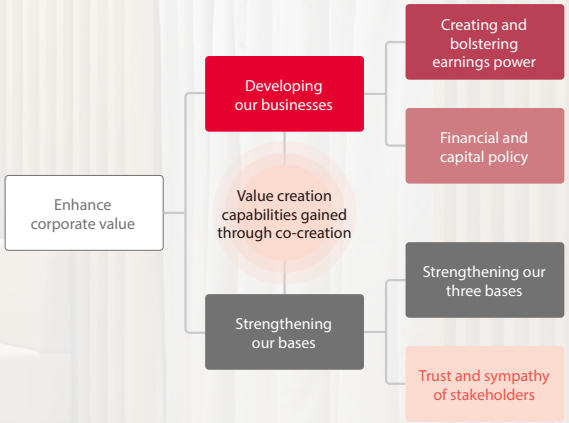


H.U. Bioness Complex (office)
Photo: Naoomi Kurozumi (Kurozumi Architectural Photographic Office)

# Management Structure

We have been working to evolve our governance structure as a foundation supporting sustainable growth and the enhancement of corporate value. In this chapter, we present the results of the governance reforms under the 7th Medium-Term Management Plan, along with the new executive remuneration system. In addition, a message from one of our outside directors relays a perspective on management conscious of the cost of capital and share price.




Chapter 7

Chapter 7 Management Structure

Message from an outside director

# Applying a capital markets perspective to management, and enhancing corporate value through balanced governance



Yuichiro Kondo
Outside Director

## Governance supporting sustainable growth and the oversight role of outside directors

The significance of corporate governance has changed significantly recently. Formerly, it focused mainly on the "defensive" aspect, such as prevention of misconduct. Today, the "offensive" aspect is also a foundation for management to achieve sustainable growth while enhancing corporate value over the medium to long term.

In addition to financial indicators such as ROE and ROIC, corporate governance today places increasing emphasis on the quality of management, which is directly linked to raising corporate value, namely, capital allocation, management accountability and risk management, incentive structures that encourage appropriate risk-taking and challenge-driven management and also sound decision-making processes.

That's why I believe the role of outside directors is not merely to "monitor" faults, but to "supervise" from an independent perspective, considering positive and negative aspects, holding discussions, and guiding the Company appropriately. Important will be outside directors taking an independent standpoint to confirm whether management policies and plans are appropriate and accountable to society, to consider the perspectives of shareholders and other stakeholders, as well as the views of the market, and to engage in frank and constructive discussions with management. Drawing on my years of experience in capital markets, I hope to share my thoughts on capital policy and business strategy from an investor's point of view.

My time as a member of management in a securities firm gave me the experience of handling incidents of misconduct, and I became keenly aware that in order to ensure the elimination of such behavior, it would be essential to analyze root causes rather than merely investigating superficial circumstances. It's necessary to create an environment where employees feel comfortable speaking their minds. I viewed this as a chance to transform that company, and I called on everyone to build a company that would make every employee proud.

Change will not happen if we only hold individuals responsible. We need to continually ask why such behavior occurred and what organizational and management challenges lie under the surface. Repeatedly asking "why" to identify root causes and then using that insight to drive organizational improvement is the foundation for sustainable growth.

## A Board of Directors that leverages diverse insights to address medium- to long-term issues

The Board of Directors consists of seven directors responsible for internal operations and seven outside independent directors with diverse areas of expertise, including corporate management, R&D, product development, global governance, IT, sustainable management, and venture capital and startup incubation. To balance smooth operation and lively discussion in the Board of Directors, the Company provides

us with briefings and materials prior to Board of Directors' meetings to ensure that necessary information is shared appropriately. Each director thereby actively shares their opinions while drawing on respective expertise, and the quality of discussions at the Board of Directors is steadily improving.

The establishment of the Management Committee in the second half of last year has enabled the Board of Directors to devote more time to medium- to long-term issues and strategies. At Board of Directors' meetings, it is important not only to examine the details of individual matters but also to verify appropriateness in decision-making processes, within what framework discussions take place, and whether the structure is sound. For example, specific matters such as real estate acquisitions are more constructively discussed at the Management Committee by the executive organization, which is well-versed in the business. The Board of Directors should emphasize assessments of the effectiveness of such decision-making frameworks and governance, and devote more time to these efforts.

A key feature of the Company's governance is the effectiveness of the "recommendations to the executive side" made by the Corporate Governance Committee (comprising outside directors, outside Audit & Supervisory Board members, standing Audit & Supervisory Board members, as well as the CEO, COO, CFO, and representative directors), which evaluates shareholder and institutional investor requests in light of their expertise. These recommendations perform a valuable role in strengthening corporate governance.

At a recent Corporate Governance Committee meeting, I shared insights based on my experience. There we discuss and make recommendations on whether the "speak-up" system, which allows employees to voice concerns, is effective, and what kind of organizational framework it requires, etc.

## Balancing growth investments and capital efficiency while encouraging appropriate risk-taking

Daiwa House Group posted record profits even amid a continued challenging external environment characterized by rising interest rates, inflation, labor shortages, and material shortages. This is the result of the efforts of the management, the executive side, and all officers and employees.

Meanwhile, although stock prices, one measure of market sentiment, have fluctuated significantly recently, short-term ups and downs are no cause for concern. We need to clearly communicate to the market whether the Company has established the necessary framework to achieve sustainable growth and enhance corporate value over the medium to long term, as well as the plans and strategies for achieving these goals. That's why it is essential to deepen discussions through dialogue with investors by taking their opinions and advice to heart, while also being accountable to explain the Company's perspective and initiatives.

The key to raising corporate value is a balance between growth investments and capital efficiency. For significant capital investment projects, it will be necessary to confirm the level of capital efficiency the investment will generate, the extent of synergies expected with existing businesses, and whether it will ultimately lead to an increase in shareholder value.

For the acquisition of a subsidiary, in addition to being a sound acquisition, crucial will be the effectiveness of the post-merger integration ("PMI") process. At Board of Directors' meetings, we make a point to discuss issues such as how to foster a shared culture and integrate management, human resources, and business operations with a company new to the Group, whether the process is functioning properly, who is responsible, and whether the necessary framework is in place to achieve anticipated synergies. Having been involved in a number of M&A deals, I work to confirm the risks and returns of acquisitions, as well as feasibility following integration.

Distinguishing between "risks worth taking" and "risks to avoid" is critical. We need to determine the impact should a loss occur, whether the risk could undermine the Company's foundation, and whether taking that risk will contribute to sustainable growth. Taking on challenges is essential for growth, but as a prerequisite to that, risks must be properly identified and managed.

The Board of Directors fosters an atmosphere that encourages open and frank discussion, and each director contributes insights. To further leverage these constructive forums, we need continued in-depth discussions on topics directly linked to medium- to long-term corporate value, including capital policy, growth investments, business portfolios, and risk management.

The Board of Directors will play an increasingly vital

role going forward. One medium- to long-term issue is for greater diversity in the Board of Directors. As we aim to become a leading global player, it will be meaningful to recruit talent with international experience and diverse backgrounds and incorporate the young generation's perspectives. Bringing an array of experiences and values to the Board of Directors will broaden the scope of discussions regarding global growth opportunities and risks.

A vital consideration for our system of remuneration will be an entrepreneurial spirit in management and whether we have a structure to tackle challenges by taking appropriate risks. Promoting greater corporate value will require remuneration to be appropriately linked not only to short-term performance but also to medium- and long-term growth and the enhancement of shareholder value. The Remuneration Advisory Committee has also taken this perspective in its extensive deliberations, and we consider the current remuneration system to be an effective means of supporting realization of long-term goals that put the Company on a path to further global growth.



As an outside director, I will continue to foster discussions that contribute to the Company's sustainable growth and enhanced corporate value over the medium to long term, and will support management in taking appropriate risks and executing plans.

## We will chart a course toward sustainable growth through dialogue with capital markets

Capital markets have recently reached a major turning point. The result is a dramatically changing business environment, including a paradigm shift toward a focus on capital efficiency, growing interest in Japanese stocks, the increasing presence of engagement investors, a return to a world of "positive interest rates," and furthermore, shifts in industrial structure driven by advancements in generative AI.

For Daiwa House Group, in particular, as we operate in capital-intensive sectors such as real estate and infrastructure, our management is expected to be ever more aware of returns on invested capital and the cost of capital. My belief is that achieving a level of capital efficiency that would be acceptable to the market, while continuing to invest in growth, is a key prerequisite for enhancing corporate value.

Going forward, in addition to pursuing sales and profit growth, it will become even more important to demonstrate to the market how efficiently that growth is linked to an increase in corporate value. To that end, we must continuously review our business portfolio and revenue structure while clearly explaining to investors the growth strategies for each business and the path toward improving capital efficiency.

Moreover, corporate value is not supported by financial indicators alone. Important is to appropriately measure the results of non-financial initiatives based on our purpose and management philosophy, and to continuously conduct fine tuning. Demonstrating growth in both financial and non-financial areas will lead to trust and recognition from the market.

Daiwa House Group is a positive, forward-looking company capable of swift decision making. This includes a deeply rooted culture of looking back to our corporate philosophy and purpose, which serves as a foundation for the mindset and behavior of each and every employee. While many companies proclaim their philosophy and purpose, translating those into day-to-day actions is not an easy task. This corporate culture is, I'm convinced, a huge asset for the Group.

Above all, a home is a major investment in a customer's life. Isn't it precisely because all our employees understand the significance of this that we are able to provide courteous, customer-focused service and support? This on-the-ground approach is the very thing that underpins trust in the Group and serves as the source of our long-term corporate value.

As an outside director, I will contribute to enhancing corporate governance and increasing corporate value through constructive discussions that take into account the perspectives of the capital markets and stakeholders, while cherishing the Company's strengths. I will also strive to be of assistance in supporting our sustainable growth.

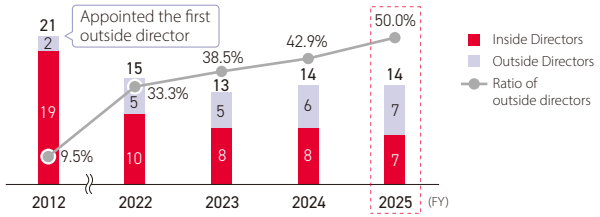
# Management structure

The Daiwa House Group positions enhancing its governance structure as a key management priority so that we may continue to be a company trusted by society. Our basic approach is to construct a system of accurate and timely decision making and business execution, as well as a framework of appropriate oversight and supervision. As our business expands and the management environment evolves, we work to construct a governance structure that will create the future based on diverse viewpoints and long-term perspectives in order to enhance our management resilience.

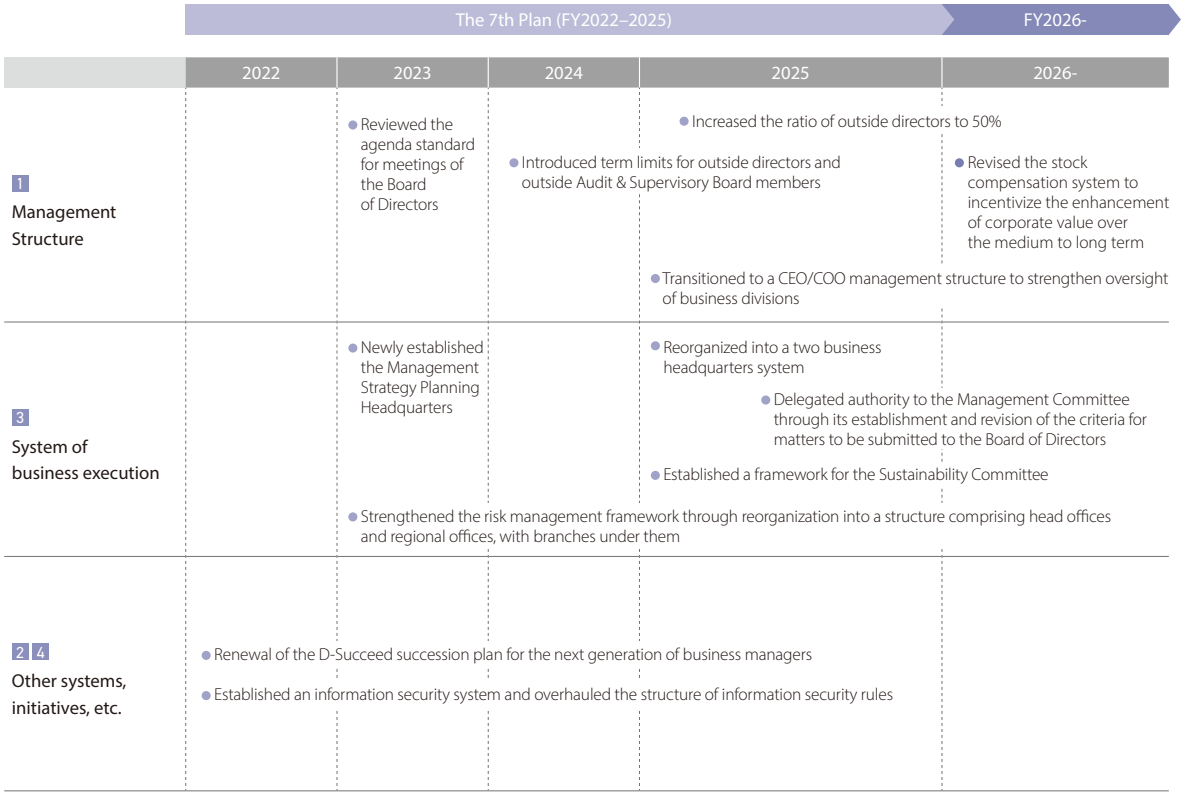
**Concept of governance system enhancement**




**Ratio of outside directors on the Board of Directors** (persons)




**Initiatives to strengthen governance**




Sustainability Report 2026: Governance ▶ P.119-136

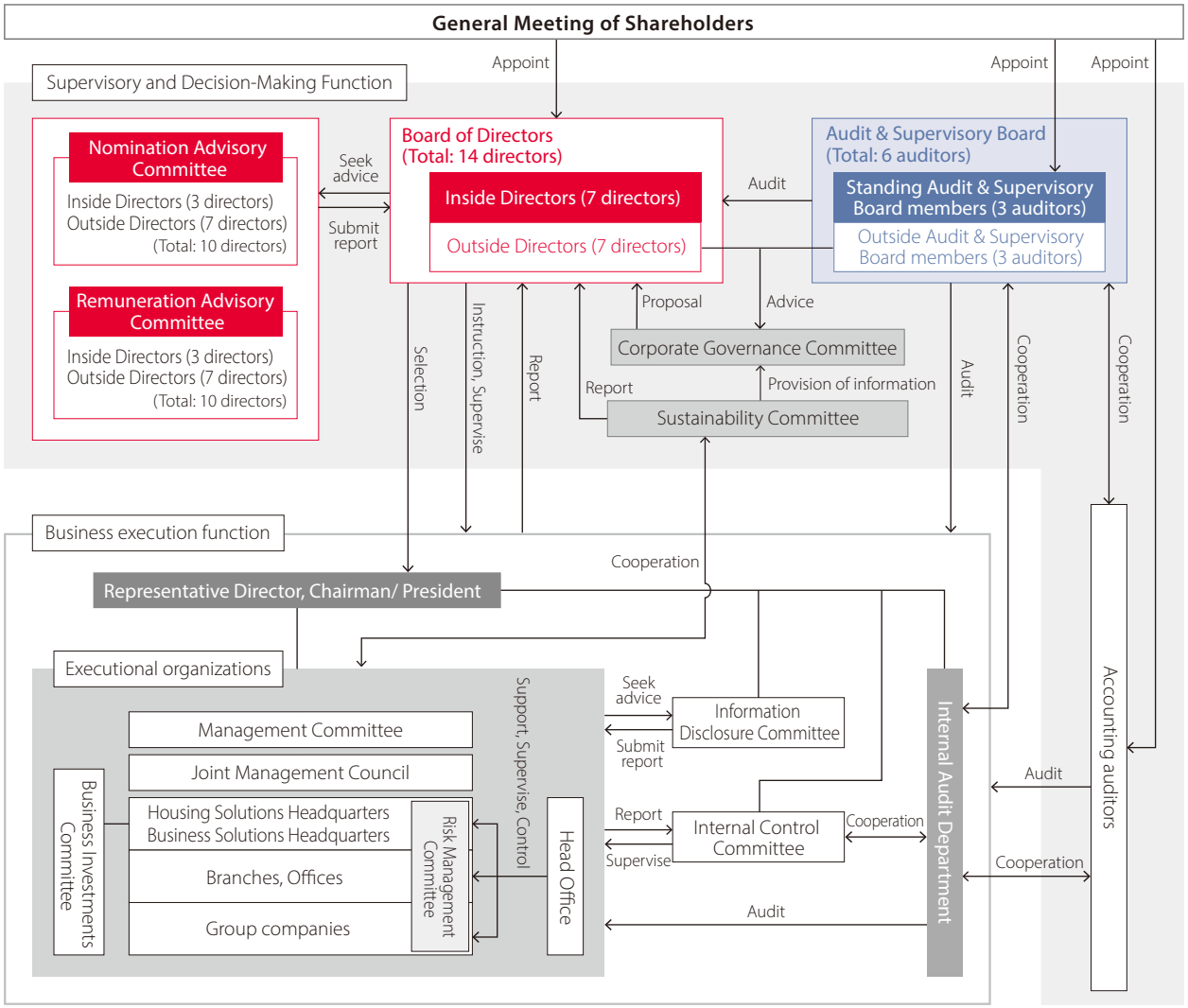
## Corporate governance system

We pursue corporate governance that better suits society and the global management environment, in order to continue to be a corporate group indispensable to society.

In order to enhance corporate value, our senior management in charge of business execution should always explore social needs based on a bottom-up approach, and the Board of Directors holds a significant responsibility to deliberate and determine how we concretize the social needs as a business. By appointing both executive directors to enable accurate and swift actions on these needs, and independent outside directors who account for over one third of the Board of Directors, we increase the level of transparency and soundness of our business management. Furthermore, the Board of Directors is audited by Audit & Supervisory Board members and the Audit and Supervisory Board that are independent of the Board of Directors.

This organizational design allows directors concurrently serving as executive officers to facilitate the management function of the Board of Directors, while ensuring the monitoring function led by independent outside directors and Audit & Supervisory Board members and the Audit and Supervisory Board.

We have adopted this corporate governance system under the belief that enhancing corporate autonomy built on these bases will lead to sustainable growth and medium- to long-term enhancement of corporate value. We will continue to review our corporate governance structure in line with business conditions and other factors.



## 1 Optimization of management structure

**Create an optimal management structure for supervision of medium-to-long-term management strategies for enhancing corporate value**

Based on the philosophy of "Don't do things because they will make a profit, but because they will be of service to society" that we have valued since our founding, the Board of Directors sees its mission as being to put Our Hopes for the Future (Purpose) into practice and to foster the next generation who will take up the challenge in the future. To realize this, executive management must always explore the needs of society through a bottom-up approach while the Board of Directors, as a group that co-creates value for individuals, communities, and people's lifestyles, deliberates and decides how to embody such needs as a business, and quickly grasps reported risks regarding business execution to control and oversee these risks. The Board of Directors has outside members who account for over one-third of the Board. By making greater use of diverse and external knowledge, experience and know-how possessed by outside directors, we aim for trustworthy and transparent management.

### Board of Directors' deliberations

During discussions on the establishment of the Management Committee, views expressed included the following: "Given the current increase in the scale of projects, from the standpoint of outside directors who may not have specialized expertise in each individual project, it is important to ensure the effectiveness of the executive structure from the Management Committee downward, and the specific structure requires thorough discussion." In fiscal 2025, the Board of Directors also discussed and deliberated on the following matters.

### Management strategies

- Activity report on digital construction
- Toward management conscious of cost of capital and share price
- Formulation of the next Environmental Action Plan and next Social Action Plan
- METI Ukraine Reconstruction Support Feasibility Study and Demonstration Project
- Transition of the Data Center Business Division Preparatory Office into the Data Center Business Division
- Activity report and future policy for the Daiwa Future100 in-house entrepreneurship program

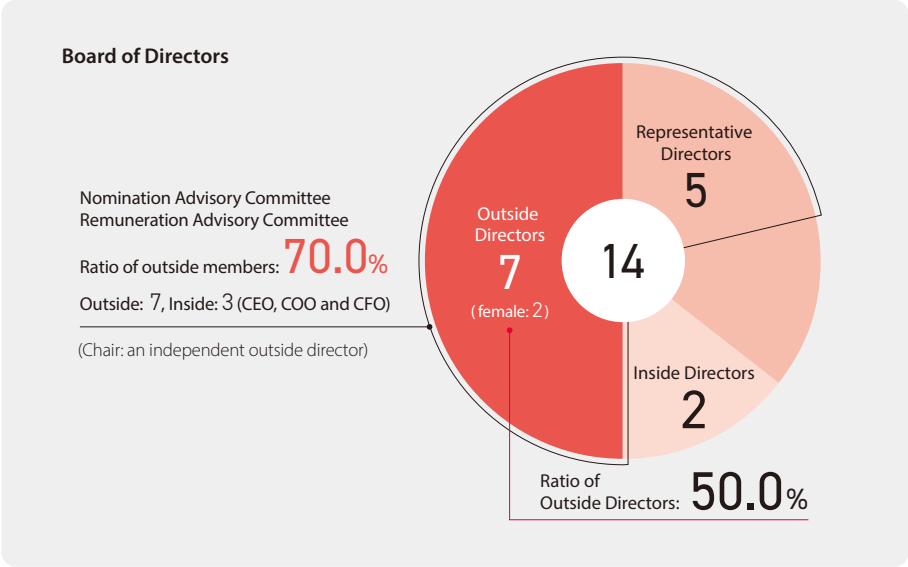
### Governance

- Establishment of the Management Committee and revisions to the criteria for submitting matters to the Board of Directors and revisions to the Business Investments Committee Regulations
- Report on self-review results and revision of the Corporate Governance Guidelines
- Evaluation of the effectiveness of the Board of Directors

### Investment projects

- Approval of M&A-related matters (e.g., a tender offer for shares of Sumitomo Densetsu Co., Ltd.)
- Important potential investments in the real estate development business in the US, Asia, and other regions

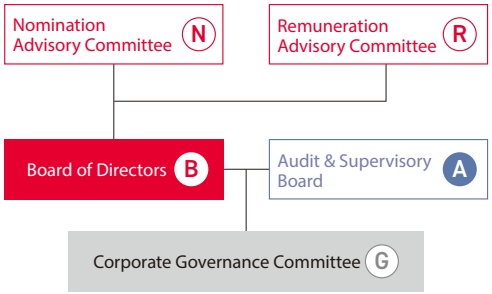
Other than the above, the Board of Directors deliberates and passes resolutions, as necessary, on matters stipulated by laws, regulations, and the Articles of Incorporation.



## Skill matrix for the Board of Directors and Audit and Supervisory Board

Our basic policy is to enhance corporate value by creating value for shareholders, customers, employees, business partners, and society through the provision of products and services essential to society. In addition, "Our Hopes for the Future" (Purpose) lays out our commitment to "Creating the fundamental societal infrastructure and lifestyle culture rooted in regeneration, ensuring a world where we live together in harmony embracing the Joys of Life." In light of the above basic policy and to realize "Our Hopes for the Future" (Purpose), we have established the skill matrix to ensure the sound and sustainable growth of the Company and to establish a high-quality corporate governance system that meets the expectations and trust of society, through the highly effective performance of the Board of Directors and audits of the execution of duties by the directors and executive officers by the Audit and Supervisory Board.

**Structure of Committee for strengthening monitoring function of Board of Directors**




| | | Representative Directors | | | | | Executive Directors | |
|---|---|---|---|---|---|---|---|---|
| | |  |  |  |  |  |  |  |
| | | Keiichi Yoshii | Hirotsugu Otomo | Takeshi Kosokabe | Yoshiyuki Murata | Keisuke Shimonishi | Toshiya Nagase | Eiichi Shibata |
| | | Chairman, CEO Head of Overseas Division | President, COO | Executive Vice President, CFO Head of Management Administration Headquarters | Executive Vice President Head of Technology Headquarters | Senior Managing Executive Officer Head of Business Solutions Headquarters | Senior Managing Executive Officer Head of Housing Solutions Headquarters | Managing Executive Officer Head of Management Strategy Planning Headquarters |
| Committee membership | | B N R G | B N R G | B N R G | B G | B G | B | B |
| Term of office | | 15 years | 10 years | 16 years | 5 years | 8 years | 4 years | 1 year |
| Attendance at meetings of the Board of Directors and committees during the fiscal 2025 | Board of Directors | ★ 14/14 | 14/14 | 13/14 | 14/14 | 14/14 | 14/14 | 11/11 |
| | Nomination Advisory | — | — | — | — | — | — | — |
| | Remuneration Advisory | 2/2 | 2/2 | 2/2 | — | — | — | — |
| | CG | 2/2 | 2/2 | 2/2 | 2/2 | 2/2 | — | — |
| | Audit and Supervisory Board | — | — | — | — | — | — | — |
| Knowledge possessed by directors and auditors that is particularly expected by the Company | Corporate Management | ● | ● | ● | ● | ● | ● | ● |
| | Finance/ Accounting | | | ● | | | | ● |
| | Legal/Risk Management | ● | ● | ● | ● | ● | ● | ● |
| | Technology/ R&D | | | | ● | | | |
| | International Experience | ● | ● | | | | | ● |
| | DX/IT | | | | ● | | | |
| | Environment | ● | ● | | | | ● | |
| | Social | ● | ● | ● | | | | |
| | Corporate Governance | ● | ● | ● | ● | ● | | |

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

Note: The attendance shown is for the period from April 2025 to March 2026. Mr. Shibata's attendance figures reflect the period starting from his appointment in June 2025. In addition, no meeting of the Nomination Advisory Committee was held during the fiscal relevant period.

| | Non-Executives | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| |  |  |  |  |  |  |  |  |  |  |  |  |  |
| | Yukinori Kuwano | Miwa Seki | Kazuhiro Yoshizawa | Yujiro Ito | Toshikazu Nambu | Tomomi Fukumoto | Yuichiro Kondo | Yoshinori Hashimoto | Ryuichi Oyaide | Yoshihiro Takashige | Akihisa Watanabe | Tatsuji Kishimoto | Takashi Maruyama |
| | Outside Director | Outside Director | Outside Director | Outside Director | Outside Director | Outside Director | Outside Director | Standing Audit & Supervisory Board member | Standing Audit & Supervisory Board member | Standing Audit & Supervisory Board member | Outside Audit & Supervisory Board member | Outside Audit & Supervisory Board member | Outside Audit & Supervisory Board member |
| Committee membership | B N R G | B N R G | B N R G | B N R G | B N R G | B N R G | B N R G | A G | A G | A G | A G | A G | A G |
| Term of office | 6 years | 6 years | 4 years | 4 years | 2 years | 2 years | 1 year | 4 years | 1 year | 1 year | 6 years | 5 years | 3 years |
| Board of Directors | 14/14 | 13/14 | 13/14 | 14/14 | 13/14 | 14/14 | 11/11 | 14/14 | 11/11 | 11/11 | 14/14 | 14/14 | 14/14 |
| Nomination Advisory | ★— | — | — | — | — | — | — | — | — | — | — | — | — |
| Remuneration Advisory | ★2/2 | 2/2 | 2/2 | 2/2 | 1/2 | 2/2 | 1/1 | — | — | — | — | — | — |
| CG | ★2/2 | 2/2 | 2/2 | 2/2 | 2/2 | 2/2 | 2/2 | 2/2 | 2/2 | 2/2 | 2/2 | 2/2 | 2/2 |
| Audit and Supervisory Board | — | — | — | — | — | — | — | ★14/14 | 10/10 | 10/10 | 13/14 | 14/14 | 14/14 |
| Corporate Management | ● | ● | ● | ● | ● | ● | ● | ● | | | | | ● |
| Finance/ Accounting | | ● | | ● | ● | | ● | | | ● | ● | | |
| Legal/Risk Management | | | | ● | | | | ● | ● | ● | ● | ● | ● |
| Technology/R&D | ● | | ● | | | | | | ● | | | | |
| International Experience | | ● | | | ● | | | | | | | | |
| DX/IT | ● | | ● | | ● | | | | | | | | |
| Environment | ● | | | | | ● | | | | | | | |
| Social | | ● | ● | ● | | ● | | ● | ● | ● | ● | ● | ● |
| Corporate Governance | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● | ● |

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

Note: The attendance shown is for the period from April 2025 to March 2026. Mr. Kondo, Mr. Oyaide, and Mr. Takashige's attendance figures reflect the period starting from their appointment in June 2025. In addition, no meeting of the Nomination Advisory Committee was held during the relevant period.

## Skills expected by the Company

| Skills | Our specific expectations |
|---|---|
| Corporate Management | To have essential insight into management gained through their managerial experience at the Company or other companies, and to exercise their managerial skills or supervise management to enhance corporate value |
| Finance/ Accounting | To draw on their expertise in the field of financial accounting or their experience in accounting and finance departments to formulate and implement appropriate financial strategies, or provide valuable advice |
| Legal/ Risk Management | Inside directors, including the business division heads, are expected to all work together to strengthen risk management, rather than focusing only on sales and marketing activities in aligning with the business division-based system. Outside directors and outside Audit & Supervisory Board members are expected to strengthen risk management by drawing on their expertise in legal affairs or experience in legal compliance departments |
| Technology/ R&D | To have experience or expertise in the technology or R&D department of the Company or other companies, and to further enhance technological capabilities |
| International Experience | To have extensive knowledge and experience in global business management as well as overseas lifestyles and cultures, and business environments, and to further promote or supervise our overseas business |
| DX/IT | To have extensive knowledge and experience in digital transformation (DX) and information technology (IT), and to accelerate the creation of new value using digital technology |
| Environment | To have experience or expertise in the environmental department of the Company or other companies and to promote environmental management, including the achievement of carbon neutrality |
| Social | To have experience or expertise in human capital development and social improvement, including DE&I, and to promote sustainable management |
| Corporate Governance | To have extensive knowledge of corporate governance and to enhance the corporate governance system based on diverse and long-term perspectives for the sustainable enhancement of corporate value |

## Advisory Committees of Board of Directors (Board Committees)

### Nomination Advisory Committee

Receives information from executive officers in charge of human resources on individual director assessments and on proposals at the General Meeting of Shareholders relating to the appointment of directors, discusses the appropriateness of these, and presents an opinion, in order to ensure objectivity in the nomination of directors.

When a selection of director candidates is made, the matter is resolved by the Board of Directors with reference to the outcome of the discussion by the Nomination Advisory Committee. When the dismissal of a director is proposed, the matter is resolved by the Board of Directors.

- Chair: an independent outside director

Although no meetings were held during the fiscal year under review, the proposal of Election of Fourteen (14) Directors submitted to the 87th Ordinary General Meeting of Shareholders held on June 26, 2026 was deliberated on by the Nomination Advisory Committee at a meeting held in May 2026, thereby ensuring the objectivity and transparency of the nomination process.

### Remuneration Advisory Committee

Receives a briefing from officers in charge of human resources on policy for decisions concerning director remuneration and details of individual remuneration, etc., discusses validity and presents an opinion to ensure objectivity of director remuneration. In addition, deliberates appropriateness of the decision-making process of remuneration by actively using external investigation data, etc.

- Chair: an independent outside director
- Matters discussed and deliberated in fiscal 2025:
  - Total amount of bonuses paid to directors and amounts paid to individual directors for the 86th fiscal year
  - Executive remuneration system from fiscal 2026

### Corporate Governance Committee

Meets for the primary goal of contributing to the medium- and long-term growth in corporate value. Exchanges views on vision, strategies, and other items pertaining to corporate governance and overall management, considering diverse viewpoints and taking a long-term perspective. Aims to make the company better by fully incorporating into management the knowledge and expertise possessed by outside directors and outside Audit & Supervisory Board members.

- Chair: an independent outside director
- Meeting frequency: twice a year in principle
- Matters discussed and deliberated in fiscal 2025:
  - Corporate management strategy amid rapidly changing global conditions
  - Results of evaluation of the effectiveness of the Board of Directors
  - Implementation status of the Corporate Governance Guidelines and proposed amendments

### Sustainability Committee

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

- Chair: Head of Management Strategy Planning Headquarters
- Meeting frequency: twice a year in principle

**Selection criteria for candidate directors**

1. They should have excellent management judgment, and possess expertise in various management issues.
2. They should excel in the ability to analyze and judge objectively from the perspective of the whole company.
3. They should excel in foresight and insight.
4. They should be capable of accurately grasping the trends of the time, business conditions, and changes in the market.
5. They should be highly motivated to improve their own abilities.
6. They should be capable of actively expressing their opinions from the perspective of the whole company.
7. They should have personality and insight appropriate for a director.
8. They should not fall under the grounds for disqualification of directors stipulated in Article 331, paragraph 1 of the Companies Act.

**Procedures for director candidate selection**

Nomination Advisory Committee

Discuss whether the candidate satisfies the criteria on the right and present conclusions to the Board of Directors

↓

Board of Directors

Decisions regarding the selection of director candidates

**Criteria for director dismissal**

1. In case the director has committed an act that violates public order and morality.
2. In case the director is unable to continue the execution of duties due to health problems.
3. In case the director has caused significant damage to corporate value through negligence
4. In case the director has fallen under the grounds for disqualification of Directors stipulated in Article 331, paragraph 1 of the Companies Act.
5. In case the director is considered to lack the motivation and ability stipulated in Selection criteria.

The Daiwa House succession plan "D-Succeed" ▶ P.67

## Audit and Supervisory Board

The Audit and Supervisory Board operates independently of the Board of Directors. It consists of standing Audit & Supervisory Board members well versed in our operations and management structure, as well as outside Audit & Supervisory Board members who are experts in particular fields such as accounting, law, or management. In order to ensure the independence and neutrality of the audit system, the Audit and Supervisory Board is composed of six members, of whom three are Standing Audit & Supervisory Board members and three are outside Audit & Supervisory Board members.

The Audit and Supervisory Board receives in a timely and appropriate manner reports from Directors, employees and accounting auditors on items necessary for auditing the execution of duties by directors and executive officers. It also shares necessary information with accounting auditors, the internal audit department, and outside directors to improve the quality of audits and realize more efficient audits.

### Audit system by Audit & Supervisory Board members

The Audit and Supervisory Board, as an independent body entrusted by shareholders, audits the execution of duties by directors and executive officers, in order to ensure sound and sustainable growth of the company and establish a quality corporate governance system that meets the trust of society.

In addition, the Audit & Supervisory Board members attend not only meetings of the Board of Directors but also other important meetings, including meetings of the Corporate Governance Committee, Internal Control Committee and the Business Investments Committee, and regularly exchange opinions with representative directors as well as accounting auditors. They also visit business branches and other business sites to conduct on-site inspections and ascertain the status of business execution. Furthermore, the implementation status of internal audits is reported from the Internal Audit Department to the Audit & Supervisory Board members. These initiatives systemically ensure that important information relating to the Company's execution of operations is reported in detail to Audit & Supervisory Board members.

## Management Committee

To move toward a monitoring-oriented Board of Directors and further separate the Board's supervisory and executive functions, we established the Management Committee, composed of internal directors, in October 2025. The Management Committee has been delegated authority by the Board of Directors to decide on individual business execution matters below specified thresholds. It also handles matters for reporting and deliberation intended to facilitate discussion and information sharing among internal directors concerning medium- to long-term management strategies and key business issues.

Accelerating management decision-making through establishment of the Management Committee ▶ P.94

## Committees concerning operational execution (Management Committees)

### Joint Management Council

The Joint Management Council, consisting of directors, executive officers and Audit & Supervisory Board Members, is established for appropriately executing the decisions made by the Board of Directors through having the Board of Directors and executive officers fulfill their respective duties and communicate with each other. Deliberates and reports on important matters relating to business execution. Met four times in fiscal 2025.

- Chair: CEO

### Internal Control Committee

The Internal Control Committee is established as a body whose mission is to verify that the internal control system is properly established and operated, and to promote corrective actions if any flaws or deficiencies are found. In fiscal 2025, the Committee met four times.

- Chair: Representative Director, Chairman

### Risk Management Committees

Under the supervision of the risk management officer (the Head of Management Administration), Risk Management Committees are established for each business division (Business Division Risk Management Committees) as bodies tasked with preventing potential risks in advance faced by each of the company's businesses and relevant Group companies, and addressing these risks if they materialize. These Business Division Risk Management Committees are positioned as a function of the internal control system.

- Chair: Business division heads
- Committee members: Department managers of Business divisions

### Business Investments Committee

The Company's Business Investments Committee is responsible for deliberating on and assessing the feasibility and risks of important potential investments in the real estate development business and other businesses to ensure that decision-making about the deployment of capital is reasonable and effective. In fiscal 2025, the Committee met 30 times.

- Chair: Head of Housing Solutions Headquarters and Head of Business Solutions Headquarters

### Information Disclosure Committee

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

- Chair: Head of Management Administration Headquarters

## Overview of effectiveness evaluation of Board of Directors

Based on the Corporate Governance Guidelines, we have, since 2015, conducted evaluations of the effectiveness of the Board of Directors with the aim of improving the functions and effectiveness of the Board of Directors. Questionnaire-based surveys of directors and Audit & Supervisory Board members are conducted, and the effectiveness evaluations are made on the basis of the results of these together with the evaluation of the Board of Directors made by the Audit & Supervisory Board. As in the past, an external agency was engaged to conduct the 2025 survey, with responses being provided directly to the external agency to ensure anonymity.

### Evaluation process

Questionnaire by all directors and Audit & Supervisory Board members

Evaluation items

- Composition of Board of Directors
- The ideal state of Board of Directors
- Operation of Board of Directors
- Operation of the Nomination and Remuneration Advisory Committees
- Monitoring function of Board of Directors
- Support structures for directors and Audit & Supervisory Board members
- Performance of directors
- Training
- Dialogue with shareholders (investors)
- Your own efforts

↓

Evaluation by the Audit & Supervisory Board based on the questionnaire results

↓

Self-review by the Board of Directors based on the questionnaire results and the evaluation by the Audit & Supervisory Board

↓

Review of initiatives for the next fiscal year based on results of evaluation

### Evaluation results for FY 2025

Based on the status of each evaluation item, the effectiveness of the Board of Directors was evaluated as being satisfactory. However, issues were also highlighted, and we will continue to work to improve the effectiveness of the Board of Directors through a variety of initiatives.

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

| Issues | Initiatives |
|---|---|
| **Theme 1**<br>**Composition of the Board of Directors**<br>In order to further enhance monitoring functions, it is necessary to continue to consider how the Board of Directors should function in response to changes in the environment.<br><br>**Evaluation by the Audit & Supervisory Board**<br>It is necessary to continue considering the Board of Directors' institutional design and how to ensure the diversity of constituent members. | • Following the appointment of one additional outside director at the Ordinary General Meeting of Shareholders held in June 2025, the ratio of outside directors increased from 42.9% to 50.0%.<br>↓<br>• As the ratio of outside directors has increased, frank and open exchanges of views are taking place from diverse and wide-ranging perspectives, with outside officers actively expressing their opinions. |
| **Theme 2**<br>**Enhancing discussion of management strategies, non-financial information, etc.**<br>Continue to work on agenda setting and ensuring time for discussion.<br><br>**Evaluation by the Audit & Supervisory Board**<br>It is also necessary for the Board of Directors to deepen discussions on the Group's medium- to long-term management strategy, business portfolio review, and sustainability information. | • Effective October 2025, the Management Committee was established as the highest decision-making body for business execution, and the authority for certain matters was delegated from the Board of Directors to the Management Committee.<br>↓<br>• The Board of Directors is now able to devote more time than ever to discussions on management strategies and other matters. |
| **Theme 3**<br>**Internal controls**<br>Enhance discussions on risk management and compliance from a risk-averse approach to governance.<br><br>**Evaluation by the Audit & Supervisory Board**<br>Monitoring of the status of internal controls for the entire Group needs to be strengthened to improve oversight. | • For compliance matters, a subcommittee was established under the Corporate Governance Committee, and discussions are underway on initiatives to strengthen compliance at the Company. |

News release: Notice Concerning Outline of the Results of the Evaluation of the Effectiveness of Board of Directors

### Results of the 2025 evaluation of effectiveness and status of efforts to address the identified issues

| Issues | Initiatives |
|---|---|
| **Theme 1**<br>**Composition of the Board of Directors**<br>From the standpoint of ensuring the Company's sustainable growth and further strengthening monitoring functions, it is necessary to continually examine how the composition of the Board of Directors and organizational design should be. | • In anticipation of future changes in the business environment, we will consider the appointment of personnel with diverse backgrounds from a medium- to long-term perspective. In addition, we will continue to examine the management structure best suited to the Company, including its institutional design.<br>• At the most recent meeting of the Corporate Governance Committee, information was shared on trends in organizational design and related matters. With an increasing number of companies adopting a structure with an Audit & Supervisory Committee, we will continue to share information on organizational design and deepen our discussions. |
| **Theme 2**<br>**Further deepening of discussions on management strategy**<br>It is necessary to deepen strategic discussions, such as those on business portfolio strategy. | • We will set the agenda for the Board of Directors and aim to deepen discussions that contribute to strategic thinking over the medium to long term and the enhancement of corporate value. |
| **Theme 3**<br>**Strengthening the risk management system**<br>It is necessary to further strengthen monitoring functions regarding the status of internal control and risk management, including those of Group companies. | • We will strengthen our risk management system by increasing the frequency of reporting on the status of internal controls and risk management with the aim of further improving monitoring functions.<br>• As a recent initiative, we increased the frequency of reports to the Board of Directors on information about risks that have emerged and whistleblower reports (from twice to four times a year). |

## Policy on cross-shareholdings

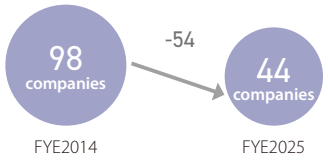
Each year, the Board of Directors reviews the medium-to-long-term economic rationality of the company's various cross-shareholdings and presents the results. An effort is being made to reduce cross-shareholdings by selling those shareholdings that are deemed to be no longer necessary. At the end of fiscal 2025, the market value of the Company's holdings was ¥91.5 billion (listed stocks: ¥80.2 billion, unlisted stocks: ¥11.2 billion), accounting for 3.0% of consolidated net assets (excluding listed REIT sponsored by the Daiwa House Group). We intend to further reduce cross-shareholdings in order to streamline the balance sheet and boost efficiency. Moreover, in the event that one of our cross-shareholding partners expresses an intention to divest their Daiwa House Industry shares, we will not engage in any actions intended to impede such sales, such as threatening to reduce our business with the company concerned.

### Criteria for sale of cross-shareholdings

We own cross-shareholdings to strengthen our relationships and collaboration with partner companies. The Board of Directors conducts an annual comprehensive review of each cross-shareholding in terms of the risks and benefits of maintaining it, based on conditions of trade, financial statements, external ratings and the required profit figure for cross-shareholding calculated from the WACC (weighted average cost of capital).

The number of cross-shareholdings has fallen from 98 at the end of fiscal 2014 to 44 at the end of fiscal 2025. We will continue to review and reduce our cross-shareholdings on an ongoing basis.

### Actual reduction of cross-shareholdings




We appreciate that Daiwa House is steadily reducing its cross-shareholdings. We hope that cross-shareholdings will eventually be reduced to zero.



Main opinions from institutional investors

## Remuneration policy from fiscal 2026

Our director remuneration system is designed to provide incentives for individuals who share the Daiwa House Group's "Our Hopes for the Future" (Purpose), namely, "Our Future Landscape: Embracing the Joys of Life.," and contribute to the medium- to long-term enhancement of corporate value and creation of social value. Specifically, it aims to strongly motivate sustained efforts that contribute to these goals and offer opportunities to receive remuneration commensurate with the role played and the extent of contribution as a director of a global company.

Director remuneration consists of fixed remuneration in the form of monetary compensation, an annual incentive bonus to motivate the achievement of short-term financial targets aimed at creating business value, and stock-based compensation through the performance share unit (PSU) system and restricted stock unit (RSU) system to incentivize sustained efforts that contribute to the medium- to long-term enhancement of corporate value and creation of social value. The PSU and RSU systems are collectively referred to as the stock compensation system.

### Details

The remuneration shall be as follows.

**( i ) Fixed remuneration**

In compensation for "fulfilling their duties" in supervision of management and execution of operations, monetary fixed remuneration (supervising remuneration and executive remuneration) is paid monthly to all of our directors and Audit & Supervisory Board members, according to their roles and responsibilities.

**( ii ) Annual incentive bonus**

Executive directors are eligible, and the payment is made as an incentive for achieving short-term financial targets (operating income, ROIC), aiming at the creation of short-term business value. The amount of remuneration, determined by the degree of achievement of short-term financial targets set by the Company, is paid in cash as performance-linked compensation, in principle around July after the end of the fiscal year.

These performance indicators were selected to comprehensively assess improvements in business profitability and capital efficiency. Specifically, operating income is used to assess the expansion of business earnings and ROIC to measure the efficiency of invested capital, thereby balancing short-term performance improvement with medium- to long-term corporate value enhancement.

**(iii) Stock compensation**

Directors are eligible for this stock compensation, which consists of the PSU system and RSU system and is designed to incentivize efforts to sustainably enhance the Company's corporate value and create social value over the medium to long term toward realizing "a world where we live together in harmony embracing the Joys of Life," while promoting greater sharing of value with shareholders.

## Executive remuneration

At the Remuneration Advisory Committee, the Company has repeatedly explored the following matters concerning director remuneration:

- Remuneration levels and systems befitting the No. 1 company in the industry
- An internationally competitive remuneration system

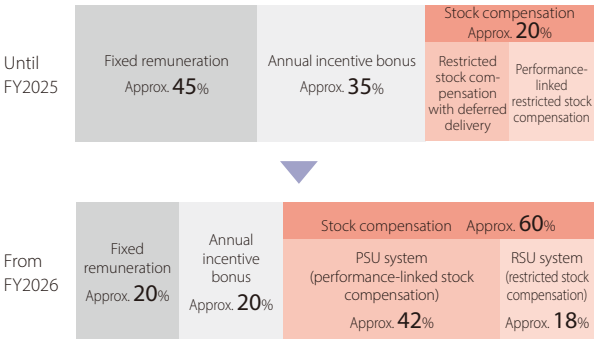
We have engaged in extensive discussions to design a system that incorporates all of these features.

At the 87th Ordinary General Meeting of Shareholders held on June 26, 2026, we revised our executive remuneration system as follows.

## Key points of the remuneration revision

| Revision purpose | Revision details |
|---|---|
| Promoting the sustainable enhancement of corporate value and the creation of social value, and incentivizing efforts to enhance corporate value over the medium to long term | Adoption of the performance share unit (PSU) system and the restricted stock unit (RSU) system |
| | Introduction of a multi-year performance evaluation period |
| Enhancing alignment with shareholder value | Introduction of relative TSR using the TOPIX including dividends as the benchmark as well as ESG indicators, as PSU evaluation indicators |
| Strengthening governance | Introduction of a malus and clawback provision for stock compensation |

## Remuneration structure for the Company's CEO (assuming achievement of standard targets)



## PSU system

This is a deferred performance-linked stock compensation system designed to provide incentives for the sustainable improvement of corporate value and creation of social value over a performance evaluation period consisting of multiple consecutive years (as determined by the Company within a range of three to five years). Under this system, common shares of the Company are delivered, along with cash payments intended to cover taxes arising from such delivery.

The calculation formula is as follows.

Number of Company shares to be delivered to each eligible director = Number of Base Share Units (PSU) × Payout ratio × 50%

The performance evaluation indicators selected for the PSU system are shown in the table below.

| Evaluation indicators | Evaluation weight | Calculation formula | Evaluation variation range | Individual evaluation period |
|---|---|---|---|---|
| (1) Relative TSR | 80% | The Company's TSR ÷ the TOPIX growth rate including dividends | 0%–150% | 3 years |
| (2) ESG indicators | 20% | (Coefficient based on the GHG emissions reduction rate (business activities) + coefficient based on the GHG emissions reduction rate (building use)) × multiplier based on external assessment (FTSE Russell) | 0%–150% | 1 year |

(1) The payout ratio under the relative TSR assessment is determined based on an assessment of the Company's TSR (total shareholder return) against the TOPIX (Tokyo Stock Price Index) growth rate including dividends as the benchmark, using the formula below.

(2) Based on the key themes and other matters set forth in the Company's Medium-Term Management Plan, the Remuneration Advisory Committee discusses the indicators and calculation formula to be used to assess the Company's initiatives to create social value, after which the payout ratio based on the ESG indicator evaluation is determined by the Board of Directors. The ESG indicators are assessed on a single-fiscal-year basis to evaluate the initiatives undertaken each fiscal year toward achieving the Company's medium- to long-term goals; however, the shares will be delivered after the three-fiscal-year performance evaluation period ends.

## RSU system

This is a deferred restricted stock compensation system that provides common shares of the Company and cash payments intended to cover taxes arising from such delivery, on the condition that the eligible director continues to hold the position of director during a period consisting of multiple consecutive years (as determined by the Company within a range of three to five years).

The calculation formula is as follows.

Number of Company shares to be delivered to each eligible director = Number of Base Share Units (RSU) × Payout ratio × 50%

## Malus and clawback provision (return of remuneration, etc.)

The Company has established a malus and clawback provision whereby, from the standpoint of ensuring the soundness of the executive remuneration system, if certain events such as misconduct or fraudulent accounting occur, all or part of the stock compensation paid during the fiscal year in which the event came to light and the three prior fiscal years may be forfeited or returned, based on the judgment of the Board of Directors following deliberation by the Remuneration Advisory Committee.

## Initiatives to further share value with our shareholders

The Company recommends to its executives and employees to own company shares through employee stock ownership program and so forth, to encourage a sense of shared profit awareness with shareholders and behavior respecting shareholder value.

The Shareholding Guidelines below in principle require the holding of a certain number of company shares at the minimum by members (or future members) of management, in recognition of the important role they play in sustainable growth and greater corporate value over the medium and long term for the Company.

**Shareholding Guidelines**

Directors* : Continuously hold Company shares equivalent to 200% of their basic remuneration within five years of appointment

Executive Officers : Continuously hold Company shares equivalent to 100% of their basic remuneration within five years of appointment

*Excluding outside directors

## 3 Improve system of business execution

### Progress in improving organizational functions under the two business headquarters system

In fiscal 2025, as the first year of making the two business headquarters system fully functional, we focused on building the foundations for the organizational structure, authority, and allocation of management resources. From fiscal 2026, we will strengthen collaboration within the Housing Solutions Headquarters and the Business Solutions Headquarters, including the respective Group companies, to maximize the effectiveness of the two business headquarters system.

**Future initiatives**

**Housing Solutions (HS) Headquarters**

- Customers: Capture business opportunities by enhancing customer touchpoints around life events
- Technology: Strengthen business in urban areas by deploying and standardizing products across business lines, and promote community development through integrated area development involving all three businesses

**Business Solutions (BS) Headquarters**

- Customers: Expand order acquisition through coordination among functions and sales teams to formulate optimal use proposals for owners' land, and by clarifying points of contact for collaboration with corporate tenants and enhancing expertise
- Technology: Advance the development of a common technology platform

### Becoming stronger through both strategy (CEO) and business execution (COO)

As part of our governance reforms, in April 2025 we introduced a CEO/COO structure as well as a two business headquarters system, and in October 2025, established the Management Committee to reinforce business execution capabilities. This has served to define the division of roles, with the Board of Directors assuming a supervisory function and the Management Committee, headquarters, and business divisions conducting business execution.

The CEO/COO structure was introduced in light of the Company's expanding business scale and progress toward globalization, with the aim of accelerating management decision-making and clarifying accountability. While the CEO side of the structure oversees decision-making and supervision by the Board of Directors, and is responsible for medium- to long-term strategy and the overseas business, the COO side, under the direction of the CEO, conducts business execution with a focus on the domestic business. By separating decision-making and supervisory roles from business execution, we have achieved flexible and highly effective management, and in fiscal 2025, this structure functioned effectively, as evidenced by our ability to achieve both growth in the overseas business and the stable expansion of our business in Japan.

### Accelerating management decision-making through establishment of the Management Committee

The Management Committee functions in tandem with the two business headquarters system. Together with the individual business divisions, this creates a three-tier structure that can quickly connect decision-making close to the front lines with coordination for total company optimization.

At the Management Committee, decisions are made concerning business execution, and resolutions are made on matters delegated by the Board of Directors. The Committee meets twice a month in principle to facilitate regular decision-making. By prioritizing speed in day-to-day operations, we ensure our ability to respond swiftly.

**Agenda items**

- Matters for resolution: Business execution-related agenda items below certain thresholds, investment and financing projects, etc.
- Matters for reporting and deliberation: Also functions as a forum for reporting and deliberation on key themes concerning medium- to long-term management strategy and future business operations

**Members**

The Committee's membership brings together the Company's top executives responsible for business execution, enabling prompt cross-divisional decisions.

- Chair: CEO
- Members: COO, Head of Housing Solutions Headquarters, Head of Business Solutions Headquarters, Head of Management Administration Headquarters, Head of Technology Headquarters, Head of Management Strategy Planning Headquarters

In addition, one Audit & Supervisory Board member attends to ensure legality and appropriateness.

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**System of business execution**

