



Daiwa House®
Group

Presentation on Management Policies

FY2022 2Q

November 14, 2022

Daiwa House Industry Co., Ltd.
Code No: 1925 (Prime market of the Tokyo Stock Exchange)



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**Bring joys to customers all over the world as a group that
co-creates value for individuals, communities, and people's lifestyles**



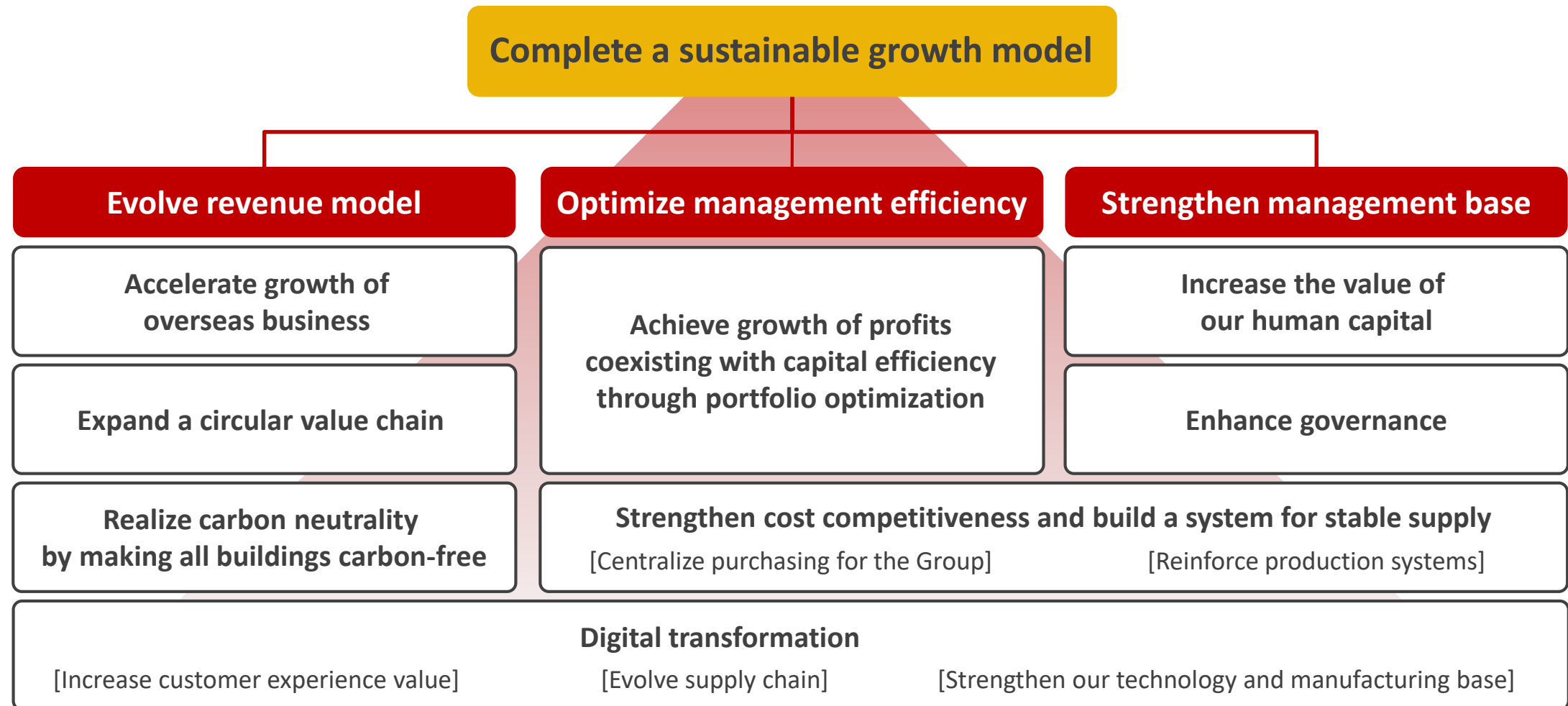
**Building hearts with over
30,000,000 customers**

A cumulative total number of customers living in single-family houses, rental housing and condominiums built by the Company and members/annual users of the Group's facilities

Complete a **sustainable growth model**
that maximizes both business value and social value over the long-term



Toward realizing a sustainable growth model, we uphold **3 management policies**,
and tackle **8 focal themes** under the policies



Revised the full-year plan upward in light of the 1st-half results and the 2nd-half forecasts

Overseas business are progressing steadily

In domestic, **Hotel and fitness club operation business is recovering**

(¥billion)		FY2021	FY2022		vs. initial forecasts	YOY
		Results	Initial forecasts	Revised forecasts		
Net sales		4,439.5	4,580.0	4,760.0	+3.9%	+7.2%
	for overseas	445.1	600.0	730.0	+21.7%	+64.0%
Operating income		332.2	350.0	360.0	+2.9%	+8.3%
*	for overseas	26.1	55.0	55.0	-	+110.4%

*Excluded amortization of actuarial differences of retirement benefits

Diversify initiatives for medium- to long-term growth centering on the three housing companies
Despite a current downturn caused by the steep rise in interest rates, **expect growth in the medium to long term** thanks to solid potential demand for housing and supply shortage due to population growth

Topics

- **Expanding businesses in areas with high market growth potential, centering on the “smile zone.”** Select prime land for sale, while hedging risks.
- Stanley Martin **strengthens its lineup** tailored to area characteristics, **e.g., townhouse**. Promote sales of single-family houses for rent to investors in response to growing demand.
- Trumark is strong in marketing, design and urban development. CastleRock is strong inland purchasing, sales and marketing. They are **pushing to raise unit prices by offering high value-added products and diversify development schemes** (completed subdivisions/subdivision development).
- **Started joint procurement** by 3 companies. Stanley Martin increases **offsite processes**, working to improve profit margins through cost control.



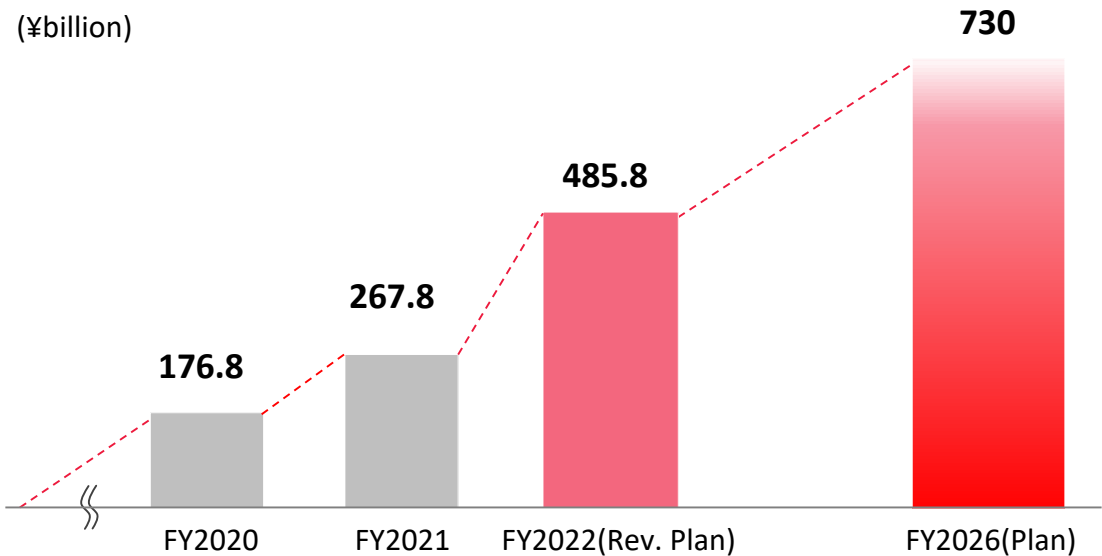
Construction example of Stanley Martin



Construction example of Trumark

Net sales trends in the US and reference indicators

(¥billion)



Reference indicators for Single-Family Houses	Number of houses sold FY2022 2Q: 2,594 / FY2022 (Plan): 6,239
	Average unit price in FY2022 2Q (incl. building and land) Stanley Martin: ¥63 million, Trumark: ¥140 million, CastleRock: ¥56 million
	OP margin in FY2022 2Q (US housing business): Approx. 10%

Steady deliveries of sold-out properties contributed to earnings greatly
While advancing ongoing projects, **carefully assess the market environment for new projects**
anticipating the 8th Medium-Term Management Plan

Topics

- Our properties have earned a high reputation for quality and services, which are based on **the know-how accumulated over many years of business development.**
- Leveraging a good reputation for our attentive management service, now **taking over management of properties developed by other companies.**
- Plan to raise **the number of properties under management to some 20 thousands units in FY2027.**
(One of the satisfaction indicators of management services, the collection rate of maintenance fee at Daiwa Baoye Property Management is as high as 95-99% (FY2021))
- With the population growth expected until 2030, demand for real estate remains strong, mainly in Shanghai suburbs in the Yangtze delta area. We are receiving invitations to bid for both construction and management projects as we are recognized as a trusted brand with high quality.

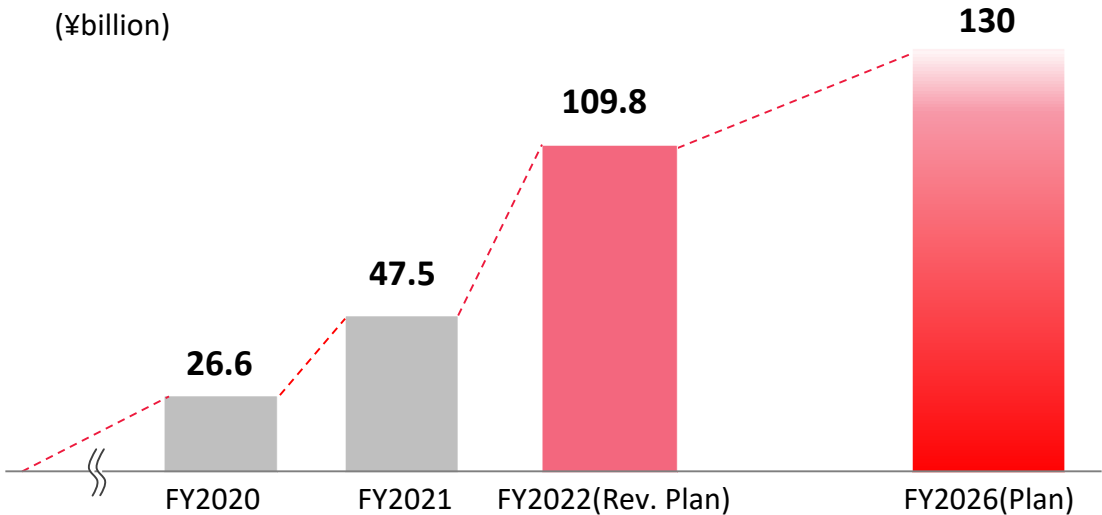


Changzhou Project II



Nangtong Project

Net sales trends in China and reference indicators

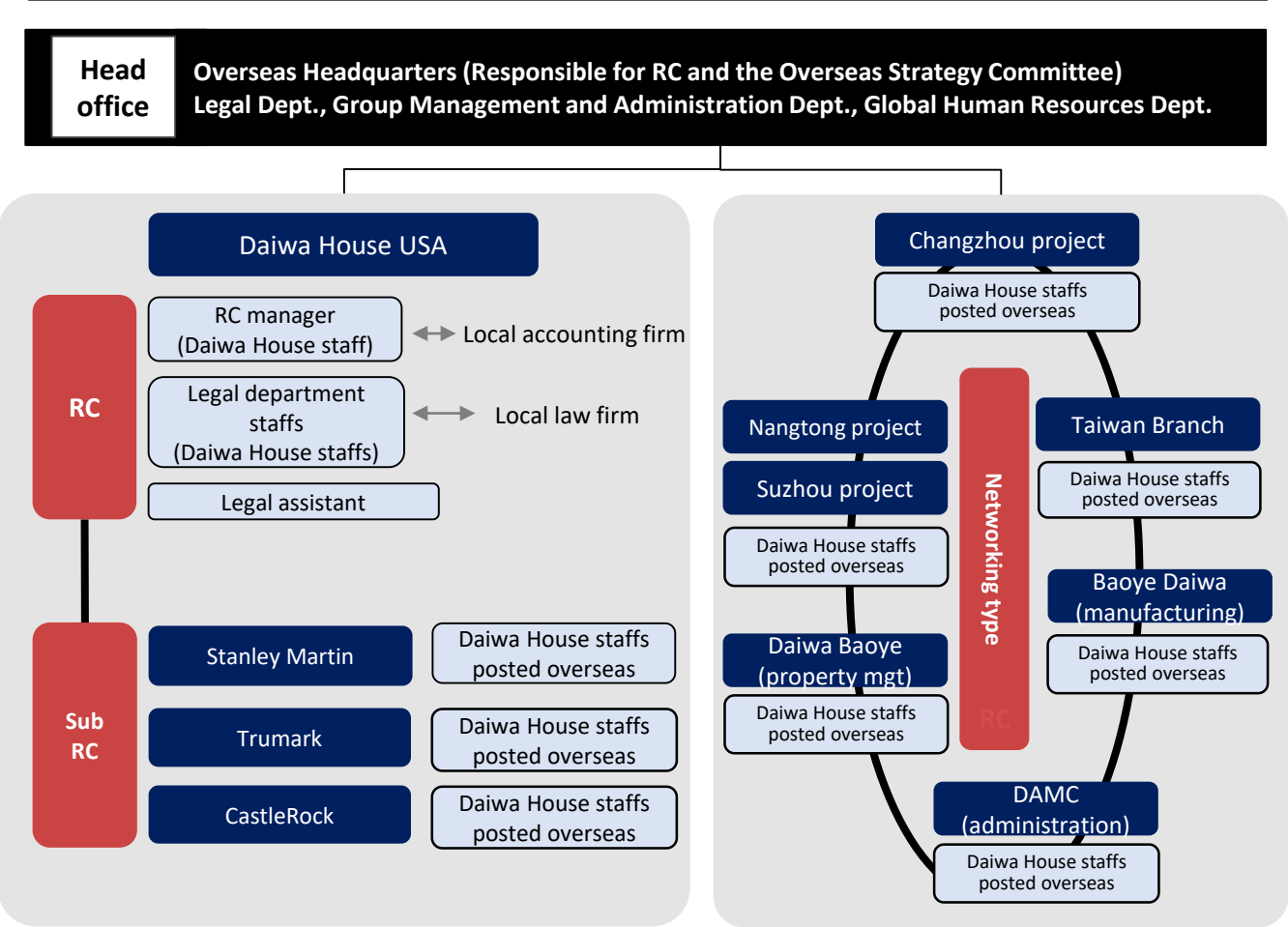


Project name	Number of unit	The status of sales	Delivery start date	Sales proceeds
Nangtong	1,480	Sold out	Nov. 2021	Collected
Changzhou II	636	Sold out	Sept. 2022	Collected
Changzhou III	967	Sales started in Oct. 2022 (Already construction started)	Jan. 2025 (Scheduled)	To be collected
Suzhou II	984	Start of sales In Nov. 2023	2026 (Scheduled)	To be collected



Aiming to accelerate business development
rooted in local communities and well-versed in their commercial practices and cultures,
continue strengthening the regional corporate (RC) functions overseas

Image of overseas regional corporate (RC) functions



Point

- Overseas headquarters supervises each region's RC function for **dual governance**.
- **Accumulate knowledge of local commercial practices and cultures** as well as local laws and regulations, to prevent risks.
- **Seek advice of Overseas Strategy Committee** in terms of both profitability and risks when considering expansion into new countries or new investments abroad.

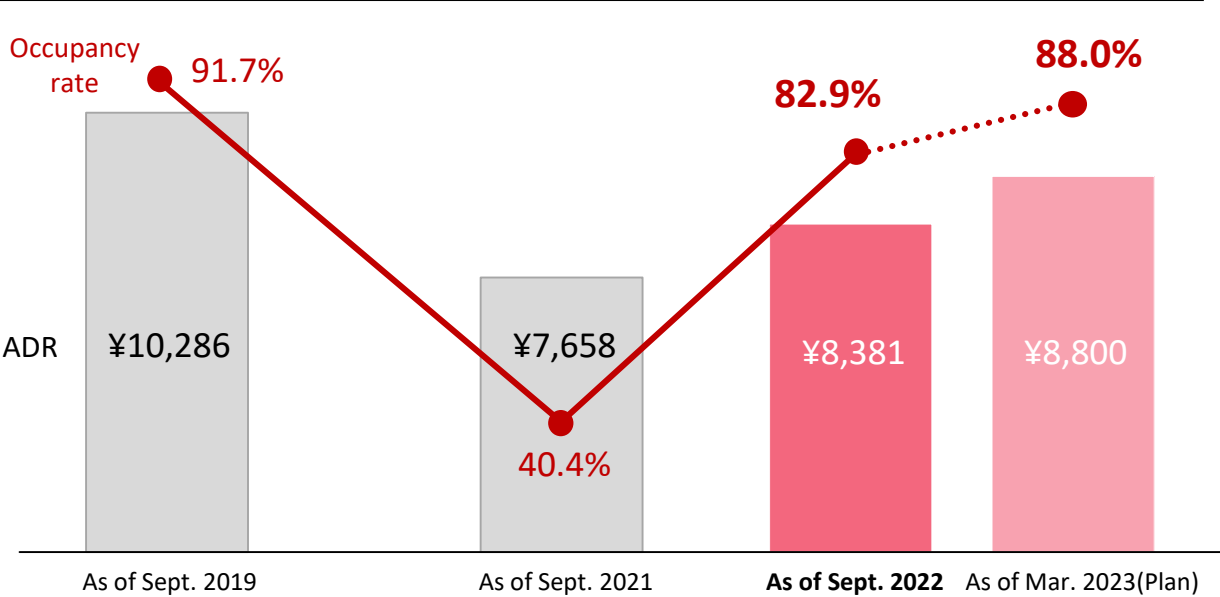
Future Initiatives

- **Increase the number of personnel** in legal, personnel and labor affairs, administration, information security, and technology at each RC site.
- Form a consultative body between the RC function of Daiwa House USA and merged companies to speed up information sharing and decision-making.
- **Strengthen risk management** (Visualize each region's country risk)

Customer traffic is recovering to hotels, commercial facilities, fitness clubs, and parking lots

High expectation for future earnings, thanks to steady openings of facilities in anticipation of post-COVID demand, while improving cost efficiency during the pandemic

Operating status of urban hotel (Daiwa Roynet Hotel*)



*Occupancy rate and ADR are calculated excluding properties managed by former Daiwa Resort

Operating states of commercial facilities, fitness club and parking



Maruei Galleria (Naka-ku, Nagoya City)

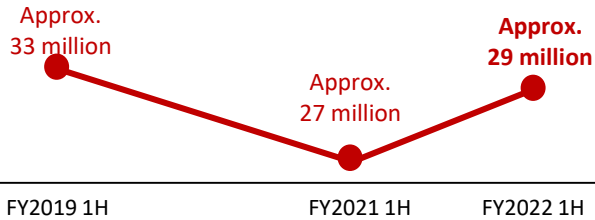


Sports Club NAS

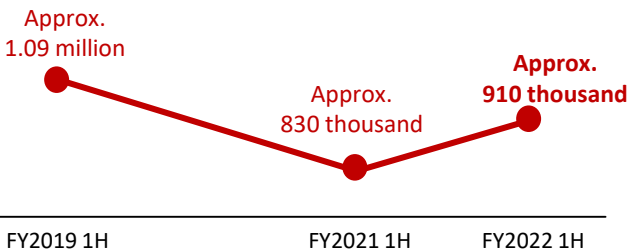


D-Parking Hamamatsu Yurinoki Dori

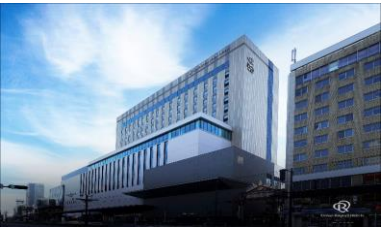
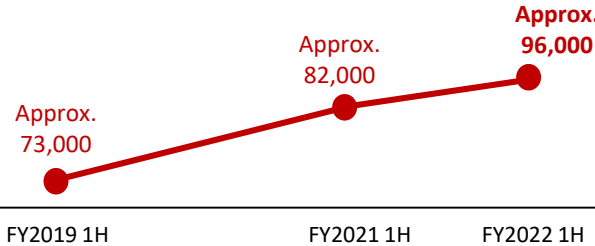
Number of visitors to commercial facilities managed by Daiwa House Realty Management



Number of sports club NAS facilities users



Number of parking lots under management



Daiwa Roynet Hotel Kagoshima Tenmonkan (Opened in April 2022)

Number of new hotel openings during the pandemic: 14 hotels

As of Mar. 2020: 66 Hotels → As of Sept. 2022: 80 Hotels

FY2020: Four properties in total (including Daiwa Roynet Hotel Fukuyama Ekimae)
FY2021: Six properties in total (including Daiwa Roynet Hotel Osaka Sakaisuji Hommachi)
FY2022: Four properties in total (including Daiwa Roynet Hotel Kobe Sannomiya Chuo-dori)



Reducing cost-of-sales ratio: Centralizing purchasing for the Group

Substantial room for reducing costs through joint procurement to eliminate purchase price differentials between Group companies, so made progress in **integrating organizations to centralize purchasing**
Minimize cost increases even in the face of soaring material prices

Centralize purchasing for the Group

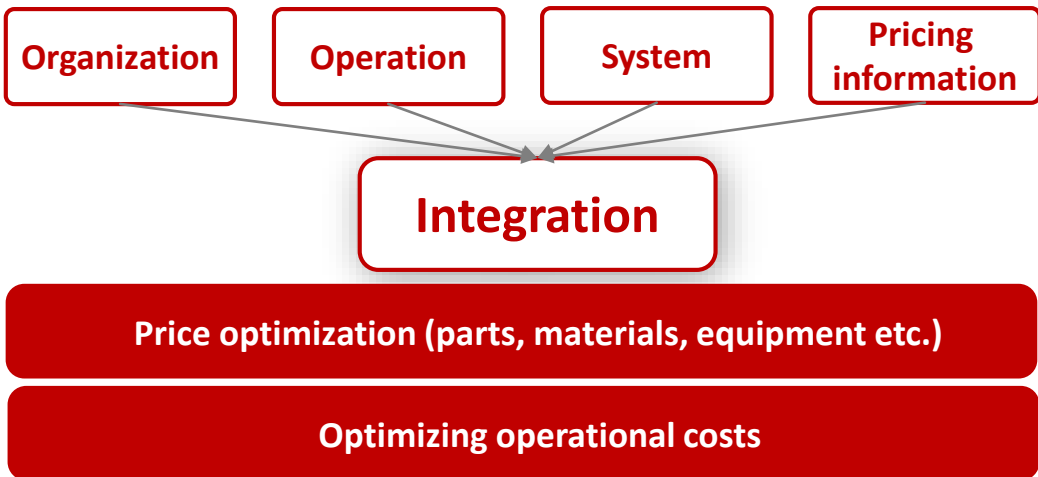
Consolidate and integrate organizations, ordering process/authorities and systems
Streamline ordering and management operations across the Group

The amount of Daiwa House (non-consolidated) allocates to centralized purchasing
Approx. ¥400 billion*
Cost increase due to soaring material prices
Focus on stable procurement of parts and materials



Progress of the project

- Analyzed each company's procurement results by material and construction type, and **confirmed a price gap of a maximum of 30%** → **Potential for early cost improvement.**
- Business field: **Gathered purchasing managers** from each company on a floor so that they can work together by sharing situations and issues that are changing from day to day.
- Housing field: **Established a Group joint purchasing site** also available for partner subcontractors, and standardized price information.



*Total of estimated purchase in FY2021



Progress in the expanding a circular value chain: Local community regeneration

Work to **revitalize life infrastructures starting from regional core cities** by leveraging the uniqueness of our long-standing business with sites across the nation, and the strength of community-based operations

Agility and community-based capabilities

Develop businesses rooted in communities centering on 15 block sites with the sites in all prefectures

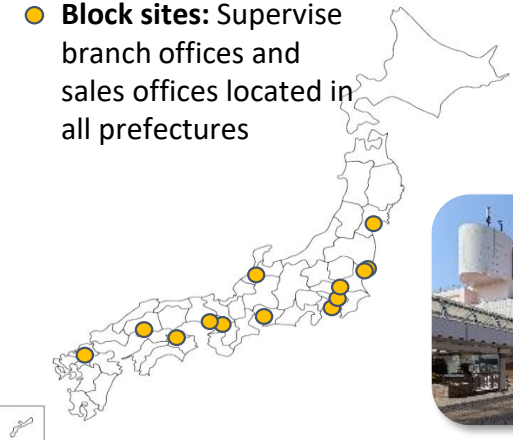
Revitalize life infrastructures starting from regional core cities

Revitalize aging life infrastructures starting from regional areas and deal with each customer in a community-based approach

Achieve a circulating society as a partner

Urban Environment & Community Creation Department is responsible for town management after revitalization to energize communities for a long term

● **Block sites:** Supervise branch offices and sales offices located in all prefectures



Iias Kasugai
Revitalization Development
(Kasugai City, Aichi Pref.)



ALPARK
Purchase and Revitalization
(Hiroshima City, Hiroshima Pref.)



Development Project
around Shin-Sapporo Station
(Sapporo City, Hokkaido Pref.)



Data Center Development
(Inzai City, Chiba Pref.)



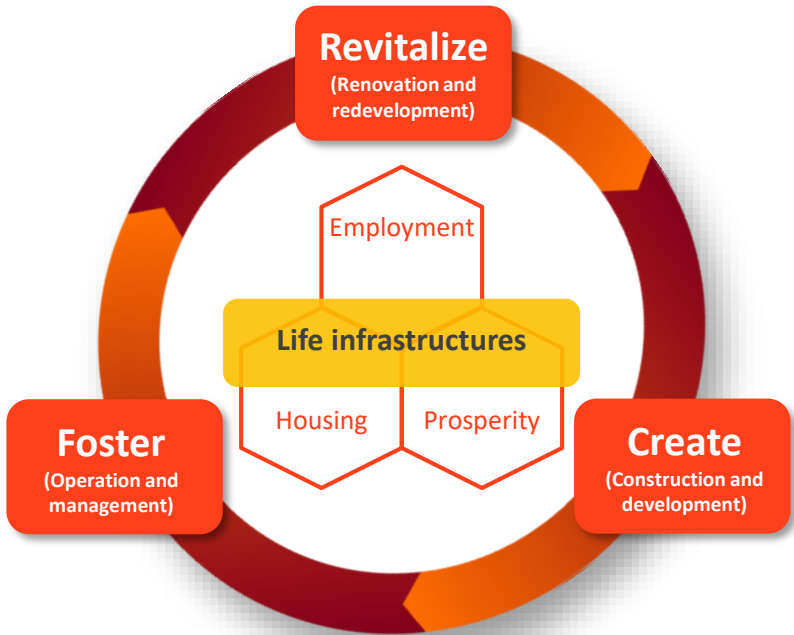
DPL Nagareyama: Logistics Facility
(Nagareyama City, Chiba Pref.)



PREMIST Shuri Kinjo-cho
(Naha City, Okinawa Pref.)



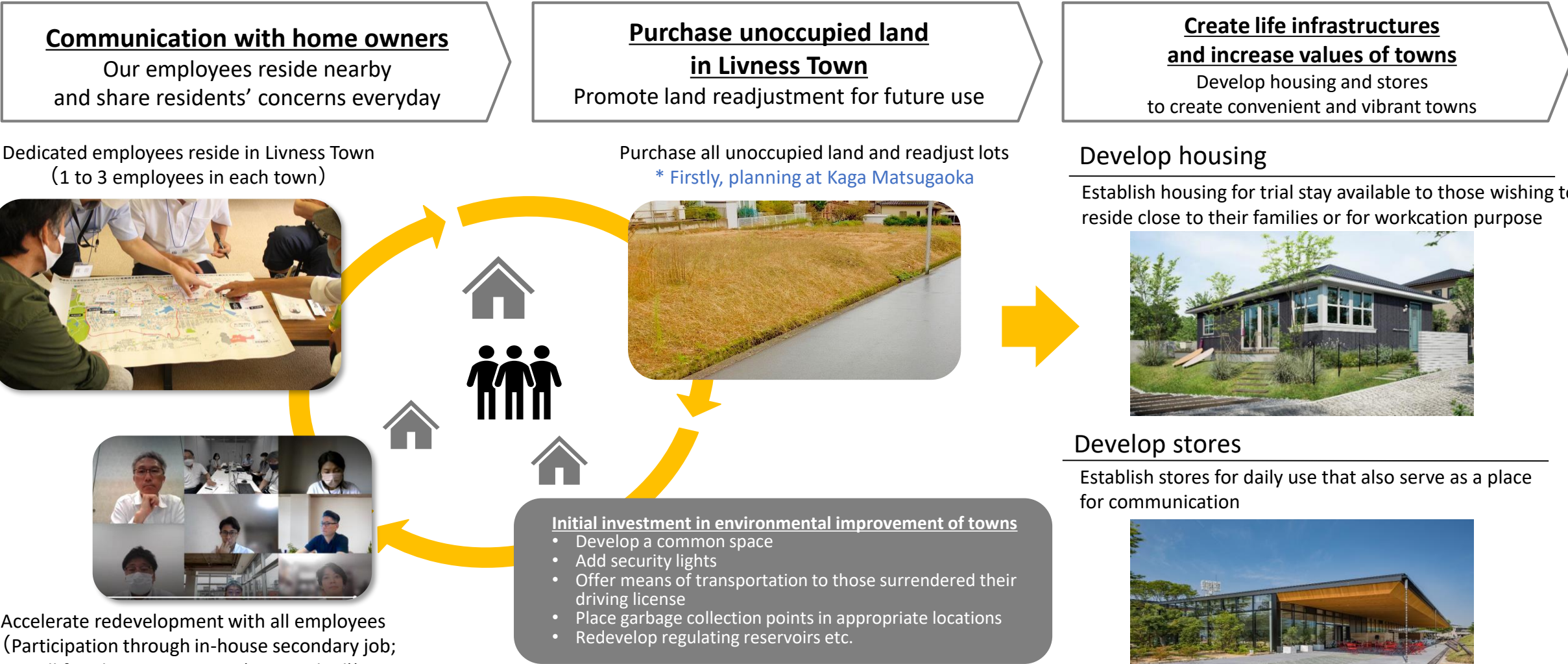
Public Wholesale Market Redevelopment
(Toyama City, Toyama Pref.)





Our employees participate as residents to reflect on responsible production,
and **face challenges of towns through daily dialogue**

Leveraging our know-how accumulated in Kamigo Neopolis and Miki Neopolis, expanding efforts to Kaga Matsugaoka



Aggressively purchase land for sale that can be offered with buildings thereon with added values and invest in large-scale development, such as logistics and commercial facilities

Hasten return of investment considering the rise in interest rates
Built-for-sale business and securitization of development projects are forecast to **contribute to performance**

5-year plan for investment and return (FY2022-2026)



Inventories (Built-for-sale business)



The sale of rental housing and lands in lots

- ✓ Invest aggressively in **overseas housing**
- ✓ Expand **built-for-sale business** to rental housing, commercial facilities, and logistics, business & corporate facilities
- ✓ Sell immediately after completion. Investment return cycle of 1 to 3 years depending on business
- ✓ **Offer project proposals referring also to land usage to avoid competition with other companies**

Development investment (Investment real estate)



Development of logistics facilities

- ✓ Invest in logistics, business & corporate facilities, commercial facilities, and rental housing as a developer, and sell properties to Daiwa House REIT, etc. after the completion and stable operation
- ✓ Investment return cycle is 3 to 5 years. We may hold some properties for a fixed period.
- ✓ **Less susceptible to soaring costs compared with construction and built-for-sale businesses**

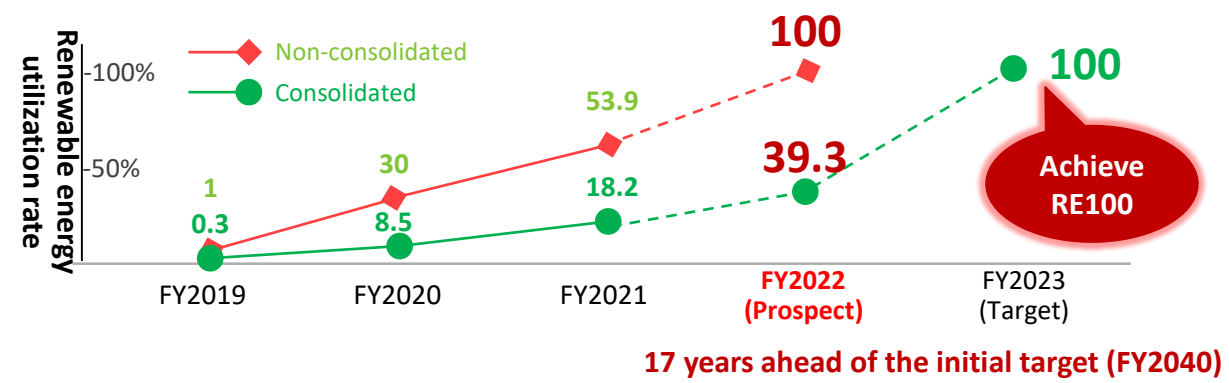
Actively promoting the carbon-neutral strategy
 under the 7th Medium-Term Management Plan **across the Group**, making **a solid start**
 Toward realizing carbon neutrality by 2050, aim to **achieve all KPI targets**

● Initiatives in business activities (scope 1 and 2)

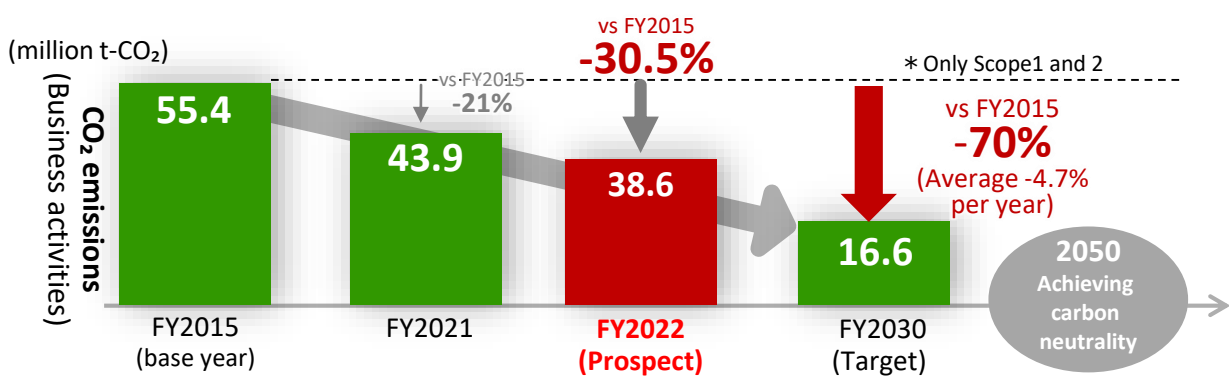
the industry's first

[KPI (1) Renewable energy utilization rate]

Achieve RE100 in FY2023 with renewable energy generated in-house as a rule



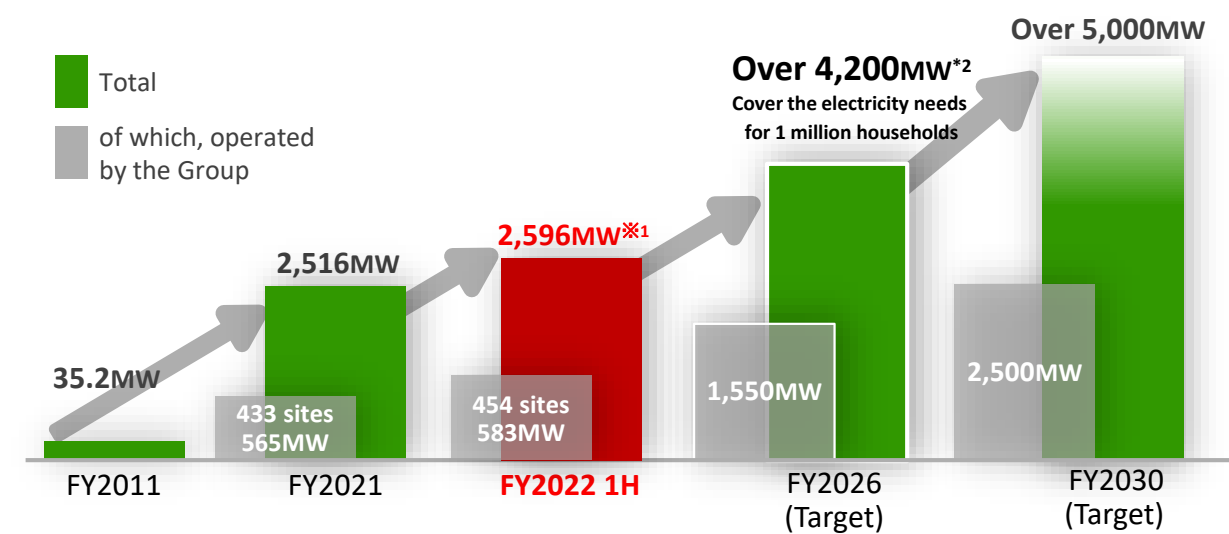
[KPI (2) CO₂ emissions reduction] -70% vs base year in FY2030



● Accelerate supply of renewable energy*1

[KPI (3) Construction results of facilities/equipment supplying renewable energy]

Over 5,000MW in FY2030



Result to date (Equivalent to output from 3 thermal plants*3) → 7th Plan and thereafter

*1 As of March 31, 2022; including construction/development projects undertaken by the Company for third parties
 *2 Calculated with average household power consumption of 4,322 kWh/year (1kW=1,100kWh)
 *3 Calculated assuming that an output per thermal plant is 800 MW.

Improve workplace so that our employees can pursue their careers while taking care of their families
by encouraging male employees to participate in child-rearing and enhancing child-rearing support programs
To customers, **propose lifestyles that allow dual-income households to grow up healthily with their children,**
by proposing Kaji (Chore) Share House



Encourage both male and female employees to participate in child-rearing



IKUMEN AWARD 2018



Propose lifestyles to customers:
Kaji (Chore) Share House

女性が輝く
先進企業 2020



Lively workplace for female employees who account for more than 30% of the Group's entire workforce

Personnel systems regarding child-rearing support programs

Next-generation care lump-sum allowance

A one-time payment of ¥1 million for each child born.
Started this system in 2005, paid to a total of 10 thousands children.
(Exceeded ¥10 billion in total)

Support male employees to participate in child-rearing

Expand personal diversity and develop their careers through daily participation in child-rearing regardless of gender. Encourage to take childcare leave by making a certain period of the leave paid.
(Childcare leave uptake (male) in FY2021: 41.9%)

Childcare and career support

Extra childcare leave is available until the child turns three years of age, beyond the childcare leave system legally stipulated. Support for early return from childcare leave and ensuring working hours after returning to work, by providing assistance in finding a nursery and babysitting subsidies.

OUR FUTURE LANDSCAPE — CELEBRATING THE JOYS OF LIFE.

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.





Daiwa House®
Group

Appendix

Progress of the strategies by business segment

- ▶ Single-Family Houses Business
- ▶ Rental Housing Business
- ▶ Condominiums Business
- ▶ Commercial Facilities Business
- ▶ Logistics, Business and Corporate Facilities Business
- ▶ Environment & Energy Business
- ▶ Reference: Market conditions and our initiatives in major overseas areas



Offer **means of communication with customers** leveraging the advantages of both **online and offline** tools
Address their various needs and concerns through lifestyle proposals enriching our customers' lives (LiveStyle Design)

Topics

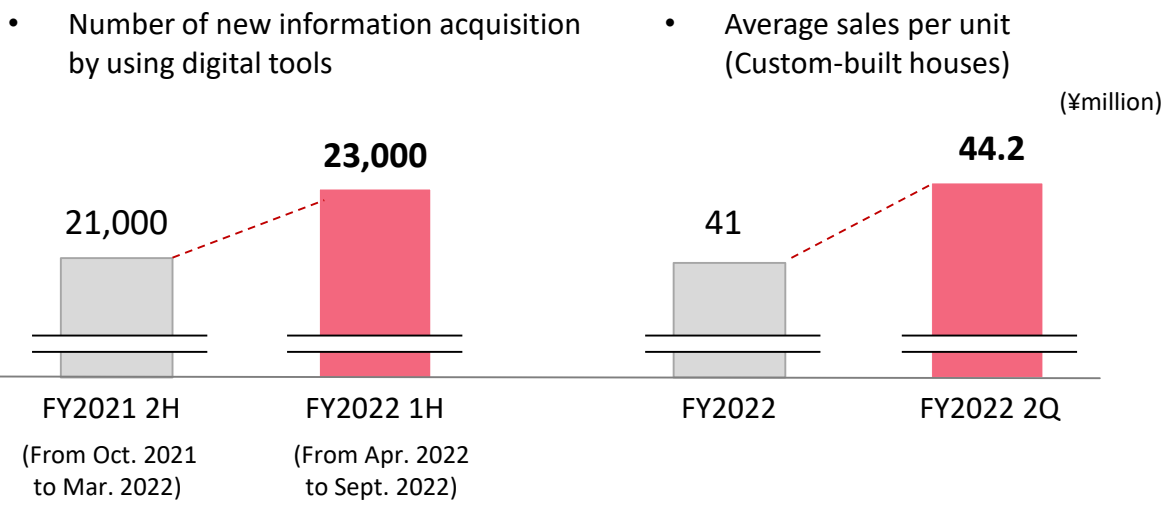
Reference indicators

Progress

- **Opened the industry's first metaverse housing showroom**
Opened a LiveStyle Shop in a commercial complex as a place to help resolve any type of housing problem, pursuing more convenience for customers
- **Start pitching a 3D fast plan (hot-selling package) in January 2023**
Design plans and exterior/interior simulations will become available using 3D data at meetings with customers

Issue

- Expand a lineup of fast plans (adding single-story plans) and use the simple cost estimation tool to streamline the design work and the entire operation
- Soaring material and commodity prices are changing consumers' sentiment. To tackle this, reduce indirect costs and offer housing at fair prices by improving operational efficiency
- Start a LiveStyle Design promotion in January 2023 as a measure to secure the number of new information acquisition



Metaverse housing showroom



LiveStyle Shop Tsukuba



3D fast plan



Increase asset value to support property owners' long-term stable management by
further strengthening coordination among construction, rental management, and renovation businesses
In Japan, launched **TORISIA**, a new product compatible with ZEH-M, and overseas, promoted development projects in US

Topics

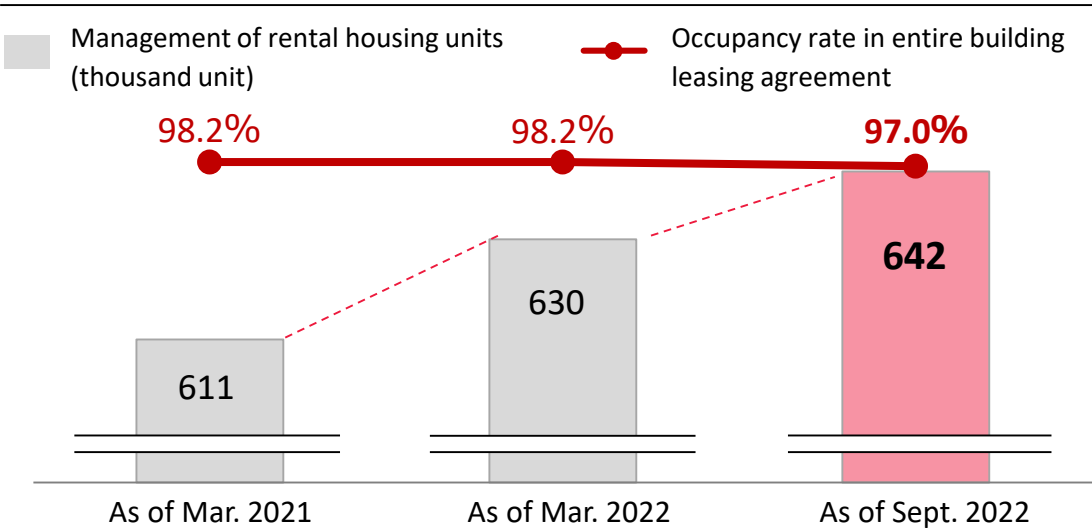
Progress

- Launched TORISIA, a new product compatible with ZEH-M, with “3 sustainable values for the global environment, residents, and communities” as its concept
Support owners’ assets for a long term by offering an initial guarantee period of 30 years for structural framework and waterproof performance, while accelerating the promotion of ZEH-M
- **The rate of orders received for managing properties we built rose to 79% at the end of September (73.4% at the end of March).** The number of properties under our management also increased steadily

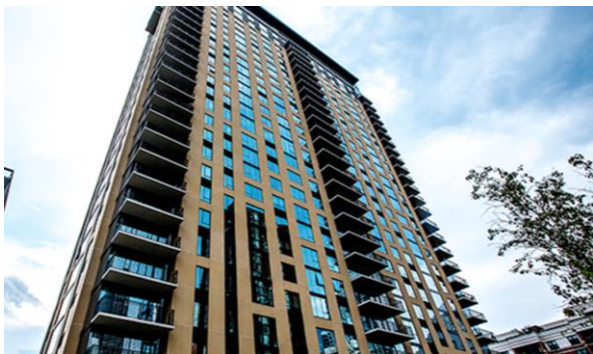
Issue

- **Advance proposals for renovation to meet market needs**, in order to maintain and increase rents on older properties
Offer packaged plans, and share internally best practices and expertise
- In overseas businesses, **build a well-balanced portfolio of properties**, considering exit strategies. Combine a type and size fit for each area, e.g., low-rise properties in suburban areas and high-rise ones in downtowns

Reference indicators



TORISIA (e.g., three-story, equipped with solar panels)



“Aurelian” (Chicago, Illinois)



Focus on redevelopment/rebuilding/multi-use development projects
 with good prospects and **purchase** and commercialize only **quality properties**
 Continue developing and providing **high value-added condominiums** to maintain customers' asset value

Topics

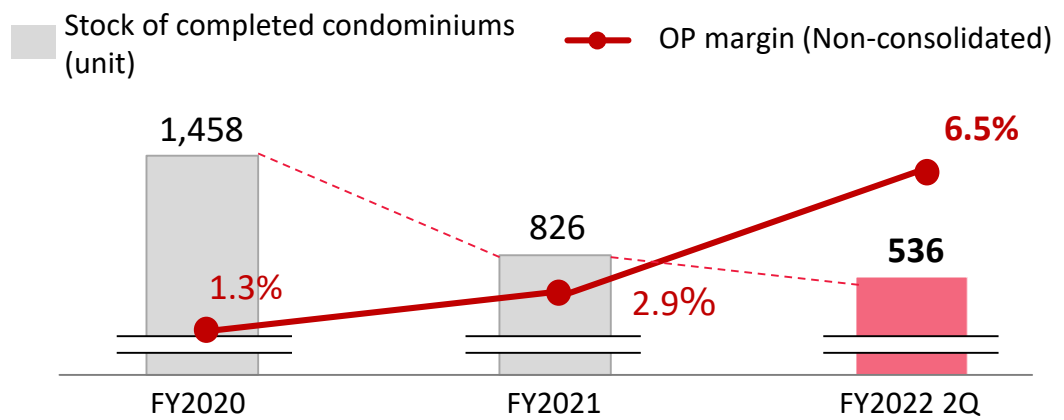
Progress

- Reinforced efforts for high value-added projects considering future asset values
- Daiwa LifeNext won the first place in the comprehensive strength section in the condominium management companies ranking*, in recognition of the quality management and generous follow-up service
- Secured earning sources other than ordinary condominiums (e.g., redevelopment project / revitalization of office buildings)

Issue

- Accelerate sales by strengthening the sales personnel for selling new properties, aiming to optimize completed inventory
- Develop large-scale and high-priced condominiums and reduce SG&A ratio to improve profit margins

Reference indicators



Examples of condominiums with high added value

Residence in the Ryukyu architectural style on the hill leading to the Shuri Castle Park

Subdivision PREMIST Shuri Kinjo-cho
 Location Naha City, Okinawa Pref.
 Lots 73 (3 floors and 1 basement)



Both comfort and energy saving

Subdivision PREMIST Tower Utsubo Honmachi
 Location Osaka City
 Lots 350 (36 floors and 1 basement)

Conforming to ZEH-M oriented

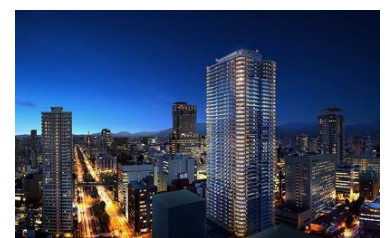


Completion image



Large-scale complex redevelopment project

Subdivision ONE Sapporo Station Tower
 Location Sapporo City, Hokkaido Pref.
 Lots 624 (48 floors and 2 basements)



*Complied by Economic journal "Diamond" issued in June 4, 2022



Customer footfall recovered in stock businesses (hotels, fitness clubs, and parking lots),
which had been affected by COVID-19. **Offered a wide variety of complex business ideas on optimally**
leveraging a land property in built-for-sale business and real estate development and met corporate tenants' needs

Topics

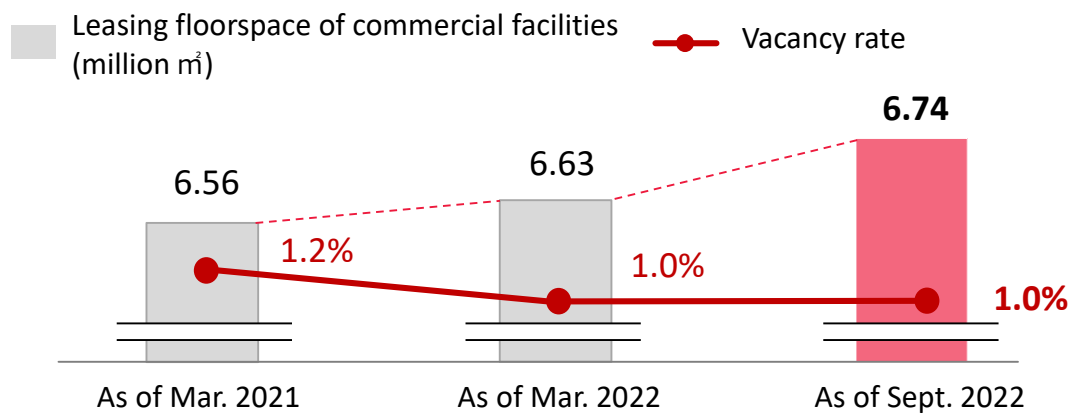
Progress

- Promoted **development of complex commercial facilities in suburban areas, purchase, and renovation.** Increase in the size of each building resulted in higher price per order. We also addressed needs for opening new facilities, such as nursing care facilities for the elderly with specified diseases
- As customer footfall is recovering following the relaxation of behavior restrictions, our hotels, fitness clubs, and parking lots see improvement in performance. **Government's travel assistance program and easing of immigration restrictions are expected to fuel such a trend**

Issue

- **Capture new demand such as for offices and foreign-affiliated hotels.** Also accelerate pitching high value-added proposals on optimally leveraging a land property in built-for-sale business and real estate development
- Combat soaring material prices by centralizing purchasing for the Group and reduce costs. Improve our **automated design tool for systemized construction utilizing BIM** (building information modeling; up 30% in design productivity compared to the former model)

Reference indicators



*Refer to page 10 for reference indicators for hotels, fitness clubs, and parking lots (operational status)



Office buildings in regional core cities
(Nagoya City, Aichi Pref.) (Yokkaichi City, Mie Pref.)



Commercial facility as a public-private partnership project
(BRANCH Chofu, Tokyo)



Continued active investment in logistics facilities, which are demanded strongly over the long term backed by growing e-commerce demand and needs for raising logistics efficiency and for facilitating a last mile delivery
Orders also increased for **new in-demand facilities, such as data centers and semiconductor factories**

Topics

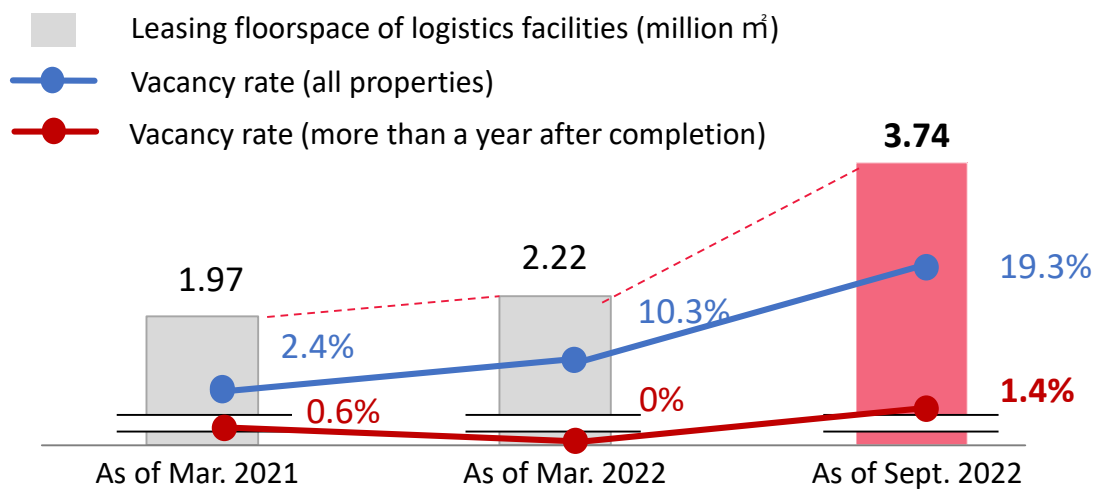
Progress

- **Corporate capital investment in Japan is recovering**
- Logistics facilities business is expected to be firm in the medium to long term backed by growing e-commerce demand and needs for raised logistics efficiency
- Increasing orders **for data centers, semiconductor factories** with market growth potential. Aiming to establish a new pillar of business by increasing actual results
- Promote reconstruction and revitalization projects for **food factories in response to HACCP compulsory** and **medical and nursing care facilities which do not meet current earthquake resistance standards**

Issue

- Vast supply of logistics facilities will continue in the Tokyo metropolitan area until 2023. Honing our strength of leasing capabilities, **improve occupancy rates of completed properties**
- Establish a business base to handle **projects requiring high degree of technical expertise**, such as data centers and semiconductor factories. Not just strengthening technical staff, we also accelerate accumulating know-how by establishing a construction committee for each project
- To cope with rising cost-of-sales ratio, pass costs on to selling prices and devise value engineering and cost cutting measures

Reference indicators



Data center: Plan at a total project cost of ¥ 200 billion (20 buildings) until FY2030



Data center
(DPDC Shinagawa Konan Site; Tokyo)



Semiconductor research facility
(D-Lab Shin-Koyasu; Kanagawa Pref.)



Logistics facility
Construction: Fujita
(DPL Meiko Yatomi II; Aichi Pref.)



Planning on **investing ¥100 billion** by FY2026 in environmental businesses that contribute to be decarbonization of customers and society
Realize both business growth and acceleration of renewable energy generation by **expanding offsite PPA business**
to prepare for the end of Japan’s feed-in tariff (FIT)

Topics

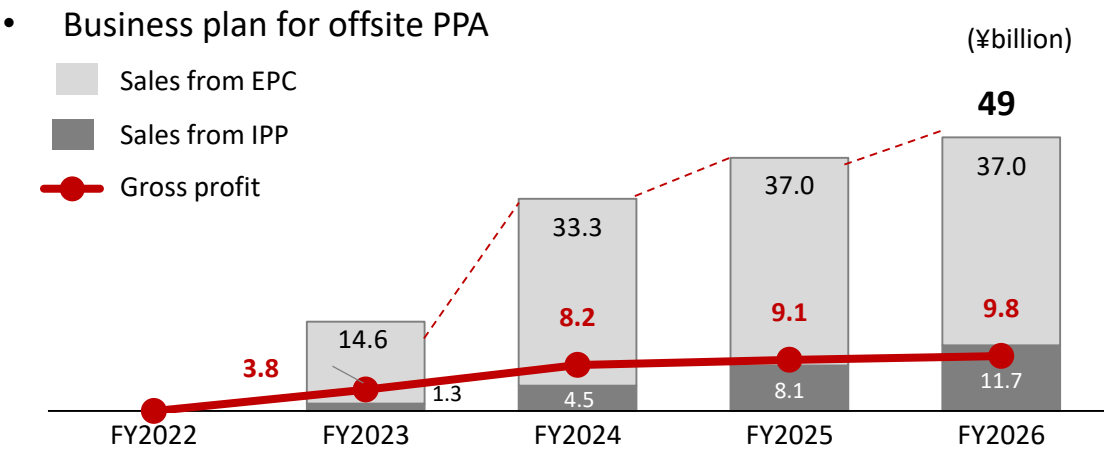
Progress

- Focused on offsite PPA that supplies “raw” renewable energy from a distant location via the grid
- Promoted offsite PPA business by leveraging our uniqueness, in which we explored optimal sites as the top priority
- Aggressively installed solar panels (onsite PPA) on the Group’s newly constructed buildings, maximizing their “rooftop value.” Strengthened coordination in the Group and supported corporate customers’ environmentally conscious management

Issue

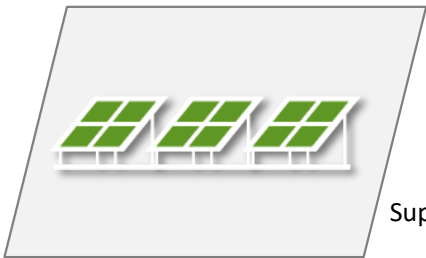
- Demand is declining for EPC contract work for power plants, such as mega solar. We must turn other alternative projects profitable as soon as possible
- Fuel costs continue to soar, putting downward pressure on profitability of PPS

Reference indicators



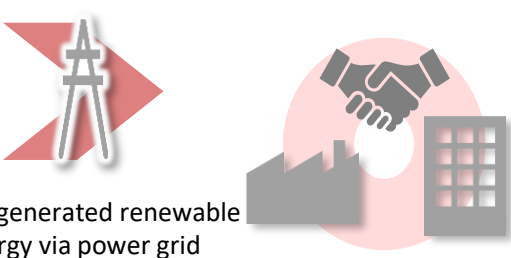
Our uniqueness (1)

Obtain land information on our own using the nationwide business network and secure sites suitable for building power generating stations



Our uniqueness (2)

- Multiple exit strategies for renewable energy
- Hold and sell power generators (Asset turnover)



Supply generated renewable energy via power grid



US

- ✓ The economic situation remains tough for us. GDP growth shrank for two consecutive quarters on the back of increased risk of recession, a tight labor market, and a rapid-fire series of steep interest rate increases on high inflation.
- ✓ In the housing market, too, the latest indices with implications for housing demand are worsening across the board. With the FOMC likely to continue raising interest rates, we believe the market is entering a broad adjustment phase and see little chance of a recovery before the current round of monetary tightening plays out.
- ✓ Given this business environment, we have responded flexibly. Steps we have taken include **(1) launching sales of packages of lots for development to institutional investors, (2) continuing with work to offsite certain tasks (“industrialization of construction”) and stepping up joint procurement and engagement in other cost-cutting efforts, and (3) taking a more selective approach to land acquisition.**
- ✓ For the medium to long term, we believe the market will eventually return to normal, given a dearth of standing inventory and **solid pent-up demand among millennials in particular**; so, we will be carefully selecting tracts for projects with strong prospects that we can start developing and selling just as the market settles back down.

China

- ✓ As long as China maintains its zero-covid policy conditions will demand vigilance with particular attention to economic policy and other relevant factors, including risk of a slowdown. However, over the medium to long term, we believe demand for real estate will remain solid on good prospects for economic growth: **China’s population is set to continue growing until 2030, and there are still many localities where urbanization is yet to get underway.**
- ✓ In this business environment Daiwa House Industry, building on the expertise it has accumulated in Japan, has the Group assume responsibility for **business aspects from selecting land for projects to real estate development, post-purchase services, and property management. This gives us advantages over the competition, and our brand is firmly established on the ground, especially in Jiangsu Province.**
- ✓ At the same time, we set up local corporate entities for each project and dispatch Japanese employees to fill roles in marketing, legal, accounting, design, and construction, thus ensuring that these local companies accumulate risk- and business-management knowhow. Additionally, we have established a Regional Corporate (RC) Council designed **to encourage sharing of this expertise among the local companies and to ensure consistent risk management across them.**



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.