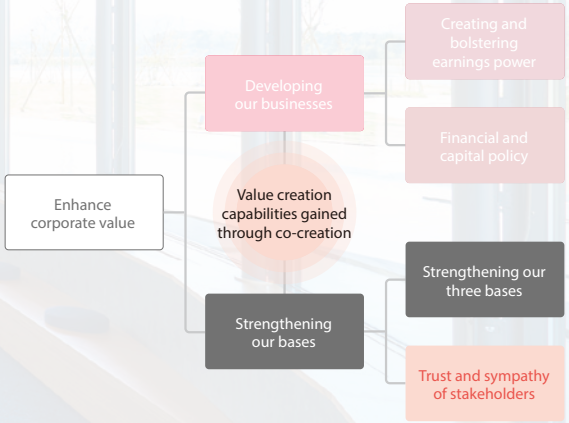


FUTATABI FUTABA FUKUSHIMA (hotel)

Strengthening our Bases

We are working to strengthen our three bases as sources of earning power that underpin sustainable growth and the enhancement of corporate value. In this chapter, we introduce our initiatives related to human capital, our customer base, and technology and innovation, as well as the progress of our social impact real estate initiatives. In addition, in our newly formulated Endless Green Program 2029 (EGP2029) and Endless Social Program 2029 (ESP2029), we discuss our long-term strategies for simultaneously creating environmental and social value and enhancing corporate value, drawing on feedback received during dialogues with institutional investors.



Chapter 6

Chapter 6 Strengthening our Bases

Dialogue Institutional investor × Officer in charge of human resources and sustainability

Sustainability as the starting line for growth strategy: Enhancing corporate value by creating both social and economic value

We spoke with Mr. Yasushi Arakawa, ESG Analyst in Research & Engagement at Asset Management One Co., Ltd., about how delivering both social and economic value can drive further growth and value creation.



Moritaka Noumura
Managing Executive Officer
In charge of human resources and sustainability,
Head of Logistics Management,
In charge of exhibition at Expo 2025 Osaka Kansai

×

Yasushi Arakawa
ESG Analyst,
Research & Engagement,
Asset Management One Co., Ltd.

Sustainability as growth strategy in EGP2029 and ESP2029

Arakawa: The Daiwa House Group positions sustainability management as the foundation of its growth strategy. To deliver both social and economic value and achieve further growth and value creation, you have formulated the Endless Green Program 2029 (EGP2029) for environmental action and the Endless Social Program 2029 (ESP2029) for social action. What are their key points?

Noumura: The pursuit of financial value and the maximization of non-financial value are the two drivers of our corporate management. We see our sustainability initiatives not as mere costs but as key investments that create corporate value over the medium to long term. Based on this approach, we formulated EGP2029 and ESP2029 and manage them in an integrated manner, aligned with our management strategy. Sustainability initiatives strengthen our business foundations, reduce risk, and build stakeholder trust: they are essential to growing corporate value. In EGP2029 (fiscal 2026–2029), we have revisited our priority environmental themes. We split out "closed-loop resource sourcing and conservation of aquatic environments" into two renamed themes: "circular economy," which is also one of the Group's material issues, and "water circularity," an issue of growing global importance. This gives us four priority environmental themes: carbon neutrality, nature positive, circular economy, and water circularity. Meanwhile, ESP2029 sets out nine priority social themes. Today, people with diverse values and a spirit of initiative are driving new business value, so we place particular emphasis on three human capital themes: human resource development, motivation and working in comfort, and DE&I. The two programs are positioning us for future growth from both an environmental and a social perspective. Delivering social and economic value together is what sustainability management means to us.

Pursuing carbon neutrality across the entire value chain

Arakawa: With 2030 close at hand, you have expanded target scope to include overseas operations and reset your fiscal 2035 reduction target for greenhouse gas (GHG) emissions across the value chain. Please describe the Group's carbon neutrality strategy?

Noumura: Our target is to reduce GHG emissions across our value chain by 30% from fiscal 2020 levels by fiscal 2029, by 35% by fiscal 2035, and to achieve carbon neutrality by 2050. Most of our emissions arise during the use of the buildings we

sell. In both our housing and building fields, therefore, we aim in principle to install solar power generation systems on the roofs of all buildings by fiscal 2030 and to achieve a ZEH(-M) and ZEB rate of 100%. We believe it is important to create a framework in which the more buildings we supply, the more widely renewable energy is adopted throughout society. Under EGP2029, for single-family housing, rental housing, and condominiums in Japan, we will promote the GX ZEH(-M) series, which offers higher environmental performance than the current ZEH standard. We will also help reduce environmental impact with enhanced insulation, high-efficiency equipment, and the use of renewable energy such as solar power. For existing buildings, we have set the number of buildings renovated to ZEH-equivalent performance as a KPI, and we will raise the environmental performance of our entire building stock through insulation and energy-saving renovation. As natural disasters grow more severe and frequent, these initiatives will not only reduce environmental impact, but also help ensure the safety and security of our customers.

Arakawa: What steps will you take to reduce GHG emissions from overseas operations, now covered for the first time?

Noumura: Our overseas business passed ¥1 trillion in net sales in fiscal 2025 and now accounts for roughly one-fifth of the Group total. GHG emissions from overseas operations have risen with this growth, particularly as our single-family housing business in the United States has grown. EGP2029 therefore includes GHG emissions associated with products in our overseas operations. Because energy-efficiency regulations and market conditions differ from state to state in the U.S., we will set priorities and proceed in stages, taking into account the regulatory situation in each area and potential impact on emissions. We are focusing on steps like improving air-conditioning and water-heating efficiency, employing subsidies and similar support.

Arakawa: Reducing GHG emissions by using more low-carbon building materials will require the cooperation of suppliers. How have you fostered that sense of shared purpose?

Noumura: More than 20% of our Group's total value chain emissions originate at the procurement stage, so we have to work closely with suppliers. Our Group promotes the adoption of low-carbon building materials, such as steel frames produced in electric arc furnaces and concrete made with blast furnace cement. Under EGP2029, we have set GHG emission reductions achieved through the adoption of low-carbon building materials as a KPI, with a target of reducing emissions by 200,000 t-CO_2 by fiscal 2029.

With Livness at the core, leveraging resource circulation and existing building stock for growth

Arakawa: Today's stakeholders are concerned with the circular economy, so I was pleased to see the Daiwa House Group present its resource utilization cycle as its vision of a future circular society. How will growing your Livness business help build a circular economy?

Noumura: Building a circular economy means more than conserving resources. It means reducing environmental impact at every stage, from resource extraction to processing and transport, addressing climate change and conserving biodiversity. Reducing dependence on extracted resources also strengthens our ability to manage resource supply and geopolitical risks. Our Group's circular economy approach is "Create, Use, and Revitalize." At the core is our Livness business. By providing acquisition and sale, renovation, and related services, we aim to raise the real estate value of existing buildings and pass them on to the next generation. As interest in decarbonization and resource circulation grows, society is moving away from scrap-and-build toward the practice of using good things for a long time. Renovating an existing building requires fewer resource inputs than new construction and generates fewer GHG emissions. It can also improve environmental performance when we install solar power systems, insulation, and energy-saving measures. In a win-win, we reduce environmental impact and grow our business at the same time.

Arakawa: With the era of zero interest rates behind us, and with rising rates and soaring resource prices expected to push up the cost of new construction, investors have high expectations for the competitiveness of the Livness business. What market size do you anticipate, and how are customers responding?

Noumura: Soaring building material prices and rising interest rates mean the cost of purchasing a newly built home is likely to keep climbing. In that environment, we believe the value of the Livness business, which makes use of existing stock, will keep rising. Renovated properties can be acquired at lower cost than newly built homes, while offering

greater comfort and environmental performance thanks to insulation and equipment upgrades. They can also deliver economic benefits such as lower utility bills once customers move in. We are seeing growing interest from customers. Also, in 2024, we launched BIZ Livness for non-residential properties. Alongside housing, we have launched initiatives to make effective use of existing commercial facilities and business properties. For the Livness business as a whole, we see net sales of around ¥1 trillion in the 2030s.

Putting the right role first: A human capital strategy that supports business growth

Arakawa: To realize "Our Hopes for the Future," the Daiwa House Group's purpose, it is vital to build up your human capital by developing and securing the people needed to execute your medium- to long-term business strategy. Please speak to your human resource portfolio strategy in relation to business strategy, and the key points of ESP2029?



Noumura: A human resource portfolio is not simply a head-count plan. It begins with business strategy: we first clarify which businesses will create what kinds of value, and on what scale, and then we design the profile of the people needed to deliver it. What matters here is a shift in thinking—not "the right person in the right job," but "the right job, then the right person." We define the positions and roles the business requires, and we assign the best person to each. As our business domains and business models change in and outside Japan, the talent portfolio also has to be reviewed flexibly in step with business strategy. Global human talent is where we most need to build strength, going forward. Overseas operations have grown to account for around one-fifth of our Group's net sales, and M&A activity is also advancing. We must develop and secure people who can lead our business while understanding different corporate cultures, as well as those who can manage talent in diverse settings. Strengthening the people who create new businesses such as Livness, and those who lead specialist fields such as DX and sustainability, is another important theme. At the same time, we recognize that we must do more to make our talent requirements visible, achieve optimal deployment across the Group and across borders, and advance talent management. Going forward, we will use data to improve the quality of our human capital. In ESP2029, we have designated human resource development, motivation and working in comfort, and DE&I as our priority human capital themes. Creating an environment where people with diverse values and a spirit of initiative can bring their abilities to bear is, we believe, the foundation for sustainable growth.

Encouraging self-directed growth and developing global talent

Arakawa: More employees are mapping out their own careers and pursuing work where they can grow. How does Daiwa House approach human resource development and capability building?

Noumura: In developing people, it is not enough simply to put systems in place. What matters is how we encourage employees to grow on their own initiative and how we provide the opportunities to do so. A career is not something the company hands down; it is something each employee builds for themselves. At the same time, there are situations in which the company needs employees to take on particular roles in order to fulfill its business strategy. That is precisely why we believe it is important to align each employee's own intentions with the company's expectations, carefully and case by case, and to create an environment in which each person can take on challenges positively to grow. As part of this, in fiscal 2023 we launched a Global Trainee Program that gives employees practical experience at our overseas offices. In fiscal 2025, we sent eight Japanese employees in technical positions to overseas offices for training in local business practices, technologies, and management methods. With this program, we are developing global talent and deepening understanding of our overseas businesses. We also have a program that allows employees to gain experience at other

companies while retaining their employment with the Company. Bringing back knowledge gained outside the company and overseas and channeling it into creating new value contributes not only to individual growth but also corporate competitiveness. We will make the most of data on our people—including language skills, areas of expertise, overseas experience, and regional knowledge—for development and deployment. Refining the mechanisms that connect individual growth with business growth will be a key theme.

Developing the next generation of management talent

Arakawa: For optimal deployment across a diverse range of job types, including overseas, it is vital to have a talent management system and a mechanism for identifying key posts for business expansion. How is D-Succeed progressing, and what challenges do you face?

Noumura: We have worked for many years to develop next-generation management talent. Participants in Daiwa House Juku, one of our earliest initiatives, included our current Chairman and President, as well as me. We then introduced D-Succeed in fiscal 2020. Under this program, we clarify the requirements and skills called for in each key position and develop candidates systematically. A growing number of program participants have gone on to assume key positions, including as branch managers and presidents of Group companies. That said, we cannot claim that our human resource development has kept pace with the speed of our business growth. In overseas and new businesses in particular, we need to do more, and we are recruiting specialists and job-ready professionals from outside the company. A silo mentality also remains within individual business divisions, and optimal deployment across the Group and across businesses is a further challenge. What matters most in developing people is early selection, early development, and early appointment. Training alone does not develop people. People grow the most by taking on challenges early on and gaining experience in positions of responsibility. To develop people who can build new businesses and create value in the future, we will keep advancing D-Succeed and other systems.

Quantifying investment in people using human capital ROI

Arakawa: I have taken particular note of your disclosure of a human capital ROI that reflects financial returns. Could you tell us about the thinking behind this indicator and the challenges ahead?

Noumura: Demonstrating how investment in human capital translates into higher corporate value is an important management issue. We could speak to the significance of investing in our people qualitatively, but showing the effects of that investment quantitatively was difficult, so we introduced human capital ROI. Personnel expenses tend to be seen as a cost, but spending on better compensation, on human resource development and capability building, and on creating a comfortable working environment is also an investment that leads to higher corporate value in the future. We are expected to grasp the impact of that investment and to explain it clearly both inside and outside the company. Our Group in fact achieved a record profit in fiscal 2024. Over the same period, our investment in people also increased substantially, including compensation improvements of more than 10% on an annual income basis and increases in monthly pay. These initiatives were accompanied by higher fixed costs. During the same period, we achieved growth in both sales and profit. Human capital ROI alone cannot, of course, measure the results of our investment in people. Even so, we see it as a significant first step toward treating human capital as an investment and continually verifying the results. Going forward, we will examine its relationship with the enhancement of corporate value over the medium to long term and use what we learn to further refine our HR strategy. We will continue to pursue sustainability management, deliver social and economic value together, and work with all our stakeholders to build a sustainable future.



Environmental Action Plan (EGP2029) and Social Action Plan (ESP2029)

Under our Environmental Action Plan (EGP2029) and Social Action Plan (ESP2029), which cover fiscal 2026 through fiscal 2029, we have set KPIs for four priority environmental themes and nine priority social themes, and we are moving forward with initiatives to achieve our vision. Our Sustainability Report 2026 includes a review of the previous plans, EGP2026 and ESP2026, which concluded in fiscal 2025.

	Priority themes		Long-term vision	Key management metrics	FY2025 results (for reference)	FY2029 targets	Related pages
Environmental Action Plan	Carbon neutrality		Mitigate and adapt to climate change across the entire value chain, and deliver housing, buildings, and community development that provide the added value of carbon neutrality and resilience	GHG emissions reduction rate from the use of products and services (total volume, vs. FY2020) (consolidated)	36.6% reduction	45% reduction	▶ P.64
	Nature positive		Reduce conversion of natural ecosystems to zero in our construction and real estate businesses, and provide community development that is in harmony with the natural environment * Preventing deterioration of natural ecosystem services caused by land alteration associated with our business	Area of ecosystem-considerate greening (cumulative from FY2022) (consolidated)	1,003,000m²	2,000,000m²	[1]
	Circular economy		Use recycled materials and resource recycling in what we build and extend the service life of existing buildings, both to conserve resources with resource circulation and to grow our related businesses such as Livness	Contribution to reduced resource input through the extended service life of existing buildings (consolidated)	1,362,000t (estimate)	1,500,000t	▶ P.65
	Water circularity		Reduce water consumption and reuse water in order to ensure the stability of water resources, and build a resilient business environment that is prepared for more frequent water-related natural disasters	Adoption rate of top-tier water-saving fixtures in residential applications and hotels (consolidated)	36.6%	40%	[1]
Social Action Plan	Human capital	Human resources development	Ensure that employees autonomously shape their own careers and tackle challenges beyond organizational boundaries in pursuit of self-fulfillment	Number of applicants for the open recruitment-type system (non-consolidated)	198	Established in FY2026	▶ P.66
		Motivation and working in comfort	Build an environment in which employees are physically and mentally healthy, work toward peak performance and high productivity, and use company systems as they wish	Ratio of childcare leave taken by male employees (consolidated)	77.6%		
		DE&I	Promote the organic function of diversity, including in the areas of gender, disability, and nationality, to drive value creation	Ratio of females in managerial positions (construction industry) (consolidated)	—		
	Compliance		Be a corporate group that makes decisions and acts with integrity and fairness, guided by high ethical standards	Zero serious compliance violations (consolidated)	0	0	[2]
	Local communities		In our community development and beyond, help to build a society in which people come first and rewarding lives are co-created, seeking to resolve the issues local residents face and deliver new value	Number of development and management projects aimed at solving social issues (non-consolidated)	9	17	▶ P.77
	Occupational health and safety		Create comfortable, appealing, and employee-friendly work environments, and secure the talent needed to sustain both the industry and the Group	Frequency rate of industrial accidents resulting in four or more days of lost time at construction sites (consolidated)	0.39	Less than 0.4	[2]
	CS and quality		Consistently deliver outstanding products to maximize customer satisfaction and earn trust as a company favored by society	Lost profit/sales (non-consolidated)	0.24%	0.18% or less	[2]
	Supply chain		Establish a resilient supply chain by building mutually beneficial relationships	Business partner questionnaire "Overall Satisfaction in Transactions" (non-consolidated)	74.3%	77%	▶ P.69
	Human rights		Ensure that the human rights of all individuals involved in Group business are respected	Rate of affirmative responses to questions regarding respect for human rights (in-house survey) (consolidated)	64.3%	72%	▶ P.69

Sustainability Report 2026: [1] Long-Term Environmental Vision ▶ P.10-11
[1] Environmental Action Plan (Endless Green Program 2029) ▶ P.13
[2] Long-Term Social Vision ▶ P.71-72
[2] Social Action Plan (Endless Social Program 2029) ▶ P.74-75

Climate-related and nature-related risks and opportunities

In fiscal 2025, while formulating our Environmental Action Plan (EGP2029), we re-identified our material climate-related risks and opportunities. We examined risks and opportunities across the entire Group, including our overseas sites, and assessed their materiality in terms of financial and other impacts and likelihood of occurrence, while taking into account the timeframe over which each would take effect. We will manage both climate-related and nature-related risks and opportunities as EGP2029 metrics while working to minimize risks and maximize opportunities.

Main climate-related risks and opportunities

Timeframes or potential timeframes: Short-term (within 1 year); Medium-term (through around 2030); Long-term (through around 2050)
Degree of impact: Small: less than ¥10 billion; Medium: over ¥10 billion but less than ¥100 billion; Large: over ¥100 billion
Likelihood of occurrence: Small (limited likelihood); Medium (possible); Large (highly likely)
* Climate-related items are assessed by timeframe, degree of impact, and likelihood of occurrence; nature-related items by timeframe based on expected timing, and by degree of impact.

Type			Details	Timeframes	Degree of impact	Likelihood of occurrence	Main responses	Related EGP2029 metrics
Risks	Transitions	Policies and regulations	Higher costs for materials and operations due to tighter energy-saving and environmental regulations	Medium term	Medium	Large	Meeting energy-efficiency standards in our products and continuously monitoring regulatory trends	GX ZEH (-M) Series rate and ZEB rate, etc.
	Physical changes	Acute	Damage to our own facilities and business-interruption risk due to the intensification of weather-related disasters	Short, medium and long term	Medium	Large	Assessing disaster risk at business sites and implementing countermeasures	Implementation rate and number of climate change adaptation measures
Opportunities	Transitions	Products and services	Growing demand for houses and buildings with low greenhouse gas emissions	Medium term	Medium	Large	Promoting our ZEH and ZEB products	GX ZEH (-M) Series rate and ZEB rate, etc.
			Growing renewable energy demand driven by the government's policy to raise the share of renewables	Short and medium term	Medium	Large	Developing and operating renewable energy using a range of approaches	Track record in renewable energy power plant development and operation, etc.
	Physical changes	Products and services	Growing demand for resilience enhancement and adaptation to rising temperatures	Medium and long term	Medium	Large	Selling disaster-resilient housing and building renewable electricity self-sufficiency models for non-residential buildings	Implementation rate and number of climate change adaptation measures
	Transitions	Markets	More orders and new customers from the expanding decarbonization renovation market	Medium term	Medium	Large	Promoting energy-saving and decarbonization renovations	Number of buildings renovated to ZEH-equivalent performance

Main nature-related risks and opportunities (excerpt: resource circulation items)

Type			Details	Nature-positive scenario		Nature-negative scenario		Main responses	Related EGP2029 metrics
				Potential timeframes	Degree of impact	Potential timeframes	Degree of impact		
Risks	Transitions	Policy	Higher costs and resource supply constraints due to strengthened resource circulation regulations	Medium term	Large	—	—	Using recycled materials in principal building materials	Recycled-material usage rate for principal building materials in new construction (steel)
Opportunities	Transitions	Products and services	Increase in demand for buildings that support resource circulation and reduce costs through recycling	Medium term	Large	—	—	Extending the service life of housing and promoting the use of existing resources	Contribution to reduced resource input through the extended service life of existing buildings

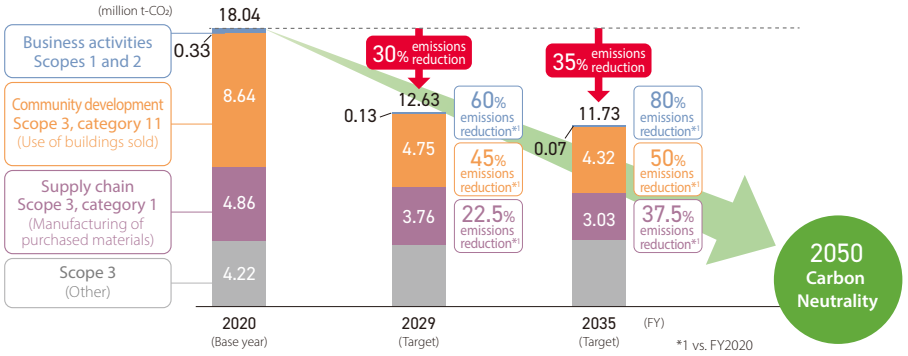
Sustainability Report 2026: Response to TCFD and TNFD ▶ P.56-69

Environmental Action Plan —Initiatives for carbon neutrality—

With the formulation of EGP2029, the Group has reset its GHG emissions reduction targets for the entire value chain. We have expanded the scope to cover overseas operations, changed the base year from fiscal 2015 to fiscal 2020, and set a milestone for fiscal 2035. We will mitigate and adapt to climate change across the entire value chain and provide housing, buildings, and community development that offer the added value of carbon neutrality and resilience.

Transition plan to achieve carbon neutrality

Trends in GHG emissions across the entire value chain and actions



Key actions through FY 2035	Key actions from FY 2035 to 2050
● Upgrade to energy-saving equipment in our existing facilities ● Switch to renewable electricity using renewable energy we generate ● Make newly built company-owned facilities ZEB-compliant and install solar power generation equipment ● Convert company vehicles and privately owned vehicles to CEVs	● Replace heavy construction machinery and logistics trucks with electric models ● Adopt synthetic methane and biofuels
● Make buildings sold ZEH- and ZEH-M-compliant and promote GX ZEH and GX ZEH-M ▶ 1 ● Make buildings sold ZEB-compliant ▶ 2 ● Install solar power generation equipment on buildings sold	● Further improve ZEH and ZEB performance
● Offer primary suppliers ideas for saving and generating energy ▶ 3 ● Promote the use of low-carbon building materials ▶ 4	● Increase the use of low-carbon building materials

Use of buildings sold

For single-family housing, rental housing, and condominiums in Japan, we will highlight the GX ZEH(-M) series, which offers higher performance than the current ZEH standard and aligns with national policy for building a decarbonized society. In our overseas businesses, we will develop specific energy-saving measures, including high insulation and high-efficiency equipment, for housing products in the United States.

Key management indicators	Results (for reference)	FY2029 targets
1 GX ZEH Series rate	— *2	75%
1 GX ZEH-M Series rate rental housing | condominiums	— | — *2	3% | 40%
2 ZEB rate	66.2%*3	90%
Developing specific energy-saving measures for housing products at our three U.S. companies	Identifying current specifications and GHG emissions	Scheduled to begin in fiscal 2027

*2 The GX ZEH(-M) series rate will be tracked starting in fiscal 2027, when certification begins.
*3 FY2025 results


xevoΣ PREMIUM



An example of a completed ZEB project

Official website:
Daiwa House Group's ZEB
(Japanese only)

Manufacturing of purchased materials

The Group will encourage primary suppliers that have set GHG emissions reduction targets in line with the Paris Agreement to implement their reduction plans. We will also promote the use of low-carbon building materials*4 to reduce GHG emissions during construction material manufacturing.

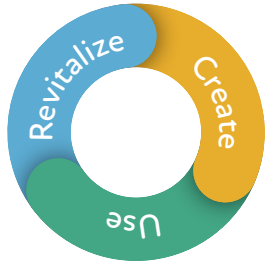
Key management indicators	Results (for reference)	FY2029 targets
3 Progress of primary suppliers' GHG emissions reduction plans	38.1%*5	90%
4 GHG emissions reduced through low-carbon building materials	101,000 t-CO_2 reduction*5	200,000 t-CO_2 reduction

*4 Examples include steel frames produced in electric arc furnaces, concrete made with blast furnace cement, and window sashes made with recycled aluminum.
*5 FY2025 results


A briefing session for primary suppliers

Environmental Action Plan —Initiatives for the circular economy—

The Group strives to build with reused resources and to extend the service life of existing buildings in order to help build a circular economy and drive the growth of the Livness business. We are advancing these initiatives under three keywords: "Create," "Use," and "Revitalize." Under "Create," we promote the use of recycled materials in the principal building materials used for new construction. Under "Use," we expand our acquisition and sale and warranty extension work businesses and quantify the resulting reduction in resource input as environmental value. Under "Revitalize," we promote the recycling of waste from our production, new construction, renovation, and demolition sites, with a particular focus on material recycling of waste plastics.



	Key management metrics	Results (for reference)	FY2029 targets
Create	Recycled-material usage rate for principal building materials in new construction (steel)	25.0%*1	38%
Use	Contribution to reduced resource input through the extended service life of existing buildings	1,362,000t*2	1,500,000t
	Number of warranty extensions and re-warranties	8,966*2	10,000
	Number of durability maintenance and improvement works (excluding those at warranty extension)	7,198*2	8,000
	Number of acquisition and sale transactions	200*2	400
Revitalize	Material recycling rate of waste plastics (production)	29.5%*1	34%

*1 FY2025 results *2 Estimation

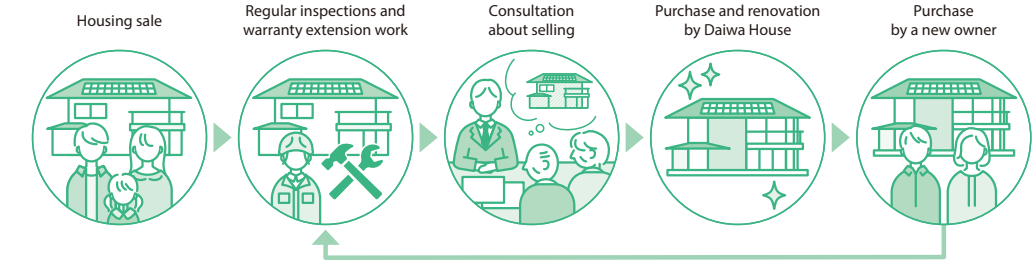
EGP2029 metrics for "Use"

- Number of warranty extensions and re-warranties
- Number of durability maintenance and improvement works
- Number of acquisition and sale transactions

Outcome

Expansion in business profitability alongside reduced environmental impact

- Expansion in business profitability: Growth in Livness business net sales (¥1 trillion in the 2030s)
- Reduction in environmental impact: Reduction in resource input (1,500,000 t in FY2029)



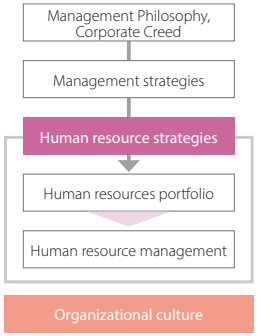
The EGP2029 management metrics "number of warranty extensions and re-warranties" and "number of acquisition and sale transactions" are interrelated. Through the inspections and work associated with warranty extensions, we build ongoing relationships with the owners of the single-family housing and rental housing we have constructed. Building on these relationships, owners come to us when they consider selling their property, leading to acquisition and sale transactions. By promoting the use of existing buildings through our Livness business in this way, we aim to expand business profitability while reducing environmental impact.

Official Website: Circular Economy
(our vision for the future of a recycling-oriented society, and specific initiatives)

Official Website: Case studies of the Livness Business (Japanese only)

Social Action Plan Human capital —Human resource strategies, Human capital ROI—

Based on "fostering employees' personal growth through business," as espoused in our Corporate Creed, the Group has positioned heightening the value of our human resources base (human capital) as a source of corporate value creation. Since our founding we have practiced management that places priority on the growth of our human talent, and this concept forms the foundation of our strategies on human resources, being guided by the overarching policy of "maximizing human capital and delivering business value on a global scale." In tandem with our management strategy, we clarify the roles and numbers of essential talent as our "human resources portfolio," and promote eight initiatives under four priority themes with the goal of maximizing human resources value and sustainably enhancing corporate value. As KGI that measures the progress of our human resource strategies, we are working to confirm that human capital is maximized through metrics such as human capital ROI and employee engagement, while also developing indicators linked to the creation of business value across the Group and globally.



Policy

Maximizing human capital and delivering business value on a global scale

To realize Our Hopes for the Future (Purpose), building relationships between the Company and employees where respective value is enhanced through co-creation

Four priority themes and eight initiatives

Drivers that accelerate business transformation and maximize Group value

1 Realize a dynamic human resources portfolio linked to business transformation in and outside Japan
- Talent acquisition, development, and motivation
- The right person in the right job and human talent mobility

2 Maximize HR value across the Group and expand opportunities with a standardized base for HR information and related initiatives
- Supporting with challenges and growth
- Value creation through collaboration

Foundations to support with challenges and growth

3 Build a foundation that supports sustainable growth with human talent and organizational soundness
- Build a human resources function to serve as the foundation for Group growth
- Create an environment where a diverse workforce can thrive

4 Personnel and organizational evolution through stakeholder dialogue and data utilization
- Grasp situations and make decisions based on data
- Dialogue with stakeholders

Progress of KGI for human resource strategies

Human capital ROI

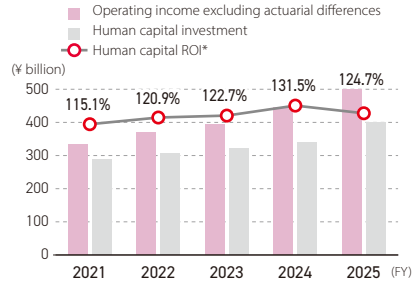
To "maximize human capital" we use human capital ROI to confirm whether investments in human capital will lead to profit generation through the growth and value enhancement of human talent.

Fiscal 2025 results amounted to 124.7% (down 6.8 percentage points year on year). This is primarily due to increased investment in human capital resulting from changes in the timing of bonus payments following reforms to the human resources system and the rolling out of wage hikes at an industry-leading level.



Although these measures may cause lower ROI in the short term, we believe they will ultimately lead to enhanced competitiveness, increased productivity, and the creation of new value in the medium to long term by improving our ability to attract and retain top talent, and boost employee engagement.

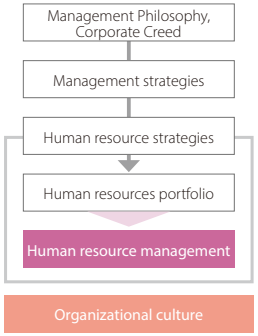
We are currently reviewing the calculation method for human capital ROI in order to more properly ascertain the results of human capital investments. Going forward, we will continue to invest in our people and expand opportunities to tackle challenges and grow, with the goal of creating a virtuous cycle in which both the Company and its employees achieve sustainable growth.



* Human capital ROI = simplified calculation dividing the operating income (excluding actuarial differences) by the human capital investment amount

Social Action Plan Human capital —Human resource management—

To realize Our Hopes for the Future (Purpose), we aim to build relationships between the Company and employees that mutually enhance value through co-creation. Traditional human resource management has been Company-led, focused primarily on employee development and placement. Moving forward, in light of changes in the social environment and business model, we will evolve our approach to human resource management, respecting employee autonomy while supporting value creation, collaboration, and diverse career paths. Meanwhile, we will continue to uphold our cherished corporate philosophy, as well as our "culture of nurturing people" and "commitment to achieving results as a team." By empowering employees to proactively shape their own careers and create new value while growing alongside the Company, we will foster a virtuous cycle that realizes Our Hopes for the Future (Purpose) and enhances corporate value.



Human resource management

Providing appealing opportunities and benefits to the human talent that supports business transformation and growth in the Daiwa House Group, and creation of an organization where employees and the Company grow together through dialogue.

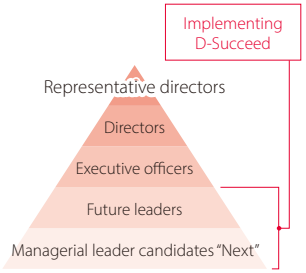
1. Build the human talent and organizational culture to support business transformation
2. Equitable relationships between employees and the Company/ Career support through dialogue
3. Benefits based on diverse career paths and roles
4. Support for growth throughout the organization

Fiscal 2025 principal initiatives

Continuing to implement D-Succeed, the Daiwa House succession plan

1 Building the human talent and organizational culture to support business transformation

We are implementing the Daiwa House edition of the successor development plan, "D-Succeed," as a systematic program to continuously, and in a deliberative manner, produce management leaders. Based on recommendations from branch managers and head office department heads, employees participating in the development plan in fiscal 2025 (Next Generation: 25 members; Next group; 26 members) were selected by branch managers who oversee each area, executive officers in charge of functions in which the candidates are engaged (such as sales, engineering, and administration), and senior management. In addition, of the participants who joined in the future leaders development activities since fiscal 2020, there were 43 members assigned to principal positions.



Sustainability Report 2026: Implementing succession planning program (D-Succeed) ▶ P.84

Revising the human resources evaluation system

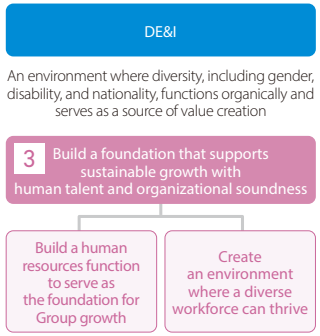
3 Benefits based on diverse career paths and roles
4 Support for growth throughout the organization

To support the growth and career development of each employee, the Company conducts evaluation and development consultations in which supervisors and subordinates engage in ongoing dialogue. In fiscal 2025, we revised the human resources evaluation system, establishing a once-a-year assessment cycle for individual performance evaluations. We empower employees to take on new challenges and to grow by implementing a management approach that assesses performance, not only of short-term results, but also including medium- to long-term initiatives and growth processes. We also assess activities aimed at implementing strategy and contributions to create value from multiple perspectives, with this leading to the goal of fostering individual insights and growth. To make assessments more persuasive and impartial, we implemented this system to confirm the degree of difficulty of goals and, in line with changes to the system, adjusted the timing of bonus payments starting from fiscal 2026. With regard to bonuses, the system was established to reward medium- to long-term activities and achievements, thereby aiming to provide stable compensation that is not excessively affected by fluctuations in business performance.

Sustainability Report 2026: A dialogue-focused evaluation system ▶ P.82

Diversity management linked to growth strategy

The significance of our commitment to diversity management lies in leveraging the strengths of employees, with their diverse values and experiences, and innovation in our products and services, including housing and community development as well as in business processes. To this end, with respect to the knowledge and experience of each individual employee, and regardless of their gender, disability, sexual orientation and gender identity (SOGI), age, nationality, language, culture, or lifestyle, we aim to foster a workplace culture where all, based on fair opportunities, can fully utilize their abilities in recognition of diverse perspectives and ideas and by uplifting one another.

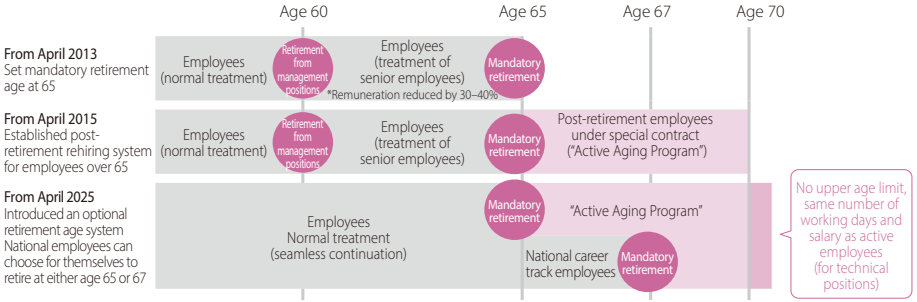


Promotion of active roles for the senior generation

Anticipating the coming of an aging and declining population, in fiscal 2013 the Company took the lead among its industry peers by introducing a mandatory retirement age of 65. Since then, we continued to review our compensation system for senior employees, and starting in fiscal 2025, gave employees the option to choose their own retirement age under a selective retirement age system. By allowing employees to choose either age 65 or 67, we are fostering an environment where motivated senior employees can continue to contribute without being limited by their age.

Furthermore, under the "Active Aging System," a reemployment system for retirees, we offer a multi-path compensation system according to job responsibility, and participants can choose the same number of working days and salary level as when they were active employees.

Furthermore, we have eliminated the age limit of 70 for technical positions. Promoting the active participation of senior employees serves as a crucial foundation for supporting the Group's sustainable value creation by passing on advanced skills, technologies, and experience and securing talent. In addition, this initiative fosters an organizational culture where diverse employees can demonstrate their abilities regardless of age, while also leading to acquiring superb human talent from outside the Company.



87th Term Securities Report: Promotion of active roles for senior employees (Japanese only) ▶ P.31

Promoting employment for people with disabilities

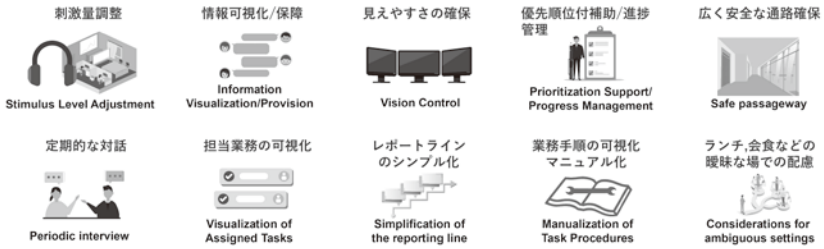
Introduction of the "Shared" model

The Company assigns employees with disabilities to various departments based on their aptitudes. Since September 2025, the Osaka Head Office has introduced a "Shared" model. Under this system, a task manager oversees work requested by various departments within the Company and assigns tasks to employees with disabilities in accordance with their aptitudes and abilities. This allows both general employees and those with a disability, who receive a reasonable accommodation, to work on the same floor, thereby deepening mutual understanding.

Introduction of universal support system

The Company established its own Universal Support System to promote active participation in each department and provide reasonable accommodation. In this way we are providing support, including costs, for the introduction of necessary tools and for employees they work with to learn about disabilities.

Example of Daiwa House Industry's reasonable accommodation



Broadening scope to include global supply chains and strengthening human rights due diligence efforts

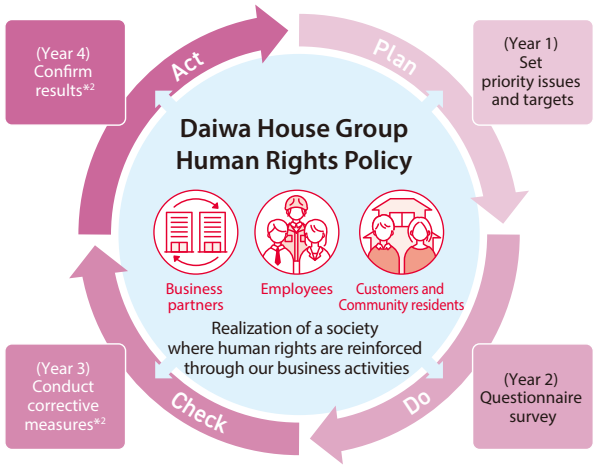
Based on the Daiwa House Group Human Rights Policy, formulated in 2018, the Daiwa House Group promotes initiatives to respect the rights of all individuals who are engaged in its business activities. Human rights is one of the priority themes identified in Social Action Plan (ESP2029), formulated in fiscal 2026, and we continue to identify and assess human rights risks and implement corrective and improvement measures.

Sustainability Report 2026: Basic policy on respect for human rights ▶ P.77

Promoting human rights due diligence

From fiscal 2025, we began conducting human rights due diligence on a four-year cycle. Human rights risks vary depending on the social environment and business operations, and as such, we will review priority issues every four years and perform impact assessments*1 of rights holders to drive corrective actions and improvements.

Promoting human rights due diligence



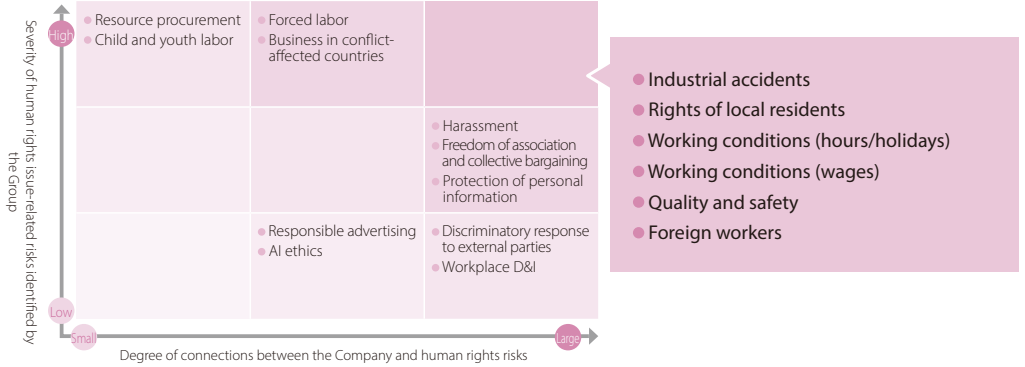
*1 A process for identifying and assessing the adverse impacts of business activities on the human rights of rights holders, and prioritizing responses in accordance with the UN Guiding Principles.

*2 The implementation of improvement measures and verification of their effectiveness are carried out repeatedly, without being limited to a one-year timeframe, whenever it is appropriate to shorten the period based on the actual circumstances of the relevant rights holders.

Fiscal 2025 initiative: Revision to the human rights risk map

We have expanded the scope of our human rights risk identification and assessment to include the Daiwa House Group's overseas supply chains. With the assistance of external experts, we revised our human rights risk map to create a global version and identified the risks that require priority attention in the Group's business activities. In this revision, we specifically identified risks related to foreign workers as one high-risk area. Going forward, we plan to first verify the employment status of foreign workers at our domestic business partners and take corrective measures, and subsequently plan to implement similar initiatives overseas as well.

Human rights risk map (consolidated; including overseas)



Conducting human rights due diligence with sources of centralized purchasing

The Group undertakes human rights due diligence with all sources of centralized purchasing for housing with the aim of preventing human rights risks materializing in supply chains and to prevent their occurrence in the first place. In fiscal 2025, we conducted a questionnaire survey on human rights, work environment, harassment, foreign workers, and risks in procurement of raw materials, etc., and received responses from all 243 surveyed partners.

In addition, while our goal is to achieve a "100% human rights policy adoption rate" among our sources of centralized purchasing by 2029, as of fiscal 2025, there were 177 companies (73.8%) that had adopted such policy. We will continue our efforts to promote understanding and engagement among our business partners.

Sustainability Report 2026: Human rights risk map ▶ P.77
Conducting human rights due diligence with sources of centralized purchasing ▶ P.80



Message from the Head of Technology Headquarters

Creating new value in construction, built on technological strengths and intra-Group collaboration

Yoshiyuki Murata
Executive Vice President, Head of Technology Headquarters

The technological strength that underpins the Group's corporate value

Our Group is a hybrid enterprise—homebuilder, construction company, and developer all at once—and technological strength is one of the things that makes that combination competitive. Few companies are developers and yet hold the technology in-house to deliver value at every stage: planning and development, design, construction, and operation. That breadth is why customers feel they can safely leave a project in our hands, and it is, I believe, the wellspring of our Group's competitiveness.

The range of our business fields and our global reach are strengths too. Consolidated net sales now stand at some ¥5.5 trillion, and the Group's construction operations alone rival Japan's largest general contractors in scale. Delivering comprehensive solutions across so many fields is something only our Group can do.

One of our larger themes going forward is to take the "industrialization of construction" that we honed in the housing business, push it further, and extend it to large-scale facilities: office buildings, logistics facilities, commercial facilities. Our ability to carry a project from land acquisition through development, construction, and operation as a single integrated effort is another source of new value.

Digital technology—leveraging building information modeling (BIM) above all—is changing the very nature of construction. Information generated while a building goes up can be put to work long after it is finished, raising value across its whole life cycle, maintenance and reuse or regeneration included. The role society asks of a construction company is not merely to put up buildings but to keep enhancing their value afterward.

Collaboration and integration across the Group: forging a new kind of general contractor

Within the Group, we are actively knitting together the engineering capabilities of the three companies that carry general-contracting functions—Daiwa House Industry, Fujita, and Daiwa Lease. By fusing what each does best—Fujita's civil engineering, Daiwa Lease's standardized building systems—we aim to forge a new kind of general contractor.

The clearest example is the Daiwa House Group Construction Technology Committee. Senior technical staff

from each company come together there for joint research and technology development, working on digital transformation (DX) and BIM applications and on more sophisticated construction methods. Joint purchasing is also strengthening our procurement power and supply arrangements.

We also run Construction College, where younger employees from all three companies jointly familiarize students with the practical work of the construction industry. It conveys the appeal of the industry to students, and it gives our younger employees a chance to rediscover the value and satisfaction of their own work.

All three companies had a hand in reconstruction work following the Noto Peninsula earthquake and in projects related to Expo 2025 Osaka, Kansai, Japan—valuable occasions for each to see what the others can do.

The addition of Sumitomo Densetsu (Semlinks Co., Ltd. from 1 October 2026) to the Group has also sharpened our ability to serve fields where building-systems engineering matters substantially, such as data centers and semiconductor-related facilities. From here, engineers from all four companies will work in turns with one another to create value that treats building construction, civil engineering, and building systems as a single whole.



Playing to our strengths to address the industry's challenges, in pursuit of sustainable growth

Demand in the construction industry is buoyant, but the industry faces one very large problem: a shortage of skilled workers. If we cannot resolve it, the industry's sustainable development will be beyond reach.

That means becoming a company chosen not only by project owners but by specialty contractors and suppliers as well. Guided by the principle of 言 (*gen:* "speak")—letting people say what they want to say—set out by Chairman Yoshii, we place real weight on dialogue with our business partners and building relationships of trust.

To find and train skilled workers, we are working with partner companies—the Confederation of Partner Companies foremost among them—to make construction a more attractive industry. DX and BIM, too, must evolve so that they benefit the on-site skilled workers and business partners as well as us.

Our ambition is to turn construction into an industry with real appeal, one where the people who work in it feel pride and a sense of their own growth.

Realizing Group synergies: what the large projects mean

The Higashi-Hiroshima project now in progress is a turning point for Fujita and Daiwa House Industry both. As part of a project of national importance, it is also an opportunity to further advance the technological and organizational strengths of the Group.

There we are putting DX, BIM, and off-site construction into practice while developing the human capital needed in fields that demand deep specialist knowledge, semiconductor-related facilities among them. Motivated employees are selected from across Japan, and the knowledge they gain is shared and accumulated across the organization, strengthening our competitiveness in the years ahead. We are also examining off-site methods that take advantage of the sheer size of the site, with a view to further gains in quality, schedule, safety, and productivity.

The project matters a great deal for the growth of our people as well. I want it to be one where every employee takes on challenges of their own accord and the team pulls together through the hard parts, and where they come away having tasted real success.

At the same time, large urban building projects are moving forward, the rebuilding of Osaka Marubiru among them. The technology, the human capital, and the organizational strength we gain through this work accumulate as Group assets, and they will carry us toward higher corporate value and sustainable growth.

Technology and manufacturing base —Daiwa House's evolution into a technology powerhouse—

The Group draws on its technology and manufacturing base as a source of competitiveness, delivering high-quality value with high efficiency through the industrialization of construction, digital transformation (DX), and deeper Group synergies. Furthermore, we will advance co-creation with partners and skilled workers, take on the challenge of creating new value in growth areas such as data centers and semiconductor-related facilities, and contribute to the sustainable development of society.

Technology and manufacturing base

- Technologies we have cultivated
  - Realizing the industrialization of construction
    Track record in diverse asset development and broad business domains
- Robust production and construction systems
  - Our supply chain network 4,600 companies
  - Our production and R&D sites 10 locations

Major issues

- Responding to technological innovation
- Further evolution of technical capabilities and organizational strength
- Shortage of engineers and decline in skilled workers

Key future actions

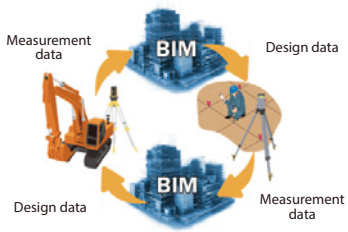
- Improving quality, productivity, and customer value
- Strengthening manufacturing through Group collaboration
- Securing and developing human resources

Improving quality, productivity, and customer value

Proactive use of BIM*

We position BIM at the core of construction DX and digitally link the design, production, and construction phases to promote information sharing through 3D models and data and to standardize data-based business processes. Furthermore, by combining these efforts with the use of AI to leverage data, we are working to optimize the entire construction process, thereby improving quality and productivity and ultimately, enhancing customer value.

Construction process linking virtual space and construction sites



* BIM (Building Information Modeling):
A system for centrally managing and utilizing information on buildings in a 3D model

Strengthening manufacturing through Group collaboration

Technological collaboration among Group companies

Daiwa House Industry, Fujita, and Daiwa Lease regularly convene meetings of the Construction Technology Committee to review the status of joint R&D and share technologies, know-how, and the latest findings. We are promoting more sophisticated design and construction technologies and higher productivity across the Group to strengthen our ability to meet diverse construction needs and enhance competitiveness.

Initiatives leveraging the industrialization of construction

In collaboration with Daiwa Lease, which has expertise in standardized building construction, we developed a modular data center by leveraging industrialized construction technology based on in-house production at Daiwa Lease's factories. This has enabled us to establish a supply system that combines short construction periods with high quality. Going forward, we will bring together the Group's manufacturing capabilities across a range of growth fields to meet expanding construction demand.

Securing and developing human capital

Securing and developing engineers

As the decline in the number of construction engineers and skilled workers becomes a major challenge for the industry, we are working to expand our hiring of new graduates and mid-career professionals by reviewing compensation and benefits and strengthening recruitment efforts. In addition, we are strengthening measures to help young engineers obtain architect qualifications and are also focusing on developing engineers.

Securing and developing skilled workers through stronger collaboration with partner companies

We provide training and certification programs for business partners, thereby improving technical capabilities both within our organization and among our business partners and ensuring a sound working environment. Through these efforts, we are strengthening partnerships aimed at creating a more attractive construction industry.

Feature

Welcoming Sumitomo Densetsu to the Group*

* Sumitomo Densetsu changed its name to Semlinks on October 1, 2026.

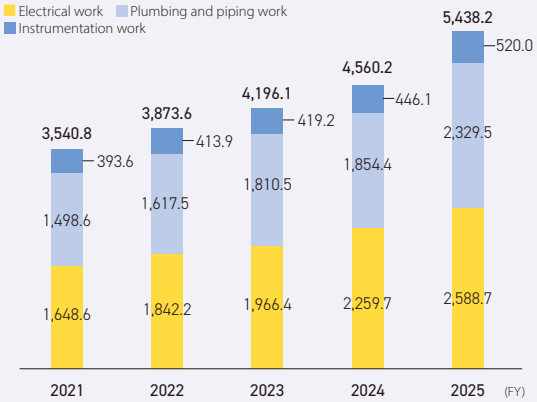
Japan's building equipment installation market

▸ Japan's building equipment installation market

As the graph shows, demand in Japan's building equipment installation industry is rising, driven by urban redevelopment, data centers, semiconductor-related facilities, and logistics facilities. At the same time, the aging skilled workforce and shortage of young people entering the industry are straining construction capacity. Strengthening our expertise and human resource base in the equipment field is a focus for our Group, as the number of projects requiring advanced equipment technology continues to increase.

Orders received in building equipment installation industry

(¥ billion)



Source: Ministry of Land, Infrastructure, Transport and Tourism, survey of orders received in the building equipment installation industry (20 leading companies in each category of work)

▸ Sumitomo Densetsu's strengths and anticipated synergies

By combining its expertise in equipment installation with the Daiwa House Group's strengths in social infrastructure, solutions businesses, and mixed-use facilities, we will further strengthen our ability to provide integrated solutions encompassing both buildings and equipment.

▸ Looking ahead

Going forward, four Group companies — Daiwa House Industry, Fujita, Daiwa Lease, and Sumitomo Densetsu — will deepen their collaboration, each drawing on its own strengths, to deliver greater added value in growth fields such as data centers and semiconductor-related facilities.

Message from the President of Sumitomo Densetsu

Ensuring continuing development with a new growth strategy and comprehensive capabilities

We joined the Daiwa House Group in March 2026. We will create new value by integrating the technological and construction capabilities we have amassed as a comprehensive engineering company into the Daiwa House Group's business domains. Our medium-term management plan, launched in May 2025, sets the theme of "advancing as a comprehensive engineering company by accelerating investment in people and technology." We are developing engineers, utilizing advanced technologies, and strengthening group synergies. In the years ahead, while building social infrastructure, we will translate social challenges such as carbon neutrality and digitalization into growth opportunities. In doing so, we will create new value by leveraging our broad technological capabilities and comprehensive strengths, seeking to continually increase corporate value.



Makoto Tani

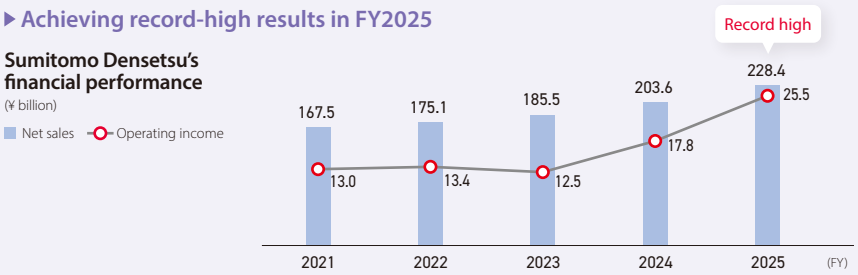
President, Representative Director

Financial Results

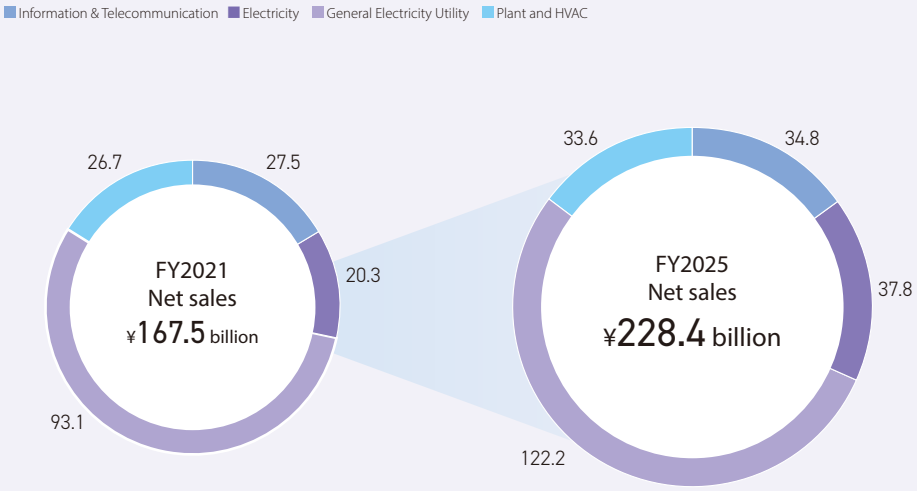
▸ Achieving record-high results in FY2025

Sumitomo Densetsu's financial performance

(¥ billion)



Net sales by type of work (¥ billion)



Information & Telecommunication

Sales

¥27.5 billion (FY2021) ➡ ¥34.8 billion (FY2025)

Focus areas

- Social infrastructure (firefighting, railways, transportation)
- Solutions business fields (medical and nursing care, manufacturing, education)
- Information networks for facilities of all kinds, including mixed-use buildings, hotels, and data centers

Sumitomo Densetsu provides integrated services for communications and information network equipment that underpins a digital society, from design and construction to maintenance. The company works across a wide range of fields — infrastructure for telecommunications carriers, offices and plants, data centers, medical and nursing care facilities, and educational facilities among them. It draws on an extensive track record to provide the service that best fits each need.

Electricity

Sales

¥20.3 billion (FY2021) ➡ ¥37.8 billion (FY2025)

Focus areas

- Demand for renewal of transmission and distribution equipment under the revenue cap system*
- Extra-high-voltage projects and private transmission lines for renewable energy
- Demand from steelmakers restructuring production equipment (conversion to electric arc furnaces, etc.)

By building power infrastructure such as overhead transmission equipment, underground transmission and distribution equipment, substation equipment, Sumitomo Densetsu supports the stable supply of electricity, which society depends on. It also handles grid interconnection for solar and wind power plants, along with storage battery equipment and steelworks plant equipment, providing high-quality power transmission technology that meets customers' diverse needs and lives up to their trust.

General Electricity Utility

Sales

¥93.1 billion (FY2021) ➡ ¥122.2 billion (FY2025)

Focus areas

Japan
- Data centers, plants and research laboratories, offices and commercial buildings, redevelopment projects, logistics facilities, medical facilities, and integrated resorts (IR)
- Maintenance and renewal projects

Overseas
- Non-Japanese-affiliated projects, data centers, direct-demand projects, etc.
- Japanese-affiliated and direct-demand projects; new markets, new regions, new fields

As buildings are expected to offer greater convenience and comfort, and as a stable electricity supply becomes more important, Sumitomo Densetsu operates across a wide range of electrical equipment fields, including heavy-current and light-current equipment, disaster prevention equipment, and security equipment. Its strong technical capabilities allow it to provide fast, high-quality service that meets diverse needs.

Plant and HVAC

Sales

¥26.7 billion (FY2021) ➡ ¥33.6 billion (FY2025)

Focus areas

- Carbon neutrality challenges, plants, instrumentation, waste treatment, battery storage facilities, perovskite solar cells, displacement ventilation, and combined electrical/mechanical projects
- Capital investment in plant production equipment

Sumitomo Densetsu supports comfortable, efficient facility operation by planning, constructing, and maintaining plant machinery and electrical instrumentation systems, air-conditioning and plumbing systems, and central monitoring systems. It also handles renewable energy equipment such as solar power generation systems, storage batteries, and biomass power generation systems, supporting energy use in a new era.

* Revenue cap system: A system introduced in 2023 that aims to ensure the necessary investment by general electricity transmission and distribution utilities while improving cost efficiency, and to promote renewable energy as a main power source and strengthen resilience.

Customer base —Creating value through the accumulation and utilization of our customer base—

Drawing on the strength of trusted relationships with customers cultivated across a wide range of business areas, the Daiwa House Group leverages its accumulated customer base to create new business opportunities and value. This virtuous cycle is precisely what underpins the Daiwa House Group's competitive advantage and enables the Group to achieve sustainable enhancement of corporate value.



① Accumulation of customer base

Accumulating a customer base, a source of competitiveness, by building long-term relationships of trust with customers through customer touchpoints cultivated in businesses such as single-family houses, rental housing, and commercial facilities, and through ongoing communication

By creating ongoing touchpoints, through Daiwa Family Club and membership services for rental housing residents, with customers in the customer base we have built across a wide range of businesses, including single-family houses, rental housing, and commercial facilities, we are building long-term relationships with customers and strengthening that base.

Through Daiwa Family Club, a service for existing owners of single-family houses and condominiums provided by Daiwa House, and membership-based services that support owners of rental housing and commercial facilities, we introduce a range of lifestyle- and business-related services and provide housing-related information. In addition, our branch offices nationwide serve as points of contact, enabling us to maintain ongoing communication with customers.

Accumulated customer base

Existing owners (housing and land) 1.22 million	Number of Daiwa Family Club members (as of May 31, 2026) 340,000
Corporate tenants 4,300 companies	Number of rental housing units managed 720 thousand units

② Utilization of customer base

Leveraging the relationships of trust and customer understanding we have accumulated to provide optimal proposals and services tailored to the life cycles of customers and buildings, thereby maximizing customer LTV and building LTV and creating new business opportunities

We utilize the customer base we have built over many years to secure new orders through referrals from existing customers, expand repeat orders, and promote optimal proposals for relocation, renovation, property purchases, and other needs. Through the continuous provision of services that take into account the entire life cycle of customers and buildings, we are helping to maximize customer LTV and building LTV. For example, through MY D-ROOM, a membership service for rental housing residents, we propose relocation to Daiwa House single-family houses, including built-for-sale houses. In BIZ Livness, we have also handled projects in which long-term relationships with customers have led to the acquisition of buildings, value enhancement, and property sales. We are also linking these efforts to the creation of new business opportunities, such as the Livness Town Project, which help address social issues.

Business results from utilizing our customer base (FY2025)

Referral rate for single-family houses in Japan Approx. 40%	Expansion of Livness business Sales ¥470.6 billion
Repeat order rate from rental housing owners Approx. 40%	Expansion of businesses addressing social issues Livness Town Project 10 locations

Progress Report

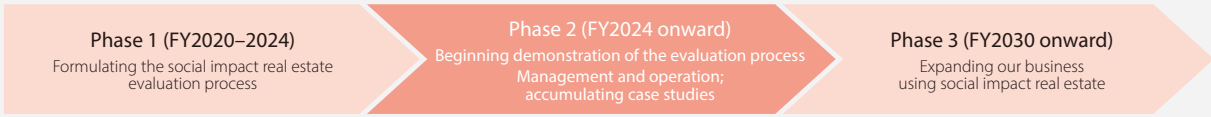
Seeking to achieve both social impact and corporate profitability through businesses that will be of service to society

Social impact real estate is our concept for combining the creation of social impact with higher real estate value. We measure it using E-NOI yield — our original indicator for assessing investment value in both financial and non-financial terms. One example is a community hub we developed for a town rejuvenation project under our community development agreement with Miki City, Hyogo Prefecture.

▸ E-NOI yield: Quantitative evaluation of social impact real estate

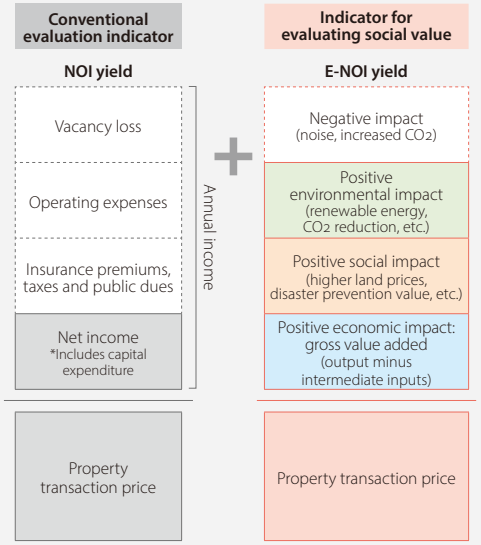
In evaluating real estate, the profitability and investment efficiency of a property are assessed using the NOI yield, which divides the net operating income (NOI) the property generates by the property price. We believe, however, that real estate value extends beyond economic returns to include effects on the local community and environment. We define "social impact real estate" as real estate through which companies create social impact through medium- to long-term management, thereby enhancing the value of the real estate and contributing to sustainable corporate growth. To evaluate this social value, we organize impact into three dimensions — local economy, environment, and broader society — analyze the external economies (non-financial value) delivered to stakeholders and convert them into monetary terms, and divide that value by the real estate price to calculate the external net operating income (E-NOI) yield. Using the E-NOI yield, we have developed a framework for assessing the appropriateness of investment amounts and the extent of social value creation. We are advancing project-level management and monitoring to accumulate actual results for social impact assessment. Going forward, by adding non-financial evaluation using the E-NOI yield to financial evaluation using the NOI yield, we will build a more multifaceted understanding of the value that real estate creates. In fiscal 2026, we will also explore ways to link this initiative with sustainability investment through SLLs, PIFs,* and other instruments. In the longer term, we aim to help form a market in which social value is properly reflected in investment decisions and in real estate value. In doing so, we will deliver value to building owners, financial institutions, other stakeholders, and our Company.

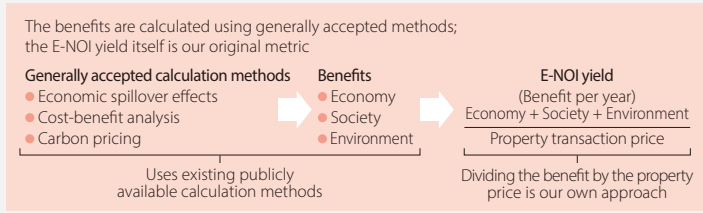
Roadmap (illustration)



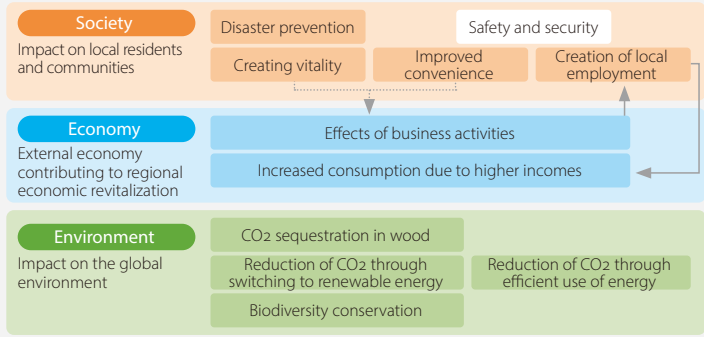
How the E-NOI yield is calculated

Purpose: To assess, from a non-financial value perspective, whether an investment amount is appropriate and how much social value it created





Three structures for impact creation



* SLL stands for Sustainability-Linked Loan, and PIF for Positive Impact Finance.

▶ HITOTOKIMIKI: A multigenerational community facility in Miki City, Hyogo Prefecture

Following the Practical Guidance on "Social Impact Real Estate" from Japan's Ministry of Land, Infrastructure, Transport and Tourism (MLIT) we tested an evaluation method for assessing the effectiveness of real estate projects that create social value. As the first project of its kind, on May 1, 2026, we began operating HITOTOKIMIKI, a public facility that encourages interaction across generations, in the Midorigaoka and Aoyama Neopolis area of Miki City, Hyogo Prefecture.

At the planning stage, the facility was projected to deliver an E-NOI yield above the social discount rate of 4%, based on factors including more active community activities, higher visitor numbers, and reduced environmental impact. We will now monitor operations and verify the validity of the assessment made at the planning stage, based on actual operating conditions and measured data gathered as we run the facility with our co-operator, Culture Convenience Club Co., Ltd.



HITOTOKIMIKI: Exterior (left) and interior (right)

News release:
Operations begin at HITOTOKIMIKI, a multigenerational community facility in Miki City (Japanese only)

The Livness Town Project Under the 7th Plan: Initiatives and Results

In the Neopolis suburban housing estates that we have developed since the 1960s, an aging population, weakening community ties, growing numbers of vacant houses, and isolation among older residents have become local issues. To address these challenges, we have been advancing the Livness Town Project since around 2014 with the aim of revitalizing and regenerating these communities, engaging in ongoing dialogue with local residents in Yokohama Kamigo Neopolis, Midorigaoka and Aoyama Neopolis in Miki City, Hyogo Prefecture, and other locations.

In fiscal 2025, we added the Matsuzono housing estate (Morioka City, Iwate Prefecture) and Okayama Neopolis (Sakuragaoka, Akaiwa City, Okayama Prefecture), achieving the 10-location target of our 7th Medium-Term Management Plan. We are now working toward the sustainable development of these communities through two key approaches: enhancing their appeal and facilitating the succession of homes to new residents. Under the first approach, we are working with Miki City and using the HITOTOKIMIKI multigenerational community hub to revitalize the area by encouraging interaction among residents, providing administrative services, and supporting local economic activity. Under the second, we are developing housing solutions that facilitate home succession in Kaga Matsugaoka and Hankyu Kita Neopolis, creating conditions for older residents to live with peace of mind in the communities they know while passing existing homes on to families raising children.

In our Long-Term Social Vision, we have set out "redesigning local communities with a focus on regeneration, circularity, and sustainability" as part of our aspiration for 2055. As a 2035 milestone, we aim to create new value by addressing social issues and enhancing the appeal of communities, in urban areas and suburban housing estates. Going forward, we will continue to contribute to sustainable suburban community development through Livness Town Project.

Livness Town KPIs (targets and results)

Items	As of end of February 2023	FY2025 Targets	FY2025 Results	FY2029 Targets
Number of Livness Town Project locations	8 locations	10 locations	**10 locations**	14 locations
Community development suggestions arising from dialogue	1,202	3,000	**2,770**	—
Number of participants in community development activities	401	1,000	**865**	—
Vacancy rate in Neopolis developments	2.15%	0%	**2.97%**	—

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