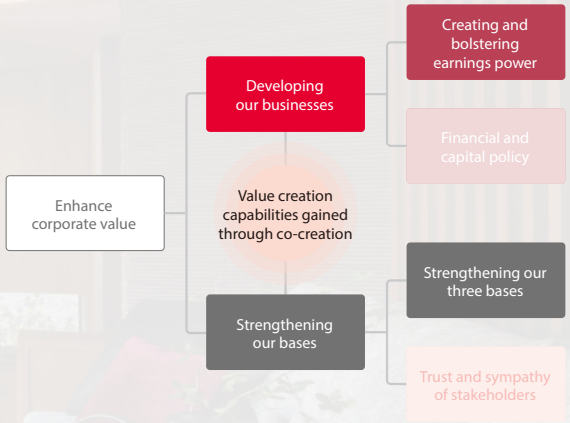


xevo GranWood

The Story of the Group's Value Creation

Leveraging the value-creation capabilities generated by our three bases, we are promoting the resolution of social issues and the creation of value through our diverse business portfolio. In this chapter, we introduce the value creation process aimed at realizing "a world where we live together in harmony embracing the Joys of Life," as well as our current progress toward that goal.



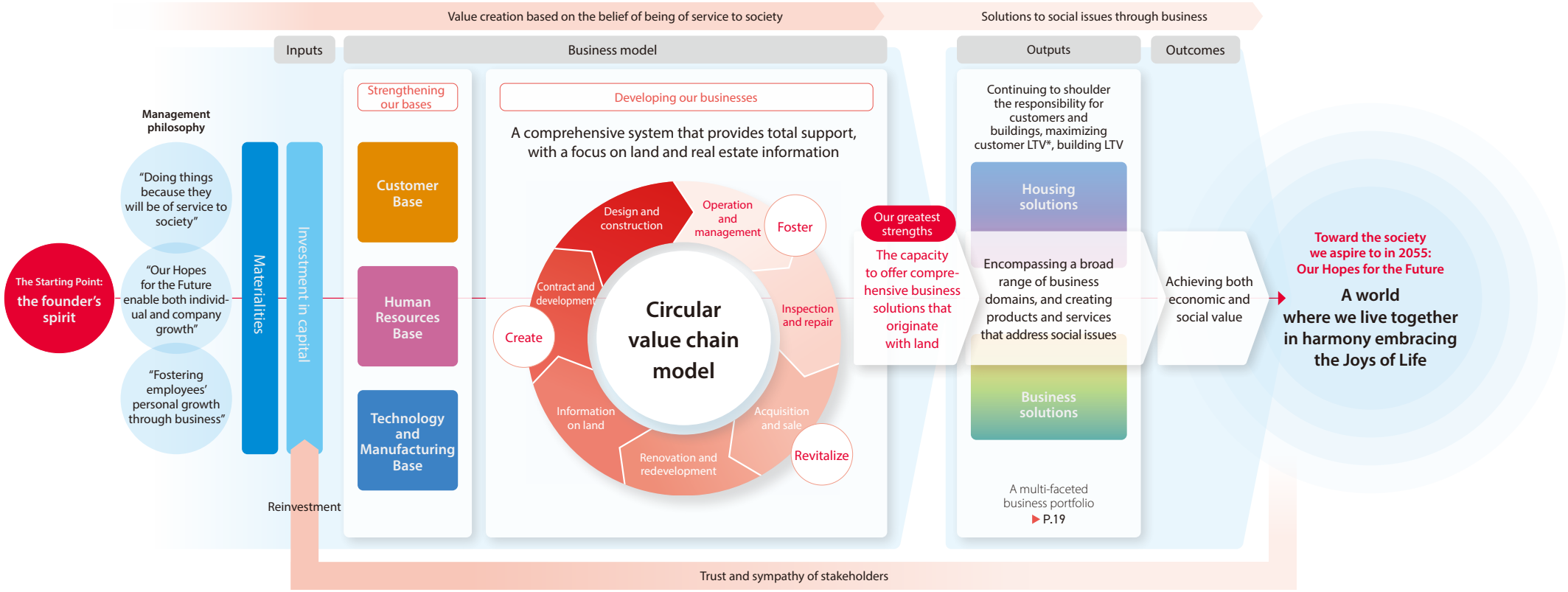
Chapter 2

Chapter 2 The Story of the Group's Value Creation

1 The Daiwa House value creation process

Value creation based on the belief of being of service to society and solving social issues through business

Daiwa House Group aims to realize its vision for a society where people can share in the joy of life by undertaking initiatives to address materiality. The source of value creation is our three bases, which are strengthened by investments in capital. Leveraging the value-creation capabilities that arise from these bases, the Company provides products and services that meet the wide-ranging needs of society by advancing business activities that focus on "create," "foster," and "revitalize." We are building a value-creation process in which our business activities serve to find solutions to social issues, to earn the trust and empathy of our stakeholders, and also to create new business opportunities by reinvesting those results into capital.

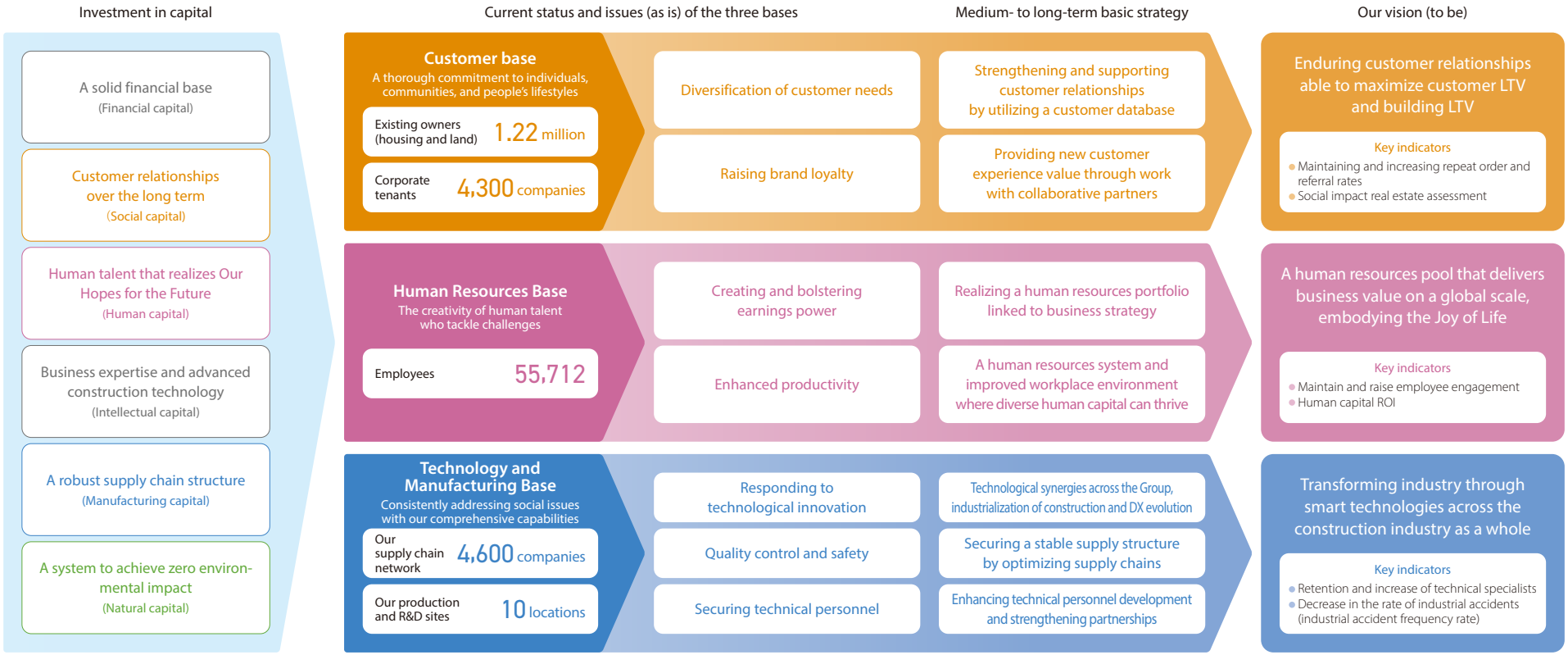


* Lifetime value (LTV): The revenue (value) the Company derives from customers and buildings over the lifespan of the relationship.

2 The three bases (source of value creation)

The three bases, being organically linked, create comprehensive business solutions

The source of our value creation is the three bases. Our customer base, leveraging the strength we possess in building close, long-term relationships with individuals, communities, and people's lifestyles, supports businesses by taking long-term responsibility for land and buildings, while our human resources base, guided by the philosophy of "fostering employees' personal growth through business," supports creativity through problem-solving that underpins diverse business operations. The technology and manufacturing base, upon which we position "industrialization of construction" as a linchpin, has as its strengths providing safe and secure buildings with high quality over short construction periods in collaboration with our business partners and leveraging the Group's comprehensive capabilities. These three bases serve to raise value while fostering the ability to develop integrated business proposals, thereby supporting our circular value chain and business portfolio.

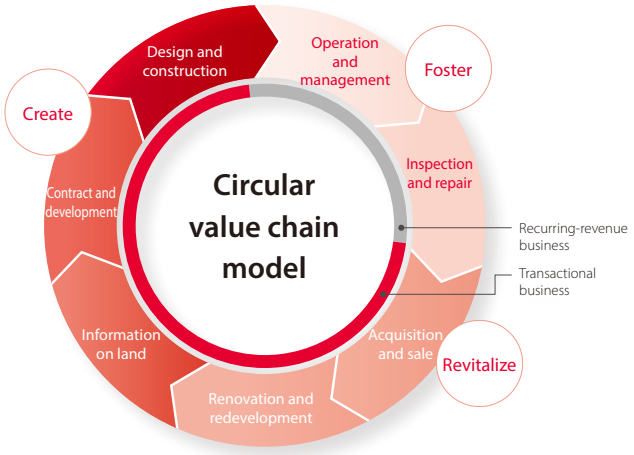


Strengthening our bases ▶ P.57

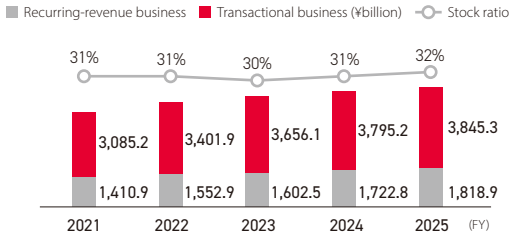
3 Circular value chain model

Promoting business focused on "create," "foster," and "revitalize," linking the creation of social value to economic value

Based on land and real estate information, we have established a unique business model by developing a cycle of "create," "foster," and "revitalize" as a business. Through this business model, we have achieved stable business growth by striking a fine balance between recurring-revenue and transactional-revenue businesses, while also developing businesses that leverage the distinct characteristics of residential and non-residential properties. A key source of our competitive advantage is the ability to develop business proposals by combining land, customer, and business data accumulated over many years. Through this circular value chain, by maintaining long-term responsibility for buildings and communities, we aim to maximize customer LTV and building LTV, leading to sustained value creation.



Net sales in transactional and recurring-revenue businesses/Ratio



Create

Based on land and real estate information, we provide optimal asset proposals that take into account regional characteristics, customer needs, and social issues. In addition, the ability to offer multi-faceted business proposals not limited to a single purpose enables us to provide value that balances speed and quality with planning, development, design, and construction, and handled internally within the Group.

- Cumulative number of housing units supplied in Japan 2,061,000 units
  Cumulative number of single-family houses, rental housing, and condominiums built by Daiwa House (non-consolidated)
- Cumulative number of single-family houses supplied outside Japan 44,470 units
- Portfolio of commercial construction projects 60,800 units
  Cumulative number of commercial facilities, medical, nursing care, welfare facilities, logistics facilities, etc., constructed by Daiwa House (non-consolidated)
- Industry ranking
  Number of units supplied by a major homebuilder No. 6
  Number of rental housing units supplied No. 2
  Number of condominium units supplied No. 13
  Number of units supplied by a U.S. builder No. 15
  Cumulative track record in logistics facility development No. 1

Homebuilders
Developers
General contractors

Foster

Demonstrating a commitment to taking responsibility for our buildings even after they are completed generates stable cash flow and paves the way for future growth opportunities.

- Number of rental housing management units 720 thousand units Occupancy rate: 97.7%
- Leasable area at commercial facilities 7,489,000m² Utilization rate: 99.1%
- Number of managed hotels 90 facilities
- Number of managed logistics facilities 269 buildings Managed area 1,124,000m²
- Installation capacity of renewable energy generation equipment 1,046.4 MW

Real estate companies
Facilities management companies
Electric utility companies

Revitalize

Through our Livness and BIZ Livness initiatives, which revitalize and repurpose existing real estate, we are redefining the value of buildings in response to the changing needs of society and customers, thereby creating new revenue opportunities. While restraining new investments, we are balancing the reduction of environmental burden with the creation of economic value, thereby implementing the principles of a circular economy in our business operations and transforming existing assets into growth assets.

- Number of renovated units 117,589 units
- Number of real estate brokerage transactions 4,627 deals
- Number of acquisition and sale transactions 882 deals

Renovation companies
Real estate brokerage agencies

Note: Above figures represent FY2025 results.

4 A multi-faceted business portfolio

Realizing highly value-added proposals by continuously evolving a comprehensive Group-wide system

Providing support for a circular value chain is a multi-faceted business portfolio that covers a broad range of business domains. We are able to offer multi-faceted solutions that address social challenges and create economic value by deepening collaboration across business units and within the Group through a comprehensive system that provides total support, from planning to after-sales services. The breadth of areas in which we conduct business and the scale of our operations underpin integrated business proposals, contribute to Group resilience, and lead to an ability to generate stable cash flow. One initiative aimed at further evolving this structure is Sumitomo Densetsu's integration into the Group. By leveraging this company's advanced electrical equipment technology and its network of partners, we will be able to offer proposals with even greater added value for data centers and semiconductor-related factories. Through our collaboration with this company, we will further strengthen the Group's comprehensive system and promote high-quality projects with a focus on the entire supply chain.

A business portfolio strengthened by Sumitomo Densetsu joining the Group

Data centers

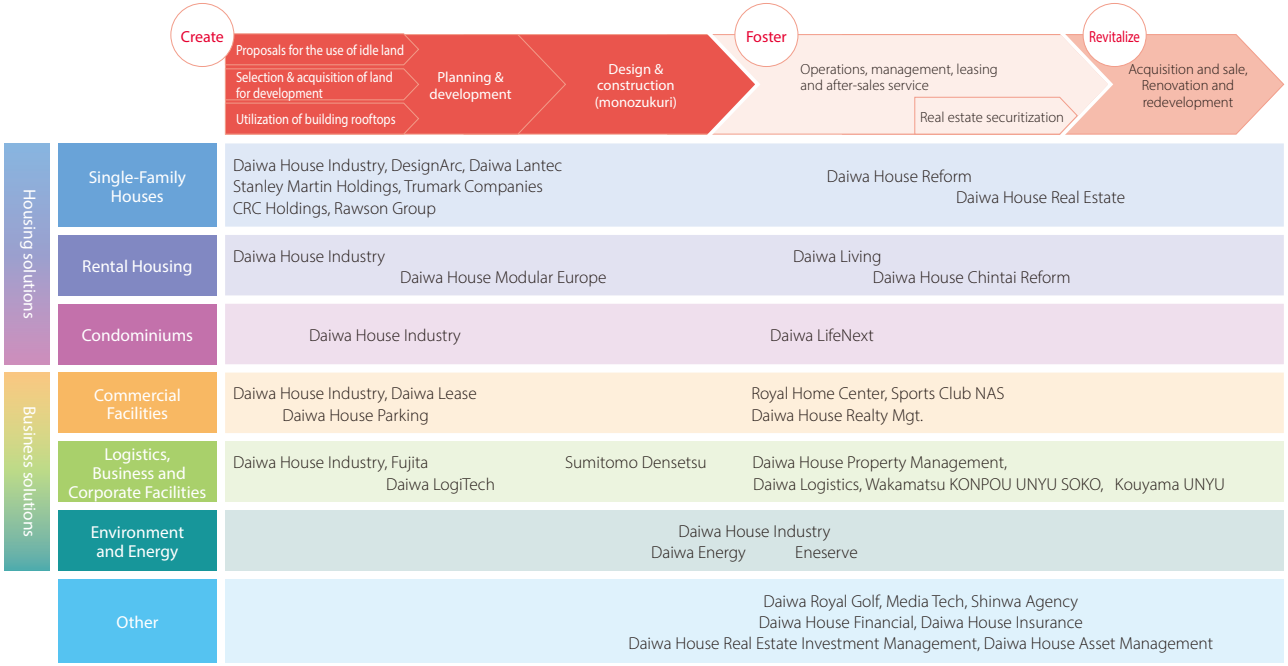
Launching "DPDC," a brand that offers comprehensive services, from data center land selection to construction and operational management

Semiconductors

The construction of semiconductor-related facilities demands a high level of expertise and meticulous planning at every stage. Leveraging the comprehensive capabilities of the Group enables the offering of one-stop solutions, ranging from location proposals, surveys and planning, to the design and construction of facilities and equipment, as well as after-sales support. Having already built a track record and expertise through an array of projects, we will continue to contribute to strengthening Japan's semiconductor supply chain while steadily capitalizing on future growth opportunities.

A diverse value chain that creates social infrastructure and lifestyle culture

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



Feature Welcoming Sumitomo Densetsu to the Group ▶ P.73

5 Environmental consciousness (opportunities and risks) and materiality

Addressing materiality issues that reflect medium- to long-term opportunities and risks

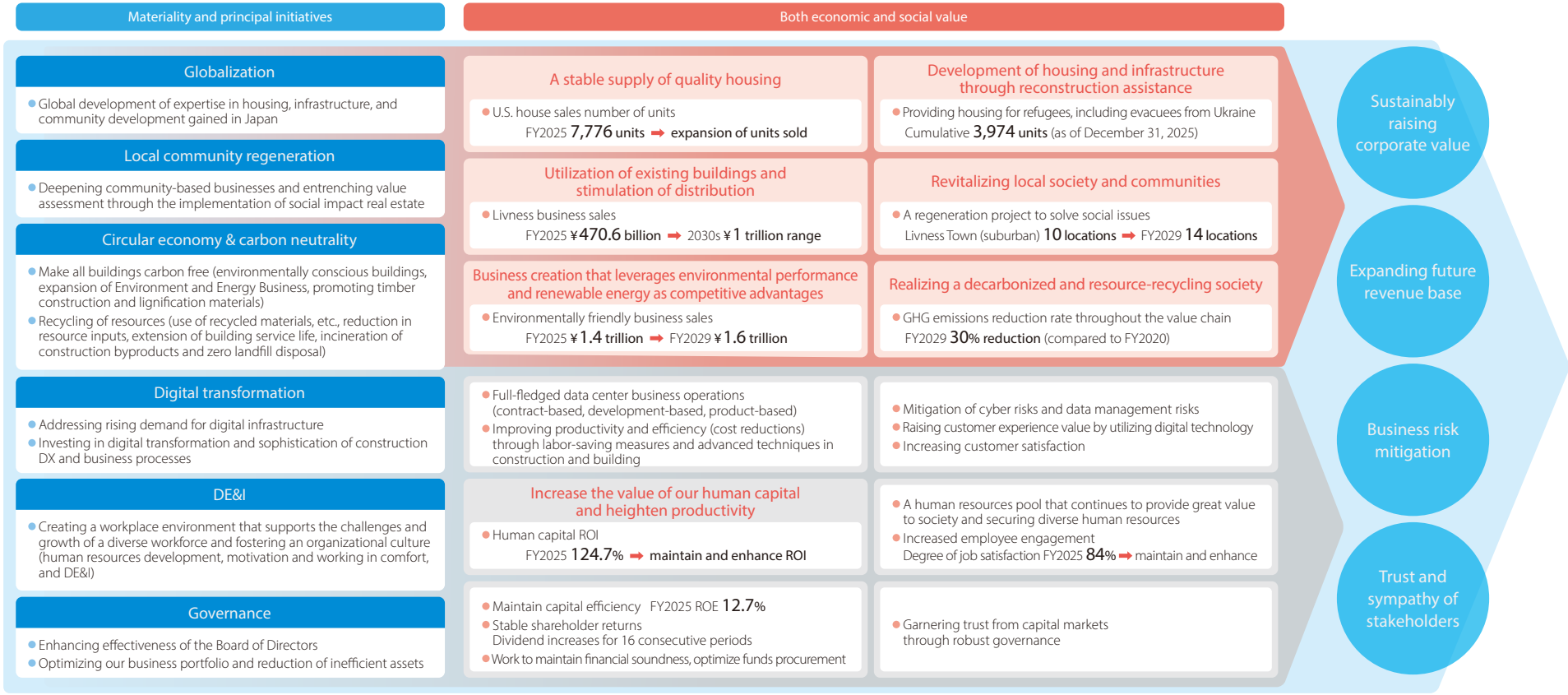
In formulating Our Hopes for the Future (Purpose), which we announced in 2022, we identified materiality (priority issues) in light of our environmental consciousness (opportunities and risks) as well as the demands and expectations of society. Here we have reassessed changes in the social and economic environment with a view to around 2035, and have partially revised our understanding of opportunities and risks.

Megatrends and issues		Structural change	Impact on Daiwa House Group		Materiality	
			Opportunities	Risks		
Structural change in the global environment	● Surging growth in the global urban population ● Increasing issues in emerging markets ● Food and resource shortages ● Geopolitical risks and global divides	● Housing supply shortages ● Advancing urbanization and growing disaster recovery needs ● Redesign of supply chain and business portfolio	● Global development of expertise in housing, infrastructure, and community development gained in Japan	● Resource procurement and cost increases ● Business suspensions, interruptions, or fluctuations in revenue due to geopolitical risks and uncertainties in political and economic conditions	Globalization	Develop community-based businesses aimed at solving social issues overseas
Changes in regional society and urban structure	● Current status of Japan's number of households ● Soaring housing prices in urban areas ● Financial difficulties of local governments ● Regional depopulation, declining local communities ● Reorganization of urban structures and housing needs	● Lack of affordable housing ● Deterioration of public facilities ● Shifting demand, from "new construction and expansion" to "revitalization, consolidation, and value enhancement" ● Addressing challenges specific to each region	● Renovation of existing homes and urban areas ● Offering "affordable housing" ● Strengthening a community-based business model ● Demand for a stable food production base	● Declining profitability in regions and shrinking demand ● Falling trust due to delays in addressing social issues	Local community regeneration	Revitalizing local communities: Businesses for solving social issues in Japan
Tighter environmental restrictions and shifting values	● Extreme weather and deepening geopolitical risks ● Shift to a carbon-free society ● Transition to a circular economy (effective use of resources) ● Shift to nature positive goals	● Stricter regulations and standards, as well as the changing needs of ordering entities and customers, leading to environmental consideration having become a "prerequisite" ● Changes in construction and development practices, as well as in materials and construction methods	● Enhancing added value and competitiveness through improved environmental performance, such as decarbonization and energy-conscious housing and buildings	● Stricter regulations and cost increases ● Market exit risk due to delays in responses	Circular economy and carbon neutrality	Environmental management geared toward circularity and regeneration
Development of a digital society	● Evolution of AI ● Rising demand for digital infrastructure ● Rising demand for data centers ● Technological innovation	● Shortage of digital infrastructure ● Greater electricity consumption ● Data utilization and digital transformation determine competitiveness	● Rising demand for digital infrastructure construction, as well as renewable energy ● Labor-saving and advanced technologies in construction and building	● Declining competitiveness due to delays in digital investment ● Cyber risks and data management risks	Digital transformation	Maximize use of digital technologies for lifestyle innovation
Changes in labor, human resources, and values	● Japan's shrinking population and aging society ● Diversifying ways of working and lifestyles ● Respect for human rights	● Labor shortages in a variety of industries ● Consideration of values and diversity influences corporate reputation ● Optimizing human capital ● Leveraging the talents of diverse human resources	● Innovation driven by a diverse workforce ● Enhancing competitiveness as an appealing company	● Personnel shortages ● Reputational risk due to delays in addressing human rights and diversity	DE&I	Foster organizational culture that welcomes diverse values and uses them in value creation
Rising demands on management base and governance	● Japan's inflation and rising interest rates ● Increasingly sophisticated regulatory and disclosure requirements	● Soundness of management ● Management conscious of capital costs ● Capital efficiency, risk management, and accountability are under intense scrutiny	● Garnering trust from capital markets through robust governance ● Enhancing long-term corporate value	● Financial risks in an environment of rising interest rates ● Loss of trust in management due to inadequate governance	Governance	Governance to create the future

6 Solutions to social issues through business

Sustainable growth through both economic and social value

The Company promotes business activities in light of six materialities, and considers social issues to be medium- to long-term business opportunities. Our aim is to raise corporate value by realizing both economic and social value, while solving social issues through business and achieving sustainable growth through our business operations.



7 Looking to realize Our Hopes for the Future in 2055

Constantly challenging ourselves to create "future value"

Based on the organic integration of our three bases, the Group has constructed a circular value chain and a multi-faceted business portfolio, thereby strengthening our ability to offer comprehensive business solutions with a focus on land. From the starting point of the founder's spirit, which is "Don't do things because they will make a profit, but because they will be of service to society," we view solutions to social issues as opportunities for growth and promote management conscious of capital efficiency. Based on this, we aim to realize "a world where we live together in harmony embracing the Joys of Life," which is Our Hopes for the Future in 2055.

Japan

Sustainability of public infrastructure and the creation of local value
—Revitalizing regional wholesale markets

Local community regeneration

Revitalizing local society and communities

The regional wholesale market in Toyama City had been dealing with aging infrastructure, leading to pending issues of maintaining and upgrading functionality. In response, the Group proposed a unique scheme utilizing a public-private partnership* (PPP) model to renovate the market while preserving its operational functions. By integrating a circular value chain, a diversified business portfolio, and our three bases, we achieved both the sustainability of public infrastructure and the creation of regional value. This concrete example demonstrates a comprehensive business proposal prowess that only the Company could offer, leveraging our private sector expertise and ability to execute plans that lead to solutions with an approach that perceives social issues as business opportunities.

* Public-private partnership, or PPP, is a framework for public-private collaboration in which government authorities and the private sector share responsibilities in the public domain and utilize private-sector funding, technology, and expertise to provide efficient, high-quality services.





"D-Ichiba," a regional wholesale market in Toyama City, is Japan's first public-private partnership (PPP) project aimed at rebuilding a dilapidated public wholesale market through the utilization of surplus land.

Web site: Japan's first wholesale market revitalization plan (Japanese only)

World

Disaster and conflict recovery support
—Bringing insights gained through domestic support to the world

Globalization

Development of housing and infrastructure through reconstruction assistance

The Group has been making ongoing efforts to support the recovery of disaster-stricken areas and help victims rebuild their lives through the construction and management of temporary housing in Japan, a country prone to natural disasters. Leveraging the expertise in disaster recovery support cultivated through such experience, in recent years we have expanded the scope of our activities to include global disaster and conflict recovery support. This includes disaster relief efforts on Maui, Hawaii, the construction of prefabricated housing in Ukraine, and participation in reconstruction projects led by the Japanese government. We are committed to contributing to the development of housing and infrastructure through these recovery efforts.



Supporting recovery from conflict in Ukraine through the construction of prefabricated housing



Emergency temporary housing built for victims of the wildfires on Maui, Hawaii

Web site: International contributions extending around the world