

Messages from the CEO and COO

Daiwa House Industry's CEO and COO explain progress toward the goals of our Seventh Medium-Term Management Plan and how we, driven by the desire to be of service to society, conduct business to generate a positive cycle of environmental, social, and economic value. They also talk about the challenges and strategies for Embracing the Joys of Life as stated in Our Hopes for the Future (Purpose) and achieving the founder's dream of ¥10 trillion in sales by our centennial.

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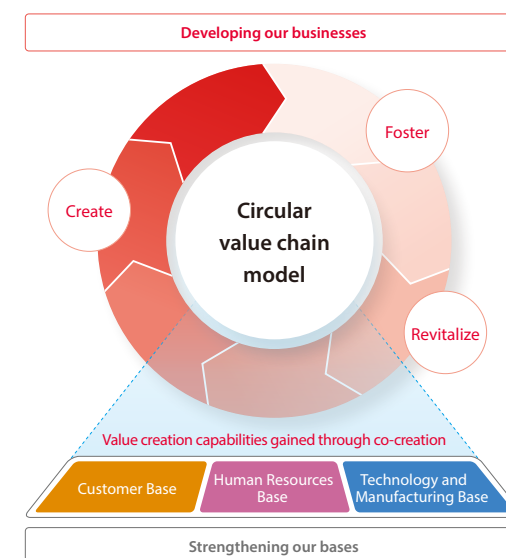
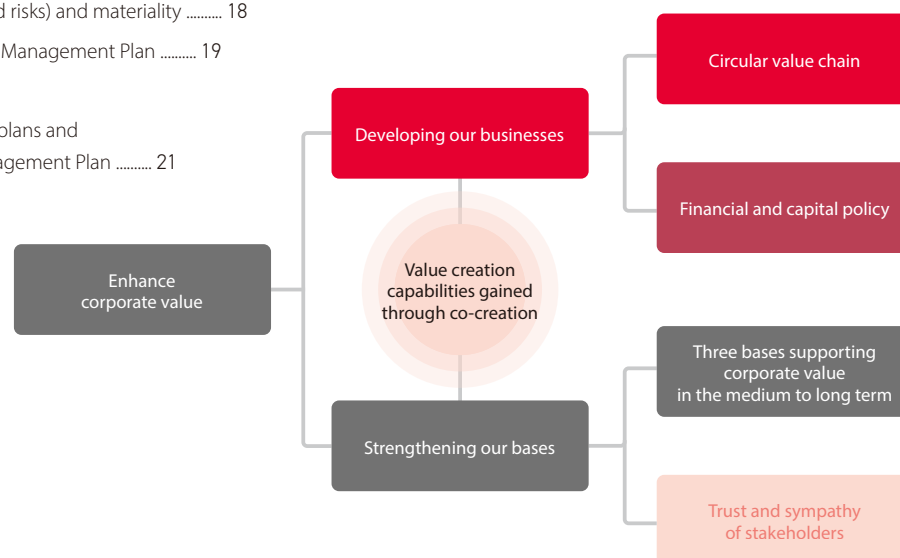
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Chapter 1 Messages from the CEO and COO

Message from the CEO

Training new leadership talent as we pursue ¥10 trillion in sales by our centennial

Keiichi Yoshii

Keiichi Yoshii
Chairman, CEO

70-year journey under founder's spirit

The Daiwa House Group celebrated its 70th anniversary on April 5, 2025. We got where we are today thanks to partner companies, customers, and suppliers as well as our predecessors and other employees. This growth would not have been possible if we had not been blessed with excellent people. My sincerest thanks to all those who believed in, supported, and collaborated with us.

The journey so far is a result of our founder and generations of managers making major decisions to swiftly adapt to the demands of the day. I believe that our ongoing growth is because we developed businesses in line with our founder's spirit: *Don't do things because they will make a profit, but because they will be of service to society.* We consistently return to this starting point to

provide new products and services meeting contemporary societal needs. The aspirations of our predecessors, who ran the business always with an eye beyond the horizon, live on. The resulting Group encompasses over 600 companies that can deliver end-to-end community development. Solid relationships of trust with stakeholders make this possible. We developed businesses firmly rooted in their localities as we created communities throughout Japan, which contributed to regional vitality and cultural development, and undeniably boosted our Group's appeal.

We have always valued engaging with our customers, whether both private individuals or businesses, with the same care and sincerity as when someone entrusts us with building their home. In all our businesses, our relationships with stakeholders do not end with handover. We remain close to our customers, tenants, and facility



users so as to be able to respond to any problems they may have.

Our founder did not tolerate going through the motions. His view that “stagnation is retreat” is deeply ingrained in our psyches. I believe that our ongoing growth today, when we have sales of over ¥5 trillion, is attributable to this thriving startup spirit.

In December 2022, we decided to sell a business that our founder had nurtured, resort hotels. We reached this difficult decision after contemplating whether we were indeed the best owner for the employees who worked at our hotels and local communities. I believe this showed our investors and shareholders that we are serious about optimizing our business portfolio.



Leveraging our Group's broad business portfolio to develop businesses rooted in the community

I took over responsibility for our overseas businesses upon passing the baton to the next president. Sales have grown from about ¥1 billion in fiscal 2010 to the point where ¥1 trillion is in prospect. There are still many ways we can grow our businesses. Building on our founding philosophy of “industrialization of construction,” we will leverage the technology and expertise cultivated in Japan to expand the geographical coverage of our businesses overseas.

In the US business, three companies—Stanley Martin (which joined the Group in 2017), Trumark, and CastleRock—provide single-family houses. They are expanding primarily in what we call the “smile zone” connecting the east, south, and west, where prospects are for steady market growth. Sales in the US single-family houses business have grown from ¥84.7 billion in fiscal 2018 to over ¥600.0 billion in fiscal 2024. I am confident we are on the right track as these three companies steadily expand their businesses in a spirit of friendly competition.

Executives of our three US companies visit our factories and subdivisions in Japan and apply ideas they

find useful back home. We also hold conferences with their CEOs every six months or so to discuss future business plans. In November 2024, we welcomed a major US multifamily (rental housing) developer Alliance Residential to our Group. Going forward, we will be collaborating in complex developments and getting the three single-family housing companies to eventually branch out into the multifamily business.

Many areas of Europe face chronic housing shortages due to ongoing population growth. We thus expect the business to grow, but need to bolster it as our strategy is progressing more slowly than planned. Daiwa House Modular Europe is rolling out its modular building business, primarily in the Netherlands and Germany. At some point we want to develop systems adapted to the laws and customs prevailing in individual countries and regions, and step up business expansion throughout Europe and in nearby countries.

Elsewhere, our condominium business has been well received in China as we provide Japanese-level quality and service. In the ASEAN region, mainly in Indonesia, Malaysia, and Vietnam, we are developing logistics facilities, including ones with cold-chain capabilities essential to food safety, and are also working to build a stable logistics network. Africa is also in our sights. Whatever the region, we intend to leverage our

strength—a broad business portfolio—to develop operations rooted in local communities.

One issue in our overseas businesses is finding the human resources we need. We are considering both developing internal talent and recruiting from outside the Group. We would like our future core management leaders and employees involved in the overseas businesses to work hard to improve their English skills.

Developing coming generations of talent as we move toward sales of ¥10 trillion

I tell our executives to manage with an eye on at least three years in the future as we strive to reach net sales of ¥10 trillion by our centennial. For the Company to survive and thrive, they need to continually think about what shape our new core businesses will take in the future, and what kind of employees will be essential to the mission. We are steadily developing the people who will be central to the task. They are given experience in a variety of jobs and are building deep cross-company ties. We have high expectations for them down the line.

I have long approached our employees as I would my own children and derived satisfaction from seeing them grow. In recent years, at gatherings of branch managers from around the country, I have been delighted to hear

more and more of them talk about the joy they feel in seeing our employees develop and grow. While it can be hard to put names on all the faces, I think it is important to give our people opportunities to develop by taking them seriously and earnestly addressing their questions.

Daiwa House Industry's biggest strength stems from our long-held emphasis on talent development, which is anchored two concepts spelled out in our corporate creed: *Developing people through business and the notion that progress depends directly on ensuring a good working environment for employees*. We feel that it is essential to explore every individual's potential. First, have them try something. If they're unable to do it on their own, we give them hints. And finally, we do it together with them. In this way, I want to develop the human resources who will lead the Group in the future, making optimal use of their personal attributes regardless of education or work history.

Thoughts encapsulated in this year's kanji, *kokoro*

At the start of 2025 I chose the kanji *kokoro* ("heart": kind, genuine mindset) to symbolize the year. This encapsulates my wish that our employees approach the world with a good heart and a smile. When talking

to people (whether in- or outside the Company), I want them to think about whether their words are sincere—i.e., truly reflecting a kind mindset—to ensure that intentions will land with their interlocutor and properly convey their thinking. Placing the kanji for *professional* over top of *kokoro* forms the character for *aspiration*. And the kanji for *love* or *amity* is also built around *Kokoro*, right in the middle. I want interactions between senior and junior colleagues in our Company to take place in a spirit of amity, and above all, to bring a big smile to our customers' faces. I want to take the lead by saying that the "Daiwa House Group is always there by your side, with all our heart."

To our shareholders and investors

In May 2025, our Company's shares hit a record high. I would like to express my heartfelt gratitude for your ongoing support. But I am still not satisfied with the share price. I am looking ahead to a corporate group with net sales of ¥10 trillion by our centennial. I hope our shareholders and investors will focus not just on the numbers immediately in front of us, but also appreciate our growth investments for the future. In closing, I ask for your continued trust and support as the Daiwa House Group continues to move toward its goals.

CEO and COO dialogue

Expediting decision making with a management team oriented toward our centennial and beyond

Keiichi Yoshii
Chairman, CEO



Hirotosugu Otomo
President, COO



Appointment of a New President and COO

Yoshii: Even though with net sales of over ¥5 trillion, we see ourselves as a startup company founded 70 years ago. I thought that staying on as president for a long time at such a company was not necessarily a good thing. Further, I came to have an increasing number of outside duties, representing industry organizations, for example. To speed up business decision making I decided that Otomo-san should take on the role. He will head our domestic businesses and I, our overseas businesses. We will exchange opinions with a shared vision, each focusing on his respective area, in a kind of three-legged race. The timing was right for the handover as it became apparent that we would be moving on from the

7th Medium-Term Management Plan targets ahead of schedule. I thought it would be best if a new president and COO spearheaded consideration of the next plan.

Expectations and challenges for the new president and COO

Yoshii: Otomo-san spent several years as the head of the Single Family Housing Business Division, and has dealt with numerous challenges. I have long kept an eye on him and feel that he is a very straightforward individual. He fully appreciates how difficult it is to nurture a business without taking employee development into account, and this informs his demeanor toward those around him. Our founder's spirit, which we constantly

revisit, entails developing people through our business and returning profits thus earned to our employees. I feel the same: You cannot run a business without developing your people. I hope that Otomo-san will put his ample experience to good use and achieve what he hopes to achieve in our domestic operations as well.

Otomo: I understand that my mission is to further grow our domestic business. In addition to existing operations, I'm keen to nurture the seeds of the corporate venture capital (CVC) fund I sowed as head of the Management Strategy Planning Headquarters, develop new businesses under our Future100 in-house entrepreneurship program, and work hard to promote buildings built mostly with wood under the Future with Wood program. To this end, I want to revisit worksites and shine a light

on their employees, together with them mull over the issues our conversations uncover, and formulate insights that will enable us to strengthen our nationwide development. Insights are something gained only through hard, sometimes painful reflection and wracking your brains till you find the answers you're looking for—you can't expect textbook knowledge alone to deliver them. The process entails looking into issues in our relationships with employees, customers, suppliers, and other stakeholders and working out how to grow our business while dealing with any problems. We tend to express targets in numerical terms, but I would like to think anew, going beyond numbers to contributions to local communities and society. I'm eager to go back to the shop floor and feel out the situation on the ground, which is how I think I can best exercise my strengths.

Entire Company transitioning from the 7th to the 8th Plan

Yoshii: Our 7th Plan is largely on schedule, with the final-year targets of ¥5.5 trillion in sales and ¥500 billion in operating income within reach. This is thanks squarely to the hard work of all of our employees, to whom I give a big round of applause. I believe the overseas business in particular performed very well by growing

earnings in the face of numerous difficulties such as the COVID-19 pandemic. The procurement of land for the single-family housing business and expansion strategy in the US business are working well. The overseas business targets of ¥1.0 trillion in sales and ¥100 billion in operating income are in our sights. Fresh initiatives and ambitious forays into new asset classes in the domestic business are progressing smoothly. Growth is solid, primarily in the rental housing, commercial facilities, and logistics, business and corporate facilities businesses.

Otomo: As head of Management Strategy Planning Headquarters, I monitored the progress of our 7th Plan from its inception, giving me a view of growth in the overseas operations and the Group overall. From around 2024, we could see that we were going to achieve our targets ahead of schedule, and were already putting together the outline for the 8th Plan in our heads. Now, as president and COO, I will re-examine the current situation in light of the 7th Plan and think about the 8th Plan, looking ahead a decade to 2035. The coming plan will be extremely important for our Group. I will spend the year ahead thoroughly honing my ideas.

Yoshii: While we are still at the discussion stage regarding the 8th Plan, we would like to grow the data center business, mainly via the Data Center Business Division Preparatory Office established in April under an

organizational restructuring. In the overseas business, we hope that our three US subsidiaries rolling out single-family housing businesses will move to actively expand into other business areas, as Daiwa House Industry has done in the past. We also have hopes for expansion in the European business. Turning to further growth for Group companies, one issue is a review of salary arrangements. The bulk of our sales revenue comes from the efforts of our Group employees, so we have to evaluate them properly. Boosting cohesiveness also requires a bird's eye evaluation of the whole Group and changes to our employees' lives.

Otomo: Daiwa House Industry has some 16,000 employees, with about 50,000 across the Group. That is, our Group overall has more than double the headcount of the parent. We must therefore consider the situation carefully.

Strengthening earnings capability by reorganizing seven business divisions into two business headquarters

Yoshii: In order to strengthen our earnings capability and reimagine our strategies for growth in Japan and abroad, we transitioned from seven business divisions to two headquarters with the business divisions underneath them effective April 1, 2025. The Housing

Solutions Headquarters consists of the single-family housing, rental housing, and other residential-property business divisions, and the Business Solutions Headquarters, which encompasses the commercial facilities, logistics facilities, and other related businesses. The change entailed consolidating functions and streamlining the business divisions, while strengthening collaboration between and among them. Interconnection within the two headquarters enables sharing of customer information and building contacts with customers that transcends divisional lines, so that even if senior management changes, their continuity will be maintained. I believe this organizational restructuring will enable us to evolve to a more dynamic organizational framework.

Otomo: We have studied reforms at other companies that have grown successfully and realigned our organization to suit our Group. The most important point of this restructuring is delegating authority to the two headquarters heads, which should lead to speedier decision-making and execution. Another issue is how to increase how much time employees spend on-site. In the current robust earnings environment, we will develop mechanism to suit changing circumstances, mindful of the risk that future employees will not be able to tap into business opportunities as they can

today, amid intensifying pressures such as societal aging. This entails deploying more employees on-site and reskilling to boost their capabilities.

Boldly taking on challenges in the runup to our centennial and beyond

Otomo: Our founder's target of ¥10 trillion in sales by our 100th anniversary in 2055 once seemed but a dream, but it looks more realistic now that sales top ¥5 trillion. Still, the target looks difficult with things as they stand. Society is changing at an extremely rapid pace, beyond our expectations. Looking into the far future and tapping into business opportunities that arise then will enable a view even further out. Growth in the overseas business is essential to reaching the target. Cultivating the seeds of new businesses in Japan and transplanting them overseas is something we are considering. Daiwa House Group has grown by realigning the organization for a better fit with the prevailing operating environment and contemporary needs. I hope that we will become a Company whose businesses influence each other, generating synergies and an environment that fosters change, giving rise to new seeds, and eventually new core businesses. Synergies from a range of businesses are also necessary

to seize opportunities. I think our recent reorganization will enable expansion of the value chain, including our Group companies. The next two or three years will be a critical juncture for major reform. Turning our gaze toward the larger world, there are plenty of places remaining to be tapped into.

Yoshii: Looking ahead, technological and engineering competence will also be key to achieving the ¥10 trillion sales target. Currently our Group has the technological capacity to build data centers and semiconductor factories worth several tens of billions of yen. I believe becoming a leader in technology and engineering will be crucial for growth. Combining the functions of developer and construction company in addition to our strengths in sales would give us the technological and engineering capacity to meet complex needs. This would naturally lead to changes in the products handled and business opportunities. That means that what will underpin Otomo-san's vision are technology and engineering, and that foundation will open the door to sales and ability to win projects. As an increasing number of employees take on these challenges and succeed, some may decide to go beyond Japan's borders and strike out overseas as well. I hope that human resources who lead the future Daiwa House Group will be bold in taking on challenges.

Message from the COO

70-year-young startup co-creating in ongoing pursuit of fresh dreams

Hirotsugu Otomo

Hirotsugu Otomo

President, COO

Contributing to society with “field skills” from yearslong community development and the conviction that one should illuminate one’s corner of the world

I was appointed president in April this year. During his tenure in the position, Chairman Yoshii faced tough times as well as good. Seeing him confront every problem head on at close quarters was a valuable experience and an inspiration. Going forward, he and I will do all we can to generate sustainable growth for the Daiwa House Group.

I aspired to join the construction industry back when I was in college. At the time, I heard that Daiwa House Industry had launched the Commercial Construction Business Division to develop stores along trunk roads as car ownership spread. I applied to join the company because I thought I could get involved in community development, rather

than just typical building construction, and was employed in sales before graduating. Winning customer orders while still at university was an unforgettable experience. I was impressed that the Daiwa House Industry corporate culture encouraged employees—even new recruits—to take on challenges unfettered by preconceptions.

During my time in the Commercial Construction Business Division, I was involved in formulating and pitching proposals to Ogori Shoji, the forerunner of today’s Fast Retailing. Our ideas were initially rejected, but after rushing down from Saitama to Ube, Yamaguchi prefecture, we were given an opportunity to present at a meeting to discuss the siting of new stores. Ultimately, Tadashi Yanai, now chairman, president, and CEO of Uniqlo parent Fast Retailing, gave his approval. At the time, Uniqlo did not have any stores in the Kanto region; but when he declared his global ambitions, I felt that

Mr. Yanai had a passion unmatched by other business leaders. That encounter with him was one of the most impressive things I have ever experienced.

I have many fond memories in my career so far. As head of the Tsukuba branch, I was project manager of a large-scale commercial facility development, a success I owe to the input of employees. When I was head of the Single Family Housing Business Division, we launched the “housework sharing house” designed to encourage family members’ sharing the thankless chores that go into running a household. Also dear to my heart is our ability to provide fresh housing lineups, including upscale and timber construction products, drawing on insights gained through dialogue with customers, business partners, and suppliers to understand their wants and needs.

The things I have learned working out in the field, on the frontlines interfacing with customers and tenants, government officials, and people at financial institutions and real estate companies, make up the knowledge of the real world on the ground—what I call my field skills. I think field skills are one of my strengths. This mindset and *modus operandi*—valuing the insights and experience of those working on the ground and at the frontlines out in the field, and driving change from there—remains unchanged.

I always approach my work with conviction that one

should illuminate one’s corner of the world—a model for others to emulate by striving to be the best you can be. That entails continually pursuing personal growth by bettering yourself. When we work continuously to better ourselves, we become a sort of guiding light who inspires others to do the same. When we inspire others this way, we make the company better and ultimately, make society better. This encapsulates my aspiration for the Group’s employees to understand exactly what they are working for as they go about performing their day-to-day duties and tasks. And when I find myself faced with difficult business decisions, I recall an old proverb the Aizu domain samurai were famous for: “If it’s wrong, don’t do it.” This is an admonishment to be very careful about what you decide to do, because a wrong decision at the start could have disastrous consequences. I bear this in mind whenever I’m embarking on something new.

Accelerating growth in Japan by seeking business opportunities in the needs of society

As president, I will be in charge of Daiwa House Industry’s business in Japan. Though there is still scope for growth, demographic trends mean there is little prospect of significant growth in new buildings. Problems such as aging

infrastructure and societal issues accompanying changes to the natural environment and lifestyles, however, leave us with plenty of business opportunities. Over the Group’s 70-year history, we have built a nationwide network of office locations that gives us an edge. I believe our sheer volume of local knowledge will be of great utility. These days much data is available online, but I believe the most important kind is only available out in the field, in face-to-face encounters where you can pick it up from the looks on customers’ faces. I don’t have much confidence in work done without face-to-face interactions. I believe our Group can enhance its value by drawing on data—information—derived from sources rooted in the community.

Our primary focus is bolstering business in the contracting and built-for-sale, property management, and Livness segments in the residential domain, and in the non-residential domain working towards further growth by tapping into the Group’s broad-ranging land-attribute intelligence and availability and deep relationships with tenant companies.

On April 1, 2025, we established the Data Center Business Division Preparatory Office to strengthen our data center business, a growth area. The primary challenge for data centers is how to control excessive heat. In addition to such physical concerns, there are intangible issues related to data quantity and quality, facility safety, and business process outsourcing. It is not enough just to erect

a building, but consider how to deal with it into the future.

We are also strengthening the Livness business. Chairman Yoshii and I launched Livness and came up with its name and logo color, and we have nurtured and continue to guide it with care. Our Group's profile was low because we had no recurring-revenue business brand, so it was natural to start there. We then built up a team offering house brokerage for individuals, renovations, purchase and resale, and rental management to address customers' needs, developed systems, and accumulated expertise. We subsequently provided solutions in rental apartment buildings for inheritance tax planning, and the business grew steadily. In 2024 we went a step further by launching BIZ Livness for business facilities. Rather than demolishing disused factories, warehouses, commercial facilities, and other such buildings, BIZ Livness converts or renovates them for reuse, in the process adding value by enhancing their earthquake resistance and environmental friendliness. We are working to have the Livness business generate net sales of ¥1 trillion in the course of the 2030s.

We are also advancing our Future with Wood project, which I also named. One of its aims is to use Japanese timber in the supply chain. Rolling out timber structure and interiors of non-residential buildings, we are working to be an industry leader in timber non-residential structures within a decade.

Taking on new challenges and promoting new work styles by investing in in-house startups and external collaborations

In 2024 we launched Daiwa Future100, an in-house initiative to encourage entrepreneurship. In fiscal 2024, its first year, we received 896 project applications, five of which passed muster (some with conditions), and we began to test the business feasibility of four in April 2025. The program is not just an initiative to take on new challenges and promote new work styles. It is also helping boost employee motivation. We have set aside ¥30 billion to invest in developing management talent. Our people can take on a challenge knowing the door is open for them to return if their project does not succeed.

In April 2024, investments by our corporate venture capital (CVC) fund got into full swing. The Daiwa House Group "Our Hopes for the Future" Fund has up to ¥30 billion available to invest. Its keywords are safety, security, speed, recurring revenue business, welfare, the environment, health, telecommunications, and agriculture. The fund is searching for growth, including projects to deepen existing businesses and future new businesses.

We have set a clear benchmark for human capital, with a human capital ROI (human capital ROI = operating income excluding actuarial differences ÷ human capital

investment). Going forward, we will increase our human capital investment and benchmark it against operating income as we work to boost productivity. We will closely monitor non-financial elements such as diversity targets (e.g., percentage of female managers) and employee engagement surveys. We will work towards solutions based on an understanding of the problems faced and strive to enhance the value of our human capital.

Customer pitches providing a balance of economic value and environmental and social values

In promoting sustainability management, we focus on how to share the connection between financial and non-financial values with society and link them to sustainable



growth. Among the many social commitment indicators, environmental targets such as the ZEH and ZEB ratios are always at the core of our strategy, and as part of our contribution to decarbonizing society we will generate results while keeping a sharp eye on progress towards them.

It may be difficult to differentiate ourselves significantly from other companies in the residential domain alone; however, Daiwa House Group is involved in a range of non-residential domain. We can engage in comprehensive community development, including communities' non-residential sections, and function as a general contractor or developer. We also have an independent Environment and Energy Business enabling us to work closely with customers long after buildings are handed over, including the retail electricity business to help us tackle environmental challenges together. I believe this is one of our Group's strengths.

We use IRR as a hurdle rate for real estate development investments. We were the first company in Japan to adopt internal carbon pricing (ICP). After much discussion with reference to prevailing carbon prices in Europe as well as Japan, we set our internal one at ¥20,000 per tonne of CO₂. This is a stretch figure, but I believe it will play an important role in factoring in environmental values when assessing investments and instilling on-site awareness as well. Environmental measures incur costs. With a two-pronged approach to finance and the

environment, ICP will push employees to be proactive in making carbon neutrality-conscious investments and should also help improve financial values.

Meanwhile, our customers' environmental awareness is also developing, so we are increasing the ZEB ratios in our commercial facilities and construction businesses and ZEH ratios in our housing business. In rental apartments, sales of the ZEH-M-compliant TORISIA product have gone well, as our carbon neutral strategy makes solid progress.

Recent years' events like abnormal summer weather patterns have highlighted how pressing it is that we address global environmental issues. In light of our Group's scale and industry stature, we must take the lead in taking on these issues.

In the wake of the Tohoku earthquake, we launched xevo, a line of single-family houses with improved insulation and solar panels, fuel cells, and lithium-ion battery systems that can run for about eight days if life-lines break down, even during rainy weather. Our Group was the first to build such a resilient home that can power minimum lifestyle infrastructure such as smartphone chargers, TV, radio, refrigerator, and cooling fans in emergencies: Protecting people first when disaster strikes is practically embedded in our DNA. Economic value and social and environmental value should not be seen as incongruous—we must pursue both in ways

that make them compatible. We will therefore carefully consider what else we can accomplish through our business and make it available to customers.

Daiwa House Industry was awarded the silver prize in fiscal 2023 and gold in fiscal 2024 in the environmentally sustainable company category of the ESG Finance Awards Japan, sponsored by the Ministry of the Environment. We are honored to see our efforts in this area recognized.

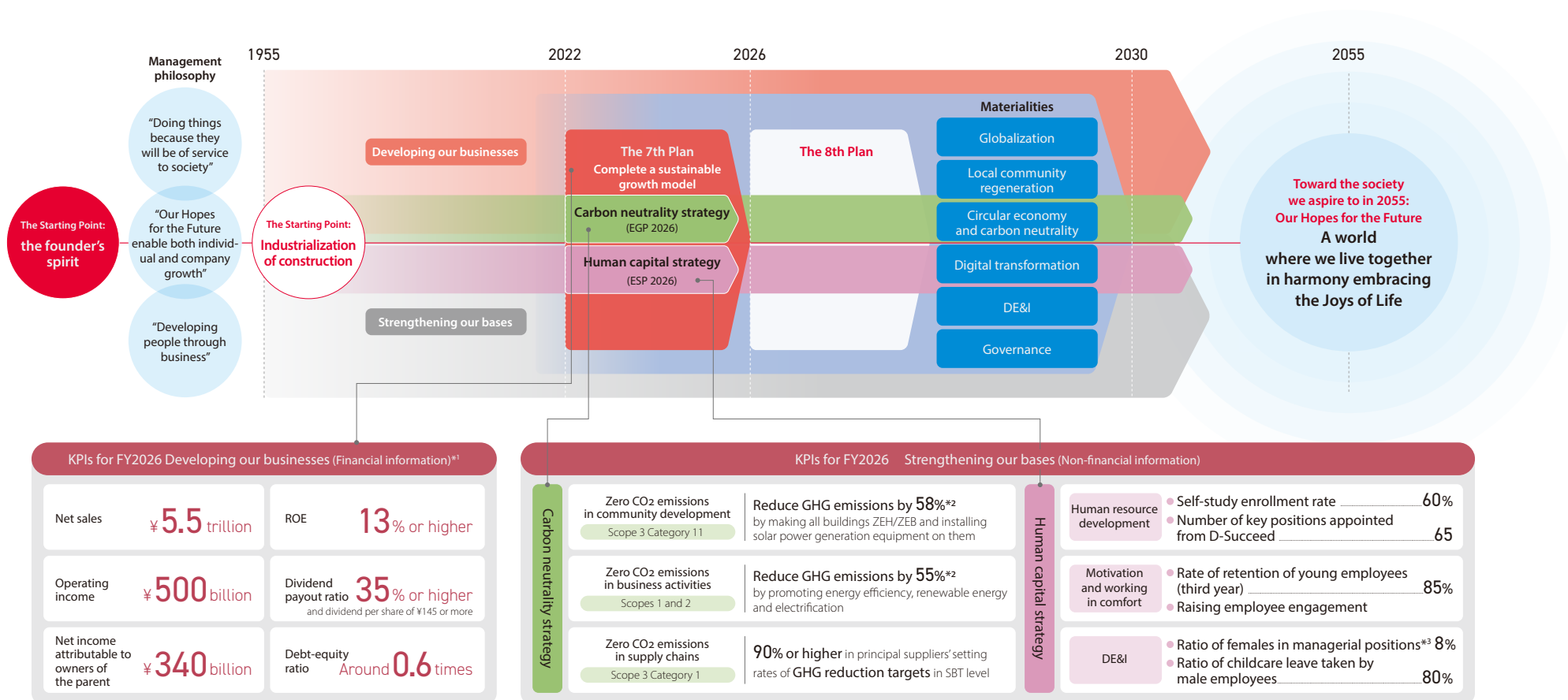
Being indispensable to society: Sustainable growth in the runup to our 2055 centennial

In line with our founders' spirit, *Don't do things because they will make a profit, but because they will be of service to society*, the Daiwa House Group does not just pursue its own profit, but operates in the spirit of co-creation. I believe we have grown to be a company with over ¥5 trillion in sales thanks to our employees and diverse stakeholders.

Our Group has grown by continuing to create things neither other companies nor society have. Looking ahead, we will not merely defend our existing positions, but continue pressing on with the spirit of a new venture. This year marks our 70th anniversary. As a 70-year-young startup, we will continue nurturing new shoots and developing human capital, nimbly creating new businesses and continuing to grow as we meet society's needs.

1 Roadmap to the centennial anniversary of our founding—Road to 2055

With our founder's spirit as a starting point, we will achieve sustainable growth by always looking to what lies ahead and believing in Our Hopes for the Future (Purpose).



*1 Performance figures based on the plan established in May 2022 during the formulation of the 7th Plan *2 vs FY2015 *3 Target for April 1, 2027

2 Environmental awareness (opportunities and risks) and materiality

We recognize the opportunities and risks that will arrive with the megatrends of around 2030, and to realize Our Hopes for the Future (Purpose), have identified materiality (priority issues).

Megatrends	Impact on Daiwa House Group		Materiality and Measures
	Opportunities	Risks	
- 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 recurring-revenue 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 timber construction and the lignification 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.

	Materials and the 7th Plan Strategy	The 7th Plan The three management policies and our response		Economic value				Social value			
						FY2024 Results	FY2026 Targets			FY2024 Results	FY2026 Targets
Developing our businesses	Globalization	Evolve revenue model	Optimize management efficiency	Accelerate growth through community-based overseas business	Overseas business sales	¥905.0 billion	¥1 trillion	- Realizing the stable supply of quality housing to the world - Raising customer satisfaction	No. of single-family houses supplied	Japan 5,067 units US 7,095 units	Japan 7,000 units US 10,000 units
	Accelerate growth of overseas business										
	Local community regeneration			Expand business areas by strengthening Group collaboration under a business division-based system	Livness business sales	¥405.5 billion	¥500.0 billion	- Response to social issues, expand business opportunities - Increase number of building purchases - Promotion of Livness Town Project	Livness Town No. of properties	8 complexes	10 complexes
	Circular value chain (create, foster, and revitalize)										
Strengthening our bases	Circular economy and carbon neutrality	Strengthen management base	Optimize management efficiency	Make all buildings carbon free - Environmentally conscious buildings - Expansion of Environment and Energy Business - Promoting timer construction and the lignification materials	Environmentally friendly business sales	¥1,765.2 billion	Environmentally friendly business sales increase	Achieve carbon neutrality - GHG emissions reduction rate throughout the value chain - Spread of renewable energy that possesses additionality	GHG emissions reduction rate*1	-46.2% (GHG emissions 8.60 million tons)	FY2030 targets -40.0% (GHG emissions 9.52 million tons)
	Carbon neutrality strategy										
	Digital transformation			Strengthen cost competitiveness and build a system for stable supply - Centralized purchasing for the Group - Strengthen production system	Cost pool (purchased amount)	¥726.0 billion	¥1 trillion	- Health and safety of employees and business partners - Retain and secure skilled workers	Work-related accident frequency rate*2	Our employees (survey from FY2025) Employees of our primary contractor*2 0.50 Production partner company employees*2 0.35	Our employees (Formulation in FY 2025) Employees of our primary contractor*2 Less than 0.3 Production partner company employees*2 Less than 0.3
	DX strategy				Amount of cost reduction effect	¥53.7 billion	¥100.0 billion				
	DE&I			Increase the value of our human capital - Comfortable workplace environments - Secure diverse human capital - Improve productivity per employee	Ratio of females in managerial positions	6.1%	8%	- A human resources pool that continues to provide great value to society - Increased engagement	Rate of young employee retention	81.4%	85%
	Human capital strategy			Improve productivity per employee construction and wood materials	Ratio of childcare leave taken by male employees	68.9%	80%	Increase in motivated human capital (Job satisfaction, pride in work, sense of growth)			
	Governance			Enhance governance	ROE	12.9%	13% or higher	Facilitate dialogue with shareholders and stakeholders	No. of dialogues with investors*3	Total of approximately 6,000 properties	—
	Enhance governance			Portfolio optimization - Maintain and enhance capital efficiency - Stable shareholder returns - Work to maintain financial soundness, optimize funds procurement	Payout ratio	37.1%*4	35% or higher				
					D/E ratio	0.8 times	Around 0.6 times				

*1 Reduction rate compared to FY2015

*2 Work-related accident frequency rate is the number of fatalities and injuries per million total actual working hours, indicating the frequency of accident occurrence.

*3 Total number of IR meetings and event participations for institutional and individual investors

*4 Excluding the impact of actuarial differences

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

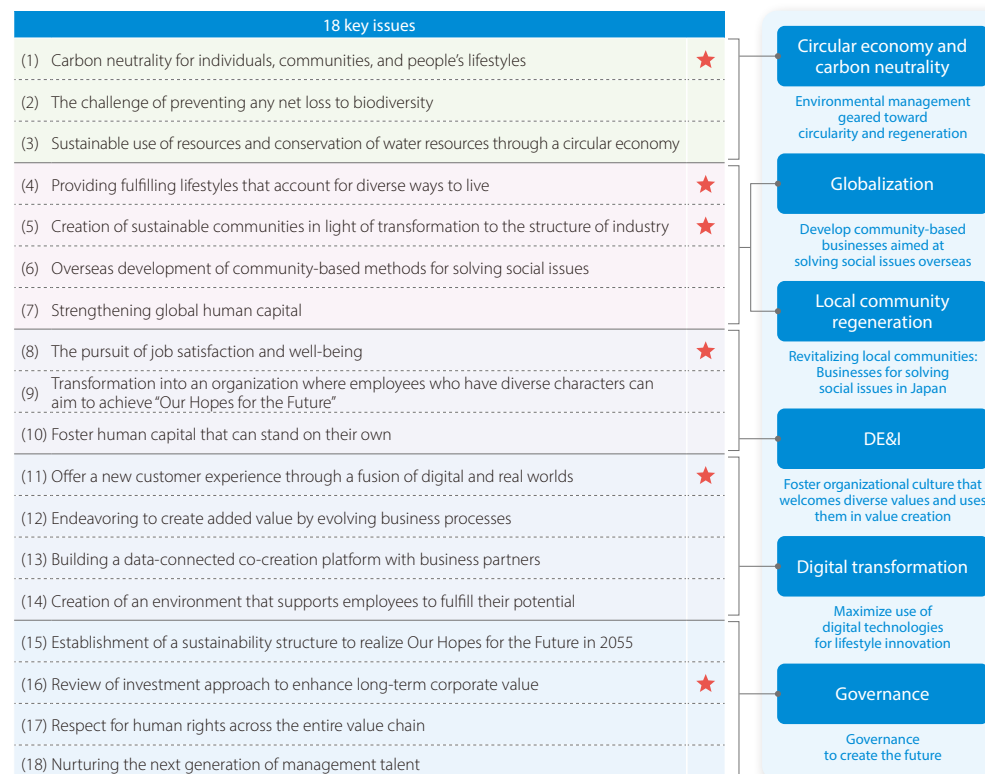
All 112 issues clarified in STEP 1 were evaluated for validity, which also covered specific processes for materialities, through dialogue with external experts, including investors and sustainability management specialists. In addition, we have reinforced the importance of the issues by receiving opinions 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.



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 Seventh Medium-Term Management Plan

In fiscal 2024, the third year of the 7th Plan, sales of development properties remained robust and the expansion of the US single-family houses business contributed to setting a new record high. The reduction rate of GHG emissions is progressing at a pace that will exceed the 2030 target level, while the value of human capital is also increasing. In tandem with steady business growth, we are also moving forward on building the foundation for growth beyond the 8th Plan. With the path to achieving our Medium-Term Management Plan goals becoming clearer and with intent to accurately assess the rapidly changing external environment before advancing to the next stage, the 7th Plan will conclude in fiscal 2025, one year ahead of schedule. We plan to commence the 8th Plan starting in fiscal 2026.

