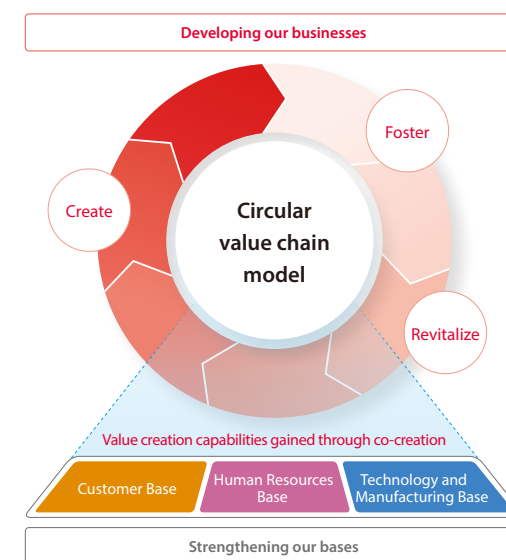
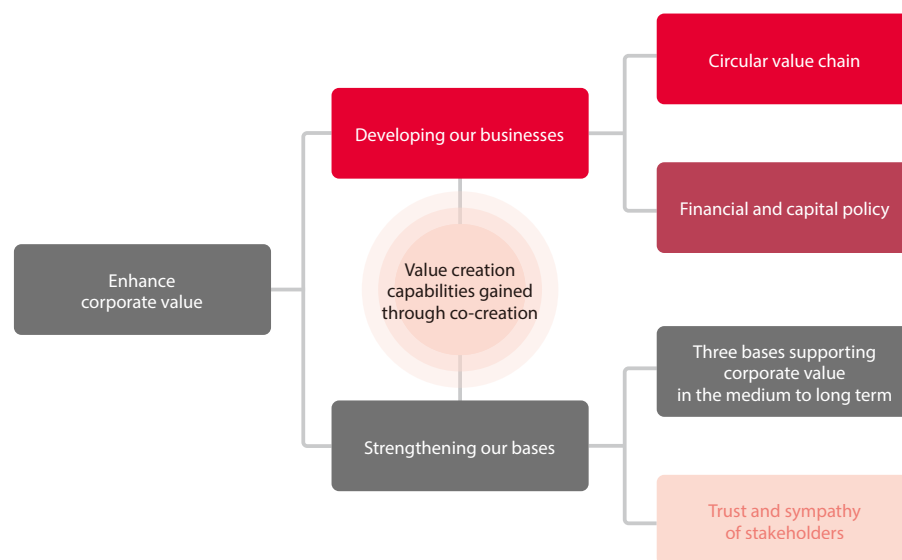


Management Structure

For sustainable growth and maximization of corporate value, we are strengthening our governance structure with an emphasis on diversity and long-term perspectives. This section presents the measures we are implementing to enhance transparency and the quality of decision-making, including a review of our Board of Directors and committees, and the upgrading of our risk management structure. In our dialogues with outside directors, we also touch on human capital and decision making with diverse perspectives.

Roundtable discussion with outside directors 81

Management structure 84



Chapter 6 Management Structure

Roundtable discussion with outside directors

Where we are in building a management structure for achieving Our Hopes for the Future

Assessment of the current situation at Daiwa House Group and challenges

Seki: To start with, please give us your impressions and thoughts about the Daiwa House Group.

Fukumoto: I feel the Company is energetic and flexible. Speedy business development is one of its strengths, and people listen earnestly to opinions of outside directors such as us when it comes to decision-making. True feelings are discussed, with no barriers between company insiders and outsiders. I get the sense that management sees things from a multifaceted viewpoint, and is imbued with hunger and flexibility. My role in my previous job was to enhance value by incorporating the opinions and desires of stakeholders into running the business from the viewpoint of compliance, risk management, and sustainability. I was also involved in promoting the corporate brand and sustainability for the entire group, including

overseas operations. I hope to apply my experience and knowledge to help the Daiwa House Group evolve its ESG management and maximize corporate value.

Nambu: My impression is of an extremely robust growth company. Belying the image generated by having the word “house” in its name, the Group has transcended traditional boundaries to develop a comprehensive, integrated real estate business. With a strong sense of ownership, employees comprise a highly committed group with a bold pioneering spirit, akin to wandering samurai, in a good sense. During my roughly 40 years at an integrated trading company, I was involved in diverse urban development and M&A in the field of infrastructure. I have experience in managing a multinational workforce after being stationed overseas for about 15 years, which I

hope I can leverage in the Group's growth strategy.

Seki: Regarding strengthening the monitoring functions of the Board of Directors, how do you rate current governance arrangements?

Fukumoto: I am very pleased to note that the ratio of inside to outside directors is 50:50 following the appointment of one more outside director. This has also made the board more diverse in terms of specialties, generating numerous ideas for boosting the Company's value. Regarding female empowerment, naturally I would like women to be able to develop their careers within the Company and eventually become executives. It is important to set medium- to long-term targets here and build a pipeline from hiring through training, career development, and appointment, enabling women to excel across the Company. In an era of



Toshikazu Nambu
Outside Director



Tomomi Fukumoto
Outside Director



Saori Seki
Manager, IR Department
Finance and IR Department, Management
Administration Headquarters

uncertainty about the future, it is increasingly important that not just women, but people from all points on the diversity spectrum are able to make the most of their capabilities.

Nambu: Our outside directors have a wide range of skills and backgrounds and are providing diverse ideas from a variety of specialist perspectives. For example, of the three of us with a background in digital transformation and information technology in the skills matrix, we each also have experience in different aspects of the field: Kuwano-san knows his way around in R&D and product development and ample experience in marketing; Yoshizawa-san is skilled in communications and networks; and I have experience in advancing digital transformation across industries and within the company. This exemplifies how the board works as a team with diverse perspectives to draw on.

Seki: How do you rate the Group's governance?

Nambu: I think that the recent transition to a CEO/COO management structure adds depth to its governance framework. The CEO is responsible for overall strategy, overseas growth strategy, and global governance, while the COO is primarily responsible for domestic operations and day-to-day business execution. In pursuit of ¥10 trillion in sales by our centennial—an admittedly ambitious target, we are reconfiguring our decision-making and execution responsibilities to upgrade our decision-making process. Challenges differ by country and field, so

what common denominators should we target? Areas of concern are human-capital deployment and the centralization and decentralization in the decision-making processes. Overseas we are looking for growth in regions with differing business practices and cultures, so I see an opportunity to realign our decision-making processes while simultaneously evolving management and oversight of Group companies. We aim to strengthen the foundations of group governance by rolling out guidelines with a view to further growth.

Improving Daiwa House Group's corporate value

Seki: The Corporate Governance Committee features an exchange of opinion among its members on a different theme at each meeting. What themes have been discussed recently?

Nambu: Under “corporate management strategy in a rapidly changing global environment,” we discussed how to turn uncertainty into business opportunities. Widening trade imbalances have led to economic disparities and dissatisfaction, and responses at an individual country level have become difficult. I proposed that we treat the shifting landscape as an opportunity to strengthen overseas management systems rather than see them as a risk. If nationalism predominates in individual countries in the

future, businesses will have to operate within the constraints that ensue, which could make overseeing things from Japan difficult. I think that building independent corporate functions at the regional level and maintaining such ecosystems will become more important.

Seki: Nambu-san, you have experience in rolling out digital transformation as general manager of the media & digital business unit and Chief Digital Officer at a major trading company, and you were a member of the International Data Governance Advisory Committee at the central government's Digital Agency.

Nambu: I understand that the Company has developed digital transformation by building platforms to handle its relationships with customers in design and construction. If we can build a platform spanning the lifetime customer journey using customer IDs, we should be able to make effective proposals through our dialogues with them. Homes vary by country and region in size and layout, as do lifestyles as well. Collecting, organizing, and using data will clarify where we need to invest, and developing our platforms to this extent would give us significant competitiveness.

Seki: Fukumoto-san, you were appointed an advisor to the Sustainability Committee launched in FY 2025. Could you tell us how you rate our sustainability management and your hopes going forward?

Fukumoto: Our growth strategies incorporate priority

environmental themes. ZEHs (Net Zero Energy Houses), ZEBs (Net Zero Energy Buildings), and Livness Business products and services are preferred by customers for their environmentally conscious features. I think it is wonderful that they are positioned as key growth drivers in the 7th Plan. We are also seeing progress such as the resetting of priorities in our Social Action Plan and the launch of the Sustainability Committee (chaired by the Head of Management Strategy Planning Headquarters), which will integrate the environmental and social aspects of ESG management. On the global stage there is some backlash against ESG management. I see this as a chance to have a fundamental discussion about how to approach an important theme that will underpin the sustainable growth of our Company, and would like to discuss this in the context of our 8th Plan. Further, there are demands for nonfinancial disclosure in a similar manner to that for financial information, so we need to promote sustainability across the entire Group, including overseas operations. As an advisor, I will provide advice and support.

Seki: You have experience communicating and implementing corporate messages about philosophy regarding water resources at a major beverage company. How do you rate our activities, and what do you recommend?

Fukumoto: Daiwa House has encapsulated its Purpose, Our Hopes for the Future, in its tagline Our Future

Landscape: Embracing the Joys of Life. The first important matter is instilling it within the organization. The Company tries to be of service to society rather than solely pursuing profit, so that employees take pride and find joy in their work. That all employees participated in developing the Purpose in the first instance is quite laudable. The Purpose is the Company's *raison d'être* for customers and society as a whole. Going forward, it will be important to further deepen empathy with this Purpose, and for all employees in their respective positions to think carefully about what will provide value to their customers and put it into practice.

Messages to investors

Seki: At a recent board meeting, the CFO reiterated—to ensure we were all on the same page—the need to enhance corporate value in light of the TSE's demand for management that is conscious of cost of capital and stock price. I would like to know your take on where we stand and challenges going forward.

Nambu: One saying I am fond of is that “a happy employee makes for happy service.” Corporate value is created because officers and employees are fully committed to their tasks. They deal with the customers, and if the employees themselves do not have happy and fulfilling lives, their proposals will not make the customers happy.

Further, companies with a strong sense of employee ownership like that at Daiwa House have the strength to persevere and think things through. It is important to ensure that this sort of thinking is not lost as the Group grows larger. I believe that the price-to-book ratio (PBR) represents a combination of trust in the Company and a sense of safety as well as upside potential. I will press management on how it is doing from the perspectives of customer satisfaction, global growth, and risk management.

Fukumoto: Since my appointment as an outside director a year ago, I have been impressed by a deeply embedded corporate culture that is constantly pioneering and proactive, notwithstanding its sheer scale. I understand that an in-house entrepreneurship program (Daiwa Future100: an initiative to realize Our Hopes for the Future) received nearly 900 applications. However, new risks always accompany growth and expanding corporate scale. Maximizing proactive activities and evolving governance to suit the growth phase makes striking a balance between growth and stability all the more important. As an outside director, my aim is to promote the creation of social value and accelerate the improvement in economic value while communicating creatively with stakeholders. I would thus like to offer ideas and advice so the outlook for a company which has great potential for further growth can be shared more broadly in the wider society.

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 2022–2023	Approaches in fiscal 2024
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	● Increased the ratio of outside directors After considering the optimal composition of the Board of Directors for the Company, we added one outside director in June 2024. (Ratio of outside directors: 38.5%→42.9%)
2 Foster next generation of business managers ● Build a succession process for directors/executive officers Sustainability Report 2025 ▶ P.77	● 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 2022–2024: 316).
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 ● Prepare and strengthen regional corporate functions	● Consideration of the optimal system of business execution The Board of Directors and other bodies discussed reviewing back-office operations and the suitable allocation of personnel to further enhance our earnings capability. → Effective April 1, 2025, the Company was reorganized from a structure of seven business division-based system to two business headquarters system
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 Sustainability Report 2025 ▶ P.114	● Established an information security system and overhauled the structure of information security rules ● Organizational reform	● Further strengthening of supervisory functions Utilizing forums besides just the Board of Directors, we explored the optimal organizational structure and system of business execution required to improve the Company's ability to execute its supervisory functions over its business divisions. → Effective April 1, 2025, the Company transitioned to a system with a Chairman and President

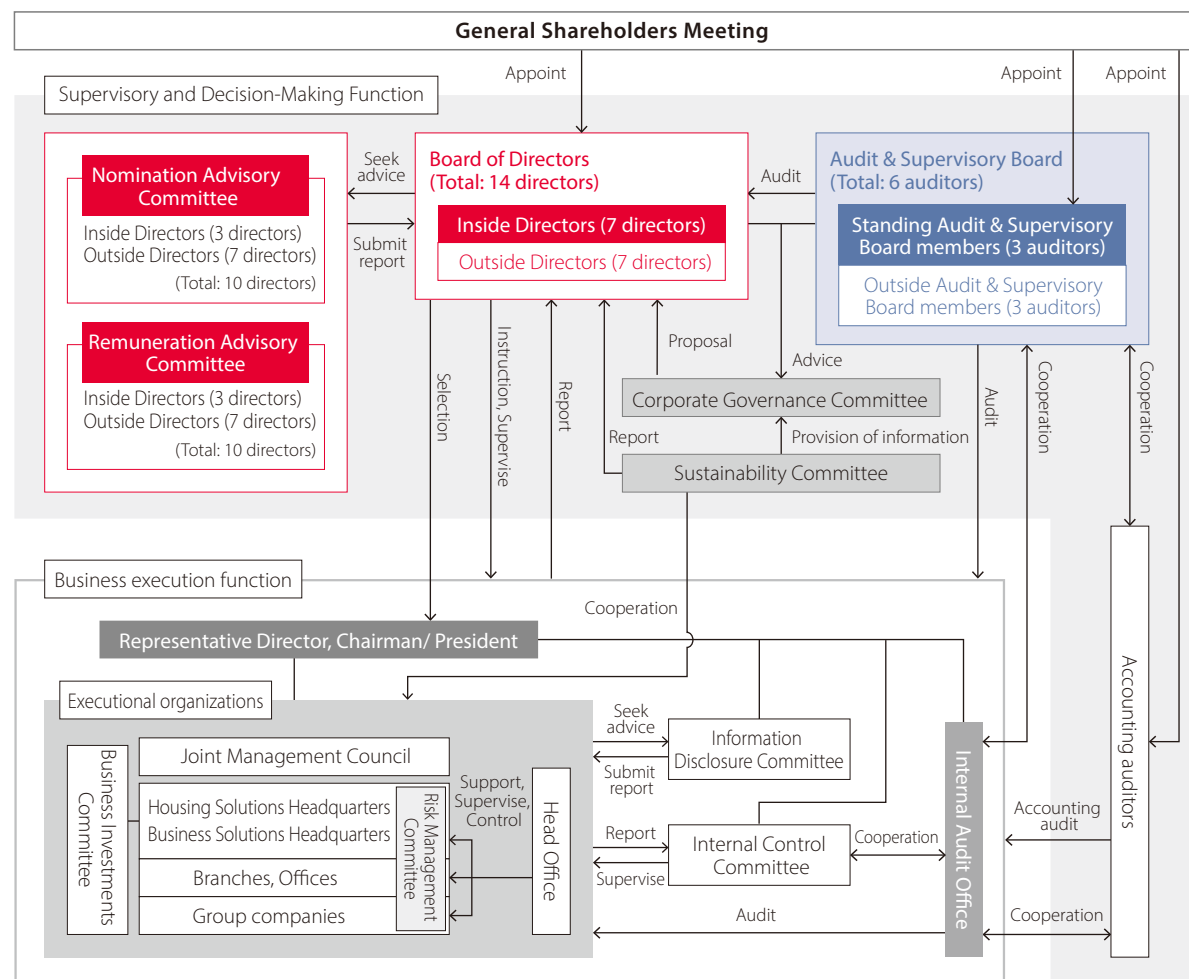
■ Corporate governance system

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 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 these bases 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.



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 (Purpose) 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

In a discussion on one of the proposals related to management strategy, an outside director made the following comment concerning the formulation of ESP2026, our medium-term social program: “As we address environmental and social issues, the market is closely watching how this will relate to future growth strategies. From the perspective of ensuring the sustainable growth of the Company, we need to discuss narrowing down the themes.” In fiscal 2024, the Board of Directors also discussed and deliberated on the following matters.

Management strategies

- Future shareholder composition
- Share buybacks
- Responding to customer harassment
- Raising the retirement age
- Oversight of the Environmental Action Plan, EGP2026
- Formulation of the Social Action Plan, ESP2026
- Participation in and sponsorship of GREENxEXPO 2027

Governance

- Report on self-review results and revision of the Corporate Governance Guidelines
- Evaluation of the effectiveness of the Board of Directors
- Portfolio management
- Revision of internal audit regulations

Investment projects

- Approval of M&A-related matters (e.g., conversion of Alliance Residential Company into an equity method affiliated company)
- 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.

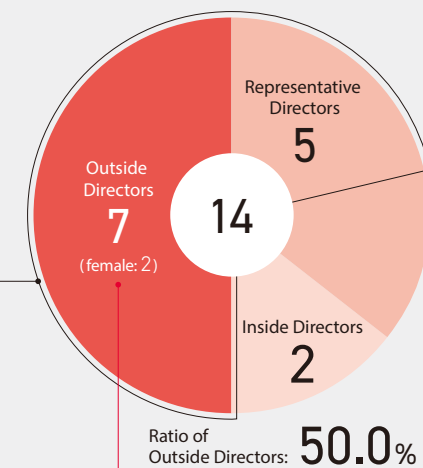
Board of Directors

Nomination Advisory Committee
Remuneration Advisory Committee

Ratio of outside members: **70.0%**

Outside: 7, Inside: 3 (CEO, COO and CFO)

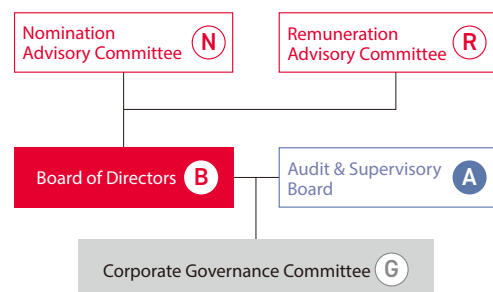
(Chair: an independent outside director)



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.

Structure of Committee for strengthening monitoring function of Board of Directors



		Representative Directors					Executive Directors	
								
		Keiichi Yoshii	Hirotosugu Otomo	Takeshi Kosokabe	Yoshiyuki Murata	Keisuke Shimonishi	Toshiya Nagase	Eiichi Shibata
		Chairman, CEO Head of Overseas Division	President, COO	Executive Vice President, CFO Head of Management Administration Headquarters	Executive Vice President Head of Technology Headquarters	Senior Managing Executive Officer Head of Business Solutions Headquarters	Senior Managing Executive Officer Head of Housing Solutions Headquarters	Managing Executive Officer Head of Management Strategy Planning Headquarters
Committee membership		</						

B Board of Directors N Nomination Advisory Committee R Remuneration Advisory Committee A Audit & Supervisory Board G Corporate Governance Committee ★ Chair

Note: The attendance shown is for the period from April 2024 to March 2025

Non-Executives



Yukinori Kuwano Miwa Seki Kazuhiro Yoshizawa Yujiro Ito Toshikazu Nambu Tomomi Fukumoto Yuichiro Kondo Yoshinori Hashimoto Ryuichi Oyaide Yoshihiro Takashige Akihisa Watanabe Tatsuji Kishimoto Takashi Maruyama

Outside
DirectorsOutside
DirectorsOutside
DirectorsOutside
DirectorsOutside
DirectorsOutside
DirectorsOutside
DirectorsStanding Audit &
Supervisory
Board membersStanding Audit &
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Board membersStanding Audit &
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Board membersOutside Audit &
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Board membersOutside Audit &
Supervisory
Board membersOutside Audit &
Supervisory
Board members

Committee membership	B N R G	B N R G	B N R G	B N R G	B N R G	B N R G	B N R G	A G	A G	A G	A G	A G	A G
Term of office	5 years	5 years	3 years	3 years	1 year	1 year	Appointed in June 2025	3 years	Appointed in June 2025	Appointed in June 2025	5 years	4 years	2 years
Board of Directors	13/13	13/13	13/13	13/13	10/10	10/10	—	13/13	—	—	13/13	13/13	13/13
Nomination Advisory	★ 5/5	5/5	5/5	5/5	4/4	4/4	—	—	—	—	—	—	—
Remuneration Advisory	★ 4/4	4/4	4/4	4/4	3/3	3/3	—	—	—	—	—	—	—
CG	★ 2/2	2/2	2/2	2/2	2/2	2/2	—	2/2	—	—	2/2	2/2	2/2
Audit and Supervisory Board	—	—	—	—	—	—	—	★ 14/14	—	—	14/14	14/14	14/14
Corporate Management	●	●	●	●	●	●	●	●					●
Finance/Accounting		●		●	●		●		●	●	●		
Legal/Risk Management				●				●	●	●	●	●	●
Technology/R&D	●		●						●				
International Experience		●			●								
DX/IT	●		●		●								
Environment	●					●							
Social		●	●	●		●		●	●	●	●	●	●
Corporate Governance	●	●	●	●	●	●	●	●	●	●	●	●	●

B Board of Directors **N** Nomination Advisory Committee **R** Remuneration Advisory Committee **A** Audit & Supervisory Board **G** Corporate Governance Committee ★ Chair

Note: The attendance shown is for the period from April 2024 to March 2025. Mr. Nambu and Ms. Fukumoto's attendance figures reflect the period starting from their appointment in June 2024.

■ Reason for appointments of new directors

Name	Reason for appointments
Eiichi Shibata	Mr. Shibata has experience in the Accounting Department and in the management of the Company's consolidated subsidiaries as the General Manager of the Group Management and Administration Department. Since assuming the position of Executive Officer, he has mainly been in charge of M&A and other activities within the Group and has made efforts to enhance the Group's corporate value. The Company expects that he will continue to utilize his wide range of knowledge and experience and demonstrate his managerial skills in the future.
Yuichiro Kondo	Mr. Kondo has experience as a representative director of a major securities company. The Company expects that he will supervise management of the Company and make proposals from an independent standpoint by utilizing his extensive knowledge of financial markets and management strategy based on his career to date in order to continuously improve the corporate value of the Group and strengthen its corporate governance.

■ Reason for appointments of new Audit & Supervisory Board members

Name	Reason for appointments
Ryuichi Oyaide	Through his many years of experience in construction work at our branch offices and as Head of Construction Department at our Head Office, Mr. Oyaide has extensive knowledge of construction technology, and the Company expects highly effective audits based on his familiarity with the technical aspects of the worksite.
Yoshihiro Takashige	Through his many years of experience in accounting and auditing, Mr. Takashige has extensive knowledge of finance, accounting and auditing, and the Company expects him to conduct highly effective audits.

■ Skills 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 and outside Audit & Supervisory Board members 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 lifestyles and 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

■ Advisory Committees of Board of Directors (Board Committees)

Nomination Advisory Committee

Receives information from 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
- Matters discussed and deliberated in fiscal 2024:
 - Recommendations of candidates for directors
 - Selection of representative directors
 - Age limit and term of officers

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
- Matters discussed and deliberated in fiscal 2024:
 - Total amount of bonuses paid to directors and amounts paid to individual directors for the 85th fiscal year
 - Fixed remuneration for directors

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 Audit & Supervisory Board members.

- Chair: an independent outside director
- Meeting frequency: twice a year in principle
- Matters discussed and deliberated in fiscal 2024:
 - Digital transformation (DX) initiatives
 - Results of evaluation of the effectiveness of the Board of Directors
 - Implementation status of the Corporate Governance Guidelines and proposed amendments

Sustainability Committee

The Sustainability Committee deliberates and decides on important environmental and social issues to be addressed by the Company and the entire Group over the medium to long term and directs and oversees efforts related to such decisions. In addition, it reports on important environmental and social matters to the Board of Directors. When necessary, it provides information to the Corporate Governance Committee.

- Chair: Head of Management Strategy Planning Headquarters (from April 2025)
- Meeting frequency: twice a year in principle

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 candidate directors 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 candidate directors 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 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. They also visit business branches and other business sites to conduct on-site inspections and ascertain the status of business execution. 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 2024.

- Chair: CEO

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 2024, the Committee met four times.

- Chair: Representative Director, Chairman (from April 2025)

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 2024, the Committee met 24 times.

- Chair: Head of Housing Solutions Headquarters and Head of Business Solutions Headquarters (from April 2025)

Information Disclosure Committee

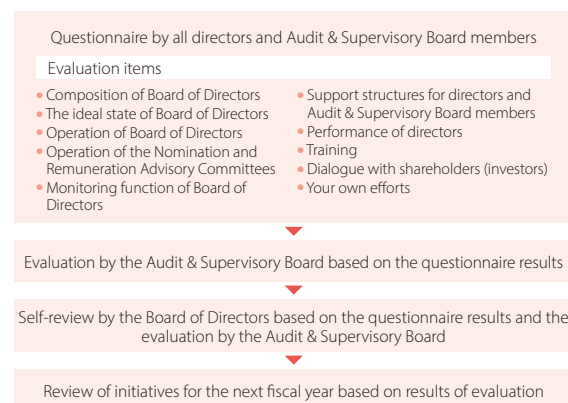
To build long-term relations built on trust with all shareholders, investors, and other stakeholders, we have established the committee tasked with announcing information pursuant to the basic policy for information disclosure. Information that is useful for investment decisions and matters that could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

- Chair: Head of Management Administration Headquarters

■ 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 2024 survey, with responses being provided directly to the external agency to ensure anonymity.

Evaluation process

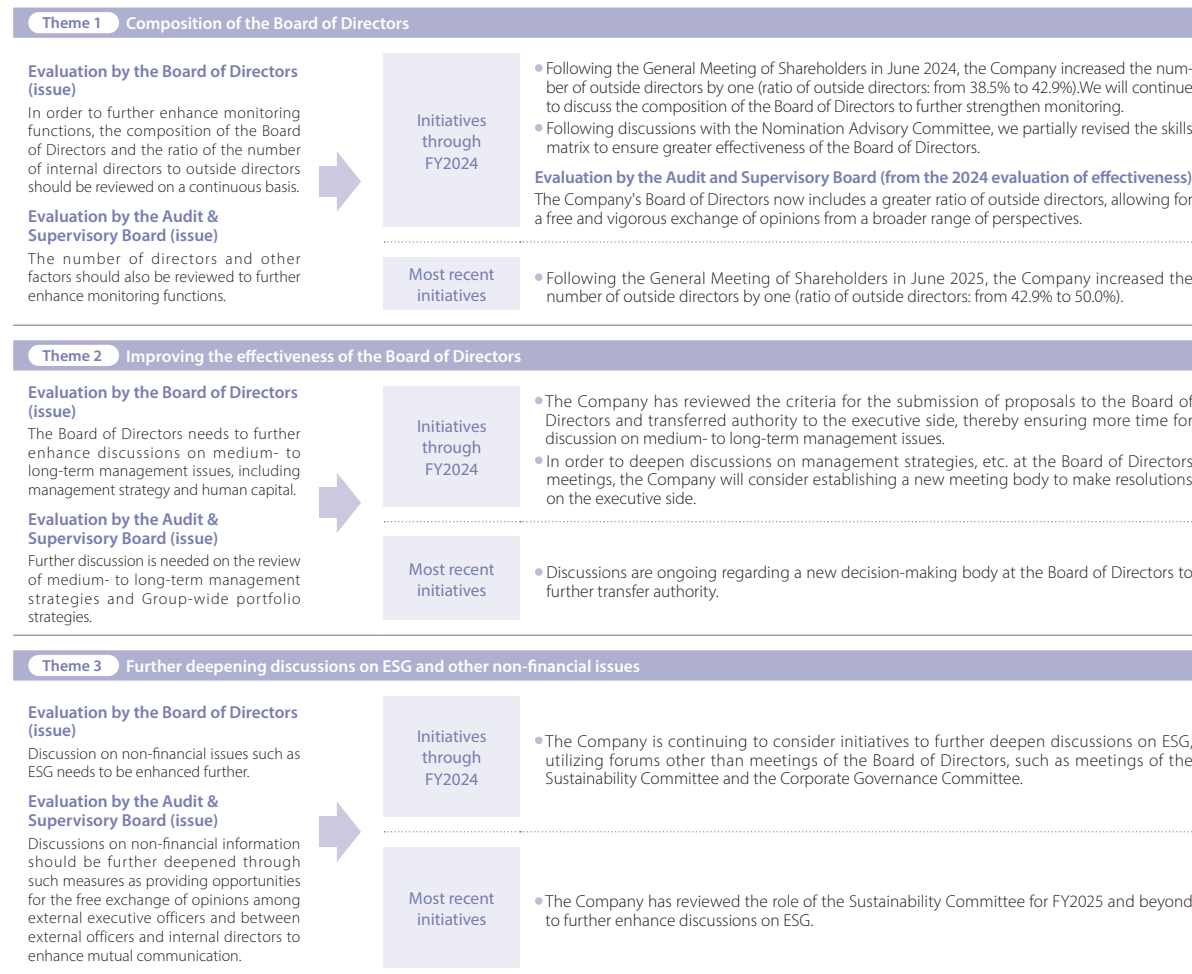


Evaluation results for FY 2024

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

Results of the 2023 evaluation of effectiveness and status of efforts to address the identified issues



Results of the 2024 evaluation of effectiveness and status of efforts to address the identified issues

Theme 1 Composition of the Board of Directors

Evaluation by the Board of Directors (issue)

In order to further enhance monitoring functions, it is necessary to continue to consider how the Board of Directors should function in response to changes in the environment.

Evaluation by the Audit & Supervisory Board

It is necessary to continue considering the Board of Directors' institutional design and how to ensure the diversity of constituent members.



Policy
for initiatives
in FY2025

- Consider appointing individuals with greater diversity and the knowledge necessary for the future of the Company while maintaining an awareness of the separation of supervisory and executive functions.
- Continue considering the Company's management structure, including its institutional design.

Theme 2 Enhancing discussion of management strategies, non-financial information, etc.

Evaluation by the Board of Directors (issue)

Continue to work on agenda setting and ensuring time for discussion.

Evaluation by the Audit & Supervisory Board

It is also necessary for the Board of Directors to deepen discussions on the Group's medium- to long-term management strategy, business portfolio review, and sustainability information.



Policy
for initiatives
in FY2025

- Enhance discussion of management strategies and non-financial information, etc., by sharing and reporting the deliberations of the Management Strategy Committee, Sustainability Committee, and other bodies.

Theme 3 Internal controls

Evaluation by the Board of Directors (issue)

Enhance discussions on risk management and compliance from a risk-averse approach to governance.

Evaluation by the Audit & Supervisory Board

Monitoring of the status of internal controls for the entire Group needs to be strengthened to improve oversight.



Policy
for initiatives
in FY2025

- Enhance discussions on the status of internal controls, including those of Group companies, and the improvement and monitoring of risk issues, while further strengthening oversight.

Policy on cross-shareholdings

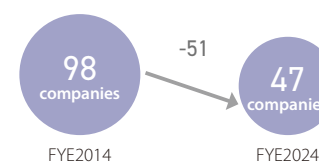
Each year, the Board of Directors reviews the medium-to-long-term economic rationality of the company's various cross-shareholdings and presents the results. An effort is being made to reduce cross-shareholdings by selling those shareholdings that are deemed to be no longer necessary. At the end of fiscal 2024, the market value of the Company's holdings was ¥64.2 billion (listed stocks: ¥60.2 billion, unlisted stocks: ¥4 billion), accounting for 2.4% 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 47 at the end of fiscal 2024. 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

■ 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 subsequent delivery-type transfer restrictions" and "performance-linked remuneration of transfer-restricted stocks" as stock-linked 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 subsequent delivery-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-linked compensation 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.

Fixed remuneration		Stock compensation Approx. 20%	
Basic remuneration Approx. 45% (not more than 70 million yen monthly)	Annual incentive bonus Approx. 35% (not more than 1.5 billion yen annually)	Restricted stock compensation with subsequent delivery-type transfer restrictions (fixed remuneration) 50%	Transfer-restricted stock compensation KPI: Environmental Indicators (evaluated annually) 50%

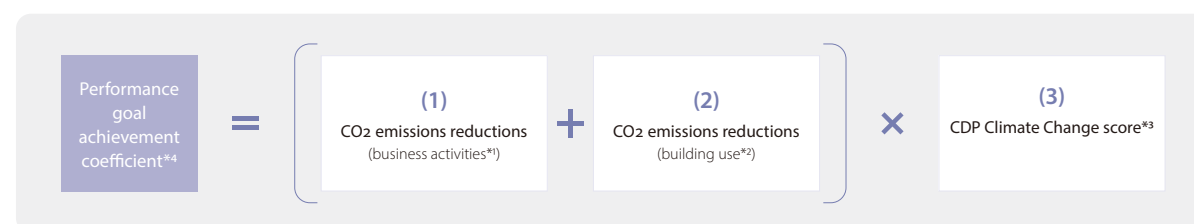
Note 1: The percentage indicates the ratio of each type of remuneration to the whole remuneration for directors. (Calculated based on past results, etc., and may be subject to change in the future.)

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-linked compensation of transfer-restricted stocks

The “CO₂ 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



*1 CO₂ emissions at Group offices, plants, construction sites, and business facilities. (Scopes 1 and 2)

*2 CO₂ emissions resulting from the use of residential houses and buildings sold and developed by Daiwa House Group. (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 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	FY2024 (Targets)	FY2024 (Results)
(1)	Reduction of greenhouse gas emissions in business activities (vs FY2015)	-52%	-58.1%
(2)	Reduction of greenhouse gas emissions in building use (vs FY2015)	-54%	-59.8%

Performance goal achievement	Coefficient for calculating the 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	Coefficient for calculating the 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

In FY2024, the achievement level of the performance targets for (1) and (2) was more than 100%, and the respective coefficients for calculating the performance goal achievement coefficient were 0.5. In addition, the CDP Climate Change score for (3) was A, with a coefficient of 1.2. In light of these factors, the performance goal achievement coefficient for FY2024 was set at 1.

Calculation method

Achievement of (1): -58.1% (FY2024 result) / -52% (FY2024 target) = 112%

Achievement of (2): -59.8% (FY2024 result) / -54% (FY2024 target) = 111%

2024 CDP Climate Change score of (3): A

FY2024 performance goal achievement coefficient: (0.5+ 0.5) × 1.2 = 1.2

The performance goal achievement coefficient was set at 1 because the coefficient exceeded 1.

■ Initiatives to further share value with our shareholders

The Company recommends to its executives and employees to own company shares through employee stock ownership program 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

3 Improve system of business execution

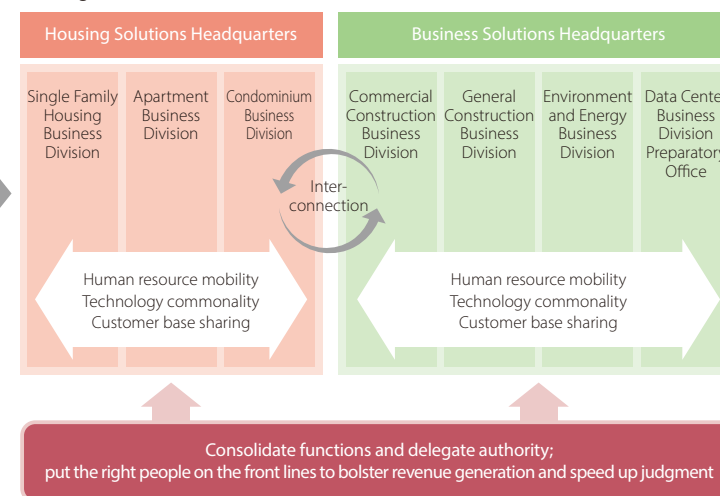
■ Reinforced organizational functions by switching to a system of two business headquarters

In order to further strengthen our earning capability, we consolidated the resources that had been dispersed among our seven business divisions into two newly established business headquarters in fiscal 2025: the Housing Solutions Headquarters, which oversees the B2C such as Single Family Housing Business and Apartment Business, and the Business Solutions Headquarters, which oversees the B2B such as Commercial Construction Business and General Construction Business. We have revamped our organizational structure to be able to respond flexibly and quickly to both the shrinking domestic market and the expanding overseas market. The Corporate Departments aims to create a smaller but more effective Head Office by increasing efficiency and enhancing expertise. Meanwhile, the Overseas Division will strengthen the foundation of its overseas business while continuing to improve RC functions. Through this organizational restructuring, we will streamline the shared functions across each business division. Simultaneously, we will enhance our marketing capabilities, facilitate cross-business sharing of customer information, and accelerate decision-making processes. Through these collective measures, we will drive further growth in sales and operating income. We will continue to consider the optimal management structure for the Company in order to respond to the changing management environment in a timely and appropriate manner.

Seven business division-based system (until FY2024)



Two business headquarters system (starting in FY2025)

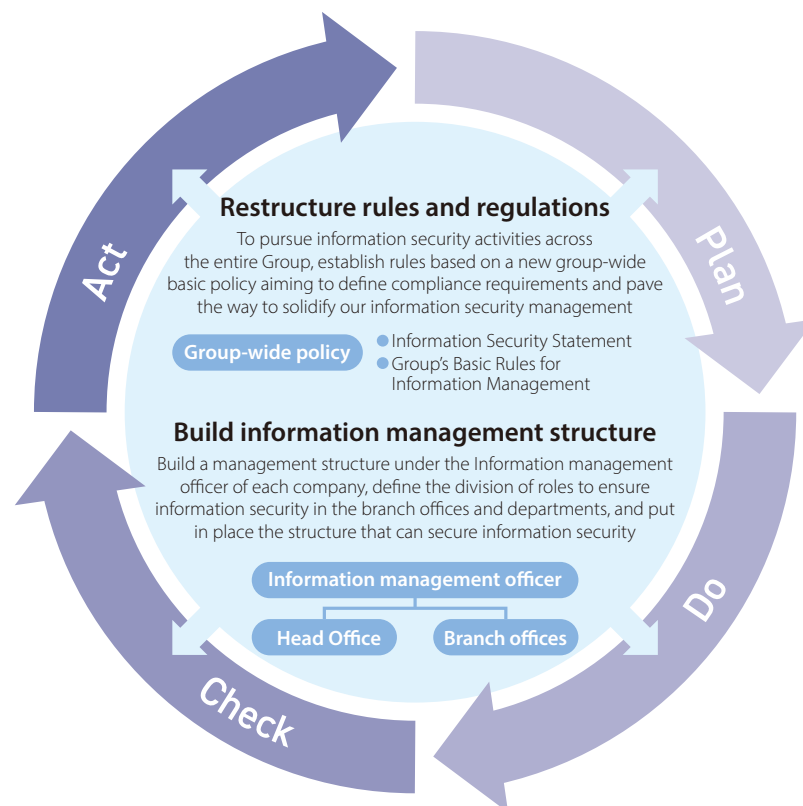


Expected effects of the new structure

Human Resource Mobility	• In anticipation of increasingly severe competition to secure human resources, we aim to maximize productivity and enhance proposal capabilities by utilizing and training human resources across businesses • Cross-departmental human resources allocation and development to expand overseas operations
Technology Commonality	• Strengthen appeal of high quality and high value-added products and solution-formulation capabilities through cross-functional utilization of technology and expertise • Strengthen new assets, large-scale built-for-sale projects, and large-scale development projects by leveraging our specialized knowledge and through collaboration between our human resources
Customer base sharing	• By making maximum use of our customer base across all business units, we provide building value and lifelong fulfilling lifestyles through value propositions tailored to each life stage. Maximize lifetime value (LTV) for customers and buildings • Improve customer satisfaction and capture business opportunities through centralized management of customer information

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. To achieve the annual company-wide targets and annual targets set by each organization, each branch office, business division, and Head Office division has formulated a one-year information security action plan and is engaged in initiatives in service of this. As part of the planning process, we require that a report is made containing a review of the previous year's initiatives and results, ensuring that planning does not end with the creation of the plan and enabling the Group to proactively promote information security activities.



Formulate annual plans

P Plan for the current year's information security activities based on the previous year's activity results and improvements

IT security measures

D 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

Activities to secure information security (assessment, audits, and improvements)

C 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

Review and improve our activities

A Review information security activities every year, reexamine the rules, regulations and information management structures, and optimize them regularly to match our actual situation