Daiwa House Group



Our Future Landscape: Embracing the Joys of Life.

Daiwa House Group Integrated Report 2026

Our founder's spirit and business philosophy

The founder's spirit

"Don't do things because they will make a profit, but because they will be of service to society"

Our founder, Nobuo Ishibashi



The Daiwa House Group's business philosophy



The basis of the Group's thinking, including "we foster employees' personal growth through business," to be shared by each employee of our Group from now on.

A set of conduct guidelines for us to keep in mind at every stage of daily operations based on the perspective of various stakeholders as employees of a group that co-creates value for individuals, communities, and people's lifestyles.

Our new compass for the journey to Daiwa House Group's centennial, formulated in 2022: 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.

The five values most important to us —the ones we embrace in pursuing Our Hopes for the Future and our quest to make the Daiwa House Group indispensable to people around the world.

Official website: The Daiwa House Group's Business Philosophy

A 70-year journey

With the spirit of the founder as our starting point, Daiwa House Group has expanded its business domains by helping solve social issues

1950s
Population growth and housing shortages

More homes for more people, and helping to resolve financial challenges





In addition to offering the Midget House product—which gained popularity as a study room for children—and developing and selling large-scale housing complexes, we pioneered the introduction of mortgages to help those without sufficient savings become homeowners.

1960s and 1970s
Rapid motorization

Providing new value at roadside locations





Amid the rapid car orientation of Japanese society and a surge in traffic accidents, Daiwa House donated Japan's first pedestrian bridge with combined steel pipes. We also proceeded with the construction of roadside stores and promoted the total lifestyle enterprise.

1980s
Falling birthrates and aging society

Offering living environments with peace of mind, even in old age





In 1989, we established the Silver Age Research Center to support research and studies in the medical and nursing care fields, as well as the development of related facilities. Since then, Daiwa House has built nearly 8,000 medical and nursing care facilities, driving efforts to address the needs of an aging society.

2000s
Intensifying environmental issues and natural disasters

Mitigating and adapting to environmental challenges: providing disaster-resilient living environments





In our renewable energy business, we have worked to bring about a sustainable society. Furthermore, in Japan, where disasters such as typhoons and earthquakes are frequent, we support the recovery and reconstruction of affected areas through measures such as the provision of temporary housing when large-scale disasters occur.

2010s
Labor issues and advances in digitalization

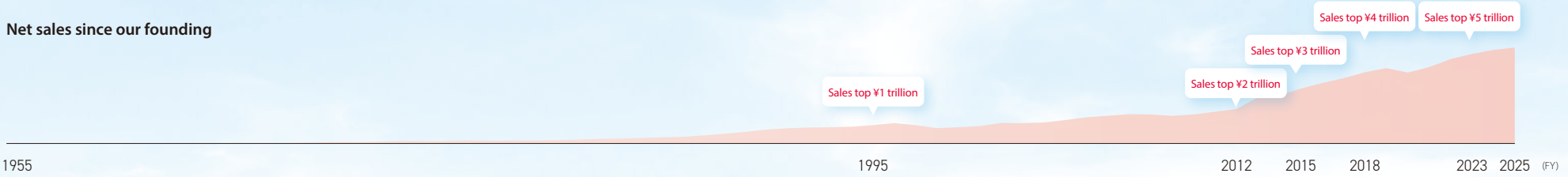
Supporting infrastructure in the age of AI and digital technologies





By addressing long working hours and labor shortages in the logistics industry, we provide solutions to reduce labor requirements and improve efficiency in logistics facilities. Furthermore, anticipating growing demand for data, we have begun industrializing data centers and are developing modern social infrastructure.

Net sales since our founding



Looking ahead from today over the next 30 years

We will continue to strive to create “future value” and work toward realizing “a world where we live together in harmony embracing the Joys of Life.”

We will achieve both financial soundness and improvements in ROE and corporate value by converting growth investments from the Seventh Medium-Term Management Plan into profits and cash flow through measures such as improving asset turnover and reinvesting those proceeds into growth areas and our three bases.

Results and issues from the 7th Plan

Results

Grew net sales and profits through proactive investment in overseas business, the built-for-sale business, real estate development, and M&A

Issues

ROE and the D/E ratio fell short of initial targets due to increases in assets and interest-bearing debt

Beyond the 7th Plan

Leveraging results

Converting investments made under the 7th Plan into profits and cash flow

Leveraging proactive investments made into future growth

- Expanding construction work for data centers, semiconductor-related factories, and other facilities
- Synergizing with a new Group member Sumitomo Densetsu
- Expanding the overseas business portfolio
- Helping human capital who take on challenges to thrive even more
- Accelerating real estate sales in Japan
- Further expanding the Livness business
- Promoting timber construction and lignification materials





Looking ahead to the next 30 years

Taking on the challenge of solving social issues globally

Consistently tackling the challenge of creating “future value”





Resolving issues

Through improving asset turnover, optimizing our business portfolio, and enhancing capital efficiency, we will strive to balance growth and financial soundness

Toward the society we aspire to in 2055: Our Hopes for the Future

Our Future Landscape: Embracing the Joys of Life.

Net sales (illustration)

Net sales ¥5.9 trillion

Net sales ¥10 trillion

The 7th Plan

2026

2055 (FY)

Our editorial policy and communications at a glance

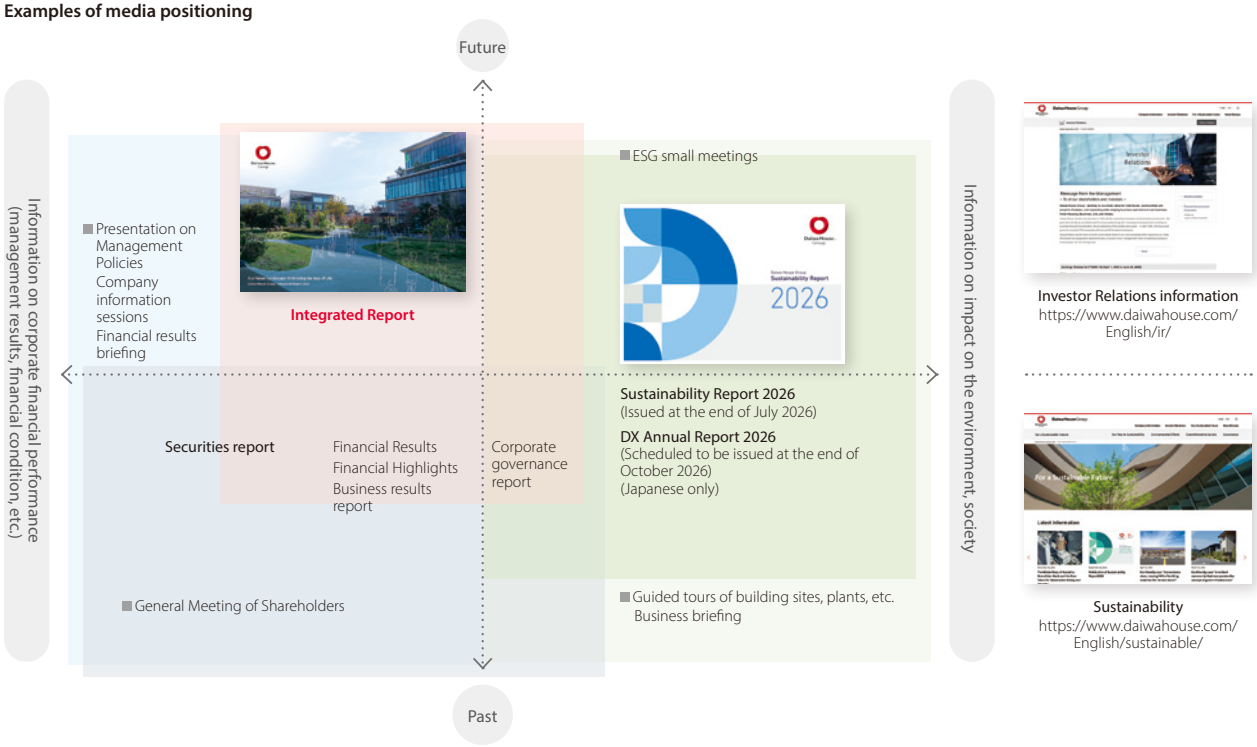
Editorial policy

This report presents an overview of our Group's sustainable value creation as a value creation story and is issued for a broad range of stakeholders, including shareholders and institutional investors.

As we look toward the 100th anniversary of our founding in 2055, we have established our raison d'etre and the future we aim to create in Our Hopes for the Future (Purpose), as a corporate group that takes on the challenge of solving social issues on a global scale and continues to create new value. In the current fiscal year, we review our Seventh Medium-Term Management Plan, which concluded in FY2025, and introduce Sumitomo Densetsu, a new addition to the Group. We also integrate financial information such as business performance and financial strategies together with non-financial information, including environmental and social initiatives that contribute to future corporate value enhancement and robust corporate governance. We also explain the economic and social value generated by our unique business model, which leverages our distinctive strengths. Please note that our securities report, Sustainability Report, and other disclosure materials provide information on our expansive initiatives and achievements. In this report as well, we focus specifically on materiality and key themes that have a significant impact on corporate value enhancement.

Our communications at a glance

Examples of media positioning



Investor Relations information
https://www.daiwahouse.com/English/ir/

Sustainability
https://www.daiwahouse.com/English/sustainable/

About the cover:
D Project Kawasaki Tonomachi (TONOMACHI Project) (Kanagawa Prefecture)
In collaboration with Kawasaki City, the Company is advancing the redevelopment of the site as the TONOMACHI Project, a research and development hub in the life sciences and environmental fields. Under the theme of creating "prosperity and interaction functions," the Company is developing green spaces where researchers and local residents can gather and pursuing sustainable community development in harmony with the local community.

Seeking to achieve both social impact and corporate profitability through businesses that will be of service to society ▶ P.76

Referential guidelines: In the production of this document, we have referenced the International Integrated Reporting Framework issued by the IFRS Foundation, as well as the Guidance for Collaborative Value Creation issued by the Japanese Ministry of Economy, Trade and Industry.

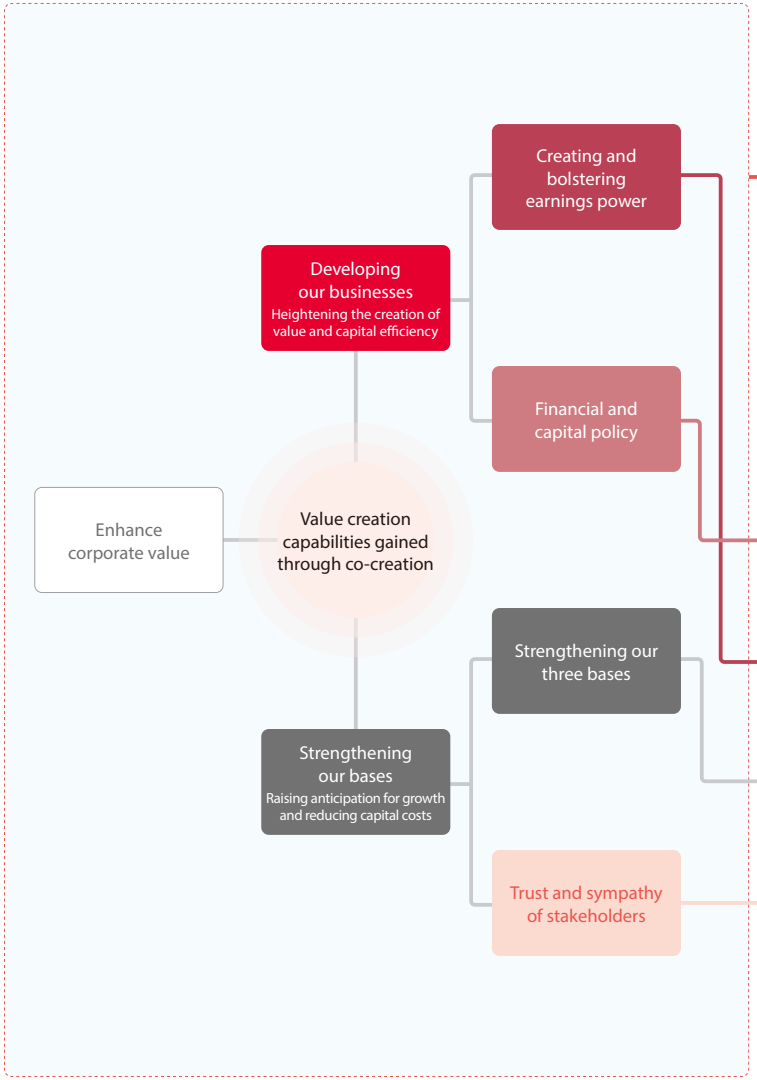
Scope of this report: This report provides information on the Daiwa House Group overall (507 consolidated subsidiaries, 207 equity method affiliated companies as of March 31, 2026), with a focus on Daiwa House Industry Co., Ltd.

Forward-looking statements: This Integrated Report contains future estimates, targets, plans and strategies of the Daiwa House Group. These are based on judgments employing information available at the time of writing. For various reasons, actual results may differ substantially from these estimates.

Note: Sumitomo Densetsu Co., Ltd., a consolidated subsidiary, plans to change its name to Semlinks Co., Ltd. effective October 1, 2026.

Integrated Report 2026 contents and key messages conveyed in each chapter

Stance on enhancing corporate value



	Introduction	Our growth journey and outlook for the future, rooted in the spirit of our founder Results of the 7th Plan
Chapter 1	Messages from the CEO and COO	Taking on the challenge of creating "future value" with an eye toward our centennial
Chapter 2	The Story of the Group's Value Creation	Realizing Our Hopes for the Future through value creation leveraging our strengths and business portfolio
Chapter 3	Results of Past Medium-Term Management Plans	Results of past medium-term management plans and achievements of the Seventh Medium-Term Management Plan
Chapter 4	Financial and Capital Strategies	Financial and capital strategies supporting sustainable growth and corporate value enhancement
Chapter 5	Developing our Businesses	Evolution of earning power through a circular value chain Cash flow generation
Chapter 6	Strengthening our Bases	Initiatives to strengthen the foundations supporting future value creation
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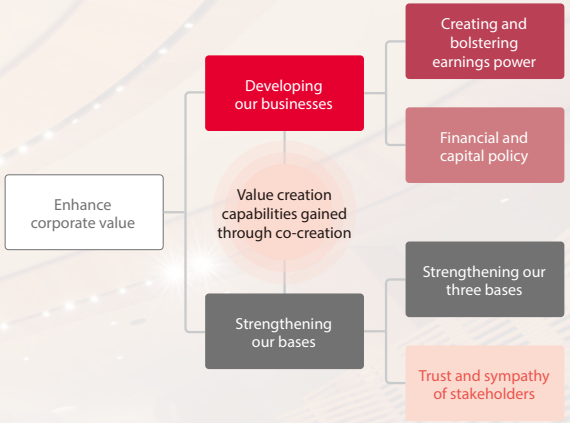
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MIRAI KACHI KYOSO Center (Kotokurie) (training facility)

Messages from the CEO and COO

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



Chapter 1

Chapter 1 Messages from the CEO and COO



Message from the CEO

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

Keiichi Yoshii
Chairman, CEO

Onward to ¥10 trillion: Our 30-year roadmap

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

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

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

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

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



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

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

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

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

Implementing future value with focus on addressing societal issues

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

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

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

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





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

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

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

Business is our tool for cultivating talent

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

To our shareholders and investors

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

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

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

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



Message from the COO

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

Hirotsugu Otomo

Hirotsugu Otomo
President, COO

My first full year as COO

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

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

Results and challenges of the 7th Plan

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

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

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



Organizational evolution through the shift to two business headquarters

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

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



COO Otomo dialoguing with office staff

Challenges for future growth

Managing with a sharper focus on asset efficiency

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

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

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

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

Turning societal challenges into growth opportunities for our domestic business

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

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

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

Maximizing customer LTV and building LTV through our Livness business

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



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

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

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

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

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

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

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

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

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

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

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

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

To our shareholders and investors

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

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

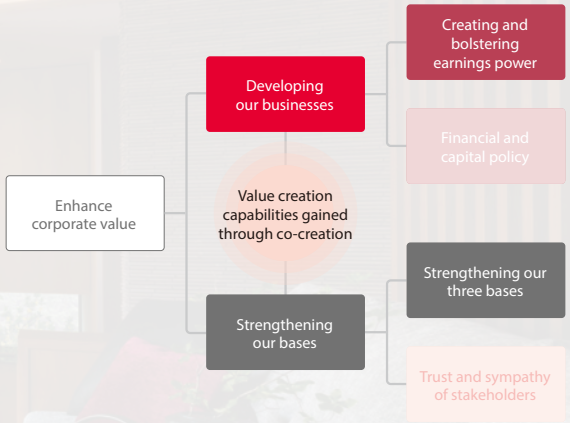
As we reshape our business structure, I want to give equal weight to solving discrete issues and lifting the value of the Group as a whole. I intend to keep explaining the synergies between our businesses and the progress of our transformation scrupulously, and work through dialogue to help our stakeholders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



xevo GranWood

The Story of the Group's Value Creation

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



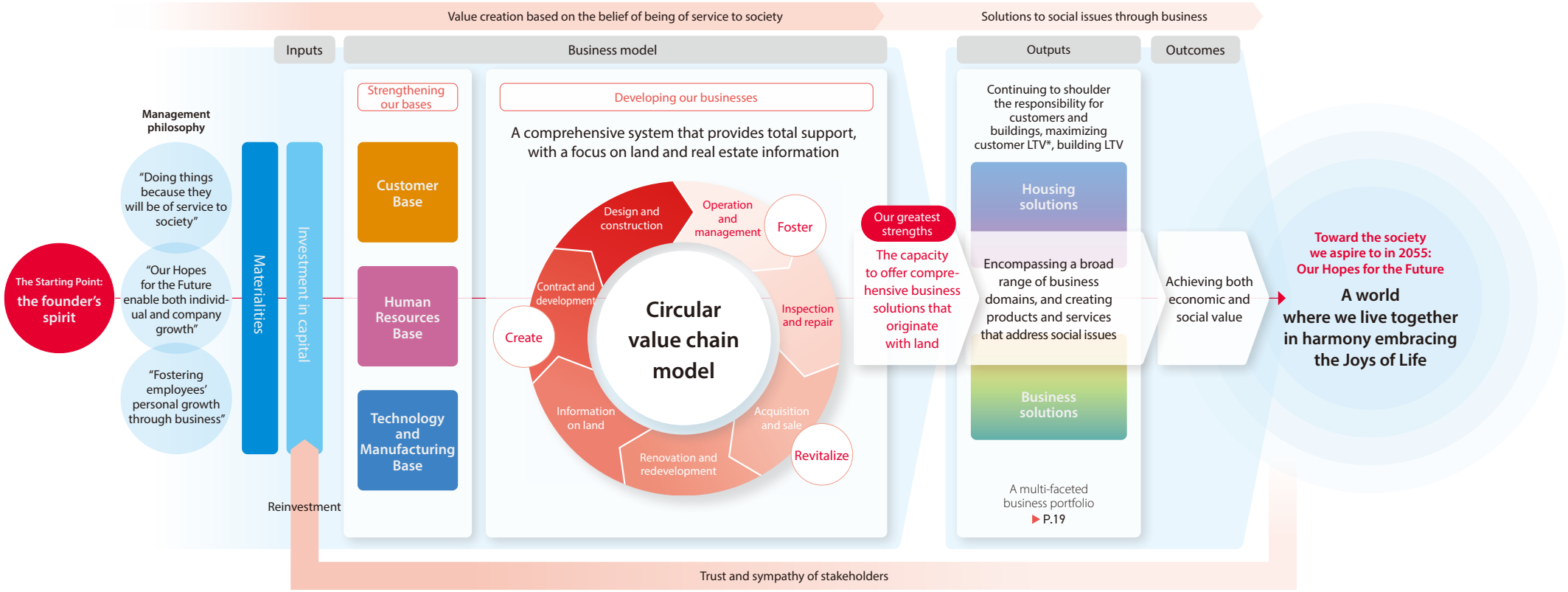
Chapter 2

Chapter 2 The Story of the Group's Value Creation

1 The Daiwa House value creation process

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

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

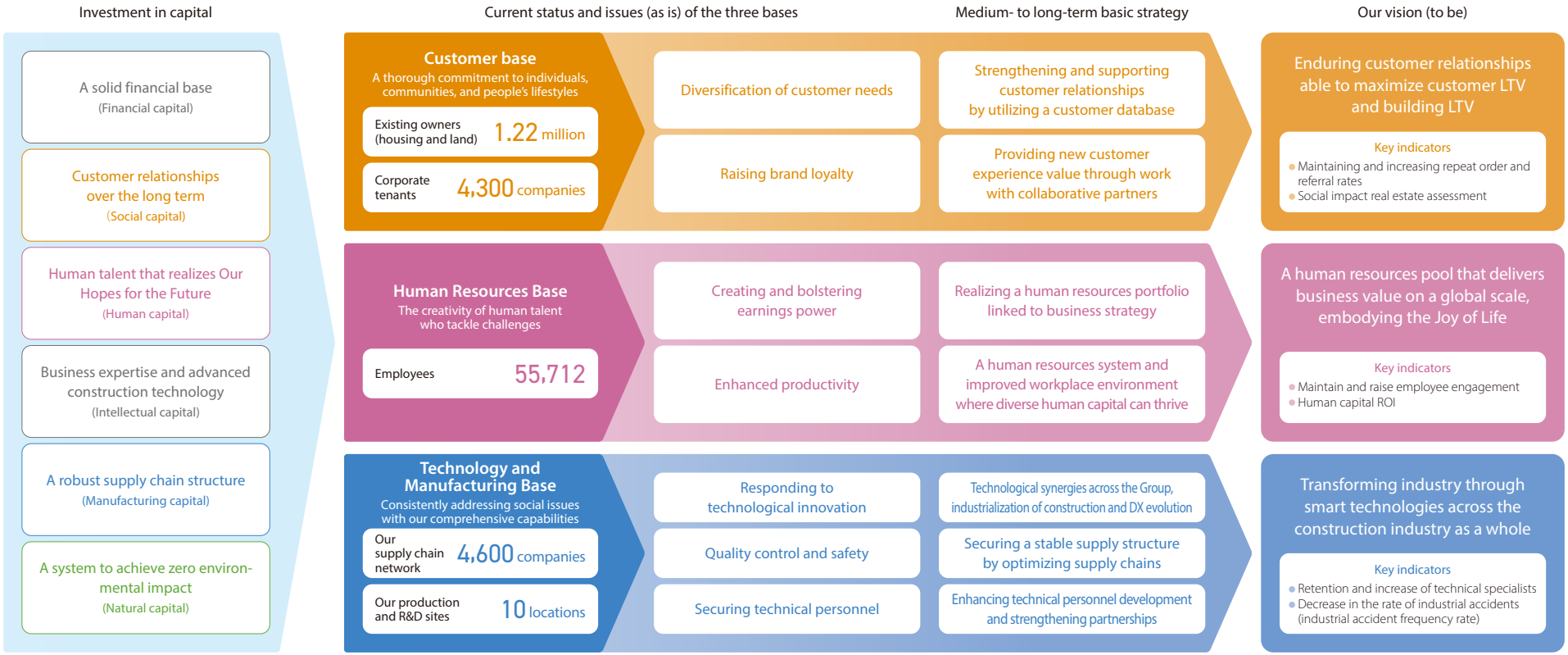


* Lifetime value (LTV): The revenue (value) the Company derives from customers and buildings over the lifespan of the relationship.

2 The three bases (source of value creation)

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

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

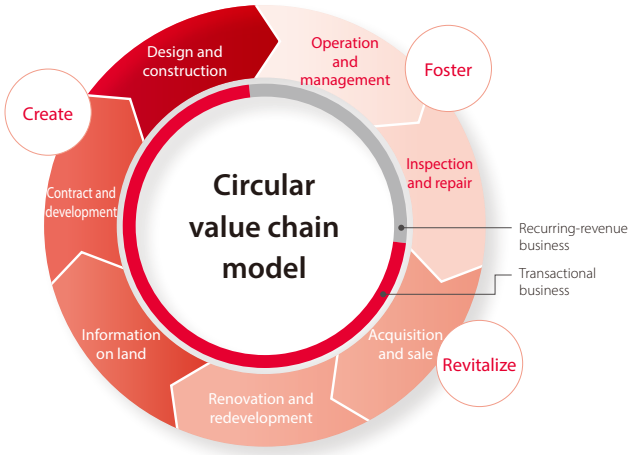


Strengthening our bases ▶ P.57

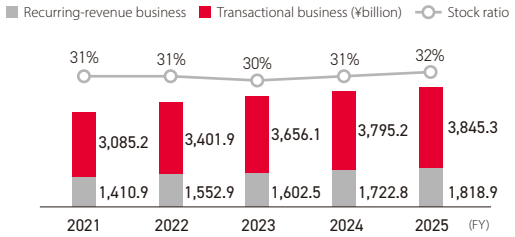
3 Circular value chain model

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

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



Net sales in transactional and recurring-revenue businesses/Ratio



Create

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

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

Homebuilders
Developers
General contractors

Foster

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

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

Real estate companies
Facilities management companies
Electric utility companies

Revitalize

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

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

Renovation companies
Real estate brokerage agencies

Note: Above figures represent FY2025 results.

4 A multi-faceted business portfolio

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

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

A business portfolio strengthened by Sumitomo Densetsu joining the Group

Data centers

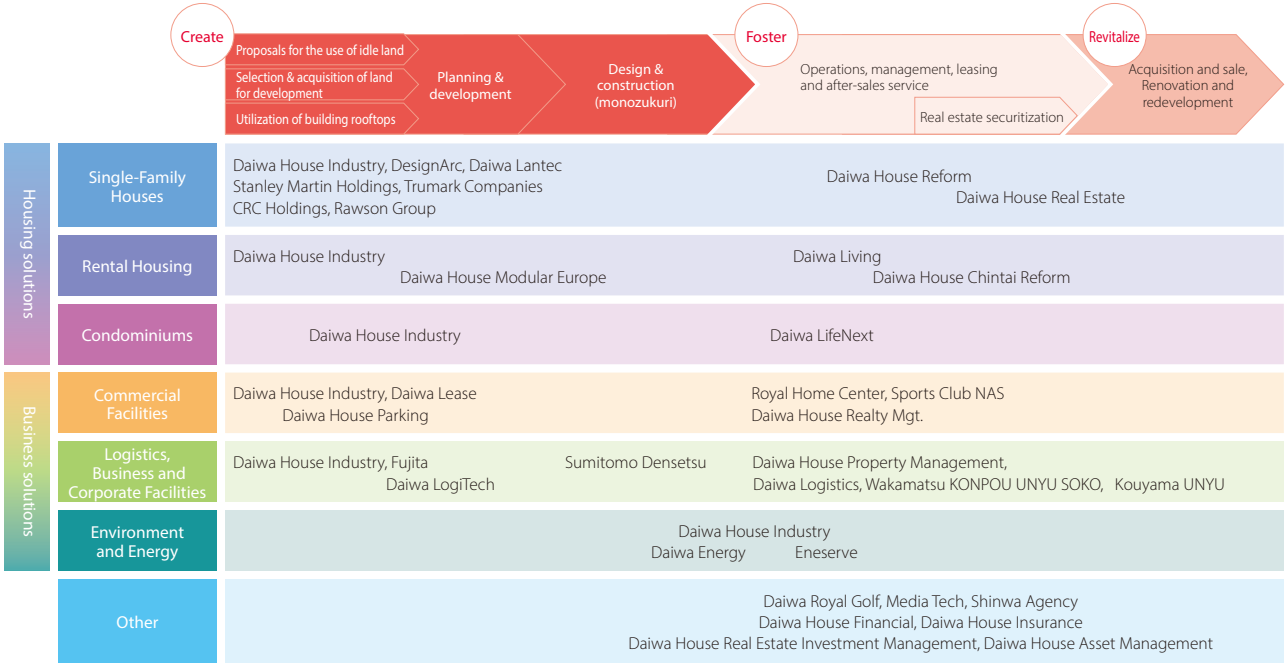
Launching "DPDC," a brand that offers comprehensive services, from data center land selection to construction and operational management

Semiconductors

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

A diverse value chain that creates social infrastructure and lifestyle culture

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



Feature Welcoming Sumitomo Densetsu to the Group ▶ P.73

5 Environmental consciousness (opportunities and risks) and materiality

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

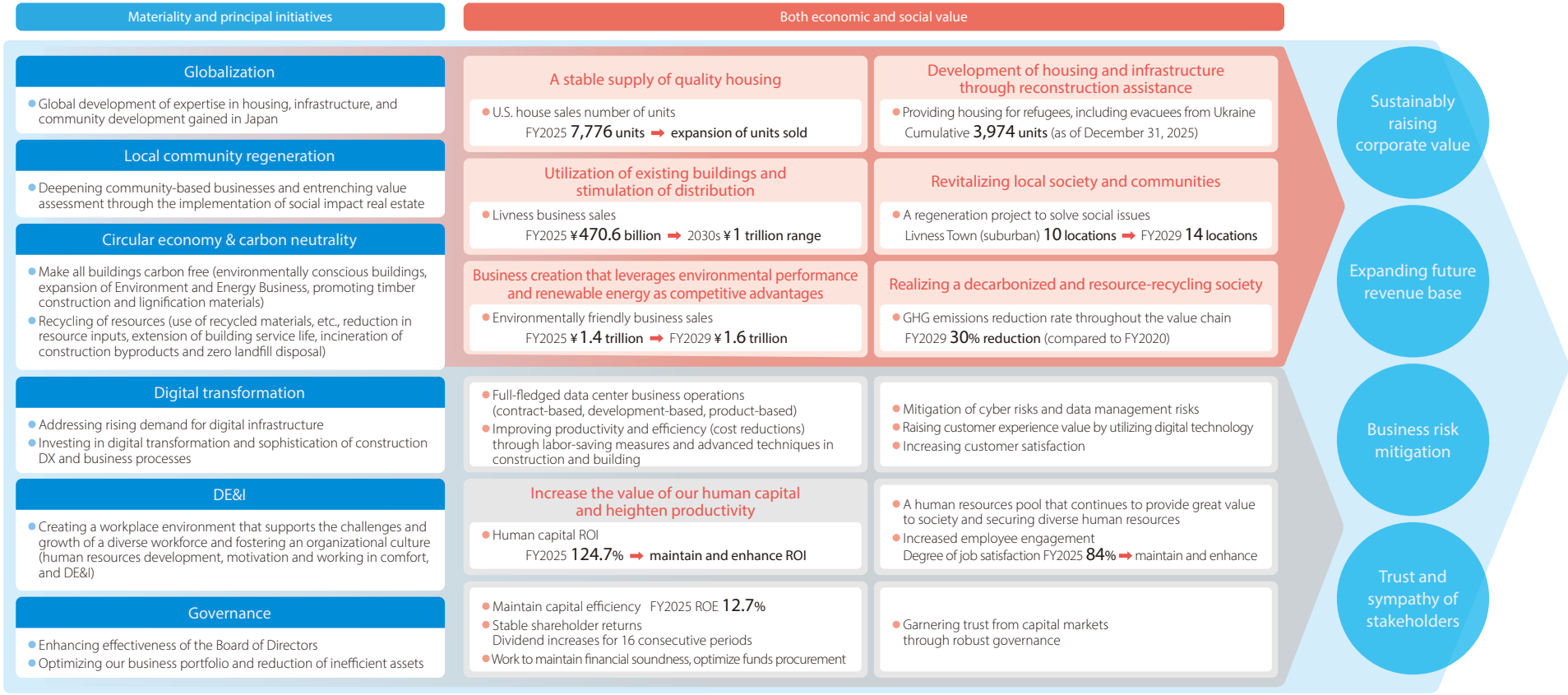
In formulating Our Hopes for the Future (Purpose), which we announced in 2022, we identified materiality (priority issues) in light of our environmental consciousness (opportunities and risks) as well as the demands and expectations of society. Here we have reassessed changes in the social and economic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

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

6 Solutions to social issues through business

Sustainable growth through both economic and social value

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



7 Looking to realize Our Hopes for the Future in 2055

Constantly challenging ourselves to create "future value"

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

Japan

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

Local community regeneration

Revitalizing local society and communities

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

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





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

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

World

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

Globalization

Development of housing and infrastructure through reconstruction assistance

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



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



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

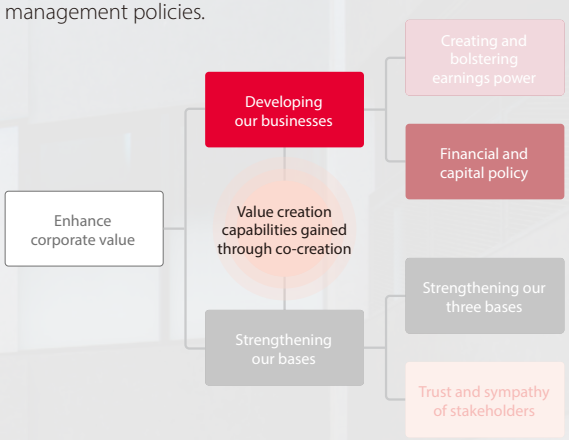
Web site: International contributions extending around the world



BAKUSHIN BASE (employee dormitory)

Results of Past Medium-Term Management Plans

Under the 7th Medium-Term Management Plan, we worked toward the establishment of a sustainable growth model by implementing three management policies: evolving our revenue model, optimizing our management efficiency, and strengthening our management base. In this chapter, we also review the major initiatives and results based on these three management policies.



Chapter 3

Chapter 3 Results of Past Medium-Term Management Plans

1 Evolution over the four-year period of the Seventh Medium-Term Management Plan (Changes from FY2021 to FY2025)

We defined the period of the Seventh Medium-Term Management Plan as the period for completing a sustainable growth model, and have been advancing on two fronts: evolving our business portfolio and strengthening our management base. While expanding the overseas and recurring-revenue businesses and enhancing our circular value chain to promote the diversification of our revenue base, we also worked to improve capital efficiency, enhance shareholder returns and made efforts in the areas of human capital and the environment. Building on these achievements on both the financial and non-financial aspects, we will embark on a new stage of growth toward realizing Our Hopes for the Future.

Corporate and shareholder value (FY2025 results / Changes from FY2021)

ROE 12.7% (+1.0pt)

Dividend increases for 16 consecutive periods

Annual dividend ¥175 (+39%)

¥2.0 trillion (March 31, 2022)	Market capitalization +45%	¥3.0 trillion (March 31, 2026)
¥343.82 (FY2021)	EPS +65%	¥566.47 (FY2025)
¥3,081 (FYE2021)	BPS +52%	¥4,677 (FYE2025)

Revenue model change (FY2025 results / Changes from FY2021)

Overseas businesses sales ¥1,028.4 billion (+131%)

Recurring-revenue businesses sales ¥1,818.9 billion (+29%)

Contracting and built-for-sale businesses sales ¥3,511.6 billion (+26%)

¥290.0 billion (FY2021)	Sale of development properties +15%	¥333.7 billion (FY2025)
¥1.4 trillion (FYE2021)	Real estate for sale +107%	¥3.0 trillion (FYE2025)
¥263.9 billion (FY2021)	Livness business sales +78%	¥470.6 billion (FY2025)
0.61 times (March 31, 2022)	D/E ratio* +0.37pt	0.98 times (March 31, 2026)

Long-term rating by Rating and Investment Information, Inc. AA- (Unchanged)

Non-financial information (FY2025 results)

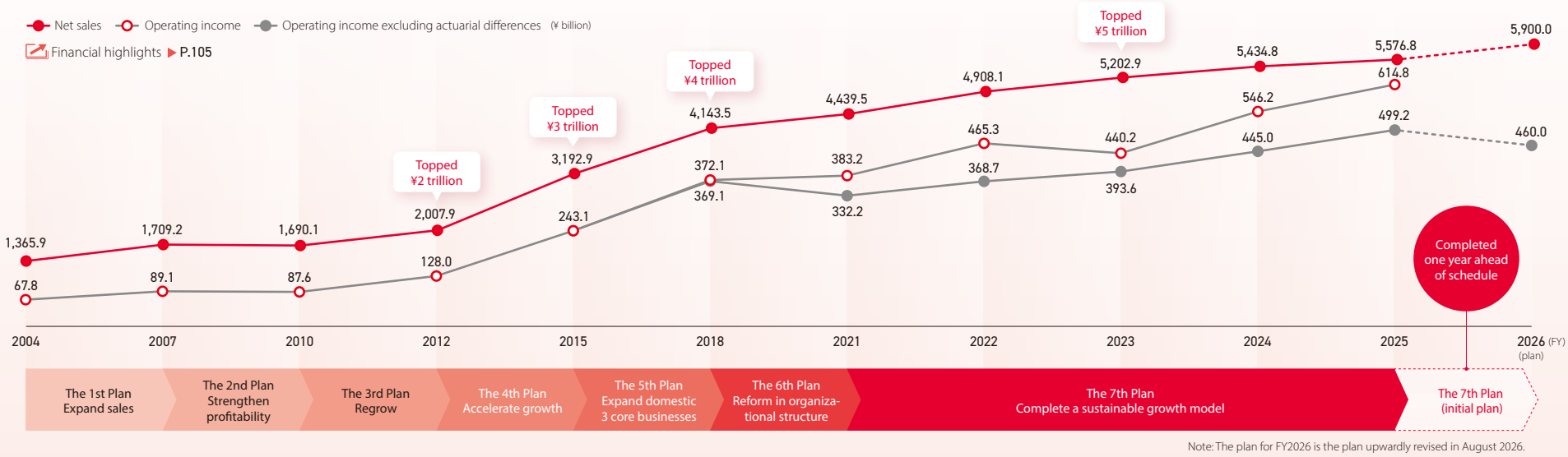
Employees 55,712 (March 31, 2026)

16.1% reduction (FY2021)	GHG emissions reduction rate (vs FY2015)	39.2% reduction (FY2025)
33.3% (FY2021)	Ratio of outside directors +16.7pt	50% (FY2025)

* After taking hybrid financing into account

2 Results of past medium-term management plans

Through the implementation of medium-term management plans over the years, we have built a foundation for growth that generates both business value and social value. In the Seventh Medium-Term Management Plan, we established the three management policies toward completing a sustainable growth model. We steadily achieved our goals for each fiscal year and completed the plan one year ahead of schedule, which had initially been slated to be a five-year plan.



Note: The plan for FY2026 is the plan upwardly revised in August 2026.

	FY2026 (initial plan)*1	FY2025 (results)
Net sales	¥5,500.0 billion	¥5,576.8 billion
Operating income	¥500.0 billion	¥614.8 billion
Net income	¥340.0 billion	¥350.5 billion
Real estate development investment	¥2,200.0 billion (cumulative over 5 years)	¥1,302.6 billion (cumulative over 4 years)
ROE	13% or higher	12.7%
D/E ratio	About 0.6 times	0.98 times*2
Payout ratio (dividend per share)	35% or higher (¥130 or more)	39.9% (¥175)*3

	FY2026 (initial plan)	FY2025 (results)
Zero CO_2 emissions in community development Reduce GHG emissions by making all buildings ZEH/ZEB and installing solar power generation equipment on them (vs FY2015)	58% reduction	54.3% reduction
Zero CO_2 emissions in business activities Reduce GHG emissions by promoting energy efficiency, renewable energy and electrification (vs FY2015)	55% reduction	57.6% reduction
Zero CO_2 emissions in supply chains Principal suppliers' setting rates of GHG reduction targets in SBT level	90% or higher	73.9%
Rate of retention of young employees (non-consolidated)	85%	87.6%
Ratio of females in managerial positions (non-consolidated)	8%	6.3%

Management policies

1. Evolve revenue model
2. Optimize management efficiency
3. Strengthen management base

*1 Figures are based on the FY2026 targets set as the final year of the initial Seventh Medium-Term Management Plan *2 After taking hybrid financing into account *3 Excluding the effects of actuarial differences related to retirement benefit obligations

Management policy 1: Evolve revenue model

To complete a sustainable growth model that continuously enhances business value and social value, we worked on the three key themes for advancing the revenue model.

Key theme

1 Accelerate growth through overseas business ▶ P.53
2 Expand a circular value chain
3 Carbon neutrality strategy
Sustainability Report 2026: Mitigating and adapting to climate change ▶ P.27

2 Expand a circular value chain from the perspective of local communities/customers

In Japan, through a circular value chain, a business model that increases the value of infrastructure for living on an ongoing basis, we contributed to developing and revitalizing local communities by expanding development that gives residents the Joys of Life from three perspectives: developing next generation infrastructure and creating jobs, redeveloping and raising the value of aged facilities, and promoting complex redevelopment centering on regional mid-tier cities. As a way to strengthen our recurring-revenue businesses, in the Livness business, which includes brokerage, acquisition and sale and renovation of all types of real estate, we achieved our initial plan ahead of schedule through the expansion of BIZ Livness. Taking a long-term view, we will pursue this business that contributes to the continued implementation of socially valuable development projects and stable growth of the recurring-revenue businesses.

Status of real estate holdings ▶ P.56

Investment and sales results

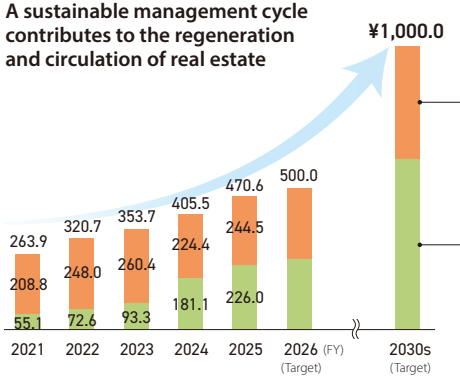
Real estate development investment (cumulative result over 4 years) ¥1,302.6 billion
Sale of development properties (cumulative result over 4 years) ¥1,249.6 billion


Data center


Logistics facility


Urban redevelopment

Livness business sales (¥ billion)



Housing field
Single-family houses, rental housing, condominiums, etc.
Livness [リブネス]
Promote home renovations and revitalize distribution of used houses by adding value to homes

Business field
Hospitals, commercial facilities, offices, logistics facilities, factories, etc.
BIZ Livness [ビズリブネス]
Specialize in strategic repurposing of corporate real estate

Project examples


Renovation of single-family house


D Project Livness Ueda Semiconductor-related factory


Conversion of business facilities Plant factory system

Management policy 2: Optimize management efficiency

We actively invested in growing fields and pursued growth of profits coexisting with capital efficiency toward maximizing corporate value by completing a sustainable growth model.

Key theme

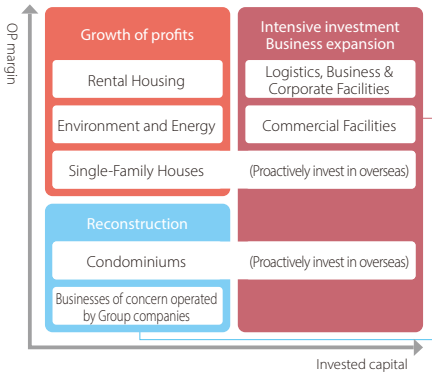
4 Optimize portfolio 5 Strengthen cost competitiveness (purchasing and production systems)

4 Achieve growth of profits coexisting with capital efficiency through portfolio optimization

In the domestic business, we expanded investments in real estate for sale, especially in the Rental Housing and Commercial Facilities Businesses, while continuing to invest in investment real estates. In the overseas business, we invested in real estate for sale, mainly in single-family houses in the US. We also made proactive investments to secure future growth opportunities, including M&A transactions for Sumitomo Densetsu and US single-family housing builders, and acquisition of an equity interest in Alliance Residential Company. Meanwhile, we positioned businesses of concern with regard to future growth potential and capital efficiency as reconstruction businesses, and worked on their restructuring and reorganization. In addition, as we accumulated investment real estates, we worked to enhance asset management and reduce inefficient assets.

Policy on cross-shareholdings ▶ P.91

Portfolio



Main Initiatives and Achievements

- Continued investments in investment real estates in the domestic business and active investments in real estate for sale
- Expansion in overseas investments mainly in the US single-family houses business
- M&A of Sumitomo Densetsu
- M&A transaction for a US single-family housing builder
- Acquisition of an equity interest in Alliance Residential Company

M&A budget: About ¥150.0 billion
Four-year result: About ¥480.0 billion

- Improvement in the profitability of the Condominiums Business
- Transfer of shares of Daiwa Resort
- Partial transfer of shares of Cosmos Initia
- Transfer of shares of Daiwa House Life Support and Daiwa Living Care*

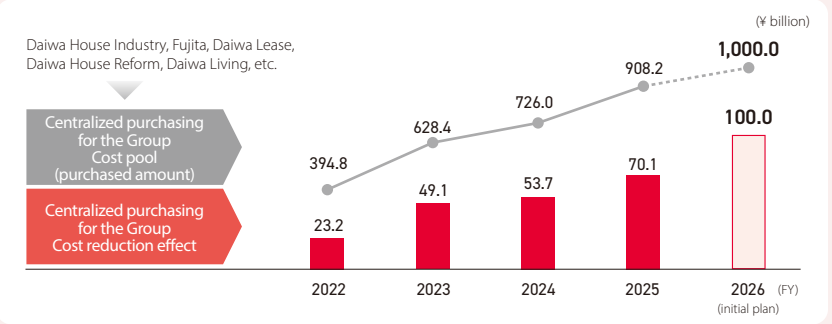
*The share transfers of Daiwa House Life Support and Daiwa Living Care were completed in June 2026.

5 Strengthen cost competitiveness and build a system for stable supply

By consolidating and integrating the functions of Daiwa House Group's purchasing organizations and business processes and systems, we reformed the entire purchasing workflow and strengthened cost competitiveness making the most of the industry-leading economies of scale. The progress rate toward the initial target of ¥1 trillion in the cost pool amount exceeded 90% over the four years. The scale of group purchasing is expanding, and centralization and timely sharing of procurement information and project information among Group companies helped control cost increases.

Centralized purchasing for the Group

The scale of group purchasing is steadily expanding, and cost reduction effect in FY2025 reached ¥70.0 billion.



Management policy 3: Strengthen management base

In order to strengthen our management base, which supports development of our businesses, we tackled the key themes of digital transformation, increasing the value of our human capital, and enhancing governance.

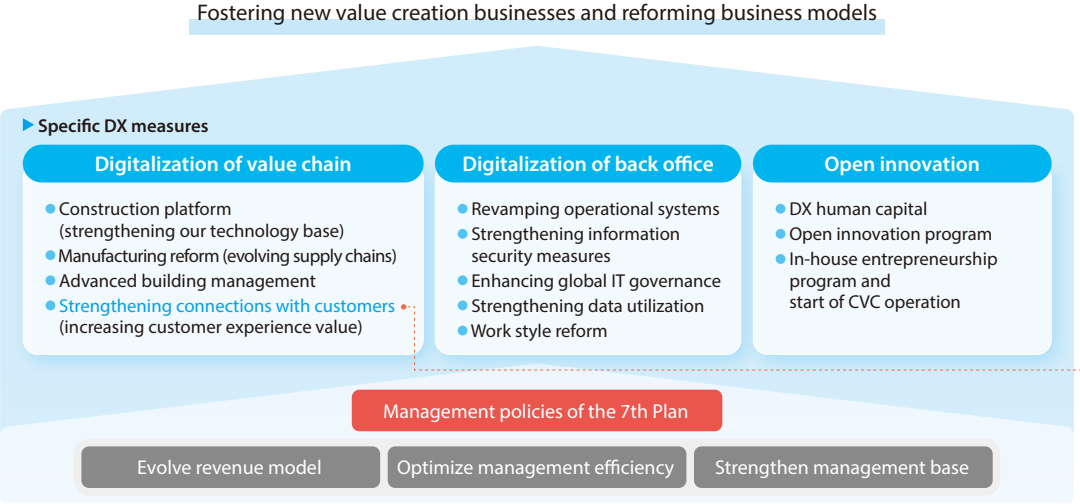
Key theme

6 Digital transformation 7 Increase the value of our human capital ▶P.66 8 Enhance governance ▶P.82

6 Digital transformation

DX注目企業2026 Digital Transformation

Digital transformation (DX) is positioned as a shared transformation engine for the three management policies of "Evolve revenue model," "Optimize management efficiency" and "Strengthen management base." In April 2026, the Company was selected as one of the Noteworthy DX Companies 2026 by the Ministry of Economy, Trade and Industry, in recognition of our organizational structure for developing DX talent and for promoting DX across the Group. Through digitalizing our value chain and back office operations and catalyzing open innovation, we will create new businesses, improve customer experience, and boost productivity, thereby creating new value and transforming our business model.



Case study: AI Plan Concierge
—Sales support system utilizing generative AI

DX → Increasing customer experience value

AI Plan Concierge is a sales support system developed by the Company utilizing generative AI. We have built a mechanism for instantly identifying proposals that match customers' needs from among 3,000 plans. In addition to streamlining sales activities, the system is improving the accuracy of our proposals and enhancing customer satisfaction and confidence.

▶ **Purpose, Vision**

1. Transform the value we provide to our customers

AI-powered housing experience tailored to each individual. AI deeply understands customer needs, aiming to standardize proposals that tend to vary by sales representative and to provide the best possible solutions.

2. Address social issues

Using AI to find future solutions to labor shortages and environmental challenges. We will make AI a powerful ally for the housing industry tackling societal infrastructure challenges.

3. Establish a competitive advantage through technology

Bringing AI to the housing industry as a new differentiation factor. We use AI to enhance every touchpoint from sales, design and marketing to after-sales support, aiming to deliver a unique experience and efficiency that no other company can match.

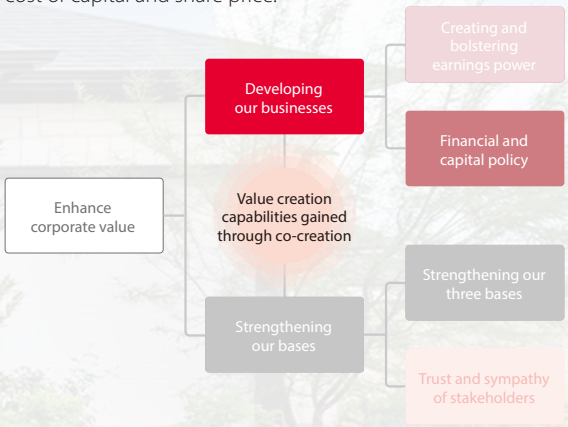
▶For details, please see DX Annual Report 2026 to be issued at the end of October 2026.



Single-family houses (United States)

Financial and Capital Strategies

To achieve sustainable growth and enhance corporate value, we are promoting our business and financial strategies as an integrated whole. In this section, our CFO discusses our goal to establish a competitive advantage by balancing the strengthening of our financial foundation with growth investments, as well as our approach to financial discipline supporting business model transformation, management practices focused on improving ROE, while remaining conscious of the cost of capital and share price.



Chapter 4

Chapter 4 Financial and Capital Strategies

Message from the CFO

Sustainable growth by realigning business model, anticipating market developments



Takeshi Kosokabe

Takeshi Kosokabe
Executive Vice President, CFO

7th Plan targets met one year ahead of schedule on business model realignment

Since its founding in 1955, Daiwa House has grown steadily and broadened its business areas by addressing societal problems. Sales reached ¥1 trillion in 1995, our 40th anniversary, with particularly strong growth from the 2010s, to ¥2 trillion in 2012, ¥3 trillion in 2015, and ¥4 trillion in 2018. The operating environment has been bumpy since the launch of our Seventh Medium-Term Management Plan in 2022, impacted by soaring material prices and stubbornly high mortgage rates in the US single-family houses business, on top of COVID-19. Still, we reached our sales and operating income targets a year ahead of plan. I believe this demonstrates our Group's commitment to achieving targets and growth-oriented approach.

Business model realignment was another key factor in our strong growth. Our Rental Housing and Commercial Facilities Businesses are primarily contracting—constructing buildings at the request of land owners. One strategy in recent years has been to buy land, develop, and sell properties as we expand the built-for-sale business. This enables us to offer rental housing properties to wealthy individuals who do not own land. In the Commercial Facilities Business we are developing offices and apartment hotels to tap into inbound tourist demand in the Tokyo metro area and key regional cities. These initiatives stem from our broad-ranging land-attribute intelligence, insights into future demand, and ability to commercialize. We use our balance sheet strategically to approach potential new customers with offerings suited to market needs. Seeing our people in the field spearheading these changes reminds me of our Group's strong execution capabilities and thirst for growth. Going forward, we will work to achieve growth through capital-efficient management while maintaining a good balance between the built-for-sale and contracting businesses.

Current state of our balance sheet

Our total assets have grown to ¥8.4 trillion, partly on growth in the built-for-sale business. Regarding real estate (over half of the total), we need to strengthen our management by cutting back on dormant assets to boost asset turnover and keep a closer eye on profitability. The increase in real estate for sale is not necessarily an issue as we grow the US single-family houses and domestic built-for-sale businesses. The main point is whether our returns are commensurate with asset growth. While performance varies by business and region, in all of our businesses we will keep an eye on asset turnover and real estate holding breakdowns for an appropriate balance between assets and returns.

We understand the mounting importance of carefully scrutinizing investment real estate quality. We are in constant dialogue with employees on the ground to confirm that properties we own or are considering developing meet society's needs and have prospects for stable earnings in the long term, while monitoring market conditions.

With real estate comprising more than half of our total assets, we are aware of a range of risks such as price declines. In April 2026 we set up an Asset Management Strategy Division Preparatory Office to bolster asset management capabilities across the Group. Our thinking is to move toward a more comfortable balance sheet position through measures such as improving asset turnover.

Passing on our founder's teaching—"interest works even when we are sleeping"—to today's employees: risks from changes in operating environment and responses

Our business is sensitive to interest rates, with several risks from rising rates: a decline in customers' appetite to buy using mortgages, higher cap rates (investors' expected return) on property developments, and higher payments on interest-bearing debt. In Japan, higher mortgage rates have not yet blunted buyers' appetite. We are also using more fixed-rate funding than usual, so there is a limited impact thus far. As our property developments grow in scale, we had been concerned about cap rates rising with interest rates. Our move to revise property development hurdle rates ahead of time has borne fruit, with no significant downward pressure on our earnings yet. We will continue to appropriately factor in interest rate risk and develop strategies to deliver sustainable growth and redouble our efforts to make all employees interest-aware in their work activities.

Making all employees interest-rate aware

Our founder, Nobuo Ishibashi stressed the importance of being interest-rate aware, saying: "Interest works even when we are sleeping." Some current employees joined at a time of persistent low rates, so may not be equally tuned in. An important task for me is to convey how important raising interest rate awareness is.

In February 2025, we circulated a message urging our employees to change their mindsets and behavior to suit a rising rate environment. To drive individual buy-in, in April 2026, we raised our internal interest rate (on invested capital for individual offices under management accounting). We also imposed penalty interest rates on dormant assets in the Commercial Facilities Business in light of expanding built-for-sale projects, in line with our other businesses. Such measures are designed to sharpen interest rate sensitivity in operations across the Company.

The CEO, COO, and CFO speak directly on interest rates at conferences for branch managers and Group company presidents. We are seeing mindsets out in the field change as our leadership team consistently brings up these issues. We will keep rolling out initiatives to strike a balance between real estate investment and returns and trim idle assets at individual divisions and offices.

Enhancing regional oversight and human capital development to support overseas businesses

The overseas business has steadily expanded since Stanley Martin joined us in 2017, with sales topping ¥1 trillion in fiscal 2025. The US single-family houses business has driven the growth, solidifying its position as a key earnings

base. Cultures and business practices vary by country, and risks hard to foresee in Japan may emerge, so developing people who can properly manage the overseas businesses and building appropriate organizations are important.

We launched a regional corporate system in 2022 in view of overseas business growth. After clarifying its role, we set rules to suit the cultures and business practices of individual countries and regions, building up experience on the ground. However, as evident in the current Middle East situation, the operating environment for the overseas business is increasingly opaque. We must be geared toward more than just business expansion. It is increasingly important to develop mechanisms for flexible decision-making, including withdrawal if needed, given the speed of change and unexpected developments. We thus think it is necessary to build arrangements enabling the swift return of human resources and funds to Japan in emergencies.

Role and improvement of ROE in path toward goals: To maintain credit rating and boost capital efficiency

ROE is an important management indicator in our Corporate Governance Guidelines, and we operate with an eye on maintaining and improving it. We strove to achieve our 7th Plan target of an ROE of at least 13.0%, which came in at 12.7% in fiscal 2025.

The capital allocation earmarked in our 7th Plan comprised investment of ¥2.2 trillion in major real estate developments (and a net increase of ¥700.0 billion after sales), but progress at the four-year mark is lagging. However, our planned ¥650.0 billion in strategic investment came in at ¥1.94 trillion on the Sumitomo Densetsu acquisition, growth in built-for-sale operations, and higher inventories in US single-family housing. Growth investments overall came in ahead of forecast, curtailing the boost to ROE from managing shareholders' equity. ROE breaks down to margins × asset turnover × leverage. Improvements in this benchmark hinge on better asset turnover. We continue to instill an interest-aware mindset among employees and reiterate the need to act in a way commensurate with rising rates.

ROE is an important promise to our equity investors, and the D/E ratio is a benchmark that underpins trust with creditors and rating agencies. With each equally important, we will continue operating with an eye on both.

We believe that the seeds sown during our 7th Plan will contribute to stable cash flow in the longer term. Initiatives include investments to strengthen the built-for-sale and real estate development businesses in our individual domestic operations, working together with Alliance Residential in the US, and synergies from Sumitomo Densetsu.



Thinking on debt-equity ratio

Our credit rating (from R&I) is currently AA-. I witnessed companies being unable to issue corporate bonds without at least a AA rating during the global financial crisis. I strongly believe that Daiwa House Group must absolutely avoid being caught up in such a situation.

Our D/E ratio has risen to roughly 1.0 times. Annual meetings with rating agencies focus mainly on the balance between obligations and cash flows and the debt and equity breakdown. They appreciate our prospects for stability after we carefully explain changes to our business model, approach to strategic growth investment, and

views on future cash flow.

A decline in the credit rating could increase funding costs and damage the trust of our business partners. We feel it is important to outline in concrete terms how boosting our earnings power and growth investments will flow through to higher profits, and give external stakeholders a sense of security regarding future investments and stability.

I believe that the target D/E ratio going forward needs to be considered in the context of growth investment, a sound financial position, and changes to the external operating environment.

Managing with an eye on capital cost and share price

The newly established Management Committee, a recent corporate governance initiative, has gained solid traction. With authority for some discussions on execution delegated to the committee, Board meetings are increasingly discussing how to improve corporate value in the medium to long term. Previously, the Board spent considerable time deliberating the execution of individual projects; we were aware that longer-term corporate growth needed more focus. I feel that this reform, aimed at making the best use of outside directors and their diverse knowledge and experience, is extremely meaningful.

We continually share the key takeaways of our investor dialogues with the Board, which is used to enhance management and strategy. In terms of managing with an eye on capital cost and share price, on multiple occasions I have provided the Board with feedback from investors and case studies of other companies' initiatives, sparking discussions and exchanges of opinion. Going forward, I want our business strategy to be informed by opinions and advice from outside directors at the Board and other forums, and incorporate measures to enhance the focus on the cost of capital and share price.

On the way to ¥10 trillion in sales, it is important to enhance the effectiveness of supervisory and executive functions, building on our existing governance structure. As we press on with growth investments, we need to deploy a select and concentrate approach, and comprehensively manage overall risks.

To our investors and shareholders

Currently, the risk-free rate (10-year government bond yield) is rising, so the cost of equity should also increase in theory. I thus believe we will need to communicate our growth strategy and plans for improving capital efficiency more clearly than ever before.

Daiwa House Industry has grown by meeting diverse societal needs through multifaceted operations, enabling us to book steady earnings in a volatile market environment and increase the dividend for 16 consecutive years. I will continue to convey to our investors and shareholders that Daiwa House represents a combination of growth potential and stability. I will also work to have our corporate value properly assessed through ongoing dialogue featuring an easier-to-understand explanation of our returns policy.

Management's discussion and analysis of financial position and results of operations ▶ P.96

Basic strategy for capital policy under the Seventh Medium-Term Management Plan

❶ Secure cash flow required for growth investment

- Generate operating cash flow via steady profit growth
- Secure investment cash flow by reducing cross-shareholdings and inefficient assets

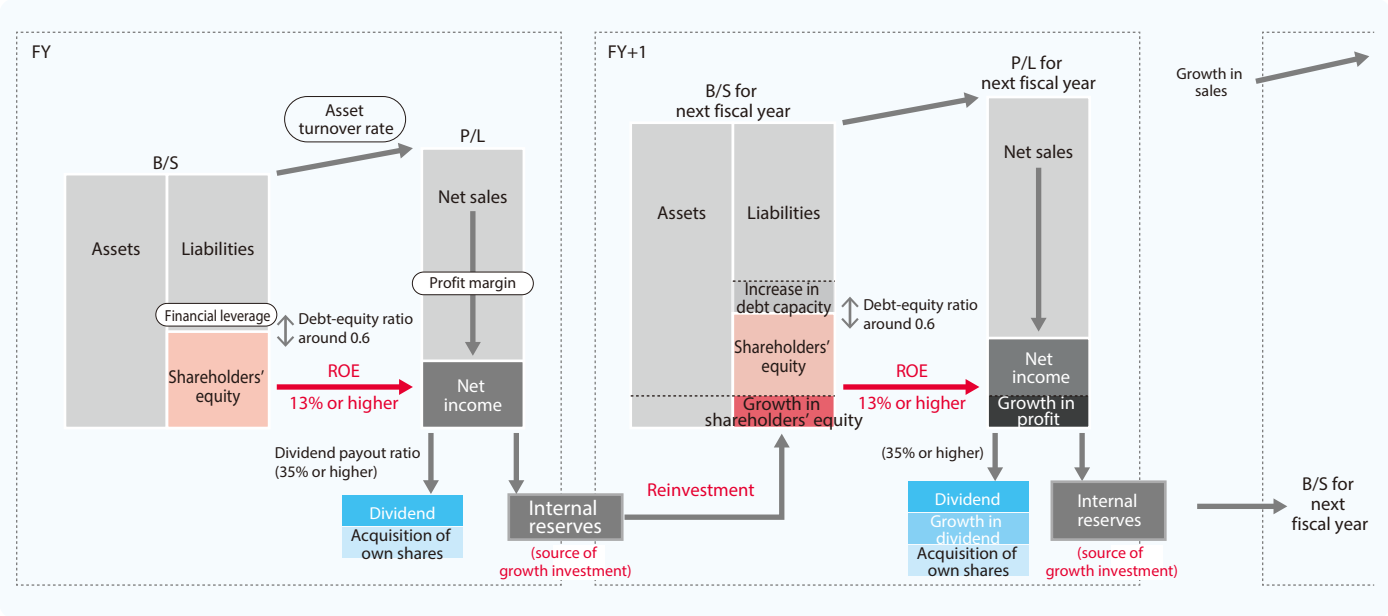
❷ Reinvest in growth areas while maintaining a D/E ratio of about 0.6 times

- Draw on internal reserves to reinvest in growth areas while vigilantly maintaining appropriate level of financial leverage

❸ Achieve ROE of at least 13%, profit growth and dividend payout ratio of 35% or higher

- Realize return on reinvested capital with capital efficiency that exceeds the expected rate of return for shareholders in order to achieve growth in profits and dividends, as well as increased capital required for new growth investment.

Basic strategy for capital policy (conceptual diagram)



In addition to securing operating cash flow, the source of funds required for growth investment, we generate investment cash flow by reducing cross-shareholdings and inefficient assets. While increasing internal reserves after returning a portion to shareholders, we reinvest capital in growth areas, factoring in an appropriate level of financial leverage.

Secure operating cash flow through steady growth of profits

We will realize return on reinvested capital with capital efficiency that exceeds the expected rate of return (cost of shareholders' equity) for shareholders in order to achieve growth in profits and dividends, as well as increased capital required for new growth investment.

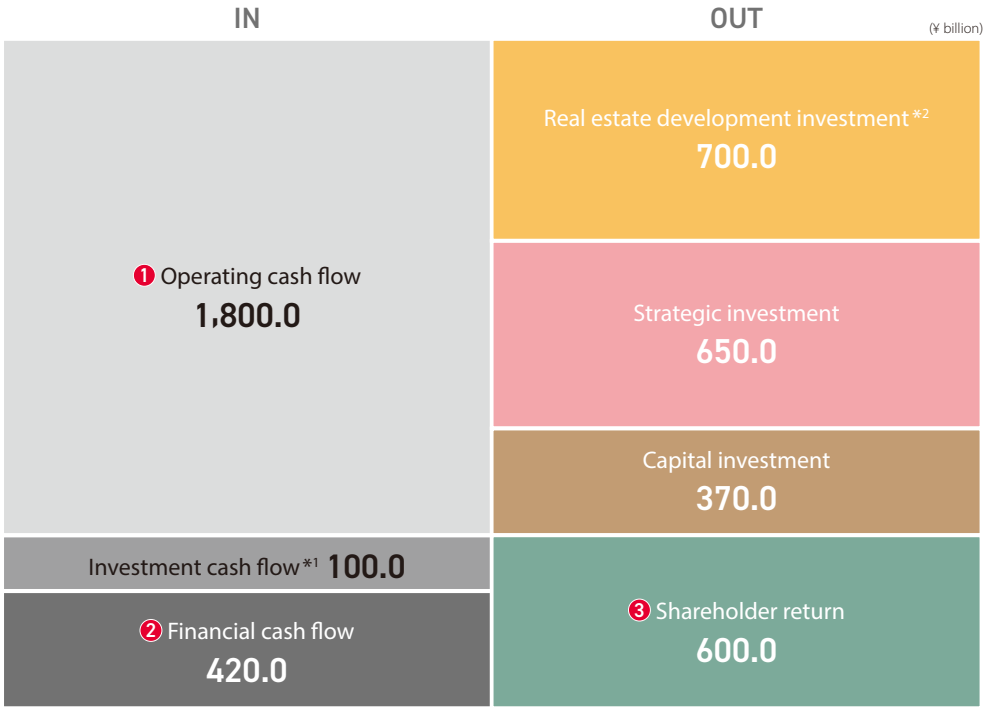
Achieving ROE target based on an optimal capital structure

Capital allocation and shareholder return under the Seventh Medium-Term Management Plan

Looking back on the four years of the 7th Plan, ❶ operating cash flow accumulated steadily, owing to steady profit growth. ❷ Regarding financial cash flow, interest-bearing debt accumulated by approximately ¥1,650 billion due to real estate development investments, as well as investments aimed at expanding the built-for-sale business covering the US single-family houses business and the Single-Family Houses, Rental Housing, and Commercial Facilities Businesses in Japan, plus growth investments including M&A involving US homebuilders and Sumitomo Densetsu. ❸ With regard to shareholder returns, over the past four years we have returned approximately ¥365 billion in dividends and conducted share buybacks of roughly ¥187.1 billion.

Seventh Medium-Term Management Plan　Five-year capital allocation (plan)

This chart shows the capital allocation under the 7th Plan, which was originally formulated as a five-year plan.



*1 Reduction in cross-shareholdings and inefficient assets, etc.　*2 Real estate properties for rent held for sale or holding purpose

Main initiative results

Real estate development investment

- In addition to the profit driver of logistics facilities, investment in new fields (data centers, semiconductor-related facilities, public wholesale markets, etc.)
- Investment that covers inbound demand and the Livness business (hotels, revitalization of aging facilities, etc.)
- Investment to gradually increase stock assets for profit-earning real estate

Strategic investment

- Priority investment in the overseas Single-Family Houses Business, with a focus on the US.
- Investment to fundamentally overhaul the Single-Family Houses Business in Japan
- Strengthen the built-for-sale business for rental housing and commercial facilities
- Investment into onsite/offsite PPA toward the realization of carbon neutrality

Capital investment

- Strengthen production sites for the construction business
- Invest in IT platform to promote DX and invest in digital construction

Shareholder return

- **Dividend payout ratio of 35% or higher,** and **dividend per share of ¥145**[*3] **or more**
- Flexible acquisition of own shares

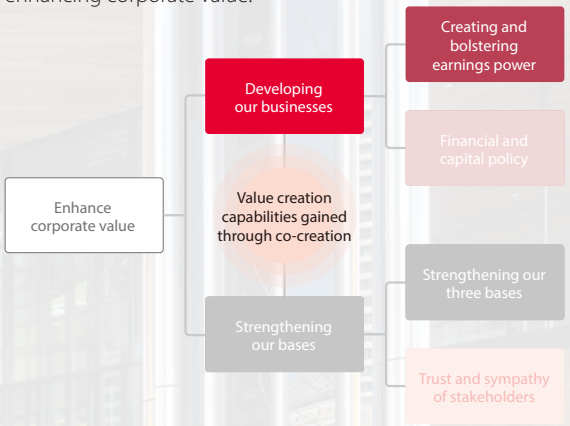
*3 The initial ¥130 changed to ¥145 from fiscal 2024



YODOYABASHI GATE TOWER (mixed-use building)
Photo: Akira Ito (aifoto)

Developing our Businesses

Under the 7th Medium-Term Management Plan, we worked to evolve our business portfolio with a circular value chain at its core, aiming to generate stable cash flow and strengthen our earnings base. In this chapter, we introduce the market environments and strategies for each business segment, along with the results achieved under the 7th Medium-Term Management Plan and our future growth strategies aimed at enhancing corporate value.



Chapter 5

Chapter 5 Developing our Businesses

Performance targets by business segment

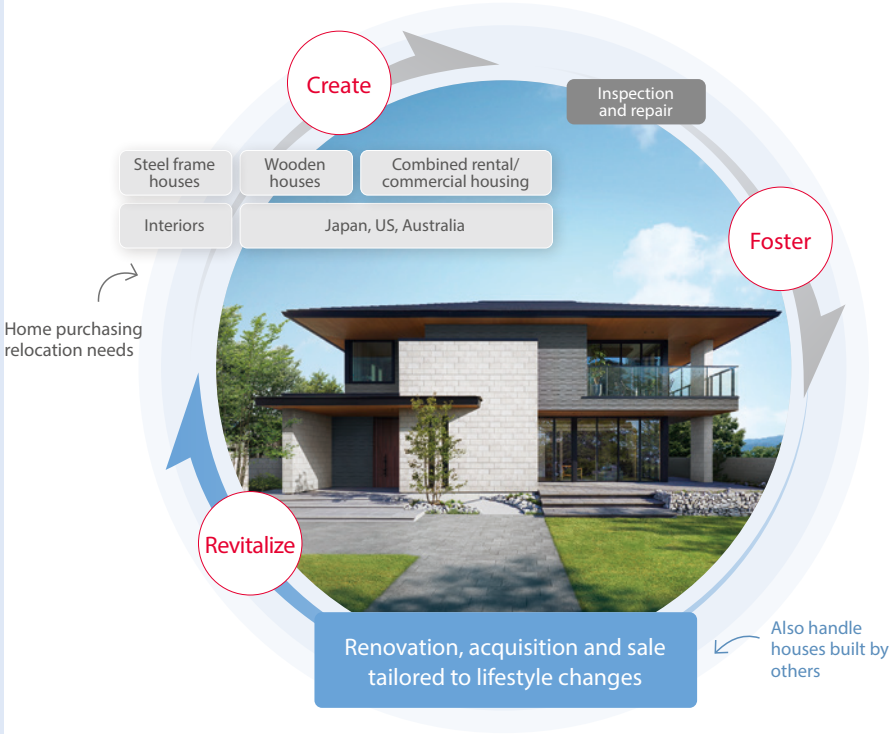
Sales reached the ¥5.5 trillion target set in the 7th Plan one year ahead of schedule. Operating income also reached a level close to the target a year early, even excluding the impact of actuarial differences. In addition to steady growth in the Single-Family Houses Business in the US, the Rental Housing Business and Commercial Facilities Business in Japan outperformed our plan.

(¥ billion)

	FY2021 (final year of the 6th Plan) results		FY2025 (final year of the 7th Plan) results		FY2026 plan	
	Sales	Operating income (operating margin)	Sales	Operating income (operating margin)	Sales	Operating income (operating margin)
Single-Family Houses	784.8	38.3 (4.9%)	**1,342.2**	**155.6 (11.6%)**	1,345.0	55.0 (4.1%)
for overseas	318.0	23.4 (7.4%)	816.7	149.8 (18.3%)	804.8	48.6 (6.0%)
Rental Housing	1,052.5	96.6 (9.2%)	**1,429.2**	**141.1 (9.9%)**	1,440.0	142.0 (9.9%)
for overseas	32.5	5.5 (17.0%)	82.2	−4.1 (-%)	88.2	0.6 (0.7%)
Condominiums	379.9	9.7 (2.6%)	**279.6**	**5.9 (2.1%)**	310.0	18.0 (5.8%)
for overseas	20.3	−2.3 (−%)	36.8	−11.2 (−%)	55.6	−0.7 (−%)
Commercial Facilities	1,038.5	124.1 (12.0%)	**1,290.1**	**162.4 (12.6%)**	1,310.0	163.0 (12.4%)
for overseas	1.2	−1.1 (−%)	12.7	1.3 (10.9%)	11.4	1.5 (13.2%)
Logistics, Business and Corporate Facilities	1,079.2	125.5 (11.6%)	**1,189.8**	**127.6 (10.7%)**	1,480.0	158.0 (10.7%)
for overseas	68.8	1.2 (1.9%)	75.6	4.4 (5.9%)	132.8	10.5 (7.9%)
Environment and Energy	161.0	5.2 (3.3%)	**133.1**	**13.8 (10.4%)**	145.0	14.0 (9.7%)
for overseas	–	– (–%)	–	– (–%)	–	– (–%)
Other Businesses	63.0	−5.9 (–%)	**55.8**	**4.2 (7.5%)**	53.0	0.6 (1.1%)
for overseas	4.0	−0.6 (–%)	5.3	−0.3 (−%)	4.3	−1.6 (–%)
Total (excluding the impact of actuarial differences)	**4,439.5**	332.2 (7.5%)	**5,576.8**	499.2 (9.0%)	**5,900.0**	460.0 (7.8%)
for overseas	445.1	26.1 (5.9%)	1,028.4	137.0 (13.3%)	1,096.0	55.0 (5.0%)

Single-Family Houses Business

Circular value chain



Market environment and strategy

Japan

With the number of new housing starts expected to decline over the medium to long term due to structural factors such as the declining population, we are promoting reforms in sales methods in the contracting and built-for-sale businesses in order to expand our business. In addition, we are aggressively developing our Livness business, which includes renovation and acquisition and sale.

Overseas

In the US, although stable economic growth is expected due to population growth over the medium to long term, consumers are taking a wait-and-see attitude due to uncertainty about the future caused by rising mortgage rates and heightened geopolitical risks. In this environment, we are promoting a variety of sales initiatives and other measures as we expand our business.

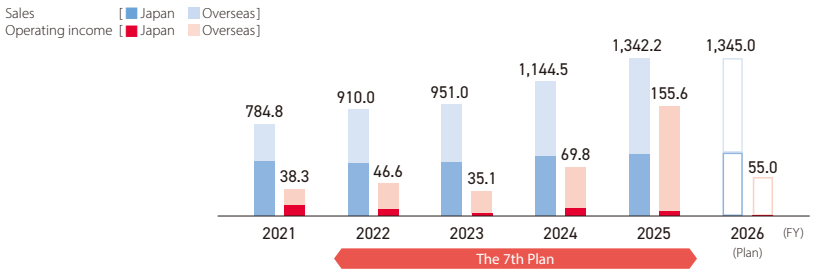
Looking back at the Seventh Medium-Term Management Plan

Business growth in the US despite sluggish housing sales in Japan

In the domestic business, we implemented sales method reforms in both our contracting and built-for-sale businesses; however, as the business environment failed to improve, sales volumes remained sluggish. On the other hand, the Livness business performed steadily and increased earnings.

In the US, the sale of a large parcel of land in FY2025 significantly boosted earnings; furthermore, even excluding that transaction, aggressive business expansion proved successful, and the business grew steadily.

Sales and operating income (¥ billion)



Strengthening the contracting and built-for-sale businesses

Create

Expansion of the built-for-sale business and reform of the sales approach for custom-built houses

In the area of built-for-sale houses, we offer "Ready Made Housing." based on the concept of "offering the best of both custom-built and built-for-sale houses." Utilizing our expertise in custom-built houses, we offer high-quality homes at affordable prices.

In the area of custom-built houses, we propose "Smart Made Housing.", an approach that offers the best of freely designed and standard houses, as more customers become conscious of cost performance and time efficiency amid skyrocketing prices for commodities, construction materials, and labor costs.

In addition to expanding the number of units sold through these initiatives, we will work to improve profitability while also taking steps such as increasing the value per unit.

Enhancing proposal capabilities with the AI Plan Concierge

We have developed the AI Plan Concierge, which instantly proposes a home design that reflects the customer's intuitive vision. By rapidly providing proposals that do not rely on the knowledge or experience of sales representatives, we aim to increase the likelihood of closing deals and reduce negotiation time.



A mock proposal session



Expansion of Livness business

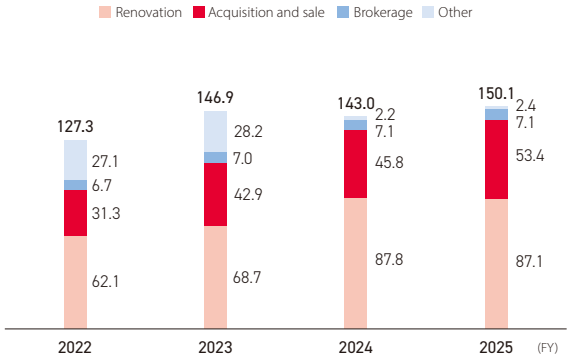
Revitalize

Proposals tailored to customers' lifestyles

As Japan enters an era of an aging and declining population, vacant houses have become a social problem. In the future, it will be necessary not only to build new housing, but also to make good use of existing housing stock.

In the Livness business of the Single-Family Houses Business, we work closely with residents to propose renovations in response to lifestyle changes. Additionally, we actively develop our acquisition and sale business when relocation is necessary, which includes the introduction (brokerage) of new properties and the purchase of homes directly from their owners.

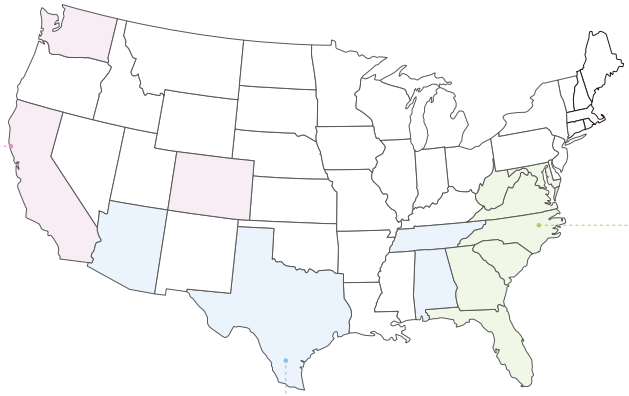
Livness business sales by transaction type (¥ billion)



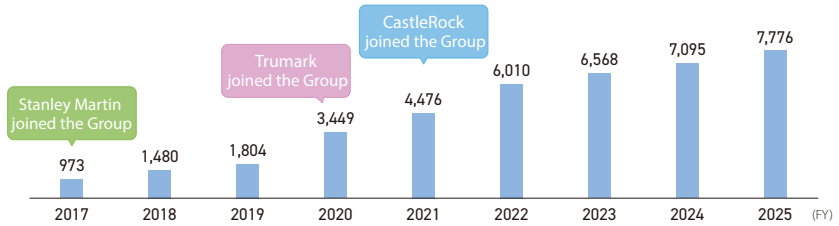
Expanding the US single-family houses business

Expanding the single-family houses business in the US through M&A and land acquisition strategies, even in a high-interest-rate environment

In the single-family houses business, although the business environment in the US remains challenging with persistently high mortgage rates, performance continues to expand steadily, led by our three US-based companies of Stanley Martin, Trumark, and CastleRock. We have identified markets where population growth and economic growth are expected as priority areas, and we are strengthening our business foundation through proactive M&A and the acquisition of prime land, thereby promoting the establishment of a growth foundation that is less susceptible to changes in the external environment.



Single-Family Houses Business in the United States
Number of units delivered (units)



Stanley Martin Holdings

Founded in 1966 and operating primarily on the East Coast. In 2021, Stanley Martin was awarded the National Builder of the Year and offers a wide range of products, from detached homes to townhomes. While investing in growing markets with affordable price points and improving efficiency through off-site construction, Stanley Martin completed two M&A transactions in 2026 to further expand its business foundation.

Year established	1966
Units delivered in FY2025	5,320

Major M&A transactions since joining the Group

February	2018	Frontdoor Communities
February	2020	Essex Homes Southeast
September	2021	Avex Homes
September	2025	Windsor Investments
May	2026	United Homes Group
July	2026	Holiday Builders

Trumark Companies

Operates primarily in the West Coast market and handles every stage, from residential land development to housing supply. Its strengths lie in a strong track record of awards in the housing industry, where Trumark is recognized for high-quality products and design excellence. Trumark is driving further growth by expanding its business base, including entry into the state of Washington in March 2026.

Year established	1988
Units delivered in FY2025	991

Major M&A transactions since joining the Group

October	2023	JP Holdings
March	2026	JK Monarch Enterprises

CRC Holdings

Operates primarily in Texas and is expanding its business by leveraging its diverse product lineup tailored to customer needs and its high quality. In October 2025, CRC Holdings expanded its business areas, including by entering the state of Alabama, and is working to further expand its business base.

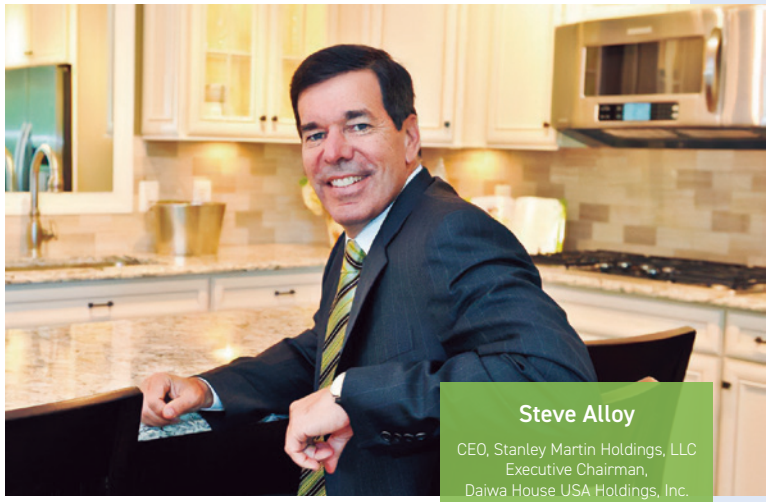
Year established	2004
Units delivered in FY2025	1,465

Major M&A transactions since joining the Group

January	2024	The Jones Company of Tennessee
October	2025	WrEn Homes

Stanley Martin Holdings CEO Message

Driving Group growth through expansion in high-growth markets



Steve Alloy
CEO, Stanley Martin Holdings, LLC
Executive Chairman,
Daiwa House USA Holdings, Inc.

Current conditions and strategic responses in the U.S. homebuilding business

The U.S. housing market is expected to see solid long-term demand, supported by population growth, household formation, and a persistent housing shortage. At the same time, affordability remains a major industry challenge as elevated mortgage rates continue to impact homebuyers.

Since its founding, Stanley Martin has focused on providing high-quality homes that are attainable for a broad range of buyers. Stanley Martin's Mission Statement is "To design and build homes people love at a price they can afford." Through strong land skillsets, optimized home designs, efficient construction practices, and a leading sales team, the company continues to help customers achieve homeownership.

Stanley Martin has focused on high-growth markets with sustained population growth. We are able to achieve outsized growth due to our geographic emphasis in the southeastern United States. By delivering efficiently designed homes in one of the highest growth regions of the U.S., our multiyear land supply positions us for continued success.

Synergies with the Daiwa House Group

Since joining the Daiwa House Group, Stanley Martin has achieved steady growth by combining the Group's strong financial foundation with our community-focused operating model. Supported by Daiwa House, we have expanded our geographic footprint and increased home deliveries through strategic land acquisitions and M&A. The Daiwa House Group also regularly convenes management teams from Japan and overseas to share growth strategies, address business challenges, and exchange insights. This global management network enhances the competitiveness of each group company and supports long-term value creation across the organization.



Daiwa House Group Global Meeting

Group purchasing initiatives across U.S. Group companies

In addition, our U.S. group companies collaborate on the joint procurement of housing materials, leveraging economies of scale to reduce costs and improve operational efficiency. These synergies enhance our overall competitiveness. Going forward, we will continue to combine the Daiwa House Group's financial and management resources with Stanley Martin's local expertise to drive sustainable growth and long-term value creation.

Driving growth through business diversification

In 2024, Daiwa House entered two additional segments. Stanley Martin acquired a large land development general contracting firm headquartered in North Carolina. Daiwa House acquired an interest in Alliance Residential, one of the largest apartment developers in the U.S. Looking ahead, we aim to build a business portfolio that balances stability and growth by continuing to strengthen our core single-family homebuilding operations while also pursuing growth in the multifamily sector as well as other sectors.

Rental Housing Business

Circular value chain



Market environment and strategy

Japan

While construction costs are rising due to soaring material and labor costs and market interest rates are increasing, demand from landowners and investors for rental housing investment for purposes such as inheritance planning remains strong. In addition, there is a trend of rising rents, particularly in urban areas. In this environment, we are establishing and promoting a circular business model through collaboration among contracting and built-for-sale housing, rental management, and renovation proposals.

Overseas

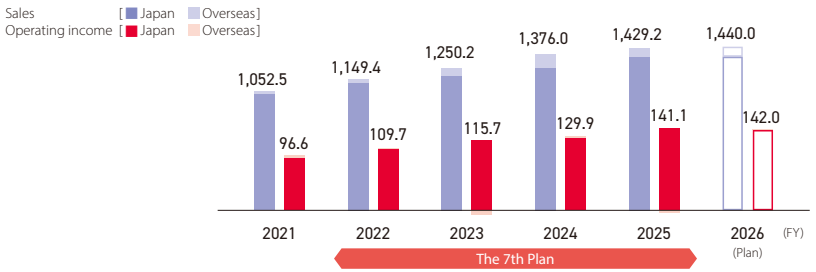
In the US, we are focusing on improving the profitability of operational properties amid continued high interest rates and a sluggish real estate sales environment. In Europe, where chronic housing shortages have become a social issue against the backdrop of a growing population, we are aiming to expand the supply of housing through modular construction.

Looking back at the Seventh Medium-Term Management Plan

Steady business growth in Japan and profit generation exceeding medium-term plan targets

In Japan, the built-for-sale business, on which we are focusing, is progressing steadily, and in the rental management business, proactive rent revisions proved successful while maintaining the occupancy rate, leading to improved profit margins. Overseas, leasing in the US remained generally strong, and although we recorded losses on a large project in Europe, the segment as a whole far exceeded the ¥120 billion operating income target set for the final year of the 7th Plan.

Sales and operating income (¥ billion)



Steady construction business

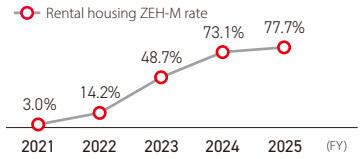
Create

Steady expansion of the built-for-sale business

The built-for-sale business, which is being aggressively developed, remained steady. We are diversifying our sales channels to include introductions from financial institutions and wealthy individuals who do not own land.

Proactive environmental initiatives

Sales of TORISIA, an offering with ZEH-M specifications launched in 2022, remained steady, leading to a rapid increase in the ZEH-M rate. We will continue to aggressively develop rental housing proposals that balance consideration for the global environment with benefits for both owners and tenants.



THE STATELY, a heavy steel frame residence

THE STATELY, a rental housing product with a heavy steel moment frame launched in 2025, became the first in the Company's rental housing lineup to feature the third and highest grade of seismic resistance as a standard specification. It also incorporates highly sound-insulating boundary walls and floors to create comfortable living spaces. Depending on needs, stores and other facilities with ceiling heights exceeding three meters can also be incorporated on the first floor to enable highly profitable proposals.

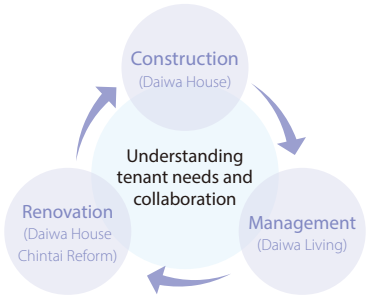


Growth in the rental management business

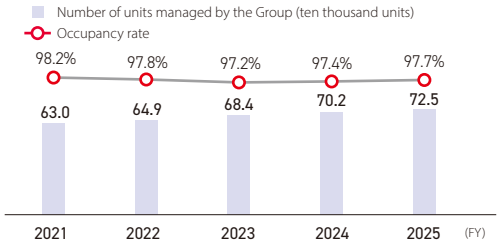
Foster | Revitalize

Business collaboration between construction, management, and renovation

We are striving to better understand tenants' needs by strengthening collaboration between Daiwa House, Daiwa Living, and Daiwa House Chintai Reform. Daiwa Living manages approximately 80 percent of the rental housing built by Daiwa House, and the D-ROOM brand, which is highly regarded for its comfort and quality, contributes to high levels of satisfaction among both tenants and owners. The rental housing business is performing well, maintaining occupancy rates and implementing rent adjustments while increasing the number of units under management.



Number of units managed and occupancy rate



Promoting the use of wood and timber frames

Create | Foster

Development of the MOKURIE built-for-sale timber structure rental housing product

MOKURIE is a timber structure rental housing product developed with the aim of promoting the circular use of timber resources and revitalizing local communities by incorporating original louvers made from locally grown timber as exterior cladding. By effectively utilizing local timber, including timber from thinning operations, we contribute to the healthy cycle of forest resources while promoting the reduction of CO_2 emissions by leveraging timber's carbon sequestration capabilities. Furthermore, based on the concept of "local production for local consumption," we are strengthening partnerships with local forestry and timber processing businesses, thereby contributing to the sustainable development of the local economy. Through these initiatives, we aim to achieve harmony with nature and forests and foster a circular lifestyle that passes on a rich environment to future generations.



MOKURIE utilizes original louvers that convey the warmth of wood for exterior finishes

Condominiums Business

Circular value chain



Market environment and strategy

Japan

The condominium market in the Tokyo metro area remained strong, with rising sale prices. While other companies are securing sites, we are promoting projects that balance both the solving of local issues with considerations for the environment through redevelopment, complex development, condominium revitalization, etc. We are driving growth in our condominiums business while working to improve the sustainability of the city and grow together with local communities.

Overseas

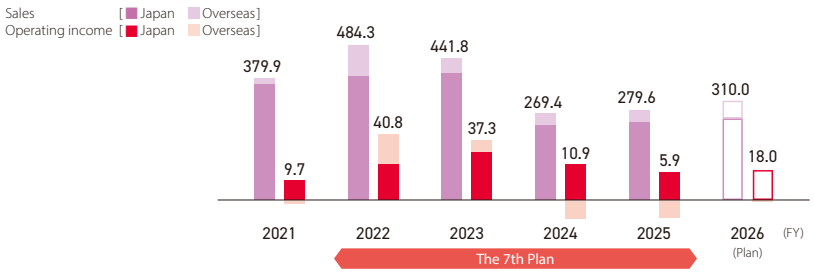
Overseas, the Condominiums Business is being developed in China, the United States, and the United Kingdom. Major cities, mainly in Europe and the US, are experiencing an increasingly serious shortage of housing supply due to population growth and immigration. To meet this demand, we will aggressively develop our overseas business and contribute to local communities by solving problems through locally rooted initiatives.

Looking back at the Seventh Medium-Term Management Plan

Despite steady business performance in Japan, overseas business struggled due to a sluggish Chinese market

Condominium sales in Japan have been strong, and business results exceeded the targets set in the 7th Plan. With regards to our overseas businesses, under the 7th Plan, we have been developing businesses primarily in the US and China; however, sales fell short of the plan due to continued sluggishness in the Chinese real estate market.

Sales and operating income (¥ billion)



Strong sales in Japan

Create Foster

Promoting diverse housing and community development



PREMIST Akishima MoriPark Residence

In Japan, to meet the diverse lifestyles of residents, we promote sales while pursuing the provision of basic performance, comfort, safety, and management systems essential for durable homes, making full use of the know-how we have cultivated as a homebuilder. Amid intensifying competition in land acquisition, we are promoting our business with an eye to expansion into business areas leveraging the strengths of the Daiwa House Group, such as redevelopment, condominium revitalization, and complex development, while also focusing on addressing social issues and environmental considerations.

Development case study

Developing attractive condominiums tailored to the needs of each area

PREMIST Tower Funabashi (Funabashi City, Chiba Prefecture)

With excellent transport links via two stations and four train lines, this property offers easy access to central Tokyo, Haneda Airport, and Narita Airport. As a complex development featuring a pedestrian deck directly connected to the station and a variety of shared facilities, it is expected to become a new landmark in Funabashi where the tranquility of nature harmonizes with exceptional convenience.



Sales launched in February 2026
Completion scheduled in March 2028
Adopts ZEH-M Oriented specifications

Bright Cross Hashimoto Ekimae (Fukuoka City, Fukuoka Prefecture)

A mixed-use commercial and residential development rising within the land readjustment area in front of Hashimoto Station. The extension of the Nanakuma Line has improved access to Hakata and the airport, and the property is being developed in a rare location adjacent to the line's starting station. With an access route designed to help keep residents dry on rainy days and a range of unit layouts from 2LDK to 4LDK, the development combines convenience with spacious living to meet a wide range of needs.



Sales launched in April 2026
Completion scheduled in August 2027
Rated 3 stars under BELS certification standards

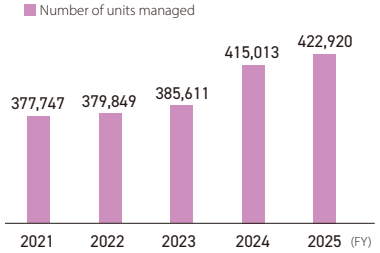
The Daiwa House Group's condominium management business

Foster

Steady growth in the number of condominium units under management

Daiwa LifeNext, which provides condominium management services, works to maintain the asset value of condominiums through support for homeowners' association operations, repair planning, and facility management, while also ensuring the safety and peace of mind of residents through 24/7 support and disaster prevention services. Furthermore, the number of condominium units under management has steadily increased, driven by high customer satisfaction and service quality as demonstrated by recognition at the SUUMO AWARD and advances in IT-enabled management.

Number of units managed in the Condominiums Business (units)



Note: Total number of units managed by Daiwa LifeNext, Global Community, and Daiwa LifeLink

Expansion of the employee dormitory business centered on L-Place and creation of added value

Through the L-Place lineup, Daiwa LifeNext offers rental employee dormitories to corporate clients, providing safe and secure living environments through meal service and on-site management, along with shared facilities such as fitness centers and co-working spaces that help foster interaction among residents and enhance their well-being. Furthermore, by offering studio-style units that ensure privacy while enhancing convenience, we contribute to creating added value in real estate. Based on these initiatives, we are progressively opening new properties in the Tokyo metro area and major regional cities.



L-Place Higashi-Shinagawa



L-Place Tenjin-Minami Golf Lounge

Commercial Facilities Business

Circular value chain



Market environment and strategy

Japan

With the end of the pandemic, the number of visitors to Japan has recovered to levels significantly higher than those before the pandemic. Against the backdrop of this growing demand, we are responding to demand from hotels and other businesses to open new locations, implementing initiatives tailored to the needs of individual tenants, and strengthening development in well-branded areas that attract significant investor interest.

Overseas

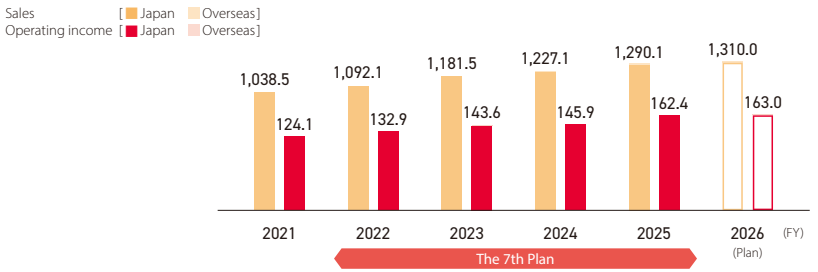
Starting with business support for tenants and others considering overseas expansion from Japan, the Company is expanding into the construction, management, and operation of commercial facilities in the US, Taiwan, and other countries.

Looking back at the Seventh Medium-Term Management Plan

Exceeded the 7th Plan targets by capitalizing on tenant demand for new locations and strong hotel business performance

In the construction business, we expanded our operations by capitalizing on tenants' growing eagerness for the opening of new stores, and sales grew steadily. Profit margins gradually improved as we implemented measures to pass on the costs of soaring material prices. In addition, the hotel management business has progressed well in excess of the plan, boosted by an increase in visitors to Japan. FY2025 performance exceeded the initial FY2026 targets set out in the 7th Plan for both sales and operating income.

Sales and operating income (¥ billion)

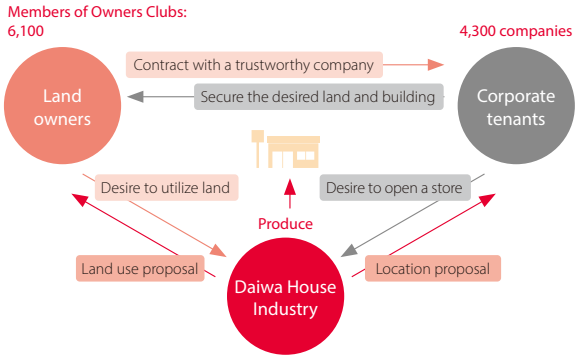


The LOC system: Meeting tenants' store-opening needs across Japan

Create Revitalize

Our LOC system connects the needs of landowners wishing to make effective use of their properties and companies looking for a place to roll out new businesses

In the contracting business, the core focus was roadside stores such as restaurants and goods retailers that operated nationwide via the LOC system, but by expanding our asset types, we have been able to flexibly adapt to changes in the business conditions of our tenant companies brought about by regional needs and market trends. Stores now account for 30% of orders, and non-stores such as nursing homes, hotels, offices, and distribution centers account for 60%. In addition, we are expanding our business through efforts to increase the size of buildings such as commercial complexes and NSCs (neighborhood shopping centers).



Complex development enabled by our understanding of needs of many tenants looking to open stores

By harnessing our relationships with a large number of tenants, we have gained an understanding of their needs and can develop commercial facilities that achieve an optimal tenant mix. By attracting a large number of attractive tenants, we will increase foot traffic to facilities and create a vibrant atmosphere in the community.



ACROSS PLAZA Utsunomiya Interpark
An NSC featuring sporting goods stores, an electronics retailer, and a supermarket



COTOE Hashimoto (artist's impression)
Large-scale commercial facility revitalization project

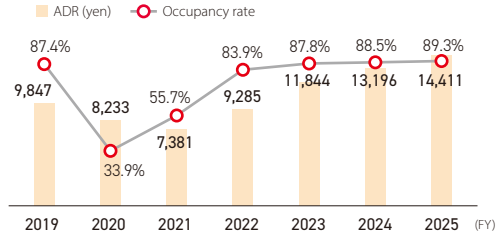
Expansion of hotel management business

Foster

In addition to growing our hotel management business, we are promoting the development of properties such as luxury hotels and apartment hotels

Daiwa Roynet Hotels, which operates urban hotels nationwide, experienced a temporary drop in occupancy rates and guestroom ADR (average daily rate) due to the pandemic, but in recent years, partly driven by the increase in foreign visitors to Japan, both guestroom ADR and occupancy rates have remained consistently above pre-pandemic levels.

ADR and occupancy rate for Daiwa Roynet Hotels in Japan





Daiwa Roynet Hotel NAGOYA-EKIMAE
(Reopened in May 2026 after renovation)

Furthermore, against the backdrop of the increase in foreign visitors to Japan, we are promoting the development of luxury hotels throughout Japan, as well as the development of apartment hotels, primarily in urban centers.

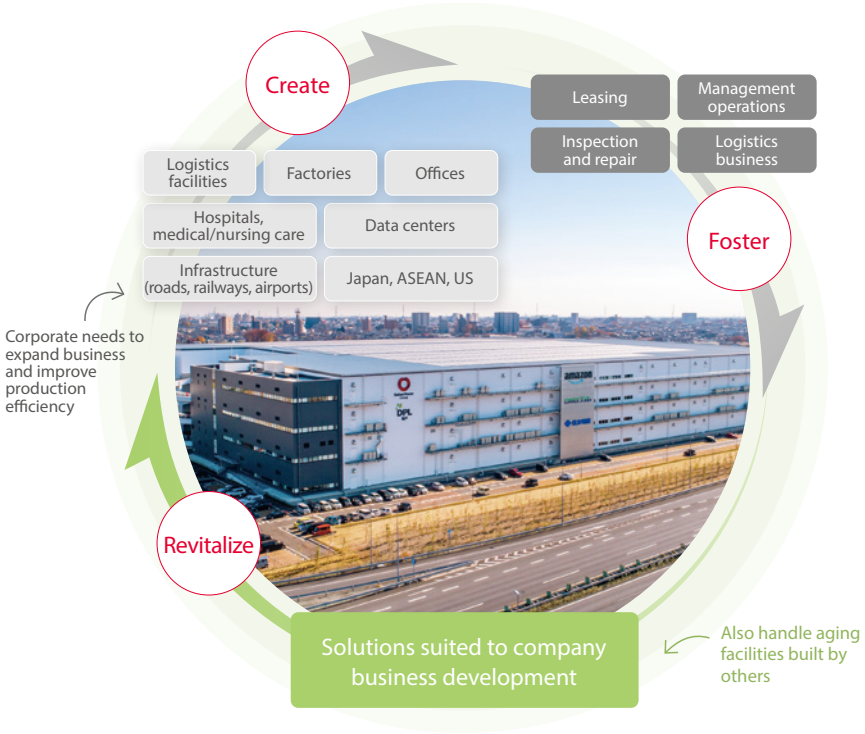




Resort hotel BATON SUITE OKINAWA-KOURIJIMA (opened in March 2025): Exterior (left) and guest room (right)

Logistics, Business and Corporate Facilities Business

Circular value chain



Market environment and strategy

Japan

The order environment is favorable, supported by an upward trend in corporate capital investment appetite. The supply of logistics facilities, mainly in the Tokyo metro area, temporarily greatly exceeded demand, causing vacancy rates to rise, but the balance between supply and demand has been stabilizing over the past year or two, and vacancy rates are gradually improving. We are also strengthening our technical capabilities and proposals to meet the growing demand for data centers and semiconductor-related factories in recent years.

Overseas

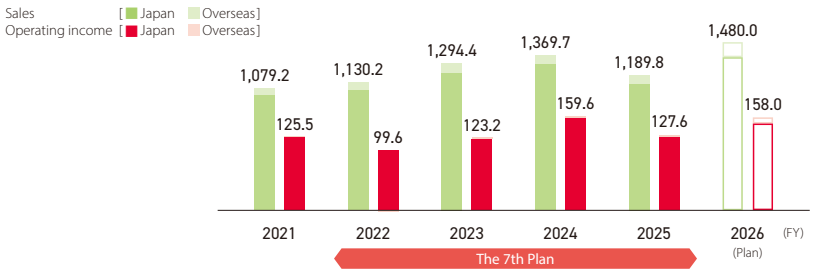
Although no major changes have been observed in the overseas expansion trends of Japanese companies, we are developing business in regions such as ASEAN and the US by leveraging the relationships we have built to date.

Looking back at the Seventh Medium-Term Management Plan

Improved profitability in the construction business, and business growth through the development and sale of logistics facilities

Profit margins in the construction business, which had been declining during the first half of the medium-term plan period due to soaring material prices and labor costs, improved significantly as profitability improvement initiatives, including price revisions to reflect higher costs, proved successful. Even amid rising interest rates, sales of development properties, mainly logistics facilities, remained strong. Overseas, the Company completed its first logistics facility development in the US. Negotiations for leasing and sale also progressed smoothly.

Sales and operating income (¥ billion)



Development of logistics facilities

Create

Helping the logistics industry to solve problems by leveraging our position as No. 1 developer

Since the start of the "D Project" in 2002, the Company has developed a cumulative total of 432 logistics facilities (as of March 31, 2026, including projects under development). At the start of the D project, e-commerce accounted for 1% of merchandise sales in Japan, but by FY2024 it had increased to 9.8%, and we believe we have contributed to the growth of the share of e-commerce. On the other hand, e-commerce already accounts for over 20% of merchandise sales overseas (on average), and the increase in the domestic e-commerce rate is expected to continue. To meet domestic demand, we will continue to aggressively develop logistics facilities.

The logistics industry is facing labor shortages due to stricter laws limiting overtime. In addition to supplying logistics facilities midway between major cities by leveraging our land information gathering capabilities, we also contribute to solving a range of issues, including improving efficiency through automation in the facilities provided by our Group companies and reducing waiting times at truck berths by visualizing cargo waiting and loading/unloading times.



DPL Tokyo Shinonome, the Company's largest urban logistics facility (completed in April 2026)

Development of logistics facilities as social infrastructure

The logistics facilities we develop employ seismic isolation systems, emergency power supplies, and other features to minimize damage in the event of a disaster and to resume logistics operations as soon as possible. In order to protect the safety and security of local residents in the event of disasters such as earthquakes and torrential rains, we have concluded disaster prevention agreements with 20 local governments across Japan (31 logistics facilities, as of the end of March 2026), allowing our properties to serve as temporary evacuation sites for residents. In addition, some of our logistics facilities provide childcare facilities and cafeterias. By creating local employment opportunities, these facilities also serve as an important part of the social infrastructure.



DPL Sendai Rifu I, II



Signing ceremony for disaster agreement

New value-added proposals by BIZ Livness

Revitalize

Expanding the real estate recurring-revenue business through the enhancement of our Livness business

With the launch of BIZ Livness in 2024, we expand our real estate recurring-revenue business by strengthening our Livness business, including in the renovation and acquisition and sale of business facilities, commercial facilities, and other non-residential areas.

BIZ Livness
【ビズリブネス】

We will leverage the know-how we have accumulated through our business, our nationwide network of sales offices, and our Group's network to more actively acquire and sell existing facilities, including those constructed by other companies as well as our own, renovate them, and attract tenant companies to these properties.







Komagane Livness Project
After purchasing a 15-year-old factory, we renovated it into a commercial warehouse and sold it as an investment income property with a higher market value

Expansion of the data center business

Create

Advancing data center development by capitalizing on growing demand for data centers and leveraging our land information gathering and development capabilities

In recent years, the importance of digital infrastructure has increased due to the accelerating digitalization of society and industry, and demand for data centers in Japan is growing as the government, local authorities, and companies seek to properly manage corporate and personal information in their possession. As a response to these social trends, the Company began development in October 2020 of DPDC Inzai Park, one of Japan's largest data center development projects, in Inzai City, Chiba Prefecture, and is also working on multiple projects in the Tokyo metro and Kansai areas.

Data center development requires meeting multiple conditions, such as securing extra-high-voltage power connections, ensuring sufficient communication speeds, and selecting areas with low risks of natural disasters. We will continue to promote data center development by leveraging our extensive land information gathering capabilities, relationships with government agencies and landowners, and the technical expertise and know-how gained from developing diverse assets, including logistics facilities and other large-scale facilities.



DPDC Inzai Park (artist's impression)



DPDC Shinagawa I

Established a dedicated organization to strengthen competitiveness and build a business foundation for the data center business

To expand our data center business, which is expected to become our next core business pillar, we established the Data Center Business Division Preparatory Office in April 2025, transitioning the organization into the Data Center Business Division in April 2026. To position the data center business, which requires advanced and specialized knowledge in business proposals, design, and construction, as a new strength, we will develop and secure specialized talent and accumulate experience and knowledge.

Selling Module DPDC, leveraging the "industrialization of construction"

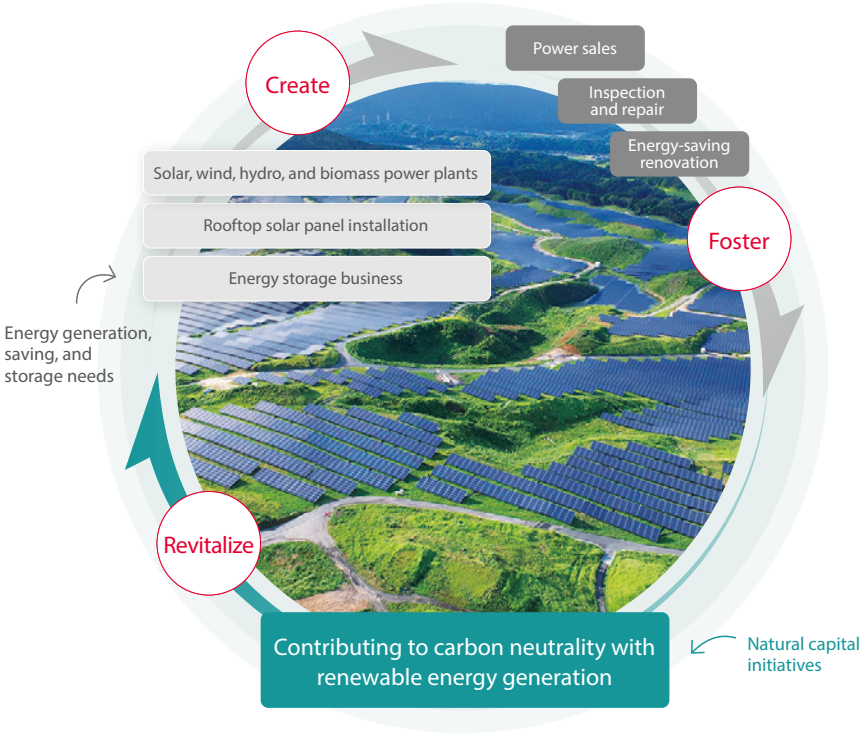
In recent years, with the spread of generative AI and the expansion of communications infrastructure, cloud adoption has progressed, and demand for data centers (DCs) has surged. On the other hand, approximately 90 percent of development is concentrated in the Tokyo metro and Kansai areas, and development is not being decentralized to regional areas. In addition, due to labor shortages and other factors, DCs housed in typical buildings can take five years or more to develop, creating challenges in terms of project duration and cost. Under the Vision for a Digital Garden City Nation, the government is also supporting the decentralization of DCs to regional areas. Against this backdrop, the Company developed Module DPDC, a modular data center that can be constructed in a short period and operated using high-voltage power, by applying its "industrialization of construction" technology. This product features a structural framework that meets the highest level, Tier 4, as defined by JDCC (Japan Data Center Council) standards. Going forward, we will promote the "industrialization of data centers" and, through the deployment of modular DCs, respond swiftly to rapidly growing demand and contribute to building the foundation of a digital society.



Module DPDC (rendering)

Environment and Energy Business

Circular value chain



Market environment and strategy

Japan

Although the reduction of the feed-in tariff (FIT) scheme is leading to a decline in mega solar farms built under this program, demand for renewable energy is increasing as the transition to a decarbonized society accelerates. In recent years, the Company has actively promoted proposals for PPA projects* to address the risk of surging and/or fluctuating power prices.

Overseas

As efforts to realize a decarbonized society gain momentum worldwide, the Company is working to develop markets, primarily in ASEAN, for businesses including power generation.

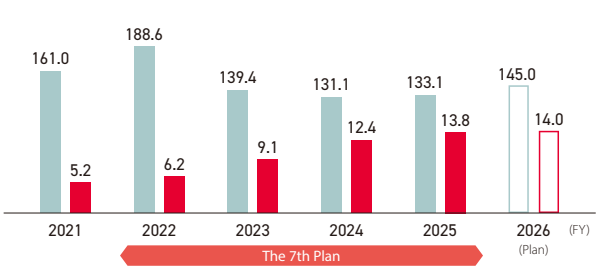
* PPA business
Stands for Power Purchase Agreement. A business which installs renewable energy generation facilities on-site or off-site and sells the generated electricity to specific electricity users.

Looking back at the Seventh Medium-Term Management Plan

Thanks to improved profitability in the PPS business, operating income exceeded the initial target set in the 7th Plan. Progress was also made in expanding the PPA business going forward.

During the medium-term plan period, although sales declined due to a decrease in the EPC (engineering, procurement, and construction) business associated with the shift away from FIT and the termination of low-profitability contracts in the PPS (power producer and supplier) business, operating income increased steadily thanks to factors such as improved profit margins in the PPS business and remained above the initial medium-term plan target of ¥10 billion for FY2026. In addition, progress was made on initiatives to expand the PPA business. We also launched our first on-site PPA business outside Japan, in Thailand.

Sales and operating income (¥ billion)



The three businesses that make up our business

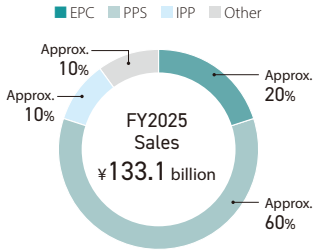
Create Foster

We are developing our Environment and Energy Business with a focus on the following three businesses.

EPC Business
Stands for Engineering, Procurement, and Construction. A business that undertakes the entire process of power plant construction.

PPS Business
Stands for Power Producer and Supplier. A business that acts as an electricity retailer, selling electric power.

IPP Business
Stands for Independent Power Producer. A business that acts as a producer and seller of electric power.



Our PPA business contributes to customer decarbonization efforts by leveraging expertise cultivated across three businesses, from the development and operation of power generation facilities to electricity supply


DREAM Solar Aichi Iwatsuka, installed at LOGIPORT Nagoya 2

To expand the adoption of renewable energy, the Company is promoting an on-site PPA business that requires no initial investment. In this business, acting as both a power producer and an EPC contractor, we install power generation facilities on the premises of electricity buyers and supply the electricity generated over the long term, thereby simultaneously enabling customers to decarbonize and stabilize their costs. In addition, by providing integrated services ranging from design and construction to operation and maintenance, we seek to ensure quality and efficient business operations while leveraging our accumulated expertise to accelerate the expansion of these projects. Furthermore, by effectively utilizing surplus electricity, we are promoting the optimization of energy use. Moving forward, we will continue to contribute to the realization of a decarbonized society by expanding distributed power sources and building a sustainable energy supply system.

Initiatives in the energy storage business

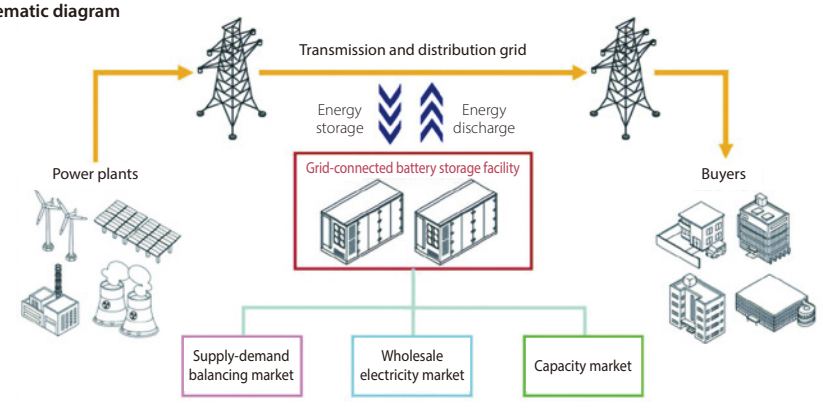
Create Foster

Contributing to power stability through co- development of grid-connected battery storage facilities


Artist's impression of a grid-connected battery storage facility

Against the backdrop of increasing output fluctuations and output curtailment as renewable energy deployment expands, and with battery storage becoming increasingly important as a balancing resource needed to stabilize electricity supply and demand, Tokyo Electric Power Company Holdings and the Company are combining expertise in battery procurement and operation with site development and construction capabilities to promote the co-development of the grid-connected battery storage facility. Aiming to develop facilities nationwide with a total output of 1 GW and a total capacity of 4 GWh by 2035, and with a view to bringing in external investors, we will contribute to the realization of a carbon-neutral society and the stabilization of electricity supply and demand.

Schematic diagram



Overseas business initiatives —Expanding to 27 countries and regions worldwide—

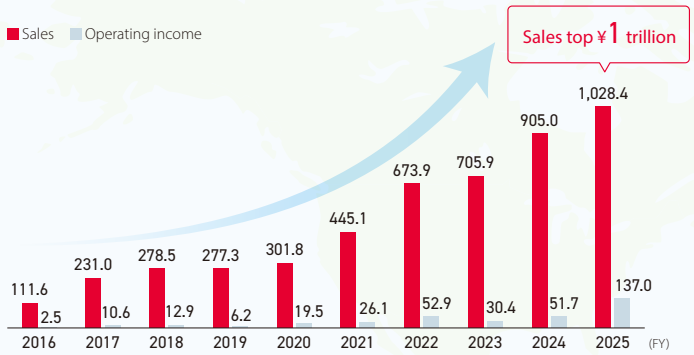
The Daiwa House Group's global vision

Contributing to economic development in diverse regions around the world: Bringing "Endless Heart" to people everywhere

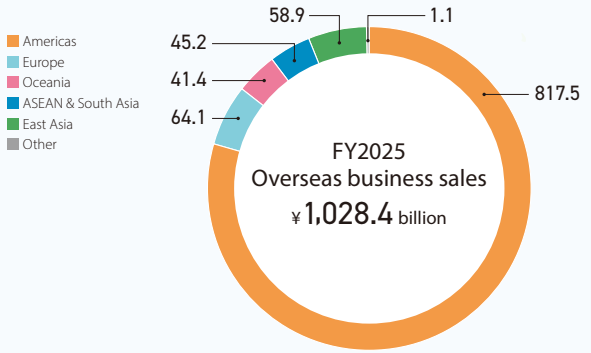
The Daiwa House Group's overseas business, which began expanding in the 1960s, has grown significantly since the 2010s and reached more than ¥1 trillion in sales in FY2025. To drive the Group's growth and advancement, we are guided by the Group's fundamental stance of "Creating Dreams, Building Hearts", and promote business initiatives rooted in each local community. Rather than unilaterally imposing our own values, we build trust as members of local communities and engage in community development on an equal footing with the people, thereby contributing to sustainable growth and regional development.

At the same time, as we expand our overseas business, risks associated with each region's housing and real estate markets, interest rates, exchange rates, geopolitics, policies, and supply chains are also growing. Our Group monitors profitability, investment recovery, asset status, and the incidence of risks by region and business, and responds flexibly, including by curbing investment and reviewing businesses.

Overseas business sales (¥ billion)



Overseas business sales by region (¥ billion)



Policy for overseas business expansion

1 Building an "area portfolio" to achieve stable overseas business growth

Currently, our overseas business is heavily concentrated in the Americas. To ensure stable growth in our overseas business, we will expand our business in promising regions such as Europe and Oceania while carefully assessing market conditions and growth potential.

2 Expanding our business portfolio in the Americas

Currently, the Single-Family Houses Business in the US accounts for the majority of our Americas businesses. Just as Daiwa House Industry has expanded in Japan with a variety of businesses at its core, we will expand our business portfolio in the US and accelerate growth.

1 Building an "area portfolio" to achieve stable overseas business growth

In addition to our mainstay operations in the Americas, we are building a business foundation for the future by developing businesses tailored to the characteristics of regions such as Europe, Oceania, and Asia.

Europe — Supporting reconstruction using prefabricated construction

In our European business, we are working to support Ukraine's reconstruction with the aim of balancing the resolution of social issues with business growth. Currently, we are conducting a feasibility study on the supply of public housing using prefabricated construction technology, while also exploring the establishment of a production and supply system based in Poland. Going forward, we aim to create business opportunities in Central and Eastern Europe by addressing reconstruction demand and housing shortages, with the goal of expanding our business foundation and achieving sustainable growth in the European market.



Modular housing (artist's impression)

Oceania — Addressing the chronic housing shortage

In Oceania, we primarily operate in the Single-Family Houses Business and Rental Housing Business. In the Rental Housing Business, the super high-rise rental housing development in Melbourne, Australia, was completed in March 2026. Moving forward, we will continue to leverage the expertise in real estate and residential development we have cultivated in Japan to supply high-quality housing and help address Australia's housing shortage, a social issue facing the country.



Melbourne Quarter West Project (artist's impression)

East Asia — Promoting sales initiatives in the Condominiums Business in China

In East Asia, we are leveraging our expertise in condominium and hotel development and management that we have cultivated in Japan to markets such as China, Taiwan, and South Korea. In China, we are currently developing two condominium projects, but sales have been sluggish due to the downturn in the real estate market. We are currently implementing various sales initiatives with the goal of recouping funds as soon as possible. Meanwhile, Roynet Hotel Seoul Mapo in South Korea, Daiwa House Realty Mgt.'s first overseas hotel, continues to perform well.



Grace Residence, Condominiums (exterior)

ASEAN & South Asia — Support for overseas expansion of Japanese companies and infrastructure development

We are promoting the development of logistics facilities, primarily in Vietnam, Indonesia, Malaysia, and Thailand, and contributing to the development of regional logistics infrastructure, including frozen and refrigerated warehouses. Going forward, we aim to enhance our local presence and achieve sustainable growth by advancing comprehensive business operations including construction and facilities in collaboration with Sumitomo Densetsu, which operates in Southeast Asia.

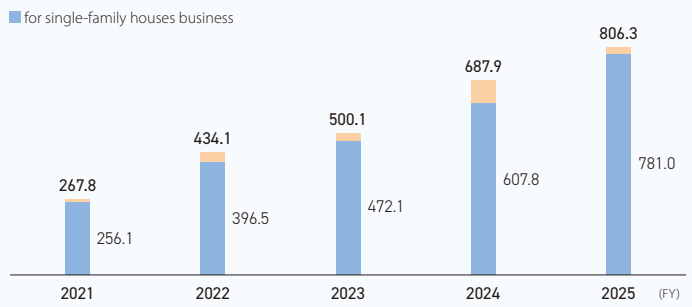


DPL Malaysia Shah Alam III (exterior)

2 Expanding our business portfolio in the Americas

In the Americas, we are focusing on the single-family houses business; however, as a stepping stone to expanding our business portfolio, under the 7th Plan, we worked to build a business foundation in areas such as the rental housing business and the logistics facilities business.

Americas business sales (¥ billion)



Expanding the US single-family houses business ▶ P.40

US Condominiums Business

In November 2024, we began development of the Vista Pointe condominium project in New Jersey, and sales are currently underway. Construction is scheduled to be completed in the fall of 2026.



Vista Pointe (artist's impression)

US Commercial Facilities Business

Since 2019, we have been acquiring existing commercial facilities in California and operating and managing them. Additionally, in October 2024, we began our first hotel development project in the US in Orlando, Florida, and plan to open the hotel in the fall of 2026.



EVEN Hotel and Staybridge Suites Orlando Universal Boulevard

US Rental Housing Business

With Alliance Residential Company, which became an equity-method affiliate after we acquired a portion of its shares in FY2024, at the core, we will leverage Alliance Residential's nationwide development network and extensive business expertise to expand our development areas in the US rental housing business and strengthen our revenue base.



Rental housing development in Texas
Prose Ownsby Farms (artist's impression)

US Logistics, Business and Corporate Facilities Business

In Texas, our first logistics facility in the US, Blue Ridge Commerce Center, was completed. Leasing also remained strong, and part of the property was sold in FY2026. We plan to continue actively pursuing logistics facility development in the US, drawing on the insights and experience gained from this project.

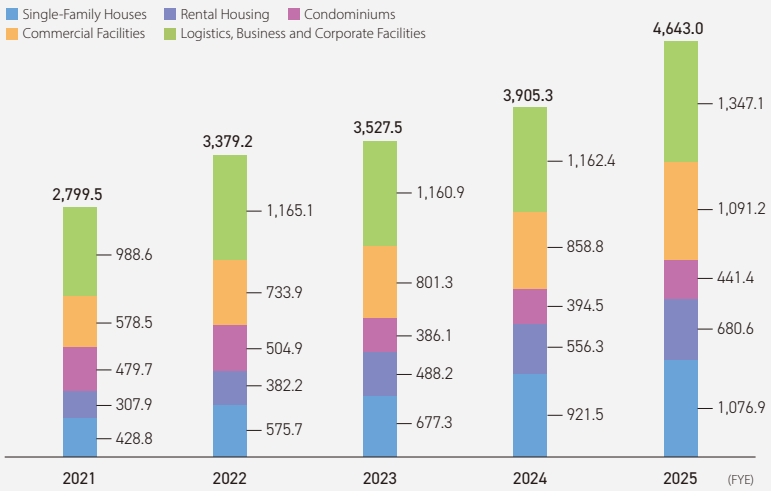


Blue Ridge Commerce Center

Status of real estate holdings

Driven by expansion in the built-for-sale business in Japan and overseas business, our balance of real estate increased from ¥2,799.5 billion at the end of FY2021 to ¥4,643.0 billion at the end of FY2025, an increase of more than ¥1,800.0 billion over the four years of the 7th Plan.

Balance of real estate (¥ billion)



Note: The balances for each segment are the combined totals of real estate for sale and investment real estate. Please note that the total figure includes other businesses.

Single-Family Houses Business

End of FY2021 ¥420.3 billion
End of FY2025 ¥1,076.9 billion

Major change factors

Japan +¥124.4 billion
- Increase due to strengthening of the built-for-sale business

Overseas +¥532.2 billion
- Increase due to expansion of US business

Rental Housing Business

End of FY2021 ¥316.4 billion
End of FY2025 ¥680.6 billion

Major change factors

Japan +¥306.8 billion
- Increase due to strengthening of the built-for-sale business

Overseas +¥57.4 billion
- Increase due to construction progress on development projects in the US and Australia

Condominiums Business

End of FY2021 ¥479.7 billion
End of FY2025 ¥441.4 billion

Major change factors

Japan –¥77.2 billion
- Strong sales of condominiums and decrease due to a change in the scope of consolidation for Cosmos Initia

Overseas +¥38.9 billion
- Increase due to construction progress on properties for sale in China, Europe, and the US

Commercial Facilities Business

End of FY2021 ¥578.5 billion
End of FY2025 ¥1,091.2 billion

Major change factors

Japan +¥487.1 billion
- Increase due to strengthening of the built-for-sale business

Overseas +¥25.6 billion
- Increase due to hotel development in the US

Logistics, Business and Corporate Facilities Business

End of FY2021 ¥988.6 billion
End of FY2025 ¥1,347.1 billion

Major change factors

Japan +¥310.8 billion
- Increase due to the expansion of the industrial park development business and the acquisition and sale business for existing properties

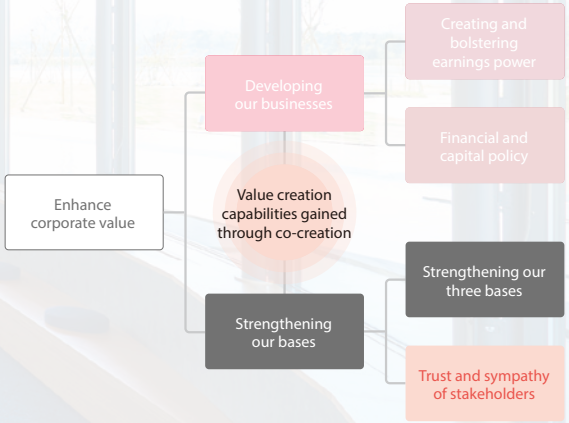
Overseas +¥47.7 billion
- Increase due to construction progress on development projects in the US and ASEAN



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

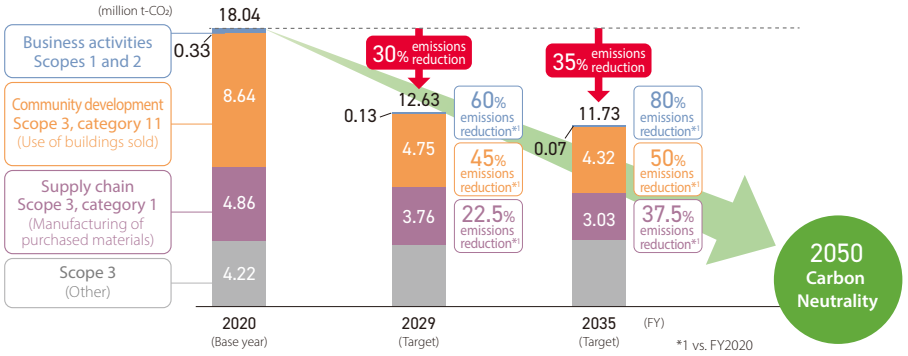
Sustainability Report 2026: Response to TCFD and TNFD ▶ P.56-69

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.

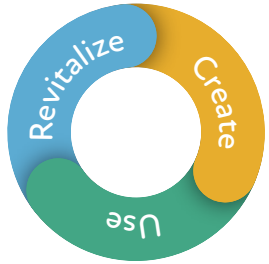
Key management indicators	Results (for reference)	FY2029 targets
3 Progress of primary suppliers' GHG emissions reduction plans	38.1%*5	90%
4 GHG emissions reduced through low-carbon building materials	101,000 t-CO_2 reduction*5	200,000 t-CO_2 reduction

*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

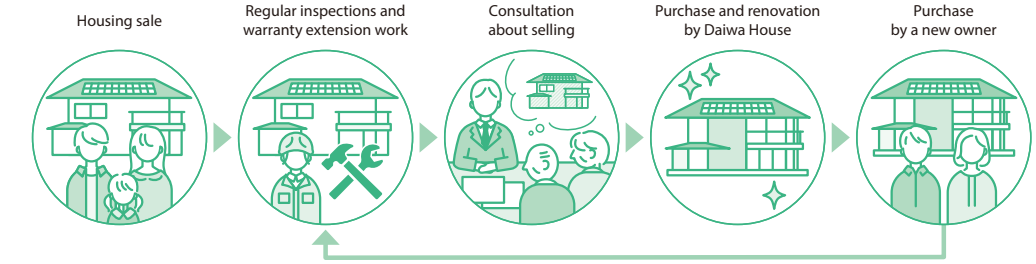
EGP2029 metrics for "Use"

- 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)



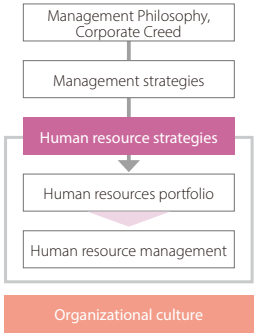
The EGP2029 management metrics "number of warranty extensions and re-warranties" and "number of acquisition and sale transactions" are interrelated. Through the inspections and work associated with warranty extensions, we build ongoing relationships with the owners of the single-family housing and rental 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

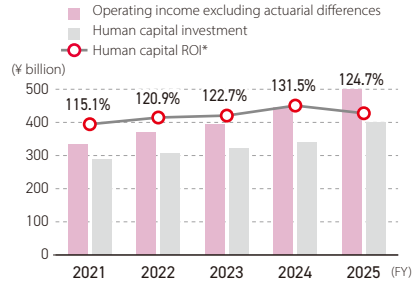
To "maximize human capital" we use human capital ROI to confirm whether investments in human capital will lead to profit generation through the growth and value enhancement of human talent.

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.

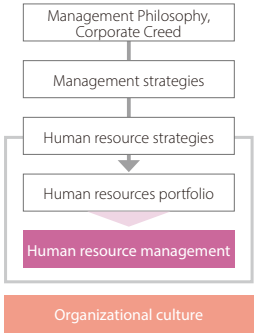
We are currently reviewing the calculation method for human capital ROI in order to more properly ascertain the results of human capital investments. Going forward, we will continue to invest in our people and expand opportunities to tackle challenges and grow, with the goal of creating a virtuous cycle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

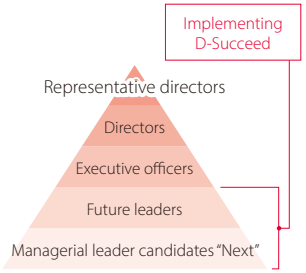
1. Build the human talent and organizational culture to support business transformation
2. Equitable relationships between employees and the Company/ Career support through dialogue
3. Benefits based on diverse career paths and roles
4. Support for growth throughout the organization

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

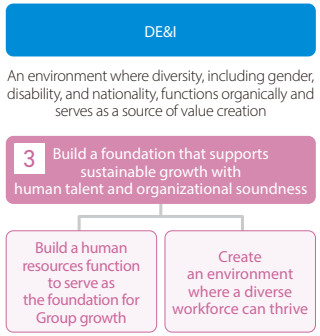
3 Benefits based on diverse career paths and roles
4 Support for growth throughout the organization

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.

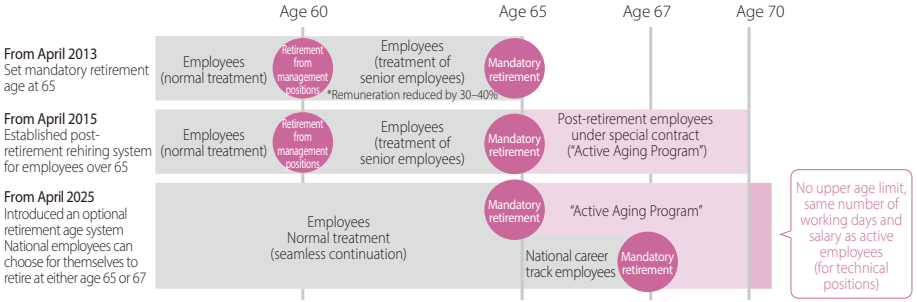


Promotion of active roles for the senior generation

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

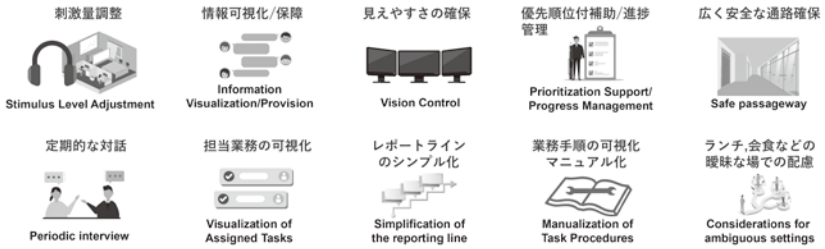
Introduction of the "Shared" model

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

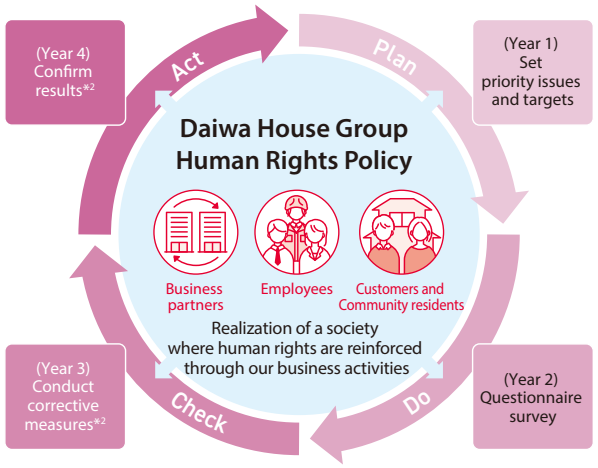
Based on the Daiwa House Group Human Rights Policy, formulated in 2018, the Daiwa House Group promotes initiatives to respect the rights of all individuals who are engaged in its business activities. Human rights is one of the priority themes identified in Social Action Plan (ESP2029), formulated in 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



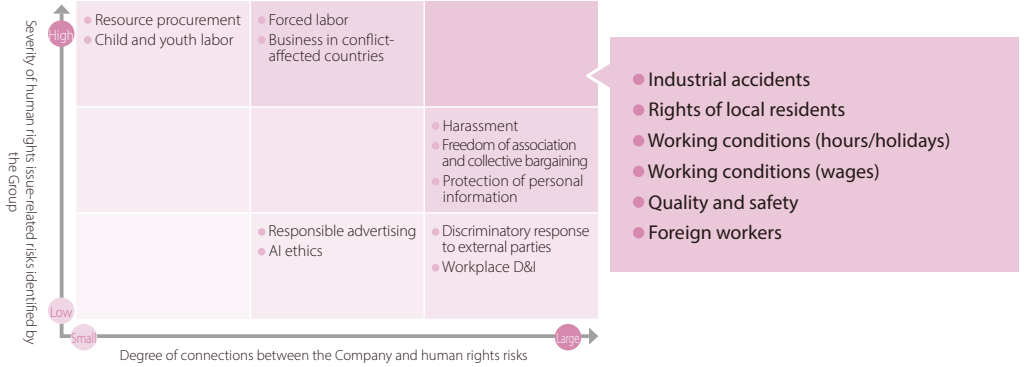
*1 A process for identifying and assessing the adverse impacts of business activities on the human rights of rights holders, and prioritizing responses in accordance with the UN Guiding Principles.

*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

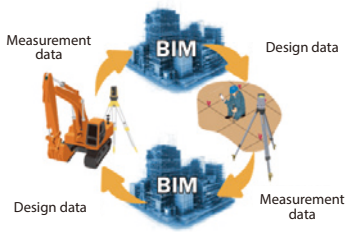
- Improving quality, productivity, and customer value
- Strengthening manufacturing through Group collaboration
- Securing and developing human resources

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.

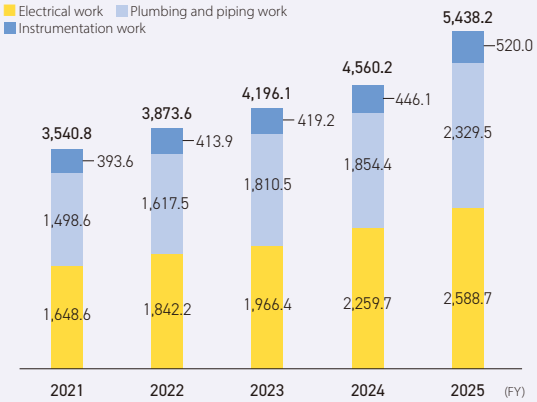
Japan's building equipment installation market

▸ 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

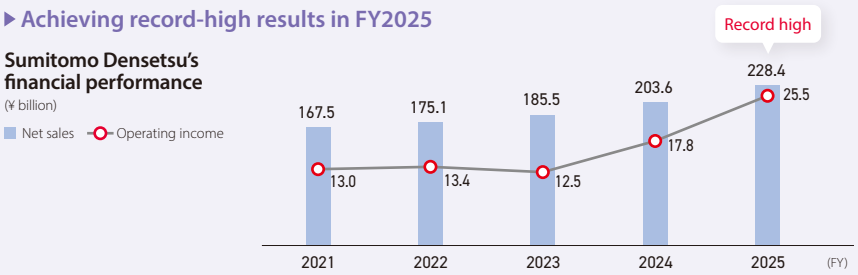
President, Representative Director

Financial Results

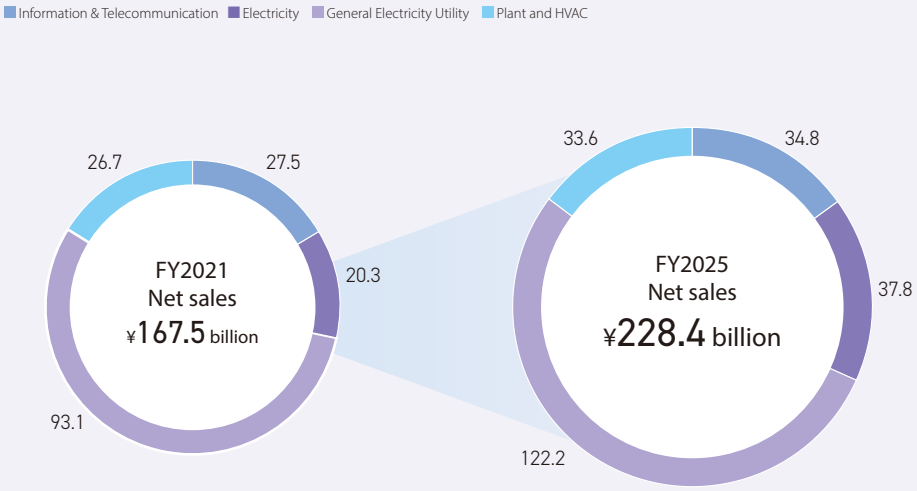
▸ Achieving record-high results in FY2025

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

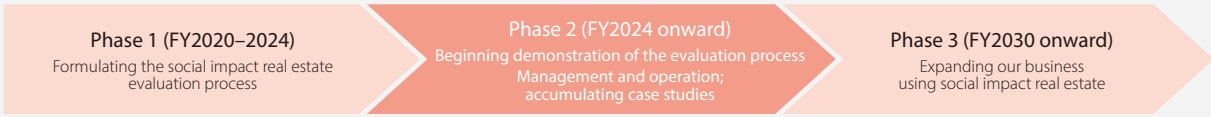
Seeking to achieve both social impact and corporate profitability through businesses that will be of service to society

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

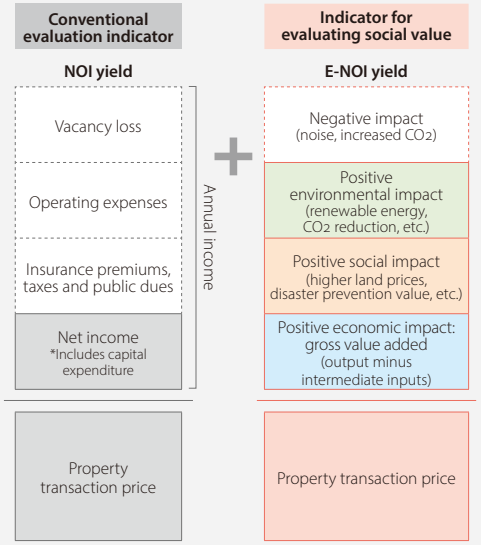
In evaluating real estate, the profitability and investment efficiency of a property are assessed using the NOI yield, which divides the net operating income (NOI) the property generates by the property price. We believe, however, that real estate value extends beyond economic returns to include effects 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.

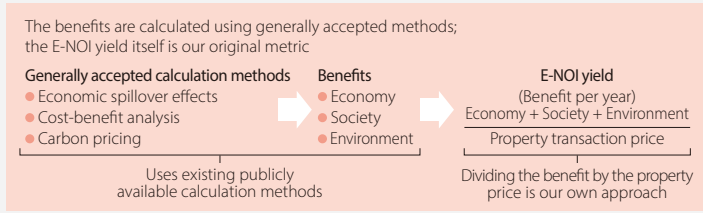
Roadmap (illustration)



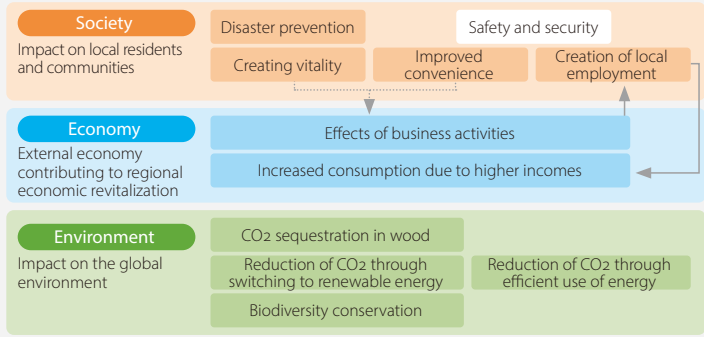
How the E-NOI yield is calculated

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%**	—

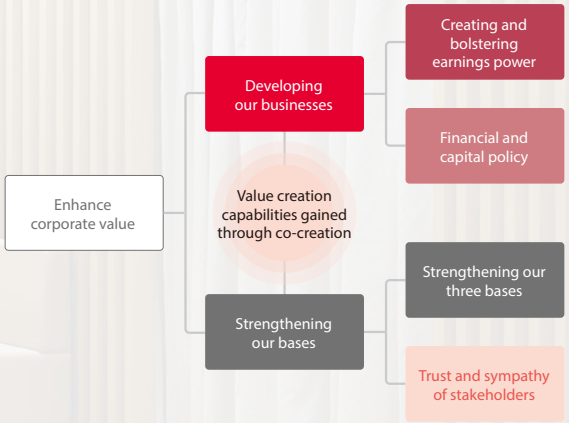
Sustainability Report 2026: Socially inclusive community development ▶ P.100



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.

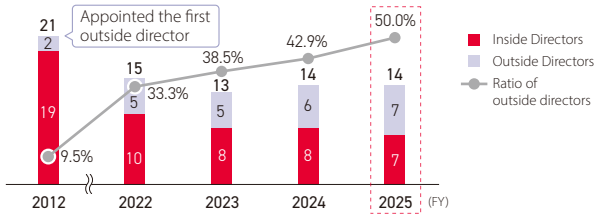
Management structure

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.

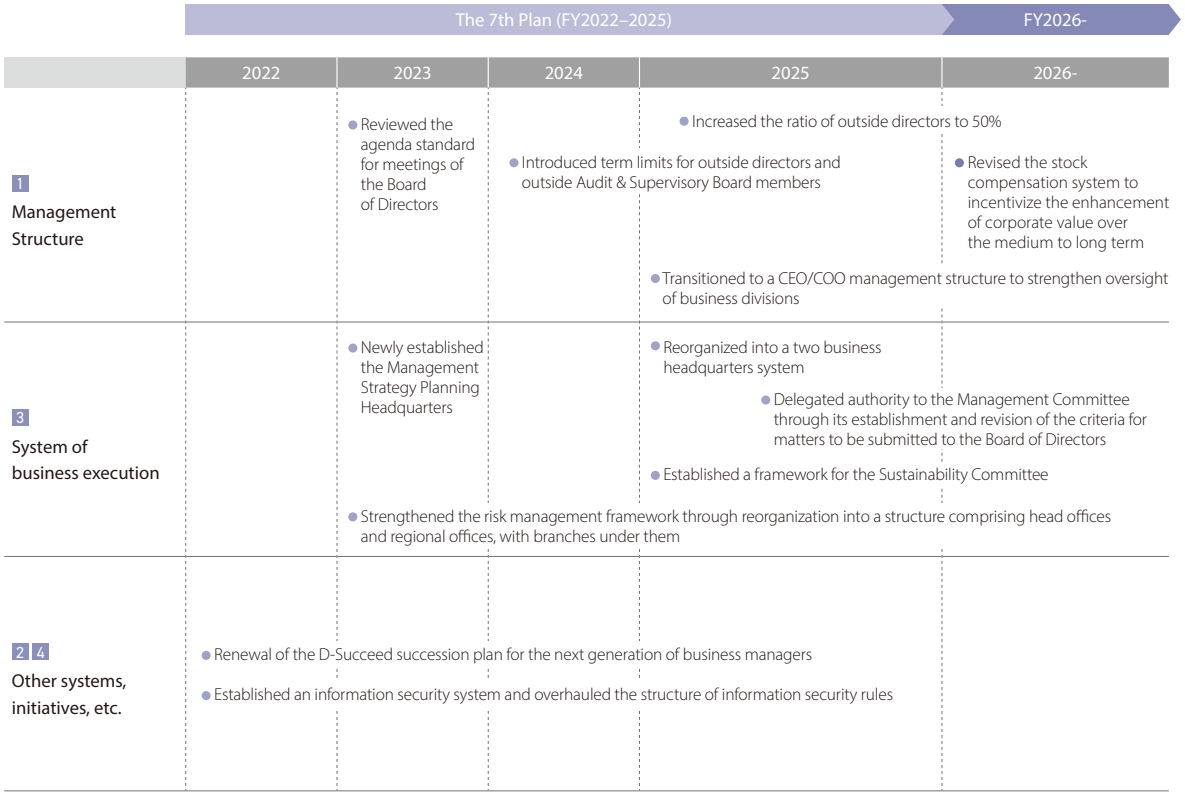
Concept of governance system enhancement



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



Initiatives to strengthen governance



Sustainability Report 2026: Governance ▶ P.119-136

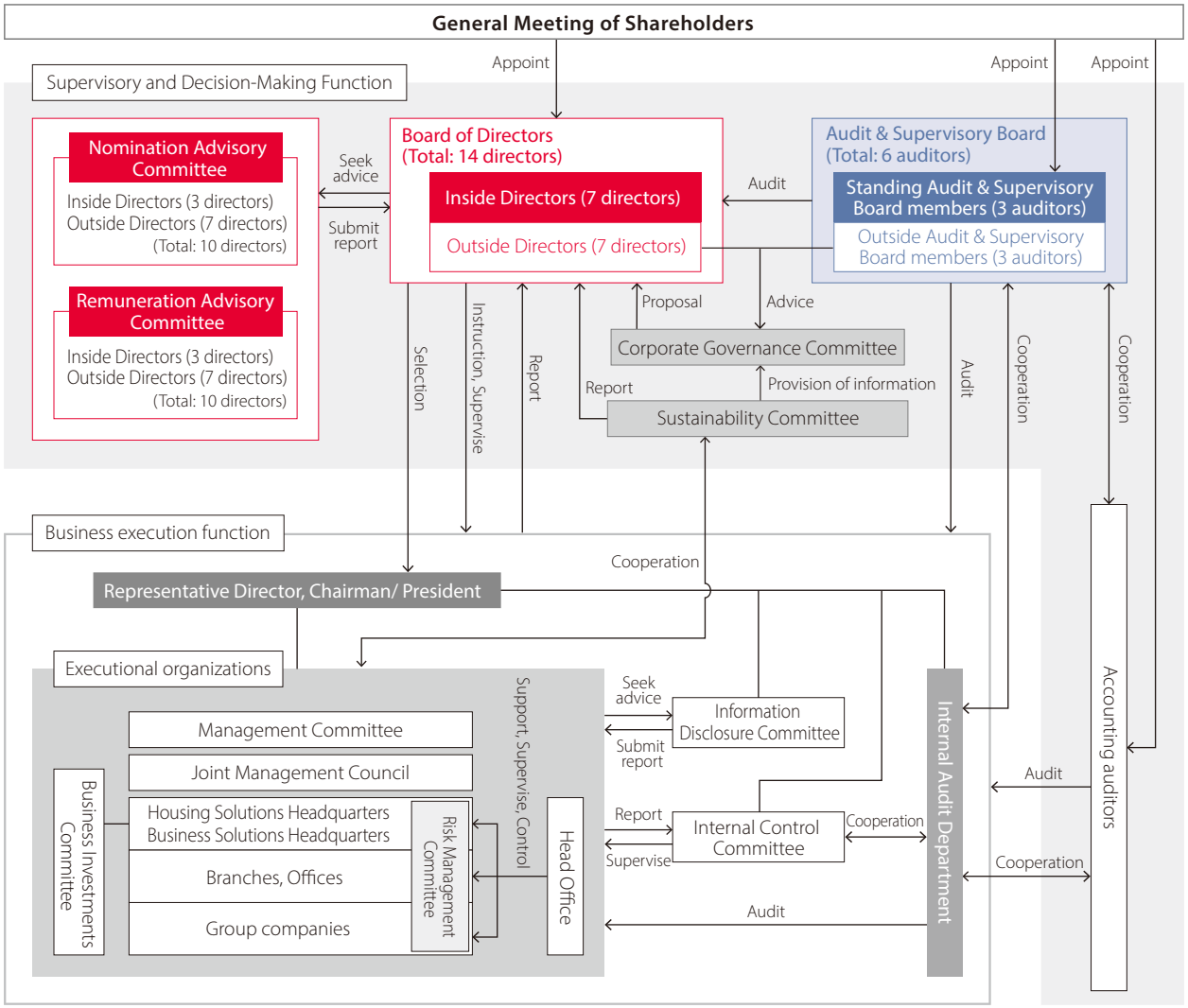
Corporate governance system

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

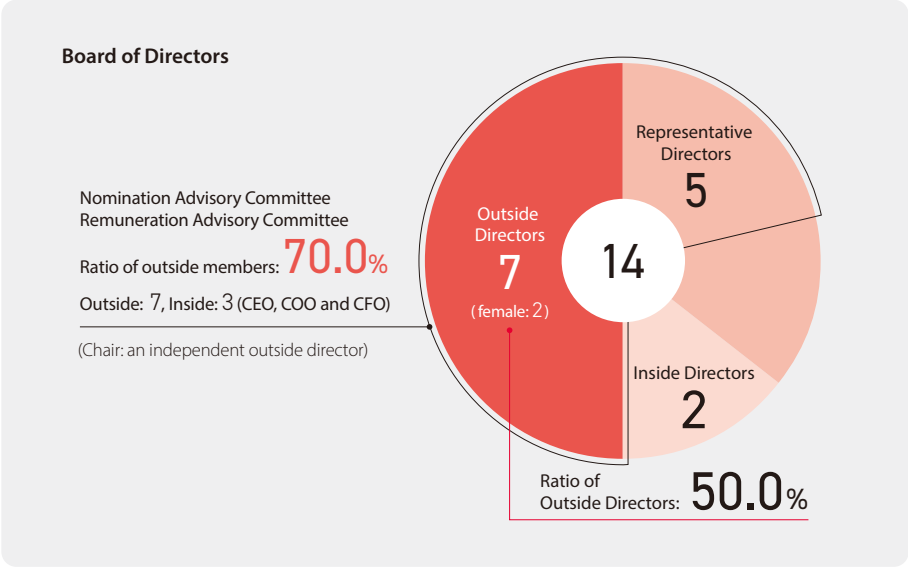
Governance

- 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

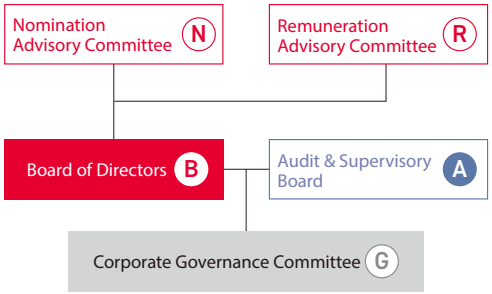
Other than the above, the Board of Directors deliberates and passes resolutions, as necessary, on matters stipulated by laws, regulations, and the Articles of Incorporation.



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

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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

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

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

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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 **Composition of the Board of Directors** In order to further enhance monitoring functions, it is necessary to continue to consider how the Board of Directors should function in response to changes in the environment. **Evaluation by the Audit & Supervisory Board** It is necessary to continue considering the Board of Directors' institutional design and how to ensure the diversity of constituent members.	• 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%. ↓ • 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 **Enhancing discussion of management strategies, non-financial information, etc.** Continue to work on agenda setting and ensuring time for discussion. **Evaluation by the Audit & Supervisory Board** It is also necessary for the Board of Directors to deepen discussions on the Group's medium- to long-term management strategy, business portfolio review, and sustainability information.	• 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. ↓ • The Board of Directors is now able to devote more time than ever to discussions on management strategies and other matters.
Theme 3 **Internal controls** Enhance discussions on risk management and compliance from a risk-averse approach to governance. **Evaluation by the Audit & Supervisory Board** Monitoring of the status of internal controls for the entire Group needs to be strengthened to improve oversight.	• 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 **Composition of the Board of Directors** 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. • 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 **Further deepening of discussions on management strategy** 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 **Strengthening the risk management system** 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. • 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

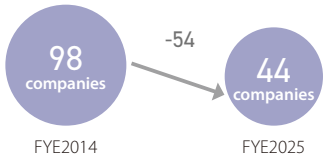
Each year, the Board of Directors reviews the medium-to-long-term economic rationality of the company's various cross-shareholdings and presents the results. An effort is being made to reduce cross-shareholdings by selling those shareholdings that are deemed to be no longer necessary. At the end of fiscal 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

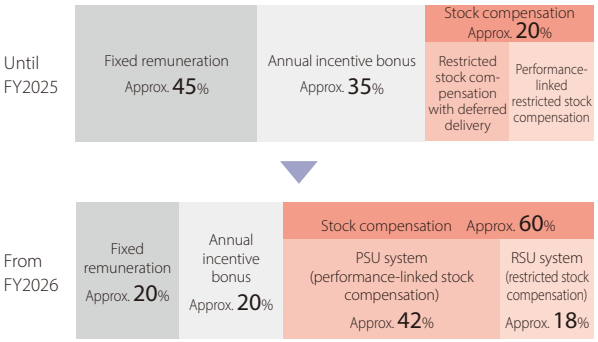
We have engaged in extensive discussions to design a system that incorporates all of these features.

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

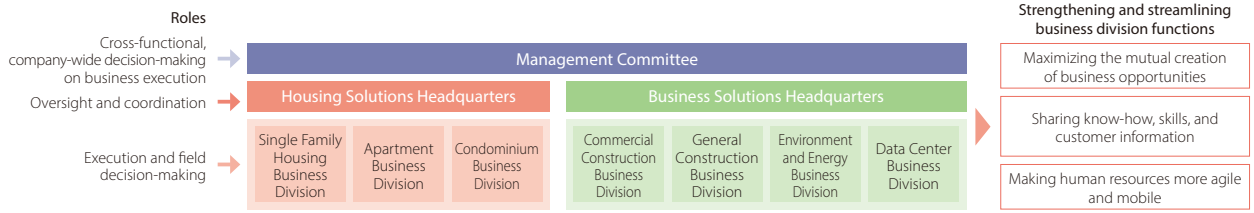
The Committee's membership brings together the Company's top executives responsible for business execution, enabling prompt cross-divisional decisions.

- 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.

Sustainability Report 2026: Promotion of internal control system overseas ▶ P.126

System of business execution

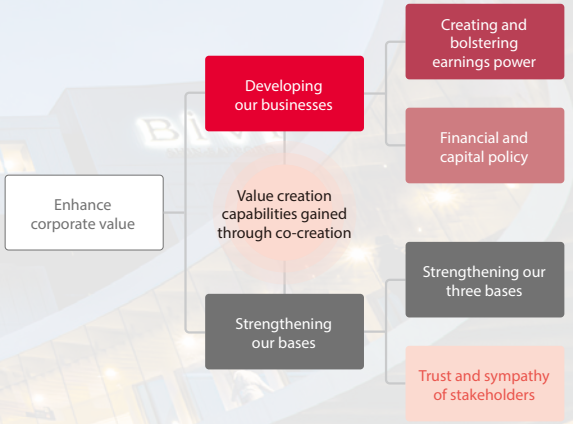




Maaruku Shinsapporo (complex development)

Financial Results, Corporate Information

In this chapter, we analyze the current status of business and management to communicate corporate value from both financial and non-financial aspects. We also present our investment strategy, shareholder returns policy, and share price trends, in addition to indicators such as net sales and ROE. We clarify our commitment to achieving both capital efficiency and stable returns and communicate sustainability management through human capital and environmental KPIs.



Chapter 8

Chapter 8 Financial Results, Corporate Information

Management's discussion and analysis of financial position and results of operations

MD&A summary

I Total assets and interest-bearing debt increased as a result of the active execution of strategic investments for growth, including investments in M&A, the US housing business, and real estate for sale in Japan in line with the expansion of the built-for-sale business, thereby exceeding the financial benchmark. Financial position ▶ P.97

II Free cash flows were negative due to the active investments for future growth.
By strictly applying our investment benchmark, we will strike a balance between the pursuit of growth opportunities and financial soundness. Cash flows ▶ P.98

III ROE is slightly below our target of 13% or higher in our 7th Plan, but we are working to improve capital efficiency, including through optimization of the business portfolio. Profits and losses ▶ P.99

IV We are advancing investments aimed at optimizing our business portfolio from the perspectives of growth potential and profitability. Business results by segment ▶ P.102

V We are actively advancing investments in human capital, Digital transformation (DX) and IT, in addition to strategic investments including the consolidation of Sumitomo Densetsu Co., Ltd., to expand our revenue opportunities and to strengthen the business foundation. Investments ▶ P.103

VI We strive to maintain and enhance stable dividends, achieving dividend increases for 16 consecutive periods. We continue to realize management conscious of cost of capital and share prices as well as maximize corporate value by strengthening dialogue with investors through IR activities. Shareholder returns and stock prices ▶ P.104

Note: This section analyzes the financial position and results of operations during the eight fiscal years from fiscal 2018 to fiscal 2025. For the list of financial data, see "Financial highlights" on pages 105 and 106.

Financial position

Financial condition

Figure 1 Figure 2 Figure 3

Total assets as of the end of fiscal 2025 increased by ¥1,363.0 billion from the end of fiscal 2024 to ¥8,412.4 billion. This was mainly due to purchases of real estate for sale in the Commercial Facilities and Single-Family Houses Businesses, which led to the increase in inventories.

Total liabilities increased by ¥1,057.5 billion from the end of fiscal 2024 to ¥5,390.1 billion. This was mainly due to fund raising through borrowings and the issuance of commercial paper for the acquisition of real estate for sale and the acquisition of shares of Sumitomo Densetsu Co., Ltd. to make it a consolidated subsidiary.

Total net assets increased by ¥305.5 billion from the end of fiscal 2024 to ¥3,022.2 billion. This was mainly because of recording net income attributable to owners of the parent of ¥350.5 billion, despite ¥95.8 billion in dividends paid to shareholders.

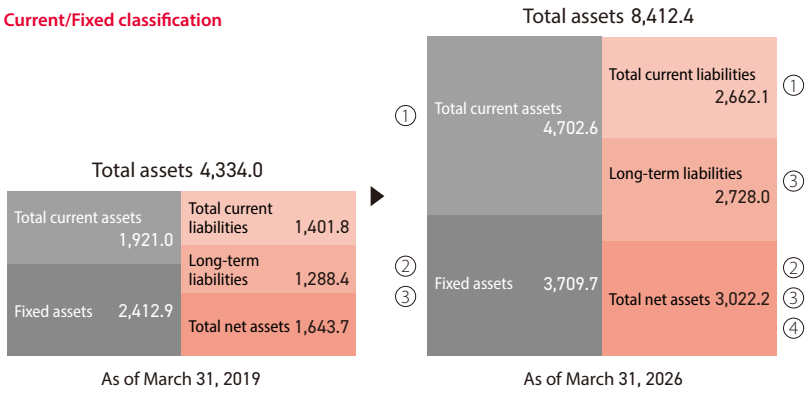
The balance of interest-bearing debt (excluding lease obligations) increased by ¥767.6 billion from the end of fiscal 2024 to ¥3,076.7 billion. The debt-equity (D/E) ratio came to 0.98*1 times, higher than the target of around 0.6 times for financial discipline in our 7th Plan. This was due to the execution of strategic investments aimed at changing our business model and achieving growth, including the expansion of the built-for-sale business and the active execution of M&A transactions.

At ¥3,179.6 billion, inventories account for the largest proportion of assets. While continuing to promote management focused on improving asset efficiency, we will strive to maintain financial health by verifying the optimal capital structure.

*1 Calculated by taking into account the 50% equity credit for a total of ¥250.0 billion in publicly offered hybrid bonds (subordinated bonds) and hybrid loans (subordinated loans).

Figure 1 Comparison of balance sheets (¥ billion)

Current/Fixed classification



Figures are compared with the final year of our Fifth Medium-Term Management Plan (fiscal 2018).

①The current ratio increased from 137% to 177%.

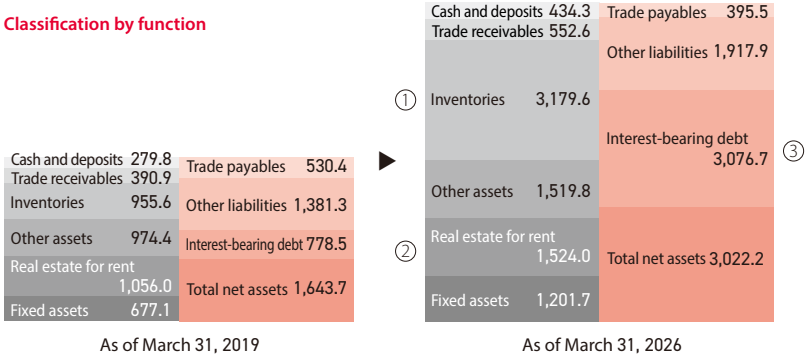
②The fixed ratio dropped from 151% to 128%.

③The ratio of fixed assets to long-term capital dropped from 84% to 66%.

④Net assets excluding non-controlling interests grew from ¥1,595.9 billion to ¥2,896.7 billion.

Figure 2

Classification by function



①Inventories increased from ¥955.6 billion to ¥3,179.6 billion (see Figure 3).

②Real estate for rent increased from ¥1,056.0 billion to ¥1,524.0 billion.

③Interest-bearing debt (excluding lease obligations) increased from ¥778.5 billion to ¥3,076.7 billion. As a result, the debt-equity ratio increased from 0.49 to 0.98 (after taking the hybrid financing into account).

I Financial position

Analysis of asset increases

Figure 3 Figure 4

Inventories as of the end of fiscal 2025 amounted to ¥3,179.6 billion, an increase of 233% compared to fiscal 2018. Major contributing factors include an increase in purchases of real estate for sale for customers considering buying investment properties in each business. The purchases increased, especially in the Commercial Facilities and Rental Housing Businesses, as we strengthened our "capacity to offer comprehensive business solutions that originate with land," one of our strengths. The rise in inventories is also the result of steady expansion of areas in the US housing market where our three US single-family housing companies (Stanley Martin, Trumark, and CastleRock) operate.

Investment properties totaled ¥1,751.9 billion, an increase of 63% over fiscal 2018. This includes ¥1,385.8 billion in real estate available for sale*2, up 88%, and ¥366.1 billion in profit-earning real estate*3, up 7%, indicating that the increase in real estate available for sale led to a rise in investment properties. This increase was chiefly due to our expanded investment in the development of logistics facilities, which is a profit driver.

The increase in assets is largely attributable to an increase in inventories and investment properties, which is a result of our aggressive investments for growth. Investment decisions are made based on the internal rate of return (IRR) as an important indicator; thus, we believe these properties should help us recoup funds and yield profits when sold. We will continuously monitor the turnover ratio and the status of our real estate holdings, and maintain an appropriate balance between outstanding balances and collections, in an effort to improve capital efficiency.

*2 Real estate available for sale refers to real estate that becomes readily salable after investment to earn profit from price rise.
*3 Profit-earning real estate means real estate that we developed to earn rental income.

Figure 3 Inventories

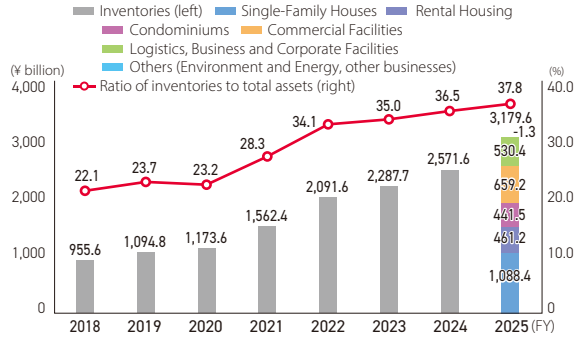
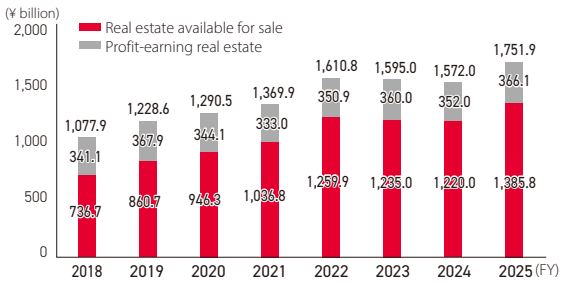


Figure 4 Balance of investment properties



II Cash flows

Basic approach

The basic approach to cash management is to invest in line with the amount of cash generated by business operations. Funds required for growth investments are partially raised through external funding while maintaining our target for financial discipline. While our 7th Plan sets a D/E ratio of about 0.6 as a criterion for financial discipline, the D/E ratio exceeded the criterion temporarily due to the active execution of investments in attractive opportunities to expand future cash flows. To control the level of interest-bearing debt relative to equity in the medium to long term, we have set internal investment benchmarks and apply them, thereby continuing to balance investment in growth with financial soundness.

Cash flow condition

Figure 5 Figure 6

Cash flows from operating activities during fiscal 2025 decreased by ¥231.2 billion from fiscal 2024 to ¥189.2 billion. The ratio of cash flows from operating activities to net assets excluding non-controlling interests, assuming equity capital to be 1.0, was 0.07, down 0.09 of a percentage point from 0.16 in fiscal 2024. This was mainly due to purchases of real estate for sale and payment of corporate income tax, despite ¥542.4 billion recorded in income before income taxes.

Cash flows from investing activities were -¥726.0 billion, due to the acquisition of real estate for rent, etc. and the implementation of the ¥322.7 billion investment into the real estate development business based on the investment plan under the 7th Plan, as well as expenditures for the acquisition of shares of Sumitomo Densetsu Co., Ltd. which became a consolidated subsidiary. As a result, free cash flows (cash flows from operating activities + cash flows from investing activities) were -¥536.7 billion.

II Cash flows

Cash flows from financing activities were ¥631.0 billion due to fund raising primarily through borrowings and the issuance of commercial paper, despite activities such as dividend payments to shareholders.

As a result of the above, the balance of cash and cash equivalents at the end of fiscal 2025 was ¥424.5 billion, an increase of ¥97.6 billion from the end of the previous fiscal year.

Figure 5 Cash flows

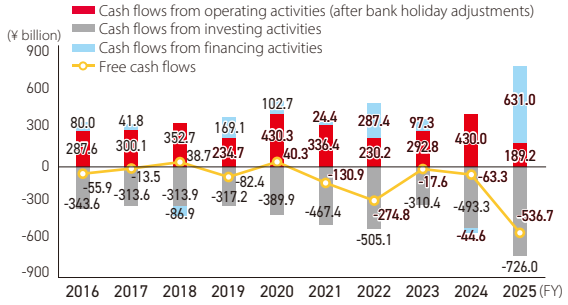
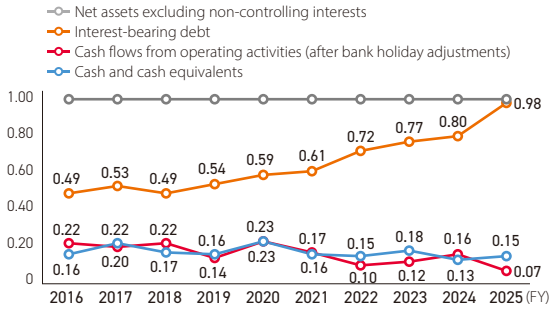


Figure 6 Indices to net assets excluding non-controlling interests (as a ratio where net assets excluding non-controlling interests is equal to 1.0)



Note: Since FY 2019, interest-bearing debt has been shown as an index after taking the equity of hybrid financing into account.

ROE decomposition analysis (income ratio, turnover ratio, leverage)

Cost of shareholders' equity < Return on equity (ROE) = Ratio of net income to net sales × Total asset turnover ratio × Financial leverage

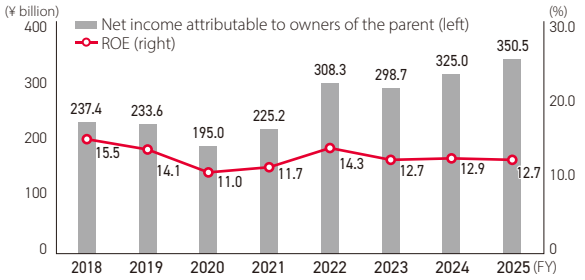
(Our shareholders' equity cost: around 7.0%)

III Profits and losses

Return on equity (ROE) Figure 7

In the 7th Plan, we have set a management target for ROE of 13% or higher, and ROE for the period came to 12.7%. We believe it is important to expand our business performance while improving profitability. To enhance ROE, we will work to improve capital efficiency from various perspectives, including investments in growth areas through optimization of the business portfolio and reductions in inefficient assets.

Figure 7 ROE

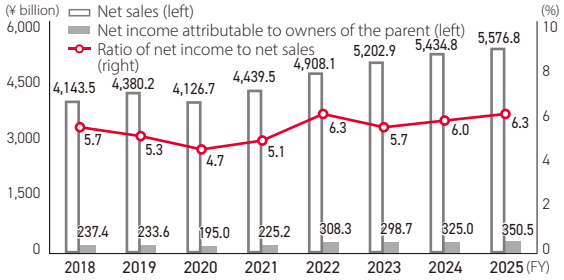


(Breakdown of ROE) Ratio of net income to net sales Figure 8

Net income attributable to owners of the parent amounted to ¥350.5 billion and the average annual growth rate for the period of eight years starting from fiscal 2018 was 5.7%. Although impacted by amortization of actuarial differences in retirement benefits, the net income margin was 6.3%. Despite escalating material prices and labor costs still having an impact, we proceeded to pass along prices and make other efforts in each business, and this is leading to an improved profit margin.

Profits and losses

Figure 8 Ratio of net income to net sales



(Breakdown of ROE) Total asset turnover ratio

Figure 9 | Figure 10

Net sales amounted to ¥5,576.8 billion and the average annual growth rate for the period of eight years starting from fiscal 2018 was 4.3%. Total asset turnover ratio*4 was 0.72 times, declining 0.08 times from 0.80 times in the previous fiscal year. The Group's business has, from the construction contracting business that requires no investment, seen an increasing proportion of areas requiring upfront investment, such as real estate development. In line with this, the proportion of sales from investment properties in net sales is on the rise (see Figure 10). We are also strengthening our built-for-sale business selling land and buildings. The total asset turnover ratio is falling due to the change in our business model, but we will encourage the sale of inventories and sell investment properties and cross-shareholdings in an effort to improve asset efficiency, while maintaining a balance between the recurring-revenue business and the transactional-revenue business.

*4 Average during the fiscal year.

Figure 9 Total asset turnover ratio

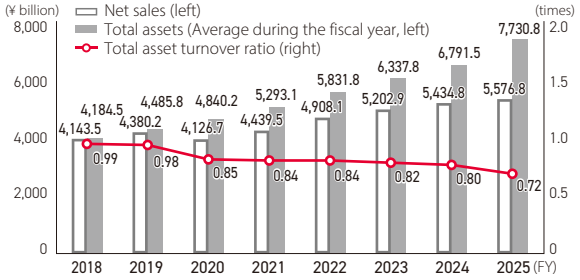
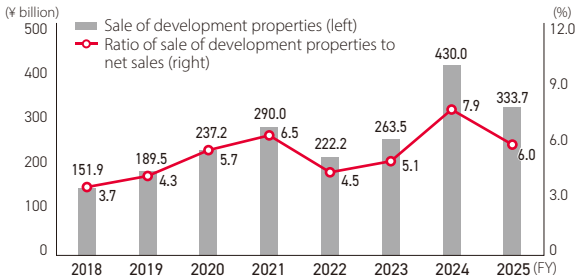


Figure 10 Sale of development properties



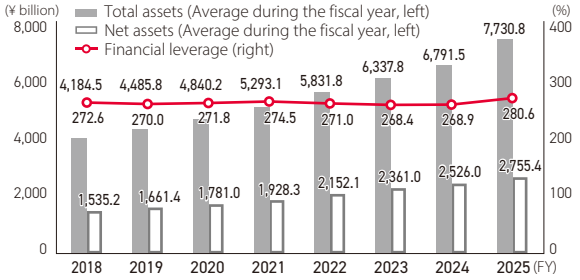
(Breakdown of ROE) Financial leverage

Figure 11

Net assets excluding non-controlling interests amounted to ¥2,896.7 billion and the average annual growth rate for the period of eight years starting from fiscal 2018 was 8.9%. Our financial leverage*5 was 280.6%, up 11.7 percentage points from the previous fiscal year. By setting a D/E ratio as a financial benchmark, we strive to secure funds for growth investments and solidify our financial base while controlling the financial leverage.

*5 Total assets and net assets excluding non-controlling interests are calculated as averages during the fiscal year.

Figure 11 Financial leverage



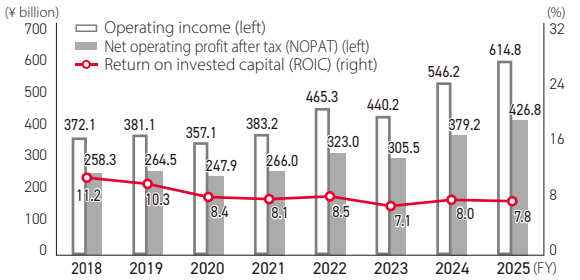
Return on invested capital (ROIC)

Figure 12 | Figure 13

Net operating profit after tax (NOPAT)*6 was ¥426.8 billion and return on invested capital (ROIC), a ratio of NOPAT to the invested capital (= Net assets excluding non-controlling interests + Interest-bearing debt)*7 of ¥5,448.3 billion, was 7.8%. To generate returns by achieving capital efficiency that exceeds the cost of shareholders' equity, we strive to improve ROIC by thoroughly implementing improvements in day-to-day frontline operations, as illustrated in Figure 13.

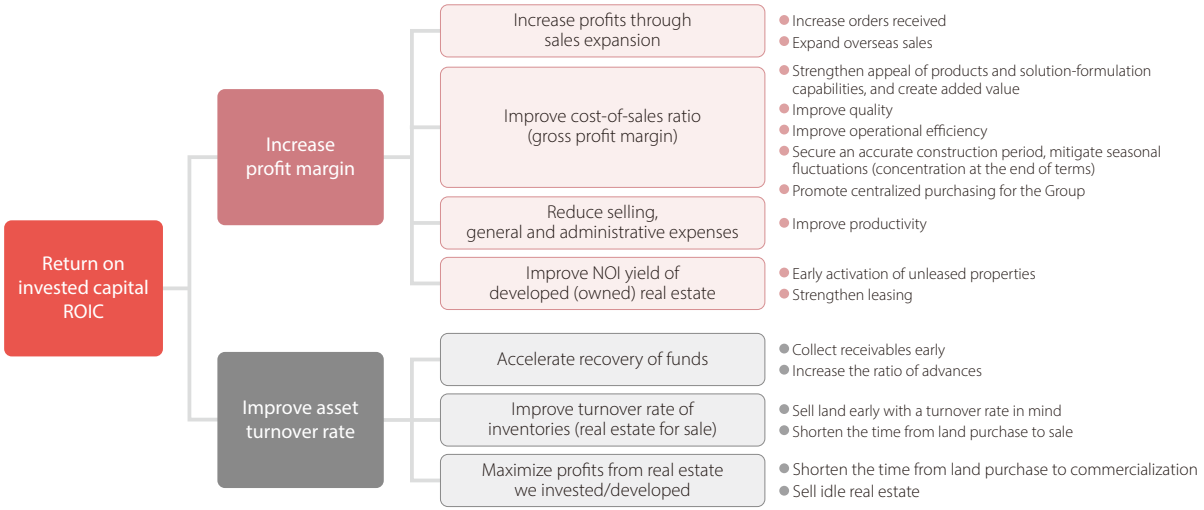
*6 Net operating profit after tax (NOPAT): Operating income × (1 - Effective corporate income tax rate)
*7 Invested capital is calculated as an average during the fiscal year.

Figure 12 Return on invested capital (ROIC)



Profits and losses

Figure 13 Efforts to improve return on invested capital (ROIC) at operational frontline



Overseas business performance

Figure 14 **Figure 15**

Net sales and operating income from the overseas business amounted to ¥1,028.4 billion and ¥137.0 billion, respectively. The average annual growth rate for the period of eight years starting from fiscal 2018 was 20.5% for net sales and 40.1% for operating income. The proportion of overseas operations in our earnings is also on an upward trend, with net sales of 18.4% in fiscal 2025, an 11.7-point increase from fiscal 2018. The Company is actively engaged in businesses overseas such as M&A of housing companies in the US and overseas real estate development. In the 7th Plan, we have set accelerating growth through locally rooted overseas businesses as one of the focal themes, and in fiscal 2026*8, which had been scheduled to be the final year of the 7th Plan, we have worked toward our targets of ¥1 trillion in net sales and ¥100 billion in operating income overseas. Both targets were achieved a year ahead of schedule.

*8 The 7th Plan had initially been slated to be a five-year plan with fiscal 2026 as its final year, but it concluded a year early.

Figure 14 Sales

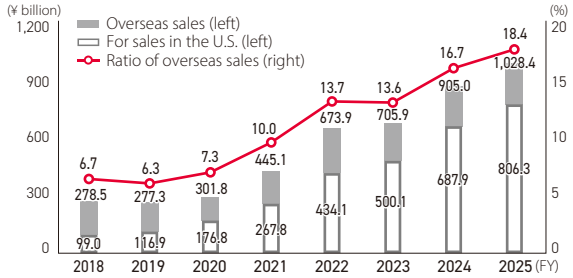
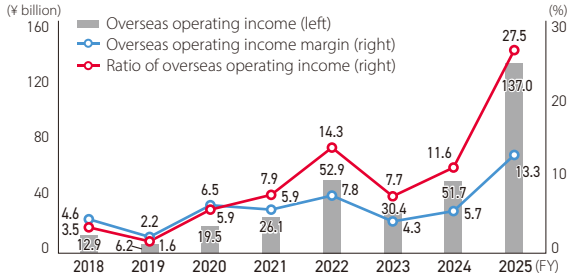


Figure 15 Operating income



Ⅳ Business results by segment

Profitability analysis Figure 16

Nearly 70% of total operating income is accounted for by the three segments of Rental Housing, Commercial Facilities, and Logistics, Business and Corporate Facilities.

For the Single-Family Houses Business, profitability has improved due to the steady increase in the number of homes delivered in the US, as well as the high-margin sale of a large parcel of land. The Condominiums Business saw a decline in profitability due to some unprofitable projects overseas, but the business remained strong in Japan.

Operating income margin to segment assets Figure 17

Inventory balance is increasing due to the promotion of the built-for-sale business, but the Rental Housing Business showed notably higher operating income margins to segment-specific assets, thanks to contribution from the contracting business and rental management business.

In the Logistics, Business and Corporate Facilities Business, we are aggressively investing in long-term, large-scale developments to address the growing markets of logistics facilities and data centers. The current return on assets is at a low level because construction investment is currently underway in the land we acquired, but is expected to significantly contribute to cash flows at the time of payback in the future.

Investments in businesses Figure 18

With regard to investments in businesses, we are working to maintain aggressive investment with a view to sustainable growth. Our investment is expanding in the Logistics, Business and Corporate Facilities Business centered on logistics facilities as a profit driver, and in the Commercial Facilities Business which brings out the potential of regions and contributes to job creation and prosperity. In addition, investments in new businesses and overseas businesses, etc. are being made to develop new revenue streams through the use of funds generated by the above-mentioned segments.

Business segments

Single-Family Houses | Rental Housing | Condominiums | Commercial Facilities | Logistics, Business and Corporate Facilities | Environment and Energy | Other Businesses

Figure 16 [Business segments] Operating income margin/ Net sales ratio by segment (FY2025)

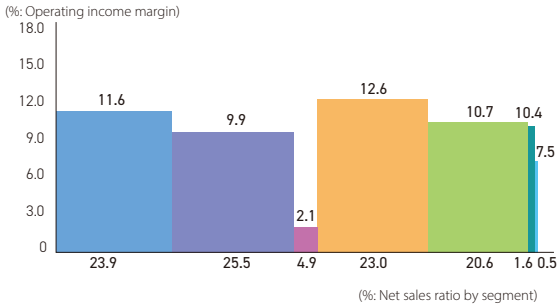
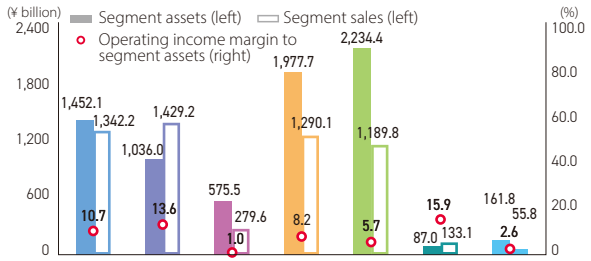
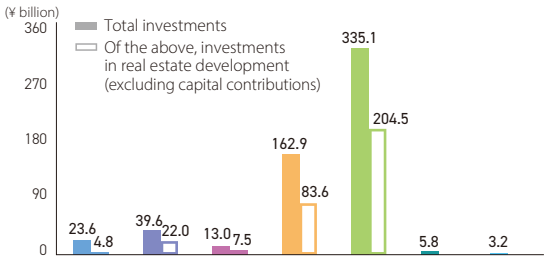


Figure 17 Operating income margin to segment assets (FY2025)



Note: Segment assets are averages during the fiscal year.

Figure 18 [Business segments] Total investments (FY2025)



V Investments

Returns to employees Figure 19

One of the essential elements for sustaining corporate growth is to maintain and improve the living environment of employees. Employee salaries of the Company in fiscal 2025 increased by ¥37.5 billion from fiscal 2018 (an average increase of 21.4% or ¥1,938,000 per employee).

The ratio of employee salaries to operating income*9 was 38%, showing no significant change in fiscal 2025. Regarding wage increases, we revised salary levels starting April 2025, raising average annual income by 10% while also increasing the starting monthly salary for new graduates from ¥250,000 to ¥350,000. We will continue to actively promote investments in human resources, which are an important source for corporate growth.

*9 Employee salaries/(Operating income + Employee salaries)
Employee salaries include bonuses and non-standard wages.

IT-related investments and research and development (R&D) Figure 20

IT-related investments in fiscal 2025 were ¥29.6 billion, an increase of 144% over fiscal 2018. IT-related investments are positioned as key to advancing new value propositions and business model transformation through the digitalization of our value chain and back-office operations and the promotion of open innovation. Therefore, we will continue actively investing funds in this area.

R&D expenditures in fiscal 2025 were ¥11.9 billion, of which ¥3.9 billion was for the residential field, and ¥8.0 billion for the non-residential field and other businesses. Our research and development activities range from basic and applied research to the development of new technologies and new products, and further, to utilization and verification of these new technologies in architectural structures and community development. Through these research and development activities, we are working to address social issues and create new value, which will lead to stronger business competitiveness and the establishment of a foundation for future growth.

Capital investments (Increase in fixed assets) Figure 21

Capital investments (excluding investments in real estate development) were ¥288.1 billion. The main factor contributing to the year-on-year increase was the recognition of intangible assets identified through the fair value measurement of assets and liabilities of Sumitomo Densetsu Co., Ltd. that became a consolidated subsidiary after the share acquisition.

We are working to upgrade factories, improve production lines and take environmental measures. To address the shortage of engineers and technicians in the construction industry, we actively promote the digitalization of construction processes to enhance on-site operational efficiency and productivity, and also aggressively invest in digital transformation (DX). In addition, in December 2025, we completed the construction of Yodoyabashi Gate Tower, an office tower opening the gateway to the next era of business in Midosuji, Osaka. Leveraging its prime location in Osaka, at the gateway to Midosuji and adjacent to Nakanoshima, this large-scale complex development, centered around office facilities, creates a sophisticated and vibrant urban environment.

Figure 19 Ratio of employee salaries to operating income (non-consolidated)

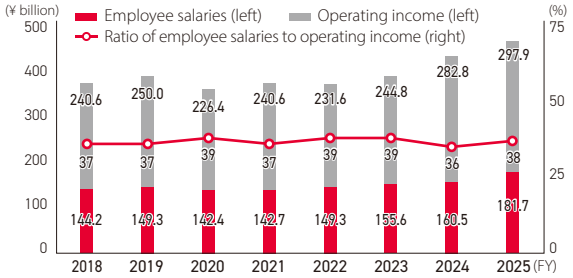


Figure 20 IT-related investments/ Research and development expenditures

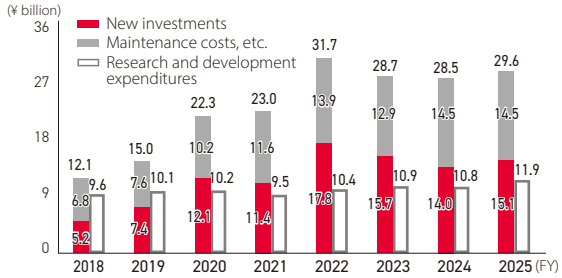
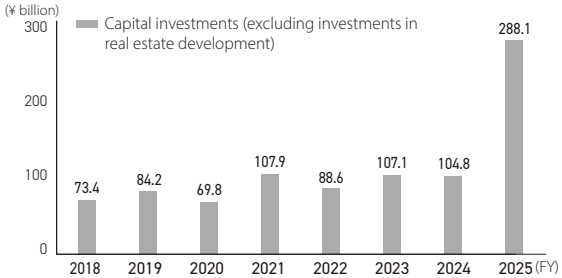


Figure 21 Capital investments (excluding investments in real estate development)



VI Shareholder returns and stock prices

Shareholder returns Figure 22

Under the 7th Plan, we return profits linked to performance with a dividend payout ratio of 35% or higher. In fiscal 2025, our annual dividend was ¥175 per share (including a commemorative dividend of ¥10 to mark the 70th anniversary), for a dividend payout ratio of 30.9%, achieving dividend increases for 16 consecutive periods. The dividend payout ratio was 30.9%, which would be 39.9% when excluding amortization of actuarial differences in retirement benefits.

With regard to shareholder returns, we believe that the most important approach is to steadily increase dividends by sustainably expanding profits. We will continue to meet shareholder expectations through sustainable earnings growth.

Price to book-value ratio (PBR) Figure 23 Figure 24

Book value per share (BPS) amounted to ¥4,677.09 and the average annual growth rate for the period of eight years starting from fiscal 2018 was 10.0%, while the price to book-value ratio (PBR) came to 1.05 times.

We regard our share price as an important indicator of how the market views our overall management and corporate performance. We are not satisfied with the current share price and will work to improve capital efficiency through continuous ROE improvement and optimization of the business portfolio. Furthermore, we work to enhance our financial soundness and governance and will continue to maximize corporate value through dialogue with investors through our IR activities.

Figure 23 BPS/ PBR

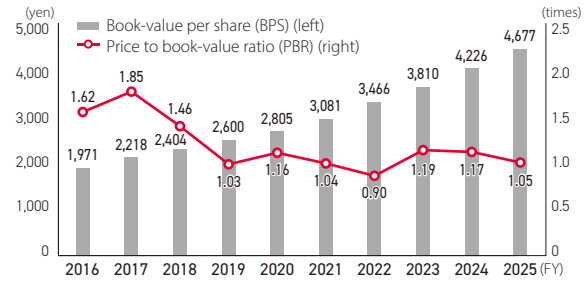
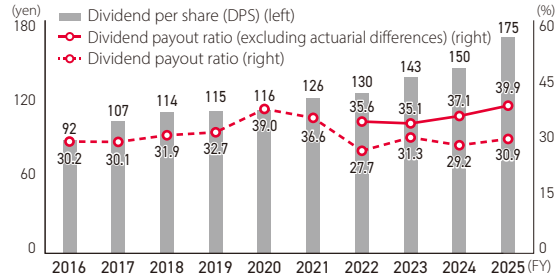
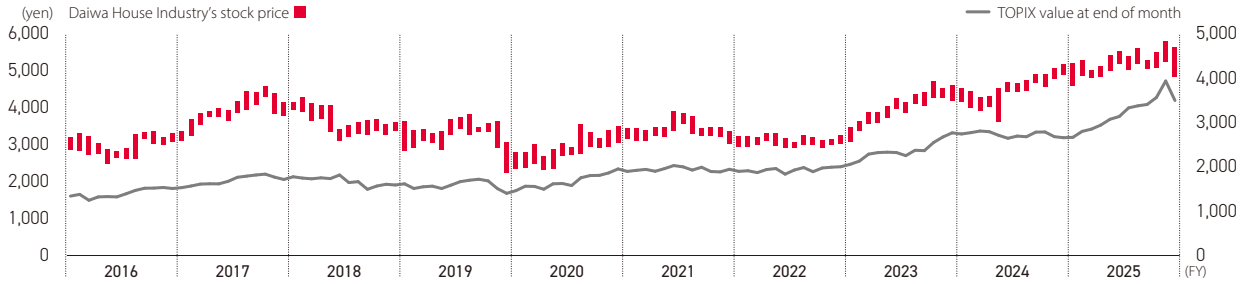


Figure 22 Shareholder returns



Note: The dividend amount is determined excluding amortization of the actuarial differences in retirement benefit accounting.

Figure 24 Trends in stock price of Daiwa House Industry and TOPIX



	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Market capitalization (¥ billion)	2,120.6	2,725.4	2,335.9	1,777.9	2,120.3	2,098.7	2,051.7	2,897.1	3,054.5	3,045.9
Highest stock price (yen)	3,367	4,594	4,293	3,819	3,552	3,900	3,320	4,718	5,175	5,805
Lowest stock price (yen)	2,500.5	3,096	3,119	2,230.5	2,332.0	3,037	2,907.5	3,080	3,633	4,596

Note: The highest and lowest stock prices are those quoted on the First Section of the Tokyo Stock Exchange before April 3, 2022, and on the Prime Market of the Tokyo Stock Exchange after April 4, 2022.Market capitalization is calculated as end-fiscal year close price x end-fiscal year total issued shares (excluding treasury shares).

Financial highlights

(¥ million)

Fiscal Year	2017	2018	2019	2020	2021	2022	2023	2024	2025
Net sales	3,795,992	4,143,505	4,380,209	4,126,769	4,439,536	4,908,199	5,202,919	5,434,819	5,576,861
Gross profit	793,832	842,767	870,206	826,883	864,682	955,194	992,407	1,101,065	1,241,820
Selling, general and administrative expenses	446,690	470,571	489,091	469,761	481,425	489,824	552,197	554,785	626,940
Operating income	347,141	372,195	381,114	357,121	383,256	465,370	440,210	546,279	614,879
Operating income excluded amortization of actuarial differences	336,264	369,178	378,245	329,472	332,267	368,714	393,694	445,041	499,203
Operating income margin (%)	9.1	9.0	8.7	8.7	8.6	9.5	8.5	10.1	11.0
Net income attributable to owners of the parent	236,357	237,439	233,603	195,076	225,272	308,399	298,752	325,058	350,568
Return on equity (ROE) (%)	17.0	15.5	14.1	11.0	11.7	14.3	12.7	12.9	12.7
Total assets	4,035,059	4,334,037	4,627,388	5,053,052	5,521,662	6,142,067	6,533,721	7,049,323	8,412,419
Net assets	1,513,585	1,643,717	1,773,388	1,893,504	2,111,385	2,388,914	2,523,762	2,716,745	3,022,275
Net assets ratio (%)	36.5	36.8	37.3	36.3	36.6	37.2	37.3	37.1	34.4
Interest-bearing debt	780,574	778,546	1,043,478	1,274,886	1,425,407	1,849,481	2,087,838	2,309,077	3,076,706
Debt-equity ratio*1 (times)	0.53	0.49	0.54	0.59	0.61	0.72	0.77	0.80	0.98
Net cash provided by operating activities	382,365	355,599	149,651	430,314	336,436	230,298	302,294	420,561	189,277
Net cash used in investing activities	(313,664)	(313,989)	(317,273)	(389,980)	(467,423)	(505,181)	(310,419)	(493,370)	(726,053)
Net cash provided by (used in) financing activities	41,804	(86,979)	169,128	102,731	24,427	287,452	97,399	(44,682)	631,058
Market capitalization (¥100 million)	27,254	23,359	17,779	21,203	20,987	20,517	28,971	30,545	30,459
Stock prices (FYE) (yen)	4,100	3,519	2,677	3,241	3,201	3,114	4,528	4,938	4,918
Per share of common stock (yen):									
Earnings per share (EPS)	355.87	357.29	351.84	297.18	343.82	469.12	457.16	514.00	566.47
Book-value per share (BPS)	2,218	2,404	2,600	2,805	3,081	3,466	3,810	4,226	4,677
Cash dividends*2	107	114	115	116	126	130	143	150	175
Dividend payout ratio (%)	30.1	31.9	32.7	39.0	36.6	27.7	31.3	29.2	30.9
Price earnings ratio (PER) (times)	11.52	9.85	7.61	10.91	9.31	6.64	9.90	9.61	8.68
Price to book-value ratio (PBR) (times)	1.85	1.46	1.03	1.16	1.04	0.90	1.19	1.17	1.05
Number of employees*3 (FYE)	42,460	44,947	47,133	48,807	48,831	49,768	48,483	50,390	55,712
Number of group companies	317	387	360	444	480	488	497	667	716

*1 Since fiscal 2019, debt-equity ratio has been shown after taking the hybrid financing into account. *2 Cash dividends of ¥126 for fiscal 2021 include a commemorative dividend of ¥10 to mark the 100th birthday of founder Nobuo Ishibashi. In addition, cash dividends of ¥175 for fiscal 2025 include a commemorative dividend of ¥10 to mark the 70th anniversary of the Company's foundation. *3 Regular employees only. Note: The total number of issued shares excludes treasury shares.

Fiscal Year	2017	2018	2019	2020	2021	2022	2023	2024	2025
Sales by segments (consolidated)*4 (¥100 million)									
Single-Family Houses	3,853	3,838	4,978	5,161	7,848	9,100	9,510	11,445	13,422
Rental Housing	10,308	10,613	10,059	9,827	10,525	11,494	12,502	13,760	14,292
Condominiums	2,850	2,805	3,727	3,397	3,799	4,843	4,418	2,694	2,796
Existing Homes	1,121	1,145	1,456	1,247	—	—	—	—	—
Commercial Facilities	6,208	6,939	8,067	8,083	10,385	10,921	11,815	12,271	12,901
Logistics, Business and Corporate Facilities	8,502	10,223	11,523	9,899	10,792	11,302	12,944	13,697	11,898
Environment and Energy	—	—	—	—	1,610	1,886	1,394	1,311	1,331
Other Businesses	6,371	7,161	5,300	5,073	630	818	680	509	558
Adjustment	(1,256)	(1,293)	(1,311)	(1,423)	(1,197)	(1,285)	(1,238)	(1,341)	(1,432)
Total	37,959	41,435	43,802	41,267	44,395	49,081	52,029	54,348	55,768
Operating income by segments (consolidated)*4 (¥100 million)									
Single-Family Houses	215	199	180	218	383	466	351	698	1,556
Rental Housing	1,066	1,022	985	908	966	1,097	1,157	1,299	1,411
Condominiums	133	135	158	53	97	408	373	109	59
Existing Homes	132	159	167	104	—	—	—	—	—
Commercial Facilities	1,141	1,377	1,406	1,228	1,241	1,329	1,436	1,459	1,624
Logistics, Business and Corporate Facilities	889	989	1,206	1,159	1,255	996	1,232	1,596	1,276
Environment and Energy	—	—	—	—	52	62	91	124	138
Other Businesses	230	325	192	107	(59)	54	24	28	42
Adjustment	(337)	(486)	(487)	(209)	(105)	237	(265)	147	38
Total	3,471	3,721	3,811	3,571	3,832	4,653	4,402	5,462	6,148
Housing starts*5 (thousands of units)									
Housing starts	946	952	883	812	865	860	800	816	711
Number of houses sold in Japan (non-consolidated) (units)									
Number of houses sold	51,641	48,410	43,703	38,991	40,758	40,562	37,453	32,239	31,085
Custom-built houses	6,907	6,524	5,917	5,178	5,164	4,191	3,424	2,810	2,902
Built-for-sale houses	2,320	2,192	2,066	1,841	1,596	1,571	1,760	2,257	1,965
Reference: Sales of houses (overseas)	973	2,621	2,875	4,184	4,857	6,332	6,971	7,514	8,143
Rental housing	40,254	37,905	33,502	29,488	31,202	32,224	29,841	25,668	24,955
Condominiums	2,160	1,789	2,218	2,484	2,796	2,576	2,428	1,504	1,263
Average sales per unit (¥ million)									
Custom-built houses	35.9	37.3	39.6	39.6	41.0	45.1	49.0	54.8	53.1
Built-for-sale houses	24.0	24.3	22.4	23.1	24.2	24.6	24.7	26.7	26.4
Rental Housing Business									
Rental housing units managed	543,124	572,238	595,182	611,874	630,555	649,891	684,460	702,859	725,568
Occupancy rates (%)	97.3	96.9	97.6	98.2	98.2	97.8	97.2	97.4	97.7
Commercial Facilities Business									
Average orders received per building (¥ million)	324	381	466	512	513	563	736	824	990
Subleasing floor space of commercial facilities									
Total leasing floor space (m^2)	6,157,287	6,375,278	6,765,150	6,871,560	6,964,194	7,163,733	7,159,607	7,333,590	7,489,661
Occupancy rates*6 (%)	99.1	99.0	98.8	98.5	98.6	98.9	98.9	98.9	99.1

*4 Including intersegment transactions. *5 Statistics for housing starts are from Housing Starts Survey by Ministry of Land, Infrastructure, Transport and Tourism. *6 Leasing floor space occupied/ Total leasing floor space.

Non-financial highlights

Carbon neutral indicators (EGP2026)

Key indicators			Achievements (FY)		Targets (FY)*9	
			2024	2025	2026	2030
Achieving carbon neutrality	Entire value chain	GHG emissions reduction rate (%)*1	46.2	39.2	35	40
	Business Activities: Scope 1 + 2	GHG emissions reduction rate (%)*1	58.1	57.6	55	70
		Renewable energy utilization rate (%)	98.9	99.3	100	100
	Building use: Scope 3 (Category 11)	GHG emissions reduction rate (%)*1	59.8	54.3	58	63
		ZEH rate (%)*2	99	98	90	100
		Rental housing ZEH-M rate (%)*3	73.1	77.7	50	100
		Condominiums ZEH-M rate (%)*4	100	100	100	100
		ZEB rate (%)*5	66.2	66.2	80	100
	Renewable energy supply facilities constructed	Renewable energy generation equipment constructed (EPC) (MW)*6	3,311	3,592	4,200	5,000
		Renewable energy power plants developed and operated (IPP) (MW)*7	877	1,028	1,550	2,500
	Solar panel installation rate (non-residential)*8	Commercial Facilities Business (non-consolidated) (%)	56.7	60.5	Principles 100	
		Logistics, Business & Corporate Facilities Business (non-consolidated) (%)	76.7	79.9		
		Fujita	50.0	76.5		
		Daiwa Lease	30.3	27.2		

*1 vs FY2015
*2 Contracting and the subdivision development (built-for-sale) operated by Daiwa House Industry (non-consolidated) (in Japan excluding Hokkaido). Construction start basis.
*3 Contracting and the subdivision development (built-for-sale) and development real estate operated by Daiwa House Industry (non-consolidated) (domestic only). Construction start basis.
*4 Total of Daiwa House Industry (non-consolidated). Construction start basis.
*5 Total of Daiwa House Industry, Daiwa Lease, and Fujita. Only in Japan, construction start basis, percentage of land area.
*6 Cumulative total since FY2011
*7 In-house consumption is excluded
*8 Construction start basis, percentage of facilities.
*9 In line with the 7th Medium-Term Management Plan, the EPG 2026 concluded in fiscal 2025, one year ahead of its original schedule. The target figures shown are based on the targets established in EGP2026.

Human capital indicators (ESP2026)

Key indicators			Achievements (FY)			Targets
			2023	2024	2025	
Increase the value of our human capital	Recruitment	Ratio of newly employed females to total new employees (%)	27.6 (April 1, 2024)	24.7 (April 1, 2025)	27.9 (April 1, 2026)	30 (April 1, 2027)
		Number of career hires	182	185	176	—
	Diversity	Ratio of female employees in management (%)	5.8 (April 1, 2024)	6.1 (April 1, 2025)	6.3 (April 1, 2026)	8 (April 1, 2027)
		Ratio of female section chiefs (%)	23.5 (April 1, 2024)	24.0 (April 1, 2025)	24.3 (April 1, 2026)	25 (April 1, 2027)
		Ratio of employment of persons with disabilities (%)	2.48 (April 1, 2024)	2.51 (April 1, 2025)	2.52 (April 1, 2026)	2.80 (April 1, 2027)
		Ratio of retention of young employees (three years after joining the Company) (%)*1	77.6 (March 31, 2024)	81.4 (March 31, 2025)	87.6 (March 31, 2026)	85 (March 31, 2027)
		Ratio of seniors who continue to be employed at age 65 (%)*2	55.2 (April 1, 2024)	57.7 (April 1, 2025)	44.0 (April 1, 2026)	—
	Health management	Percentage of employees receiving periodic medical examinations (%)	100	100	100	Early achievement of 100%
		Percentage of follow-up testing of patients who were required to receive detailed tests or medical treatment (%)	89.5	96.1	100	
	Childbirth and childcare	Ratio of male employees taking childcare leave (%)	66.5	68.9	87.3	90 (FY2026)
		Lump-sum payment program for fostering the next generation (number of recipients/amounts: ¥ million.)*3	609/609	556/556	579/579	—
	Employment	Percentage of paid leave taken (%)	65.5	66.5	67.7	—
	Equity	Gender wage gap (ratio of average income of female to male employees) (%)*4	61.6	61.8	62.2	—
	Career support	Number of Multi-Experiential Career Support Program users*5	82	73	89	—

Note: The figures in human capital indicators are for Daiwa House Industry (non-consolidated) only.

*1 Retention rate of regular recruits three years after joining the Company in each fiscal year
*2 In FY2025, due to the introduction of the optional retirement age of 67 system, this is stated under "Employment continuation rate after reaching mandatory retirement age of 65 or 67."
*3 Cumulative total since the introduction of the system Payments in 2005 : ¥13,605 million
*4 Percentage of regular employees
*5 Career support program focusing on internal and external side jobs

Corporate data (as of March 31, 2026)

Corporate name	Daiwa House Industry Co., Ltd.
Foundation	April 5, 1955 (Established: March 4, 1947)
Paid-in capital	¥162,602,893,922
Employees (consolidated)	55,712 (as of March 31, 2026)
Securities traded	Prime Market of the Tokyo Stock Exchange
Securities code	1925
Head office	3-3-5 Umeda, Kita-ku, Osaka 530-8241, Japan Phone: +81-6-6346-2111
Tokyo Head office	3-13-1 Iidabashi, Chiyoda-ku, Tokyo 102-8112, Japan Phone: +81-3-5214-2111
Offices (9)	Kita-Nihon / Kita-Kanto / Higashi-Kanto Minami-Kanto / Hokuriku / Chubu Chugoku / Shikoku / Kyushu
Branches	43
Factories	8
Research center	Central Research Laboratory (Nara)
Training center	Daiwa House Group MIRAI KACHI KYOSO Center (Nara)
Countries and regions with overseas operations	27
Contact	Daiwa House Industry Co., Ltd. Finance and IR Department, Management Administration Headquarters Phone: +81-6-6225-7804 e-mail: dh.ir.communications@daiwahouse.jp
Website	https://www.daiwahouse.com/English/

Board of Directors, Audit & Supervisory Board and Executive Officers (as of June 26, 2026)

Board of Directors (14)

Representative Director and Chairman, CEO	Keiichi Yoshii
Representative Director and President, COO	Hirotsugu Otomo
Representative Director and Executive Vice President, CFO	Takeshi Kosokabe
Representative Director and Executive Vice President	Yoshiyuki Murata
Representative Director and Senior Managing Executive Officer	Keisuke Shimonishi
Director and Senior Managing Executive Officer	Toshiya Nagase
Director and Managing Executive Officer	Eiichi Shibata
Outside Directors	Yukinori Kuwano Miwa Seki Kazuhiro Yoshizawa Yujiro Ito Toshikazu Nambu Tomomi Fukumoto Yuichiro Kondo

Audit & Supervisory Board (6)

Audit & Supervisory Board Members	Yoshinori Hashimoto Ryuichi Oyaide Yoshihiro Takashige
Outside Audit & Supervisory Board Members	Akihisa Watanabe Tatsuji Kishimoto Takashi Maruyama

Managing Executive Officers (8)

Tatsuya Urakawa	Moritaka Noumura
Yuji Yamada	Junko Ishizaki
Tetsuya Tamura	Takafumi Nakao
Koji Harano	Hiroaki Murata

Senior Executive Officers (17)

Nobuhito Ishibashi	Yoshimune Morizumi
Tetsuro Wada	Keitaro Takebayashi
Hiroshi Kono	Yoshinori Iwabuchi
Hirotaka Najima	Keisuke Izumoto
Katsuyuki Murai	Katsunori Nobe
Masafumi Sugimoto	Masatoshi Sarashina
Norio Togashi	Masatoshi Hatta
Kazumi Suwa	Tadahiro Takayoshi
Hideto Tamiya	

Executive Officers (31)

Taro Kawamura	Yoichi Shimoyama
Masataka Kanai	Takahiro Zaitsu
Masao Kita	Masayuki Kanda
Akira Matsuba	Soei Iwamoto
Tetsuo Hatta	Shigeo Fujisawa
Akira Kitamura	Masaki Kawaguchi
Masaaki Kikuchi	Shinji Ishino
Shingo Suzuki	Tomoaki Kodaka
Toshiyuki Suminaga	Katsuhiro Koyama
Toshiki Tanaka	Atsuo Suzuki
Shinichi Yamazaki	Mitsuhiko Tokunaga
Naoya Honda	Yasuo Suzuki
Noboru Higuchi	Nozomu Bando
Yoshimitsu Kojima	Tatsuro Shiho
Shinji Tanioku	Toshinao Kizawa
Takeshi Wakita	

Share information (as of March 31, 2026)

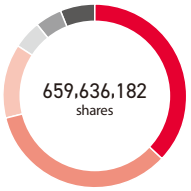
Authorized ..... 1,900,000,000 shares
Issued ..... 659,636,182 shares
Number of shareholders 89,198

Principal shareholders

Name of shareholders	Thousands of shares	Equity stake (%)
The Master Trust Bank of Japan, Ltd. (trust account)	99,643	16.09
Custody Bank of Japan, Ltd. (trust account)	34,834	5.62
STATE STREET BANK AND TRUST COMPANY 505001	15,982	2.58
Daiwa House Industry Employee Shareholders Association	15,383	2.48
JPMorgan Securities Japan Co., Ltd.	13,711	2.21
Sumitomo Mitsui Banking Corporation	11,282	1.82
JP MORGAN CHASE BANK 385781	8,521	1.38
Nippon Life Insurance Company	8,361	1.35
National Mutual Insurance Federation of Agricultural Cooperatives	7,389	1.19
CEP LUX - ORBIS SICAV	7,297	1.18

Note 1: The Company holds 40,289 thousand shares as treasury stock, but it is not included in the above list.
Note 2: The ratio of the number of shares held to the total number of issued shares (excluding treasury shares) is rounded to the second decimal place.

Shareholdings by shareholders



Financial institutions	37.1%
Foreign investors	34.2%
Individuals and others	12.9%
Other corporations	5.2%
Securities companies	4.5%
Treasury stock	6.1%

Note: Equity stake shows the percentages of the total outstanding shares.

Toward sustainable growth and higher corporate value over the medium and long term

IR activities in fiscal 2025 (all figures are total attendance)

For institutional investors and analysts

- One-on-one meetings: 390
- Meetings at securities company-sponsored conferences: 137
- Overseas non-deal roadshows (NDRs): 2 (US and UK)
- Business briefings and site tours: 8
- ESG small meetings featuring outside directors, etc.
  To deepen understanding of our business in the United States, we organized and hosted a site tour there jointly with peer companies. In Japan we also held tours of data centers and logistics facilities.

For individual investors

- Online company briefings: 2
  The CFO and the head of our IR Department spoke, explaining the strengths of our businesses, our ESG work, and our shareholder benefit program.

For employees

- IR briefing for employees: 1 session, 645 attendees
  With employees taking a keener interest in the share price and in our results, the session covered not only the results themselves but the share price as well, set against industry trends and our own position within the industry. Many of those who attended were weighing whether to join the employee shareholding association, and participation now stands at 85 percent.

Main dialogue (engagement) themes

- Business strategy and performance in our domestic contracting and built-for-sale businesses
- The operating environment, performance, outlook, and risks in our overseas businesses, particularly in the US and EU
- Synergies and growth strategy following Sumitomo Densetsu's entry into the Group
- Our approach to real estate development investment as interest rates rise, and our future strategy
- Financial targets, capital allocation, and shareholder return policy under the new Medium-Term Management Plan, among other topics

Our feedback structure

Views we receive from shareholders and investors through our IR activities are fed back to management promptly and appropriately, so that the issues raised are shared and understood. In fiscal 2025 the IR Department held two reporting sessions each for the Board of Directors and for our independent officers. From fiscal 2026 we began distributing a monthly share-price report to the management team. Strengthening this feedback structure supports management with an awareness of the cost of capital and our share price and deepens the discussion of how to raise corporate value.

Editorial postscript

Creating value, eyes set on the future



Yuji Yamada
Managing Executive Officer
In charge of Finance and IR

We would like to express our gratitude for the generous support you extend our Group day in and day out.

The four years of our Seventh Medium-Term Management Plan saw sweeping changes to the operating environment: Recovery from a pandemic, soaring construction costs, and rapid advances in digital transformation (DX) and AI. Through it all we expanded our overseas business, strengthened circularity in our value chain, pushed ahead with decarbonization and DX, and bolstered our human capital and governance, step by step laying the foundations for ongoing sustainable growth.

This report was to be built around our Eighth Medium-Term Management Plan, which got started in fiscal 2026. But the Plan's publication has been postponed due to the Middle-East situation, among other factors. Internal debate therefore focused more than usual on what the Group is aiming for and what we ought to be telling you, and we have tried to convey our long-term perspective and how we are adapting to the shifting operating environment.

A driver of our recent growth has been the Group's knack for reading change early and pursuing new business opportunities. Investment in data centers and semiconductor-related facilities is expanding worldwide on the back of AI uptake and digitalization, and with Sumitomo Densetsu now in the fold, these developments present substantial growth opportunities for the Group. We can also look forward to further growth in our overseas and Livness businesses.

Challenges of this kind dovetail nicely with the spirit of our founder: the industrialization of construction, business that is of service to society, and fostering employees' personal growth through business. At a July 2026 IR session for employees we shared our thinking on raising corporate value, and the response was overwhelmingly positive. It brought home to us once again that sustainable growth depends on individual employees' willingness to take on challenges. We will go on creating both social and economic value as we work toward "Our Hopes for the Future (Our Future Landscape: Embracing the Joys of Life)."

In closing, we would like to thank all who helped produce this report and, especially, all who took the time to read it. We look forward to your continued support in the years to come.

Daiwa House Industry Co., Ltd.

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