



FY2021 Summary of Management Policies

May 17, 2021
Daiwa House Industry Co., Ltd.
Code No: 1925
(First section of the Tokyo Stock Exchange)

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Restructure our management base and develop products and services that respond to the “new normal,” despite the difficulties of COVID-19

Business Activities for FY2020

1 Enhancing governance

- Revise the ratio of outside directors to one-third or more
- Introduction of the Business Division-Based system (full-scale start from April 1, 2021)

2 Initiatives for “New Normal”

- Accelerate the development of products and communities that anticipate changes in society and lifestyles
- Realization of diverse work styles by implementing telework at home or satellite offices, and introducing a flextime system

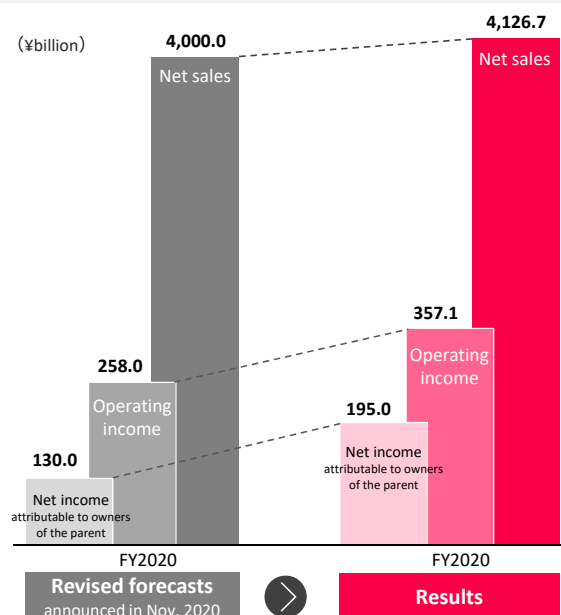
3 Expansion of real estate development

- Upward revision of investment plan to 1 trillion yen
- Active investment and sales centered on logistics facilities

4 Initiatives for SDGs

- Japan's first community development with 100% renewable energy
*“Funabashi Grand Oasis” completed on March 31, 2021
- Accelerating efforts to energy conservation, new energy creation, reduction CO2 emission
*Full realization of “Net zero greenhouse gas emissions by 2050”
- Full-scale redevelopment of outdated housing developments started
*Newly established Liveness Town Business Promotion Department

Financial Results



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Over the past year, it goes without saying that the business activities of many companies have been affected by COVID-19.

We were also greatly affected by the operation of business hotels, resort hotels, and sports clubs. Under these circumstances, in addition to strengthening governance, by providing products and services tailored to the “new normal,” and by expanding real estate development, we achieved results that exceeded our revised forecasts.

We also worked actively on initiatives for SDGs, such as carbon neutrality and the redevelopment of housing developments.

Accelerate the development of products and communities that anticipate changes in society and lifestyles
Providing "place to live" tailored to the customers' preferred style

September 2020 "skye3"
Comfortable living even in a small land



January 2021 "Σ(sigma) 21"
High quality and reasonable



April 2021 "Lifegenic W"
2nd house available online



November 2019 "Lifegenic"
House available online



June 2020 "Telework style"
Support customers working from home



April 2021 "Wood Residence MA-RE"
Mixed structure of wood and RC as the first for a house manufacturer
design by leading designers

ZIZAI
DESIGN OFFICE

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In the Single-Family Houses Business, we anticipated changes in society and lifestyles, and pursued housing that is tailored to the "new normal".

For example, "Lifegenic" is a product that can be easily built to order using our website, and which recognized the change in customer values early on, it having been launched in 2019.

Lifegenic is a product that has received an increasing amount of attention during the COVID-19 pandemic, and beginning this year a wooden-construction version has gone on sale.

Recently, we also began sales of "Wood Residence MARE", our highest-quality product, which combines wooden construction with reinforced concrete, and is aimed at affluent urban customers.

Further promote the development of logistics facilities increasingly demanded by online shopping
Offering high-value added facilities and strengthening logistics solutions to secure No.1 position in Japan

Build-to-Suit type

Number of development buildings

223 buildings

Development floor area

Approx. **5,040,500 m²**



No.1 in Japan in terms of both number of buildings and floor area
Development total floor area: Approx.10,136,000m²
(Including under construction as of March 31, 2021)



Multi-tenant type

Number of development buildings

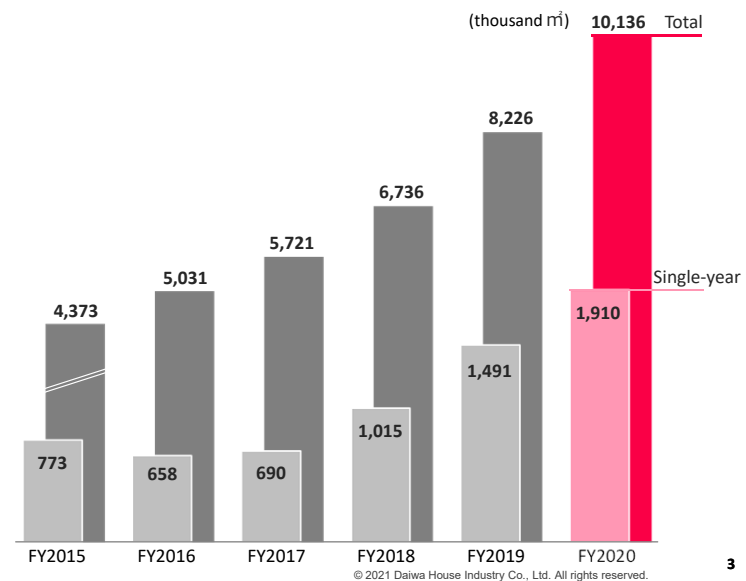
70 buildings

Development floor area

Approx. **5,095,500 m²**

Developed area

* As of March 31, 2021 (incl. under construction)
* As a results of "D Project" (domestic)



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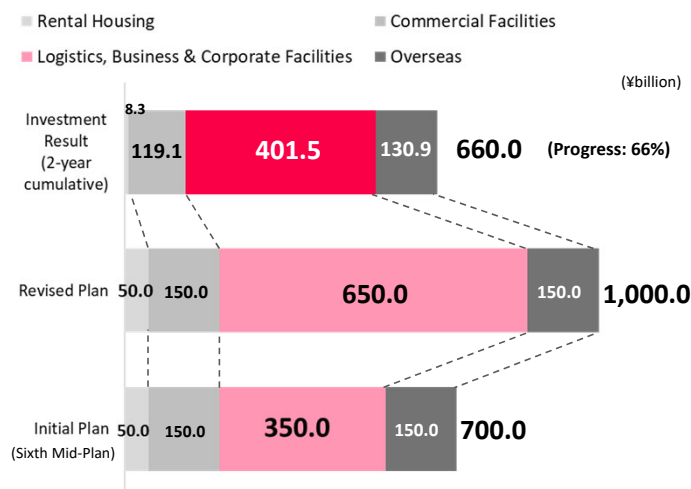
In Logistics, Business and Corporate Facilities Business, the logistics facilities that have been developed so far under the D Project brand now number approximately 300 structures nationwide, with a total developed area of more than 10 million m². These results put D Project in first place in the domestic market for both the number of buildings and floor area.

Demand for logistics facilities is increasing for the EC market expands due to demand consumers choosing to stay at home.

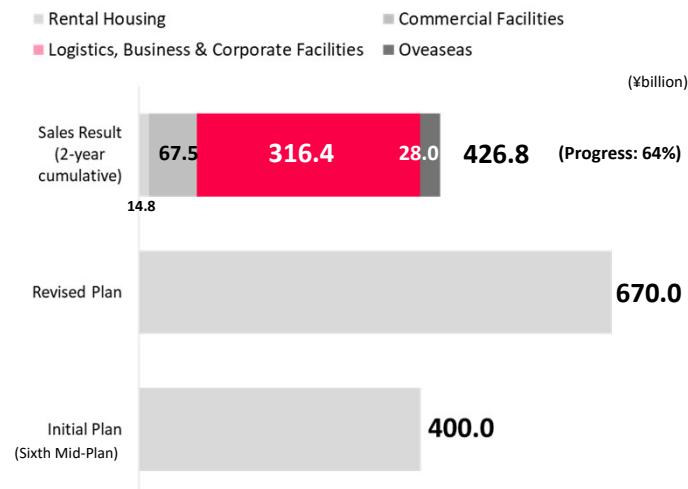
Conversely, competition in development is intensifying, but we has worked to differentiate itself from others by developing logistics facilities with a high degree of functionality, such as offering labor-saving operation through the use of automation.

Aggressive investment in real estate development to expand business opportunities
in the Logistics, Business and Corporate Facilities Business, centered on logistics facilities
At the same time, strengthen exit strategies to maximize profits

Real estate investment



Sale of development properties



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This page is about real estate development.

At the end of the second year of the 6th Medium-Term Management Plan, the Company had committed approximately ¥660 billion of the ¥1 trillion in investments plan under the revised forecast.

Going forward, we will continue to invest actively, mainly in logistics facilities, while strengthening our exit strategies and working to maximize profits.

**UP to the previous fiscal year, primarily focused on institutional design
and strengthened risk and compliance systems**

Main actions up to the previous fiscal year	
Basic policies	Main actions
Review management structure and state of management and supervision	<ul style="list-style-type: none"> • Revise <u>the ratio of outside directors to one-third or more</u> • Establish upper age limits on inside directors
Enhance agile business execution and risk response structure	<ul style="list-style-type: none"> • Establish compliance promotion department to promote risk and compliance response and to develop business environment • Business execution system changed to business division-based system (including the Group companies) • Establish the Related Business Division responsible for business growth and risk management of Group companies not allocated to each business divisions • Establish the Overseas Business Division to improve <u>overseas regional management system</u>
Strengthen risk information gathering and sharing	<ul style="list-style-type: none"> • Establish new <u>external whistleblowing hotline</u> • Reorganize incident response management flow
Strengthen environment for supporting sustainability and implementation	<ul style="list-style-type: none"> • Continue risk and compliance training for directors and employees • Strengthening the Group's internal audit system and risk approach

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Next, I will report on our strategies to strengthen governance.

Based on the four basic policies announced last year, we have steadily strengthened the corporate governance system through the implementation of such measures as changing the ratio of outside directors, establishing a regional management system overseas, and setting up a new external whistleblowing hotline.

In particular, we changed the business execution system to a business division-based system and made a fresh start under the new structure on April 1, 2021.

Steadily implement measures to enhance governance and build a management base for sustainable and stable growth

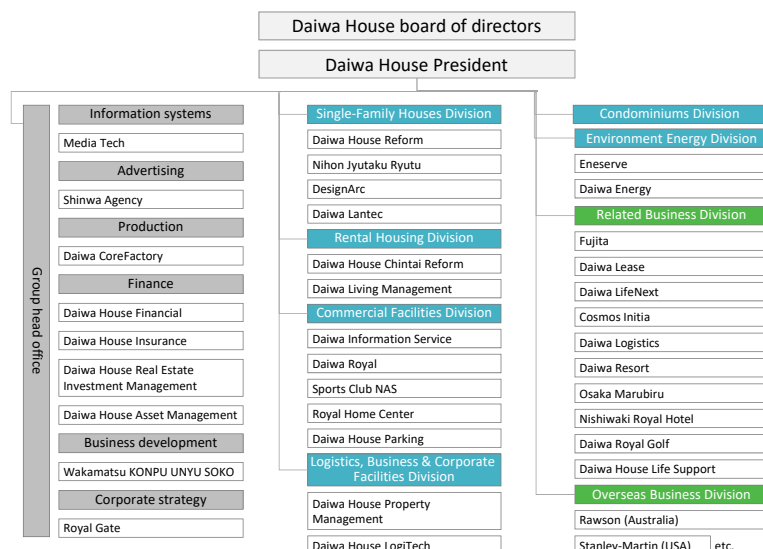
Starting to review overlapping businesses and functions within the Group

Aiming to maximize future value through business division-based management



Future initiatives

*Started on April 1, 2021



- **Continuously strengthening and reviewing** medium- and long-term management strategies and supervisory functions to raise the Group's corporate value
- Review and transition of management reporting systems and processes in each business
- **Continuous improvement of organizations and functions for overlapping businesses within the Group**
- **Continual improvement of the Group's head office functions and optimal allocation of human resources**
- Operation and continuous improvement of risk information coordination systems and its operation
- Continuously strengthening the efficient business operating base to sustain risk management and compliance activities

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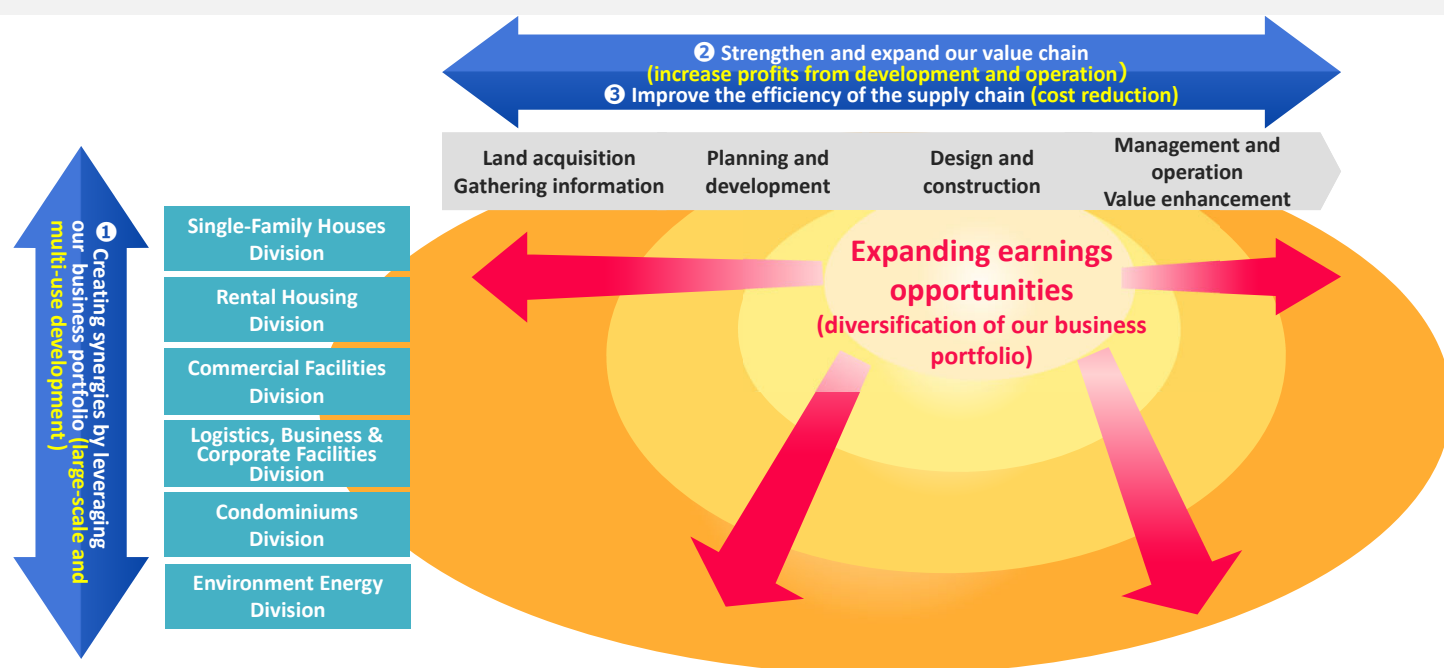
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Following the transition to a business division-based system, the respective Group companies have been positioned within the purview of the relevant business divisions and head office departments of Daiwa House.

Taking into account synergistic effects, we will consider transferring Group companies associated with Related Business Division to other relevant business divisions.

Going forward, we will promote reviews of overlapping businesses and the reorganization of Group headquarter functions, aiming to continuously strengthen supervisory functions and improve management efficiency.

Under the business division-based system, we will diversify our earnings portfolio, including stock business, by expanding business spectrum and strengthening and expanding the value chain



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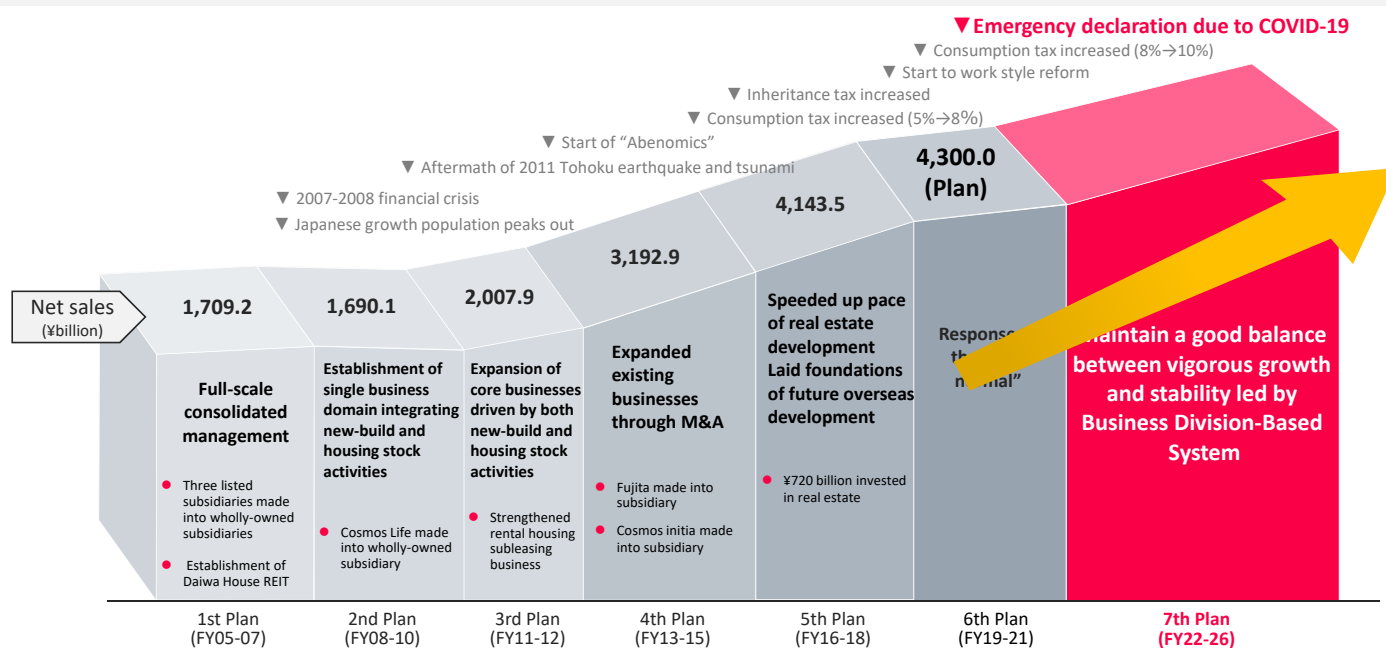
By utilizing the business division-based system, we will implement three growth scenarios.

The first is leveraging our greatest strength, which is the business portfolio, to promote large-scale, multi-function facilities.

The second is integrating group companies into each business division to strengthen the value chain. We will work not only on construction, but also on expanding revenue in facility management and operation.

The third is implement initiatives to reform the supply chain and reduce costs.

Even in a VUCA operating environment, aim for further growth by agile decision-making and flexible response to social issues under the business division-based system



In this way, over the past year we have completed the building of the management base, and are currently drawing up the 7th Medium-Term Management Plan, which will center on the business-division based system to “maintain a good balance between vigorous growth and stability.”



**LiveStyle
Design**

**Transforming home
from a place to return
to a place to “live”**

We will present examples of these initiatives.

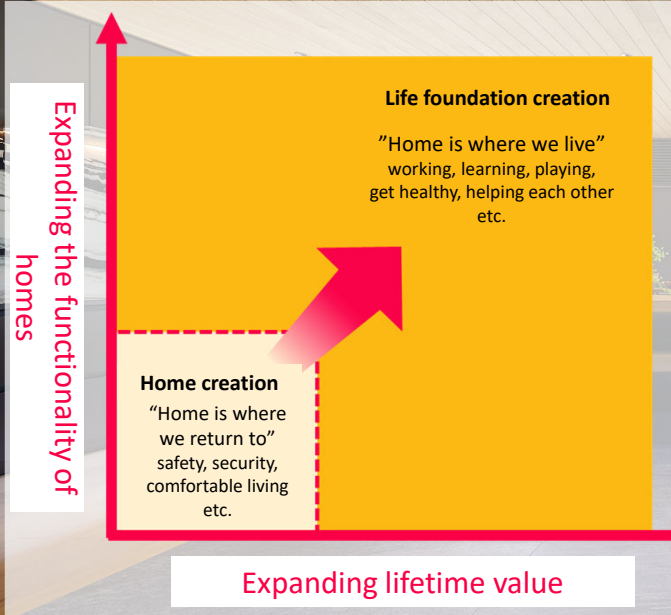
In the single-family houses that are our core business, we have redefined the value that we provide to customers under a new vision of transforming the house from a place to which to return, to a place in which to live.

“What sort of house do you want to build?” is important, but so is “How do you want to live?”

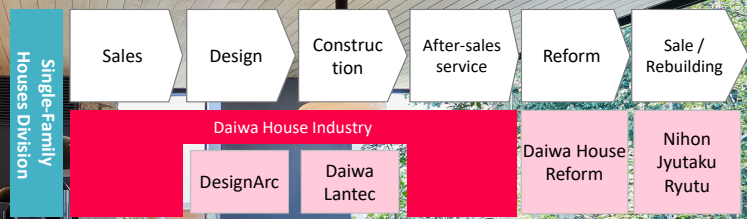
We will propose this concept to customers as “Live-Style Design.”

Propose diverse lifestyles based on changes in family structures

Provide value to address the challenges we face in life, at home, and in society



Pursuing maximization of profits **by optimizing the entire Group**



Three Key Themes

- ① Accelerate development of **new products** that serve as the foundation of customers' lives
- ② Open **lifestyle proposal site**
 - Group joint showrooms, Group shared websites
- ③ Offer follow-up **lifestyle proposal services**
 - Strengthen the Liveness business (stock business)

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As a pioneer of industrialized housing, naturally we provide buildings imbued with manufacturer quality, but we also remain a familiar presence in our customers' lives and lifestyles, providing them with value in various ways, even after the sale is complete.

Promote rental management that helps maximize owner asset value

Become a long-term, stable business partner for rental housing

Three Key Themes

① Increase property management contracts for Daiwa Living

- Aim for 69% to **80%** involvement in rental management of rental housing built by the Company

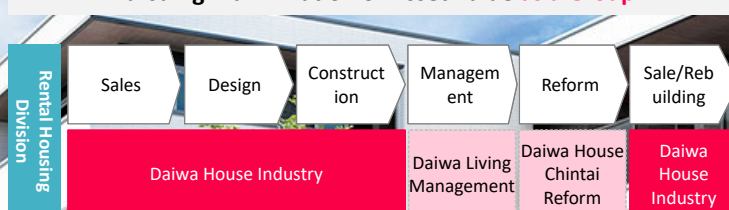
② Increase rental property reform projects for managed properties

- Daiwa House Chintai Reform started business on April 1

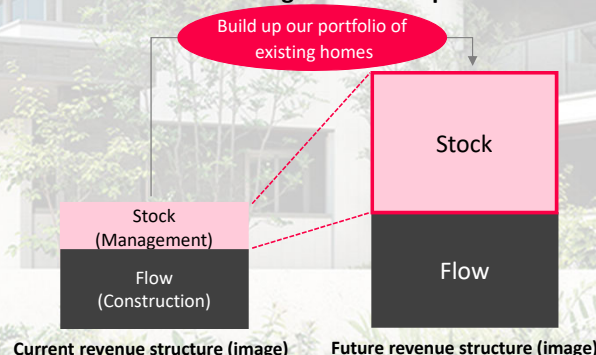
③ Strengthen proposals to increase the value of managed properties

- Maintaining a high occupancy rate by increasing the value of properties
(Occupancy rate as of the end of March 2021: **98.2%**)

Pursuing maximization of Asset Value as a Group



Increase ratio of existing homes to expand revenues



In the Rental Housing Business, this fiscal year we established a new company specializing in renovation of rental houses.

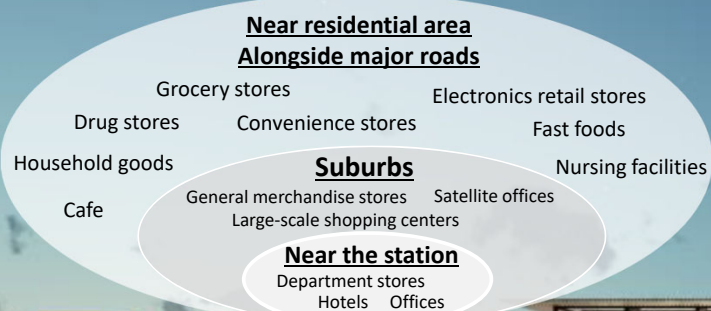
By raising the management involvement ratio of Daiwa Living for rental housing constructed by Daiwa House to 80%, we will enhance the added value for managed properties, and strove for maximizing the asset value of the approximately 1.1 million buildings that we have constructed hitherto.

People adopting lifestyle of living close to work, changing in demand for lifestyle-oriented stores
in locations near residential areas

Market needs shifting to nearby small stores
from large stores around stations



Boost operation with 3 types of stores
in line with changes in market



- ① Reinforce **next-generation roadside specialty stores** for existing major tenants and customers
- ② Focus on development of **power centers** assembling category killers (specialty discount stores)
- ③ Develop more **neighborhood shopping centers (NSC)** with supermarket as core tenant

NSC example: Kasugai Shopping Center

In the Commercial Facilities Business, triggered by the COVID-19 pandemic, telework is becoming increasingly established, and there is rising demand for consumption within the sphere of everyday life.

This trend seems likely to continue into the future.

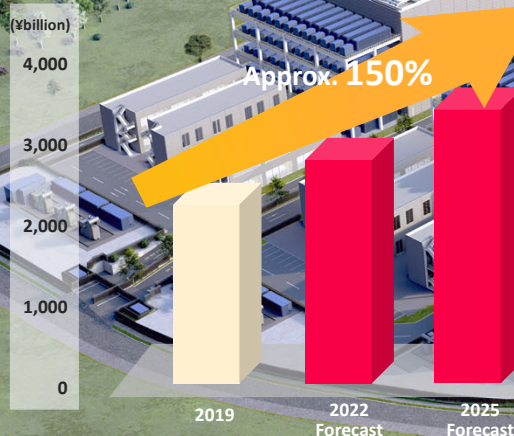
Our strength originally lay in development of roadside locations, and we are confident that we can better respond to demand from tenant companies, who are increasingly eager to open suburban outlets.

Active development of data centers as a new growth area

Focus particularly on those in suburban areas, leveraging our expertise accumulated in logistics facilities development

Data center business market forecasts (Japan)

Source: Fuji Chimera Research Institute, Inc. "Data Center Business Market Survey 2021"



**Chiba New Town
Data Center Park Project (tentative)**

Total site area	Approx. 235,000m ²
Total floor area	Approx. 330,000m ²
Total construction period	From Oct. 2020 to 2030 (scheduled)

 **AIRTRUNK**

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Next we will discuss some initiatives being undertaken by the Logistics, Business & Corporate Facilities Business, which is our growth driver.

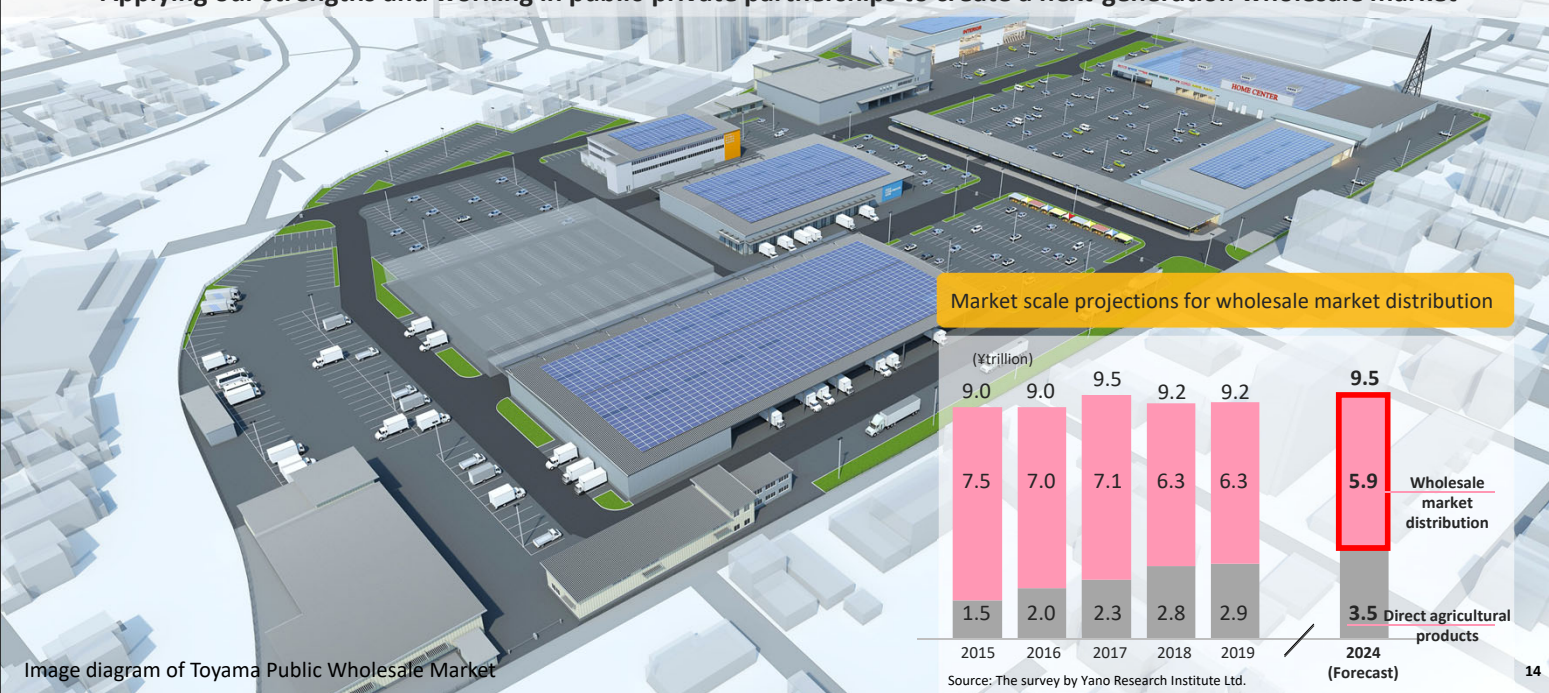
Construction of the Chiba New Town data center park, the largest data center in Japan, has already started last year, to be completed for 2030. This is a project of major importance, involving not only construction, but also facilities work and management, with a potential project size of approximately ¥500 billion.

Data centers such as this one are expected to be a segment of high demand going forward, and we will promote them actively in areas all over the country.

Moreover, by enhancing the construction system we will develop another “D Project” second in size only to logistics facilities.

The wholesale market is socially critical infrastructure that supports food and maintaining functionality is a serious social issue

Applying our strengths and working in public-private partnerships to create a next-generation wholesale market



We have also positioned the redevelopment of municipal wholesale markets as a growth area.

First, in Toyama, we launched the business as a cooperative initiative working the public-private partnership, involving local government and market stakeholders.

Under our unique proposal, which combines both commercial facilities and retail outlets, the project would have an estimated total cost of ¥10 billion, and would open in 2025.

Currently there are more than 200 municipal wholesale markets nationwide, and the obsolescence of the facilities is becoming a problem. Declines in the functionality of wholesale markets, which are thought to account for approximately 60% of agricultural product distribution, could become a significant societal problem going forward.

By leveraging the advantage conferred by having branches and offices all around the country, Daiwa House will launch initiatives to revitalize these facilities as a project to support Japan's food supply.

Aiming to expand to a business scale that supports our group's growth, advancing office development by the previous fiscal year and planning for 400 billion in net sales in FY2021

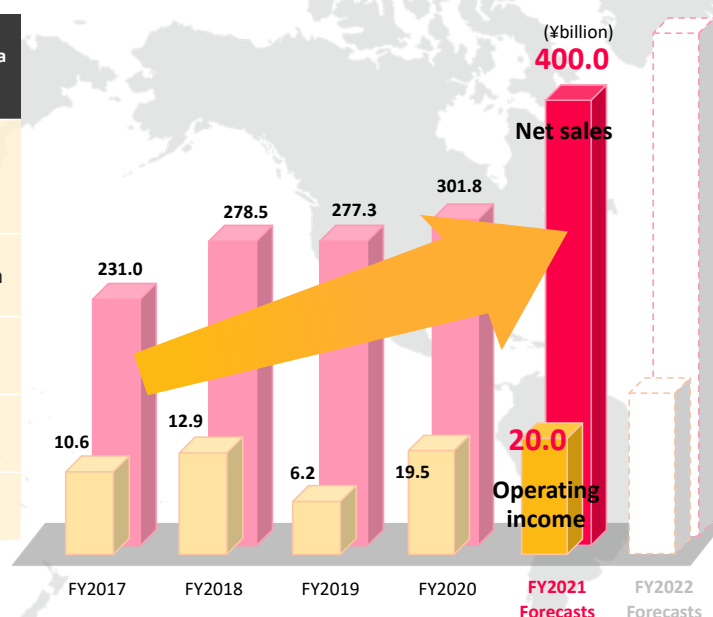
Strengthen area management and governance structure to develop into a part of business portfolio

Area/Segment	Single-Family Houses	Rental Housing	Condo-miniums	Logistics, Business & Corporate Facilities	Commercial Facilities
USA	●	●	○	○	○
ASEAN+ South Asia	△	△	●	●	Research
East Asia	△	×	●	Research	○
Australia	●	△	○	Research	×
Europe	Research	Research	Research	○	×

These are current classifications and may change in the future.

<Notes>

● : Focus ○ : Continue △ : Under consideration × : Not considered for the time being



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This page explains the outlook for overseas business.

Up to the previous fiscal year, we had established bases in five areas, and had built management and governance systems in each area.

We will set priority segments for each area and expand the business.

The United States and ASEAN in particular have been designated as growth markets.

For the current fiscal year, we are forecasting Group sales of ¥400 billion.

Aggressive business development despite the COVID situation,
sold 3,907 new homes in 2020, with total revenues of \$1.5 billion
Also has been named BUILDER magazine's prestigious 2021 national "Builder of the Year"

Joined the Daiwa
House Group
February 2017
Subsidiary of Daiwa House USA

3,907 units

2001 2005 2010 2015 2020

Stanley-Martin Net Home Sales

Accelerated Growth, Quick Business Pivots and Attention to Customer Needs During Unique Year

"This prestigious award recognizes leaders within the homebuilding industry who exemplify a passion and commitment to excellence in new-home construction."
"Stanley Martin Homes is a premier homebuilder with a dedicated team that designs homes of enduring quality, innovation and the highest standards in building. We are honored to select them as the 2021 Builder of the Year."

Zonda CEO, Jeff Meyers



BUILDER is the No.1 brand
serving the largest, most qualified
audience of builders in the
residential construction industry.

In addition, Stanley-Martin, which became part of the Daiwa House Group in 2017, was chosen as 2021 "Builder of the Year" by the most influential industry magazine in the United States.

Stanley-Martin impressed observers by surging from 32 in the rankings for the number of delivered houses in the previous year to 21 in 2020, despite the COVID-19 pandemic.

Stanley-Martin, which shares the Daiwa House manufacturing ideals, is conducting joint research with the Company for the "industrialization of construction," which is the corporate mission of Daiwa House. We are currently working out a strategy for providing high-quality housing, quickly, and at a fair price to the people of America.

Furthermore accelerate efforts to resolve social issues through urban development

Maintain position as an industry leader by fulfilling our responsibilities as a group that creates places “to live”

The SDGs on which we will focus



Promotion of Ko“Re”Kara City Project, living with the Environment

**Funabashi Grand Oasis” completed in March 31, 2021

Rental housing “Royal Parks Funabashi”



Resident electricity and common area lighting supplied through 100% renewable energy

Multi-use commercial facilities “FORTE Funabashi”



Renewable energy used as power source for construction of residential district and commercial facility

Urban development that coexist with the environment using **100% renewable energy** *1

Promotion of Livness Town Project, living with the Society

Kamigo Neopolis “Green Slow Mobility Demonstration Project”



Yokohama City SDGs Certification Program *2

Y-SDGs
—supreme—



Neopolis Redevelopment
Creating a sustainable city where everyone is a key contributor

*1: Establishing as net renewable energy by adding a non-fossil certificate (with tracking) to FIT electricity.

*2: March 31, 2021, certified Y-SDGs Supreme (highest rating) by the Yokohama City SDGs Certification Program © 2021 Daiwa House Industry Co., Ltd. All rights reserved.

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In addition, our group has been actively promoting initiatives for SDGs.

In order to fulfill both our responsibility as a manufacturer and our responsibility for manufacturing in relation to the goals of Environment and Society, for which we are making special efforts, we are further accelerating initiatives aimed at achieving sustainability, such as “urban planning” and “product development for complete reuse”.

As for the Ko“Re”Kara City Project, the “Funabashi Grand Oasis” was completed on March 31, 2021 as Japan's first urban development project with 100% renewable energy.

Also, we have established a dedicated department for the Livness Town Project, and will undertake full-scale redevelopment of the Neopolis projects that we developed in the past.

Accelerate further energy conservation, energy creation, and reduction CO₂ emission efforts to achieve EP 100, RE 100, and SBT

Full realization of “Net zero greenhouse gas emissions by 2050”

Progress of the international initiatives

Theme	KGI	2021 targets	2020 forecasts	2030 targets	Long-term goals
Reduction CO ₂ emissions (SBT)	Greenhouse gas emissions	-30% from FY2015 (per sales unit)	-38% from FY2015 (per sales unit)	-50% from FY2015 (total)	2050 year Challenge to achieve Net Zero
Energy conservation (EP100)	Energy efficiency (=Consolidated net sales ÷ Energy consumption)	1.3 times from FY2015	1.45 times from FY2015	2.0 times from FY2015	—
New energy creation (RE100)	Renewable energy generation rate (creation) (=Renewable energy generation volume ÷ energy utilization volume)	100%	138%	(100% or more)	(To consuming internally)
	Renewable energy utilization rate (use) (=Renewable energy utilization volume ÷ energy utilization volume)	7% (25% on a non-consolidated basis)	8.3% (31% on a non-consolidated basis)	70%	2040 year 100%

Further accelerate decarbonization in our corporate operations

Ex.1 Daiwa House Group Future Value Co-Creation Center



<Energy conservation>
pursue ZEB for our newly constructed facilities

Ex.2 Daiwa House Nara factory



<Rate of introduction of renewable energy*>
Office: 81.7%
Housing exhibition: 68.7%
Factory: 44.4%
Construction site: 85.8%

*Based on the number of facilities on a non-consolidated basis as of February 2021

Energy efficiency to **double 10 years ahead of schedule**
Renewable energy generation rate to **achieve target 10 years ahead of schedule**
Renewable energy utilization rate revised upward to **70% in 2030**

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Next we have a progress report on the international environmental initiatives in which Daiwa House participates.

For CO₂ reductions, we are aiming at halving the level by 2030, and achieving Net Zero by 2050.

With regard to energy conservation, we have changed the plan to one of achieving the long-term target of doubling energy efficiency, 10 years ahead of schedule.

The renewable energy generation rate already exceeds 100%, but for the renewable energy utilization rate, which is the real issue, we are targeting 100% by 2040.

Specifically, we will promote a shift to zero energy usage in facilities, beginning with the new training center that is scheduled to open this fiscal year, and including our factories, offices, and exhibition spaces, thus significantly raising our renewable energy utilization rate.

Targeting net sales of ¥4,300 billion, operating income of ¥320 billion, and net income of ¥215 billion

Also working to improve capital efficiency and enhance shareholder returns while maintaining financial soundness

Earnings forecasts

(¥billion)	FY2020 Results	FY2021 Forecasts
Net sales	4,126.7	4,300.0
Operating income	357.1	320.0
Ordinary income	337.8	316.0
Net income attributable to owners of the parent	195.0	215.0

Capital policy / Shareholder return

ROE	ROE target: 13% or higher
D/E ratio	Appropriate financial leverage Debt-equity ratio: around 0.5
Dividend payout ratio	Shareholder return: Dividend payout ratio of 30% or higher

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For fiscal 2021, we forecast net sales of ¥4,300 billion, operating income of ¥320 billion, and net income of ¥215 billion.

Our capital policy and shareholder return are “ROE target 13% or higher”, “Debt-equity ratio around 0.5”, and “Dividend payout ratio of 30% or higher”.

We are also working to improve capital efficiency and enhance shareholder returns while maintaining financial soundness.



Creating Dreams, Building Hearts

In fiscal 2021, the spread of COVID-19 caused major changes in our lifestyles.

Over the past 12 months we have been made to feel keenly once again the preciousness of “living,” and have been made to think about the Daiwa House Group’s mission, and its raison d’être as a provider of the “home” that is a basic part of people’s lives.

Going forward, with the theme of “to living” we will aim to Creating Dreams, Building Hearts and be a group that co-creates value for individuals, communities and people’s lifestyles.



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.

(End)