



**Daiwa House**®  
Group

## FY2020 Summary of Management policies

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May 15, 2020  
Daiwa House Industry Co., Ltd.  
Code No: 1925  
(First section of the Tokyo Stock Exchange)

**In response to the novel coronavirus pandemic we have prioritized protecting the lives and health of all our stakeholders, including our customers, our business partners, our employees and their families**

- We established a response HQ in the head office and have setup local response HQ in our offices to ensure mutual cooperation and the implementation of appropriate measures. We are working to gather information on the pandemic and ascertain conditions in each location.

We will follow the guidance of the government and local municipalities to respond as much as possible to the needs of society and our customers. We also are rapidly implementing the necessary responses to minimize the impact on our business.

- We are providing clear advice and information sharing to employees and temporary workers, including ensuring that our employees wear masks, disinfect regularly, and take their temperatures daily. We are instructing the use of special leave in cases of employees for whom reporting to work is difficult due to the daycare and elementary school closures or stay home requests, as well as employees who are pregnant, employees with an underlying illness, and employees at high risk of infection.
- Following the state of emergency declaration, we closed all sales sites, including our domestic offices and the 229 model house exhibitions we operate throughout Japan. In response, we adopted telecommuting, suspended certain construction sites, and closed certain commercial facilities, hotels, sports clubs, and other facilities that we own and/or operate. The pandemic has also impacted Group orders received and production activities.
- Tenants of rental housing whose income has been sharply impacted by the epidemic will be given a grace period for payment of rent, up to a maximum of three months' worth (to be paid in installments within 24 months of applying).
- Since May 9, we have begun the gradual resumption of operations after having implemented infection prevention measures in line with instructions and orders outlined by the government and local municipalities. For construction sites throughout Japan, we suspended construction operations from April 20 through May 10 at sites for which we were able to receive consent from the customer but are gradually resuming operations beginning from May 11.

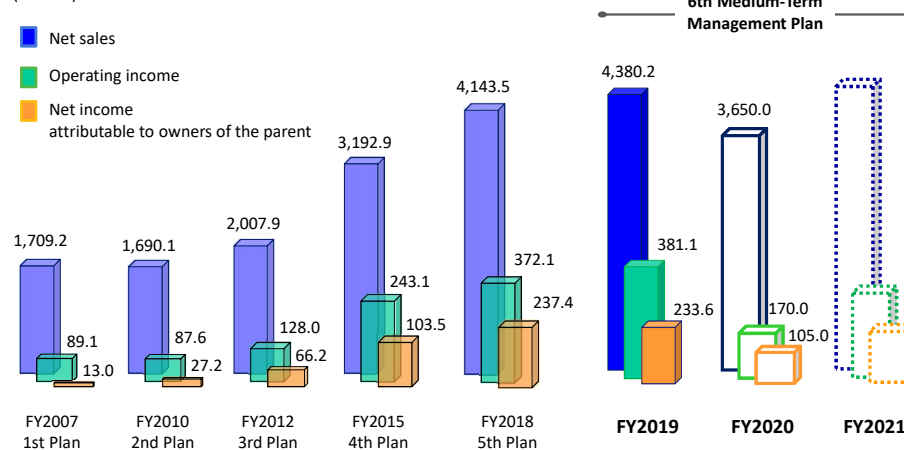
(There is no particular additional explanation in this page.)

## Business performance

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- In FY2019, net sales, operating income and ordinary income were record highs
- As for our FY2020 earnings, while we assume the impact of the novel coronavirus pandemic will largely dissipate by the end of September 2020, we will rapidly disclose any necessary revisions to our earnings forecast in the event the impact of the novel coronavirus pandemic lasts longer than expected
- We plan to announce our earnings forecast for FY2021, taking into account our business performance for the current fiscal year

(¥billion)



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(There is no particular additional explanation in this page.)

Impact of COVID-19 in FY2020 (by segment)			Daiwa House®	
Segments	Major impact for business activities		(¥ billion)	
			Net sales	Operating income
		Total	-830.0	-190.0
Single-Family Houses	<ul style="list-style-type: none"> <li>■ Temporary closure of model house exhibitions</li> <li>■ Refrain from seminars and site visits for customers</li> <li>■ Refrain from business meetings with customers and visits to owners</li> </ul>		-130.0	-20.0
Rental Housing	<ul style="list-style-type: none"> <li>■ Refrain from seminars and site visits for customers</li> <li>■ Postponement of business meetings with land owners</li> <li>■ Decline the occupancy rate of our hotels</li> </ul>		-153.0	-41.0
Condominiums	<ul style="list-style-type: none"> <li>■ Decrease in number of visitors to showrooms, cancellation of application</li> <li>■ Postpone the sale of new properties</li> </ul>		-85.0	-14.0
Existing Homes	<ul style="list-style-type: none"> <li>■ Refrain from regular inspections of existing owners</li> <li>■ Postponement of business meetings with customers</li> <li>■ Refrain from events and seminars</li> </ul>		-37.0	-11.0
Commercial Facilities	<ul style="list-style-type: none"> <li>■ Postponement of visits to owners</li> <li>■ Postponement of business meetings with client companies</li> <li>■ Decrease in rent income due to the temporarily closure of commercial facilities managed and operated by the Group</li> </ul>		-113.0	-42.0
Logistics, Business & Corporate Facilities	<ul style="list-style-type: none"> <li>■ Postponement of business meetings with client companies</li> <li>■ Change in construction plan</li> <li>■ Investors postpone purchasing plans</li> </ul>		-220.0	-31.0
Others	<ul style="list-style-type: none"> <li>Environment energy</li> <li>Resort hotels and sports life</li> </ul>	<ul style="list-style-type: none"> <li>■ Decrease in sale of retail electric power</li> <li>■ Resort hotel operating rates decline due to drop in inbound tourism</li> <li>■ Temporary closure of sports club; many memberships canceled</li> </ul>	-92.0	-36.0

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### (Additional explanation)

1. In almost all business, we refrain from sales activities, postpone of business meetings with customers, and temporarily close the model house exhibitions. So we can not engage in almost to expand new customers. At present it is too difficult to forecast on activities to recover orders received. Therefore, the main reason for the decrease in sales is the decrease in completed properties, of which orders received during the fiscal term.
2. We also reserve compensation for absence from work for workers from cooperating vendors during the period of discontinuation of construction at the work site as extraordinary loss.
3. Due to temporarily closure and stagnation of the operating rate at hotels in operation, we forecast that the income for the hotel business will decrease by approx. 28 billion yen compared to the previous year.

Taking into account the impact of COVID-19, we have drawn up the following plan

## Net sales

## Operating income

(¥ billion)

	FY2019		FY2020		YoY		FY2019		FY2020		YoY
	Result	for overseas	Forecasts	for overseas			Result	for overseas	Forecasts	for overseas	
Single-Family Houses	497.8	143.9	410.0	137.9	-17.7%		18.0	5.3	1.0	6.6	-94.5%
Rental Housing	1,005.9	31.8	880.0	23.1	-12.5%		98.5	7.8	50.0	3.2	-49.3%
Condominiums	372.7	15.1	300.0	0.2	-19.5%		15.8	0.7	-3.0	-2.1	-
Existing Homes	145.6	-	110.0	-	-24.5%		16.7	-	5.0	-	-70.1%
Commercial Facilities	806.7	2.8	710.0	3.0	-12.0%		140.6	0.1	100.0	0.1	-28.9%
Logistics, Business & Corporate Facilities	1,152.3	80.2	880.0	44.9	-23.6%		120.6	-7.1	82.0	-4.5	-32.0%
Others	530.0	3.3	480.0	3.7	-9.4%		19.2	-0.6	-16.0	-0.2	-
Total	4,380.2	277.3	3,650.0	210.0	-16.7%		381.1	6.2	170.0	0.0	-55.4%

(There is no particular additional explanation in this page.)

## The key to growth after COVID-19 has subsided

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We believe that the ability to respond effectively to unforeseen circumstances and the ability to make transformative changes that match new environmental trends are the keys to growth. We will aim for a resumption of growth by accelerating our efforts in strengthening our business base and making innovative changes

### Developing our Business (changes in the market)

#### ■ Housing Segment

- Lifestyle changes due to the greater adoption of diverse working styles such as telework
- Revitalization of the existing housing market due to income insecurity
- We will shift the focus of our business model to all-inclusive guaranteed management services for rental housing owners

#### ■ Business Segment

- Expansion of logistics-related market due to further increase in EC demand
- Increased willingness of enterprises not affected by COVID-19, such as food, medical equipment and pharmaceuticals, to make capital investments
- Expansion of demand in the cold chain market, such as refrigerated warehouses

#### ■ Accommodation business

- Growing domestic demand due to measures to stimulate tourism demand
- (recovery in inbound demand is expected to be prolonged)

### Strengthening our Base

#### ■ Business efficiency improvement / Increase Productivity

- Improving efficiency beyond time and space constraints through telework
- Review of evaluation system adapted to new ways of working
- Review sales methods, including online discussions and the use of VR
- Further promotion of industrialization of construction
- Improved productivity through labor-saving and automated construction on site

#### ■ Management structure

- Shift to business division-centered organization (details to follow)
- Allocation of more responsibility and authority to head of the division, to provide more flexible response to changes in the environment

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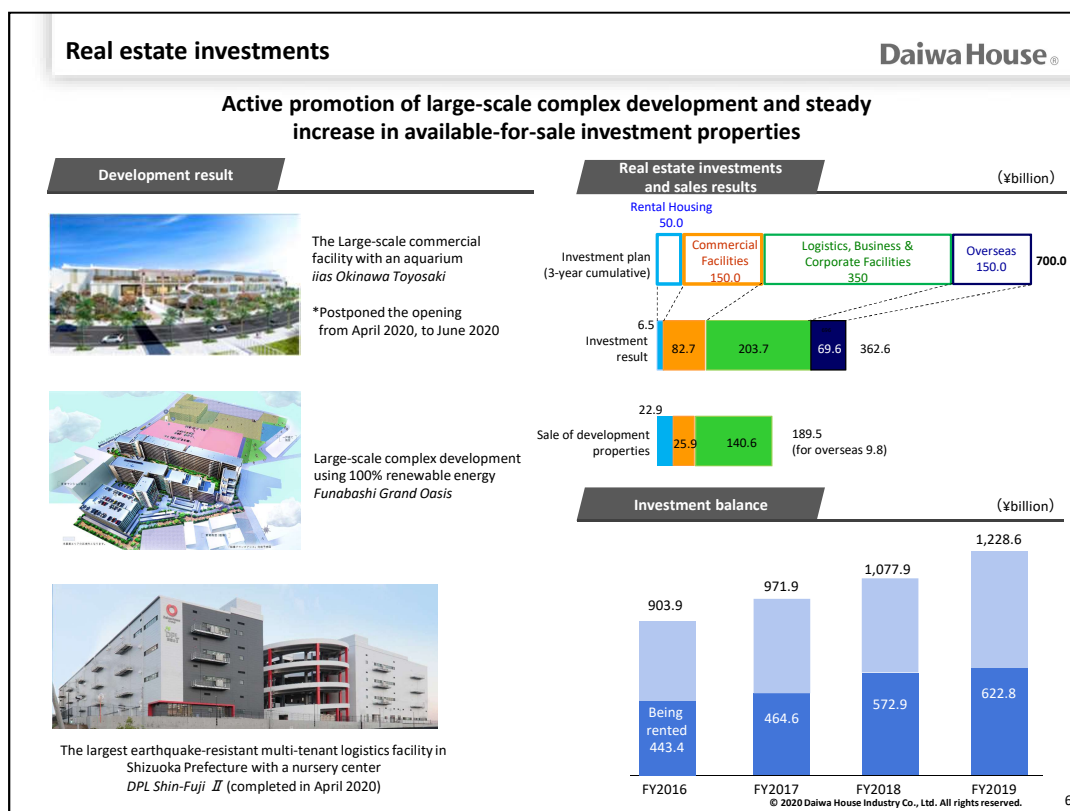
## (Additional explanation)

• It is being said that this COVID-19 shock will have a greater impact than the 2008 Financial Crisis, so we need to bear in mind that the economic downturn may last for a considerable duration.

• We believe that the ability to respond effectively to unforeseen circumstances and the ability to make transformative changes that match new environmental trends by “after COVID-19” or “with COVID-19” are the keys to growth. We will aim for a resumption of growth by accelerating our efforts in strengthening our business base and making innovative changes.

• Specifically, we are making preparations so that we can catch up with “post COVID-19 ” in a timely manner, such as proposing products and services that respond to changes in lifestyles, and working with partner companies where new demand is growing.

• We will promote business efficiency improvement by accelerating work style reform through telework, labor-saving and automated construction on site. Moreover, we are planning to shift to business division-centered organization from next fiscal year, we will transform a management system which is more flexible response to changes in the environment.



(Additional explanation)

• In real estate investments, we developed the large-scale commercial facility with an aquarium *iias Okinawa Toyosaki* in FY2019.

• We also completed the largest earthquake-resistant multi-tenant logistics facility in Shizuoka Prefecture with a nursery center *DPL Shin-Fuji II*.

• Moreover, we started the project which is large-scale complex development *Funabashi Grand Oasis*. As a first community development in Japan that uses only electricity derived from renewable energy, from the time of the start of construction to life after completion, the Group has concentrated all its efforts on this development.

• Looking ahead, we will fully utilize the Company's strengths of a diverse business portfolio and coordination spanning the Group as we actively conduct large-scale joint development while partnering with local governments.

• In the previous fiscal year, we invested approximately 360 billion yen primarily in land for logistics facilities, which we are proceeding to commercialize. As a result, the number of operating properties that we can sell is also increasing steadily.

## Enhancing value-added of customers' assets (Livness business)

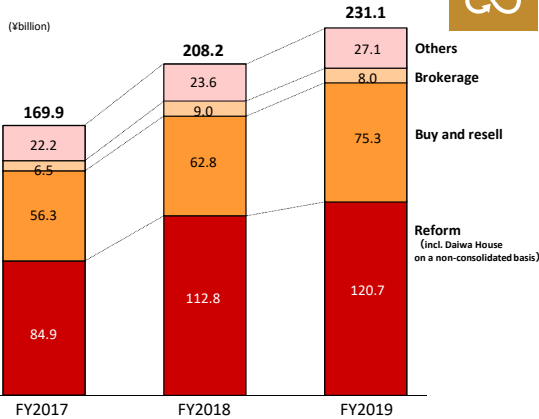
Daiwa House®

Accelerate growth of Livness business by expanding operational bases and building stronger relationships with owners  
Leverage comprehensive strengths of Daiwa House Group to address social problems such as population aging and growing number of abandoned houses

### Trends in Livness business

- ✓ Establish new Livness Section at each single-family houses sales office
- ✓ Increase our involvement ratio by strengthening owner relations
- ✓ Strengthen buy-and-resell business of condominiums, company housing and dormitories

■ Net sales of the Group's Livness business



### Livness Town Project

Redevelopment of Neopolis suburban housing complexes that we constructed in the past  
Promoting the creation of safe, secure, and comfortable communities where people can continue to live in the future

#### Activities in Kamigo Neopolis

- Opened a community center with a convenience store run by residents
- Mobile sales vehicles that make rounds at five locations in the complex, organized by residents
- "Daiwa House Energy" scheduled to be introduced in FY2020

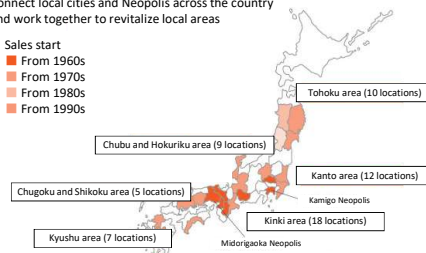


#### Neopolis developed in Daiwa House (61 locations in Japan)

Connect local cities and Neopolis across the country and work together to revitalize local areas

##### Sales start

- From 1960s
- From 1970s
- From 1980s
- From 1990s



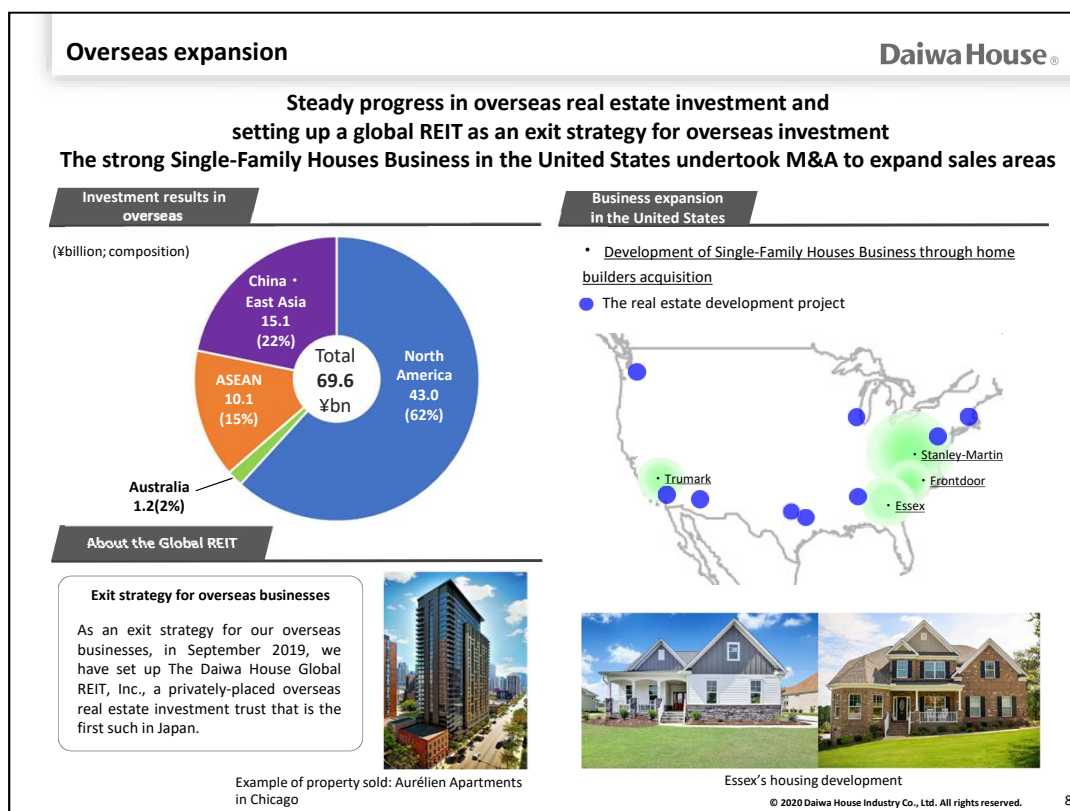
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(Additional explanation)

- By expanding this initiative, we will strive to solve social problems such as the critical aging society and vacant house issues.



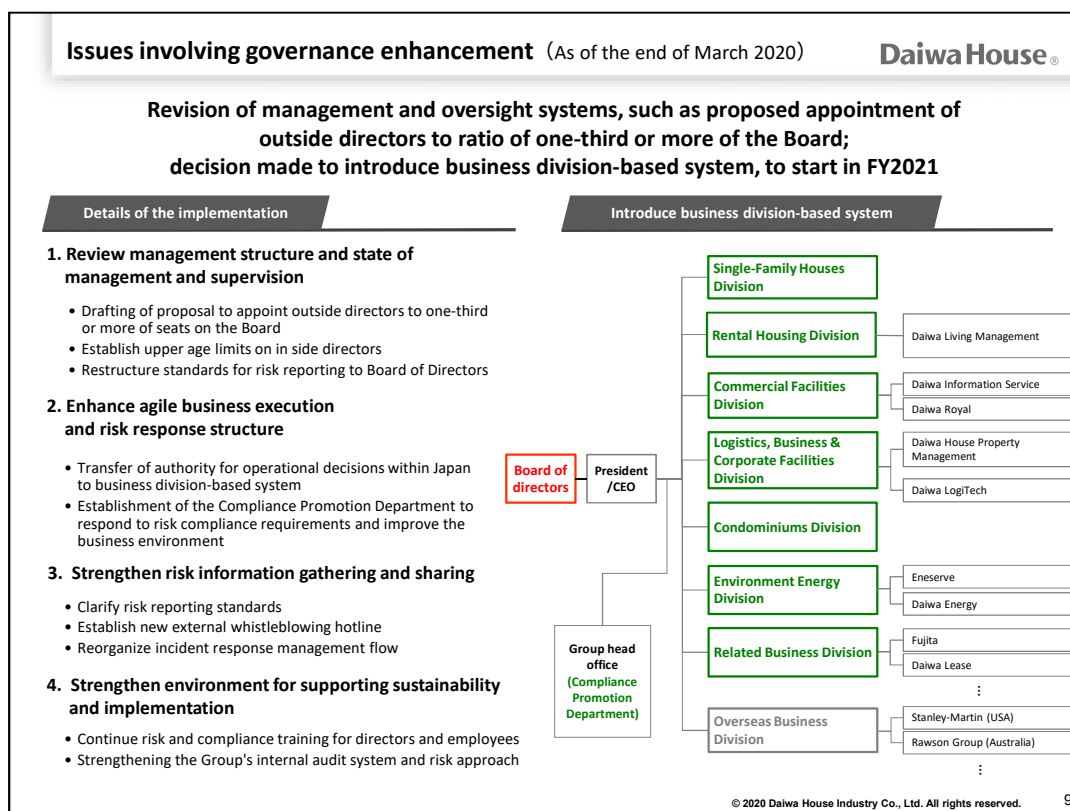


### (Additional explanation)

• In overseas business, we have invested 69.6 billion yen over the past year under an investment plan of 150 billion yen over 3 years.

• Also, in September of last year, we created a private placement REIT that incorporates overseas real estate, which is Japan's first attempt at an exit strategy for future overseas business development.

• In addition, in the United States, Group company Stanley-Martin Communities has acquired single-family homes operations in North and South Carolina from Essex Homes Southeast.



(Additional explanation)

• A proposal to appoint outside directors to one-third or more of seats on the Board is to be submitted at the Ordinary General Meeting of Shareholders on June 26, 2020.

• We established the Compliance Promotion Department and new external whistleblowing hotline to respond to risk compliance requirements and improve the business environment. We strengthen risk information gathering and sharing.

• In addition, we decided to introduce a business execution system under the business division-based system and are proceeding with preparations for a start from the next fiscal year. We will transfer responsibility and authority for the entire value chain including Group companies to head of the business divisions, and build a flexible management system that can respond quickly to environmental changes as well as risk management.

Environmental and Social Initiatives

Daiwa House®

Steady promotion of sustainable management and social contribution through efforts to mitigate climate change and work-style reform

8 DECENT WORK AND ECONOMIC GROWTH

7 AFFORDABLE AND CLEAN ENERGY

13 CLIMATE ACTION

15 LIFE ON LAND

Constructing a management base to meet anticipated social changes

Strengthening relationships with stakeholders

(Taken from the Endless Social Program 2021)

【Initiatives for the human resources base】	FY2019 Result	FY2020 Target	FY2021 Target
Employees who feel job satisfaction	65%	70%	80%
Female manager rate	4.1%	4.5%	5.0%

Pursuing energy conservation, new energy creation, and CO2 emissions reduction to meet the targets set by the EP100, RE100, and SBT

(Taken from the Endless Green Program 2021)

	FY2019 Result *2	FY2020 Target *3	FY2021 Target
Energy efficiency ①	1.34 times	1.30 times	1.40 times
Renewables rate (usage ratio)	88%	100%	100%
(Initial target)		(85%)	(85%)
Renewable energy utilization rate	0.2%	7.0%	10.0%
(Initial target)		(1.0%)	(3.0%)
Greenhouse gas emissions per sales unit②	30% reduction	30% reduction	35% reduction

\*1 Compared with FY2015

\*2 Results for FY2019 3Q

\*3 For the energy efficiency and the greenhouse gas emissions per sales unit, we will revise the objectives.

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(Additional explanation)

•The Group is actively promoting environmental consideration in its business, and is promoting initiatives to further strengthen its management base and contribute to the realization of a sustainable society.

•In our Endless Social Program 2021, we are promoting building a management base that anticipates social changes, and improving relations with our stakeholders. With regard to employee actual work satisfaction, which is one of the target indicators, we are proceeding with measures to raise the current 65%.

•In addition, in our Endless Green Program 2021, we are promoting Group-wide efforts for environmental management aiming at “balance between environmental initiatives and corporate earnings.” We have expanded in-house development of renewable energy power generation facilities such as wind power generation, and town development that spans from the start of construction to living with renewable energy, and have already achieved the target renewable energy ratio of 85% in the first year. We will continue to promote initiatives to become carbon-free.

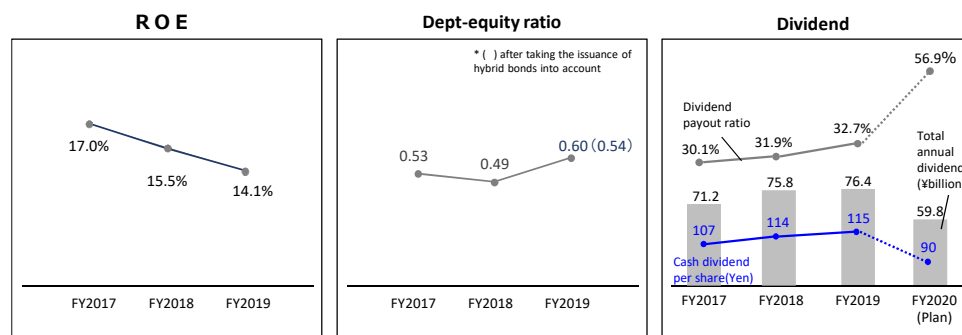
While maintaining our financial soundness, we plan to realize an ROE in excess of capital cost and achieve an equity spread adequate to enhance shareholder value.

## 目 標

- ROE target: **13%** or higher (The current shareholders' equity cost of the Company is approximately 6.5%)
- Appropriate financial leverage: Debt-equity ratio around **0.5**
- Shareholder return: Dividend payout ratio of **30%** or higher and flexible acquisition of treasury stock

## 実 施 内 容

- Issuance of the public offering hybrid bonds ¥150 billion
- Setting limits for acquisition of treasury stock (Up to 10 million shares or ¥30 billion) \*Released on March 13, 2020



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## (Additional explanation)

•The Group has set three goals: “ROE 13% or higher,” “D/E ratio around 0.5-x” and “dividend payout ratio 30% or higher.”

With that in mind, we raised funds last year using hybrid bonds.

•As for the acquisition of treasury stock, as of the end of April, we acquired 1.88 million shares for about 5 billion yen, which is about 20% of the maximum.

•As for annual dividends, there is no change to the previously announced dividend of 115 yen per share, representing a dividend payout ratio of 32.7%. Furthermore, we are planning on an annual dividend amount of 90 yen per share, resulting in a projected dividend payout ratio of 56.9%.

•We will continue to make steady efforts to improve capital efficiency and enhance shareholder returns while maintaining financial soundness.



**Disclaimer regarding business forecasts, etc.**

(Notes regarding forward-looking statements)

The above business forecasts are based on information available as of the date of announcement of this material, and are subject to factors of uncertainty that may possibly impact the future results of operations and are not a guarantee of the achievement of those results. The Company's actual results may differ significantly from those presented herein as a consequence of numerous factors such as financial market trends, economic conditions, competitor situations and fluctuations in land prices.

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