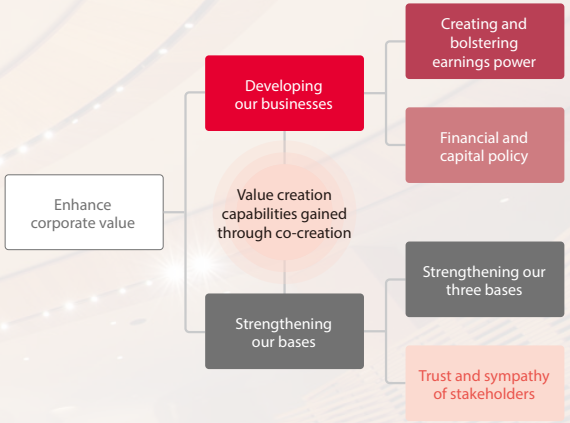


MIRAI KACHI KYOSO Center (Kotokurie) (training facility)

# Messages from the CEO and COO

Our Group's approach to enhancing corporate value is rooted in our founder's vision of "being of service to society." It focuses on creating a virtuous cycle of social and economic value through the evolution of our business portfolio and value creation. In this chapter, we discuss the challenges and strategies for sustainable growth leading up to our 100th anniversary, driven by the creation of future value.




Chapter 1

Chapter 1 Messages from the CEO and COO



Message from the CEO

# Creating future value to address societal challenges around the world, Carrying forward our founder's spirit to continue generating original insights

Keiichi Yoshii
Chairman, CEO

## Onward to ¥10 trillion: Our 30-year roadmap

The Daiwa House Group celebrated its 70th anniversary in April 2025, leaving us 30 years to get ready for our centennial. That means it is time for us to formulate how we want to achieve growth over the coming three decades into a coherent vision embodying specific ideas and develop a roadmap to guide us forward. For me, that means continually postulating scenarios for reaching our ¥10 trillion sales target and what our Group will have achieved and be like when we do.

The ¥10 trillion sales target is a mere milestone. What matters most is not reaching the target, but how we reach it. The question most occupying my mind is: What do we need to do to bring up the kind of human resources who will enable us to reach our goal? If we simply pursue scale, we will not be able to maintain sustainable growth. Huge changes and shifts in externalities will inevitably take place over the coming three decades, so we need to begin positioning ourselves to deal with them. Now is the time for us to envision a business portfolio that will carry us forward and develop the human resources needed to drive that business portfolio forward.

The Daiwa House Group has always worked to be the living embodiment of our founder's spirit: *Don't do things because they will make a profit, but because they will be of service to society.* That means uncovering issues society needs resolved and fulfilling our role serving the public interest by providing solutions to them. This approach has always driven our growth, and we intend to ensure future generations of Daiwa House people continue to embody it in pursuing growth worthy of the Daiwa House Group name.

## The wish encapsulated in this year's kanji, 創 (*sō:* "create," "originate"), is Continue creating new value as we move through our next 30 years

In looking ahead, my biggest concern is ensuring that our employees' actions are truly rooted in the founder's spirit. Our founder was driven by a powerful will to create new things and send them out into the world, and he had an uncanny ability to get things done. Interfering with the




fresh thinking that begets new ideas, overemphasis on short-term results entices people to view the future as a mere extension of the present.

That's why in times of change we need to return to our roots and handle with creativity and originality appropriate for the day. With that in mind, I chose 創 (*sō*: "create," "originate") as our kanji for 2026. *Sō* encapsulates the meaning *to create new things from original ideas*. Our founder's admonition, *stagnation is retreat,* emphasizes that we should always seek to create new value rather than to maintain the status quo.

Sō also symbolizes our commitment to long-term value creation with our centennial year, 2055, in our sights. Rather than seeing the future as an extension of the past 70 years, we must continually ask ourselves what kind of "future value" we want to deliver over the coming 30. Pursuing our ¥10 trillion sales target, we dare not sacrifice quality for quantity.

As we pioneer the Group's growth in the next era of its development up to our centennial, we will continue embodying Daiwa House's signature values: our foundational practices of fostering employees' personal growth through business and continually creating new value.

## Implementing future value with focus on addressing societal issues

Our Group's approach to business has always been to identify a societal issue and then cultivate the expertise to help address it. To date we have picked up on various societal issues, carefully studied what future value needs to be created, and proposed ideas for new businesses and R&D topics. Our emphasis is on accurately reading societal changes and proactively moving to turn society's needs into actionable solutions, and we believe this should remain our path forward.

Our Group is at once a homebuilder, a general contractor, and a developer. We have challenged new fields, sometimes breaking free from the confines of our existing business framework, to respond to changing societal needs, a practice that brought us today's growth. New possibilities and growth opportunities lie within such boundary-transcending challenges.

An example is our venture into the data center arena. Data and digital infrastructure are fundamental to the workings of our world today, and their importance will continue to grow. Expanding our data center business, we intend to help build safe and stable digital infrastructure—our way of supporting the sustainable development of society and the business activities it depends on.

To reliably deliver this value to society, building out the technological foundation that underpins it is essential. The Company has been doing this by acquiring expertise it needs from outside sources. With Fujita joining the Group in 2013, the Group now possesses a vertically integrated organization covering the gamut from land acquisition to infrastructure development and building construction. Under the leadership of Yoshiyuki Murata, a former president of one of Japan's largest general contractors, we are shoring up our engineering capabilities





within Daiwa House Industry and across the entire Group, steadily reinforcing our technology and manufacturing foundations throughout the supply chain. The steady progress of large-scale projects such as Expo 2025 Osaka, Kansai, Japan; Minato Mirai 21 Central District 52 Block Development Project; Yodoyabashi Gate Tower redevelopment; and rebuilding Osaka Marubiru, is also attributable to these efforts. Also in this context, last year we welcomed Sumitomo Densetsu (Semlinks Co., Ltd. from 1 October 2026) into the fold. This is fortifying the Group's expertise in equipment installation and on-site capabilities, further building out the Group's technological foundation. Collaborations from the design stage should enhance our competitiveness and allow us to take on higher value-added projects.

Meanwhile, we do not confine our approach to addressing societal issues to Japan. We see the founder's original aim of addressing societal issues, as something that should be extended beyond Japan's borders. Overseas markets provide opportunities not only for Group growth but also spreading our business philosophy globally. Using our businesses to respond to difficulties people face is the Group's social mission. Our work to aid reconstruction in Eastern Europe is a prime example.

We are committed to thus creating future value to meet societal needs without being confined by existing frameworks.

## Business is our tool for cultivating talent

A concept Daiwa House Group values highly is *fostering employees' personal growth through business*—so much so that it is written into our Corporate Creed. When one looks 30 years ahead, one realizes how much human resources impacts an enterprise's development. Much depends on the kind of human resources with which it pioneers new possibilities. People do not grow when all the answers are given to them. They develop best when they experience thinking for themselves, taking on challenges, and following through. Human resources development and organizational evolution are built on a running cycle of positing questions to the front-line units, thinking for oneself, and repeated dialog. In times of turbulent change, people are the drivers of new-value innovation. *People* are an enterprise's source of growth as well as their biggest strength. People who are eager to take up challenges and have the mettle to pick up the ball and run with it are the kind of human resources our Group seeks. We are confident that it is precisely such people who will pioneer new possibilities and carry the whole Group forward through the next era.

## To our shareholders and investors

I see cost of capital as a hurdle embodying investors' expectations that the Company will be able to jump it. Our job is to continually ask ourselves what we need to do to clear the hurdle tidily by delivering expectation-beating value. This is not merely a question of numbers, but a litmus test of our very approach to running the Company.

I am happy to report that, for the second consecutive year, in February 2026 our share price hit a record high. Seeing the share price as an important message from investors that reflects how the market assesses our strategies and the Company's future prospects, we are deeply grateful. Personally, however, the current share price gives me no reason to relax in satisfaction.

During the coming three decades on the way to our centennial, we will continue making our founding ideal central to our ongoing challenge to create new value by addressing societal challenges.

I hope all our stakeholders will continue to support us in our quest to achieve sustainable growth and enhance corporate value. We promise to do our very best to reward the trust you place in us.

Message from the COO

# Mid- to long-term strategy for sustainable growth on the way to our centennial

Hirotsugu Otomo

Hirotsugu Otomo
President, COO



## My first full year as COO

2025 gave us plenty to celebrate—our 70th anniversary, the Osaka-Kansai Expo. But the new year brought a run of developments few of us saw coming, and the operating environment has grown correspondingly murkier. Geopolitical risk keeps compounding: shifting tariff policies worldwide, rising tensions in the Middle East, strain on logistics and energy supply. At home, the upward trend in interest rates is now unmistakable, and we will have to get used to being in an era of rising interest rates. Currency swings, energy costs, and climbing labor costs are all challenges no single company can control on its own, which is exactly why reading change accurately, in both the short and medium term, and managing with a clear eye on what lies ahead, matters more than ever.

Since taking over as president in 2025, I have visited a great many of our offices and plants around Japan, briefing staff on our management plan's progress, the thinking behind our two business headquarters system, and improvements underway on the ground, as well as meeting with younger employees along the way. Listening closely to what they each have to say, acting quickly on the issues they raise, and shaping our longer-term strategy through ongoing dialogue with the front line: that, I have come away convinced, is what matters most.

## Results and challenges of the 7th Plan

### The seeds we planted for sustainable growth are paying off—our quantitative targets, achieved a year ahead of schedule

I feel real confidence in the ¥500 billion operating income milestone set out in our Seventh Medium-Term Management Plan. It shows that the path toward our founder's dream—¥10 trillion in net sales by 2055, our centennial—is steadily taking shape. As for the plan's quantitative targets, we reached our sales and profit goals

a year early, though a few items remain unmet; we will keep working on those with the same sense of responsibility, pursuing growth aggressively rather than easing off. The seeds we have planted for future growth under the 7th Plan are our Livness business, timber and wood-based construction in the non-residential domain, our newly established Data Center Business Division, and our corporate venture capital (CVC) fund. Together, these are steadily building a foundation for sustainable growth—reshaping our business portfolio, strengthening our recurring-revenue segments, advancing capital investment and digital transformation, and pursuing our carbon-neutral strategy at a deeper level.



## Organizational evolution through the shift to two business headquarters

In April 2025, we moved from our previous seven-division structure to a twin structure consisting of our umbrella business segments—the Housing Solutions Headquarters and the Business Solutions Headquarters ("two business headquarters system"). This change is meant to speed up decision-making and strengthen management and oversight from a company-wide perspective. A year in, and the new structure is functioning well. We are consolidating overlapping functions, delegating authority, and transferring operations while strengthening cross-organizational collaboration through shared customer information and technology—all in service of better solutions and greater efficiency.

We have also been optimizing how we allocate our human resources—shifting people toward revenue-generating frontline roles and reworking how that work gets done—and we have revised our HR assessment framework, moving to annual reviews starting in fiscal 2026. For our leadership layer, we have instituted a framework placing greater emphasis on longer-term perspectives, aiming to embed a culture that drives up corporate value and develops our people. In October 2025, we also established a Management Committee to speed up management decisions and clarify the Board of Directors' role, separating business execution more cleanly from oversight. That's moving us toward a more monitoring-oriented board.



COO Otomo dialoguing with office staff

## Challenges for future growth

### Managing with a sharper focus on asset efficiency

Under the 7th Plan, we invested aggressively in overseas business, but geopolitical risk and shifting policy now call for more cautious judgment. Going forward, we will weigh our investment direction with stability, resilience, and sustainability firmly in mind. At the same time, we will pursue growth investment that's mindful of asset efficiency alongside building the foundations for future growth and taking on new businesses—strengthening our operating base through better asset efficiency, talent development, and higher productivity.

We have been active real estate investors up to now, but going forward we need to lean harder into balance-sheet

discipline as we fully adjust to an era of positive interest rates. On the ground, that means holding firmly to what we call the "three decisive actions": knowing when to commit, when to let go, and when to act boldly, as we steadily convert long-held, underperforming assets into cash. Where an asset cannot be sold or put to use, the answer is not to cling to a past decision—it is to judge quickly and redirect that capital toward the next stage of growth. Keeping capital turning that way is, I believe, essential in an era of positive interest rates. I especially want the Group's next cohort of leaders to take failure in stride, taking it as a natural outcome of trying, and to think for themselves about where the capital should go next.

Alongside improving asset turnover this way, we are also watching cost ratios closely, working to strengthen our earnings base even further.

## Turning societal challenges into growth opportunities for our domestic business

In our domestic business, we see structural shifts—the falling birthrate, an aging population, the widening gap between urban centers and regional areas—as growth opportunities, and we are adapting our strategy region by region and business by business to grow alongside the communities we serve.

The Rental Housing, Commercial Facilities, and Logistics, Business and Corporate Facilities segments remain our growth engines. At Rental Housing, we intend to grow by addressing customers' needs—maximizing asset value for property owners and meeting rising demand from families. At the Commercial Facilities Business and the Logistics, Business and Corporate Facilities Business, we have identified semiconductor plants and data centers as particular growth areas and are building up construction expertise and our ability to formulate better project proposals. Our advantage has always been combining a diverse range of assets based on our land intelligence to formulate proposals that maximize value; from here, we extend that proposal-making capability into equipment and facilities as well, strengthening collaboration across the Group to sharpen our competitive edge.

We are aiming to restore the Single-Family Houses Business to renewed growth as a core business, raising the share of factory-built production under our "industrialization of construction" philosophy to deliver both cost competitiveness and quality. We will tailor our strategy to local attributes and conditions, and rather than chasing unit volume, we intend to focus on lifting the value of each individual home—improving profitability as a result.

## Maximizing customer LTV and building LTV through our Livness business

Through Livness, our housing-stock business launched in 2018, and BIZ Livness, launched in 2024 to cover the non-residential sector, we have worked to maximize customer lifetime value (LTV) and building LTV by improving



seismic resistance and environmental performance and rethinking how spaces are planned. In this way, our Livness businesses add social and environmental value to existing buildings rather than simply buying and reselling them.

With Livness, we see room to add value even to existing homes—by evolving their functionality and how people can live in them. We are encouraging circularity of Japan's housing stock by capitalizing on their price advantage over newbuilds while carefully assessing each building's value and developing the mechanisms needed to pass it on to a new generation.

With BIZ Livness, we are now moving fully into building regeneration—engaging carefully with each property's use and needs and maximizing building value by choosing the best method available, whether that's renovation and refurbishment or, where warranted, demolition and

rebuilding, rather than treating the latter as the default. Some of the properties in our REIT are approaching the 20-year mark, and we are also considering reacquiring them at the right time and under the right conditions, raising their value, and bringing them back to market.

Building on our relationships with the more than two million customers who live in homes we have built, we intend to keep supporting each customer's life closely while advancing building regeneration and circularity—growing Livness into a ¥1 trillion business by the 2030s.

## Linking climate mitigation and adaptation to business value: putting circularity into practice through "create," "use," and "revitalize."

We treat reducing our environmental impact as inseparable from building business value. We see environmental measures as an opportunity to create added value, and we are embedding them into our operations as we quantify and make their effects visible—advancing ZEH and ZEB adoption alongside cutting greenhouse gas emissions in our products and building materials. In Japan, our monitoring systems are largely in place, and we are gaining visibility across the supply chain as a whole. Overseas, we are building the right monitoring approach for each country and region as we go.

Our circular economy work runs on three ideas: create, use, and revitalize. Under *create*, we are increasing our use of recycled inputs in the principal building materials used in new construction. Under *use,* we are extending building lifespans through purchase–refurbish–sell and extended-warranty work, while making the resulting reduction in resource use easier to see. Under *revitalize,* we are focused on material recycling*—particularly of waste plastics—from waste generated across our Group's production, construction, renovation, and demolition sites, taking resource circularity to a higher level.

Timber is a particular focus of our environmental and resource-circularity work. Through our Future with Wood project, we have been exploring how to put wood's environmental value and potential to work in construction, accumulating the technology, design capabilities, construction know-how, and supply chains needed to do it. Three projects we helped develop won the Japan Wood Design Award 2025, and proposals seeking to make the most of wood's particular qualities are growing more common.

Steel still has real advantages in fire resistance and earthquake resilience, so we are also focusing on hybrid construction that combines wood with other materials. That said, advances in materials technology now make it possible to build wooden structures with strong fire resistance, and the range of applications keeps expanding. In our support for reconstruction in the aftermath of the 2024 Noto Peninsula earthquakes, we erected wooden recovery housing using locally sourced timber and wood previously used in Osaka-Kansai Expo buildings—an effort we see as addressing regional needs and building business value at the same time.

Going forward, each of our business headquarters and Group companies will look at how to put circular economy models into practice across our whole value chain, in pursuit of the right balance between revitalization and circularity.

* A recycling model in which waste materials are used as inputs for new products.

## To our shareholders and investors

Share prices have continued to swing widely amid heightened uncertainty worldwide. We do not consider any particular share price at any given time as reflecting a company's true value—it is shaped by business performance, yes, but also by the externalities and investor sentiment, among other factors. That said, we take market valuations like the price-to-book ratio (PBR) seriously, as an important message from investors, and we use them to sharpen our management and growth strategy.

We run a diverse range of businesses, and the market has mixed views on how that portfolio fits together. What makes us distinctive, though, is that these businesses have grown by complementing one another.

As we reshape our business structure, I want to give equal weight to solving discrete issues and lifting the value of the Group as a whole. I intend to keep explaining the synergies between our businesses and the progress of our transformation scrupulously, and work through dialogue to help our stakeholders to a better understanding of how we create value.