targets for principal suppliers
- Helping principal suppliers reduce GHG emissions by offering ideas for saving and generating energy

■ Targets/Results for FY2023, Targets for FY2026

Management indicators	FY2023 Targets	FY2023 Results	FY2026 Targets
Setting rate of principal suppliers' SBT-level GHG reduction targets	60%	57.7%	90% (FY2025)
The number of contracts for energy-efficiency and energy-generation solutions (cumulative)	15	15	50

In fiscal 2023, we raised the GHG reduction targets for our suppliers from a level consistent with keeping global warming at 2°C to one that aligns with keeping it well below 2°C. As a result, there was a 9.6 percentage point increase in the proportion of suppliers sharing this commitment compared to the previous year. However, we still have not achieved our overall participation target. While collaborating with the suppliers that have already set higher reduction targets, we will continue to engage in decarbonization dialogues with other suppliers to encourage them to raise their targets.

Decarbonization of business activities



Scopes 1 and 2

■ Key actions

- Upgrading to energy-saving equipment in our existing facilities
- 100% use of renewable energy derived from in-house generation
- Building all new owned facilities to be ZEB in principle, and equipping them all with solar panels for self-consumption
- Electrify vehicles and heavy machinery

■ Targets/Results for FY2023, Targets for FY2026

Management indicators		FY2023 Targets	FY2023 Results	FY2026 Targets
GHG emissions from business activities (vs FY2015)		-50%	+26.3%	-55%
Energy efficiency	Energy efficiency (vs FY2015)	1.61 times	1.81 times	1.9 times
Renewable energy	Renewable energy utilization rate	100%	81.8%	100% (FY2025)
Electrification	Introduction rate of clean energy cars (CEVs)	7% (company vehicles)	6.3% (company vehicles)	30% (company vehicles)
		2% (private vehicles used for work)	2% (private vehicles used for work)	10% (private vehicles used for work)

In fiscal 2023, 81.8% of our total electricity usage came from renewable energy, resulting in a substantial reduction in our GHG emissions arising from electrical power consumption. However, after the Hibikinada Thermal Power Station joined the Daiwa House Group in January 2023, our total GHG emissions increased, causing us to miss our reduction target. (However, when the Hibikinada data is excluded, we reduced our emissions by 54.1%.) This power plant shut down in March 2024, and is now being converted to an entirely biomass-fired facility.

Decarbonization in community development



Scope 3
(use of sold buildings)

■ Key actions

- All buildings to be made ZEH/ZEB in principle
- All buildings to have solar panels installed in principle

■ Targets/Results for FY2023, Targets for FY2026

Management indicators		FY2023 Targets	FY2023 Results	FY2026 Targets
GHG emissions from building use (vs FY2015)		-45%	-52.2%	-58%
ZEH rate	Single-Family Houses	90%	97%	90%
ZEH-M rate	Rental Housing	20%	48.7%	50%
	Condominiums	70%	90.5%	100%, in principle (FY2024)
ZEB rate	Commercial Facilities/ Logistics, Business and Corporate Facilities	70%	68.5%	80%

In fiscal 2023, we saw improvements in our rates for ZEH, ZEH-M, and ZEB, enabling us to achieve our relevant GHG emission reduction targets. This was a result of efforts to further improve the proposal capabilities of marketing and design staff by developing support and proposal tools and holding training sessions for them. We will continue to promote further expansion of ZEH and ZEB going forward.

Response to the TCFD and TNFD Frameworks

Governance

The Group Environmental Promotion Committee is chaired by the Senior Department Manager of the Sustainability Management Department. Overseeing the environmental activities of the entire Daiwa House Group, this committee meets twice a year to deliberate and decide on basic matters related to environmental activities as well as risks and opportunities concerning the environment. We have also established an autonomous management system with the head of each business division serving as the chairperson of the Environment Committee (Business division). These committees meet twice a year to verify environmental target achievement by their respective divisions. Major group companies also hold their own biannual Group environmental management training conference, composed of environmental officers from their respective companies. At these meetings they share decisions made by the Group Environmental Promotion Committee.

The Group's Environmental Action Plan (the Endless Green Program, which also addresses climate change issues and biodiversity conservation) has been devised to align with the Medium-Term Management Plan. Progress made on this plan is reported annually by the chair of the Group Environmental Promotion Committee to the Board of Directors as part of key information for environmental business management. The Group's environmental strategy, targets, and plans are reviewed as necessary.

In fiscal 2023, the Board of Directors reviewed group-wide progress made during fiscal 2022 under the Endless Green Program 2026, as well as revisions of targets for fiscal 2023. The board indicated that even more promotion of ZEHs and ZEBs is needed, and each business division has since intensified its efforts.

Response to the Taskforce on Climate-Related Financial Disclosures (TCFD)

■ Strategy

The risks and opportunities associated with climate change can be considered as those caused by "transitions," such as the tightening 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 changes," 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,

the Daiwa House Group has 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. Based on these considerations, we have incorporated corresponding measures into the metrics of our Medium-Term Management Plan and Environmental Action Plan, in order to minimize risks and maximize opportunities.

Main risks and opportunities related to climate change

Period of impact: Short: less than 1 year; Medium: over 1 year but less than 5 years; Long: over 5 years
Level 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	Response
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	Medium	Ensuring advanced energy efficiency (increase the number of ZEHs, ZEH-Ms, and ZEBs)
			Operating cost increase resulting from the introduction of carbon pricing	Medium	Small	Thorough energy conservation in our own facilities, and expanding the use of renewable energy (promotion of EP100 and RE100)
	Physical changes	Chronic	Increase in risk of heat stroke at construction sites due to rise in summer maximum temperatures	Short	Small	Thorough implementation of heatstroke prevention measures at construction sites, and arranging construction schedules to minimize risks
		Acute	Damage to our facilities due to meteorological disasters and increase in insurance premiums	Short	Small	Assessment of water stress levels at Group facilities and implementation of appropriate measures
Opportunities	Transitions	Products and services	Impact of material procurement difficulty and construction delay in supply chains due to meteorological disasters	Short	Small	Development of business continuity plans (BCP) for Group sites and the supply chain, and diversification of procurement sources
			Increase in demand for houses and building with low GHG emissions	Short	Medium	Increase the number of ZEHs, ZEH-Ms, and ZEBs
	Physical changes	Products and services	Expansion of Environment and Energy Business due to rising demand for renewable energy	Short	Medium	Expansion of the construction, development, and operation of facilities to generate renewable electricity
			Rising demand for houses and buildings equipped for meteorological disasters	Medium	Medium	Determining policies for developing and promoting products adapted to withstand physical environmental changes

Response to the Taskforce on Nature-related Financial Disclosures (TNFD)

■ Introduction

The final TNFD^{*1} Recommendations were published in September 2023. The TNFD is an international initiative to develop a framework for disclosure of nature-related information by companies. The background to its establishment is the growing concern in the business community about responding to the negative impact on economic activities caused by the deterioration of the natural environment, including biodiversity, following on from climate-related issues. Accordingly, the Company has identified impact and dependencies on nature in its business activities and evaluated risks and opportunities with reference to the LEAP approach, developed by the TNFD as an integrated approach for assessing and managing nature-related issues, and the Final TNFD Recommendations v1.0. Furthermore, in June 2024, we joined the TNFD Forum^{*2} and registered as a TNFD Adopter^{*3}. We will actively disclose information, work to reduce business risks and create opportunities, and aim to resolve issues related to conservation of biodiversity.

*1 TNFD (Taskforce on Nature-related Financial Disclosures): An international organization that aims to establish a framework for private companies and financial institutions to appropriately assess and disclose risks and opportunities related to natural capital and biodiversity.

*2 An international organization that provides support for discussions of the TNFD as a stakeholder providing expert knowledge.

*3 Refers to a company that registers on the TNFD website its intention to adopt the TNFD Recommendations in disclosure. Registered companies are required to provide disclosure in line with the TNFD Recommendations in corporate reporting by the fiscal year ending in 2025.

■ Strategy: Risk identification process

The Group has identified relevant risks by ascertaining impact and dependency on nature across the entire value chain.

■ Management of risks and impacts

Once we determine all the risks, we focus on the high-priority ones related to nature. We determine the priority areas, and then identify and manage specific risks.

(1) Group facilities | Biodiversity impact assessment

We conducted primary screening at sites (69 assessment areas) within premises owned by the Group to understand which sites should be assessed for biodiversity impact, and we identified 35 priority areas. At present, four of the significant sites have formulated a biodiversity protection and management plan.

Moving forward, we will continue to develop management plans for all our significant sites and carry out monitoring.

(2) Products | Expansion of the area of ecosystem-friendly green spaces

The Group recommends that at least half of trees we plant be indigenous species. As part of all our business activities, we aim to increase ecosystem-friendly green spaces by 2 million m² by 2030. Progress on this target is being monitored quarterly to further promote initiatives.

Main risks and opportunities related to the natural environment

Period of impact: Short: less than 1 year; Medium: over 1 year but less than 5 years; Long: over 5 years
Level 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	Response
Risks	Transitions	Policy, laws and regulations	Increase in cost of countermeasures due to stronger development regulations and greening regulations	Long	Medium	Promoting development projects covering an area of 3,000 m ² or more using our own checklist
		Reputation	Damage to reputation due to growing concerns about deforestation	Medium	Small	Conducting annual timber procurement survey to verify resource sustainability
	Physical changes	Chronic	Decrease in timber supply due to climate change, increase in forest fires, and water shortages, etc.	Long	Small	Identifying the origin of procured timber using a timber procurement survey and conducting water risk assessments
		Acute	Delays in production due to inundation of production sites caused by flooding or storms, etc.	Short	Small	Having surveys conducted by a specialized agency at Group factories, and performing water risk assessments at major suppliers
Business opportunities	Transitions	Products and services	Increase in unit prices per building for exterior work and increase in demand for green space projects due to growing need for greening	Medium	Medium	Refer main texts: (2) Products Expansion of the area of ecosystem-friendly green spaces
		Markets	Creation of market for non-residential wood buildings	Medium	Medium	Launched the Future with Wood Project as a new group-wide initiative
Nature conservation opportunities	Sustainable use of natural resources	Products and services	Reduction in use of natural resources due to extended service life and reuse of buildings	Short	—	Managing progress in the housing and rental housing businesses using a metric, namely, the number of buildings subject to durability extension
	Protection of ecosystems	Business activities	Conservation of biodiversity on Company-owned land and at Company facilities	Medium	—	Refer main texts: (1) Group facilities Biodiversity impact assessment