OUR FUTURE LANDSCAPE – CELEBRATING THE JOYS OF LIFE.

Daiwa House Group Integrated Report 2024

Daiwa House®
Group

Achieved ¥5 trillion

FY2023 consolidated net sales

Targeting the next ¥5 trillion

A goal of ¥10 trillion in consolidated net sales

Founder Nobuo Ishibashi's dream,
"To become a group with ¥10 trillion in net sales on the centennial anniversary of our founding"

FY1955-2023
Net sales Average annual growth rate
19.7%

Consolidated net sales
¥5 trillion

1955

Developing our businesses

Strengthening our bases

2024

FY2022-2026
Seventh Medium-Term Management Plan

Real estate development investment
Plan ¥2.2 trillion
Real estate investment ▶ P.58

Shareholder returns
Dividend payout ratio 35% or above
Capital Allocation and Shareholder Return ▶ P.19

Consolidated net sales
¥10 trillion

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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

Main results for Daiwa House

(as of March 31, 2024)

Total No. of single-family housing sales	Approx. 657,000 units
No. of rental housing under management*	Approx. 684,000 units
Total No. of condominium sales	Approx. 105,000 units
Total No. of commercial facilities constructed	Approx. 48,000 projects
Total floor area of large-scale logistics facilities developed	Approx. 12,950,000 m²
No. of renewable energy power plants*	551 sites

*Group results

Looking toward FY2055

CVC "Our Hopes for the Future" Fund
Maximum ¥30.0 billion

In-house entrepreneurship program "Daiwa Future100"
Maximum ¥30.0 billion
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5 values to embrace

Human capital who share in "Our Hopes for the Future" will create the conditions for ¥10 trillion together with stakeholders.

1 Look beyond the curve and actively initiate change

Transform the future from something unforeseeable into something exciting.
Initiate change; create new currents!

2 Embrace failure and success alike as a means for achieving dreams

Challenging new things is the first step in achieving a dream.
Instead of fearing failure, take the first step!

3 Welcome differences, thrive together

Build on diversity, share the joy of creation.
Draw on differences symbiotically to make each other shine.

4 Be empathetic in thinking, stout in following through

Exercise compassion toward others and society,
enthusiasm and resolve in following through on commitments.

5 Enjoy your life. Afterall, you are pursuing a dream

You are the star of your story.
You are helping create our future landscape. As such, enjoy life.

Our Group official website: The Daiwa House Group's Business Philosophy

Highlights of the Integrated Report 2024

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Editorial policy: This report has been produced for our shareholders, investors and other stakeholders. In the Story of the Daiwa House Group's Value Creation, we integrate financial information on our business and financial strategies and non-financial information about what we see as our primary corporate value. We also introduce the three management bases essential for such processes (our human resources, customer, and technology and manufacturing) and our strengths (comprehensive business proposals), summarizing how we pursue Our Hopes for the Future that embodies the spirit of our founder. **Referential guidelines:** In the production of this document, we have referenced the IFRS Foundation (the International Integrated Reporting Framework), as well as the Guidance for Collaborative Value Creation issued by the Japanese Ministry of Economy, Trade and Industry. **Scope of this report:** This report provides information on the Daiwa House Group overall (447 consolidated subsidiaries, 49 equity method affiliated companies as of March 31, 2024), with a focus on Daiwa House Industry Co., Ltd. **Forward-looking statements:** This Integrated Report contains future estimates, targets, plans and strategies of the Daiwa House Group. These are based on judgments employing information available at the time of writing. For various reasons, actual results may differ substantially from these estimates.

Message from the CEO

Chapter 1

Chapter 1 Message from the CEO

Fulfilling our Centennial dream: View from halfway to ¥10 trillion

Since our founding in 1955, the Daiwa House Group has remained true to its founder's vision, "Doing things because they will be of service to society." As a result, in fiscal 2023, we booked net sales of over ¥5 trillion, the halfway point to his dream of ¥10 trillion in sales by our 100th anniversary. We reached this milestone doing things in a signature Daiwa House way—executives and employees acting as one to develop a range of ideas, execute them, and move toward our target while building a broad business portfolio over the years.

Our Hopes for the Future defines our Purpose as bringing about "a world where we live together in harmony embracing the Joys of Life." We have six core segments working to achieve such a society: Single-Family Houses; Rental Housing; Condominiums; Commercial Facilities; Logistics, Business and Corporate Facilities; and Environment and Energy. Looking back, we achieved our medium-term management plan sales targets of ¥2 trillion, ¥3 trillion, and ¥4 trillion on schedule, but the ¥5 trillion mark after a one-year delay due to the unanticipated COVID-19 pandemic. Still, this period was an opportunity to review and revamp our business portfolio ahead of the next stage. We believe it would be difficult to achieve sales of ¥10 trillion just by growing our existing businesses, so creating new ones, and bringing up personnel capable of developing new ones, is of utmost importance.

In this context, we decided to set up a corporate venture capital (CVC) fund involving start-up investments of up to ¥30 billion to develop new business models and markets. We also launched an in-house entrepreneurship program on the view that addressing societal issues should be a driving force of human capital development. This will also invest up to ¥30 billion. We will sow the seeds during our current medium-term management plan (the 7th Plan) and develop businesses that will become our next growth drivers in the eighth plan and beyond.

Keiichi Yoshii

Keiichi Yoshii
President, CEO

Elsewhere, we are using our Livness Town Project to revitalize communities. We think responsible consumption and production, one of the UN's sustainable development goals (SDGs), is something we, a construction company, should embrace. We intend to fulfil our responsibilities as a manufacturer for residential complexes we built more than 50 years ago by tackling local issues such as aging and vacant houses head on. We provide environments that encourage connections between people by opening community spaces and holding events to revive interactions among local residents and enliven communities. Despite many hurdles, progress along the revitalization path is gradually coming into view as cross-generational interaction at housing complexes and growing ties with industry, government, and academia.

The Daiwa House Group has broadened its sphere of operations in response to society's needs, with housing at the heart of all of our businesses. We craft buildings to bring happiness to people who live in or use them. We also contemplate how to continue providing value and maintaining ties with customers long term.

Early 2024 witnessed the Noto Peninsula Earthquake and an aircraft collision at Haneda Airport, stark reminders of natural threats and the preciousness of life. We set up a first-response headquarters for the earthquake on January 2, checking on the safety of our sites and customers, and are sparing no effort to assist rebuilding. Natural disasters are inevitable events that reinforce awareness of how important it is to always be prepared for risks and crises.

Year Two of the 7th Plan: Review and Future Initiatives

Overseas growth strategy

How to develop the overseas business into the next growth driver has been on my mind ever since I was in charge of it. Our fourth president, Keiichi Uemura, who headed the overseas businesses in the 1980s before the advent of cell phones, brought all his knowledge and experience to bear to develop businesses overseas in the US, South America, and Southeast Asia. Thanks to his legacy, we now operate optimal businesses in diverse regions. Ultimately, my dream is to export the Daiwa House business model and roll out our single-family houses, rental housing, commercial facilities, and other businesses around the world in a quest for growth across broad business territories.

We see the US as a particularly pivotal area among our

overseas businesses. Orders slowed down temporarily in the first year of the 7th Plan amid unexpected rises in US mortgage rates and a spike in building-material prices. However, efforts to reduce construction times onsite and optimal selling methods drove solid growth in the number of units delivered by our three US single-family house builders (Stanley Martin, Trumark, and CastleRock).

We get a lot of questions during dialogues with institutional investors about the three companies we acquired in the US. How to keep on delivering quality housing is an important issue in expanding our business there. The three companies we welcomed to the Group are familiar with the areas they operate in and have leveraged their knowledge of local needs to provide living environments a cut above others. We share our expertise with them and learn much in return. In the US, the subdivision (built-for-sale) business is mainstream, and sales per employee in our three US companies exceed those of our domestic single-family house business. I would like to run highly productive businesses across the Group, sharing the best of what each business unit has to offer.

In fiscal 2023, CastleRock branched out into Arizona and Tennessee, and Trumark into central California. In May 2024, Stanley Martin announced the acquisition of Prestige Corporate Development, a land developer and general contractor based in Charlotte, North Carolina. The three companies are spurring each other on to develop their businesses, and their CEOs regularly get together to discuss how to grow the US housing operations. In April 2024, they convened in Colorado to hold detailed discussions on how to achieve the goals of the 7th Plan.

I keep a close eye on their appetite for growth, and seeing their hunger and the way they independently develop and execute strategies gives me great hopes for the future. Going forward, we will liaise closely with them so they fully understand the Group approach and collaborate in rental housing and commercial facilities in addition to single-family houses, just as in Japan. The aim is growth across broad business territories by rolling out the Daiwa House model in the US. In this context, after initially saying it could only deal with single-family houses, Stanley Martin is showing interest in expanding its sphere of operations with rental housing and condominiums in its sights.

Regarding "industrialization" of the US single-family houses business, rather than imposing technologies we have developed in Japan, we share potentially useful expertise and knowledge with our three US subsidiaries by bringing representatives to Japan to see our factories and construction sites. In the US, wages are high and labor is scarce, so industrialization is a key to our companies' growth. We will continue to focus on expanding the US business by stabilizing quality by sharing expertise on industrialization and off-site manufacturing and providing support for streamlining supply chains through group purchasing.

Strengthening built-for-sale business in domestic single-family houses business

Amid sluggish new housing starts, the domestic single-family houses business is revamping operations by strengthening its subdivision (built-for-sale) business. We think we will be able to provide our products and services to more customers by expanding our lineup in more affordable price bands. One example is Ready Made Housing., subdivided housing with custom-built quality offering value in excess of price. This proposal, launched recently, combines the quality we have developed over many years as a home maker and long-term support.

Expanding the subdivision business is intended to provide quality buildings at a low price as design costs are lower than built-to-order housing. We have started to strengthen this business in Kyushu and results are gradually emerging. In fiscal 2024, we will roll it out across the country, striking a balance between built-for-sale and custom-built houses, area by area.

Focusing on environmental business; creating social value

With natural disasters increasingly common, we feel duty-bound to assist in efforts to achieve carbon neutrality, as proposed by the Japanese government. In principle, we aim for all newbuilds we deliver to be net-Zero Energy Houses (ZEHs) or net-Zero Energy Buildings (ZEBs) equipped with solar systems by fiscal 2030, on the way to carbon neutrality by 2050. Though each business faces a different set of challenges, we are rolling out the ZEH and ZEB approach across

product development, sales, design, and construction, an undertaking that is progressing well. Confident in our industry-leading supply track record, we are working to create social value considerate of the well-being of our buildings' occupants and their safety and security in emergencies. In addition to our Group's accumulated knowledge, we work to utilize exterior-wall, roof-material, and other manufacturers' expertise and collaborate with partners who share our aspirations to create value.

Many customers prefer wooden buildings, so we launched the Future with Wood project and are working to create even non-residential buildings of timber-frame and lignin construction, a promising growth market. We hope to develop the wooden building business into a new growth driver while bolstering the sustainable supply chain and running the business a nature-positive way that maintains and restores ecosystems.

Reworking our corporate philosophy to reinforce management foundation

Human capital management for further growth

IIn line with our corporate creed of "developing people through business" and "progress depends directly on ensuring a good working environment for employees," we have emphasized human capital as the source of value creation. I think the essence of management is the process that leads to the growth of people and the company, fostering employees' growth through businesses that serve society, which then go on to create new businesses that benefit society further.

Our corporate creed incorporates our founder's thinking at the pinnacle of the Group's business philosophy. We have rebuilt this, formulating Our Hopes for the Future (Purpose) as a fresh guide on the path to our Centennial. We also set out five values to embrace that will carry us toward our goal. Inculcating this fresh philosophy and fostering a culture where people of diverse backgrounds and thinking are respected and celebrated, we hope to be a company the allows every individual to be their best. We will help our human resources develop while reforming our training systems to suit the times, also to achieve sustainable growth for the company.

Dealing with "2024 problem"

Since fiscal 2021, our Group has been preparing to deal with cost pressures due to labor shortages and lengthening construction periods in our industry while adopting two days off a week (eight days every four weeks) at all of our construction sites. Laws limiting overtime in the construction and logistics industries came into effect in April 2024, prompting the "2024 problem." In framing fiscal 2024 earnings forecasts, we were sure to allow adequately for changes in in our processes and budgets, recognizing our obligation to take better care of the construction partners whose work underpins our worksites, and our utmost priority of complying with the law. We are also working to improve work styles by lifting the share of the subdivision business, where we can flexibly manage construction schedules in order to boost productivity and have appropriate construction schedules. We have taken measures to make overtime hours visible and are instructing managers to avoid having subordinates work excessive hours. We set up a "CEO's 2024 Problem Box" so employees can report circumstances directly to me if abuses occur and are using submitted information to identify causes of long working hours and formulate solutions for company-wide implementation.

The logistics industry has layers of subcontracting, making dialogue among operators difficult, and the 2024 problem is a major issue. As the leader in logistics facility development, our efforts go beyond construction. We will offer a broad range of solutions, including ones using digital transformation, to reform work styles, improve conditions for truck drivers, and reduce work hours.

Lifting corporate value through nimble management responsive to prevailing conditions

At the start of each year I choose a kanji to symbolize the year, and in 2024 I selected shin, "growth." It encapsulates our desire to grow both people and earnings flexibly in a range of circumstances, including environmental change. It is also one of the characters in the name of Nobuyasu Ishibashi, our CEO for three years from 1996. At that time, when the environment was less of an issue, he declared that companies that do not fulfil their social obligation to the environment, would not be able to survive. He explained the importance of engagement for the environment and got into the environmental business. His approach in mind, I too feel a strong personal desire to pursue what is important for our time and achieve further growth.

The Daiwa House Group has grown to where we are today thanks to the determination and drive of each individual employee to achieve numerical targets and their ability to press ahead once a decision is made. That our founder's words and philosophy have been handed down to the present is testimony to our record of human and corporate development. But simply forcing employees to meet the stretch net-sales target of ¥10 trillion would not just be missing the point. We will manage the Group flexibly to grow earnings as we adapt to a range of circumstances while remaining attentive to proper governance, employee motivation and working conditions, and the environment.

Message from the CFO

Chapter 2

Chapter 2 Message from the CFO

Strategic capital policy and capital-efficiency improvements to enhance corporate value

Adapting to change in pursuit of further growth

In fiscal 2023, the second year of our Seventh Medium-Term Management Plan (the 7th Plan), net sales surpassed the ¥5 trillion mark to reach ¥5.2 trillion and operating income totaled ¥440.2 billion, or a record ¥393.6 billion excluding actuarial differences in retirement benefits. It is deeply rewarding to have arrived, ahead of our 70th anniversary in 2025, at the halfway point of founder Nobuo Ishibashi's dream of achieving group-wide net sales of ¥10 trillion by our centenary. I feel gratitude toward every one of our employees, and I am proud of these results, a fruit of never being satisfied with the status quo and continuing to take on various new challenges in the "doing things because they will be of service to society" spirit of Daiwa House's founder.

Turning to the market environment, companies and people in Japan will likely have to get accustomed to positive interest rates as the Bank of Japan ends its negative-interest fiscal policy. As CFO, I believe building a solid financial foundation resistant to rising interest rates is a crucial issue. This includes a risk management perspective, especially now when Daiwa House is taking on new challenges in diverse businesses and moving into new business areas.

In this context, in anticipation of rising rates we raised our IRR hurdle rate in February 2023. We are also constantly exploring multiple financing options depending on the situation, including direct and indirect finance, and fixed and variable interest rates. Our investment rating is currently AA, and maintaining a sound rating is crucial to ensure stable procurement of funds. In our discussions with rating companies, the main theme is how to achieve a debt-equity ratio (D/E ratio) of around 0.6 times at a time when the real estate development business is expanding. We are working on maintaining financial soundness by combining investing for growth with strict management of turnover rates and occupancy trends of real estate holdings.

Further, securing human capital and labor management

Takeshi Kosokabe

Takeshi Kosokabe
Executive Vice President, CFO

will likely become even more challenging amid the shrinking population and number of households and severe labor shortage in Japan. We must ensure that we respond to the cap on overtime work (the "2024 problem") and do even more to raise our awareness of governance so that we can continue to meet society's expectations as the industry leader amid a social environment that is constantly in flux.

In the overseas business, which is our growth pillar, we are pushing ahead with a management framework and risk management geared for supporting sustained growth. To this end, regional corporate (RC) functions have been established in the US, Australia, ASEAN, China, Europe, and elsewhere to provide structures best suited to the businesses, subsidiaries, and projects in each locality and concentrating local business customs, risks, and know-how in RC functions. As well, having clearly defined the roles and responsibilities of overseas headquarters, RC functions provide monitoring closer to our business locations (in terms of business content and physical distance) and offer appropriate support.

Progress on the 7th Plan

We acted to counter profit margin deterioration on rising construction costs due to steel and other building materials prices, which began spiking around 2021, and rising labor and other costs. Each business has taken steps to pass on higher materials prices to customers, but negotiations for projects whose contracts were concluded before the increases began did not progress as well as expected. This has impacted the Logistics, Business & Corporate Facilities and Commercial Facilities businesses, which have relatively long construction periods. More recently, however, at contract time we explain to customers about passing on higher materials prices and have added a rider to contracts to that effect. We therefore expect profit margins to begin improving.

Also under the 7th Plan, we are reducing costs through centralized Group purchasing. Joint purchasing of supplies that used to be purchased by individual Group companies by major group companies in Japan (Daiwa House, Daiwa Lease, Fujita, etc.) has made it possible for all participating Group companies to benefit from the most advantageous pricing. We also expect cost reduction from economies of scale, and this initiative is tracking well toward the fiscal 2026 targets of ¥1 trillion in Group purchasing value and ¥100 billion cost reduction effect. Overseas, the Group's three US single-family house builders Stanley Martin, Trumark, and CastleRock have made progress shifting to off-site construction (prefabrication) and launched joint purchasing initiatives.

Investment and recovery

Regarding development properties, progress toward the 7th Plan investment target of ¥2.2 trillion was approximately 30%. Of the ¥2.2 trillion target, we plan to invest ¥1.5 trillion in Logistics, Business & Corporate Facilities. The pace of investment has been slower than planned due to intensifying competition to purchase land for logistics facilities and and a lull in large-scale tenders for land purchases, although solid demand from tenants has been confirmed. Sales of development properties (mainly logistics facilities in Japan) have been stable, and we therefore plan to continue going forward. The US investment property market environment (including rental housing) has deteriorated, due in part to rising interest rates. We held off on property sales in fiscal 2023 for this reason but will continue to operate and develop investment properties while seeking to improve NOI yields so that they can be sold with better conditions when the market environment improves.

Regarding real estate for sale, investment has progressed faster than expected at the time of formulating the 7th Plan, because our businesses in Japan are aggressively expanding the built-for-sale business. The Single-Family Houses Business in particular has reformed its business model and strengthened its built-for-sale housing business in Japan. In the US, we are steadily acquiring high-quality land by harnessing the three local Group companies' strengths in land information and strong relationships with landowners and developers. In the Rental Housing Business, we purchase the land, build the apartments, and attract tenants, then sell them to investors and owners seeking tax-saving measures. The Commercial Facilities, and Logistics, Business & Corporate Facilities businesses also develop various assets and then draw on the Group's vast customer base and rich repository of land information to sell them.

Compared with the custom-build business, the built-for-sale business carries the risk of investing in land and buildings. However, by planning and undertaking land purchase, building specifications (and even attracting tenants depending on the asset), we can look forward to higher rates of return. We have been investing and will continue to invest efficiently by closely monitoring at each of our businesses turnover rates, stagnant listings, market prices, and other performance indicators.

Funds procurement

In January 2024, we issued convertible bonds with stock acquisition rights as part of strategic funds procurement to implement aggressive real estate investments under the 7th Plan. They are zero-coupon bonds amid an uncertain outlook for funds procurement (including a rise in interest rates), and we estimate a cost saving of ¥7–8 billion compared with the issue of straight bonds. The bonds have also been designed as a financial instrument that limits the possibility of conversion and share dilution by the addition of conversion restrictions and a cash settlement provision.

We also used funds procured at low cost by the issue of convertible bonds for a share buyback and are thus working on improving capital efficiency indicators such as ROE and earnings per share (EPS) to implement our capital policy. The cash settlement provision is an option for the issuer. In exercising this option, we will decide according to our financial position and capital policy at the time, including share price and D/E ratio levels and ROE trends.

Cost-of-capital– and share-price–conscious management

We always aspire to running the Company in a manner conscious of equity spread, but this is no easy task to maintain investments in growth businesses as well as ROE over 13%. Nonetheless, we are committed to achieve 13% or higher ROE through solid growth at existing businesses and generating additional profit from productivity

improvements, plus shareholder returns consisting of stable dividends and flexible share buybacks. Another way to reach our ROE target in our view is aggressive conversion of asset holdings into cash, such as the sale of the resort hotels business in July 2023, sale of part of our stake in Cosmos Initia in February 2024 to rebalance our business portfolio, and the sale of cross-shareholdings.

Our share price marked a record high at the beginning of 2024 as the Nikkei Average exceeded ¥40,000 at one stage, but turned down after we announced our full-year results in May 2024, because our fiscal 2024 forecasts announced at the same time fell short of the market consensus. We see room for improvement in our current PBR and PER levels and are working to meet the market's expectations with solid business performance throughout the year.

Improvement of PBR has recently been widely discussed. We believe it is essential to tackle this from two angles—improving ROE and reducing the cost of shareholder's equity. Further strengthening of governance and dialogue with shareholders and institutional investors through IR activities are key to reducing the cost of shareholder's equity. We will continue our efforts to explain the probability of achieving profit targets of the 7th Plan, and help shareholders and investors understand our earnings capability based on our strengths (extensive repository of information on land and ability to maximize business opportunities by leveraging our vast customer base, which encompasses local governments and companies) so that they reaffirm their awareness of Daiwa House as a company that achieves sustainable growth.

Aggressive investment in the environment and human capital

Regarding the environment, we aim to be carbon neutral by 2050. To this end, we install rooftop solar power generation equipment on newly constructed buildings in principle and are progressing initiatives to achieve 100% ZEH and ZEB rates in fiscal 2030.

Greenhouse gas emissions from business activities (Scope 1 and Scope 2) increased in fiscal 2023 as a result of making Hibikinada Thermal Power Station* a subsidiary. However, emissions reductions in the use of buildings sold (Scope 3, Category 11) progressed under our carbon neutral strategy as a result of steady increases in the rates of rooftop solar power generation equipment installation and ZEH and ZEB rates. Consequently, the rate of reduction of greenhouse gas emissions of our whole value chain surpassed our forecast at 35.6%. This result makes me realize how key actions with customers for achieving carbon neutrality are making headway.

Turning to human capital management in pursuit of sustained growth and to realize Our Hopes for the Future, diverse human capital performing well and every employee feeling fulfilled in their work will lead to improved productivity. We are fostering human capital so that employees have pride and fulfillment in their work and every individual can harness their strengths and personal qualities, while providing workplaces that are fair and equal. In particular, we are strengthening education of middle management personnel who play crucial roles in fostering human capital and running organizations on worksites. As well as labor management, we provide education support to improve awareness, knowledge, and literacy to create a virtuous cycle of management that maximizes human potential and management that improves business performance.

Amid rising prices, we provide an environment where employees can work with confidence and ensure we can hire and maintain employment of human capital in the medium to long term by continuously revising our pay structure as an investment in our employees. We will also invest to move digital transformation in construction and other new technologies forward as a means of dealing with the construction industry's 2024 problem and improve productivity by reducing on-site workloads.

* Until its shutdown in March 2024, the Hibikinada Thermal Power Station burned a combination of coal and biomass (wood pellets), with room for to reduce it annual CO_2 emissions to 30% less than those of an equivalent coal-fired plant. The station is being converted to fire 100% biomass and is scheduled to resume operation in April 2026. With its shutdown, the company is set to achieve its greenhouse gas emissions targets again from fiscal 2024 onward.

Continue delivering stable shareholder returns

Our Basic Policy on Shareholder Returns entails returning profit generated through our businesses to shareholders in tandem with growth investments in real estate development, overseas businesses, M&A, R&D, and production facilities, to maximize longer-term corporate value while growing earnings per share and working to improve shareholder value. In fiscal 2023, we paid an annual dividend per share of ¥143, with a dividend payout ratio of 35.1% excluding actuarial differences in retirement benefits. We plan an annual dividend per share of ¥145 in fiscal 2024, increasing the dividend for the 15th consecutive fiscal term. In May 2024, we modified our shareholder-returns policy outlined in the 7th Plan, raising the minimum dividend from ¥130 to ¥145 for stable dividends.

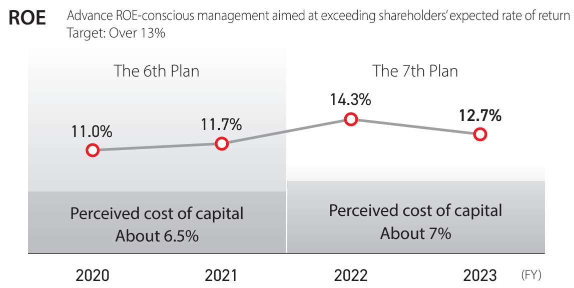
Our basic approach to share buybacks is to conduct them dynamically, weighing the pros and cons carefully amid prevailing market, capital-efficiency, and other circumstances. During the 7th Plan's two years to date, buybacks have totaled ¥87.1 billion, and in August 2024 we announced our intention to buy back up to another 22 million shares for up to ¥100 billion as part of our ongoing work to achieve the capital policy goals of the 7th Plan.

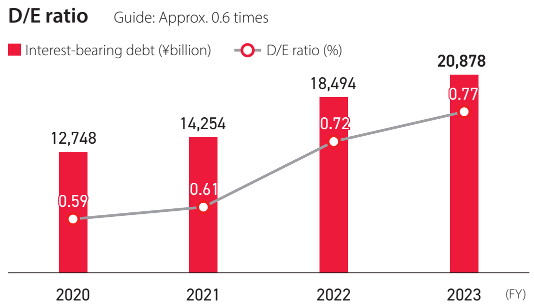
Together with stakeholders toward Our Hopes for the Future

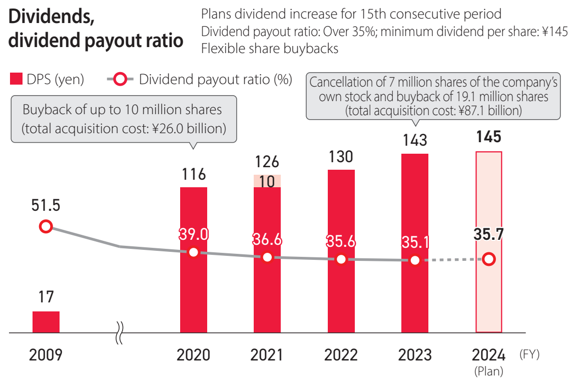
The Daiwa House Group aims to enhance its corporate value, which requires both profit-generating business value and social value derived from our approach of service to society.

Since our founding, we have created a succession of new products and businesses to resolve contemporary societal issues. These began with the Pipe House, a steel-pipe structure developed to address the lumber shortages after the Second World War, and the Midget House, which became the proto model for prefabricated houses. We also began offering Japan's first housing loans and in the 1970s launched the Commercial Facilities Business to utilize land along major trunk roads. We remain similarly focused on creating new businesses as we look ahead to the next stage, launching corporate venture capital (CVC) fund and an in-house entrepreneurship program to provide co-creation opportunities to entrepreneurs and intrapreneurs and a framework for trying out new businesses. We are excited about the possibility that these programs will produce new services and added value that will be societal utility.

Livness Town Project is a case study in the creation of social value. It is a typical Daiwa House initiative in the sense that the Company's relationship with the customer does not end with the delivery of a building but stays close to customers' lives afterward. Although financial results are important, we will not make only that our focus, but instead take our business forward to realize people's hopes for the future while always asking ourselves what is best for all our stakeholders.







Note: The fiscal 2021 dividend includes a ¥10 commemorative dividend to mark the centenary of the birth of company founder Nobuo Ishibashi. The dividend payout ratio from fiscal 2022 onward is calculated excluding actuarial differences in retirement benefits.

Basic Strategy for Capital Policy

❶ Secure cash flow required for growth investment

- Generate operating cash flow via steady profit growth
- Secure investment cash flow by reducing strategic shareholdings and inefficient assets

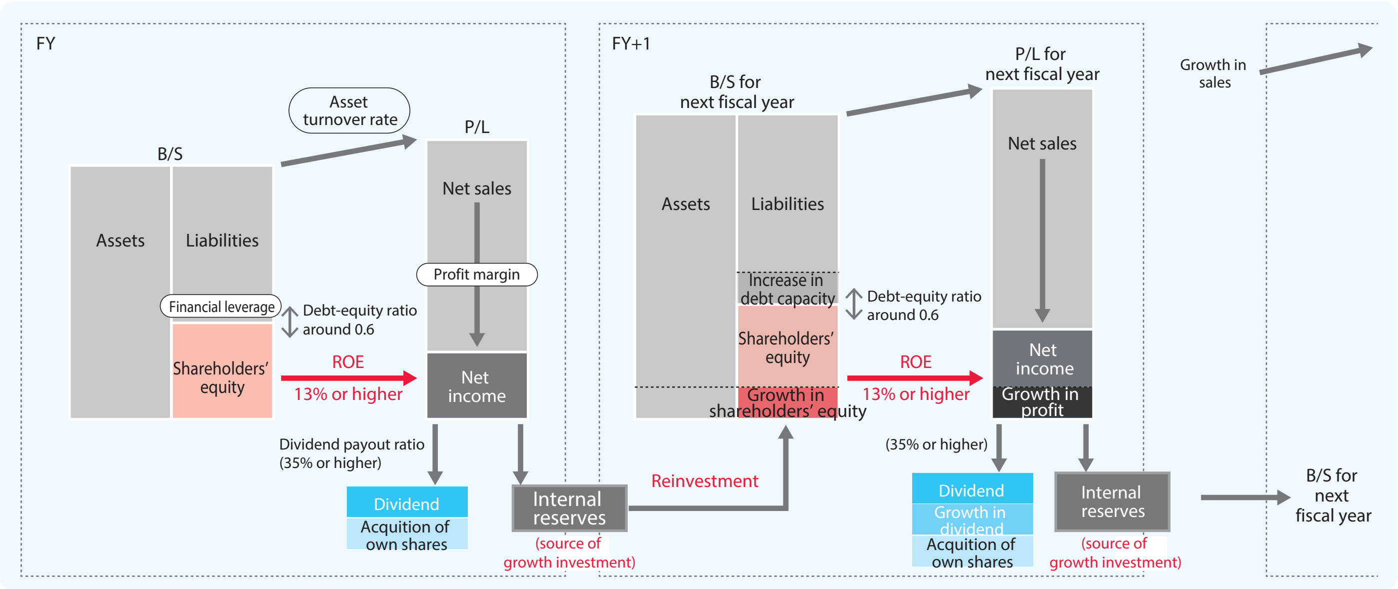
❷ Reinvest in growth areas while maintaining a D/E ratio of about 0.6 times

- Draw on internal reserves to reinvest in growth areas while vigilantly maintaining appropriate level of financial leverage

❸ Achieve ROE of at least 13%, profit growth and dividend payout ratio of 35% or higher

- Realize return on reinvested capital with capital efficiency that exceeds the expected rate of shareholders in order to achieve growth in profits and dividends, as well as increased capital required for new growth investment.

Basic Strategy for Capital policy (conceptual diagram)



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

Secure operating cash flow through steady growth of profits

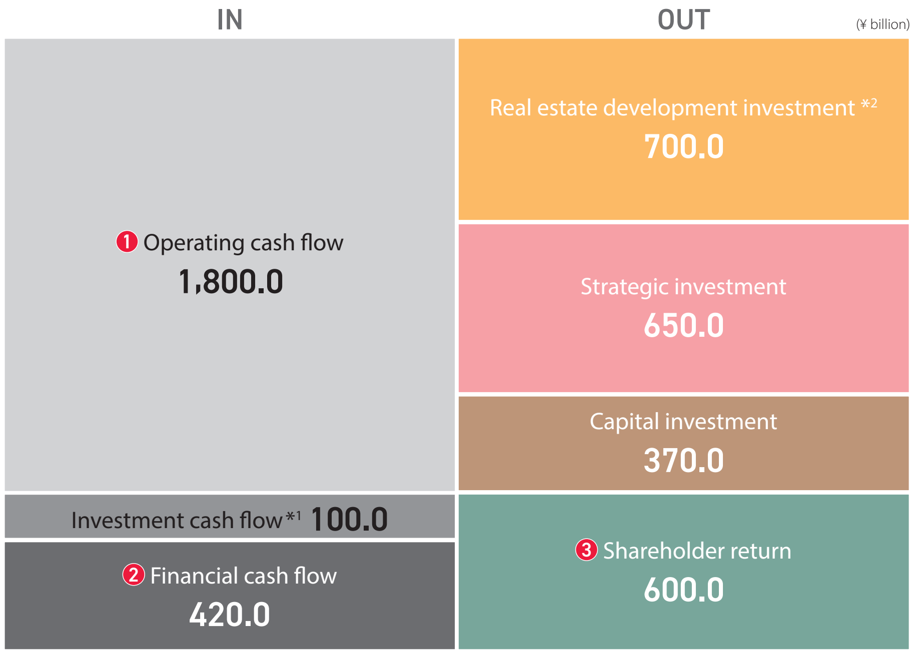
The Company will realize return on reinvested capital with capital efficiency that exceeds the expected rate of return (cost of shareholders' equity) for shareholders in order to achieve growth in profits and dividends, as well as increased capital required for new growth investment.

Achieving ROE target based on an optimal capital structure

Capital Allocation and Shareholder Return

We engage in real estate development and strategic investments necessary for sustainable growth. We also increase operating cash flows based on stable growth of profits and steadily return profit to shareholders. Looking back over the previous two years of the Seventh Medium-Term Management Plan, ❶ operating cash flow accumulated owing to steady profit growth. ❷ Regarding financial cash flow, approximately ¥700 billion in interest-bearing debt has been accumulated due to upfront strategic investments. However, ahead of fiscal 2026 which is the final year of the plan, we have been conducting activities such as selling development properties, and we expect to arrive at a D/E ratio of 0.6 times as a financial benchmark. ❸ With regard to shareholder returns, over the past two years we returned approximately ¥173.3 billion in dividends and conducted a share buyback of roughly ¥87.1 billion. In fiscal 2024, we are strengthening shareholder returns by revising the minimum dividend amount per share from ¥130 to ¥145, and in addition, we plan to newly acquire up to ¥100 billion (22 million shares) of our own shares.

Capital allocation in five years



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

Real estate development investment

- In addition to the profit driver of logistics facilities, investment in new fields (data centers, semiconductor-related facilities, public wholesale markets, etc.)
- Investment that covers inbound demand and the Livness business (hotels, revitalization of aging facilities, etc.)
- Investment to gradually increase stock assets for profit-earning real estate

Strategic investment

- Priority investment in the overseas single-family houses business, with a focus on the US.
- Investment to fundamentally overhaul the single-family houses business in Japan
- Strengthen the built-for-sale business for rental housing and commercial facilities
- Investment into onsite/offsite PPA toward the realization of carbon neutrality

Capital investment

- Strengthen production sites for the business field
- Invest in IT platform to promote DX and invest in digital construction

Shareholder return

- Dividend payout ratio of 35% or higher, and dividend per share of ¥145*3 or more
- Flexible acquisition of own shares

*3 The initial ¥130 changed to ¥145 from fiscal 2024

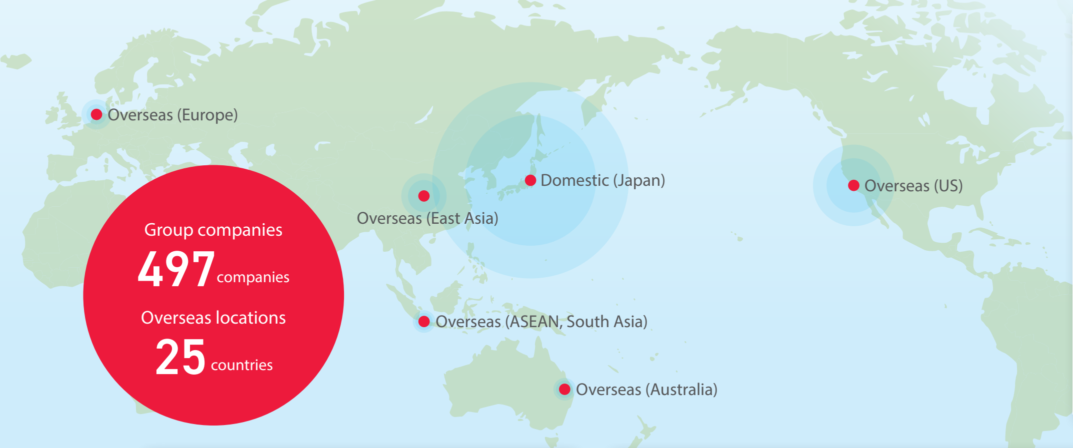
The Story of the Group's Value Creation

Chapter 3

Chapter 3 The Story of the Group's Value Creation

1 Daiwa House Group at a glance

The Daiwa House Group operates six core business segments and generates stable cash flow while developing its businesses both in and outside Japan. In our business activities, we aim to balance the dual challenges of becoming carbon neutral and achieving corporate profitability in order to contribute to a sustainable society, and in tandem with this, we also actively work to heighten employee engagement by facilitating employee motivation.



Greenhouse gas emissions throughout the value chain

10.3 million t-CO_2

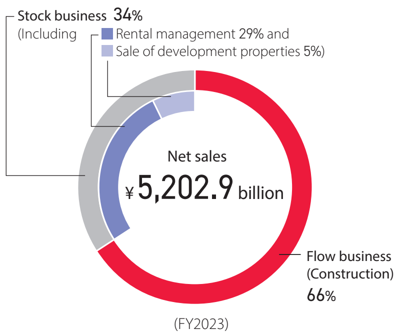
(Reduction rate down 35.6% compared to fiscal 2015 levels)

Development and operation of renewable energy power plants

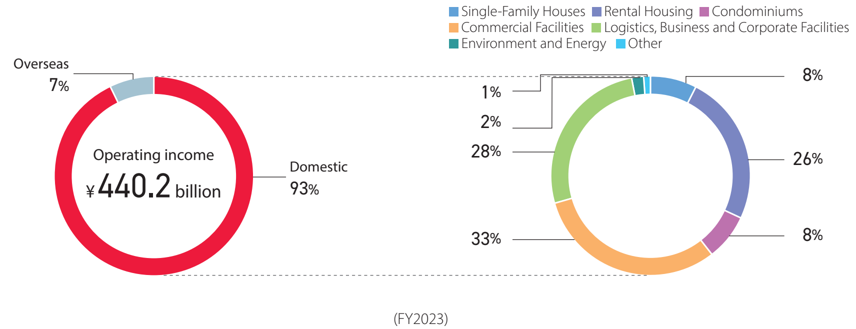
700 MW

(Equivalent to the electricity consumption of about 180,000 households)

Flow/stock ratio (breakdown of sales)



Domestic/overseas ratio and composition by segment (operating income composition)



Social

Employee Motivation Level of approx. 48,000 Group Employees

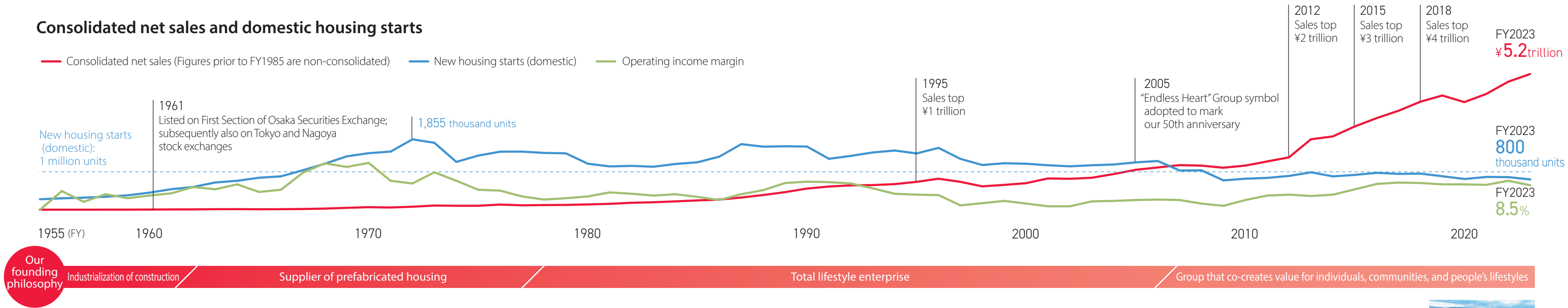
83%

Note: The above segment composition ratios may not add up to 100% due to the impact of adjustments.

2 The road to ¥5 trillion in net sales

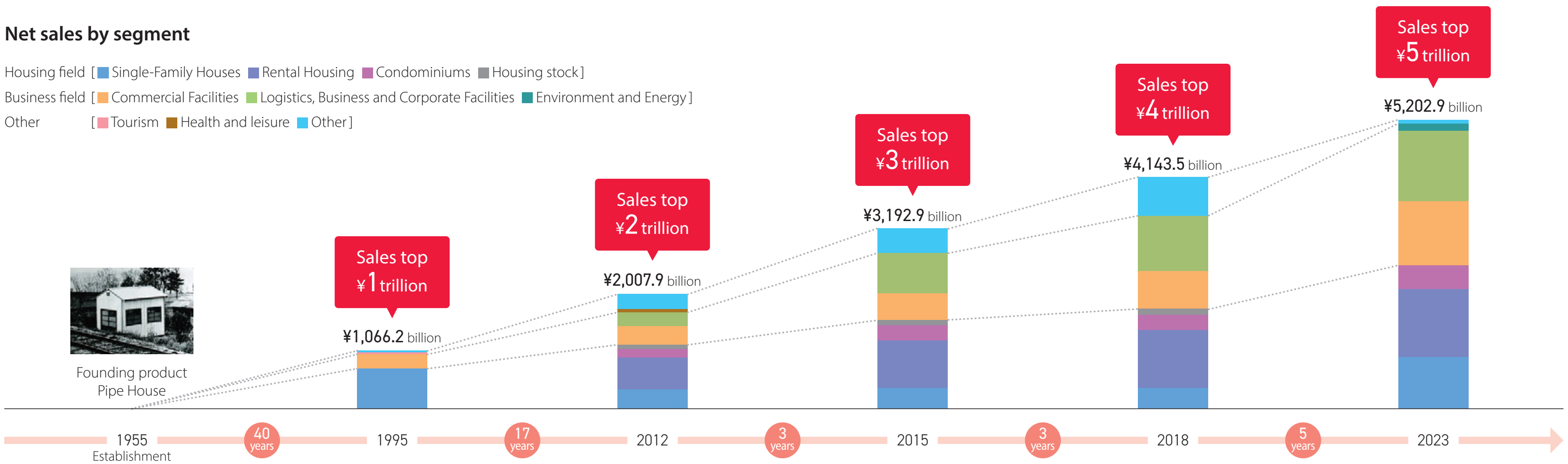
Based on the starting point of "Don't do things because they will make a profit, but because they will be of service to society," we work to anticipate the times and transform our revenue model, and in so doing have achieved growth in sales at an accelerated pace. Simultaneously, we have brought together the sources of our value creation, namely, our human resources base, customer base, and technology and manufacturing base.

Consolidated net sales and domestic housing starts



Net sales by segment

Housing field [Single-Family Houses, Rental Housing, Condominiums, Housing stock]
Business field [Commercial Facilities, Logistics, Business and Corporate Facilities, Environment and Energy]
Other [Tourism, Health and leisure, Other]



1950's → 1990's → 2010's → 2020's

Sales top ¥1 trillion | Sales top ¥2 trillion | Sales top ¥3 trillion | Sales top ¥4 trillion | Sales top ¥5 trillion

Developing our businesses

1955 Pipe House

A steel-pipe structure devised to contribute to resolving the shortage of lumber and materials during the postwar period.

1959 Midget House

Developed as a study room that could be erected in three hours, Midget House contributed to eliminating the housing space shortage caused by a rising birthrate.

1959 Movable Classroom

Developed the Movable Classroom as a means to resolve the shortage of classrooms caused by the postwar baby boom.

1962 Habikino Neopolis

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

1973 Resort business

Commenced construction on Shikabe Leisure Village. Full-fledged entry into the Resort business.

1976 Commercial Facilities Business

Full-scale development of the distribution store business under the concept of "utilization of idle land." From 1978, developed the LOC System to make effective use of land.

1977 Condominium business

Entered into the condominium business. Sales begin for Green Coop Senju, a large-scale condominium.

1980 Home center business

Commenced home center business. Opened Lumber Nara Store (currently Royal Home Center Nara)

1989 Silver Age Research Center

Established Silver Age Research Center in anticipation of the arrival of a super-aging society. This contributed to acquiring orders for medical and nursing care facilities, and to the operating and management business.

1995 Business hotels

Opened Roynet Hotel Higashi-Osaka (our first business hotel)

2000 Renovation business

Full-scale expansion of the renovation business with the launch of the Home Improvements Business Department in the Housing Business Division.

2002 Start of D Project

Embarked on development of large-scale logistics facilities, offering a one-stop service encompassing everything from site proposals, through design, construction and management.

2005 Large-scale commercial facilities

Opened Yokohama Shiki-no-Mori Foleo, the first directly managed large-scale combined commercial facility of its kind.

2007 China condominiums

Commenced work on the first combined condominium and commercial facility development business by a Japanese company in Dalian, China.

2007 Wind power generation

Completed nine turbines for wind power generation at Sadamisaki Peninsula in Ehime Prefecture.

2011 America real estate business

Purchase of rental housing in California, commenced real estate business

2012 ASEAN industrial park development

Industrial park development begins in Indonesia and Vietnam

2012 Mega solar

Commenced first stage of mega solar business, DREAM Solar Kitakyushu Hibikinada.

2013 SMA x ECO TOWN

Sales begin for SMA x ECO TOWN Harumidai, Japan's first net zero energy town.

2013 Made Fujita Corporation a wholly-owned subsidiary

Strengthened general contractor function

2017 US Single-Family Houses Business

US-based single-family houses business Stanley Martin joined the Group, accelerated expansion of the US single-family houses business

2018 Livness launched

Housing business stock brand "Livness" launches and subsequently grows through each business.

2020 Data center

Construction began on Japan's largest data center park "DPDC Inzai Park".

2021 *Kotokurie*

Opened Daiwa House Group's MIRAI KACHI KYOSO Center (*Kotokurie*), one of Japan's largest training facilities.

Strengthening our bases

1955 Stated "developing people through business" in the Company Philosophy (Corporate Creed).

1962 Introduced a corporate pension system that aims for a "prosperous retirement for employees."

1963 Published The Future of the Daiwa House Group as a textbook that serves as a guidepost for all employees.

1982 Introduced CADNET, an industry-first interactive automatic design system

1995 Acquired ISO 9001 international quality standard certification, a first in the Japanese construction industry.

2005 Adoption of Endless Heart, the Daiwa House Group Symbol, on the occasion of our 50th anniversary

2005 Lump-sum payment program for fostering the next generation

2007 Work Life Balance Support System

2008 Opened The Daiwa House Juku, our training program for the next generation of management.

3 The three strengths generated from the source of value creation

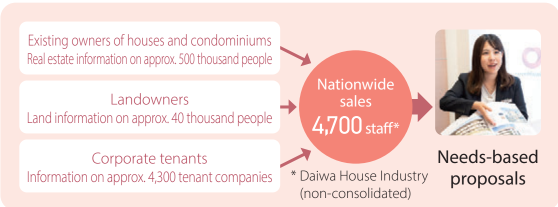
The source of the Group's value creation springs forth from our human resource, customer, and technology and manufacturing bases built in tandem with our business expansion. The strengths that emerge from these three bases include our ability to quickly identify issues and provide solutions, and to meet the needs of local customers. Therein lies our greatest strength, which is our ability to create value through co-creation, combined with our ability to make comprehensive business proposals informed by our experience in a wide range of business domains and our one-stop-shop system, while creating societal infrastructure and accompanying lifestyle and culture.

Our greatest strengths **The ability to create value through co-creation**

Ability to grasp quickly what is needed and provide solutions

Over many years, we have nurtured customer relationships based on our business track record and experience of finding solutions to the issues facing individual customers. The Company instills in its human resources the founder's spirit of "doing timely work" by promptly grasping what is on the mind of its customers, and to work tirelessly toward problem resolution.

Land and real estate data aggregation, and business knowhow gained from customer relationships



● Operations with LOC System and Owners Clubs

Support for corporate tenants nationwide development by matching with landowners (Uniqlo, drugstores)

● Proposal-driven sales

Solving corporate tenant issues by making both concrete and intangible proposals in logistics facilities development

Meeting the needs of local customers

Since our founding we have placed importance on having a good grasp of actual conditions by being on site and seeing what is actually there. In particular, together with seeing for oneself the characteristics and issues that occur daily at business sites or that differ according to area, one of the Company's unique capabilities is to accumulate information on land and real estate data.

Listening to voices in the field
Development of a "lifestyle market open to the community"

● Case study of public wholesale market in Toyama City

In a first for Japan, we developed a scheme in which we lease land from Toyama City, redevelop the market facilities, and lease the buildings to the city. The city will benefit from the reduced financial burden, and on the surplus land, the Company will build a commercial facility with a supermarket, home center, a large furniture store, etc., to enhance lifestyle convenience, and this will create a bustling site for community revitalization.

Capacity to offer comprehensive business ideas

The Group's comprehensive capabilities, which cover a wide range of business areas to meet an array of needs based on land and real estate information, and its diverse value chain (create, foster, and revitalize) that generates value for societal infrastructure and lifestyle culture, have transcended the framework of a housing manufacturer and have become a business model unique to the Company.

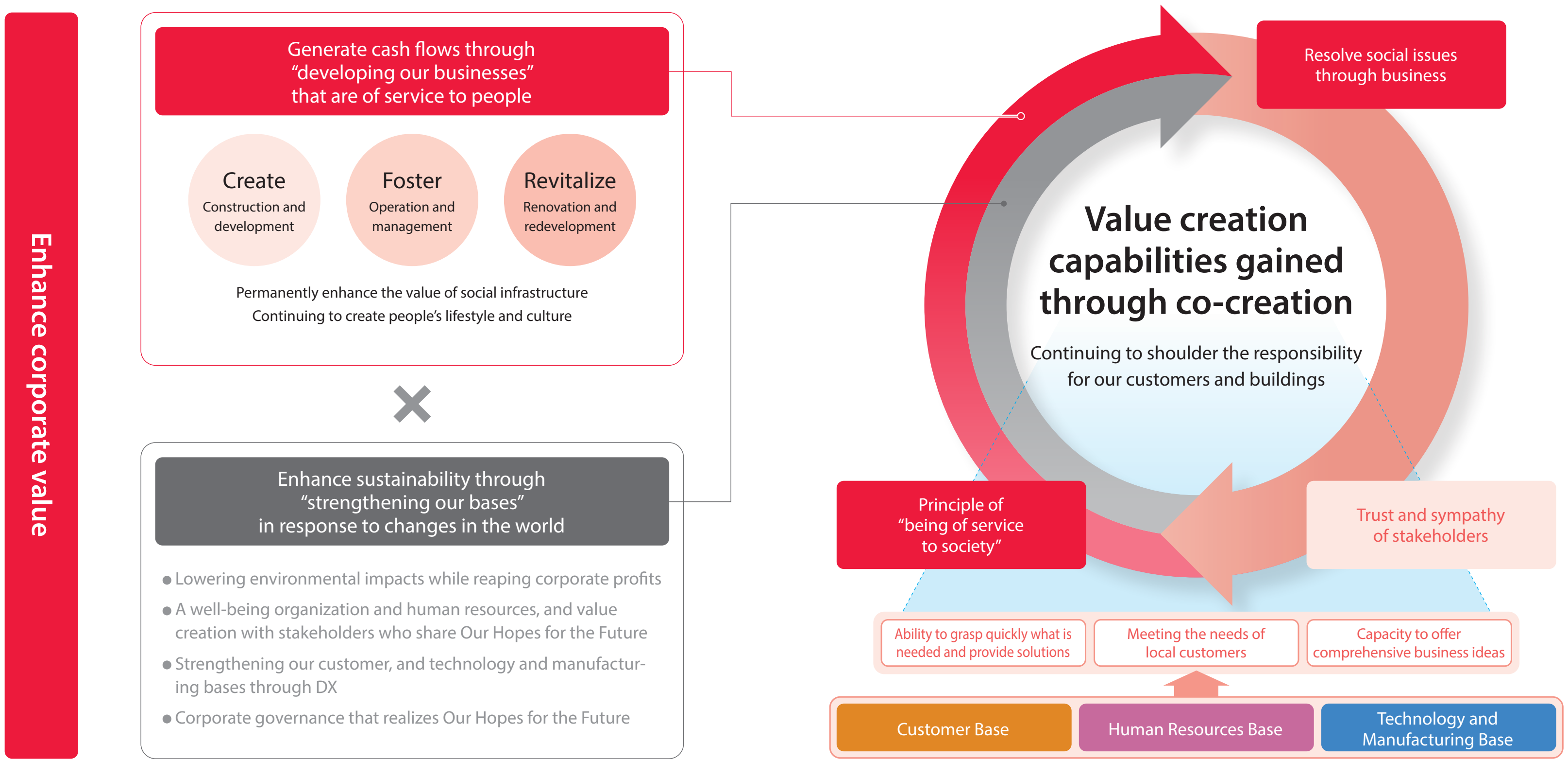
Creating a community that co-exists with the environment, and that connects the future, from youth to the elderly

● Redevelopment of area adjacent to Shin-Sapporo Station

A consortium in which we are a participant undertook a redevelopment project in front of this station based on the urban development plan formulated by the City of Sapporo in 2014. With the aim of achieving a low-carbon society and a city that stands up well to disasters, the project is constructing commercial facilities, hospitals and medical clinics, hotels and condominiums. A university and a medical school have also been established, creating a dynamic new area that attracts crowds of people, from the young to the elderly.

4 Business model embodying the founder's spirit – Circular Value Chain Model –

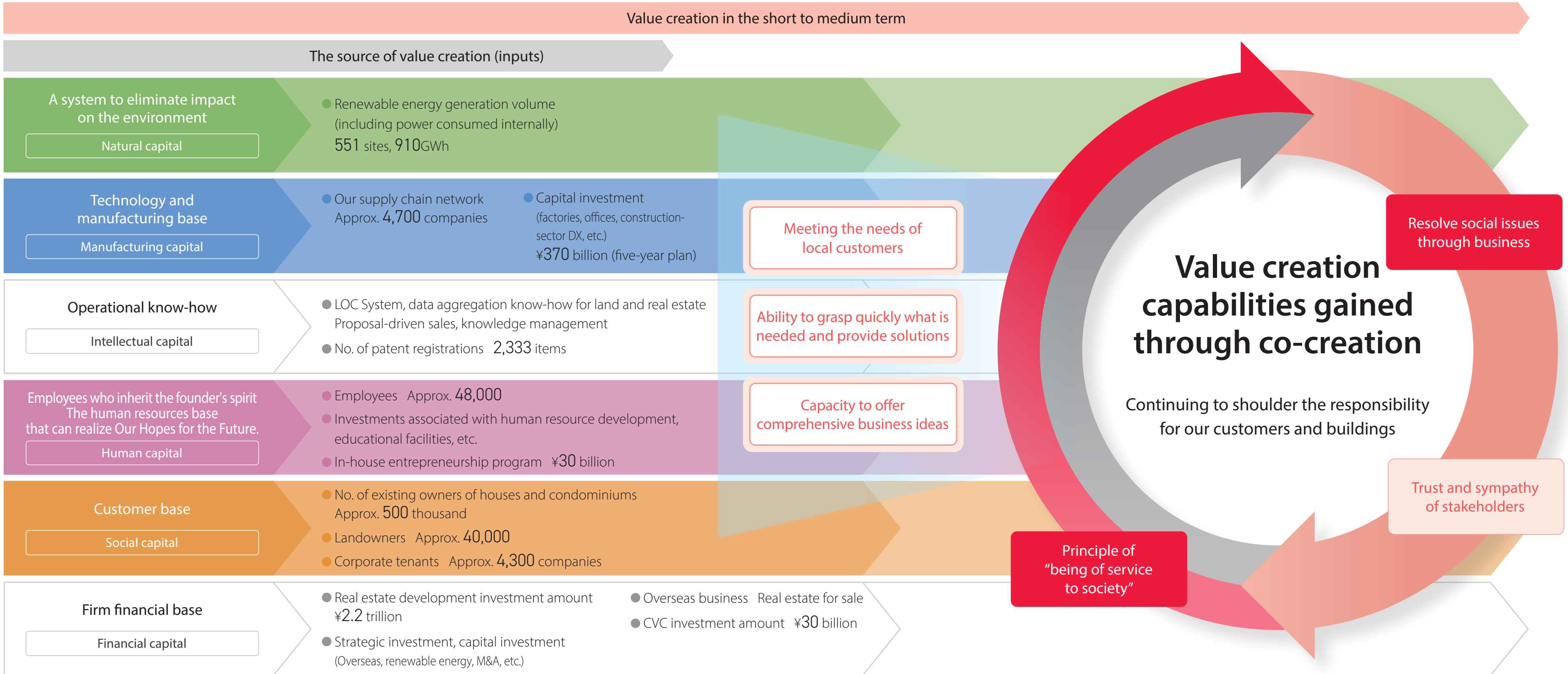
We are committed to both generating cash flow and heightening sustainability by promoting business through "Create," "Foster," and "Revitalize," as well as by strengthening our bases in response to changes in the world. This will maximize customer LTV* and build LTV by earning the long-term trust and cooperation of stakeholders, which will lead to capturing new business opportunities and business model innovation. Through the virtuous cycle of our value creation process, we seek solutions to issues society faces, and to realize the Group's improved corporate value and Our Hopes for the Future.



* Lifetime value (LTV): The revenue (value) generated from customers and buildings over the lifespan of the relationship.

5 The Daiwa House value creation process – Setting our sights on the next ¥5 trillion–

Based on the optimal allocation of our six categories of capital, including our three management bases, and leveraging our unique strengths, we create value by actively investing in growth areas, human capital, and DX, while taking aim at the next ¥5 trillion.



Note: The number of registered patents is the number of patents held by the 14 major group companies, including the Company (only the number of patents registered in Japan). In addition, real estate development investment in financial capital is based on the five-year plan of our 7th Plan, and CVC investment is based on the maximum investment amount.

6 The Daiwa House value creation process – Aspiring to an ideal society–

Through the value we create, we will allocate investment to strengthen our six categories of capital and bolster growth areas, and generate new businesses with an eye toward our future business portfolio. While contributing to the creation of fundamental societal infrastructure and lifestyle culture rooted in regeneration, as set forth in Our Hopes for the Future, we will work toward achieving the SDGs and pioneer fresh horizons toward sustainable growth and enhanced corporate value.

Output (products and services) → **Strengthening capital** → **Social value** (outcome)

Output: Comprehensive Group strengths that cover broad business domains
- Single-Family Houses
- Rental Housing
- Condominiums
- Commercial Facilities
- Logistics, Business and Corporate Facilities
- Environment and Energy
- Other

Maximizing customer LTV and the LTV of buildings on the way toward our next ¥5 trillion

Capital	Strengthening capital	Social value
Natural capital	● GHG emissions reduction rate throughout the value chain -40% ● Renewable energy adoption Renewable energy power plants development and operating results (IPP) 2,500MW Renewable energy generation equipment construction results (EPC) 5,000MW	Circular-oriented society Contributing to the decarbonization of society
Manufacturing capital	● Business streamlining through BIM system ● Supply chain strengthening ● Disaster frequency rate 0%	Safety and security at construction sites Retain skilled workers
Intellectual capital	● Increasing data obtained from digital channels ● Resolving customer issues	Expanding business opportunities Enhancing brand value
Human capital	● Comfortable workplace environments Increased engagement ● Recruiting and utilizing human capital Diversity (empowering women, active seniors, etc.) and retention of young workers	A human resources pool that continues to provide great value to society Enhancing motivation
Social capital	● Delivering quality housing	Raising customer satisfaction Satisfaction index (NPS) 1 month after moving in
Financial capital	● ROE of 13% or higher ● Payout ratio of 35% or more ● D/E ratio of around 0.6	Realizing stable returns to shareholders

Customers: Harmony with the global environment; Realizing diverse lifestyles and housing styles; Optimize lifetime value

Business partners: Stable corporate management; Contributing to decarbonization

Community residents: Revitalize local communities; Preservation of biodiversity

Shareholders: Realizing stable shareholder returns; External assessments

Employees: Transformation of lifestyles and ways of working

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

Note: Natural capital figures are FY2030 targets. Base year for GHG reduction is 2015. EPC target is for cumulative installed capacity.

Creating Social Impact

Impact of the Livness business – Maximizing property value and revitalizing distribution –

The Company endeavors to maximize property values and revitalize distribution through our Livness business, which includes brokerage, purchase and resale, and renovation of all real estate in the housing and business field. We launched our business brand Livness in 2018, setting up a general contact point to respond to lifestyle-related inquiries. In 2024, in order to expand our Livness business into the Logistics, Business and Corporate Facilities and Commercial Facilities domain, we established the new brand "BIZ Livness." We will leverage the Group's comprehensive strengths to provide one-stop solutions to a wide variety of queries, including pertaining to the provision of vacant house management and rental management services for individual customers, and for corporate customers, in addition to the opening of new stores and remodeling, we will also respond to needs such as property sales.

Market awareness

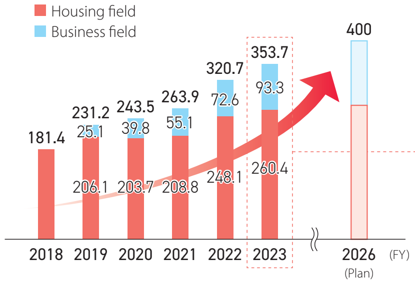
(1) Declining number of new housing starts: Projections are for the 800 thousand units in fiscal 2023 to decline to 550 thousand units in fiscal 2040

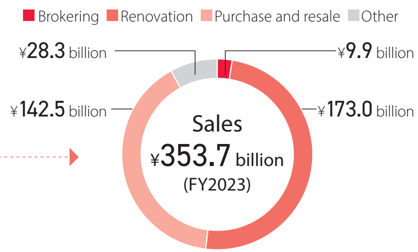
(2) Existing housing

- Invigorating the renovation market: In a broad sense, the size of the renovation market in 2021 was approximately ¥7.6 trillion. The market will continue to grow, although only slightly, and expectations are for it to rise to the upper ¥8 trillion range in 2040.
- Distribution volume: Compared to the existing housing distribution volume in the countries of Europe and the US, Japan's existing housing market offers great room for growth.
- Shifting awareness of purchasers (diversifying sense of values): The hurdles to purchasing renovated buildings are lowering.

(3) Increase in vacant housing: According to the 2023 Housing and Land Survey (Ministry of Internal Affairs and Communications) there are now a total of nine million vacant houses, and the number and percentage of vacant houses continue to increase every five years. Queries with regard to "vacant house management" received by the Company are also trending higher.

Livness business results (¥ billion)

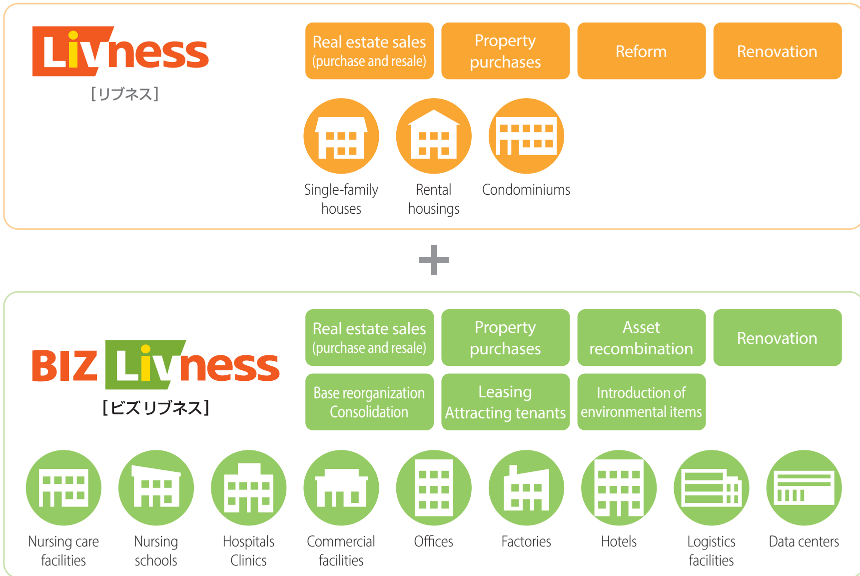




Toward a future business with net sales in the ¥1 trillion range

Proposals for methods and activities in the Livness business

With a sustainable management cycle achieved through Livness, we will contribute to the regeneration and circulation of business and commercial facilities with the added value that only the Daiwa House Group can provide, just as we offer the conventional Livness business (housing) that covers properties for individuals.



Note 1: Future market forecasts are based on estimates published by Nomura Research Institute, Ltd.
Note 2: The renovation market in narrow terms means construction for extensions and reconstruction, as well as installations, etc., but in addition to that, in a broader sense it also refers to the market that includes purchasing for durable consumer goods and interior products-related renovation, such as with air conditioners and furniture, etc.

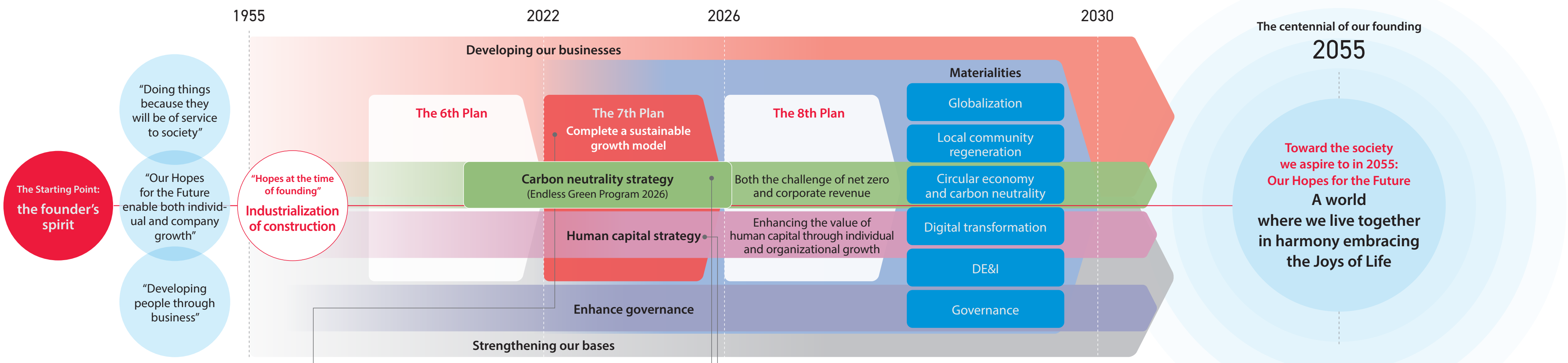
Our Long-Term Vision and the 7th Medium-Term Management Plan

Chapter 4

Chapter 4 Our Long-Term Vision and the 7th Medium-Term Management Plan

1 Roadmap to the Centennial Anniversary of Our Founding—Road to 2055

With our founder's spirit as a starting point, we have achieved sustainable growth by always looking to what lies ahead and believing in Our Hopes for the Future. We will work toward achieving the KPI set forth under the 7th Plan with a keen sense of materiality over the medium- to long-term. In addition, in order to become a corporate group with sales of ¥10 trillion by the centennial anniversary of our founding, we will invest in growth areas and create new businesses to achieve the next ¥5 trillion in value, while strengthening our management foundation and aiming to realize Our Hopes for the Future.



KPIs for FY2026 Developing our businesses (Financial information)

Net sales	¥5.5 trillion	ROE	13% or higher
Operating income[*1]	¥500 billion	Dividend payout ratio	35% or higher and dividend per share of ¥145 or more
Net income attributable to owners of the parent	¥340 billion	Debt-equity ratio	Around 0.6 times

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

Carbon neutrality strategy

Zero CO_2 emissions in community development Scope 3 Category 11	**Reduce GHG emissions by 58%[*2]** by making all buildings ZEH/ZEB and installing solar power generation equipment on them
Zero CO_2 emissions in business activities Scopes 1 and 2	**Reduce GHG emissions by 55%[*2]** by promoting energy efficiency, renewable energy and electrification
Zero CO_2 emissions in supply chains Scope 3 Category 1	**90% or higher** in principal suppliers' setting rates of **GHG reduction targets** in SBT level

Human capital strategy

Job satisfaction
Pride in work
Sense of growth
All at 70%

Securing diverse human capital[*3]

- Ratio of females in management 8%
- Ratio of new female career hires 30%
- Ratio of males taking childcare leave 80%

*1 Exclusive of amortization of actuarial differences of retirement benefits *2 vs FY2015 *3 Target for April 1, 2027

Hirotsugu Otomo

Director and Senior Managing Executive Officer
Head of Management Strategy Planning Headquarters
Head of Overseas Division

Message from Director and Senior Managing Executive Officer Otomo

Incorporating non-financial capital into our business to combine economic value and social value

Fostering overseas business as growth pillar to deliver value rooted in local communities

The Daiwa House Group began doing business in China and the ASEAN region in the 2010s, steadily expanding our geographic business area. Today, we are growing our business in the US, which we consider a priority area. Steadily making inroads into North America, we made US single-family house builder Stanley Martin a consolidated subsidiary in 2017, followed by Trumark and CastleRock. We expect further growth of the housing market in North America due to the outlook for population growth and economic stability there.

Our three US subsidiaries started out as independent companies whose core business was housing, so I think their corporate cultures are similar to that of Daiwa House. They also excel at running their businesses in ways firmly rooted in their localities. We hold regular meetings with them so that we can move forward together while allowing each company to harness its unique qualities, holding numerous discussions about business strategy and individual company initiatives. We will maximize the Group's advantages—stable funds procurement, technical support, centralized Group purchasing, and sales intermediary services with Japanese suppliers—to achieve growth of the whole Group.

Outside North America, we are moving ahead with projects and businesses that align with local characteristics in the ASEAN region, Australia, and Europe by harnessing the know-how and knowledge of industrialized construction that the Daiwa House Group has cultivated since its establishment.

As Head of the Overseas Division, my long-term goal is to disseminate worldwide the Daiwa House Model—a business model that has grown while diversifying. We are at the early stages of this process in North America, where the foundation for the Daiwa House Model is being established in the form of diversification from single-family houses to multi-family houses (rental houses) and condominium development, commercial facilities, and logistics facilities. My vision is for all business divisions to work together to foster the overseas business as a growth pillar, developing a growth model unique to Daiwa House so that we can deliver value rooted in local communities.

Key factors of overseas strategy: Human capital and governance

Human capital and governance are essential for strengthening our overseas strategy. We are improving our human capital in multiple ways, such as training people with both language skills and specialist knowledge and hiring mid-career personnel who have experience in other industries. In addition, we have a "free agent" program that employees can apply for. We launched a global trainee program in fiscal 2023 starting with technical divisions, and extended it to sales personnel the following year.

For governance, we continue to strengthen our regional corporate (RC) functions. In January 2024, we added a construction management function to already instituted initiatives to shore up risk governance in legal affairs and finance. Adding construction management to the RC function allows us to harness our construction-related knowledge, which enables us to manage the gamut from design and costs to construction periods and quality. We will continue to strengthen these functions so that we can make the most of the Group's strengths as a vertically integrated, design-to-construction builder.

A cycle of division and integration to evolve and grow stronger

Fujita, Daiwa Lease, and Daiwa LifeNext joined Daiwa House as business divisions in 2024. We are moving forward with business collaborations in a manner designed to enable each of them to harness their characteristic strengths, including creating new businesses. In my view, the history of Daiwa House Group has been a cycle of repeated cell division and integration. Starting with proprietary know-how and systems fostered in the single-family houses business, the Group expanded into other business areas by creating new products and businesses to meet society's changing needs, because it has always pursued the optimal outcome. In some cases, a business that split may find the optimal solution and end up reintegrating. We have therefore built a structure whereby B2B and B2C businesses complement each other.

I believe that in managing a company, it is important to create businesses with a well-rounded approach so that we can adopt the best approach available at the time. Looking ahead, if we decide that integration is the best course to take, we will integrate to gather strength and will continue to pursue business optimization through careful discussion of our options. My understanding of the Daiwa House corporate culture is that the company evolves by dividing to grow and integrates to gain strength. Going forward, we will continue to restructure and reinforce our value chain.

Create new businesses with CVC and an in-house entrepreneurship program

In Mach 2024, we established a corporate venture capital (CVC) fund for strategic investments to create new businesses that will fuel future growth. *From the two perspectives of deepening and expanding existing core businesses and creating totally new markets and businesses*, our keyword for investment and business collaborations is *Asu Fukaketsuno*, which combines the first letters of safe and secure, speed, welfare, environment, health, communications, and agriculture and means *indispensable*.

In June 2024, we also launched the Daiwa Future 100 an in-house entrepreneurship program. Within a month, we had almost 500 enquiries. We believe the program offers an alternative to CVC as a way to turn employees' ideas into real businesses. Its purpose is not just to create new businesses, but also to foster the next management cohort. The larger the pool of human resources ready to join the management team, the better, considering that our goal is to evolve into a corporate group with net sales of ¥10 trillion in its centenary year. We therefore consider the entrepreneurship program to be also hands-on training for future management.

"Growth-oriented environmental strategy" to create both social and economic value

With a goal of being carbon neutral in 2050, the Group is taking action to increase the proportion of ZEH and ZEB rates (the proportion of ZEHs and ZEBs among our new-builds), install rooftop solar power generation systems, and use more renewable energy. We believe that this way, the more buildings we deliver, the more renewable energy is produced—thus accelerating society's decarbonization.

With 2030 as a milestone on the way to decarbonization, our initiatives are progressing well. We are already close to our 2030 targets for ZEH and ZEB rates. Although it is difficult to ramp up ZEH and ZEB rates overseas in the same way as we do in Japan due to regional differences in energy costs and the legal and regulatory environment, we are taking a strategic approach in North America by assessing the status quo regarding energy-saving construction so that we can set a target for 2030.

Many people associate Daiwa House Group with steel-framed construction; but in 2023, we launched the Future with Wood Project to bolster timber construction and lignification of buildings in response to heightened public interest in decarbonization and robust demand for wooden buildings. Initiatives such as development and sale of wooden products are already well advanced in our housing-related businesses. With regard to medium- and large-size wooden non-residential building businesses, we see scope for further growth in terms of accumulating design and building know-how and differentiating our wooden structures from other structures and competitors' products. We are also developing steel–timber hybrid bracing to deliver products combining the advantages of wood and steel. Increasing timber construction and lignification of buildings will not only accelerate progress toward carbon neutrality and creating circular economies but will also become a business pillar in the medium to long term that generates net sales in the hundreds of billions of yen.

Making sustainability and business activities the twin drivers of corporate value

The Group reorganized in January 2024, making the Sustainability Management Department part of the Management Strategy Planning Headquarters. The reorganization has further added to the challenges we must tackle. My mission includes enhancing the value of our non-financial capital to create new growth businesses, quickly advance reform of existing businesses, and raise our business value even further. No longer optional extras, environmental, social, and other sustainability initiatives are now core actions needed to generate future cash flow. Taking into account our operating environment, it is essential that we relate sustainability initiatives to business activities and that all employees embrace them as part of their own work. I am determined to exercise leadership so that our management stance remains constant while adapting flexibly to the changes going on around us. Thus we are committed to continuing our quest to enhance corporate value through combined pursuit of economic and social value.

2 Environmental Awareness (Opportunities and Risks) and Materiality

In every corner of the world, a major transformation in the structure of industry is taking place in order to discover solutions to social issues confronting the globe. At Daiwa House Group, we recognize the opportunities and risks that will arrive with the megatrends of around 2030, and to realize Our Hopes for the Future, we have formulated the materiality (priority issues) for which we should endeavor.

Megatrends	Impact on Daiwa House Group: Opportunities	Impact on Daiwa House Group: Risks	Materiality	Measures
• Acceleration of globalization • Overseas population growth • Lack of resources	• Realizing the stable supply of quality housing to the world • Rising demand for industrialization in logistics, as well as in fisheries and agriculture • Cost reductions through group purchasing	• Geopolitical risks, political and economic uncertainty • Increased procurement costs	Globalization	Develop community-based businesses aimed at solving social issues overseas
• Respect for the human rights	• Development of products and services with consideration to human rights • A company chosen by those in the supply chain and workers	• Cost increases associated with human rights risks		
• Japan's shrinking population and household numbers • Regional depopulation, declining local communities • Deterioration of social infrastructure	• Expansion of investments into the revitalization of community and social infrastructure • Reinvigorating local communities, need for migration to rural areas	• Declining number of new housing starts • Waning interest of tenants to open new stores • Diminished labor productivity	Local community regeneration	Revitalizing local communities: Businesses for solving social issues in Japan
• Inflation, and rising interest rates	• Increased rental revenues from prime stock assets	• Waning investment appetite • Decline in real estate prices		
• Shift to a carbon-free society • Intensifying climate change • Shift to a circular economy • Targeting nature positive goals	• Rising demand for renewable energy, environmentally conscious products • Rising demand for greater durability and energy-conscious products • Increased demand for community development conscious of the natural environment • Expansion of wooden construction and wood materials market	• Increased costs to comply with stricter legal regulations • Increased frequency and scale of meteorological disasters that cause damage • Arising reputational risks due to loss of the natural environment	Circular economy and carbon neutrality	Environmental management geared toward circularity and regeneration
• Development of a digital society • Shrinking workforce in Japan	• Pioneering new markets by utilizing digital technology • Labor-saving and automation through digital technology • Reconfirming the value of real experiences	• Obsolescence of existing business model • Lack of highly skilled (IT, overseas) human resources and difficulty in securing them • Growing needs for increased sophistication of information security	Digital transformation	Maximize use of digital technologies for lifestyle innovation
• Diversifying ways of working and lifestyles • Leveraging the talents of diverse human resources	• Creating new markets that arise from diverse values • Building motivation • Strategic decision making through diverse perspectives	• Changing employment management practices • Rising costs to strengthen information security	DE&I	Foster organizational culture that welcomes diverse values and uses them in value creation
			Governance	Governance to create the future

3 Materialities and the Seventh Medium-Term Management Plan

Under the Seventh Medium-Term Management Plan, we are engaging in issues of materiality to sustainably raise corporate value, and will generate both economic and social value.

Inputs

Financial capital
- Real estate development Investments ¥2.2 trillion (five-year plan)
- Strategic investments (Overseas, renewable energy, M&A, etc.)
- Curbing investment into businesses of concern
- Sale of cross-shareholdings ¥100 billion
- Review of investment hurdle rates

Natural capital
- Renewable energy generation volume (including power consumed internally) 551 sites, 910GWh

Technology and Manufacturing Base

Manufacturing capital
- Our supply chain network Approx. 4,700 companies

Intellectual capital
- Capital investment (Factories, offices, construction-sector DX, etc.) ¥370 billion (five-year plan)

Human Resources Base

Human capital
- Employees Approx. 48,000
- Investments associated with human resource development, educational facilities, etc.

Customer Base

Social capital
- Existing owners of houses and condominiums Approx. 500 thousand
- Landowners Approx. 40 thousand
- Corporate tenants Approx. 4,300

Materialities and the 7th Plan

	Materialities and the 7th Plan	Economic value	Social value
Developing our businesses	Globalization / Accelerate growth of overseas business	• Accelerate growth through community-based overseas business Overseas business sales ¥1 trillion	• Realizing the stable supply of quality housing to the world US: Supply of houses 10,000 units China: Supply of condominiums 4,000 units EU: Sharing of housing and provision of emergency temporary housing • Raising customer satisfaction
Developing our businesses	Local community regeneration / Circular value chain (create, foster, and revitalize)	• Expand business areas by strengthening group collaboration under a business division-based system • Livness business sales ¥400 billion	• Response to social issues, expand business opportunities • Increase number of building purchases • Promotion of Livness Town Project (Increase number of dialogues and participants, reduce rate of unoccupied homes, maintain population) Project participation 10 locations
Developing our businesses	Circular economy and carbon neutrality / Carbon neutrality strategy	• Environmentally friendly business sales ¥1.6 trillion Expansion of environmentally conscious buildings, Environment and Energy Business • An abundant product lineup achieved by promoting wooden construction and wood materials	• Contribution to carbon neutrality GHG emissions reduction rate throughout the value chain (vs FY2015) -40% • Spread of renewable energy that possesses additionality Renewable energy generation equipment construction results (EPC) 5,000 MW Renewable energy power plants development and operating results (IPP) 2,500 MW
Strengthening our bases	Digital transformation / DX strategy	• Strengthen cost competitiveness and build a system for stable supply Group cost pool amount ¥1 trillion Cost reduction rate (10% reduction from increase: ¥100 billion) • Business streamlining through BIM system	• Safety and security at construction sites: Disaster frequency rate 0% • Retain and secure skilled workers
Strengthening our bases	DE&I / Human capital strategy	• Creating a workplace environment that employees find easy to work in Increased engagement • Securing diverse human capital (Ratios of females in management, new female career hires, and males taking childcare leave) Improve productivity per employee	• A human resources pool that continues to provide great value to society • Increase in motivated human capital (Job satisfaction, pride in work, sense of growth)
Strengthening our bases	Governance / Enhance governance	• Maintain and enhance capital efficiency ROE of 13% or higher Stable shareholder returns (payout ratio of 35% or more) • Optimize funds procurement, Financial benchmark, D/E ratio of around 0.6 • Realize a highly effective Board of Directors and Audit & Supervisory Board Performance-based remuneration	• Realizing stable returns to shareholders • Facilitate dialogue with shareholders and stakeholders

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

Note: Stated are the fiscal 2030 goals for contribution to carbon neutrality and the spread of renewable energy.

4 Processes for Specifying Materialities

In order to bolster the value creation process cycle, when we formulated Our Hopes for the Future, we identified materialities, or priority issues, in consideration of their degree of importance to our business (opportunities and risks) and their social significance and impact based on the needs and expectations of society, while also taking into account the opinions offered by experts.
We continued to consider KGI/KPI for materialities in fiscal 2022 in light of the level of action to be taken under the 7th Medium-Term Management Plan.

STEP 1 Understanding and organization of issues, clarification of key issues

In light of changes in society (megatrends), members led by division heads discussed the elements necessary to realize Our Hopes for the future, and compared them with various international norms, trends in major evaluation organizations, and the policies of industry associations. Keeping in mind three actions to be taken to realize Our Hopes for the Future, we clarified a total of 112 issues as a result of having considered their relevance to business (opportunities and risks), as well as social significance and impact in light of society's demands and expectations. From these, we have consolidated and organized them into 18 key issues, targeting around 2030. These 18 key issues were separately confirmed with young employees and others who will bear responsibilities in the future. The final decision was confirmed at management meetings and other meetings led by senior management.

STEP 2 Confirmation of validity

All 112 issues clarified in STEP 1 were evaluated for validity, which also covered specific processes for materialities, through dialogue with external experts, including investors and sustainability management specialists. In addition, we have reinforced the issues by receiving opinions that take a long-term and global perspective considering the latest insights.

STEP 3 Specification of materialities

The Company categorized and organized the study's results, which were approved by the Board of Directors in May 2022 as materialities that the Group should prioritize.

STEP 4 Reflecting to the Basic Policy

KGI/KPI for materialities were formulated based on the basic policy of the 7th Medium-Term Management Plan, and the corresponding policy for each theme was decided and formulated at a Board of Directors meeting held in April 2023, taking into consideration the level of Company efforts. These indicators are also being used as targets for the 7th Medium-Term Management Plan to promote initiatives.

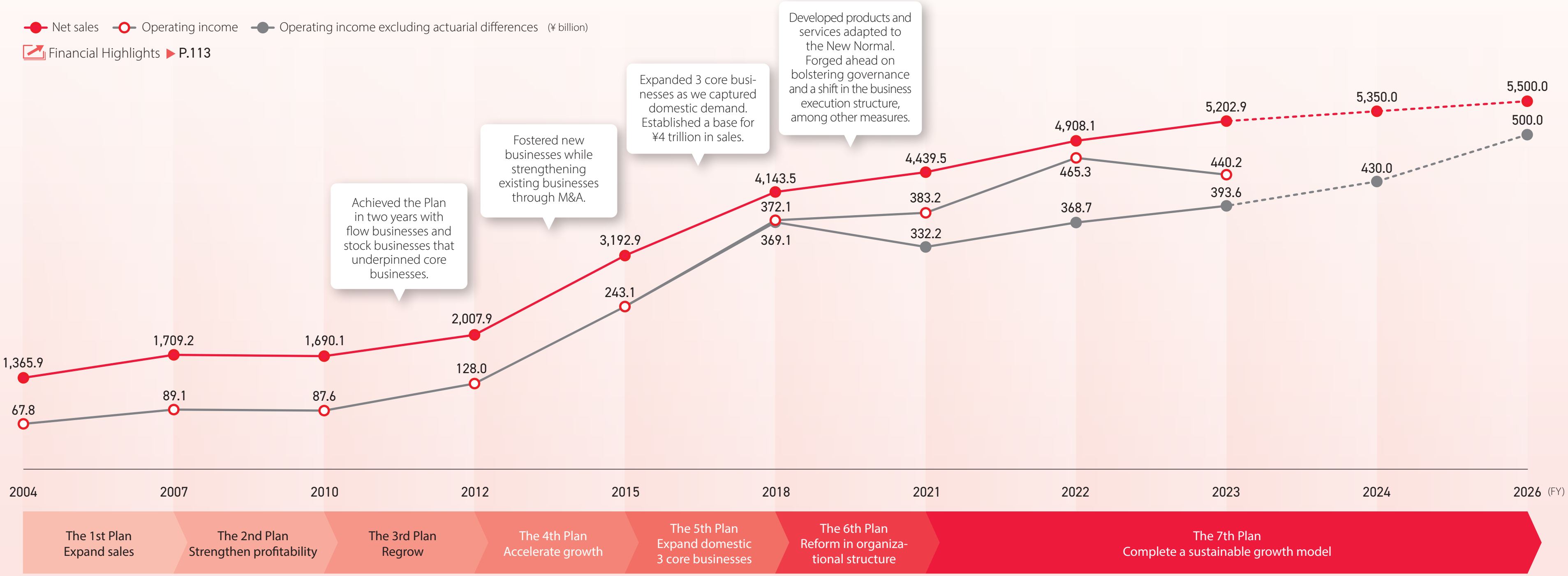
18 key issues		Materialities
(1) Carbon neutrality for individuals, communities, and people's lifestyles	★	Circular economy and carbon neutrality Environmental management geared toward circularity and regeneration
(2) The challenge of preventing any net loss to biodiversity		
(3) Sustainable use of resources and conservation of water resources through a circular economy		
(4) Providing fulfilling lifestyles that account for diverse ways to live	★	Globalization Develop community-based businesses aimed at solving social issues overseas Local community regeneration Revitalizing local communities: Businesses for solving social issues in Japan
(5) Creation of sustainable communities in light of transformation to the structure of industry	★	
(6) Overseas development of community-based methods for solving social issues		
(7) Strengthening global human capital		
(8) The pursuit of job satisfaction and wellbeing	★	DE&I Foster organizational culture that welcomes diverse values and uses them in value creation
(9) Transformation into an organization where employees who have diverse characters can aim to achieve "Our Hopes for the Future"		
(10) Foster human capital that can stand on their own		
(11) Offer a new customer experience through a fusion of digital and real worlds	★	Digital transformation Maximize use of digital technologies for lifestyle innovation
(12) Endeavoring to create added value by evolving business processes		
(13) Building a data-connected co-creation platform with business partners		
(14) Creation of an environment that supports employees to fulfill their potential		
(15) Establishment of a sustainability structure to realize Our Hopes for the Future in 2055		Governance Governance to create the future
(16) Review of investment approach to enhance long-term corporate value	★	
(17) Respect for human rights across the entire value chain		
(18) Nurturing the next generation of management talent		

Note: Issues included in the key themes of the 7th Medium-Term Management Plan are marked with an asterisk (★)

5 Results of past medium-term management plans and progress of the 7th Medium-Term Management Plan

While keeping a constant eye on upcoming changes in the environment, we have steadily achieved the performance targets of our medium-term management plans. In fiscal 2023, the second year of the Seventh Medium-Term Management Plan, we continued to make solid progress in Japan, leveraging our proprietary value chain and contributing to the development of the subdivision business. Business expanded outside of Japan as well, particularly in the single-family housing business in the US. As a result, net sales surpassed ¥5 trillion, marking the third fiscal year of increased sales. To reach carbon neutrality, the Company achieved 100% utilization of renewable energy (purchased electricity only) on a stand-alone basis and 96% for the Group as a whole. In addition to instilling Our Hopes for the Future, we established the "Daiwa House Group Future Fund" of up to ¥30 billion in our quest to discover businesses that will serve the Daiwa House Group in the future. We have also introduced an in-house entrepreneur system that will support our efforts to raise the value of our human capital. We will strive to complete a sustainable growth model that continues to maximize value for both business and society over the long term.

Financial Highlights ▶ P.113



Management policy 1: Evolve revenue model

To complete a sustainable growth model that continues to maximize both business value and social value, we tackle three focal themes toward evolving our revenue model to develop our businesses.

Key theme Accelerate growth through community-based overseas business

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

Progress

Single-Family Houses Business in the United States

- Fiscal 2023 surpassed fiscal 2022 results for orders and no. of units delivered
- Strengthened our foundation for growth through the aggressive acquisition of land and M&A (housing business acquisition)

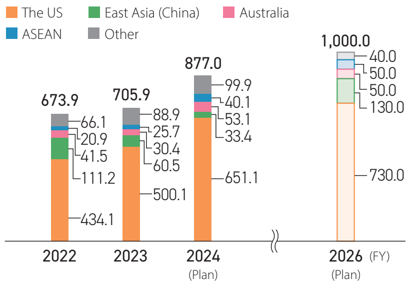
Single-Family Houses Business in the United States ▶ P.47

Europe and Oceania

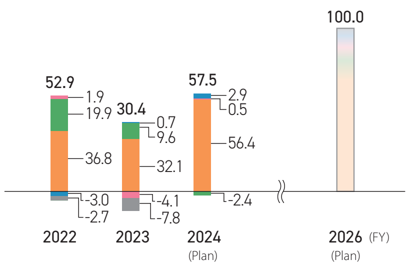
- Began development of condominiums in the U.K. and high-rise rental housing in Australia

Overseas business initiatives ▶ P.61

Sales (¥ billion)



Operating income (¥ billion)



Note: Exchange rate (US$/JPY): FY2022: ¥132.70; FY2023: ¥141.83; FY2024 (plan): ¥148.00

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

In Japan, through a circular value chain, a business model that increases the value of infrastructure for living on an ongoing basis, we will contribute to developing and revitalizing local communities by expanding development that gives residents the JOYS OF LIFE from three perspectives: developing next generation infrastructure and creating jobs, redeveloping and raising the value of aged facilities, and promoting complex redevelopment centering on regional mid-tier cities. This is positioned as a long-term investment also leading to further development beyond the Eighth Medium-Term Management Plan and stable growth in stock businesses.

Real estate investment ▶ P.58

Investments and visions

Real estate development investment results in FY2022-2023 (cumulative) : ¥659.4 billion
5-year plan for real estate development: ¥2.2 trillion


Data center


Logistics facility


Urban redevelopment

Key theme Realize carbon neutrality by making all buildings carbon-free

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

Overall picture of environmental strategy and main KPIs ▶ P.64

Management policy 2: Optimize management efficiency

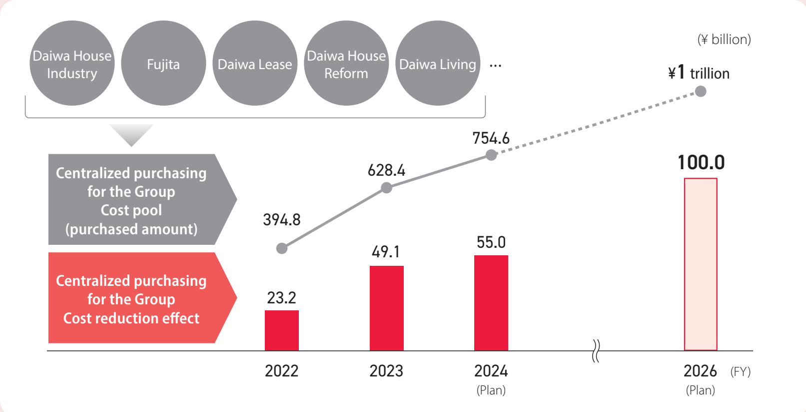
We will actively invest in growing fields and pursue growth of profits coexisting with capital efficiency toward maximizing corporate value by completing a sustainable growth model.

Key theme Strengthen cost competitiveness and build a system for stable supply

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

Centralized purchasing for the Group

The cumulative effect of the reduction from fiscal 2022 to fiscal 2023 is approximately ¥72.3 billion. We aim to reduce costs by ¥100 billion in fiscal 2026 by expanding the total cost pool amount through Group-wide centralized purchasing.



Key theme Achieve growth of profits coexisting with capital efficiency through portfolio optimization

To optimize business portfolios, we are prioritizing investments into large-scale developments and growth markets in the Logistics, Business and Corporate Facilities as well as inbound tourism demand and the Livness business in the Commercial Facilities. In terms of Single-Family Houses, in addition to focused investments overseas, mainly the US, we are now beginning to fundamentally address structural reform within Japan. Rental Housing and Environment and Energy will bolster our ability to generate cash, and businesses of concern with regard to future growth potential and capital efficiency are positioned as reconstruction businesses subject to restructuring or reorganization. In addition, as we accumulate investment real estate, we are working to enhance asset management and reduce inefficient assets.

Policy on cross-shareholdings ▶ P.91

Implementing portfolio management

Quickly addressing reconstruction businesses

Improving profitability with reform in structure of Condominiums Business/ Commencing reform of Single-Family Houses Business in Japan

In July 2023 we transferred the resort hotel business, and in February 2024, executed a partial share transfer of Cosmos Initia.

Proactive investment in growing sectors and future growing sectors

Promoting next-generation infrastructure, overseas business, and renewable energy investment/ Investing in new businesses

In March 2024, the corporate venture capital fund "Daiwa House Group FUTURE FUND," established by the Company and Daiwa House Ventures Co., Ltd., commenced full-fledged operations. Securing the maximum investment amount of ¥30 billion, long-term investment will be executed until 2055.

Creating new businesses/ improving profitability of capital

Management policy 3: Strengthen management base

In order to strengthen our management base, which supports development of our businesses, we tackle the key themes of digital transformation, increasing the value of our human capital, and enhancing governance. This will lead to the generation of future cash flows.

Key theme Increase the value of our human capital

Our human capital strategy promotes human resource development and organizational capacity enhancement to advance growth and diversity of individuals. With the employee motivation rate as a key performance indicator (KPI), we will maximize motivation of entire workforce and strive to further increase the value of our human capital.

Human Resources Base ▶ P.73

Training at MIRAI KACHI KYOSO Center (*Kotokurie*)

Daiwa House Group FUTURE100

From June 2024, we are investing up to ¥30 billion as one part of investments into human capital, and beginning operation of Daiwa Future100, our in-house entrepreneur program

Key theme Enhance governance

To further enhance the governance system restructured under the 6th Plan, we established a strategic governance system primarily designed to underpin our overseas growth and real estate development, thereby supporting corporate sustainable growth.

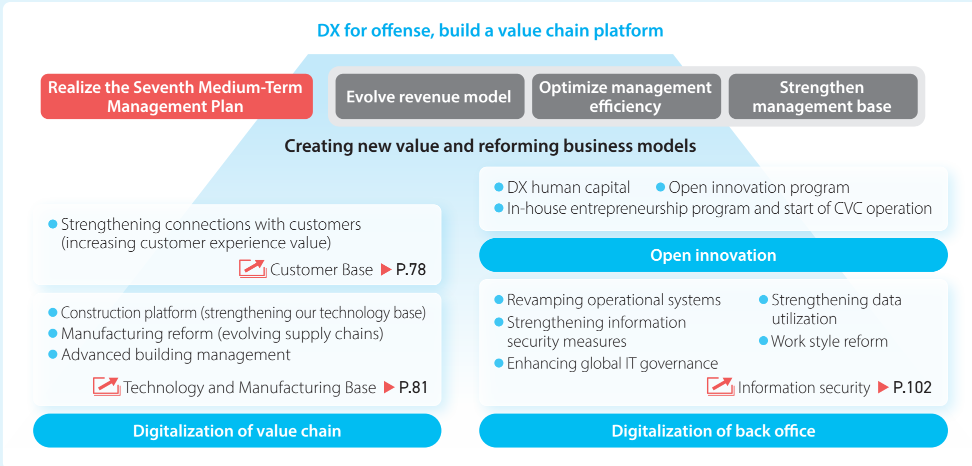
Management Structure ▶ P.84

Key theme Digital transformation

Digital transformation (DX) is positioned as a backbone of all management policies. Based on this concept, we digitalize our value chain and back office and catalyze open innovation to foster new value creation businesses and reform business models. Specific initiatives include strengthening our technology base, evolving supply chains, and increasing customer experience value. To promote these initiatives, we are also working to build a data integration platform, further evolve DX in construction, and resolve industry-wide issues through industrialization of construction powered by DX. In fiscal 2022, we launched a company-wide DX task force and in collaboration with each business division, began DX promotion directly linked to employees' work sites.

DX can lead to improvement in employee motivation, comfort, and well-being, and ultimately, to corporate value enhancement. DX promotion is therefore one of our priority strategies to innovate the future. To increase the value of our human capital, we actively utilize DX literacy programs and produce DX human capital who are capable of creating new value by connecting people and technologies. Our intention is to foster innovation through co-creation with an open mind, and drive DX for the entire industry.

Under the 7th Plan, we accelerate industrialization of construction with DX, build a next-generation supply chain that realizes labor-saving at worksites, shorter construction period and lower costs, and support sustainable growth of the industry as a whole.



▶ For details, please see DX Annual Report 2024 to be issued at the end of October 2024.

Developing our Businesses

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

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.

Create
- Proposals for the use of idle land
- Selection & acquisition of land for development
- Utilization of building rooftops
- Planning & development
- Design & construction (*monozukuri*)

Foster
- Operations, management, leasing and after-sales service
- Real estate securitization

Revitalize
- Buy and resell
- Renovation and redevelopment

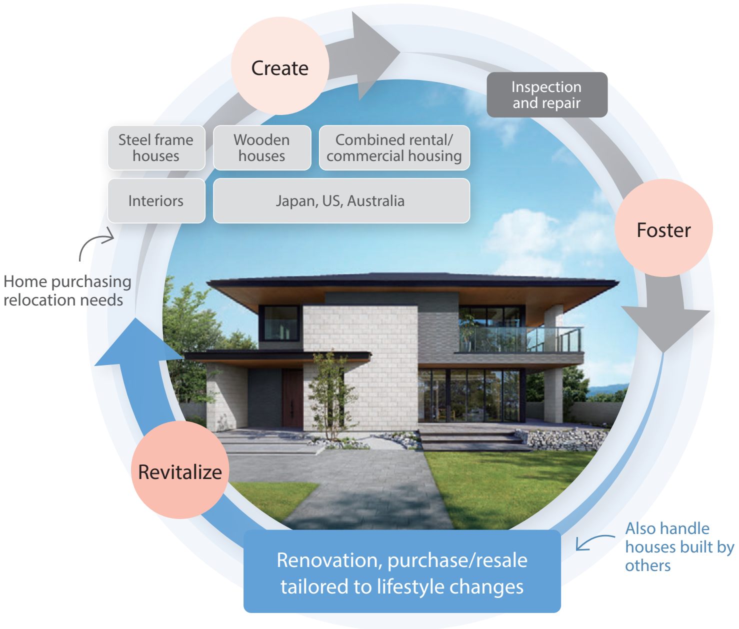
Single-Family Houses	Daiwa House Industry, DesignArc, Daiwa Lantec Stanley Martin Holdings, Trumark Companies CastleRock Communities, Rawson Group	Daiwa House Reform Daiwa House Real Estate
Rental Housing	Daiwa House Industry Daiwa House Modular Europe	Daiwa Living Daiwa House Chintai Reform
Condominiums	Daiwa House Industry	Daiwa LifeNext
Commercial Facilities	Daiwa House Industry, Daiwa Lease Daiwa House Parking	Royal Home Center, Sports Club NAS Daiwa House Realty Mgt.
Logistics, Business and Corporate Facilities	Daiwa House Industry, Fujita Daiwa LogiTech	Daiwa House Property Management, Daiwa Logistics, Wakamatsu KONPOU UNYU SOKO, Kouyama UNYU
Environment and Energy	Daiwa House Industry Daiwa Energy Eneserve	
Other	Daiwa Royal Golf, Media Tech, Shinwa Agency Daiwa House Financial, Daiwa House Insurance Daiwa House Real Estate Investment Management, Daiwa House Asset Management	

Real estate securitization:
- Daiwa House REIT
- Daiwa House Global REIT
- Daiwa House Logistics Core Fund
- Daiwa House Logistics Trust

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

Single-Family Houses Business

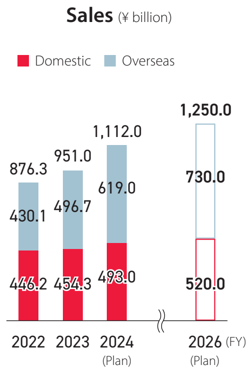
Circular value chain

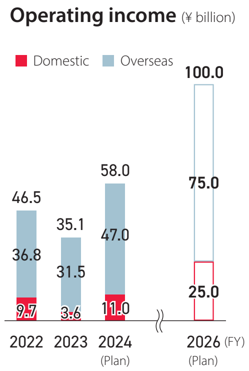


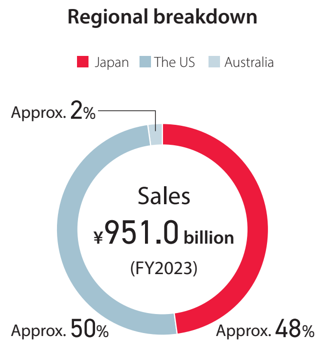
Market environment and strategy

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

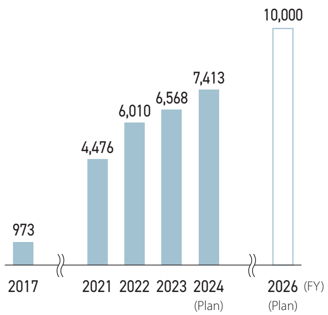




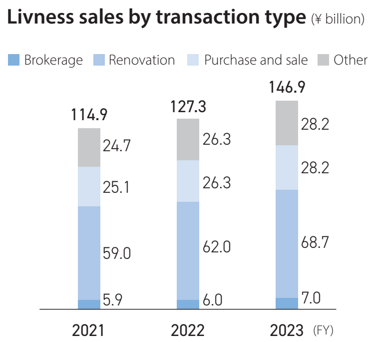


Note: Daiwa House Modular Europe transferred from Single-Family Houses to Rental Housing segment in FY2023. FY2022 figures restated based on new classifications.

US Houses sold (units)



Growth in Livness (single-family houses) business



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

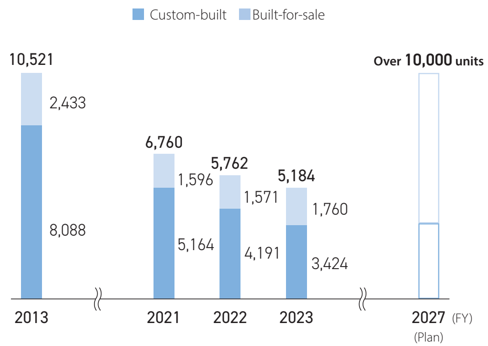
Cutting indirect costs by stepping up built-for-sale business

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)

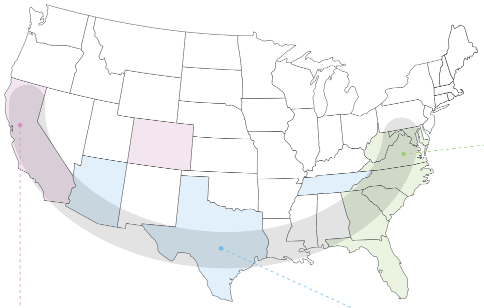


Expanding US housing business

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)

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

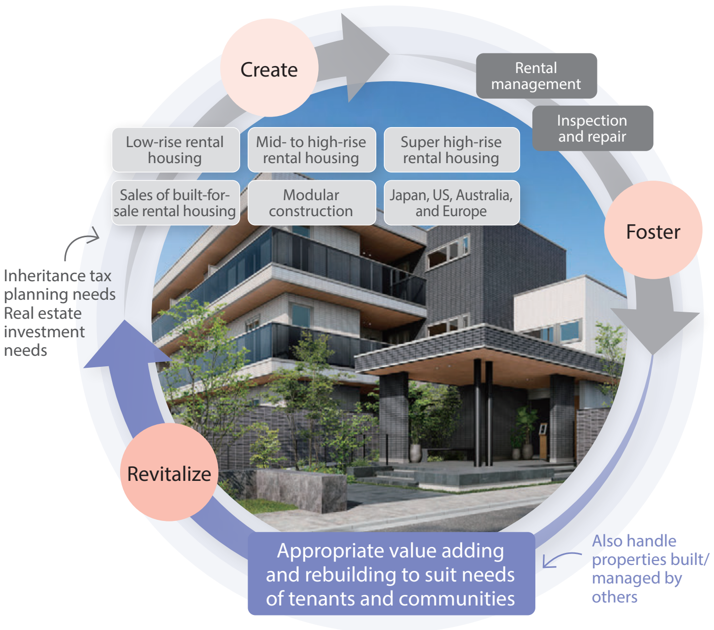
First steps in Arizona and Tennessee

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.

* 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.

Rental Housing Business

Circular value chain



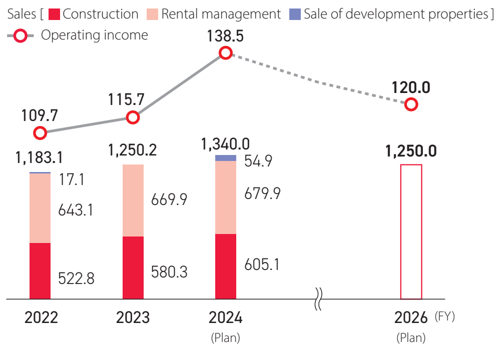
Market environment and strategy

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

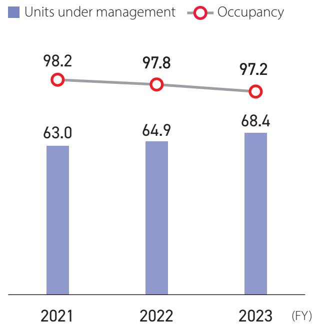
Sales/Operating income (¥ billion)



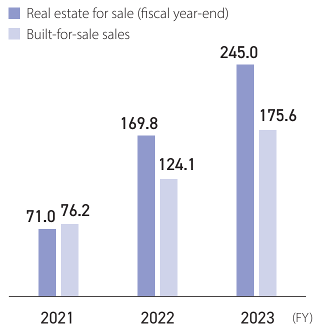
Note: Daiwa House Modular Europe transferred from Single-Family Houses to Rental Housing segment in FY2023. FY2022 figures restated based on new classifications.

Rental management business (Japan)

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



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



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

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%

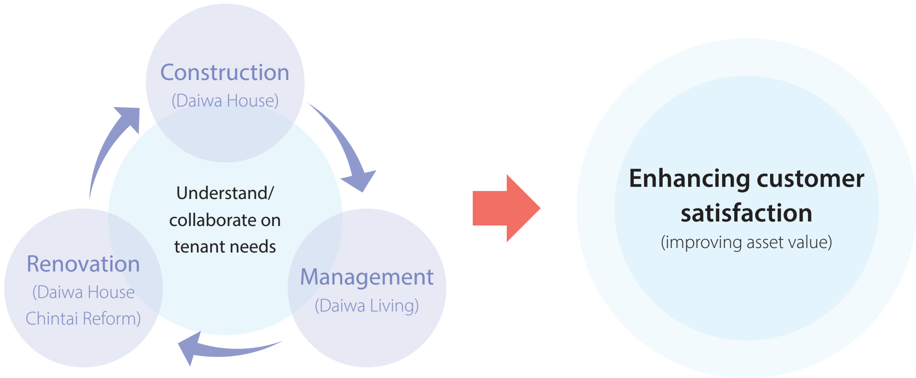
● Under construction

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

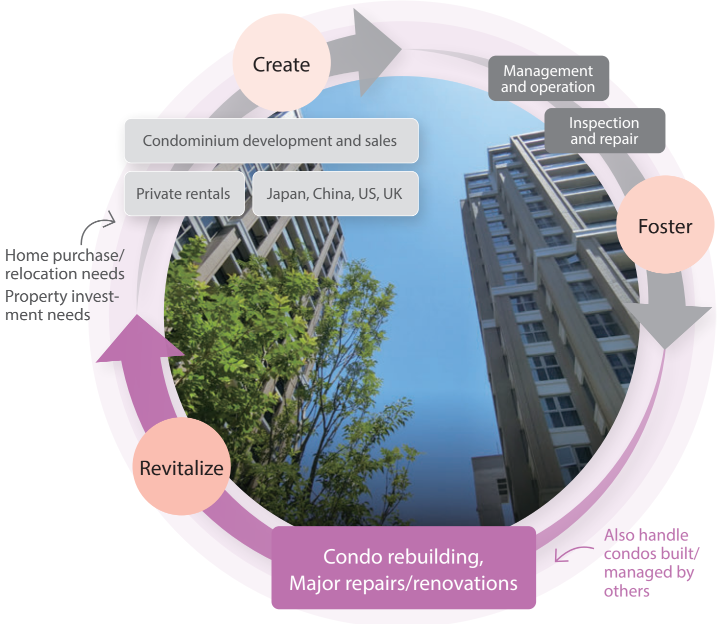
Close (5 minute walk) to Southern Cross Station, Melbourne's busiest. Twenty minutes by car to Melbourne Airport.

Eco-friendly development

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

Condominiums Business

Circular value chain

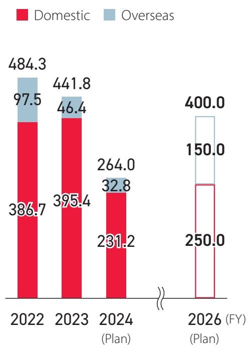


Market environment and strategy

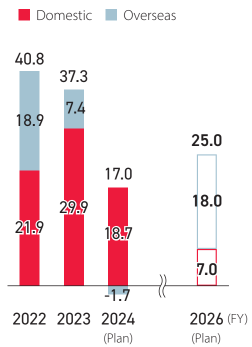
Japan	Sales remain strong in Japan, mainly in Tokyo metro region. Harnessing our strengths in redevelopment and complex development projects.
Overseas	Analyzing customer needs and trends to sell amid ongo-ing property market slump in China.

Seventh Medium-Term Management Plan Results and plan

Sales (¥ billion)

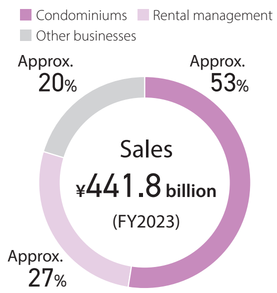


Operating income (¥ billion)

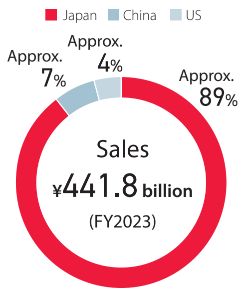


Sales breakdown

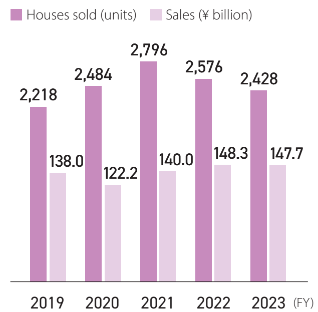
By business



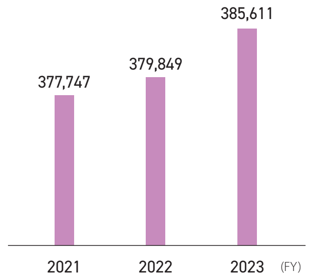
By region



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)

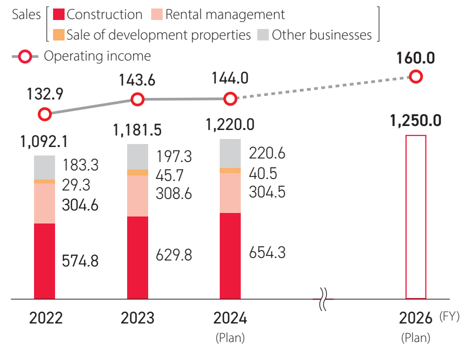
Commercial Facilities Business

Circular value chain

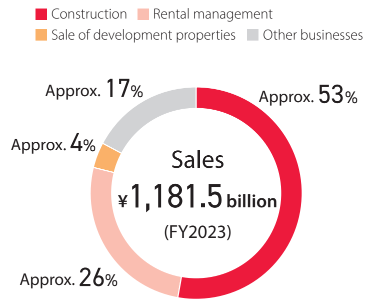
Market environment and strategy

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

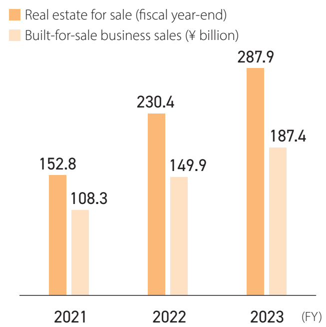
Seventh Medium-Term Management Plan Results and plan



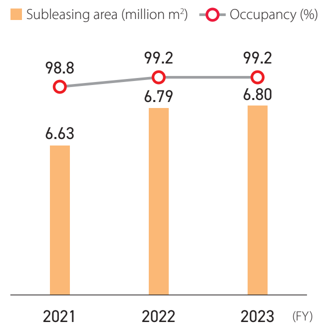
Sales breakdown



Domestic built-for-sale business sales

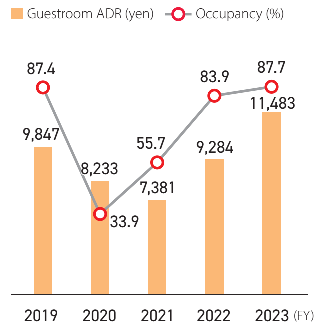


Domestic subleasing properties



Maintaining high occupancy through abundant tenant relationships

Occupancy and ADR at urban hotels



ADR, occupancy back to pre-pandemic levels

Our unique LOC system

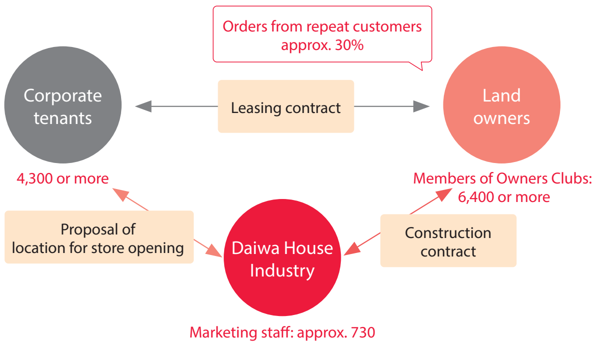
Our LOC system connects the needs of landowners wishing to make effective use of their properties and Companies looking for a place to roll out new businesses

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

Offices/business locations

Proposals to open offices that improve business efficiency

Office

Showroom

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

Hotels

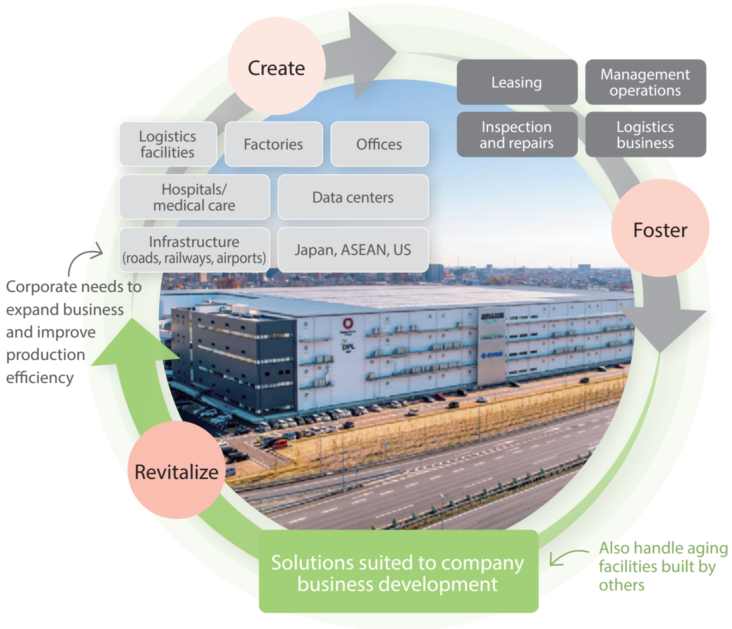
We organize the construction and development of hotels to tap into the return of tourists and post-pandemic rebound in demand. We also serve growing needs to open luxury hotels in major cities and nearby tourism spots


Daiwa Roynet Hotel Omiya-Nishiguchi


Daiwa Roynet Hotel Kobe-Sannomiya PREMIER

Logistics, Business and Corporate Facilities Business

Circular value chain

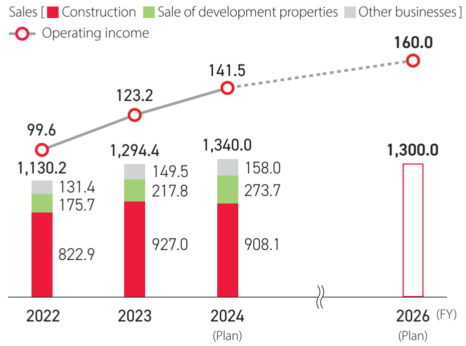


Market environment and strategy

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

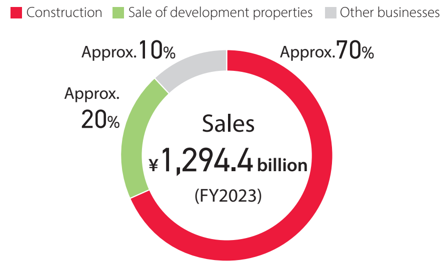
Seventh Medium-Term Management Plan Results and plan

Sales/Operating income (¥ billion)



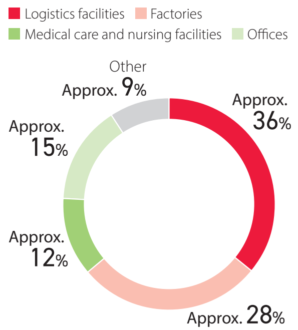
Sales breakdown

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

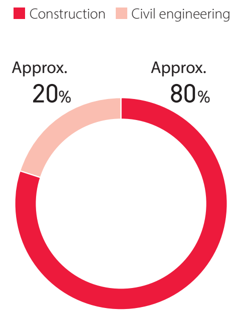


Order breakdown by facility type

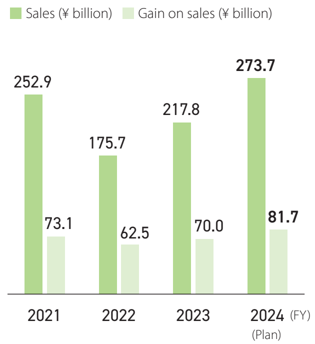
Daiwa House



Fujita



Sales and gains on sale of developed properties



Steady property sales, primarily logistics facilities

Returns on investment properties ▶ P.59

Logistics facilities development

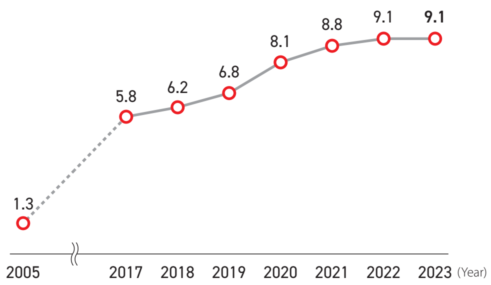
Helping logistics industry face 2024 problem, leveraging our position as No.1 domestic logistics facilities developer

Laws limiting overtime in the logistics industry took effect in April 2024. E-commerce accounts for 9% of domestic sales and is set to keep rising, so we are working to ease chronic long working hours by drivers and reform work-styles to improve productivity.

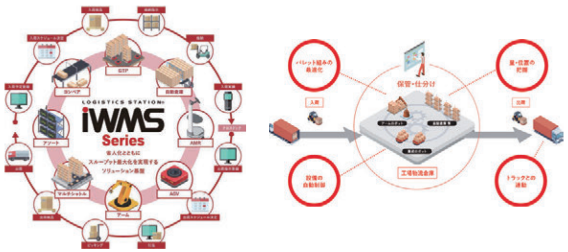
Based on our track record as No.1 logistics facility developer in Japan and land data gathering capabilities, we are proactively developing logistics facilities midway between major cities. Subsidiary Daiwa LogiTech is leading efforts to automate and mechanize logistics sites to help tenants streamline operations. We also have vehicle dispatch system proposals to ameliorate lengthening waiting times for trucks on-site.

DPL Shin-Yokohama I

E-commerce share of merchandising sector (%)



Source: METI, E-Commerce Market Survey



Group company Frameworx provides solutions for logistics issues

Developing industrial parks business nationwide

We develop industrial parks throughout Japan (195 blocks for sale at end-March 2024). We will continue to spearhead industrial park development, drawing on our wealth of land information that facilitates the purchase of quality sites and technological capabilities to meet the needs of a broad range of companies.

Developing range of assets

The Logistics, Business and Corporate Facilities Business develops a wide range of assets, primarily logistics facilities. We are building our track record in data centers, a hot topic in recent years. We are also involved in land-based salmon aquaculture facilities and redevelopment of a public wholesale market. We will continue to provide a range of assets in line with our corporate philosophy of serving society.

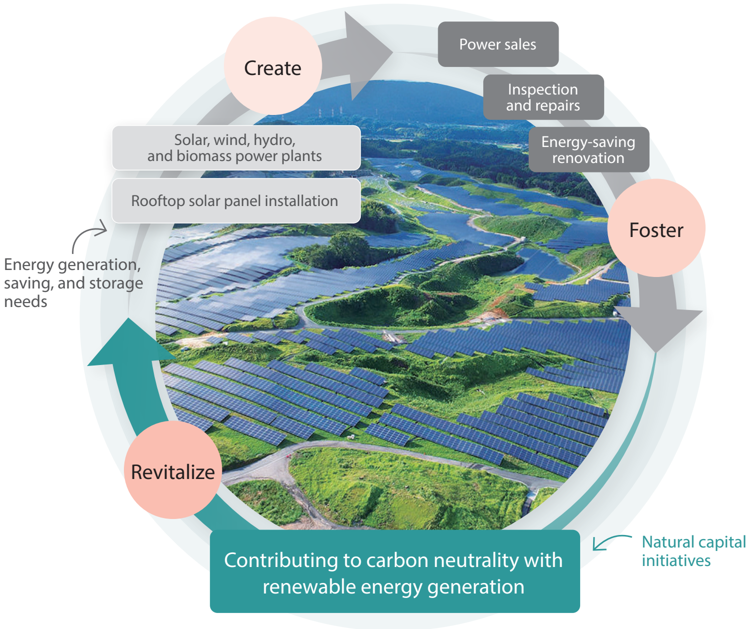
Tonomachi Project

DPDC Inzai Park

HANEDA INNOVATION CITY

Environment and Energy Business

Circular value chain

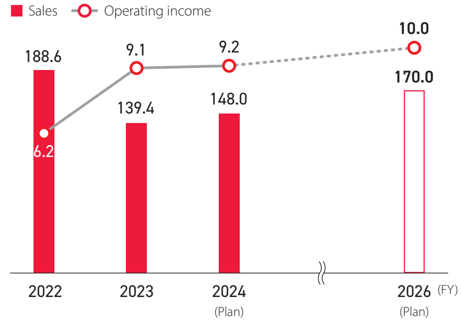


Market environment and strategy

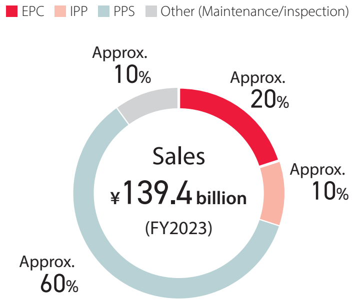
Mega solar farm building using the feed-in-tariff (FIT) scheme is declining, but the global decarbonization push is accelerating, and renewable energy needs are mounting. We are actively contributing to the spread of renewable energy with a three-pronged approach centered on EPC, IPP, and PPS businesses.

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

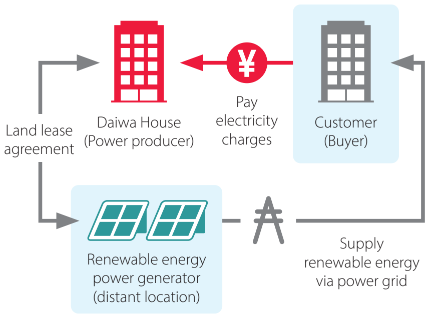
Off-site and on-site PPA initiatives

Off-site PPA business leveraging land information gathering ability

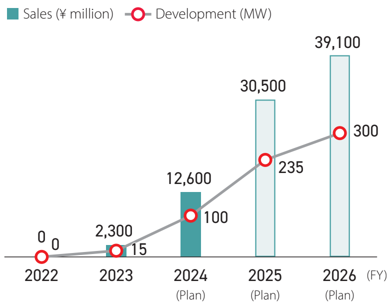
We developed solar power stations using nationwide land data built up since our founding. We have an off-site PPA business throughout Japan supplying renewable energy to remote consumers. Off-site PPA needs are increasing as companies become more environmentally aware and power prices surge, so in this 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



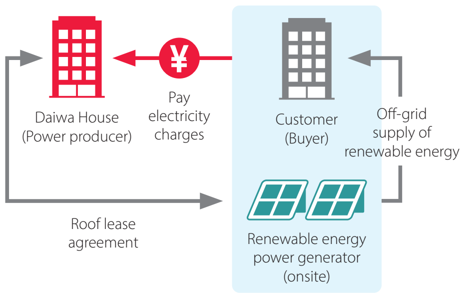
Our first ground mounted solar power plant for off-site PPAs DREAM Solar Ishikawa Hakui Horikawa Shinmachi (completed, operational from September 2023)

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.

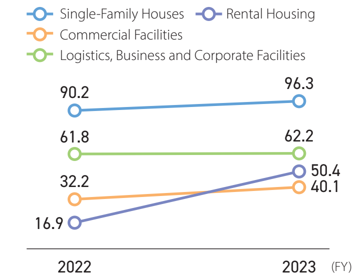
Business scheme of onsite PPA

- 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)

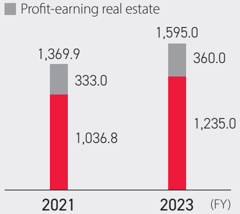
We develop large-scale commercial facilities, primarily logistics facilities in Japan, as well as rental housings and other facilities. After construction is completed and rental income has been accumulated for a certain time period (establishing a track record), real estate available for sale is sold 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

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

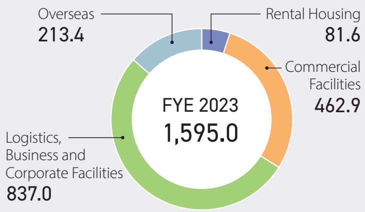
The two-year cumulative total for investment properties was ¥659.4 billion, representing 30% progress toward the medium-term management plan. As we plan to invest in logistics facilities in Japan, the number of players entering the logistics facility development market is increasing and the competitive 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



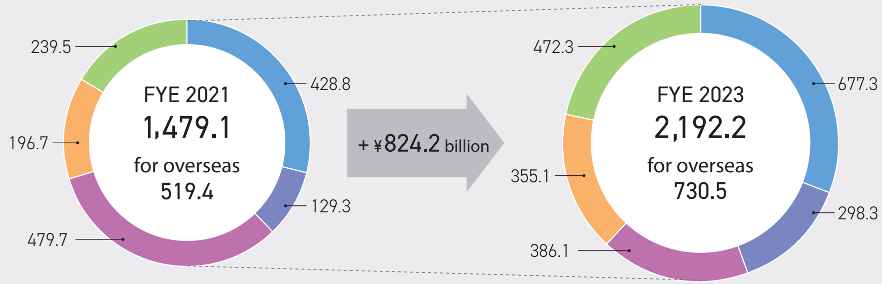
- Real estate available for sale: Real estate that becomes readily salable after investment to earn profit from price rises
- Profit-earning real estate: Real estate that we developed to earn rental income

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.

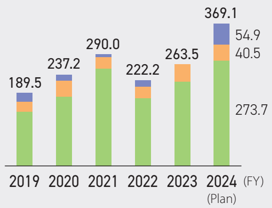
Sale of investment properties (¥ billion)

Capital gains (sale of real estate available for sale)

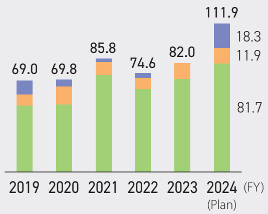
■ Rental Housing ■ Commercial Facilities ■ Logistics, Business and Corporate Facilities ■ Overseas

❶ Trends in sales of development properties

Sales

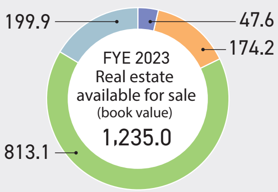


Operating income



❷ Pipeline for future sales

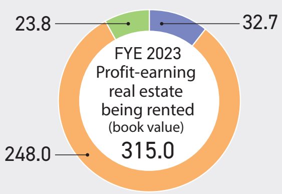
Book value of real estate available for sale



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

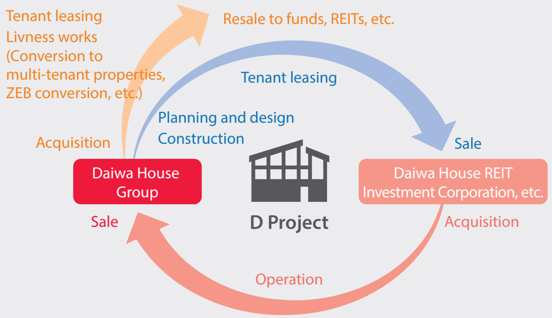


Trends in NOI yield of profit-earning real estate being rented (%)

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.

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 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 (17 departments, 27 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.

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

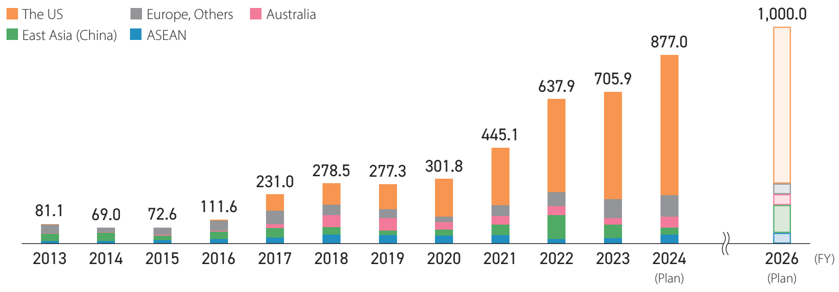
ASEAN and South Asia

- 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.

Materiality (Circular economy and carbon neutrality)

Seventh Medium-Term Management Plan (Carbon-neutral strategy)

Endless Green Program 2026

	Seven Challenge		FY2026 Targets
Mitigating and adapting to climate change (Carbon neutrality))	1	Community development **Reduction rate of GHG emissions from building use** (vs FY2015)	-58%
	2	Business activities **Reduction rate of GHG emissions from business activities** (vs FY2015)	-55%
	3	Supply chains **Setting rate of principal suppliers' SBT-level GHG emissions reduction targets**	90%
Closed-loop resource sourcing and conservation of aquatic environments (Circular economy)	6	**Number of assets subject to effective use**	3,100
	7	**Reduction rate of water consumption per unit of sales** (vs FY2012)	-45%
Harmony with the natural environment (Preservation of biodiversity)	4	**Ratio of C-ranked timber**	0%
	5	**Eco-friendly surface area of green spaces** (cumulative)	1 million m²
Prevention of chemical pollution		Note: Since we have already reached the maintenance and management phase, no new challenges have been set.	

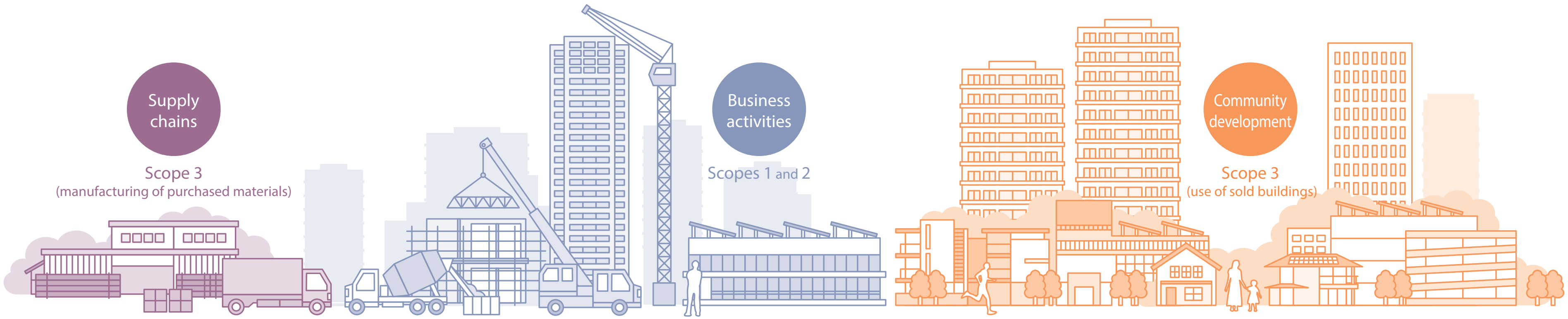
TCFD
Response to the TCFD ▶ P.67

TNFD
Response to the TNFD ▶ P.68

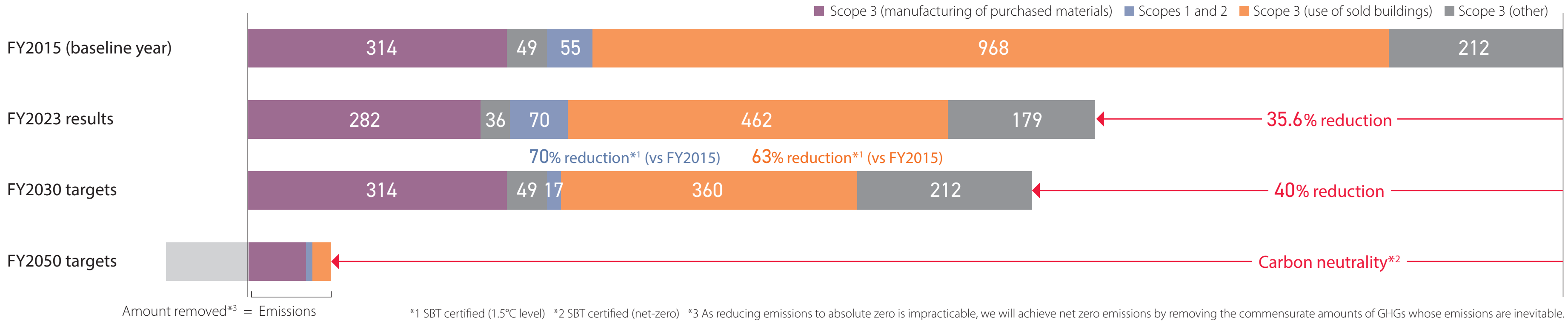
Sustainability Report 2024: Endless Green Program 2026 ▶ P.119-120

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)



*1 SBT certified (1.5℃ level) *2 SBT certified (net-zero) *3 As reducing emissions to absolute zero is impracticable, we will achieve net zero emissions by removing the commensurate amounts of GHGs whose emissions are inevitable.

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**

Key actions

Scope 3 (manufacturing of purchased materials)

- 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**

Key actions

Scopes 1 and 2

- 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**

Key actions

Scope 3 (use of sold buildings)

- 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.

Sustainability Report 2024: Mitigating and adapting to climate change ▶ P.20-28

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
			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
Opportunities	Transitions	Products and services	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

Sustainability Report 2024: Response to the Task Force on Climate-related Financial Disclosures (TCFD) ▶ P.29-32

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 m² 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

Sustainability Report 2024: Response to the Taskforce on Nature-related Financial Disclosures (TNFD) ▶ P.40-45

Strengthening our Bases

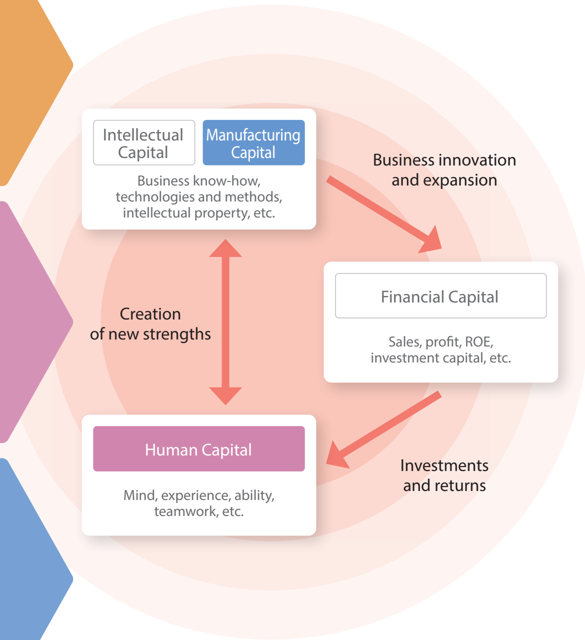
Chapter 6

Chapter 6 Strengthening our Bases

Further strengthening the sources of value creation (three bases)

We have built a solid management base that generates net sales of ¥5 trillion while creating unique strengths and enhancing our human capital, intellectual capital, manufacturing capital, and financial capital, with the three bases of human resources, customers, and technology and manufacturing at the heart of our value creation. In order to continue to grow sustainably in the future, we have identified the current status (As is) of the three bases and have classified major issues, both offensively and defensively, and are working to solve issues as we work toward our future vision (To be).

	Current status (As is)	Main issues and strategies	Future vision (To be)
Customer Base	Long-term customer relationships established through the promotion of proposal-based sales, etc. Existing owners (housing and land): 540 thousand Corporate tenants: 4,300 companies	Expanding business opportunities and enhancing brand value Increasing customer experience value by utilizing DX	Permanent customer relationships that can maximize customer LTV and the LTV of buildings
Human Resources Base	Completing everyday tasks persistently and patiently Employees: 48,000	Transformation of the organization and human resources to realize our purpose Inheritance and development of Daiwa House's unique character (founder's spirit)	A human resources pool loved by the world and who embodies the joys of life
Technology and Manufacturing Base	Providing the world with a variety of products and buildings based on technologies we have cultivated Our supply chain network: 4,700 companies Our production and R&D sites: 11 locations	Maximizing digital technology (Digital construction) Work style reform by utilizing DX (On-site safety and security)	Transforming the construction industry as a whole into a smarter sector



Junko Ishizaki

Managing Executive Officer
In charge of Human Resources,
Human Resources and Interpersonal Relationships Development, and Wellbeing

Message from Managing Executive Officer Ishizaki

Human capital management the Daiwa House Group way: Our Hopes for the Future (Purpose) as the starting point for cultivating corporate and organizational culture

Daiwa House Group's take on HCM

There has been a surge of interest in human capital management (HCM) of late, but Daiwa House Industry has always prioritized raising human capital—in Group founder Nobuo Ishibashi's words, "developing people through business." This core management policy will never change. That being said, social and personal values are constantly changing, which means that traditional methods may no longer work. It is important to discern what to keep and what to change if we are to adapt to changing times and needs while being flexible in modifying business activities to sustain growth. The founder's spirit—what makes Daiwa House unique—will be passed on and developed as a core value that stays constant; meanwhile, we will reform the organization and human capital as things that need to change.

We have solidly attained the goals we announced so far, powered by our organizational capabilities, teamwork, and ability to finish what we start. Going forward, we must translate the power of individuals and diversity into the power of the organization.

Formulate new Business Philosophy and clarify its positioning vis-à-vis our Purpose

We announced Our Hopes for the Future in 2022 and reworked our Business Philosophy in fiscal 2023 after receiving feedback from employees asking for clarification of our Corporate Creed and our Employee Charter and their positioning vis-à-vis our Purpose and how they relate to it.

The new Business Philosophy is centered on two main themes: our timeless Corporate Creed and our Employee Charter, and Our Hopes for the Future (Purpose) and the Values We Embrace. The Values We Embrace, which will evolve over time, were newly added as shared values that employees cherish. They incorporate thinking that we would like all employees to internalize so they regard the concept of diversity and working at Daiwa House as means that allow them to enjoy life.

Our Purpose as the starting point for building our corporate and organizational culture

Our Hopes for the Future must take firm hold throughout the Group if we are to turn hopes into reality. The process entails five stages: recognition, understanding, empathy, taking ownership, and translating the previous four into action. We are now exploring ideas for the "empathy" stage.

In fiscal 2024, the focus is on every employee becoming aware of our Purpose. From July onward, we are distributing the newly produced Engagement Book, a tool to help people learn to think and act for themselves. I think these initiatives will contribute to maximizing employees' performance, but this will not happen overnight. It is crucial that we keep this ball rolling forward long term.

The management team is passionate about making the Company better. Feet firmly planted on the ground, we are pushing ahead with reforms while exploring what methods work best for Daiwa House.We are encouraging employees to address one another by name rather than formal organizational title and dress more causually when a suit is not obligatory, and are ending the practice of wearing the Company badge. These moves are designed to foster an organizational culture conducive to active debate and inspiring innovation.

Diverse personnel make the organization stronger

The number of employees with diverse career experiences is on the rise. More than 20% of the Daiwa House Industry's new hires in FY 2023 were mid-career people. I believe we shouldn't focus too much on women excelling at work if we are to achieve DE&I the Daiwa House way. This is because I want all employees regardless of gender to harness their own experience and grow by gaining new experiences through our business activities. That said, I want to see greater opportunities for women to excel in their careers, and I believe this is possible. We women are traditionally underrepresented in the construction and real estate businesses, but when we adjust our thinking a bit, we often discover how attractive the work is, and this allows us to discover jobs that suit us well.

We also need a workforce with a broad age range to maximize the power of the organization. We were one of the first companies to adopt a retirement age of 65 early on, in 2013, with a view to drawing on the talents and strengths of older human capital, and we have removed the age limit of 70 for technical jobs. Senior employees offer the advantages of diversity enhancement and labor supply at a time when we are short of technical workers.

New human capital development policy to serve as the core of personnel training

We previously had a framework of training programs broken down by job level, but the new policy is a basic policy with Our Hopes for the Future at its heart, and it covers the overall program. A particular focus is training for middle management. Starting in April 2024, all managers attended the basic program on organizational management. We also began providing a learning platform in July 2024 and will continue to increase opportunities for employees to take on new challenges such as side jobs and making use of our free-agent program.

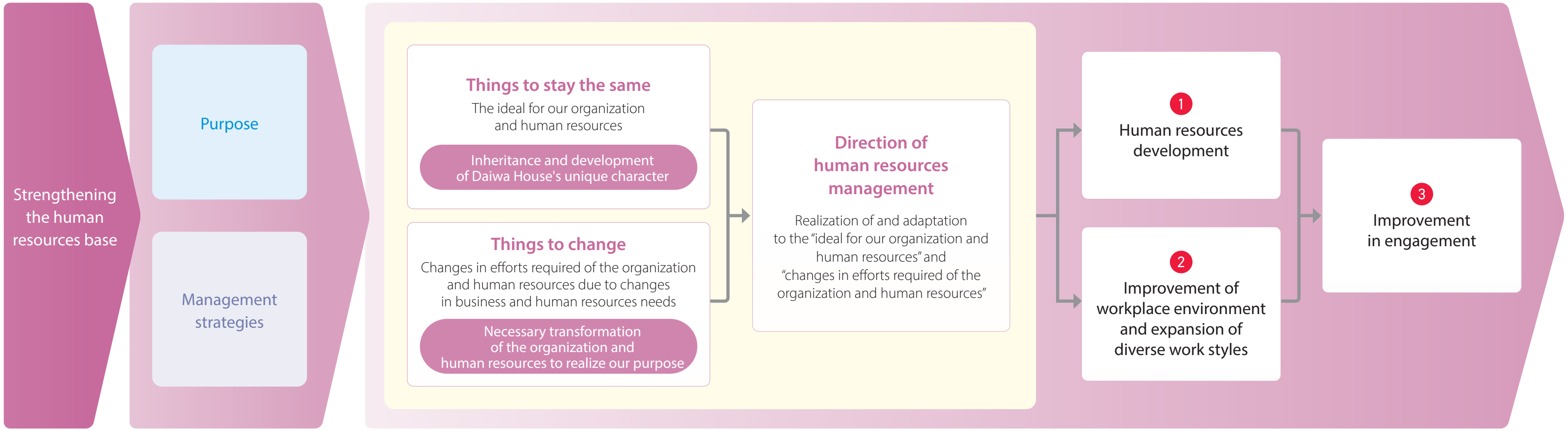
To foster future generations of human capital

Fostering management personnel is one of our major challenges. In fiscal 2020 we introduced D-Succeed, a succession plan designed to produce the coming cohort of management personnel. It defines human resource requirements for key positions in anticipation of joining management and selects candidates based on specific evaluation criteria. Candidates then undergo training where they acquire the empirical and theoretical knowledge necessary for taking up management positions.

1 Strengthening our human resources base —Views on human capital management—

In line with the Group's policy of "developing people through business," we believe that increasing the value of our human resources base (human capital) is the engine that drives corporate value and since our founding, we have prioritized growth of human resources in our management. Daiwa House's founder said, "Don't do things because they will make a profit, but because they will be of service to society." In this spirit, while addressing societal issues, we are developing human resources who are loved and trusted by customers and society and building a well-being organization where human resources can strive. By doing this, we aim to create a virtuous cycle that leads to new business opportunities and opportunities for collaboration toward the realization of Our Hopes for the Future, thereby enhancing our corporate value.

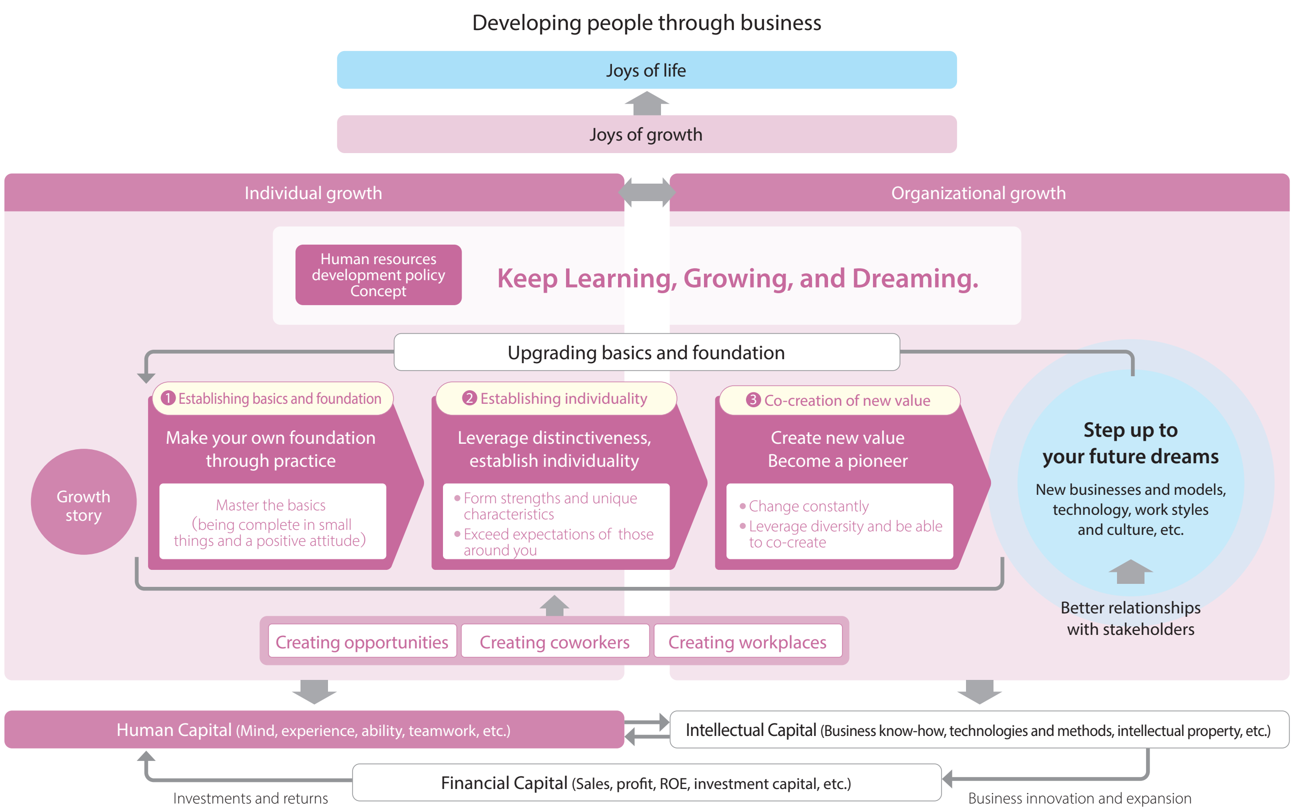
In this era of so-called VUCA (volatility, uncertainty, complexity, and ambiguity), it is essential to have the organizational strength (organizational culture) to be able to grasp the ways of the world and co-create new value through teams with much diversity comprising employees with bright personalities in order to achieve sustained growth in the future. We aim to realize Our Hopes for the Future (purpose) by identifying Daiwa House strengths and the features of our organization and human resources, and advancing human resource management from the two perspectives of things to stay the same and things to change.



Sustainability Report 2024: Human capital ▶ P.64

1 Human resources development

In order to respond flexibly to an ever-changing society and to discover and create potential markets, it is essential for each individual to establish their own foundation, demonstrate their strengths and personality and shine together, and co-create new value. Under the concept of "Keep Learning, Growing, and Dreaming," we are supporting employees' autonomous and sustainable career development by providing multi-track growth opportunities by three foundations of creation (opportunities, coworkers, workplaces) for growth as true professionals trusted and loved by customers and society.



1 Establishing basics and foundation

Program to strengthen human resource and organizational management skills

Starting in fiscal 2024, a four-year program to strengthen human resources and organizational management skills has been implemented for all line managers, the number of which is approximately 2,000. The goal of the program is to strengthen organizational capabilities by having line managers, who are the "heart of the organization," relearn the latest management theories to establish a basis for "organizational management that improves business performance and brings out the best in people."

2 Establishing individuality

Developing global human resources

As of April 1, 2024, the number of human resources of the Company involved in overseas businesses was 130. In order to discover and develop human resources who can successfully expand our overseas business in the future, we introduced a global human resources development program in fiscal 2022 and a global trainee system in fiscal 2023, sending four technical employees to the US, China, and Malaysia for approximately 10 months. This has been expanded to include sales positions from fiscal 2024. We will continue to systematically train overseas human resource candidates and overseas executive candidates.

Sustainability Report 2024: Developing global human resources ▶ P.68

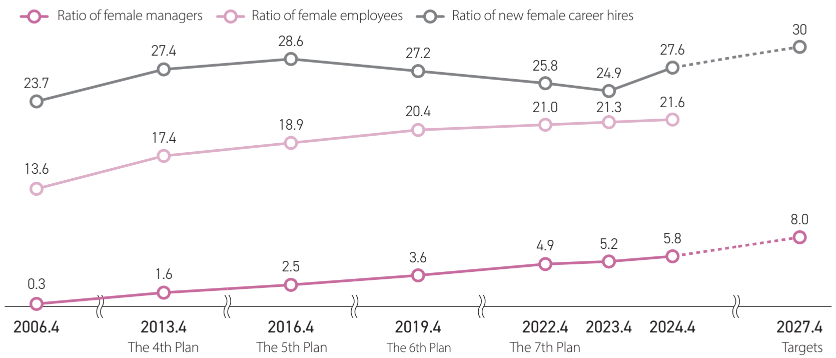
2 Improvement of workplace environment and expansion of diverse work styles

The Group believes that diversity in the "knowledge" and "experiences" of our diverse human resources is the source of innovation, and we are working to create a healthy and fair work environment where employees can feel fulfilled in their work and can fully express their "individuality."

Empowering female employees

In order to secure 30% (critical mass) of women, which is considered to be the turning point that influences organizational decision-making, we have set three KPIs: the ratio of female managers, the ratio of female chiefs, and the ratio of new female career hires. In addition, since the ratio of female employees in the company is 21.6% (as of April 1, 2024), we are working in parallel to secure and develop the absolute number of female employees. In the Seventh Medium-Term Management Plan (FY2022-FY2026), we set a target of appointing 500 female managers (8% of total managers), which is approximately double the number of female managers in the plan's first year (April 1, 2022). Each year this percentage is rising, with women accounting for 5.8% of managers as of April 1, 2024. By creating a mindset not only for female employees but also for their supervisors and other employees around them, and by creating an environment and growth opportunities that enable women with ability and motivation to build their careers and work sustainably, we are strengthening decision-making from diverse perspectives and realizing new ideas for creating products and services.

Progress with diversity indicators regarding empowering female employees



Incorporating diversity scores into evaluations of offices

In order to promote diversity throughout the company, we adopted "office diversity scores" in fiscal 2019 as an item to evaluate management soundness at offices, with the aim of measuring and promoting the degree of diversity promotion at each workplace by visualizing the situation for each office. We are working to diversify human resources throughout the Company by evaluating four criteria: the ratio of female chiefs, the rate of male employees taking childcare leave, the rate of employment of persons with disabilities, and the rate of retention of young employees.

Promoting senior employees' active participation

Anticipating an aging and decreasing population, in 2013 the Company set its mandatory retirement age at 65, ahead of industry peers. Since then, we have regularly reviewed our compensation system for senior employees. In mid-career recruitment, we actively hire new entrants over the age of 50, and have established a system to secure human resources with advanced experience and skills and ensure that they can continue contributing to the Company for a long time.

Sustainability Report 2024: Promotion of active roles for the senior generation ▶ P.74

Support for balancing work and childcare

In 2015, we introduced a childcare support system (a support system for balancing childcare and child rearing with career building) to create a virtuous cycle in which experience gained through life, such as childbirth and child rearing, is also utilized in work.

Sustainability Report 2024: Support for work-life balance ▶ P.73

3 Improving employee engagement (employee motivation)

Status of employee engagement

To realize Our Hopes for the Future, the 7th Plan emphasizes the importance of employees feeling a sense of job satisfaction while empathizing with Our Hopes for the Future. In order to increase the number of employees who can share the Joy of Living with those around them through their work, in 2023 we advanced our efforts to the phase of empathy and practical action for Our Hopes for the Future. In addition, we have set targets that employees can use to estimate a sense of pride in their work and degree of growth through their work.

Results for fiscal 2023 show that 83% of employees reported feeling satisfied with their work, an improvement of 1 percentage point over the previous year's 82%. The results of the survey are fed back to each branch office and business division, and improvements are undertaken through dialogue at sites to ensure each employee can personalize the significance and purpose of the survey. Meanwhile, we have confirmed in each of our businesses that issues differ by job type and age group. As a result, in fiscal 2024 we will conduct a detailed analysis of correlations among the various matters we have identified and take measures with an emphasis on areas where correlations are particularly strong.

Performance and analysis of key KPIs

Job satisfaction		Pride in work		Sense of growth	
Are you able to work with a sense of purpose at your current company/job/workplace?		Do you feel pride in what you are trying to accomplish in your current job?		Looking back on the past year, do you feel that you have learned and grown on the job?	
FY2022	FY2023	FY2022	FY2023	FY2022	FY2023
43%	45%	53%	55%	52%	57%
(82%)	(83%)	(88%)	(88%)	(89%)	(90%)

In fiscal 2023, the number of "Probably" responses, the neutral response, decreased for each of the indicators, with the employee promoter score increasing. While younger respondents tend to give lower scores for "job satisfaction" and "motivation," they tend to give higher scores for "sense of growth."

Note: Figures in parentheses are the sum of three responses of "Definitely," "Yes," and "Probably."
The KPIs disclosed in the Integrated Report represent only the top two responses and the target for each KPI is 70% in fiscal 2026.

Future issues

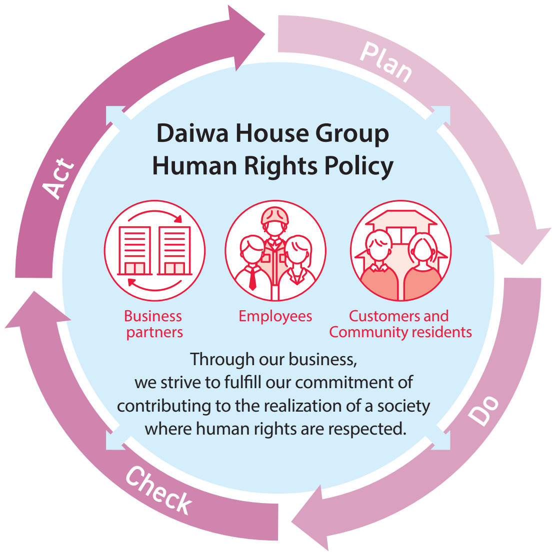
We are formulating measures such as nurturing human resources who can develop their own career perspectives and continue growing.

In addition to many positive responses regarding satisfaction with benefits and workplace safety as well as the status of legal and compliance mechanisms, we observed a tendency among many employees to support each other on a daily basis in order to achieve current organizational goals and fulfill their own roles. Meanwhile, we have an understanding of employees' own medium- to long-term career plans and their expectations of the company regarding human resource development, including reskilling. We will take concrete measures to address other issues that we have identified to further improve engagement.

Hidehiko Kawashima
General Manager
Engagement Promotion Department

Human rights management and due diligence

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



▶ Remaining challenges

We are intent on bolstering our frameworks for monitoring and managing the Company's human rights due diligence situation and, in light of our human rights risk map, are in the processes of re-evaluating whether to have the Sustainability Committee oversee our human rights management and due diligence programs to that end. Another remaining task we see, is extending these programs at an equivalent degree to our operations abroad.

Principal initiatives

P	After our fiscal 2023 survey, we drafted a human rights risk map as part of our established human rights due diligence protocols. The map is designed to help us identify and assess human rights risk in the supply chains of our own businesses' products and services so we can take prophylactic steps to reduce them. Building on survey results, we prioritize issues by severity and work to develop appropriate frameworks and management methods for addressing them. Sustainability Report 2024: Identifying and assessing negative impact on people in human rights due diligence ▶ P.63
D ↓ C	We monitor the impacts of our business activities on stakeholders via an array of questionnaires and opinion and attitude surveys. **Business partners' human rights** The Company is working to deal responsibly with human rights issues in its supply chains, as exemplified by our institution of Supply Chain Sustainability Guidelines.Among the guidelines' specifics is the requirement that primary suppliers prohibit harassment and use of forced and child labor. The guidelines also require suppliers to take steps such as not procuring timber from areas where illegal lumbering or abuses of indigenous people's human rights are suspected. Meanwhile, we are also working to build healthy, human rights violation-free relations with our subcontractors, for instance by questionnaire-surveying them annually to check for abuses and other problems. **Employees' human rights** We have ongoing programs to educate employees about human rights. In addition to periodically checking that these programs are being carried out/executed across the Group and monitoring how well our policies are being adhered to, we have put in place mechanisms—including contact points for reporting incidents and lodging complaints—for reporting and expeditiously dealing with individual human rights problems. To evaluate risk from infringements on employees' human rights, we subject all officers and employees to an Engagement Survey. Responses are anonymized, and the questionnaire is designed to uncover latent harassment as well as gauge how well employees grasp the concepts of psychological safety in the workplace, diversity, and equity, and how deeply they have taken root. To appropriately manage employees' hours, we have deployed a PC-based attendance management system to centrally track their time on the clock. The system ensures that employees are not working longer than legally permitted and that no "second books" are being kept of hours worked in deviation from those actually worked. **Customers' and community residents' human rights** We believe it is essential for respecting customers' human rights to have in place formalized protocols for dealing with accidents and a management framework for ensuring compliance with legal and regulatory stipulations covering quality and safety deficiencies. We have built a mechanism for collecting and collating feedback from customers via our support desks and when providing after-sale services that we then share with our development units and design, manufacturing, construction, and other processes [where the information could be useful]. And we have in place, at the business-division level, mechanisms for immediately reporting any human rights infringements involving customers or the local community to the Risk Management Committee, which then carefully analyzes incidents and works out measures to prevent recurrence.
A	We use situation monitoring to engage with stakeholders, and when conditions at business partners do not meet our standards, we take action that includes interviewing them and ask them to remedy them. As far our own employees are concerned, we work to cultivate an inhouse culture geared towards eliminating human rights abuses, particularly harassment; and we have mechanisms in place so victims can get help and problems can be dealt with.

Sustainability Report 2024: Human rights management ▶ P.59

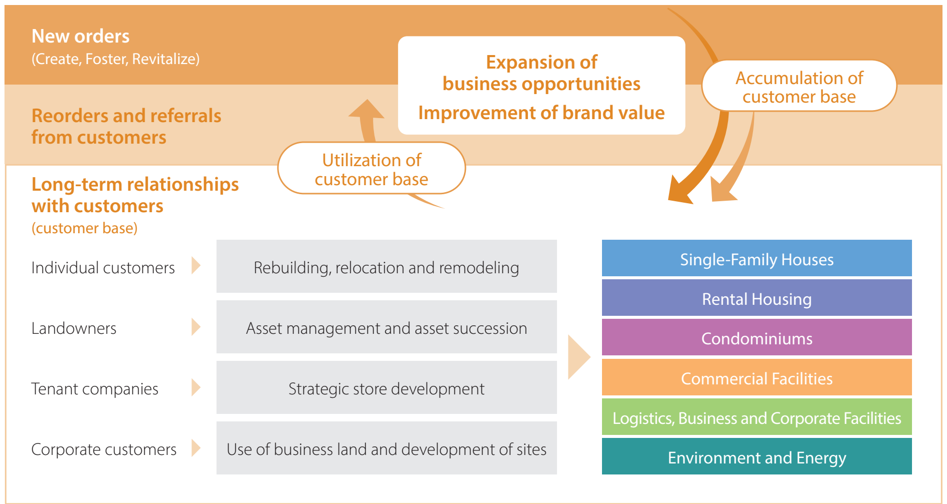
2 Strengthening our customer base

We are building strong customer relationships by promoting proposal-based sales that solve problems from the customer's perspective and by maintaining a close relationship with our customers long after construction has been completed. In particular, under the 7th Medium-Term Management Plan, we are working to establish a circular value chain (create, foster, and revitalize) business model in order to maximize customer life-time value (LTV) as well as the LTV of buildings, accumulate intellectual capital, and build strong and permanent customer relationships.

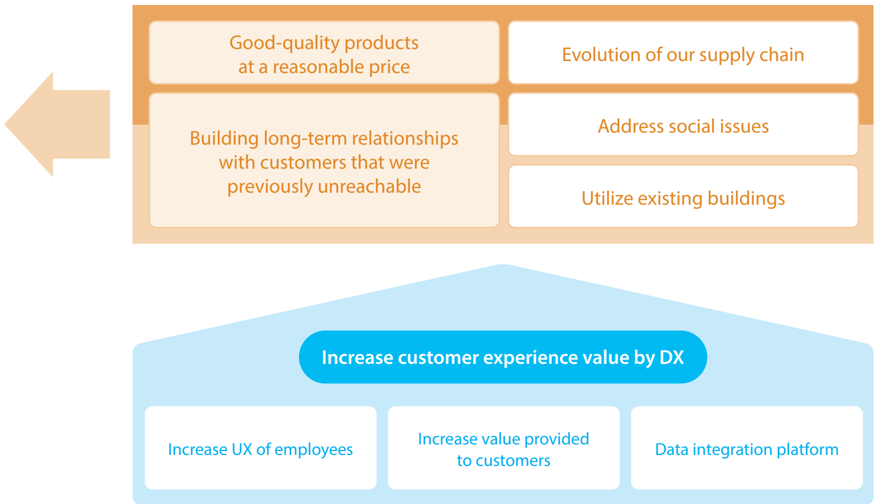
To further strengthen our customer base

While a typical construction company accumulates a customer base from new orders, through reorders and referrals from customers, our circular value chain allows us to provide not only construction, but also management and operation, remodeling, renovation, and purchase and resale. The scope of our business enables us to provide value to customers and buildings in all phases. In the future, we will focus on improving customer experience value through DX in order to make more optimal proposals in accordance with customer LTV and the LTV of buildings, and to further strengthen our customer base.

Customer base



Further strengthen customer base



Creating new customer experiences through DX

We aim to create new businesses by developing a data integration platform that utilizes information obtained from the largest scale of operations in the industry. By maximizing the creativity of our employees through DX, we are further strengthening our business know-how (intellectual capital) to build customer relationships and maximizing the value we provide to our customers.

Data integration platform

Create new businesses by integrating our accumulated real estate and customer information and maximizing its use as an information asset.

Customer information	Information on operation/performance
Information on buildings	Information on land/property networks

Increase UX of employees

Promote work style DX (digitalization of back-office operations) to improve convenience and comfort for employees in their work. Maximize human creativity with digital technology and place greater emphasis on "For customers"

+

Manufacturing DX

Promote construction platforms, manufacturing reforms, and advanced building management. Ensure high efficiency and high quality with an integrated digital supply chain

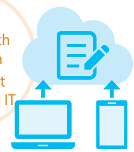
Strengthening connections with customers through the creation of new and enhanced customer experiences

Convenient and pleasant online transactions with customers

LiveStyle PARTNER

Daiwa House ID Customer account page

Electronic contracts with explanation of important matters using IT



Case studies **Deployment of Daiwa House ID commenced November 2023**

Streamlined information about contracts, delivery, and after-sales service.
Plan to further integrate and link IDs to understand needs and build customer account pages.

New digital experiences of building purchase and use

D's BIM ROOM Experience buildings in the metaverse

DPL Portals Portal site for logistics tenants

Drones and AI Unmanned management of logistics facilities

Case studies **Commenced operations of DPL Portals, a portal site for gathering logistics facility information**

Linked logistics DX, improved facility management efficiency, and warehouse monitoring IoT solutions

Case studies

Rebuilding our customer base via the Livness Town Project

Suburban housing estates were developed systematically in Japan to address housing shortages in the rapid economic growth era as urban areas became increasingly populated. But issues are emerging in the form of changes in the community, lack of services for the elderly, and growing numbers of vacant houses and properties. To deal with such issues at the 61 Neopolis single-family house suburban subdivisions (61,000 plots) we developed and sold nationwide, in April 2021 we launched the Livness Town Project. It envisions co-creating sustainable and growing communities in cooperation with the people who live in them, to reshape them into places residents can continue to live even as life circumstances evolve as well as places that can attract newcomers. At the January Neopolis Summit 2024, participating residents' increasing enthusiasm for community building was palpable in presentations they gave on how they were addressing issues at and the outlook for their respective Neopolises, as well as in panel discussions between them and academic experts.Through this project we intend to establish housing development-management know-how and expertise for making Neopolises livable for a lifetime, and to gradually roll it out at other Neopolises.

Input

Social capital (customer base)
- Neopolis residents
- National government, government administrators, universities, businesses, and civic organizations sharing the project's aspirations

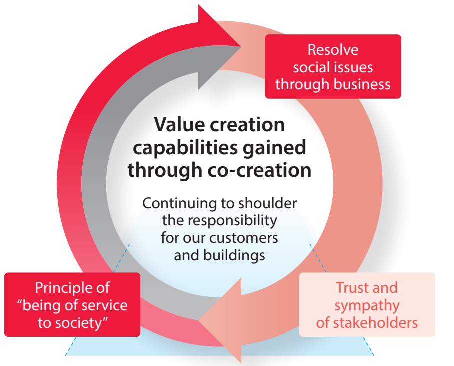
Human and intellectual capital
- 63 employees involved in the project (54 current and 19 part time, cumulative) *

* As of April 1, 2024

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



Moving on to creating opportunities for the next renewal project

Output

Bolstering capital
- Training of future torchbearers
- Partnerships with government administrators (cities of Yokohama,Miki, Kaga, and Kawanishi)
- Partnerships with universities, local businesses, and civic organizations

Outcomes

Social value
- Vacant house countermeasures
- Population inflow and maintenance
- Renewing life services and infrastructure
- Reconstituting a child-friendly environment
- Active continuation of local culture heritage
- Carbon neutrality

Livness Town Project
- Toride-kita Neopolis (Tsukubamirai, Ibaraki Prefecture)
- Tokorozawa Neopolis (Tokorozawa, Saitama Prefecture)
- Kamigo Neopolis (Yokohama, Kanagawa Prefecture)
- Kaga Matsugaoka Neopolis (Kaga, Ishikawa Prefecture)
- Toyosato Neopolis (Tsu, Mie Prefecture)
- Hankyu-kita Neopolis (Kawanishi, Hyogo Prefecture)
- Midorigaoka Neopolis (Miki, Hyogo Prefecture)
- Hannan Neopolis (Kanan, Osaka)

Neopolis Summit 2024 Declaration

- All residents will have leading roles in our community development.
- We will work together with diverse entities including companies, governments, and universities
- We will build on and make the most of each locality's unique attributes

"Let's foster a community where people can continue to live for 100 more years!!"

Prioritizing relationship building over intensive marketing at Neopolis communities, we have deepened our communication with residents, who keep us informed on various developments in the community such when houses become vacant. Currently, our employees are discussing with local residents how to address issues uncovered through dialogue at eight Neopolis sites. We also frequently exchange information with government administrators and are providing proposals for things like making effective use of public land at Neopolis sites. We also have cooperation agreements with four local governments on community development. We have established channels to exchange opinions with experts and national government officials regarding legal and institutional issues. We also collaborate with external organizations via joint research with universities and participation in the Cabinet Office's Strategic Innovation Promotion Program.

Sustainability Report 2024: Socially inclusive community development ▶ P.79

3 Strengthening our technology and manufacturing base

Based on our founding philosophy of "industrialization of construction," we have built a strong technological and manufacturing base through collaboration with our business partners to be able to develop and provide safe and secure buildings with high quality over short construction periods. Leveraging our base, we are proud of our industry-leading track record in each of our businesses in supplying buildings of various asset types that meet society's needs.

Our supply chain network	Our production and R&D sites
Approx. **4,700** companies	**11** locations

Together with our suppliers, we are committed to quality and advancing manufacturing that is even closer to customers, tenants and facilities users

Our business has expanded to include housing, system construction, general construction and civil engineering
We are utilizing our accumulated technological expertise in urban development and complex development

Construction record for residential business	Construction record for commercial construction business	Construction record for emergency temporary housing
Approx. **1,997,000** units	Approx. **58,900** units	**12,340** units*

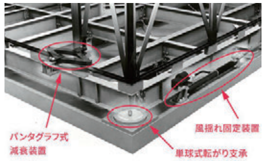
*Since 2000, as of July 24, 2024

Development and provision of safe and secure buildings

Our first product: Pipe House

Our first product, the Pipe House, which was inspired by rice and bamboo, became the cornerstone of steel pipe structures and led to the current construction businesses of logistics facilities, factories, and offices.

Developing technologies to protect lives from disasters



Seismic isolation system

We have pushed ahead with technological development prioritizing the protection of the lives of residents, prompted by the Great Hanshin-Awaji Earthquake in 1995. As a prefabricated housing manufacturer, we were the first in the industry to launch a seismic isolation system and to develop seismic damping technology. Later, the Great East Japan Earthquake of 2011 led to the development of a new technology, D-NΣQST (D-Next), which can withstand massive and repeated earthquakes that are expected to occur in the future. With xevoΣ, our flagship housing product, we have realized homes that allow customers to "continue to live with peace of mind" and provide "large spaces and large openings that create a sense of spaciousness in their lives."

Realization of high quality and quick construction through industrialization of construction

Production system to ensure high quality

In our highly systematized factories, industrial robots and skilled workers collaborate to stably produce high-precision components. High quality is also ensured through inspections by specialized inspectors at each step of the process.


Tochigi Ninomiya Factory, which received the highest grade S certification from the Minister of Land, Infrastructure, Transport and Tourism in 2019

Disaster reconstruction assistance backed by quick construction

In 1959 following the Ise Bay Typhoon, Pipe Houses, which could be built quickly and cheaply, attracted attention as emergency temporary housing, and the company received many orders.Since then, in the aftermath of earthquakes and torrential rain disasters, the Company has taken advantage of the speed of industrialized construction to quickly construct emergency temporary housing and supply public housing for reconstruction. We are also committed to community revitalization through our expertise in community development.


Emergency temporary housing supplied after the Noto Peninsula Earthquake

Aiming to establish a technological and manufacturing base that can flexibly cope with the changing times, we are pursuing "technology that is useful to society" while strengthening relationships of trust with our business partners and improving our technological capabilities, even in times of technological innovation. As we face challenges such as future worker shortages and rising resource prices, we are also working to evolve our supply chain through the use of digital technology.

To further strengthen our technology and manufacturing base

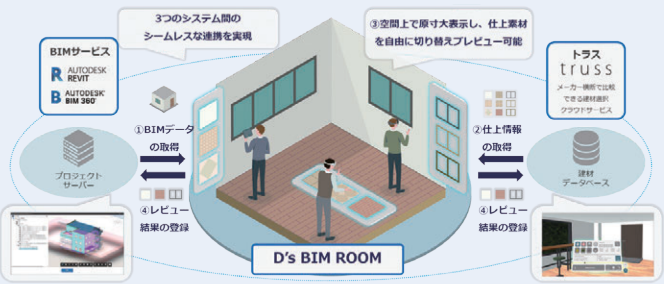
Construction DX promotion

Technical innovations that incorporate digital technology are becoming increasingly important to the construction industry as it faces aging demographics and shrinking numbers of skilled builders. We are advancing construction process reform in the form of "Construction DX" as we work to build a technological foundation that will enable Group sales of ¥10 trillion by 2055. We are building a digital infrastructure called D's BIM, which uses BIM* as a platform to centralize information across product development, sales, design, construction, and maintenance.

* Building Information Modeling. Digital three-dimensional models that incorporate building information. It enables consistent use of information throughout the life cycle of a building, from design to construction and maintenance.

Improved operational efficiency through D's BIM ROOM

In August 2023, the Company developed D's BIM ROOM, a near-realistic experience of building planned in the metaverse using PCs, tablets, head-mounted displays, etc. Proposals made in D's BIM ROOM are instantly reflected in BIM and other software, allowing for more efficient collaboration and seamless information sharing and decision-making in the planning, design, and construction processes.



Reinforcement of wooden construction

To accelerate the realization of carbon neutrality and respond to the growing environmental awareness of our customers, we are strengthening wooden construction in each of our businesses. We will promote further stabilization of quality and operational efficiency in wooden construction, as well as the establishment of a supply chain capable of supplying parts and materials at stable costs and delivery times.


Launched in July 2024
PREMIUM GranWood SMILE Edition
(artist's impression)

Overseas development of technology cultivated in Japan

In Europe, the Company has developed modular construction using units made in factories. In the US, we have supported the transition to off-site operations for the three local subsidiaries that develop the Single-Family Houses Business.In ASEAN, we have developed logistics facilities with chilling and freezing functions.


Fürstenwalde Production Plant, Germany

Building construction that meets the needs of society

To solve society's problems, the Company has recently developed a data center and built an onshore salmon aquaculture facility. We will continue to strengthen our technological capabilities to construct new asset types that respond quickly to the needs of the world.


DPDC Inzai Park (artist's impression)

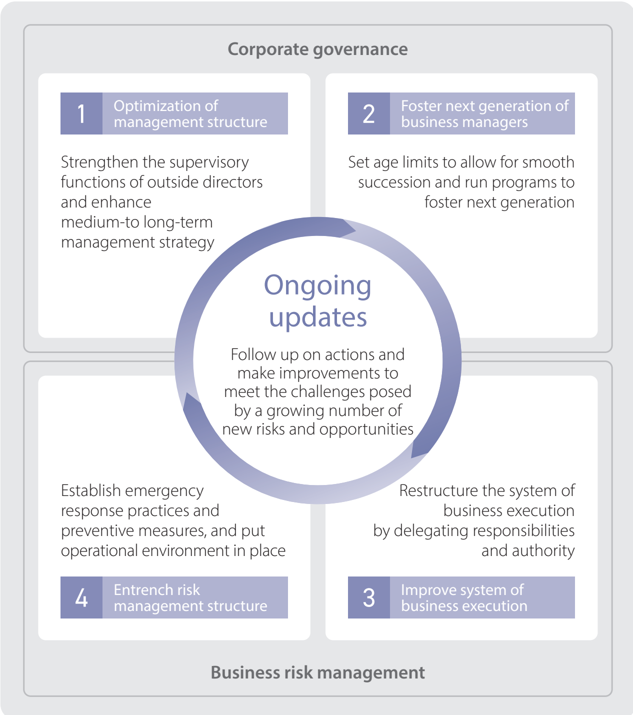
Management Structure

Chapter 7

Management Structure

The Daiwa House Group positions enhancing its governance structure as a priority issue for management so that we may continue to be a company trusted by society. We take the basic stance of working to construct a system of accurate and timely decision making and business execution, as well as a framework of appropriate oversight and supervision. Along with transforming our vision in line with expanding business operations and the management environment, we work to construct a governance structure that will create the future based on diverse viewpoints and long-term perspectives in order to enhance our management resilience.

Concept of governance system enhancement



Initiatives in the 7th Plan	Approaches in fiscal 2022	Approaches in fiscal 2023
1 Optimization of management structure • Raise the proportion of stock remuneration in director remuneration and introduce non-financial evaluation indicators • Strengthen monitoring function of the Board of Directors	• Reviewed the agenda standard for meetings of the Board of Directors	• **Introduced non-financial indicators for the calculation of annual incentive bonuses for directors** With an eye toward achieving sustainable growth, we have added the achievement of non-financial targets, such as human resource development and the strengthening of organizational capabilities, to the achievement of financial targets as evaluation indicators.
2 Foster next generation of business managers • Build a succession process for Directors/Executive Officers	• Renewal of the D-Succeed succession plan for the next generation of business managers	• **Developing managerial talent** Systematic training was conducted on two levels: "next generation leaders (mainly employees in their 40s)" and "NEXT (mainly employees in their 30s)" (cumulative total number of participants in fiscal 2022-2023: approx. 130).
3 Improve system of business execution • Prepare and strengthen regional corporate functions overseas • Strengthen asset management in line with asset increase • Continuous improvement of organizations and functions for overlapping businesses within the Group • Continual improvement of the Group's head office functions and optimal allocation of human resources	• Newly established the Management Strategy Planning Headquarters • Regarding our operations within Japan, under the business division-based system, we abolished the existing block system and instituted a new structure having the head office and offices tasked with administrative and supervisory functions, as well as branches thereunder in each area, thereby strengthening administrative and supervisory functions to provide management support and enhance governance. • Began work on formulating detailed management indicators for our overseas business	• **Consideration of a decision-making body to be formed on the executive side** We are continuing to consider the formation of a decision-making body on the executive side in order to further delegate authority to the Board of Directors and separate management oversight from business execution. • **Strengthening regional corporate functions** With a focus on increasing and training local management personnel, we have continued to strengthen relationships with local outside experts.
4 Entrench risk management structure • Effectively operate and continuously improve risk management structure • Continuously strengthen the efficient business operating base to sustain risk management and compliance activities	• Established an information security system and overhauled the structure of information security rules	• **Organizational reform** Strengthened administrative and supervisory functions for branch offices by changing to a new structure of organizing the head office and branches as well as branch offices thereunder.

1 Optimization of management structure

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

Based on the philosophy of "Don't do things because they will make a profit, but because they will be of service to society" that the Daiwa House Group has valued since our founding, the Board of Directors sees its mission as being to put Our Hopes for the Future into practice and to foster the next generation who will take up the challenge in the future. To realize this, executive management must always explore the needs of society based on the attitude of a bottom-up approach while the Board of Directors, as a group that co-creates value for individuals, communities, and people's lifestyles deliberates and decides how to embody such needs as a business, and quickly grasps reported risks regarding business execution to control and oversee these risks.

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

Board of Directors' deliberations

Among the investment projects, regarding the conversion of the Hibikinada Thermal Power Station to a biomass-fired plant, there was a lively discussion on the efforts to achieve carbon neutrality and plans for the plant's conversion.In fiscal 2023, the Board of Directors also discussed and deliberated on the following matters.

〈Management strategies〉

- Determination of the digital transformation initiative plan
- Decision on key themes for technological development at the Central Research Laboratory
- "Our Hopes for the Future": Deployment of a new business philosophy
- 7th Medium-Term Management Personnel Plan and recruitment plan for the next fiscal year
- Issuance of euro-yen denominated convertible bonds with subscription rights to shares due 2029 and euro-yen denominated convertible bonds with subscription rights to shares due 2030

〈Governance〉

- Report on self-review results and revision of the Corporate Governance Guidelines
- Evaluation of the effectiveness of the Board of Directors
- Introduction of a stock compensation plan for executive officers
- Formulation of information disclosure rules

〈Investment projects〉

- Conversion of Hibikinada Thermal Power Station to a biomass-fired power plant
- Establishment of a corporate venture capital fund and operating subsidiary
- Approval of important potential investments in the real estate development business and other businesses in the US, Asia, and other regions

Other than the above, the Board of Directors deliberates and passes resolutions, as necessary, on matters stipulated by laws, regulations, and the Articles of Incorporation.

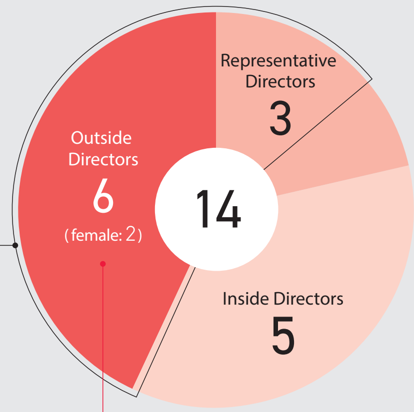
Board of Directors

Nomination Advisory Committee
Remuneration Advisory Committee

Ratio of outside members: 75.0%

Outside: 6, Inside: 2 (CEO and CFO)

(Chair: an independent outside director)

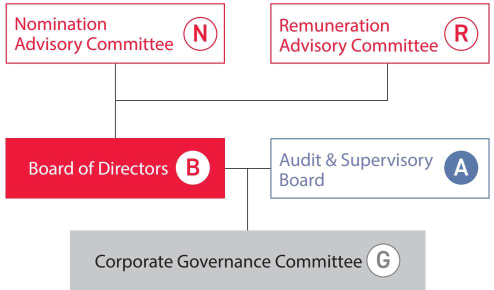


Ratio of Outside Directors: 42.9%

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

Note: Figures in parentheses are the ages as of April 2024

Structure of Committee for strengthening monitoring function of Board of Directors



Reason for new appointments

Name	Reason for appointment
Tomokazu Nanbu	In addition to working overseas, he has experience as a representative director of a major general trading company. The Company expects that he will supervise management of the Company and make proposals from an independent standpoint by utilizing his abundant knowledge based on his career in order to further promote the overseas business and digital transformation (DX) of the Group and enhance its corporate governance.
Tomomi Fukumoto	She has extensive experience in the sustainability division of a major beverage manufacturer and management experience at a group company of the same manufacturer. The Company expects that she will supervise management of the Company and make proposals from an independent standpoint by utilizing her abundant knowledge based on her career in order to continuously improve the corporate value of the Group.

Roundtable discussion with outside directors

Stronger management systems to realize Our Hopes for the Future

Yukinori Kuwano × **Yukiko Yabu** × **Yuji Yamada**

Yukinori Kuwano, Outside director

Yukiko Yabu, Outside director*

Yuji Yamada, Managing executive officer

* Retired at 85th ordinary general meeting of shareholders on June 27, 2024, upon expiry of term (term: June 2016–June 2024)

CV and role at Daiwa House

Yamada: I would like to hear from you two, mainly around the theme of building management systems to realize Our Hopes for the Future. Could you first please touch on your roles at our Company?

Kuwano: Sometime around 2000, when I was still president of Sanyo Electric, I had the opportunity to spend time with then Daiwa House president Takeo Higuchi at a business gathering. When I retired from running Sanyo Electric, I was asked to join Daiwa House as a member of the Audit and Supervisory Board, an offer I accepted in 2008. Drawing on my experience as a scientist specializing in new technologies, energy issues, IT, and AI, I continue to provide management advice on the future of the housing and construction sector.

Yabu: I became an outside director in 2016, the year after Japan instituted its Corporate Governance Code. I accepted the position on the view that my experience in product development and marketing—which included consumer research—at a consumer electronics manufacturer would prove useful to the Group given its range of businesses. I believe the value the Company provides, including its effective ESG management, is growing ever more important, and as an outside director cognizant of that, I feel I've been able to contribute positively.

Kuwano: When I was appointed, outside directors were seen in the electronics industry, but Daiwa House had not adopted this approach yet. I pointed out the importance of outside directors and the need for female outside directors, as house builders are intimately connected with people's domestic lifestyles and lives. I'd like to continue helping improve Daiwa House Industry's corporate value by offering ideas and suggestions from an outsider's perspective that reflect contemporary societal needs.

Yabu: I have not held back on providing opinions the Company may find uncomfortable at the Corporate Governance Committee and Board of Directors, especially when it comes to diversity and empowering women. In 2017, I proposed boosting promotions of female executives, and in 2020 I made another proposal on developing and promoting female directors at the Company and have since had frank exchanges of opinions with senior management on these issues.

Role of outside directors and Group governance structure

Yabu: I think the Board of Directors always approach their discussions seriously and engage earnestly with those on the executive side. A board where one can proffer forthright opinions that may sound harsh to executives, but in my opinion it is sound. The Corporate Governance Committee is made up of outside directors, outside auditors, full-time auditors, and representative directors, and discusses management issues honestly and constructively from a wide perspective. This is a unique kind of committee, not seen outside our Group, with agendas decided upon which all offer opinions on. The committee chair allocates agenda items pertaining to management issues to individual outside directors, asking for their suggestions. I myself visited a variety of departments and worksites to get a realistic feel for what was happening around the Company before making my suggestions. I was impressed by the attitude of the president and other senior managers as they took my ideas seriously and incorporated them into management swiftly.

Kuwano: The Audit and Supervisory Board has an extremely important role in governance. When I was appointed to it in 2008, a renowned lawyer, Kohei Nakabo, had in place a robust auditing system unseen elsewhere, including on-site inspections. When I succeeded him as outside auditor, he explained that it was important for those in this role to be forthright and speak out, even when what they had to say might be unpleasant to hear. I've followed that advice to this day, and I believe the Audit and Supervisory Board will continue to maintain this approach as well.

Positioning of Corporate Governance Committee

Yamada: What are your thoughts on—your ideal for—the crucial Corporate Governance Committee in its function of strengthening governance?

Kuwano: I think the fundamental significance of corporate governance is to lead Daiwa House in a better direction through exchanges of opinion between outside and inside directors on corporate strategy. Raising issues pertinent to overall management is important, and to date our discussions have gone beyond merely ensuring compliance with legal and regulatory frameworks. We have addressed numerous themes from Daiwa House's longer term corporate vision to its business division-based system, cost of capital-conscious management, employee engagement, and even digital transformation.

Yamada: Shareholders and institutional investors often ask whether outside directors are doing their jobs and express a desire to have us oversee business execution more from their perspective. In this regard, we have established twice yearly opportunities for the IR Department and General Affairs Department to report to outside directors. Based on these reports, we get our outside directors to consider items they would like to discuss at the Corporate Governance Committee and receive suggestions.

Kuwano: One feature of Daiwa House's governance is that suggestions to the executive team from Corporate Governance Committee members, based on their knowledge of the concerns of shareholders and institutional investors, function adequately. In light of external views, the Corporate Governance Committee holds several preparatory meetings, and on the day before all the members dine together, holding freewheeling discussions to collect members' opinions and maintain their influence on the executive team through their suggestions.

Yabu: As the outside directors advise as a team, I feel that our setup enables constructive and fair opinions to be debated with a view to longer term growth. I believe a system whereby outside directors complement each other's expert standpoints is very logical.

Yamada: Partly at the behest of the Tokyo Stock Exchange, awareness of capital costs and the share price is mounting. Since April 2023, when our division heads report on business execution, they disclose divisional ROIC as part of the monitoring function of the Board of Directors. What about discussions about directors' remuneration?

Kuwano: The Corporate Governance Committee has discussed managing with integrated financial and non-financial aspects, and adopting environmental indicators as KPIs was one important step.

Yabu: Raising the proportion of stock-based compensation to 20% was also very well received by the Remuneration Advisory Committee. I eagerly await further discussions of the right format for compensation incentives through social value creation (ESG management) aligned with our Purpose.

Kuwano: Personally, I think that in light of the rising share of overseas sales, in the future our director remuneration structure should be closer to global standards. This would, of course, require shareholder approval.

Challenges in strengthening governance

Yabu: I understand that outside directors have crucial duties in different circumstances: those required of us when there is some untoward incident, and contributions to improving corporate value during normal times. We need to learn from these lessons and strive to strengthen management arrangements so that such scandals will not occur again. Our outside director count came to six from June 2024, which I think will further strengthen monitoring capabilities. Overall Group management has changed dramatically with moves such as the adoption of a business division-based system, so enhanced global governance is important with a view to overseas business development. Initiatives regarding human capital and intellectual capital will also exert a major influence on our Group's competitiveness.

Kuwano: Looking at the Company's moves toward increased growth rates and margins from a long-term perspective, our unique business model, that spans services from sales and planning through construction and maintenance, has proved a source of differentiation from other companies and competitive advantage, in my opinion. We have sowed the seeds for new businesses through measures such as the corporate venture capital (CVC) fund, and the future looks bright for our aspirations to achieve ¥10 trillion in sales. For that reason, we are making Group-wide systematic moves to prevent latent risks from recurring to boost our chances of realizing Our Hopes for the Future.

Skill Matrix for the Board of Directors and Audit and Supervisory Board

The Company's basic policy is to enhance corporate value by creating value for shareholders, customers, employees, business partners, and society through the provision of products and services essential to society. In addition, "Our Hopes for the Future" (Purpose) lays out our commitment to "Creating the fundamental societal infrastructure and lifestyle culture rooted in regeneration, ensuring a world where we live together in harmony embracing the Joys of Life." In light of the above basic policy and in order that we may achieve "Our Hopes for the Future" (Purpose), we have established the following skill matrix to ensure the sound and sustainable growth of the Company and to establish a high-quality corporate governance system that can live up to the social trust in the Company, through the highly effective performance of the Board of Directors and audits of the execution of duties by the directors and executive officers by the Audit and Supervisory Board.

Name	Position	Corporate Management	Finance/ Accounting	Legal/ Risk Management	Technology/ R&D	International Experience	DX / IT	Environment	Social	Corporate Governance
Keiichi Yoshii	Representative Director and President	●		●		●		●	●	●
Takeshi Kosokabe	Representative Director and Executive Vice President	●	●	●					●	●
Yoshiyuki Murata	Representative Director and Executive Vice President	●		●	●		●			●
Keisuke Shimonishi	Director and Senior Managing Executive Officer	●		●						
Hirotsugu Otomo	Director and Senior Managing Executive Officer	●		●		●		●	●	
Kazuhito Dekura	Director and Managing Executive Officer	●		●						
Yoshinori Ariyoshi	Director and Managing Executive Officer			●	●					
Toshiya Nagase	Director and Managing Executive Officer	●		●				●		
Yukinori Kuwano	Outside Director	●			●		●	●		●
Miwa Seki	Outside Director	●	●			●			●	●
Kazuhiro Yoshizawa	Outside Director	●			●		●		●	●
Yujiro Ito	Outside Director	●	●	●					●	●
Tomokazu Nanbu	Outside Director	●	●			●	●			●
Tomomi Fukumoto	Outside Director	●						●	●	●
Tomoyuki Nakazato	Corporate Auditor		●	●					●	●
Tadatoshi Maeda	Corporate Auditor			●	●				●	●
Yoshinori Hashimoto	Corporate Auditor	●		●					●	●
Akihisa Watanabe	Outside Auditor		●	●					●	●
Tatsuji Kishimoto	Outside Auditor			●					●	●
Takashi Maruyama	Outside Auditor	●		●					●	●

Note: The chart above represents the knowledge possessed by directors and auditors that is particularly expected by the Company.

Skills	Our specific expectations
Corporate Management	To have essential insight into management gained through their managerial experience at the Company or other companies, and to exercise their managerial skills or supervise management to enhance corporate value
Finance/ Accounting	To draw on their expertise in the field of financial accounting or their experience in accounting and finance departments to formulate, implement appropriate financial strategies, or provide valuable advice
Legal/ Risk Management	Internal directors, including the business division heads, are expected to all work together to strengthen risk management, rather than focusing only on sales and marketing activities but also aligning with the business division-based system. Outside directors are expected to strengthen risk management by utilizing their expertise in legal affairs or experience in legal affairs or legal compliance departments
Technology/ R&D	To have experience or expertise in the technology or R&D department of the Company or other companies, and to further enhance technological capabilities
International Experience	To be well-versed with ample experience in the global business management and overseas life culture and business environment, and to further promote or supervise our overseas business
DX/IT	To have extensive knowledge and experience in digital transformation (DX) and information technology (IT), and to accelerate the creation of new value using digital technology
Environment	To have experience or expertise in the environmental department of the Company or other companies and to promote environmental management, including the achievement of carbon neutrality
Social	To have experience or expertise in human capital development and social improvement, including DE&I, and to promote sustainable management
Corporate Governance	To have extensive knowledge of corporate governance and to enhance the corporate governance system based on diverse and long-term perspectives for the sustainable enhancement of corporate value

Policy on cross-shareholdings

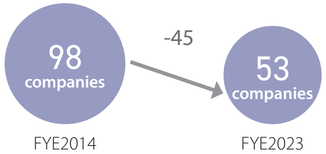
Each year, the Board of Directors reviews the medium-to-long-term economic rationality of the company's various cross-shareholdings and presents the results. An effort is being made to reduce cross-shareholdings by selling those shareholdings that are deemed to be no longer necessary. At the end of fiscal 2023, the market value of the Company's holdings was ¥77.4 billion (listed stocks: ¥73.3 billion, unlisted stocks: ¥4 billion), accounting for 3.1% of consolidated net assets (excluding listed REIT of the Daiwa House Group). We intend to further reduce cross-shareholdings in order to slim the balance sheet and boost efficiency. Moreover, in the event that one of our cross-shareholding partners expresses an intention to divest their Daiwa House Industry shares, we will not engage in any actions intended to impede such sales, such as threatening to reduce our business with the company concerned.

Criteria for sale of cross-shareholdings

The Company owns cross-shareholdings to strengthen its relationships and collaboration with partner companies. The Board of Directors conducts an annual comprehensive review of each cross-shareholding in terms of the risks and benefits of maintaining it, based on conditions of trade, financial statements, external ratings and the required profit figure for cross-shareholding calculated from the WACC (weighted average cost of capital).

The number of cross-shareholdings has fallen from 98 at the end of fiscal 2014 to 53 at the end of fiscal 2023. 12 cross-shareholdings were sold in fiscal 2023 (including partial sales). We will continue to review and reduce our cross-shareholdings on an ongoing basis.

Actual reduction of cross-shareholdings



We appreciate that the Company is steadily reducing its cross-shareholdings. We hope that cross-shareholdings will eventually be reduced to zero.

Main opinions from institutional investors

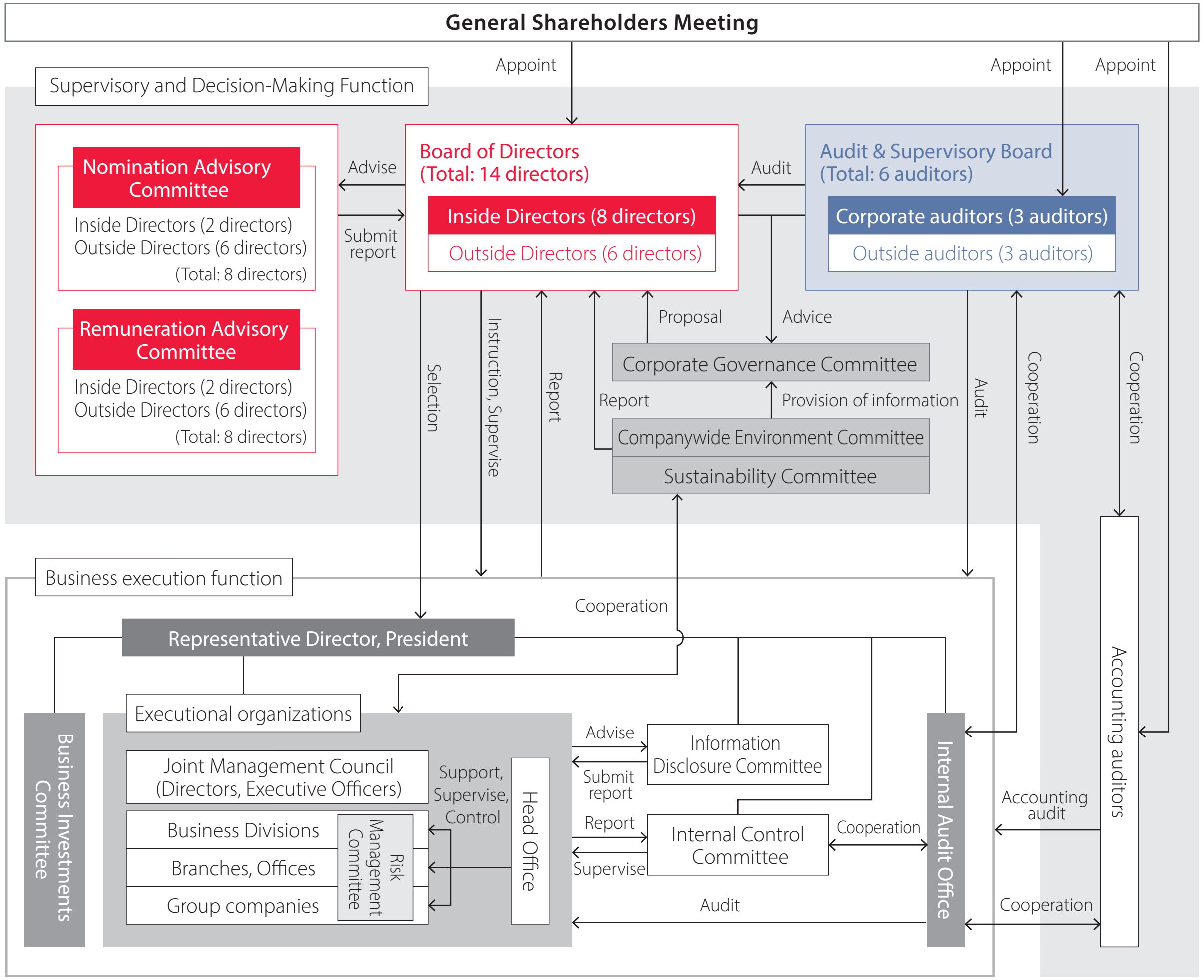
Corporate Governance System

The Company pursues corporate governance that better suits society and the global management environment, in order to continue to be a corporate group indispensable to society.

In order to enhance corporate value, our senior management in charge of business execution should always explore social needs based on a bottom-up approach, and the Board of Directors holds a significant responsibility to deliberate and determine how we concretize the social needs as a business. By appointing both executive directors to enable accurate and swift actions on these needs, and independent outside directors who account for over one third of the Board of Directors, we increase the level of transparency and soundness of our business management. Furthermore, the Board of Directors is further audited by Audit & Supervisory Board members and the Audit and Supervisory Board that are independent of the Board of Directors.

This organizational design allows directors concurrently serving as executive officers to facilitate the management function of the Board of Directors, while ensuring the monitoring function led by independent outside directors and Audit & Supervisory Board members and the Audit and Supervisory Board.

The Company has adopted this corporate governance system under the belief that enhancing corporate autonomy built on this base will lead to sustainable growth and medium- to long-term enhancement of corporate value. We will continue to review our corporate governance structure in line with business conditions and other factors.



Advisory Committees of Board of Directors (Board Committees)

Nomination Advisory Committee

Receives information from directors or executive officers in charge of human resources on individual director assessments and on proposals at the General Meeting of Shareholders relating to the appointment of directors, discusses the appropriateness of these, and presents an opinion, in order to ensure objectivity in the nomination of directors.

When a director selection is made, the matter is decided by the Board of Directors with reference to the outcome of the discussion by a Nomination Advisory Committee. When the dismissal of a director is proposed, the matter is decided by the Board of Directors.

- Chair: an independent outside director
- Meeting frequency: once a year in principle
- Matters discussed and deliberated by the Board of Directors in fiscal 2023:
  - Appointment of directors

Remuneration Advisory Committee

Receives a briefing from officers in charge of human resources on policy for decisions concerning director remuneration and details of individual remuneration, etc., discusses validity and presents an opinion to ensure objectivity of director remuneration. In addition, deliberates appropriateness of the decision-making process of remuneration by actively using external investigation data, etc.

- Chair: an independent outside director
- Meeting frequency: once a year in principle
- Matters discussed and deliberated by the Board of Directors in fiscal 2023:
  - Total amount of bonuses paid to directors and amounts paid to individual directors for the 84th fiscal year

Corporate Governance Committee

Meets for the primary goal of contributing to the medium- and long-term growth in corporate value. Exchanges views on vision, strategies, and other items pertaining to corporate governance and overall management, considering diverse viewpoints and taking a long-term perspective. Aims to make the company better by fully incorporating into management the knowledge and expertise possessed by Outside Directors and Outside Auditors.

In addition, the Committee exchanges views on the initiatives for SDGs and ESG upon having informed of important matters by the Companywide Environment Committee and Sustainability Committee.

- Chair: an independent outside director
- Meeting frequency: twice a year in principle
- Matters discussed and deliberated by the Board of Directors in fiscal 2023:
  - Implementation status of the Corporate Governance Guidelines and proposed amendments
  - Issues related to management indicators
  - The current status and issues of the Company according to the engagement survey

Selection criteria for candidate directors

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

Procedures for director selections

Nomination Advisory Committee

Discuss whether the candidate satisfies the above criteria and present conclusions to the Board of Directors

↓

Board of Directors

Decisions regarding director selections

Criteria for director dismissal

1. In case the director has committed an act that violates public order and morality.
2. In case the director is unable to continue the execution of duties in the cause of health problems.
3. In case the director has caused tremendous corporate value damage by its laziness.
4. In case the director has fallen under the grounds for disqualification of Directors stipulated in Article 331, paragraph 1 of the Companies Act.
5. In case the director is considered to be lack of motivations and abilities stipulated in Selection criteria.

Audit and Supervisory Board

The Audit and Supervisory Board operates independently of the Board of Directors. It consists of Standing Audit & Supervisory Board members well versed in the operations and management structure of the company, as well as outside Audit & Supervisory Board members who are experts in particular fields such as accounting, law, or management. In order to ensure the independence and neutrality of the audit system, the Audit and Supervisory Board is composed of six members, of whom three are Standing Audit & Supervisory Board members and three are outside Audit & Supervisory Board members.

The Audit and Supervisory Board receives in a timely and appropriate manner reports from Directors, employees and accounting auditors on items necessary for auditing the execution of duties by directors and executive officers. It also shares necessary information with accounting auditors, the internal audit office, and outside directors, and holds regular meetings to improve the quality of audits and realize more efficient audits.

Audit system by Audit & Supervisory Board members

The Audit and Supervisory Board, as an independent body entrusted by shareholders, audits the execution of duties by directors and executive officers, in order to ensure sound and sustainable growth of the company and establish a quality corporate governance system that meets the trust of society.

In addition, the Audit & Supervisory Board members attend not only meetings of the Board of Directors but also other important meetings, including meetings of the Corporate Governance Committee, Internal Control Committee and the Business Investments Committee, and regularly exchange opinions with representative directors as well as accounting auditors. Furthermore, the implementation status of internal audits is reported from the Internal Audit Department to the Audit & Supervisory Board members. These initiatives systemically ensure that important information relating to the Company's execution of operations is reported in detail to Audit & Supervisory Board members.

Committees concerning operational execution (Management Committees)

Joint Management Council

The Joint Management Council, consisting of directors, executive officers and Audit & Supervisory Board Members, is established for appropriately executing the decisions made by the Board of Directors through having the Board of Directors and executive officers fulfill their respective duties and communicate each other. Deliberates and reports on important matters relating to business execution. Met four times in fiscal 2023.

- Chair: Representative Director, President
- Matters discussed and deliberated by the Board of Directors in fiscal 2023:
  - On portfolio management, initiatives of the Central Research Laboratory, initiatives of Group companies, etc.

Internal Control Committee

The Internal Control Committee is established as a body whose mission is to verify that the internal control system is properly established and operated, and to promote corrective actions if any flaws or deficiencies are found.

In fiscal 2023, the Committee met four times.

- Chair: Representative Director, President

Risk Management Committees

Under the supervision of the risk management officer (the Head of Management Administration), Risk Management Committees are established for each business division (Business Division Risk Management Committees) as bodies tasked with preventing potential risks in advance faced by each of the company's businesses and relevant Group companies, and addressing these risks if they materialize. These Business Division Risk Management Committees are positioned as a function of the internal control system.

- Chair: Business division heads
- Committee members: Department managers of Business divisions

Business Investments Committee

The Company's Business Investments Committee is responsible for deliberating on and assessing the feasibility and risks of important potential investments in the real estate development business and other businesses to ensure that decision-making about the deployment of capital is reasonable and effective. In fiscal 2023, the Committee met 18 times.

- Chair: Representative Director, President

Information Disclosure Committee

To build long-term relations built on trust with all shareholders, investors, and other stakeholders, we have established the committee tasked with announcing information pursuant to the basic policy for information disclosure (disclosure policy). Information that is useful for investment decisions and matters that could significantly affect the company's performance and credibility outside of the timely disclosure standards are deliberated on by members across departments from different viewpoints for information to be disclosed.

- Chair: Head of Management Administration

Remuneration policy

Our remuneration system for directors is designed to compensate those who share the Daiwa House Group's Purpose and contribute to the creation of medium and long-term business and social value toward the realization of "a world where we live together in harmony, embracing the Joys of Life," according to their roles and contributions.

In the short term, in addition to achieving short-term financial targets to create business value, the system is designed to stimulate efforts to improve the value of human capital and strengthen organizational capabilities that should be promoted in the immediate future to achieve sustainable growth.

Over the medium to long term, in addition to sustainable enhancement of corporate value, the system is designed to motivate efforts aimed at creating social value toward "a world where we live together in harmony, embracing the Joys of Life."

The company's remuneration for directors consists of "fixed remuneration" and "Annual incentive bonus" as monetary remuneration, and "restricted stock compensation with post-issuance type transfer restrictions" and "performance-based remuneration of transfer-restricted stocks" as stock-based remuneration, and is designed to balance the responsibilities of directors toward the sustainable enhancement of the company's corporate value. Outside directors receive only "fixed remuneration" in the form of monetary remuneration.

Details

The remuneration shall be as follows.

(i) Fixed remuneration

In compensation for "fulfilling their duties" in supervision of management and execution of operations, monetary fixed remuneration (supervising remuneration and executive remuneration) is paid to all of our directors and Audit & Supervisory Board members, according to their roles and responsibilities. Based on the resolution at the General Meeting of Shareholders, the limitation of remuneration for directors shall be 70 million yen monthly and that for Audit & Supervisory Board members shall be 18 million yen monthly. The company does not provide retirement benefits for directors and Audit & Supervisory Board members.

(ii) Annual incentive bonus

Directors (excluding outside directors) are eligible for payment of performance-linked monetary remuneration, based on the achievement of short-term financial and non-financial targets set by the company, as an incentive for achieving short-term financial targets (operating income and ROIC) and short term non-financial targets, such as improving the value of human capital and strengthening organizational capabilities.

(iii) Stock compensation

The following two types of stock-based compensation will be paid to directors (excluding outside directors) in order to provide them with incentives for their efforts to create medium- to long-term social value with the aim of continuously improving the company's corporate value and realizing "a world where we live together in harmony, embracing the Joys of Life" and to further share the value with shareholders.

The Company will endeavor to ensure that the stock-based compensation accounts for approximately 20% of the total compensation paid to directors (excluding outside directors).

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

We provide this payment to encourage commitment to management with an awareness of the stock price. Under this system, shares of the company's common stock are delivered to directors on the condition that they have held the position of director of the company continuously during each fiscal year of the Medium-Term Management Plan period.

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

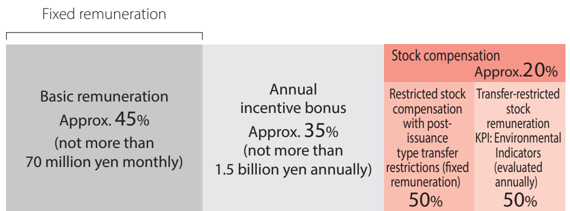
We provide this payment to encourage commitment to ESG management. Under this system, shares of the company's stock are delivered in accordance with the degree of achievement of environmental indices set forth by the company for each fiscal year during the period of the Medium-Term Management Plan. (KPI: environmental indices in the Seventh Medium-Term Management Plan)

Determination process

To ensure that these decisions are made autonomously and from an objective standpoint, the decisions are made by the Board of Directors following deliberation by the Remuneration Advisory Committee, which is chaired by an independent outside director and has outside directors making up more than half of its members.

Directors' remuneration structure (excluding outside directors)

In the 7th Plan, the ratio of stock-based compensation was increased to 20% (from the previous 12%), and environmental indicators were introduced as KPIs to promote ESG management. In order to further accelerate ESG management, the scope of recipients will be expanded in fiscal 2023 to include executive officers.



Note 1: The percentage indicates the ratio of each type of remuneration to the whole remuneration for directors. (Calculated based on past results, etc., and may be subject to change in the future.)

Note 2: Stock-based compensation is based on the assumption that all performance indicators related to such compensation have been achieved.

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

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

Calculation formula

Performance goal achievement coefficient*4 = [(1) CO_2 emissions reductions (business activities*1) + (2) CO_2 emissions reductions (building use*2)] × (3) CDP Climate Change score*3

*1 CO_2 emissions at Group offices, plants, construction sites, and business facilities. (Scopes 1 and 2)
*2 CO_2 emissions resulting from Group sales and the use of developed residential housing and buildings. (Scope 3, Category 11)
*3 CDP, an international NGO, surveys more than 14,000 companies and other organizations from around the world and rates them corporations on an eight-point scale according to their actions and strategies for climate change.
*4 The performance goal achievement coefficient is set to 1 if it exceeds 1.

	Management Indicators	FY2023 (Targets)	FY2023 (Results)
(1)	Reduction of greenhouse gas emissions in business activities (vs FY2015)	-50%	+26.3%
(2)	Reduction of greenhouse gas emissions in building use (vs FY2015)	-45%	-52.2%

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

(3) CDP Climate Change score

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

We were awarded an A grade (top score) for its 2023 CDP Climate Change score.

In fiscal 2023, the performance goal achievement was 0%* for (1) and 100% or more for (2). Accordingly, the achievement coefficient for fiscal 2023 was 0.6.

* This was because GHG emissions increased from the base year due to the addition of the Hibikinada Thermal Power Station to the scope of coverage in fiscal 2023.

Calculation method

Achievement of (1): +26.3% (FY2023 result) / -50% (FY2023 goal) = 0%.
Achievement of (2): -52.2% (FY2023 result) / -45% (FY2023 goal) = 116%.
2023 CDP Climate Change score of (3): A

FY2023 performance goal achievement coefficient: (0 + 0.5) ×1.2 = 0.6

Initiatives to further share value with our shareholders

The Company recommends to its executives and employees to own company shares through shareholders associations and so forth, to encourage a sense of shared profit awareness with shareholders and behavior respecting shareholder value.

The Shareholding Guidelines below in principle require the holding of a certain number of company shares at the minimum by members (or future members) of management, in recognition of the important role they play in sustainable growth and greater corporate value over the medium and long term for the Company.

Shareholding Guidelines

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

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

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

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

Overview of effectiveness evaluation of Board of Directors

Based on the Corporate Governance Guidelines, the Company has, since 2015, conducted evaluations of the effectiveness of the Board of Directors with the aim of improving the functions and effectiveness of the Board of Directors. Questionnaire-based surveys of directors and Audit & Supervisory Board members are conducted, and the effectiveness evaluations are made on the basis of the results of these together with the evaluation of the Board of Directors made by the Audit & Supervisory Board. As in the past, an external agency was engaged to conduct the 2023 survey, with responses being provided directly to the external agency to ensure anonymity.

Evaluation process

Questionnaire by all directors and Audit & Supervisory Board members

Evaluation items

- Composition of Board of Directors
- The ideal state of Board of Directors
- Operation of Board of Directors
- Operation of the Nomination and Remuneration Advisory Committees
- Monitoring function of Board of Directors
- Support structures for directors and Audit & Supervisory Board members
- Performance of directors
- Training
- Dialogue with shareholders (investors)
- Your own efforts

↓

Evaluation by the Audit & Supervisory Board based on the questionnaire results

↓

Self-review by the Board of Directors based on the questionnaire results and the evaluation of the Audit & Supervisory Board

↓

Review of initiatives for the next fiscal year based on results of evaluation

Evaluation results for FY 2023

Based on the status of each evaluation item, the effectiveness of the Board of Directors was evaluated as being satisfactory. However, issues were also highlighted, and the Company will continue to work to improve the effectiveness of the Board of Directors through a variety of initiatives.

News release: Notice Concerning Outline of the Results of the Evaluation of the Effectiveness of Board of Directors

Status of efforts to address issues identified in the results of the evaluation of effectiveness

Theme 1 Composition of the Board of Directors

Evaluation by the Board of Directors (issue)
In order to further enhance monitoring functions, the composition of the Board of Directors and the ratio of the number of internal directors to outside directors should be reviewed on a continuous basis.

Evaluation by the Audit & Supervisory Board (issue)
The number of directors and other factors should also be reviewed to further enhance monitoring functions.

Initiatives

- As a result of discussions on the optimal composition of the Board of Directors, the ratio of outside directors, and the optimal institutional design for the Company to enhance its monitoring functions, making use of the Corporate Governance Committee and other forums outside the Board of Directors, the Company has decided to increase the number of outside directors following the General Meeting of Shareholders in June 2024. (Ratio of outside directors: from 38.5% to 42.9%)
- In addition, the Nomination Advisory Committee discussed and revised some of the items in the directors' skill matrix to ensure that the Board of Directors can be more effective.

Going deeper

Evaluation by the Board of Directors (issue)
We will continue to deliberate on the composition of the Board of Directors in order to further enhance its monitoring functions.

Evaluation by the Audit & Supervisory Board (issue)
There is a need to continuously enhance the monitoring functions of the Group as a whole.

Theme 2 Improving the effectiveness of the Board of Directors

Evaluation by the Board of Directors (issue)
The Board of Directors needs to further enhance discussions on medium- to long-term management issues, including management strategy and human capital.

Initiatives

In order to further deepen discussions on medium- to long-term management issues, the Company has reviewed the criteria for submission of proposals to the Board of Directors and transferred authority to the executive side, thereby ensuring more time for discussion.

Going deeper

Evaluation by the Board of Directors (issue)
In order to deepen discussions on management strategies, etc. at the Board of Directors meetings, the Company will consider the establishment of a new meeting body to make resolutions on the executive side, with the aim of transferring authority to the executive side.

Evaluation by the Audit & Supervisory Board (issue)
Further discussion is needed on the review of medium- to long-term management strategies and Group-wide portfolio strategies.

Theme 3 Further deepening discussions on ESG and other non-financial issues

Evaluation by the Board of Directors (issue)
Discussion on non-financial issues such as ESG needs to be enhanced further.

Initiatives

The Company is considering initiatives to further deepen discussions on ESG, utilizing forums other than meetings of the Board of Directors, such as meetings of the Sustainability Committee and the Corporate Governance Committee.

Going deeper

Evaluation by the Audit & Supervisory Board (issue)
Discussions on non-financial information should be further deepened through such measures as providing opportunities for the free exchange of opinions among external executive officers and between external officers and internal directors to enhance mutual communication.

2 Foster next generation of business managers

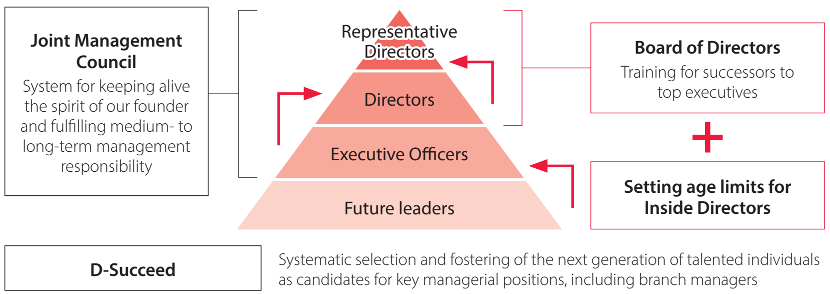
A succession process for directors and executive officers was established to help develop a deeper pool of future business managers

To ensure continuous business growth under a rapidly changing operating environment, the Company has set age limits for Inside Directors (Representative Directors: sixty-nine; Directors: sixty-seven). We are also fostering the next generation of excellent human resources, while smoothly promoting the transition from one generation of top management to the next.

In nurturing management successors, the Joint Management Council brings together directors, Audit & Supervisory Board members, and executive officers together to share management information as necessary and discuss issues, functioning as a place to maintain the spirit of our founder and recognize roles to fulfill management responsibility.

The D-Succeed succession planning system for the next generation of managers (especially branch managers) was introduced in fiscal 2020, and is now integrated with the Daiwa House Juku implemented in 2008 into a group-wide system to foster the next generation of business managers, thereby expanding and qualitatively improving our pool of human resources. In addition to a series of ecosystems from selection, evaluation, training, and promotion of management candidates, we also dispatch them to outside training programs to provide opportunities to see other ways of doing things, leading to the continuous production of management talent who will lead the next generation. We also set up a program for nurturing managerial personnel active on the global stage as a human resources development system to support our overseas businesses.

A program to nurture the next generation



The Daiwa House succession plan "D-Succeed"

1 Establishment of human resource requirements	**Key positions that are the gateway for management personnel to be covered by the succession plan** At the time of its adoption, the succession plan initially only covered the position of branch manager. However, from fiscal 2023, the scope of the plan has been expanded to cover a variety of key positions in sales, engineering, and management to ensure the diversity of future management personnel.
2 Selection of successor candidates	**Forming a pool of human resources in two tiers: "Next Generation" and "NEXT"** Next Generation ...... Select management candidates, mainly in their 40s, to be "next in line" for key management positions NEXT .... Select candidates for future management positions, mainly in their 30s
3 Systematic development	**Human resources development is carried out systematically through the training and enhancement candidates program, the next generation training program, and the NEXT training program (the NEXT generation in particular undergoes a three-year training program)**
4 Promotion to key positions	**Through various assessments and interviews with top management, we will visualize each person's abilities, characteristics, aspirations, human qualities, and other qualities, and make systematic and strategic appointments and assignments**

Management human resource development through an in-house entrepreneurship program

Daiwa House Group FUTURE100

The Company established the in-house entrepreneurship program Daiwa Future 100 to develop human resources who will lead the Group in the future and foster an organizational culture that encourages the taking of challenges. Business ideas will be solicited from approximately 50,000 Group employees* of all ages and positions, from new hires to veteran employees and executives. Business verification will be conducted in collaboration with external partners. If a business proposal has been adopted after three rounds of screening, including by outside experts, the proposer will become the president of the company to promote the commercialization and growth of the business. Through the introduction of this program, we hope to foster an organizational culture that fosters the creation of innovation without fear of failure, and to discover and develop management personnel who will lead the Daiwa House Group in the future, as well as to create business groups that will be lead the charge on our goal of making Daiwa House Group a ¥10 trillion enterprise by our centennial year.

* Regular employees, excluding part-time employees, are eligible.

Summary

- Proposal domains: No restrictions in particular on industry, theme, etc. (areas that do not deviate from our management philosophy and policies)
- Total budget: up to ¥30 billion (cumulative)
- Schedule: Applications opened in June 2024, and decisions will be made in January 2025 on which projects to adopt

3 Improve system of business execution

Business division-based system and branch management

Under the business division-based system, business division heads implement management decisions in a timely and meticulous manner and are comprehensively responsible for the "offensive" aspects of business growth and performance management while also pursuing synergies with the Group companies, as well as for the "defensive" aspects of controlling business-specific risks.

From April 2024, Daiwa Lease, Fujita, and Daiwa LifeNext, which were under the Other Businesses Division, have been placed under the Commercial Construction Business Division, General Construction Business Division, and Condominiums Business Division, respectively, to achieve greater Group synergy and governance than before.

On the other hand, even under the business division-based system, domestic operations are managed by area blocks, with entire areas under the jurisdiction of the block manager. In addition, our structure is designed for an area-oriented approach to governance and community-based business development, with an office in charge of head office functions in each area and branches under its umbrella, which encourages collaboration among businesses, such as the promotion of mixed-use development across businesses, and maintains our strengths.

Group management system

Since the institution of the Group Management Rules in 2007, the Company's business divisions have taken charge of performance management, business growth, and risk management of Group companies related to each business under the business divisions. Further, the Group's head office functions have been granted to the Company's Head Office to support the Group company's operations thereunder, thereby ensuring the appropriateness of Group companies' operations from both business and functional perspectives.

Status of initiatives to strengthen governance in our overseas business

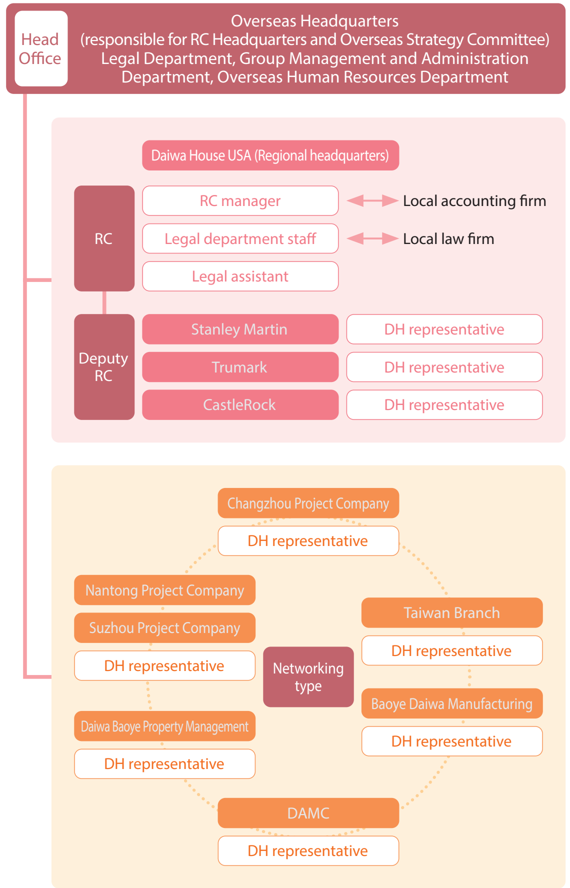
Regional corporate functions (RC functions) have been established for each area in a form that takes account of area characteristics and their business circumstances, with the overseas headquarters in Japan playing a central role. As for the question of management indicators for overseas businesses, we completed the redevelopment of risk analysis items at the time of business review in fiscal 2023. In order to improve the accuracy of risk analysis, especially in terms of construction technology, a technical department has been established within the overseas headquarters to thoroughly examine business based on management indicators. We will continue to develop management indicators for corporate management after participation in the project.

[Regional headquarters type]
In the Americas, Oceania, and Europe, since business development is centered on M&A subsidiaries and unmanned joint ventures, the local regional headquarters assumes the RC functions and works closely with the subsidiaries to manage and supervise risks and business strategies.

[Networking type]
In East Asia (China and Taiwan), since each project has its own manned subsidiary to develop a business and management know-how is separately accumulated by each company, the overseas headquarters has set up a liaison conference for RC collaboration to share information among project companies as quickly as possible and to supervise their management.

[Two-layer cross-border type]
In ASEAN and South Asia, as the Company operates in multiple countries and regulations and customs differ by country, DH Asia Investment Pte. Ltd. in Singapore assumes the RC functions while establishing Deputy RCs for each country to build a management system that is adapted to the characteristics of each country.

Overview of overseas regional corporate (RC) functions



4 Entrench risk management structure

Basic approach to risk management

Our risk management defines risks as "events that may cause damage to the Daiwa House Group" and identifies risks associated with the compliance, environments, quality, information security, human rights and others, then prevents and detects potential risks in advance, and mitigates losses caused by risks. In identifying risks, we do not take a limited view of risk, but rather consider risks to be subject to risk management whenever there is a realistic risk of loss, even if the risk of loss is not imminent. We believe that this approach also contributes to protecting the rights and interests of our stakeholders.

Regarding the risk management structure, we have a structure in place to respond to both normal and emergency situations. Information collected on risks and responses to those risks is reported to the Board of Directors periodically or as needed through the Business Division Risk Management Committees and Internal Control Committee. The Board of Directors supervises management of these matters.

Structure in normal times

We have appointed the General Manager of Management Administration Headquarters as the risk management officer responsible for building, operating and supervising the risk management structure of the entire Group. Under his supervision, Risk Management Committees are established for each business division (Business Division Risk Management Committees) as bodies tasked with preventing risks in advance faced by each of the company's businesses, and addressing these risks if they materialize.

To supervise the overall internal control system of the entire Group, including those mentioned above, we have the Internal Control Committee chaired by President, with head of Management Administration (the risk management officer) serving as a vice-chairman.

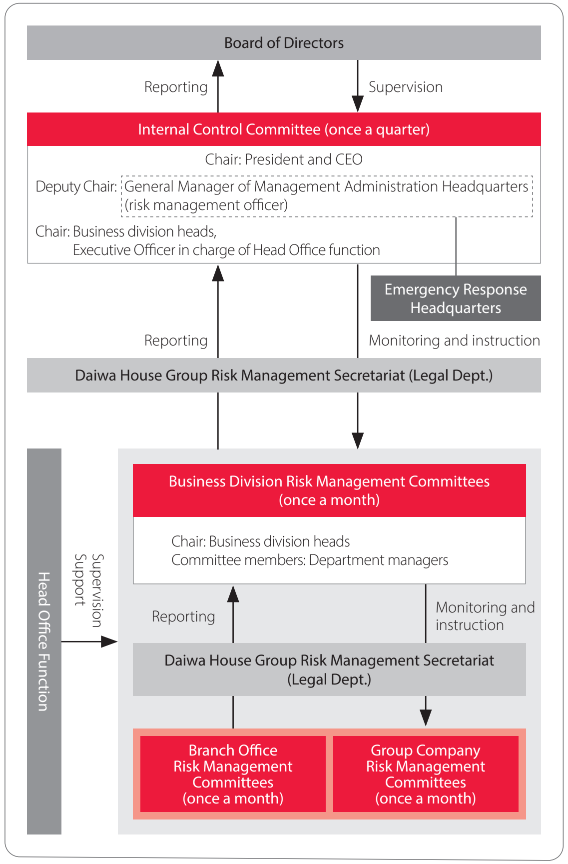
Structure in emergencies

If a serious risk manifests, we set up Emergency Response Headquarters to address such risk and strive to minimize adverse effects on business performance.

Establishment and operation of internal control systems

We have established the Internal Control Committee as an organ that aims and functions to receive reports on the status of internal controls of the entire Daiwa House Group, and to assess and promote correction of flaws or deficiencies thereof. This Committee meets once a quarter. The operational status of the Committee is reported to the Board of Directors semiannually to ensure that it is operated properly under the supervision of the management team including outside directors.

Risk Management System



Compliance and risk management structure system

1. Collecting and utilizing risk information

We have made it mandatory to report any risk information identified by the Head Office, branch offices, or Group companies (including overseas companies) immediately to risk management officer (the Head of Management Administration) and the members of the Business Division Risk Management Committees. Reported risk information is forwarded to the Business Division Risk Management Committees for discussion and instructions on measures to deal with the risks and prevent them occurring again. Particularly important risk information is forwarded to the Internal Control Committee and the Board of Directors.

Risk Management Committees also meet once a month in principle in the branch offices and Group companies to discuss and give instructions relating to measures to deal with and prevent the recurrence of the risks revealed based on deliberations by the Business Division Risk Management Committees.

2. Whistleblower system

For the purpose of early detection and correction of events that may inhibit the sustainable growth of the Group, we have established and operated various whistleblower systems both inside and outside the Company, accepting not only reports from within Japan but also those from overseas bases in their local languages.

Not to discourage whistleblowers from reporting in fear of retaliation and detrimental treatment, we formulated rules to keep names of whistleblowers and the content of their reports strictly confidential, and to prohibit discriminatory treatment of them. In addition, in order to ensure that the proper response is taken to reported cases, a rule has been established to the effect that persons with an interest in the case in question may not be selected as persons in charge of investigations, etc. A leniency system has also been introduced to facilitate the early detection and resolution of acts of dishonesty. The leniency system provides the discretion to waive or reduce disciplinary action when a person involved in an act of dishonesty self-reports the case or actively participates in the investigation.

3. Response in cases where a serious risk is manifested

In cases where a serious risk is manifested, Emergency Response Headquarters are established as a structure to minimize the adverse effect to our business operations. Specifically, among manifested risks, those that may have a particularly serious impact on the Group or its stakeholders are addressed by the established headquarters that studies and promotes measures to deal with them or prevent their recurrence, as stipulated in the Risk Management Regulations. Criteria for setting up Emergency Response Headquarters, as well as constituent members, operation procedures and tasks of the headquarters, are set forth by Instructions for Establishing and Operating Emergency Response Headquarters, a subrule to the Risk Management Regulations, thereby ensuring quick establishment of the Emergency Response Headquarters and appropriate response to the risks.

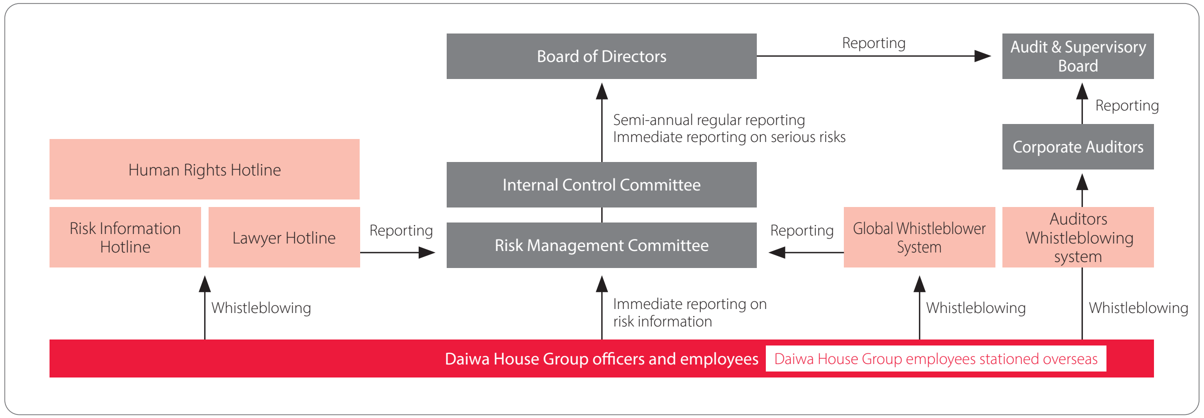
4. Compliance training

We proactively conduct compliance training with a view to enabling employees to improve their knowledge of relevant laws and regulations as well as their understanding of risk management. Specifically, we provide training programs for each employee grade to cultivate the knowledge and background needed for each employee grade, including new recruits, mid-career employees and those in supervisory and managerial positions, and training programs organized for departments to enable employees to gain knowledge of the laws and regulations concerning their respective department.

5. Internal audits

The Internal Audit Department is a department specializing in internal audits, and verifies and evaluates whether operations comply with laws and corporate rules by conducting internal audits of branch offices and Group companies and reports the results to the Board of Directors, Audit and Supervisory Board, and Internal Control Committee. Based on the results of the audits, the department requests the submission of an improvement plan for such problems from the business sites and Group companies in question, as well as progress reports on the improvement plan.

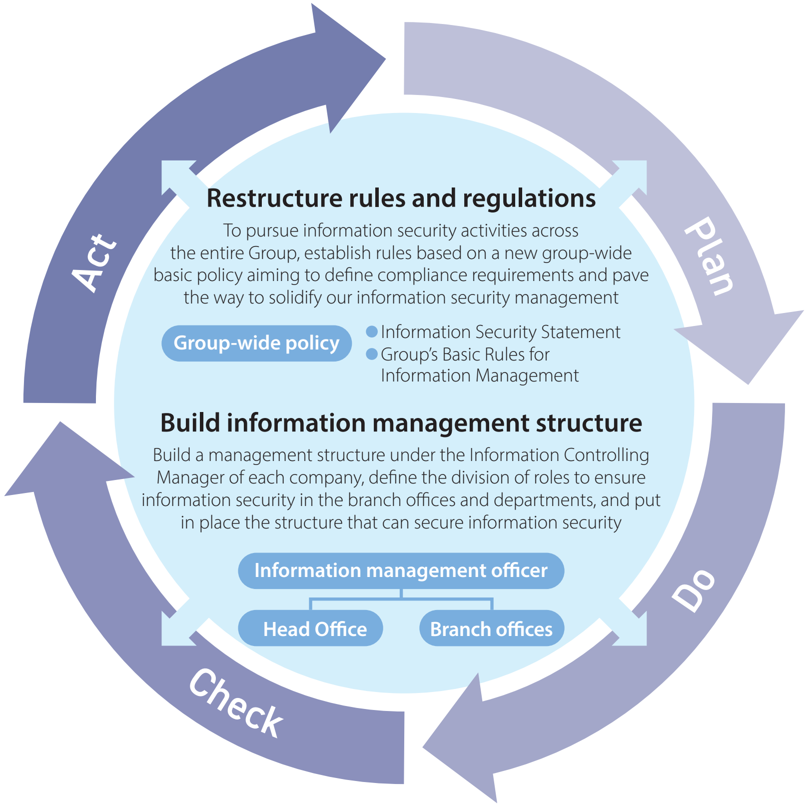
Risk information communication flowchart



Sustainability Report 2024: Various whistleblowing systems ▶ P.61

Information security

To continue to be a company that earns the trust of our customers, stakeholders, and society, we are working on various initiatives to appropriately handle, manage, protect, and maintain the information held by our group.



P	**Formulate annual plans** Plan for the current year's information security activities based on the previous year's activity results and improvements
D	**IT security measures** To response to information leakage and other risks due to external attacks and internal fraud, continue taking measures, such as internal fraud prevention, IT asset management, monitoring and support for terminals, and security measures for cloud use, and expand these measures to the Group companies. At the same time, add IT security personnel and continue professional training to improve their skills **Employee training** Regular training sessions to equip employees with general knowledge on information security. New employees are required to complete an e-learning program on information security basics when they join the Company
C	**Activities to secure information security (assessment, audits, and improvements)** To secure and enhance information security, introduce a self-assessment system for employees to check their own compliance with rules and regulations, and conduct regular information security audits
A	**Review and improve our activities** Review information security activities every year, reexamine the rules, regulations and information management structures, and optimize them regularly to match our actual situation

Financial Results, Corporate Information

Chapter 8

Chapter 8 Financial Results, Corporate Information

Management's Discussion and Analysis of Financial Position and Results of Operations

[MD&A summary]

Note: This section analyzes the financial position and results of operations during the six fiscal years from fiscal 2018 to fiscal 2023. For the list of financial data, see "Financial Highlights" on pages 113 and 114.

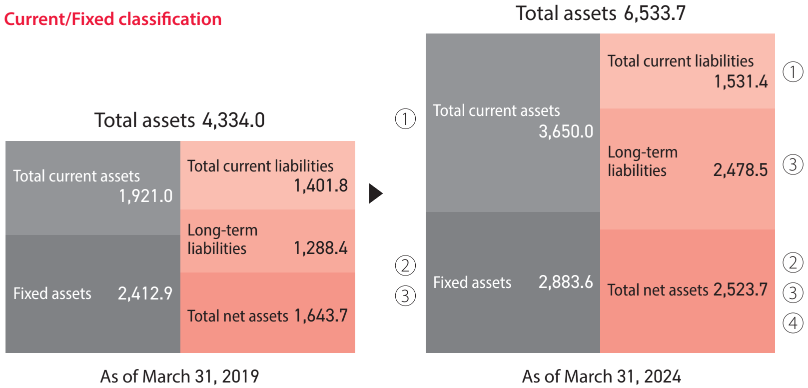
Financial position

Financial condition

Total assets as of the end of fiscal 2023 increased by ¥391.6 billion from the end of fiscal 2022 to ¥6,533.7 billion. This was mainly due to strengthened purchases of real estate for sales to promote built-for-sale business in each of the businesses and the increase in inventories, in particular for the Single-Family Houses and Commercial Facilities Businesses. Total liabilities increased by ¥256.8 billion from the end of fiscal 2022 to ¥4,009.9 billion. This was mainly due to fund raising through bond issuance and borrowing for the purpose of acquiring real estate for sale and investment properties. Total net assets increased by ¥134.8 billion from the end of fiscal 2022 to ¥2,523.7 billion. This was mainly because net income attributable to owners of the parent of ¥298.7 billion was recorded, which offset shareholder returns, including the ¥87.5 billion in dividends paid to shareholders and ¥87.1 billion in share buybacks. The balance of interest-bearing debt (excluding lease obligations) increased by ¥238.3 billion from the end of fiscal 2022 to ¥2,087.8 billion. The debt-equity (D/E) ratio came to 0.77*[1], higher than the target of around 0.6 for financial discipline. However, this owes to active investments in growth, and we are considering capital policies so as to adhere to financial discipline set out for the final fiscal year of the 7th Plan. At ¥2,287.7 billion, inventories account for the largest proportion of assets. As assets are expected to grow in the future due to the acquisition of inventories and investment properties, we will seek to maintain financial health by verifying the optimal capital structure.

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

Current/Fixed classification



Figures are compared with the final year of our Fifth Medium-Term Management Plan (fiscal 2018).

①The current ratio increased from 137% to 238%.

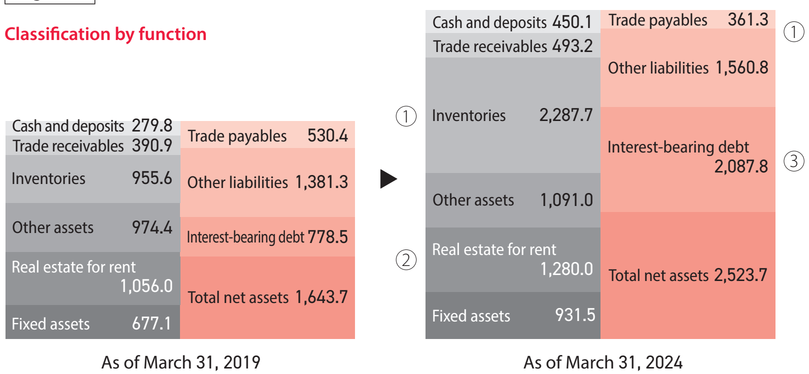
②The fixed ratio dropped from 151% to 118%.

③The ratio of fixed assets to long-term capital dropped from 84% to 59%.

④Net assets excluding non-controlling interests grew from ¥1,595.9 billion to ¥2,437.8 billion.

Figure 2

Classification by function



①Inventories increased from ¥955.6 billion to ¥2,287.7 billion (see **Figure 3**).

②Real estate for rent increased from ¥1,056.0 billion to ¥1,280.0 billion.

③Interest-bearing debt (excluding lease obligations) increased from ¥778.5 billion to ¥2,087.8 billion. As a result, the debt-equity ratio increased from 0.49 to 0.77 (after taking the hybrid financing into account).

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

I Financial position

Analysis of asset increases

Inventories as of the end of fiscal 2023 amounted to ¥2,287.7 billion, an increase of 139% compared to fiscal 2018. Major contributing factors include an increase in purchases of real estate for sale for customers considering buying investment properties in each business. The purchases increased, especially in the Rental Housing and Commercial Facilities Businesses, as we strengthened our "capacity to offer comprehensive business ideas on optimally leveraging a land property," one of our strengths. The rise in inventories is also the result of steady expansion of areas in the US housing market where our three US single-family housing companies (Stanley Martin, Trumark, and CastleRock) operate. Looking by segment, the Single-Family Houses Business, which is focused on actively developing built-for-sale business overseas, and the Logistics, Business and Corporate Facilities Businesses, which is selling off logistics facilities and other assets developed in Japan, accounted for a large proportion of inventories.

Investment properties totaled ¥1,595.0 billion, an increase of 48% over fiscal 2018. This includes ¥1,235.0 billion in real estate available for sale*[2], up 68%, and ¥360.0 billion in profit-earning real estate*[3], up 6%, indicating that the increase in real estate available for sale led to a rise in investment properties. This increase was chiefly due to our expanded investment in the development of logistics facilities, which is a profit driver.

The increase in assets is largely attributable to an increase in inventories and investment properties, which is a result of our aggressive investments for growth. Investment decisions are made based on the internal rate of return (IRR) as an important indicator, thus we believe these properties should help us recoup funds and yield profits when sold. In an effort to improve capital efficiency, we intend to continue selling properties at optimal times based on market conditions and other factors.

*2 Real estate available for sale refers to real estate that becomes readily salable after investment to earn profit from price rise.
*3 Profit-earning real estate means real estate that we developed to earn rental income.

Figure 3 Inventories

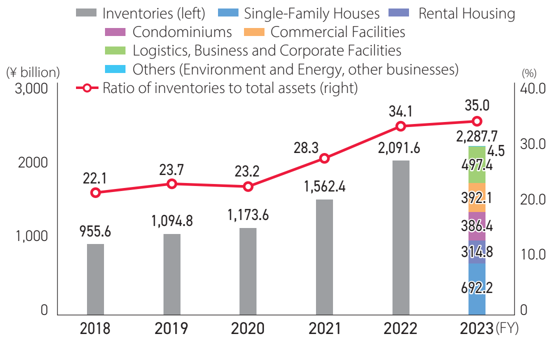
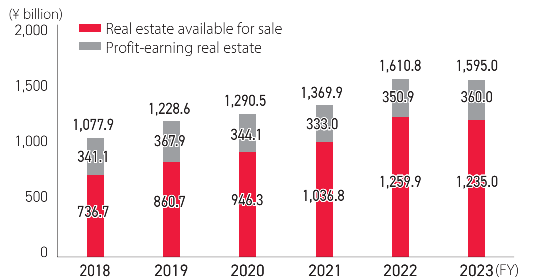


Figure 4 Balance of real estate development



II Cash flows

Basic approach

The basic approach to cash management is to invest in line with the amount of cash generated by business operations. While our 7th Plan sets a D/E ratio of about 0.6 as a criterion for financial discipline, we may exceed it temporarily due to frontloaded investment in growth as we must actively invest in attractive opportunities. To control the level of interest-bearing debt at around 0.6 in the medium to long term, we have set internal investment benchmark and apply them strictly, thereby balancing investment in growth with financial soundness.

Cash flow condition

Cash flows from operating activities during fiscal 2023 (adjusted for bank holidays) increased by ¥62.5 billion from fiscal 2022 to ¥292.8 billion. The ratio of cash flows from operating activities to net assets excluding non-controlling interests, assuming equity capital to be 1.0, was 0.12, up 0.02 points from 0.10 in fiscal 2022. This was mainly due to ¥455.8 billion recorded in income before income taxes, despite payment of corporate income tax and the purchase of real estate for sale. Cash flows from investing activities were - ¥310.4 billion, due to the acquisition of real estate for rent, etc. and the implementation of the ¥248.6 billion investment into the real estate development business based on the investment plan under the 7th Plan. As a result, free cash flows (cash flows from operating activities + cash flows from investing activities) were -¥17.6 billion. For cash flows from financing activities, despite progress with shareholder returns by way of dividend payments and share buybacks, we raised funds through bond issuances and borrowings for the purpose of acquiring inventories and investment properties. As a result, cash flows from financing activities come to ¥97.3 billion.

II Cash flows

As a result of the above, the balance of cash and cash equivalents at the end of fiscal 2023 was ¥439.5 billion, an increase of ¥93.4 billion from the end of the previous fiscal year.

Figure 5 Cash flows

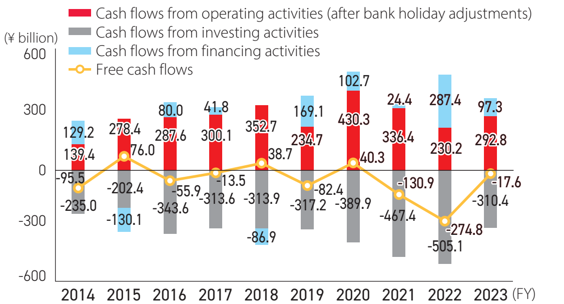
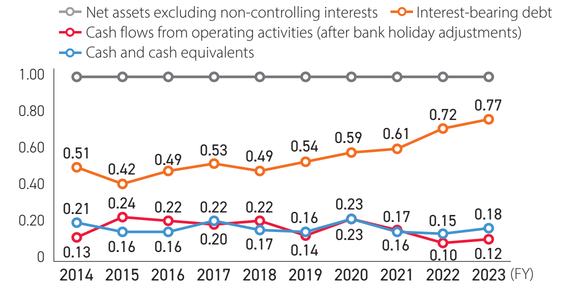


Figure 6 Indices to net assets excluding non-controlling interests (as a ratio where net assets excluding non-controlling interests is equal to 1)



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

III Profits and losses

Return on equity (ROE)

Return on equity (ROE) came to 12.7%. In the 7th Plan, we have set a management target of ROE of 13% or higher. In fiscal 2023, we sold the resort hotels business and removed listed subsidiary Cosmos Initia from consolidated accounts, but we will continue with efforts to improve capital efficiency from various perspectives, including optimization of the business portfolio and reductions in inefficient assets, achieving the target on the back of both profit growth and shareholder returns.

(Breakdown of ROE) Ratio of net income to net sales

Net income attributable to owners of the parent amounted to ¥298.7 billion and the average annual growth rate for the period of six years starting from fiscal 2018 was 4.7%. Net income margin was 5.7% and trending toward recovery, even excluding the impact from amortization of actuarial differences in retirement benefits. Despite escalating material prices and fuel costs still having an impact, the improvement in earnings for the hotels and other businesses that had been hurt considerably by the pandemic, led to an improved profit margin.

Figure 7 ROE

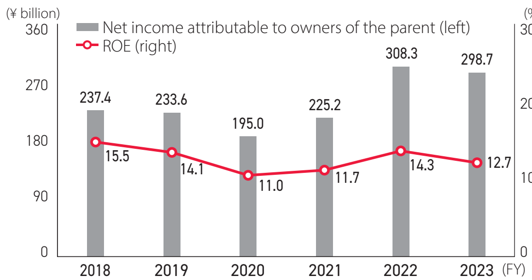
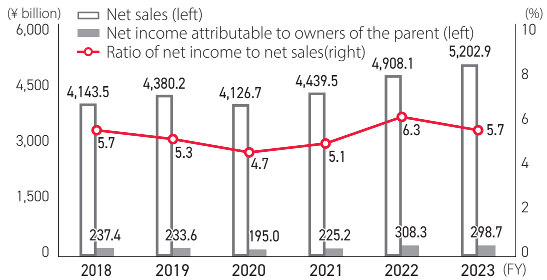


Figure 8 Ratio of net income to net sales



Cost of shareholders' equity	<	Return on equity (ROE)	=	Ratio of net income to net sales	×	Total asset turnover ratio	×	Financial leverage

(Our shareholders' equity cost: 7.0%)

Profits and losses

(Breakdown of ROE) Total asset turnover ratio

Net sales amounted to ¥5,202.9 billion and the average annual growth rate for the period of six years starting from fiscal 2018 was 4.7%. Total asset turnover ratio*4 was 0.82, declining 0.02 from the previous fiscal year. The Group's business used to be primarily construction contracting, but areas that require upfront investment such as real estate development are increasing their share of the overall total. In line with this, the proportion of sales from investment properties in net sales is rising (see Figure 10). We are also strengthening our built-for-sale business selling land and buildings. The inventory turnover ratio is likely to fall due to the change in our business model, but we will continuously seek to ensure and improve the effective utilization of assets through measures that may include encouraging the sale of inventories and also selling investment properties and cross-shareholdings while maintaining a balance between the stock business and the flow business.

*4 Average during the fiscal year.

Figure 9 Total asset turnover ratio

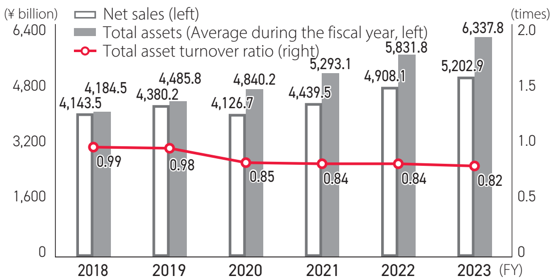
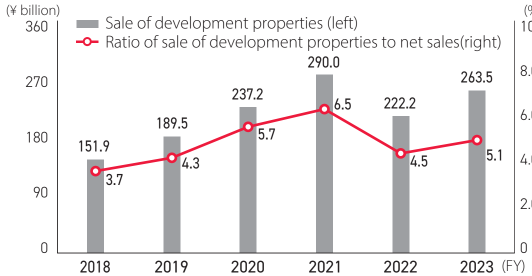


Figure 10 Sale of development properties

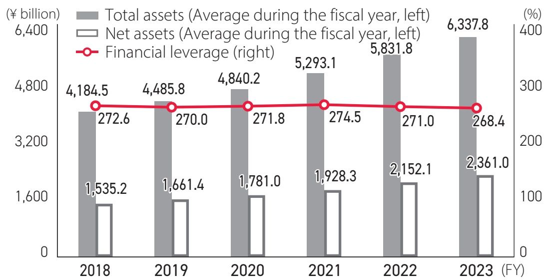


(Breakdown of ROE) Financial leverage

Net assets excluding non-controlling interests amounted to ¥2,437.8 billion and the average annual growth rate for the period of six years starting from fiscal 2018 was 8.8%. Our financial leverage*5 was 268.4%, down 2.6 percentage points from the previous fiscal year. By setting a D/E ratio as a financial benchmark, we strive to secure funds for growth investments and solidify our financial base while controlling the financial leverage.

*5 Total assets and net assets excluding non-controlling interests are calculated as averages during the fiscal year.

Figure 11 Financial leverage

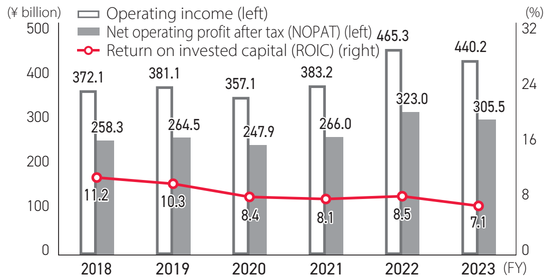


Return on invested capital (ROIC)

Net operating profit after tax (NOPAT)*6 was ¥305.5 billion and return on invested capital (ROIC), a ratio of NOPAT to the invested capital (= Net assets excluding non-controlling interests + Interest-bearing debt)*7 of ¥4,329.6 billion, was 7.1%. To realize return on invested capital with capital efficiency that exceeds the cost of shareholders' equity, we strive to improve ROIC at the frontline of business, with an attitude of "being complete in small things" as illustrated in Figure 13.

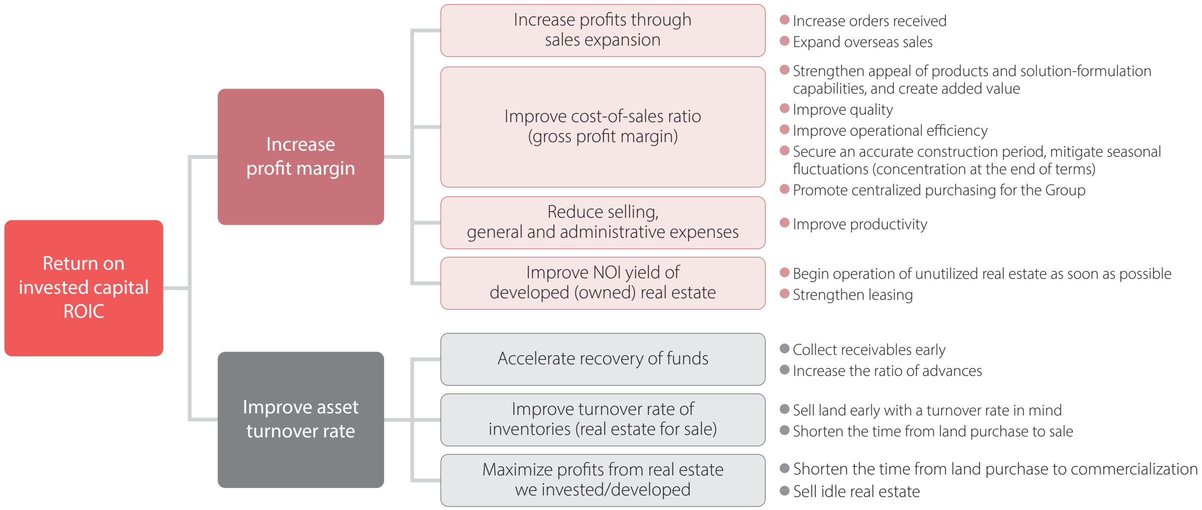
*6 Net operating profit after tax (NOPAT):
Operating income × (1 - Effective corporate income tax rate)
*7 Average during the fiscal year.

Figure 12 Return on invested capital (ROIC)



Profits and losses

Figure 13 Efforts to Improve Return on Invested Capital (ROIC) at Sites



Overseas business performance

Net sales and operating income from the overseas business amounted to ¥705.9 billion and ¥30.4 billion, respectively. The average annual growth rate for the period of six years starting from fiscal 2018 was 20.4% for net sales and 18.8% for operating income. The overseas business's weighting in our earnings is on an uptrend and has constantly exceeded 10% of total net sales. The Company is actively engaged in businesses overseas such as M&A of housing companies in the US and overseas real estate development. In the 7th Plan, we have set accelerating growth of community-based overseas business as one of the focal themes, and are targeting overseas net sales of ¥1 trillion and operating income of ¥100 billion in the final year of the 7th Plan.

Figure 14 Sales

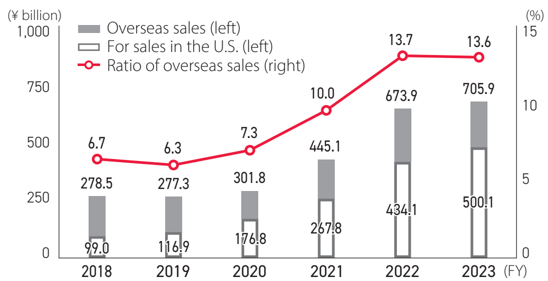
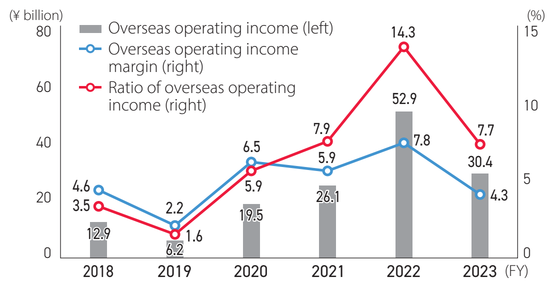


Figure 15 Operating income



IV Business results by segment

Profitability analysis

More than 85% of operating income is accounted for by the three segments of Rental Housing, Commercial Facilities, and Logistics, Business and Corporate Facilities.

Although the Environment and Energy Business constituted only 2% of net sales, the Company is working actively to contribute to the spread of renewable energy to realize a carbon-free society.

For the Single-Family Houses Business, we expect a decline in the number of new housing starts but are striving to improve profit margin by pursuing managerial reform, centered on strengthened built-for-sale business.

Operating income margin to segment assets

Inventory balance is increasing due to the promotion of built-for-sale business, but the Rental Housing Business showed higher operating income margins to segment-specific assets, thanks to contribution from the contracting business and rental management business.

In the Logistics, Business and Corporate Facilities Business, we are aggressively investing in long-term large-scale developments to address the growing markets of logistics facilities and data centers. The current return on assets is at a low level because construction investment is currently underway in the land we acquired, but is expected to significantly contribute to cash flows at the time of payback in the future.

Investments in businesses

With regard to investments in businesses, we are working to maintain aggressive investment with a view to sustainable growth. Our investment is expanding in the Logistics, Business and Corporate Facilities Business centered on logistics facilities as a profit driver, and in the Commercial Facilities Business which brings out the potential of regions and contribute to job creation and prosperity. In addition, investments in new businesses and overseas businesses, etc. will be made to develop new revenue streams through the use of funds generated by the above-mentioned segments.

[Business segments]
Single-Family Houses | Rental Housing | Condominiums | Commercial Facilities | Logistics, Business and Corporate Facilities | Environment and Energy | Other

Figure 16 [Business segments] Operating income margin/ Net sales ratio by segment (FY2023)

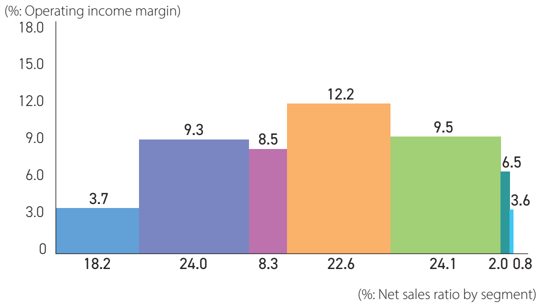
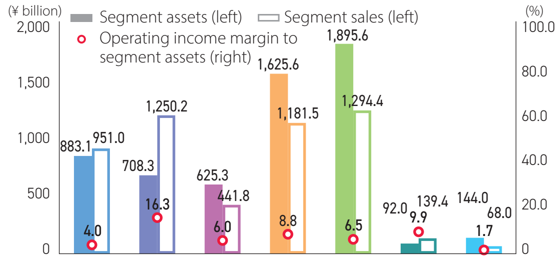
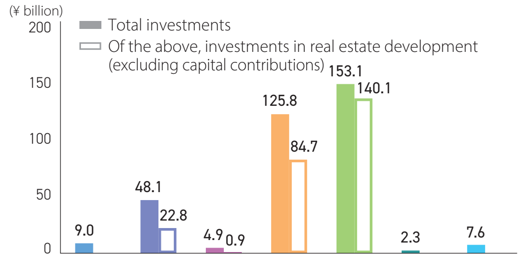


Figure 17 Operating income margin to segment assets (FY2023)



Note: Segment assets are averages during the fiscal year.

Figure 18 [Business segments] Total investments (FY2023)



V Investments

Returns to employees

One of the essential elements for sustaining growth is to maintain and improve the living environment of employees. Employee salaries in fiscal 2023 on a non-consolidated basis increased by ¥11.4 billion from fiscal 2018 (an average increase of 6.3% or ¥572,000 per employee).

The ratio of employee salaries to operating income*8 was 39%, showing no significant change in fiscal 2023. For the third consecutive year, we increased base pays in April 2024 and will actively promote investments in human resources, which are the important source for growth.

*8 Employee salaries/(Operating income + Employee salaries)
Employee salaries include bonuses and non-standard wages.

IT-related investments and research and development (R&D)

IT-related investments in fiscal 2023 were ¥28.7 billion, an increase of 137% over fiscal 2018. IT-related investments are positioned as key for promoting new value proposals and business model changes by improving the quality of services for customers, strengthening supply chains, and back office digitalization. Therefore, we will continue actively investing funds in this area.

R&D expenditures in fiscal 2023 were ¥10.9 billion, of which ¥4.4 billion was for the housing field, and ¥6.4 billion for the business field and other businesses. Our research and development activities range from basic and applied research to the development of new technologies and new products, and further to utilization and verification of these new technologies in architectural structures and community development.

Capital investments

Capital investments (excluding investments in real estate development) were ¥107.1 billion. We are working to upgrade factories in Europe and Japan and improve production lines. We opened a new factory in Germany for modular construction in September 2023. Modular construction is a method of construction where building units are made in factories for assembly on work sites. It not only shortens construction times but also contributes to the circular economy by enabling recycling of waste in factories and disassembled steel frame units. The German factory has the production capacity to meet diverse needs, including for seniors facilities, for which demand is likely to be considerable, as well as for apartments and school dormitories. Additionally, to tackle the construction industry's challenge of a decrease in the number of engineers and technicians, we are also aggressively investing in digital transformation (DX) to advance the digitalization of the construction process.

Figure 19 Ratio of employee salaries to operating income (non-consolidated)

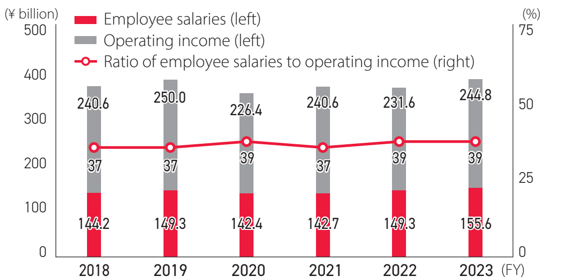


Figure 20 IT-related investments/ Research and development expenditures

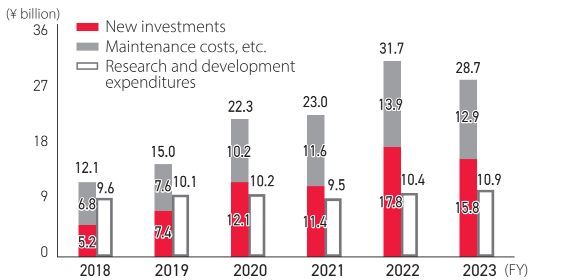
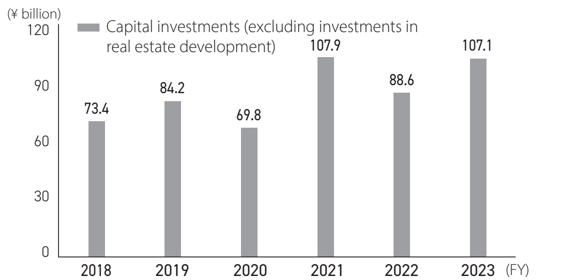


Figure 21 Capital investments (excluding investments in real estate development)



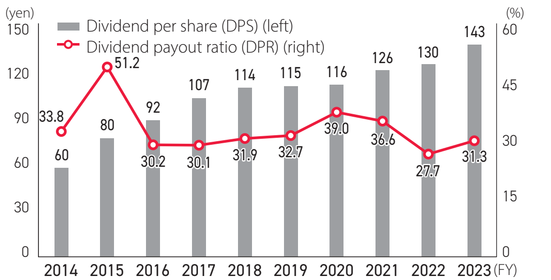
VI Shareholder returns and stock prices

Shareholder returns

In fiscal 2023, our annual dividend was ¥143 per share, for a dividend payout ratio of 31.3%, achieving dividend increases for 14 consecutive periods. The dividend payout ratio was 31.3%, which would be 35.1% when excluding amortization of actuarial differences in retirement benefits. Our 7th Plan increased the target payout ratio to 35% or more, up 5 percentage points from the previous 30%. We return profits to shareholders in line with business performance, and from fiscal 2024, we have revised our minimum annual dividend from ¥130 to ¥145 as we work to maintain even greater stability with dividends.

In addition, 7 million shares of the Company's own stock were cancelled in May 2023, and a buyback of 17.18 million shares (at a total acquisition cost of ¥79.9 billion) was carried out in January 2024.

Figure 22 Shareholder returns



Note: The changes in the dividend payout ratio for fiscal 2015 and fiscal 2022 are mainly due to the revision of discount rates used to calculate retirement benefit obligations.

Price to book-value ratio (PBR)

Book value per share (BPS) amounted to ¥3,810.21 and the average annual growth rate for the period of six years starting from fiscal 2018 was 9.6%. Price to book-value ratio (PBR) came to 1.19 times, marking an improvement from the year-earlier PBR of below 1.00 times. However, we are not satisfied with the current share price and will work to improve capital efficiency through continuous ROE improvement and optimization of the business portfolio. Furthermore, we work to enhance our financial soundness and governance and optimize corporate value through dialogue with investors through our IR activities.

Figure 23 BPS/ PBR

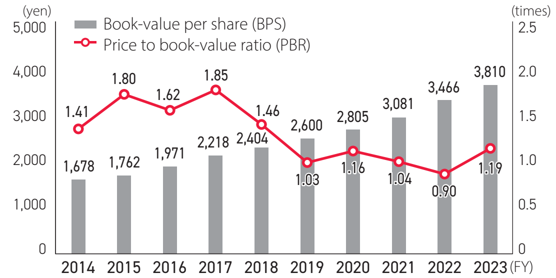
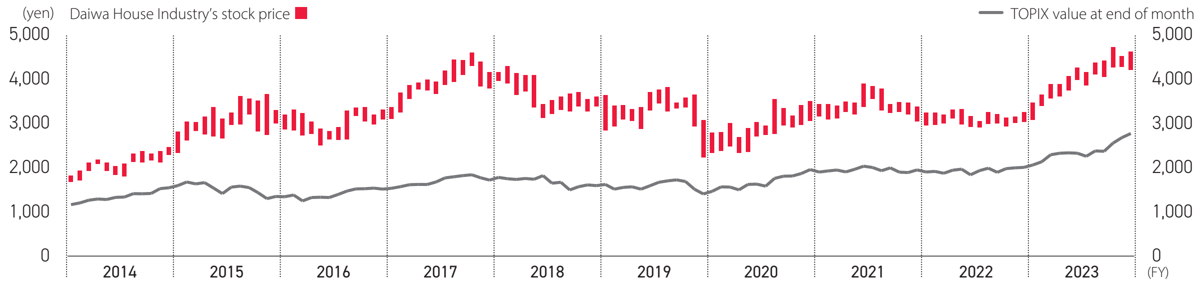


Figure 24 Trends in stock price of Daiwa House Industry and TOPIX



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Market capitalization (¥ billion)	1,562.0	2,101.6	2,120.6	2,725.4	2,335.9	1,777.9	2,120.3	2,098.7	2,051.7	2,897.1
Highest stock price (yen)	2,467.5	3,654	3,367	4,594	4,293	3,819	3,552	3,900	3,320	4,718
Lowest stock price (yen)	1,673	2,326	2,500.5	3,096	3,119	2,230.5	2,332	3,037	2,907.5	3,080

Note: The highest and lowest stock prices are those quoted on the First Section of the Tokyo Stock Exchange before April 3, 2022, and on the Prime Market of the Tokyo Stock Exchange after April 4, 2022. Market capitalization is calculated as end-fiscal year close price x end-fiscal year total issued shares (excluding treasury shares).

Financial Highlights

(¥ million)

Fiscal Year	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net sales	3,192,900	3,512,909	3,795,992	4,143,505	4,380,209	4,126,769	4,439,536	4,908,199	5,202,919
Gross profit	632,417	721,312	793,832	842,767	870,206	826,883	864,682	955,194	992,407
Selling, general and administrative expenses	389,316	411,220	446,690	470,571	489,091	469,761	481,425	489,824	552,197
Operating income	243,100	310,092	347,141	372,195	381,114	357,121	383,256	465,370	440,210
Operating income excluded amortization of actuarial differences	—	293,573	336,264	369,178	378,245	329,472	332,267	368,714	393,694
Operating income margin (%)	7.6	8.8	9.1	9.0	8.7	8.7	8.6	9.5	8.5
Net income attributable to owners of the parent	103,577	201,700	236,357	237,439	233,603	195,076	225,272	308,399	298,752
Return on equity (ROE) (%)	9.1	16.3	17.0	15.5	14.1	11.0	11.7	14.3	12.7
Total assets	3,257,805	3,555,885	4,035,059	4,334,037	4,627,388	5,053,052	5,521,662	6,142,067	6,533,721
Net assets	1,181,986	1,329,901	1,513,585	1,643,717	1,773,388	1,893,504	2,111,385	2,388,914	2,523,762
Net assets ratio (%)	35.9	36.8	36.5	36.8	37.3	36.3	36.6	37.2	37.3
Interest-bearing debt	491,964	640,671	780,574	778,546	1,043,478	1,274,886	1,425,407	1,849,481	2,087,838
Debt-equity ratio*1 (times)	0.42	0.49	0.53	0.49	0.54	0.59	0.61	0.72	0.77
Net cash provided by operating activities	278,497	287,691	382,365	355,599	149,651	430,314	336,436	230,298	302,294
Net cash used in investing activities	△202,447	△343,643	△313,664	△313,989	△317,273	△389,980	△467,423	△505,181	△310,419
Net cash provided by (used in) financing activities	△130,185	80,086	41,804	△86,979	169,128	102,731	24,427	287,452	97,399
Market capitalization (¥100 million)	21,016	21,206	27,254	23,359	17,779	21,203	20,987	20,517	28,971
Stock prices (FYE) (yen)	3,166	3,196	4,100	3,519	2,677	3,241	3,201	3,114	4,528
Per share of common stock (yen):									
Earnings per share (EPS)	156.40	304.14	355.87	357.29	351.84	297.18	343.82	469.12	457.16
Book-value per share (BPS)	1,762	1,971	2,218	2,404	2,600	2,805	3,081	3,466	3,810
Cash dividends*2	80	92	107	114	115	116	126	130	143
Dividend payout ratio (%)	51.2	30.2	30.1	31.9	32.7	39.0	36.6	27.7	31.3
Price earnings ratio (PER) (times)	20.24	10.51	11.52	9.85	7.61	10.91	9.31	6.64	9.90
Price to book-value ratio (PBR) (times)	1.80	1.62	1.85	1.46	1.03	1.16	1.04	0.90	1.19
Number of employees*3 (FYE)	37,191	39,770	42,460	44,947	47,133	48,807	48,831	49,768	48,483
Number of group companies	172	196	317	387	360	444	480	488	497

*1 Since fiscal 2019, debt-equity ratio has been shown after taking the hybrid financing into account.
*2 Cash dividends for fiscal 2015 include a commemorative dividend of ¥10 to mark the 60th anniversary of the Company's foundation. Cash dividends of ¥126 for fiscal 2021 include a commemorative dividend of ¥10 to mark the 100th birthday of founder Nobuo Ishibashi. *3 Regular employees only.

Fiscal Year	2015	2016	2017	2018	2019	2020	2021	2022	2023
Sales by segments (consolidated)*4 (¥100 million)									
Single-Family Houses	3,783	3,903	3,853	3,838	4,978	5,161	7,848	9,100	9,510
Rental Housing	8,801	9,772	10,308	10,613	10,059	9,827	10,525	11,494	12,502
Condominiums	2,793	2,628	2,850	2,805	3,727	3,397	3,799	4,843	4,418
Existing Homes	955	1,055	1,121	1,145	1,456	1,247	—	—	—
Commercial Facilities	4,955	5,697	6,208	6,939	8,067	8,083	10,385	10,921	11,815
Logistics, Business and Corporate Facilities	7,363	8,284	8,502	10,223	11,523	9,899	10,792	11,302	12,944
Environment and Energy	—	—	—	—	—	—	1,610	1,886	1,394
Other Businesses	4,588	5,135	6,371	7,161	5,300	5,073	630	818	680
Adjustment	(1,311)	(1,349)	(1,256)	(1,293)	(1,311)	(1,423)	(1,197)	(1,285)	(1,238)
Total	31,929	35,129	37,959	41,435	43,802	41,267	44,395	49,081	52,029
Operating income by segments (consolidated)*4 (¥100 million)									
Single-Family Houses	165	192	215	199	180	218	383	466	351
Rental Housing	819	942	1,066	1,022	985	908	966	1,097	1,157
Condominiums	157	134	133	135	158	53	97	408	373
Existing Homes	112	130	132	159	167	104	—	—	—
Commercial Facilities	803	1,007	1,141	1,377	1,406	1,228	1,241	1,329	1,436
Logistics, Business and Corporate Facilities	680	789	889	989	1,206	1,159	1,255	996	1,232
Environment and Energy	—	—	—	—	—	—	52	62	91
Other Businesses	95	168	230	325	192	107	(59)	54	24
Adjustment	(403)	(265)	(337)	(486)	(487)	(209)	(105)	237	(265)
Total	2,431	3,100	3,471	3,721	3,811	3,571	3,832	4,653	4,402
Housing starts*5 (thousands of units)									
Housing starts	921	974	946	952	883	812	865	860	800
Number of houses sold in Japan (non-consolidated) (units)									
Number of houses sold	51,207	54,925	51,641	48,410	43,703	38,991	40,758	40,562	37,453
Custom-built houses	6,999	7,106	6,907	6,524	5,917	5,178	5,164	4,191	3,424
Built-for-sale houses	2,333	2,180	2,320	2,192	2,066	1,841	1,596	1,571	1,760
Reference: Sales of houses (overseas)	—	—	973	2,621	2,875	4,184	4,857	6,332	6,971
Rental housing	38,903	43,428	40,254	37,905	33,502	29,488	31,202	32,224	29,841
Condominiums	2,972	2,211	2,160	1,789	2,218	2,484	2,796	2,576	2,428
Average sales per unit (¥ million)									
Custom-built houses	33.7	34.3	35.9	37.3	39.6	39.6	41.0	45.1	49.0
Built-for-sale houses	24.5	25.3	24.0	24.3	22.4	23.1	24.2	24.6	24.7
Rental Housing Business									
Rental housing units managed	471,342	510,208	543,124	572,238	595,182	611,874	630,555	649,891	684,460
Occupancy rates (%)	97.4	97.1	97.3	96.9	97.6	98.2	98.2	97.8	97.2
Commercial Facilities Business									
Average orders received per building (¥ million)	222	281	324	381	466	512	513	563	736
Subleasing floor space of commercial facilities									
Total leasing floor space (m^2)	5,441,604	5,736,312	6,157,287	6,375,278	6,765,150	6,871,560	6,964,194	7,163,733	7,272,122
Occupancy rates*6 (%)	99.2	99.1	99.1	99.0	98.8	98.5	98.6	98.9	98.9

*4 Including intersegment transactions. *5 Statistics for housing starts are from Housing Starts Survey by Ministry of Land, Infrastructure, Transport and Tourism. *6 Leasing floor space occupied/ Total leasing floor space.

Non-Financial Highlights

Carbon neutral indicators

Key indicators			Achievements (FY)		Targets (FY)	
			2022	2023	2026	2030
Achieving carbon neutrality	Entire value chain	GHG emissions reduction rate (%)*1	23.5	35.6	35	40
	Business Activities: Scope 1 + 2	GHG emissions reduction rate (%)*1	33.5	-26.3	55	70
		Renewable energy utilization rate (purchased electricity only) (%)*2	41.5	95.9	100	100
		Renewable energy utilization rate (all electricity used) (%)	41.5	81.8	100	100
	Building use: Scope 3 (Category 11)*6	GHG emissions reduction rate (%)*1	39.3	52.2	58	63
		ZEH rate (%)*2	86	97	90	100
		Rental housing ZEH-M rate (%)*3	14.2	48.7	50	100
		Condominiums ZEH-M rate (%)*4	67.5	90.5	100	100
		ZEB rate (%)*5	65.7	68.5	80	100
	Renewable energy supply facilities constructed	Renewable energy generation equipment constructed (EPC) (MW)*6	2,706	3,075	4,200	5,000
		Renewable energy power plants developed and operated (IPP) (MW)*7	602	700	1,550	2,500
	Solar panel installation rate (non-residential)	Commercial Facilities Business (non-consolidated) (%)*8	32.2	40.1	Principles 100	
		Logistics, Business & Corporate Facilities Business (non-consolidated) (%)*8	61.8	62.2		

*1 vs FY2015
*2 Contracting and the subdivision development (built-for-sale) operated by Daiwa House Industry(non-consolidated) (in Japan excluding Hokkaido). Construction start basis.
*3 Contracting and the subdivision development (built-for-sale) and development real estate operated by Daiwa House Industry(non-consolidated) (domestic only). Construction start basis.
*4 Total of Daiwa House Industry (non-consolidated) and Cosmos Initia (results through February 2024 for consolidated companies), excluding joint ventures managed by other companies (domestic only). Construction start basis.
*5 Total of Daiwa House Industry, Daiwa Lease, and Fujita. Only in Japan, construction start basis, percentage of land area.
*6 Cumulative total since FY2011
*7 In-house consumption is excluded
*8 Results for FY2022 (second half of the fiscal year). Construction start basis, percentage of facilities.

Human Capital Indicators

Key indicators			Achievements (FY)			Targets
			2021	2022	2023	
Increase the value of our human capital	Recruitment	Ratio of newly employed females to total new employees (%)	25.8 (April 1, 2022)	24.9 (April 1, 2023)	27.6 (April 1, 2024)	30
		Number of career hires	64	145	182	—
	Diversity	Ratio of female employees in management (%)	4.9 (April 1, 2022)	5.2 (April 1, 2023)	5.8 (April 1, 2024)	8 (April 1, 2027)
		Ratio of female section chiefs (%)	19.2 (April 1, 2022)	21.3 (April 1, 2023)	23.4 (April 1, 2024)	25 (April 1, 2027)
		Ratio of employment of persons with disabilities (%)	2.46 (April 1, 2022)	2.50 (April 1, 2023)	2.48 (April 1, 2024)	2.70 (April 1, 2026)
		Ratio of retention of young employees (three years after joining the Company) (%)*1	76.6 (April 1, 2022)	76.6 (April 1, 2023)	77.6 (April 1, 2024)	85
		Ratio of seniors who continue to be employed at age 65 (%)	60.9 (April 1, 2022)	49.4 (April 1, 2023)	55.2 (April 1, 2024)	—
	Health management	Percentage of employees receiving periodic medical examinations (%)	100	100	100	Early achievement of 100%
		Percentage of follow-up testing of patients who were required to receive detailed tests or medical treatment (%)	91.0	95.3	89.5	Early achievement of 100%
	Childbirth and childcare	Ratio of male employees taking childcare leave (%)*2	41.9	62.2	66.5	80
		Lump-sum payment program for fostering the next generation (number of recipients/ amounts: ¥ million.)*3	636/636	643/643	609/609	—
	Employment	Percentage of paid leave taken (%)	57.3	56.4	65.5	—
	Equity	Gender wage gap (ratio of average income of female to male employees) (%)*4	60.7	61.5	61.6	—
	Career support	Number of Multi-Experiential Career Support Program users*5	—	58	78	—

Note: The figures in human capital indicators are for Daiwa House Industry (non-consolidated) only.

*1 Retention rate of regular recruits three years after joining the Company in each fiscal year
*2 In an in-house questionnaire conducted in 2020 and 2024, 80% of male employees said that they wanted to take childcare leave. Therefore, the target for the end of the 7th Medium-Term Management Plan (FY 2026) was set at 80%.
*3 Cumulative total since the introduction of the system Payments in 2005 : ¥12,471 million
*4 Percentage of full-time employees
*5 Career support program focusing on internal and external side jobs

Corporate Data (as of June 27, 2024)

Corporate name	Daiwa House Industry Co., Ltd.
Foundation	April 5, 1955 (Established: March 4, 1947)
Paid-in capital	¥161,957,152,677
Employees (consolidated)	48,483 (as of March 31, 2024)
Securities traded	Prime Market of the Tokyo Stock Exchange
Securities code	1925
Head office	3-3-5 Umeda, Kita-ku, Osaka 530-8241, Japan Phone: +81-6-6346-2111
Tokyo Head office	3-13-1 Iidabashi, Chiyoda-ku, Tokyo 102-8112, Japan Phone: +81-3-5214-2111
Offices (9)	Kita-Nihon, Kita-Kanto, Higashi-Kanto Minami-Kanto, Hokuriku, Chubu Chugoku, Shikoku, Kyushu
Branches	43
Factories	9
Research center	Central Research Laboratory (Nara)
Training center	Daiwa House Group MIRAI KACHI KYOSO Center (Nara)
Countries and regions with overseas operations	25 countries, 50 cities
Contact	Daiwa House Industry Co., Ltd. IR Department, Management Administration Headquarters Phone: +81-6-6225-7804 e-mail: dh.ir.communications@daiwahouse.jp
Website	https://www.daiwahouse.com/English/

Board of Directors, Audit & Supervisory Board and Executive Officers (as of June 27, 2024)

Board of Directors (14)

Representative Director and President, CEO	Keiichi Yoshii
Representative Director and Executive Vice President, CFO	Takeshi Kosokabe
Representative Director and Executive Vice President	Yoshiyuki Murata
Director and Senior Managing Executive Officers	Keisuke Shimonishi Hirotsugu Otomo
Director and Managing Executive Officers	Kazuhito Dekura Yoshinori Ariyoshi Toshiya Nagase
Outside Directors	Yukinori Kuwano Miwa Seki Kazuhiro Yoshizawa Yujiro Ito Tomokazu Nanbu Tomomi Fukumoto

Audit & Supervisory Board (6)

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

Managing Executive Officers (8)

Tatsuya Urakawa, Koji Harano, Eiichi Shibata, Yukikazu Kataoka, Yuji Yamada, Moritaka Noumura, Tetsuya Tamura, Junko Ishizaki

Senior Executive Officers (15)

Nobuhito Ishibashi, Katsuyuki Murai, Tetsuro Wada, Masafumi Sugimoto, Hiroshi Kono, Norio Togashi, Takafumi Nakao, Kenichi Yoshioka, Hirotaka Najima, Kazumi Suwa, Shigeki Ochiai, Hideto Tamiya, Yuichi Sugiura, Yoshimune Morizumi, Ryuichi Oyaide

Executive Officers (32)

Taro Kawamura, Takehiro Uchiyama, Masataka Kanai, Masaaki Kikuchi, Yoshinori Iwabuchi, Shingo Suzuki, Masatoshi Hatta, Akihiko Wada, Keisuke Izumoto, Toshiyuki Suminaga, Katsunori Nobe, Toshiki Tanaka, Ryuzo Matsuyama, Shinichi Yamazaki, Masao Kita, Naoya Honda, Tadahiro Takayoshi, Noboru Higuchi, Kazuya Mukai, Yoshimitsu Kojima, Akira Matsuba, Shinji Tanioku, Tetsuo Hatta, Takeshi Wakita, Akira Kitamura, Yoichi Shimoyama, Eiji Saito, Takahiro Zaitsu, Masao Noshi, Masayuki Kanda, Masatoshi Sarashina, Soei Iwamoto

Share Information (as of March 31, 2024)

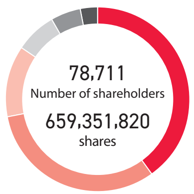
Authorized .... 1,900,000,000 shares
Issued .... 659,351,820 shares
Number of shareholders 78,711

Principal shareholders

Name of shareholders	Thousands of shares	Equity stake (%)
The Master Trust Bank of Japan, Ltd. (trust account)	100,083	15.64
Custody Bank of Japan, Ltd. (trust account)	43,891	6.86
Daiwa House Industry Employee Shareholders Association	14,465	2.26
STATE STREET BANK WEST CLIENT - TREATY 505234	13,348	2.09
Sumitomo Mitsui Banking Corporation	12,893	2.02
Nippon Life Insurance Company	11,944	1.87
JPMorgan Securities Japan Co., Ltd.	10,120	1.58
SSBTC CLIENT OMNIBUS ACCOUNT	8,858	1.38
JP MORGAN CHASE BANK 385781	8,390	1.31
National Mutual Insurance Federation of Agricultural Cooperatives	7,689	1.20

Note1: The Company holds 19,529 thousand shares as treasury stock, but it is not included in the above list.
Note 2: The ratio of the number of shares held to the total number of issued shares (excluding treasury shares) is rounded down to the three decimal places.

Shareholdings by shareholders



	Number of shareholders	Shares	Equity stake (%)
Financial institutions	180	264,202,766	40.1
Foreign investors	1,167	211,318,626	32.0
Individuals and others	75,825	82,143,229	12.5
Other corporations	1,493	48,253,908	7.3
Securities companies	45	33,904,238	5.1
Treasury stock	1	19,529,053	3.0

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

Editorial Postscript

Targeting the next ¥5 trillion to make Our Hopes for the Future happen

Yuji Yamada
Managing Executive Officer
In charge of Finance and IR

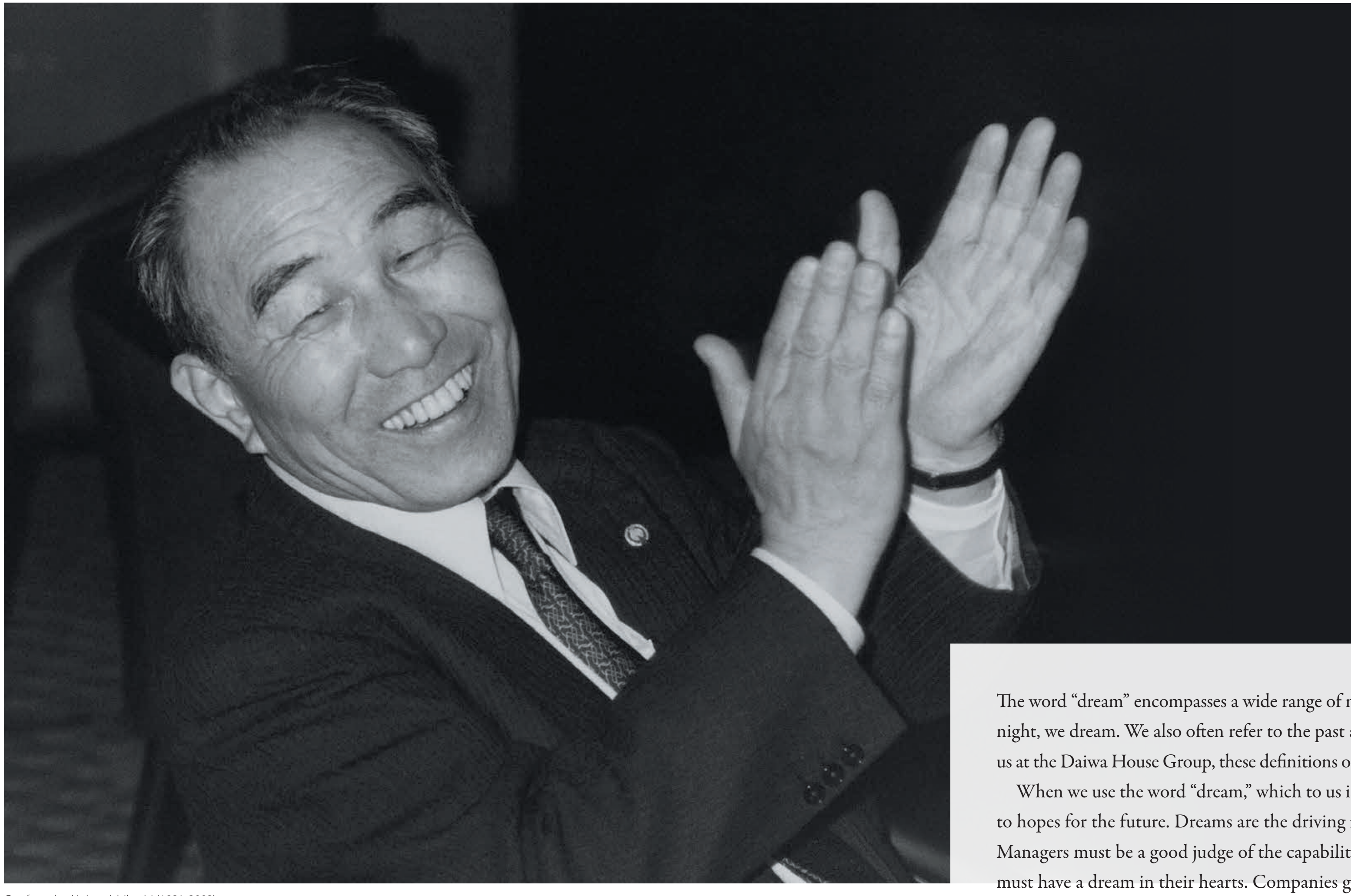
This year, Daiwa House Group attained net sales of ¥5 trillion ahead of the 70th anniversary of our founding in 2025. I would like to express my heartfelt gratitude to the support of our shareholders, institutional investors, and all other stakeholders.

"Our Hopes for the Future (Our Future Landscape: Celebrating the Joys of Life)" is our compass as we implement our sustainability strategy for business and infrastructure in the journey to our centennial in 2055. It was adopted in May 2022 after a series of discussions about the future society we want to create, incorporating the views of diverse stakeholders. We aim to achieve sustainable growth by performing the role of creating social infrastructure and lifestyle culture rooted in regeneration and circularity, converting the joy we create for people into economic value to the tune of ¥10 trillion in net sales.

We are putting into practice management with an awareness of cost of capital and our share price. Our PBR was 1.1 times at the end of May 2024; we are aware that we have challenges, including the improvement of profitability. Although Japan has had a zero interest-rate policy for many years, we will once again become a country with positive interest rates. To ensure that employees were aware of interest rates' importance, Daiwa House's founder used to tell them that interest works for us even while we sleep. We need to make sure all employees are conscious of interest rates, and to deliver the message internally and to the public that our capital efficiency is improving, because our recent growth investments have exceeded the cost of capital. We intend to make solid progress by optimizing our business portfolio while preserving the uniqueness of Daiwa House and accelerating our investment in people and digital transformation, in preparation for the next stage of growth.

In closing, we would like to express our appreciation to all who have taken the time to read this report. We hope stakeholders will continue to deepen their understanding of the Group's business activities and provide even greater support as we move forward.

Our Communications at a Glance



Our founder, Nobuo Ishibashi (1921-2003)

The word "dream" encompasses a wide range of meanings. When we go to sleep at night, we dream. We also often refer to the past as "seeming like a dream." But for us at the Daiwa House Group, these definitions of the word can be put to one side.

When we use the word "dream," which to us is very important, we are referring to hopes for the future. Dreams are the driving force behind great achievements. Managers must be a good judge of the capabilities of their staff. Employees, too, must have a dream in their hearts. Companies grow along with the realization of such dreams. A company's management and staff must all keep on trying to make their dream reality, and must never give up.

Our founder, Nobuo Ishibashi

Daiwa House Industry Co., Ltd.

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